

**CAT PAPER T5
MANAGING PEOPLE
AND SYSTEMS**

[REVIEW NOTES]

Chapter 1: The business Environment

An **organization** is a **social arrangement** which pursues **collective goals**, which **controls its own performance** and which has a **boundary** separating it from environment.

Organizations' exist for overcoming people's individual limitations, enabling **specialization** of skill, saving timesharing knowledge, enabling people to **pool their expertise** and enabling **synergy**.

A **system** is a collection of interrelated parts which taken together forms a whole.

Closed system is **isolated** from its environment and independent of it.

Few systems are entirely closed. Many are **semi-closed**, in that their relationship with the environment is in some degree restricted.

Open system is connected to and **interacts** with its environment. It takes influences from its environment and also influences this environment. It **obtains inputs** and **generates outputs**. Businesses are open systems.

PEST is a useful model for **analyzing** the business **environment**. The **environmental influences** are analyzed under four categories:

Political/Legal

Social

Economic

Technological

Legal factors will affect all companies. Consider factors such as company law, employment law, health and safety, data protection, marketing and sales, environment, tax law and competition law.

Political risk is an important factor to consider when looking at new market. Political risk in a decision is the risk that **political factors** will **invalidate the strategy** and perhaps severely **damage the firm**. Examples are wars, political chaos. **Investors** will only invest if the politic is **stable**.

Business planning must take into account the **forecast state of the economy**. Consider **economic factors** such as Gross Domestic Product (GDP), local economic trends, inflation, interest rates, tax levels, government spending and business cycle.

Social factors will consider the demographic change. **Demography** is the study of human population and population trends. **Factors of importance** to organizational planners are growth, age, geography, ethnicity, social structure, employment and wealth of an area.

Technology contributes to overall economic growth. Technology can help in **gaining productivity, reduced costs** and introduce **new** types of **product**. Planners should take into account the technological factors in an area as it **affects organizations' activities**.

Stakeholders are groups or individuals whose **interests** are directly affected by the activities of a firm or organization. Public companies have a number of external stakeholders. Examples of internal stakeholders are managers and employees. Example of **external stakeholders** is suppliers, customers and government.

Corporate governance refers to **how the company is managed**. The **Cadbury Report** defines corporate governance as the system by which companies are directed and controlled. The **Combined Code** on corporate governance is intended to reduce the possibility of managerial fraud.

Chapter 2: Organization structure

Organizations' have one primary **corporate objective** and a series of **subordinates objectives**.

Business functions include production, sales and marketing, accounting and finance and human resource management.

Organization structure is the framework for allocating tasks, delegating authority, coordinating activity and channeling communication.

Henri **Fayola** was an early management theorist, who proposed six **principles of organization**:

-**Division of work**-specialization to produce more and better outputs.

-**Authority and responsibly**-A person with responsibility for performing an action should be given a clear authority to do it, a person with the authority to perform an action should be made clearly responsible for its outcome.

-**Scalar Chain**-There is a chain of authority running from the top of the organization hierarchy to the bottom.

-**Unity of Command**-Subordinate should receive orders from only one superior.

-**Unity of direction**-There should be one identified "chief" and one overall plan.

-**Subordination of individual interests**-Satisfaction of employees should be recognized as less important than the fulfillment of the organization's objectives.

Henry Mint berg has categories **five basic component parts** in any organization:

– The **strategic apex** is made up of the senior management, who are concerned with **ensuring that the organisation pursues its**

Objectives and **serves the needs of its owners and stakeholders** through strategic planning and resource allocation. It also involves managing the boundaries between the organisation and its external environment and stakeholders.

– The **operating core** comprises the people **directly involved in production**. Tasks for the operating core involve securing inputs

And processing and distributing them as outputs, i.e. goods and services.

– The **middle line** comprises the managers and supervisors within the organisation, who form a chain of command that runs

Between the strategic apex and the operating core. Tasks for the middle line include the organisation, planning and controlling

Of the work of the organisation. The middle line acts as an **interface between senior management and operational employees**

And also the organisation and external contacts.

– The **techno-structure** comprises the specialist advisors and analysts within the organisation; the technical support staff. The

Techno-structure **offers technical support** to the rest of the organisation, designing and maintaining systems to standardise

Work throughout the organisation (e.g. financial control and HR planning).

– The **staff support** comprises the **administrative and ancillary support staff** of the organisation for example, legal Advice, research and development, maintenance and security.

There are many **influences on organisation structure** such as **internal principles** of organisation, **objectives** of the organisation, **task** of the organisation, **technology** of the task, **size** of the organisation, **human resources** of the organisation, **environment** of the organisation and **culture** of the organisation.

Internal influences on organisation design include **span of control**(the number of subordinates reporting to one superior) and the amount of **delegation** of authority(centralisation or decentralisation). **These factors determine** whether an organisation is **tall**(many management levels, narrow spans of control, centralised authority) or **flat**(fewer management levels, wider spans of control, decentralised authority).

Organisations may be **departmentalised** or **divisionalised** in a number of different ways, including **functional** (by specialisation), **geographical** (by region or country) and **product/brand** organisation.

Matrix structure crosses functional and product/project organisation, so that staffs are responsible to their department manager and project manager (dual manager).

Hybrid structure mixes functional, geographical and product/brand organisation. For example multinational company.

Burns and Stalker described **mechanistic** (also known as **bureaucracies** are stable, efficient and suitable for slow-changing environment) and **organic** (flexible, adaptive and suitable for fast-changing environment) organisational forms.

Bureaucracy is a continuous organisation of official functions **bound by rules**. Bureaucracy can be rational and efficient but its dysfunctions in fast-changing environments have been recognised.

Chapter 3: Business planning and control

Planning takes place at **strategic, tactical** and **operational** level.

Strategic planning-deciding **what** business the organisation should be in and what its **overall objectives** should be. This is a long-range planning (2 to 3 years).

Tactical planning-deciding **how** it should go about achieving its overall objectives. This is a short-range planning (1 year).

Operational planning-deciding what needs to be done from **day to day** and task to task? This is a daily basis planning.

Plan must take account of the availability of resources. **Resource planning** includes estimates of requirements with regard to personnel (human resource), equipment or machinery, materials and components and finance.

Human resource plan is prepared on the basis of the analysis of its future human resource and skills requirements. **Four key stages of human resource planning** are auditing, forecasting, planning and controlling.

-Auditing stage involves the analysis of the strategic environment (trends in population growth, education, pensions etc) in the light of the organisation's strategic objectives. The strategy chosen will have implications for the numbers of employees and the mix of skills required.

-Forecasting stage analyses the demand for, and supply of, labour in terms of number, type and quality of people that the organisation should employ to meet planned requirements and cover expected turnover.

-Planning stage involves policies to recruit, train and develop the labour force indicated in the forecast.

-Controlling stage involves measuring the effective use of the human resources and their contribution towards the achievement of the Organisation's objectives.

Elements of human resource plan include recruitment plan, training and development plan, succession plan, productivity plan, retention plan, redundancy plan and reward plan.

Contingencies are unexpected events, which may or may not happen. **Contingency planning**(back-up plan) looks at how the overall plan will be affected if something unexpected happens such as the entry of a powerful new competitor into the market, an unexpected rise in labour costs, a decline in quality standards.

Planning requires **coordination**. Coordination is one of the major functions of management. Departmental plans and budgets must be coordinated, so that they are all working together to achieve the business plan. At production level, **coordination will ensure** that departments know what and when they need to achieve, work flows without holdups or clashes, and without idle time or overwork for staff and machinery, the resources required for the task are available where and when they are required and there is **no duplication of effort**.

Planning is executed through **systems** (agreed-upon plan for carrying out an activity), **policies** (general statements which provide guidelines for management decision making) and **procedures** (chronological sequences of actions required to perform a task).

Chapter 4: The accounting function

The accounting systems are affected by the **size, type** and **structure** of an organisation.

Accounting function will be specifically **affected by geography** because of **differences** in currencies, legal and accounting requirements, ways of doing business and economic conditions.

External influences of accounting function include investors, banks, suppliers, customers, benchmarking and privatised utilities.

Financial accounting and management accounting will be separate sections in any large accounting department. **Financial accountants** manage non-current asset register, sales ledger, debt collection, credit control, purchase ledger, payroll, financial accounts, statutory accounts and sales tax returns. **Management accountants** manage inventory reporting and valuation, materials costing, labour costing, expense and overheads costing, job costing, budgetary control reports, budget coordination, project appraisal and analysis and investigations.

Accounting work can be seen as a mixture of two types of work: **handling the financial operations** of an organisation and **providing information** to managers of other departments.

Accounting management provides a good example of the need for close coordination between managers and sections. **Account department** coordinate with purchases department, personnel department, sales department, credit control department, inventory controllers department and senior management in **receiving information** for handling financial operations and **provide information in return**.

Computerised accounting is the same in principle as manual accounting.

Advantages of computerised accounting system are systems and packages can be used by **non-specialists**, large amount of data can be **processed very quickly**, computerised systems are **more accurate** than manual systems, computer is capable of handling and processing **large volumes** of data, computerised systems can **analyse data very quickly** to present useful control information for managers.

Disadvantages of computerised accounting system are the **initial time and costs** involved in installing the system, including the need for staff training, the need for **security checks** to make sure that unauthorised personnel do not gain access to data files, it is necessary to develop **systems of coding and checking**, the potential for a **lack of audit trail** – as it is not always easy to see where a mistake has been made.

Chapter 5: Monitoring business and accounting systems

Internal control system is the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure **adherence to management policies, safeguard the assets** and secure as far as possible the **completeness and accuracy of the records**. The individual components of an internal control system are known as controls or internal controls.

These are eight types of internal control listed. One way of remembering them is use the mnemonic **SPAM SOAP**.

-Segregation of duties. Executive tasks should be separated from control tasks. One of the prime means of control is the **separation of those responsibilities or duties** which would, if combined, enable one individual to record and process a complete transaction. Segregation of duties **reduces the risk of intentional manipulation or error** and **increases the element of checking**. Some functions should be separated whenever possible. For example, authorisation, execution and custody. An example of segregation of duties concerns the receipt, recording and banking of cash. It is not a good idea for the person who opens the post to be the person responsible for recording that the cash has arrived. It would be even poorer practice for that person to be responsible for taking that cash to the bank. If these duties are not segregated, there is always the chance that the person will misappropriate or steal the cash and no-one would know.

-Physical controls. These are concerned with the custody of assets and records and are also concerned with ensuring that access to assets and records is only permitted to authorised personnel. **Procedures and security measures** are needed to ensure that access to **assets** is limited to authorised personnel. Such controls include locks, safes and entry Codes.

-Authorisation and approval. All transactions should be authorised or approved by an appropriate responsible person. The limits for these authorisations should be specified. In a purchasing system there should be authority limits, where purchases of amounts exceeding those limits require higher authority.

-Management controls. Management controls are exercised by management outside the day-to-day routine of the system. These include the following: overall supervisory controls, review of management accounts and comparison with budgets, internal audit function and special review procedures.

-Supervisory controls. Any system of internal control should include the **supervision** by responsible officials of day-to-day transactions and the recording of them.

-Organisation as a control. Enterprises should have a plan of their organisation, defining and allocating responsibilities and identifying **lines of reporting** for all aspects of the enterprise's operations, including the controls. There must be a well-defined organisational structure showing how **responsibility and authority are delegated**. An effective plan would Require:

- (i) separation of a company's operations into appropriate divisions and sub-divisions,
- (ii) Appointment of persons to assume responsibility,
- (iii) Establishment of clear lines of responsibility between each division and sub-division and the board of directors,
- (iv) Overall co-ordination of the company's activities.

This will help to prevent friction so that staff works together well. It also means that no duties go unperformed or unchecked.

-Arithmetical and accounting controls. These controls are within the recording function and check that the transactions to be recorded and processed have been **authorised**, that they are **included** and that they are **correctly recorded and accurately processed**. This includes: checking the arithmetical accuracy of the records, the maintenance and checking Of totals, reconciliations, control accounts, trial balances, accounting for documents.

-Personnel controls. These are procedures to **ensure that personnel have capabilities appropriate to their responsibilities**, since the proper functioning of any system depends on the competence and integrity of those operating it. The qualifications, selection and training of the personnel involved are important features to be considered in setting up any control system. For example, a company accountant should be suitably qualified.

Internal checks are part of the internal controls in an accounting system. They are designed to check that everything that should be recorded is recorded, that any errors come to light and that assets and liabilities genuinely exist and are recorded at the correct amount.

Internal audit is itself an internal control whose function is to assess the adequacy of other internal controls. The main types of audit are **systems audits** (evaluation of internal controls), **transactions audits** and **value of money audit** or operational audit.

External audit is an independent examination of, and expression of opinion on the financial statements of an enterprise. External auditors are required where there is a statutory obligation to do so.

One of the **main differences** between internal and external audit is the overall **scope of the audit**. The potential **scope of an internal audit covers the total conduct of business**. This includes the examination and evaluation of the adequacy and

effectiveness of the organisation's governance, its risk management process, systems of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. The **scope of the external audit** is usually confined to a financial and compliance audit to satisfy the statutory responsibilities of the external auditor, which requires **examination of the accounts** and **providing an opinion** as to **whether the financial statements produced provide a 'true and fair view'**.

True and fair is not defined in company law or accounting standards. The words are used together rather than separately and the term is generally taken to mean "**reasonably accurate and free from bias or distortion**".

There are three more main **differences between internal and external auditor**:

Appointment. External auditors are appointed by the shareholders (although they are usually only ratifying the directors' choice) and must be independent of the company, whereas internal auditors are usually employees of the organisation.

Responsibility. External auditors are responsible to the owners (i.e. shareholders, the public, or Parliament in the UK), whereas internal auditors are responsible to senior management.

Objectives. The objectives for external auditors are defined by statute, whereas those for internal auditors are set by management. In other words, management decide what parts of the organisation or what systems internal auditors are going to look at and what type of internal audit should be carried out.

Chapter 6: Identifying and preventing fraud

Fraud may be generally be defined as “**deprivation by deceit**”. Fraud can fall into one of two main categories: **removal of funds** or assets from a business and **intentional misrepresentation** of the financial position of the business.

Types of fraud in **removal of funds or assets from a business** include theft of cash, theft of inventory, payroll fraud, teeming and lading (theft of receipts from customers), fictitious customers, collusion with customers, bogus supply of goods or services, paying for goods not received, meeting budget performance measures, manipulation of bank reconciliations and cash books, misuse of pension funds and disposal of assets to employees.

Types of fraud in **intentional misrepresentation of financial position of the business** include over-valuation of inventory, bad debt policy may not be enforced, fictitious sales, manipulation of year end events, understating expenses and manipulation of depreciation figures.

The three broad **prerequisites for fraud** are **dishonesty, motivation and opportunity**.

Dishonesty is a subjective quality. Dishonesty is generally defined as an individual’s pre-disposition or tendency to act in ways that contravene accepted ethical, social, organisational and legal norms for fair and honest trading.

Motivation. In addition to a general disposition or willingness to act dishonestly, an individual will still need a specific **motivation** to do so. This is likely to involve a **calculation** of whether a given action is worthwhile – this will take into account the **potential rewards** in relation to the **potential sanctions** or negative consequences of the action; the likelihood of being caught and the likely punishment if caught. The individual’s **motivation for fraudulent behaviour** may

be **financial** (in the case of theft or fraud for monetary gain), a **desire to exercise negative power** over those in authority or a **desire to avoid punishment** (for example, in the case of a cover up). Often, the motive for fraud is simply **dissatisfaction**, based on being passed over for promotion, poor pay or a feeling of carrying more than a fair workload.

Opportunity. Even if a person is willing to act dishonestly, and has a motive for doing so, he/she must still find an **opportunity** or an opening to do so. This can be a '**loophole**' in the law or control system that allows the fraudulent activity to go undetected or makes the risk of detection acceptable – given the rewards potentially available.

An individual will have high incentive to commit fraud if he/she is predisposed to **dishonesty** and the rewards for the particular fraud are high (**motivation**) and there is an **opportunity** to commit fraudulent action with **little chance of detection** or with insignificant sanctions if caught.

The key to devising successful internal controls is to **identify the risks** clearly: once they are known, they can be managed effectively. There are two types of risks: business risks and personnel risks.

Business risks include profit levels deviating significantly from the industry norm, market opinion and complex structures.

Personnel risks include secretive behaviour, expensive lifestyles, long hours or untaken holidays, autocratic management style, lack of segregation of duties and low staff morale.

It is the responsibility of the **directors** to implement structured internal controls to **prevent and detect fraud**.

Chapter 7: Improving control procedures

The purpose of **payroll system** is to compute the gross wages and salaries of employees and produce payslips, cheques and/or listings sent to banks instructing them to make payments. **Key controls** over payroll system cover **setting of wages and salaries (employees are only paid for work that they have done)**, **recording of wages and salaries (wages and salaries are correctly calculated and recorded)**, **payment of wages and salaries (the correct employees are paid)** and **deductions from pay (deductions have been calculated correctly and are authorised)**.

Controls on purchases cycle will be based around **buying** (authorisation), **goods inwards** (checks) and **accounting** (recording).

Controls on sales cycle will be based around **selling** (authorisation), **goods outwards** (checks) and **accounting** (recording).

The **control of cash** is of prime importance in any business. **Key objectives** for the control of cash are to ensure that **all sums** are received and subsequently **accounted for**, no payments are made which should not be made, all receipts and payments are **promptly** and **accurately recorded** and as part of **working capital management**. **Cash and petty cash** must be **regularly reconciled**. Every payment must be approved by an **authorised persona** **bank reconciliation** should be done at least once a month.

Control is enhanced by an **integrated accounting system**. An integrated system **automatically links** together the different elements of an accounting package, such as sales, purchases and stock. There are a number of **potential benefits** to this: (1) **one entry** updates all of the others so there are fewer data inputs and fewer errors.

- (ii) **Fewer people need** to be involved in the input. This makes it possible to have more restricted access to the computer system, which enhances overall control.
- (iii) **Errors in one module** are **unlikely to go unnoticed** because they will impinge upon other areas.
- (iv) **Frauds** involving just **one accounting area** are **difficult to maintain** because queries will tend to arise in other areas.

Chapter 8: Management information and reporting system

Good management information is **ACCURATE**:

Accurate

Complete

Cost-beneficial

User-targeted

Relevant

Authoritative

Timely

Easy to use

Three main functions of management where management information can be useful are as follows:

(i) **plan**: management needs to decide what the **objectives** of the company are and how they can be achieved.

Management information is used to help management to **plan** the resources that a business will require and how they will be used.

(ii) **Control**: once management puts a plan of action into operation, there needs to be some **control** over the **business's activities** to make sure that they are carrying out the original plans.

(iii) **Decision-making:** management at all levels within an organisation takes decisions. Decision-making always involves a **choice between alternatives**. It is the role of the management accountant to provide information so that management can reach an informed decision.

A **management information system (MIS)** is a system to **convert** data from internal and external sources into **information** and to communicate that information, in an appropriate form, to **managers** at all levels.

Managers can assess the significance of information by monitoring and measuring against some baseline and most management reports are made more **meaningful** by the use of **comparison**.

(i) **Comparisons with previous periods.** The most common comparison of a previous period is of one year's final figures against the previous years.

(ii) **Comparisons with corresponding periods.** Making comparisons **month-by-month** or **quarter-by-quarter** is most useful when you expect figures to be reasonably even over time. However, demand for many products fluctuates **season-by-season**. In this case, the most useful comparison would be to compare with the same season last year. This is the corresponding period.

(iii) **Comparison with forecasts.** Businesses make forecasts for a number of purposes. A very common type of forecasting is a **cash flow forecast**. The purpose of making this forecast is for the business to be able to see how likely it is to have problems maintaining a positive cash balance. At the end of the period, management will compare the actual figures With the forecast figures and try to assess why they differ.

(iv) **Comparisons with budgets.** A budget is an organisation's plan for a forthcoming period, expressed in monetary terms. Budgets can be used to check that the plan is working by comparing the planned results for the day, week, month or year to date with the actual results.

(v) **Comparisons within organisations.** Organisations may also wish to compare the performance of different departments, sales regions or product type.

(vi) **Comparisons with other organisations (Benchmarking)**. An obvious way of assessing how a business is performing in its chosen market

Is to **compare its results** and financial position **with** those of its **main competitors**. The main information that will be generally available will be the competitor's annual statutory financial accounts. Comparisons are generally made on an annual basis.

Chapter 9: Leadership, management and supervision

Power is the ability to get things done. Power has been classified into six types: **Coercive power**(power of physical force),**resource power**(control over valued resources),**legitimate/position power**(power associated with position in hierarchy),**expert power**(power of expertise),**personal power**(force of personality) and **negative power**(power to disrupt operations).

Authority is the right to get things done: to ask someone else to do something and expect it to be done. Authority is thus another word for position or legitimate power.

Delegation of authority is the process whereby a superior gives to a subordinate part of his or her own authority to make decisions. Successful delegation requires the resolution of the **Trust-Control dilemma**.

Trust-Control dilemma:

$$T+C=Y$$

Where T=trust

C=control exercised by superior over subordinate

Y=a constant, unchanging value

If there is any increase in Control subordinate will immediately recognise that (s) he is being trusted less.

Managers and supervisors might **need to delegate authority** for a number of reasons, including the following. There are **physical and mental limitations** to the workload of any one individual in authority and it may be necessary to delegate to

ensure that the workload can be effectively managed. Managers and supervisors may wish to delegate in order that they are free to **concentrate on the aspects of their work** which only they are competent to do (e.g. detailed planning or aspects of budgeting). The **increasing size and complexity** of many of today's organisations demands increasing specialisation and effective delegation is one way of developing this. Managers also need to consider that delegation provide subordinates with **development opportunities**.

Many managers and supervisors are **reluctant to delegate** and attempt to do many routine tasks themselves as well as more important ones. Some of the reasons for this might be as follows:

(i) they may have **low confidence and trust** in the abilities of their staff; (ii) they may believe that they are the only one capable of doing the task properly;

(iii) They may wish to **keep enjoyable parts** of the job to themselves;

(iv) Some managers **feel more powerful** by retaining their decision making privileges;

(v) They may fear that their subordinates will use the authority poorly;

(vi) They may not wish to take on the additional **burden of being accountable for any mistakes** that their subordinates might

Make while executing the task;

(vii) They may believe that their subordinates do not wish to have broader decision making responsibilities;

(viii) They may wish to **'stay in touch'** with the department or team and feel that any act of delegation removes them from the day to day activities;

(ix) They may **feel threatened** and be unwilling to admit that assistants have developed to the extent that they could perform some of the manager's duties. They may feel threatened by this sense of redundancy.

(x) There may be **poor control and communication** in the organisation so that the manager feels he has to do everything himself in order to retain control and responsibility for the tasks;

- (xi) There may be an organisational culture which has failed in the past to recognise and reward effective delegation. In this climate the manager may feel that delegation is seen as shirking responsibility;
- (xii) There may be a **lack of understanding** about what delegation involves;
- (xiii) There may be a **lack of training** and development of managers in the skills needed for effective delegation;
- (xiv) Managers and supervisors may have had **poor experiences of delegating** to others.

To **overcome** the problems: **train the subordinates**, have a system of **open communications** and **ensure that a system of control is established**.

Henri Fayol classified five **functions of management** that apply to any organisation. They are planning, organising, commanding, co-ordinating and controlling.

-Planning involves selecting **objectives** and the strategies, policies, programmes and procedures for achieving the objectives either for the organisation as a whole or for part of it.

-Organising is about **establishing a structure of tasks** which need to be performed to achieve the goals of the organisation; grouping these tasks into jobs for an individual; **creating groups** of jobs within sections and departments: **delegating** authority to carry out the jobs; and providing **systems of information** and communication for the coordination of activities.

-Commanding is about giving **instructions** to subordinates to carry out tasks over which the manager has authority for decisions and responsibility for performance.

-Coordinating is about **harmonising** the activities of individuals and groups within the organisation, who may have different ideas about what their own goals should be. Management must reconcile differences in approach, effort, interest and timing of these separate individuals and groups.

-Controlling is about **measuring** and **correcting** the activities of individuals and groups, to ensure that their performance is in

accordance with plans. Deviations from plans are identified and corrected.

There are two key **omissions** from Fayal's classification.

-**Motivating** is not mentioned. It is assumed that subordinates will carry out tasks when 'commanded', regardless of whether or how far they may 'want' to.

-**communicating** is not mentioned.

Peter Ducker has written management process and grouped the work of manager into five categories.

-**setting objectives for the organisation.**

-**organising the work.**

-**motivating** employees and **communicating** information to them to enable them to do their work.

-**the job of measurement.** Management must establish **objectives** of performance for every person in the organisation, analyse **actual performance**, appraise it against the objectives which have been set, and analyse the comparison, communicate the findings and explain their significance both to subordinate employees and also to superiors.

-**Developing people.**

A manager's job is not clear-cut and systematic in practice. More recent descriptions of the manager's role by Henry Mintzberg describe **interpersonal** roles (figurehead, leader, liaison), **informational** roles (monitor, spokesperson, disseminator) and **decisional** roles (entrepreneur, disturbance handler, resource allocator, negotiator).

A **supervisor** is a person selected by middle management to take charge of a group of people, or special task, to ensure that work is carried out satisfactorily. The key features of supervision are as follows:

(i) A supervisor is usually a **front-line manager**, dealing with the levels of the organisation where the day-to-day work is done. The supervisor will deal with matters such as staffing and health and safety at the day-to-day operational level, whereas a manager might deal with them at a policy making level.

- (ii) A supervisor does not spend all of his or her time on the managerial aspects of the job. Much of the time will be spent doing **technical/operational work**.
- (iii) A supervisor is a **gatekeeper** or **filter for communication** between managerial and non-managerial staff, both **upward**(conveying reports and suggestions) and **downward** (conveying policies, instructions and feedback).
- (iv) The supervisor monitors and controls work by means of **day-to-day, frequent** and **detailed information**: higher levels of management plan and control using longer-term, less frequent and less detailed information, which must be 'edited' or selected and reported by the supervisor.
- (v) Supervisors often carry out **Fayol's five functions of management** (planning, organising, commanding, coordinating and controlling) **at a lower, more operational level**.

There are many different definitions of **leadership**. Key themes (which are also used to distinguish leadership from management) include: interpersonal influence; securing willing commitment to shared goal; creating direction and energy; and an orientation to change.

The terms 'management' and 'leadership' are often used interchangeably. However, there have been many attempts to distinguish meaningfully between them.

(i) **Kotter (2001)** argues that leadership and management involve two distinct sets of action. **Management is about coping with complexity**: its functions are to do with logical structure, analysis and control, and are aimed at producing order, consistency and predictability. **Leadership**, by contrast, **is about coping with change**: its activities include creating a sense of direction, communicating strategy, and energising, inspiring and motivating others to translate the vision into action.

(ii) **Yukl (1998)** suggests that while management is defined by a prescribed role and position in the structure of the organisation, leaders are given their roles by the perception of others, through election, choice or influence. Leadership is an interpersonal process. **Managers have subordinates; leaders have followers.**

(iii) **Zaleznik (1992)** suggests that **managers are mainly concerned with order and maintaining the status quo**, exercising their skills in diplomacy and focusing on decision-making processes within the organisation. **Leaders**, in contrast, direct their energies towards **introducing new approaches and ideas**. They create excitement and vision in order to arouse motivation and focus with empathy on the meanings of events and actions for people. Leaders search out opportunities for change.

(iv) **Katz and Kahn (1974)** point out that while **management aims to secure compliance with stated organisational objectives, leadership aims to secure willingness, enthusiasm and commitment**. Leadership is the influential increment over and above mechanical compliance with the routine directives of the organisation.

Leadership offers key **benefits** in a competitive, turbulent environment: activating commitment, setting direction, developing people and energising and supporting change.

There are several classifications of the theories or **'schools' of leadership**, including:

(a) **Trait theories** – these are based on analysing the **personality characteristics** or preferences of successful leaders and assume that leaders are born, not made. Lists of traits included physical traits, personality traits and social traits.

(b) **Style theories** – these are based on the view that leadership is an **interpersonal process** whereby different **leadership behaviours** influence people in different ways. More or less effective patterns of behaviour (or styles) can therefore be adopted.

(c) **Contingency theories** – these are based on the belief that there is **no 'one best way'** of leading, but that effective leaders adapt their behaviour to the specific and changing variables in the leadership context: the nature of the task, the personalities of team members, the organisation culture and so on.

Leadership styles are clusters of leadership behaviour that are used in different ways in different situations. While there are many different classifications of style, they mainly relate to the extent to which the leader is focused primarily on task/performance or relationships/people.

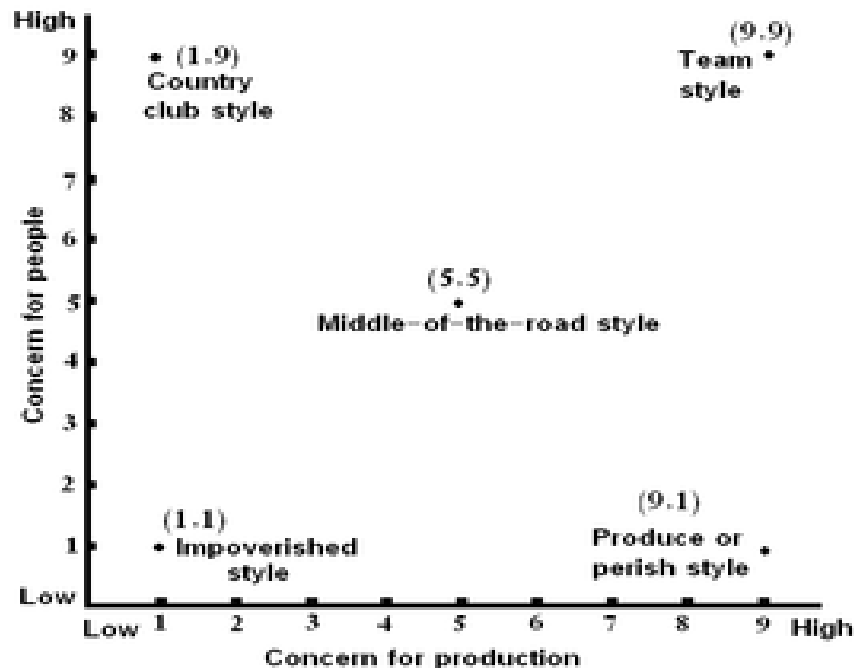
Ashridge Management College Model distinguished four different management styles.

- Tells.** The manager makes all the decisions and issues instructions which must be obeyed without question.
- Sells.** The manager still makes all the decisions, but believes that subordinates have to be motivated to accept them in order to carry them out properly.
- Consults.** The manager confers with subordinates and takes their views into account, but has the final say.
- Joins.** Leader and followers make the decision on the basis of consensus.

Rensis Likert also described a range of four **management** styles or “**systems**”.

- System 1:**Exploitative authoritative.** The leader has **no confidence** or trust in his subordinates, imposes decisions, never delegates, motivates by threat, has little communication with subordinates and does not encourage teamwork.
- System 2:**Benevolent authoritative.** The leader has only **superficial trust** in subordinates, imposes decisions, never delegates, motivates by reward and though sometimes involving others in problem-solving, is basically **paternalistic**.
- System 3:**Participative.** The leader has **some confidence** in subordinates, listens to them but controls decision making, motivates by reward and a level of involvement, and will use the ideas and suggestions of subordinates constructively.
- System 4:**Democratic.** The leader has **complete confidence** in subordinates who are allowed to make decisions for themselves. Motivation is by reward for achieving goals set by participation, and there is a substantial amount of sharing ideas, opinions and cooperation.

Blake and Mouton carried out research into managerial behaviour and observed two basic dimensions of leadership: (1) concern for production (or task performance) and (2) concern for people.



Blake and Mouton's managerial grid

(i) (9.9) – the '**team management style**' this combines deep concern for people with a clear concern for production. This is a high performance manager who achieves high work achievements through 'leading' committed people who identify themselves with organisational aims.

(ii) (1.9) – the '**country club management style**', this manager is too concerned with people and often gets very little work done. The manager is very attentive to staff needs and has developed satisfying relationships. However, little attention is paid to achieving results.

(iii) (9.1) – "produce"/'**task management style**', this is too concerned with production and creates an atmosphere of low morale. This

approach shows almost total concentration on achieving

results. People's needs are virtually ignored.

(iv) (1:1) – '**impoverished management style**', – this has no concern for either people or output.

(v) (5:5) – '**middle-of-the-road management style**', this shows

some concern for people and some concern for production. The manager adopting this style will achieve adequate performance through balancing the necessity to get results while maintaining the morale of people at a satisfactory level.

Leaders need to adapt their style to the needs of the team and situation. This is the basis of **contingency approaches**.

Charles Handy argued that the ability of a manager to lead and to influence the work group will vary according to three factors.

- The **leader**
- The **subordinates**
- The **task**

Hersey and Blanchard's situational leadership model (1988) focus on the **readiness of the team members** to perform a given task, in terms of their **task ability** (experience, knowledge and skills) and **willingness** to complete the task successfully.

-**High-readiness (R4) teams** are able and willing. They do not need directive or supportive leadership: the most appropriate leadership style may be **delegating (S4) style**.

-**High-moderate readiness (R3) teams** are able, but unwilling or insecure. They are competent, but require supportive behaviour to build morale: the most appropriate leadership style may be **participating (S3) style**.

-**Low-moderate readiness (R2) teams** are willing and confident, but lacking ability. They require both directive and supportive behaviour to improve their task performance without damaging morale: the most appropriate leadership style may be **selling (S2) style**.

-**Low-readiness (R1) teams** are lacking ability and motivation/confidence. They require more directive behaviours in order to secure an adequate level of task performance: the most appropriate leadership style may be **telling (S1) style**.

Chapter 10: Individual and group behaviour

Personally is the total pattern of an individual's thoughts, feelings and behaviours.

Individuals personally should be compatible with the task, the organisation's culture and other personalities in the team. When incompatibilities occur, manager has three options: **restore compatibility** (reassigning task), **achieve a compromise** (encourage individuals to understand and modify themselves) or **remove the incompatible personality** (weed out them from the team).

Perception is the process by which the brain selects and organises information in order to make sense of it. Perception may be determined by: **The context**(people see what they want to see),**The nature of the stimuli**(our attention tends to be drawn to large,bright,loud,unfamiliar,moving and repeated stimuli) and **Internal factor**(attention is drawn to stimuli that match our personality).

Be aware of the most common **clashes of perception** at work: **Managers and staff, work cultures, race and sex.**

Group is any number of people who interact with one another, psychologically aware of one another and perceive themselves to be a group.

Individuals behave differently in groups due to factors such as: social influence, group influence and group process.

Social influences include **social facilitation**(individuals perform better in the presence of others) and **social loafing**(size of group increases, individual effort decreases).

Group influences include **group conformity** (groups establish group norms to help the group to function), **group cohesion** (sum of all forces that attract members to group) and **group polarisation** (distort group decision-making, resulting in tendency of groups to take greater risks which is risky-shift or fewer risks which is cautions-shift).

Group process refers to what is happening to and between group members while group is working. The **key components** are **stages of group development**(group develop over time),**role differentiation**(members find and adopt a role or set of roles that works for them and for the group),**communication, task and maintenance**(balance between meeting individual needs, group needs and task needs),**decision-making**(decision-making will become less leader-centred but participative).

Schein referred culture as “the way we do things round here”. **Charles Handy's Gods of Management** which popularised Roger Harrison's work include **four Greek God** as different organisation culture:

-**Zeus**(**power** or club **culture**,one man rules the company,few rules and procedures,functional basis,all decisions are made by one person so quick to change,best suited for small business).

-**Apollo**(**role culture** or bureaucracy,formal structure,well-established rules,individual learns without experiencing risk,very efficient in stable environment and when the work is predictable).

-**Athena**(**task culture**, principal concern is to get the job done, individuals who are important are experts, performance is judged by results, expensive as experts demand market price, support matrix structure).

-**Dionysus**(**person culture** or existential, serve the interests of individuals,rare,non-profit oriented, depends on the talent of the individuals, members are more important than management, people are often lower in status for example secretaries,administrators,chief clerk and more).

Chapter 11: Team management

A **team** is more than a group. It has joint **objectives** and **accountability** and may be set up by the organisation under the supervision or coaching of a team leader, although **self-managed teams** are growing in popularity.

There are a number of approaches to the organisation of teamwork: including multi-disciplinary teams, multi-skilled teams, Self-managed teams and virtual teams.

(a) **Multi-disciplinary teams** bring together **individuals with different skills and specialisms** so that their skills, experience and knowledge can be pooled or exchanged. Such teams are typically project; customer or product focused and are a feature of **matrix type structures**. Multi-disciplinary teams increase workers' awareness of their overall objectives and targets. They aid coordination and communication across functional boundaries. They help to generate new ideas and solutions to problems, since the team has access to more perspectives.

(b) **Multi-skilled teams** bring together a number of **individuals who can perform any of the group's tasks**. These tasks can then be shared out in more flexible ways between group members, according to who is available and best placed to do a given job at the time it is required. Multi-skilling is the **cornerstone of team empowerment**, since it cuts across the barriers of job descriptions and demarcations, to enable teams to respond flexibly to changing demands.

(c) **Self-managed teams** are the most highly developed form of team working. They are permanent structures in which **team members collaboratively decide all the major issues** affecting their work: work processes and schedules, task allocation, the selection and development of team members, the distribution of rewards and the management of group processes (e.g. problem solving, conflict management, internal discipline etc). Self-managed team working has a number of **advantages** including, saving managerial costs, improvements in quality and productivity, encouraging individual initiative and responsibility and gains in efficiency through multi-skilling.

(d) **Virtual teams** – the development of ICT has enabled communication and collaboration among people in remote locations, via teleconferencing and video conferencing, locally networked PCs and the Internet. This has created the concept of the ‘virtual team’: an **interconnected group of people who may never be present in the same place** at the same time – but who share information and tasks, make joint decisions and fulfil the collaborative functions of a team with ‘physical’ team.

Multidisciplinary teams contain people from different departments, pooling the skills of specialists. **Multi-skilled** teams contain people who themselves have more than one skill.

Belting researched business game teams at the Henley Management College and drew up a widely used framework for understanding roles within teams. He identified **nine team roles**:

- (i) the **plant**. The plant is creative, imaginative and unorthodox, contributing to the team by solving difficult problems. The plant tends to ignore details and is often too pre-occupied to communicate effectively.
- (ii) The **resource investigator**. The resource investigator is extrovert, enthusiastic and communicative; contributing to the team by exploring opportunities and developing contacts. The resource investigator can be over-optimistic and loses interest once the initial enthusiasm has passed.
- (iii) The **coordinator**. The coordinator is mature, confident and a good chairperson; contributing to the team by clarifying goals, promoting decision making and delegating well. The coordinator can be seen as manipulative.
- (iv) The **shaper**. The shaper is challenging, dynamic and thrives on pressure; contributing to the team by having the drive and courage to overcome obstacles. The shaper can be provocative and sometimes hurts other people’s feelings.
- (v) The **monitor evaluator**. The monitor evaluator is strategic and discerning; contributing to the team by seeing all options and making accurate judgements. The monitor evaluator can lack drive and the ability to inspire others and tends to be over critical.

- (vi) The **team worker**. The team worker is co-operative, mild, perceptive and diplomatic; contributing to the team by listening, building relationships and calming tensions. The team worker can be indecisive in difficult situations and can be easily influenced.
- (vii) The **implementer**. The implementer is disciplined, reliable, conservative and efficient; contributing to the team by turning ideas into practical actions. The implementer can be somewhat inflexible and slow to respond to new possibilities.
- (viii) The **completer**. The completer is painstaking, conscientious and anxious; contributing to the team by searching out errors and omissions and delivers on time. The completer can be inclined to worry unduly and is often reluctant to delegate.
- (ix) The **specialist**. The specialist is single-minded, self-starting and dedicated; contributing to the team by providing specialist knowledge and skills. The specialist contributes on a very narrow front, tends to dwell on technicalities and overlooks the bigger picture.

The nine roles are complementary and Belting suggested that an '**ideal**' team should represent a **mix or balance** of all of them.

The **key stages of group development** as identified by **Tuchman** are **forming, storming, forming and performing**. Later writers added two stages to Tuchman's model – doming and mourning/adjourning.

- (i) **Forming** – The team is **just coming together**. Each member wishes to impress his or her personality on the group. The individuals will be trying to find out about each other, and about the aims and norms of the team. The objectives being pursued may as yet be unclear and a leader may not yet have emerged.
- (ii) **Storming** – This frequently involves more or less **open conflict** between team members. There may be changes agreed in the original objectives, procedures and norms established for the group. If the team is developing successfully this may be a fruitful phase as more realistic targets are set and trust between the group members increases.

(iii) **Forming** – A **period of settling down**. There will be agreements about work sharing, individual requirements and expectations of output. Norms and procedures may evolve which enable methodical working to be introduced and maintained.

(iv) **Performing** – The team sets to work to **execute its task**. The difficulties of growth and development no longer hinder the group's objectives.

(v) **Domineering** – once a group has been performing well for some time, it may **become complacent and fall back into self-maintenance**

Functions, at the expense of the task. The role of the leader would be one of trying to keep the group focused on the task, but this is sometimes difficult, or indeed may not happen, as the leader has merged with the rest of the group at the previous stage.

(vi) **Mourning/Adjourning** – the **group sees itself as having fulfilled its purpose**. This can be a stage of confusion, sadness and anxiety as the group disbands and breaks up. There is evaluation of its achievements and gradual withdrawal of group members. The leader can be important in the evaluation of the group's performance. If the group is to continue And go on to a new task – it will need to renegotiate aims and roles and will return to the forming stage.

Team development can be facilitated by active **team building** measures to support team identity, solidarity and commitment to shared objectives.

Woodcock identifies a number of **blockages** and **building blocks** in the **team building** process. The issues mentioned such as **leadership, membership, climate, objectives, achievement, work methods, communications, individuals, creativity, interpersonal relations, review and control**. **Building block** is the one that **should be done** and **blockage** is the one that **should not be done**. For example, in the creativity issue, the building block is facilitate generation of new ideas while the blockage is low creativity. Another example, in the communication issue, the building block is facilitating openness while blockage is not open.

A team can be **evaluated** on the basis of **quantifiable** (eg.labour turnover, accident rate, absenteeism) and **qualitative factors** (eg.commitment to targets, understanding of team's work, communication between team members), covering its **operations** and its **output**, and **team member satisfaction**. For example, an effective team has low accident rate and open communication between team members.

Chapter 12: Motivation

Motivation is very important for improving performance of an individual. Motivation is a decision-making process which the individual chooses the desired outcomes and sets in motion the behaviour appropriate to acquiring them. Manager's best interests are to have good motivation throughout a company.

Content theories of motivation suggest that the best way to motivate an employee is to find out **what** his/her needs are and offer him/her rewards that will satisfy those needs.

Example of content theories is **Maslow's Hierarchy of Needs** which stated that individual's needs can be arranged in a hierarchy, from the bottom is **Physiological needs**(eg.food),**Safety needs**(security),**Love/Social Needs**(relationships),**Esteem needs**(status) and **Self Actualisation**(highest level needs).

Another example is **Herzberg's Two-factor Theory** which highlighted two basic needs of individuals that are "**the need to avoid unpleasantness**" which "**Hygiene factors**"(eg.salary, working conditions) can satisfy temporarily and "**the need for personal growth and fulfilment**" which "**Motivator factors**"(eg.challenging work, responsibility) satisfy this.

Process theories ask the question:"**how** can people be motivated?" Example is **Vroom's Expectancy Theory** which stated a formula **F=V X E** where F is the "**Force of motivation**",V is "**Valence**" which mean the desire of individual for the reward and E is "**Expectancy**" which mean the individual's believe that the behaviour can get the reward. In this equation, the lower the values of either valence or expectancy, the less the motivation.

Job is a **motivator**. **Herzberg** suggested three ways of improving job design to motivate employee: **job enrichment** (vertical extension, delegate greater responsibility job), **job enlargement** (horizontal extension, widen jobs) and **job rotation** (sequential extension, transfer to different job to increase task variety).

Management style is also a **motivator**. There are two models which illustrate how managers' assumption about worker motivation can affect morale and performance: **McGregor's Theory X and Theory Y, Ouchi's Theory Z.**

Theory X represents the 'carrot and stick' assumptions believing that the Average **human being** has an **inherent dislike of work** and will avoid it if possible. **Most people must be coerced**, controlled, directed and/or threatened with punishment to get them to put in adequate effort towards the achievement of organisational objectives. Managers who operate according to these assumptions will tend to supervise closely, **apply detailed rules and controls and use 'carrot and stick' motivations.**

Theory Y suggests that **physical and mental effort** in work is as nature as play or rest. The **average human being does not inherently dislike work**, which can be a source of satisfaction. At present the **potentialities of the average person are not being fully used**. Managers who hold Theory Y assumptions about people are likely to be more **democratic and consultative.**

Ouchi proposed a form of Japanese style management that could successfully apply in Western country called **Theory Z**. **Theory Z** organisations have certain characteristics:

- (i) **Long-term employment** – not necessarily lifetime, but longer than the average in American and European companies.
- (ii) **Slow-progressing managerial career paths** (as in the Japanese system, but with a more Western specialisation of skills).
- (iii) Moderately specialised careers – which may not change.

(iv) Collective **consensus decision-making processes** (Japanese), **but with individual retention of ultimate responsibility** for

Defined areas of accountability (Western).

(v) **Industrial relations** characterised by trust, co-operation and mutual adjustment.

(vi) **Concern for the employee** – close to the paternalistic attitudes of the old Quaker companies in the UK, such as Cadbury's.

(vii) Implicit informal controls (such as guiding values) alongside explicit, formal controls.

Chapter 13: Planning and organising personal work

A **job description** specifies and describes the role and responsibilities of a particular job. It is a statement of the tasks, responsibilities and relationships involved in a given job. All employees should have a job description that specifies tasks, details responsibilities, sets authority limits, distinguishes accountability and outlines the organisational relationships that the job entails. The following sections should be included in a job description:

- (i) the **identification of the job**, including the job title, the department structure and the number of people doing the job.
- (ii) The **purpose of the job** – identifying its objectives in relationship to the overall objectives, e.g. to manage the purchasing section responsible for buying raw materials.
- (iii) The **position in the organisation** – indicating the relationships with other jobs and the lines of responsibility. Often an organisation chart is included here.
- (iv) The **principal duties to be performed**, with emphasis on key tasks and limits to the jobholder's authority. A more detailed breakdown might be included which identifies specific tasks in terms of precisely what is to be done, with some explanation, both in terms of quantity and quality.
- (v) **Responsibilities** – a statement outlining any responsibilities for the resources e.g. staff and budgets.
- (vi) **Job requirements and physical conditions** – including details of noisy, dirty, dangerous conditions or pleasant office Conditions and also hours of work, overtime, unsocial hours.
- (vii) **Grade and salary range** – details of the rate for the grade, incremental scales, piecework, bonuses and commissions. Additional benefits such as pension schemes and the provision of a company car would also be included in this section.
- (viii) **Reporting structure** – to whom the job holder reports and at what level, with possible indications about future Succession, prospects of promotion or transfer.

Time, like any other resource, **needs to be managed**, if it is to be used efficiently (without waste) and effectively (productivity). The **key principles of time management** are **goals, action plans, priorities, focus, urgency and organisation**.

-Have **goals**. To be useful, the goals need to be **SMART**:

Specific

Measurable

Attainable

Realistic

Time-bounded

-**Action plans**. Make **written action plans** that set out how you intend to achieve your goals.

-**Priorities**. **Set priorities** from your plan. A piece of work will be **high priority** if it has to be completed by a **deadline**, if other tasks depend on it, if other people depend on it and if it is **important**.

-**Focus**. Work on **one thing at a time** until it is finished where possible.

-**Urgency**. **Do it now!** Do not put off large, difficult or unpleasant tasks simply because they are large, difficult or unpleasant.

-**Organisation**. You might use an **ABCD method of in-tray management**.

Act on the item immediately

Bin it, if you are sure it is worthless

Create a definite plan for coming back to the item

Delegate it to someone else to handle

You might also **organise your work in batches** of jobs requiring same activities and **take advantage of your natural work patterns**.

Personal work planning includes the following basic steps.

-**Loading**. Allocating work to people and machines.

-**Task sequencing**. Determining the order in which activities are performed.

-**Time scheduling**. Determining exactly when each activity will be performed.

-Establishing **checks and controls** to ensure that deadlines are being met and that routine tasks are still achieving their objectives.

Planning aids include lists and checklists, precedence networks, action plans, timetables, diaries or personal organisers and charts.

Chapter 14: Constructive relationships

Interpersonal skills are skills used in interactions and relationships between two or more people. Interpersonal skills include:

- (i) Building **rapport** or a sense of 'being in tune with' another person, which draws them into a relationship.
- (ii) Building **trust** and **respect**, so that the relationship is maintained and co-operation facilitated.
- (iii) **Managing conflict** in such a way that the relationship is preserved.
- (iv) **Persuading** or influencing another person to do what you want them to do or to share your beliefs.
- (v) **Negotiating** or bargaining in order to reach mutually acceptable or compromise solutions to problems.
- (vi) Communicating **assertively**, so that you uphold your rights and get your needs met – without violating the rights or ignoring the needs of others.
- (vii) Communicating **informatively**, so that you give (and receive) relevant and timely information.
- (viii) Communicating **supportively**, so that you encourage the other person and gain their commitment.

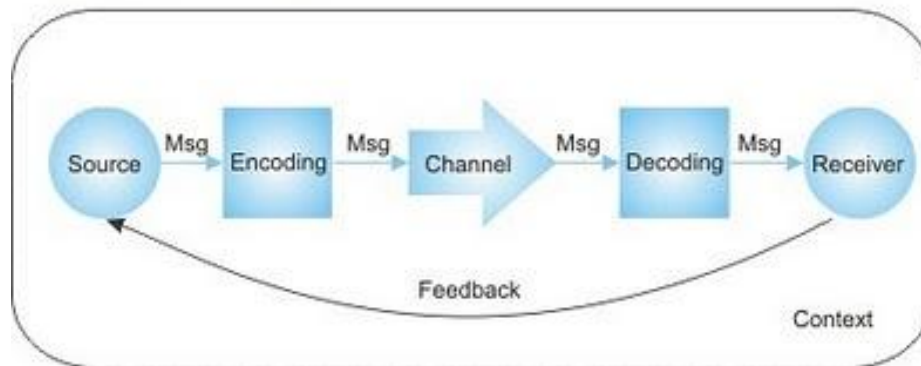
Communication is the transmission and exchange of information. Effective communication is a **two way process**.

Signals or messages are sent by the communicator and received by the other party who sends back some form of confirmation that the message has been received and understood.

Encoding and decoding are important elements within the communication process/cycle; words are merely the symbols or 'stand-ins' for your ideas and intentions in communicating. In other situations, a gesture, pictures, symbols or numbers will be the most appropriate to use. Whatever codes are used, it is important that they are understood by both parties.

Feedback is another important element in the communications cycle. It is the reaction of the receiver that indicates to the sender that the message has (or has not) been received and enables him or her to assess whether the message has been understood and correctly interpreted. The communications process/cycle is often represented diagrammatically as follows:

The Communications Process



The choice of an appropriate **media/medium** for communication depends on a number of factors such as speed, complexity, need for a written record, and need for interaction, confidentiality and cost.

There are three main directions of **communication flows** in an organisation.

-Vertical.

(i) **Downward** communication is **very common**, and takes the form of **instructions**, briefings, rules and policies and the announcement of plans, from superior to subordinate.

(ii) **Upward** communication is **rarer** but **very important** for the organisation. It takes the form of reporting back, feedback and **suggestions**. Managers need to encourage upward communication to take advantage of employees' experience and know-how, and to be able to understand their problems and needs in order to manage better.

-Horizontal: between people of the **same rank** (peer groups/colleagues, in the same section or department, or in different sections or departments).

(i) **Formally:** to coordinate the work of several people, and perhaps departments, who have too cooperated to carry out a certain operation?

(ii) **Informally:** to furnish emotional and social support to an individual.

-**Diagonal**. This is **interdepartmental communication** by people of **different ranks**. Diagonal communication aids coordination, and also innovation and problem-solving, since it puts together ideas and information of people in different functions and levels. This also supports matrix structure.

There can be many **barriers to effective communication** including the following:

- (i) **Distortion** – this is the term used for a process through which the meaning of a message is lost in the coding or decoding stages.
- (ii) **Noise** – this refers to general **interference in the environment** of communication which prevents the message getting through clearly.
- (iii) **Misunderstandings**, due to lack of clarity or poor explanation.
- (iv) **Non-verbal signs** e.g. gestures or facial expressions which contradict the verbal message.
- (v) Failure to give **feedback**.
- (vi) **Overload** – a person being given too much information to digest in the time available.
- (vii) **People** only hearing what they want to hear
- (viii) **Differences** in social, cultural or educational background.
- (ix) **Poor communication skills** on the part of either the sender or the recipient or both.

There are many ways in which the **communication system** in an organisation could be **improved**. Depending on the problem,

Some measures might be as follows:

- (i) **Encourage facilitate and reward** effective communication. Status and functional barriers can be minimised by improving opportunities for formal and informal networking and feedback. This means creating a culture where effective communication can take place.

- (ii) **Give training and guidance** in basic communication skills, including consideration of recipients, listening and giving feedback.
- (iii) **Minimise the potential for misunderstanding.** Make people aware of the differences in culture and perception and teach them to consider others' viewpoints.
- (iv) **Adapt technology systems and procedures** to make communication easier; making it more effective through clear mobile phone reception for example or by making it faster by providing laptops for e-mailing instructions or decisions, making it more consistent through regular reporting routines and making it more efficient through reporting by exception.
- (v) **Manage conflict and politics** in the organisation so that no basic unwillingness exists between business units or departments.
- (vi) **Establish communication channels and mechanisms** in all directions; regular staff or briefing meetings, in-house newsletters or journals. Upward communicating should be particularly encouraged, using mechanisms such as internal meetings, suggestion schemes, open door access to managers and regular performance feedback sessions.

Communication methods include variety of media involving **written, oral and non-verbal communication**. Each of these may be appropriate for different applications and requires a different mix of skills.

Verbal communication uses words (**spoken-oral communication** or **written-written communication**). **Non-verbal communication** (body language) uses a variety of signals such as facial expression, gestures, movement, positioning, contact, posture and sounds.

It is important to **adapt the content and style of communication** to your purpose and the likely response of others. Different **communication styles** include: informing, influencing, negotiating, assertion and counselling.

Assertive behaviour is a considered response to a problem which seeks to **satisfy the wants and needs of all parties involved** in the situation and to **preserve the relationship** between them.

Negotiating is a process of:

(i) **Purposeful persuasion**: each party attempts to persuade the other to accept its case, by marshalling persuasive arguments.

(ii) **Constructive compromise**: each party accepts the need to move closer towards each other's position, so that they can explore common ground and areas where concessions and compromises can be made while still meeting the key needs of both parties.

Negotiation is a **problem-solving** technique. Its objective is that both parties reach **agreement**, so that they both go away with a **decision they can live with** without damaging the **relationship** between them.

Counselling can be defined as a purposeful relationship in which one person **helps another to help himself**. It is a way of relating and responding to another person so that that person is helped to explore his thoughts, feelings and behaviour with the aim of reaching a clearer understanding.

Conflict takes place in organisations because they function by means of adjustments and compromises. People's views often conflict because individuals and teams have their own **goals, interests and priorities** which may not always be compatible. In addition there can be **personality clashes**. Conflict can arise **when there is change** because change may be seen as a threat to be challenged or resisted. **Power and resources in organisations are limited** and people compete for them - this can also lead to conflict. There may also be differences and **incompatibilities of work methods, timescales and working style** so that individuals or teams frustrate each other with apparent lack of coordination. **Poor communication** can often lead to conflict.

Key approaches to **managing disagreements and conflicts** include **communicate** (understanding the problem and the personalities involved, encouraging those involved to discuss the problem), **negotiate** (exploring possibilities for mutual satisfaction, win-win), **separate** (walk away from potential conflicts or physically separate you in different areas, duties or departments) and using **formal grievance procedures** where necessary.

Chapter 15: Performance appraisal

Appraisal (evaluation) is part of the system of performance management, including goal setting, performance monitoring, feedback and improvement planning.

Appraisals have **three main purposes**. These are often misunderstood. The first is to measure the extent to which an individual may be awarded a salary increase compared with his or her peers. This is the **reward review** component. The second purpose of an appraisal is to identify any training needs and, if appropriate, to provide training and development to enable an individual to help the organisation to achieve its objectives. This is the **performance review** component. Finally, appraisals are also important to aid an individual's career development by attempting to predict work that the individual may be capable of in the future. This is the **potential review** component.

Employees often question the value and usefulness of the time and effort taken up by an appraisal. However, it **establishes key results** that an individual needs to achieve within a time period while also comparing the individual's performance against a set and established standard. The employee is not the only beneficiary - the organisation benefits through **identifying employees for promotion**, noting areas for individual improvement, and by using the system as a **basis for human resource planning**.

A **typical appraisal system** would consist of the following steps.

Step 1: **Identification of criteria** for assessment, perhaps based on job analysis, performance standards and person specifications.

Step 2: The preparation by the subordinate's manager of an **appraisal report**. In some systems both the appraisee and appraiser prepare a report. These reports are then compared.

Step 3: An **appraisal interview**, for an exchange of views about the appraisal report, targets for improvement and solutions to problems.

Step 4: **Review of the assessment** by the assessor's own superior, so that the appraisee does not feel subject to one person's prejudices. Formal appeals may be allowed, if necessary to establish the fairness of the procedure.

Step 5: The preparation and implementation of **action plans** to achieve improvements and changes agreed.

Step 6: **Follow-up**: monitoring the progress of the action plan.

New techniques of appraisal aim to monitor the appraiser's effectiveness from a number of perspectives, including **self-appraisal** (individuals carry out their own self-evaluation), **upward appraisal** (subordinates appraise the superior), **customer appraisal** (feedback from customers) and **360-degree appraisal** (collecting feedback on an individual's performance from superior, subordinates, peers, customers and himself/herself).

The **process of appraisal interview** is:

(1) **Prepare**. At the preparation stage it is important that the appraiser ensures that the **time and place planned** for the interview are appropriate and that there will be no interruptions. The appraiser should ensure that he/she has all of the information needed to be able to conduct the interview effectively e.g. he/she should **review the employee's history** and any previously agreed targets or objectives. **Other sources of feedback should be consulted** if necessary e.g. liaison

With other work teams or consultation with other department managers if the appraisee has been involved in more than one area of the business. Finally it is important that the **appraisee is given time to prepare** and to undertake their own self-appraisal before the interview and to gather any information that they may need.

(ii)**Interview**. It is important that the interview is seen as a **two way process and exchange**. The appraiser must be able to **demonstrate effective listening skills**. The **employee should be encouraged to share views freely** and to review his/her work performance objectively and honestly. Any **problems** or development needs **should be identified**.

(iii)**Gain commitment**. At this stage it is important to **agree a plan of action** that both parties can agree and commit to. There may be actions for both parties and it is important that these are recorded accurately. Usually at this stage all of the associated **appraisal documentation is completed** and development plans are put in place.

(iv)**Follow-up**. This is an important stage of the appraisal interview process and involves making sure that any **agreed actions**

are carried out and that **progress is monitored**. It also involves making sure that **both parties are kept informed** of progress.

In order for appraisals to be effective a number of barriers need to be overcome. **Appraisal barriers** can be identified as follows.

-Appraisal as confrontation. Many people dread appraisals, in this kind of climate:

- (i) There is a lack of agreement on performance levels.
- (ii) The feedback is subjective.
- (iii) The feedback is badly delivered.
- (iv) Appraisals are based on “yesterday’s performance” not on the whole year.
- (v) There is a lack of attention to appraisees’ development needs and potential.

-Appraisal as judgement. The appraisal is seen as a one-sided process in which the manager acts as judge, jury and counsel for the prosecution. This puts the subordinate on the defensive.

-Appraisal as chat. The appraisal is conducted as a friendly chat, without purpose or outcome.

-Appraisal as bureaucracy. Appraisal is a form-filling exercise, to satisfy the personnel department. Its underlying purpose, improving individual and organisational performance is forgotten.

-Appraisal as unfinished business. Appraisal should be part of a continuing future-focuser process of performance management, not a way of “wrapping up” the past year’s performance issues.

-Appraisal as annual event. Many targets set at annual appraisal meetings become irrelevant or out-of-date. Feedback, goal adjustment and improvement planning should be a continuous process.

Chapter 16: Training and development

The main purpose of training and development is to **raise competence and therefore performance standards**. It is also concerned with **personal development**, helping and motivating employees to fulfil their potential.

Training offers some significant **benefits** for the **organisation**.

(i) **Increased motivation**. Training programmes can increase commitment to the organisation's goals, by satisfying employee's self-actualisation needs.

(ii) **Change management**. Training can help organisations manage change by letting people know why the change is happening and give them skills to cope with it.

(iii) **Developing corporate culture**. Training programmes can be used to build the corporate culture or to direct it in certain ways.

(iv) **Staff retention**. Training can lead to internal transfers and promotions.

(v) **Recruitment and succession planning**.

(vi) **Increased organisational flexibility**. Training ensures that people have a variety of skills.

(vii) **Fewer accidents** and better health and safety.

(viii) **Less need for supervision** – properly trained people can get on with the job and managers can concentrate on other things.

(ix) **Better job performance** resulting from improved skills.

Training offers many **benefits** for the **individual**.

(i) **Psychological benefits**. The employee feels reassured that he or she is of value to the organisation. Increased skill, knowledge and competence also enhance self-esteem and confidence.

- (ii) **Enhanced portfolio of skills.** Even if not specifically related to the current job, training can be useful in other contexts, and the employee becomes more attractive to employers and more promotable.
- (iii) Training can also provide the necessary skills and competence that an employee needs for **future promotion.**
- (iv) **Social benefit.** People's social needs can be met through training and they can also develop a network of contacts.
- (v) **The job itself.** Training can help people to do their job better, thereby increasing job satisfaction, promotion and earning prospects.

In order to ensure that training meets the real needs of the organisation, larger firms adopt a **systematic approach to training**. This has the following steps.

Step 1: Identify and define the **organisation's skill requirements.**

Step 2: **Define the learning required.** In other words, specify the knowledge, skills or competences that have to be acquired.

Step 3: **Define training objectives**-what must be learnt and what trainees must be able to do after the training exercise.

Step 4: **Plan training programmes.**

- (i) Who provides the training?
- (ii) Where the training takes place.
- (iii) What methods of training will be used?

Step 5: **Implement the training programme.**

Step 6: **Monitor, review and evaluate** training. Has it been successful in achieving the learning objectives?

Step 7: Go back to Step 2 if more training is needed.

A thorough analysis of **training needs** should be carried out as part of a systematic approach to training, to ensure that training programmes meet organisational and individual requirements. Once training needs have been identified, they

should be translated into **training objectives**. Some training needs will **emerge** in the course of work and **workplace changes**.

- (i) If forthcoming **legislation or regulation** is likely to affect your work role, you will need to get information on the provisions and their implications for your work.
- (ii) If **new technology or equipment** is introduced in your organisation, you may need to learn how to use it.
- (iii) If your organisation is **seeking accreditation** for its training scheme, or is seeking a British or International Standard (say, for quality systems, SO 9000), it will have certain training requirements imposed on it by the approving body.

Individuals can incorporate training and development objectives into a **personal development plan**. A **personal development plan** is a clear developmental action plan for an individual which incorporates a wide set of developmental opportunities, including formal training. A **systematic approach to personal development planning** will include the following steps.

Step 1: Select an **area for development**. You might carry out personal **SWOT analysis** (Strengths, weaknesses, opportunities, threats).

Step 2: Set a **SMARTER** (specific, measurable, agreed, realistic, time-bounded, evaluated and reviewed) **learning objective**.

Step 3: Determine how you will move towards your objective:

- (i) **Research** relevant learning resources and opportunities.
- (ii) **Evaluate** relevant learning resources and opportunities for suitability, attainability and cost-effectiveness.
- (iii) Secure any **support or authorisation** required from your manager or training development.

Step 4: Formulate a comprehensive and specific **action plan**, including:

- (i) The **SMARTER objective**.

- (ii) The learning approaches you will use, described as **specific actions** to take. Each action should have a **realistic time scale** or schedule for completion.
- (iii) A **monitoring and review plan**.

Step 5: Secure **agreement** to your action plan (if required to mobilise organisational support or resources).

Step 6: **Implement** your action plan.

There are a variety of **training methods**. These include off the job training and on the job training.

On the job training methods include observation, information and advice from colleagues, job instruction by colleagues, coaching by colleagues, work experience, mentoring by a colleague and experiential learning.

Off the job training methods include formal training courses, self-study courses, visits and tours and research assignments.

Validation of training means observing the results of the programme and measuring whether the training objectives have been achieved. **Evaluation of training** means comparing the actual costs of the programme against the assessed benefits which are being obtained. If the costs exceed the benefits, the programme will need to be redesigned or withdrawn.

There are different schools of thought as to how people learn. The way in which people learn most effectively differs according to individual psychological preferences, which have been categorised as distinct learning styles. Peter **Honey** and Alan **Mumford** have drawn up a popular classification of **four learning styles**.

Theorists

(i) **prefer to understand principles.**

(ii) Take an intellectual 'hands-off' approach.

- (iii) Learn best from programmed and structured training which allows time for analysis.
- (iv) Learn best from teachers who share their preference for concepts and analysis.

-Reflectors

- (i) **prefer to think things through first.**
- (ii) Observe phenomena, think about them and then choose how to act.
- (iii) Need to work at their own pace.
- (iv) Find learning difficult if forced into hurried programmes.
- (v) Produce carefully thought out conclusions after research and reflection.
- (vi) Tend to be fairly slow, (non-participative unless to ask questions) and cautious.

-Activists

- (i) **prefer to try things 'hands-on'** and require training based on 'hands-on' experience.
- (ii) Deal with practical, active problems and do not have patience with theory.
- (iii) Are excited by participation and pressure, such as new projects.
- (iv) Are flexible and optimistic but tend to rush at some things without undue preparation.

-Pragmatists

- (i) **prefer to work with real tasks and problems.**
- (ii) Only like to study if they can see its direct link to practical problems.

Next steps

- (iii) Good at learning new techniques in on-the-job training.
- (iv) Aim is to implement action plans and/or do the task better.
- (v) May discard good ideas which may only require some development.

Honey and Mumford (building on the work of Kolb) have produced a simple model called the **learning cycle**, which shows how individuals can turn everyday work into learning opportunities. This is known as **experiential learning** or ‘learning by doing’.



The diagram shows the four stages in the learning cycle. Having a **concrete experience** – this is about being fully involved in an action or interaction, utilising your current knowledge and skills. This is followed by **reflection and reviewing the experience** – this is about looking back after the event, describing it and reflecting on how effective you were and what you could do differently or better. People

often use personal development journals to write about events and interactions to help Reflect on these issues. **Concluding from the experience** (Kolb referred to this phase of the cycle as **abstract conceptualisation**) – this is about forming general principles or theories that suggest how you might do something different next time in order to achieve different results. **Planning the next steps** (**active experimentation** in Kolb’s terms) – this is about planning specific opportunities to apply and test your conclusions in action. This provides a new experience with which to start the cycle again.

Chapter 17: Health and safety in the workplace

Health and safety is important because **employee should be protected** from needless pain and suffering, employers and employees both **have legal obligations** to promote health and safety working, **accidents can cost employer money**, business's **corporate image may suffer** if its health and safety record is bad, business's **employer reputation may suffer** if its health and safety record is bad.

There will be costs to employer if there are accidents or illness, for example **productive time lost** by the absent employee, a proportion of the cost of employing **first aid and medical staff**, cost of **disruption** to operations, cost of any **damage to equipment**, cost of any **compensation payments**, costs of **increased insurance premiums**, possible **reduced output** from the employee on return to work and cost of **recruiting** and **training** a replacement for the absent employee.

Individuals have responsibilities for health and safety at work, for example **be alert** to potential hazards as you go about your work, **take responsibility** for your own behaviour in the workplace in order to protect yourself and others, **cooperate with your employers'** health and safety measures, **keep yourself informed** about health and safety issues relevant to your workplace, **undertake regular training** as necessary, **warn people** who may be at immediate risk as a result of hazardous conditions or behaviours, take steps to **minimise hazards**, take steps to **mobilise appropriate response procedures**, **inform appropriate people** of identified hazards and the need for corrective action which might be beyond the scope of your own authority.

Organisations may have **dedicated departments, managers or staff** in charge of health and safety. These may include specialists such as: first aid officer, security guard, employee counsellor, employee health and safety representative, fire prevention officer and health promotion officer. The role of these people is to make and implement relevant **policies and**

procedures, to listen to employee **concerns** and to respond to any **problems and emergencies**. (Organisation's responsibilities)

Key components in **health and safety policy**: risk assessment, having appropriate systems and procedures, minimising hazards, the provision of information, training provision, responsibilities and on-going monitoring.

On-going risk management include **carry out risk assessment** of all work hazards, **introduce controls** to reduce risks, **access the risks** to anyone else affected by their work activities, **share hazard and risk information** with other employers, **revise safety policies**, **identify employees who are especially at risk**, **provide appropriate training**, **provide information** to employees about health and safety, **employ health and safety advisers**.

Common **health and safety hazards** include office equipment, electrical equipment, electric shock, mechanical equipment, chemicals, heavy lifting and computer.

The **main cause of fire** in the workplace is electrical tools which create sparks, smoking, flammable materials, flammable substances and poor housekeeping. **To prevent fire**, employers should provide fire extinguishers, install fire detectors and fire alarm systems, provide emergency exits and ensure protective equipment are regularly maintained.

Emergency procedures are important to ensure that people are aware of the scope and limits of their responsibility and also ensure everyone is clear about what to do and where to go in the event of an emergency. It should **include** how to raise the alarm, what to do, where to go to reach safety, names of nominated first aiders in each department or area,

essential actions such as emergency factory shutdown and so on. **Health emergencies** include workplace injury, electric shock, heat exhaustion, fainting, poisoning and illness suffered by individuals. General rules for **dealing with emergencies** include respond swiftly but calmly to alarms, avoiding personal danger, remove source of danger if possible, call for help, administer first aid if trained, help others to avoid danger and follow any accident, emergency and evacuation procedures.

Accident reporting procedures require the person to: report the accident to **someone in authority**, record the details of accident in an **accident book** and **get signed statements** from any witnesses to the accident.

Chapter 18: Security in the workplace

Security is important to protect the **employees**, to protect the **assets**, to prevent **unauthorised access** and to protect **confidential and sensitive information**.

Security risks can be identified as **vulnerable items and people** (items that are valuable and movable, valuable information in portable form, security devices, staff in front line, staff with custody of assets, VIP) together with **vulnerable points in premises** (public areas, point of entry and exit, unattended areas, ill-lit areas which mean dark areas, areas where at-risk items and data are concentrated, points of items exchange).

In the **principles of security**, effective security is a combination of delay, checking and alarm. **Delay** is the lines of defence before vulnerable areas and items can be reached (grouter doors to the main building, reception area, guarded offices, lockable filing cabinets and safes). **Checking** is the procedures for authorised access to vulnerable areas or items (eg. identification of authorised staff, checking/signing in/escorting visitors, challenging authorised individuals, personal passwords, checking authorisation before access to files allowed). **Alarm** is the procedures for alerting those responsible for responding to security breaches (eg. electronic security alarms, individual alertness and response, computerised warning of file access attempts).

Procedures or devices of **controlling access** include **lock the doors and windows**; **swipe cards** may allow only for authorised individuals to trigger the opening of doors; **combination locks** may be used to control the opening of the door; **video and entry phone systems** may be used so that entrants can be identified by those inside; using locks for **cabinets**,

cupboards and drawers; some items should be kept in a **strongbox or safe**; **computers and computer files** can be protected using electronic password and access codes.

In a company, the **security procedures manual** may include **procedures for: identifying regular staff**(eg.requirement to wear an identity badge),**vetting non-staff members**(deal with people who visit the company),**non-business visitors**(eg.requirement to ensure that these visitors are escorted at all times),**protecting the building**(eg.ensure certain doors and access points are kept locked at particular time),**protecting the organisation's assets**(eg.lock away calculators and laptop computers in secure drawers),**protecting documents and information**(eg.locking away files and ledgers),**protecting the procedures**(egad not discuss the organisation's security procedures to others),**explaining what to do in the event of security breach**(eg.instructions about how to deal with intruders).

Information is an item at **risk of security breach**. People may seek to sabotage or steal information from organisation for sale value, competitive advantage and pure nuisance value(steal for no reason).**Certain types of data may be particularly at risk**: information integral to business's **standing** and **competitive advantage**, **personal and private** information relating to employee and customers, information related to **security** of the organisation, information integral to the **outcome of dealings** which would be affected by public knowledge(eg.exam questions).

Legal issues in security focus on employee privacy and data protection. **Data Protection Act 1998 protects: individuals** (not corporate bodies), in regard to the gathering, storage and use of **personal data** (information about a living individual,

including facts and expression of opinion).

Risks to data and **ways to minimised** it include: **Human Error** (individuals loss, damage or incorrectly input or store data. This can be reduced by checks and controls, systematic procedures and employee training and supervision), **Technical Malfunction** (systems, equipment or software fails, resulting in loss, damage, corruption or inability to access data. This can be minimised by regular system testing and the use of backup systems), **Catastrophic Event** (natural disaster can disrupt organisational activity, break communication systems and destroy data storage and transmission facilities. Contingency plans may be made, including off-site backup storage of files, emergency power generators and adequate insurance for any loss or damage to data and associated systems), **Malicious Damage** (individuals deliberately attempt to disrupt the organisation's activities by damaging or tampering with data. This can be minimised by controlling access, both physically using locks, security checks and electronically using passwords, strong encryption of data, anti-virus software), **Industrial Espionage or Sabotage** (individuals deliberately attempt to steal or damage data, with a view to commercial gain. This can be minimised by controlling access, both physically using locks, security checks and electronically using passwords, strong encryption of data, anti-virus software), **Dishonesty** (dishonest individuals may wish to access information, or steal funds, for personal gain. This can be minimised by a range of checks and controls).

Basic principles of data security include do not leave **paper files** or **computer disks** where they are generally accessible; **lock** safes, strongboxes and filing cabinets when you have finished with them; use **passwords**, where advised, to secure computers and computer files; do not **share** password or keys with unauthorised people; do not **copy** or **transmit** confidential information without specific authorisation and appropriate security measures; select **appropriate communication** channels and media to protect confidentiality; **avoid careless talk** about sensitive work-related matters

with, or in the hearing or unauthorised people; respect the **privacy** of others.

To enhance data security, many organisations ensure that minimum of two copies is always held. The **backing-up of data** is a critical requirement for system security. Back-up copies should be stored in a different place from the original file and isolated from the operations staff. **Password** can also be used and for password to be effective passwords should be changed regularly, difficult to guess, confidential, hidden. Another way is having **user profiles**. A user profiles can prevent people accessing the system at all without a password, it only allows certain people to access the system.

Virus is a computer program that infects computer system and replicates itself within it. The **best way to deal with viruses** is to **avoid infection in the first place**. **Anti-virus software** should be used as upgrades are released regularly to deal with new viruses. Organisations must guard against the introduction of unauthorised software as many viruses have spread on **pirated versions** of popular computer games or possibly the internet. Organisation should also **check any disk received from outside is virus-free** before the data on the disk is downloaded. Any flaws in a widely used program should be rectified as soon as they come to light. Do not open email attachments without virus checking.

Your responsibility for workplace security is **limited**. You have a duty to **follow rules** and **notify an appropriate person** of any security problems. You should also **protect yourself** and **don't be a hero** if there are security breaches, **report the security risks or breaches immediately**.