ATSWA

ACCOUNTING TECHNICIANS SCHEME WEST AFRICA

STUDY TEXT

MANAGEMENT

ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA (ABWA)

ACCOUNTING TECHNICIANS SCHEME WEST AFRICA (ATSWA)

STUDY TEXT FOR

MANAGEMENT

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DISCLAIMER

This book is published by ABWA; however, the views are entirely those of the writers.

PREFACE

INTRODUCTION

The Council of the Association of Accountancy Bodies in West Africa (ABWA) recognised the difficulty of students when preparing for the Accounting Technicians Scheme West Africa examinations. One of the major difficulties has been the non-availability of study materials purposely written for the scheme. Consequently, students relied on text books written in economic and socio-cultural environments quite different from the West African environment.

AIM OF THE STUDY TEXT

In view of the above, the quest for good study materials for the subjects of the examinations and the commitment of the ABWA Council to bridge the gap in technical accounting training in West Africa, led to the production of this Study Text.

The Study Text assumes a minimum prior knowledge and every chapter reappraises basic methods and ideas in line with the syllabus.

READERSHIP

The Study Text is primarily intended to provide comprehensive study materials for students preparing to write the ATSWA examinations.

Other beneficiaries of the Study Text include candidates of other Professional Institutes, students of Universities and Polytechnics pursuing undergraduate and post graduate studies in Accounting, advanced degrees in Accounting as well as Professional Accountants who may use the Study Text as reference material.

APPROACH

The Study Text has been designed for independent study by students and as such concepts have been developed methodically or as a text to be used in conjunction with tuition at schools and colleges. The Study Text can be effectively used as a course text and for revision. It is recommended that readers have their own copies.

FOREWORD

The ABWA Council, in order to actualize its desire and ensure the success of students at the examinations of the Accounting Technicians Scheme West Africa (ATSWA), put in place a Harmonisation Committee, to among other things, facilitate the production of Study Texts for students. Hitherto, the major obstacle faced by students was the dearth of Study Texts which they needed to prepare for the examinations.

The Committee took up the challenge and commenced the task in earnest. To start off the process, the existing syllabus in use by some member Institutes were harmonized and reviewed. Renowned professionals in private and public sectors, the academia, as well as eminent scholars who had previously written books on the relevant subjects and distinguished themselves in the profession, were commissioned to produce Study Texts for the twelve subjects of the examination.

A minimum of two Writers and a Reviewer were tasked with the preparation of Study Text for each subject. Their output was subjected to a comprehensive review by experienced imprimaturs. The Study Texts cover the following subjects:

PART I

1 Basic Accounting
2 Economics
3 Business Law
4 Communication Skills

PART II

1 Financial Accounting
2 Public Sector Accounting
3 Quantitative Analysis
4 Information Technology

PART III

1 Principles of Auditing & Assurance
2 Cost Accounting
3 Taxation
4 Management

Although, these Study Texts have been specially designed to assist candidates preparing for the technicians examinations of ABWA, they should be used in conjunction with other materials listed in the bibliography and recommended text.

PRESIDENT, ABWA

STRUCTURE OF THE STUDY TEXT

The layout of the chapters has been standardized so as to present information in a simple form that is easy to assimilate.

The Study Text is organised into chapters. Each chapter deals with a particular area of the subject, starting with a summary of sections and learning objectives contained therein.

The introduction also gives specific guidance to the reader based on the contents of the current syllabus and the current trends in examinations. The main body of the chapter is subdivided into sections to make for easy and coherent reading. However, in some chapters, the emphasis is on the principles or applications while others emphasise method and procedures.

At the end of each chapter is found the following:

- Summary;
- Points to note (these are used for purposes of emphasis or clarification);
- Examination type questions; and
- Suggested answers.

HOW TO USE THE STUDY TEXT

Students are advised to read the Study Text, attempt the questions before checking the suggested answers.

ACKNOWLEDGMENTS

The ATSWA Harmonisation and Implementation Committee, on the occasion of the publication of the first edition of the ATSWA Study Texts acknowledges the contributions of the following groups of people. The ABWA Council, for their inspiration which gave birth to the whole idea of having a West African Technicians Programme. Their support and encouragement as well as financial support cannot be overemphasized. We are eternally grateful.

To The Councils of the Institute of Chartered Accountants of Nigeria (ICAN), and the Institute of Chartered Accountants, Ghana (ICAG), Institute of Chartered Accountants Sierra Leone (ICASL), Gambia Institute of Chartered Accountants (GICA) and the Liberia Institute of Certified Public Accountants (LICPA) for their financial commitment and the release of staff at various points to work on the programme and for hosting the several meetings of the Committee, we say kudos.

We are grateful to the following copyright holders for permission to use their intellectual properties:

- The Institute of Chartered Accountants of Nigeria (ICAN) for the use of the Institute's examination materials;
- International Federation of Accountants (IFAC) for the use of her various publications;
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We have made every effort to obtain permission for use of intellectual materials in this Study Texts from the appropriate sources.

We wish to acknowledge the immense contributions of the writers and reviewers of this manual;

Our sincere appreciation also goes to various imprimaturs and workshop facilitators. Without their input, we would not have had these Study Texts. We salute them.

Chairman
ATSWA Harmonization & Implementation Committee

A new syllabus for the ATSWA Examinations has been approved by ABWA Council and the various PAOs. Following the approval of the new syllabus which becomes effective from the September 2022 diet a team was constitutes to undertake a comprehensive review of the Study Text in line with the syllabus under the supervision of an editorial board.

The Reviewers and Editorial board members are:

REVIEWERS

This Study text was reviewed by:

- Professor P. O. Oladele	Federal University, Oye-Ekiti. Ekiti State
- Dr. C. N. Okolugbo	Ekiti State University, Ado-Ekiti
- Mr. S. A Enikanselu	Enikan Consult, Lagos.

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The editorial Board Members are:

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- Mr. Akeem Ishola Adeniyi	ICAN Principal Manager & HOD, ATSWA, Examinations Department

CONTENTS SUMMARY

CHAPTER ONE: NATURE OF BUSINESS

This chapter is divided into three sections. Section A covers introduction to business; meaning of business; the need for business; resources of business; objectives of business; classification of business; reasons for business failure; importance of profit in business; requirements for success in modern business; general qualities of a good businessman; legal forms of business ownership; business stakeholders and their expectations from business. Section B covers business environment; classification of the organization environment, the general environment; the task environment; and the internal environment, techniques that organisations adopt to interact effectively with its environment. Section C covers corporate social responsibility, business ethics, and corporate governance, nature of social responsibility, dynamics of social responsibility, reasons for and against corporate social responsibility, business ethics, ethical issues in business and why some managers behave unethically, guidelines for ethical compliance, ethical practices peculiar to accounting profession, possible sanctions for breach of ethical compliance in accounting profession; corporate governance, benefits of corporate governance, pre-requisite of effective corporate governance in Nigeria, problems of corporate governance in Nigeria, codes of best practices in corporate governance in Nigeria, compliance, effects and sanctions

CHAPTER TWO: MANAGEMENT THEORIES AND THOUGHTS

This chapter covers the following topics: defining management, nature, objectives and purpose of management, management as a technique, process, discipline, and profession, management functions, levels, skills and roles; management as an art or science; universality and transferability of management; measures of managerial performance, productivity, effectiveness and efficiency; modern managerial trends: Globalisation, growing importance of quality; environmentalism; growing diversity of workforce; and ethical reawakening. Also it covers the school of management thoughts, namely pre-classical thoughts, classical thoughts, behavioural thoughts, quantitative management schools /operation research/ management science approach, contemporary approaches to management thoughts and recent/emerging management thoughts.

CHAPTER THREE: MANAGEMENT PROCESS

This chapter is divided into six sections. Section A covers Planning, definition planning, meaning, principles and importance, dimensions/types of plans, planning process/steps, levels of plans, benefits, tools and barriers to effective planning, Section B covers decision making; defining decision making, characteristics of decisions, types and process of decision-making, decision-making situations and models, factors that affect decision making in groups. Section C covers organising; defining organising, meaning, nature, purpose and principles of organization, characteristics of organisations, classifications of organisations, factors influencing management choice of organisational structure, consequences of badly designed organisational structure, types or forms of organizational structure, delegation of authority, span of control and concept of organisational culture, and centralisation and decentralisation of authority. Section D covers coordination; defining coordination, meaning of coordination and state types of coordination, need and objectives of coordination, and techniques of coordination. Section E covers controlling; defining controlling, meaning, purpose/importance of controlling, link between planning and control, areas/types of control and the process of controlling, characteristics of effective control system, and characteristics of effective control system. Section F covers strategic management; defining strategic management, meaning of strategy, purpose of strategic management, strategic management process, SWOT analysis, levels of strategic management, and differentiate between corporate and divisional strategies.

CHAPTER FOUR: ORGANIC BUSINESS FUNCTIONS

This chapter is divided into four sections. Section A covers human resources management; defining human resources management, meaning of human resources management, components of human resources management, functions of human resources management, human resources planning and its processes, recruitment, selection and placement, job analysis, job design and job specification**,** training and development, performance appraisal, methods and the criteria for effective performance appraisal, wage and salary administration, components of wage and salary, objectives of wage and salary administration, principles of wage and salary administration, components of wage and salary administration, employee discipline: meaning and its features, objectives of discipline and causes of indiscipline in an organisation, industrial and labour relations, collective bargaining, grievance and dispute settlement procedures in an organisation. Section B covers production function; defining production, objectives of production, defining production management, factors to consider in plant location, functions of production management, plant layout, objectives of plant layout, principles of plant layout, factors that can influence plant layout, and production systems and their features. Section C covers marketing function; defining marketing, evolution of marketing management, functions of marketing, marketing segmentation, marketing mix using the 4Ps of marketing, and extended 7Ps of marketing**.** Section D covers finance and accounting functions; meaning of finance, meaning of financial markets, money market, capital market, role of participants in the money market, capital market, functions of money and capital markets, purpose and importance of accounting function, and structure of an accounting department in a typical organisation.

CHAPTER FIVE: MANAGING OF WORK RELATIONSHIPS

This chapter is divided into nine sections. Section A covers motivation; defining motivation, types of motivation, factors affecting motivation, motivation theories, and techniques for motivating employees. Section B covers leadership; defining leadership, functions of a leader, leadership styles, qualities of an effective leader, and types of leaders. Section C covers groups; defining groups, type of groups, defining teams, comparing groups with teams, and process of group development. Section D covers conflict management; defining conflict management, types, development and sources of conflict, and conflict outcomes and conflict management. Section E covers workplace attitude; defining attitude, defining workplace attitude- job satisfaction and job commitment, and features of work attitude that assures good performance. Section G covers communication; defining communication, communication process, types of communication and patterns and forms of organisational communication, functions of communication, principles of effective communication, and barriers to effective communication and how to overcome the barriers. Section H covers emotional intelligence; defining emotional intelligence, five major features or elements of emotional intelligence, and importance of emotional intelligence in employees' performance and career development. Section I covers management of change; defining management of change, nature and meaning of organisational change, forces of organizational change, reasons for resistance to change, and how to reduce resistance to change.

CHAPTER SIX: BUSINESS PROCESS RE-ENGINEERING

This chapter covers topics such as defining business process re-engineering (BPR), objectives of BPR, how to implement BPR, objectives of BPR, and benefits of BPR.

CHAPTER SEVEN: ORGANISATIONAL EFFECTIVENESS

The chapter covers topics such as defining organisational effectiveness, approaches of organisational effectiveness, existing models of organisational effectiveness,

CHAPTER EIGHT: OFFICE PRACTICE AND PROCEDURE, HEALTH AND SAFETY

The chapter covers topics such as meaning of an office, functions of an office, types of an office, office planning and layout, office machines and furniture, organisation and methods, forms of designing and control, information technology application in management, health and safety regulation, importance, health and safety regulations, sources of danger to health within the workplace, and safety and protection methods in an office setting.

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Learning Objectives:

After studying this section, the reader should be able to:

- Define the term business
- Explain the need for business
- Explain the resources of business
- Explain the objectives of business
- Explain the classification of business
- Explain the reasons for business failure
- Explain the importance of profit in business
- Explain the requirements for success in modern business
- Explain the general qualities of a good businessman
- Explain the legal forms of business ownership
- Explain the business stakeholders, their expectations from business

A.1 Introduction

In a free enterprise economy or a market economy, the business enterprise, otherwise known as the firm, is an important decision-making unit. The primary purpose of the business enterprise is to make profit.

However, there are decision-making units or organisations that are not established for the purpose of making profit. Such organisations are referred to as not-for-profit organisations.
Most not-for-profit organisations are established by government for the purpose of providing services for the good governance and administration of a country. However, there are decision-making units or organisations that are not established for the purpose of making profit. Such organisations are referred to as not-for-profit organisations.

Most not-for-profit organisations are established by government for the purpose of providing services for the good governance and administration of a country. However, a growing number of not-for-profit organisations exist which are not established by government. These are known as non-governmental organisations (NGOs). They provide a variety of services to different target groups in the society. Business enterprises or firms, governmental establishments and non-governmental organisations are referred to generally as organisations.

The purpose of this section is to explain the meaning of business, the need for business, the resources of business, the objectives of business, classification of business, organisations, why business fail, the importance of profit in business, the general qualities of a good business, legal forms of business ownership and the concept of stakeholders and their expectations and effects will be discussed thoroughly.

A.2 Definitions of Business

Business can be defined as a social and lawful human activity, the primary aim of which is to make profit. We can rightfully say that a business is the organized effort, or activities of persons utilizing resources within an organisational context to produce and distribute goods and services for the purpose of making private gain (profit, recognition, generate employment, etc.)

Briefly, business involves lawful human activities directed at the production and distribution of goods and services with the aim of making profit.

A.3 Need of Business

From the definitions above, we know that business is the totality of activities involved in providing the necessities of life through commercial enterprise. The need for business can be as a result of the following (Adebayo *et al.*, 2003):

- To meet human needs and desires by providing good and services.
- To facilitate the conversion of gift of nature to goods and services that meet human needs.
- To solve the problems of the society by addressing them through the creation of satisfactions.
- To create employment opportunities.
- To raise the standard of living of the society.
- To enhance the efficient allocation resources.
- To create competitive environment.
- To create wealth.

A.4 Resources of Business

It is important to understand the resources which business makes use of. In economic jargon, a business activity ensures creation of value or increases the values of existing goods. For these values to be created, certain resources must be available. Enikanselu *et al.* (2016) explained the resources thus:

(i) *Natural Resources:* The productive capacity of any society is partly explained by its natural resources endowments such as land, climate and water. Land is not limited to soil but all the minerals in the ground, the timber resources, the air space and all its constituents, the climate and the water resources. Land is used to denote the surface of the earth, everything beneath that surface, and everything above. Land resources constituting the basic raw materials which business convert into other utilities.

(ii) *Human Factor:* Labour is the human effort which is either physical or mental that is exerted in the production of goods and services. It is through the use of labour and other resources that the natural resources are exploited and converted into other more valuable goods and services. The machines that are used for production of goods and services are the creation of man through its mental exertion of the use of the machine is possible through the mental ability or intelligence of man. The drive, direction and desire to get the resources of business activated and committed to production of goods and services is at the discretion of human mind and interest. So, the human factor is fundamental to the economic well-being of any nation. The difference between the developed and underdeveloped economy is principally due to the quality level of their human element coupled with their interests and desires.

(iii) *Capital Factor:* Capital can be described as all the man-made items that workers use in production and distribution or man-made items used for the creation of further wealth. Capital is in different forms – such as tools, factories, machinery, vehicles, etc. The capital resources listed above can be classified into fixed and floating or current capital. Buildings, machinery, equipment and vehicles are classified as fixed capital while stock in goods, cash at hand are regarded as current capital.

(iv) *Government:* Government policies and the infrastructure facilities provided by government play important role in business. The level of protection that government provides for Nigerian firms will have implications on their level of operations and growth. The enabling environment created by government is critical to the well-being of firms or businesses operating in the country.

(v) *Entrepreneurship:* Entrepreneurs are people who have the ability to see and evaluate business opportunities; gather the necessary resources to take advantage of them and to initiate appropriate action to ensure success. The factor of land, labour and capital will be idle if there is no person to organise, combine and use them for business. That individual who takes the risk of organising, combining and using these factors of production to produce tangible products of value is the entrepreneur. The art or process of identifying business opportunities and organising, planning, directing and controlling other factors of production to exploit the opportunities of the citizenry of a nation has implication on the productive level of its factors or production. The entrepreneur may not be directly involved in the actual management of the enterprise but bears the principal risk of the business.

A.5 Objectives of Business

Objectives are the ends which the business desires to attain. Objectives are important because they:

(i) Indicate the purpose and aim of the business and thus justify the very existence of the organisation.

(ii) Provide direction for the operations of the business enterprise.
(iii) Set standards for control of the business activities.
(iv) Help to coordinate decisions by the managers.
(v) Performance can be measured against objective of the individual unit or corporate levels.

A.5.1 Primary Objectives of Business

The main objective of the business enterprise is to make profit. Profit is a reward to the owners for taking the risk of establishing a business enterprise. It is also the source of growth and continued survival of the business enterprise.

A.5.2 The Secondary Objectives of a Business are:

(a) *Productivity:* This shows the extent to which a business concern is able to utilize a given set of resources to attain the highest or a pre-determined value of output.

(b) *Innovation:* This is a strategic business consideration employed by a business entity to satisfy the needs of consumers better than its competitors by involving itself in the introduction of new products, new methods of production and distribution.

(c) *Growth Objective:* One of the objectives of business is expansion of its operations. This may take the form of increase in capital employed; increase in market share, increase in number of people employed, etc. The purpose of the growth objective is to achieve economies of scale, enhanced competitiveness, increase the market share and overall profitability.

(d) *Shareholder Satisfaction:* This occurs when the business concerns are always looking for ways to enhance the satisfaction of employees, which in turn, enhances their contribution to the growth and competitiveness of the organisation.

(e) *Employee Satisfaction*: Forward-looking business concerns are always looking for ways to enhance the satisfaction of employees, which in turn, enhances their contribution to the growth and competitiveness of the organisation.

(f) *Positive Public Image:* This enables the organisation to obtain favourable terms, improves its image as a good corporate citizen that produces and distributes high quality as well as striving to project itself as an organisation that cares about its employees, the community and other social responsibility considerations.

A.6 Classification of Business

Business can be grouped based on the following:

(a) Size of the unit
(b) Use of output
(c) Input used
(d) Ownership type
(e) Industrial classification

A.6.1 Size Based Classification:

Based on the size of the capital investment, total assets, sales turnover or the number of people employed, business can be classified as micro, small, medium or large business. The Federal Ministry of Industries has classified enterprises into four categories by size. These are micro enterprises, small scale enterprises, medium scale enterprises and large scale enterprises.

According to this classification:

(i) A micro enterprise is a business with value of total fixed assets excluding land not exceeding ₦400,000.00

(ii) A small scale enterprise is that with value of fixed assets between ₦400,000.00 and ₦5 million.

(iii) Medium scale enterprises have the value of fixed assets ranging between ₦5 million and ₦10 million.

(iv) Large scale enterprises are those whose fixed assets exceed the ₦10 million mark.

Business enterprises may also be classified according to the number of paid employees. The classification currently applicable in Nigeria using size of employment is as follows:

Micro-enterprises	1-10 employees
Small scale enterprises	11-100 employees
Medium scale enterprises	101-300 employees
Large scale enterprises	301 and above.

The classification of business on the basis of size varies from one period to another within the same country. For example, in the seventies, a small scale business in Nigeria was defined as that with total assets excluding land not exceeding ₦150,000.00, and size of employment not exceeding 50.

A.6.2 Use of Output Based Classification

The Use-Based Classification emphasizes the nature of output and its use. Business can be grouped into basic industries, capital goods industries, intermediate goods industries and consumer goods industries.

(a) Basic industries are those which provide the basic inputs or raw materials for the development of other industries. For example, fertilizer is the basic input for agriculture; coal, oil and gas are also regarded as basic to the development of other industries.

(b) Capital goods industries are industries that produce plants, machinery, equipment, and tools which are required for the manufacturer of other goods and services. Capital goods industries require high capital investment.

(c) Intermediate goods industries are industries that produce goods such as materials, parts and components used in the production of other goods. This type of industry enhances the value of goods by changing their physical forms.

(d) Consumer goods industries are industries, the output of which is used by the final consumers. Consumer goods industry can be further classified as consumer durables and consumer non-durables. Examples of consumer non-durables are soaps, toothpaste, foodstuff and other consumable items. Consumer durables include refrigerators, television sets, bicycles, cars, etc. which serve the customers for a long period of time.

A.6.3 Input Based Classification

On the basis of the source of major input and nature of input, industries may be classified into agro-based, forest-based, marine-based, metal and chemical-based industries.

An agro-industry is one which uses agricultural produce like cocoa, palm produce, jute, cotton, etc. as their major input. Forest-based industries are those, which use forest produce as their major input. An example is paper industry. Many industries such as producers of fertilizers, drugs, etc. are regarded as chemical-based industries as chemicals are the major input.

A.6.4 Types of Ownership

1. Manufacturing Industries

Manufacturing industries are divided into the following four categories:

(a) **Analytical Industry:** These are industries concerned with separating a single material input into several elements. In a refinery (oil industry) crude oil, which is the single input, is used in the production of many products like petrol, diesel, kerosene and lubricating oils.

(b) **Synthetic Industry:** This is concerned with combining several raw materials and processing them into a single unit (output). For example, limestone, gypsum, silica, iron oxide etc., are crushed, mixed and blended to form cement.

(c) **Process Industry:** It is concerned with the processing of materials through different stages of production so as to make the final product. For example, cotton is processed through several stages like cleaning, ginning, spinning, weaving, bleaching, dyeing, etc., to convert it into cloth.

(d) **Assembly Line Industry:** This involves joining various components and parts to produce a single product. For example, a car, television set, dress, etc., is made by joining together, several different component parts.

2. Profit/Non-profit

A business or profit-oriented organisation is generally created to generate profit for its shareholders. The no-for-profit organisation is not designed to generate for its owners. Examples of not-for-profit organisation are the Red Cross, National Agency for Food and Drug Administration and Control (NAFDAC), etc.

3. Public Sector/Private Sector

Business enterprises can be classified according to whether they are largely owned by government and its agencies or by private individuals and firms. When a business is owned by government or its agencies, the enterprise is regarded as a public sector enterprise. If it is owned by private individuals/firms, it is regarded as a private sector enterprise. The extent to which government owns business enterprises in an economy indicates whether the economy is a planned or a free enterprise economy.

4.6.5 Industrial Classification

The International Standard of Industrial Classification (ISIC) is a common method of classification of establishments into various economic sectors. This method adopts a numbering system that makes it possible to classify establishments precisely into divisions, then into major groups and then into sub-groups. The numbers used for divisions and major groups are shown here:

No.	Industry/Divisions/Group
01-09	Agriculture, Forestry and Fishing
10-14	Mining
15-19	Construction
20-30	Manufacturing
40-49	Transportation, Communication, Electric, Gas and Sanitary services
50-51	Wholesale trades
52-59	Retail trade
60-69	Finance, Insurance, Real Estate
70-89	Services
90-97	Public Administration
98-99	Non-classifiable Establishment

A.7 Reasons for Business Failure

Business ventures are usually driven by people with a will to succeed. The very idea of failure is something that many banish from their minds altogether. Drive, ambition and the will to succeed alone, however, are seldom enough to guarantee success in an increasingly complex and competitive world.

Whether one likes it or not, a significant proportion of new ventures today will not make it to celebrate their fifth year in business. By taking cognisance of some of the reasons why business fail, you can help your business to become alert and to, at least, avoid some of the more common pitfalls and causes of business failure.

(a) A bad idea to begin with

While having faith in the initial business concept is an important attribute of any entrepreneur, it's often not enough. It is sometimes the case that the "unique" business idea is not so unique after all, and that the market is already well served or there is less demand than was originally thought.

(b) Poor Planning

The initial business plan is a blueprint for success. Failing to stick to the plan, failing to put in the kind of intense research needed to begin with or, more commonly, failing to seek out and heed professional advice are common ways in which a business can get off to a bad start. Planning ahead is vital at every stage of the business and the relationship between planning and control should be continuous. Managers make plans and control is used to evaluate the effectiveness of organisational activities relative to the plan put in place. The current plan should be maintained, but, if adequate progress is not made as indicated in the control system, there may be the need to review the course of activities in the plan.

(c) Lack of Capital

Under-capitalization is a common reason why businesses face serious threats in the first few years of operation. Adequate capitalization must take into account the set-up capital and business sustainability.

Buying an existing business can mean that you can bypass many of the initial hurdles such as establishing business premises, buying equipment and machinery and, of course, finding your first set of customers. While buying an existing business is no guarantee of success, it can give you an advantage during those crucial set-up months and can be a more cost-effective solution. Subsequently, the business organisation should embark on measures that can improve sales volume, boost revenue and consequent profitability.

(d) Not knowing the market

Knowing who your customers are and what they actually want, rather than what you believe they want, is one of the keys to business survival. Failure to keep in touch with customers through implementation of a practical marketing plan, and failing to keep up with changing wants and needs can contribute to business failure.

(e) Cash-flow crisis management

When the cash outflow is in the excess of cash inflow, there is a problem. However, many businesses ignore this, either wilfully or negligently underestimating the problem or managing each crisis as it (inevitably) arises. Even profitable companies can sink due to poor cash management.

Ignoring cash-flow situation often leads to problems, such as: increasing operating costs and cost of finances, falling share price, declining earning ratios across divisions, vendors, etc.

(f) Doing it all

The manager should endeavour to delegate some responsibilities, while still handling the sensitive ones. Building a team of competent employees with a set of jobs and goals leaves you to concentrate on essential issues. No job is more important to a business than effective management. A boss who is constantly doing the little things rarely has the time to concentrate on the bigger picture.

(g) Inadequate control

Inadequate control shows a situation in which the control mechanism put in place is not functioning well and or is not suitable for the type of operations. While nobody expects the organisation to do it all, it is essential to keep control of the business at every level and to have the right control mechanisms in place so that a potential problem can be nipped in the bud before it is too late.

(h) Inadequate protection

Bad things happen to good businesses every day. Examples are flood disaster, fire outbreak, loss of key personnel, theft, etc.; hence, protection against risk can help secure the future of the business. This can be done by insuring the properties of the business organisation.

(i) Failing to change

Changes are always occurring in the external environment of the business. Failing to take note of changes in the business environment can lead to problems. What competitors are doing, changes in technology and best practices, changing government policies as well as changes in your customers' buying patterns and tastes need constant monitoring so that adjustments can be made to cope with them.

(j) Growing too fast

Fast, unchecked expansion can be more risky than slow growth for any business. Growing too rapidly brings with it the risk of loss of control and over-stretching of the businesses' resources and financial base.

(k) The illusion of starting out as a big company

Many business men do not like to be seen as small investors, hence, they embark on big projects that they cannot manage effectively.

A.7.1 Planning against Business Failure

It should be understood that there is no magic solution to guarantee business success. However, the following considerations should assist in the improvement of chances for success.

(i) Development of business plan

(ii) Obtaining accurate financial information about the business in a timely manner.

(iii) Having a profile of the target customer
(iv) Having a profile of competitors
(v) Developing a suitable and effective control system
(vi) Networking with other business owners and managers in similar industries
(vii) Remembering that, someone will always have a lower price than you
(viii) Developing a strong management team through effective recruitment, training and attractive reward system
(ix) Realizing that consumer tastes and preferences keep changing
(x) Being well informed of the resources that are available.

A.8 Importance of Profit in Business

Although Peter Drucker and some other authorities have opposed definitions that focused principally on business from the profit perspective, the value of profit in any business endeavour cannot be underestimated or underrated. There is no debate on the fact that the economic end purpose of business is to make profit. In any capitalist economies like countries in the West Africa sub region, the importance of profit in a business can be summarised as follows:

(a) It guides an investor as to which type of business to establish.
(b) It is an objective means of evaluating the performance of business.
(c) Realising the risks involved in business, profit constitute the critical attraction for venturing into business.
(d) Profit is the principal factor to firm's survival, growth and expansion. It is only when profit is made that the firm can survive, grow and expand. The profit made can be ploughed back into the business to enhance the sustainability of the firm.
(e) Profit is the means of boosting the wealth of the owners of the business.
(f) Profit is the parameter used by investors to buy shares in a public limited company.
(g) Profit enhances the ability of the business to embark on social responsibility, with its attendant benefits.
(h) Profit is one of the criteria used for resource allocation in industry.
(i) Profit is used to set performance standards and by implication, it is used to institute control mechanism of organisational activities.
(j) Labour unions use profit as a basis of determining their level of demand.

A.9 Requirements for Success in Modern Business

The modern business world is adorned with sophistication and complexity. The needs of the customers are daily changing with high speed. The challenges of success in business is daily becoming more vigorous and mentally and physically demanding. The customers who are the reason for the existence of business is daily becoming unpredictable and volatile. The business world must therefore appreciate some of the ingredients of the business success. Some of the prerequisites for success in this modern business are:

(i) **Determination of Objectives:** The most critical factor and first prerequisite for success is the determination of what exactly the business organisation intends to produce or the services it intends to render. This must be clearly stated; also, the objective must synchronise with the opportunities in the environment of operation and the capabilities of the organisation. The company must also have some complementary or subsidiary objectives that will make the realisation of the prime objective realised.

(ii) **Planning and Setting up a Functioning Organisation:** To actualise the objectives set in one above, one needs to put in place a proper system with the necessary facilities and resource (both human and technical) that can drive the system to achieve the set objectives.

(iii) **Adequate Finances:** Organisation's objectives may be clearly stated and well-articulated, plans well designed and appropriate, the system well-structured and duties well assigned, without adequate and necessary finance, the business will never see success. Finance is the heart that pumps blood into all parts of the system. Without it at the right time and in the right form, the organisation will witness loss and embarrassment. So finance is critical to organisational sustainability and growth.

(iv) **Proper Location/Plant-layout:** The issue of proper location and plant-layout are crucial to organisational success. Any mistake in these regards, may spell doom. So the management of the company should endeavour to site their company in a place where transportation will be easy, access to other complementary facilities will be easy, good packing space, etc. The lay-out of the plant also affects corporate effectiveness and efficiency and by extension, affects cost of production and profitability.

(v) **Cultivating and Imbibing Modern Improvement Techniques:** Every success inclined organisation should be prepared and yearning to imbibing modern improvement techniques through adapting and generating new ideas that will lead to innovations. This could be gotten through research or cultivation of work environment where workers are always itching for positive change that will enlarge the coast of the company.

(vi) **Efficient and Dynamic Management and Leadership:** The success of any business hinges on the capability, hard work, dedication and commitment of top management. A dynamic and upright management sees opportunities before they are evident to the public. They manage the resources of the organisation in the best form feasible.

A.10 Qualities of a Good Businessman

The management of any business concern should possess the following broad qualities in order to succeed in its effort to drive the organisation to realise its objectives.

(i) *Ideology:* As a business man, you must be able to have an ideology that places the interest of the customer in a prime place in whatever the company does. Any business man that imbibed the ideology where the customer is taken to be the reason for the existence of the company and where the customer is seen as the master in the company, all things being equal, the businessman is bound to succeed.

(ii) *Foresight:* Any businessman that will succeed must have foresight. He must be able to predict the future with high degree of accuracy. He must be able to anticipate the challenges of tomorrow and work out the strategies of confronting these challenges.

(iii) *Initiative and Ability to take Prompt Decisions:* Generating new ideas is fundamental to business success and ability on the part of the management to take decisive decisions as at when right is paramount to business success. The intense competition in the business world today, makes it expedient on management to be innovative and demonstrate the right initiative at all times and be able to take the right decisions as at when right.

(iv) *Business Morality:* To be able to run a successful business that is sustainable and growth inclined, one need to do business with the highest level of ethics and morality. Do business with the fear of God and diligence. Be less interested in business that affects ones reputation negatively. Run business with the highest level of honesty, dependability, sincerity and business ethics.

(v) *Firmness and Courage:* Success in business demands firmness, perseverance, steadfastness, courage, conviction, undisturbed focus, dedication, commitment to corporate goals. Success in business should not be discouraged by initial set back, but rather, be propelled to strive for ways and means of surmounting these initial trying periods.

(vi) *Personal Qualities:* There are some personal qualities that successful businessman must possess. Some of these are self-confidence, good leadership qualities, originality, future-oriented, task-oriented, good time managers, etc.

A.11 Legal Forms of Business Ownership

Ownership is a legal relationship between a person and some objects. Ownership can be considered as the rights which the owner exercises over his possessions and it is determined by law. However, it is crucial to determine clearly and specifically who the legal owners are, so as to know who the beneficiaries from such productive endeavours are. Thus, any form of business ownership would clearly spell out the profit sharing arrangement along with the responsibilities for debts and other liabilities.

A.11.1 The Sole Proprietorship

This is the simplest, the most common and the oldest form of business ownership. The business is owned, managed and controlled by an individual. He is entitled to all the profits and has to bear the losses of the business.

The sole proprietor is solely saddled with the responsibility of raising all the capital from personal resources, friends, relatives, and from the bank; he or she is mainly responsible for all the business decisions.

This form of business arrangement is common in the retail and wholesale trading, professional practice and construction industry. Because of the high degree of independence of the sole proprietor, this form of ownership can be formed without any written agreement, charter or legally binding agreements.

A.11.1a Features of Sole Proprietorship

The following are the important features of sole proprietorship business:

(a) **Individual initiative dominates:** The owner of the business takes decision on his own based on experience and sense of judgement without any contributions from anybody.

(b) **Risk bearing:** The risks of the business are borne by the Proprietor alone. The beauty of this is that he also takes all the profit.

(c) **Management and control:** The Proprietor manages and controls the business.

He has the option of engaging a manager or not and where he does, he is assigned insignificant managerial power while the control still resides with the business owner.

(d) **Unlimited liability:** The Proprietor is responsible for the losses and liabilities of the business. Where there is an insufficient capital to run the business, he may sell his personal assets.

(e) **Secrecy:** The Proprietor keeps all the business secrets to himself alone.

(f) **Minimum government regulations:** Government does not interfere with the operations of the business.

A.11.1b Advantages of Sole Proprietorship

(i) Easy formation
(ii) Benefits of small scale operations
(iii) Inexpensive management
(iv) Better control

A.11.1c Disadvantages of Sole Proprietorship

(i) Lack of continuity
(ii) Limitation of size
(iii) Slow technological progress
(iv) Limited ability to attract and retain capable employees
(v) Limited access to sources of capital
(vi) Limitation of management skills
(vii) Unlimited liabilities

A.11.2 Partnership

This arrangement occurs when two or more individuals come together and agree to organize and operate an enterprise jointly with profit as the motive. They contribute their capital and jointly offer their services for the success of the business. The legal basis for this arrangement is contractual and it specifies the duties and rights of the partners.

The practice of law, insurance, finance, accountancy and other similar professions abound with partnership form of ownership. In the course of their contractual activities, the partners specialize in one or more aspects of the activities of the firm.

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Furthermore, this arrangement becomes very useful as a way for the partners to contribute their resources such as capital, time, effort and services in order to earn profit which can be shared on an agreed basis.

A.11.2a Features of Partnership

The features of partnership are as follows:

(i) **Based on an agreement:** This type of business is usually formed on the basis of an agreement between two or more persons to carry on business. The terms and conditions of partnership are usually stated in the Partnership Deed.

(ii) **Profit and loss sharing:** The partners are entitled to share the profits realised and also bear the loss.

(iii) **Agency relationship*:*** The business can operate such that all partners will participate in the operation, with each being a principal partner. Any of the partners can also act on behalf of other partners as agent. By this, ever partner can bind the firm by his acts.

(iv) **Unlimited liability:** In case some obligations arise and the partnership assets are not sufficient, private properties of the partners can be taken to defray the liabilities of the firm.

(v) **Common management:** Every partner has a right to participate in the management of the business. Where a partner does not partake in the running of the business, it becomes imperative that his consent be sought before taking strategic business decisions.

(vi) **Restriction in the transferability of shares:** No partner can transfer his/her shares without the consent of all other partners.

A.11.2b Types of Partners

(i) The General Partner

The general partner has unlimited liability for all actions of the business. He is also referred to as an active partner. He takes active part in the management of the business. He may act as the managing or executive director, or manager of the firm.

(ii) The Limited Partner

The limited partner is sometimes referred to as the sleeping partner or dormant partner. He or she contributes only a part of the capital of the business but does not usually take an active part in the management of the enterprise. He/she shares in the profit or loss of the business with other partners but risks only the loss of the capital contributed in the event of failure of the business.

There are varied legal formalities for partnerships. It is desirable that there is a written partnership agreement. As a rule, this document is drawn up by a legal practitioner having the following items as important information.

(i) Description of the partners (names, responsibilities, initial investments, salary, and proportion of profits entitled to).
(ii) Description of business (Business names, location, and types of business).
(iii) Description of the business practices (the fiscal year and accounting system and the amount of fund that can be withdrawn within a given period).
(iv) Provision for changes in the partnership (duration of partnership, renewal of partnership, admission of new partners and the treatment of partnership upon withdrawal or death of a partner).
(v) Signature of partners.

A.11.2c Advantages of Partnership

(i) More managerial skills available than in a sole proprietorship
(ii) Pooling of financial resources by partners
(iii) Reduction of strain on one individual, as responsibilities can be shared with other partners.
(iv) New partners can be admitted
(v) Enhanced ability to attract and retain capable employees
(vi) Balanced business decision
(vii) Risk sharing

A.11.2d Disadvantages of Partnership

(i) Unlimited liability
(ii) Limited life
(iii) Arguments or disagreement can arise among the partners
(iv) Limited access to initial capital when compared with companies
(v) Difficulty in withdrawing from the firm
(vi) Risks of implied authority

A.11.2e Dissolution of Partnership

A partnership can be dissolved for any of the following reasons:

(i) Court order
(ii) Technical insolvency
(iii) Mutual agreement

(iv) Completion of the assignment or task for which the partnership was established
(v) Death of a partner

A.11.3 Corporation or Limited Liability Company

Most large businesses are organized as corporations because of the inherent disadvantages of the sole proprietorship and partnership forms of business. A corporation comes into existence as a result of legal document which is generally referred to as a "Charter". This charter is available to any prospective applicant based on request, and who is expected to meet and fulfil certain basic legal requirements.

The owners of a corporation are referred to as shareholders or stockholders. The shareholders elect the board of directors which directly controls the management of the corporation. The board of directors is saddled with the responsibility of appointing the chief executive and other top officials who are expected to carry out the management functions delegated to them.
As soon as the company is incorporated, it becomes a legal entity; it can then be regarded as an artificial person in law, which is expected to live forever; and it is owned by the shareholders.

A.11.3a Advantages of a Corporation

(i) **Limited Liability:** Each shareholder who has paid the full par value of his stock is liable only to the extent of his investment. If the corporation fails, he can lose his investment but the company's creditors have no claim to his personal property.
(ii) **Capital Formation:** When members of the general public have confidence in the viability of the business and the soundness of its management, they become encouraged to invest in it by buying its shares and stocks. As a result, the corporation can raise a large amount of capital.
(iii) **Perpetual Life:** The corporation which has a legal existence is independent of its owners. In the event that a shareholder withdraws by selling his or her shares or dies prematurely, his next of kin can take over ownership of the shares or stocks sand the existence of the business is not affected.
(iv) **Ease of Expansion:** Because of the existence of the capital market, companies can expand more easily. Thus, capital can easily be raised through the sale of shares which can be used to expand and run the business.
(v) **Transferability of Ownership:** This is easily and readily effected by anyone who wants to purchase shares and/or stocks and is willing to pay the price asked by the owners.
(vi) **Competent Management Team:** Professional and competent managers can be hired. If such managers hired cannot perform, they can easily be replaced by the board of directors.

A.11.3b Disadvantages of a Corporation

(i) ***Government Regulations:*** By Federal and State laws, the activities of these corporations are regulated because it is a legal person.

(ii) **Large Initial Capital:** Much capital is needed in the formation of a corporation.

(iii) **Lack of Secrecy:** A company's financial transaction cannot be shielded from public view because shareholders must be provided with annual report of its performance.

(iv) **Goal Incongruence:** When there is a conflict of interest between individual goal and the business objective, for example, employees are usually concerned with increase in salaries while the organisation is likely to be emphasising profit maximisation.

(v) **Divergence of Owners/Management Interests:** Since owners want their dividends while the management may desire growth and expansion, conflict may arise when review of stewardship comes up during the annual general meeting.

(vi) **Organisational Expenses:** This form of business involves substantial costs of incorporation, allowances for members of the board of directors, salaries of top management staff, etc.

(vii) **Large Size:** This may bring about reduction in efficiency as a result of bureaucracy when there is too much complexity, rigid rules and regulations.

A.11.3c Formation of a Limited Liability Company

Before anyone is allowed to start a business enterprise, he/she must register with the Corporate Affairs Commission (CAC), and be duly cleared by them.

Before registration, a company is required to file Articles of Association and Memorandum of Association. Below are some of the contents of these documents:

1. Article of Association

This contains the rules and regulations of the company in question which are the following:

(i) Appointment and termination of directors
(ii) Procedures for the issue and transfer of shares
(iii) Rights and responsibilities of shareholders
(iv) Procedure for auditing and accounting

2. Memorandum of Association

In this document, there are laid down guidelines for the company and the members. In addition, there are laid down parameters concerning the company and its outside public listed below:

(i) The name of the company with letters PLC which means Public Listed Company attached.
(ii) The address and/or location of the business
(iii) The type of business
(iv) A statement indicating that the liability of its corporate members is limited

(v) The number of shares into which the company's share-capital is divided.

3. **Certificate of Incorporation**

Upon submission of the required documents and payment of the prescribed fees, the Corporate Affairs Commissioner will issue a Certificate of Incorporation to the company; and then authorisation is given for it to legitimately commence business.

A.11.4 Cooperative

This form of business set up is distinct from its owners and is usually regarded as a legal person. There is continuity of the business irrespective of individual's death or withdrawal. In this arrangement, an individual buys shares in a similar fashion as what obtains in a corporation. In taking decisions, each member has only one vote. In the course of the business, surplus earnings are shared in the form of dividends which is hinged on the volume of members' purchases. The concept of cooperative is to ensure that the goods and services available and supplied are cheaper than what obtains elsewhere. Usually, a manager is appointed to run the business by a board of directors which is charged with the responsibility of making policies that guide the running of the cooperative.

A.11.4a Characteristics of Cooperative Organisation

The following are the main characteristics of cooperatives:

(i) Voluntary association
(ii) Equal voting rights by members
(iii) Separate legal entity
(iv) Based on service motive of its members
(v) Distribution of surplus

A.11.4b Types of Cooperatives

There are three major types of cooperatives:

(a) ***The agricultural marketing cooperatives***

These are usually found in the purchasing and marketing areas. The purchasing cooperative usually purchases products and then resells them to its members and non-members alike. Here, they are involved in products such as seeds, farm machineries and fertilizers. On the other hand, in the area of marketing, a group of growers or producers come together to do business. The types of product they are usually involved in single products or a group of closely related products.

(b) ***The credit and banking cooperatives***

In this setup, the members organise credit and banking cooperatives to issue loans to members and the general public at affordable interest rates. Cooperative banks springing up in most parts of the country are examples.

(c) ***Consumer cooperatives***

This type is usually established by a group of consumers. Products are bought at wholesale prices so as to eliminate excessive profits made by middlemen. By so doing, products are sold more cheaply to its members and the general public.

A.11.4b Advantages of Cooperatives

(i) **Tax Advantage:** By the nature of their operation, cooperatives enjoy tax advantage over other forms of businesses.

(ii) **Democracy is practiced:** Democratic elections are held to choose members of the executive. Each member is entitled to only one vote.

(iii) **Training:** The members are trained in the various aspects of managing the cooperative.

(iv) **Pooling of Resources:** As a result of the large number of cooperatives, they are able to pool their resources together and this affords them access to funds to run the business. Governments also support cooperatives with various incentives including loans at concessionary rates of interest.

(v) **Limited Liability:** The liability of the members is limited to the extent of capital contributed by them.

(vi) **Economic Operations:** The operation is quite economical due to elimination of middlemen and voluntary services provided by its members.

A.11.4c Disadvantages

(i) **Lack of Freedom:** The members are not free to sell their products in any market of their choice.

(ii) **Reduced Finance:** When some members are not forthcoming in their financial contributions, this reduces the pool of funds available. Thus, this may hinder it to compete more favourably with private businessmen who they want to replace.

(iii) **Dishonesty:** Because of the insincerity of some of the executives and staff who collude to enrich themselves, many cooperatives have not thrived very well.

(iv) **Low salaries:** There is the tendency to pay staff lower salaries than prevailing rates in the economy. This accounts for the poor calibre of managers and staff they employ.

(v) **Rigid Rules and Regulations:** Excessive government regulations and control affect the effective functioning of the cooperative societies.

A.12 Stakeholders in Business and their Expectations

A.12.1 Definition of Stakeholders

The term ‘stakeholder’ means any individual or group of individuals who have a strong interest (a ‘stake’) in the organisation and what it does or trying to achieve.

A.12.2 Internal Stakeholders

Internal stakeholders of a company are inside the company and a part of it. They include:

(i) Shareholders
(ii) Directors and Top Management
(iii) Senior Management Staff
(iv) Other Managers and Staff

A.12.3 External Stakeholders

External stakeholders are individuals or groups who do not work for the company but who nevertheless have keen interest in what the company does and who might be able to influence the way in which the company is governed. They include:

(i) Lenders
(ii) Suppliers
(iii) Regulators
(iv) Government
(v) General Public
(vi) Special Interest Groups
(vii) Company Auditors

A.12.4 Expectation of Stakeholders

Each stakeholder or stakeholder group has different expectations form a company. They expect to benefit from their association with the company and the expected benefits are different. For example, shareholders’ expectation may include share price growth, stable dividends and good returns on investment, while the directors and senior managers might place emphasis on personal advancement such as remuneration, status and power to make key strategic decisions.

A.12.5 Effects of Stakeholders’ Expectations

These stakeholder groups have different rights and duties and they also have different expectations of what the company should provide for them. The effect of these differences in expectations is regular stakeholders’ conflict. For example, directors and senior managers will normally press for improved take-home pay and other welfare packages which the shareholders might consider as eroding the profitability of the company and consequent reduction in dividend pay-out, which is a major interest to shareholders.

If a company wishes to remain associated with its stakeholders, it must be innovative enough to balance and satisfy these expectations.

Summary

The primary purpose of the business enterprise is to make gain (profit, recognition and employment generation). Profit is a reward to the owners for taking the risk of establishing a business. Businesses can be grouped according to their size, ownership types, use of output and input, etc. The resources of business were listed and discussed. The objectives of business were well explained. The bases of classification of business were given good attention. The reasons why business fail were articulated and how to plan against business failure was equally addressed. The section highlighted the importance of profit in business. The requirements for success in modern business were discussed and also the qualities of a good business person.

Review Questions

Multiple Choice Questions

1. Which of the following is the primary objective of business?
   - (a) Radical practice of communication
   - (b) Capitalising on the principle of equity
   - (c) Investing minimally in stocks and bonds
   - (d) Profit maximisation
   - (e) Identifying and effectively serving the needs of the board of directors.

2. All of the following are advantages of sole proprietorship EXCEPT

   - (a) Lack of continuity
   - (b) Easy formation
   - (c) Benefits of small scale operations
   - (d) Inexpensive management
   - (e) Better control

3. Which of these does not constitute external stakeholders in the business enterprise?
   - (a) Unions
   - (b) Suppliers
   - (c) Competitors
   - (d) Government agencies
   - (e) Board of Directors

4. The industry involved in the combination of several inputs and processing them into single unit (output) is called:
   - (a) Process industry

(b) Synthetic industry
(c) Analytical industry
(d) Assembly line industry
(e) Smelting industry

5. The commonest and oldest form of business ownership is called:
   (a) Partnership
   (b) Sole proprietorship
   (c) Cooperatives
   (d) Joint stock company
   (e) Franchise

6. Which of these is not reason for business failure?
   (a) Bad business idea
   (b) Doing it all
   (c) Growing too fast
   (d) Developing competitors profile
   (e) The illusion of making it

Part II: Short Answer Questions

1. ………….. involves lawful human activities directed at the production and distribution of goods and services with the aim of making profit

2. The industry concerned with separating single material input into several elements is known as ......

3. An arrangement wherein two or more individuals come together and agree to organise and operate an outfit jointly with profits as the motive is known as ......

4. The document that contains out guidelines for a company and its members is ....

5. Any individual or group of individuals who have a strong interest in the organisation and what it does or trying to achieve is called................

6. .... is the economic end and purpose of business enterprise.

Solutions

Multiple Choice Questions

1. D
2. A
3. E
4. B

5. B
6. D

Short Answer Questions

1. Business
2. Analytical industry
3. Partnership
4. Memorandum of Association
5. Stakeholder
6. Profit

SECTION B: BUSINESS ENVIRONMENT

Section contents

Learning Objectives
After studying this section, the readers should be able to:

- Define and explain the term business environment
- Explain the classification of the organisation environment: internal, task and general environments
- Explain the major forces in the environment with special analysis of the changes in the external environment
- Explain the major techniques that organisations adopt to interact effectively with its environment
- Explain globalisation and the factors influencing it.

B.1 Definition of Business Environment

Business environment is a combination of two words which are business and environment. Business includes all activities connected with production, trade, banking, insurance, finance, energy, advertising, packaging and numerous other related activities. Environment refers to all external forces, which have a bearing on the functioning of business. The environment includes factors outside the firm which can lead to opportunities for or threats to the firm.

A business does not operate in a vacuum. Generally, a business operates in a multifaceted environment (an environment with many parts). The environment itself is subject to a lot of changes. The relationship between business and its environment is one of mutuality; that is, the environment exerts pressure on the business while the business, in turn, influences some aspects of its environment. The nature of the environment in which the business enterprise operates, therefore, needs to be clearly understood by managers.

Business environment can be defined as a set of factors or conditions that are external to the business but which have influence on the operations of the business enterprise. By external, we mean that these factors or forces are not usually within the control of the business enterprise. Business environment may also be seen as the web of forces which form the setting in which the firm makes its decisions. For the firm to succeed, it must take its environment into account in making its decisions. Although there are many factors, the most important of these factors are socio-economic, technological, supplier, competitors and government.

B.2 Classification of the Business Environment

Business environment can be categorized into the following:

(i) Micro or internal environment
(ii) Meso or task environment
(iii) Macro, mega, external or general environment

(i) Micro or internal environment

The conditions or factors within the firm constitute its internal environment. Unlike the elements of the external environment, these conditions, factors or processes are generally regarded as controllable by the firm. For example, Company's mission, vision and objectives, organisational structure, organisational culture, company resources, marketing mix: product, price, promotion, place (distribution), unique selling proposition (USP), the nature of the production and distribution facilities, financial and human resources, the quality of interpersonal and inter-group relationships, etc., are subject to the control of the firm.

(ii) Meso or task environment

Some elements of the external environment have direct implications for the successful operations of the firm. The direct-action environment is also known as the task environment or operating environment. For example, the behaviour of a firm's customers, bankers and suppliers have immediate and direct effect on the operation of the firm. Other elements of the direct-action environment are competitors, distributors, government agencies, immediate community. special interest groups and the general public.

(iii) Macro, mega, external or general environment

The external environment is generally regarded as uncontrollable as no single firm can determine or influence it. The external environment is the setting in which all firms in the industry operate. It is not every element of the external environment that is relevant or significant at a point in time to a given firm as it makes decisions. Some aspects of the external environment are directly relevant and must be taken into consideration by a firm in making decisions.

The indirect-action component of the external environment consists of factors or forces that have a general influence on the operations of the firm. These factors or forces are common to all the firms in the economy. While each firm in the society must understand the nature of, and the changes occurring in the indirect-action environment, such changes apply to every firm operating in the economy.

The indirect-action environment is also referred to as the general environment which can be classified into economic, socio-cultural, political, technological and legal/public policy environment. Usually, a firm's external environment is discussed in the context of the national economy in which it operates.

Hence, another level of the firm's external environment is the international or global environment. Like the general environment, the components of the international environment are economic, socio-cultural, political, technological and legal/public policy environment.

B.3 Analysis of the Business Environment

The external environment consists of two broad groups of elements:

(a) The **task environment** consists of direct action elements.

(b) The **general or mega environment** which consists of indirect action elements.

(c) The **internal environment**; which consist of elements within the control of the organisation

B.3.1 The Task Environment

This is a specific segment of the external environment with which an organisation interfaces in the course of conducting its business. The task environment depends heavily on the specific products and services that an organisation decides to offer and on the locations that it chooses to conduct its business. As stated earlier, a single organisation usually has the difficulty of exerting a direct influence on the mega-environment. It may be easier for the company to exert a direct influence on its task environment. The major forces in the task environment include customers and clients, suppliers, organisations that produce substitute goods or services, current and potential new competitors and labour supply. The forces have direct impact on overall organisational profitability, survival and market share within the industry.

(i) Customer and Clients

An organisation's customers and clients are individuals and corporate bodies that purchase the goods and services of the company. A customer may be the final recipient (user) of the goods and services or may use the goods and services to produce other goods and services.

The modern day businesses pay attention to customers' needs and are customer-oriented. They investigate how best to serve their customers so as to maintain their market share in the face of fierce competition. Noting that the satisfaction of customers' needs is the reason for the existence of a firm, organisational managers must pay special attention to this element in the task environment. They must find out their needs and how best to deliver them. A company that has a superior capacity on how to service its customers will excel better within the industry and this can be a strong competitive weapon. In the luxury bus transportation sub sector of the road transport industry in Nigeria, the ABC transport company has excelled so far because of its relatively superior customer service packages. The workers are relatively more organised, customer friendly and above all time disciplined or conscious.

(ii) Suppliers

These are organisations and individuals that provide resources to other companies, that use them to conduct their operations. Naturally, the conventional belief has been that it is best to have multiple suppliers in order to reduce dependence on any one source. However, the global competition is changing the above position. Companies now find it more rewarding to maintain few suppliers and giving them large orders, which will make them enjoy economies of scale in production and marketing. These economies of scale will invariably be passed to the customers in terms of reduced prices. Also, the purchasers are in a better position to enforce tougher quality standards and build more enduring cooperative working relationships with its suppliers if the number is small.

(iii) Substitutes

These are goods or services that may be used in place of another product of a given company. Availability of substitutes for a given product can affect the price of such product. In the packaging industry, polyethylene is a substitute for paper packages; plastic containers a substitute for metal containers. Substitutes can have a serious damaging effect on a business by diminishing the life cycle of the product or reducing or eliminating consumers; demand for the product.

Substitute product is the outcome of technological innovation. Therefore, corporate executives should be alert to the products of technological innovation that may be substitute for their products and evolve mechanism of dealing with them such as switching to the substitute product if convinced to be superior to the company's product. A deliberate and continuous scanning of the task environment will signal to the business long before the creating of the substitute product that such product is one its way to the market and necessary strategies should be structured to reduce the impact on the business.

(iv) Competitors

Competitors are organisations that produce similar or identical goods and services for the market, for profit or consumer patronage. Competitors are often the most powerful in a firm's operation. Prices, services, and support after sales are all directly compared to those of competitors. (All companies attempt to gain an advantage on competitors in some parts of the business operation, and they hope this advantage will result in increased sales. Companies should therefore constantly be monitoring others in the same field to see what they are not doing properly which can constitute competitive advantage if well done; and to anticipate what they might do in the future.

Also, business must collect information concerning the profitability of entry of potential new competitors. They must also ensure that their own operations are as efficient as possible and that their goods and services do not have any major weaknesses of which these potential new entrants could capitalise on to secure competitive advantage.

(v) Labour Supply

An organisation's labour supply represents those who are potentially employable by the organisation. The ability to attract, motivate and retain the human resources necessary to fortify the competitive position of the company is a crucial variable for most organisations. Every company needs some individuals with some special skills and knowledge to make them competitively relevant. It is important for management to monitor developments with respect to individuals possessing these special skills and knowledge. Management should endeavour to know the supply rate of these categories of persons, the period of training to acquire the skill or knowledge, other users of the skills and knowledge, cost of such skills and knowledge and possible sources of supply of such skills and knowledge, possible substitute of the skills and knowledge in a period of dearth of supply of the said skills and knowledge.

B.3.2 General/Mega Environment

The elements of the general/mega environment can be summarised in the following acronym, PESITEL which stands for:

P: Political environment
E: Economic environment
S: Socio-cultural environment
I: International environment
T: Technological environment
E: Ecological environment
L: Legal environment

(i) Political environment

Every good government should ensure that there are structures in place for the maintenance of law and order, provision of basic infrastructure and security of life and property to create an atmosphere where meaningful business activities can thrive. The government should also ensure that its policies, laws and regulations should help to accelerate and improve the welfare of the society. In view of the foregoing, business organisations that are armed with the policy thrust of the government are able to anticipate the pulse and direction for the government and thereby adjust their operations accordingly.

However, in times of political instability, there is a situation of policy instability and uncertainty from the point of view of business organisations. In addition, in most developing nations like Nigeria, Ghana, Liberia, Gambia, etc., a change in government does not always follow clear-cut procedures. Frequent changes in government, especially during military dictatorships, also create unnecessary tensions and uncertainties.

(ii) **Economic Environment:** This is defined by factors such as:

(a) Government fiscal and monetary policies
(b) Gross Domestic Product (GDP)
(c) Industrial policy
(d) Unemployment rate
(e) Exchange rate
(f) Inflation rate
(g) Capacity utilization
(h) purchasing power and spending
(i) geographical income variation
(j) money supply
(k) consumer savings & debt patterns
(l) availability of credit
(m) consumer expenditure patterns
(n) interest rate
(o) tariffs and quotas

One must take cognizance of the fact that the above factors could and do operate most of the time simultaneously. Invariably, managers in the organisation should be concerned about the trends in the economic conditions in their decision-making.

(ii) Socio-cultural environment

This is a complex chain of social and cultural conditions prevailing in the society which have far reaching effects on business conditions. The social and cultural conditions in which the organisation operates can be understood by studying the demographic characteristics of the population, nature and lifestyle of the people, the groups they form and the nature of interactions among the groups and the institutions they have created for themselves. For example, the religious, ethnic and social stratification of the population and the degree of harmony and integration which exists in the specific society are key indicators of the nature of the social environment. The crime rate and level of perceived insecurity in the environment have significant implications for managers and their efforts at achieving their goals.

The cultural conditions are indicated by values and value systems, morals, beliefs and the norms, which control the behavioural patterns of the people. All these assist a business to fully understand how well it would cope, affect and integrate itself in the mainstream of things.

(iv) International environment

The international environment of business refers to all those elements on the international scene, which can help or inhibit the decisions and operations of the business enterprise. Changes in the economic, social, technological, political and public policy issues affect the operations of businesses. This is because most companies depend on imported raw materials, technology and other services or export their goods and services overseas.

Business enterprises also seek to adopt standards and best practices that can enable them compete effectively. Various environmental, social and legal issues, which emanate from the international scene, influence decision-making in domestic organisations. For example, protection of the environment has become a major issue which all business enterprises take into account in their operations. Other issues including compliance with standard established by the International Labour Organisation (ILO), the rights of women and children, promotion of competition and protection of intellectual property rights, through various international agreements, especially under the World Trade Organisation (WTO).

(v) Technological environment

The technological environment can be viewed as the state of the application of scientific principles and mechanical arts to various tasks in the society. It includes the methods, techniques and approaches adopted for production of goods and services and its distribution. In the Nigerian context, the local technology is utilised by those who engage in peasant farming, small scale businesses and even in the mining, quarrying and construction business. On the other hand, more advanced technology is employed in the oil and gas industry, steel industry, breweries, textile, banks, hospitals, etc.

Nigeria, Ghana, Liberia, etc. are not self-sufficient in their technological input as they rely heavily on modern technologies from the United States of America, Japan, China, India, Korea, Europe, etc. However, their dependence on foreign technologies has to some extent, advanced their technological climates positively.

Though, not much is currently being accomplished because of the little investment by the private and public sectors in Research and Development (R&D), but, with the advent of many universities, polytechnics and research institutes, significant improvements are expected, if coordinate efforts are made to harness their outputs for rapid technological development of these countries.

(vi) Ecological environment

Operations of business enterprises often affect the physical and ecological environments of their host communities. This is moreso in the case of manufacturing concerns and mineral-exploiting industries which leave impact on the physical and ecological environments. Many manufacturing industries emit carbon gases which pollute the environment and are mainly for the global warming currently plaguing the whole world. These climatic changes are causing ecological distortions which are threatening the very existence of the world. To reduce the impact of these emissions, the global community is advocating enactment of more effective environmental laws in all countries, most especially, those of the developed economies which are largely responsibility for them.

Oil exploration occasionally leads to oil spillages which pollute the environment, leading to loss of income and disruption of social activities of their host communities. This often leads to hostility from the host communities. Eventually, operations of the oil companies are disrupted by militant elements of the host communities and pressure groups; this very evident in the oil-producing communities of the Niger Delta region of Nigeria.

Mining companies often leave open pits and underground trenches which collapse over time creating damages to the physical environment in form of chemical pollution and gully erosion. These damages result in disasters and cost governments and host communities dearly in loss of human lives and income.

It is therefore essential for managers to regularly assess the impact of the operations of their companies on the ecological and physical environments and take measures to reduce such impacts where they are negative.

(vii) Legal/Public policy environment

The legal environment of business consists of the laws, regulations and procedures of a country which business enterprises are expected to comply with in the course of their operations. To some extent, these laws may facilitate successful business conduct as well as constitute major handicaps to successful performance. However, companies willing to do business in any country are required to obtain licences from relevant government agencies.

Furthermore, in carrying out their operations, business enterprises are required by law to pay personal and company income taxes, value added tax, capital gains tax, education tax, import duties, excise duties, etc. there are also laws that regulate the contract of employment, the relationship between employers and labour unions, the minimum age a person must obtain before he/she can be lawfully employed, employee compensation, etc.

In addition, these business organisations especially in the areas of foods, drugs, cosmetics, bottled water, chemicals, etc. are to be registered with the National Agency for Food and Drugs Administration and Control (NAFDAC). Thus, production of rational, well-intentioned policies, laws and regulations, which are expected to maintain, provide, secure and accelerate social and economic development of the society is a task that public policy is designed to achieve.

B.3.3 Internal Environment

Yalokwu (2002) noted that internal environment of an organisation includes all the elements and systems that exist within the organisation and over which the organisation has more direct control. He is of the view that management must analyse these factors carefully in order to determine their strengths and weakness so that appropriate steps can be taken to reduce any weaknesses and enhance the strengths.

The understanding of the internal environment is paramount to organisational effectiveness and efficiency. No wonder, Dess and Miller (1993) affirmed that the most effective strategies to be adopted are based on a thorough understanding of an organisation's internal environment. To be effective in evaluating, formulating, and implementing strategy, operating managers must be able to analyse their organisation in details both in breadth and depth. An analysis of the internal environment will tell the analyst what the organisation is capable of doing in view of its resource profile. To exploit opportunities for organisational effectiveness and minimise threats which are products of external environment, managers must carefully analyse a firm's internal resource profile. After noting the critical importance of the understanding of the internal environment, it is apposite at this juncture, to review the constituents of the internal environment.

(i) Owners and ownership structure

Owners do influence the power structure in an organisation. The type of ownership structure or shareholder structure in a company has implication on the nature of interpersonal and group processes that are manifesting in an organisation. A sole proprietorship company will have a different communication pattern, pay structure and tenure security or employment security from a public owned corporation. These differences inevitably affect managerial and non-managerial efficiency and motivation at work. All things being equal, a public corporation should have a work environment that is less restrictive, more permissive, more accommodating, more job secured and more motivating than a sole proprietorship.

(ii) The human resources

The company's human resources in marketing, finance, production, research and development (R & D), and the overall image of the company in these areas have implication on the company's ability to exploit opportunities and strangulate threats. The quality of the top management of the company in the functional areas of business will have implication on the quality of the strategy being articulated by the company and overall well-being of the company.

(iii) The financial position of the company

Another internal element of an organisation is the financial status of the company. A company that has a strong financial base will have the muscle to employ competent human resources who can easily identify opportunities that the company has the financial capability to exploit. The competent human resources can easily design appropriate strategies to convert threats to opportunities or reduce the negative impact of the threat substantially.

(iv) Organisational culture

Smircich (1983) defined organisational culture as a system of shared values, assumptions, beliefs, and norms that unite the members of an organisation. Kilmann, et al (1986) noted that culture reflects common views about "the way things are done around here". Organisational culture is otherwise called corporate culture because the concept is regularly used to describe the internal environment of major organisations. Culture is very important to organisations because as individuals act on shared values and other aspect of organisational culture, their behaviours can have a significant impact on organisational effectiveness. Organisational culture can develop from a variety of sources. It can develop from drive and imagination of individuals involved in the reward systems, policies and procedures that are instituted within the organisation. The reward for excellence or pushing a major innovation may add to individuals' perceptions of internal norms over time. A major change in the external or task environment such as change in economic environment or a tense competitive environment, may force an organisation to re-evaluate its acceptable norms in the areas like quality and pricing.

To analyse the likely impact of culture on a given organisation, three aspects of organisational culture are necessarily important: direction, pervasiveness, and strength. Direction in this regard refers to the degree to which a culture supports, rather than interferes with, in reaching organisational goals. Pervasiveness looks at the extent to which a culture is widespread among members, as opposed to being unevenly distributed. Strength addresses the degree to which members accept the values and other aspects of a culture. Bartol and Martin (1994) are of the view that culture can have a positive impact on organisational effectiveness when it supports organisational goals, is widely shared, and is deeply internalised by organisational members. In contrast, a culture can have a negative impact when the culture is widely shared and well internalised but influences behaviours in directions that do not further organisational goals.

(v) Integration

This refers to the quality of the state of collaboration that exists among units or departments within the organisation, that are required to achieve unity of effort in facing the challenges of the environment.

(vi) Associated Background

This describes the reason and manner in which the organisation was originally formed, its age and philosophy of its founding leaders. The corporate history of an organisation should be an effective induction instrument or weapon to assist a growth programme and to help integrate acquisitions of new knowledge and new employees to the organisation's culture and identity. An organisation that has a history of respecting and honouring hard work irrespective of tribe, age or education, will have a culture of hard work. It will see hard work as the bedrock of the well-being of the organisation and every individual within the organisation will equally see hard work as the only route to success, and so shall it be.

B.4 Environmental Analysis

Environmental analysis involves two processes – environmental scanning, and various efforts to understand the trends and implications of changes in the environment for the organisation.

Environmental scanning consists of processes used by a manager to monitor events occurring in the external environment of the organisation. The manager monitors events in order to understand the nature of the environment and the changes that are occurring in it.

Having generated the appropriate data, it is important to study them in order to understand the implications of the data on the growth and survival of the organisation. Thus, it is important for managers to, first, be aware of the changes occurring in the environment; second, to forecast the conditions that may affect the organisation in the future; and, thirdly, on the basis of the forecast, take appropriate decisions to achieve efficiency and effectiveness of the organisation.

B.5 Environmental Forecasting

Forecasting affords managers the opportunity to acquire a foreknowledge of what lies ahead in order to cope with their business environment. The future cannot be predicted with certainty but it can be forecasted in the sense that one can have an informed projection of a future event or conditions. The scope and areas where forecasting can be done are in areas of the political, legal, technological, economic, ecological, cultural and social environments. Thus, environmental forecasting is crucial because vital information generated about the future course of action become the basic inputs or raw materials for managerial decision making, planning and control.

Forecasts are based on fact, assumption, and some methods/techniques of combining these data and assumptions. Therefore, the reliability of forecasts will be dependent upon the level of accuracy of the data collected, assumptions made and methods/techniques employed in reaching the forecasts in the first instance.

Finally, we can rightly infer that: (i) the forecasting process improves the manager's ability to appreciate the interplay of environmental variables and how to anticipate, process and cope with them. (ii) The manager is able to explore, in advance, the various challenges and opportunities as they present themselves and determine how to solve them, (iii) Forecasting aids scanning and vice versa.

The PESITEL model is an easy non-quantitative technique of analysing the environment of business. It is used to identify the critical elements of an entity's external environment. Porter's Diamond model is used to explain why entities in some countries or areas of a particular country enjoy competitive advantage over similar entities in the same industry or sector.

B.6 Techniques for Interacting with the Environment

After the manager has identified the relevant stakeholders and collected information about future trends involving these stakeholders, he or she must develop some means of interacting effectively with the environment. Through these interactions, the manager is trying to maximize well-being by gaining a competitive advantage or by blunting the negative effects that these stakeholders can have on operations. Although there are numerous actions that the organization may take, some of the most common are the following

1. **Public Relations:** Information that explains the firm's activities in a favorable manner is regularly transmitted to the public.
2. **Boundary Spanning:** Representatives of the organization regularly me with

stakeholders, such as sales agents with customers or purchasing agents with suppliers, to present the current and future status of the organization and try to influence the stakeholder's immediate and future actions toward the company.

3. **Lobbying:** Members of the organization meet with government officials in an attempt to influence their votes on some policy that will affect the organization.
4. **Negotiation:** The organization arrives at a formal, legal agreement with stakeholders through a discussion that may include cost, time, and method of transportation.
5. **Alliances:** The organization joins with other organizations, frequently competitors, to engage in an activity that promises great benefit.
6. **Organizational Restructuring:** This involves changes in the organisation's structure and the working arrangement among its internal parts. Frequently, these changes include laying off employees in an attempt to reduce the costs of doing business and to make the organisation competitive against other organisations. In recent years, many individuals affected by layoffs have been middle-level managers.

B.7 Globalization

Globalization means 'integrating' the economy of a country with th e world economy. It can also be defined as the process of world-wide economic integration and growing inter-dependence, interconnectedness through the flow of goods, services, capital, people and information among nations in the modern world.

A truly globalized corporation views the entire world as a single market, and it does not differentiate between the domestic market and foreign markets.

B.7.1 Factors influencing globalization:

According to the Britannica Concise Encyclopaedia (2002) some of the factors which have contributed to globalization are as follows:

(a) the phenomenal growth in communication arising from fast-paced development in communication technology;
(b) Improved transportation services;
(c) Mass migration and the movement of peoples;
(d) A level of economic activity that has outgrown national markets through; industrial combinations and commercial groupings that cross national frontiers; and,
(e) International agreements that reduce the cost of doing business in foreign countries.

B.7.2 The Implications of globalization for management and business enterprises

(a) As a result of greater liberalization of the flow of goods, services, capital, labour and information, there is an opening up of markets, and investment opportunities among nations.

(b) Firms in the less developed countries of the world, to a large extent, are at a disadvantage arising from the more intense competition from better endowed companies in the advanced nations.

(c) Mergers, acquisitions and strategic alliances, have resulted as poorer and weaker firms are swallowed up by the stronger ones.

(d) Managers are expected to be equipped and developed through greater cross-cultural awareness and sensibility as they communicate with their counterparts across the globe.

(e) It allows managers to acquire skills to manage in culturally diverse settings.

(f) By such cross-cultural interactions, firms are expected to achieve and maintain higher standards in terms of their products and services as well as the quality of management practices.

Summary

The environment of business is a major determinant of the policies, strategies and overall performance of any business. It is usually so complex and dynamic that it often defies simple analysis. Management's perception of the environment in terms of complexity, stability or hostility is crucial to the success of the organisation. The section highlighted the nature of business environment and its classification into internal, task and external environments were discussed. A detailed analyses of the elements in these environments were also covered. In order to successfully manage the challenges posed by the environment, management must have a reliable sensory mechanism for gathering and analysing timely intelligence about the environment through environmental scanning and forecasting. There was good discussion on the techniques for interacting with the environment. There are techniques of interacting with the environment such as public relations, lobbying, negotiation alliances, etc.

Review Questions

Multiple Choice Questions

1. Which of these is not an aspect of the internal environment?

    (a) Middle men
    (b) owners
    (c) board of directors
    (d) employees
    (e) organisation culture

2. The monitoring of external environmental forces to determine the source of a firm's opportunities and threats is known as

    (a) Regression analysis

(b) Environmental analysis
(c) Tows analysis
(d) Critical path analysis
(e) SWOT analysis

3. The external environmental conditions under which business organisations are required to comply with certain laws, and to obtain permits from the relevant government agencies is known as:

(a) Legal/Public policy environment
(b) Technological environment
(c) Political environment
(d) Socio-cultural environment
(e) Economic environment

4. Which of this is a task environment of Business?

(a) Labour supply
(b) Economic environment
(c) Political environment
(d) Ecological environment
(e) Customers/clients

5. Which of this is not an importance of business environment?
(a) Gives directional clarity
(b) Limited competition
(c) A continuous learning process
(d) Builds organisational image
(e) Exposes opportunities and threats

Short Answer Questions

1. The process used by a manager to monitor events occurring in the external environment of the organisation is called …..

2. The technique that affords managers the opportunity to acquire a foreknowledge of what lies ahead in order to cope with their business environment is known as ……

3. Environment the provide opportunities and threats is called ………..…

4. …… are organisations and individuals that provide resources to other companies that use them to conduct their operations.

5. The direct-action environment of the external environment is also known as ……..

Solution

Multiple Choice Questions

1. A
2. B
3. A
4. E
5. D

Short Answer Questions

1. Environmental scanning
2. Environmental forecasting
3. External environment
4. Suppliers
5. Task environment

SECTION C. CORPORATE SOCIAL RESPONSIBILITY, BUSINESS ETHICS AND CORPORATE GOVERNANCE

Section contents

(a) Nature of Social Responsibility
(b) Dynamics of Social Responsibility
(c) Arguments for Social Responsibility
(d) Arguments against Social Responsibility
(e) Business Ethics
(f) Ethical issues in Business
(g) Why some managers behave unethically
(h) Causes of Unethical Behaviours
(i) Guidelines for Ethical Competence
(j) Ethical Practices Peculiar to Accounting Profession
(k) Possible Sanctions for Breach of Ethical Compliance in Accounting Profession
(l) Corporate Governance
(m) Benefits of Corporate Governance
(n) Prerequisites of Effective Corporate Governance in Nigeria
(o) Weaknesses/Problems of Corporate Governance in Nigeria
(p) Codes of Best Practices on Corporate Governance in Nigeria
(q) Compliance Requirements of Corporate Governance

Learning objectives

After studying this section, the readers should be able to:
- Explain the nature of social responsibility
- Explain the dynamics of social responsibility
- Identify the reasons for and against corporate social responsibility
- Explain business ethics
- Explain ethical issues in business and why some managers behave unethically
- Explain the guidelines for ethical compliance
- Explain the ethical practices peculiar to accounting profession
- State possible sanctions for breach of ethical compliance in accounting profession
- Explain corporate governance
- State the benefits of corporate governance
- Explain the prerequisite of effective corporate governance in Nigeria
- Explain the problems of corporate governance in Nigeria
- Explain the codes of best practices in corporate governance in Nigeria, compliance effects and sanctions.

C.1 Nature of Social Responsibility

Social responsibility of business refers to the obligation of business enterprises to adopt policies and plans of actions that are desirable in terms of the expectations. Also, social responsibility has become a major issue in management. Major production and distribution activities in modern societies are carried out by organisations. Most of societies' resources (financial, intellectual and material) are under the control of organisations. These organisations significantly affect the future of society.

Corporate social responsibility refers to the obligation of a corporate body to seek actions that protect and improve the welfare of society along with its own interests (Bartol & Martins, 1994). Social responsibility is the obligation a business assumes to maximise its positive impact and minimise its negative impact on society. Another authority defined corporate social responsibility as the notion that corporations have an obligation to constituent groups in society other than stock-holders and beyond that prescribed by law or union contract (Jones, 1980). With respect to this definition, an action must be voluntary to qualify as a social responsible action.

Social responsibility is also examined in terms of economic, legal, ethical and philanthropic responsibilities.

(a) **Economic responsibility** requires the business enterprise to utilize the resources of the society or community efficiently. This is to say that the business enterprise is required to deploy the human, material, technological and other resources acquired by it from the society in a manner that maximizes the output/profit of the operation or maximizes the value-added by the operation. This is a required responsibility as it not only ensures the survival and growth of the business, but also generates jobs and other benefits to the society.

(b) **Legal responsibility:** Business enterprises, as good corporate citizens, are to obey all the laws and regulations of the land.

(c) **Ethical responsibility:** Ethical responsibility is expected by society of the business enterprise. This means that beyond obeying the law and complying with all regulations by Federal, State and Local Governments, business enterprises have the moral responsibility to do what is right and avoid what is wrong. They are expected to do what is right and proper with respect to protecting the environment, natural resources and upholding the values of the society. Similarly, they must do what s right and proper in relation to all their stakeholders - employees, suppliers, government agencies, etc.

(d) **Discretionary/philanthropic responsibility:** It is desirable that business enterprise should use its discretion to solve some of the problems of society such as pervasive, poverty, lack of infrastructure in the communities where they operate, poor health and educational facilities, etc. This responsibility is in the self-interest of the business enterprise as it reduces tension between it and its host community and creates a favourable environment.

C.1.1 Dynamics of Social Responsibility

At the early stage of social responsibility, the focus was on the owners of the business – the shareholders. To management, the task was to maximize profit and satisfy the expectations of shareholders through dividend pay-out.

With time, managers saw the need to attract, retain and motivate employees. Hence in addition to meeting the expectations of shareholders, management sought to meet the expectations of employees by providing improved working conditions, recognizing employees' rights and demands for Job security, safe/healthy work environment and human dignity.

The next stakeholders to attract the attention of management are customers, suppliers, distributors, etc. The thrust of social responsibility to these stakeholders were fair prices, high quality goods and services, safe and healthy products, establishment of good relationship to ensure long term sustainable partnership that is mutually beneficial.

The last stage is responsibility to society. At this stage, management recognizes and accepts responsibility to be at the forefront of the advancement of public good, protection and greening of the environment, support for social and cultural activities and advancement of equity and justice.

C.1.2 Arguments for Social Responsibility

1. Public needs have changed, leading to changed expectations. Since business received its direction of activities from the society, it has to respond to the needs of the society.
2. Business is one of the institutions that create many of the social problems that exist today, so it should play a principal role in solving them especially in the areas or pollution reduction and toxic waste clean- up.
3. The creation of a better social environment benefits both society and business. Society gains through better neighbourhoods and employment opportunities, business benefits from a better community, since the community is the source of its work force and the consumer of its products and services.
4. Business involvement in social responsibility discourages additional government regulation and intervention. The result is greater freedom and more flexibility in decision making for business.
5. As members of the society, businesses should do their fair share to help others.
6. Business should be more responsible because they have a great deal of power, f financial and technical resources to help solve social problems.
7. Social involvement creates a favourable public image. Thus, a firm may attract customers, employees and investors because of its social activities.
8. Business should try to solve the problems that other institutions have not been able to solve more also when business has a history of innovative ideas.
9. Business has the resources such as talented managers, specialists, as well as its capital resources, to solve some of the society's problems.
10. Social responsibility is necessary to ensure economic survival, if business wants educated and healthy employees, customers with money to spend, and suppliers with quality goods and services in years to come, they must take steps now to solve the social and environmental problems that exist today; and this can be done through social activities.

11. It is cheaper for business to prevent social through social activities than cure or solve the social problems generated through lack of attention to them.

C.1.3 Arguments against Social Responsibility

1. The primary task of business is to maximise profit by focusing strictly on economic activities. Social activities sidetrack managers from the primary objectives of business and could reduce economic efficiency of organizations.
2. Participants in social programmes give business greater power, perhaps at the expense of particular segment of society.
3. At the end of the day, society pays for the social involvement of business through higher prices because social involvement creates excessive costs for business which will ultimately be passed to customers in form or higher prices.
4. Drawing from the above, social involvement can create a weakened international balance of payments situation. The cost of social programmes would have to be added to the price of the goods and services. Thus, Nigerian companies selling in international markets would be at a disadvantage when competing with companies in other countries that do not have these social costs to bear.
5. Business has enough power, and additional social involvement would further increase its power and influence which may be detrimental to the society.
6. Many authorities also question whether business has the expertise needed to assess and make decisions, about social problems. In short, many asserted that business lack the social skills to deal with the problems of society. That their training and experience are with economic matters, and their skills may not be pertinent to social problems.
7. There is lack of accountability of business to society. Unless accountability can be established, business should not get involved.
8. Many people feel that social problems are the responsibility of government agencies and officials, and therefore business involvement is a gross misallocation of scarce resources with its attendant consequences.

C.2 Business Ethics

The word "Ethics" originated from the Greek word '*ethos'*, meaning, character, conduct and activities of the people based on moral principles. It is concerned with what is right and what is wrong in human behaviour on the basis of standard behaviour or conduct acceptable by the society. Ethics is defined as the discipline dealing with what is good and bad and with moral duty and obligations. Ethics is an individual's personal belief about whether a behaviour, action or decision is right or wrong (Griffin, 1999). What an individual considers to be right or wrong, good or bad, comes from various sources.

The family is the first school in which the child learns. From the parents, the child learns behaviours, actions and decisions that are good and those that are bad. Other sources of learning are educational institutions, such as schools and religious institutions; from peer influence, from professional and trade associations, etc., to which the individual belongs; the individual's personal experiences; and situational factors. All of these sources, define for the individual ethic standards that guide his/her behaviour, actions and decisions.

Business ethics refers to ethical standards that are applicable when people engage in business transactions. According to Weihrich and Koontz, (2001) business ethics is concerned with truth and justice. It is concerned with what is good or bad, right or wrong in business transactions.

Most business organizations and indeed most organizations prescribe ethical standard which employees and other key stakeholders, such as suppliers are expected to adopt in conducting their activities. For example, organizations define what is fair and just, good and bad, in dealing with various stakeholders, such as employees, customers, etc.

Finally, it could be reasoned further that Ethics go beyond the law because they are standards of behaviour that are expected of both the individual and the corporate legal person. Ethics define, for the individual, what is morally right or wrong. On the other hand, business ethics enables business managers to question their business activities, actions and decisions in line with moral principles concerning their products, services, managerial competences and relationships with the society they do business with.

C.2.1 Ethical issues in Business

These are general issues with respect to the values and ethical standards that should be used by managers to guide their decisions. Areas of considerations as they affect ethics and which must be addressed are:

(i) Bribes
(ii) Honesty of records keeping
(iii) Misappropriation of corporate assets
(iv) Confidentiality of corporate information
(v) Political contributions
(vi) Conflict of interest
(vii) Customer/supplier relationships

Other issue include:

(a) *Employees*: The wages, recruitment process, conditions of service, retrenchment and welfare package should be fair and just.
(b) *Labour unions:* There should be honesty in honouring agreements, good strategies in handling negotiations and industrial action.
(c) *Trade associations:* Loyalty and faithfulness in honouring agreements.
(d) *Dealers:* Honesty in honouring agreements, engagement and disengagement processes.
(e) *Customer*: Product safety, value proposition, truthful advertising.
(f) *Suppliers*: Honesty in honouring agreements.
(g) *Competitors*: Fair versus unfair competition.
(h) *Shareholders*: Insider trading, truthful stewardship and conflict of interest.

(i) *Creditors*: Payment for supplies.

(j) *Government*: Tax evasion, economic sabotage and truthful disclosure.

(k) *The society at large:* Environmental concerns.

(l) *The firm itself:* Confidentiality, loyalty and obedience.

C.2.2 Why some managers behave unethically

An unethical behaviour would be defined as one that is not morally honourable or one that is prohibited by the law. Many behaviours will fall in the classification including corruption, mail and wire fraud, discrimination and harassment, insider trading, conflicts of interest, improper use of company assets, bribery and kickbacks, compliance procedures, ethical relations with others, disciplinary action, fraud, illegal business donations, patent infringement and product liability (Barrcus & Near, 1991), Today, the most common ones are false communication, collusion, conflicts of interest, gifts and kickbacks, insider trading, discrimination and harassment, and embezzlement.

Dedicated employees, who are usually honest, sometimes behave unethically because of four rationalizations; namely,

(a) that no one will ever find out
(b) that the behaviour is not really illegal
(c) that it is in the best interest of the organization, and
(d) that the organization will protect them.

Although the costs of unethical behavior are hard to measure, they can add, according to research, more than 20% to the cost of doing business. The costs will include low wages, unemployment, and poverty. If top management wants to improve organizational performance, they must stand firm that ethical methods are the only ways business should be done.

C.2.3 Causes of Unethical Behaviors

A study that was commissioned by American Management Association (AMA) and which was conducted by the Human Resource Institute (HRI) using 1121 managers and Human Resource experts as participants, revealed that the leading causes of unethical corporate behaviour are:

(a) pressure to meet unrealistic business objectives, targets and deadlines.
(b) desire to further one‘s career
(c) desire to protect one‘s livelihood
(d) Job pressure, according to the study, causes employees to engage in unethical behaviors that include cutting corners on quality control, covering up incidents and lying to customers.
(e) Ignorance that the acts are unethical and not knowing the seriousness of the consequences when caught
(f) Competition for scarce resources, power or position
(g) A few bad employees with poor ethical background among organizational actors

(h) Lack of maintaining the type of consistent leadership that is necessary for running an ethical organization. This exposes the employees to opportunities that make them engage in unethical behaviours.

Other major causes of such unethical behaviour include:

(a) **Lack of** p**ersonal ethics** – Business ethics are not divorced from personal ethics, which are the generally accepted principles of right and wrong governing the conduct of individuals,

As individuals, we are typically taught that it is wrong to lie and cheat – it is unethical – and that it is right to behave with integrity and honour and to stand up for what we believe to be right and true. This is generally true across societies. The personal ethical code that guides our behaviour comes from a number of sources, these include:

- our parents,
- our schools,
- our religion, and
- the media.

Our personal ethical code exerts a profound influence on the way we behave as business people. An individual with a strong sense of personal ethics is less likely to behave in an unethical manner in a business setting. It follows that the first step to establishing a strong sense of business ethics is for a society to emphasize strong personal ethics.

(b) **Decision – making processes** – several studies of unethical behaviour in a business setting have concluded that business people sometimes do not realise that they are behaving unethically, primarily because they simply fail to ask, Is these decisions or action ethical? (Messick and Bazerman, 1996).

(c) **Organisation Culture –** The climate in some businesses does not encourage people to think through the ethical consequences of business decisions. This brings us to the third cause of unethical behaviour in business, that is, organisational culture that de-emphasizes business ethics; reducing all decisions to the purely economic.

The term **organisation culture** refers to the values and norms shared among employees of an organisation. **Values** are abstract ideas about what a group believes to be good, right, and desirable, and **norms** are the social rules and guidelines that prescribe appropriate behaviour in particular situations. Just as societies have cultures, so do business organisations. Put together, values and norms shape the culture of a business organisation, and that culture has an important influence on the ethics of business decision making.

(d) **Unrealistic Performance Expectations** – is the fourth cause of unethical behaviour in business setting. Here, pressure from the parent company to meet unrealistic performance goals that managers can attain only by cutting corners or acting in an unethical manner is the major issue under unrealistic performance expectations.

(e) **Bad Leadership** – is the fifth root cause of unethical behaviour in business setting. Leaders help to establish the culture of an organisation, and they set the example that others follow. Other employees in a business often take their cue from business leaders, and if those leaders do not behave in an ethical manner, they might not either. It is not what leaders say that matters, but what they do.

C.2.4 Guidelines for Ethical Competence

Every organisation needs to have a compliance strategy in place to determine potential risks; identify ways to mitigate them in time and outline a future course of action. Some of the guidelines of building ethical compliance organisation are:

(i) *Be proactive in managing compliance and ethics:* Successful business need to be proactive in terms of establishing controls and processes, defining accountability and centrally managing compliance requirements so that they are easily accessible to all concerned departments.

(ii) *Adopt and communicate an ethical profile:* Ethics begins at home. The foundation of an effective ethics and corporate compliance programme is a strong and well communicated code of ethics which can be best represented in terms of policies and procedures.

(iii) *Train employees on compliance policies:* Investing in employees training is always a smart move. Employees need to understand the organisation's culture and its ethical boundaries. Doing this will make employees to be fully familiar with all that is expected of them with regards to ethical issues.

(iv) *Adopt risk-based approach to compliance management:* A risk based approach to compliance and ethics management involves identifying the high risk areas within the organisation, and then prioritising, managing and monitoring those risks.

(v) *Integrate hotlines with the compliance programme:* Organisations have found it useful to have hotline numbers for employees to anonymously report issues of bribery, fraud, ethical violations, etc. in the workplace. Integrating hotlines with the company's corporate compliance programme can be effective as it helps in tracking each issue from creation to closure.

C.2.5 Ethical Practices Peculiar to Accounting Profession

(i) *Integrity:* A professional accountant should be straightforward and honest in all professional and business relationships.

(ii) *Objectivity:* A professional accountant should not allow bias, conflict of interest or undue influence of others.

(iii) *Professional competence and due care:* A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation, and techniques.

(iv) *Confidentiality:* A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without the permission of his client or employer. Also confidential information acquired as a result of business relationship should not be used for personal advantage of the professional accountant.

(v) *Professional behaviour:* A professional accountant should comply with the relevant laws and regulations and should avoid any action that discredits the profession.

C.2.6 Possible Sanctions for Breach of Ethical Compliance in Accounting Profession

Punishment/Sanctions

(a) Additional professional education
(b) Reprimand
(c) Monetary fine
(d) Removal of authority to engage in public practice or to practice in specific areas of work
(e) Suspension from membership for a specified period
(f) Exclusion from membership
(g) Refund of fee
(h) Work to be completed by another accountant
(i) Payment of cost of the hearing
(j) Sanctions against the member firm, etc.

C.3 Corporate Governance

Corporate governance can be seen as the way in which formally constituted authorities like investors or board of directors affect the strategic plans and direction of the organisation through the formalized process of overseeing and supervising the executive decisions and actions.

Corporate governance is defined as the system by which the affairs of corporate entities are directed and controlled by those charged with the responsibility (Uzuh, 2006).

Corporate governance is, also, “concerned with the structures and systems of control by which managers are held accountable to those who have a legitimate stake in an organisation" (Jacoby, 2005).

Corporate governance can also be looked at as processes and structures put in place by the owners and regulatory agencies, to moderate on the executives of the organisation, so as to improve and sustain long term shareholders value by enhancing corporate performance and accountability while mindful of other stakeholders interest.

Corporate governance is about maximizing shareholder value legally, ethically and on a sustainable basis, while ensuring fairness to every stakeholders, hence, corporate governance is critical to enhance and retain investor trust.

Furthermore, responsive corporate governance in a firm involves the enthronement of a system where:

(i) There is transparency and accountability to various stakeholders,
(ii) There is compliance with the applicable legal and regulatory requirements,
(iii) There is disclosure of all material information to stakeholders,
(iv) The firm viability and solvency is sustainable through adequate internal control and it is as well as appropriate management framework.

C.3.1 Benefits of Corporate Governance

The practice of corporate governance in an organisation will bring about the following benefits:

(i) Fairness
(ii) Openness/transparency
(iii) Independence
(iv) Honesty and integrity (probity)
(v) Responsibility and accountability
(vi) Reputation
(vii) Sound Judgment

C.3.2 Prerequisites of Effective Corporate Governance in Nigeria

(a) Knowledge,
(b) Information,
(c) Strong management team,
(d) Power,
(e) Auditors,
(f) Motivation,
(g) Time, etc.

C.3.3 Weaknesses/Problems of Corporate Governance in Nigeria

(i) Poor integration and development of information technology,
(ii) Independence and transparency of auditors,
(iii) Pressure from the government,
(iv) Board/management relationship,
(v) Disagreement between board and management giving rise to board squabbles,
(vi) Weak internal controls,
(vii) Passive shareholders,
(viii) Ineffective management information system,
(ix) Technical incompetence,
(x) Poor leadership,
(xi) Non-compliance with laid down internal controls and operational procedures,
(xii) Fraudulent and self-servicing practices among members of the board,

management and staff, etc.

C.3.4 Codes of Best Practices on Corporate Governance in Nigeria

In Nigeria, directors of companies owe certain duties to their company (these duties are included in Companies and Allied Matters Act, 1990). The Act also requires the directors of a company to present an annual report and accounts to the shareholders, this helps to make the directors accountable to all stakeholders (shareholders inclusive) of their company.

In some countries, such as the UK, where laws on corporate governance are not strong, guidelines or codes of governance principles and practice have been issued. In as much as these guidelines are voluntary, one major or unique aspect of it is that the guidelines are backed by major financial institutions, stock exchanges and investment organisations.

The major areas covered by codes of corporate governance are as follows:

(i) The role and responsibilities of the board of directors

(ii) The composition and balance of the board of directors

(iii) Financial reporting, narrative reporting and auditing

(iv) Directors' remuneration

(v) Risk management and internal control

(vi) Shareholders’ right

(vii) Corporate social responsibility and ethical behaviour by companies (business ethics)

C.3.5 Compliance Requirements of Corporate Governance

The corporate governance code requires that:

(i) It supersedes any corporate governance codes before October 17. 2016.

(ii) It is mandatory for all public companies (listed or not listed); all private companies that are holding companies or subsidiaries of the public companies, and all private companies (with more than 8 employees) that file returns to any regulatory authority other than the Federal Inland Revenue Service and the Corporate Affairs Commission.

(iii) It sets the minimum number of members on a board of directors at 8, this is a revision from the SEC Corporate Governance Code and Code of Corporate Governance for Banks and Discount Houses in Nigeria which provided for a minimum of covering periods beginning on or after 17 October 2016 and an earlier application Would be permitted.

(iv) Companies are required to comply with the provisions of the Code in any annual reports covering periods beginning on or after 17 October 2016 and an earlier application would be permitted.

Summary

The section explained the nature of corporate social responsibility and its areas. A good debate whether organisations should or should not embark on separate social responsibility was well articulated. Ethics was explained with particular reference to business ethics. Three areas of managerial ethics were well discussed. Discussion on ethical concerns of managers as they relate to different publics were given some attention. Ethical practices peculiar to accounting profession were highlighted. Corporate governance, its meaning and the need for it were given good attention.

Review Questions

Multiple Choice Questions

1. Corporate governance scope includes the following EXCEPT
   (a) The role and responsibility of the board of directors
   (b) The composition and balance of the board of directors
   (c) Financial reporting, narrative reporting and auditing
   (d) Director's remuneration
   (e) Recruitment, selection and placement

2. Sets of generally accepted standards of social conduct is known as:
   (a) Ethics
   (b) Equi-finality
   (c) Guidelines
   (d) Uncertainty
   (e) Mutuality of meaning

3. Which of these should NOT be paid attention to by managers with respect to corporate social responsibilities as it relates to minorities and backward communities?
   (a) Equal employment opportunity
   (b) Use of expertise to solve local problems
   (c) Locality plants and offices in minority areas

4. Which of these is NOT an area of concern to managers as regards corporate social responsibility?
   (a) Government relations
   (b) Consumption
   (c) Family relations
   (d) Shareholders relations
   (e) Labour relations

5. Which of these is NOT why managers behave unethically?
   (a) Personal ethics
   (b) Organisation culture
   (c) Labour unions
   (d) Leadership

(e) Decision making process

Short Answer Questions

1. The set of obligations an organisation has to protect and provide for the society in which it functions is called ......
2. The general guidelines with respect to the values and ethical standards that can be used by managers to guide their decisions is known as .....
3. ..... is defined as the system by which the affairs of corporate entities are directed and controlled by those charged with the responsibility.
4. ..... is an individual's personal belief about whether a behaviour action or decision is right or wrong.
5. .... refers to the values and norms shared among employees of an organisation.

Solutions

Multiple Choice Questions

1. E
2. A
3. B
4. C
5. C

Short Answer Questions

1. Social responsibility
2. Code of ethics
3. Corporate Governance
4. Ethics
5. Culture

CHAPTER TWO
MANAGEMENT THEORIES AND THOUGHTS

Chapter contents

e. Ethical Reawakening

(v) Evolution of Schools of Management Thoughts

(w) Pre-scientific Management thoughts:

a. Robert Owen (1771 -1858)
b. Charles Babbage (1792 -1891)
c. Henry Vamun Poor
d. Captain Henry Metcalfe (1847 -1917)

(x) Scientific Management

a. Fredrick Taylor (1856-1915)
b. Frank Gilbreth and Lillian Gilbreth:
c. Henry L. Gantt (1861-1919)
d. Harrington Emerson (1853-1931): Principles of Efficiency

(y) Administrative Management Theory:

a. Henri Fayol (1841-1920)
b. Chester Barnard (1886-1961)
c. Colonel Lyndall Urwick,
d. Luther Gulick
e. James D. Mooney and Alan C. Reilly

(z) Theory of Bureaucracy: (Max Weber 1864-1920)

(aa) Features of Bureaucracy

(bb) Contributions of Bureaucracy to Management

(cc) Limitations of Bureaucracy

(dd) Human Relations Theory

(ee) The Hawthorne Experiments (Elton Mayo, 1880 – 1949).

(ff) Contributions of Human Relations Theory

(gg) Limitations of Human Relations Theory

(hh) Quantitative Management School

(ii) Branches in the Quantitative Management Viewpoint:

(jj) Contemporary Approaches to Management Thoughts

(kk) Decision Theory Approach to Management

(ll) Systems Theory

(mm) Components of a system

(nn) Systems as cycles of events

(oo) Contributions of the Systems Theory to Management

(pp) Limitations of the Systems Theory

(qq) Contingency theory

(rr) Contingency or Situational Approach to Management

(ss) Features of contingency approach

(tt) Contributions of Contingency Theory to Management

(uu) Emerging Trends in Management

a. Globalisation
b. Entrepreneurship
c. E-business
d. Innovation and flexibility
e. Total quality management
f. Learning organisations and knowledge management

g. Theory Z
h. Managerial effectiveness
i. Excellence
j. Quality and productivity

(vv) Review questions

Learning Objectives

After studying this chapter, the reader should be able to:

(i) Define management
(ii) Explain the nature, objectives and purpose of management
(iii) Explain management as a technique, process, discipline, and profession
(iv) Explain management functions, levels, skills and roles
(v) Explain management as an art or science
(vi) Explain the universality and transferability of management
(vii) Explain measures of managerial performance, productivity, effectiveness and efficiency
(viii) Explain the following managerial trends:
  (a) Globalisation
  (b) Quality
  (c) Environmentalism
  (d) Diversity of workforce
  (e) Ethical reawakening.
(ix) The school of management thoughts.
  (a) Pre-classical thoughts.
  (b) Classical thoughts.
  (c) Behavioural thoughts.
  (d) Quantitative management schools /operation research/ management science approach.
  (e) Contemporary approaches to management thoughts.
  (f) Recent/emerging management thoughts.

2.0 Introduction

Management plays a pivotal role in the operations of business organizations. To achieve the goals of the business organization, it is necessary to guide, direct and co- ordinate the effort of others and constructively channel their potential. Thus, it is said that management is the activity of getting things done through, and with other people. How successfully an organization achieves its objectives depends to a large extent on its managers. If managers do their work well, an organization will probably achieve its goals.

2.1 Definitions of Management

Management can be defined as the process of planning, organizing, directing and controlling the resources of an organization in order to achieve its goals efficiently.

Other definitions of management are given below:

(i) Management is the process of planning, organizing, actuating and controlling an organization's operations in order to achieve a coordination of the human and material resources essential in the effective and the efficient attainment of objectives (Miner, 1978).

(ii) Stoner (1978) defines management as the process of planning, organizing, leading and controlling the work of the members of an organization and of using all available organizational resources to reach stated organizational goals.

(iii) Griffin (1999), defines management as a set of activities (including planning and decision making, organizing, leading and controlling) directed at an organization's resources (human, financial and information) with the aim of achieving organizational goals in an efficient and effective manner.

These definitions highlight the following concepts:

(i) A Process – Management is seen as a process consisting of four distinct but interrelated activities – planning, organizing, directing and controlling.
(ii) Resources – Human, financial, physical and information resources
(iii) Efficiency – Using resources in a cost effective manner.
(iv) Effectiveness – Making right decisions and implementing them.
(v) The Manager – A person whose primary responsibility is to carry out the management process.
(vi) The Efficient manager does things right, and effective manager does the right things.

2.2 Nature, Objectives and Purpose of management

2.2.1 Nature of Management

(a) **Management is a universal activity:** The 14 basic principles of management given by Henry Fayol are universal in nature. This means it has the same applicability all over the world. These principles are equally applicable in different organisations, businesses, government departments and others. The managerial job is basically the same at all level of organisation and in all types of institutions.
(b) **Management is a continuous process:** Management is an on-going process. The cycle of management continues to operate as long as the organisation exists. The main objective of this continuous process is to make small, progressive changes that will provide greater value in the long run. Continuous management is done for the effective and efficient achievement of goals.
(c) **Management is a purposeful activity as it is goal oriented:** The existence of management is for the sole purpose of achieving the organisational goals. Management directs the energy of all the human resources available in the organisation towards the accomplishment of the predetermined goals achievement

of goals provides justification for the existence of an organisation.

(d) **Management is a social process as it involves people:** Management is done by people, through people and for the people. Management is a social process because it deals with people. It is concerned with making the best use of human efforts. managers have to create co-operation among employees in an organisation .they have to look after the interests of employees, customers, investors, shareholders, community and stakeholders.

(e) **Management is concerned with the efforts of a group:** Management requires group efforts in order to achieve the common objectives of the organisation.it is an activity which is concerned with getting the things done rather than doing itself. People generally join groups to achieve what they cannot achieve individually. Group activity is required in all areas of human activity.

(f) **Management is intangible:** Intangible means anything which can not be seen and touched, it can be felt only. Management is an unseen and invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. The effect of management can be noticed in an organisation when targets are met according to plans, employees are happy and satisfied.

(g) **Management involves decision making:** Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager.

(h) **Management is an integrating process:** Management undertakes the job of bringing together human physical and financial resources so as to achieve organizational purpose. Therefore, is an important function to bring harmony between various factors.

(i) **Management co-ordinates all activities and resources:** The essence of management is coordinating all of the different functions. Coordination, as it relates to business, is defined as integrating activities to ensure resources of an organization are used most efficiently to succeed in achieving the set goal.

(j) **Management is dynamic not rigid:** Management is dynamic as it must remain equipped to face various changes in the corporate environment caused by social, economic, technological, political, or human factors.

(k) **Management is an art as well as science:** Management involves a systematic body of theoretical knowledge as well as the practical experience of such knowledge. Management is the “art of arts” because it organizes and uses human talent. It is science also because Management follows a systematic method to find a possible solution for a problem.

(l) **Management is being creative:** The proper management means attaining the organisational objectives with the highest efficiency at the minimum possible cost. The job of managers is to make a productive enterprise out of available human and material resources. The basic aim of management is the optimum utilisation of the available resources. Effectiveness and efficiency are the two pillars on which the managerial performance is based.

2.2.2 Objectives of Management

The main objective of management is to secure maximum outputs with minimum efforts & resources. Management is basically concerned with thinking & utilizing human, material & financial resources in such a manner that would result in best combination.

There are several overriding objectives of management, namely to:

(a) Make strategic plans.
(b) ensure organizational goals and targets are met – with least cost and minimum waste;
(c) Make proper use of the available resources.
(d) Ensure business development and growth.
(e) Provide quality products and services.
(f) Make availability of Goods and Services.
(g) look after health and welfare, and safety of staff; and
(h) Ensuring discipline in the workplace.
(i) Protect the machinery and resources of the organization, including the human resources.
(j) Attracting the Best Candidates for the Job.
(k) Reduce the Element of Risks in the workplace

2.2.3 Purpose of Management

The purpose of management is to plan, direct, organize and ensure the success of a business at various levels through a number of methods including customer satisfaction and employee training. Management, normally made of a manager and their assistants, is key to running an organization on what could be considered microscopic levels.

A manager is responsible for the tiniest details in their business or department. They are in control of operating hours, scheduling, training and dealing with customers who cannot be dealt with by other employees directly. Someone in management may not be referred to as a manager because different companies and organizations use different terms. It is possible to hear management referred to as team leaders or coordinators, etc.

2.3 Management as a technique, process, discipline and profession

2.3.1 Management as a technique

Management as a technique connote three basic things; that is, materials, methods and knowledge (technical know-how). Considering management as a technique means there is a unique effective way of doing things and getting things done. In achieving a given task, ther is a proper mix of labour skills, materials, machine hour and financial input that is needed, so that any other similar task can adopt that same technique.

2.3.2 Management as a process

Management is a process involving certain functions and work activities that managers must perform to achieve an enterprise's goals. Managers use principles that guide the management process. The five fundamental functions of management – planning, organizing, staffing, leading and controlling – constitute the process of management. They are the means by which a manager manages.

2.3.3 Management as a discipline and profession

This is seen in the context of specialization and choosing management as a career. The function of managers in any organisation is very crucial as he harnesses all the other resources to achieve the organisation's objective. This is the reason, management is undertaken in colleges and higher institution as a course of study and further specialization at Master's degree and Doctor of Philosophy levels. Such course is studied as Business Administration, Business Management, Business Studies, Management Technology, etc.

A profession is an occupation carried by professionals like doctors, lawyers, architects, chartered accountants, builders, etc. It involves knowledge and application of it. Management as a profession is a modern concept different from traditional one.

Characteristics of a profession

(a) **Systematic body of knowledge:** Professionals require expert knowledge in a particular discipline. E.g. a doctor requires knowledge of medicine; Chartered Accountant needs to have knowledge of Income Tax.

(b) **Formal Education:** A true professional needs to have formal education from the institution. E.g. Lawyer needs degree of law.

(c) **Social Responsibility:** The professional are socially responsible while handling their tasks and responsibilities. Their aim should not be only profit maximization, but they have to follow certain rules for social responsibilities.

(d) **Independent Office:** Normally professionals practice from their independent office.

(e) **Specialization:** The professionals may specialize in a particular field. E.g. heart specialist, child specialist and ENT surgeon.

(f) **Fees:** The professionals required license or a permission to practice. E.g. a doctor requires license to practice as a medical practitioner.

The modern concept of management has developed as a profession because:

(i) Organization is a systematic body of knowledge.

(ii) Formal methods of acquiring knowledge and skill with the help of different institution.

(iii) Rise in professional management consultant.

(iv) Need for honesty.

2.4 Management Functions

To understand management, it is imperative that we break it down into five managerial functions, namely; planning, organizing, staffing, leading, controlling and coordinating.

2.4.1 Planning

Planning involves selecting missions and objectives and the actions to achieve them. Planning is setting organizational goals and deciding on the course of action for achieving them. Here, selecting a course of action to achieve the goals is referred to as decision- making. Planning is futuristic in the sense that the company has to identify the opportunities and threats that lie in the future and to decide on a course of action presently to exploit the opportunities and prepare to face the threats. Planning involves forecasting and predicting the future. This requires the ability to understand the needs of the customer and to device the means to satisfy them. Plans range from overall purposes and objectives to the most detailed actions to be taken. No real plan exists until a decision – a commitment of human and material resources – has been made.

2.4.2 Organizing

Organizing is defined as the management function of grouping tasks and assigning resources, required to carry out a specific job. Organizing is that part of management that involves establishing an internal structure of roles for people to fill in an organization. Internal in that all tasks necessary to accomplish goals are assigned to people who can do them best. Organizing involves grouping of the required activities into manageable departments or work units, establishing authority and reporting relationships with the established hierarchy. It decides who will carry out particular tasks, where they will be done and when they will be done. Thus, the organizing function deals with designing the organizational structure needed to accomplish goals. This process is called ‘‘Organizational design and structure’’

2.4.3 Staffing

Staffing is a continuous and vital function of management. After the objectives have been determined and activities for the implementation of strategies, policies, programmes, have been identified and grouped into jobs, the next logical step in the management process is to procure suitable personnel for manning the jobs. Staffing involves filling, and keeping filled, the positions in the organization structure. The staffing process can be viewed as consisting of a series of steps that managers perform to provide the organization with the right people in the right positions. This is done by identifying work-force requirements; inventorying the people available; and recruiting, selecting, placing, promoting, appraising, planning the careers of, compensating, and training or otherwise developing both candidates and current jobholders to accomplish their tasks effectively and efficiently. It is also involved in employee disengagement.

2.4.4 Leading

Leading is the most challenging of all managerial functions. Leading is defined as a set of processes used to get people to work together to meet the set goals. It is the function of influencing, motivating, leading, communicating and directing human resources towards achieving organizational goals. Thus, leading involves working with people and establishing a proper environment in which employees willingly achieve set goals.

2.4.5 Controlling

Controlling is the process of monitoring of organizational progress towards goals. Controlling is the measuring and correcting of activities of subordinates to ensure that events conform to plans. The controlling function involves four main elements: (i) establishing standards of performance, (ii) measuring current performance, (iii) comparing the performance with the established standards, and (iv) in case of deviation, taking corrective action. Management decides on the activities and/or outputs that are critical to success, how and where they can be measured at reasonable cost and who should have the authority to take corrective action.

2.4.6 Coordination

Coordination is the essence of manager-ship for achieving harmony among individual efforts toward the accomplishment of group goals. Each of the managerial functions discussed so far is an exercise contributing to coordination. Individuals often interpret similar interests in different ways, and their efforts toward mutual goals do not automatically mesh with the efforts of others; it thus becomes the central task of the manager to reconcile differences in approaches, timing, efforts, or interests, and to harmonize individual goals to contribute to organizational goals.

2.5 Levels of Management

Managers occupy various levels of authority within the organization and have responsibility for accomplishing the tasks assigned. Management levels vary in organizations depending on it size, nature, complexity, technology, number of employees, and management attitudes, to mention just a few. In most enterprises, there are three distinct but overlapping levels of management. They are the top, middle and lower level management, each succeeding lower level represents decreasing authority or increasing numbers of managers.

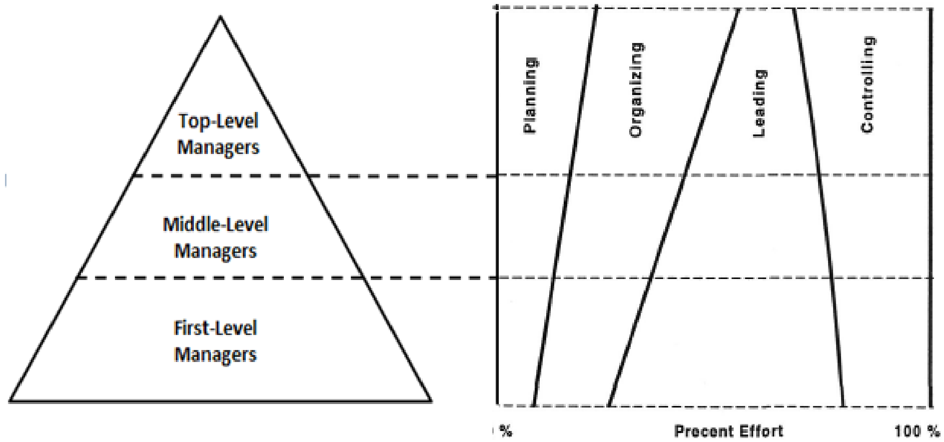

Figure 2.1: Relationship between levels of management and functions of management.

2.5.1 Top level manager Management:

The term "top level management" includes the corporate officers that are elected by the board of directors. They have job titles like chairman of the board, president, executive vice-president, general managers and their deputies. Top-level managers are concerned primarily with major direction of the enterprise; they are chief policy-making officers of the organization. They are concerned with the organization as a whole and interaction with the environment. Top managers establish organizational goals, decides on how departments should interact and monitor the performance of middle level managers.

Functions of top level managers

(a) Determining company objectives
(b) Working out long-range planning
(c) Establishing board policies
(d) Coordinating enterprises activities
(e) Adapting effective means of control
(f) Authorizing new facilities and launching research and development projects.
(g) Appointing top level officers.

2.5.2 Middle level Management

Middle level managers are above the supervisors and below the top managers, they report directly to the top-level managers. The various Departmental heads, such as heads of functional departments and the managers of technical and staff units; Finance, production, marketing, personnel and purchasing managers, chief engineer, plant manager and operational managers, etc. The principal task of the middle level management is to manage managers to act as buffer between the top managers and supervisor. Middle level managers spend most of their time analyzing data, preparing information for decision-making and translating top level overall policies and strategy into operational policies, procedure and methods of work. They spend most of their time in committees, mostly with peers and in their departments.

Functions of Middle Level Management

(a) Integrating the activities of the different work groups
(b) Preparing plans and programmes for departments or divisions.
(c) Taking appropriate actions to execute plans
(d) Assisting top-level managers in executing their functions.
(e) Communicating management policies
(f) Transferring information and materials between different work groups.
(g) Managing and controlling activities of low level managers
(h) Coordinating enterprises activities
(i) Providing information that will assist top level managers in decision-making.

2.5.3 First-line or Lower Level Management

This level of management consists of supervisors, foremen, chief clerk etc. They coordinate the work of their subordinate. This group of managers must possess technology skills so that they can assist and guide their subordinates when necessary. They do the planning of the day-to-day operations, assigning personnel to specific jobs, overseeing their activities, evaluating their performances and becoming a link between employees and the middle level management.

Functions of lower level managers

(a) Planning work for their section
(b) Directing the rank and file workers to accomplish their departmental goals.
(c) Ensuring better productivity
(d) Maintaining discipline and order

2.6 Management skills

A manager must possess some of the follow skills.

(a) **Technical skills** are knowledge of and proficiency in activities involving methods, processes, and procedures. Thus, it involves working with tools and specific techniques. For example, mechanics work with tools. Similarly, accountants apply specific techniques in doing their jobs.

(b) **Human skill or interpersonal skill** is the ability to work with people. It includes the ability to communicate, motivate and influence people. It is the creation of an environment in which people feel secured and free to express themselves and to realize their potentials.

(c) **Conceptual skill** is the ability to see the ‘‘big picture’’, to recognize significant elements in a situation, and to understand the relationships among the elements.

(d) **Diagnostic and analytical skill** is the ability to distinguish between cause and effect and to solve problems in ways that will benefit the enterprise. To be effective, particularly at upper organizational levels, managers must be able to do more than see a problem. They must have, in addition, the ability to work out a practical solution to a problem.

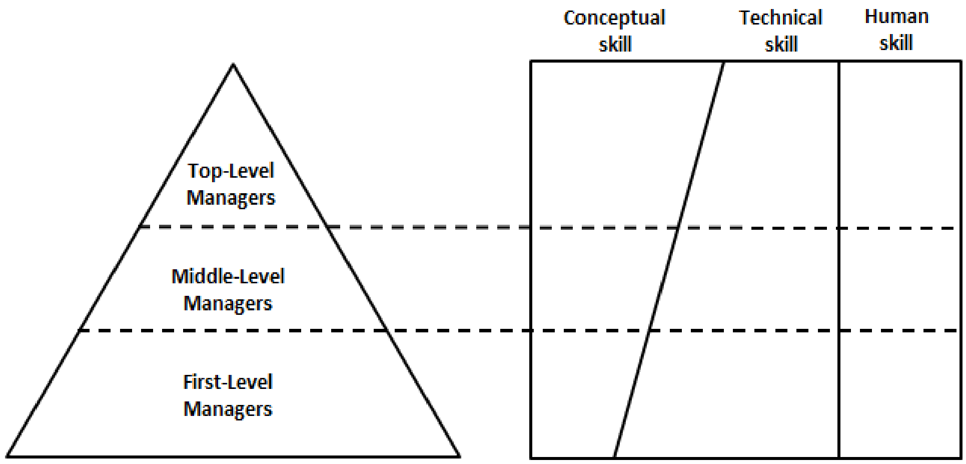

Figure 2.2: Relationship between levels of management and managerial skills

The relative importance of these skills may differ at various levels in the organizational hierarchy:-

(a) At the first-line management level, technical skills are of greatest importance. Human skills are also helpful in the frequent interactions with subordinates. Conceptual, diagnostic and analytical skills are usually not critical for lower – level supervisors.

(b) At the middle management level, the need for technical skills decreases; human skills are essential; the conceptual skills gain importance.

(c) At the top management level, conceptual and analytical abilities along with human skills are especially valuable, but there is relatively little need for technical abilities. It is assumed, especially in large companies, that chief executives can utilize the technical abilities of their subordinates even though technical experience may still be quite important.

2.20 Managerial roles

Mintzberg (1973), developed a model of the related roles of managers after a careful study of five executives to determine what managers do on their jobs. From the study, he came to the conclusion that managers perform ten different, but interrelated roles which can be summarized in three groups thus: interpersonal roles, informational roles, and decisional roles.

2.7.1 Interpersonal roles

(a) **Figure head:** In this role, every manager has to perform some ceremonial duties such as attending important ceremonies, entertaining dignitaries and attending to important customers.

(b) **Leader: As** a leader, his role is to hire, train, motivate and direct the activities of his subordinates towards the accomplishment of organizational goals.

(c) **Liaison:** This role involves activities by which an executive develops and maintains contact with people and groups outside the organization for the purpose of coordinating efforts to achieve a common goal.

2.7.2 Information roles

(d) **Monitor:** The manager seeks for information and receives unsolicited information relevant to the organization from both internal and external sources.

(e) **Disseminator:** This role entails the transmission of relevant information to superiors, peers or subordinates who need the information for their work.

(f) **Spokesperson:** In this role, the manager transmits information to various people and groups outside the organization. Thus, he advises the shareholders about the financial performance and assures groups that the organization is meeting its societal obligations.

2.7.3 Decisional roles

(a) **Entrepreneur role:** This involves the manager generating new ideas, initiating new projects/programmes as well as seeking and identifying opportunities to promote improvement and needed change. The manager is also involved in the development and implementation of change strategy.

(b) **Disturbance handler:** This role requires the manager to take actions needed to resolve important, unexpected disturbances. He must seek solutions to various unanticipated problems like strike, natural disaster, accidents, etc.

(c) **Resource Allocator:** This role deals with allocation of scarce resources to the different units of the organization. Specific activities include developing and monitoring budgets, forecasting future resource needs and problems in acquiring them.

(d) **Negotiator:** It requires that the manager negotiate with various stakeholders, both inside and outside. For example, a manager might represent the corporation to negotiate a trade union agreement, a joint venture contract, etc.

2.8 Management as an Art or a Science

2.8.1 Management as a Science

Science refers to an organized and systematic body of knowledge acquired by mankind though observation, experimentation and also based on some universal principles, concepts, and theories. Principles of science are developed through testing & observation. With the help of concept of science it can safely be concluded that management is also a science because it is based upon certain principle and concerned as a systematized body of knowledge, observation, test and experiment is a science, however it is not exact as physics, chemistry, biology, etc.

Before trying to examine whether the management is a science or not we have to understand the nature of science.

Science may be a described as a systematized body of knowledge pertaining to an act of study and contains some general truths explaining past events or phenomena. It is systematized in the sense that relationships between variables and limit have been ascertained and underlying principal discovered. Three important characteristics of science are.

(a) It is a systematized body of knowledge and uses scientific methods for Observation;
(b) Its principles are evolved on the basis of continued observation and experiment; and
(c) Its principles are exact and have universal applicability without any limitations

The Process of scientific theory construction and confirmation can be viewed as involving the following steps:-

(a) The formulation of a problem or complex of problems based on observation.
(b) The construction of theory to provide answers to the problem or problems based on inductions from observations
(c) The deduction of specific hypothesis from the theory.
(d) The recasting of the hypothesis in terms of specific measures and the operations required to test the hypothesis.
(e) The devising of the actual situation to test the theorem; and
(f) The actual testing in which confirmation does or does not occur

2.8.2 Management as an art

Art is personal skill. It is created by nature. Art is bringing about desired results with the help of skills. Management is one of the most creative arts. It requires a lot of knowledge. Management is an art because: (i) It is creative (ii) It involves use of skill, (iii) It involves use of technical know-how; (iv) It is directed towards getting results; and (v) It is personalized.

In making decision among alternatives, the manager may rely on intuition or intuitive reasoning. His creativity and productivity can be magnified by using the correct scientific methods. Success of managers depends on how effectively they can use the scientific aid to enhance their artistic skills. Medicine engineering, accountancy and the like require skills on the part of the practitioners and can only be acquired through practice. According to George R. Terry, "Art is bringing about of a desired result through application of skill." Thus, art has 5 essential features.

(a) Practical Knowledge
(b) Personal Skill
(c) Concrete Result
(d) Constructive Skill
(e) Improvement through practice

2.9 Universality and Transferability of management

2.9.1 Universality of management

The universality of management is an important concept to consider in modern management thought. When describing management as universal, we are saying that the principles and techniques of management are not only applicable to business but they are also applicable to all other organizations irrespective of the sector they belong to.

Griffin (1999) states that ‘‘when a manager leaves work and goes to a weekly meeting of a civic or religious group, to an organizing meeting for a local football league, or to a volunteer job in a political campaign, he or she should keep in mind that many of the same functions used in a business can be used in these other organizations. Although each organization has its own unique goals and mission, effective management can help every organization accomplish its goals and more successfully realize its mission’’. Thus, the essence of management is the integration of human and other resources in a way that it results in effective performance; and this aim and process are universal.

2.9.2 Transferability of Management

Transferability of management means that the ability or skill of management is transferable from one organization, industry, country or other job field to another. It also implies that managerial skills are transferable from one type of organization to another. Management is a broad and intrinsic aspect of business. The basic aspects of management, which is, planning, organizing, staffing, directing, and coordinating, transcend all cultural and organizational boundaries. All management practices can be applied and practiced everywhere in the world regardless of the nature of the job, differences in customs, habits and social laws.

A manager should expect to experience a few problems when transferring a management system from one industry to another, from the military to business, from business (private sector or company) to government (public sector or company), from education to business, or from one department to another within the same organization. This is especially because there are fundamental differences in the manner in which managerial activities are carried out. The universality of management and the transferability of management systems work hand in hand. One with management skills can do a job almost anywhere due to the universality of management.

A management system from one organization, industry or country can be adopted in another due to the universality of management. Management is a universal process and its skills and understanding are transferable from one company to another and from one culture to another. Transferability of these skills are very important and that is one of the reasons why western countries are improving rapidly and covering the world market with their skills. Another reason is that the transferability of management is occurring because it is needed and can be used everywhere.

2.9 Measures of Managerial Performance: Productivity, Effectiveness and Efficiency

2.9.1 Productivity

Management of various organisations in the country are paying a lot of attention to productivity because of their desire to increase production and profits and minimise the cost of production. At the national level, productivity is important because high productivity increases profits of various business organisations, expands the tax base and employment avenues.

Measurement of Productivity

Productivity may be defined as the relationship between the number of units produced and the quantity of inputs (human/materials) used to produce them. Mathematically, productivity is measured by the formula –

$$Productivity = \frac{Output}{Input} = \frac{Total\ Goods\ and\ services\ produced}{Total\ resources\ used}$$

Where
Productivity = Output per dollar, naira or cedi of investment
Output = product and services
Inputs = Labour, energy, materials or capital

Labour productivity refers to the total net output achieved by an organisation per worker. Mathematically, labour productivity could be measured by:

$$Labour\ productivity = \frac{Output}{Number\ of\ man - hours\ used}$$

Labour productivity is said to be high when the ratio is high and low when the ratio is low. A high labour productivity indicates that the organisation is utilising its labour inputs efficiently and low labour productivity implies an inefficient labour utilisation.

Capital productivity is the measure of how well physical capital is used in providing goods and services.

$$Capital\ productivity = \frac{Output}{Capital}$$

Material productivity is the amount of output (Net sales) divided by the material input. The ratio reveals the output received in constant prices per naira or cedi or CFA of material input.

$$Material\ productivity = \frac{Output(Sales)}{Material}$$

2.10.2 Effectiveness

Effectiveness is the ability to choose appropriate objectives or the appropriate means for achieving a given objective. In other words, an effective manager selects the right things to do or the right method for getting a particular thing done. For example, a manager who insists on producing only large cars when the demand for small cars is soaring is an ineffective manager, even if those large cars are produced with maximum efficiency.

A manager's responsibilities require performance that is both efficient and effective. Although efficiency is important, effectiveness is critical. For Drucker (1970), effectiveness is the key to the success of an organization. Managers need to make the most of opportunities. He further states that 'effectiveness rather than efficiency is essential to business. The pertinent question is not how to do things right, but how to find the right things to do, and to concentrate resources and efforts on them''. Agbonifoh (2005) rightly summarizes that "an organization can be effective only if it is doing those things that are relevant and crucial to its purposes. These are the right things to do''.

2.10.3 Efficiency

Efficiency is the ability to get things done correctly and this is an input – output concept. An efficient manager is one who achieves outputs or results, that measure up to the input (labour, material, and time) used to achieve them. In other words, if the manager is able to minimize the cost of the resources he or she uses to attain a given goal, that manager is acting efficiently. Griffin (1990) says that being efficient means you are using resources wisely and in a cost-effective way. Agbonifoh (2005) explains that great efficiency can arise by:

(a) achieving more results with the same current levels of inputs;
(b) achieving the same level of result with less than current levels of inputs;
(c) achieving an increase in results with less than a proportionate increase in inputs;
(d) achieving less output or results with a more than proportionate decrease in inputs;

We can rightly infer that a company that is effective is on a better footing no matter how inefficient it may be, than the one which produces the wrong products efficiently. Customer satisfaction is a very crucial reason for managing, because management must ensure that its organization satisfies the customers and other stakeholders.

2.11 Current Managerial Trends

2.11.1 Globalisation

Globalisation means integrating the economy of a country with the world. It can also be defined as the process of world-wide economic integration and growing inter-dependence, interconnectedness through the flow of goods, services, capital, people and information among nations in the western world. The key drivers of globalization are the innovations in information and communication technology, advancements in e-commerce and online payment systems, emerging smart phone and devices, improvements in transport technology, massive international job mobility, new immigration laws, workplace diversity, inter-cultural integration, etc.

Globalization has in recent years been seen as generally beneficial, having been seen as fostering greater interdependence among nations and facilitating freer and increased flows of international trade, capital competition and information. However, there are also certain costs and losses to some countries resulting from the globalization process. It is fair and necessary to compare these two sides to ensure that the impact on all nations is given the desired attention.

Paradoxically, much concern on the possible or imagined costs of globalization on advanced countries has been expressed recently rather than the losses to developing countries. The growing concern among many observers in the advanced nations over the impact of globalization on their ability to sustain high living standards, in the face of loss production and markets to developing countries, has been critically examined.

Globalization is leaving a lasting impression. While not perfect, globalization has been extremely successful. It has created millions of jobs, raised millions out of poverty and improved the quality of life in countries that once were considered incapable of contributing to the world economy. Indeed, the benefits of globalization and global outsourcing are far reaching. With shared interests in building robust markets, generating greater profits for all and building stronger relationships, East and West are more interdependent upon one another than ever before. Globalization has made the world a borderless ‘one-village’.

2.11.2 Quality

Managers today must be concerned with quality. Quality has a direct impact on product or service performance. Thus, it is closely linked to customer value and satisfaction. In the narrowest sense, quality can be defined as “freedom from defects.” But most customer-centered companies go beyond this narrow definition of quality. Instead, they define quality in terms of customer satisfaction. These customer-focused definitions suggest that quality begins with customer needs and ends with customer satisfaction. Dimensions of product quality include performance, features, portability, durability, serviceability, conformance, and aesthetics; while the dimensions of service quality include tangibility, reliability, empathy, assurance and response

Total quality management involves a commitment to improve quality in every aspect of the organisations' operations. TQM is the application of quantitative methods and human resources to improve all the processes within an organization and exceed customer needs now and in the future.

Important things to note while planning and implementing quality are (i) business, having larger market share and better quality, earn returns much higher than their competitors; (ii) quality and market share each has a strong separate relationship to profitability; (iii) planning for product quality must be based on meeting customer needs, not just meeting product specifications; (iv) for same products, plan for perfection; for other products, plan for value.

Customer service quality is the set of activities an organization uses to win and retain customer's satisfaction. It can be provided before, during, or after the sale of the product or exist on its own. Customer Satisfaction is the relationship between product or service perceived performance and the customer's expectations.

(a) If the product's performance falls short of the customer's expectations, the buyer is dissatisfied.
(b) If performance matches expectations, the buyer is satisfied.
(c) If performance exceeds expectations, the buyer is delighted.

2.11.3 Environmentalism

Environmentalism movement seeks to improve and protect the quality of the natural environment through changes to environmentally harmful human activities; through the adoption of forms of political, economic, and social organization that are thought to be necessary for, or at least conducive to, the benign treatment of the environment by humans; and through a reassessment of humanity's relationship with nature. In various ways, environmentalism claims that living things other than humans, and the natural environment as a whole, are deserving of consideration in reasoning about the morality of political, economic, and social policies.

Environmental thought and the various branches of the environmental movement are often classified into two intellectual camps: those that are considered anthropocentric, or "human-centred" in orientation and those considered biocentric, or "life-centred." This division has been described in other terminology as "shallow" ecology versus "deep" ecology and as "technocentrism" versus "ecocentrism." Anthropocentric approaches focus mainly on the negative effects that environmental degradation has on human beings and their interests, including their interests in health, recreation, and quality of life. It is often characterized by a mechanistic approach to nonhuman nature in which individual creatures and species have only an instrumental value for humans. The defining feature of anthropocentrism is that it considers the moral obligations humans have to the environment to derive from obligations that humans have to each other—and, less crucially, to future generations of humans—rather than from any obligation to other living things or to the environment as a whole. Human obligations to the environment are thus indirect.

Environmental management is defined as a system that incorporates processes for summarizing, monitoring, reporting, developing and executing environmental policies. In business, environmental management is defined as a corporate strategy that monitors, develops and implements environmental policies of an organization. It is a systematic approach that is gaining due prominence as consumers are looking for products and services that are eco-friendly and eco-aware.

The ecological balance of our planet has been disturbed through technological revolution, heavy industrialization, growth in transportation, unplanned urbanization and of course exploitation of resources. Ecosystem stability is in danger as the relationship between human beings and the environment has deteriorated. The relationship can once again become harmonious if people start encouraging activities like conservation, regeneration, and protection of nature. Environmental management is concerned with marine, land and atmospheric conditions and works towards issues like deforestation and global warming. It looks at the carbon footprint and tries to find ways to reduce the irreversible damage people are leaving behind.

Environmental management is described as a process to minimize waste and maximize compliance. It is created to address the environmental issues that have a direct and indirect impact on the globe and is affecting it adversely. It deals in finding appropriate solutions to environmental crises and preventing ecological disasters. Environmental management also investigates potential sources of renewable energy so that fossil fuel does not become depleted.

The objectives of environmental management are as follows:

(a) Identifying and finding solutions to environmental issues
(b) Establishing limits to avoid overuse
(c) Help to renew and minimise the use of natural resources
(d) Regeneration of degraded environment
(e) Review the environmental goals of an organization
(f) Setting environmental targets to minimize the environmental impact of an organization such as environmental pollution
(g) Ensuring environmental awareness program is being followed by every employee
(h) Review existing technologies and try to make them eco-friendly
(i) Encourage resource conservation programs
(j) Develop strategies for improving the quality of life
(k) Implement ways for environmental protection
(l) Identify, develop and implement policies related to sustainable development

2.11.4 Growing diversity of Workplace

Diversity plainly means difference. Diversity refers to human characteristics that make people different. Diversity has to do with recognizing that everyone is different in a variety of visible and non-visible ways. Diversity has to do with recognizing individual as well as group differences. It is about creating a culture and practices that recognize, respect and value difference.

Diversity calls for connecting this potential to create a productive environment in which the equally diverse needs of the customer or client can be met in a creative environment. It is about generating a workforce that feels valued and respected and has its potential fully utilized in order to meet organizational goals. Diversity is not an initiative or a project but it is an ongoing core aim and a core process.

Diversity refers to variety along many dimensions such as race, ethnicity, gender, socio-economic status, physical features, religious beliefs, marriage systems and political ideologies. Such diversity has to be managed through understanding, acceptance and respect for each other's beliefs and behavior.

"Diversity Management" is the ongoing process of incorporating the recognition of workforce and customer differences into all core business management functions, communications, processes and services to create a fair, harmonious, inclusive, creative and effective organisation. Diversity management:

(i) Encourages inclusion, participation and the full contribution of all staff to the goals of the enterprise;
(ii) actively looks for and capitalises on the benefits of having a diverse workforce; and
(iii) Ensures compliance with legal obligations such as safety and equal employment opportunities.

2.11.5 Ethical Reawakening

Ethics deals with human actions. Ethics is concerned with what constitutes right and wrong human conduct, including actions and values, in light of a specific set of circumstances. Business ethics address these issues in the context of commerce and organizational conduct.

Ethics not only should be studied alongside management, but the two fields are closely related. Business management is all about making the right decisions. Ethics is all about making the right decisions. So what is the difference between the two? Management is concerned with how decisions affect the *company*, while ethics is concerned about how decisions affect *everything*. Management operates in the specialized context of the firm, while ethics operates in the general context of the world. Management is therefore part of ethics. A business manager cannot make the right decisions without understanding management in particular as well as ethics in general. Business ethics is management carried out in the real world. This is why business managers should study ethics.

Ethics can be considered as philosophy, philosophical thinking about morality, moral problems and moral judgements. Ethics can also be defined as a study of what is good or right for human beings, what goals people ought to pursue and what actions they ought to perform. We are guided by our sense of morality based on a combination of beliefs and values, stemming from individual and societal ideologies along with the various eastern and western religious cultures.

All managers need to be aware that while they may be employed by an organization as its representative or decision maker, they bring with them entities; people, not organizations, make decisions. Organizations exist within society and as such should be bound by the expectations and moral codes of that society and contribute to its betterment as well as furthering its own interests.

Human behaviour derives from discernible causes or motives that can be identified, acknowledged, and modified. Managers must consciously recognize the influence of underlying motivation in themselves and others. Some basic motives for stepping over the line between ethical and unethical conduct include fear of losing one's job, pressures from time and superiors to produce results, ambition to excel and advance one's career, revenge for a perceived wrong, and a tendency to ignore the consequences of one's actions.

Factors that affect Ethical Behaviour

(a) **Stage of moral development** (Kohlberg) – Stage one – pre-conventional, rule following. Stage two – Conventional, living up to expectations of others. Stage three – Principled, following self-chosen path and respecting others.

(b) **Individual characteristics** – values, knowing right from wrong. Ego strength, the power of your convictions. Locus of control, an internal locus of control means that you believe you control your own destiny, an external locus of control means you believe you have no control.

(c) **Structural factors** – an organisation's structure affects people's ethical behaviour (e.g. clear ethical statements, policies and regulations).

(d) **Organisational culture** – this is made up of the values and norms shared by people working for an organisation. A strong culture will exert more influence than a weak one.

(e) **Issue intensity** – this refers to how important an issue is. Something not so important (e.g. making private local calls) has different ethical implications to something very large (e.g. embezzling $1 million). The act is the same (theft) but the intensity of the issue is different.

2.12 Evolution of Schools of Management Thoughts

The evolution of management thought dates back to the days when people first attempted to accomplish goals by working together in groups. Although modern operational management theory commences from early twentieth century, there was serious thinking and theorizing about management many years before this period.

In this chapter, a roughly chronological perspective of grouped management ideas is discussed in the following order: pre-scientific management, scientific management, and Fayol's administrative management, Weber's theory of bureaucracy, the human relations theory, the system theory, and the contingency theory.

As can readily be appreciated, management thought focused at different times on the problematic issues that were perceived to constrain the achievement of work goals, productivity and efficiency. In the last one hundred years and especially since the onset of mass production and large-scale organizations, many ideas have emerged from different corners of the world and from people of different backgrounds. Naturally, the ideas of each contributor to management thought reflect the assumptions, knowledge and experience of the individuals or groups. Management theory attempts to classify and synthesize these ideas into a coherent perspective (Inegbenebor, 2005).

2.13 Pre-classical Management thoughts:

The Pre-scientific management era refers to the period immediately preceding the scientific management by Taylor and his associates. Prominent among the pioneers who made significant contributions to the pre-scientific thought were:

2.13.1 Robert Owen (1771 -1858)

He believed workers' performance was influenced by the total environment in which they worked. Throughout his life, Owen worked for the building of cooperation between workers and management. He believed and practised the idea that workers should be treated as human beings. Owen suggested that investment in human beings is more profitable than investment in machinery and other physical resources. He introduced new ideas such as, shorter working hours, housing facilities, education of workers' children, provision of canteens, rest houses, training of workers in hygiene, etc. His ideas and philosophy may be considered as a prelude to the development of behavioural approach to management.

2.13.2 Charles Babbage (1792 -1891)

Babbage was a professor of mathematics at Cambridge University from 1828 to 1839. Babbage perceived that the methods of science and mathematics could be applied to operations of factories. He made several contributions expounding his ideas and theories. Babbage was a pioneer of operations research and industrial engineering techniques. He laid considerable emphasis on specialization, work measurement, optimum utilization of machines, cost reduction and wage incentives. His emphasis on the application of science and mathematics laid the foundation for the formulation of a science of management.

2.13.3 Henry Vamun Poor

Poor advocated a ''management system'' with a clear organizational structure in which people could be held completely accountable and the need for a set of operating reports summarizing revenues and rates. He was a strong advocate of effective leadership that would overcome routine and dullness by instilling in the organization a feeling of unity, effective work habits and esprit de corps. Thus, Poor called for a system before Taylor. He called for the recognition of the human factor before Mayo. He also suggested leadership to overcome the rigidities of the formal organization much before Chris Argyris.

2.13.4 Captain Henry Metcalfe (1847 -1917)

Metcalfe published a famous book ‘‘The Cost of Manufacture of Workshop: New system controls” which suggested that:

(a) The science of management is based on principles that evolved by recording observations and experiences.
(b) The art of management should be based on several recorded and accumulated observations, which are presented systematically.
(c) Management should make certain cost estimates on the basis of these observations
(d) However, management should maintain only relevant crucial information.
(e) A manager should prepare details of work which will then be communicated to the foreman and workers.

Metcalfe suggested a system of cards. Under this system, managers prepared two types of cards, i.e., time cards and material cards. This system was intended to assure the workers that good workers and good work done by them would be known to management. It also provided a method of gauging their work.

2.14 Scientific Management

Scientific management was concerned with improving productivity by improving performance standards of individual workers. The standards are established through systematic observation, experiment or reasoning. Some of the earliest advocates of scientific management included Fredrick W. Taylor (1856-1915), Frank Gilbreth (1868-1924), Lilian Gilbreth (1856-1915), Henry Gantt (1861-1919), Harryington Emerson (1853-1931). Taylor however played a dominant role.

2.14.1 Fredrick Winslow Taylor (1856-1915)

Fredrick Taylor is considered as the ‘‘father’’ of scientific management. Taylor’s first job was that of a foreman at the Midvale Steel Company in Philadelphia where he observed that employees deliberately worked at a pace slower than their capabilities. He studied and timed each element of the steel worker’s jobs. He determined what each worker could produce and then designed the most efficient way of doing each part of the total work. He implemented piece work wage system and he linked earning of workers to their production (number of pieces produced).

Taylor's principles hinged on the following:

(a) Replacing rules of thumb with principles of science so that the best method for performing each task could be determined.
The scientific selection of workers so that each worker would be given responsibility for task or job for which he or she is most suited.

(b) Divide responsibility for managing and for working; and devise scientific education and training programmes.

(c) Ensuring co-operation between workers and managers to provide work environment that reinforces optimal work results in a scientific manner.

(d) Providing incentives to workers using the piece rate system.

2.14.2 Frank Gilbreth and Lillian Gilbreth:

Frank and Lillian Gilbreth were noted pioneers of Time and Motion study. This couple developed the classifications of motions used to complete the job and they called them ''THEBLIGS,'' the Gilbreth name spelt backwards. Working individually and together, the Gilbreths developed numerous techniques and strategies for eliminating inefficiency. The Gilbreths often filmed a worker performing a particular task and then separated the task actions, frame by frame, into their component movements. Their aims were to (1) break up into each of its component actions and analyze every individual action necessary to perform a particular task, (2) find better ways to perform each component action, and (3) reorganize each of the component actions so that the action as a whole could be performed more efficiently—at less cost of time and effort. Their goal was to maximize the efficiency with which each individual task was performed so that gains across tasks would add up to enormous savings of time and effort.

Following Frank's untimely death in 1924 (he was in his mid-50s), Lillian continued their work for almost 50 years until her death in 1972. During this time, Lillian's work emphasized concern for the worker, and she showed how scientific management should foster rather than stifle employees. Because of her many achievements, Lillian Gilbreth became known as the First Lady of Management. By combining **time and motion study** and psychology, the Gilbreths contributed greatly to research in the areas of fatigue, boredom, and morale.

2.14.3 Henry L. Gantt (1861-1919)

Gantt worked with Taylor at both Midvale Steel and later at Bethlehem Steel. He was a consulting engineer who specialized in control system for shop scheduling. Gantt is best known for his work in production control and his invention of the Gantt chart, which is still in use today. He sought to increase workers efficiency through scientific investigation. The *Gantt Chart* provides a graphic representation of the flow of the work required to complete a given task. The chart represents each planned stage of work, showing both scheduled times and actual times. Gantt Charts were used by managers as a scheduling device for planning and controlling work. Gantt devised an incentive system that gave workers a bonus for completing their job in less time than the allowed standards. His bonus systems were similar to the modern *gain sharing* techniques whereby employees are motivated to higher levels of performance by the potential of sharing in the profit generated.

2.14.4 Harrington Emerson (1853-1931): Principles of Efficiency

Harrington Emerson was one of America's pioneers in industrial engineering and management and organizational theory. His major contributions were to install his management methods at many industrial firms and to promote the ideas of scientific management and efficiency to a mass audience.

After a successful tenure as a general manager of a small Pennsylvania glass factory in 1900, Emerson resolved to take up efficiency engineering as a profession. Through meetings of the American Society of Mechanical Engineers, he became personally acquainted with the pioneering work of Frederick W. Taylor, the founder of scientific management, ans assimilated much of the methodology for standardizing work and remunerating workers in accordance with productivity.

Between 1907 and 1910, the Emerson Company consulted over 200 corporations, submitting reports for which they were paid twenty-five million dollars. Emerson efficiency methods were applied to department stores, hospitals, colleges, and municipal governments. Between 1911 and 1920 Emerson's firm averaged annual earnings of over $100,000.00. To distinguish his methods from those of Taylor, Emerson published three books: *Efficiency as a Basis for Operation and Wages* (1909); *The Twelve Principles of Efficiency* (1912); and *Colonel Schoonmaker and the Pittsburgh and Lake Erie Railroad* (1913). Harrington Emerson contributed to the systems efficiency focus of industrial engineering.

Emerson's book Twelve Principles of Efficiency was classic. He discussed efficiency design of organization through 12 principles:

1. Clearly defined ideals.
2. Common sense - Efficiency Sense - Productivity Sense
3. Competent counsel
4. Discipline
5. The fair deal
6. Reliable, immediate and adequate records
7. Despatching
8. Standards and schedules
9. Standardized conditions
10. Standardized operations
11. Written standard-practice instructions
12. Efficiency-reward

Standards and standardization as a basis for efficiency was strongly advocated by him. Nearly two hundred companies adopted various features of the Emerson Efficiency system, which included production routing procedures, standardized working conditions and tasks, time and motion studies, and a bonus plan which raised workers' wages in accordance with greater efficiency and productivity

2.14.5 Contributions of Scientific Management Theory

The following are the contributions of scientific management theory to modern management:

(a) The modem assembly line pours out finished products faster than Taylor could ever have imagined. This production "miracle" is just one legacy of scientific management.

(b) Its efficiency techniques have been applied to many tasks in non-industrial organizations, ranging from fast-food service to the training of surgeons.
The development of specialized tasks and of departments within organizations had come with the rapid industrial growth and the creation of big business. One person no longer performed every task but specialized in performing only a few tasks.

(c) The scientific study of work also emphasized specialization and division of labor. Thus, the need for an organizational framework became more and more apparent.

(d) Formulation of work standards.

(e) In an effort to motivate employees, wage incentives were developed in most

(f) scientific management programs.

(g) Taylor and other scientific management pioneers believed employees could be motivated by economic rewards, provided those rewards were related to individual performance.

2.14.6 Limitations of scientific management

(a) Scientific management methods are applicable only in predictable and stable environments and have limited applications in complex and unpredictable environments.

(b) It over emphasized the economic and rational nature of man and overstate man’s desire for money.

(c) The scientific management theory did not attach importance to human behaviour, i.e., it overlooked the human desire for job satisfaction and social needs of the workers as a group.

(d) Over-emphasis on productivity and profitability led some managers to exploit both workers and customers.

(e) Taylor assumed that earnings and profit maximisation would be complementary and that managers and the managed would cooperate. This assumption was unrealistic because both parties sometimes hold opposing views about employment relationship.

(f) It makes wage bargaining difficult. Workers merely accept what management considers fair or is prepared to pay for a day's job. Taylor assumed that the perspective of the manager on work and wages was automatically the correct one.

(g) It excludes employees from participating in management. It puts the planning and control of work entirely in the hands of management.

(h) It completely overlooks the positive role of trade unions and informal groups in business by insisting that management should deal with workers on an individual basis.

2.15 Administrative Management Theory

Developed at the time as scientific management, the administrative theory ''emphasizes management functions and attempts to generate broad administrative principles that would serve as guidelines for the rationalization of activities''.

The principal contributors to this management theory were Henri Fayol (1949), Mooney and Reiley (1939) and Gulick and Urwick (1937). Administrative theorists looked at productivity improvements from the ''top down,'' as distinct from the Scientific Approach of Taylor, which was organized ''bottom up.''

Administrative theorists developed general guidelines on how to formalize organizational structures and relationships. They laid emphasis on the job in preference to the worker. The administrative management emphasized the manager and the functions of management.

2.15.1 Henri Fayol (1841-1920)

Henri Fayol was a contemporary of Fredrick Winslow Taylor. Fayol believed that techniques of effective management could be defined and taught. His work included defining a body of principles which would enable a manager build up a formal structure of the organization and administer it in a rational way. He was a staunch advocate of the universality of management concepts and principles.

Fayol divided the activities of industrial undertakings into:

(i) Technical (Production)
(ii) Commercial (Buying, selling and exchange)
(iii) Financial (Optimum use of capital resources)
(iv) Accounting (protection of property and person)
(v) Accounting (recording and taking stock of costs, profits and liabilities, keeping balance sheet and compiling statistics)
(vi) Managerial (planning, organizing, commanding, coordinating and controlling).

Fayol emphasized that the process of management is the same at any level of an organization and is common to all types of organizations. In presenting his principles of management, Fayol was probably the first to outline what today are called the **functions**

of management. Fayol stated that there were five fundamental functions for all managerial activity:

(a) **Planning**: Examining the future and developing a plan of action.
(b) **Organizing**: Creating a structure of both people and materials to achieve the plans.
(c) **Commanding**: Maintaining appropriate activities among the personnel and setting a good example.
(d) **Coordinating**: Unifying and harmonizing organizational varieties.
(e) **Controlling**: Seeing that the required activities are accomplished in line with the established plans.

Fayol's Principles of Management are:

(a) **Division of labour:** The more people specialize, the more efficiently they can perform their work.
(b) **Authority and responsibility:** Managers need to be able to give orders so they can get things done. While their formal authority gives them the right to command, managers will not always compel obedience unless they have personal authority (such as intelligence) as well.
(c) **Discipline:** Members in an organization need to respect the rules and agreements that govern the organization. To Fayol, discipline will result from good leadership, fair agreements, and judiciously enforced penalties for infractions at all level of the organization.
(e) **Unity of command:** Each employee must receive his or her instructions about a particular operation from only one superior. Fayol believed that if an employee was responsible to more than one superior, conflict in instructions and confusion of authority would result.
(f) **Subordination of individual interest to the common good**: In any undertaking, the interests of employees should not take precedence over the interests of the organization as a whole.
(g) **Remuneration:** Compensation for work done should be fair to both employees and employers.
(h) **Centralization:** Decreasing the role of subordinates in decision-making is centralization; increasing their role is decentralization. Fayol believed that managers should retain final responsibility but also need to give their subordinates enough authority to do their jobs properly. The problem is to find the balance between centralization and decentralization in each case.
(i) **The Hierarchy:** This is the line of authority in an organization.. It is often represented by the neat boxes and lines of the organization chart. It runs in order of rank from top management to the lowest level of the enterprise.
(j) **Order:** Materials and people should be in the right place at the right time. People in particular, should be in the jobs or position most suited to them.
(k) **Equity:** Managers should be both friendly and fair to their subordinates.
(l) **Stability of Staff:** A high employee turnover rate is not good for the efficient functioning of an organization.
(m) **Initiative:** Subordinates should be given the freedom to conceive and carry out their plans, even when some mistakes result.

(n) **Esprit de Corps**: Promoting team spirit will give the organization a sense **o**f unity. To Fayol, one way to achieve this spirit is to use verbal communications instead of formal written communications, whenever possible.

It is likely that some of these principles had been practiced by astute managers long before Fayol appeared. But it was Fayol who first codified these principles, making it possible for all managers to learn them. He thus helped lay the foundation for management as a profession.

2.15.2 Chester Barnard (1886-1961)

Chester Barnard, president of Bell Telephone Company, developed theories about the functions of the manager as determined by constant interaction with the environment. Barnard saw organizations as social systems that require human cooperation. He expressed his view in his book *The Function of the Executive*. He proposed ideas that bridged classical and human resource viewpoints. Barnard believed that organizations were made up of people with interacting social relationships. The manager's major functions were to communicate and stimulate subordinates to high level of efforts. He saw the effectiveness of an organization as being dependent on its ability to achieve cooperative efforts from a number of employees in a total, integrated system. Barnard also argued that success depended on maintaining good relations with the people and institutions with whom the organization regularly interacted. By recognizing the organization's dependence on investors, suppliers, customers, and other external stakeholders, Barnard introduced the idea that managers had to examine the external environment and then adjust the organization to maintain a state of equilibrium.

Barnard also developed set of working principles by which organizational communication systems can maintain final authority for the management team. These principles are:

1. Channels of communication should be definitely known.
2. Objective authority requires a definite formal channel of communication to every members of an organization.
3. The line of communication must be as direct or short as possible.
4. The complete line of communication should usually be used.
5. Competence of the persons serving at communication centers that is officers, supervisory heads, must be adequate.
6. The line of communication should not be interrupted during the time the organization is to function.

2.15.3 Colonel Lyndall Urwick, a British army officer turned distinguished executive and management consultant in U.K. He wrote a book entitled 'the elements of administration' in which he tried to assemble the concepts and principles of Taylor, Fayol, Mooney, Railey and other early management theorists.

2.15.4 Luther Gulick isolated the responsibilities of the chief executive and enumerated them using the acronym POSDCORB, which stands for planning, organizing, staffing, directing, coordinating, reporting, and budgeting.

2.15.5 James D. Mooney and Alan C. Reilly

James Mooney was a General Motors executive who teamed-up with historian Alan Reilly to expose the true principles of an organization in their books. They wrote a book 'Onward Industry' in 1931 and later revised and renamed it as 'Principles of Organization' which had greatly influenced the theory and practice of management in USA at that time. They contended that an efficient organization should be based on certain formal principles and premises. They contended that organizations should be studied from two viewpoints:

a. The employees who create and utilize the process of organization; and
b. The objective of the process

2.15.6 Implications of Administrative school to modern management

(i) The principles that Fayol set forth still provide a clear and appropriate set of guidelines that managers can use to create a work setting that makes efficient and effective use of organizational resources.
(ii) These principles remain the bedrock of modern management theory. For example, Fayol's concerns for equity and for establishing appropriate links between performance and reward are central themes in contemporary theories of motivation and leadership.
(iii) The practice of departmentalization into organization's function is an off-shoot of administrative thought
(iv) Chester Barnard theory of cooperative management sets the basis for group and team work in modern organizations

2.15.7 Limitations of Administrative Management

Like the scientific management school, the administrative management school is also criticized on some grounds.

(i) Many of the principles of this school including those of Fayol are contradictory and have dilemmas. These principles are no better than proverbs, which give opposite messages. For example, the principle of unity of command contradicts the principle of specialization or division of labour and the principle of limited span of control, contradicts that the number of organizational levels should be kept at a minimum.
(ii) The principle of specialization is internally inconsistent; for purpose, process, and place are competing modes of specialization and to secure the advantages of any one mode, the organizer must sacrifice the advantages of the other three modes. All modes cannot be followed simultaneously while pursuing specialization.

(iii) These principles are based on a few case studies and they are not empirically tested.

(iv) These principles are stated as unconditional statements and valid under all circumstances, which is not practicable. More and more conditional principles of management are needed.

(v) These principles result in the formation of mechanistic organization structures, which are insensitive to employees' social and psychological needs. Such structures inhibit the employees' self-actualization and accentuate their dependence on superiors.

(vi) These principles are based on the assumption that organizations are closed systems. According to this school of thought employees tend to develop an orientation towards their own departments rather than towards time whole organization.

2.16 Theory of Bureaucracy: (Max Weber 1864-1920)

Max Weber was a German who developed the bureaucratic model of the organization as a rational way of structuring a complex organization. Weber's rational bureaucracy requires that the people performing a large variety of tasks in an organization must follow established rules and regulations in order to ensure the uniformity and rationality of its output.

Thus, bureaucracy was defined as that ideal system wherein positions and tasks were clearly defined, division of labour was precise and clear, objectives were explicit and a clear chain of command was maintained. Weber distinguished three main types of authority:

(a) **Traditional Authority:** In the traditional form of authority, orders were obeyed, as the people giving them were invested with the same through custom or conventions (e.g. king or lord).

(b) **Rational – Legal Authority:** In the rational-legal form of authority, orders were obeyed because subordinates believed that the persons giving them were empowered to do so through enforcement of legal sanctions, i.e., in accordance with legal rules and regulations in force.

(c) **Charismatic Authority:** Charismatic authority rests on the appeal of leaders, and is based upon a belief in the personal attributes of the person giving the order.

Weber contended that Charismatic authority mainly arises in times of crisis and has to move to traditional or rational-legal forms for long- term stability. Rational-legal authority was becoming the dominant system (supplanting traditional authority) through the modern state and capitalism, mainly due to its purely technical superiority over any other form of organization. Bureaucracy is the organisational form built upon pure rational-legal authority. According to Weber, bureaucracy is a particular type of administrative structure developed through rational-legal authority.

2.16.1 Features of Bureaucracy

Max Weber enumerated the features of an ideal-type bureaucracy as follows:

(a) **Division of labour:** Each role has a clearly defined set of tasks along with a specified area of jurisdiction and responsibility.

(b) **Authority Hierarchy:** The roles or jobs are organised to form a hierarchy of authority. In this wise, higher level officers with more expertise are empowered to supervise those at the lower levels in the chain of command.

(c) **Formal selection:** Employees are expected to be recruited on the basis of their competence and expertise while the progression of employees should be based on seniority or achievement.

(d) **Career orientation:** Officials of the organization are not owners of the organization but are regarded mainly as professionals who have specified duties, tenure and reward; and cannot be arbitrarily removed. They can use the property of the organization only for the purpose of the organization and not for personal purposes.

(e) **Formal rules and controls:** Clearly stated rules, regulations and procedures are adhered to. Thus, written documents and records are essential features of bureaucracy. It enables previous decisions to be used as precedents and for the organization to monitor its operations effectively.

(f) **Impersonality:** Rules and policies are applied uniformly regardless of personal feelings or needs. Thus, the application of impersonality as it refers to rules produces a high degree of reliability and predictability in the performance of the organization's operations.

2.16.2 Contributions of Bureaucracy to Management

(i) Since the policies, rules and procedures are set and applicable to all, this leads to consistent employee behaviour. This behaviour is predictable, making the management process easier to implement.

(ii) Since the jobs, duties and responsibilities are clearly defined, the overlapping or conflicting job duties are eliminated.

(iii) Hiring and promotions are based on merit and expertise. This results in matching the right workers with the jobs which makes the utilization of human resources optimum. Also, the individuals move up the hierarchy as they gain expertise and experience.

(iv) Division of labour makes the workers specialists. Hence, their skills are further polished; they become experts and perform more effectively.

(v) The organization continues, even if individuals leave since the position is emphasized rather than the person. For example, if the Chief Executive resigns, another person is hired or promoted to that position and the organization continues to operate.

2.16.3 Limitations of Bureaucracy

(i) There is too much red tape and paper work

(ii) Because of impersonal nature of work, employees tend to be less committed to the organization.
(iii) Excessive rules and regulations and a strict adherence to these policies inhibit initiative and growth of the workers. Employees are treated like machines and not as individuals.
(iv) Employees become so used to routines that there is a resistance to change and introduction of new techniques of operations.

2.17 Human Relations Theory

The human relations movement drew heavily on a series of famous experiments called the Hawthorne studies which were conducted from 1924 to 1933 at the Hawthorne plant of the Western Electric Company in Cicero, Illinois. The neglect of the human aspect and overemphasis on machines, materials and abstract functions led to the development of this approach. Prof. Elton Mayo led the team which conducted the experiments that resulted in the human relations and behavioural science approach to management.

The human relations approach emphasizes the individual and focuses on inter-personal approach. It studies the individual, his needs and behaviour. Its main concepts are motivation and job satisfaction.

2.17.1 The Hawthorne Experiments (Elton Mayo, 1880 – 1949).

Elton Mayo and his Harvard associates conducted the famous studies of human behaviour in work situations at the Hawthorne plant to Western Electric from 1927 – 1932. Mayo was called in by Western Electric when other researchers, who had been experimenting with work-area lighting, reported some rather peculiar results:

They had divided the employees into a ‘‘test group’’ whose illumination was varied throughout the experiment and the ‘‘control group’’, whose lighting remain constant throughout the experiment. When the test groups lighting conditions improved, productivity increased, just as expected.

But what mystified the researchers was a similar rise in productivity when illumination was reduced. To compound the mystery, the control group’s output kept rising with each alteration in the test groups lighting condition, even though the control group experienced no such changes. In his attempt to solve this puzzle, Mayo ushered in the new era of human relations. In a new experiment, Mayo and his Harvard co-workers placed two groups of six women each in separate rooms. In one room the conditions were varied and in the other they were not.

A number of variables were tried: Salaries were increased; Coffee breaks of varying lengths were introduced; the work day and work week were shortened; the researchers, who now acted as supervisors allowed the groups to choose their own rest periods and to have a say in other suggested changes.

Once again, output went up in both test and control rooms. The researchers felt that they could rule out financial incentives as a cause, since the control group was kept on the same payment schedule.

Mayo concluded that a complex emotional chain reaction had touched off the productivity increases. Because the test and control groups had been singled out for special attention, the workers developed group pride that motivated them to improve their work performance. The sympathetic supervision they received had further reinforced their increased motivation.

The result of this experiment gave Mayo his first important discovery: When special attention is given to workers by management, productivity is likely to increase regardless of actual changes in working conditions. This phenomenon became known as the Hawthorne effect.

One question, however, remained unanswered. Why should special attention plus the formation of group bond elicit such strong reactions? To find the answer, Mayo launched a massive interview programme, which led to his most significant findings: that informal work groups – the social environment of employees – have a great influence on productivity.

Many of the employees found their lives inside and outside the factory dull and meaningless. But their work-place associations, based on mutual antagonism toward the ‘‘bosses’’ imparted some meaning to their work lives. For this reason, group pressure, rather than management demands, has the strongest influence on how productive they would be.

To maximize output, Mayo and his associates concluded that management must note the employees’ needs for recognition and social satisfaction. It had to turn the informal group into a positive, productive force by providing employees with a new sense of dignity and a sense of being appreciated.

To Mayo, then, the concept of the social man-motivated by social needs, wanting on- the-job relationships, and more responsive to work group pressure than to management control-had to replace the old concept of rational man motivated by personal economic needs.

2.17.2 Contributions of Human Relations Theory

(a) By stressing social needs, the human relations movement improved on the classical approach, which treated productivity merely as an engineering problem. In a sense, Mayo had rediscovered Robert Owen’s century-old dictum that a true concern for workers, those ‘‘vital machines’’, paid dividends.

(b) His studies revealed a fact that seems common-place today: that an office, factory, or shop is not merely a work place but also a social environment, with employees interacting with each other. And this social environment is very influential in determining the quality and quantity of work produced.

(c) In addition, Mayo spotlighted the importance of a manager's style and thereby revolutionized management training. More and more attention was focused on teaching people management skills, as opposed to technical skills.

(d) Finally, his work led to a new interest in the dynamics of groups. Managers began thinking in terms of group incentives to supplement their former concentration on their individual worker.

2.17.3 Limitations of Human Relations Theory

(i) It over-emphasized emotional-and social needs thus making it another single factor explanation of human behaviour. For this reason, it is called a neo-classical (new classical) theory.

(ii) The model may only selectively applicable. For example, it is not applicable in military and prison establishments where the nature of the command system requires authoritarian practices. However, even the military apply psychological motivation for its personnel.

(iii) The approach contains a pro-management bias and a strong moral undertone because it contains ideas which were put forward on how to eliminate conflict and 'manipulate' the worker to work harder.

(iv) The assumption of the model that individual's needs should be identified and satisfied at work makes the organization a substitute for the community. This view, apart from being a closed model, is unrealistic because the organization cannot accommodate all the factors influencing the behaviour of workers.

2.18 Quantitative Management School

The **quantitative approach** involves the use of quantitative techniques to improve decision making. It emphasizes that the organization or decision making is a logical process and it can be expressed in terms of mathematical symbols and relationships, which can be used to solve corporate problems and conduct corporate affairs. This approach focuses attention on the fundamentals of analysis and decision making. This brings together the knowledge of various disciplines like Operation Research and Management Science for effective solution of management problems. It includes applications of statistics, optimization models, information models, and computer simulations.

The Quantitative School quantifies the problem; generate solution, tests the solution for their optimality and then it recommends. The decisions are optimum and perfect as distinguished from the human behavioural approach, in which decisions are 'satisfying'. This approach is devoid of any personal bias, emotions, sentiments, and intuitiveness. The main postulates of the quantitative approach are as follows:

(a) Management is a series of decision making. The job of a manager is to secure the best solution out of a series of interrelated variables.

(b) These variables can be presented in the form of a mathematical model. It consists of a set of functional equation which set out the quantitative interrelationship of the variable.

(c) If the model is properly formulated and the equations are correctly solved, one can secure the best solution to the model.

(d) Organizations exist for the achievement of specific and measurable economic goals.

(e) In order to achieve these goals, optimal decisions must be made through scientific formal reasoning backed by quantification.

(f) Decision making models should be evaluated in the light of set criteria like cost reduction, return on investment, meeting time schedules etc.

(g) The quality of management is judged by the quality of decisions made in diverse situations.

2.18.1 Branches in the Quantitative Management Viewpoint

There are three main branches in the **Quantitative Management Viewpoint:** management science, operations management, and management information systems.

(a) **Management science (or operations research**) is an approach aimed at increasing decision effectiveness through the use of sophisticated mathematical models and statistical methods. Management science is an approach to management that applies mathematical analysis to decision making. It involves the use of highly sophisticated techniques, statistical tools and complex models. The primary focus of this approach is the mathematical model. Through this device, managerial and other problems can be expressed in basic relationships and where a given goal is sought, the model can be expressed in terms which optimize that goal.

The management science approach found its origins during World War II, when highly technical military/production problems become far too complex for traditional management methodology. The major features of this approach are:

(i) Management is regarded as the problem-solving mechanism with the help of mathematical tools and techniques.

(ii) Management problems can be described in terms of mathematical symbols and data. Thus every managerial activity can be quantified.

(iii) This approach covers decision making, system analysis and some aspect of human behaviour.

(iv) Operations research, mathematical tools, simulation, model etc, are the basic methodologies to solve managerial problems.

(b) **Operations Management** is the function or field of expertise that is primarily responsible for the production and delivery of an organization’s products and services.

(c) **Management information systems (MIS)** is the name often given to the field of management that focuses on designing and implementing computer-based information systems for use by management

2.19 Contemporary Approaches to Management Thoughts

2.19.1 Decision Theory Approach to Management

Decision Theory is the product of management science era. The decision theorists emphasize on rational approach to decisions, i.e. selecting from possible alternatives a course of action or an idea. Major contribution in this approach has come from Simon. Other contributors are March, Cyert, Forrester etc.

The major emphasis of this approach is that decision making is the job of every manager. The manager is a decision maker and the organization is a decision making unit. Therefore, the major problem of managing is to make rational decision. The main features of this approach are:

(a) Management is essentially decision-making. The members of the organization are decision makers and problem solvers.

(b) Organization can be treated as a combination of various decision centers.

(c) The level and importance of organizational members are determined on the basis of importance of decisions which they make.

(d) All factors affecting decision making are subject matter of the study of management. Thus, it covers the entire range of human activities in organization as well as the macro conditions within which the organization works.

2.19.2 Systems Theory

The systems theory approach is based on the notion that organizations can be visualized as systems of interrelated parts or subsystems that operate as a whole in pursuit of common goals. Daniel Katz and Robert Kahn (1966) were among the first authors to .recognize the applicability of systems concepts to organizations. Systems theory was originally conceptualized and developed by a biologist, Ludwig von Bertalanffy (1950), who recognized that certain principles that applied to the interdependence of parts in living organisms also applied to other systems. Katz and Kahn took selected systems concepts a step further and applied them to organizations. They believed that the following characteristics seemed to define all open systems:

The systems theory approach is based on the notion that organizations can be visualized as systems of interrelated parts or subsystems that operate as a whole in pursuit of common goals.

System: A **system** is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole. It’s a concept taken from the physical sciences and applied to organizations.

The two basic types of systems are:

1. **Closed systems** are not influenced by and do not interact with their environment.
2. **Open systems** dynamically interact with their environment. Today, when we call organization systems, we mean open systems, that is, an organization that constantly interacts with its environment.

2.19.3 Components of a system

The major components of a system are:

(i) **Inputs:** No social structure is self-sufficient or self-contained. All need resources and raw materials from the environment to survive. This importation of energy is typically referred to as *input*. In human service organizations, *input* refers to clients to be served and the resources available to serve them. The various human, materials, financial, equipment, and informational resources required to produce goods and services.

(ii) **Transformation processes:** Open systems use the energy available to them to transform or reorganize raw materials received as input. Clients represent the raw materials that (hopefully) become transformed from individuals or families with problems to individuals or families in which problems have been alleviated or resolved. These refer to the organization's managerial and technological abilities that are applied to convert inputs into outputs.

(iii) **Outputs:** Open systems export some product into the environment. A client who has completed all the services prescribed represents this product in human service organizations. The outputs include the products, services, and other outcomes produced by the organization.

(iv) **Feedback:** information about results and organizational status relative to its environment.

(v) **Sub-systems:** The parts that make up the whole of a system are called ''sub-systems''. And each system, in turn, may be a sub-system of a still larger whole. Thus, a department is a sub-system of a plant, which may be a sub- system of a company, which may be a sub-system of a conglomerate or industry, which is a sub-system of the economy as a whole, which is a sub- system of the world system. From such a perspective, the manager is able to see the needs and operations of various departments as part of a large whole.

(vi) **Synergy:** Synergy means that the whole is greater than the sum of its parts. In organisational terms, synergy means that as separate departments within an organization cooperate and interact, they become more productive than if they had acted in isolation. For example, it is obviously more efficient for each department in a small firm to deal with one financing department than for each department to have a separate financing department of its own.

(vii) **System Boundary:** Each system has a boundary that separates it from its environment. In a closed system this boundary is rigid; in an open system, the boundary is more flexible. The system boundaries of many organizations have become increasingly flexible in recent years. Oil companies that wished to engage in offshore drilling, to cite one example, have increasingly needed to consider public reaction to the potential environmental harm of their operations.

(viii) **Flow:** A system has flows of information, material, and energy (including human). These enter the system from the environment as inputs (raw materials, for example) and exit the system as outputs (goods and services).

2.19.4 Systems as cycles of events

The pattern of activities defined by input, throughput, and output has a cyclic character; that is, successful completion of the cycle provides sources of energy and resources for repetition of the cycle. This is more easily recognized in organizations in which products are produced and sold and the profits used to regenerate the cycle. Successful resolution of client problems, in the same way, contributes to the generation of resources that allows the cycle to continue.

2.19.5 Contributions of the Systems Theory to Management

(a) Importantly, organizations today operate as open systems to survive and utilize a systems perspective of management. Managers must think broadly about a problem and generate more relevant facts to avoid a narrow assessment of issues. In this wise, results obtained that reflect a broader spectrum of relevant issues will be more impactful on the organization as well as its environments.

(b) With a systems perspective, managers can more easily achieve coordination between the objectives of various parts of the organization and the objectives of the organization as a whole.

(c) The systems theory is useful because it helps managers envision the boundaries of their organisations: internal and external environments

(d) It gives a better understanding of the ways in which subsystems, the various systems within a system, interact with each other.

(e) Organisations can use feedback to detect entropy and then counter the process with negative entropy — the ability to acquire new inputs from the environment to keep system from deteriorating.

(f) With the concept of synergy — the idea that the whole is greater than the sum of its parts can be used by an organisation to accomplish its goals. This is similar to fayol's esprit de corps.

(g) Open systems approach attempts to account for multi-dimension approaches to problem solving

2.19.6 Limitations of the Systems Theory

(a) Critics consider the systems approach to be abstract and not very practical. Talking about inputs, transactions, and outputs is not how managers discuss problems, make decisions, and face reality.

(b) Systems thinking is heavily managerial in conception hence, its underemphasis of such realities as the conflict in social relations in the workplace — with particular reference to trade unionism, and labour management relations.

(c) The systems approach is tautological in that the concept of function cannot be given any substantive content.

(d) Organisational systems consist of and are run by people. Accordingly, interpersonal relations might be more important than particular input/output structures and organisational forms, which in any case are subject to human control.

2.20 Contingency theory

Contingency Theory is the view that appropriate managerial action depends on the particular parameters of each situation. This approach is in marked contrast to the earliest universal approach stemming from the classical management school which suggested that there was one, and only one, best decision for managers to make which applied in all cases and to all organization, big or little, for profit, or not-for-profit, etc. The generalized corollary to the universal approach is that the secret to successful managing was just to keep looking until that one best solution was "found." "it all depends", would be the slogan of contingency theory. The contingency approach applies particularly well in such areas as environmental factors, strategy, organizational design, technology, and leadership.

2.20.1 Contingency or Situational Approach to Management

Another important approach which has arisen because of the inadequacy of the Quantitative, Behavioural and System Approach to management is the Contingency Approach. Pigors and Myers propagated this approach in 1950. Other contributors include Joan Woodward, Tom Burns, G.W.Stalker, Paul Lawrence, Jay Lorsch and James Thompson.

(a) They analyzed the relationship between organization and environment. They concluded that managers must keep the functioning of an organization in harmony with the needs of its members and the external forces.

(b) Management is situational and lies in identifying the important variables in a situation.

(c) The basic theme of contingency approach is that organizations have to cope with different situations in different ways. There cannot be particular management action which will be suitable for all situations.

(d) The management must keep the functioning of an organization in harmony with the needs of its members and the external forces.

(e) According to Kast and Rosenzweig, "The contingency view seeks to understand the interrelationships within and among sub-system as well as between the organization and its environment and to define patterns of relationships or configurations of variables.

(f) Contingency views are ultimately directed towards suggesting organizational designs and managerial actions most appropriate for specific situations".

2.20.2 Features of contingency approach

The main features of contingency approach are:

(i) Management is entirely situational. The application and effectiveness of any techniques is contingent on the situation.

(ii) Management action is contingent on certain action outside the system or subsystem as the case may be.

(iii) Management should, therefore, match or fit its approach to the requirements of the particular situation. To be effective management policies and practices must respond to environmental changes.

(iv) Organizational action should be based on the behaviour of action outside the system so that organization should be integrated with the environment.

(v) Management should understand that there is no one hard way to manage. They must not consider management principles and techniques universal.

In the contingency model, a manager has to take four sequential steps:

(a) Analyze and understand the situation

(b) Examine the applicability or validity of different principles and techniques to the situation at hand

(c) Make the right choice by matching the techniques to the situations

(d) Implement the choice.

2.20.3 Contributions of Contingency Theory to Management

(a) A theory cautions management theorists and practitioners against the danger of generalising on matter of method strategy and organisational design.

(b) There is no one best way to organise or management because the proper structure for an organisation is that which enables it to deal with its environment optimally.

(c) The contingency approach has a limited practical utility because it is not only complex, it is also very difficult to determine all relevant situational factors that affect management decisions.

2.21 Emerging Trends in Management

A. Globalization. Organizational operations no longer stop at geographic borders. Managers in all types and sizes of organizations are faced with the opportunities and challenges of globalization. The recent emergence of a truly global economy is affecting every manager in the world. In today's environment, success in the long run demands that the manager think globally, even if he can still limit his actions to local market.

B. Entrepreneurship refers to the process whereby an individual or a group of ndividuals uses organized efforts and means to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness.

1. Three important themes stand out in this definition:

a. The pursuit of opportunities

b. Innovation

c. Growth

C. Managing in an E-Business World.

(i) **E-business** (electronic business)—a comprehensive term describing the way an organization does its work by using electronic (Internet-based) linkages with key constituencies in order to efficiently and effectively achieve its goals.

(ii) **E-commerce** (electronic commerce) is any form of business exchange or transaction in which the parties interact electronically.

D. Need for Innovation and Flexibility.

(i) The constant flow of new ideas is crucial for an organization to avoid obsolescence or failure.

(ii) Flexibility is valuable in a context where customers/ needs may change overnight, where new competitors come and go, and where employees and their skills are shifted as need from project to project.

E. Quality Management Systems.

(i) Total quality management is a philosophy of management that is driven by customer needs and expectations and focuses on continual improvement in work processes

(ii) TQM was inspired by a small group of quality experts, of whom W. Edwards Deming was one of the chief proponents. He has also developed and presented his quality philosophy and theory of profound knowledge.

(iii) TQM represents a counterpoint to earlier management theorists who believed that low costs were the only road to increased productivity.

(iv) The objective of TQM is to create an organization committed to continuous improvement.

F. Learning Organizations and Knowledge Management.

Managers now must deal with an environment that is continually changing. The successful organizations of the 21st century will be flexible, able to learn and respond quickly, and be led by managers who can effectively challenge conventional wisdom, manage the organization's knowledge base, and make needed changes.

(i) **A learning organization** is one that has developed the capacity to continuously adapt and change.

(ii) **Knowledge management** involves cultivating a learning culture where organizational members systematically gather knowledge and share it with others to achieve better performance.

G. Theory Z

William Ouchi's Theory Z combines positive aspects of American and Japanese management into a modified approach aimed at increasing managerial effectiveness while remaining compatible with the norms and values of society and culture.

Theory Z: These firms are those which are highly successful American firms that use many of the Japanese management practices. The Type Z firm features long-term employment with a moderately specialized career path and slow evaluation and promotion. Lifetime employment would not be especially attractive to America's mobile work force and the slow evaluation and promotion processes would not meet the high expectations of American workers.

H. Managerial Effectiveness: Mckinsey 7-S Model

The 7-S factors are as follows:

(i) Strategy: The plans that determine the allocation of an organization's scarce resources and commit the organization to a specified course of action.

(ii) Structure: The design of the organization that determines the number of levels in its hierarchy and the location of the organization's authority.

(iii) Systems: The organizational processes and proceduralized reports and routines.

(iv) Staff: The key human resource groups within an organization, described demographically.

(v) Style: The manner in which manager behave in pursuit of organizational goals.

(vi) Skills: The distinct abilities of the organization's personnel.

(vii) Shared values: The significant meanings or guiding concepts that an organization in still in its members.

I. Excellence: The firms that qualified as excellent companies shared the following characteristics:

(i) A successful firm makes things happen.
(ii) Successful firms make it a point to know their customers and their needs.
(iii) Autonomy and Entrepreneurship is valued in each employee.
(iv) Productivity through people is based on trust.
(v) Hands on, value driven management is mandatory.
(vi) A firm must always deal with strength.
(vii) A firm leads to cost effective works teams.
(viii) A firm can decentralize many decisions while retaining tight controls, usually through the function of finance.

J. Quality and Productivity: In today's dynamic marketplace, consumers are encouraged to buy a product that demonstrates the highest level of quality at the optimum price. This requires a dedicated and skilled work force that places utmost importance on quality workmanship.

Summary

Management is a process that includes the functions of planning, organizing, actuating, and controlling. These functions must be performed in all organizations, if goals are to be achieved satisfactorily through the use of human and material resource. Successful managers must demonstrate technical, human relations, conceptual and analytical skills in the performance of their duties. Managing is an essential activity at all organizational levels. The goal of all managers is to create a surplus and to be productive, that is, to achieve a favourable output-input ratio within a specific time period with due consideration for quality. Productivity implies effectiveness (achieving objectives) and efficiency (using the least amount of resources).

Furthermore, the manager needs to be conscious of the dynamic nature of management in terms of management practice. Thus, the concept of universality of management refers to the need for the practice of management in all types of organization. The various theories of evolution of management thought have contributed to managers' understanding of organizations and to their ability to manage them. Each offers a different perspective to defining management problems and opportunities, and for developing ways to deal with them. In their current state of evolution, however, each approach overlooks or deals inadequately with important aspects of organisational life.

However, the newer systems approach, based on the general systems theory and the contingency approach have already been developed to the point where they offer valuable insights for the practising manager. Managers will have to continue on their own to select the appropriate perspective or perspectives for each situation. They may, of course, become lost in what Harold Koontz called ''the management theory jungle''. But it is at least likely the managers will find such multiplicity of theories useful. It may be that no one theory could encompass a field like management, in which the complexities of human behaviour play such a central role.

Review Questions

SECTION A –MULTIPLE CHOICE QUESTIONS

1. The principle that specifies that the effort of everyone in the organisation should be coordinated and focused in the organisation is known as:

(a) Unity of direction
(b) Span of management
(c) Unity of command
(d) Unity of integration
(e) Unity of conglomeration

2. The type of skills required by any manager to perform effectively and efficiently, depends on:
(a) Policy
(b) Level
(c) Strategy
(d) Standard
(e) Communication

3. Which of the following is popularly referred to as the father of scientific management?

(a) Henri Fayol
(b) Elton Mayo
(c) Frederick W. Taylor
(d) Herbert Simon
(e) Peter Drucker

4. The ability to think in an abstract manner and comprehend relationship between elements

is known as:
(a) Conceptual skill
(b) Design skill
(c) Human skill
(d) Technical skill
(e) Monitoring skill

5. The experiments that led to the human relations school are collectively referred to as:
(a) Hawborne experiments
(b) Hawthorne experiments
(c) Habronee experiments
(d) Hawthing experiments
(e) Hartthorne experiments

Part II: Short Answer Questions

1. The ability to choose appropriate strategies for achieving a given objective is known as ………..
2. The ability to get things done correctly which is an input-output concept is referred to as ……………….
3. The process of matching organizational structure to its goals and resources is called ……………..
4. The idea whereby subordinates are given the freedom to conceive and carry out their plans, even when some mistakes result, is referred to as ……………..

5. A situation that arises where authority rests on appeal of leaders and is also contingent upon a belief in personal attributes of the person giving the order, is known as ………………

SOLUTIONS

MULTIPLE CHOICE QUESTIONS

1. D
2. B
3. C
4. A
5. B

SHORT ANSWER QUESTIONS

1. Effectiveness
2. Efficiency
3. Organisational Design
4. Initiative
5. Charismatic Authority

CHAPTER 3
MANAGEMENT PROCESS

SECTION A: PLANNING

Section contents

(a) Meaning of Planning
(b) Definition of Planning
(c) Nature and characteristics of planning
(d) Basic Principles of Planning:
(e) Importance of planning
(f) Dimensions/Types of Plans
(g) The Planning Process (Steps in planning):
(h) Levels of Planning
(i) Strategic Planning (Top management)
(j) Tactical Planning (Middle management)
(k) Operational Planning (Lower level management)
(l) Benefits of planning
(m) Tools/Factors Aiding Effective Planning
(n) Barriers to Effective Planning

Learning Objectives

After studying this section, the reader should be able to:

- Define and explain planning
- Explain the importance of planning
- Explain the dimensions/types of plans
- Explain the planning process/steps
- Explain the levels of planning
- Appreciate the benefits of planning
- Explain the barriers to effective planning
- Explain factors aiding effective planning
- Explain management by effective planning

A.1 Meaning of Planning

Planning (translated from the French word ***prevoyance*** = to foresee, and taken to include forecasting) means examining the future, deciding what needs to be achieved and developing a plan of action.

An organization is characterized by its goals or objectives which are predetermined. An organisation's ability to achieve success depends on its planning strategies, that is, planning decides in advance "what to do, how to do it, when to do it, and who do it".

An organisation without planning is like a sailboat minus its rudder. Without planning, organisations are subject to the winds of environmental change, yet have little means to take advantage of the prevailing currents in determining their own direction. Planning is also the management function that involves setting goals and deciding how best to achieve them. The function also includes considering what must be done to encourage necessary levels of change and innovation.

Planning provides basis for the other major functions of management-organising, leading, and controlling-by charting the course and providing the steering mechanism. This section is geared to helping you acquire a basic knowledge of planning as a major function of management.

A.2 Definition of Planning

Planning is a process of preparing a set of decisions for future actions directed at achieving goals by optimal means, hence, planning is the main function of management. According to Drucker (1968), planning deals with what has to be done today to be ready for tomorrow. Perhaps, there is no need for planning if the future is reasonably known.
As noted by Banga and Sharma (2008), planning is a mental process requiring the use of intellectual faculties, imagination, foresight, sound judgment, etc. to decide in advance as to what is to be done, how and where is to be done, who will do it and how the results are to be evaluated. In other words, planning is the process of thinking before doing. Planning means to assess the future and make provisions for it.

A.3 Nature and characteristics of planning

In addition, planning involves application of mind by the manager to decide actions to be adopted for the realization of organizational objectives. Based on the above, nature and characteristics of planning may be stated as follows:

1. **Planning is an intellectual process:**
   Planning is an intellectual and rational process. Planning is a mental exercise involving imagination, foresight and sound judgement. It requires a mental disposition of thinking before' acting in the light of facts rather than guess. The quality of planning depends upon the abilities of the managers who are required to collect all relevant facts, analyse and interpret them in a correct way.

   How far into the future a manager can see and with how much clarity he will depend on his intellectual calibre, are chalked out through planning process. In thinking of objectives, alternative courses of action and, above all, in making decision for choosing certain alternatives, the planner goes through an intellectual process.

2. **Planning is goal-orientation:**
All planning is linked up with certain goals and objectives. It follows, therefore, that every plan must contribute in some positive way to the accomplishment of group objectives. Planning has no meaning without being related to goals and objectives. It must bridge the gap between where we are and where we want to go at the minimum cost.

3. **Planning is the primary function of management:**
Planning is said to be the most basic and primary function of management. It occupies first place and precedes all other functions of management which are designed to attain the goals set under planning. This is so because the manager decides upon the policies, procedures, programmes, projects, etc. before proceeding with the work. The other functions of management—organising, direction, co-ordination and control—can be performed only after the manager has formulated the necessary planning.

4. **Planning is pervasiveness:**
Planning pervades all managerial activities. It is the job of all managers in all types of organisation. It is undertaken at all segments and levels of the organisation—from the general manager to the foreman. Whatever be the nature of activity, management starts with planning. The character and breadth of planning will, of course, vary from one job to another—depending on the level of management.

5. **There is uniformity in planning:**
There may be separate plans prepared in different levels in the organisation, but all the sub-plans must be united with the general plan so as to make up a comprehensive plan for operation at a time. So, uniformity must be there in all levels of planning to match the general plan.

6. **Continuity in planning:**
To keep the enterprise as a going concern without any break, it is essential that planning must be a continuous process. So, the first plan must follow the second plan and the second plan the third and so on in never-ending series in quick succession.

7. **Flexibility in planning:**
Plans should not be made rigid. It should be as flexible as possible to accommodate all possible changes in the enterprise with a view to coping with the changing conditions in the market. In fact, planning is a dynamic activity.

8. **Simplicity in planning:**
The language of the work schedule or programme in the planning should be simple so that each and every part of it may easily be understood by the employees at different levels, specially at the lower level.

9. **Precision in planning:**

Precision is the soul of planning. This gives the planning exact, definite, and accurate meaning in its scope and content. Any mistake or error in planning is sure to upset other functions of management and, thus, precision is of utmost importance in every kind of planning.

10. **Feasibility of plans:**

Planning is neither poetry nor philosophy. It is based on facts and experience, and thereby realistic in nature. It represents a programme which is possible to execute with more or less existing resources.

11. **Planning is making a choice among Alternative Courses:**

Planning involves selection of suitable course of action from several alternatives. If there is only one way of doing something there is no need of planning. Planning has to find out several alternatives, estimate the feasibility and profitability of the different alternatives, and to choose the best one out of them.

12. **Efficiency of plans:**

Planning is directed towards efficiency. A plan is a course of action that shows promise of optimizing return at the minimum expense of inputs. In planning, the manager evaluates the alternatives on the basis of efficiency. A good plan should not only attain optimum relationship between output and input but should also bring the greatest satisfaction to those who are responsible for its implementation.

13. **Inter-dependence in planning:**

The different departments may formulate different plans and programmes for their integration in the overall planning. But sectional plans cannot but be inter-dependent. For example, production planning depends upon sales planning—and vice versa. Again, planning for purchase of raw materials, employment of labour, etc. cannot be an isolated act apart from sales planning and production planning. Planning is a structured process and different plans constitute a hierarchy. Different plans are inter-dependent and inter-related. Every lower-level plan serves as a means towards the end of higher plans.

14. **Planning is forecasting:**

Above all, no planning can proceed without forecasting—which means assessing the future and making provision for it. Planning is the synthesis of various forecasts—short-term or long-term, special or otherwise. They all merge into a single programme and act as a guide for the whole concern.

A.4 Basic Principles of Planning:

Planning requires scientific thinking and it should spell out in clear terms the definition of the purpose, analyse the problem and make a careful and diligent search for all the facts bearing upon it. The task of planning will be well-accomplished if some fundamental principles are followed in the process. Principles provide the basis for sound planning. Koontz *et al* describe the following principles for effective planning:

The important principles may be stated as follows:

1. **Principle of Commitment:**
   This means that certain resources must be committed or pledged for the purpose of planning. Planning is not an easy task. So, necessary help is to be taken from experts. The enterprise must be ready to exhaust the available resources for the achievement of a plan.

2. **Principle of the Limiting Factor:**
   A plan involves varied factors of different importance. This principle implies that more emphasis has to be put on that factor which is scarce or limited in supply or extremely costly. This will help in selecting the most favourable alternative.

3. **Principle of Reflective Thinking:**
   Planning, being an intellectual activity is based on rational considerations. These involve reflective thinking which signifies problem-solving thought process—a process by which past experiences are superimposed on the facts of the present situation and possible future trends. None can be a planner whose mind is not active, who does not possess any deliberate power and whose sense of judgement is not strong.

4. **Principle of Flexibility:**
   Though a plan is prepared after reflective thinking, this does not mean that no departure can be made in the course of its operation. The plan should be so prepared that there is sufficient scope for changing it from time to time. Changes must necessarily be effected in the plan for taking into account new developments that may take place in the course of the operation of the plan.

5. **Principle of Contribution to Enterprise Objectives:**
   A major plan is prepared and it is supported by many derivative plans. But all plans must contribute in a positive way towards the achievement of the enterprise objectives.

6. **Principle of Efficiency:**
   A plan should be made efficient to attain the objectives of the enterprise at the Minimum cost and least effort. It must also achieve better results with the minimum of unexpected happenings. Therefore, it is to be seen that what is expected is likely to be achieved.

7. **Principle of Selection of Alternatives:**
   Planning is basically a problem of choosing. The essence of planning is the choice among alternative courses of action. There is no need for planning if there is only one way for doing something. In choosing from alternatives, the best alternative

will be that which contributes most efficiently and effectively to the accomplishment of a desired goal.

8. **Principle of Planning Premises:**
A plan is prepared against some foundations or backgrounds known as 'Planning Premises'. There must be complete agreement among the managers in respect of planning premises over which the structure of plan is to be framed.

9. **Principle of Timing and Sequence of Operations:**
Timing and sequence of operations determine the starting and finishing time for each piece of work according to some definite schedule and give practical and concrete shape and form to work performance.

10. **Principle of Securing Participation:**
To secure participation of the employees with whole-hearted co-operation in execution of the plan, it is necessary that the plan must be communicated and explained to them for their full understanding. This understanding provides the basis for additional knowledge about new facts and matters to the employees. This is needed for improvement in the quality of planning. It also ensures an obligation of the personnel of the enterprise to execute the plan by individual and joint participation.

11. **Principle of Pervasiveness:**
Though major planning function is entrusted to the top management, it is not restricted to the top level only. It is a function of every manager at every level in the organisation.

12. **Principle of Strategic Planning:**
Strategic planning is essential where there is competition. It is prepared in the light of what the competitors are intending to do. Planners must take into account the strategies of the rival organisations, otherwise the planning projection may land them in trouble.

13. **Principle of Innovation:**
A good system of planning should be responsive to the opportunities for innovation. Innovation consists in creating something new for increasing satisfaction of the consumers. This may also be stated as an important strategy of business. Innovation is a necessity for its sustaining growth in this dynamic world. Innovation is achieved through research and development and planning is required to provide such scope.

14. **Principle of Follow-up:**
In the course of execution of a plan, certain obstacles may crop up in midway and planning may require revision, alteration or correction. This is why there must be a follow-up system in the planning process itself. This allows timely changes in the planning and makes it more effective.

15. Principle of objectives:

Since objectives are the basis for planning, they should be clear, specific, measurable and unambiguous. They should be understood and accepted by all the organisational members.

16. Principle of primacy of planning:

Planning is pre-requisite to other managerial functions. It should be effectively done so that other functions of management also contribute to the overall organisational goals.

A.5 Importance of planning

(a). Minimizes Risk and Uncertainty

In today's highly complex business environments, organisations cannot afford to take decisions intuitively. By providing a more rational, fact-based procedure for making decisions, planning allows managers and organisation to minimize risk and uncertainty.

(b) Enables Managers to face Increasing Competition

Today, a business concern has to face competition not only in the domestic market but also in the international markets. To face such fierce competition, proper planning in all functional areas is a must.

(c) Enables Managers to Keep Pace with Complex Technological Changes

Technology is changing rapidly and the existing machines and processes are becoming obsolete at a fast rate. With proper planning, it is possible to keep pace with technological changes to the advantage of the organisation.

(d) Leads to Success

Planning helps the organisation to perform better and achieve success. Organisations that plan have a higher probability to succeed than those which do not plan.

(e) Focuses on Goals

Planning helps an organisation to focus all its activities and resources on selected goals.

(f) It Facilitates Control

In planning, the manager sets goals and devises action plans to achieve them. Plans, thus become the standard the standard or benchmarks against which performance is compared and control is exercised in case of any difference between the planned and actual performance.

A.6 Dimensions/Types of Plans

Organisations establish many different kinds of plans. At a general level, these include:

(a) Plans based on functions/activities to be performed,
(b) Plans based on time frames,
(c) Contingency plans,
(d) Single use plans,
(e) Standing plans or repeated use plans, and
(f) Kinds of enterprise plans

(A) Plans Based on Functions/Activities to be performed:

This takes into consideration the following:

(h) ***Strategic Plans:*** These are plans that are generally developed by top management in consultation with the board of directors and with middle management. Strategic plans focus on the broad, enduring issues for ensuring firm's effectiveness and survival over mission and may describe a set of goals to move a company into the future. Such plan is usually comprehensive, long-term and relatively general in nature.

Furthermore, strategic plans are detailed action steps mapped out to reach strategic goals. They also represent management plans based on macro approaches for analyzing organizational features, resources, and the environment and establishing long-term corporate-wide action programmes in order to accomplish the stated objectives in the light of that analysis.

These plans address such issues as how to respond to changing conditions, how to allocate resources, and what actions should be taken to create a unified and powerful organisation-wide effort ultimately aimed at strategic goals (Thompson Jr., and Strickland III, 1987).

To be effective, a strategic plan should meet the following criteria, these are:

(a) ***Proactivity*** **–** which means the degree to which the strategic plan takes a long-term view of the future and actively moves the company forward in the desired direction.

(b) ***Congruency*** **–** that is, the extent to which the strategic plan fits with organizational characteristics and the external environment.

(c) ***Synergy*** **–** which means the integration of the efforts of various organizational sub-units to better accomplish corporate-wide business objectives.

(ii) ***Tactical Plans:*** these plans are developed at the division or departmental level. They specify the activities that must be performed, when they must be completed, and the resources a division or department will need to complete the portions of the strategic plan under its purview.

The primary criterion of effectiveness for tactical plans is the extent to which they contribute to the achievement of the company's strategic objectives. In general. Tactical plans cover a period of one to two years. Two important aspects of tactical plans are **division of labour and budgeting** (Gomez-Mejia, Balkin, and Cardy, 2005).

Thus, tactical plans fall in between strategic and operational plans and have more narrow, intermediate term, and specific than strategic plans, hence, tactical plans deal more with issues of efficiency than with long-term effectiveness.

(iii) ***Operational Plans****:* are management plans normally created by line managers and employees directly responsible for carrying out certain tasks or activities. This type of plan is focused, short-term, and specific. It translates the broad concepts of the strategic plan into clear numbers, specific steps, and measurable objectives for the short term.

Besides, these plans tend to be narrowly focused on resources, methods, timeliness, and quality control issues for a particular kind of operation. In general, the time frame for operational plans is shorter than for tactical plan. Thus, operational plan requires efficient, cost-effective application of resources to solving problems and meeting objectives.

(B) Plans Based on Time Frame:

This takes into consideration the following:

(i) ***Long Range Plans:*** these cover many years, perhaps even decades. The time span for long-range plan varies from one organization to another. Here, we regard any plan that extends beyond five (5) years as long range.

(ii) ***Intermediate or Medium Range Plans:*** are somewhat less tentative and subject to change than a long-range plans. Intermediate plans usually cover periods from one to five years and are especially important for middle and first-line managers. Thus, intermediate plans generally parallel tactical plans.

(iii) ***Short-Range Plans:*** are plans that generally cover a span or time of one year or less. Short-range plans greatly affect a manager's day-to-day activities.

There are two (2) basic kinds of short-range plans, these are:

(a) Action plan, and
(b) Reaction plan

(a) ***Action Plan*** **–** is a plan used to operationalize any other kind of plan
(b) ***Reaction Plan*** **–** is a plan designed in order to allow a company to react to an unforeseen circumstances.

(C) **Contingency Plan –** is a plan used to determine alternative courses of action to be taken if an intended plan of action is unexpectedly disrupted or rendered inappropriate (Froof, 1994). Contingency plan is becoming increasingly important for most organizations and especially for those operating in particularly complex or dynamic environments.

Few managers have such an accurate view of the future that they can anticipate and plan for everything. Contingency plan is a useful technique for helping managers cope with uncertainty and change. However, this plan should also be periodically updated and revised (Hambrick and Lei, 1995).

(D) **Single-Use Plans** – are plans developed to carry out a course of action that is not likely to be repeated in the future. They are aimed at achieving a specific goal that, once reached, will most likely not recur in the future.

There are three (3) major types of single – use plans, these are:
(i) a programme,
(ii) a project, and
(iii) a budget.

(i) ***A Programme***: This is a comprehensive plan that coordinates a complex set of activities related to a major non-recurring goal (Newman and Logan, 1987). A programme is also referred to as a single-use plan for a large set of activities which might consist of identifying procedures for introducing a new product line, opening a new facility, or changing the organization's mission (Griffin, 1999).

Banga and Sharma (2008) defined a programme as a specific plan drawn for a specific purpose; keeping in view the organisational policies, procedures, rules, budgets, etc. once the specific purpose for which programmes were drawn is achieved, this programme is not likely to be used again in the same form, therefore, this is termed a single-use plan. Programmes usually involve several different departments or units of the organization, are composed of several different projects, and may take more than one (1) year to complete.

Programmes usually include six (6) basic steps as identified by Bartol and Martin (1998), these are:
(i) dividing what is to be done into major parts, or projects;
(ii) determining the relationships among the parts and developing a sequence;
(iii) deciding who will take responsibility for each part;
(iv) determining how each part will be completed and what resources will be necessary;
(v) estimating the time required for completion of each part; and
(vi) developing schedule for implementing each step.

(ii) ***A project:*** A project is similar to a programme but is generally of less scope and complexity. A project may be a part of a broader programme, or it may be a self-contained single-use plan. Projects are used to introduce a new product within an existing product line or t add a new benefit option to an existing salary package (griffin, 1999)

Furthermore, a project is a plan that coordinates a set of limited-scope activities that do not need to be divided into several major components in order to reach an important non-recurring goals (Symonds, 1989). Like programmes, projects often have their own budgets. A project may be one of several related to a particular programme.

(iii) ***A Budget:*** is a statement that outlines the financial resources needed to support the various activities included in a programme or a project (Newman and Logan, 1987).

Furthermore, a budget is a statement of expected results expressed in numerical terms. These are mostly prepared in terms of money units.

(E) Standing Plans or Repeated Use Plans: whereas single-use plans are developed for non-recurring situations, a standing plan is used for activities that recur regularly over a period of time, hence, standing plans provide ongoing guidance for performing recurring activities.

Simply put, standing plans are used again and again and are repetitive in nature. These plans are formulated by the managers at different levels, meant for repeated use as and when the situation demands.

There are three (3) main types of standing plans as noted by Wheelon and Hunger (1995), these are:

(i) Policy,
(ii) Procedure, and
(iii) Rule

(i) **Policy:** is a general guide that specifies the broad parameters within which organization members are expected to operate in pursuit of organizational goals.

Specifically, a policy can be defined as:

- a standing guide making administrative decisions on a given subject,
- an organisation's point of view
- an established way of doing business and directing actions in specified areas of management,
- an internal administrative law governing executive actions within the organization, etc.

Policies do not normally dictate exactly what actions should be taken, rather they provide general boundaries for action (Bartol and Martin, 1998).

Furthermore, as a general guide for action, a policy is the most general form of standing plan. A policy specifies an organisation's general response to a designated problem or situation. Generally, policy leaves some room for discretion. When a policy is rigid, it becomes a rule.

In addition, policy according to Mullins (1996) is defined as a guideline for organizational action and the implementation of goals and objectives. He noted that policy is translated into rules, plans, and procedures that are related to all activities and to all levels of the organization. If clearly stated, policy can help re-enforce the main functions of the organization, make for consistency and reduce dependency on the actions of managers.

Moreover, policy clarifies the roles and responsibility of manager and other members of staff and provides guidelines for managerial behavior, thus, policy as a statement indicating the general pattern of action to be followed to secure the implementation and achievement of organizational objectives.

(ii) **Procedure:** A procedure is a prescribed series of related steps to be taken under certain recurring circumstance. Well-established and formalized procedures are often called **standard operating procedures (Sops).**

Unlike policies which tend to be fairly general, procedures provide detailed, step-by-step instructions as to what should be done, hence, procedures do not allow much flexibility or deviation.

Furthermore, a procedure is like a standing plan that outlines the steps to be followed in a particular circumstance. **Procedure** is more specific than a **policy** statement and it enumerated the sequences of steps to be taken in order to achieve an objective, thus, procedure provides a more specific guide to action than a policy.

In order to understand the difference between **policy** and **procedure**, an example is given as follows: a firm has decided that all the appointments will be made by personnel department, this is a **policy** of the firm. The personnel department will then have a detailed procedure as to how the vacancy will be filled up, that is, whether by fresh recruitment or by promotion. If by promotion, what will be the procedure, i.e., by seniority, by merit, by seniority and merit or by test, and who is eligible and how this will be done, etc.

In case the post is to be filled up by fresh recruitment, then, how the applicants will be invited, what will be the qualitative requirements, screening, trade test/written test interview, and who will conduct the test, etc. this is referred to as a **procedure.**

The following are the advantages in having a procedure:
- It ensures uniformity of action,
- It is easy for a manager to appraise his employees,
- Decision making become simplified/simpler,
- Better coordination among different departments and their employees, etc.

(iii) **Rule:** is a statement that spells out specific actions to be taken or not taken in a given situation. Unlike procedures, rules do not normally specify a series of steps. Instead, they dictate exactly what must be or must not be done; leaving little flexibility or room for deviation or discretion.

Rule: is also seen as a plan laid down by management regarding what is to be done and what is not to be done in a given situation.

In addition, a **rule** is definite and rigid and does not (in most cases) allow any deviation or discretion to subordinates. Generally, breach of rule invites a penalty.

(F) **Kinds of Enterprise Plans:** Number and kind of plans in any enterprise depends upon the organization set-up.

In an organization having number of divisions and functional departments and where overall planning is done at the headquarter level, the following kinds of plans are required.

(i) ***Divisional Plans*** **–** these are programmes for individual division in an enterprise.
(ii) ***Functional Plans*** **–** although, a plan is prepared for an organization, separate plans for each of the functional departments are also required to be prepared.
(iii) ***Regional Plans*** **–** these are plans concerning the activities of each region or zone.
(iv) ***Corporate Plans*** **–** these are plans prepared for the enterprise as a whole.

A.7 The Planning Process (Steps in planning):

(a) Being Aware of Opportunities

Although it precedes actual planning and is therefore, fnot strictly a part of the planning process, an awareness of opportunities in the external environment is the real starting point for planning. All managers should take a preliminary look at possible future opportunities and see them clearly and completely, know where they stand in the light of their strengths and weaknesses, understand what problems they wish to solve and why, and know what they expect to gain. Setting realistic objectives depends on this awareness. Planning requires a realistic analysis of the opportunities.

(b) Establishing Objectives

The second step in planning is to establish objectives for the entire enterprise and then for each work unit. This is to be done for the long term as well as in the short range. Objectives specify the expected results and indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets, and programmes.

Enterprise objectives give direction to the major plans, which, by reflecting these objectives, define the objectives of every major department. Major departmental objectives, in turn, determine the objectives of units and subunits down the line. In other words, objectives form a hierarchy.

Managers should also have the opportunity to contribute their ideas for setting their own goals and those of the enterprise.

(c) Developing Premises

Planning premises are assumptions about the environment in which the plan is to be carried out. Developing planning premises is to establish, circulate, and obtain agreement to utilize critical planning premises such as forecasts, applicable basic policies, and existing company plans.

It is important for all the managers involved in planning to agree on the premises. In fact, the major principle of planning premises is this: The more thoroughly individuals charged with planning understand and agree to utilize consistent premises, the more coordinated enterprise planning will be.

Forecasting is important in developing planning premises. Forecasting seeks to determine: What kinds of markets will there be? What volumes of sales are there? What prices? What products? What technical developments? What costs? What wage rates? What tax rates and policies? What new plants? In will political or social environments does the organisation operates in? How with the expansion be financed? What the long-term trend?

Because the future is so complex, it would not be profitable or realistic to make assumptions about every detail of the future environment of a plan. Therefore, premises are as a practical matter, limited to assumptions that are critical, or strategic, to a plan; that is, those which must influence its operation.

(d) Determining Alternative Courses of action

The fourth step in planning is to search and examine alternative courses of action, especially those not immediately apparent. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best.

The more common problem is not that of finding alternatives but reducing the number of alternatives so that the most promising ones may be analyzed. The planner must usually make a preliminary examination to discover the most fruitful possibilities.

(e) Evaluating Alternative Courses of Action

After seeking out alternative courses and examining their strong and weak points, the next step is to evaluate the alternatives by weighing them in the light of premises and goals.

One course may appear to be more profitable, but it may require a large cash outlay and have a slow payback; another may look less profitable but may involve less risk; still another may better suit the company’s long-range objectives.

If the only objective were to maximize immediate profits in a certain business, if the future were not uncertain, if cash position and capital availability were not worrisome, and if most factors could be reduced to definite data, this evaluation would be relatively easy.

But since planners typically encounter many uncertainties, problems of capital shortage, and various intangible factors, evaluation is usually very difficult, even with relatively simple problems.

Indeed, it is at this step in the planning process that operations research and mathematical as well as computing techniques have their primary application to the field of management.

(f) Selecting a Course of Action

This is the point at which the plan is adopted – the real point of decision-making. Occasionally, an analysis and evaluation of alternative courses will disclose that two or more are advisable, and the manager may decide to follow several courses rather than one best course.

(g) Formulating Supporting Plans

When a decision is made, planning is seldom complete. Formulating of supporting plans such as plans to buy equipment, materials, hire and train workers and the development of a new product, etc., are given prominence in planning.

(h) Value Plans by Budgeting

After decisions are made and plans are set, the final step in giving them meaning is to value them by converting them into budgets.

The overall budgets of an enterprise represent the sum total of income and expenses, with resultant profit or surplus, and the budgets of major balance sheet items such as cash and capital expenditures. Each department or programme of a business or some other enterprise can have its own budgets, usually of expenses, and capital expenditures, which tie into the overall budget.

If done well, budgets become a means of adding together the various plans and also set important standards against which planning progress can be measured.

(i) Implementation

This concerns the allocation of tasks, objective-driven action and collection of feedback data. Without this step, the previous steps are pointless. Implementation is the deployment of resources to put a plan into action. The manager must implement plans through others, motivating them to carry out the plan, rewarding them for successful performance and redirecting them when their actions lead to outcomes that differ from the objectives.

A.8 Levels of Planning

The following figure shows relative time spent on planning at each level of management. Irrespective of what job a person may be doing and at any level, there is always some planning behind it. Thus, planning is a pervasive activity covering the entire enterprise with all its segments and every level of its management.

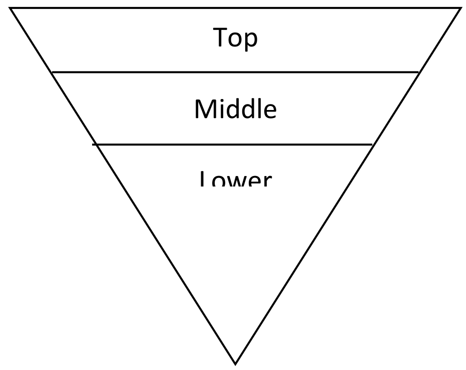

Figure 3.1: Time spent on planning at each level of management

Top management spends more time on this function but it is not their exclusive responsibility. Top management does strategic planning. Middle management engages more on tactical planning while the first-line management concentrates mainly on operations planning.

A.8.1 Strategic Planning (Top management)

Strategic planning is the process of determining desired objectives or benchmarks and of developing ways to reach them. "What do we want the future to be? What must we do now to better ensure that the desired future is achieved?"

Strategic planning typically:
(a) is the responsibility of top management
(b) states the organisation's mission and vision
(c) describes the set of goals, policies, structure and funding of the organisation
(d) is concerned with effectiveness (doing the right things)
(e) provides the basis for both tactical and operational planning
(f) takes time to execute
(g) the time frame of strategic planning is usually long.

A.8.2 Tactical Planning (Middle management)

In most instances, tactical plans flow from, and must be consistent with the strategic plan of the organisation. While strategies are often specified in general terms, tactics must specify resources and time frames in detail.

Tactical planning requires the use of human resources and managers involved in tactical planning spend a great proportion of their time with other people. They must receive information within and without the organisation, process them in the most efficient way and pass them to others who would make use of the information.

Thus, tactical plans are used to accomplish specific parts of a strategic plan; and each strategic plan is implemented through several tactical plans. Strategic planning is critical to the success of any organisation; tactical planning makes the difference on how well strategies really work.

Broad, long-term goals are the focus of strategic planning; tactical plans are used to accomplish specific parts of a strategic planning. Each strategic plan is generally implemented through several tactical plans. Effective tactical planning involves both development and execution.

A.8.3 Operational Planning (Lower level management)

Operational planning is focused, short-term, and specific. It is the responsibility of lower level management. Operational planning translates the broad concepts of the tactical plan into clear numbers, specific steps, and measurable objectives for the short term. *(see dimensions/types of plans above for more elaborate discussions).*

A.9 Benefits of planning

(i) **Assessment of External Forces**
Planning requires managers to assess the external forces that affect the company. This helps the company respond to challenges present in the environment.

(ii) **Developing a sense of Direction and Purpose**
A well-designed plan helps both managers and employees to understand what the organisation is trying to achieve as well as the role that each plays in accomplishing those goals.

Without a plan, managers and employees may not recognize how they share a common fate, even if they carry out the tasks they think are important. The lack of a clear sense of direction leads to multiple and often conflicting goals and the ineffective use of resources.

(iii) **Identifying the factors that affect the organisation**
Properly conducted planning helps the organization focus on factors relating to survival, renewal and growth.

(iv) **Encouraging participation**
When workers participate in managerial activities, they tend to "buy in" and work much harder to see that an effort succeed. They also experience stronger feelings of commitment to the organisation.

(v) **Coordination of Efforts**
Managers who operate independently may not be aware of what other managers are doing. The planning process may help them coordinate efforts more effectively.

(vi) **Establishment of Priorities**

Planning can help a firm prioritize its major problems or issues. Lack of priorities can dilute the organisation's efforts or make it susceptible to managers who take advantage of the confusion to impose their own agendas. Also, failure to define priorities causes the firm to drift and prevents it from developing a clear strategic focus.

(vii) **Focusing Attention on Different Time Horizons**

Many business programmes may take years to complete with the aid of planning, steps can be taken to achieve long-term objectives by balancing them with short-term goals.

(viii) **Understanding circumstances contributing to past success or failure**

It is vital for managers to learn from past successes and failures. Planning can bring the reasons for poor and good performance into sharper view, thereby enabling the firm to draw on experience.

(ix) **Ensuring availability of adequate resources**

A well-designed plan leads to identifying the resources needed for the future. These resources may come from several sources.

(x) **Establishing performance standard**

The end result of any planning process is a series of statements regarding objectives to be met along with expected activities. These criteria define expected behaviours for organisational members and allow for the assessment of progress. As time passes, the relative contribution of individuals and groups can be assessed and rewarded.

(xi) **Supporting organisational control system**

Organisations cannot succeed unless control systems are in place to ensure that objectives are being attained and that resources are being used appropriately.

(xii) **Developing "what if" scenarios**

Organisations, like individuals face a great deal of uncertainty. Planning can help managers deal with uncertainty by anticipating what may happen in the future.

No firm has a crystal ball to accurately forecast the future. Planning can help identify different future scenarios and spell out what to do in each scenario. This is known as **contingency planning.**

(xiii) **Management Development**

Individual managers should play a major role in focusing the organisation on the future. Planning helps managers to be proactive and forward thinking rather than being reactive and just letting things happen. By considering future possibilities and developing a long-term vision, manager can become more committed to the firm and learn to convert abstract ideas or objectives into concrete actions.

A.10 Tools/Factors Aiding Effective Planning

i. ***Availability of Planning Information:*** Where reliable statistical/planning data are available, planning reflects current issues and extrapolation of future events. Such information include price index, population trend, market share, etc.

ii. ***Stable Planning Environment:*** Enhances effective planning (e.g economic, political, legal, social-cultural, and technological factors). For greater effectiveness, a reasonable degree of predictability is necessary.

iii. ***Availability of Managers with Planning Skills:*** Most managers do not possess these skills. An effective plan is a function of the planning skills of the manager associated with the plan.

iv. ***Knowledge of the Organization and its Business:*** The nature of the business must be clearly understood by managers, if not, costly mistakes may be made when putting up a plan.

v. ***Employees' participation:*** Where they participate, they show greater commitment to the success of the plan and implement it better.

vi. ***Flexibility:*** Plan must be flexible enough to accommodate future changes in the key assumptions with minimal disruption in the organization.

vii. ***Timely Control/Review:*** Regular review of performance is necessary to ensure effectiveness of planning. This helps in identifying deviations from set goals and timely correction.

A.11 Barriers to Effective Planning

Although the importance and benefits of planning cannot be overemphasized, many organizations still do not achieve the desired results because of pitfalls in planning owing to the following reasons:

(i) Goals. Goals can constitute a barrier to planning in two ways. First, the goal may be inappropriate, unclear or unattainable. When goals are not relevant to the pressing problems or challenges of the organization, they are unlikely to motivate managers to plan effectively to achieve them. Similarly, when a goal is perceived to be unattainable, it will not aid the planning process. The second way is when managers are reluctant to establish goals for their organization due to fear of failure or other reasons. In such circumstances, effective planning would not be achieved.

(ii) Reward system. When rewards are carefully linked to a specified behaviour, reinforcement theory suggests that employees would engage in that behaviour. Individuals would engage in behaviours that are rewarded and fail to engage in those that are not rewarded. Hence a major barrier to planning is when management fails to reward desired planning activities.

(iii) Dynamic and complex environment. Planning depends critically on ability to forecast and assess the future state of the environment. When the environment is highly dynamic and complex forecasting is extremely difficult. This constitutes a barrier to effective planning.

(iv) Lack of time and resources. Planning takes substantial time and resources. Inadequacy of time and other resources may constitute a barrier to planning.

(v) Too much time and effort of top management being spent on current problems, learning little or no time for long-range planning,

(vi) Failure to develop meaningful and realistic goals and objectives.

(vii) Lack of commitment to planning and the belief that top management can delegate the planning function to a planner.

(viii) Personnel inertia to changes brought about by planning activities.

(ix) Too much formality and lack of flexibility in the system which hinders creativity.

(x) Failure to involve major line managers in the planning process.

(xi) Inadequacy or lack of necessary resources for planning implementation.

(xii) Overreliance of top management on reflective thinking and experience.

(xiii) Failure to create an organizational climate that is conducive and not resistant to planning

Summary
The section explains the meaning of planning and its importance to managers and organisations. The dimensions/types of plans were given elaborate discussion. Different types of planning were explained and factors aiding effective planning were enlisted and explained.

Review Questions
Multiple Choice Questions

1. Which of this is NOT an importance of planning?
   (a) Minimises risk and uncertainty
   (b) Guarantees business success
   (c) Leads to success
   (d) Facilitates control
   (e) Focuses on goals

2. Which of this can NOT be ascribed to planning?
   (a) Goal oriented
   (b) Intellectual process
   (c) Secondary function of management
   (d) Directed towards efficiency
   (e) Spreads across all managerial activities

3. Which of these is NOT kinds of enterprise plans
   (a) Divisional plans
   (b) Operational plans
   (c) Functional plans
   (d) Regional plans
   (e) Corporate plans

4. Which of these is NOT a feature of strategic planning?
   (a) Responsibility of top management
   (b) Long time frame
   (c) Concerns with effectiveness
   (d) It is operational
   (e) It states organisation's mission and vision

Short Answer Questions

1. ..... plans are developed at the division or departmental level

2. ..... plan is used to determine alternative courses of action to be taken if an intended plan of action is unexpectedly disrupted.

3. ..... is a process of preparing a set of decisions for future actions directed at achieving goals by optimal nears.

4. ...... plans are plans developed to carry out a course of action that is not likely to be repeated in the future.

5. ..... is a general guide that specifies the broad parameters within which organisation members are expected to operate in pursuit of organisational goals.

Solutions

Multiple Choice Questions

1. B
2. C
3. B
4. D

Short Answer Questions

1. Tactical
2. Contingency
3. Planning
4. Plans
5. Policy

SECTION B: DECISION MAKING

Section contents

(a) Decision Making
(b) Nature and Characteristics of Decisions
(c) Types of Decisions
(d) The Rational Decision-Making Process
(e) Decision Making Situations
(f) Individual Decision-Making
(g) Advantages of individual decision-making include:
(h) Disadvantages of individual decision-making include:
(i) Group Decision-Making:
(j) Advantages of Group Decision-Making
(k) Disadvantages or Group Decision-Making

Learning objectives

After studying this section, the reader should be able to:
- Explain decision making
- Nature and the characteristics of decisions
- List and explain the types and process of decision making
- Explain the decision making situation
- List and explain the factors that affect decision making in groups

B.1 Decision Making

A decision is a conscious choice which has been selected among competing alternatives and directed towards a definite purpose, while decision making can be seen as the process of selecting an optimal way of matching limited resources to limited wants in order to maximise the achievement of personal or social or business objectives.

Decision-making is a continuous process that pervades all organisational activities. Managers in every type of organisation, business, hospital, government, education make decisions every day.
A decision is defined as a conscious choice among alternative courses of action followed by activities to implement the choice. A decision-making process is a series or chain of related steps that lead to an action or an outcome and assessment.

Ivancevich, *et al*, (1994) explained that decision-making can be understood as a series of steps that run from clearly identifying a problem to implementing and assessing actions. Using such a systematic approach to decision-making ensures that relevant information has been gathered, alternative choices considered and Consequences of actions understood.

B.2 Nature and Characteristics of Decisions

(i) Decision-making is so basic that no management function can be performed without it. For management purposes, decisions are obviously required in planning, organization, actuating, and controlling.

(ii) Managers at all organizational levels make decisions although they differ in terms of type and scope. At the top level of the organization, decisions establishing overall objectives and strategies are among the most important to be made.

(iii) Middle level managers are generally more involved with decisions involving overall operating policies and plans. First line supervisors, in turn, are concerned with short range decisions that relate to specific activities to be carried out within the framework of policies and plans, established at middle management levels.

(iv) Decision-making is the cornerstone of planning because it is the catalyst that drives the planning process. Furthermore, in deciding to adopt the best plan for achieving particular goals, decision-making basically reflects the selection of the best choice among possible alternatives and putting it into practice.

(v) Effective decision-making requires that the decision maker understands the situation driving the decision. However, it can be argued that management is simply decision-making and that the essence of managerial behaviour is found by studying decision-making.

(vi) In addition, decision-making often reflects a manager's effort to make sense of the complicated environment, to attain some control over the uncontrollable and to achieve some sense of order.

(vii) Finally, when an organized approach to decision-making is employed, such as having a clear understanding of the present state of affairs, historical basis for improving decisions, and the possible errors that can be made, it enables managers to make better decisions and reach personal and organisational goals.

B.3 Types of Decisions

(a) Programmed and Non-programmed Decisions

(i) Programmed Decisions

Programmed decisions are those decisions made in routine, repetitive and well-structured situations through the use of pre-determined decision rules. The decision rule may be based on habit, computational techniques, or established policies and procedures. If a particular situation occurs often and in same form, a routine procedure, will usually be worked out for dealing with it. Decisions are programmed to the extent that they are repetitive and routine. Examples are: procedures for opening a bank account; reorder of inexpensive materials; and admitting patients in hospitals.

(ii) Non-programmed Decisions

Decisions are non-programmed when the problem is unstructured. There are no previously established routines or procedures that can be used as guides. Situations that require non-programmed decisions are poorly defined and unstructured, yet, they have important consequences for the organisation, Managers and professionals who have robust knowledge and experience make most non-programmed decisions. Such decisions deserve special attention/treatment of top level management. Non-programmed decisions must be properly identified as such, since they are of strategic importance and may involve large expenditure. Examples are: diversification into new products and markets; construction of new facilities; and purchase of expensive equipment.

B.4 The Rational Decision-Making Process

Step 1: Diagnose and define problem or opportunities

The origin of a problem is not always obvious. If managers are to remedy a situation, they must first find out what the real problem is. One way to do this is to ask what past action or lack of action might have caused this situation to arise? In this way, managers can focus upon the events or circumstances that most likely led to the problem. An opportunity is a gap, an unsatisfied need or a need that is being inadequately satisfied by existing competitors and which can be profitably exploited.

As part of the process of defining the problem, managers should also begin to determine which problems they should or would like to solve. Managers therefore, need to distinguish between their "musts" and their "should" so that they will have a basis for proposing and evaluating solutions. That is, managers should prioritise problems in order to determine the ones that must be attended to and those that should be attended to.

Steps 2: Establish Specific Goals and Objectives

It is crucial to note that decision-making is always done in the context of goals and objectives; and that all behaviours are basically goal oriented. If goals and objectives are adequately established, they will dictate what results must be achieved and the measure that indicates whether or not they have been achieved. Such measure is also referred to as the decision criteria.

Step 3: Generate Alternatives

No major decisions can be made until several possible solutions have been generated. Otherwise managers may be tempted to adopt the first and most obvious solution they find. The first solution may not always be the correct one. The manager needs to list all possible alternatives to solving the problem.

Step 4: Gather and Analyse the Relevant Facts

Once the possible alternatives have been generated, the next logical step is to gather data relating to each alternative. Data may be collected from internal sources; records available in the company or external sources. Analysis of data consists of combining or arranging the data in a form as to provide meaning or insight into the problem at hand. What resources will be available to help us solve the problem? Managers will rarely get all the answers they need to such questions from one source. At some points, however, they should have enough information to be able to formulate possible solutions.

Step 5: Evaluate the Alternatives

Once managers have developed a set of alternatives, they must evaluate them to see how effective each alternative will be in solving the problem. Effectiveness is determined on the basis of the decision criteria identified in Step 2. Based on the information available, the questions to be asked are: (i) how realistic the alternative is in terms of the goals and resources of the organization, and (ii) how well will the alternative help solve the problem.

The alternatives must also be evaluated in terms of how well they would solve the "must" and "should" of the problem. Thereafter, the alternatives are arranged in a hierarchy, which is from most desirable to least desirable. This process is called ranking.

Step 6: Select an Alternative

At this stage, the manager chooses the best alternative based on the decision criteria earlier established. The alternative selected is the one that is most desirable of all the alternatives evaluated.

Step 7: Analyse the Possible Consequences of the Decision

Once managers have selected their best alternative, they must try to anticipate what problems may occur when implementing the decision. For example, there is often great resistance in organizations to change.

There may be practical problems involved in implementing the decision, such as the need to obtain additional funding. Other departments in the organization that might be affected by the decision should be consulted. Competitors may be affected by the decision, and their reactions should be anticipated. Usually, however, analysing the possible consequences of their action will simply allow managers to take the necessary steps to deal with them.

Step 8: Implement the Decision

Unfortunately, no decision is better than the action taken to make it a reality. If the decision is a good one, but subordinates are not willing or able to carry it out, then it is unlikely the decision will be very effective. A frequent error of managers is to assume that once they decide, action on it will automatically follow. Since in most situations, implementing decisions involves people, the test of a decision's soundness is the behaviour of the people who put it into action or are affected by it. Subordinates cannot be manipulated in the same manner as other resources. Effectively communicating with the relevant individuals and groups will usually ensure success.

Step 9: Follow Up

Effective management involves periodic measurement of results. Actual results are compared with planned results (the objective). If deviation exists, changes must be made. Here again, we see the importance of measurable objectives. If actual results do not meet planned result, changes must be made in the solution chosen, in its implementation, or in the original objective, if it is deemed unattainable. If the original objective must be revised, then the entire decision-making process will be reactivated.

B.5 Decision Making Situations

In general, there are three (3) possible situations under which managers make decision, these are:

A. Decision Making Under Certainty,
B. Decision Making Under Risk, and
C. Decision Making Under Uncertainty.

a. Decision Making Under Certainty:

Certainty means that the relevant parameters such as costs, capacity, and demand have known values. Decision making under certainty is a situation or condition in which all the information needed by the decision maker to make decision are available. It is, a situation in which action taken will lead to only one outcome. Here, a complete knowledge about the nature of future conditions is known. In a situation involving certainty, a decision maker is reasonably sure of what will happen when he/she is making a decision. Here, information is available and is considered to be reliable and decision-maker knows the cause and effect relationships. Decision making under certainty is also known as deterministic situation or deterministic optimization problem.

b. Decision Making Under Risk:

Risk means that certain parameter have probalistic outcomes. Also, risk is the condition under which decision makers can define a problem, specify the probability of certain events, identify alternative solution and state the probability of each solution leading to the desired results (Bell, 1988). In a situation involving risk, the decision maker knows the likelihood (i.e., chance) that each of the various state of nature will occur, that is, each action will lead to an outcome with known probability. In short, risky situations is the condition that exists when decision makers must rely on incomplete, yet reliable information; in other words, one may have factual information but it may be incomplete.

Furthermore, in a risky situation, there are many states and the decision make knows the probability of occurrence of each of these many states. Such decision situation is prevalent or common in today's business environment since in many business problems, the probability of various states are known through the determination of how frequently they occur in the past. Risky situation can also be called stochastic situation. From business decision-making point of view, risk means a situation in which a business decision is expected to yield more than one outcome and probability of each outcome is known to the decision maker or can be reliably estimated.

(c) **Decision Making Under Uncertainty:**

Uncertainty simply means that it is impossible to assess the likelihood of various possible future events, hence, decisions taken under uncertainty are necessarily subjective in nature. Uncertainty is also referred to as a situation in which there is more than one outcome of a business decision and the probability of no outcome is known or can be meaningfully estimated. The unpredictability of the outcome may be due to lack of reliable market information, inadequate past experience, high volatility of the market conditions, etc.

A situation of uncertainty is one which neither the outcome nor the probability associated with the state of nature is known. In this case, each action will lead to one outcome out of the known sets of outcomes.

In a situation of uncertainty, there is no one best criterion for taken a decision or for selecting a particular course of action. Here, the decision maker only has a meager (Meager, i.e., small in quantity and poor in quality) data base, he/she does not know whether or not the situation may change. Besides, the decision-maker cannot evaluate the interactions of the different variables. Under this situation, the decision-maker does not know the exact probabilities attached to the alternatives available to him. This is a condition under which an individual does not have the necessary information needed to assign probabilities to the outcomes of alternative solutions.

In fact, the decision maker may have so little information that he or she may not even be able to define the problem, not to mention of identifying the alternative solution and possible outcomes. In short, uncertainty suggests that the problem and the alternative solutions are both ambiguous and highly unusual. Making decisions under the condition of uncertainty is an important facet of the jobs of today's managers and professionals. When managers make decision under conditions of uncertainty, they must acquire as much relevant information as possible and then use logic, intuition, judgment, and experience to determine the best course of action to follow.

Of all the conditions that affect decision making, uncertainty is the condition under which managers are the least confident about their decision making and it is the condition where managers are more prone to make errors. Organisations face uncertainty at very many occasions. For example when an organization introduces a new product to an existing market, the prospect of the market is uncertain irrespective of the level or marketing research conducted before the launch of the product. Another example is when a company decide to operate in the international market; the company cannot predict the political, legal and socio-cultural environments in absolute terms. In short, the political environment may be so volatile that even experts in political environment assessment cannot predict a possible change in government.

B.6 Individual Decision-Making

A key function of managers is decision-making. A large number of decisions in an organisation are made by managers as individuals. This is often the case when the decisions are routine or programmed decisions.

When the risk involved in the decision is low, managers also tend to make such decisions as individuals. When a manager selects a course of action to solve a given problem or to takes advantage of a particular opportunity all by himself/herself, it is known as individual decision-making. The manager may obtain information from colleagues but the choice is made by him/ her. Examples of individual decision-making are allocation of work to subordinates, decision to reorder raw materials from a known or regular supplier, handling customer complaints, decision on how much discount to give a customer, etc.

B.6.1 Advantages of individual decision-making

(a) Decision is fast.
(b) Responsibility for the decision can be assigned to the person that made the decision.
(c) Implementation of the decision will be fast.
(d) Job satisfaction of the manager will be high.
(e) The manager's experience is brought to bear on the decision.

B.6.2 Disadvantages of individual decision-making

(a) The outcomes of individual decision may not be satisfactory because the decision is likely to be influenced by individual perceptions, values and priorities.
(b) The decision maker can only rely on a limited amount of information to make the decision.
(c) There might be a tendency for the manager to "pass the buck'
(d) Individual decision-making is often not appropriate when the problem is complex, novel or when the level of uncertainty is high.
(e) Individual decisions may not enjoy the support of all relevant stakeholders, thus, reducing the chance of success.
(f) Individual decisions often do not benefit from institutional knowledge, that is, body of knowledge residing in different elements of the organisation.

B.7 Group Decision-Making:

A group can be defined as two or more freely interacting individuals who share a common identity and purpose. Firstly, a group must be made up of two or more people if it is to be considered a social unit. Secondly, the individuals must share something in common. Thirdly, interacting individuals must also have a common purpose. Hence, there must be at least a rough consensus on why the group exists. (Kreitner 2000:418).

In today's world, a great deal of decision-making is achieved through groups. These interacting groups and teams are the most common form of decision- making groups with such names as, committees, teams, boards, task forces, etc. This tendency toward group decision-making, is due in part, to organisations' increased complexity and the large amount of information needed to make sound decisions. Many favour group decision-making, believing it gives those who will be affected by the decision a chance to participate in it and helps to develop the members of the group. Furthermore, the advocates of group decision-making state that, in this age of rapid technological changes, pervasive government influence, and social responsibility, the issues to be decided have grown beyond the expertise of a single manager. The input of many people is called for, since each is unique knowledge and experience. The sharing of decision-making responsibilities establishes inter-dependence among the parties. Thus, group cooperation is enhanced and the old authoritarian concept of decision-making is reduced.

Group decision-making would become particularly appropriate for non-programmed decisions, because these decisions are complex and few individuals have all the knowledge and the skills necessary to make the best decisions. Thus, group decision-making becomes invaluable when they can maximize the unique contributions of each of the individuals making up the group.

B.7.1 Advantages of Group Decision-Making

In general, it is expected that a group would tend to make more effective decisions than would any single individual. Some of the advantages of group decision-making are summarized below:

(a) Since group members are likely to have different specialties, they tend to provide more information and tend to be more comprehensive in nature.

(b) The group can generate number of alternatives.

(c) Implementation of the decisions is more effective, since the people who are going to implement the decision also participated in the decision process. This increases the commitment of the people to see to the implementation for success.

(d) The input from a large number of people eliminates the biases that are generally introduced in individual decision-making. It also reduces the unreliability of individual decisions.

(e) The participative decision-making process serves as training ground for subordinates, who develop the skills of objectives, evaluation and decision-making.

(f) Group decision-making is more democratic in nature while individual decision-making is more autocratic in nature. The democratic processes are more easily acceptable and are consistent with the democratic ideals of our society.

B.7.2 Disadvantages of Group Decision-Making

There are certain drawbacks to group decisions-making. Some of the disadvantages are:

(a) It is time-consuming. It takes a great deal of time to assemble the group. In addition, a group takes more time in reaching a decision since there are many opinions to be taken into consideration.

(b) Some members may simply agree with the others for the sake of agreement since there are social pressures to conform and not to be the odd person.

(c) There may be some personality conflicts that may create inter-personal obstacles which may diminish the efficiency of the process, as well as the quality of the decision.

(d) The decision made by the group may not always be in line with the goals and objectives of the organization. This is especially true when the goals of the group are in conflict with those of the organization.

(e) The group members may exhibit focus effect. This means that the group may focus on one or a few suggested alternatives and spend all the time evaluating these and may never come up with other ideas, thus limiting the choices.

(f) It is more expensive than individual decision-making.

B.8 Decision-making Techniques

Decision-making techniques can be defined as tools that managers can use to enhance the efficiency and effectiveness of decision-making. There are different techniques discussed in this section that are used at different stages of the decision-making process. These techniques consist of an orderly, systematic framework for defining, analysing and solving problems in an objective and scientific manner. They are intended to improve the manager's decision-making ability and provide them with a means for justifying and evaluating their own managerial performance.

Brainstorming

In many situations, groups are expected to produce imaginative solutions to organizational problems. In such instances, brainstorming has often enhanced the group's creative output.

Brainstorming is a process where a group of individuals generate ideas according to a set of rules designed to promote the generation of new ideas while at the same time avoiding members inhibitions that face-to-face groups usually cause. The basic rules are:

(a) No idea is too ridiculous. Group members are encouraged to state any extreme or outlandish ideas that occur to them.

(b) Each idea presented belongs to the group, not the person stating it. In this way, group members utilize and build on the ideas of others.

(c) No idea can be criticised. The session's purpose is to generate ideas, not to evaluate them.

The Delphi Technique

The Delphi technique is a systematic procedure sometimes used for developing a consensus of opinion among a group of experts. Here, the experts are given a series of detained questionnaires about a problem and then are asked to provide their own written opinions. The use of questionnaires avoids direct contact and debate among experts, which might induce hasty formulation and commitment to certain ideas. After reading the anonymous answers of other participants, each expert revises his or her own answers. Eventually, after a series of “rounds” of this type, convergence of opinion usually occurs. (Stoner, 1978:208). When the opinions stabilize, the average opinion is taken to represent the decision of the "group" of experts (Griffin, 1999:281).

The underlying belief is that the consensus estimate results in a better decision after several rounds of anonymous group judgment.

While it is possible to continue the procedure for several rounds, research has shown that, typically, no significant changes occur after the second round of feedback.

The Nominal Group Technique (NGT)
NGT is a process of bringing people together as a group to solve a problem. NGT actually combines both verbal and non-verbal stages. Basically, NGT is a structured group meeting that proceeds as follows:

(a) A group of 7 to 10 individuals sit around a table but do not speak to one another. Talking to each other is not permitted during the first stage of NGT. Rather, each person writes ideas on a note pad about the problem to be solved.

(b) After five minutes, a structured sharing of ideas takes place. Each person presents one idea. A person designated as recorder writes the ideas down on a flip chart in full view of the entire group. This continues until all the participants indicate that they have no further ideas to share. There is still no discussion.

(c) The output of this phase is usually a list of 18 to 25 ideas. The next phase involves structured discussion in which each idea receives attention before a vote is taken.

(d) In the next stage, independent voting, each participant privately selects priorities by ranking or voting. The group decis1on is the mathematically pooled outcome of the individual votes.

Both the Delphi technique and NGT have excellent records of successes. There are two basic differences between them:

(a) In the Delphi process, all communication between participants is by way of written questionnaires and feedback communication is direct between participants.

(b) NGT participants meet face-to-face around a table, while Delphi participants are physically distant, never meet tace-to-1ace, and are typically anonymous to one another.

Practical considerations, of course, often influence which technique is used. These considerations can include:

(a) the number of working hours available

(b) costs, and

(c) participants and physical proximity.

Marginal Analysis
Marginal analysis is a technique that can be used to evaluate alternatives by comparing the additional revenues and additional costs as output increases.

The technique is useful where the objective is to maximise profit, or to find the best output of a machine. The idea of marginal analysis is based on the simple economic postulation that profit is maximized where marginal revenue (additional revenue) is equal to marginal cost (additional cost). Hence in evaluating alternatives, the decision maker seeks to find the point where the additional revenue is equal to the additional output.

Cost Benefit or Cost Effectiveness Analysis

Cost Benefit Analysis is an improvement on marginal analysis. It enables the decision maker to compare the ratio of costs to benefits of alternative courses of action and to select the alternative that has the best ratio. The best ratio is that which yields the least costly means of achieving an objective or the expenditure that yields greatest value.

Decision Trees

One of the best ways to analyse a decision is to use the so-called decision tree Decision trees depict, in the form of a "tree", the decision points, chance events and probabilities involved in various courses that might be undertaken.

We can also define a decision tree as a graphical method of displaying various parts of the decision-making process including courses of action, risks involved and likely outcomes. It enables the decision makers to consider alternative solutions, assign financial values to them, estimate the probability of a given outcome for each alternative, make comparisons and choose the best alternative.

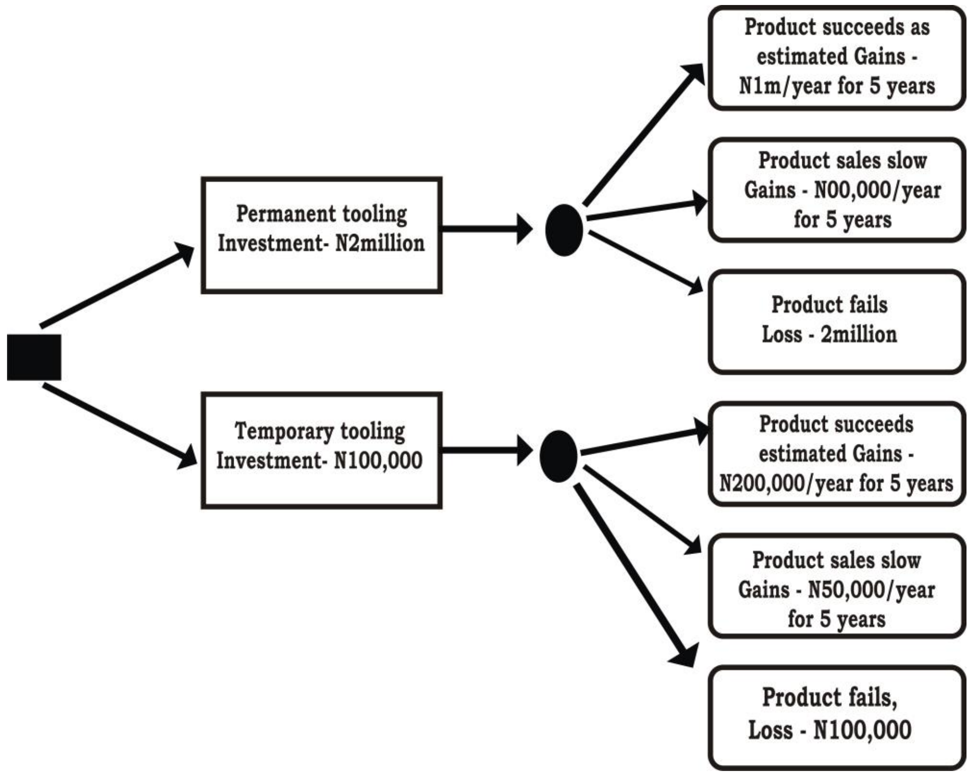

Figure 3.2: Decision Tree without probabilities as adapted from Weihrich & Koontz, Management – A Global Perspective, 10th ed., pp. 209

A common problem occurs in business when a new product is introduced. The manager must decide, among various options, whether to:

(a) Install expensive permanent equipment and ensure production at the lowest possible cost or

(b) Undertake cheaper technology tooling that will involve a higher manufacturing cost but lower capital investments that will result in smaller losses if the product does not sell as estimated.

An example of a decision tree diagram showing the decisions a manager faces in this situation might be similar to that of Figure 6.1. The decision tree approach makes it possible to see at least the major alternatives and the fact that subsequent decisions may depend on events in the future.

By incorporating the probabilities of various events in the tree, managers can also comprehend the true probability of a decision leading to the desired results. The "best estimate" may really turn out to be quite risky.

Decision trees and similar techniques (a) replace broad judgments with a focus on important elements in a decision, (b) bring out into the open premises that are often hidden, and (c) disclose the reasoning process by which decisions are made under uncertainty.

Summary

Decision-making is the selection of a course of action from among alternatives; it is the core planning. Managers make decisions that must be carried out by others. The types of decisions they make, and the conditions under which they make them, will vary. They must, therefore, tailor their decision-making approach to their particular problems and circumstances. Programmed decisions are those that are adopted by routine nature of the problem, habit or policy. Non-programmed decisions are those that are new. Most important decisions will be non-programmed; they will require careful and logical consideration. The conditions under which managers make decisions will vary with the amount of information they have. Under conditions of certainty, managers know precisely what the results will be of each of the alternatives available to them. Under conditions of risk, they know within a small margin of error the probable outcome of each alternative. Under condition of uncertainty, the probabilities are not known precisely. When managers face an important problem or opportunity, and it is their responsibility to decide what to do about it, they can best arrive at a good, rational decision by using the formal decision-making approaches. Group decision making was discussed and different types of group decision making techniques were explained.

Review Questions
Multiple Choice Questions

1. A decision made in response to changes in the external environment is said to be .....
   (a) Proactive
   (b) Intuitive
   (c) Reactive
   (d) Systematic
   (e) Pragmatic

2. A group decision making technique where individuals are not allowed to criticise solutions suggested by others is known as:
   (a) The Dephi technique
   (b) MBO technique
   (c) Brainstorming technique
   (d) The Nominal Group Technique (NGT)
   (e) Random sample technique

3. Which of these is NOT an advantage of individual decision making?
   (a) Decision fast
   (b) Implementation of the decision will be fast
   (c) Decision is generally correct
   (d) Job satisfaction of the manager will be high
   (e) The decision maker can easily be identified

4. Which of these is NOT a disadvantage of group decision making?
   (a) It is expensive
   (b) It breeds personality conflict

(c) It provides more information
(d) Consensus may not be genuine
(e) It is time consuming

5. A statement showing the direction of an organisation is called .....
   (a) Vision
   (b) Mission
   (c) Objective
   (d) Focus
   (e) Goal

Short Answer Questions

1. Decisions that are repetitive and continuous in nature are known as .....

2. A situation where a decision maker has some probabilistic estimate of the outcomes of each alternative is referred to as .....

3. .... is a conscious choice among alternative courses of action.

4. .... process is a series or chain of related steps that lead to an action or an outcome.

5. .... is a process where a group of individuals generate ideas according to a set of rules designed to promote the generation of new ideas while at the same time avoiding inhibitions that face to face groups usually cause.

Solutions

Multiple Choice Questions

1. C
2. C
3. C
4. C
5. A

Short Answer Questions

1. Programmed decisions
2. Decision-making risk
3. Decision
4. Decision making
5. Brainstorming

SECTION C: ORGANISING

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(p) Line and Staff Organisation Structure
(q) Line and Staff Conflicts
(r) Delegation of Authority
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(t) Advantages of delegation:
(u) Barriers/Obstacles to Effective Delegation of Authority
(v) Reasons for Managers Reluctance to Delegate
(w) Subordinates Reluctance to Accept Delegated Authority
(x) Span of Control
(y) Centralisation of Authority
(z) Advantages of Centralisation
(aa) Disadvantages of Centralisation
(bb) Decentralisation
(cc) Advantages of Decentralisation
(dd) Disadvantages of Decentralisation
(ee) Review questions

Learning objectives

After studying this section, the readers should be able to:

- Define and explain the meaning of organising
- Explain the nature, purpose, importance and principles of organising
- State and explain the characteristics of organisations
- Explain the classification of organisations
- List the factors influencing management choice of organisational structure
- List and explain the consequences of badly designed organisational structure
- State and explain the types or forms of organisational structure
- Explain delegation of authority

- Explain span of control in concept of organisation culture
- Explain centralisation and decentralisation of authority

C.1 Definition of Organising

Organising is the process of structuring both human and physical resources to accomplish organizational objectives (Ivancevich, et.al, 1994). Lawal (1993) defined organising as the process of grouping activities and resources among people and systematically integrating the groups into a unified system.

From the two definitions above, it shows that organising entails:
(i) Determination of tasks necessary for accomplishment of predetermined objectives,
(ii) Dividing the tasks into jobs,
(iii) Grouping of the total tasks into activities logically and comfortably for individuals or groups,
(iv) Arranging the task activities in a logical and efficient manner,
(v) Assigning and delegating authority,
(vi) Setting up the system for integration of task activities so as attain unified system of operation, and
(vii) Monitoring the effectiveness and efficiency of the organisation with a view to making adjustment when necessary to improve efficiency of the system.

From the foregoing definition, organisation can be defined as a group of people working together to achieve goals or objectives that would be difficult or impossible for them to achieve individually.

Barnard (1938) defined an organisation as "a system of consciously coordinated activities or forces of two or more persons." In this regard, whenever people gather together and formally agree to combine their efforts for a common purpose, then an organisation has been formed.

It is important to draw an exception with respect to the above. If two students agree to help a lecturer to push his car that broke down along the road, an organisation has not been formed. This is because the effort is a one-time and temporary. But if the same two students decide to pool their efforts together and engage themselves in pushing cars that break down on the road for a living, then an organisation has been created.

C.2 Meaning and Nature of Organisation

All organisations have some functions to perform. Organisations exist in order to achieve objectives to provide satisfaction for their members. Organisations enable objectives to be achieved that could not be achieved by the efforts of individuals on their own. Through cooperative action, members of an organization can provide a synergistic effect.

There are many different types of organisations which are set up to serve a number of different purposes and to meet a variety of needs. Organisations come in all forms, shapes, and sizes.

Some of the examples of different types of organisations are firm of accountants, hotel, school, retail shop, local authority, airport, hospital, motor car manufacturer, quarry works, banks, government department, pharmaceutical company, etc. In reality, the structure, management and functioning of these organisations, will all vary because of differences in the nature and types of the organisation, their respective goals and objectives, and the behavior of the people who work in them.

C.3 Purpose of Organising

Organising activities are undertaken by management for the purpose of actualizing the planed accomplishment of management goals and objectives. Organising seeks to establish a logical pattern of relationship among the members of the organisation to achieve efficiency in the utilization of human and material resources, enhance effective communication and reduce conflict to the barest minimum.

Organising builds on the principle of division of labour to secure the advantages of job specialization. Because of specialization, a lot of very intricate activities can be undertaken by talented persons. This, in turn, facilitates the growth of the business enterprise. Important roles of organising are coordination of diverse units, departments and divisions of the enterprise and harnessing their efforts for the purpose of achieving the goals and objectives of the business enterprise efficiently.

C.4 Principles of Organisation

Mullins (1996) listed and explained the following principles of organisation:

(i) ***Principle of the objective:*** every organisation and every part of the organisation must be an expression of the purpose of the undertaking concerned, or it is meaningless and therefore redundant.

(ii) ***Principle of specialization:*** the activities of every member of any organized group should be confined, as far as possible, to the performance of a single function.

(iii) ***Principle of co-ordination:*** the purpose of organising *perse*, as distinguished from the purpose of the undertaking, is to facilitate co-ordination: i.e unity of effort.

(iv) ***Principle of authority;*** in every organized group, the supreme authority must rest somewhere. There should be a clear line of authority to every individual in the group.

(v) ***Principle of responsibility:*** the responsibility of the superior for the acts of the subordinated is absolute.

(vi) ***Principle of definition:*** he content of each position, both the duties involved, the authority and responsibility contemplated and the relationships with other positions should be clearly defined in writing and published to all concerned.

(vii) ***Principle of correspondence:*** in every position, the responsibility and authority should correspond.

(viii) ***Principle of span of control:*** No person should supervise more than five, or at the most, six direct subordinates whose work interlocks.

(ix) ***The principle of balance:*** it is essential that the various units of an organisation should be kept in balance.

(x) ***Principle of continuity:*** re-organisation is a continuous process, in every undertaking, specific provision should be made for it.

C.5 Characteristics of Organisations

(i) **Purpose or Objective or Goal:** every organisation has a purpose or objective or goal which provides a rallying point for all the activities of its members. Apart from serving as a common bong for the unification of an organisation's members, goals are a means of measuring an organisation's performance.

(ii) **Task or Activity:** every organisation carried out a major task of one kind or the other which relates to and is directed towards the realization of its missions or objectives.

(iii) **Division of Labour:** every organisation uses a system of division of labour whereby each member is allocated or apportioned a fraction of the task of the overall organisation. The resulting specialization increases individual output and overall organisational efficiency.

(iv) **Hierarchical Structure of Authority and Responsibility:** every organisation has a form of structure through which the activities and efforts of its members are co-ordinated. The structure shows the way duties and responsibilities are divided between or among people and the way the efforts of people engaged in different activities are integrated.

(v) **Employees:** every organisation sees people to perform task. It is human resources that make the concept of organisation meaningful because an organisation cannot exist without people.

(vi) **Input-Output Analysis:** every organisation obtains resources or inputs from the external environment and turns these into output which are sent back to the external environment.

C.6 Classifications of Organisation

In classifying organisations, there are different types of classifications depending on the criteria being used. In this regard, four (4) criteria are going to be used in this text to classify organisations, the four (4) criteria are:

(i) Structure,
(ii) Ownership,
(iii) Type of authority, and

(iv) Major purpose

(A) **Using Structure**

Organisations can be classified into formal and informal organisations using structuring as a criterion.

The formal organisation comprises patterns of relationships, communication channels and authority structure recognised by management for the purpose of achieving the goals of the organization. These patterns are the result of conscious decisions of management directed at goal accomplishment. The formal organisation is characterised by clearly defined roles, jobs, hierarchical structure, rules, procedures and pattern of relationships.

On the other hand, informal organisation exists in the context of the formal organisation but does not officially form part of it. Informal organisations exist to serve certain needs of members of the formal organisation which are outside the scope of the formal organisation and which the formal organisation may find difficult to serve. Common informal groups in our organisations are Esusu group, prayer groups such as fellowships, social or economic groups such as cooperative societies, ethnic associations, cult groups, etc. whose primary role is to protect or advance the interests of members employed in the organisation.

Informal organisations have objectives, structure of roles, patterns of communication, leadership, rules, regulations and procedures. In most cases, these patterns/features are written into a constitution adopted by members. Informal organizations are so-called because they are not prescribed by management organization.

Since informal organizations emerge out of the formal organisation to serve the economic, social, psychological and cultural needs of its members, their activities may have positive or negative effect on the ability of the formal organisation to achieve its goals. When the interest of the informal organization does not conflict with those of the formal organisation, their operation may indeed benefit the formal organisation. However, when their goals are in conflict with those of the organisation, their existence and operation may have negative effect on the formal organisation. Examples of this are the operation of cult groups in higher institutions where they create a high sense of insecurity for the entire community and hence jeopardise attainment of the formal organization.

Advantages of a Formal Organisation

A formal organization:

(a) helps in achieving objectives

(b) puts resources to the best use

(c) ensures that benefits of' specialization can be received due to pre-determination of division of labour.

(d) develops the feeling of cooperation.

(e) limits conflicts among executives,

(f) prevents duplication of work

(g) ensures that efficiency of employees can easily be measured due to pre-determination of rights and duties of each individual.
(h) provides for well-defined authority and responsibility to avoid friction and misunderstanding.
(i) makes officers accountable for resources allocated to them.
(j) makes standardization of work become practicable.

Disadvantages of Formal Organisation

(a) In this type of organisation, procedures, programmes, rules, etc., are followed strictly, that is why changes are difficult to effect.
(b) Rules are considered more important than persons.
(c) A formal organisation is impersonal; that is why, human feelings have no place here.
(d) This organisation takes into consideration only the formal communication and creates obstacles in the application of informal communication.
(e) Excessive and undue use of authority may take place in this type of organisation.
(f) No consideration is given to the social and other needs of the human resources.

Advantages of Informal Organisation
(a) Informal organisation may fill in gaps, if any, in the abilities of managers.
(b) Informal organisation may help in solving work problems of members.
(c) Informal groups develop certain norms of behaviour which differentiate between good and bad conduct and between legitimate and illegitimate activities.
(d) Informal groups recognise talented workers as their leaders.
(e) A manager can build better relations with his subordinates through informal contacts.
(f) Informal groups often fill up communication gap which might arise in the organisation.

Disadvantages of Informal Organisation
(a) The leader of an informal organisation may turn out to be a trouble maker in `the organisation. In order to increase his influence, he may work against the policies of management, and try to manipulate the behaviour of his followers.
(b) Informal groups generally tend to resist change. Change requires new skills but informal groups want to maintain the status quo. This creates obstructions in implementing new ideas, and thus organisation's growth.
(c) Informal communication may give rise to rumours which may create conflict and misunderstanding among employees. Rumours may prove very dangerous for the organisation.
(d) Every member of the informal group is also a member of the formal. Sometimes, role conflict may arise because expectations and requirements of the formal organisation may conflict with those of the informal organisation.
(e) The informal group exerts strong pressure on its members for conformity. The members may become so loyal to their group that the group norms may become a part of their life.

(B) **Using Ownership**

Organisations can be classified into private sector organisation and public sector organisation. This distinction is based on ownership classification.

The Private sector organisations are owned and financed by individuals. The main reason for their effort is purely commercial in nature such that they can earn profit, have good return on capital employed, increased market share position.

The public sector organisations, on the other hand, are owned and financed by government, i.e., federal, state or local government or other government agencies. They are created t provide some essential services to the generality of the public and not principally to make profit. Profits generated from such activities are either ploughed back to the organisation to improve services or sued to set up another organisation which provides services for the wellbeing of the public.

(C) **Authority Based Organisations**

Cole (1996) noted that, Weber (1949), distinguished three types of authority which are traditions, charismatic and rations – legal. These three types of authority is differentiated based on the form of control regarded as legitimate by subordinates and their acceptance of the power of superiors.

Weber felt that the concept of authority has to be distinguished from that of power. **Power** is a unilateral thing, it enables one person to force another to behave in a certain way, whether by means of strength or by rewards. **Authority** on the other hand, implies acceptance of rule by those over whom it is to be exercised. It connotes that power may only be exercised within the limits agreeable to subordinates.

The three (3) types of authority identified by Weber give rise to different types of organisations as follows:

(i) **Traditional Organisation:** this is an organisation where acceptance of those in authority arises from tradition and custom. Examples of such organisations are Obas, Emirs, and Obis, the Pope, the Queen, etc.

(ii) **Charismatic Organisation:** this is an organisation whose authority is legitimized by confidence in the personal qualities of the leader. Here, authority is based on the strength of personality and inspiration of the leader. Examples of charismatic leaders in Africa are Obafemi Awolowo, Nnamdi Azikwe, Kwame Nkrumah, Aminu Kano, Nelson Mandela, Ahmadu Bello, etc.

In charismatic organisations, the influence of the leader rallies the people together and make them to be more relatively united than would otherwise. In an event of the death of the charismatic leader, the organisation led by the leader may collapse unless there is a legitimate heir.

(iii) **Bureaucratic Organisation:** in this type of organisation, acceptance arises out of the office or position of the person in authority as bounded by the rules and procedures of the organisation.

The bureaucratic organisation which is a rational-legal authority is of most interest to most person because most private businesses and public organisations tend to have the bureaucratic type of structure.

(D) **Purpose Based Organisation**

Here, organisations are established to pursue particular purposes, and therefore, they can be classified according to their intended purposes. Among the main classifications based on purposes are:

(i) **Business Organisation:** Business organisations like UAC Foods, Nigeria Bottling Company Plc, Seven-Up Bottling Plc, Yemsel Limited and Oluwa Glass Plc have one underlying purpose, which is to make profit in a socially acceptable manner. No business organisation can survive talk less of growing without earning profit. Profit is a good measuring rod for efficient allocation of business organisations' resources.

(ii) **Non-profit (Service) Organisation:** A non-profit organisation is an organisation with benevolent goals rather than financial goals. Such organisations survive and even grow without making any profit at all. Such organisations measure their success not in Naira and Kobo but on how well they provide a specific service for some segments of the society. Examples of non-profit organisations are Yaba Psychiatric Hospital, Kanu Hear Foundation, University of Lagos and Lagos State Polytechnic.

One major problem of such organisations is the screening of large number of applicants to determine who qualifies for service. Another problem is the ability to secure a reliable stream of funds through fees, donations, grants and appropriations.

(iii) **Mutual Benefit Organisations:** These are organisations that bind themselves together to pursue goals that are difficult to achieve individually and mutually benefiting to members. Examples of such organisations in Nigeria are: The Nigerian Employers Consultative Association (NECA), Manufacturers Association of Nigeria (MAN) and Professional Bodies Association.

(iv) **Commonwealth Organisations:** commonwealth organisations offer public services without attempting to earn a profit. But, unlike non-profit (service) organisations which serve some segments of the society, a commonwealth organisation offers standardized service to all members of a given population. For example, the Nigeria Police Force sees to the maintenance of law and order in Nigeria. The Nigeria Army protects everyone within Nigeria's border; not just the Yorubas or Kanuris or Ibos or Hausas.

C.7 Factors Influencing Management Choice of Organisation Structure

The following are factors that influence the choice of organisation structure:

(i) Nature of business or functions to be performed by the organisation,
(ii) Size of the organisation,
(iii) Line of authority,
(iv) Organisation objectives/tasks/goals
(v) Market trend,
(vi) Geographical dispersion,
(vii) Government policies,
(viii) Organisational growth rate,
(ix) Technology and other resources,
(x) Strategy
(xi) Ownership and control,
(xii) Origin and history of such firm,
(xiii) Organisational culture, etc.

C.8 Consequences of Badly Designed Organisation Structure

According to Child (1988), the following are the consequences of structural deficiencies:

(i) ***Low motivation and morale:*** this may result from apparently inconsistent and arbitrary decisions; insufficient delegation of decision-making; lack of clarity in job definition and assessment of performance; competing pressures from different parts of the organisation; and managers and supervisors overloaded through inadequate support systems.

(ii) ***Late and inappropriate decisions:*** this may result from lack of relevant, timely information to the right people; poor co-ordination of decision-makers in different units; overloading of decision makers due to insufficient delegation; and inadequate procedures for revaluation of past decisions.

(iii) ***Conflict and lack of co-ordination:*** may result from conflicting goals and people working at cross-purposes because of lack of clarity on objectives and priorities; failure to bring people together into teams or through lack of liaison; and breakdown between planning and actual operational work.

(iv) ***Poor response to new opportunities and external change:*** this may result from failure to establish specialist jobs concerned with forecasting environmental change; failure to give adequate attention to innovation and planning of change as a main management activities; inadequate co-ordination between identification of mark etc, changes and research into possible technological solutions.

(v) ***Rising costs:*** may result from a long hierarchy of authority with a high proportion of senior positions; an excess of administrative work at the expense of productive work; and the presence of some, or all, of the other organisation problems.

C.9 Types or Forms of Organisational Structure

There are a number of alternative ways of developing the intangible webs of relationship that make up an organisation structure. Some of these are:

(i) **Functional Structure:** this is a type of departmentalization in which positions are grouped according to their main functional area, that is, positions are combined into units on the basis of similarity of expertise skills and work activities.

The functional structure groups jobs according to similar economic activities, such as finance, production, marketing and personnel. For example, the production unit combines activities directly related to the manufacturing of a product or the delivery of a service; marketing unit combines activities focusing on sales and promotion; personnel unit is responsible for attracting and retaining organisation members and enhancing their effectiveness; and finance and accounting is concerned with obtaining and managing financial resources and also deals with financial report to meet the needs of both internal and external sources.

An organisation developing a functional structure must consider the specialized areas that are relevant to its own needs. For example, hospitals do not have product development departments, but they have admitting, emergency room and pharmacy departments. Churches do not have production departments but they do have youth education and choir departments. A large utility company with a functional design might have an energy generation department. It might also have a distribution department, a marketing department, a finance and account department and a personnel department.

Grouping task and employees by function can be both efficient and economical. It is efficient, particularly for small organisations making a single product because it creates a clear hierarchy of authority and decision-making, (see Figure 3.3).

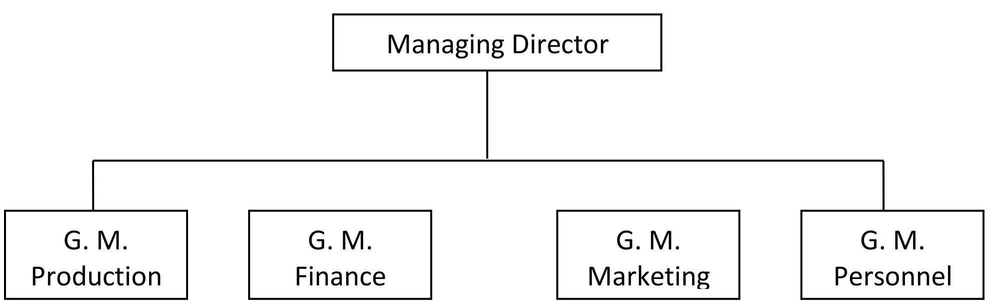

Figure 3.3: Functional structure

Advantages of Functional Structure

- Promotes skill specialization and in-depth development of expertise.
- Reduces duplication of resources and thereby enhancing efficient utilization of resources.
- Enhances coordination within the functional areas.
- Enhances career development and training within the department.

- It is logical and very easy to adopt.
- It allows superiors and subordinated to share common expertise
- Centralizes decision making.
- It promotes high-quality technical problem solving
- It enables the top management to exercise tight control on the workers.
- It makes training and supervision easier.

Disadvantages of Functional Structure

- There is slow response on multifunctional problems.
- Top management will have work overload, particularly on decision making.
- Emphasizes routine tasks
- Reduces communication between departments
- Focuses on departmental issues rather than organisational issues; thereby by restricting the view of employees
- Delay in decision making, particularly, if the organisation has grown big.
- Coordination is likely to be a problem for top management when the organisation grows.

(ii) **Divisional Structure:** this is a type of departmentalization in which positions are grouped according to similarity of products, location or geography or place and customer. This type of structure occurs when a firm grows so large that functional departments become cumbersome. When the weaknesses of the functional structure exceed the benefits, growing firms tend to restructure into the divisionalized form. There are different divisional forms but the most common types are:

(a) **Product Division:** these are divisions created to concentrate on a single product or service or at least a relatively homogeneous set of products or services. In a product structure, each department is responsible for a product or a related family of products. Lawal (1993) reasoned than an organisation may structure itself in this manner because of variations in production and marketing activities of the different products manufacture. In short, this structure is useful when the firm's goods or services are specialized and require specific expertise for their manufactured and sale. Figure 3.4 represents a diagrammatical illustration of product division:

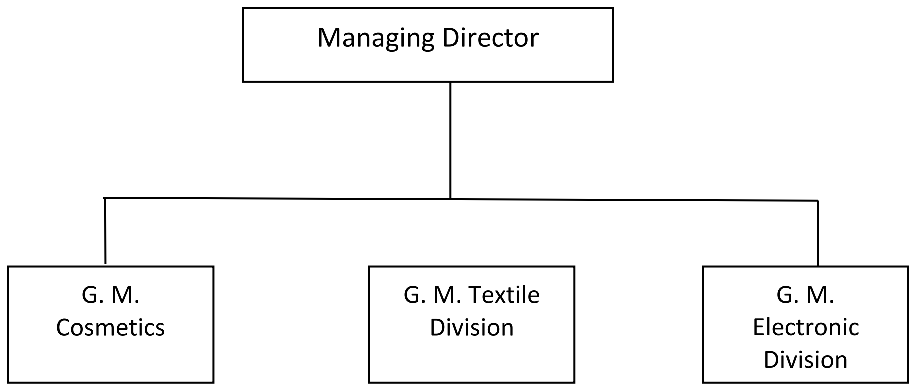

Figure 3.4: Product divisional structure

Advantages of Product Division

(a) Allows greater product visibility
(b) Allows for accommodating changes result from growth than functional structure.
(c) Suitable to fast changes in a product.
(d) Develops managers who can think across functional lines.
(e) Provides basis for performance evaluation.

Disadvantages of Production Division

(a) May not use skills and resources effectively.
(b) Does not foster coordination of activities across product lines.
(c) Restricts problem solving to a single product.
(d) Limits career mobility for personnel outside their product line
(e) Requires managers with general management ability.

(b) **Place or Geographical Division:** this is otherwise referred to as territorial organisational structure. It is used by organisations with operations in many different locations. This type of structure is often adopted when it is important to provide products or services that are tailored to the needs of different regions or nations. Figure 3.5 shows the diagrammatical illustration of geographical division:

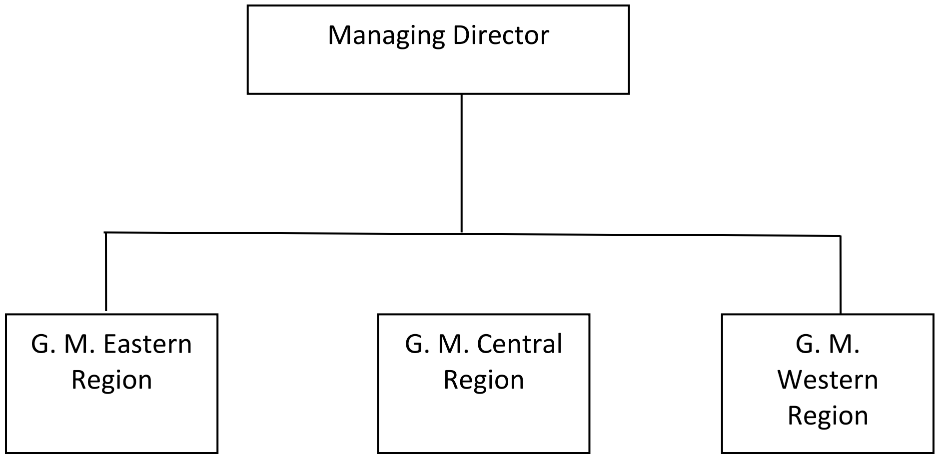

Figure 3.5: Geographic divisional structure

Advantages of Place or Geographic Division

- Managers develop expertise in solving problems unique to one location.
- Managers are familiar with customers' problems within the division.
- Organisation can adapt to national differences.
- It places responsibilities at lower levels
- It provides valuable training grounds for managers.

Disadvantages of Place or Geographic Division

- All functions of accounting, purchasing, manufacturing, customer services are duplicated at each division.
- It creates problems of control to top management over the operation of local divisions.
- May cause conflicts between each location's goals and corporate goals.
- May require extensive rules and regulations to coordinate and ensure uniformity of quality among locations.
- Requires managers with general management.

(c) **Customer Division:** these are divisions set up to service particular types of clients or customers. It is used mainly when there are major differences in the behavior of the customers that preclude adequate coordination of the customers' various needs within a standard functional structure.

This form of structure indicates that management is sensitive to the needs of each customer segment and that it has identified segments that have substantial sales potentials. Figure 3.6 is a diagrammatical representation of customer division:

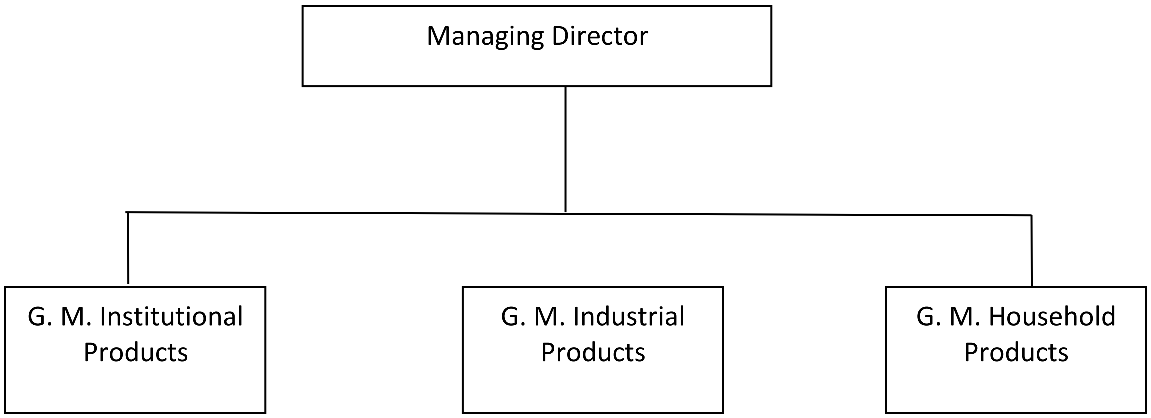

Figure 3.6: Customer divisional structure

Advantages of Customer Division

- Allows greater customer focus.
- Clearly identifies key customers.
- Suitable to understanding customers' needs.
- Develops managers who are customer concerned.
- Improves corporate image

Disadvantages of Customer Division

- Does not foster coordination between customers
- Fosters politics in resource allocation
- Restricts problems solving to a single type of customer.

(iii) **Process Structure:** this is an organisational structure that is patterned according to the specific production processes performed. For example, a dry-cleaning firm has different production processes, which include: washing, drying, ironing and packing so also a tailoring firm has different production processes which include: cutting, sewing, finishing and packing. Figure 3.5 exhibits a diagrammatical illustration of process structure:

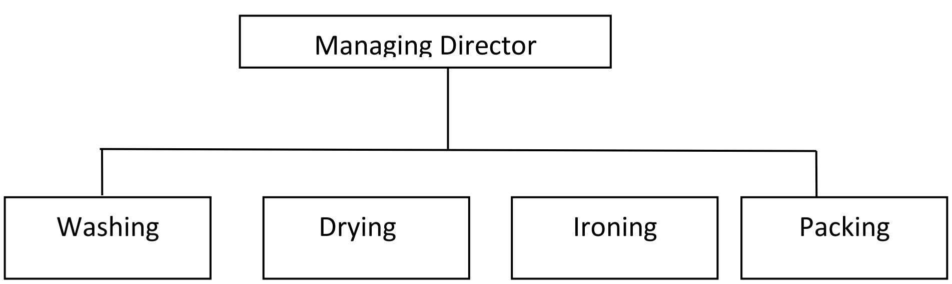

Figure 3.7: Process structure (Example of a typical Dry Cleaning Firm)

(iv) **Hybrid Structure:** this is an organisational structure that adopts parts of several different structures. The structure attempts incorporate advantages of the structures so adopted. Most large organisations have some combination of functional and divisional departments, see Figure 3.8:

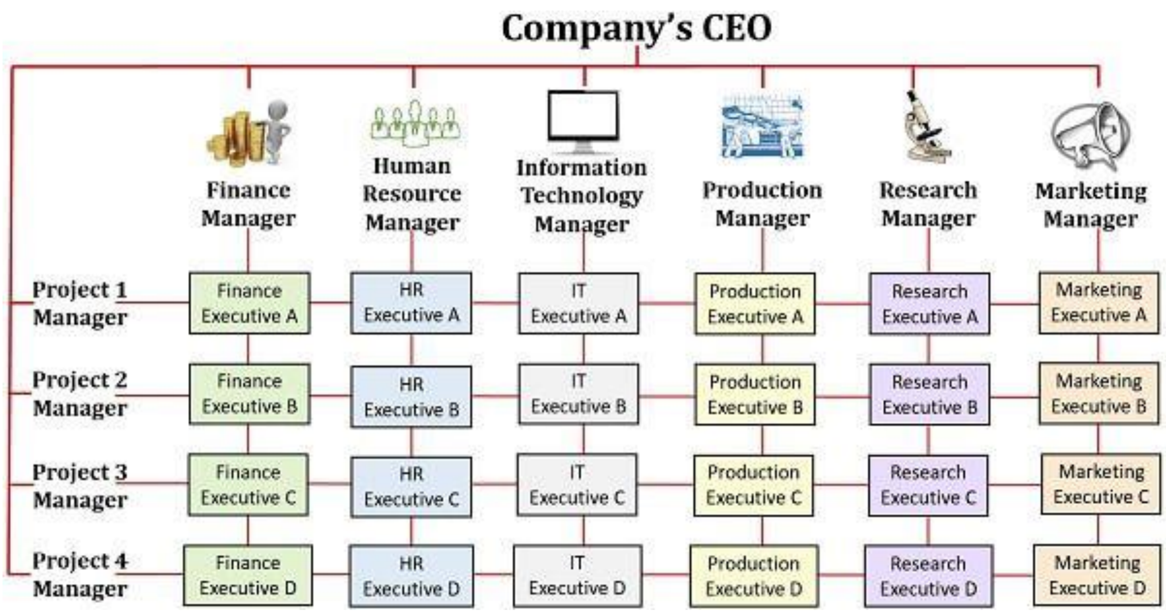

Figure 3.8: A Hybrid of matrix Structure

The functional departments are created to take advantage of resource utilization efficiencies, economies of scale, or in-depth expertise and divisional departments are created when there are potential benefits from a stronger focus on products, services, or markets. The hybrid structure is otherwise called **mixed structure.**

This structure is better used in organisation that face considerable environment uncertainly that can best be met through a divisional structure and also require functional expertise or efficiency.

Advantages of Hybrid Structure

- An organisation can often achieve specialized expertise and economies of scale in major functional areas.
- Permits delegation of decision-making authority, thereby, relieving top management of the overwhelming burden of having to know everything about everything.
- It enhances adaptability and flexibility in handling diverse product or service lines geographic areas or customers through a partial divisional structure.
- It helps to align divisional and corporate goals.
- It promotes loyalty and commitment among those lower level members of the organisation who have delegated authority and are making important organisational decisions.

Disadvantages of Hybrid Structure

- It develops excessively large staff in the corporate level functional departments.
- It can cause organisational conflict because the corporate departments may attempt to exercise increasing amounts of control over the divisions.
- It creates work duplication which makes the supposed economies of scale a mirage.
- It can lead to delay in responding to exceptional situations that require coordination between a division and a corporate functional department.

(v) **Matrix Structure:** it is a type of structure that superimposes a horizontal set of divisional reporting relationship onto a hierarchical functional structure. This structure is adopted when members of different functional departments are chosen to work together temporarily on a specific contract or project.

The temporary groups formed are **called projects**. There are two chains of commands, one vertical and one horizontal. The typical matrix structure is shown in Figure C.9. The functional heads make up the vertical hierarchy while the project managers represent the divisional units that operate horizontally across the structure. The heads of the functional and divisional units are sometimes called the **matrix bosses.**

Advantages of Matrix Structure

- It avoids duplication of function that occurs with the divisional structure.
- It encourages decentralized decision making.
- Improved environmental monitoring.
- Fast response to change.
- Professional identification is maintained.
- Flexible use of organisational resources.

Disadvantages of Matrix Structure

- High administrative cost.
- It violates the principle of unity of command.
- Possible slow response to changes.
- Heightened prospects for interpersonal conflicts.
- Requires managers with effective human relation.
- Confusion on organisational authority.

(c) **It is wasteful:** because if jobs are not put together along the lines of functional specialization, then, new members of the organisation cannot be training effectively to take over these jobs. If jobs have to be fitted **to members** of the organisation, rather than members of the organisation **to jobs,** then every new members has to be trained in such a way so as to aim to replace the special, personal experience of the previous job incumbent. Where both the requirements of the job and the member of the organisation are unknown quantities, this is likely to lead to indecision and much time wasted in ineffective discussion.

(d) **It is inefficient** because if the organisation is not founded on principles, managers are forced to fall back on personalities. Unless there are clearly established principles which are understood by everyone in the organisation, managers will start 'playing politics' in matters of promotion and similar issues.

On the overall, Urwick (1947) laid emphasis on the technical planning of the organisation and determining and laying out structure before giving any thought to the individual members of the organisation.

C.10 Line and Staff Relationship

C.10.1 Line Authority

This is the simplest type of organisation. People in line authority are those who are directly responsible for achieving the goals of the organisation. They form a hierarchical structure, and are in direct line from the top of the managerial hierarchy down to the operative level of workers. It clearly identifies authority, responsibility and accountability at each level. The relationships in the hierarchy connect the positions and tasks or each level with those above and below them.

There is a clear unity of command so that a person at each level is independent of any other person at the same level but is only responsible to the person above him. The line personnel are directly involved in achieving the objectives of the company.

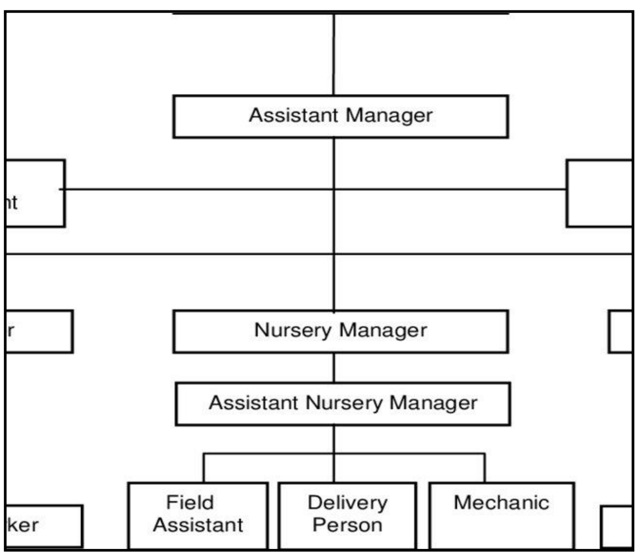

Figure 3.9: Line structure

Advantages of line structure

(i) The line organisation is simple to operate.
(ii) Responsibility, authority, and accountability are all clearly spelt out and easily assignable and traceable.
(iii) Communication is fast and easy and feedback can be acted upon faster.
(iv) Due to small structural size, discipline and effective control can be easily exercised.
(v) Companies with line type of organization are usually small in size, hence; personnel get to know each other better and tend to feel close to each other.

Disadvantages of line structure

(i) It is a rigid and inflexible form of organisation and there is a tendency for line authority to become dictatorial.
(ii) As the firm grows larger and the executive become overburdened with many duties, a purely line type of organisation become inadequate.
(iii) Line officers being too involved in day-to-day operations have little time for systematic and strategic planning.
(iv) Due to strict accountability, different departments may be more interested in their self-interests, rather than overall organisational interest and welfare.
(v) There is no provision for specialists and specialization which are essential for growth and optimization.

C.10.2 Staff Authority

The “staff” refers to those persons in the organisation who provide advice and support service to the line staff. In most enterprises the use of the staff can be traced to the need to help in handling details, locating data required for decisions and offering counsel on specific managerial problems. The staff work consists of investigation, research, recording, standardization and actual execution of the work planned by the staff. It is often said that staff thinks while the line acts.

C.10.3 Staff Organisation Structure

The staff positions in an organisation may take the following forms:
(a) Personal Staff: They are meant to serve executives only. A managing director for example, may have a secretary to assist him in carrying various tasks such as attending to telephone calls, typing etc.
(b) Specialized Staff: This staffs helps the line by performing work that requires special skills. Such specialists are in: audit, research and development, and quality control.

The services of specialized staff are available to the managers at all levels of the organisation. As shown in Fig. 3.10, the line authorities are President, Vice President (Production), Vice President (Sales). Vice President (Finance); From the Vice President (Production) we have Production Supervisor 1 and 2. The Legal Adviser of the company has a staff relationship with the Vice Presidents and the Vice President (Sales) has a staff authority with the Production supervisor.

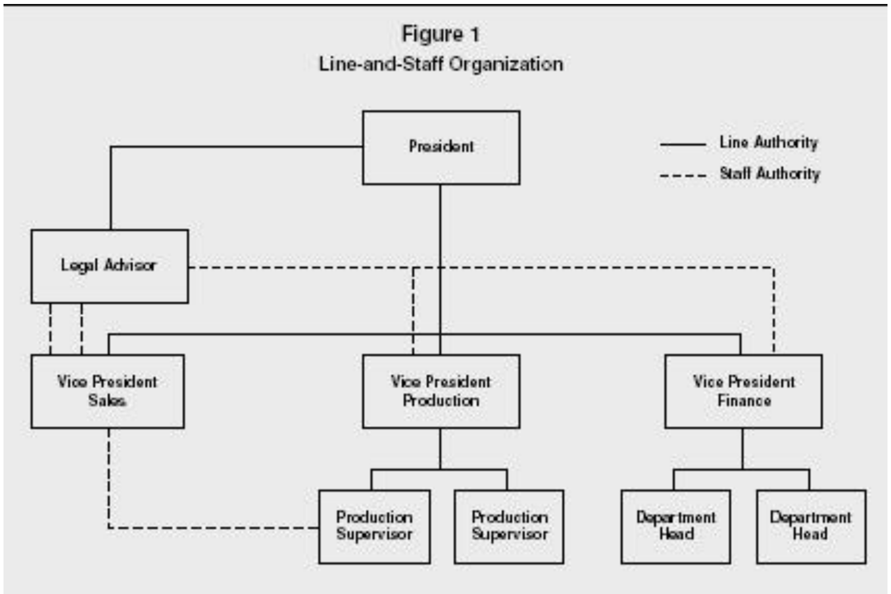

Figure 3.10: Staff structure

C.10.4 Line and Staff Organisation

When both line authority and staff authority are involved in an organisation, it is called line and staff organisation. The individuals who constitute the staff in an industrial organisation are experts who have no line authority but whose functions are largely advisory. They derive their authority from their expertise in a particular function of the enterprise and the need to utilise their expert advice by line managers.

C.10.5 Line and Staff Organisation Structure

In line and staff organisation structure, the solid lines indicate the li ne authority extend from the president through the basic organisational unit, the production, marketing, human resources and finance. Staff are represented by the broken lines including the assistant to the President, internal auditor, R & D Manager and Quality Control Manager.

Advantages of line and staff organisation

(i) The line managers can seek help from specialists by way of advice and improve on the quality of their decisions.
(ii) The services of the staff are utilised for training some of the line managers
(iii) It facilitates speedy operations of line functions.
(iv) Stability and discipline of line organisations are preserved. There is a greater flexibility in the organisation as new activities may be introduced.
(v) It repays its additional cost through efficiency of operations.

(vi) Line manager competence can be enhanced.

Disadvantages

(i) Line managers may depend too much on staff experts. 1his may lead to loss of judgement and initiative on the part of the line managers.

(ii) Staff officers may remain ineffective because they do not possess the authority to get their recommendations implemented.

(iii) Allocation of authority and responsibilities may not be clear between line and staff executives.

C.10.6 Line and Staff Conflicts

The line and staff officials should support each other and work harmoniously for the attainment of organisational goals. However, there may be lack of team work between line and staff positions. This may result in weakening of the line function and the mutual support between the two may turn sour.

The line department complains that:

(a) The staff personnel encroach upon their authority.

(b) The advice given by the staff manager is mostly academic and of little significance in practice.

(c) When a project is unsuccessful, it is the line personnel who are blamed and held responsible for its failure but when it is successful, the staff managers receive credit.

(d) Staff does not know the entire picture and only operates within the limits of his/her specialized area.

(e) Staff unnecessarily increase the paper work of the line.

(f) Staff assume line authority in a number of cases.

Staff department complain that:

(a) Line personnel are generally ignorant, resist change and new ideas.

(b) Line personnel fear that changes in methods may expose their inefficiency.

(c) Line personnel distrust, do not cooperate and even sabotage staff plans.

(d) Line has not enough knowledge to translate advice into action.

(e) Line department receive preferential treatment in matters of staff allowance and other facilities.

(f) Line managers do not like to share with staff the credit for successful performance.

C.11 Delegation of Authority

Delegation is the assignment of formal authority and responsibility for the execution of specific activities to a subordinate. Just as no one person in an enterprise can do all the tasks necessary for accomplishing a group purpose, so is it impossible, as an enterprise grows, for one person to exercise all the authority for making decisions.

C.11.1 The process of delegation involves:

(a) Determining the results expected of a position.
(b) Assigning tasks to the subordinate.
(c) Delegating authority for accomplishing these tasks, and
(d) Holding the person in that position responsible for the accomplishment of the tasks.

Thus, in the process of delegation, three attributes are prominent-Authority, Responsibility and Accountability. Responsibility cannot be delegated or transferred. The superior can delegate to a subordinate the authority to perform and accomplish a specific job but he/she retains ultimate responsibility for getting the job done. If the subordinate fails to perform the job, the superior is held responsible for his failure. The authority and responsibility of any manager should be equal. A manager's authority should provide him with the power to make and enforce decisions concerning assigned or defined duties.

Responsibility is the inseparable twin of authority. A manager's authority gives a person the power to make and enforce decisions concerning his or her assigned or defined duties and that person s responsibility places the obligation upon the person to perform these duties by using this authority. (Terry, 1977:300).

Accountability: Once the duties are assigned and authority is given to a subordinate, the delegator creates an obligation on the part of the delegate to perform the tasks and exercise the authority given to him as expected. The obligation to carry out the task and bear responsibility in terms of the standards established and exercise authority as specified is known as accountability. Thus, accountability is the obligation of an individual to render an account of fulfilment of his responsibilities to the principal to whom he reports.

C.11.2 Advantages of delegation:

When used properly, delegation has several important advantages:

(i) It relieves the manager of his heavy routine work load making it possible for him/her to accept increased responsibilities from higher level management.
(ii) Effective delegation speeds up decision-making.
(iii) Helps train the subordinates for higher responsibilities and increases their morale.
(iv) Motivates subordinates to contribute constructively towards achievement of organisational goals.
(v) Delegation helps to create a sense of belonging in the enterprise.

C.11.3 Barriers/Obstacles to Effective Delegation of Authority

Despite the potential favourability outcomes of delegation, delegation is not always used by some managers because of some reluctance on the part of the manager on one hand and, and/or the subordinate on the other hand. Newman (1956) identified some of these obstacles to effective delegation in terms of the attitudes of the manager, and explained the reasons why some subordinates are not willing to accept new responsibilities occasioned by delegated authority thus:

C.11.4 Reasons for Managers Reluctance to Delegate

(i) He or she may fear that the subordinate may do the job better and gain some notice in the organisation.
(ii) He or she may be egocentric having a self-belief that he/she knows the job better than others. This is what is called "I can do it better myself" fallacy.
(iii) Lack of knowledge on the part of the manager on how to properly organise the work and decide which to assign to subordinates and the ones to be handled by him/her.
(iv) Poor ability of the manager to direct properly
(v) Lack of confidence in subordinates
(vi) Fear of blame and punishment on assignments delegated to subordinates but poorly handled.
(vii) Fear of loss of control and authority to subordinates
(viii) Depression, anger, frustration and over anxiety on the part of the manager may not provide good environment for the manager to have a well-focused thought that will encourage delegation of authority.

C.11.5 Subordinates Reluctance to Accept Delegated Authority

(i) Some subordinates want to avoid responsibility and risks, and therefore prefer their managers to make all the decisions. Such subordinates avoid or abhor delegated authority.
(ii) The fear of criticism for mistakes discourage subordinates interest in delegated authority.
(iii) Fear of work overload on the part of the subordinates. The subordinates may already have more work than they can do.
(iv) Lack of self-confidence on the part of the subordinates.
(v) Additional responsibility should attract additional incentives, but when this situation is not the practice in the organisation, subordinates may not be interested in delegated assignment.
(vi) Some subordinates feel that they do not have relevant information to guide them in the delegated assignment.

C.12 Span of Control

Span of control is defined as the number of employees that a manager can effectively and efficiently supervise. Span of control is important because it determines how tall or flat the hierarchy of an organization would be.

In an organization where the span of control is narrow, say 4 – 5 subordinates, the hierarchy would be tall. This means the organization structure would have several layers and therefore several supervisors to man the hierarchy. On the other hand, if in same organization, the span of control is wide, say 10-15 subordinates, the organizational structure would be flat with drastically reduced number of supervisory roles. It becomes clear that the structure with a wide span of control would be more cost effective since a fewer number of supervisors would be on the payroll.

Traditionally, the recommended span of control is between 5-7 subordinates per manager. However, this depends on the skills and abilities of the manager and the subordinates and the nature of job involved. If the subordinates are skilled and experienced, they are likely to be able to perform their duties with minimum supervision and hence the span of control can be wide. Also, if the subordinates' tasks are similar, the procedures for carrying out the tasks are standardized and the organisations' information system is sophisticated, then the span of control tends to be large.

C.13 Centralisation of Authority

Centralisation is the process of systematically concentrating decision-making in the hands of managers at the higher levels of the organisations. Here, the locus of authority is concentrated at the top levels of the organisational hierarchy. In centralisation, little delegation of authority is the rule; power and authority are concentrated in the hands of top executives.

Centralisation may be essential in small organizations for them to survive in a highly competitive industry. But as the organisation becomes more complex due to increasing size, interdependence of work-flow etc. continued centralisation results in inefficiency. Hence decision-making authority tends to devolve to operating levels of the organisation. Thus, the larger the size of an organisation, the more there is the need for less centralisation or a greater degree of decentralisation.

C.13.1 Advantages of Centralisation

(i) Power and prestige are provided to the top executives.
(ii) Uniformity of policies, practices, and decision is fostered.
(iii) Duplication of functions that are similar is minimized.
(iv) Elaborate and extensive controlling procedures and practices are not required.
(v) A strong coordinated top management team is developed.

C.13.2 Disadvantages of Centralisation

(i) There is inflexibility and delays in decision-making. Because of this, centralized organisations are slow in responding to changes in the external environment, such as, competition, technology and consumer demand.
(ii) Centralisation stifles creativity and initiative of lower level managers.
(iii) Lower level managers may feel constrained and demotivated because they are not involved in making important decisions.

(iv) Productivity may be low because workers are less likely to accept responsibility and are less enthusiastic to implement decisions handed down to them.
(v) Centralisation requires close supervision and rigid controls for decisions to be implemented effectively.
(vi) Centralisation does not provide room for the training of subordinates in decision-making.

C.14 Decentralisation

Decentralisation is the systematic effort to delegate authority to lower levels of the organisation. As managers opt for a more decentralized design, the important question to consider is not whether an organisation should be decentralized, but to what extent should it be decentralized. Furthermore, decentralisation requires that there is corresponding investment in control to ensure that organisational objectives are achieved.

C.14.1 Advantages of Decentralisation

(i) A decentralized organisational structure stresses delegation of decision-making and lightens the load of top managers.
(ii) The development of 'generalists rather than specialists is encouraged, thereby facilitating succession into positions of general managers.
(iii) Managers develop their own decision-making skills and are motivated to perform because advancement is related to performance.
(iv) Intimate social ties and relationships are promoted, resulting in greater employee enthusiasm and coordination.
(v) Familiarity with important aspects of special work is readily acquired.
(vi) Efficiency is increased since the managers are near the activities for which they are held responsible and trouble spots can be located and remedied easily.
(vii) For multi-unit enterprises, full advantage of various local conditions can be obtained.

C.14.2 Disadvantages of Decentralisation

(i) It may bring about diseconomies of scale with the increase in the overhead expenses of each decentralized unit.
(ii) Some managers still find it difficult to make decisions, though they have the authority. Because of this the methods used to measure accountability are time consuming and instil fear in the managers.

Review Questions

Multiple Choice Questions

1. In the hierarchy of management, which of the following is odd?
   (a) Top management
   (b) Production management
   (c) Middle management
   (d) Supervisory management
   (e) First line management

2. Which statement is NOT an advantage in a formal organisation?
   (a) Well defined authority, responsibility and accountability
   (b) Proper standardization of work is practicable
   (c) Formal communication is widely practiced
   (d) Duplication of work is practiced

(e) Rules are considered religiously

3. Which of these can NOT be associated with organising?
   (a) Dividing the tasks into jobs
   (b) Arranging task activities into logical and comfortable groups
   (c) Assigning and delegating authority
   (d) Future oriented
   (e) Setting up the system for integration of task activities

4. Organisations can be classified by the following EXCEPT
   (a) Structure
   (b) Government
   (c) Ownership
   (d) Type of authority
   (e) Major purpose

5. Which of these is NOT an advantage of matrix structure?
   (a) It encourages decentralised decision making
   (b) Improved environmental monitoring
   (c) Encourages unity of command
   (d) Flexible use of organisational resources
   (e) Professional identification is maintained

Short Answer Questions

1. The managerial function of assigning duties, grouping tasks, establishing the authority and providing resources to carry out a specific plan is known as .....

2. The efficient and effective grouping of jobs into meaningful work units to coordinate a number of jobs towards accomplishing organisational goals is referred to as ......

3. Principle of ...... states that in every position, the responsibility and authority should balance

4. ...... organisation is an organisation whose authority is legitimised by confidence in the personal qualities of the leader.

5. ...... organisation is an organisation with benevolent goals rather than financial goal.

Solutions
Multiple Choice Questions

1. B
2. D
3. D
4. B
5. C

Short Answer Questions

1. Organising
2. Departmentation
3. Correspondence
4. Charismatic
5. Service

SECTION D: COORDINATION

Section contents

(a) Definition of Coordination
(b) Types for Coordination
(c) Need and Objectives of Coordination
(d) Techniques of Coordination

Learning objectives

After studying this section, the reader should be able to:

- Define and explain the meaning of coordination and its types
- Explain the need and objectives of coordination
- Explain the techniques of coordination

D.1 Definition of Coordination

Coordination is the process of integrating the activities and objectives of the separate work units of an organisation to efficiently achieve organisational goals. Coordination is the function of management that aims to achieve harmony of individual efforts towards the accomplishment of company's objectives. It is the linking together for common actions of the different units and sub-units within an organisation. Without coordination, people and department would lose sight of their roles within the organisation and be tempted to pursue their own selfish interests, often at the expense of the organisation's goals.

D.2 Types of Coordination

There are two (2) types of coordination; these are:
(a) Vertical coordination, and
(b) Horizontal coordination

(a) Vertical coordination:

This is the linking together of superiors and subordinates of units and sub-units at different levels of the organisation. It can also be viewed as the linking of activities at the top management with those at the middle and lower levels in order to achieve organisation's goals.

(b) Horizontal coordination:

This is the linking together of managers, units and sub-units across the organisational structure that are of the same level. Horizontal coordination provides an additional means of processing information in organisations.. This is because horizontal coordination facilitates processing information across the organisation.

D.3 Need and Objectives of Coordination

The extent of the need for coordination depends on the nature and communication requirements of the tasks performed and the degree of interdependence of the various units performing them. Basically, the primary reason or objective of coordination is that departments and work groups are interdependent for information and resources in the performance of their respective activities. The greater the interdependence between departments, the more coordination the organisation requires. The need for coordination arises because of two factors:

(a) Division of work. The interdependence between units/departments or work groups. Once the work of an organisation is divided and assigned to different individuals and groups, coordination becomes necessary to ensure that the overall goals/objectives of the organisation are achieved efficiently.

(b) The second reason arises from the first. This is that interdependence between work units and departments require that their activities are coordinated to achieve organisational goals.

(c) Reconciliation of goals of individuals with that of the organisation

(d) Total accomplishment: Through coordination, duplication of efforts is prevented and the time and energy thus saved are better utilised in more productive tasks.

(e) Economy and efficiency: Coordination helps in ensuring economies of scale, labour, time and machinery and minimises delays in order to improve efficiency.

D.4 Techniques of Coordination

The following are the important techniques of coordination which are widely used by modern management.

(a) Coordination by simplified organisation

The need for coordination can be reduced by having a simple organization structure. By reducing the level of interdependence between units, the need for coordination is reduced. For example, by reducing the extent to which resources are shared by two or more work units, interdependence is reduced and hence the need for coordination is reduced.

(b) Plans, Programmes and Policies

Excellent opportunities for coordination are provided by the process of planning. Plans prepared by different individuals and departments should be checked for consistency. The management must ensure that all plans add up to a united programme.

(c) Rules and Procedures

These are effective techniques of coordination. By establishing rules and procedures for carrying out certain activities, the different units involved are coordinated.

(d) Coordination by Communication

The oldest, as well as, the most important device for achieving coordination is communication. The main duty of a supervisor is to see that his subordinates are working in an efficient manner. He directs them, commands them and controls their efforts.

(e) Coordination by Meetings

Group meetings are also effective for achieving a high quality of coordination. Such meetings bring the officials together and provide opportunity for coordination.

(f) Coordination through Liaison Roles

Coordination of the activities of different organisations, that are interdependent, can be achieved by appointing liaison officers who facilitate the flow of information between the organisations. Such liaison officers ensure that interactions between the organisations are maintained and areas of friction are ironed out.

Within the organisation, the liaison roles can be created to ensure flow of information and minimisation of friction between different work groups or departments.

(g) Managerial Hierarchy

This is a traditional technique for ensuring coordination between two or more interdependent work units. By placing a manager to supervise the interdependent work units, effective coordination of the activities of the respective work units is ensured.

SECTION E: CONTROLLING

Section contents

(a) Learning objectives
(b) Definition of Control
(c) Meaning and Purpose of Control
(d) Importance/Usefulness of Control
(e) Link between Planning and Control
(f) The Control Process
(g) Characteristics of Effective Control Systems
Review questions

Learning Objectives

After studying this section, the reader should be able to:
- Define controlling
- Explain the meaning, purpose/importance of controlling.
- Explain the link between planning and control.
- Explain areas/types of control and the process of controlling.
- State and explain the characteristics of effective control system.

E.1 Definition of Control

Controlling is the process of regulating organisational activities so that actual performance conforms to expected organisational standards and goals. Control is a fundamental management function, closely linked to planning and organising processes. It also has an important impact on motivation and team behaviour.

In traditional terms the controlling function includes all activities the manager undertakes in an effort to ensure that actual results conform to planned results. Not only are control systems needed in all organizations, they are also required to cover all major activities related to an organization's input and output.

E.2 Meaning and Purpose of Control

Controlling is the process of monitoring, comparing and correcting performance in order to make sure that organisational objectives and plans devised to attain them are being accomplished. Control is a means of ensuring the efficient accomplishment of set objectives of an organization.

Control helps the organization in many ways, by:

(a) Adapting to changing condition:
The modern business operates under conditions of uncertainty. The conditions in existence and observed during planning phase may change so fast that it becomes difficult to achieve the set goals. A properly designed control system can help managers to monitor and respond to changing conditions.

(b) Minimizing Errors

Small errors can accumulate and become big problems. Every small error is going to cost some money and ultimately affect goal achievement. An effective control system can anticipate the errors, so that preventive steps are taken to avoid them.

(c) Coping with Organizational complexity

As the scale of operations of an organization increases, the organizational structure becomes complex. Direct personal supervision becomes inadequate to monitor and take corrective measures. To accomplish goals effectively under these conditions, a well-designed control system must be put in place.

(d) Minimizing cost

Control helps to reduce costs. A well-designed control system can eliminate or reduce wastages and losses (non-value adding activities) and hence, minimize Cost.

E.3 Importance/Usefulness of Control

The fact that goals have been set and various activities planned to achieve them is not enough to guarantee success. Controlling is a management function designed to monitor and ascertain whether goals are being met and to take corrective action, if necessary, to ensure effectiveness. Control is needed to:

(a) standardise performance through setting of benchmarks
(b) increase efficiency through reduction of waste
(c) safeguard organisational assets from theft, waste and misuse
(d) standardise quality to meet engineering and customer specifications
(e) set limits within which delegated authority can be exercised.
(f) measure the effectiveness of management plans and programmes
(g) measure the job performance of all organisational members
(h) make changes in the operational environment in response to changins in the external environment

E.4 Link between Planning and Control

For control to be effective, it must be integrated with planning so that managers can easily compare actual results with planned projections. It is necessary to state that the ability to control activities must be considered during the planning process. In short, one of the commonly used definitions of control is "control is the process through which managers assure that actual activities conform to planned activities". This definition clearly shows that planning and control are closely related. The relationship between planning and control is continuous. Managers make plans, and control is used to evaluate the effectiveness of organisational activities relative to those plans. If the control system indicates that things are working to plan, the current plan should be maintained, but if adequate progress is not made as indicated by the control system, there may be the need to review the course of activities in the plan or the plan entirely.

In short, the control mechanism measures the progress towards the set goals and provides opportunity for managers to detect deviations from the plan, so that timely and corrective actions can be taken. Again, there would not be any control process if the functions of planning are not in place. The goal set by planning is the standard of performance set by control. Contributing to the link between planning and control, Lawal (1993) noted areas of distinctions and similarities between plan and control thus:

Distinctions

(a) Planning entails decision making while control is a monitoring process that depends on the existence of planning.

(b) Planning is concerned with ends and means and control focuses on results and feedbacks.

Similarities

(a) Both are concerned with identifying and quantifying standards of performance. The measures utilised for planning are similar to those used for control.

(b) Planning and control utilises quantitative techniques such as linear programming, statistical control and network analysis.

E.5 Types of Control

(A) Control based on level in the organisation. These are:

(i) **Strategic Control**:

Control at this level is the responsibility of the top management of the organisation. It involves monitoring critical environmental factors that could affect the viability of strategic plans, assessing the effects of organisational strategic actions, and ensuring that strategic plans are implemented as intended. Strategic control efforts concentrate on relatively long time frames such as quarterly, semi-annual and annual reporting cycles. But if the environment is not stable particularly where competition is rife, the reporting cycle could be monthly or less and top level managers could make use of tactical and operational control to ensure that tactical operational plans are effectively and efficiently implemented.

(ii) ***Tactical Control***:

Its focus is on the implementation of the tactical plan at the departmental levels, monitoring results from the departments, and taking corrective actions when necessary. The responsibility for tactical control is on the middle-level managers who are responsible for the realisation of departmental goals and objectives. The middle-level managers are also involved in operational control, at least to the extent of checking on some of the more critical aspects of the operations. Plan implementation will have enduring impact on tactical plans.

(iii) ***Operational Control***:
This is the responsibility of the lower-level managers and it involves the monitoring of the day-to-day efforts and results of the operatives. It is the general overseeing of the implementation of the operating plans.
The control here has to be well designed because if errors are not detected at this level, it may have a strong negative implication on the entire organisation.

(iv) ***Financial Control***:
This is concerned with the organisation's financial resources monitoring receivables to make sure customers are paying their bills on time is an example of financial control.

(v) ***Operations Control***:
This focuses on the processes the organisation uses to transform resources into products or services (quality control is one type of operations control).

(vi) ***Structural Control***:
This is concerned with how the elements of the organisation's structure are serving their intended purposes.

(B) Control Based on the Resources or Programmes Involved

Control systems may focus specifically on the key resources utilized by the organization. A few examples are:

(i) Financial control

This control focuses on financial resources. Financial control addresses the flow of financial resources into, through and out of the organization. Financial control may be targeted at revenues, expenses, investments etc. An important tool of financial control is the budget - cash budget, revenue budget expense budget, profit budget etc.

(ii) Materials control (inventory control)
This is concerned with the acquisition, storage, recording and use of materials for operations.

(iii) Quality control
Organisations are generally concerned with the quality of inputs they acquire from suppliers and the quality of products and services they offer to their customers.

(iv) Behavioural control
This focuses on the behaviour of employees and other stakeholders that the organisation depends upon. Various tools are available for this type of control.

Examples are direct supervision, performance, appraisal, rules, procedures, regulations, policies and target-setting.

(C) Structural Control

The different types of control here are personal centralized control, bureaucratic control, output control, cultural or clan control.

(i) **Personal centralized control** involves direct personal supervision and centralization of decision-making. This type of control revolves around the individual supervisor who uses his/her personal attributes, direct observations, rewards and punishments as the basis of control.

(ii) **Bureaucratic control:** relies on elements of bureaucracy as a means of controlling operations. Reliance is placed heavily on rules regulations, procedures, policies as the means of controlling behaviour. Rewards and punishments are used to ensure compliance.

(iii) **Output control -** focuses on the output of the system. Targets Output per period are set and used as a basis of control of actual output.

(iv) **Cultural or clan control:** This type of control is used to develop strong identification of the individual with the organization. Tools used are selection of persons likely to share the same values and norms preferred by the organization, emphasis on extended training and socialisation techniques.

(D) Feed-forward/Concurrent/Feedback Control

Managers have opportunity to implement controls at three different stages of operation. Control may be implemented before operation actually begins, as operation is in progress and after the operation is completed. Based on this, three types of control can be identified, thus:

(a) **Feed-forward control:**
This takes place before operations actually begin. The manager anticipates potential areas where problems can occur and takes action to prevent them. The manager focuses on the inputs needed in the operation and ensures that they are of the right specification and quantity. For example, raw materials are checked to ensure they are of the right quality, equipment are checked and maintained so as to prevent malfunctioning etc.

(b) Concurrent Control:
This takes place while the operation is in progress. Through direct supervision and observation, the manager takes corrective action as soon as there is an indication of a problem in the operation. As the manager walks around the

operations area, he/she tackles problems as they occur Mechanical or electronic devices may also be used to monitor operations and alert operators if the system is malfunctioning.

(c) Feedback Control:
This is the common type of control in traditional control systems. But it is the most expensive. It takes place only after the system has actually malfunctioned or the expected target is missed. It relies on comparing actual output to planned output. Once there is a deviation between the planned output and actual, positive or negative, the deviation is analysed for causes and action taken to correct the deviation.

E.6 Control Process

The control process consists of the steps involved in controlling. It consists of four steps establishing performance standard, measuring actual performance, comparing actual performance against standard, and taking corrective action.

Establishing performance standard however is an activity that is undertaken in the planning process and utilised in the control process. For the sake of completeness, the establishment of measurable standards is usually discussed also in the control process.

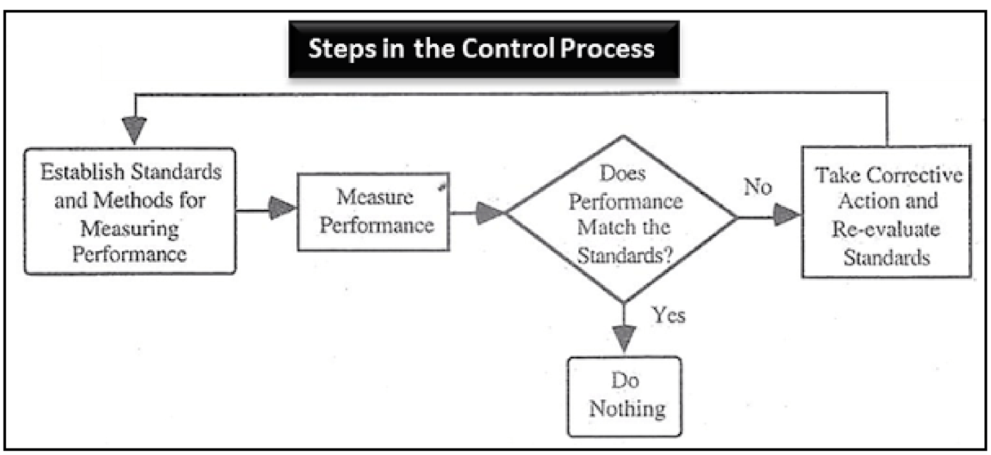

Figure 3.11 Basic Steps in the Control Process

(a) **Establish Standards and Methods for Measuring Performance:**
Ideally, the goals and objectives established during the planning process will already be stated in clear, measurable terms that include specific deadlines.

Various standards can be set as follows:

(i) Physical standards labour-hours per unit, machine-hours per unit, quantities produced per hour, customers served per hour etc.

(ii) Cost standards-labour cost per unit, material cost per unit etc.
(iii) Capital standards-return on investment, current ratio, debt ratio etc.
(iv) Revenue standards - revenue per sales clerk, sales per capita, sales per month.

(b) **Measure the Performance:**

Like all aspects of control, measurement is an on-going, repeated process. The means of measuring performance will depend on the standards that have been set. They may include but not limited to, amount of materials used, number of defects found scrap rate, profits, return on investment, etc.

As soon as the means of measuring performance is established, usually, both quantitatively and qualitatively, the next is to establish the frequency of the measure. The frequency of measurement depends on the type of activity being measured. In a manufacturing plant, levels of gas particles in the air, for example, could be continuously monitored safety, whereas progress on long-term expansion objectives might need to be reviewed by top management only once or twice a year. Similarly, the management of Mr. Biggs restaurant might be required to examine customer waiting time on a continual basis. Good managers avoid allowing extended periods to pass between performance measurements.

(c) **Determine Whether Performance Matches Standards:**

In many ways, this is the easiest step in the control process. The complexities presumably have been dealt with in the first two steps. Now it is a matter of comparing measured results with the established targets or standards previously set. Performance matches the standards, managers may assume that 'everything is under control.' This clearly shown in Fig. 5.2.

(d) **Take Corrective Action:**

This step is necessary if performance falls short of standards and the analysis indicates that action is required. The corrective action could involve a change in one or more activities of the organisation's operations. For example, a restaurant owner/manager might discover that more counter workers are needed to meet the five-minute Customer-waiting standard set by the company. On the other hand, controls can reveal inappropriate standards. Under these circumstances, the corrective action could involve a change in the original standards rather than a change in activity. Unless managers see the control process through to its conclusion, they are merely monitoring performance rather than exercising control. The emphasis should always be on devising constructive ways to bring performance up to standard, rather than merely identifying past failures.

E.7 Characteristics of Effective Control Systems:

(a) Accurate

Information on performance must be reasonably accurate for the organization to take appropriate corrective action. inaccurate data from a control system can cause the organization to take action that will either fail to correct a problem or create a problem where none exists. For example, a foreman may report to a supervisor that parts are being damaged on an assembly line because the people on that line are inadequately trained in fact the machines on that particular line may be faulty. Because of this wrong evaluation, the workers may become resentful. So, evaluating the accuracy of the information they receive is the most important tasks that managers face.

(b) Objective and Comprehensible

To be useful, the information used in a control system should be understandable and seen as objective by the individuals involved. The more objective the information used in the control system is, the greater the likelihood that individuals will take the appropriate corrective action at the proper time. When the information is difficult to understand or is not precise, it will cause unnecessary mistakes to be made.

(c) Timely

Information must be collected, routed to the appropriate destination, and evaluated quickly, if corrective action is to be taken in time to produce improvements. Otherwise, managers may act too late, act incorrectly, or simply not act at all.

(d) Focused on Strategic Control Points

The control systems should be focused on those areas where deviations from the standard are most likely to take place or where deviations would lead to the greatest harm. The system should also be focused on those points where corrective action can be most effectively applied. For example, parts quality is most logically checked immediately after the parts are received into store.

(e) Economically Realistic

The cost of implementing a control system should be less or, at most, equal to the benefits derived from the control system. For example, if managers are spending ₦60,000 on control to realise savings of ₦50,000, they need to redesign their control system. The best ways to minimize waste or unnecessary expenditure in a control System is to do the minimum amount of work necessary to ensure that the monitored activity will reach the desired goal.

(f) Organizationally Realistic

For the control system to be workable, it has to be compatible with organizational realities. For example, there must be an equitable balance between the effort necessary to attain the desired performance level and the reward for achieving it.

(g) Co-ordinated with the Organization's Work Flow

Control information needs to be coordinated with the flow of work through the organization for two reasons. First: each step in the work process may affect the success or failure of the entire operation. Second: the control information must get to all the people who need to receive it.

(h) Flexible

For most organizations, controls must have flexibility built into them so that the organization can react quickly to overcome adverse changes or to take advantage of new opportunities.

(i) Operational

Effective control systems ought to indicate, upon the detection of a deviation from standards, what corrective action should be taken. In other words, they must be focused on what should be done, rather than simply convey facts. The information must also be in a useable form when it reaches the person responsible for taking the necessary action.

(j) Acceptable to Organization Members

A control system should lead to high performance by organization members by encouraging their feelings of autonomy, responsibility, and growth. Too many controls or controls that are too rigid will often cause dissatisfaction and decline in employee motivation. Such a negative effect must be considered when the efficiency of a control system is assessed.

k. Integration with planning

Control should be linked with planning and the more explicitly and precisely they are linked, the more effective the central system.

l. Future oriented

An effective control system should be able to help regulate future events, rather than fix blame of past events. That is, identifying and addressing areas in which future corrective action is needed.

m. Cost Effective and Economically Realistic

The cost of implementing a control system should be less or at most equal to the benefits derivable from the control system.

n. Objective and comprehensible

Control system information should be understandable and be seen to be objective by all involved.

Summary

The managerial function of controlling is the measurement and correction of performance in order to ensure that enterprise objectives are accomplished. Wherever it is found and whatever is being controlled, the basic control process involves these steps: (a) established standards and methods for measuring performance (ii) measure performance (iii) compare performance against standards and (iv) take corrective action and re-evaluate standards. To overcome time lags in control, it is suggested that managers utilize a feed forward control approach and not rely on simple feedback alone. A variety of control tools and techniques have been used to help a manager effect control. ZBB which attempts to base resource allocations on current rather than historical needs was explained.

Breakeven analysis is designed to illustrate the relationship between costs, sales, volume and profits. It can be used both as a decision-making aid and as a control device. Management auditing involves a systematic appraisal of management and organisational performance in a number of areas of operation. PERT and CPM networks illustrate not only the tasks involved in a project and the time it will take to complete them, but also the interrelationship between those tasks. In this way, the project can be planned and integrated more effectively. Also the project completion date can be determined and controlled more easily.

Strategic management was defined as a process of developing a game plan by which organisations gain competitive advantage over rivals, attract and please customers, compete successfully and conduct operations and achieve other organisational objectives. Importance of strategic management was adequately discussed. The stages of strategic management process of: developing vision, mission and objectives, SWOT analysis, formation, implementation and evaluation of strategies were well articulated and detailed attention given types of strategy (in text and diagrammatically): Corporate Strategy, Business Strategy, Functional Strategy and Operational Strategy.

Precisely, stages in decision making involves: (i) diagnose and define the problem (ii) establish specific goals and objectives (iii) generate alternatives (iv) gather and analyse the facts (v) evaluate alternatives (vi) select best alternative (vii) analyse possible consequences (viii) implement decision and (ix) follow up.

Review Questions

Multiple Choice Questions

1. Correcting deviations from standards is an aspect of:
   (a) Planning process
   (b) Control Process
   (c) Actuating process
   (d) Leading process
   (e) Organising process

2. The type of control in which on-going operations are monitored to ensure that objectives are pursued is known as:
   (a) Concurrent control
   (b) Feedback control
   (c) Congruent control
   (d) Feed-forward control
   (e) Process control

3. Which of the following types of strategy is crafter by the Chief Executive Officer and top management of organisation?
   (a) Operating strategy
   (b) Divisional strategy
   (c) Functional strategy
   (d) Corporate strategy

(e) Business strategy

4. Which of this is NOT control based on level in the organisation?
   (a) Corporate control
   (b) Strategic control
   (c) Tactical control
   (d) Operational control
   (e) Structural control

5. Which of this is a structural control?
   (a) Feed forward control
   (b) Concurrent control
   (c) Feedback control
   (d) Cybernetic control
   (e) Output control

Short Answer Questions

1. A type of control system where action is taken only after a significant deviation has occurred is known as .....

2. The calculation of one or more financial ratios to assess some aspects of the organisation's financial health is referred to as....

3. Strategies crafted by the head of marketing of an organisation is an example of .... strategy.

4. ..... control involves monitoring critical environmental factors that could affect the viability of strategic plans.

5. ...... is the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary to carry out the goals.

Solutions

Multiple Choice Questions

1. B
2. A
3. D
4. A
5. E

Short Answer Questions

1. Feedback control
2. Ratio analysis
3. Functional strategy
4. Strategic

5. Strategic management

SECTION F: STRATEGIC MANAGEMENT

Section contents

Learning Objectives

After studying this section, the reader should be able to:
- Define strategic management
- Explain the meaning of strategy
- Explain the purpose/importance of strategic management
- Explain strategic management process
- Explain the levels/types of strategies
- Differentiate between corporate and divisional strategies

F.1 Definition of Strategic Management

Strategic Management can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objective. It is an on-going process of formulating, implementing and controlling broad plans that guide the organizational in achieving the strategic goals given its internal and external environment.

Strategic management is the process by which the guiding members of an organization envision its future and develop the necessary procedures and operations to achieve that future. The concept of strategic management builds on this definition of strategic planning, recognizing that although .planning. is the prelude of strategic management, it is insufficient if not followed by the deployment and implementation of the plan and the evaluation of the plan in action.

Strategic management goes beyond the development of a strategic plan, which included the pre-planning and strategic planning processes. Strategic management is the deployment and implementation of the strategic plan and measurement and evaluation of the results. Deployment involves completing the plan and communicating it to all employees. Implementation involves resourcing the plan, putting it into action, and managing those actions. Measurement and evaluation consists not only of tracking implementation actions, but, more importantly, assessing how the organization is changing as a result of those actions and using that information to update the plan.

F.2 Meaning of Strategy

The word strategy is derived from the Greek word "*strategia*" that was evolved during 400 BC. The word *strategia* meant science of guiding and directing military forces. In simple term, a strategy is a company's game plan. A strategy reflects a company's awareness of how, when, and where it should compete; against whom it should compete; and for what purposes it should compete.

In business usage, **strategy** is a comprehensive plan for accomplishing an organisation's goals. Strategies are plans for how an organisation will do what it's in business to do, how it will compete successfully, and how it will attract and satisfy its customers in order to achieve its goals (Robbins and Coulter, 2009).
A strategy is the game plan the managements of an organization uses to stake out a market position, attract and please customer, compete successfully, conduct operations and achieve organizational objectives. The outcome of strategic planning is called strategic plan. The strategic plan of an organization lays out its vision, mission, performance target and strategy.

Strategy, also involves the deployment of resources for the attainment of objectives. It is also the pattern of significant decision made to fulfil organisation's purposes. It further relates to long-range objectives. It encompasses courses of action necessary to attain desired objectives. Strategy can, equally, be defined as the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary to carry out these goals.

Strategy answers a set of questions confronting organizations some of which include:
(a) What type of goods should we produce?
(b) Which segment of the market should we serve?
(c) How do we deal with competition?
(d) What are we out to achieve?

Furthermore, Mintzberg (1994) viewed strategy in terms of 5ps, these 5ps are:
(a) As a **plan**, strategy implies a means of attaining, making and implementing decision,
(b) As a **ploy**, strategy means a specific maneuver intended to out-wit an opponent or competitor,
(c) As a **pattern**, strategy means consistency in behaviour, whether intended or not,
(d) As a **position**, strategy means locating an organisation in an environment, and
(e) As a **perspective**, strategy looks inside the organisation, that is, strategy is to organisation as personality is to individual.

F.3 Purpose/importance of Strategic Management

Strategic Management is important to organizations because it serves the following purposes:

(a) Performance: It aids performance of organizations in terms of profitability, market position and growth. Studies have shown that organizations that use strategic management tend to perform better than others.

(b) Managing Change: Strategic Management is a tool for managing changes taking place within and outside the organization which affect its ability to achieve set objectives. Strategic management enables managers to identify and examine relevant factors so as to decide on the best course of actions to take. Thus, strategic management helps organizations cope with uncertainty in the environment.

(c) Effective Coordination: Strategic management helps coordinate organisations' activities and resources towards achieving overall objectives.

(d) Focus: Strategic management provides the organization with objectives and method of achieving them, thus giving focus to all organizational activities.

(e) Monitoring: The design of control system should be done in such a way that can be monitored to ensure conformity with the set standard.

(f) Acceptable to organisational members: Control systems operate best when they are accepted by organisational members who are affected by the process.

(g) Timeliness: Control systems are designed to provide data on the state of a given production cycle at some specific time. This indicates that the process must carried out to meet specific deadlines if corrective action is to be taken in to produce improvements.

(h) Continual review: The control process should be subjected to continual review to ensure its effectiveness and appropriateness in terms of the results produced symptoms/indicators of inadequate or weak control systems.

F.4 Strategic Management Process

Strategic management processes contain steps that organizations take in the course of strategy formulation and implementation. It is made up of five steps namely:

(a) **Developing Vision, Mission and Objective:** An organisation's mission is its statement of purposes. It states what the organization is in business to do. An organisation's vision on the other hand is a statement showing its destination; what it is out to achieve. An organization's mission could be: "to build a chain of supermarkets where everyone can buy quality consumer goods at the cheapest price available'. An example of vision could be: To be the world's premier universal bank in every sector. Objectives are, on the other hand, an organization's performance targets. Objectives convert the organization's mission into specific performance targets. They are usually quantifiable or measurable and containing deadline for achievement.

The starting point in Strategic management process is to determine the organization's vision, mission and objectives. This is because whatever strategy the organization adopts will be directed towards achieving its vision, mission and objectives.

(b) **SWOT Analysis:** For strategies to be formulated an analysis of the organization's external and internal environment is necessary. The acronym SWOT stands for Strength, Weakness, Opportunities and Threats. The external environment is analysed to identify factors that constitutes opportunities and threats to the organization. Opportunities are positive trends in the external environment that help in the realization of the organization's product is an opportunity. Threats on the other hand are negative trends to the organisation found in the external environment. An example of this is activities of competitors, legislation banning the importation of a vital raw material etc.

An analysis of an organization's internal environment is necessary to determine its inherent strength and weaknesses. Strength are activities that an organization does well, while weaknesses are negative activities and inadequacies with an organisation. For example, while the possession of highly qualified staff is a strength, a limited product distribution network could be a weakness.

(c) **Formulation of Strategies:** At this stage, managers use identified Strength, Weakness, Opportunities and Threats to formulate strategies that will lead to the achievement of organisational objectives. Formulated strategies will exploit the organization's strengths and opportunities and protects organization from external threats while also correcting critical weaknesses.

(d) **Implementation of Strategies:** Proper implementation of strategy is a prerequisite to an effective strategic management process. No matter how good the strategy is, improper implementation may lead to failure. Therefore proper implementation is essential.

(e) **Evaluation:** Evaluation provides the means of determining the impact of implemented strategies. The purpose of evaluation is to establish whether the strategy is working and whether adjustments are necessary.

F.5 SWOT Analysis

Environmental analysis can be done through a technique known as SWOT analysis; which is acronym for Strengths, Weaknesses, Opportunities and Threats. Through such analysis, the strengths and weaknesses existing within the organization can be matched with the opportunities and threats operating in the external environment so that an effective strategy can be formulated.

F.5.1 Strength

A '**strength**' is something positive which should help an activity to succeed. It is a circumstance working in favour of the activity. The policy aim is to take advantage of the strengths. Strengths could include:

(a) Good leadership
(b) Dedicated and experienced employees

(c) Good communication skills
(d) Extensive product knowledge and expertise
(e) Long-time community presence
(f) Networking and relationships in community
(g) Knowledgeable of technology

F.5.2 Weakness

A '**weakness**' is a negative condition which may hamper the success of an activity. It is an unfavourable condition which could lead to reduced profitability or adoption. The policy aim is to avoid or overcome the weaknesses. Weaknesses could include:
(a) Lack of a consistent pricing strategy
(b) Consistent branding/marketing messages
(c) Limited physical workspace/overcrowded
(d) Lack of sufficient office space
(e) Inconsistent communication with potential constituents
(f) Administration processes need to be written
(g) Lack of organizational chart

F.5.3 Opportunity

An '**opportunity**' is an innovative event or condition happening outside the organization that could make an activity more successful – to create an environment more favourable to profitability or adoption. Opportunity should not be confused with strengths. The policy aim is to exploit the opportunities. Opportunities could include:
(a) Limited competition currently
(b) Skilled, educated workforce with high local unemployment
(c) Commercial office space available at historic low price
(d) Growth of the community
(e) Increasing need for knowledgeable technology people
(f) Increase demand for networking of computers

F.5.4 Threat

A '**threat**' is something potential such as an event or condition which, should it happen, will harm the activity and reduce the chance of success. Threats are external to farming operations. The policy aim is to avoid or overcome the weaknesses. Threats could include:
(a) Increased local competition and expansion into market by national firms
(b) Margin erosion by low cost competitors
(c) High unemployment rates on decline; pool of qualified potential new hires shrinking

F.6 Levels/Types of Organisation's Strategies

The various types of organizational strategies include corporate strategy, business strategy, functional strategy and operating strategy.

F.6.1 Corporate Strategy

This consists of the kinds of initiatives that organizations use to establish business positions. Usually drafted and used by Directors and Chief Executive Officers, corporate strategy spells out the current and future businesses an organization wants to be in and what it hopes to achieve with those businesses. It is based on the vision and mission of the organization.

A growth strategy is a form of corporate strategy used by an organization to stimulate growth by expanding the number of products offered or markets served, either through current or new businesses (Robbins and Coulter, 2006). Growth strategy can bring about increased sales revenue, market share, etc. For example, part of the growth strategy of Nigerian Bottling Company Plc is to diversify into production of packaged fruit juice and table water.

F.6.2 Business Strategy

These are actions and approaches crafted to produce successful performance in one specific line of business. For example, a strategy aimed at enhancing the market position of soft drinks, one of the range of products of Nigerian Bottling Company Plc is a business strategy. Managers of each of the organization's lines of business, often with the advice and input from heads of functional areas within each business unit.

F.6.3 Functional Strategy

Functional strategies are actions and approaches used by an organization's functional departments to support the business strategy. An example of functional strategy is an organization's marketing strategy, which are approaches for running the sales and marketing functions of the business. An organization's production strategy is a functional strategy that takes care of the production aspect of the business. In most organizations, functional strategies are crafted by heads of respective functions with the General Manager of the business unit having final approval.

F.6.4 Operating Strategy

These are approaches for managing key operating units (plants, distribution centres, geographic units, etc.) and specific operating units with strategic significance (for example: advertising campaigns, the management of specific brands, online sales, etc.). For example, approaches fashioned by a plant manager to run a specific plant (an operating strategy) should be in tandem with the overall production strategy of the organization. Lead responsibility for operating strategies is usually delegated to frontline managers, subject to review and approval of a higher ranking officer.

F.6.5 Distinction between Corporate and Divisional Strategy

F.6.5a Corporate strategy

Corporate strategy is essentially developed to offer directions to the business for accomplishing their long-term objectives. A corporate strategy is developed in accordance with the objectives and scope of the activities of the organization. It also considers the nature of business by taking into account its operating environment, its position in the market and the degree of competition it encounters. Corporate strategy examines the company's current market position and seeks to optimize operations, profitability and growth by weighing the risks and rewards of diversifying into new markets and establishing additional revenue streams against the projected benefits and limitations of remaining focused on a single market.

Corporate strategy seeks to answer the question, "What businesses or industries should we be working in?" It concentrates on developing a mix of business units that will enable it to achieve success as a whole. The basis of corporate strategy is the organization's vision. The mission statement of an organization explicitly mentions its corporate strategy. It plays a very important part in the strategic decision-making across the organization. Corporate-level strategy is typically developed by the top-level managers in organizations.

F.6.5b Divisional Strategy

Most large-scale business organization typically have multiple business units or departments that are spread out across the different businesses and markets that the organization has decided to operate in. A strategic business unit may include a product division or any other profit center, the objectives of which may be different from the rest of the business units of the organization. A strategy developed at this level is known as divisional or business strategy, the purpose of which is to determine the ways in which an organization plans to accomplish its goals in a particular business unit.

Business level strategies are a step below the corporate level strategies. These strategies focus on more specific areas of the organization. Three strategies are usually executed in this level, which include differentiation, cost leadership and focus. The purpose of these business level strategies is to create a competitive edge for the organization. The strategies developed at the business level are used by managers of business units or divisions to determine solutions for problems that they face in their routine activities.

Table 3.1: Differences between corporate strategy and business strategy

Basis	**Corporate strategy**	**Divisional/Business strategy**
Meaning	Developed to offer directions to the business for accomplishing their long-term objectives	Developed at the business unit level to determine the ways in which the objectives of these units can be achieved.
Developed by	Top-level management: CEO, Board of Directions, Managing Director	Middle-level management: Department, Division or line managers
Strategic decision	Analytical and value-oriented decisions, aiming to achieve organizational growth and profit maximization	Decisions regarding activities to stay ahead of the market competition
Strategic formulation	Formulated at the organizational level	Formulated for a particular business unit or division
Team	Formulates long-term solutions for the organization	Formulates relatively short-term solutions for routine issues faced in the organization short-term
Focus	Making decision regarding the business that the company should pursue	Decide upon the business plan that the company should adopt to compete successful in the market
Examples	Expansion, downsizing and stability	Cost leadership, differentiation and focus

Summary

Strategic management was defined as a process of developing a game plan by which organisations gain competitive advantage over rivals, attract and please customers, compete successfully and conduct operations and achieve other organisational objectives. Importance of strategic management was adequately discussed. The stages of strategic management process of: developing vision, mission and objectives, SWOT analysis, formation, implementation and evaluation of strategies were well articulated and detailed attention given types of strategy namely, Corporate Strategy, Business Strategy, Functional Strategy and Operational Strategy.

Review Questions

MULTIPLE CHOICE QUESTIONS (MCQS)

1. Which is the functional area of Strategic Management?
   A. Production and operation
   B. Finance
   C. Marketing
   D. Research & Development

E. All of the above

2. Which of the following is not part of the task environment?
   A. Technology
   B. Shareholders
   C. Competitors
   D. Publics
   E. Creditors

3. The word tactic is most likely to be associated with:
   A. Business Strategy
   B. Corporate strategy
   C. Operational Strategy
   D. Divisional strategy
   E. All of the above

4. Which of these seeks to relate the goals of organization to the means of achieving them?
   A. Strategy
   B. Levels
   C. Monitoring
   D. Management
   E. Relationship management

5. When market & competitive conditions take an unexpected turn then required strategy is ____________.
   A. Proactive
   B. Reactive
   C. Adaptive
   D. Both
   E. None

6. In which level do we have Top managers?
   A. Corporate Level
   B. Business Level
   C. Functional Level
   D. None of these
   E. Board level

7. What is required by companies to meet changing condition in their industries?
   A. Strategy
   B. Vision
   C. Develop long term strategies
   D. Mission
   E. All the above

8. In large organization operational strategies are formulated at which level
   A. Corporate level

B. Divisional Level
C. Functional level
D. Business Level
E. All of the above

9. Which is not an advantage of strategic management
A. Helps organizations to be proactive.
B. Control their own destiny in better manner..
C. Identify available opportunity
D. Minimise threats in the marketplace
E. None of the above

10. Which is not a limitation of strategic management
A. Time Consuming Process
B. Difficult Estimation of competitive responses
C. Costly Process
D. Understandable complex environment
E. All of the above

11. Developing a vision and mission, identifying an organization's external opportunities and threats, and determining internal strengths and weaknesses are all ___________ activities.
A. strategy-formulation
B. strategy-implementation
C. long-range planning
D. short-range planning
E. None of the above

12. The means by which long-term objectives will be achieved are
A. mission statements
B. strategies.
C. vision statements.
D. long-term goals.
E. Goals

SOLUTION

1. E
2. A
3. C
4. A
5. B
6. A
7. E
8. C
9. E
10. D
11. A
12. B

CHAPTER FOUR
ORGANIC BUSINESS FUNCTIONS

A. HUMAN RESOURCES MANAGEMENT

Section contents

(a) Learning objectives
(b) Human resource in Organisations
(c) Meaning of Human Resource Management
(d) Components of Human Resource Management
(e) Functions of Human Resource Management/Department
(f) Human Resource Planning
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(i) Recruitment
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(k) Internal Recruitment
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(n) Analysis of Application Forms
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(p) Selection Interview
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(s) Objectives of Induction
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(u) Induction Procedures
(v) Job Analysis
(w) Definition of Job Analysis
(x) Methods of Job Analysis
(y) Uses of Job Analysis
(z) Job Description
(aa) Job Specification
(bb) Training and Development
(cc) The Training and Development Process
(dd) Training and Development Methods
(ee) Benefits of Training and Development
(ff) Performance Appraisal
(gg) Methods of conducting Performance Appraisal
(hh) Criteria for an effective performance appraisal system
(ii) Wages and Salaries Administration (Employee Compensation)
(jj) Objectives of Wages and Salary Administration
(kk) Principles of Wages and Salary Administration

(ll) Establishment of Methods of Compensating Employees
(mm) Designing and Implementing Incentive Schemes
(nn) Employee Discipline
(oo) Features of Effective Discipline
(pp) Objectives of Employee Disciplinary actions
(qq) Causes of Indiscipline in an organisation
(rr) Disciplinary Measures in an organisation
(ss) Industrial and Labour Relations
(tt) Collective Bargaining
(uu) Contents of Collective Agreements
(vv) Importance of Collective Bargaining
(ww) Grievance and Grievance Procedure
(xx) Review questions

Learning Objectives

After completing this section, the reader should be able to:

- Define human resource management
- Explain the meaning of human resources management.
- State and explain the components of human resources management.
- Explain the functions of human resources management
- Explain human resources planning and its processes.
- Explain recruitment, selection and placement.
- Explain job analysis, job design and job specification.
- Explain training and development.
- Explain performance appraisal.
- Identify methods and the criteria for effective performance appraisal.
- Explain wage and salary administration.
- Identify and explain components of wage and salary.
- Explain the objectives of wage and salary administration.
- Explain the principles of wage and salary administration.
- Identify the components of wage and salary administration.
- Explain employee discipline: meaning and its features.
- Explain the objectives of discipline and causes of indiscipline in an organisation.
- Explain industrial and labour relations. xix. Explain collective bargaining.
- Identify the grievance and dispute settlement procedures in an organisation.

A.1 Human resource in Organisations

Employees are the most important assets of an organisation. The terms 'human resource management' (HRM) and 'human resources' (HR) have largely replaced the term 'personnel management' as a description of the processes involved in managing people in organizations. This section focuses on how this asset is managed effectively to achieve the objectives of the organisation. Human resources management is an integral part of every manager's function as long as he/she has people working under him/her. In organisations with a large number of staff, a separate department often handles human resource function.

A.2 Meaning of Human Resource Management

Human resource management is defined as a strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives. Human resource management is defined as the totality of management decisions and actions that affect the relationship between the organisation and employees. Human resource management refers to activities, policies and the general function that relate to employees or the personnel department.

A.3 Components of Human Resource Management

In most organisations human resource management is grouped into several functions:
(i) Human Resource Planning.
(ii) Recruitment
(iii) Selection
(iv) Placement
(v) Induction.
(vi) Training and Development.
(vii) Performance Appraisal.
(viii) Employee Compensation.
(ix) Welfare Services and Benefits.
(x) Industrial Relation

A.4 Functions of Human Resource Management/Department

The functions of Human Resource Management (HRM) or Department include the following:

(a) **Manpower Planning:** This involves the planning for the future and finding out how many employees will be needed in the future by the business and what types of skills should they possess.

(b) **Job analysis and Job description:** HRM is also involved in designing the Job analysis and Job description for the prospective vacancies. A job analysis is the process used to collect information about the duties, responsibilities, necessary skills, outcomes, and work environment of a particular job. Job descriptions are written statements that describe the duties, responsibilities, required qualifications of candidates, and reporting relationship and co-workers of a particular job.

(c) **Determining wages and salaries:** HRM is also involved in conducting market surveys and determining the wages and salaries for different position in an organization. These decisions may be taken in consultation with top management and the Finance department.

(d) **Recruitment and Selection:** One of the most important functions of the HRM is to recruit the best people for the organization. This is of crucial importance as the success of any organization depends on the quality of its workforce.

(e) **Performance Appraisal:** Once the employees are recruited, the HR Department has to review their performance on a regular basis through proper performance appraisals. Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee.

(f) **Training and Development:** HR department is constantly keeping a watch over the employees of the organisation. In order to improve the efficiency level of the employees they have to undergo regular trainings and development programmes. All trainings and development needs are carried out by this department. Training might include on the job or off the job training.

(g) **Employee Welfare and Motivation:** Happy employees mean a healthy organization. HR Department conducts various employee welfare activities which might include employees get together, annual staff retreats etc.

(h) **Addressing Employees' grievances:** HR department is the link between the workers and the management. Employees' grievances in the work environment are usually entertained and resolved by the HR Department.

(i) **Labour Management Relations:** For the smooth operation of any organization, it is crucial to have good labour management relations. HR department has to ensure that these relations are cordial. In case of any labour-management conflict the HR Department will play a vital role in bringing both management parties to the negotiation table and resolving the issue.

(j) **Implementing organizational policies:** HR Department has to coordinate with line manager and see that the organizational policies are being implemented in a proper manner. Disciplinary action can be initiated against employees who are not following organizational rules and regulations. All these actions are conceived and implemented by the HR department.

(k) Dismissal and Redundancy: HR Department has to take firm actions against employees who are not following the organizational code of conduct, rules and regulations. This can result in the dismissal of the employee. Sometimes, an organization may no more require the services of an employee. The employee may be made redundant. HR Department has to see that organizational and government regulations are being followed in this process.

A.5 Human Resource Planning

Human Resource planning is the process of forecasting future human resource needs of an organisation so that steps can be taken to ensure that these needs are met (Stone & Meltz, 1983). It is the process by which managers ensure that they have the right number and kind of capable people in the right place and at the right time (Robbins & Coulter, 2007). Human Resource planning involves the following activities:

(a) Detailed analysis of the organisation's work force.
(b) Analysing and recommending policies and procedures for effective utilization of the organisation's labour resources.
(c) Forecasting future human resources needs.

(d) Matching labour demand and supply
(e) Developing strategies to meet the organisation's human resources needs
(f) Providing conditions that will enable employees grow in their jobs and advance their careers.

A.5.1 Steps in the Human Resource Planning Process

(i) **Identify organizational objectives:** Here, the human resource planner must define the objectives of the organization and the strategies for achieving them. These strategies may affect the following: organizational structure, marketing strategies, production systems, etc.

(ii) **Estimate human resource needs:** At this stage the human resource needs of the organisation for the period is forecasted. The manager is expected to estimate in precise terms the human resource (in terms of skills, quantity, experience, age, etc.) needed to achieve its objectives.

(iii) **Analyse existing human resources:** This stage consists of detailed inventory of the organisation's existing workforce in terms of number, skills, age, work experience, turnover rate, etc.

(iv) **Calculate net human resource needs for the period:** This is derived by deducting its existing workforce from the estimated workforce needed to achieve its objective.

(v) **Develop a plan:** This stage consists of developing policies and procedures to meet the net human resource requirement. The plan should spell out all the necessary activities such as recruitment, selection, training, compensation and career plans necessary to meet human resource needs:

Identify organisational objectives (where do we want to be?)

i. Where is the organisation going?
ii. What type of organisational structure is planned?
iii. What degree of growth and expansion is expected?
iv. What will be the future financial position of the organisation?

Estimate Human Resource Needs

i. What quantity of workers do we need?
ii. What type of skills do we need?
iii. Do we have the right mix of workforce to achieve our objective?

Analyse Existing Human resource

i. What mix of workforce do we have now (quantity, age, quality, skills, sex, experience, etc.)?

Calculate Net Human Resources Needs

i. What is the difference between our estimated human resource needs and existing human resource?

Develop a Plan

i. How do we meet our human resource needs?
ii. What sources do we have to use?
iii. How do we prepare to meet the skills required?

Figure 4.1: Steps in the Human Resource planning process

A.5.2 Importance of Human Resource Planning

(a) Human resource planning guides management in making the right decisions relating to the number and type of employees to recruit.
(b) It also helps the organisation to adapt to changing trends in the labour market and forecast employees needed to achieve its objectives.
(c) It helps the organisation to plan training and development programmes more

systematically.
(d) It helps to mitigate against high employee turnover
(e) The organisation will be able to estimate labour cost for budgeting purposes.
(f) Redundancies can be avoided as the right number of employees will be recruited for the right job and at the right time.
(g) Management can easily plan for employee benefits and welfare package.
(h) Management will be able to develop a standard or benchmark of performance for employees so as to monitor, evaluate and control human resource in the organisation.

A.6 Recruitment

Recruitment refers to all activities carried out to attract qualified applicants to fill vacancies in an organisation. Recruitment activities cover:
(a) Analysing job requirements
(b) Identifying sources of recruitment.
(c) Advertising the job vacancies
(d) Managing the response

A.6.1 Sources of Recruitment

The sources of recruitment can be classified into two: (a) Internal and (b) External.

Internal recruitment focuses on employing people from within the organisation. External recruitment, on the other hand, refers to the employment of people from outside the organisation.

A.6.2 Internal Recruitment

This is the recruitment of employees from within the organisation. Internal sources of recruitment are (a) Promotions (b) transfers (c) Job posting and (d) Job bidding (e) conversion (f) upgrading

(a) **Promotions:** When a vacancy occurs, existing employees whose qualifications and experience suit the vacant job could be promoted to the new position and status. The higher position require more skills and responsibility.

(b) **Transfer:** Transfer is the movement of a worker from one unit or department to another to fill a vacancy.

(c) **Job posting:** In this method, the vacancy is officially advertised and announced on the notice boards, house journal and memos in the organization, inviting interested qualified staff within the organization to apply.

(d) **Job bidding:** In this process whereby employees within an organisation can apply for vacant positions if they believe they are qualified. Employees are notified of vacancies through job postings. When the vacancy occurs, the bidders are considered for appointment.

(e) **Conversion:** In this method, a worker who is in a job cadre may be considered for conversion to another cadre if he possesses the required qualification for the new cadre.

For example, a janitor may be converted to clerical officer if he has acquire additional educational qualification for the clerical job.

(f) **Upgrading:** The status of an employee can be changed to a higher level on the acquisition of higher qualification. The difference between upgrade and conversion is that while upgrading occurs in the same job cadre, conversion happens in a change of job cadre.

A.6.3 External Recruitment

This has to do with the recruitment of employees from outside the organisation to fill vacancies. There are six sources of external recruitment:

(a) **Educational Institutions:** Some organisations recruit employees direct from universities, polytechnics and other educational institutions.

(b) **Unsolicited Applications:** Some organisations receive unsolicited application letters from people seeking employment. Some of these applications are kept in view and the applicants are communicated when there are vacancies.

(c) **Employee Referrals:** This refers to the use of existing employees to recommend qualified applicants to fill vacancies.

(d) **Employment Agencies:** An employment agency is an organisation that recruits employees for clients free of charge or for a fee. There are three types of employment agencies: Public employment agencies, private employment agencies and management consultancies.

(e) **Professional Organisations:** Professional bodies (e.g. Institute of Chartered Accountants of Nigeria, Chartered Institute of Bankers of Nigeria etc., may recommend members to interested organisations for employment.

(f) **Advertisement:** This is the recruitment of employees by advertising on the internet, newspapers, television, radio, etc.

Table 4.1: Advantages and disadvantages of internal and external sources of recruitment

Types of Recruitment	Advantages	Disadvantages
Internal	(i) It creates promotion opportunities for employees. (ii) It reduces the cost of recruitment. (iii) The internal applicant is better known than those from external sources – the selection process is therefore simplified. (iv) The organisation benefits from investment it made in training of employees. (v) There is less risk of making mistakes in selection because it is easier to appraise the performance of internal applicants. (vi) Increased employee commitment	(i) Qualified people may not be available within the organisations. (ii) A strict internal recruitment policy might lead to 'in-breeding' i.e. the perpetuation of old ways of doing things and stagnation of the organisation. (iii) The organisation may lag behind others within the industry which are recruiting people with superior skills from outside. (iv) Reduced talent pool (v) It can breed unhealthy rivalry
External	(i) It creates a large pool of people from which the organisation could recruit the best. (ii) It helps bring in better qualified people into the organisation. (iii) Reduced training costs (iv) It enhances workplace diversity	(i) It is an expensive source of recruitment. Cost incurred on external recruitment includes cost of advertising, interviews, selection tests, background investigation and medical examinations. (ii) The organisation could make the (iii)Wrong choice of employees.

A.7 Selection

Selection has to do with the process of identifying and choosing the most suitable person who meets the requirements for the job. A typical selection process consists of the following activities:

(a) Analysis of application forms.
(b) Selection Tests.
(c) Selection Interview.
(d) Background investigations.
(e) Medical Examinations.
(f) Offer and placement.

A.7.1 Analysis of Application Forms

Application form is a form on which a prospective applicant fills out details about himself or herself. It helps provide the background information, which can be used to carry out a preliminary screening for suitable applicants who meet the requirements of the organisation. Most application forms require the following information about applicants:

(a) Name of applicant.
(b) Interests, such as hobbies and other extra-curricular activities
(c) Date and place of birth.
(d) Nationality and hometown.
(e) Present address/e-mail address.
(f) Telephone number.
(g) State of health.
(h) Marital and family status.
(i) Education, qualification, courses, publications etc.
(j) Previous employer(s), job experience-post, salary, period, type of work, reasons for leaving.
(k) Position being applied for and reasons.
(l) References.

A.7.2 Selection Tests

A selection test is the process of assessing the present and potential ability of a prospective employee to do a job. Selection tests provide valuable and reliable information on the level of intelligence, personality traits, abilities, aptitudes and attainments of the applicant. Examples of selection tests are:

1. **Aptitude Tests:** This is used basically to measure the latent or potential ability of a person to do a job or specific task within a job. Aptitudes often tested include manual dexterity; numerical and clerical abilities.
2. **Intelligence Tests:** This is used to measure the ability of a person to reason logically, to remember or learn.
3. **Achievement Tests:** These are used to evaluate the proficiency of a person in the performance of a specific job. They are usually applied to experienced people who claim they know how to do something. For example, a typist could be given an achievement test in typing as a means of evaluating her performance.
4. **Personality Tests:** This measures the applicant's social interaction skills and general behaviour e.g. temperament, introvert extrovert etc.
5. **Psychological Test:** This helps selectors to determine applicants' abilities or characteristics. Selectors use this method to gain understanding of individuals so that they can predict the extent to which they will be successful in a job.

A.7.3 Selection Interview

Selection interview refers to the formal conversation between an employer and prospective employee to enable the employer assess the latter's suitability for a job. Selection interviews are used to *verify and clarify* information provided by the applicant on the application letter/form and *obtain further information* on the applicant's abilities; physical make-up; attainment; intelligence; interests; which will help to make a valid prediction about the applicant's suitability for the job.

However, there are problems with selection interviews. Some interviewers are biased and prejudiced, expecting to hear what they want to hear or expect to hear and might display emotional reaction to certain statements made by the applicant.

The outcomes of interviews depend a lot on the qualities *of the interviewer.* An interviewer must have a good knowledge of the position being interviewed for and good communication skills. If the interviewers do not possess these qualities there is likely to be a flaw in the final selection made.

A.8 Placement

Placement is the process of assigning a specific job to a selected candidate. It involves assigning a specific rank and responsibility to an individual. It requires matching the requirements of a job with the qualifications of the candidate.

A.9 Induction

This is the process of receiving and welcoming employees when they first join the company and giving them the basic information they will need to settle down quickly and happily and start work. The new employees are exposed to the culture of the organisation during this process.

A.9.1 Objectives of Induction

(i) To facilitate the integration of the new employees into the system at preliminary stages when everything is likely to be strange and unfamiliar.
(ii) To cultivate favourable attitude to the company in the mind of new employees so that they are more likely to stay.
(iii) To optimize productivity of new comers at the shortest possible time.
(iv) To reduce the likelihood of employees leaving the organization.
(v) To communicate to the new employees what ie expected of them, their responsibilities, alignment with company's vision and performance outcome.

A.9.2 Importance of Induction

(i) It reduces the likelihood of early exits from the organization, thereby saving the organization the costs of replacement, induction and error corrections by new comers.
(ii) Induction increases commitment of new employees.

(iii) Induction programmes help new comers maximize their individual contribution to the organization from the first day, thus, accelerating progress up the leaving curve.

(iv) Socialization: New comers are more likely to settle quickly and enjoy working with others in the organization, if the process of socialization takes place smoothly. This is achieved through induction programmes.

(v) It helps new employees settle in their role quicker.

(vi) It helps to establish good communication between managers and team members.

A.9.3 Induction Procedures

These vary among organizations. However, most induction procedures contain:

(i) **Reception:** Friendly receptions are organized to make new employees feel accepted.

(ii) **Documentation:** A staff is assigned to take new comers through documentation processes required by new comers.

(iii) **Employee Handbook:** Some organizations have staff handbooks which contain issues that may not have been spelt out in the letter of appointment.

(iv) **Initial Briefing:** This is handled by the Human Resources department or the head of department or unit of the new employee. The purpose is to clarify issues contained in the staff handbook or letter of employment.

(v) **Formal Induction Courses:** Some organizations conduct formal induction to convey consistent and comprehensive information relevant to the employee as a new comer.

(vi) **On-the-job Induction Training:** This is aimed at training inductees on how the job is to be done. This may be complemented with formal training programmes to provide new comers with additional relevant information.

A.10 Job Analysis

This section introduces you briefly to the key elements of job analysis and its use in managing people.

A.10.1 Definition of Job Analysis

Job analysis is the process of examining a job with a view to identifying its components and conditions under which it is performed. Job analysis examines the following aspects of a job:

(a) Activities/duties/responsibilities.

(b) Relative importance of the job.

(c) Relationship between the jobs and other jobs in the organisation.

(d) Knowledge, skills and attitudes required to perform the job.

(e) Conditions under which the job is carried out.

A.10.2 Methods of Job Analysis

Four main methods are used to collect job analysis data. These are (a) interviews (b) questionnaires (c) observations and (d) diaries. These are described in Table 6.1.

Table 4.2: Methods of Job Analysis

Method	Features
Interview	The job analyst obtains the data through detailed face-to-face Interviews of the jobholder.
Questionnaire	The jobholder or supervisor fills questionnaires on the activities, Knowledge, skills, and abilities required for the job and the conditions under which the job is carried out.
Observation	Here the job analyst directly observes the jobholder as he works. The observation could be face to face or through films or photographs.
Diaries	Under this the jobholder is required to keep details of his/her tasks on the job. These records are then collected for job analysis purposes.

A.10.3 Uses of Job Analysis

The result of job analysis helps managers to make decisions or develop policies and procedures in the areas as explained in Table 6.2.

Table 4.3: Uses of Job Analysis

Area/Function	Uses
Recruitment	Job analysis helps to define exactly the type of persons to be recruited to fill positions.
Selection	By specifying the knowledge, skills and attitudes of a person needed to fit a job specification, it helps to select the right person.
Training and Development	By specifying the knowledge, skills and attitudes required to carry out a job it helps to develop the right training programme.
Compensation Administration	Job Analysis data helps in job evaluation.
Performance Appraisal	Job specification provides criteria against which the performance of an employee could be measured.
Employee benefits and Services	During job analysis, hazards affecting the job are uncovered. This helps to devise effective ways to minimise or eliminate these hazards.

Area/Function	Uses
Industrial relations	Job descriptions influence collective bargaining over pay, working conditions and other terms of the collective agreement.

A.11 Job Description

This is the detailed statement of the activities involved in carrying out a specific job. A typical job description covers the following:

(a) Job Title.
(b) Place or location of the job on the organizational structure or hierarchy.
(c) Objective(s) purpose of the job and its relationship with overall company objectives.
(d) Supervisors to which the job occupant reports to and the subordinates who report to the job occupant.
(e) Duties or responsibilities attached to the job.
(f) Pertinent factors which influences performance of the job such as machines and equipment used, working conditions, constraints, hazards, etc.

Job description helps to establish the relationship between the job and other jobs. It also provides a summary of duties and responsibilities attached to the job. A simple sample of a job description is provided in fig. 6.2.

1. Position: Administrative Assistant
2. Job title: Secretary
3. Job purpose: To provide secretarial services to the Managing Director
4. Immediate superior: Managing Director
5. Immediate subordinate: Office Assistant/Messenger
6. Duties:
i. Typing simple correspondence.
ii. Filing of letters.
iii. Receiving and processing incoming mails.
iv. Receiving visitors.
v. Handling telephone calls.

Figure 4.2: A Sample of a job description

A.12 Job Specification

This has to do with interpretation of the job description in terms of the kind of person suitable for the job. A job specification covers such things as the education, experience, physical fitness, mental abilities, etc. required. Job specification helps the human resources manager to select the right type of person for the job and determine the training needs of current and potential occupants of the position.

Caselet: Stores Department of MTC Company Ltd.

Amen Ajayi has just been appointed head of the stores department of MTC Company Ltd. The department has ten employees with a mix of qualifications in purchasing, accounting, management, secretarial studies etc. He discovered that the employees have no clear job descriptions/work schedules, thus they keep asking him for instructions on what to do. Occasionally, arguments arose between the employees on who is to do what. Most of the staff have no idea of their relationship with each other, opportunities for advancement on the job, how their salaries were determined; and the skills they require to do their jobs.

Required:
Advise Mr. Ajayi on what is lacking in the department and what steps should be taken to address the problem

A.13 Training and Development

Training has been defined as the planned and systematic modification of behaviour through learning events, programmes and instruction which enable individuals to achieve the level of knowledge, skills and competence to carry out their work effectively (Armstrong, 2009). The author also defines development as the 'growth or realization of a person's ability and potential through the provision of learning and educational experiences'.

Training generally focuses on providing knowledge, skills and attitudes required immediately by the individual to carry out his/her job. Development focuses on the future – assisting the individual to grow on the job and prepare him/her for a career and increased responsibility. Training and development involves:
(a) Identifying an organisations training and development needs.
(b) Designing appropriate training programmes that will fill the identified knowledge, skills and attitude gap.
(c) Running training programmes.
(d) Evaluating the impact of training on the employees' performance and the organisation.
(e) Preparing employees for careers in the organisation.

A.13.1 The Training and Development Process

Training and development process is made up of five steps:

(a) **Training Needs Analysis:** Training needs are differences between employee's current or potential performance and expected performance which can be remedied by appropriate training. Training Needs Analysis is made up of two components: Assessment of Organisation Needs and Identification of Individual Needs.

Stages of training need analysis include data collection, interpretation, recommendation and action plan. Data collection involves gathering of data on current and desired knowledge and skills level. This could be done through design and distribution of questionnaires, extraction of relevant information from performance appraisal reports, job analysis, job description, job specification etc. From these data, knowledge and skills gap are identified and recommendations made on how they can be filled.

(b) **Setting the Training Objectives:** The objective(s) that the training is set out to achieve should be specific, measureable, and unambiguous for the trainer and the trainees to follow. There should be a clear understanding of what the company intends to achieve in organizing the training.

(c) **Drawing up of Training Programme:** Appropriate training curriculum and methods are designed to fill the knowledge and skills gap identified in (a) above.

(d) **Implementation of Training Programme:** At this point, the decision reached in (b) is implemented.

(e) **Evaluation of Training Programme:** This is aimed at assessing the impact of training programmes on trainees and the organization.

A.13.2 Training and Development Methods

Training methods are broadly categorized into three: (a) One-the-job (b) off the job and (c) on and off the job training

(a) *On-the- Job Training*: Here the training is incorporated into the work of the employee. He or she practices the job under close supervision of an experienced supervisor or worker until he is skilled enough to do the job alone. Examples of on-the-job training methods are as follows:

(i) **Demonstration:** Here, the trainer shows in a systematic manner the method of carrying out a specific job and allows the trainee do it himself.

(ii) **Understudy:** An understudy is a person who is training to assume, at a future date, the duties currently performed by his/her superior. An individual or group is assigned to assist a superior officer in the performance of his/her duties. When the understudy shows promise or talent he/she takes over when the superior is transferred, retired or is promoted to a higher position.

(iii) **Job Rotation/Planned Experience:** Job rotation is the practice of rotating people from job to job or from one department to another, or from one branch to another with a view to exposing them to new challenges and diversified skills.

(iv) **Project or Committee Assignments:** In this method, managers are assigned to projects or committees to carry out specific assignments. These assignments help to improve their decision- making skills and ability to organise resources.

(v) **Temporary Promotions:** To help some managers acquire the necessary managerial skills they are assigned higher responsibilities and made to carry out the challenging tasks of the higher position.

(b) *Off-the-job training*: As the name implies the employee is trained outside the organisation. Examples of off-the-job training are as follows: -

(i) Sponsorship for short courses organized by consultants and educational institutions.
(ii) Day releases to enable employees attend professional courses.
(iii) Distance learning
(iv) Computer based learning approved by the organisation.

(c) *On-and-off-the-job training*: This training combines the features of (a) and (b). The employee is trained outside, comes back to apply the skills on the job and goes back for further training. Examples of this type of training are:

(i) Internship.
(ii) Study tours.
(iii) Attachments.

A.13.3 Benefits of Training and Development

An organization with a good training programme derives the following benefits:

(a) **Improved Performance on the Present Job:** After a training programme, the employee's level of performance on the job increases.
(b) **Improved Morale:** Training programmes help to increase the morale and job satisfaction of trainees.
(c) **Reduction of Operational Problems:** Training helps to reduce operational problems such as accidents, high labour turnover, poor customer service, waste and excessive maintenance costs.
(d) **Increased Productivity:** By improving the standard of performance, quality of workmanship and morale of workers, training helps to increase production and hence, profits of the organisation.
(e) **Provision of Human Resource Needs:** The organisation fulfils its needs for certain type of skills without going out to recruit.
(f) **Reduced Supervision:** Well-trained workers need no close supervision – they need not be told what to do in every situation.
(g) **Improved Services to Customers:** Training exposes employees to new ideas and techniques, which help to improve service to customers and enhance the image of the organisation.

A.14 Performance Appraisal

Performance appraisal has to do with the process of monitoring an employee's performance on the job and his/her potential for development. Activities often included in this function are:

(a) Developing and administering appraisal systems.
(b) Counselling employees on their career plans

A.14.1 Methods of conducting Performance Appraisal

The appraisal methods currently in use include the following:

(a) *Descriptive essay:* Basically, this method requires the supervisor to write his impressions about the subordinate's performance in a narrative form.

(b) *Ranking**:*** In this method the supervisor compares each subordinate with his/her colleagues and ranks them in order of merit (using clearly defined job standards or criteria).

(c) *Assessment by co-employees:* Under this method, peers are made to assess their colleague's performance.

(d) *Rating Scale:* this is the oldest and most widely used of the appraisal systems. This system has four basic features:

  (i) A list of personality traits or qualities desired for a particular job is drawn up. Some of the desired traits and qualities often included in appraisal forms for staff are Job knowledge; Quality of work; Dependability; organization of work; Discipline; Strengths; weaknesses; initiative, attitude to work, decisiveness, creativity, emotional stability; leadership ability; availability and punctuality.

  (ii) Forms are designed to contain the personality traits.

  (iii) The rater is supplied with these forms, one for each person to be rated

  (iv) The rater observes the actual performance of the employee and ticks off on the form the traits which describe exactly his work performance.

In addition, the forms often include columns of job title, duties of appraisee, reasons for assigning specific ratings, current salary, present grade, age, qualification, courses being undertaken by appraisee details of absence and disciplinary actions taken against employee. Others are columns for signatures of employees; appraiser, departmental head and chief executive.

A.14.2 Criteria for an effective performance appraisal system

Successful performance appraisal systems have a number of common characteristics. The following discussion focuses on the criteria for a successful performance appraisal system:

(a) **Clear Appraisal Objectives:** The objectives of appraisal should be specific. An efficacious and best-in-class performance review system will always have specific appraisal attributes to match the employee's job description.

(b) **Accurate, Valid, and Reliable Data:** An effective performance appraisal system provides consistent, reliable, and valid data to help the management make strategic decisions. It furnishes data according to the goal that serves the purpose of performance appraisal and succession planning. Accurate data and insights ensure a fair and transparent performance appraisal system that earns the trust of your employees.

(c) **Well Defined Performance Criteria:** Effective performance appraisal system has standard and top-rated appraisal forms, rules, and appraisal procedures along with well-defined performance criteria and standards. For instance, you cannot rate a graphic designer based on a skill, which is not present in his/her job description.

(d) **Management and employee endorsement:** To be effective, the appraisal system should be supported by the entire work force. This includes management support for possible expenses such as additional training, employee meetings, and appraisal forms and other materials, and staff time.

(e) **Flexibility:** An organisation must design its system with enough flexibility to adapt to any changes that might occur.

(f) **Performance dialogue:** Performance discussions between the rater and the employee are perhaps the most critical component of a successful performance appraisal system.

(g) **Periodic system checks:** Systematically evaluating the validity of the performance appraisal system should be a key feature.

(h) **Less Time Consuming:** Effective performance appraisal systems are designed to be economical and less time-consuming to get maximum benefits. HR personnel need not waste all their valuable time only on the managerial tasks. With a good performance appraisal system, they can spare time and effort to focus on other important and productive jobs.

(i) **Post Appraisal Interview:** A post appraisal talk should be arranged between employees and immediate superior to exchange feedback. This helps the organization to learn about the problems and difficulties the employees facing and discover suitable training. Action should be taken on the feedback of employees to build mutual trust between the employees and the management.

(j) **Continuous Feedback:** Modernized performance appraisal systems are the most effective ones. The system is not an annual process anymore, but a process that happens throughout the year. The ratings at the end of the year are not a surprise to the employees because of the continuous feedback delivered by managers on the employees' performance. This allows the employees to fill the gaps in their performance and skills. Managers can also arrange development plans that suit his/her team members.

(k) **Measure significant behaviour:** The behaviour of the employees that are relevant to the job should be taken into account during the appraisal process, not his/her personal behaviour. An employee should be evaluated based on the competencies and his/her ability to achieve the goals, not on his problems with colleagues or attitude, which is irrelevant to the job.

A.15 Wages and Salaries Administration (Employee Compensation)

Wage and salary administration is a collection of practices and procedures used for planning and distributing company-wide compensation programs for employees. These practices include employees at all levels and are usually handled by the accounting department of a company. Most organisations pay a lot of attention to employee compensation issues because labour costs are increasingly growing as a result of pay increases arising out of employee agitations. Employee compensation is also directly related to employees' job satisfaction, morale and motivation. The root cause of most labour/management conflicts is often disputes over compensation. It is therefore necessary to pay attention to compensation issues.

Employee compensation, simply put refers to rewards given to employees in return for the services they offer to the organisation. Compensation has two primary areas—benefits and salary administration. In many organizations, payroll is a function of the accounting department. In other organizations, payroll is placed in compensation.

A.15.1 Objectives of Wages and Salary Administration

The main objective of wage and salary administration is **to establish and maintain an equitable wage and salary system**. This is so because only a properly developed compensation system enables an employer to attract, obtain, retain and motivate people of required calibre and qualification in his/her organisation. Core objectives of wages and salary administration in any organisation are embedded in the following activities:

(a) Reward employees according to the effect and merit.

(b) Attract and retain the services of desirable employees.

(c) Get improved employee morale and productivity.

(d) Keep labour cost within reasonable limits so as to safe guard the interests of shareholders, competitive worth of the org and its product and profitability.

(e) Pay employee according to the importance and difficulty of the job.

(f) Facilities payroll administration, budgeting and wage and salary control.

(g) Explain to the employees how and why they are paid.

A.15.2 Principles of Wages and Salary Administration

When establishing the general level and structure of wages and salaries in an organisation, the following factors are taken into consideration:

(i) **Ability to Pay:** Since wages and salaries are paid out of the revenue of the organisation, the compensation given to employees must be determined by the level of its financial performance. An organisation which offers higher wages and salaries than it can afford risks losing its competitiveness in the industry.

(ii) **Government Minimum Wages:** The level of wages and salaries in most private or public sector organisations is influenced by government minimum wage legislation.

(iii) **Wages and Salaries paid by competitors.** The level of wages and salaries paid by organisations in the private sector is sometimes influenced by the rates paid by competitors.

(iv) **Terms of Collective Agreement:** In unionized organisations, the level of wages paid by employers is governed by the collective bargaining agreement signed between employee associations and management.

(v) **Availability of that Type of Labour:** The compensation paid to specific employees may be influenced by the scarcity or otherwise of the skills possessed by these employees. Where the skills are scarce in the labour market, employers are often prepared to offer higher compensation to attract and retain such employees.

(vi) **Qualifications:** Some organisations' wages and salary structure are closely tied to the qualification of employees. The higher the qualification the better the pay.

(vii) **Job Evaluation Results:** The relative value of each job and the relationship among the wages offered for jobs in an organisation may be determined by job evaluation.

A.15.3 Establishment of Methods of Compensating Employees

There are many methods of remunerating employees. The most popular are *Piece rate,* by which employees are paid on the basis of output and Time *rates, by* which employees are paid on the basis of time spent on the job.

(a) **Piece Rate (Payment by Results):** Under the piece rate system the worker is paid in direct proportion to his/her output. This method is used where the output of each worker can easily be measured and a relationship between the employee's effort and output could be established; the job is standardized, repetitive and work flow is regular.

(b) **Time Rate:** Under a time rate system, the employee is paid according to the time spent on the job. This method of remuneration is used where it is not easy to measure or distinguish units of output; workflow is irregular and beyond the control of employees; and it is not easy to establish a relationship between employee's effort and output.

A.15.4 Designing and Implementing Incentive Schemes

Incentives refer to rewards made to employees (in addition to their normal pay) with a view to motivating them to increase their performance. Financial incentives pay systems often used are as follows:

(a) **Piece Rate:** In this system a standard 'piece rate' is established by management and the pay of the individual employee is determined by multiplying the number of units produced by the piece rate.

(b) **Stock (Shares) Ownership Plans:** Under this system, employees are allotted the company's shares, and are entitled to receive dividends.

(c) **Commission:** There are several variants of financial incentive pay systems based on commission, but, generally the employee is rewarded on the basis of sales volume. The higher the volume of sales made by the employee the higher the commission paid to him. Most salesmen are rewarded through commissions.

(d) **Bonuses:** This refers to rewards offered to employees at periodic intervals for high performance. In some organisations, the bonus is paid across board to every employee in the organisation (or a department/section) when profits are good.

(e) **Profit sharing:** In this case, employees share in the financial gain resulting from increased productivity or added value.

A.16 Employee Discipline

To maintain discipline is to make sure that everyone obeys and complies with the rules and regulations for the collective smooth running of the organisation. In doing so, exceptional behaviours are recognised and rewarded and bad ones are identified and given different degrees of punishment.

We define discipline as the situation where people obey rules or standards of behaviour established by the organisation. Disciplinary procedures refer to the procedures or logical steps to be taken before disciplinary action is taken against an employee who infringes the rules or standards of behaviour. The process of effectively punishing errant, unacceptable and deviant behaviours and actions among employee is known as disciplinary action.

The disciplinary policy should state that employees have the right to know what is expected of them and what could happen if they infringe the organization's rules. It would also make the point that, in handling disciplinary cases, the organization will treat employees in accordance with the principles of natural justice. The company is responsible for ensuring that up-to-date rules are published and available to all employees.

A.16.1 Features of Effective Discipline

Discipline can only be effective if, in the presence of both the worker and the employer, it is seen to be applied fairly with the framework of the laid down legislation. To ensure that discipline is applied fairly, procedural and substantive fairness is very important. The most important features that ensure procedural fairness is given below:

(a) **The offence:** The employee must be informed of the nature of the offence and the details of the complaint.

(b) **Timely discipline:** The disciplinary action must be taken within a reasonable period after the offence has been discovered. If the management does not act timely, it may seem that the behaviour is being condoned.

(c) **Nature of hearing:** It is important that the employee should receive notification of the hearing date sufficiently in advance, so that he can make necessary preparations for his defence.

(d) **Representative:** It is the worker's right to have a representative of his choice at the hearing. It could be any another worker who agrees to do so.

(e) **The right to state his case or to defend himself:** If he so prefers, a worker has the right to defend himself and to take up his own defence without a representative.

(f) **The right to call witnesses:** The worker may call any witness to strengthen his defence.

The same holds for the complainant. Written eveidence is also acceptable. Everyone who stands as witness can be cross examined by the other party to verify his evidence that it is true.

(g) **The right to call an interpreter:** Any worker has the right to use an interpreter, if he is not familiar enough with the language in which the case is heard.

(h) **The right to a finding:** The worker must be informed of whether he is guilty or not guilty; and has also the right to be fully informed of the facts and reason leading up to the finding.

(i) **Previous service record:** A worker has the right to have his previous service record taken into account for the sentence. Therefore, it is part of the fairness of a trial that a worker can plead mitigating circumstances in the light of his service record.

(j) **The punishment:** The worker must be informed of the punishment he will receive. The disciplinary measure that is applied must, therefore, also be conveyed to him, such as a final warning.

(k) **Appeal:** The worker has the right to appeal, id he is found guilty of an offence that can lead to a written warning and his dismissal

Other Features of an Effective Disciplinary Processes

(i) A disciplinary procedure is directed against the worker's behaviour rather than the person.
(ii) Disciplinary action should be preceded by advance warning.
(iii) Consistency in the disciplinary procedure is key. Inconsistency lowers morale, diminishes respect for the supervisor and leads to grievances.
(iv) Supervisors should take steps to ensure impartiality while applying the discipline.
(v) Ordinarily, the supervisor should administer discipline in private. Only in the case of gross insubordination or flagrant or serious rule violation is a public reprimand is used so that the supervisor regains control of the situation.

A.16.2 Objectives of Employee Disciplinary actions

The purpose of disciplinary action is to correct, not to punish, work related behaviour. Each employee is expected to maintain standards of performance and conduct as outlined by the immediate supervisor and to comply with applicable policies, procedures and laws. When an employee does not meet the expectations set by the supervisor or other appropriate authority, counselling and/or disciplinary action may be taken to address the employee's behaviour. However, the objectives are to:
(a) gain willing acceptance of the rules, regulations, standards and procedures of the organisation front the employees.
(b) promote morale and efficiency among the workers.
(c) develop the feeling of cooperation among the workers.
(d) develop a sense of tolerance and respect for human dignity.
(e) maintain good industrial relations in the organisation.

A.16.3 Causes of Indiscipline in an organisation

Common Disciplinary problems that often attract disciplinary hearings have been classified by Nankerus, Compton and McCarthy (1998) as attendance problems, dishonesty and related problems, work performance problems and on- the-job behaviour problems:

(a) **Attendance problems:** These include unexcused absence, chronic absenteeism and unexcused/excessive tardiness.

(b) **Dishonesty and related problems:** These include financial fraud, theft, falsifying employment application, willfully damaging organizational property and falsifying work records.

(c) **Work performance problems:** These refer to failure to complete work assignments, producing substandard products or services and failure to meet established production requirements.

(d) **On- the- job behaviour problems:** These cover issues like intoxication at work, insubordination, horseplay, smoking in unauthorized places, fighting and gambling. Others are failure to use safety devices, failure to report injuries, carelessness, sleeping on the job, using abusive or threatening language with supervisors, possession of narcotics or alcohol, possibility of firearms or other weapons and sexual harassment.

A.16.4 Disciplinary Measures in an organisation

The popular disciplinary measure give to guilty workers are as follows:

(a) Verbal warning
(b) Written warning
(c) Reprimand
(d) Serious written warning
(e) Loss of pay for the corresponding period the worker is not on duty
(f) Withholding od deferment of increment
(g) Reduction in salary
(h) Interdiction: placed on half salary
(i) Demotion/reduction in rank
(j) Suspension
(k) Transfer
(l) Termination of appointment
(m) Retirement
(n) Dismissal

A.17 Industrial and Labour Relations

This has to do with coordinating relations between the organisation and employee groups. Major activities carried out in this function are:

(i) Collective Bargaining.
(ii) Implementing Collective Agreements.
(iii) Designing and implementing grievance handling and trade dispute settlement systems.
(iv) Designing and implementing disciplinary procedures.
(v) Enforcing relevant provisions of the labour laws in the organisation.

According to Dunlop (1958), Industrial Relations is ‘‘a system or web of rules regulating employment and the way people behave at work’’. Key parties in industrial relations are:

(a) **Employers:** In most cases, employers are represented by the management of their respective organizations. In order to strengthen their position in the relationship with employees, employers often form groups known as Employers Association (also called Employers Organisation), which are made up of employers in the same industry or geographical location.
(b) **Workers:** To improve their bargaining position in industrial relations, workers often come together to form what is known as trade unions and senior staff associations. These are collectively known as Employees Association.
(c) **Government:** The government in most countries including Nigeria, Ghana and Liberia provides the legal framework for industrial relations. The government also acts as an arbiter in the resolution of industrial disputes.

A.17.1 Collective Bargaining

Collective bargaining has been defined as negotiations about working conditions and terms of employment between an employer, a group of employers and one more employer organisation on the one hand and one or more representatives of workers organisations on the other with a view to reaching agreements. The main subjects discussed during collective bargaining are wages/salaries; terms of employment and conditions of service. The main objective of the collective bargaining process is to draw up an employment contract i.e. *collective agreement*.

A.17.2 Contents of Collective Agreements

Most collective agreements contain the following provisions:

(a) A statement recognizing a union as the sole representative union in the organisation concerned.
(b) Definitions of the various terms used in the agreement.
(c) Valid period of the agreement; often between one to three years.
(d) How notices for renegotiation of the agreement may be given by either side.
(e) Recognition of the concept of union shop by management and the categories of employees the agreement covers.
(f) Agreement by management to deduct union dues from source through the check- off system.
(g) Responsibilities of parties to the agreement.

(h) Purpose and intention of both parties in entering into the agreement.

(i) How employees may be treated. Often Collective Agreement states that all employees engaged shall be informed in writing at the time of engagement of the following: Grade, Salary, Effective date of appointment, Job title, Department assigned and Probation period.

(j) A statement that all employees shall provide their full personal details, such as: age, hometown, previous employer, marital status; names and dates of birth of children, next of kin, etc.

(k) Rules and regulations governing Salary increments, Probations, Termination of appointments, Promotions, Transfers, Overtime and Discipline.

(l) Remuneration and other financial compensations, which should be given to employees. These include incentives, wages/salaries and allowances.

(m) Rights and privileges of employees whilst in the service of the firm.

(n) Employee welfare facilities such as Housing, Medical facilities, Accommodation, Recreational facilities and Canteen Facilities.

(o) Compensation for injuries during the course of employment.

(p) Benefits and rights accruing to employees leaving the service of the firm through Resignation, Termination of appointment, Redundancy, Death and Retirement.

(q) A statement that the firm shall offer facilities or grant permission for lawful Trade Union activity.

(r) Grievance procedure and how disputes may be resolved.

A.17.3 Importance of Collective Bargaining

Collective Bargaining has benefited all the three parties in the industrial relations tripartite arrangement:

(a) It has offered employees an avenue through which they could influence decisions which affect their lives; win fair prices for the efforts of labour and legal recognition for labour contracts.

(b) Employers have gained from the collective Bargaining process because it offers a means of resolving conflicts and managing change and a chance to gain the cooperation of employees in the implementation of organisational objectives.

(c) For the government, the collective bargaining process has offered a means of exercising its regulatory role over the industrial relations system and protecting economic, social and political rights of citizens in wage employment.

(d) It promote industrial harmony so that strikes and industrial actions can be avoided.

(e) It promotes industrial democracy. Employees are better engaged in decision making.

(f) It creates channel for open communication between employers and employees. This process helps to allay the fears and possible resistance of the employees to management policies.

A.17.4 Grievance and Grievance Procedure

A *grievance* arises when an employee complains formally that his rights under the collective agreement have been violated. The process through which grievances are amicably settled is called *grievance procedure*. In most collective agreements, the following grievance procedure is adopted.

(a) The affected employee shall first seek timely redress from his immediate superior i.e. immediate management representative.
(b) If the employee is not satisfied with the decision he receives in (a) above he shall refer the matter to a union official who shall investigate the facts of the case and if justified under the terms of the collective agreement, bring the matter to the notice of the management representative for a timely redress.
(c) If the matter is not resolved in (b) above, the union official shall refer the matter to the Branch Secretary who will seek redress from the appropriate departmental head of the firm.
(d) Failure to get settlement after step, (c) the matter is reduced to writing and referred to the Regional Industrial Relations Officer of the Union who shall arrange a meeting with the appropriate departmental head to solve the matter.
(e) If the matter is not resolved between the Regional Industrial Relations Officer of the Union and the appropriate departmental head of the firm, attempt shall be made to have the matter settled between the headquarters Secretariat of the Union and the Chief Executive of the firm before referring it to the standing Joint Negotiating Committee.
(f) If the matter is still not resolved, recourse to voluntary arbitration shall be made, after which the matter shall be dealt with in accordance with the provisions of the Labour Act.
(g) If all internal dispute resolution mechanisms fail, the labour law provides the following means through which disputes can be resolved:
(i) **Conciliation:** This is an attempt to resolve disputes in an informal discussion to help parties in the dispute reach an agreement. A third party, called a Conciliator is appointed to facilitate the discussion.
(ii) **Arbitration:** In this case, parties put issues to a third party for determination. However, parties to the dispute agree in advance to accept the arbitrator's decision before its final resolution. In Nigeria, an Industrial Arbitration Panel (IAP) will be constituted for this purpose. The Trade Disputes Act of Nigeria also provides for the establishment of the National Industrial Court (NIC) which has exclusive jurisdiction on settlement of trade disputes.
(iii) **Mediation:** In this case, formal, but non-binding recommendation or proposals are submitted for consideration by both parties.

The number of channels, the parties involved and the time allowed for the resolution of grievances vary from one organization to another. This procedure also covers the resolution of disputes arising from relationships between workers in an organization.

Summary

Human resource management has to do with all activities that relate to the management of an organisation's human resources. The core activities carried out under human resources are human resource planning, recruitment and selection, performance appraisal, welfare services and benefits, employee compensation and industrial relations. Human resource planning seeks to forecast the labour requirements of an organisation and prepare for it. Recruitment and selection

focus on ensuring that the organisation has the right labour resources. Welfare services and benefits seek to motivate employees to work hard by providing them with some basic services such as canteen, accommodation and transport. Employee compensation relates to financial rewards given to employees for their efforts. Under industrial relations the Human Resource Manager seeks to ensure good relations, between the organisation and its employees. Industrial relations cover collective bargaining, grievance procedure and worker participation in management.

Review Questions

MULTIPLE CHOICE QUESTIONS

1. The following are functions of Human Resources Management, EXCEPT:

A. Employee compensation
B. Training and development
C. Payroll administration
D. Industrial relations
E. Performance appraisal

2. Which of the following activities is a component of Human Resources Planning activities?

A. Estimation of Human Resources Needs
B. Development of effective grievance procedure
C. Forecast of future production and sales levels
D. Outsourcing of training and development activities to Consultants
E. Post training evaluation

3. A statement of minimum qualification that a person must possess to perform a given job successfully is known as:

A. Job Analysis
B. Job Specification
C. Job Description
D. Job Evaluation
E. Job Design

4. Which of the following is **NOT** a source of internal recruitment?

A. Promotions
B. Intranet Advertisement
C. Advertisement on the organisation’s notice board
D. Advertisement on the organisation’s corporate website
E. Job bidding

5. The following are components of Training and Development process, **EXCEPT**

A. Assessment of organization and individual needs
B. Drawing up of training programme
C. Implementation and management of training programmes
D. Post-Training evaluation
E. Succession planning

Which of the following is not an external source of recruitment?
A. Employment Exchanges
B. Data Banks
C. Labor contractor
D. Transfer
E. Institutions

Which of the following aspect is concerned with working conditions and amenities such as canteens, crèches, housing, transport etc.
A. Industrial relations aspects
B. Labor aspect
C. Welfare aspect
D. Monetary aspect
E. Salaries and wages aspect

The process of familiarizing the new employees to the organisation rules and regulations is known as-
A. Placement
B. Induction
C. Recruitment
D. Selection

Quantitative job evaluation method are-
A. Ranking method
B. Point rating method
C. Factor comparison method
D. Both (b) and (c)
E. 360^{o} method

Qualitative job evaluation method are-
A. Ranking
B. Grading
C. Point Rating
D. Both (a) and (b)
E. Supervision

SHORT ANSWER QUESTIONS

1. The process of developing the applicant's pool for job openings in an organization is called___________?
2. …………..It is concerned with the determination of the number of personnel required in an organization.
3. An organization of employees where primary purpose is to negotiate with employers about terms and condition of employment is …………………

4. A rational approach to determining knowledge and skills gap of individual in an organization is called ……………………..

5. Complaints made by an employee about wages, conditions of employment or action of management is called …………………………
6. The technique used for determining the size of one job compared with another and the relationship between two jobs is ……………………

7. A process whereby a third party attempts to promote an agreement between parties in a dispute by exploring any common ground which may lead to a settlement is called …………………

8. ------- is the systematic, periodic and impartial rating of an employee excellence in matters pertaining to his present job and his potential for a better job.

9. The term ………. Refers to a condition in the organization where employee conducts themselves in accordance with the organizations rules and standards of acceptable behaviour.

10. ……….. is the process of negotiation between employers and the representatives of a unit of employees aimed at reaching agreements that regulate working conditions

SOLUTIONS

MULTIPLE CHOICE QUESTIONS

1. C
2. A
3. B
4. D
5. E
6. D
7. C
8. B
9. D
10. D

SHORT ANSWER QUESTIONS

1. Recruitment
2. Human Resource Planning
3. Trade Union
4. Training Need Analysis
5. Grievance
6. Job Evaluation
7. Conciliation
8. Performance appraisal
9. Discipline
10. Collective bargaining

SECTION B: PRODUCTION MANAGEMENT

Section contents

Learning Objectives

After reading this section, the reader should be able to:

- Define production.
- State the objectives of production.
- Define production management.
- State factors to consider in plant location.
- State and explain the functions of production management.
- Define plant layout.
- State the objectives of plant layout.
- State the principles of plant layout.
- State the factors that can influence plant layout.
- Explain production systems and their features.

B.1 Meaning of Production

Production is defined as the step-by-step conversion of one form of material into another form through chemical or mechanical process to create or enhance the utility of the product to the user. Thus production is a value addition process. At each stage of processing, there will be value addition. Production mainly deals with conversion of raw materials to final, useful and desirable output. Output in this case can be either product or services. Product refers to tangible products/items we buy to satisfy our wants and needs; for example, food, furniture, fuel, books and clothing, etc. Services have to do with *intangible products/items* we patronize to satisfy human wants and needs; for example, healthcare, entertainment, telephone services, and sports, etc.

One of the major aspects of production is known as process. Process deals with transformation of inputs (raw materials, money, machines, labour, information, etc.) into products and services. Hence, production is defined as the process of transforming *inputs* into *outputs* (goods and services) using a production system.

A production system, therefore, has to do with any environment within which inputs are transformed into products and services. Production systems are found in Agriculture, Industry, Commerce and Direct services. The production system has the following characteristics:

(a) Production is an organized activity, so every production system has an objective.
(b) The system transforms the various inputs to useful outputs.
(c) It does not operate in isolation from the other organization system.
(d) There exists a feedback about the activities, which is essential to control and improve system performance.

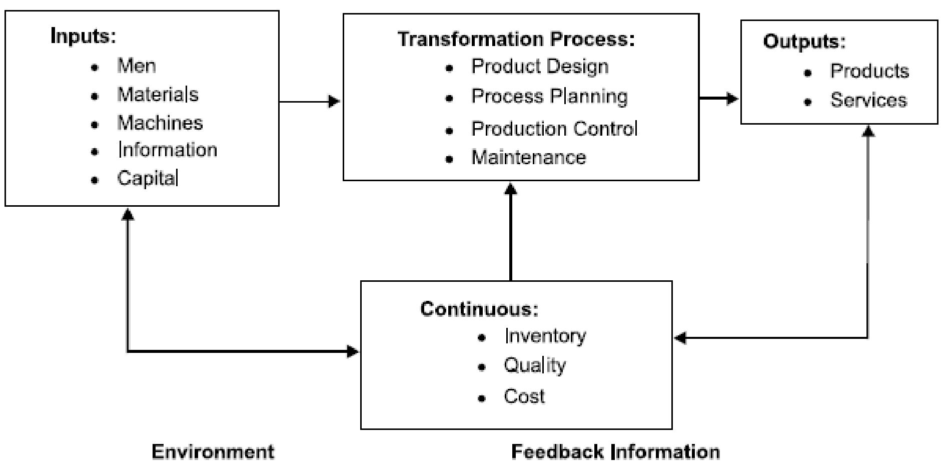

Figure 4.3: The production process

B.2 Production Management

Production management may be defined as managing the resources in an organisation, which are devoted to the transformation of inputs into goods and services. It is that part of an organization, which is concerned with the transformation of a range of inputs into the required (products/services) having the requisite quality level.

The set of interrelated management activities, which are involved in manufacturing physical products, is called as **production management**. When the same concept is extended to services management, then the corresponding set of management activities is called as **operations management**.

Table 4.4: Comparing production and operations management

Production management	Operations management
1. It is concerned with manufacturing	It is concerned with services
2. Output is tangible	Output is intangible
3. In this, job useless labour and more equipment	In this, job use more labour and less equipment
4. There is no customer participation	Frequent customer participation

B.3 Objectives of Production Management

The objective of the production management is 'to produce goods services of right quality and quantity at the right time and right manufacturing cost'.

(a) **Right Quality:** The quality of product is established based upon the customers' needs. The right quality is not necessarily best quality. It is determined by the cost of the product and the technical characteristics as suited to the specific requirements.

(b) **Right Quantity:** The manufacturing organization should produce the products in right number. If they are produced in excess of demand the capital will block up in the form of inventory and if the quantity is produced in short of demand, leads to shortage of products.

(c) **Right Time:** Timeliness of delivery is one of the important parameter to judge the effectiveness of production department. So, the production department has to make the optimal utilization of input resources to achieve its objective.

(d) **Right Manufacturing Cost:** Manufacturing costs are established before the product is actually manufactured. Hence, all attempts should be made to produce the products at pre-established cost, so as to reduce the variation between actual and the standard (pre-established) cost.

B.4 Functions of Production Management

In large organisations production management involves the following major functions:

(a) **Deciding on type of Production System to use:** Production systems are broadly classified into three, namely: intermittent/job, continuous/flow and repetitive manufacturing/batch. The production department often decides on the right production system to use to meet the objectives of the organisation and the needs of its customers.

(b) **Planning the location of the organisation's facilities:** Location refers to the geographical area or site where the business is based. Location is important because of three basic reasons: In the first place, it affects the cost of production. Secondly, it influences the organisation's access to market. Thirdly, it could influence the production system and arrangement of machines and facilities selected.

(c) **Planning the plant layout and design of organisation's facilities:** Plant layout refers to the arrangement of machines and facilities to facilitate the transformation of inputs into good and services. Machines, stores, maintenance facilities, wash rooms, waste disposal sites, rest rooms, inspection bays and sick bays etc. must be located at convenient and accessible points in the organisation. A good plant layout facilitates movement of all resources used by the organisation (labour, equipment, raw materials, and visitors to the premises), improves safety, security and supervision of the production process.

(d) **Planning and Controlling the Production Process:** Before production takes off, the production department has to decide what to produce, where to produce, and the sequence and timetable for processing customers' orders. This activity is called production planning. Production control monitors the production process from the input to the finished stage. Key activities involved here include monitoring the use of machines, inventory, cost of production and quality management.

(e) **Research and Development of new products:** The production department may be responsible for basic research and producing prototypes of new products being developed.

(f) **Maintenance of facilities of the organisation:** During the course of time, the production facilities of an organisation i.e. factory buildings, equipment, etc. wear and tear or deteriorate. This affects their efficiency and output. Maintenance minimises the deterioration of these facilities and ensures that they are operationally ready all the times. There are three major maintenance policies an organisation could adopt. These are preventive, breakdown and shut down.

(g) **Deciding on the appropriate replacement strategy to employ:** As machine and equipment are being maintained over years, wear and tear sets in. However, there is a stage in the maintenance lifetime of a machine that the cumulative cost of maintenance will equate the cost of acquiring a new machine and equipment. At this point it is expected that such machine be replaced. Meanwhile, this is applicable mostly to items that fail gradually (fixed assets, machine and equipment). On the other hand, taking a replacement decision on items that fail suddenly (electric bulbs, fan belts, compressors, etc.), it is either components are bought and replaced as they fail, or replace massively at regular intervals, or a combination of the two options.

(h) **Ensuring compliance with health and safety procedures:** The human resource department has oversight responsibility for health and safety policies and procedures throughout the organisation but it is the production department that enforces these policies and procedures at the shop floor. The production department's role in health and safety includes enforcement of safety policies and procedures, training of operatives in health and safety. Others are risk assessment of employees and the work environment, providing hazard and risk information to operatives in the production department and other employees.

B.5 Plant (Facilities) Location

One of the most important and strategic decisions that often confront many business organization is the sitting of their production – distribution – storage facilities such decisions to take involves where to site a new plant or warehouse with a given geographical area. In taking such decision, it has been concluded that there are no clear-cut best location, but rather there are several good locations, this is because each site option has its strengths and weaknesses, so that it becomes a trade off decision. The basic fundamental objective in locating facilities is to minimize cost and maximize profit.

Locating plants around a particular and existing industrial area helps to reduce cost of production. It will, therefore, no longer be mandatory that electricity, water, telephone and other facilities are produced, because these might be there already.

B.5.1 Factors Influencing Plant Location

There are several factors that influence the location of an organisation's facilities, namely:

(a) **Availability of Raw Materials:** Location near the source of raw materials may help to reduce cost of production.

(b) **Government Policy:** Government sometimes designate certain areas for locating all or some types of facilities. This is done either by fiat or persuasion through the introduction of incentives such as tax concessions or investment grants to firms that locate in certain areas. Through the creation of free trade zones/export processing zones and investment codes, some governments in West Africa have been able to influence production facilities' location.

(c) **Proximity to Market:** This is particularly critical for organisations that produce delicate or perishable products or offer services.

(d) **Commercial and Social Infrastructure:** This refers to facilities like transport, water, electricity, telecommunications, postal services, financial services, markets and schools.

(e) **Characteristics of the Site:** The site is the actual place an organisation selects to locate its facilities.

(f) **Nearness to market:** The nearness of business to its customers is an important factor as the question to answer is how easy is the customers able to find your product.

The other factors influencing the selection of a site include: -

(i) Location of competitors.
(ii) Cost of the site - rent, cost of leasing/purchase.
(iii) Size - possibility of further expansion.
(iv) Utility services - electricity, water, telephone etc.
(v) Convenience and accessibility of the site.
(vi) Disposal facilities for waste products.
(vii) Traffic density and parking space.

B.6 Plant layout and design

In a factory, office and any place where people work, raw materials, equipment and people should be able to move freely during the production process. Employees should be able to move from one workstation to another, exchange information and enjoy reasonable security and comfort while they work. These could be achieved with a planned layout and careful design of the organisation's facilities. There are three main types of layout- product (line or flow), process (functional) layout and fixed position layout.

B.6.1 Objectives of Plant Layout

The objectives of plant layout are:
(a) Produce Better quality Product
(b) Maximum Utilization of Floor area
(c) Reduce Internal Transport
(d) Lighting and Ventilating of Areas
(e) To minimize Scrap and Waste
(f) Lesser number of Accidents
(g) Minimize Production Delays
(h) Avoid unnecessary changes
(i) To have easy supervision and control
(j) Neatness

B.6.2 Principles of Plant Layout

The six principles of plant layout are given as follows:

(a) **Principle of overall integration:** All other things being equal, best layout is one which integrates men, materials and machines in the best possible manner.

(b) **Principle of minimum movement:** All other things being equal, best layout is one which results in minimum movement of men and material in the plant.

(c) **Principle of flow:** All other things being equal, best layout is one which provides for smooth and uninterrupted flow of men and materials.

(d) **Principle of space utilisation:** All other things being equal, best layout is one which make best use of available cubic space.

(e) **Principle of comfort and safety:** All other things being equal, best layout is safe and comfortable for employees working in plant.

(f) **Principle of flexibility:** All other things being equal, best layout provides flexibility.

B.6.3 Factors Influencing Plant Layout and Design

The following factors influence the Plant layout and design of an organisation:

(a) *Headroom*: Headroom here refers to the distance between the factory floor and the ceiling. The height of the headroom depends on the type of material handling equipment used. Tall material handling equipment, e.g. cranes requires high headroom. It also depends on the size of the final product. An aircraft assembly line for instance, requires high headroom because of the size of aircrafts.

(b) *Access*: Access means ease of movement. The factory should be desig4bned in such a way that it will facilitate the free movement of men, materials and machines. The smooth flow of a production process might be impeded if accessibility is poor.

(c) *Service required*: Services often required for the efficient operation of an organisation include electricity, telephone and water. Others are computer terminals, fire-prevention equipment, warehouses and repair workshop. The organisation must determine the number, kind and location of these services so that the architect will incorporate them in the design of the building.

(d) *Disposal of Waste*: Most production processes generate some waste products. The design should incorporate within it efficient methods of disposing of these wastes without infringing local laws governing environmental pollution.

(e) *Ventilation*: The design should allow adequate ventilation through the building. This is particularly important in production processes that generate a lot of heat.

(f) *Government Legislation*: Legislation related to the disposal of waste and factory safety influences the design of factories and offices.

A good facility layout/factory design of an organisation leads to the efficient utilization of labour and equipment, reduces the cost of production and makes it easier to control and supervise work on the production line. In a factory environment, a good facility layout improves the comfort of operators and facilitates the flow of work and movement of operators and materials. Finally, it provides some security against fire, accidents and natural disasters.

B.6.4 Types of Plant Layout

The layout is essentially an arrangement to facilitate the production process efficiently. It therefore, is classified as follows:

(a) Product or Line Layout
(b) Process or Functional Layout.
(c) Fixed Position Layout.
(d) Combination type of Layout.

(a) Product or Line Layout:

If all the processing equipment and machines are arranged according to the sequence of operations of the product, the layout is called product type of layout. In this type of layout, only one product of one type of products is produced in an operating area. This product must be standardized and produced in large quantities in order to justify the product layout. The raw material is supplied at one end of the line and goes from one operation to the next quite rapidly with a minimum work in process, storage and material handling.

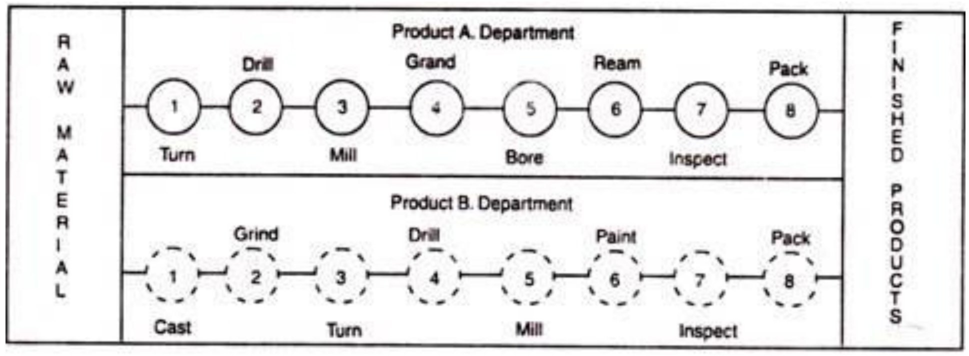

Figure 4.4: Product or line layout

(b) Process or Functional Layout:

The process layout is particularly useful where low volume of production is needed. If the products are not standardized, the process layout is lower desirable, because it has creator process flexibility than other. In this type of layout, the machines and not arranged according to the sequence of operations but are arranged according to the nature or type of the operations. This layout is commonly suitable for non-repetitive jobs. Same type of operation facilities are grouped together such as lathes will be placed at one place, all the drill machines are at another place and so on.

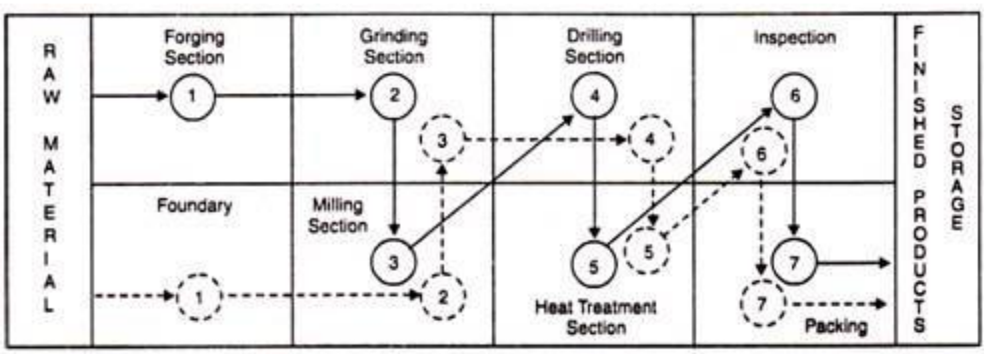

Figure 4.5: Process Layout

(c) Fixed Position Layout

In this type of layout the major component remain in a fixed location, other materials, parts, tools, machinery, manpower and other supporting equipment's are brought to this location. The major component or body of the product remain in a fixed position because it is too heavy or too big and as such it is economical and convenient to bring the necessary tools and equipment's to work place along with the man power. This type of layout is used in the manufacture of airplanes, hydraulic and steam turbines and ships etc.

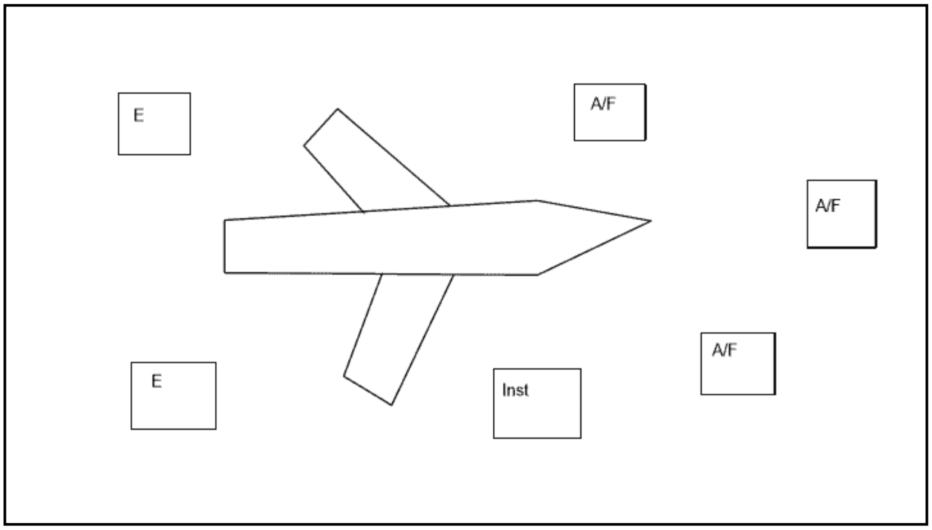

Figure 4.6: Fixed position layout

(d) Combination Type of Layout

Now a days in pure state any one form of layouts discussed above is rarely found. Therefore, generally the layouts used in industries are the compromise of the above mentioned layouts. Every layout has got certain advantages and limitations. Flexibility is a very important factory layout consideration, such that layouts are modeled according to the requirements of industry. If the good features of all types of layouts are connected, a compromise solution can be obtained which will be more economical and flexible.

B.7 Production Systems

A production system is a collection of people, equipment, and procedures organized to perform the manufacturing operations of a company (or other organization). Production Systems abound almost everywhere. For instance, the local bakery, tailoring shop, salon, furniture/carpentry workshop, production factory, brewery, building, restaurants are all examples of production systems. These production systems produce different products and services but have one thing in common; they all convert inputs (labour, raw materials, information, etc.) into goods and services (bread, new dress, building, new road, food, new hairdo/cut, education, etc.).

B.7.1 Components of a production system

There are two components for a production system such as:

(a) **Facilities –** the factory and equipment in the facility and the way the facility is organized (plant layout)

(b) **Manufacturing support systems –** the set of procedures used by a company to manage production and to solve technical and logistics problems in ordering materials, moving work through the factory, and ensuring that products meet quality standards

B.7.2 Features of Production systems

For convenience, production systems are classified into four, namely:

(a) Job production/unique production
(b) Mass production
(c) Continuous flow
(d) Repetitive manufacturing /batch production.

(a) *Job Production/Unique Production:* This involves the production of complex articles or 'one-off'' items. Such items may be custom made for a specific customer or group of customers, huge pieces of equipment or large single items. Job production systems are associated with ship building, bridge/dam construction, custom made furniture, aircraft manufacturing and construction.

(b) *Mass Production:* This is the manufacturing of large quantities of standardized products. This involves the production of a few varieties of products in large quantities by continuous movement from one process to the next until completion. In mass production, mechanization is used to achieve high volume, detailed organisation of materials flow, careful control of quality standards and division of labour. A good example of mass production is found in the soap industry, automobile, component parts, etc.

(c) *Continuous/Flow Production* is a form of mass production where production process continues and remains unbroken for weeks or even months. Examples are found in the Cement, brewing and petroleum refining industries.

(d) *Repetitive manufacturing/Batch production* is the manufacture of a product in small or large batches by a series of operations before they are assembled. Manufacturing industries in which batch is used include packaged foods in cans and cartons, footwear, garment, heavy motor vehicles, electronic instruments and internal combustion engines.

Table 4.5: Comparison of Various Types of Production Systems

Type of Production	Features	Advantages	Disadvantages
Job	▪ Machines performing similar functions are grouped together ▪ Production is intermittent i.e. on-and- off. ▪ Items are often made- to-order.	▪ Centralized control exercised over job production ensures effective supervision of work. ▪ Where all the materials, men and machines are assembled at the point of manufacture, the manufacturing time is	▪ Demand for job production Products are erratic and unpredictable. Machines and equipment lie idle or are under-utilized when there are no orders. ▪ It creates large work- in process, so requires investment in storage facilities.

Type of Production	Features	Advantages	Disadvantages
		reduced.	
Batch	▪ Work-in-progress often high. ▪ Production is intermittent and not continuous. ▪ Machines and equipment are general purpose. ▪ Items are made-to-stock	▪ Machines used are general purpose and could be adapted to different uses. ▪ The machines are independent of each other.	▪ There is often lack of balance in the workload of different machines. Some machines are, therefore, under-utilized. ▪ It requires a large storage space because of the large work-in-progress.
Flow	▪ Machines are specialised/ standardised ▪ Production is unbroken and continuous. ▪ Machines are arranged according to the sequence in which the good or service is produced/provided .	▪ Flow production is relatively faster. In some organisations conveyors are used to transfer materials from one machine to the other. ▪ The factory supervisor could easily spot trouble spots on the production line because when a machine breaks down it affects the ▪ whole production process.	▪ Since the machines are dependent on each other, a breakdown of a machine immobilizes the whole production line. ▪ Requires high level of demand to make production economical.

B.7.3 Factors influencing Type of Production System Used

The choice of any of the above types of production systems depends on the following factors:

(a) *Type of goods or services to be produced* - most tailoring shops use job production. Oil refineries by design use flow production.

(b) *The size of the organisation*: Big organisations often have the resources to purchase expensive and advanced mass production facilities.

(c) *The extent of demand or frequency of orders* – where the product is a mass product (e.g. detergents with mass demand) it may be necessary to go in for mass production.

(d) *Degree of automation and technology:* The level of automation needed for the production process will determine the process to be adopted.

(e) *Degree of customer contact:* A production process with high degree of customer contact will be service oriented adopting the batch production system.

Summary

Production has to do with the transformation of inputs into products and services to satisfy human wants and needs. These inputs are transformed into outputs within production systems. The functions of production management in an organisation include deciding on type of Production System to use; planning the location of the organisation's facilities; planning the plant layout and design of organisation's facilities; planning and Controlling the Production Process; research and development of new products; maintenance of facilities of the organisation; deciding on the appropriate replacement strategy to employ' and ensuring compliance with health and safety procedures. To ensure that production activities go on successfully, the company should locate its plant at the right place. Factors which influence plant location are raw materials, government policy, market, commercial and social infrastructure and characteristics of the site. Plant layout and design is also considered important as it influences the free movement of people, raw materials, inventory, machine and equipment during the production process. Principles plant layout include the principles of overall integration, minimum distance, flow, cubic space, satisfaction and safety, and flexibility. There are four types of plant layout which shows the arrangement to facilitate the production process efficiently, namely product/line, process, fixed position and combination type layouts. There are four main kinds of productions systems – job, mass, continuous flow and repetitive/batch. The decision of the type of production systems to be used is based on type of goods or services to be produced; size of the organisation; extent of demand or frequency of orders; degree of automation and technology; or degree of customer contact.

Review Questions Essay Questions

1. Define and explain the features of the following types of production system: -

i. Job Production
ii. Flow Production
iii. Batch Production

2. What factors influence the location of a business in Ghana?

3. Briefly explain the under-listed facilities layout:

i. Product Layout
ii. Process Layout

4. List and explain types of maintenance used in an organisation.

MULTIPLE CHOICE QUESTIONS

1. Conversion of inputs into outputs is known as:

A. Application of technology
B. operations management
C. Manufacturing products
D. Product
E. Service

2. Production management involves the following activities, EXCEPT:

A. Planning the location of the organisation's facilities
B. Assessing manpower needs of the production system
C. Maintenance of facilities
D. Ensuring compliance with health and safety procedures, regulations and standards
E. Deciding on the production system to use.

3. Which of the following activities is NOT a type of production system?

A. Mass production
B. Job production
C. Flow production
D. Unique production
E. Assembly production

4. All of the following decisions fall within the scope of operations management except:

A. Financial analysis
B. Design of products and processes
C. Location of facilities
D. Quality management
E. Service quality

5. Number of product varieties that can be manufactured in Mass production is:

A. One only
B. Two only
C. Few varieties in large volumes
D. Large varieties in small volumes
E. None of the above

6. Number of product varieties that can be manufactured in Job production is:

A. Limited to one or two
B. Large varieties of products
C. One only
D. A few varieties
E. None of the above.

7. Generally in continuous production the production is carried out to:

A. Customer’s order,
B. Government orders only
C. Few rich customers.
D. Satisfy public demand
E. For stock and supply

8. The desired objective of Production and Operations Management is:

A. Optimal utilisation of available resources
B. Use cheap machinery to produce
C. To train unskilled workers to manufacture goods perfectly
D. To earn good profits.

9 One of these is NOT a principles of plant layout

A. Principle of overall integration
B. Principle of cost
C. Principle of minimum distance
D. Principle of cubic space
E. Principle of flrxibility

10. Most suitable layout for Job production is:

A. Fixed position layout
B. Combination layout
C. Process layout
D. Product layout.

11. One of the product examples for Line layout is:
A. Repair workshop
B. Bridge
C. Fabrics
D. Cement
E. Electronic appliances

12. The following type of layout is preferred for low volume production of non-standard products
A. Product layout
B. Process layout
C. Fixed position layout
D. Combination layout
E. None of the above

SHORT ANSWER QUESTIONS

1. ___________ is that part of an organization, which is concerned with the transformation of a range of inputs into the services having the requisite level of quality.
2. A _____________ is something which is offered to customers to satisfy their needs or wants.
3. ______________is a collection of people, equipment, and procedures organized to perform the manufacturing operations of a company
4. The arrangement of machines in sequence is a key feature of ____________ production system.
5. The type of layout used in the manufacture of airplanes, hydraulic and steam turbines and ships is known as ______________
6. The production of single articles or "one-off" items in small or large quantities is ………………… production.
7. Production is the process by which ______________and other inputs are converted into products
8. _____________ is essentially an arrangement to facilitate the production process efficiently
9. If all the processing equipment and machines are arranged according to the sequence of operations of a product the layout is known as ______________
10. The principle of plant layout that states best layout is safe and comfortable for employees working in plant is known as ________________

SOLUTIONS

MULTIPLE CHOICE QUESTIONS

1. C
2. D
3. E
4. A
5. C

6. C
7. E
8. A
9. B
10. A
11. D
12. B

SHORT ANSWER QUESTIONS

1. Operations management
2. Product
3. Production system
4. Process
5. Fixed location
6. Job production system
7. Resources
8. Plant layout
9. Product or line layout
10. Principle of safety and comfort

SECTION C: MARKETING MANAGEMENT

Section contents

(a) Leaning objectives
(b) Definition and Role of Marketing
(c) Analysis of the Marketing Process
(d) Marketing Functions
(e) Marketing Concept
(f) Market Segmentation
(g) Methods of Segmentation
(h) Benefits of Market Segmentation
(i) Marketing Mix
(j) Product
(k) Consumer products
(l) Industrial products
(m) What is a new product?
(n) New Product Development
(o) Stages in New Product Development
(p) Pricing
(q) Basic Rules of Pricing
(r) Pricing Objectives
(s) Pricing methods
(t) Factors which influence pricing
(u) Promotion
(v) Advertising
(w) Public Relations
(x) Sales Promotion
(y) Personal Selling
(z) Place (Distribution)
(aa) Functions of intermediaries
(bb) Channels of distribution
(cc) Factors influencing Choice of Distribution channel
(dd) Retailing
(ee) Types of Retailers
(ff) Wholesaling
(gg) Distribution Polices
(hh) Extended 7Ps of marketing
  a. People
  b. Process
  c. Physical Evidence
(ii) Review questions

Learning Objectives

After reading this section, the reader should be able to:

- Define marketing.
- Explain the evolution of marketing management.
- State and explain the functions of marketing.
- Explain marketing segmentation.
- State and explain marketing mix using the 4Ps of marketing.
- Explain the extended 7Ps of marketing.

C.1 Definition of Marketing

Various authors have defined marketing in different ways. This is to be expected as every author tends to place emphasis on one core component of marketing or the other. According to the American Marketing Association, marketing is the performance of business activities that direct the flow of goods and services to the consumer. This definition is rather limited. Marketing activities begin even before goods and services are created. The starting point of marketing is the identification and analysis of the needs, wants and demands that consumers have and want to satisfy. Marketing also does not end when the goods and services have been purchased. Marketing includes activities designed to facilitate the purchase of the goods and services in such a manner that will meet their expectations. Examples of such activities are after-sales services such as maintenance and repair services, opportunity to return defective items, etc.

Kotler (1988) defined marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. This definition emphasizes exchange of value between two parties. Each party has something of value which the other wants. Both parties are willing and able to engage in the transaction to the satisfaction of all. A practical illustration of this point is where a manufacturer has a product which it wants to exchange with a consumer in return for the price paid by the consumer. A Chartered Accountant has an audit service which he/she wants to exchange with a client in return for the fees paid by the client.

C.1.1 Analysis of the Marketing Process

(i) Identify needs of customers that company can satisfy.
(ii) Design a Product ("bundle of benefits") that satisfies those needs - better than existing products.
(iii) Promote / communicate these benefits in order to motivate purchase.
(iv) Price at the right level so that consumers are willing and able to buy the product and the firm's profit goals are met.
(v) Make the product available at the right place so that exchange is facilitated.

C.2 Marketing Functions

Agbonifoh, *et al* (2007) identified the following functions performed by a typical marketing department:

(a) **Marketing research** – systematic gathering, analysis and interpretation of data to aid decision-making in areas such as the type of products to make, the price to charge, how to distribute and promote the product. Marketing continuously identifies the needs and wants satisfying products or services which can propel the people to do an extra to earn money which can be exchanged for the desired products or services.

(a) **Planning and guiding the development of new products or modification of existing ones:** Organisations through their marketing activities have been able to create and increase demand for all types of goods and services.

(b) **Pricing the product:** Marketing sustains the company by bringing in profits through effective pricing of its products. Marketing is the only activity that brings revenue to the firm, whereas other activities incur expenditure. If the company's products or services satisfy the customer's requirements, then the satisfied customers will keep the company in business by repeat orders and recommending other profitable customers. Thus marketing is the driving force behind a successful company.

(c) **Distributing the product:** Intermediaries (wholesalers and retailers) do not only distribute products throughout the country, but have contributed a lot to the adoption by rural dwellers of urban tastes and purchasing habits, thus widening the potential market for manufactured goods in the country.

(b) **Promoting the product and the company:** Directly, marketing provides employment to the people in various areas like in advertising agency, in the company sales force, in the distributor's sales force, in public relation firms etc. Indirectly, marketing is responsible for selling the offerings of the organisation.

(c) **Rendering after-sales services to customers:** Marketing does not end with the exchange of goods and services; it goes further to evaluate the level of satisfaction a customer derives from the consumption of its products so as to sustain patronage and reduce the incidence of cognitive dissonance. Through marketing activities, other incentives are offered the customer to retain patronage.

(d) **Training and motivating salespersons:** The training, re-training, and motivation of salesperson is very important to ensuring customers are well served. Salespersons are trained on current trends in consumer behaviour and how to interact with customer to increase sales output.

(e) **Planning and controlling the marketing effort of the company:** Marketing as a management function, need to adopt planning, forecasting and control so to monitor sales output, trends in the marketing environment, salesforce resource; so as to achieve the overall objective of the organisation.

C.3 Evolution of Marketing Management

The underlying philosophies or orientations that guide the marketing activities of companies have changed over time. The philosophies or orientations in order of their emergence are as follows:

(a) Production orientation/concept
(b) Product orientation/concept
(c) Selling (Sales) orientation/concept
(d) Marketing orientation/concept
(e) Societal marketing orientation/concept

(a) **Production concept**

This concept prevails quite often in situations where the demand for a product exceeds supply. Consequently the company concentrates its efforts on the efficient production and distribution of the product because it assumes that what consumers are primarily interested in is product availability at a low cost.

(b) **Product concept**

This concept exists when the mindset in the company is to make high quality and high performance products. Energy is concentrated on making good quality products because it is assumed that a good quality product will sell itself; that consumers will make every effort to find and purchase the product because of its features.

(c) **Selling (or Sales) concept**

This concept shifted emphasis from the quality of the product as a means of getting the consumer to buy to selling techniques and methods to achieve the same goal. The selling concept assumes that the consumer is resistant to buying the company's product and therefore must be coaxed to buy by using a variety of selling techniques. The focus is on the needs of the seller rather than on the needs of the consumer.

(d) **Marketing concept**

This is the philosophy which recognises the key role of satisfying the needs of the target consumers as a means of achieving long-run company profitability and competitive advantage. The main pillars of the marketing concept are market focus, consumer orientation, coordinated marketing and profitability. The marketing concept requires the company to clearly define its market and focus on it rather than seeking to address every possible market. Having done this, consumer needs as indicated by consumers themselves are identified and all marketing functions are coordinated to yield consumer satisfaction. Achieving consumer satisfaction is not the sole responsibility of the marketing department. There is need also to ensure that the efforts of all the other departments are coordinated for the purpose of satisfying the identified needs of the consumer. The ultimate goal of the company however is long- run profitability. The marketing concept emphasizes that the path to realising this goal is through consumer satisfaction.

(e) **Societal marketing concept**

This concept builds on the foundation of the marketing concept. However, it stresses in addition the need to ensure the well- being of both the consumer and the society. This means that in seeking to achieve long-run profitability, the company must take into account the well-being of the consumer as well as the society.

C.4 Market Segmentation

Market segmentation is the process of taking the total, heterogeneous market for a product and dividing it into several sub markets or segments, each of which tends to be homogenous in all significant aspects (Stanton, 1978). In other words, it is the process of subdividing a market into smaller units or segments and designing specific goods and service for each. Market segmentation is carried out because of the size of the total market served by an organisation may be so large that it may not be possible to satisfy everybody. The company therefore need to focus on a few segments. It is also not possible to satisfy the needs of everybody in a large market because customers tend to have a variety of needs, preferences and desires. Market segmentation helps to satisfy these needs by categorizing them into smaller units with similar characteristics.

C.4.1 Methods of Segmentation

The consumer market is segmented using (a) income, (b) sex, (c) age, (d) size of purchase, (e) Social background and (f) geography. Industrial markets are segmented according to the sector of the economy of customers. Table C.2 compares the various methods.

Table 4.6: Comparison of Segmentation methods

Basis of segmentation	**Features**
Income	Here customers are divided according to income e.g. High income, Middle income and Low income.
Sex (gender)	Men and women sometimes purchase different things. Under this method therefore the organisation categorises its customers into male and female.
Geography	Under the geographic method the whole market is divided into regions, districts, cities etc. It is based on the geographical location of customers. The different geographical areas of a country tend to have differences in family size, physical infrastructure, incomes, customs and purchasing patterns.
Age	In this method, the organisation segments the market according to the ages of customers, e.g. (a) Under 5 years (b) 5 – 9 years (c) 10 – 14 years (d) years 5 – 24 years (e) 25 – 44 years.

Basis of segmentation	Features
Social Classes	Customers are categorized according to the social class they belong to e.g. Upper Class, Middle Class and Lower Class.
Sector	The market is divided according to sector of the economy e.g. agriculture, manufacturing, trade etc.

C.4.2 Benefits of Market Segmentation

Marketing segmentation is important because of the following reasons:

(a) It enables the marketer to analyse the characteristics of each segment, compare opportunities existing and design marketing programmes that suits each segment.
(b) By concentrating its marketing activities in one or two marketing segments, the organisation will be in a better position to tailor its marketing programmes to suit each market(s). For example, if an organisation uses income as a basis for market segmentation it could plan how best to satisfy a particular income group in terms of pricing, promotion and distribution of products.
(c) The consumer gains from market segmentation. This is because he gets the product that really matches his demands and needs.
(d) The product could be designed to satisfy the peculiar needs of each market segment and allows the organisation to focus on a few segments and serve them better.

C.5 Marketing Mix

Marketing mix has to do with the variety of factors that need to be combined to execute a marketing programme. The marketing mix is made up of four key elements – (a) product, (b) price, (c) promotion and (d) place (distribution):

(a) *Product:* This refers to anything offered to a market for consumption or use. Products are broadly classified as consumer products and industrial products.
(b) *Price:* Price refers to the value placed on an item.
(c) *Promotion:* This refers to persuasive communication aimed at the consumer. Promotion covers advertising, sales promotion, public relations and personal selling.
(d) Place: This has to do with all activities designed to make the product accessible to the consumer.

Figure 4.7: The Marketing Mix

C.6 Product

Products as mentioned already may be broadly classified into two – Consumer and Industrial products.

C.6.1 Consumer products

As mentioned earlier, consumer products could be classified as (a) Convenience (b) Shopping, and (c) Specialty products (d) unsought products:

(a) **Convenience:** These are products that consumers buy frequently. Most convenience products are relatively low priced and frequently purchased. Examples of convenience goods are cigarettes, pens, pencils, candies, groceries, flashlights batteries, sundry drugs, chewing gums, newspapers and flimsy shopping bags. Convenience products can be divided further into staples, impulse products, and emergency products.

(i) Staples are those product that consumers buy on a regular basis, such as bread, bath soap, beverages, tooth paste, etc.,

(ii) Impulse products are those product that purchased with little planning or search effort, such as chocolate and magazine,

(iii) Emergency product is those when consumer need is urgent, e.g. umbrellas during a rainstorm etc.

(b) Shopping goods: These are products which consumers usually compare prices, quality and features of alternative brands before purchasing. Examples of products conforming to these features are household furniture, shoes, clothing and consumer durables such as fans, radios, television sets and tape recorders.

(c) Specialty goods: are products with unique characteristics and/or brand identification for which buyers are willing to make a special purchasing effort. Examples of specialty goods are expensive custom made clothing, wrist watches, wedding gowns, the services of brilliant lawyers/doctors and luxury home furniture.

(d) Unsought Products: Unsought products are consumer products that the consumer either does not know about or knows about but does not normally think of buying. Most major new inventions are unsought until the consumer become aware of them through advertising. E.g. coffin, wedding gowns, Life Insurance and blood donations to the Blood bank.

Consumer market can also be subdivided into three parts:

(b) **Fast moving consumer goods (FMCG) market** from where the consumers buy the products like toothpaste, beverages, body cream, detergent, etc..

(c) **Durables goods market** from where, the consumers buy the products of longer life like motorcycles, cars, washing machines etc.

(d) **Services market:** this is where consumers buy benefits like insurance cover, fixed deposits in the banks and non-banking financial companies; as well as and services like internet, transportation, etc.

In Table 4.7 below, we compare the various types of consumer products and marketing strategies used to sell them.

Table 4.7: Comparison of different types of Consumer Products

Type of Product	**Features**	**Marketing strategies for the product**
Convenience	▪ There are several brands. ▪ The consumer knows of different brands. ▪ The product is purchased frequently, often with little planning or comparison and with minimum effort. ▪ They are often low priced.	▪ Most producers set low prices. ▪ They are widely distributed through many outlets. ▪ Products are mass promoted on all available media.
Shopping Products	▪ Relatively expensive. ▪ There are many brands and consumers often compare product features, price, etc. before purchase. ▪ Less frequently purchased but purchased after a lot of planning.	▪ Promotion efforts often focusing on advertising and personal selling. ▪ Products often attractively packaged to attract consumers. ▪ Sales often focus on few distribution outlets.

Type of Product	Features	Marketing strategies for the product
Specialty	▪ Products often regarded by consumers as unique. ▪ Consumers have strong preference for particular brands and do not accept substitutes. ▪ Consumers are often willing to pay any reasonable price for the product. ▪ They are often luxury products and are sold through exclusive sales outlets.	▪ Product should be of high quality and attractively packaged. ▪ Exclusive distribution through carefully selected sales outlets. ▪ Prices often high (perceived value pricing often used). ▪ Promotion is often limited – focusing on personal selling.

C.6.2 Industrial products

Industrial products may be classified as raw materials, installations, accessories, components and supplies.

(a) *Raw materials* refer to unprocessed industrial goods that are used to produce other goods. Raw materials consist of farm products (wheat, cotton, livestock, fruits, vegetables) and natural products (fish, lumber, crude petroleum, iron ore).

(b) *Installations* include fixed assets or expensive major goods that do not form part of the finished product but are expended or subjected to wear and tearing during the period of utilization. Examples of installation are factory buildings, large plants and equipment.

(c) *Accessories*: are industrial products used to aid production operations of an organisation but which do not have any significant effect on its scale of production. Accessories like installations do not form part of the final product but they are not as costly as the latter. Examples of accessories include office equipment such as computers, typewriters, portable tree-cutting machines, forklift trucks and factory hand tools.

(d) *Office Supplies:* These do not become part of the finished product, but are depleted during production. These include products used for business/office services such office consumables- paper, ink, marker, toner, stationery, etc.; maintenance and repair services (window cleaning, computer repair) and business advisory services (legal, management consulting, and advertising). Such services are usually supplied under contract.

(e) **Production supplies:** These include operating supplies (lubricants, coal, paper, pencils) and repair and maintenance items (paint, nails, brooms). Supplies are the convenience products of the industrial field because they are usually purchased with a minimum of effort or comparison.

(f) *Components:* are industrial products that become part of the finished product. Component parts require no processing again before they are assembled in the finished product. Examples include spare parts of vehicles, tyres, buttons, bolts and nuts.

C.6.3 What is a new product?

A new product is a product which is innovative, unique, a replacement, which is significantly different from existing ones in terms of physical appearance, packaging, style and quality, etc. New products help an organisation to increase its market share by taking advantage of market opportunities and attracting customers not previously covered by its products.

C.6.4 New Product Development

One of the most prominent features of the market economy is the periodic introduction of new products into the market. New product development is the development of original products, product improvements, product modifications, and new brands through the firm’s own R&D efforts. New products are introduced by organisations to exploit opportunities arising from changes in consumer demand, taste, styles and fashions. Products may also be introduced as a result of technological inventions and innovations or to replace old products which have declined in sales and profits.

C.6.5 Stages in New Product Development

A typical new product development process follows six stages:

(i) *Define Objectives*: Here, objectives of the whole product development process are established - type of products, customer wants and features of the product. Marketing research could help address some of these issues.

(ii) *Idea generation and screening*: At this stage management looks out for new ideas. The sources of new ideas about a new product include marketing research, competitors, management consultancies and universities and research institutions. Others are *brainstorming* sessions within the company, trade associations and government agencies.

(iii) *Business Analysis*: After the organisation has adopted a particular product idea the next step is to estimate the market potential for the product to evaluate its potential profitability, financial viability, and potential contribution to the firm’s profits.

(iv) *Product Research and Development*: At this stage the research and development department of the firm conducts further research and development to convert the product idea into a physical product. A small prototype or model of the product could be developed and tested under laboratory and field conditions to establish if it performs as expected and conforms to original design. If these technical evaluations establish the production feasibility of the product, the firm could move to the test marketing stage.

(v) *Test Marketing:* This has to do with the process of launching a new product on a limited but at a carefully selected scale to test its commercial viability. Test marketing is very necessary before a firm decides to mass-produce the product or not. Test marketing examines under real market conditions, assumptions made in the previous stages of the development process. If conducted properly, test marketing will help the organisation to test the marketing plan for the new product, and help to make adjustment in design, style and other essential product features, where necessary.

(vi) *Commercialisation*: If the test marketing results prove positive, a decision can then be taken to market the product nationally or on a large scale.

C.7 Pricing

According to Hoffman, *et al* (2003) price is a monetary value charged by an organization for the sales of its product. Nwokoye (2000) defines price as the amount of money needed to acquire a given quantity of goods and services. Oladele (2007) price is the value that one puts on the utility one receives from products and services. Price takes various forms: admission fee, tuition, salary, rate, fare, premium, donation, dues, honorarium, retainer, and interest. Whatever forms it takes, it determines the quantity of the product the organisation will sell and the revenue that will be derived from the sale of the products. It also influences consumer behaviour. The value the average consumer attaches to a product depends on the price put on it. He might consider a lowly priced product as inferior, but attach high quality status to a highly priced product. In the next two sections we shall discuss pricing methods used by most organisations.

C.7.1 Basic Rules of Pricing

Generally, marketing organizations are guided by the following basic rules in setting prices.

(i) All prices must cover costs and profits. Price = Cost + Profit

(ii) The most effective ways to lower prices is to lower costs.

(iii) Review prices frequently to assure that they reflect the dynamics of cost, market demand responses to the competition and profit objectives.

(iv) Price must be established to assure sales. That is to help to generate sales,

C.7.2 Pricing Objectives

Settings price for product to help in the development of marketing strategies begin consideration of objectives. Pricing objectives are as follows.

(a) **Survival**: A fundamental pricing objective is to survive in the market place due to overcapacity, intense competition and change in consumer wants.

(b) **Profit Maximization**: In maximizing profit, one way they can do this is to set right prices for their product that will generate turnover that can ensure return on investments.

(c) **Market Share**: Organizations enter market with either low price in other to penetrate the market there by increasing market share or they enter the market with high price in order to establish market leadership and sustain market share.

(d) **Cash Flow**: Some organizations set prices to recover cash as fast as possible. Financial managers are interested in the quick recovery of funds spent in the development of the product hence the need to set prices that will be attractive to the market.

(e) **Product Quality and Leadership**: Price of certain products stands them out and defined their quality, market niche and leadership. The organization wants to establish that their products are market and price pace setters e.g. Peak milk.

(f) **Other Objectives**: Includes meeting competitor's price, seeking to maximize sales, eliminating competitors, protecting competitors and also for the benefit of the customer.

C.7.3 Pricing methods

(a) **Mark-up pricing:** In this method the seller simply adds a profit margin to the purchase price of the product e.g. if the product was bought at ₦1000 and the expected profit margin (mark-up) of the seller is ₦500, the sale price will be ₦1, 500.

(b) **Target Return Pricing:** Here the organisation fixes a price that will enable it achieve a specified level of profit. To illustrate, assume an organisation could produce and market 100,000 units of a product at a total cost of N200,000 and wishes to achieve a profit of say 40% the selling price will be: N200,000 x 40% + (200,000)/ 100,000 = N2.8.

(c) **Demand Differential Pricing (Price discrimination):** This has to do with charging different prices for the same products depending on type of customer, packaging, brand, place and time of purchase.

(d) **FOB Point of Purchase Pricing:** The producer quotes the selling price at the point of production and the buyer is expected to incur the cost of shipping the product to his/her place of business.

(e) **Market Penetration:** This has to do with the setting of low prices for products (especially at the introductory stages) with the aim of stimulating demand and sales. This pricing strategy will be effective where the market is highly sensitive to low prices and unit production cost falls in proportion to increases in sales volume.

(f) **Market Skimming:** This refers to the setting of a high price for a product with the aim of making a lot of profits within a very short time. Price (market) skimming will be effective where the product is scarce and an innovation different from existing brands.

(g) **Marketing Oriented Pricing:** It is suitable for pricing decision on new product marketed through several distribution channels. This can be illustrated through a typical process of marketing a new product such as defining the target market, identifying competitors, deciding product position, designing alternative channels of distribution etc.

(h) **Prestige Pricing**: This type of method could be an attempt to convey an image of quality, maintaining market share and shielding competitors. It's a ways of taken advantages of the perception of consumer about a product e.g. Gold jewelries, banking product which are targeted at high net worth individual because of their operating deposits substantial.

(i) **Leader Pricing**: This is a technique of using a product as a bait to attract customers to some other products. These products are usually low price in order to attract customer in the end is persuaded buy a more expensive product.

(j) **Psychological Pricing**: This is design to encourage purchases that are based on emotional reaction rather than rational responses. It is a way of appealing to the psychology of the buyer in order to motivate him to make purchase. For example placing a price of N9,999.99 does not make the customer to think of paying N10,000.00 but in effect will be paying N10,000

C.7.4 Factors which influence pricing

Organisations take the following factors into consideration when setting prices: -

(i) *Cost of Production*: This is one of the overriding influences on pricing. In some industries, it is the most important factor, which determines the price of a product.

- **Variable costs** are costs which are directly linked with the volume of production. These are cost that will exist if production is made and they could be discontinued when production stops example are cost of raw materials, labour, haulage, or carriage, shipping cost etc.
- **Fixed costs** on the other hand are costs that are incurred by the organization whether they produce any product or not Some fixed cost are called “Specific program cost”- cost that are incurred to carry out a specific project like opening a new office or warehouse, special advertising campaign and promotion . Another type of fixed costs is costs that are incurred across board in the organization for example administrative expenses, salaries, deprecation, rents, communication, etc.

(ii) *Margin Paid to distributors*: The margin an organisation offers to wholesalers and retailers usually influence the price it sets for the product.

(iii) *Competitors*: The activities and price strategies of rivals influence the price policy of an organisation. Most organisations anticipate the reaction of competitors before they set or change their price structure.

(iv) *Nature of Demand*: The success of the pricing policy of an organisation depends on the responsiveness of demand of consumers to prices i.e. the elasticity of demand for the product.

(v) *Legal Constraints:* This refers to government legislation and regulation to check the exploitative tendies of marketers. Example is the price of petrol at filling station set at N65.00 per liter anywhere in the country

(vi) *Company Objective and Marketing Goal:* if man a company’s goal is to serve the masses and middle market and enjoy large market share, price must usually be competitive in such a way that it will attract large scale volume of turnover instead of receives a high profit margin on each unit sold. On the other hand if company objective is to serve prestige segment of the market, marketing objective will emphasis high quality and price to cover cost.

C.8 Promotion

Promotion as mentioned already refers to any technique used by producers/sellers to communicate favourable information about their products to potential customers. Promotion covers the following activities: (a) Advertising (b) Public relations (c) Sales promotion and (d) Personal selling.

(a) *Advertising* refers to the *non-personal* form of persuasive communication about ideas, goods and services that is paid for by an identified sponsor.

(b) *Public Relations/Publicity* refers to the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its publics.

(c) *Sales promotion* is any marketing activity aimed at stimulating immediate consumer and dealer demand.

(d) *Personal selling* is the face-to-face contact that a seller makes with a prospective customer for the purpose of making sales.

C.8.1 Advertising

The basic objective of advertising is to create awareness, arouse interest in the product and persuade people to buy. The most popular media of advertising in West Africa are as follows:

(a) *Newspapers and Magazines:* Newspapers and magazines carry the bulk of advertising in this country. The popularity of these media stems from their ability to carry detailed coverage of items being advertised. Furthermore, it is relatively cheap and can be used to reach a large section of the target market, especially in the urban areas.

(b) *Radio Advertising:* Radio carries a large number of adverts in this country. Adverts on the radio reach virtually every part of the country.

(c) *Outdoor Advertising:* Outdoor advertising is found mostly on signboards and large billboards. They are located mostly at major road junctions, places of high vehicular and human traffic such as lorry parks, highways, bus stops, road junctions and roundabouts.

(d) *Transport/Transit Advertising:* This refers to advertising on buses, cars and other vehicles.

(e) *Specialities:* Specialities as used here include items like key holders, calendars, ashtrays, mugs, pens, "T" shirts, diaries, plates, etc. Some organisations advertise on these items.

Advertising helps organisations to interact with members of the public effectively and create goodwill towards the organisation. It is effective in educating customers about a product's features, which could help customers to recognise it on the shelves. It also helps to pave the way for salespersons by educating potential customers about the product. The more effective an advertising campaign is, the less effort the salesperson has to make to convince the prospective customer to buy the product.

C.8.2 Public Relations

Public relations seek to ensure that the organisation establishes and maintains mutual understanding between it and its publics. The term publics refer to the company's stakeholders, such as employees, shareholders, customers, government, competitors, the press, the community and distributors of the company's products. Activities often included in Public relations in many organisations are:

(a) Preparation of newsletters, calendars, leaflets, brochures and other sales aid to support promotion activities.

(b) Publication of house journals (i.e. internal company magazines) for distribution to staff and members of the public.

(c) Ensuring good relations with the press and reacting to press criticisms
(d) Educating the public on the activities of the organisation.
(e) Arranging publicity activities such as news conferences and press releases.
(f) Handling customer complaints about the organisation's products and services

A good public relations programme executed by an organisation helps to lay a good foundation for its marketing activities. It promotes public goodwill and favourable corporate image. Through the publication and distribution of newsletters, brochures, leaf-lets, souvenirs, house journals and other publicity materials, the organisation explains its activities and policies to the public, thereby promoting better understanding of its operations.

C.8.3 Sales Promotion

Sales promotion seeks to (a) induce customers to increase their purchases, (b) non- customers to try the product, (c) introduce new products, (d) educate customers on the use of the product, (e) encourage intermediaries to stock the product and (f) push up the sale of weak products in the product line. Sales promotion techniques used include:

(a) **Ad Materials**: In this case, the manufacturer distributes some ad materials for display on purpose.

(b) **Cash refund:** In this case, customer purchase proof is sent to manufacturer which then refunds some part of price is called:

(c) **Competitions/Contest:** Competitions refer to a sales promotion technique in which consumers (or dealers) take part in a competition organised by a producer. The rules governing such competitions are usually determined by the organisation and prizes may consist of the organisation's product, cash or a sponsored trip.

(d) **Demonstration:** Organisation that produce industrial products like paints, tractors, office equipment and machines periodically organise demonstrations of their products at specially organised functions open to the public. For example, Bamson Company Ltd, representatives of Sikkens Paints in Ghana organises periodic free training programmes for car sprayers with a view to demonstrating the correct application of car paints and the superiority of Sikkens car paints over those of competitors. This sales promotion strategy has helped push sales of the company's products.

(e) **Free goods**: Here, the manufactures give attractive and useful articles as presents to the dealers when they buy a certain quantity.

(f) **Free trials**: In this case, inviting the buyers to try the product without cost.

(g) **Premium offer**: Here goods are offered at a lower price or free as an incentive to purchase a special product.

(h) **Price packs:** In this method the customer is offered a reduction from the printed price of product.

(i) **Price Reduction/Price Offs:** Organisations make special price reductions of their products. These price reductions are then heavily advertised in order to attract people to shop. Price reductions/price offs are effective in promoting the sale of well-known brands whose existing price is widely known. This technique is also called price deals.

(j) **Rebates**: Simply it is a price reduction after the purchase and not at the retail shop.

(k) **Sample and Specialties:** Samples are free offer of a company's products to customers or members of the public who come into contact with the producer. Specialties are promotional materials, which include pencils, ashtrays, pens, T- shirts, calendars, etc. that bear a company's name, logo or its adverts. These specialties are usually given to customers as gifts or mementos to promote customer loyalty and goodwill.

(l) **Sponsorship:** Sponsorship has been defined as 'the provision of financial or material support for some independent activity which may or may not be intrinsic to the furtherance of commercial aims, but from which the supporting company might reasonably hope to gain commercial benefit'. Sponsorship may consist of provision of money to beneficiaries (individuals or corporate bodies) to undertake specific projects or activities often related to the sponsor's operations or support for specific events such as sports competitions, beauty contests, popular TV programmes, traditional festivals or conferences.

(m) **Sweepstakes:** Here, product consumers are told to submit their names for drawing in a raffle draw is classified as

(n) **Trade allowance:** It includes buying allowance, promotional allowance and slotting allowance.

(o) **Trade fairs/Trade shows/Exhibitions:** Trade fairs and Exhibitions are increasingly becoming an established part of the sales promotion scene. The exhibitions may be *in-store* i.e. in the shop or at a *Permanent Exhibition ground* e.g. the Ghana International Trade Fair Site. Some organisations mount *Conference Exhibitions* to coincide with conferences that are relevant to the product(s) being exhibited.

Sales promotion is effective in stimulating demand for a product. They supplement advertising and encourage existing users to make repeat purchases and help to win new converts to the product. Sales promotion activities also create a favourable climate, which encourage intermediaries to stock more of the organisation's products. Sales promotion also helps to improve the image and goodwill towards the organisation and its products.

C.8.4 Personal Selling

You will recall that we defined Personal selling as the face-to-face contact that a seller makes with a prospective customer for the purpose of making sales. Insurance companies and some banks are increasingly using this method to sell their products to the public. This is because salespeople are more mobile and interact more frequently with customers and members of the public. They are therefore in a better position to explain the activities/policies of the organisation to target customers.

Personal selling effort of organisations revolves around and is executed by the sales persons who perform some of the under listed functions:

(a) Education of customers on the product.
(b) Advertising the product.
(c) Solution of customers' problems.
(d) Provision of after-sales service.
(e) Taking and processing of orders.
(f) Searching for new customers.
(g) Providing information for the marketing research department.
(h) Delivery of products to customers.

Personal Selling helps to develop favourable public attitudes towards the organisation. Furthermore, the feedback from customers through the sales persons can be used to develop new products or make changes in existing marketing strategies.

C.9 Place (Distribution)

Distribution involves the movement of goods from the producer to the customer at the right time and at the appropriate place. The producer cannot survive without some form of distribution because the product will be a liability and waste of resources. Distribution could be broadly classified into *direct and indirect distribution.* There is direct distribution if the producer supplies the product directly to the customer without the use of intermediaries (or middlemen). Indirect distribution involves the use of *intermediaries* to make the product available to the customer.

C.9.1 Functions of intermediaries

Intermediaries perform the under listed functions:

(vii) They gather goods from various producers and make these available to customers. Throughout the country the agricultural sector in Ghana is characterised by a large number of small-scale farmers working in hundreds of thousands of locations scattered throughout every corner of the country. Without middlemen who visit these locations to buy the farm produce it will be impossible for consumers to have access to these farm produce in the market.
(viii) They help to match the product with the customer's requirements. They do this through assembling and packaging. Market women match products like sugar, cigarettes, pens, fish, soap and edible oil and the like with the requirements of customers by breaking them into the assortment wanted by the consumer.
(ix) They transport and physically distribute goods throughout the country. They manage to do this in spite of the poor transport and communication network in the country.
(x) They finance the activities of producers by providing them with ready market for their products or at times pre-financing production.
(xi) They gather a lot of information that the marketing research section of an organisation may find valuable for product development purposes.
(xii) They help to spread information about products through promotional activities.

C.9.2 Channels of distribution

A channel of distribution is the route through which goods move from the producer to the consumer. There are three main channels of distribution. These are as follows:

Channel 1: Producer → Customer

Channel 2: Producer → Retailer → Customer

Channel 3 : Producer → Wholesaler → Retailer → Customer

Channel 4 : Producer → Agent → Wholesaler → Retailer Customer

In channel '1' the producer sells directly to the consumer. Small scale producers and producers of services fall under this category.

In channel '2' the wholesaler is by- passed and the producer deals directly with the retailer (often large-scale retailers with several branches). These retailers at times perform the functions of wholesalers in addition to their retailing functions.

In channel 3, the wholesaler buys in bulk from the producer and stores the goods for resale to retailers. It is used by dealers in consumer goods and services.

In channel 4, goods move from manufacture to agent to wholesalers to retailers to consumers. It is the longest indirect channel option that a company has.

C.9.3 Factors influencing Choice of Distribution channel

Producers take several factors into consideration before choosing the above-mentioned channels. These factors are as follows:

(a) *Nature of the market:* This refers to the type of market the organisation's product(s) is intended for, i.e. consumer market or industrial market. Producers traditionally use middlemen when dealing with the consumer market but sell directly to the customer in the industrial market.

(b) *Location of customers:* Producers sell directly to their customers when the latter is concentrated geographically in one area but use middlemen when their customers are dispersed and difficult to reach.

(c) *Physical features of the product*: Physical features as used here refer to the extent of the products perishability and bulkiness. Perishable products are sold directly to the final consumer. Furthermore, bulky products are sold directly to customers. Most sand and stone contractors sell the products directly to the users.

(d) *Complexity of the products:* Complex products such as computers, telecommunication equipment and some factory plants may require installation by highly skilled engineers and/or technicians who are also expected to provide after-sales service after the purchase of the product. Manufacturers also employ dealers or agents who have the facilities to service the equipment bought.

(e) *Financial resources of the producer*: The size of the organisation and its financial resources often influence the way it distributes its products. Big organisations with large financial resources often employ their own sales force; warehouse their products and transport goods direct to customers.

C.9.4 Retailing

Retailing refers to all activities directly related to the sale of goods or services to ultimate consumers. A retailer is a business that sells primarily to consumers. Retailers are important in distribution because of the following reasons:

(i) They provide a convenient means of supply of all goods and services for the consumer.
(ii) They divide the product into smaller units suitable to the consumer.
(iii) They provide after-sales services such as installation, repairs, home delivery and packaging services for customers.
(iv) They provide credit facilities to consumers who purchase their products
(v) They educate consumers on the proper use of products they purchase.
(vi) They relieve the wholesaler of the necessity of keeping large inventories
(vii) They provide the wholesaler with information on the needs of consumers.

C.9.5 Types of Retailers

The retailers can be classified in to Small scale retailers and large scale retailers:

(a) Small Scale Retailers

(i) **Unit stores**: These are the retail stores run on proprietary basis dealing in general stores or single line stores.

(ii) **Street traders**: They are the retailers who display their stock on foot paths or the sidewalks of the busy street.

(iii) **Market traders**: These retailers open their shops on fixed days or dates in specified areas. The time interval may be week, or a month.

(iv) **Hawkers and peddlers:** This type of retailers do not have any fixed place of business. They carry goods from one place to another. They keep on moving from locality to locality.

(v) **Cheap-jacks**: Cheap jacks is retailer who has fixed place of business in a locality but goes on changing his place to exploit the market opportunities.

(b) **Large scale retailers**:

(i) **Departmental stores**: A departmental stores carries several product line, invariably all that is required by a typical house hold. It includes food, clothing, appliances, other house hold goods, furnishings and gifts etc. It is a central location and a unified control. In a typical department store each product line is managed independently by specialist buyers.

(ii) **Multiple shops**: It is a chain of retail store dealing in identical and generally restricted range of articles operating in different localities under central ownership and control. It works on the principles of centralized buying and administration and decentralized selling. It is also known as chain store.

(iii) **Mail order houses**: Here, the customers do not visit the seller's premises and there is no personal inspection of goods before the purchase. Orders are received from customers through post and the goods are also sold through post. The transaction is settled through postal medium. E.g. Leather goods, readymade garments etc.

(iv) **Consumer co-operatives**: These are the stores owned by a group of consumers themselves on cooperative principles. Here the store purchasing in bulk quantity and sells it to the consumers at a reasonable price. It is formed to eliminate the exploitation of middlemen.

(v) **Super markets**: This is a large, low cost, low margin, high volume, self service operation designed to serve customer's need for food laundry and house hold products. The wide range of product mix carried by these stores make them a favorite retail outlet.

(vi) **Discount stores**: Discount stores are the ones that sell standard merchandise at lower prize than conventional merchants by accepting lower margins but pushing for higher sales volume.

(vii) **Convenience store**: These are generally food stores that are much smaller in size than in supermarkets. They are conveniently located in residential areas. Due to a high degree of personalized service and home delivery by store clerk, these stores fill in a very important need of a house wife.

(viii) **Specialty store**: These are ones that carry a narrow product line with a deep assortment within that line. According to some marketing thinkers, the future scenario belongs to super specialty store as they provide increasing opportunities for market segmentation, focused marketing, and creation of brand equity.

C.9.6 Wholesaling

Wholesaling has to do with all business activities related to the sale of products to those who buy for purposes of resale and/or business use. Wholesalers buy in large quantities from the producers and sell in smaller quantities to retailers and other users. The wholesaler is important because of the following reasons:

(i) They provide very essential market information to the producer. They inform the producer the extent of demand for the product and preference of customers in relation to styles, quality, price, packaging etc.
(ii) Some wholesalers warehouse goods and relieve the producer of the cost of keeping large stocks of finished products.
(iii) Wholesalers sometimes pay producers promptly. This reduces the financial problem of producers.
(iv) The wholesaler relieves the retailer of the necessity of keeping large stocks because the retailer can replenish his stock any time he wants.
(v) Some wholesalers finance retailers by granting them credit. This reduces the amount of capital required by retailers.
(vi) The wholesaler relieves the marketing problems of retailers by breaking products into the required sizes and repackaging.

C.9.7 Distribution Polices

There are three kinds of distribution policies which an organisation can adopt:

(a) Exclusive distribution
(b) Intensive distribution
(c) Selective distribution

(a) *Exclusive Distribution*: Some producers enter into special arrangements with specific middlemen whereby the producer will sell only to the middlemen in a given market. This policy is called exclusive distribution. The policy is feasible where the product is very expensive and appeals to an exclusive segment of the market, e.g. jewelry. The organisation finds it difficult getting middlemen to stock its products and the product is very complex and requires specialized after- sales service. From the perspective of the producer exclusive distribution helps the producer to maintain effective control over his distribution outlets, improve service to the consumer and ensure aggressive promotion of the product. However, the policy is a double-edged sword. In the first place, it limits the marketing outlets of the producer, and he might not achieve the market share he desires. Secondly, the location of the exclusive distributor might not be convenient for the customer. From the perspective of the exclusive distributor the policy assures him a 'ready market' in the exclusive area. He is protected from competition. The exclusive distributor also gains from the promotion policies of his principal and often gets preferential treatment from the latter. However, the exclusive distributor might lose heavily if the agreement breaks down and having cut himself off from other suppliers he might find it difficult to re-stock his shop.

(b) *Intensive distribution*: This has to do with the situation where the organisation distributes its products through a wide range of distribution outlets. Intensive distribution is prevalent in the consumer market. Convenience goods for instance need maximum exposure in order to attract the consumer. This policy helps the organisation producing consumer products to achieve wider market coverage and satisfy consumer preferences in terms of service and convenience of location of outlets. However, it needs heavy investment in distribution facilities and promotional effort.

(c) *Selective distribution*: This refers to a situation where a producer decides not to use all members of the channel available to it and uses only a few outlets in the target market. This policy is desirable where the product is a specialty product and the producer desires to have some organisational control over distribution outlets. This policy helps the producer to avoid the high cost involved in intensive distribution. It also helps the organisation to maintain a 'close watch' over the performance of the distributor.

C.10 Extended 7Ps of marketing

The 7Ps model is a marketing model that modifies the 4Ps model. The 7Ps is generally used in the service industries. The additional three elements of the services marketing mix - people, process and physical evidence - are unique to the marketing of services.

C.10.1 People

People here refers to the makeup of both target market and people directly related to the business. Thorough research is important to discover whether there are enough people in your target market that is in demand for certain types of products and services. People are a defining factor in a service delivery process, since a service is inseparable from the person providing it. The company's employees are important in marketing because they are the ones who deliver the service. Thus, a restaurant is known as much for its food as for the service provided by its staff. The same is true of banks and department stores. Consequently, it is important to hire and train the right people to deliver superior service to the clients, whether they run a support desk, customer service, copywriters, programmers…etc. When a business finds people who genuinely believe in the products or services that the particular business creates, it's is highly likely that the employees will perform the best they can. Additionally, they'll be more open to honest feedback about the business and input their own thoughts and passions which can scale and grow the business. Managers should note the following:

(i) It is essential to ensure that all employees who have contact with customers are not only properly trained, but also are the right kind of people for the job.

(ii) Many customers cannot separate the product of service from the staff member who provided it. This shows the importance of people in the organisation.

(iii) The level of after sales service and advice provided by the business is one way of adding value to what is offered and can give an important edge over the competitors. This will become more important than price once they see the people providing the service.

(iv) In the age of social media, every employee can potentially reach a mass audience. Formulate a policy for online interaction and make sure everyone stays on-message.

(v) Likewise, happy customers are excellent advocates for your business. Curate good opinion on review sites.

C.10.2 Process

Process means procedures, mechanism and flow of activities by which a service is acquired. Service process is the way in which a service is delivered to the end customer. The actual delivery steps that the customer experiences, or the operational flow of the service, also give customers evidence on which to judge the service. Process decisions radically affect how a service is delivered to customers. The systems and processes of the organization affect the execution of the service. So, managers have to make sure that you have a well-tailored process in place to minimize costs. It could be the entire sales channel, a pay system, distribution system and other systematic procedures and steps to ensure a working business that is running effectively. The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blueprint which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff. Thus the process of a service company in delivering its product is of utmost importance. It is also a critical component in the service blueprint, wherein before establishing the service, the company defines exactly what should be the process of the service product reaching the end customer.

C.10.3 Physical Evidence

This is the environment in which the service is delivered and any tangible goods that facilitate the performance and communication of the service. Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. Customers look for clues to the likely quality of a service also by inspecting the tangible evidence. To create a better customer experience tangible elements are also delivered with the service. Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn. Similarly, restaurants invest heavily in their ambient lighting, music, good seating arrangement and layout interior design and decorations to offer a tangible and unique experience to their guests. Furthermore, physical evidence is used as a differentiator in service marketing. Imagine a private hospital and a government hospital. A private hospital will have plush offices and well-dressed staff. Same cannot be said for a government hospital. Thus physical evidence acts as a differentiator.

Summary

Marketing involves basically getting the right product to the right customer at the right price. Marketing revolves around four basic activities – product, promotion, price and distribution. A product is anything offered to a market for consumption or sale. . Price is the value placed on an item. Price determines the demand and revenue of the organisation and influences consumer's behaviour. Promotion has to do with any persuasive information aimed at consumers. Promotion ensures that the customers get the right information about the organisation and its activities. Distribution ensures that the product physically reaches the customer's doorstep. The section concluded with the extended 7Ps model which modifies the 4Ps model. The 7Ps is generally used in the service industries. The additional three elements of the services marketing mix - people, process and physical evidence - are unique to the marketing of services.

REVIEW QUESTIONS

MULTIPLE CHOICE QUESTIONS (MCQ)

1. Which of the following is NOT an element of the marketing mix?

A. Distribution
B. Product
C. Market
D. Price
E. Marketing communication

2. In _____________ segmentation, buyers are divided into different groups on the basis of life style or personality and values.

A. Geographic.
B. Psychographic.
C. Behavioural.
D. Demographic
E. B & D above

3. The consumer promotion technique according to which product consumers are told to submit their names for drawing in a raffle draw is classified as _______________

A. Cash Refunds
B. Competition
C. Sweepstakes
D. Contest
E. Samples

4. _____________ is the development of original products, product improvements, product modifications, and new brands through the firm's own R&D efforts.

A. Idea generation
B. Concept testing
C. Test marketing
D. Idea screening
E. New product development

5. All of the following are major internal sources of new-product ideas, except which one?

A. Brainstorming
B. Intrapreneurship
C. Employee creativity
D. Customer forum
E. None of the above

6. The term used to cover various groupings of customers is called ______________.

A. Market
B. People
C. Buying power
D. Demographic segment
E. A & b

7. Bread and milk are which kind of products?

A. Specialty Products
B. Convenience products
C. Shopping products
D. Unsought products
E. Neighbourhood goods

8. Mr. Lawal buys goods and services for use in the production of products that are sold and supplied to others. Mr. Lawal is involved in _________.

A. Consumer buying behaviour
B. Post-purchase dissonance
C. Retail buyer behaviour
D. Business buyer behaviour
E. None of the above

9. The ______________ holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.

A. Societal marketing concept
B. Customer-centered business
C. Focused business model
D. Selling concept
E. Ethically responsible marketing

10. ________ pricing is the approach of setting a low initial price in order to attract a large number of buyers quickly and win a large market share.

A. Market-skimming
B. Cost-based
C. Value-based
D. Market-penetration
E. Leader

11. Industrial products may be classified as follows EXCEPT ________
A. Specialty goods
B. Component goods
C. Supplies
D. Accessories
E. Raw Materials

12. The consumer promotion technique in which customer purchase proof is sent to manufacturer which then refunds some part of price is called:

A. Cash refund
B. Coupon
C. Sample
D. Exhibition
E. Premium

13. The ________ refers to the various companies that are involved in moving a product from its manufacturer into the hands of its buyer.

A. Network chain
B. Channel one
C. Supply chain
D. Promotion network
E. Distribution chain

14. Luxury products, such as Rolex watches, are also known as:

A. Shopping product
B. Convenience product
C. Emergency product
D. Specialty product
E. Unsought product

15. A social and managerial process by which individuals and organizations obtain what they need and want through value creation refers to which one of the following concepts?

A. Selling
B. Marketing
C. Advertising
D. Barter
E. Exchange

SHORT ANSWER QUESTIONS (SAQ)

1. The starting point of marketing is __________________
2. The type of pricing method that could be an attempt to convey an image of quality, maintaining market share and shielding competitors is called _____________

3. A non-personal form of persuasive communication about ideas, goods and services that is paid for by an identified sponsor is known as ________
4. Under the production concept, the company assumes that what the consumer is primarily interested in is ________
5. The promotion tools such as sweepstakes, event sponsorship, samples and coupons are classified in category of _____________
6. Convenience products usually have intensive distribution because sales of these products tend to have a direct relationship to availability. True/ False
7. Institutional markets consist of people who buy products and services for personal use. True / False
8. Red Cross blood donations are considered to be specialty products and, therefore, have a specialty offer to the consumer. True / False
9. A service can be defined as "any activity or benefit that one party can offer another that is essentially intangible and that does not result in the ownership of anything." True / False
10. _____________ is the stage of new-product development in which the product and marketing program are tested in more realistic market settings. Test marketing

SOLUTION

MULTIPLE CHOICE QUESTIONS

1. C
2. B
3. C
4. E
5. D
6. A
7. B
8. D
9. A
10. D
11. A
12. A
13. E
14. D
15. B

SHORT ANSWER QUESTIONS

1. Identification of customer needs and wants

2. Prestige
3. Advertising
4. Product availability at a low cost
5. Sales promotion
6. True
7. False
8. False
9. True
10. Test marketing

SECTION D: FINANCE AND ACCOUNTING FUNCTION

Section contents

(a) Learning objectives
(b) Definition of Finance
(c) Nature of the Finance Function
(d) Financial markets/System
(e) Nature of Financial system
(f) The Money market
(g) Functions of the Money Market
(h) Common Money Market Instruments
(i) Role of participants in the money market.
(j) The Capital Market
(k) Segments of the Capital Market
(l) Functions of Capital Market
(m) The Accounting function
(n) Primary Functions of an Accounting Function
(o) Strategic Functions of an Accountant
(p) Structure of Accounting Department
(q) Positions of an Accountant within the Organisation
(r) Review questions

Learning Objectives

After studying this section, the reader should be able to:

- Explain the meaning of finance.
- Explain the meaning of financial markets.
- Explain money market.
- Explain capital market.
- Explain the role of participants in the money market.
- Explain the capital market.
- State and explain the functions of money and capital markets.
- Explain the purpose and importance of accounting function.
- Explain the structure of an accounting department in a typical organisation.

D.1 Definition of Finance

Finance may be defined as the art and science of managing money. Finance also is referred as the provision of money at the time when it is needed. Finance is concerned with the process, institutions, markets, and instruments involved in the transfer of money among individuals, businesses, and governments.

D.2 Nature of the Finance Function

The finance function is the process of acquiring and effective utilizing funds of a business. Finance functions are related to overall management of an organization. Finance function is concerned with the policy decisions such as like of business, size of firm, type of equipment used, use of debt, liquidity position. These policy decisions determine the size of the profitability and riskiness of the business of the firm. The following outline summarise the nature of the finance function:

(i) In most of the organizations, financial operations are centralized. .
(ii) Finance functions are performed in all business firms, irrespective of their sizes / legal forms of organization.
(iii) They contribute to the survival and growth of the firm.
(iv) Finance function is primarily involved with the data analysis for use in decision making.
(v) Finance functions are concerned with the basic business activities of a firm, in addition to external environmental factors which affect basic business activities, namely, production and marketing.
(vi) Finance functions comprise control functions also
(vii) The central focus of finance function is valuation of the firm.

Finance is different from Accounting and Economics; however, it uses information of accounting for making effective decisions. Accounting deals with recording, reporting and evaluating the business transactions, whereas Finance is termed as managerial or decision making process. Economics deals with evaluating the allocation of resources in economy and also related to costs and profits; demand and supply; and production and consumption. Economics also consider those transactions which involve goods and services either in return of cash or not.

D.3 Financial markets/System

Financial Markets include **any place or system that provides buyers and sellers the means to trade financial instruments, including bonds, equities, the various international currencies, and derivatives**. Financial markets (money and capital markets) consist of institutions, agents, brokers and intermediaries (banks, insurance companies, pension funds) transacting purchases and sales of securities. Financial markets facilitate the interaction between those who need capital with those who have capital to invest. The persons and institutions operate in a contractual communications networks which form an external visible financial structure.

To state it more simply, let us imagine a bank where an individual maintains a savings account. The bank can use their money and the money of other depositors to loan to other individuals and organizations and charge an interest fee. The depositors themselves also earn and see their money grow through the interest that is paid to it. Therefore, the bank serves as a financial market that benefits both the depositors and the debtors.

Financial markets are divided into two: investors and financial institutions. These financial institutions are organisations which act as intermediaries, agents and brokers in financial transactions. Financial intermediates purchase securities for their own account and sell their own liabilities and ordinary shares etc., whereas agents and brokers contract on behalf of others.

D.4 Nature of Financial system

(a) The domestic financial system of any country refers to a set of instructional and other arrangements that transfer savings from those who generate them to those who ultimately use them for investment or consumption.
(b) It is made up of a mechanism for organising and managing the payments for current and capital transactions
(c) It is a mechanism for the collection and transfer of savings by banks and other depository institutions
(d) It is an arrangements covering the activities of capital markets with respect to the issue and trading of marketable and transferable long-term securities
(e) It is an arrangements covering the workings of money and credit markets dealing with short-term financial instruments
(f) It covers the activities of financial market complementary to the capital market, credit and money markets, which in essence provide hedging (or risk insurance) facilities, such as the new future markets.

D.5 The Money market

The money market is a component of the financial markets for assets involved in short-term borrowing, lending, buying and selling with original maturities of one year or less. Money market refers to a collection or group of financial institutions or exchange system set up for dealing in short-term credit instruments of high quality, such as treasury bills, treasury certificates, call money, commercial paper, bankers' acceptances, certificates of deposit, bills of exchange, repurchase agreements, federal funds and repurchase agreements, as well as the dealing in gold and foreign exchange. These short-term instruments involve a small risk due to lose, because they are issued by obligors of the highest credit rating and they mature within one year.

While denoting trading in money and other short-term financial assets, the money market comprises of all the facilities of the country for the purchase and sale of money for intermediate and deferred delivery and for the borrowing and lending of money for short periods of time. It is a manifestation of dealing in short-term financial instruments (their sale and purchase, as also borrowing and lending for short periods) on the one hand, and a collection of the dealers in these assets on the other.

D.5.1 Functions of the Money Market

The money market performs the following functions:
(a) It provides the basis for operating and executing an effective monetary policy.
(b) To promote an orderly flow of short-term funds.
(c) To ensure supply of the necessary means of expanding and contracting credit.
(d) It is a central pool of liquid financial resources upon which it can make payments when it holds funds surplus to its needs.

(e) It provides the mechanism through which the liquidity of the banking system is maintained at the desired level.
(f) To provide banks with the basic financial requirements for effective management of their resources. Thus, help them to universalise their assets holding by providing a forum for investment of their surplus cash.
(g) Mobilisation of funds from savers (lenders) and transmission of such funds to borrowers (investors).
(h) It provides a channel for the injection of central bank cash into the system or the economy.
(i) It helps commercial banks to lower cash reserves through the provision of first

D.5.2 Common Money Market Instruments

The followings are common money market instruments:

(a) **Treasury bills** – These are short-term debt obligations of a national government that are issued to mature in three to twelve months. In other words, treasury bills are money market (short- term) securities issued by the federal government. They are sold at a discount (rather than paying coupon interest) and mature within 91 days of the day of issue and are default- free.

(b) **Treasury certificates-** These are similar to treasury bills. Treasury certificate which was introduced to replace commercial bill has a maturity between one and two years. The amount paid on the purchase of the certificate is usually less than the discount on the bill but the actual amount is repaid by the Central Bank at maturity.

(c) **Commercial bill-** This was used by commodity board and it is re-discountable by the Central Bank. It was, however, abolished in 1968 when banks refused to continue with their participation in the World Cocoa Market.

(d) **Certificate of deposit** – It is a time deposit, commonly offered to consumers by banks, thrift institutions, and credit unions. It was introduced in Nigeria in 1985 to channel commercial banks surplus funds into merchant banks issued in multiple of N50,000 and re-discountable by the CBN in case the issuing bank cannot redeem them at maturity. The maturity period ranges between 3 and 36 months.

(e) **Call money-** This instrument guarantees the payment of money on demand to the issuing bank. This also allows commercial banks and non-banking financial institutions to keep their temporary surplus cash with the Central Bank who in turn invest the fund.

D.5.3 Role of participants in the money market.

Participants in the money markets are financial institutions which can be broadly classified into two: (i) banks or bank financial institutions in the banking sector, and (ii) non- bank financial institutions.

(i) Banks or bank financial institutions
    (a) Central Bank
    (b) Commercial banks

(c) Merchant bank
(d) Development bank

(ii) Non- bank financial institutions.
(a) Insurance companies
(b) Building societies
(c) Hire purchase companies
(d) Pension funds, and
(e) Investment trusts

(a) Central Bank:

A central bank is the open national financial institution given privileged control over the production and distribution of legal tender money, credit for a nation or a group of nations; entrusted with the custody of cash reserve and out as lender of last resort.. In modern economies, the central bank is usually responsible for the formulation of monetary policy, the regulation of banking industry, and provision of financial services, including economic research. Its goals are to stabilize the nation's currency, keep unemployment low, and prevent inflation. Examples of Central banks are Bank of Ghana, Central Bank of the Gambia, Cnetral Bank of Nigeria, The Central Bank of West African States (French: *Banque Centrale des États de l'Afrique de l'Ouest*, BCEAO) is a central bank serving the eight West African countries which share the common West African CFA franc currency and comprise the West African Economic and Monetary Union (UEMOA).

Objectives of Central Bank
According to the Central bank of Nigeria (CBN) ordinance of 1958 (This can be applicable to other Central Banks in West Africa), the following are it objectives:
(a) To issues legal tender currency in Nigeria.
(b) To maintain external reserve in order to safeguard the international value of the currency.
(c) To promote monetary stability and strong financial structure.
(d) To act as banker and financial adviser to the federal government.

Roles of Central Bank

One of the main tools of any central bank is setting interest rates – the "cost of money" – as part of its monetary policy. Most central banks do not engage in retailing banking and an individual cannot open an account or ask for credit facilities/loans. It acts as a bank for the deposit money banks and this is how it influences the flow of money and credit in the economy to achieve stable prices. Commercial banks can turn to the central bank to borrow money, usually to cover very short-term needs. The main activity of most central banks is tied to liquidity management, which involves the routine control of the level of money supply in the system in order to minimize fluctuations in banks reserve balances. Periodically, the Central Bank determines target growth rates of money supply, which are compatible with overall policy goals. It also seeks to align commercial and merchant banking activities with the overall target.

(b) Commercial Banks

A commercial bank is a type of bank that provides services such as accepting deposits, making business loans, and offering basic investment products.

Functions of Commercial Banks

There are two essential functions that a financial institution must perform to become a bank. These are: primary and secondary functions.

Primary functions

(a) Accepting deposits
(b) Making advances
(c) Credit creation

Secondary functions

(a) Clearance of cheque
(b) Transfer of money
(c) Sale/purchase of shares/bonds
(d) To work as trustees
(e) To work as a representative
(f) To give/accept money
(g) To provide letter of credit

(c) Merchant Bank

According to the Nigerian Banking Amendment Decree (No.88) of 1979, merchant bank means any person in Nigeria who is engaged in wholesale banking, medium and long-term financing, equipment leasing, debt factoring, investment management, issue and acceptance of bills and the management of unit trust. They are also called Acceptance Houses or Discount Houses. A merchant bank deals with the commercial banking needs of international finance, long-term company loans, and stock underwriting. This type of bank does not have retail offices where a customer can go and open a savings or checking account. It is sometimes said to be a wholesale bank, or in the business of wholesale banking because these banks tend to deal primarily with other banks of the same kind, as well as large financial institutions. In the USA, for instance, merchant banks are known as investment banks

The Functions of Merchant Banking

The Functions of Merchant Banking are listed as follows:

(a) **Raising finance for clients:** Merchant banking helps its clients to raise finance through issue of shares, debentures, bank loans, etc. It helps its clients to raise finance from the domestic and international market.
(b) **Broker in stock exchange:** Merchant bankers act as brokers in the stock

exchange. They buy and sell shares on behalf of their clients. They conduct research on equity shares.

(c) **Project management:** Merchant bankers help their clients in many ways. For example, advising about location of a project, preparing a project report, conducting feasibility studies, making a plan for financing the project, finding out sources of finance, advising about concessions and incentives from the government.

(d) **Advice on expansion and modernisation:** Merchant bankers give advice for expansion and modernisation of the business units. They give expert advice on mergers and amalgamations, acquisition and takeovers, diversification of business, foreign collaborations and joint-ventures, technology upgrading, etc.

(e) **Managing public issue of companies:** Merchant bank advise and manage the public issue of companies. They provide the following services related to public issue of securities:

(f) **Handling government consent for industrial projects:** A businessman has to get government permission for starting of the project. Similarly, a company requires permission for expansion or modernisation of activities. For this, many formalities have to be completed. Merchant banks do all these work for their clients.

(g) **Corporate restructuring:** It includes mergers or acquisitions of existing business units, sale of existing unit or disinvestment. This requires proper negotiations, preparation of documents and completion of legal formalities. Merchant bankers offer all these services to their clients.

(h) **Money market operation:** Merchant bankers deal with and underwrite short-term money market instruments, such as Government bonds, Certificate of deposit issued by banks and financial institutions, Commercial paper issued by large corporate firms.

(d) Development Banks

Development banks are specialised financial institutions providing medium and long-term credits to selected sectors of the economy. Such sectors include Agriculture, Commerce and Industry, Housing, etc. These banks are government-established institutions for special purposes. In Nigeria, such banks include the Nigerian Industrial Development Bank (NIDB) established in 1964 to carry on business of assisting enterprises engaged in industry, commerce, agriculture and exploitation of natural resources in Nigeria; the Nigerian Bank for Commerce and Industry (NBCI) established in 1973 in the wake of indigenisation exercise to ensure that the exercise is successful; the Nigerian Agricultural and Cooperative Bank (NACB) established on March 1973 to develop the agricultural sector; the Federal Mortgage Bank of Nigeria (FMBN) established in January 1977 to cater for housing problems in Nigeria, the Nigerian Export-Import Bank (NEXIM) established in 1991 to provide both finance and insurance services to imports and exports businesses.

Functions of Development Banks

The functions of development banks are as follows:

(a) To promote and develop small-scale industries (SSI);
(b) To finance the development of the housing sector;
(c) To facilitate the development of large-scale industries (LSI);
(d) To help the development of agricultural sector and rural town;
(e) To help to review (cure) sick industrial units;
(f) To encourage the development of entrepreneurs;
(g) To promote economic activities in backward regions of the country; and
(h) To contribute in the growth of capital markets;

Microfinance Banks

Microfinance involves the provision of financial services to the poor and the low income segment of society. Worldwide, microfinance has been identified as a potent instrument for promoting financial inclusion and consequently, poverty alleviation.

Impact of the Microfinance Subsector in Promoting Financial Inclusion

Targets set for the subsector at inception in 2005 included the following:

(a) To cover the majority of the poor but economically active population by 2020 thereby creating millions of jobs and reducing poverty.
(b) To increase the share of micro credit as a percentage of total credit to the economy from 0.9 percent in 2005 to at least 20 percent in 2020 and the share of micro credit as a percentage of GDP from 0.2 percent in 2005 to at least 5 percent in 2020
(c) To promote the participation of at least two thirds of the states and local governments in micro credit financing by 2015
(d) To eliminate gender disparity by improving women's access to financial services by 5% annually
(e) To increase the number of linkages among universal banks, developmental banks specialised finance institutions and microfinance banks by 10% annually.

Insurance Companies

Insurance is a pool of risk or means of spreading risks or losses of few people over a large number of people or companies. It is the conversion of indeterminate risks into fixed costs by way of consolidating or an economic device whereby risks of living and of economic enterprises are spread over a reasonable number of insured. In performing these functions, the insurance Companies collect premium from several insured. The role they perform is similar to that of banks because the premium they collect is in form of deposit mobilization by banks.

Functions/Roles of Insurance Companies

The following are functions of insurance companies:

(a) Insurance companies provide the most effective method of handling many of the pure risks encountered by individuals and firms;

(b) Insurance companies facilitate risk transfer;
(c) They accumulate substantial funds which are used for long-term investment;
(d) Through their life and pension businesses they help to develop the financial market;
(e) They help to mobilise national resource by encouraging individuals to save;
(f) They operate pension schemes on behalf of companies;
(g) They grant loans on mortgages;
(h) They act as underwriters in the capital market;
(i) Insurance policies are used as collateral securities for bank loans.

Finance Companies

Finance Companies mobilize deposits from people and give them to their customers to improve their business. They *use* money market instruments like Commercial Paper (CP) and certificate of deposit and other short time instruments. They make the funds mobilized available to their customers for a short and medium term by making finance available for such businesses like Local Purchase Orders (LPO), Debt factoring and securities trading.

Mortgage Institution

Every other institution involved in mortgage finance apart from Federal Mortgage Bank is all referred to as primary mortgage institutions. The reason for the name is that they deal directly with individuals and estate firms; while the Federal Mortgage Bank remained the supervisory body. They are also involved in the intermediation process as they accept deposits from small savers and borrowing from other institutions W finance the development of housing sector. They offer long term credit facilities to encourage people to build or buy their own houses.

Functions of Mortgage Banks

(a) They accept deposits from members of public.
(b) They encourage members- of public to cultivate saving habits.
(c) They build and provide houses for low income earners.
(d) They finance estate developers.
(e) They give loans to individuals and thereby encourage them to have their own houses.

Discount Houses

These are the institutions that specialize in the provision of discounting facilities; that is, buying and selling of securities; that is, buying and selling of securities especially government securities. They also discount bills for banks and save them the rigor of going to the Central Bank. They also issue their own securities to the bank as a means of raising funds.

Thrift and Credit Cooperative Society

The purpose of this type of society is to mobilize savings from the members so that the needy members can borrow at minimum interest rate. They meet regularly say monthly and contribute an agreed amount of money to the purse of the association. This type of society is like savings cub and usually found among traders, artisans and peasant farmers.

Roles of Thrift and Credit Cooperative Society

(a) Members obtain loans easily without collateral to boost their trade.

(b) It is a means of encouraging savings among members.

(c) It is a means of mobilizing capital for members.

(d) They offer free advice to their members during their monthly meetings.

(e) They often make it easy for their members to own real properties by buying land with the cooperative money at lower prices and distribute it to them.

D.6 The Capital Market

The capital market refers to a collection of financial institutions set up for the purpose of granting long-term loans. It is a market for long-term instrument which include market for government securities, market for corporate bonds, market for corporate shares (stocks) and market for the mortgage loans. The capital market is composed of the primary market (market for new securities) and the secondary market (including insurance companies, building societies, saving banks and other bodies not directly concerned with the issue of new securities, but which are engaged in the business of long-term borrowing and lending upon which the issue of new securities depends).

D.6.1 Segments of the Capital Market

(a) **Primary market:** This is a market that deals with issue and sales of new securities of companies which are not previously quoted on the stock exchange market. The instruments used in the primary market are:

- (i) Public issue: In a capital market, company can borrow funds from primary market by way of public issue of shares and debentures. The cost of raising funds through public issue is high as compared to other methods.
- (ii) Private placing: The capital issue is sold directly to a small group of investors. Mainly institutional investors like insurance companies, banks, mutual funds, few private investors, etc.
- (iii) Right issue: In capital market, rights issue means selling securities in primary market by issuing shares to existing shareholders.
- (iv) Offer for sale: In a capital market, the company sells the entire issue of shares or debentures to an issue house or merchant banker at an agreed price, which is normally below the par value. The shares or debentures are then resold by issue house/merchant bankers to be public.
- (v) Obtaining term loans: In capital market, companies can additionally raise long term cash by obtaining long-term loans, mostly from financial institutions. Term loans are also referred to as ‘term finance’ which represent a source of debt finance and is generally repayable in more than one year but less than 10 years.

(b) **Secondary market:** This is a market for trading of second hand securities. In this market holders of existing shares who wish to sell them can have contact with individuals or institutions interested in buying through licensed stock brokers.

D.6.2 Functions of Capital Market

The following are functions of an active capital market:

(a) It is machinery for mobilising long-term financial resources for industrial development.
(b) The promotion of rapid capital formation.
(c) The provision of sufficient liquidity for any investor or group of investors.
(d) The mobilisation of savings from numerous economic units for economic growth and development.
(e) The encouragement of a more efficient allocation of new investment through the pricing mechanism.
(f) The provision of alternative sources of fund other than taxation for government.
(g) It is a necessary liquidity mechanism for investors through a formal market for debts and equity securities.

D.7 The Accounting function

The Accounting function entails identification, measuring, and communicating of economic information for the purposes of generating informed judgments and decisions by the users of the information. Information that is primarily sourced is primarily financial related, often measured in monetary terms. Situating the accounting function into organic functions of management, then, can be said to be a measurement and communication process used to report on the activities of non-profit and profit-seeking business organizations. For every profit-seeking business entity that operates for economic gain by applying economic resources, such as money, machinery and buildings, accounting information (to be provided and implemented by accountants) is important to their survival.

To a layman, who interchangeably uses Accounting and Bookkeeping, the accounting functions may not be properly understood. Meanwhile, while bookkeeping is a mechanical process that records the routine economic activities of businesses, accounting on the other hand includes bookkeeping, but goes well beyond it in scope.

D.8 Primary Functions of an Accounting Function

Accounting as a major functional area of management is very crucial to the survival of the firm, considering the primary functions being performed by the Accounting Departments of organisations (often headed by qualified accountants) these functions include:

(a) Keeping records of the organisation’s financial transaction
(b) Analysing and interpreting financial information
(c) Preparation of financial statements
(d) Management of the organisation’s funds

(e) Designing accounting systems
(f) Preparing special business and financial studies for accountants-in-training
(g) Preparation of organisational forecasts and budgets
(h) Providing effective custody of the organisation's assets
(i) Provision of tax services

D.9 Strategic Functions of an Accountant

By their placement in the organisational chart, accountants are expected to perform the following strategic functions (in chronological order):
(i) Observe events within organisations
(ii) Identification of events that have economic values
(iii) Measuring economic events in financial terms
(iv) Recording measurements
(v) Measurements classifications
(vi) Measurements summary
(vii) Reporting on economic events in financial statements and other financial related reports
(viii) Interpreting the contents of financial statements and other reports

D.10 Structure of Accounting Department

The accounting Department is strategically structured to enable it attend to all its attendant functions (primary and strategic). This is as shown in Fig. D.1

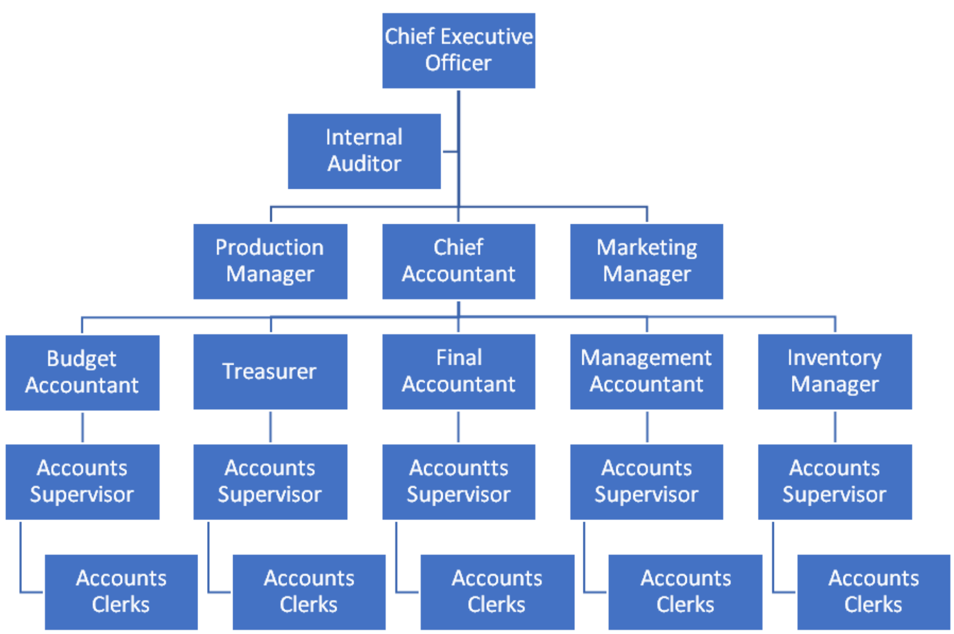

Figure 4.8: The Accounting Department Organogram

D.11 Positions of an Accountant within the Organisation

An accountant can occupy any of the following positions within any organised firm, according to the degree of their qualifications and areas of expertise. In actual sense, the positions are best reserved for accountants, considering peculiar expertise and professionalism expected. Such positions include:

(i) Internal Auditor
(ii) Chief Accountant
(iii) Budgeting Officer
(iv) Final Accounts Officer
(v) Treasurer
(vi) Management Accountant
(vii) Cost Accountant
(viii) Inventory Officer
(ix) Account Supervisors
(x) Account Clerks

Summary

This section has introduced the reader to the meaning of finance and the nature of the finance function in any organisation. You have also learned about the structure of the financial market made up of the money and capital markets. The functions and roles of the participants have been discussed. The functions and organisation of the Central bank, commercial banks, merchant bank, development bank microfinance bank as well as other non-bank institutions in the money market have been discussed. Deliberations on the accounting function concludes our discussions on organic business functions. The accounting function is responsible for the measurement and communication of the activities of the organisation in monetary terms. The Accounting department is organised along functional lines to include, record keeping, preparation of financial information, analysing financial information and record on same to the owners of the business. The financial function is strategically positioned to give an overview of the organisation. This was discussed along with the strategic roles of professional accountant in an organisation. The organisation of a typical accounting department was demonstrated in an organogram.

Review Questions

Multiple Choice Questions

1. Business finance includes........

A. procurement and utilization of funds
B. management of funds
C. allocation of funds
D. Insurance of funds
E. Exchange of funds

2. Financial management is mainly concerned with:

A. Efficient management of every activity of business

B. Arrangement of funds required to the firm
C. Obtaining required funds in the appropriate mix and utilizing them efficiently
D. All of these
E. None of these

3. Which of the following is not a function of finance manager?

A. Mobilization of funds
B. Deployment of funds
C. Control over use of funds
D. Manipulate share price
E. Allocation of funds

4. Which of the following would you expect to be the responsibility of financial management?

A. Producing annual reports
B. Dividend pay out to investors
C. Producing monthly management accounts
D. Advising on investment in non-current assets
E. Deciding pay rates for staff

5. _______ is a link between savers & borrowers, and helps to establish a link between savers & investors

A. Marketing
B. Financial market
C. Money market
D. Banks
E. None of these

6. Which of the following is the function of financial market?

A. Mobilization of savings
B. Price fixation
C. Provide liquidity to financial assets
D. All of the above
E. None of the above

7. __________ constitute organisations and institutions that provide long term funds.

A. Capital market
B. Money market
C. Primary market
D. Secondary market

8. Which of the following is/are the instruments in the money market?

A. Call money
B. Certificate of deposits
C. Treasury bills
D. Commercial papers
E. All of the above

9. Which of the following statements is not true with regard to money market?

A. It involves low market risk.
B. It is situated at specific locations.
C. Deals in unsecured and short-term debt instruments.
D. The instruments traded are highly liquid.

10. Which of the following statements is not true with regard to capital market?

A. The funds are raised for a short period of time.
B. Both debt and equity funds can be raised.
C. It is classified into two types.
D. None of the above
E. All of the above

11. Which of the following participants represent capital market?

A. Development banks
B. Commercial banks
C. Stock exchanges
D. All of the above
E. Quoted companies

12. Which of the following is a financial asset?

A. Gold
B. Silver
C. Share
D. Land.
E. Receivables

13. Which of the following is a cash asset?

A. Deposit created out of loans
B. Share
C. Bond
D. Post office certificate.
E. Debenture

14. Government bond is a

A. short term security
B. long term security
C. medium term security
D. Either a or b.
E. None of the above

15. The following are functions of an accounting department, EXCEPT

A. Keeping records of the organisation's financial transactions
B. Preparation of financial statements
C. Conducting internal audit exercises
D. Designing accounting systems
E. Preparation of organisation forecasts and budgets

16. The following are components of a manual accounting system, EXCEPT

A. Cash book
B. Invoices
C. Ledgers
D. Peachtree
E. Adding machines

17. The mechanical process that records the routine economic activities of businesses is known as ___________

A. Record keeping
B. Journal
C. Bookkeeping
D. Financial records
E. Economic trend

18. Information used in accounting records are often expressed in __________ term

A. Monetary
B. Historical
C. futuristic
D. metric
E. Accounting

19. A professional accountant can occupy any of the following positions, EXCEPT

A. Data officer
B. Treasurer

C. Management accountant
D. Internal auditor
E. Chief accountant

20. One of these is NOT a function of the Accounting Departments of organisations:
A. Keeping records of the organisation's financial transaction
B. Analysing and interpreting financial information
C. Preparation of financial statements
D. Management of the organisation's funds
E. Training and motivation of accountants

Short Answer Questions

1. The officer directly responsible for cash management in an organisation is ……………
2. A paperless accounting transaction and reporting system is an example of …………….. accounting system
3. An accounting sub-system which manages the stock of finished goods is………… system
4. An accountant who prepares monthly accounting reports for consideration of the board of directors is called …………………….
5. The regulator of the money market of an economy is ________
6. __________ is a market for lending & borrowing of short term funds.
7. The secondary market buying and selling securities is known as ___________ .

SOLUTIONS

MULTIPLE CHOICE QUESTIONS

1. A
2. C
3. D
4. D
5. B
6. D
7. A
8. E
9. B
10. A
11. C
12. C
13. A
14. B
15. D
16. D
17. C
18. A
19. A
20. E

SHORT ANSWER QUESTIONS

1. Treasurer/Treasury Accountant
2. Computerised
3. Inventory management
4. Management Accountant
5. Central bank
6. Money market
7. Stock Exchange

CHAPTER FIVE
MANAGEMENT OF WORKPLACE RELATIONSHIP

SECTION A: MOTIVATION

Section contents

(a) Learning objectives
(b) Definition of Motivation
(c) Types of Motivation
(d) Factors Affecting Motivation
(e) Motivation Theories
(f) Content Theories
(g) Process Theories
(h) Reinforcement Theory
(i) Techniques used to motivate employees in practice

Learning Objectives

After studying this section, the reader should be able to:

- Define and explain the meaning of motivation
- Explain types of motivation
- Explain main factors affecting motivation
- Explain the motivation theories
- Explain the techniques of motivating employees

A.1 Definition of Motivation

Motivation is probably an area of management which is mostly researched. The concept is the very heart of work organisations. If a manager can understand what will motivate his/her employees, then that manager will have a more productive workforce. The managerial ability to understand what motivates employees is a key diagnostic skill for a manager to possess. Thus, to a large extent, a manager's leadership competence is strongly related to his/her ability to motivate, influence, direct and communicate with subordinates to achieve organisational effectiveness.

Motivation is a general term used to represent an employee's desire and commitment and is manifested in the dispensation of effort. Many authorities have defined the concept differently. Zedeck and Blood (1974) defined it as "a predisposition to act in a specific goal directed way". Lawal (1993) defined it as "An inner state that energises, activates, or moves and directs or channels behaviour towards goals. Motivation refers to the drive and effort to satisfy a want or goal. Enikanselu and Awe (2005) summarise these definitions simply thus as "the force which energises behaviour".

Performance of employees is a function of a number of factors as summarised by Maier (1973) and Lawler (1973) thus:

Performance = f (Ability x Motivation)
Ability = f (Aptitude x Training x Resources)
Motivation = f (Desire x Commitment)

From the above, one can see that performance is the product of ability multiplied by motivation; ability is the product of aptitude multiplied by training and resources, and motivation is the product of desire and commitment. The implication of the multiplicative function in the above formulas suggests that all the elements are essential for performance. Aptitudes refer to nature of skills and involve physical, mental capabilities and personality characteristics. Ability can be enhanced through education and training.

A.2 Types of Motivation

From the viewpoint of Rudolph and Kleiner (1989), there are two (2) types of motivation; these are:

(i) Extrinsic motivation, and
(ii) Intrinsic Motivation

(i) Extrinsic motivation

This is related to 'tangible' rewards such as salary and fringe benefits, security, promotion, contract of service, the work environment and conditions of work. Such tangible rewards are often determined at the organisational level and may be largely outside the control of individual managers.

(ii) Intrinsic motivation

This is related to 'psychological' rewards such as the opportunity to use one's ability, a sense of challenge and achievement, receiving appreciation, positive recognition, and being treated in a caring and considerate manner. The psychological rewards are those that can usually be determined by the actions and behaviour of individual managers.

A.3 Factors Affecting Motivation

(i) Satisfaction through achievement
(ii) Growth/advancement
(iii) Job security
(iv) Interpersonal relations
(v) Company policies
(vii) Working conditions
(viii) Status
(ix) Salary including other fringe benefits, etc.

A.4 Motivation Theories

Management scholars have developed several theories, over the years that help us to describe and understand what motivates people at work. In this book, these theories shall be grouped into the following:

(a) Content theories
(b) Process theories
(c) Reinforcement theories

A.4.1 Content Theories

The content theories are otherwise called the need theories. The theories relate to factors within individuals that cause them to act in a certain way. As put by Yalokwu (2002), they are theories that deal with the factors within the individual which start, energise, direct, maintain and stop behaviour.
The content theories attempt to provide answers to questions such as: what needs do people attempt to satisfy? What impels them to action? In short, the theories describe individual inner needs that are to be driven, pressured or motivated to reduce or fulfil. In this section, fiv of the content theories of motivation shall be examined. These are Maslow Hierarchy of Needs Theory, Aldelfer's ERG Theory, McGregor's Theory X and Y and Herzberg's two factor theory.

(a) *Maslow's Hierarchy of Need Theory*: This is one of the most widely mentioned and applied theories of motivation which was propounded by Abraham Maslow, a clinical psychologist. The theory was developed in 1943 and popularised during the early 1960s. The theory is based on two fundamental assumptions, first, that different needs are active at different times and only needs not yet satisfied can influence behaviour. Secondly, that needs are arranged in a specified order of importance called hierarchy.

Maslow posited that behaviour is triggered by a need deficit that is driven, pressured or motivated to reduce or fulfil so that individuals can reduce the tension it creates. He arranged human needs in five broad groups which are arranged in hierarchical order of value. These are:

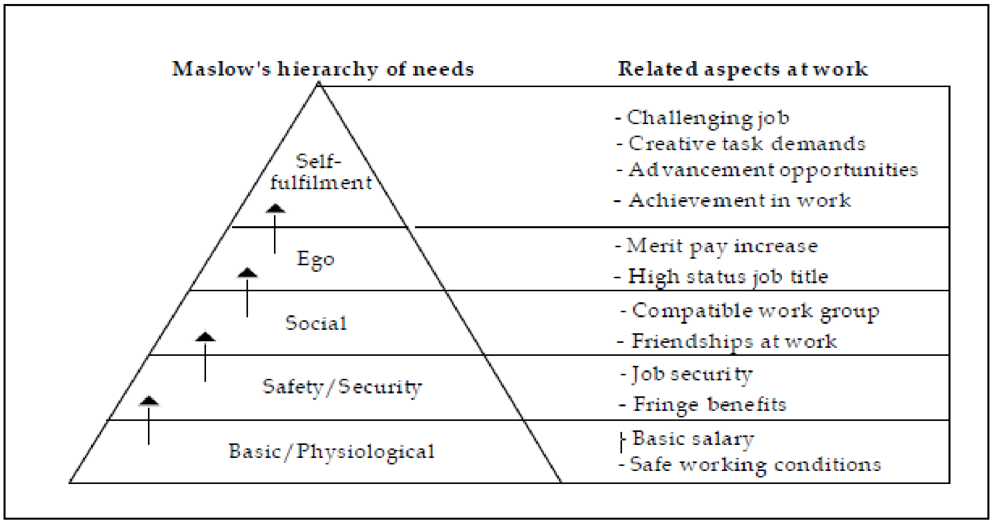

Figure 5.1: Abraham Maslow's hierarchy of needs model

- *Physiological Needs:* This is the need for survival and is the lowest level of human needs. The needs consist of food, shelter, water, clothing, sex and sleep. Maslow took the position that until these needs are satisfied to the degree necessary to maintain life, other needs will not motivate people.

- *Safety Needs:* These pertain to the desire to feel safe, free from fear of losing job, property, food, shelter and physical harm. This need is often met in work organisations through fringe benefit, confirmation of appointments, insurance schemes, safe working condition, retirement and pension schemes.

- *Social Needs:* This is the need to affiliate with others and be accepted by others. It involves the need for belongingness, affection, friendship, interaction and acceptance with relation to others.

- *Esteem Needs:* These are needs that relate to having a positive image and also of having contributions that are valued and appreciated by others. These needs include self-confidence, achievement, competence, need for knowledge, need for status, recognition and respect of one by others.

- *Self-Actualisation Needs:* This in the thinking of Maslow, is the highest level of needs in the hierarchy. It is called self-fulfilment need. It is the need to become what one is capable of becoming, that is, to maximise one's potentials. I will simply put it as the need to be what you want to be. It concerns the need to maximise the use of one's abilities, skills and knowledge.

The hierarchy of needs theory suggests that people must meet the needs at the bottom of the hierarchy before moving towards the higher ones. That is why Gatewood et at (1995) noted that people who are hungry and homeless are not very concerned with obtaining respect from their colleagues.

For managers to apply the Maslow's theory, it is pertinent to note these views and points:

(a) A need that is satisfied is not a motivator. No wonder, people are always striving hard to satisfy needs that are yet to be satisfied. It is unmet needs that motivate.

(b) Managers must determine the needs of his/her subordinates and design appropriate motivational strategies for getting the best from them.

(c) In real life, the nature of human needs is complex but the theory has assisted managers to conceptualise motivating forces based on needs categorisation.

(d) A need might not have to be completely fulfilled before we start directing our attention to the next level need in the hierarchy (Bartol and Martin, 1994).

Criticisms of Maslow's Need Hierarchy Theory

- Research works by Wahba and Bridwell (1986), Lawler and Suttle (1972), and Hall and Nougaim (1968) did not produce any support to Maslow's hierarchy of needs theory. Authorities believed that the theory was neither developed from controlled empirical studies nor was it rigorously tested. These research works have rejected the thinking of Maslow that needs can be put in hierarchical levels.

- Another criticism of Maslow's needs hierarchy theory is that the hierarchy as captured by Maslow may not be applicable to everybody. The arrangement may alter with individuals.

For some people, there will be a reversal of the hierarch, for example:

(a) Self-esteem may seem to be more important than love to some people. This is the most common reversal of the hierarchy. It is often based on the belief that the person most loved is strong, confident or inspires respect. People seeking love try to put on a show of aggressive, confident behaviour. They are not really seeking self-esteem as an end it itself but for the sake of love needs.

(b) For some creative people, the drive for creativity and self-actualisation may arise despite lack of satisfaction of more basic needs.

(c) Higher-level needs may be lost in some people who will continue to be satisfied with lower levels only; for example, a person who has experienced chronic unemployment.

(d) Some people who have been deprived of love in early childhood may experience the permanent loss of love needs.

(e) A need which has continued to be satisfied over a long period of time may be undervalued. For example, people who have never suffered from chronic hunger may tend to underestimate its effects, and regard food as rather an unimportant thing. Where people are dominated by a higher-level need, this may assume greater importance than more basic needs.

(f) People with high ideals or values may become martyrs and give up everything else for the sake of their beliefs.

Wahba and Bridwell (1976) were of the view that several needs may be strong simultaneously rather than the distinct categorisation amplified by Maslow.

Yalokwu (2004) noted that needs are not static but dynamic and therefore anybody can go down the hierarchy as fast as or even faster than go up. Also, he contended that more than one need levels can be operative at any given time.

Maslow is of the view that meeting of human needs is in his defined hierarchical levels, whereas, other psychologists have noted that human beings have the capacity to seek higher level fulfilment even when lower level needs have not been met. Some academicians devote themselves to their research efforts rather than making money from other pursuits, even at the price of constant struggle with poverty.

Porter and Lawler (1968) affirmed that some outcomes are relevant to be the fulfilment of more than one need at a time. For example, good pay appears to satisfy not only the physiological needs and safety needs, but also the esteem needs.

B. **ERG Theory**: This is a modified need hierarchy model presented by Alderfer in 1972. This model condenses Maslow's five (5) levels of need into only three (3) levels based on the core needs of Existence, Relatedness and Growth (i.e. ERG theory) as follows in Table 5.1.

Table 5.1: Relationship between Maslow's and Alderfer's theories of motivation

Maslow's Hierarchy of Needs	Alderfer's ERG Theory
Physiological	Existence
Safety	
Love	Relatedness
Esteem	
Self-actualisation	Growth

Essentially, the **ERG theory** is an alternative (proposed) by Alderfer) to Maslow's hierarchy of needs theory which argues that there are three (3) levels of individual needs. These three (3) levels of individual needs are:

(a) **Existence needs:** These are concerned with sustaining human existence and survival and cover physiological and safety needs of a material nature. In simple term, **existence needs** are needs that include the various forms of material and physiological desires, such as food and water, as well as such work-related forms as pay, fringe benefits, and physical working conditions.

(b) **Relatedness needs**: These are concerned with relationships, to the social environment and cover love or belonging, affiliation, and meaningful interpersonal relationships of a safety or esteem nature. In other words,

relatedness needs are needs that address our relationships with significant people, such as families, friendship groups, work groups, and professional groups.

(c) **Growth needs:** These are concerned with the development of potential and cover self-esteem and self-actualization. **Growth needs** are needs that impel creativity and innovation, along with the desire to have productive impact on surroundings.

Like Maslow, Alderfer further suggests that individuals progress through the hierarchy, i.e., from existence needs, to relatedness needs, and to growth needs, as the lower-level needs become satisfied. However, Alderfer (1972) suggests that these needs are more on a scale or continuum than on hierarchical levels. According to Alderfer, **more than one need may be activated or satisfied at the same time.**

Based on his theory, Alderfer (1972) formulated two (2) hypotheses, these are:
(a) satisfaction – progress, and
(b) frustration – regress

(a) **Satisfaction – progression** - is a hypothesis that states that satisfaction of one level of need encourages concern with the next level.
(b) **Frustration – regression** – is a hypothesis that states that if we are continually frustrated in our attempts to satisfy a higher-level need, we may cease to be concerned about that need.

However, both Maslow's hierarchy theory and ERG theory are extremely difficult to test because they involve measuring and tracking individual's changing needs and fulfilment levels over time. So far, the limited research on ERG theory has generally been supportive (Steers and Porters, 1996).

(C) Douglas Mcgregor's Theory X and Theory Y

McGregor understood human motivation using Maslow's needs theory. He grouped the physiological and safety needs as 'lower order needs' and the social. Esteem and self-actualization needs as 'upper-order' needs. McGregor proposed two alternative sets of assumptions about people at work based on which set of needs are the motivators. He proposed a Theory X and Theory Y model to explain basic human traits. Theory X are appropriate for employees motivated by lower-order needs; while theory Y are appropriate for employees motivated by higher order needs. These theory may influence the way management think about workers and how to motivate them to work.

Assumptions of Theory X
(i) The average human being has an inherent dislike of work and will avoid it if he can.
(ii) People lack ambition and dislike responsibilities
(iii) Most people must be coerced, controlled, directed or threatened with punishment to get them to expend adequate effort towards the achievement of organisational objectives.
(iv) The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.

Assumptions of Theory Y

(i) Expenditure of physical and mental effort in work is as natural as play or rest.

(ii) The average human being does not inherently dislike work, which can be a source of satisfaction.

(iii) External control and the threat of punishment are not the only means of bringing about effort. People can exercise self-direction to achieve objectives to which they are committed.

(iv) Commitment to objectives is a result of the rewards associated with their achievement. The most significant of those rewards is satisfaction of the self-actualisation needs.

(v) The average human being learns, under proper conditions, not only to accept, but to seek, responsibility. Avoidance of responsibility, emphasis on security and low ambition are the result of experience and are not inherent in man's nature.

(vi) Capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organisational problems is widely, not narrowly distributed in the population.

Implications

(i) Under conditions of modern industrial life, the intellectual potential of the average human being is only partially utilised.

(ii) Many people come to the workplace highly motivated to work for the good of the organization and want the feeling of satisfaction for a job well done. This is especially true in human services where people select their careers not because of the financial or material gains they expect to make, but because they hope to find fulfillment in helping others.

(iii) When management creates an oppressive environment or fails to organize the elements of productive enterprise in a way that will allow for creative and effective use of energies, employee enthusiasm becomes stifled, and a potentially productive worker can be turned into a clock watcher.

(iv) McGregor also recognized that not all employees approach work with a sense of excitement and interest.

(v) However, he believed that it was much more common to find that management has crushed employee enthusiasm than it was to find that employees did not measure up to management challenges.

(D) Frederick Herzberg's Two-Factor Theory:

The two-factor theory of Herzberg posits that there are two different sets of factors affecting motivation and work. The theory is a product of a research work of Frederick Herzberg and his associates which was conducted in the Pittsburgh area of United States of America in 1959. The research objects were 200 accountants and engineers who were asked to recall a time when each felt exceptionally good about his job and the times when each felt exceptionally bad and then to describe the events associated with these feelings.

From the research, Herzberg and his associates found out that there are two separate independent factors that affect motivation at work. One set of factors are those which, if absent, cause dissatisfaction. They are called dissatisfiers or maintenance factors or hygiene factors (which is analogous to the medical meaning of preventive and environmental). The hygiene factors serve to prevent dissatisfaction.

These hygiene factors are related to job context, they are concerned with job environment and extrinsic to the job itself. Herzberg identified 10 maintenance factors:

(a) Salary
(b) Company policy and administration
(c) Supervision
(d) Interpersonal relations with subordinates
(e) Interpersonal relations with peers
(f) Interpersonal relations with supervisors
(g) Job security
(h) Personal life and
(i) Status

Management proper attention to the hygiene-factors will tend to prevent dissatisfaction, but does not by itself create a positive attitude or motivation to work. It brings motivation to a zero level. Herzberg is of the opinion that the hygiene factors are as important as the motivators. They are necessary to avoid unpleasantness at work and to keep away from unfair treatment. The other set of factors is described as the motivators or satisfiers and they are related to job content of the work itself. They are called the intrinsic factors of motivation. The factors encourage the growth and development needs of people at the work place. These motivational factors are:

(a) Achievement
(b) Recognition
(c) Responsibility
(d) Nature of the work or the work itself
(e) Personal growth, and
(f) Advancement

A.4.2 Process Theories

Process theories focus on the goals or processes by which employees are motivated. The major process theories are:

(i) Vroom’s Expectancy Theory
(ii) Equity Theory

(E) Vroom's Expectancy Theory

Expectancy theories suggest that individuals are rational, aware of their goals, and are influenced by the expected outcomes (results) of their actions. Vroom’s Expectancy Theory of motivation pioneered by Victor Vroom (1964) says that motivation is a function (or product) of an individual's preference for an outcome and the person's perception that a desired outcome will result from specific acts (or behaviour).

Motivation = Valence x Expectancy, where valence = the individual preference for a certain outcome and expectancy is the individual's perception that a desired outcome will result from specific acts (or behaviour). Vroom suggests that Valence (i.e. an outcome) and Expectations (i.e. perception that behaviour will result in a desired outcome) could be expressed on a scale ranging from - 1 to +1.

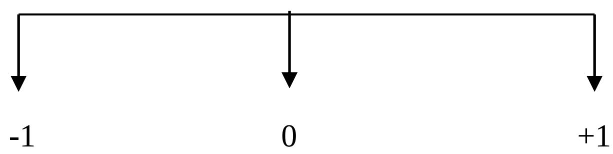

Figure 5.2: Vroom's Expectancy model

If a person strongly desires a specific outcome his valence will be +1 e.g. if Kofi strongly wants his company to sponsor him for a course at the University his valence will be +1. His colleague in the company Ernest, who is however, completely indifferent to any sponsorship will have a valence of 0. The expectancy of Kofi that the outcome will be met by his action is 0.9. Motivation, according to Vroom is a function of Valence and Expectancy. Thus, if Kofi's Valence for the sponsorship is +1 and his expectancy is 0.9 his motivation will be Motivation= V (+l) x E (0.9)=+0.9. 1f the expectancy is the same for both of them (i.e. 0.9), the Motivation for Ernest by sponsorship to University is expressed by Motivation = V (0) x (0.9) = 0. Hence, while Kofi is strongly motivated (0.9) by the University sponsor, Ernest not motivated (0) by it.

The expectancy theory shows that motivational forces differ from one individual to another and emphasizes individual perception as an important factor in motivation. t also stresses that the ability of a specific factor/technique to motivate an individual depends largely on his or her preference for some outcomes. Koontz and Weihrich (1990) also suggest that this theory is realistic and proves that individuals have personal goals different from organizational goals.

(F) The Equity Theory

This theory, based on the work of Adams (1957) suggests that an individual's motivation depends on his or her evaluation of the equity or fairness of the reward given to him or her. Equity as used in the context of this theory refers to 'ratio between the inputs (i.e, of efforts or skill exerted on the Job) and the rewards (i.e. salary, promotions incentives, etc.) compared with the ratio of the rewards received by others performing similar jobs to their inputs.'

This theory implies that employees tend to compare their salaries (and other rewards) for their efforts with what others are receiving for similar job. Their motivation, job performance and job satisfaction tend to improve when they realize that their packages compare favourably with those of others performing similar jobs and exerting similar efforts.

However, if they perceive that they are being under-paid as compared to what others performing similar jobs (and exerting similar efforts) are receiving, they develop a feeling of inequity and might try resolving the problem by working less hard. On the other hand, workers who perceive that they are being paid far higher than what others are receiving for similar jobs/efforts tend to work harder.

A.4.3 Reinforcement Theory

The basic idea of this theory is that 'behaviour with positive consequences tends to be repeated, while behaviour with negative consequences tends not to be repeated. The key features of this theory pioneered by Skinner (1984) are as follows:

(a) Employees are motivated by proper design of their work environment and praise for good performance.

(b) Employees should not be punished for poor performance as this leads to negative results.

(c) Managers should regularly analyse work environment and remove factors that impede effective performance.

(d) Provide regular feedback to employees and reward good performance.

Table 5.2 comparing the various theories and indicates their use in management.

Theory	**Feature**	**Implications for management**
1. Maslow	• Man has five basic needs in hierarchy. • People want more but what they want is influenced by what they have already.	• Managers need to find out subordinates' level on the hierarchy • Satisfaction of physiological, safety, social, esteem and self-activation needs motivate
2. Motivation-Hygiene Theory	• Company policy, supervision, working conditions and money do not motivate employees. • Achievement, recognition, growth and responsibility motivate employees	• Money is not a motivator of behavior • Employees could be motivated if manager emphasizes achievement, recognition, growth and responsibility
3. Vroom's Expectancy	• Individuals are rational, aware of their goals and are influenced by the expected outcomes of their actions.	• Emphasizes management by objectives. • Individuals perception is an important factor in motivation
4. Equity	• An individual's motivation depends on his or her evaluation of the equity or fairness of the reward	• Wages and salary increments will motivate employees only when they are perceived as fair

Theory	Feature	Implications for management
	given to him or her	when compared to other employees.
5. Reinforcement	• Behaviour with positive consequences tends to be repeated, while behavior with negative consequence tends not to be repeated.	• Employees are motivated by proper design of the work environment. • Employees are better motivated when they are praised for good performance • Employees should not be punished for poor performance.

A.5 Techniques used to motivate employees in practice

(a) **Financial rewards (money):** Money is one of the oldest methods of motivating employees. Financial rewards include wages, bonuses and profit sharing. Charles Handy (1985) argues that money is an important motivator of workers because it is often a reflection of other motivators and helps in satisfying the individual's physiological, safety, social, esteem and even self-actualization needs. Money is also the basis for comparing one’s status success and security, with others within the same organisation or industry. However, for money to be effective it must be related to the employee’s performance and increments should be large enough, relative employee's income. Furthermore, money may be more important to people who have not satisfied most of their physiological needs than people who have largely satisfied these needs.

(b) **Employee Participation:** Employees may be motivated to work harder when they are allowed to take part in decisions which affect them. As a motivation technique, participation satisfies the growth, achievement and recognition needs of employees.

(c) **Favourable Conditions of Work:** Employees could be motivated by providing them with good conditions of work such as recreational facilities, accommodation, canteen services, free medical care, transport facilities and the like.

(d) **Enhanced Social relationship:** Employees could be motivated when the manager creates an environment that promotes good interpersonal relations.

(e) **Personal Development:** Employees may be motivated to put in extra effort when they are given the chance to advance themselves through promotion, training and development.

Summary

This section is an exhaustive overhaul of what motivation stands for. Motivation in this section was identified as a morale booster for employees ad one of the major reasons why employees engage in and take opportunity of employment opportunities. A dual overview of motivation suggests that while motivation is the reason why employee engages in paid job, it is also seen as a strategic weapon used by employers to induce employees for the purpose of contributing maximally to organisational objectives. A series of motivational theories were reviewed and

categorised mainly into three (content, process and reinforcement theories). Two major theories from the content approach were reviewed, namely:

(i) Maslow's Hierarchy of Needs Theory and

(ii) Frederick Hertzberg's Motivation – Hygiene Theory

Also, from the process theories approach, (i) Vroom's Expectant theory and (ii) Equity theory were x-rayed and discussed in full contents. On a final note, the postulate of reinforcement theory was discussed from the prevalence peculiarity of its assumptions that:

(i) Employees are motivated by proper design of their work environment and praise for good performance and should not be punished for poor performance as this leads to negative results.

(ii) Managers should regularly analyse work environment and remove factors that impede effective performance and provide regular feedback to employees and reward good performance.

Review Questions

Multiple Choice Questions

1. The elements of the Maslow's Hierarchy of Needs include the following EXCEPT
   - (a) Safety needs
   - (b) Self-esteemed needs
   - (c) Self-actualisation needs
   - (d) Clinical needs
   - (e) Physiological needs

SECTION B: LEADERSHIP

Section contents

(a) Learning objectives
(b) Definition of Leadership
(c) Functions of a Leader
(d) Leadership styles
(e) Qualities of an effective leader
(f) Review questions

Learning Objectives

After studying this section, the reader should be able to:
- Define leadership
- Explain the ingredients of leadership
- Explain the functions of a leader
- Explain the leadership styles
- Explain the qualities of an effective leader
- State and explain leadership theories/approaches to leadership

B.1 Definition of Leadership

There is an increasing realisation that leadership can determine a firm's long-term performance prospects. This section examines what makes a person an effective leader and how managers can make a difference and bring about improved performance and effective change in organisations. There are a variety of approaches to leadership. Sometimes they lead to success and sometimes to failure. Leaders can employ different styles and still be successful. Furthermore, a leadership approach that is successful in one situation may not succeed in other situations.

Following Kootnz and Weihrich (1990) we would define leadership as the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals.

Leadership is a dynamic process at work in a group whereby one individual over a particular period of time, and in a particular organizational context~~,~~ influences the other group members to commit themselves freely to the achievement of group tasks or goals.

This working definition encompasses several important features of leadership:
1. Leadership is a dynamic process, influenced by the changing requirements of the task, the group itself and the individual members.
2. Leadership is not necessarily confined to one person, but may be shared between members.
3. The leader's principal role is to influence the group towards the achievement of group goals.
4. Leadership is exercised in, and influenced by, the particular set of circumstances which

form the organizational context.

Leadership in organization is the ability of management to induce subordinates to work towards group goals with confidence and enthusiasm in a given situation. This means that leadership is a function of the characteristics of the leader, the followers and the situation. This can be represented in a model as follows:

$$L = f(l,f,s)$$

Where, L = Leadership; l = leader's character; f = followers; s = situation

B.2 Functions of a Leader

Leader is not a lay-figure. He has much to do; such as, help groups in achieving their objectives, initiate changes, help make decisions and resolve differences among the employees. The functions may be relatively straight forward such as choosing the group goal, supervising performance, making plans.

Furthermore, the functions may also be much more complex at times, such as serving to integrate the groups needs with outside realities, satisfying interpersonal needs within the groups, creating an atmosphere free of conflict for group members.

In the wake of vast, rapid technological changes, a leader has to perform multifarious functions. The list of these functions could go on and on. Some of the important functions which a leader performs are given below:

(i) Leader develops team work,
(ii) Leader is a representative of subordinates,
(iii) Leader is an appropriate counsellor
(iv) Leader uses power properly
(v) Leader manages time well
(vi) Leader strives for effectiveness, etc.

In addition, Krech, et al (1962) identified the following as additional functions of a leader as follows:

(a) **The leader as executive:** Top coordinators of the group activities overseer of the execution of policies.

(b) **The leader as planner:** Deciding the ways and means by which the group achieves its ends. This may involve both short-term and long-term planning.

(c) **The leader as policy-maker:** The establishment of group goals and policies.

(d) **The leader as expert:** A source of readily available information and skills, although there will be some reliance on technical expertise and advice from other members of the group.

(e) **The leader as external group representative:** The official spokesperson for the group, the representative of the group and the channel for both outgoing and incoming communications.

(f) **The leader as controller of internal relations:** Determines specific aspects of the group structure

(g) **The leader as purveyor of rewards and punishment:** Control over group members by the power to provide rewards and apply punishments.

(h) **The leader as arbitrator and mediator:** Controls interpersonal conflict within the group

(i) **The leader as exemplar:** A model of behaviour for members of the group, setting an example.

(j) **The leader as symbol of the group:** Enhancing group unity by providing some kind of cognitive focus and establishing the group as a distinct entity.

(k) **The leader as substitute for individual responsibility:** Relieves the individual member of the group from the necessity of, and responsibility for, personal decisions.

(l) **The leader as ideologist:** Serving as the source of beliefs, values and standards of behaviour for individual members of the group.

(m) **The leaders as father figure:** Serving as focus for the positive emotional feelings of individual members and the object for identification and transference.

(n) **The leader as scapegoat:** Serving as a target for aggression and hostility of the group, accepting blame in the cause of failure.

B.3 Leadership styles

Leadership style represents the attitude or behaviour which a leader exhibits or demonstrates during supervision of subordinates. Leadership style can also be referred to as the way in which the functions of leadership are carried out, the way in which the manager typically behaves towards members of the group (Mullins, 1996).

Attention to the manager's style of leadership has come about because of a greater understanding of the needs and expectations of people at work. It has been influenced by such factors as:

- increasing business competitiveness and recognition of efficient use of human resources,
- changes in the value system of society,
- broader standards or education and training,
- advance in scientific and technical knowledge,
- the influence of trade unions,
- pressure for a greater social responsibility towards employees,
- Government legislation, etc.

There are many dimensions to leadership and many possible ways of describing leadership style, such as, for example, dictatorial, unitary, bureaucratic, benevolent, charismatic, consultative, participative, and autocratic. The style of managerial leadership towards subordinates and the focus of power can be classified within a broad three (3) fold heading; these are:

(a) The authoritarian (or autocratic) style

(b) The democratic style.

(c) Laissez-faire Leadership style

(a) **The Autocratic Style**

This is where the focus of power is with the manager and all interactions within the group move towards the manager. Also, an autocratic leader centralizes power and decision making to himself and exercises complete control over the subordinates. He holds over the head of his subordinates the threat of penalties and punishment. He sets the group goals and structures the work. He runs his own show. Such a leader gives orders and the subordinates are to follow the orders unquestioningly. He is like a theory X leader.

(b) **Democratic/Participative Style**

This is where the focus of power is more with the group as a whole and there is greater interaction within the group. In contrast to autocrat, the democratic leader practices leadership by consultation. He is like a Theory Y leader and invites decision sharing. Here, authority is decentralised. Decisions are arrived at after consultation with followers and participation by them. The subordinates are also encouraged to exploit their potential and assume greater challenging responsibilities. The participative leader attaches high importance to both work and people. This style improves job satisfaction and morale of employees. In fact, no manager can perform effectively over an extended period of time without some degree of employee participation (William, 1978).

(c) Laissez-faire Leadership style

Sets no goals for the group; allows them total freedom; does not communicate with the group; leaves achievement of goals to chance; leads through non-leadership; abdicates the authority and responsibility of the position. Allows the group complete freedom for decision making without participating himself; may provide materials or offer assistance by request.

However, there is no evidence that participation is good for everybody. When subordinates prefer minimum interaction with the leader, participative style may not yield positive results. Furthermore, over a period of time, group members develop a frustrating habit of expecting to be consulted on every issue; even those issues to which they cannot contribute. When they are not consulted, they feel slighted, insulted and become resentful and uncooperative.

B.4 Qualities of an effective leader

A leader is one who inspires others to work willingly towards the achievement of a goal through maximum application of his/her personal capabilities and qualities. In other words, people are only said to be leaders to the extent that they succeed in their attempts to influence others. In doing so, the leader is expected to have some basic qualities/attributes such as:

(1) Skill,
(2) Initiative,
(3) Decisiveness,

(4) Technical knowledge,
(5) Intelligence,
(6) Ability to inspire,
(7) Responsibility,
(8) Zeal/energy,
(9) Knowledge of human relations,
(10) Social consciousness,
(11) Open mindedness,
(12) Communication skill,
(13) Maturity,
(14) Imagination,
(15) Desire to excel,
(16) Creative and independent thinking,
(17) Endurance,
(18) Sense of humour,
(19) Courage,
(20) Foresightedness,
(21) Self-confidence,
(22) Determination,
(23) Positive attitude.

Summary

Leadership was seen as the grease that oils the wheel of motivational strategies implementation across organisations and as well, it was carefully discussed in this section, with careful interest in the effectiveness of leadership traits and qualities for the purposes of delivering on their expected duties and responsibilities. Leadership was described in this section as both an art and process. Various leadership approaches were evaluated and itemised.

SECTION C: GROUP

Section contents

(a) Learning objectives
(b) Definition of Group
(c) Types of Groups
(d) Formal Group
(e) Informal Groups
(f) Definition of Team
(g) Types of Teams
(h) Differences between Groups and Teams
(i) Process of Group and Team Development

Learning Objectives

After studying this section, the readers should be able to:

- Define group
- Explain types of groups
- Define team
- Compare groups with teams
- Explain the process of group development

C.1 Definition of Group

A **group** has traditionally been defined as two or more individuals who communicate with one another, share a collective identity, and have a common goal. Thus, a group can be virtually any size above one, as long as the members engage in some form of communication, maintain that they are a group, and have some common objectives.

C.2 Types of Groups

Groups in an organization may be classified into two:
(a) Formal and
(b) Informal groups.

C.2.1 Formal Group

A formal group is a group set up by management to carry out specific task(s). Examples of formal groups in an organization are task forces/project teams, sections/department and committees. These are groups deliberately created by managers in order to perform or fulfil specific tasks directly related to the attainment of organizational goals and mission. There are two types of formal groups:

(a) **Permanent Formal Groups**: These are formed to perform tasks that are recurrent in nature. Examples include Audit Committees.

(b) **Temporary Formal Groups:** These are ad-hoc groups set up for a specific mission, such groups exist as long as their mission are unfulfilled or when their time schedule is yet to elapse.

Functions of Permanent Formal Groups

(a) Means of working on complex, interdependent tasks too difficult for an individual to handle.

(b) Generation of new ideas or creative solutions when information is dispersed among several people.

(c) Coordination of functions among departments whose work is somewhat interdependent.

(d) Facilitation of the implementation of complex decisions.

(e) Formal groups provide a vehicle for socialization and training.

C.2.2 Informal Groups

Informal groups are groups which arise as a result of interaction among people who work in an organization. These are groups formed basically to meet the psychological needs of workers.

(a) **Horizontal Clique:** These are made of people with the same educational background, status, age, ethnic background, religion etc.

(b) **Vertical Clique:** Made up of people with different status and background.

(c) **Random Clique:** Made up of a mix people both similar and with different backgrounds.

Functions of Informal Groups

(a) Affiliation needs (need for friendship, support, love, etc.)

(b) Sense of identity: the natural instinct of wanting to identify with others.

(c) Maintenance of self-esteem.

(d) Through discussion with each other and the development of shared perspective and consensus, groups reduce uncertainty in the social environment of its members.

C.3 Definition of Team

A **team** is a "small number of people with complementary skills who are committed to a common purpose, set of performance goals, and approach for which they hold themselves mutually accountable". A work team is a group of people with complementary skills who are committed to a common mission, performance goals and approach for which they hold themselves mutually accountable.

All work teams are groups, but not all groups are work teams. Groups emphasize individual leadership, individual accountability, and individual work products. Work teams emphasize share leadership, mutual accountability, and collective work products.

C.3.1 Types of Teams

(a) Self- Managed Work teams: These are groups of employees who perform highly related interdependent jobs plus supervisory jobs such as planning, scheduling, assignment of tasks to members, collective control over pace of work and working with suppliers and customers.

(b) Cross-functional teams: are made up of employees from about the same hierarchical level, but from different work areas coming together to perform a task.

(c) Virtual Teams: These are groups of workers performing a set of tasks but tied together via information and communication technologies such as the internet intranet, Video conferencing etc. This team does not interact via physical contact.

Table 5.3: Differences between Groups and Teams

Work Group	Team
• Has strong, clearly focused leader • Has individual accountability • Has the same purpose as the broader organisational mission • Creates individual work products • Runs efficient meetings • Measures its effectiveness indirectly by its effects on others (e.g. financial performance of the business) • Discusses, decides, and delegates	• He shared leadership roles • Has individual and group accountability • Has a specific purpose that the team itself delivers • Creates collective work products • Encourages open-ended discussion and active problem-solving meetings • Measures performance directly by assessing collective work products • Discusses, decides, and does real work together

C.5 Process of Group and Team Development

Studies have shown that groups and teams pass through five developmental stages in forming, storming, norming, performing and closing phases.

1. Forming Phase

This is the formative stage of the group. It is characterized by uncertainty and feeling of insecurity by members. The focus most members in this phase is safety. At this stage, members feel they are working in a vacuum because nobody knows quite what to expect from the group and what is expected of them. The feeling of anxiety rules the day. Although the feeling of insecurity is seldom verbalized, they influence group behaviour at a sub-conscious level. Members seem more concerned with being accepted by others than with the task ahead. At this stage, the group leader needs to accelerate the process of introduction of members to one another, clarify group goals and objectives as well as individual roles. This could be done through any of the following:

(i) Frequent meetings comprising introductory session
(ii) Start-up activities such as party, and other social type events
(iii) Communication of group's terms of reference

2. Storming Phase

In this phase, members begin to challenge the leader and themselves concerning group goals, individual roles, procedures and other issues. This phase is characterized by conflict as members seek to free themselves from the dependence on the leader. At this stage, people often try to secure positions within the group. This stage is characterized by:

(i) Conflict about values
(ii) Disagreement about goals and task
(iii) Disaffection about individual roles may surface
(iv) Clarification of goals begins
(v) Members challenge the leader and each other
(vi) Formation of sub-groups and coalitions
(vii) Group intolerance to sub-groups, cliques and coalitions
(viii) Increased member participation
(ix) Decreased conformity
(x) Deviation from emerging group norms
(xi) Attempt at conflict resolution begins
(xii) Conflict resolutions, if successful, increases trust and cohesion

The leader must:

(a) recognize the fact that at this stage conflict is natural
(b) recognize what is happening and remain calm, seeing the process as part of the development;
(c) employ listening and conflict management skills that ensure that everyone has his/her say in a reasoned and controlled manner;
(d) focus efforts on re-establishing his leadership role and clarify group group-goals and objectives; and individual roles;
(e) allow your group to pass through this stage to avoid politics, game-playing, hidden agenda: a situation where everyone knows there is a problem, but no one is prepared to confront the real issue;
(f) communicate group’s terms of reference

3. Norming Phase

During this phase, group cohesion develops and a hierarchy of rules established, which members should observe. When a group has passed through the inevitable conflict stage, members trust, commitment to the group and willingness to cooperate increase. Focus shifts away from their issues and becomes task-oriented.

Identifying the Norming Phase

(i) Increased goal clarity and consensus are evident
(ii) Roles and task adjusted to increase the likelihood of group achievements
(iii) The leader's role becomes less directive and more consultative
(iv) The communication structure becomes more task-oriented
(v) Pressure to conform increases again
(vi) Helpful deviation is tolerated
(vii) Coalitions and subgroups continues to occur
(viii) Increased tolerance of subgroups, cliques and coalitions is evident
(ix) Cohesion and trust increases
(x) Cooperation is evident
(xi) Individual commitment to group goals and task is high
(xii) Greater division of labour occurs
(xiii) Conflict continues to occur but is managed more effectively
(xiv) The group works to clarify and build up structures that will facilitate goals determination and achievement.
(xv) The ability to confront difficulties increases.

The leader must

(a) Support members by giving and receiving feedback
(b) Create a positive working climate
(c) Be as democratic a leader as possible by "asking" rather than "telling"

4. Performing Phase

This phase captures the best of peoples' ability in working together. The productivity and efficiency of the team is at its highest. Also, the group becomes a high performing team. In addition to this, tasks are accomplished according to the norms or structures established during previous phases.

5. Adjourning Phase

Peculiar only to temporary groups and teams, the groups get to this stage when it has completed or it is about to complete its assignment. This stage involves the termination of task behaviours and disengagement from relationships. A planned conclusion usually includes recognition for participation and achievement and an opportunity for members to say personal goodbyes. Concluding a group can create some apprehension – in effect, a minor crisis. The termination of the group is a regressive movement from giving up control to giving up inclusion in the group.

The duration that a group spends on each of the four phases depends on factors such as, size of task, membership size, experience in working together and so on. The role of leader in ensuring that the group does not stay for too long in the first three phases is crucial. It is possible for a group to get to the performance phase within six months. The first two or three months, groups are dealing with issues characterized by phases 1 and 2. Phase 3 emerges in the fourth or fifth month, while phase 4 emerges between the sixth and seventh months. The assumption here is that the team does not run into problems.

Summary

The section defines groups and teams. It identified the differences between group and teams. It discusses the development of groups.

SECTION D: CONFLICT MANAGEMENT

Section contents

(a) Learning objectives
(b) Definition of Conflicts in Organisation
(c) Types of Conflict
(d) Development of Conflict
(e) Sources of Conflicts in an Organisation
(f) Outcomes of Conflicts
(g) Management of Organisational Conflict

Learning Objectives

After studying this section, the readers should be able to:

- Define conflict
- Explain types, development and sources of conflict
- Explain conflict outcomes and conflict management

D.1 Definition of Conflicts in Organisation

Wherever a group of people consisting of individuals from different backgrounds with varied experiences, expectations and personal ambitions come together, there are likely to be clashes and misunderstandings, which can degenerate into conflicts. A conflict, in the context of this text, refers to a situation of misunderstanding or lack of consensus.

Stoner and Freeman (1989) define conflict as a disagreement between two or more organisation members or groups arising from the fact that they must engage in interdependent work activities and/or from the fact that they have different status, goals, values or perceptions.

D.2 Types of Conflict

In examining the source of a conflict, it's important to note that the different types of conflict reflect where the conflict originates (internally or externally) and the number of people involved (personal or group). The prefix inter- relates to external origination; while the prefix intra- relates to internal origination. Conflict can be at individual, group or organisational levels as well as goal conflict.

(a) Individual Level Conflict

(i) **Intra-individual Conflict:** a disagreement between how a person feels about their behaviour versus how they really act.

(ii) **Inter-individual Conflict:** that involves two or more individuals rather than one. Experiences between individuals in the same location

(b) Group Conflict

(i) **Inter-group Conflict** over authority, jurisdiction and resources. For example goal incompatible, task independence, resource allocation.

(ii) **Inter-organizational Conflict:** Incompatible objectives, Conflicts over status; Prestige.

(c) Organizational Conflict

(i) **Horizontal Conflict**: between employees or departments at the same hierarchical level in an organization.

(ii) **Vertical hierarchical Conflict:** This occurs usually in superior/subordinate relations

(iii) **Line and staff Conflict**: This is a clash of domains caused by dividing expertise, authority and roles.

(iv) **Inter-organizational conflict:** This refers to conflict between an organisation and other organisations.

(d) Goal Conflict: when two or more competing goals exists

(i) **Approach-Approach Conflict:** A person wants two positive situations but can only have one.

(ii) **Approach-Avoidance Conflict:** A goal conflict in which a person attempts to achieve a goal that has both positive and negative aspects.

(iii) **Avoidance-Avoidance Conflict:** A conflict that a person faced with two negative goals and may simply leave the situation.

D.3 Development of Conflict

There are two views on the nature of conflict in a group or organization - (a) traditional and (b) human relations. In the traditional view, conflict is negative and destructive and should be avoided at all costs. The human relations view of conflict on the other hand, suggests that conflict is a natural outcome of interaction among members in a group and is therefore, inevitable. This view suggests that conflict is acceptable and should be encouraged.

Conflict involves situations in which differences are expressed by interdependent people in the process of achieving their needs and goals, and it arises when a difference between two or more people necessitates change in at least one person in order for their engagement to continue and develop.

Conflict is inevitable and often good, for example, good teams always go through the "forming, storming, norming and performing" phases. Getting the most out of diversity means often-contradictory values, perspectives and opinions. Conflict is often needed as it:

(a) Helps to raise and address problems
(b) Energizes work to be on the most appropriate issues
(c) Helps people "be real", for example, it motivates them to participate
(d) Helps people learn how to recognize and benefit from their differences.

D.4 Sources of Conflicts in an Organisation

According to Plunkett and Attner (1989), the sources of conflict include; shared resources, differences in goals, difference in perceptions and values, disagreements in the role requirements, nature of work activities, individual approaches, and the stage of organizational development. Gray and Stark (1984) suggested that there are six sources of conflict. These are: (1) Limited resources; (2) Interdependent work activities; (3) Differentiation of activities; (4) Communication problems; (5) Differences in perceptions; and (6) The environment of the organization.

According to these writers, conflict can also arise from a number of other sources, such as:

(1) Individual differences (some people enjoy conflict while others don't)
(2) Unclear authority structures (people don't know how far their authority extends)
(3) Differences in attitudes
(4) Task symmetries (one group is more powerful than another and the weaker group tries to change the situation
(5) Difference in time horizons (some departments have a long-run view and others have a short -run view).

Conflicts in an organization may emanate from the following sources:

(a) Competition for resources in a group.
(b) Differences in the status of people interacting with each other.
(c) Lack of information flow among employees.
(d) Differences in goals of individuals and departments.
(e) Poor leadership style of leaders.
(f) Differences in values or perceptions among people in the organization

D.5 Outcomes of Conflicts

The outcomes or effects of conflict depend on whether the conflict is constructive or destructive. Constructive conflicts are positive and not intended to hurt the relationship among members of a group. Possible effects of constructive conflict on an organization as follows:

(a) It could stimulate creativity and new 1deas in the group.
(b) It brings latent problems to the fore and provides an outlet for bottled-up tensions to be released.
(c) It may improve the quality of decision-making.

Where conflict is destructive it may impact negatively on the organisation and lead to:

(a) Discontent among group members.
(b) Poor flow of information among members.
(c) Weakness in the cohesion of the group.
(d) Difficulty in achieving the goals of the group.
(e) General mistrust among members of the group
(f) Dissolution of the group.

D.6 Management of Organisational Conflict

In order to manage conflict effectively, the following steps can be adhered to:
(a) Cleary define rules and regulations governing group activities.
(b) Ensure the free flow of information in the group.
(c) Define the role of each member in the group.
(d) Encourage group members to take part in the decision-making process
(e) Encourage frequent interactions among members
(f) It may be necessary to bring an outsider to help resolve the conflict

SECTION E: WORKPLACE ATTITUDE

Section contents

(a) Learning objectives
(b) Workplace Attitude
(c) Nature of Attitudes
(d) Components of Attitude
(e) Factors that influences on our attitudes
(f) Work-related Attitudes
(g) Job satisfaction
(h) Organisational commitment
(i) Features of organisational commitment
(j) Forms of Organisational Commitment
(k) Attitudes that are Important in Workplaces

Learning objectives

After studying this section, the readers should be able to:

- Explain workplace attitude
- Explain workplace attitude that assures good performance

E.1 Workplace Attitude

An attitude refers to our opinions, beliefs and feelings about aspects of our environment. Attitude is a mental state we develop through experience which are always ready to exert an active influence on an individual's response to any conditions or circumstances to which the person has been directed (Allport 1935). It is a predisposition to feel, think and act towards some object, person or event in a more or less favourable way (Richardson 1977)

E.1.1 Nature of Attitudes

(a) Differ in valence (positive and negative) and strength
(b) Can concern anything we like or dislike
(c) You may think something but can feel another
(d) They represent our truth about a situation/object
(e) Assessing attitudes is common and important in workplaces
(f) Personality is a stable thing that covers a range of situations but attitudes are less stable and are more specific (to a person, object or concept/idea)

E.1.2 Components of Attitude

Components of attitude can be summarised as the ABC of attitudes:
A- Affective concept - how we feel about things

B- Behavioural concept - how we're predisposed to behave
C- Cognitive concept - what be believe to be true

E.1.3 Factors that influence on our attitudes

(a) Personality
(b) The work environment/situation we are in
(c) Our values (intrinsic and extrinsic work values)
(d) Social influences (co-workers, groups and cultures)

E.2 Work-related Attitudes

Attitudes affect whether someone leaves a job, how co-operative they are, whether they present a positive work image, how they react to change, their motivation and their psychological and physical health. At work two job attitudes have the greatest potential to influence how we behave. These are (i) job satisfaction and (2) organisational commitment.

E.2.1 Job satisfaction

Job satisfaction refers to the positive feelings people have toward their job. Job satisfaction is a positive state resulting from the appraisal of one's job or job experience. This is influenced by pay, benefits, co-workers and the work itself amongst other factors. Things like distribution of justice, personality and our disposition and job characteristics also play a large role in determining someone's job satisfaction at work. Job satisfaction is probably the most important job attitude.

Possible relationships between job satisfaction and performance:
(a) Job satisfaction may cause performance
(b) Performance may cause job satisfaction
(c) Job satisfaction and performance may cause each other mutually
(d) Job satisfaction and performance are related because of another variable linking them and affecting them both.
(e) A link between Job satisfaction and performance may vary the strength of the relationship between the two. E.g. pay rise may increase Job satisfaction and therefore performance.

E.2.2 Organisational commitment

Organisational commitment is the relative strength of an employee's identification with an involvement in an organisation Mowday (1979). Organisational commitment is the emotional attachment people have toward the company they work for. A highly committed employee is one who accepts and believes in the company's values, and is willing to put out efforts to meet the company's goals, and has a strong desire to remain with the company.

E.2.2a Features of organisational commitment

The key feature of organisational commitment include:
The employee's desire to stay with the organisation
How much the employee believes in and accepts the organisations goals
The employee's willingness to exert effort on behalf of an organisation

E.2.2b Forms of Organisational Commitment

According to Allen and Meyer (1990), there are three (3) forms of commitment

(a) Affective commitment: personal attachment to an organisation
(b) Continuance commitment: the costs and risks of leaving. Our investment in the organisation
(c) Normative commitment: the moral dimension; loyalty to the employer.

E.3 Attitudes that are Important in Workplaces

It may seem as if skills and experience are the most important characteristics of an employee, but attitude plays just as big of a role. After all, what good are great professional skills without the right attitude to see it all through?

Attitude can influence behaviour and vice versa, they can also be mutually influential towards each other at the same time, so if one is high the other will be, likewise the other way round too. Other factors can influence them both whilst their influence on each other remains consistent and their influence on each other can change as a result of other factors. The following work place attitude will draw your professional skills and experience to the good of the organisation:

(i) **Respect for others:** People who, have self-respect do not do manager's bidding no matter what, they think for themselves, but respectfully. Employees should have a respectful attitude when interacting with clients and customers as well as co-workers. Those with this type of attitude are willing to treat other people politely and professionally, even if they disagree with the other person's point of view.

(ii) **Infectious enthusiasm about Life:** Someone who is enthusiastic about life in general radiates a positive energy that rubs off on everyone around him. Be positive. Adopt a "glass half full" attitude in the company and encourage employees to build on it.

(iii) **Commitment to the job:** Committed employees are not only committed to the goals and initiatives that affect the bottom line, but are also committed to their particular positions. Employees project a committed attitude by showing a willingness to do whatever it takes to fulfil the duties of their positions and via the development of new ideas to make the company even better.

(iv) **Innovative ideas and finding new ways:** Employees with innovative attitude don't shy away from buying something new or finding a different way to do things better.

(v) **Helpfulness with others:** It is important to have a helpful attitude at work, whether that means assisting clients and customers with their needs or helping co-workers accomplish overall company goals.

SECTION F: COMMUNICATION

Section contents

(a) Learning objectives
(b) Define Communication
(c) The Communication Process in an Organisation
(d) Types of Communication
(e) Forms of Communication in an Organisation
(f) Functions of Communication
(g) Principles of Communication
(h) Barriers to Effective Communication\

Learning Objectives
After studying this section, the readers should be able to:

- Define communication
- Explain communication process, types of communication and patterns of organisational communication
- Explain the functions of communication
- Explain principles of communication
- Explain the barriers to effective communication and how to overcome them

F.1 Define Communication

Communication is an inseparable part of our daily activities as workers or managers. We spend most of our daily working lives talking to each other, exchanging information (through meetings, telephones, face to face interactions, memos, letters, internet, etc.) and giving Or receiving instructions. We also exchange information on a daily basis with external stakeholders customers, bankers. Government institutions, etc. Without the flow of information, it will be difficult for many of us and our organisations to survive. In this section we will walk through the basic feature of communication in an organisation and discuss its impact on organisations.

For a working definition we would define communication as the transference and the understanding of meaning among individuals. Communication in an organisation may be formal or informal. Formal Communication has to do with the transmission of meaning and understanding through channels endorsed by management of the organisation. Informal Communication has to do with the transmission of meaning through channels set up by employees themselves. Informal communication helps because of the social interactions among employees in the organisation. Informal communication helps supplement the formal channels of communication and reduces the problems associated with rather rigid red tape associated with formal communication channels.

F.2 The Communication Process in an Organisation

Communication flow in an organisation may be analysed through the communication process model shown in Figure F.1

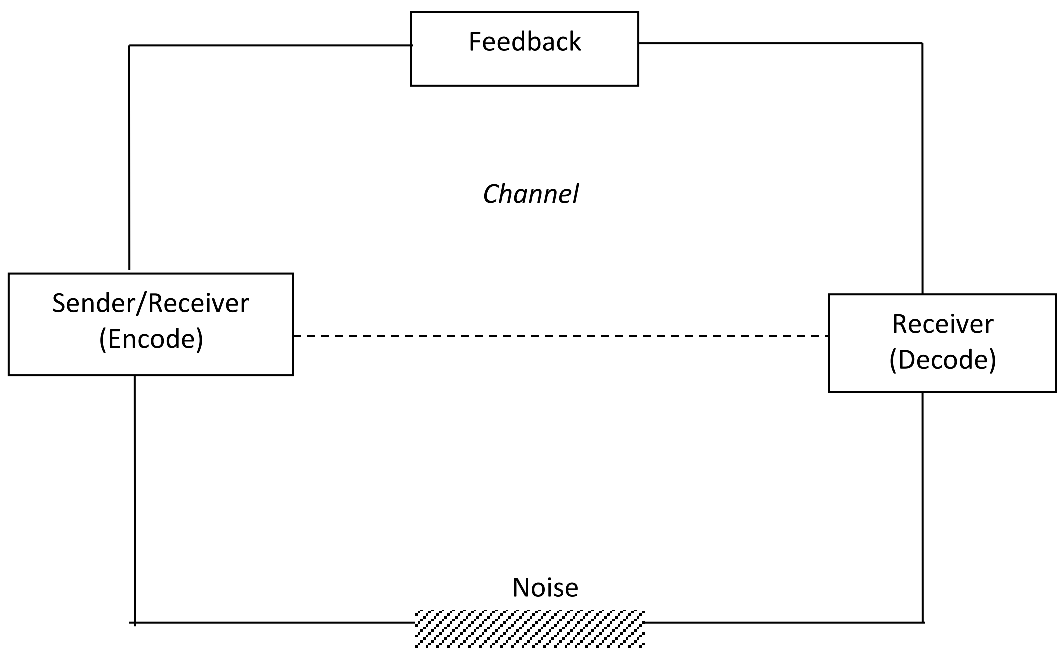

Figure 5.3: The Communication Process Model

This model suggests that transmission of information starts with a thought by a sender. The sender encodes the thought (i.e. puts it in the form of a message that can be understood by the receiver). After encoding, the sender transmits it through a channel to a receiver who receives the message and decodes it (i.e. breaks it down to understand it). If the receiver responds to the message there is a feedback. Anything environment which interferes with or distorts the transmission of the message is called noise.

Table 5.4: The communication Process Model Explanation of Terms

Feature	**Explanation**
Sender	This refers to the person who initiates the transmission process, thinks about the message and encodes it.
Encoding	Putting an idea in a way that can be understood by the receiver. Encoding can be verbal or non-verbal (body language, written, electronic, picture, etc.)
Message	This is the information being transmitted. The sender has to use a channel suitable for transmitting the message.
Channel	This refers to any medium used by the sender to transmit messages. Media used in most organization to convey information are company publications (brochures, organization charts, house magazines etc.), suggestion boxes,

Feature	Explanation
	internet, meting, committees and notice board. Others are public reports, letters and body language (gestures, dressing and physical distance)
Decoding	The process by which the receiver extracts some meaning out of the message received.
Noise	Anything in the environment which interferes with the transmission of the message is called noise. Noise can be physical, or psychological.
Feedback	There is feedback when the receiver replies the message transmitted. The feedback can take the form of a verbal or non-verbal message or carrying out an action requested by the sender. Feedback helps the sender to know if the message has been understood.

The model helps us to analyse the various elements, which influence communication flow within an organisation. The model also shows that communication will become effective when the sender encodes the message in the form the receiver understands and can decode. It also stresses the importance of using the right channel of communication

F.3 Types of Communication

(a) **Oral or verbal communication:** This can take the form of face to face, conversation, group discussions, meetings, conferences, telephone calls, radio, and intercom.

(b) **Written communication:** This can take the form of letter, report, memos, note, e-mail, books.

(c) **Electronic communication:** e-mail, webcam, fax, you tube, Facebook, twitter, website etc.

(d) **Audio-visual communication:** Television, radio, Public Address (PA), walkie-talkie, etc.

(e) **Traditional communication:** writing on cloth, trees, stones, signs and symbols, town criers, etc.

(f) **Active listening:** Listening is making sense of what is heard and requires paying attention, interpreting, and remembering sound stimuli.

F.4 Forms of Communication in an Organisation

In a typical organisation, information is transmitted in several directions. Superiors instruct subordinates or request for information. Subordinates transmit information to their managers on a daily basis. There is also exchange of information among departments and people. This section takes a look at the directions in which Communication flows. In terms of direction, communication flow may be categorized as:

(a) Upward communication
(b) Downward communication
(c) Horizontal communication and
(d) Crosswise communication.

(a) **Upward Communication:** Upward communication refers to the transmission of information from the bottom of the organisation hierarchy to the top. Media used in upward communication includes suggestion boxes, Internet, fax, telephones, meetings, letters, face-to-face conversation, memoranda, grievance procedure and the grapevine.

(b) **Downward Communication:** This has to do with the transmission of information from the top of the organisat1on hierarchy to the bottom. Downward communication uses several channels - the grapevine, face-to-face contacts, circulars, notices, telephone, committees, employee handbooks, organisation manuals, house magazines, Internet.

(c) **Horizontal Communication:** This has to do with the transmission of information among people on the same level of the organisation. Media used in horizontal communication include committee meetings, telephone, face-to-face contacts, Circulars, memoranda and electronic media such as fax, internet and closed circuit television.

(d) **Crosswise Communication:** This refers to the diagonal flow of information among employees at different levels of the organisation and in different departments. Usually those engaged in crosswise communication have no direct relationship and the information flow does not follow the chain of command of line of authority.

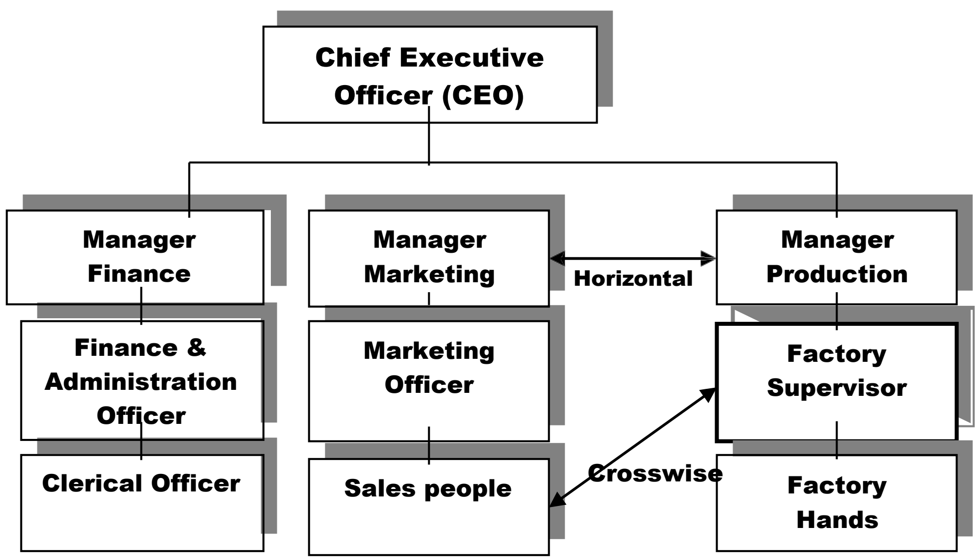

Figure 5.4: Flow of Communication in an organisation

F.5 Functions of Communication

The functions of communication can be summarized in the following:

(a) It is through the transmission of information that management gets the required data needed to draw up and implement policies. Policy-making requires information from various sources: customers, suppliers, employees, shareholders, competitors and members of the public. All these sources provide the data needed to draw up the right policies.

(b) It provides a means through which managers explain policies to employees, customers, suppliers and other members of the public.

(c) It helps to create employees interest in the job, motivate them and improve their morale.

(d) It provides a means of monitoring the performance of human and material resources of the organisation.

(e) Communication flow among different departments and employees helps them to coordinate their activities.

(f) It offers employees a means of channelling their grievances, feelings, ideas and suggestions to managers. All these help to resolve conflicts and create a peaceful atmosphere within the organization.

F.6 Principles of Communication

There are certain essential elements that must be present before any communicative act can be regarded as effective. These elements will be discussed as the seven C's of communication.

(i) **Concreteness**
The words, phrases and expressions used should be what the speaker/listener truly feels or understands. The images and examples given in the communicative act should be what they can relate to and must tally with their experience of reality.

(ii) **Correctness**
This is the appropriate and right situation and time to convey the message. The correct atmosphere or situation necessary for communication is also inclusive.

(iii) **Conciseness**
The message should not be wordy but brief, precise and logical in its organisation and presentation.

(iv) **Clarity**
This is the quality of non-ambiguity. The message should be clear and not complicated. Technical jargon, complex and awkward expressions should be avoided.

(v) **Courtesy**
Be polite. Do not use words that will hurt the feelings of others. If you are angry, it is better to keep mute.

(vi) **Completeness**
Communication should be complete both in form and in content. Don't raise a question that you will not answer and leave the listener unfulfilled or confused.

(vii) **Consideration**

The participants in the communicative act must be sensitive and responsive. Consider the level of education of your listeners, their sexes, age and their interests. All of these would guide you in communication effectively with them.

F.7 Barriers to Effective Communication

Barriers as used here, refers to factors within the organisation or individual(s) which impede the flow of communication. Examples of such barriers are as follows:

(a) **Semantics:** This has to do With the use of technical jargons, unfamiliar words, high-sounding words, poor sentence structure etc. communication. Semantics is a problem because people attach different meanings to words and as one writer aptly observes, 'a breakdown in communication can occur in interpretation as a result of misunderstanding, since words can have various meanings and those used by one person can be interpreted by another in a way contrary to what was intended.'

(b) **Poor Listening Skills:** Some people may not be able to communicate effectively with others because they don't listen when others are talking.

(c) **Differences in background:** Differences in age, social status of people communicating with each other could impede communication between them.

(d) **Conflicts:** Conflicts between individuals or work groups in an organization could impede communication flow in the organization.

(e) Emotional problems such as frustration, poor perception, hostility, anger, fear and mistrust might make it difficult for some people to communicate with others.

(f) **Communication overload:** communication may be impeded if managers are 'buried' with too much information from several sources and find it difficult to process them.

(g) **Poor organizational structure:** communication in an organisation may be impeded by long chains of command, highly centralized authority structure and unsuitable span of control.

(h) **Physical layout of the organization:** where employees are physically isolated from each other because of the layout of the office, communication might become ineffective.

(i) **Lack of planning:** communication in an organization may be ineffective where managers fail to plan before communication.

(j) **Inappropriate channels of communication:** communication in an organization may be impeded by the use of inappropriate media or the absence of the right media in the organization.

Summary

This section equally discussed communication as a veritable tool for avoiding organisational conflict, except where constructive conflicts become absolutely inevitable. Barriers to effective communication as well as guidelines for communication application were amplified for the

purpose of creating an undiluted understanding of the role of effective communication to organisational success.

SECTION G: EMOTIONAL INTELLIGENCE

Section contents:

(a) Learning objectives
(b) Emotional Intelligence
(c) Features of Elements of Emotional Intelligence
(d) Importance of Emotional Intelligence at Workplace

Learning Objectives

After studying this section, the readers should be able to:

- Explain emotional intelligence
- Identify and explain the major features or elements of emotional intelligence
- Explain the importance of emotional intelligence in employee's performance and career development

G.1 Emotional Intelligence

Emotional intelligence is the ability to understand, use, and manage your own emotions in positive ways to relieve stress, communicate effectively, empathise with others, overcome challenges and defuse conflict.

G.2 Features of Elements of Emotional Intelligence

(a) Self-awareness
(b) Self regulation
(c) Motivation
(d) Empathy
(e) Social skills

G.3 Importance of Emotional Intelligence at Workplace

(a) It allows for better team work
(b) You can deal with change
(c) You can handle those tough conversations
(d) It is an essential people skill
(e) It is a key feature of a strong leader

SECTION H: MANAGEMENT OF CHANGE

Section contents

Learning Objectives

After studying this section, the readers should be able to:
- Define organisation change
- Explain the nature and meaning of organisational change
- Explain the forces of organisational change
- Explain the reasons for resistance to change
- Explain how to reduce resistance to change

H.1 Management of Change

Regina Farms is located in a rural area near Abuja. It produces a wide variety of vegetables, mainly for export and employs about one hundred workers. In 2001, management decided to introduce new methods of farming which emphasizes irrigation and imported modern machines from India. The new methods helped to increase output but led to strong resentment among the workers who did not like the massive retrenchment the new machines brought about. In 2002 the resentment led to a strike.

Change in an organisation can take several forms. It could be change in work practices, management, merger with another company, introduction of new accounting software or involve hardware systems such as introduction of computers, new machines or movement to a new building. Whatever the nature of change, the situation described in the short case above could be avoided if it is well managed. In this section we shall walk you through the sources of change, why employees resist change and how change could be managed.

H.2 Forces of Organisational Change

A variety of major forces influence organizational change:

(a) The market is being constantly bombarded with new technology, new ways of doing things. These developments have forced a large number of Organisations to reappraise their human resource, marketing and production strategies to help them stay viable.

(b) New management policies, roles and organisation structure.

(c) Changes in social trends, values and attitudes of the society in which the business operates could influence change in the organisation.
(d) The marketing activities of competitors could force an organisation to change product, pricing, promotion and distribution strategies.
(e) Merger with a different company could trigger changes in both companies.
(f) New work methods and procedures could demand changes in an organisation.
(g) A new chief executive (or changes in management) could bring about changes in strategy and policies.

H.3 Reasons for Resistance to Change

Employees traditionally resist change because of a variety of reasons:

(a) **Fear of the unknown:** Most people are often apprehensive and anxious about future changes especially if the changes contemplated are unclear.

(b) **Lack of Information:** Some employees might oppose change if they are not properly briefed on the implications of the change to be introduced.

(c) **Fear of unemployment:** some employees oppose certain changes if these changes are perceived to be a threat to job security or lead to losses in income or obsolescence of job skills.

(d) **Lack of participation in change:** employees often accept change more readily if they are allowed by management to participate actively in drawing up and implementing these changes. Where management refuses to involve employees in the process of change, they naturally oppose the change.

(e) **Threat to social ad interpersonal relationships:** Employees may oppose some changes if it will negatively affect their social relationship at the work place.

(f) **Inability (reluctance) to change habits:** Employees often develop and become accustomed to certain established patterns of behavior or way of doing things. Changes threaten these and give rise to resistance.

(g) **Threat of challenges:** some employees might oppose certain changes if they find it difficult to cope with the demands of the new changes introduced.

(h) **Experience of past changes:** employees might resist changes if they had negative experience with previous changes in the past.

(i) Threat to expertise.

(j) Threat to established resource allocation, power relationship.

H.4 Managing Resistance to Change

Management could reduce individual or group resistance to change through the following techniques:

(a) Education and Communication-to help employees understand the logic and need for the change. It provides employees with the needed information about the change.

(b) Involvement of employees in the planning and execution of the changes. Where employees are allowed to participate actively in the design and implementation of the changes they easily adapt to the changes.

(c) The change must be carried out only after detailed pre-change planning, which should decide on the kind of changes to be introduced; the financial and human implications of the changes; timing and pace of the changes.

(d) Management must motivate employees to accept changes by introducing incentives and creating an environment, which will induce employees to accept the change.

(e) Adapt the pace of change to employees. When changes introduced are faster than employees could cope with, resistance builds up. Let the pace of change be such that will enable employees adapt to them. If the change is gradual people will have enough time to adapt andZ adjust.

(f) Changes must be introduced at a time when employees will be more amendable to change and will be prepared to make behavioural changes to accommodate the new idea(s) being introduced.

(g) Sometimes resistance to change could be reduced if management takes into consideration the scope of the changes, e.g. instead of introducing the new idea in every department test the feasibility of the idea in one department before extending it to other departments.

(h) Training of employees could also help provide them with skills required to adapt to the changes being introduced.

(i) Negotiation managers can negotiate with those resisting change and exchange something of value in return for their cooperation.

(j) Manipulation and co-optation favour of the exchange and ignore those against.
Co-optation involves giving some leaders in the group destiny change key roles in the process, so they may group their resistance management drop their resistance.

CHAPTER SIX
BUSINESS PROCESS RE-ENGINEERING

Section contents

Learning Objectives

After studying this chapter, the reader should be able to:

- Explain business process re-engineering (BPR).
- State the objectives of BPR.
- Explain how to implement BPR.
- State and explain the objectives of BPR.
- State and explain the benefits of BPR.

6.1 Business process re-engineering (BPR)

Business Process re-engineering is the process of recreating a core business process with the goal of improving output quality or reducing cost through the introduction of information technology. It seeks to help companies radically restructure their organisation by focusing on ground-up redesign of their business process. It means changing the process fundamentally. BPR is also called business process redesign, business transformation, or business process change management.

Business process re-engineering involves changes in structure and processes within the business organisation. BPR involves the radical redesign of core business processes to achieve dramatic improvements in the area of cost, quality, service and speed in order to deliver more value to the customer; so that, the entire technological, human and organisational dimensions may be changed in the process. Information technology plays a major role in BPR as it provides office automation, branches can be operated in different locations, flexible manufacturing, quicker delivery to customers, better online customer service, and paperless transactions, etc.

Generally, BPR involves discovering how business processes currently operate, how to redesign these processes to eliminate the wasted or redundant effort and improve efficiency, and how to implement the process changes in order to gain competitiveness. The aim of BPR, according to Sherwood-Smith (1994), is *"seeking to devise new ways of organizing tasks, organizing people and redesigning IT systems so that the processes support the organization to realize its goals".*

Factors that influence the need for adoption of BPR

(i) Poor performance of the old process
(ii) Obsolescence of the old process
(iii) Break down of existing machines and equipment
(iv) Threat from competitors performance
(v) Changing trends of customer expectations
(vi) Redeployment of insufficient resources
(vii) To secure better management
(viii) To improve efficiency
(ix) To reduce cost
(x) To reduce waste

Areas for adoption of Business Process Re-engineering

(i) E-learning
(ii) E-marketing
(iii) E-payment
(iv) Automatic Teller Machine
(v) Manufacturing process
(vi) Virtual meetings
(vii) Payroll process
(viii) Claims processes
(ix) Marketing and sales process
(x) Inventory control
(xi) Customer complaints
(xii) Employee appraisal
(xiii) HR recruitment
(xiv) Contract bidding and approval
(xv) Online office processes

6.2 Objectives of Business Process re-engineering

The When applying the BPR management technique to a business organisation, the implementation effort is focused on the following objectives:

(a) **Customer focus:** Customer service oriented processes is aimed at eliminating customer complaints
(b) **Speed:** The need to deliver products and services faster.
(c) **Compression:** Cutting down on prolonged processes in order to cut cost and reduce waste in the value chain.
(d) **Flexibility:** Changing conditions and activities of competitors can force organisations to adapt new processes and structure.
(e) **Quality:** The need to deliver up-to-date product and service quality to customers is also an overarching target for visionary organisations.
(f) **Innovation:** New processes can create a form of competitive advantage in the industry.
(g) **Productivity:** BPR improves drastically indices of effectiveness and efficiency in the organisation.

6.3 Implementation of Business Process Re-engineering

BPR can be implemented in stages in an organisation as it brings about drastic and dramatic changes. The following stages can be identified:

(a) **Envision stage:** The Company reviews the existing strategy and business processes and based on that reviews the business processes for improvement are targeted and IT opportunities are identified.
(b) **Diagnosis Stage:** Documentation of processes and sub-processes take place in terms of process attributes (activities, resources, communication, roles, IT and cost)
(c) **Redesign stage:** New process design is developed by devising process design alternatives through brainstorming and creativity techniques.
(d) **Reconstruction Stage:** Management technique changes occur to ensure smooth migration to the new process responsibilities and human resource roles.
(e) **Evaluation stage:** The new process is monitored to determine if goals are met and examine total quality programmes.

6.4 Benefits of implementing BPR

The benefits of implementing BPR include:
(a) It gives an appropriate focus to business as it revolves around customer needs.
(b) BPR helps in building a strategic view of operational procedures by making radical inquiries about how processes are improved and how things could be done.
(c) It eliminates unnecessary activities and thereby helps in reducing organizational complexity.
(d) It coordinates and integrates several functions immediately.

(e) Provides improved viability and adequacy to an organization by eliminating the delay and unessential phases of operations and management.
(f) Reduced the number of checks/controls and reconciliation processes.
(g) It helps overcome short-sighted approaches that usually emerge from excessive concentration on functional boundaries.

6.5 Limitations of implementing BPR

Business Process reengineering is not always easy. There have been some challenges revolving around the usage of BPR since its inception, like objections, issues, and problems. Business process reengineering disadvantages include:

(a) Employees' resistance of change as they consider BPR as threats to their jobs.
(b) It does not suit every business need as it depends on factors like size and availability of resources. It usually benefits large organizations.
(c) In some cases, the efficiency of one department was improved at the expense of the overall process.
(d) This BPR approach does not provide an immediate resolution. It concentrates
(e) significantly upon long haul income collaborations of a business which not only takes some effort to take shape but are hard to gauge as well
(f) It might require a substantial investment in IT along with proper planning, fantastic teamwork, and exceptional implementation.
(g) It can replace humans when it comes to getting the job done; hence posing as a real threat to jobs.
(h) One department may be optimized at the expense of others
(i) Lack of time to focus on improving business process
(j) Lack of recognition of the problem
(k) Lack of expertise to implement the new process
(l) Lack of resources and tools to fix problem

Summary
In this chapter we have explored the meaning of business process re-engineering as the process of recreating a core business process with the goal of improving output quality or reducing cost through the introduction of information technology. Factors that influence the need for adoption of BPR in an organisation include poor performance of the old process, obsolescence of the old process, break down of existing machines and equipment, threat from competitors' performance. The objectives of adopting BPR include customer focus, speed, compression of the process to make it shorter and quicker, flexibility, quality service delivery, innovation and creativity to give competitive advantage and productivity. BPR involves changes in structure and processes within the business organisation through automation areas that the organisation can adopt BPR include e-learning, E-marketing, E-payment, Automatic Teller Machine, manufacturing process, virtual meetings, payroll process, claims processes, etc. Implementing BPR can be a challenging task as

it needs to under defined phases for it to be successful. The stages include envision stage, diagnosis stage, redesign stage, reconstruction Stage, and evaluation stage.

The benefits of implementing BPR is strategic to any organisation as it makes competitive in the marketplace with increase changes in customer demands and specifications, and threats from competitors. BPR integrates all the functional processes and compresses them so that service delivery can be improved and customers are retained. BPR implementation does not come with some limitations such as employees‟ resistance of change as they consider BPR as threats to their jobs; it may not be suitable for all work processes, it does not give immediate solution to the problem as its expected output is in the long term. It also require sustained investment overtime, etc.

Review Questions

MULTIPLE CHOICE QUESTIONS

1. Which of the following is not true of Business Process Reengineering (BPR)?
   A. Sometimes BPR is needed to lower costs.
   B. Sometimes BPR is needed to increase quality.
   C. Information technology can be the enabler for radical change.
   D. BPR tends to focus on incremental and gradual improvement.
   E. None of the above

2. ________ helps in improving performance by learning from the best practices & the processes by which they are achieved.
   A. Business Process Reengineering
   B. Strategic Change
   C. Benchmarking
   D. Strategic Leadership
   E. Strategic evaluation

3. _________ are the desired end results of the redesign process which the management and organization attempts to realize.
   A. Objectives
   B. Mission
   C. Goals
   D. Vision
   E. Tactics

4. BPR is also called any of the following EXCEPT
   A. Business process redesign
   B. Business transformation
   C. Business process change management
   D. Business process management
   E. None of the above

5. One of the following is NOT a factors that influence the need for adoption of BPR
   A. Best performance of the old process
   B. Obsolescence of the old process
   C. Break down of existing machines and equipment
   D. Threat from competitors performance
   E. Changing trends of customer expectations

6. One of these is NOT a stages in the implementation of BPR:
   A. Evaluation stage.
   B. Diagnosis stage
   C. Redesign stage
   D. Envision stage
   E. Process stage

7. Which of these is NOT true of the aim of BPR
   A. Seeking to devise new ways of organizing tasks
   B. Organizing people and resources
   C. Redesigning it systems
   D. Conducting environmental scan
   E. None of the above

SHORT ANSWER QUESTIONS

1. Business Process re-engineering is the process of ___________ a core business process with the goal of improving output quality or reducing cost through the introduction of _______________
2. The stage in the BPR process in which documentation of processes and sub-processes take place in terms of process attributes is called _______________
3. BPR revolves around customer need and focus. TRUE/FALSE
4. The stage at which the new process is monitored to determine if goals are met and examine total quality programmes is called _____________
5. The end beneficiary of the BPR implementation are the _______________

ANSWERS
MCQ

1. D
2. C
3. A
4. D
5. A
6. E
7. D

SAQ

1. Recreating/redesigning; information technology.
2. Diagnosis stage
3. TRUE
4. Evaluation stage
5. Customers

CHAPTER SEVEN
ORGANISATIONAL EFFECTIVENESS

Section contents

Learning Objectives

After studying this chapter, the reader should be able to:

(i) Define organisational effectiveness.
(ii) Explain the approaches of organisational effectiveness.
(iii) Explain the existing models of organisational effectiveness.

7.1 Definition of Organisational Effectiveness

The term of organizational effectiveness describes the degree to which an organization realizes its goals. It can be noted that this goal can only be realized effectively by a) information sharing, b) quick and timely decision making, and c) shared awareness of tasks and responsibilities within the organization. Effectiveness is the ability of the organization to exploit the environment in the acquisition of critical resources.

Criteria for measuring organizational effectiveness

1. Adaptation to the external environment
2. Integration; and sense of identity
3. Productivity
4. Goal-attainment.
5. Cohesion
6. Efficiency; political effectiveness;

7. survival; and control over the environment
8. Environmental orientation; optimum allocation of resources; and goal realization
9. Flexibility to environmental changes;
10. Flexibility to internal changes; maintenance; and absence of organisational strain.
11. Optimization of resources;
12. Acquisition and maximization of bargaining position with respect to the environment
13. Growth
14. Profitability; employee satisfaction; contribution to society and the community
15. Stability and achievement

7.2 Approaches to Organisational Effectiveness

The research on the measurement of organizational effectiveness focuses on different parts of the organization; Organizations bring resources in from the environment, and those resources are transformed into outputs delivered back into the environment (Fig. 7.1).

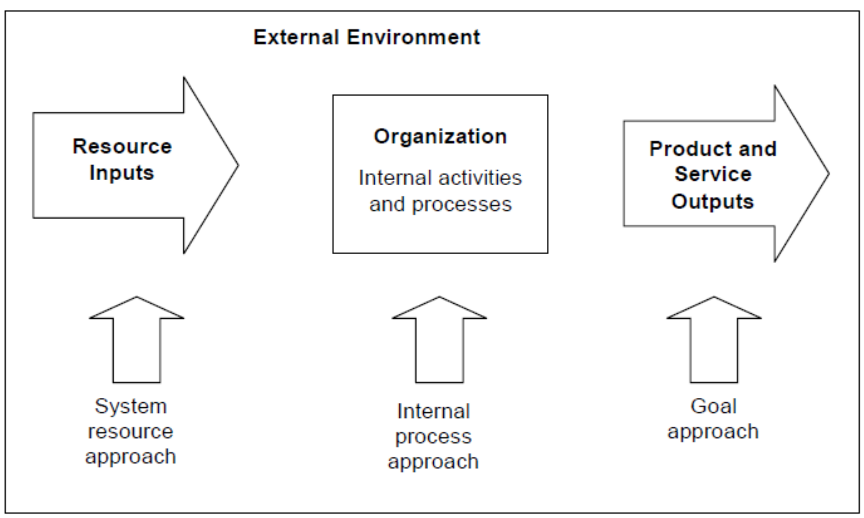

Figure 7.1: Approaches to Organisational Effectiveness (Daft, 1998)

7.2.1 System Resource Approach

The system resource approach assesses effectiveness by observing the beginning of the process and evaluating whether the organization effectively obtains resources necessary for high performance. The system resource approach is valuable when other indicators of performance are difficult to obtain. In many not-for-profit and social welfare organizations, for example, it is hard to measure output goals or internal efficiency. System approach emphasizes Organization's ability to (i) acquire resources, (ii) maintain itself internally, and (iii) interact successfully with the external environment.

Although the system resource approach is valuable when other measures of effectiveness are not available, it does have shortcomings. Often the ability to acquire resources seems less important than the utilization of those resources. (Daft, 1998).

7.2.3 Internal Process Approach

The internal process approach looks at internal activities and assesses effectiveness by indicators of internal health and efficiency. The internal process approach is important because the efficient use of resources and harmonious internal functioning are ways to measure effectiveness. A significant recent trend in management is the empowerment of human resources as a source of competitive advantage. Most managers believe participative management approaches and positive corporate culture are important components of effectiveness.

The internal process approach does have shortcomings. Total output and the organization's relationship with the external environment are not evaluated. Also, evaluations of internal health and functioning are often subjective, because many aspects of inputs and internal processes are not quantifiable. Managers should be aware that efficiency alone represents a limited view of organizational effectiveness

7.2.3 Goal Approach

The goal approach to organizational effectiveness is concerned with the output side and whether the organization achieves its goals in terms of desired levels of output. The goal approach is mostly used in business organizations because output goals can be readily measured. Business firms typically evaluate performance in terms of profitability, growth, market share, and return on investment. However, identifying operative goals and measuring performance of an organization are not always easy. Two problems that must be resolved are the issues of multiple goals and subjective indicators of goal attainment.

7.2.4 Strategic Constituencies Approach

The strategic constituency approach of OE proposes that an effective organization is one that satisfies the demands of those constituencies in its environment from whom it requires support for its continued existence. Under this approach, the organization is assumed to be an association of political arenas, where vested interests compete for control over resources. It is assumed that the organization has a number of constituencies, with different degrees of power, each trying to satisfy its demands. The approach seeks to satisfy only those in the environment who can threaten the organisation's survival. Therefore, effectiveness is defined in terms of the degree to which the needs and expectations of the strategic constituencies are met by the organization

7.2.5 Competing Values Approach

The competing values approach assumes that there is “no best” criteria that is valued and used in assessing OE. In essence, a contingency perspective is undertaken for evaluating OE. Accordingly organisation’s can be evaluated in different ways. This approach assumes that people within the organization have diverging goals and therefore cannot arrive at a consensus on which goals take precedence over others. Typically, this is because goals may be based on personal values, preferences, and interests. The competing values approach assumes that these diverse preferences can be consolidated and organized into a holistic OE approach.

7.3 Existing Models of Organizational Effectiveness

(i) The Command Team Effectiveness (CTEF) Model (Essens et al. 2005),
(ii) The Dynamic Five-Factors Model of Leadership (Seiler & Pfister under review),
(iii) The Star Model (Galbraith, 2002), and
(iv) The 7-S-Model (Peters & Waterman Jr. 1982).

7.3.1 The Command Team Effectiveness (CTEF) Model

The CTEF model (Fig. 7.2) makes possible observing, evaluating and promoting group activities. The model assumes that successful leaders have to understand and take into account the following factors: 1) conditions (operation framework, task, organization, leader, team members, team), 2) behaviour and processes occurring during the operation (a distinction is made between behavior/processes related to tasks and those related to groups), 3) evaluating the result of these processes (distinguishing between behaviour related to tasks and to groups), and 4) adapting processes and conditions in order to become more effective. This model was developed by a working group of the NATO Research and Technology Organization.

The advantages of this model are its strong theoretical foundation; the fact that it includes learning and adjustment loops and that it takes the mission framework and context into consideration. However, in regard to multinational peace-promoting operations, this model lacks the inter-cultural aspects. Additionally, it focuses very much on team and task characteristics, which does not correspond to a headquarters' perspective. On the HQ level, there are other emphases and vulnerabilities, e.g. organizational culture and structure. Yet another weakness of the CTEF model is the complex cause-and-effect structure, which in practice can only be verified partially.

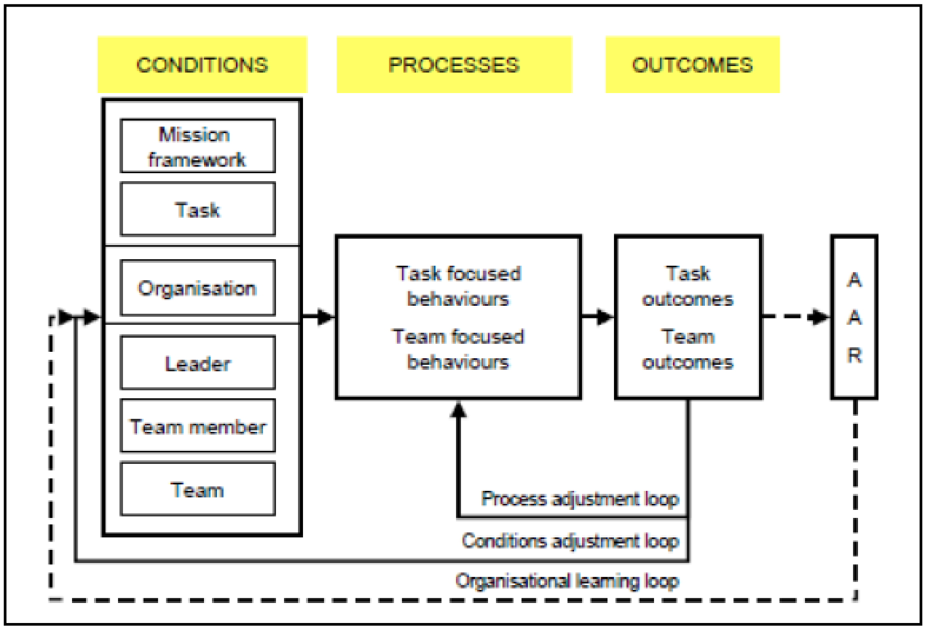

Figure 7.2: CTEF model (Essens et al., 2005)

7.3.2 Five Factors Model of Intercultural Leadership Behavior

The Five Factors Model of Intercultural Leadership Behaviour (Fig. 7.3) presumes that competent leadership in an operation is based on more than just individual competence. Additionally, the behaviour of a leader is influenced by 1) the dynamics of the team the leader works with, 2) by the organizational framework, 3) the present context and 4) by the particular situation the leader is faced with.

A big advantage of the Five Factors Model is its focus on intercultural aspects of leadership behavior. In military coalition operations, successful collaboration between troops of different countries, international partners and the population on site is pivotal for success. Another advantage is that it includes the external environment into the evaluation.

The main disadvantage of this model in our case is the fact that it is a leadership and not an effectiveness model. Therefore it does not specify how effective leadership is linked with organizational effectiveness.

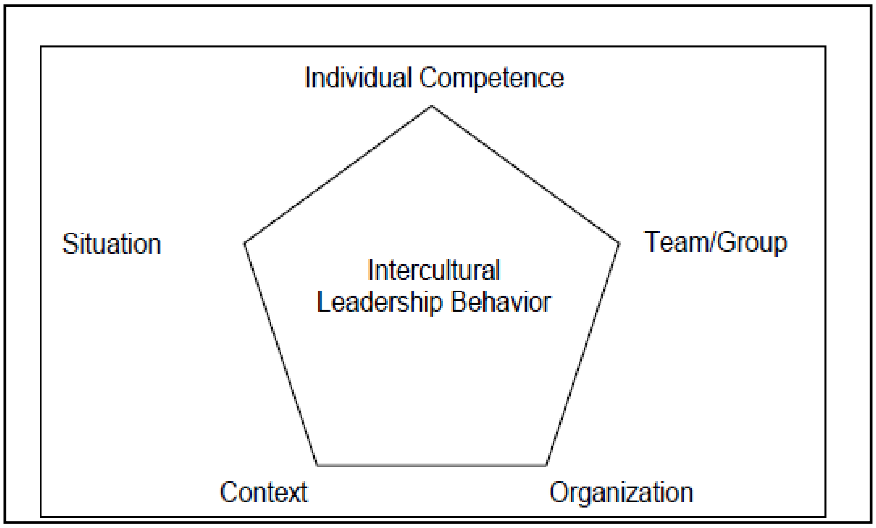

Figure 7.3: Dynamic Five factor model of Leadership

7.3.3 The Star Model

The basic premise of the Star Model (Fig. 7.4) is simple but powerful: different strategies require different organizations to execute them. The Star Model framework for organizational design is the foundation on which an organization bases its design choices. This framework consists of a series of design policies that are controllable by leadership and can influence employee behaviour. The policies are the tools with which leadership must become skilled in order to shape the decisions and behaviours of their organizations effectively.

In the Star Model, design policies fall into five categories: strategy, structure, processes, rewards and people. For an organization to be effective, all these policies must be aligned, interacting harmoniously with one another. This idea of alignment is fundamental to the Star Model. But to solely focus and align the organization is to become vulnerable because alignment around a focused strategy can impede to a new strategy. Today, every organization needs to be adaptive and change as quickly as its context changes. If not, it is falling behind. And if change is constant, we need to design our organization to be constantly and quickly changeable. We need to have organization structures and processes that are easily reconfigured and realigned with a constantly changing strategy. This asks for the skilled use of extensive internal and external networking capabilities. (Galbraith, 2002)

One advantage of this model is the concept of strategic alignment. This alignment of the diverse policies ensures goal-oriented working and therefore organizational effectiveness. Another advantage of the model is the consideration of the adaptability to a constantly changing environment. Nevertheless, the Star Model is tailored to business and market-oriented companies. Another two weak points are 1) that effectiveness is not a direct output of the design policies, and 2) that culture is only understood as an output and not as an input to the organization. But in a multinational headquarters, where people from different nations are working together, culture certainly also is an entry.

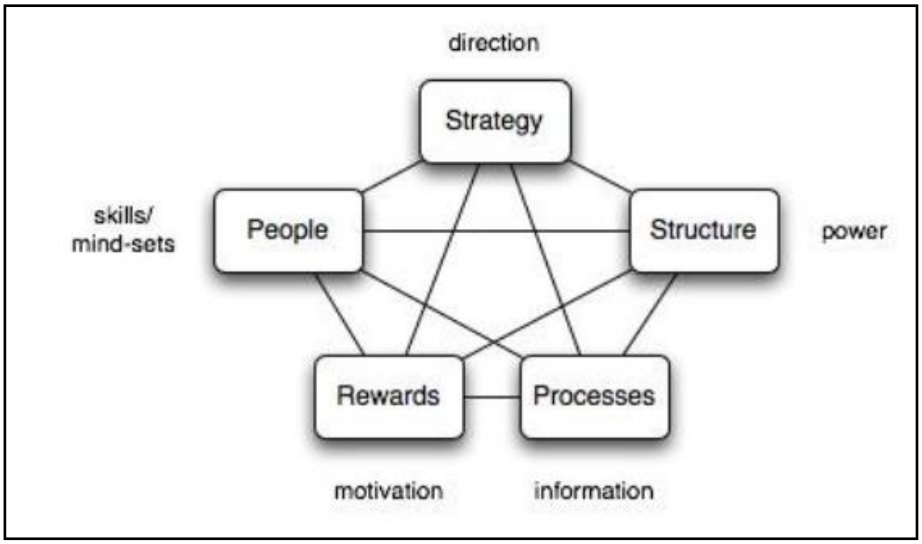

Figure 7.4: The Star Model (Galbrath, 2002)

7.3.4 7-S-Model

The 7-S-Model of the former McKinsey management consultants Peters and Waterman Jr. (1982) divide organizations into “hard” and “soft” factors. The “hard” factors cover elements more concrete and can be exposed with policy papers, plans and documentations on the development of the organization. The three “hard” or “cold” factors of an organization are: 1) strategy, 2) structure, and 3) systems. The expression “soft” refers to substantially and only marginally concrete elements of an organization that can hardly be described. These elements develop permanently, and can be planed or controlled only limitedly because they are highly dependent on the members of the organization.

These “soft” or “warm” factors are namely: 4) skills, 5) staff, 6) style/culture, and 7) shared values / super ordinate goals (Fig. 7.5). While the hard factors are easier to test, the assessment of the soft factors is much more difficult - but they are at least as important for the organization. Effectively functioning organizations are characterized by a coordinated balance of theses seven factors. In times of change and adjustment, it should be noted that the modification of one factor also impacts on the other factors. A well-functioning organization must aspire towards a right balance between the above introduced factors. In practice, it is often the case that leaders are only focusing on the hard factors. Peters and Waterman Jr. (1982) argue, however, that the most successful organizations put their attention also on the optimum balance of the soft factors as they can be decisive for success because new structures and strategies can barely be built on completely opposed cultures and values. This praxis proven model has the advantage that 1) it takes into consideration hard as well as soft factors, and 2) that it emphasizes the importance of a balance between those factors.

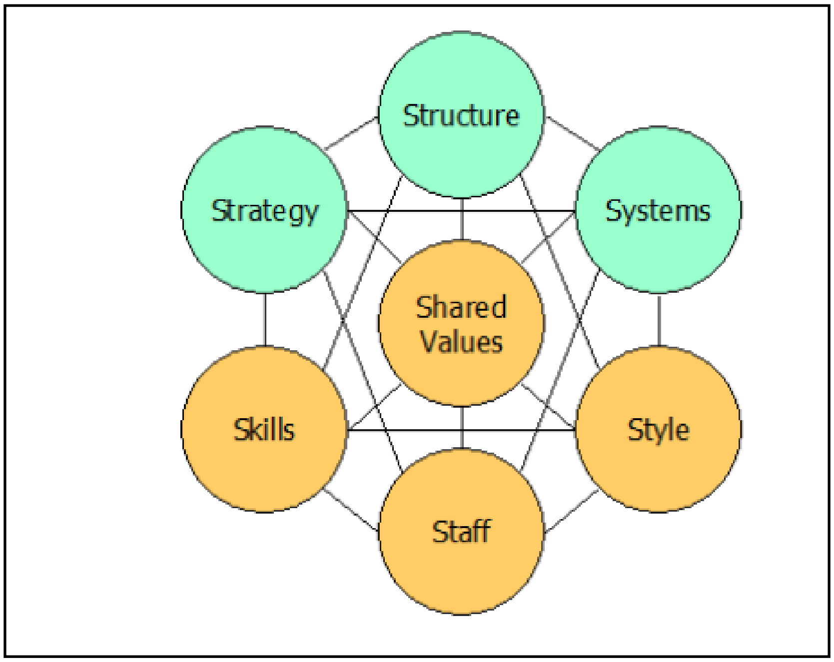

Figure 7.5: The 7-S Model (Peters & Waterman Jr., 1982)

Summary

Organizational effectiveness is the degree to which an organization realizes its goals within its given environment. The approaches on the measurement of organizational effectiveness focuses on different parts of the organization in relation to its environment. Five approaches were discussed in this chapter namely, system resource, internal process, goal, strategic constituencies, and competing value approaches. The four models discussed above have different foci and cover different aspects of organizational effectiveness, yet they have many similarities. A direct link from the input factors through the transformation processes to the goals of the organization. The concept of strategic alignment which states that the input factors must be in optimum balance to result in effective goal achievement. Consideration of hard (e.g. structures, processes) as well as soft (e.g. people, culture) input factors. Inclusion of the external environment; specifically the ability of the organization to adapt and adjust to the constantly changing situation and context and last but not least, a simple model which can be easily applied in practice

Review Questions

Multiple Choice Questions

1. System approach emphasizes Organization's ability to all EXCEPT one of the following:
   A. Acquire resources
   B. Measure performance in terms of profitability
   C. Maintain itself internally
   D. Interact successfully with the external environment

2. Which of the following models addresses the individual's contribution to organizational effectiveness based on personal values, preferences, and interests?
   A. Competing values model
   B. Process model
   C. Systems model
   D. Goal model

3. ______________ approach assesses the efficient use of resources and harmonious internal functioning of management activities.
   A. Goal model
   B. Competing values model
   C. Process model
   D. Strategic constituencies model

4. The Five Factors Model of Intercultural Leadership Behaviour presumes that competent leadership in an operation is based on all of the following EXCEPT:
   A. Situation
   B. Context
   C. Task
   D. Individual competence
   E. Team

5. The soft factors in the 7-S model the following EXCEPT:
   A. Structure
   B. Skills
   C. Staff
   D. shared values

6. The Five Factors Model of Intercultural Leadership Behaviour presumes that competent leadership in an operation is based on more than just individual competence. The behaviour of a leader is influenced by:

A. The dynamics of the team the leader works with
B. The organizational framework
C. The present context
D. The particular situation the leader is faced with.
E. All of the above

7. Criteria for measuring organizational effectiveness include all of the following EXCEPT:
A. Adaptation to the external environment
B. Integration
C. Resource control
D. Productivity
E. Goal-attainment.

8. McKinsey's 7S framework helps analyse organisations and improve their effectiveness. The seven elements to be coordinated are: shared values, structure, systems, style and what?
A. strategy, service levels and specialization
B. strategy, staff and skills
C. service levels, stock and staff
D. specialisation, skills and standards
E. standards, stock and SBUs

9. According to the Command Team Effectiveness (CTEF) Model one of these is NOT a conditions that will affect team effectiveness
A. Operation framework
B. Task
C. Leader
D. Environment
E. Team members

SHORT ANSWER QUESTIONS

1. Effectiveness is the ability of the organization to exploit the ____________in the acquisition of critical resources
2. Organizational effectiveness describes the degree to which an organization realizes its___________
3. Organizations bring resources in from the environment, and those resources are transformed into ___________ delivered back into the environment.
4. The _____________ approach looks at internal activities and assesses effectiveness by indicators of internal health and efficiency.
5. The Star Model framework consists of a series of design ____________ that are controllable by leadership and can influence employee behaviour.
6. The "hard" factors of the 7-S model cover elements more concrete and can be exposed with policy papers, plans and _____________ on the development of the organization.
7. The Star Model, design policies fall into five categories: strategy, structure, processes, rewards and _____________
8. The CTEF model makes possible observing, evaluating and promoting _________ activities.

ANSWERS

MCQ

1. B
2. A
3. D
4. C
5. D
6. E
7. C
8. B
9. D

SAQ

1. Environment
2. Goals
3. Output
4. Internal Process
5. Policies
6. Documentation
7. People
8. Group

CHAPTER EIGHT
OFFICE PRACTICE AND PROCEDURE, HEALTH AND SAFETY

Chapter contents

(a) Learning objectives
(b) Definition of an office
(c) Functions of an office
(d) Types of Office
(e) Planning an Office Layout
(f) Office Machines and Furniture
(g) Types of Office Machines and Furniture
(h) Organisation and Methods (O & M)
(i) Steps/Procedures in O & M study
(j) Importance of O & M
(k) Forms
(l) Advantages of Forms
(m) Control of Forms
(n) Information Technology Application in Management
(o) Health and Safety at Work
(p) Importance of Health and Safety at Work
(q) Health and Safety Regulations and Legislations
(r) Sources of Danger to Health and Safety at the Workplace
(s) Prevention and Protective Measures for Safety in an Office
(t) Review questions

Learning Objectives

After reading this chapter you should be able to;

- Explain the meaning of an office.
- Explain the functions of an office.
- Identify the types of an office.
- Explain office planning and layout.
- Explain office machines and furniture.
- Explain organisation and methods.
- Explain forms of designing and control.
- Explain information technology application in management.
- Explain health and safety regulation.
- Explain importance, health and safety regulations.
- Explain sources of danger to health within the workplace.
- Explain the safety and protection methods in an office setting.

8.1 Definition of an office

Basically, an office is a space where day-to- day work is carried out. An office is a place in an organisation where business, clerical and professional activities take place. It is a place where private or public records are prepared, handled and preserved for future reference and making them available as and when required.

8.2 Functions of an office

The functions of an office are as follows; an office:

(i) provides a convenient place where managers carry out their functions.
(ii) collects information from within the organisation. Examples of such information are letters, memoranda, documents generated from other departments.
(iii) collects information from outside the organisation. The office receives incoming mails from outside e.g. Letters, parcels, documents, invoices, telephone calls etc.
(iv) records information. The office classifies and records information received from other departments and outsiders in files, computers and other media.
(v) provides information for others. Office staff provides information to staff and outsiders who require specific information on the activities of the organisation, such as customers, government, and the general public.
(vi) Stores information. The recorded information accumulated in the office needs to be preserved and maintained for future reference. The basic objective of preserving information is to make them available as at when needed by management without delay.
(vii) Helps in organising information. The information received in the office need to be organized, processed and presented in useful forms that can needed for good decision making.
(viii) Affords a place for receiving visitors. The office provides a place where official visitors are received and meetings are arranged. Such visitors include bank officials, government officials, contractors and other business associates, etc.
(ix) Arranging logistics: The office is a place where logistics such as transport, distribution, storage, warehousing, and transactions are made that facilitate business activities.

8.3 Types of Office

There are two types of office; these are:
(a) Closed office and
(b) Open plan office.

A closed office is an office where individuals, units or departments are allocated separate office rooms.

An open plan office is one in which more than one person, unit or department share the same large office space. In this case, there may be temporary partitions to create cubicles.

Table 8.1: Comparison of Closed and Open Office Layout

Type of office	Advantages	Disadvantages
Closed	(i) There is privacy for confidential discussions. (ii) The occupant of the office can concentrate because there is very little disturbance from other employees. (iii) There is reduction of noise.	(i) It is not economical. Large space may be occupied by one individual. (ii) Separate facilities e.g. computers, telephones, etc. may have to be provided for each office. (iii) It may be difficult to supervise staff because they are in different offices. (iv) It might slow down the flow of some activities which require constant interaction among employees
Open plan	(i) It is easy to supervise since everybody is in view. (ii) It economises space. (iii) Exchange of information among staff is easy and this facilitates the flow of work. (iv) Certain facilities may be easily shared e.g. printers (v) Lower energy costs. (vi) Few communication barriers. (vii) Could easily be rearranged.	(i) Some senior staff do not like the idea of been 'dumped' in the same room with their subordinates. (ii) There is no privacy for people who wish to discuss confidential matters. (iii) Noise from movements in and out of the office and office machines might disturb some staff.

8.4 Planning an Office Layout

Office layout refers to the way the office is arranged to facilitate the flow of work. Office layout deals with the design and décor of an office. It takes into account all equipment, supplies, accessories and designs an arrangement needed for the proper functioning of the office.

The following factors are taken into consideration in planning the layout of an office:

(a) **Churn Rate:** For many organizations, office layouts are subject to frequent changes.The process of change in office layout is known as Churn Rate which is expressed as the percentage of staff moved during the year.

(b) **Statutory Requirement:** Legal requirements as contained in relevant legislations also affect the planning of office layout. The Factories Act of Nigeria and the Factories, Offices and Shops Act of Ghana explicitly specify fire prevention arrangements, lighting levels, ventilations, temperature control, etc.

(c) **Business needs:** Office layout should provide an environment suitable for the business of the organization. For example, the layout of a bank will be different from that of an accounting firm.

(d) **Accommodation Standards:** Organisations often have a policy on the minimum standard of accommodation for each staff grade. Administration staff may work in open plan offices whereas managers may have individual offices, sized on seniority basis.

(e) **Space Availability:** Planning an office layout will also depend on quality and the types of office space available for use.

Office Landscaping

This is the provision of beautified office environment that creates a pleasant ambience or scenery in an office that facilitates work, attracts customers and motivates workers. Office landscaping can be divided into (i) ambience, (ii) space and functions and (iii) signs and symbols. The following table gives a summary of considerations and provisions in an office that makes it comfortable for workers:

Table 8.2: Summary of office landscaping

Ambience	Space and functions	Signs and symbols
Temperature	Office layout	Signage for direction
Air quality	Equipment	Artifacts
Noise level	Furniture	Awards plaques
Music	Parking space	Uniforms
Lighting	Convenience (Toilet facilities)	
Ventilation	Emergency	
Neatness and cleanliness	Health and safety	
Decorations		
Paintings		

8.5 Office Machines and Furniture

Office machines are pieces of equipment that are used in an office to help employees perform their duties more effectively. Office machines are used because of the following reasons:

(a) Aid or speed up the performance of routine functions.
(b) Improve the quality of work.
(c) To save space.
(d) To simplify the work of employees.

(e) To facilitate greater accuracy.
(f) They save time
(g) They increase efficiency

8.6 Types of Office Machines and Furniture

The main types of machines you are likely to find in most offices are:

(a) **Photocopiers**: This is a machine used to copy from original documents. The original document may be handwritten, printed or typewritten. Photocopiers are used to prepare extra copies of documents.

(b) **Facsimile (Fax) Machine:** This machine scans printed, typewritten texts and images and transmits them through telephone lines to a receiving fax machine that converts the electronic signals back to the original text or image. The machine converts printed material or images into electronic signals. Suitable transmission through telephone lines, cables or satellite networks, facsimile machines could store messages and transmit them later, when transmission costs are lower.

(c) **Calculating Machine:** This is used mainly in the office for calculations and complex computations.

(d) **Cash register:** This is used in the cash office to receive cash and compute cash received from clients/customers. They are also used for computations.

(e) **Paper Shredders:** used in shredding unneeded documents to protect against leakage of contents in the process of disposal.

(f) **Computers:** Perhaps the most common equipment in modern offices. It is used for data and word processing, document storage, communication, presentation, etc.

(g) **Scanners:** Used for scanning images of documents to computers for printing, storage, display or communication via the internet.

(h) **Binding Machine:** used for putting sheets of documents or contents of a file together.

(i) **Typewriters**: used for typing documents. Its use is fast becoming obsolete.

(j) **Paper cutter and Envelope Opener**: Paper cutters are used for trimming the edges of documents to make them neater, while envelope openers are used for opening envelope neatly to ensure that the content and envelope itself are not damaged.

(k) **Laminating Machines**: Machines used for burning water proof material to documents for preservation purposes.

(l) **Perforators:** used for punching holes into document to make attachment to file neater.

(m) **Stapler:** For holding documents together.

(n) **File cabinets:** For storage of folders and protection of documents from fire outbreak, theft, etc.

Office furniture

(a) **Office chairs**: which comes either in swivel or stationary form, it is used for sitting in offices. The design is dependent on several factors some of which include seniority, size of space, purpose, etc.

(b) **Office tables and Desks**: Used for sitting, writing, storage of materials and documents, etc.

(c) **Book cases and Shelves**: Used for display of books, files, trophies, etc. for ease of access.

Other Office equipment and materials include:

(a) Close circuit TV
(b) Tape recorder
(c) Telephones/intercom
(d) Television
(e) File rack/ tray
(f) Flip chart
(g) Pin boards

Office Stationery

(a) Correcting fluid/Tippex
(b) Eraser
(c) Gum
(d) Ink pads
(e) Note pads/ note books
(f) Office pins
(g) Paper clips
(h) Photocopy paper
(i) Sharpener
(j) Staple pins
(k) Writing materials such as pen, pencils, markers

8.7 Organisation and Methods (O & M)

Organisation and Methods (O & M) are the techniques used to improve productivity in an organisation. In some organisations a special unit called organization and methods (O & M) is set up to carry out studies and introduce new methods needed to improve productivity. O & M has been defined as any systematic attempt to increase productivity of an organisation by improving procedures, methods, systems and organization structures.

The key objectives of O & M are to:

(a) simplify jobs and make it easier for employees to carry out their tasks;
(b) ensure efficient flow of information throughout the organisation;
(c) improve the monitoring of the activities of various individuals and departments;
(d) ensure the efficient utilization of material, money and labour resources of the

organisation;

(e) reduce cost of production by minimizing or eliminating waste; and

(f) ensure the free flow of work among departments.

8.7.1 Steps/Procedures in O & M study

An O & M study involves the following basic steps:

(i) Selection of the work or table for the study.

(ii) Recording of the existing method.

(iii) Examination of the existing method.

(iv) Developing the improved method.

(v) Installation of the new method.

(vi) Maintenance of new methods.

8.7.2 Importance of O & M

(i) It improves the structure of the organisation by simplifying procedures and systems.

(ii) It could lead to the elimination of unnecessary procedures and improve workflow.

(iii) It leads to a more efficient use of materials, labour and office space.

(iv) It improves coordination of activities among individuals and departments.

(v) It could lead to standardization of procedures and forms.

(vi) It helps to improve factory and office layout.

(vii) It helps to unearth lapses in job performance, which could be removed through improved training of employees.

8.8 Forms

A form is a document with spaces (fields) in which to write or select for a series of documents with similar contents. A form in computer allows for conveniently typing in the variable parts (data input). When completed, forms may be a statement, a request, an order, etc. Examples of forms include: ledgers, cheques, tax forms, appraisal forms, etc. Forms may be filled in duplicates, triplicates or more, when information gathered on it needs to be distributed to several departments within the organization. This can be done using carbon paper.

Generally, forms designed for information gathering are free from copyright. Examples of such forms include account books, bank cheques, scorecards, address books, report forms, order forms, diaries, time cards, graph paper etc. Otherwise, for protection of intellectual property, some specially designed forms could be subject to copyright. For example, some forms used for selection tests.

8.8.1 Advantages of Forms

(i) Reduces the need for writing (while the printing is done in some automatic way)
(ii) Generally contains guidelines on how it should be filled, thus minimizing errors.
(iii) Uniformity, for convenience in processing.
(iv) Simpler tasks such as collecting or distributing data can be separated in the workflow from more complex processes.
(v) Information collected now in the form can be analyzed later.

8.8.2 Design of Forms

In the design of forms, the following factors must be considered:

(a) Content: The form must request for all relevant information. As much as possible, all irrelevant questions should be avoided.
(b) Language: Questions contained in the form must be as short as possible and easily understood by those filling them. For example, the way questions are designed in forms for manual labourers should reflect their level of education.
(c) Purpose: The purpose of the form will determine its design.
(d) Ease of Processing: Where processing of information is to be done via computers, the design will be such as to make this possible and easy. In some cases, specially designed forms that may require shadings with pencils are used.

8.8.3 Control of Forms

Controls exist only for forms that are classified as security documents. Security documents are documents whose contents are restricted to only authorized personnel due to the nature of information contained therein or the possibility of it being used to perpetrate fraud or theft. Examples of forms in this category are: cheques, receipts, some types of vouchers, etc.

Generally, the following control measures are used in handling forms classified as security documents:

(a) **Storage:** These forms are usually stored in security safes. It is advised that such safes are made of cast iron or concrete placed in a secured office. Such storage facility should be fire and water resistant. The keys to such safe should be kept by the officer in charge (cash officer, cashier, etc.) and somebody of sufficient seniority in the organization (e.g. Head of Finance and Account).
(b) **Tracking:** In some organisations, release registers are used to track the release of receipt booklets and cheque books for accountability purpose.
(c) **Production:** Production of forms like receipts should be restricted to organisations with sufficient integrity. Also, some security features should be present on such forms to prevent counterfeiting.

8.9 Information Technology Application in Management

Information technology is concerned with the use of computer and communication- based technologies to solve varieties of human, organisation, country-wide or global problems. It is technology-based systems that enhance efficiency and effectiveness in the generation and use of information in a variety of strategic, tactical and operational situations. Information Technology has become a veritable tool to achieve efficiency and effectiveness in all areas of management.

Table 8.3: Managerial Role of ICT

Managerial Functions	**Role of IT**
Planning	▪ It aids scenario planning ▪ Wealth of information helps decision-making ▪ Consumer access to product and service information allows comparisons with implications for marketing. ▪ Strategies thus focus on consumer needs and service required
Organising	▪ Organisations become change agent ▪ New organisational forms (e.g. Outsourcing, online operations). ▪ Knowledge of work promotes non-hierarchical structures
Staffing	▪ Specialised technical knowledge needed ▪ Greater mobility of workers in changing jobs ▪ Information enhances workers‘ upward mobility ▪ Specialised knowledge workers function as consultants or contractors in temporary or part-time employment. ▪ Outsourcing of human resources management to specialised firms at home and abroad ▪ Use of older, semi-retired professionals as consultants. ▪ Continued training and retraining to keep abreast of new technologies ▪ Development of new measurements for evaluation and rewarding workers
Leading	▪ Information availability gives power to knowledge workers and consumers ▪ Knowledge workers demand higher-order needs satisfaction (such as recognition self-actualisation, responsibility, participation etc.) ▪ Electronic communication technology aids framework ▪ Lower communication cost
Controlling	▪ Ease of control ▪ Detection of deviation from plan ▪ Facilitates productivity measurement at low costs ▪ Internet enables worldwide selling. Scanning of the external environment made easier and faster.

Source: - Heving Weihach, Mark Cannice, Harold Kuntz, Management 12th Edition, McGraw Hills Publications, Pg 483-485.

8.10 Health and Safety at Work

Despite the level of development in a country like the United Kingdom, it was estimated that over 500 people are killed at work every year and several hundred thousand more are injured or suffer ill health (Armstrong, 2006). The equivalent figures for West African countries will be much higher. This underscores the importance of effectively managing health and safety at work. In this segment, we will discuss causes of accidents and sources of danger at the workplace and how they can be prevented. We will also discuss various legislations relating to workplace health and safety.

What is Safety and Health?

Webster defines;

(a) Safety - as freedom from danger, injury or damage; security.

(b) Health - as physical and mental well-being; freedom from disease, pain or defect; normality of physical and mental functions; soundness.

(c) Occupational Safety and Health Act (OSHA) "To assure as far as possible every working man and woman in the nation, safe and healthful working conditions and to preserve our human resources".

8.10.1 Importance of Health and Safety at Work

(i) It is important to achieve the highest standard of health and safety at the workplace because ill-health and injuries result in loss and damage for the organization. Losses could be as a result of legal fees, fires, compensatory damage, lost production, lost goodwill from workers, customers and the wider community.

(ii) Health and safety at the workplace is also important because it safeguards the health and safety of workers. Morally, no worker should be made to work where his/her welfare is at risk.

(iii) In most countries, there are statutes on health and safety issues which organizations must comply with. Failure to do this, might attract government sanctions.

8.10.2 Health and Safety Regulations and Legislations

National Policy on Occupational Safety and Health (2006)

The National Policy on Occupational Safety and Health, a guide to Occupational Safety and Health in Nigeria is the government's approach for achieving a National development philosophy of building a united, self-reliant and egalitarian economy through minimising so far as is reasonably practicable, the causes and effects of hazards inherent in the working environment in response to her ratification of Convention 155 on Occupational Safety, Health and Working Environment. The Policy came into force in November, 2006.

The goals of the Policy are to:

(a) Facilitate improvement of occupational safety and health performance by providing the framework for participative occupational safety and health protection of workers including the most vulnerable groups in all sectors of economic activities.

(b) Ensure harmonization of workers" rights protection with regional and international standards in a private sector-led economic growth thus, focusing the role of the competent authority in facilitating an enabling environment and regulating various provisions for securing safety, health and welfare of workers in Nigerian workplaces.

The objectives are:

(a) To create a general framework for the improvement of working conditions and the working environment.

(b) To prevent accidents and departures from health arising out of or in the course of work.

(c) To ensure the provision of occupational safety and health services to workers in all sectors of economic activity.

The scope of the Policy covers both the formal and informal sectors of the economy; protection of all categories of workers from undue persecution, effective communication and cooperation amongst all stakeholders; prevention and control of hazards from all forms of occupational exposure; provision of health surveillance and emergency medical services; training in the area of occupational health and safety; and the gathering and storage of information pertaining to occupational safety and health amongst other area of focus.

In Nigeria, Health and Safety legislation are found in the common laws, Factories Act Cap 26, Laws of the Federation of Nigeria, 1990 and the Workmen's Compensation Act Cap 470, Laws of the Federation of Nigeria, 1990. Nigeria is also a member of the International Labour Organisation (ILO) and is a signatory to the International Labour Organisation (ILO) Convention No. 155 titled Occupational Safety and Health Convention, 1981. Apart from common laws of Ghana, health and safety issues are dealt with in the Factories, Offices and Shops Act, 1970, Labour Act of 2003 and the Workman Compensation Act. Like Nigeria, Ghana is also a signatory to the ILO convention 155 of 1981 on health and safety at work.

The Nigerian Factory Act, 1990, just like Factories, Offices and Shops Act 1990 of Ghana is primarily designed to govern, order and regulate industrial activities generally. Their main objective is to prevent occupational hazard and diseases in workplaces. These laws make it obligatory for employers of labour to take various precautions to protect their workers. The laws deal with issues such as cleanliness, ventilation, lighting, sanitation, conveniences, fire prevention, etc. The laws also prescribe how machinery and equipment that could cause injury at work should be handled, by fencing, wearing of helmets, etc. The law prescribes various penalties for contravention.

The Factories Act, CAP F1, Laws of the Federation of Nigeria (L.F.N) 2004

Table 8.4 Summary of the main Regulation under the Factories Act

Subsidiary Legislations (Regulations)	What Regulations Provide For
Factories (Wood working Machinery) Regulations, LN 189 1958	Provides guidance for the conduct of any factory or parts thereof and to any place to which Section 46 of the Act applies in which wood work occurs. It speaks to the provision of equipment and machinery fencing and guards in such establishments.
Factories (Notification of Dangerous Occurrences) Regulations LN 105 of 1961	Provides guidance for the notification of accidents and dangerous occurrences in accordance with Section 51- 52 of the Act, whether or not death or disablement occurs.
Docks (Safety of Labour) Regulations, LN 42 OF 1958	Provides guidance for the process of loading, unloading or bunkering any vessel in any dock in a Port and to all machinery or plant used in those processes.
Factories (Registration, Fees etc.) Regulations 2007	Provides for fees payable for the certification and appointment of „approved persons‟ for the purposes of lifting equipment inspection and certification and registration and renewal of Certificate of Registration of Factory Premises
Docks (Sanitary Accommodation) Regulations, 1958	Provides for the provision of sanitary conveniences to all docks under the jurisdiction of the Docks (Safety of Labour) Regulations
Declaration of Industrial Diseases Notice. LN. 114 of 1956	Provides for the identification of diseases or illnesses that might be contracted by an employed person by reason of the nature of his employment.
First Aid Boxes (Prescribed Standards) Order. LN 188 of 1958	Gives specifications for the provision of first aid boxes to be provided at factories in line with the number of employees present

The Workmen’s Compensation Act, like the Workman Compensation Act, 1923 of Ghana and Ghana Labour Act prescribes various compensation for workers in the event of injury or death by accident arising out of or in the course of employment of the workman.

Employees’ Compensation Act, 2010 This Act repeals the Workmen‟s Compensation Act, Cap. W6, Laws of the Federation of Nigeria, 2004 and makes comprehensive provisions for payment of compensation to employees who suffer from occupational diseases or sustain injuries arising from accident at workplace or in the course of employment.

The objectives of the Act are to:

(a) Provide for an open and fair system of guaranteed and adequate compensation for all employees or their dependents for any death, injury, disease or disability arising out of or in the course of employment
(b) Provide rehabilitation to employees with work-related disabilities as provided in the Act
(c) Establish and maintain a solvent compensation fund managed in the interest of employees and employers
(d) Provide for fair and adequate assessments for employers
(e) Provide an appeal procedure that is simple, fair and accessible with minimal delays
(f) Combine efforts and resources of relevant stakeholders for the prevention of workplace disabilities, including the enforcement of occupational safety and health standards.

8.10.3 Sources of Danger to Health and Safety at the Workplace

Common sources of safety hazard at the workplace are:

(i) Slippery floors
(ii) Open cabinets
(iii) Frayed carpets
(iv) Poorly lit stairways or offices
(v) Unsafe work processes
(vi) Poor ventilation
(vii) Careless storage of hazardous items such as sharp objects, dangerous chemicals, etc.
(viii) Dangerous fumes
(ix) Wrong use/handling of equipment/machinery at the workplace.
(x) Manufacturing equipment malfunctioning which may be compounded by inadequate maintenance.
(xi) Poor factory layout.
(xii) Horseplay at the workplace
(xiii) Inadequate or absence of sewage facility.
(xiv) Dirty environment.
(xv) Inadequate safety equipment/gadgets.
(xvi) Failure to use safety equipment or refusal to adhere to safety procedures during work.

8.10.4 Prevention and Protective Measures for Safety in an Office

(a) **Safety Policy:** The first step towards prevention of injury or death at the workplace is to put in place a safety policy. In some developed counties, this is required by law. The safety policy is a statement of commitment of the management to safety and health at work.
(b) **Periodic Risk Assessment**: This is the process of identifying hazards and the

risks attached to them. It is a proactive strategy aimed at tackling every health and safety risk at the workplace. Information obtained from this exercise will help in taking preventive measures.

(c) **Hazard Elimination**: This may require use of alternatives, design improvement, change of process, etc.

(d) **Substitution**: For example, replacement of hazardous equipment with a less dangerous one.

(e) **Use of Barriers:** Removal of dangerous equipment from workers or workers from dangerous equipment.

(f) **Use of Procedure:** Putting in place a step-by-step procedure to carrying out an operation

(g) **Use of Warning System:** Such as instructions, signs, labels. However, these depend on human response.

(h) **Use of Protective Equipment:** Such as clothing, gloves, etc.

(i) Commitment of workers to adherence to safety procedures and use of safety equipment. No matter how safety conscious an organization is, if workers refuse to comply with safety rules, injury or death at workplace may occur.

(j) Hazards can be prevented by designing and installing safety equipment and protective devices.

(k) Periodic inspections and checks to eliminate risks.

(l) Investigating accidents as they occur and taking corrective actions.

(m) Continuous programme of education and training on safe work habits and methods of preventing accidents.

(n) Designation of Safety and Health Officer- this officer shall be the health and safety champion in the organisation.

Summary

In this chapter, two major concepts were discussed, namely:

(i) Office practice and procedure; and

(ii) Health and safety.

An office is defined as a place in an organisation where business, clerical and professional activities take place. We noted that an office among other functions provides a convenient place where managers carry out their functions, collect information from within the organisation and record information. We also looked at the various forms of office layout - closed and opened plan. Factors to be considered in planning an office layout were also explained. These factors include: churn rate, statutory requirements, business needs, accommodation standard and available space. Office equipment and furniture such as facsimile were also mentioned. We discussed organisation and method. We also defined forms, control of forms and factors to be considered in their design. The chapter also discussed the application of ICT in management

Also, the chapter discussed the importance of health and safety at the workplace. It was stated that health and safety are important to organizations and workers. We also explained various legislations and regulations governing health and safety issues at the workplace. In Nigeria, the Factory Act of 1990 and Workmen's Compensation Act of 1990 as well as the common laws are part of the laws governing health and safety. In Ghana, the Factory, Offices and Shops Act, 1970, common law and Labour Act of 2003 regulate issues of occupational health and safety. Sources of danger to health and safety at the workplace were also discussed. Among other measures, the design of safety policy will set the pace for organizational commitment to health and safety at the workplace. The chapter concluded with a sources of danger to health and safety as well as the preventive measures to ensure health and safety in the workplace.

Review Questions

Multiple Choice Questions

1. Which of the following is a type of office layout?

A. Open Plan
B. Matrix Plan
C. Diagonal Plan
D. Horizontal Plan
E. Hybrid Plan

2. The following are factors to be considered in planning an office layout EXCEPT ....

A. Churn Rate
B. Statutory Requirement
C. Business Needs
D. Accommodation
E. Management Initiative

3. Which of the following is NOT a filing system?

A. Alphabetical filing system
B. Open filing system
C. Alpha-numeric filing system
D. Subject filing system
E. Geographical filing system

4. Drafting of health and safety policy is the responsibility of ………………….

A. Human Resources Department
B. Board of Directors
C. Production Department
D. Research and Development Department

E. Chief Executive Officer

5. The following are workplace accident prevention measures **EXCEPT:**

A. Design of safety devices
B. Wearing of protective clothing
C. Effective performance management
D. Health and safety training
E. Accident risk assessment

Short Answer Questions

1. The process of identifying hazards for the purpose of taking protective and preventive measures is called …………………………………….

2. The statement of commitment of the management to safety at work is known as ………………………….
3. The use of alternatives, design improvement and/or change of process is referred to as ………………………..
4. The systematic attempt to increase productivity of an organisation by improving procedures, systems and organisation structure is referred to as ---------------
5. _______________ means freedom from danger, injury or damage; security

SOLUTIONS

MULTIPLE CHOICE QUESTIONS

1. A
2. E
3. B
4. A
5. C

SHORT ANSWER QUESTIONS

1. Risk Assessment
2. Health and Safety Policy
3. Hazard elimination
4. Organisation and Methods (O & M)
5. Safety

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