Principles of Management

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Introduction

Principles of management refer to the fundamental guidelines that govern the decision-making process of managers in an organization. These principles are the cornerstone of effective management, and they provide a framework for creating efficient and productive systems and processes. They encompass a broad range of topics, including planning, organizing, leading, and controlling, and they have been developed through years of research and practical experience. By understanding the principles of management, managers can make informed decisions that improve organizational performance, increase employee satisfaction, and achieve overall success. In this book, we will explore the key principles of management and examine how they can be applied in practice to create more effective and successful organizations.

Chapter 1
Managing and Performing

Principles of Management by Henri Fayol One of the most influential contributors to the principles of management is Henri Fayol. In the early 20th century, Fayol developed 14 principles of management that are still widely recognized and applied today. These principles include:

- Division of Work.
- Authority and Responsibility.
- Discipline.
- Unity of Command.
- Unity of Direction.
- Subordination of Individual Interest to the General Interest.
- Remuneration.
- Centralization.
- Scalar Chain.
- Order.
- Equity.
- Stability of Tenure of Personnel.
- Initiative.
- Esprit de Corps.

These principles provide a framework for managers to effectively manage their organizations and guide their decision-making processes.

Meaning of management

The chief characteristic of management is the integration and application of the knowledge and analytical approaches developed by numerous disciplines. The manager's problem is to seek a balance among these special approaches and to apply the pertinent concepts in specific situations which require action. The manager must orient himself to solving problems with techniques tailored to the situations, yet he must develop a unified framework of thought that encompasses the total and integrated aspects of the entire organization.

What, then, is management, and what does it do? In general usage, the word "management" identifies a special group of people whose job it is to direct the effort and activities of other people toward common objectives. Simply stated, management "gets things done through other people." For the purpose of this book, management is defined as the process by which a cooperative group directs actions toward common goals. This process involves techniques by which a distinguishable group of people (manager’s coordinates activities of other people, managers seldom actually perform the activities themselves. The concept of management has broadened in scope with the introduction of new perspectives by different fields of study the study of management has evolved into more than the use of means to accomplish given, today it includes moral and ethical questions concerning the selection of the right ends toward which managers should strive.

Harbison and Myers offer a threefold concept for emphasizing a broader scope for the viewpoint of management. They observe management as (1) an economic resource, (2) a system of authority, and (3) a class or elite.

1- As viewed by the economist, management is one of the factors off production together with land, labor and capital. As the industrialization of a nation increases, the need for management becomes greater as it is substituted for capital and labor. The managerial resources of a firm determine, in large measure, its productivity and profitability. In those industries experiencing innovations, management must be used more intensively. Executive development, therefore, is more important for those firms in a dynamic industry in which progress is rapid.
2- As viewed by a specialist in administration and organization, management is a system of authority. Historically, management first developed an authoritarian philosophy with a small number of top individuals determining all actions of the rank and file. Later, humanitarian concepts caused some management to develop paternalistic approaches. Still later, constitutional management emerged, characterized by a concern for definite and consistent policies and procedures for dealing with the working group. As more employees received higher education, the trend of management was toward a democratic and participative approach. Modern management can be viewed as a synthesis of these four approaches to authority.

3- As viewed by a sociologist, management is a class and status system. The increase in the complexity of relationships in modern society demands that managers become elite of brains and education. Entrance into this class is based more and more on education and knowledge instead of on family or political connections. Some students view this development as a "managerial revolution" in which the career managerial class obtains increasing amounts of power and threatens to become an autonomous class. Some observers view this development with alarm. Others point out that as the power of managers increases, their numbers expand, so that there is little need to worry about this tendency toward a managerial autocracy. A broad view of management requires that the student consider this larger perspective if the place of management in society.

These three perspectives are not the only important ones for the manager to recognize. An industrial manager would argue that the technological viewpoint is of prime importance. A psychologist would emphasize the needs of the human being and adjustment to organizational pressures. The theologian would concentrate on the spiritual implications of managerial actions. A politician would look to what is feasible and acceptable.

Many chief executives and educators contend that the most important perspective of top executives should be base on a "liberally educated outlook on life". The total concept of management requires an understanding of the mining of liberal education and its relationship to management functions. A liberal point of view is not merely the sum of a finite number of narrow approaches. Its emphasis on freedom to choose from the widest range of possible by discovering new possibilities, and by recalling possibilities previously developed but forgotten. The liberally oriented executive continues to expand his horizons with utmost freedom in an effort to strive toward an ultimate in life. Because management must be concerned with ends as well means, it is clear that it must maintain a broad perspective, unfettered by specialized restriction. The paradox of management is that it is based on identifiable and rigorous frameworks of concepts, but at the same time it continues to strive toward breaking out of any set discipline. This paradox makes management an extremely interesting subject; it also makes any attempt to summarize it in a short book a presumptuous task. Yet there is a need for the development of better thinking by mangers, and a student must take a first step before attempting a second. The basic approaches summarized in this book should provide ideas for this first step and should challenge the reader to supplement this knowledge with new ideas from further study and experience

Management Key Concepts

- **Organizations**: People working together and coordinating their actions to achieve specific goals.
- **Goal**: A desired future condition that the organization seeks to achieve.

- **Management**: The process of using organizational resources to achieve the organization's goals by...
    - Planning, Organizing, Leading, and Controlling

<u>Additional Key Concepts</u>

- **Resources are organizational assets and include:**

Management must always be aware of the status and use of organizational resources. These resources composed of all assets available for activation during the production process, are of four basic types:

1- Human.

2- Monetary.

3- Raw materials.

4- Capital.

- Human resources: are the people who work for an organization. The skills they possess and their knowledge of the work system are invaluable to managers.
- Monetary resources: are amounts of money that managers use to purchase goods and services for the organization.
- Raw materials are ingredients used directly in the manufacturing of products. For example, rubber is a raw material that Michelin would purchase with its monetary resources and use directly in manufacturing tires.
- Capital resources: are machines used during the manufacturing process.

- **Managers are the people responsible for supervising the use of an organization’s resources to meet its goals.**

<u>**Achieving High Performance**</u>

- **Organizations must provide a good or service desired by its customers.**
  - David Johnson of Campbell Soup manages his firm to provide quality food products.
  - Physicians, nurses and health care administrators seek to provide healing from sickness.
  - McDonald’s restaurants provide burgers, fries and shakes that people want to buy.

<u>**Organizational Performance**</u>

- Measures how efficiently and effectively managers use resources to satisfy customers and achieve goals.
  - **Efficiency:** A measure of how well resources are used to achieve a goal.
    - Usually, managers must try to minimize the input of resources to attain the same goal.
  - **Effectiveness:** A measure of the appropriateness of the goals chosen (are these the right goals?), and the degree to which they are achieved.

- ◆ Organizations are more effective when managers choose the correct goals and then achieve them.

Managerial Functions

- Henri Fayol was the first to describe the four managerial functions when he was the CEO of a large mining company in the later 1800’s.
- Fayol noted managers at all levels, operating in a for profit or not for profit organization, must perform each of the functions of: Planning. - Organizing. - Leading. - Controlling.

The four basic management function-activities that make up the management process-are described in the following sections.

(1)**Planning** involves choosing tasks that must be performed to attain organizational goals, outlining how the tasks must be performed, and indicating when they should be performed. Planning activity focuses on attaining goals. Through their plans, managers outline exactly what organizations must do to be successful. Planning is concerned with organizational success in the near future (short term) as well as in the more distant future (long term)

Planning is the process used by managers to identify and select appropriate goals and courses of action for an organization.

3 steps to good planning:

a. Which goals should be pursued?

b. How should the goal be attained?

c. How should resources be allocated?

- **The planning function determines how effective and efficient the organization is and determines the strategy of the organization.**

(2)**Organizing** can be thought of as assigning the tasks developed under the planning function to various individuals or groups within the organization. Organizing, then, creates a mechanism to put plans into action. People within the organization are given work assignments that contribute to goal attainment. Tasks are organized that the output of individuals contributes to the success of departments, which, in turn, contributes to the success of divisions, which ultimately contributes to the overall success of the organization.

- In organizing, managers create the structure of working relationships between organizational members that best allows them to work together and achieve goals.
- Managers will group people into departments according to the tasks performed.
  - Managers will also lay out lines of authority and responsibility for members.

- An organizational structure is the outcome of organizing. This structure coordinates and motivates employees so that they work together to achieve goals.

(3)**Leading** is the management function that involves the use of influence to motivate employees to achieve the organization's goals.

Every organization has people, and a manager's job is to work with and through people to accomplish goals. This is the leading function. When managers motivate subordinates, help resolve work group conflicts, influence individuals or teams as they work, select the most effective communication channel, or deal in any way with employee behavior issues, they are leading.

- In leading, managers determine direction, state a clear vision for employees to follow, and help employees understand the role they play in attaining goals.
- Leadership involves a manager using power, influence, vision, persuasion, and communication skills.
- The outcome of the leading function is a high level of motivation and commitment from employees to the organization.

(4)**Controlling** is the management function for which managers:

a- Gather information that measures recent performance within the organization.

b- Compare present performance to pre-established performance standards.

c- For this comparison, determine if the organization should be modified to meet pre-established standards.

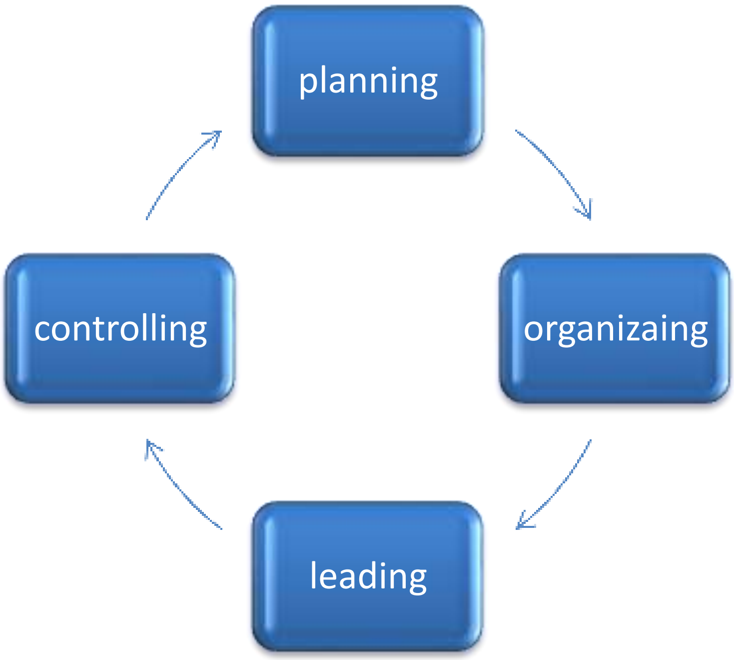
Controlling is an ongoing process. Managers continually gather information, make their comparisons, and then try to find new ways of improving production through organizational modification.

Controlling

- In controlling, managers evaluate how well the organization is achieving its goals and takes corrective action to improve performance.
- Managers will monitor individuals, departments, and the organization to determine if desired performance has been reached.
- Managers will also take action to increase performance as required.
- The outcome of the controlling function is the accurate measurement of performance and regulation of efficiency and effectiveness.

Figure (1)

Four Functions of Management



Management Levels

- Organizations often have 3 levels of managers:

1- **First-line Managers:** responsible for day-to-day operation. They supervise the people performing the activities required to make the good or service.

2- **Middle Managers:** Supervise first-line managers. They are also responsible to find the best way to use departmental resources to achieve goals.

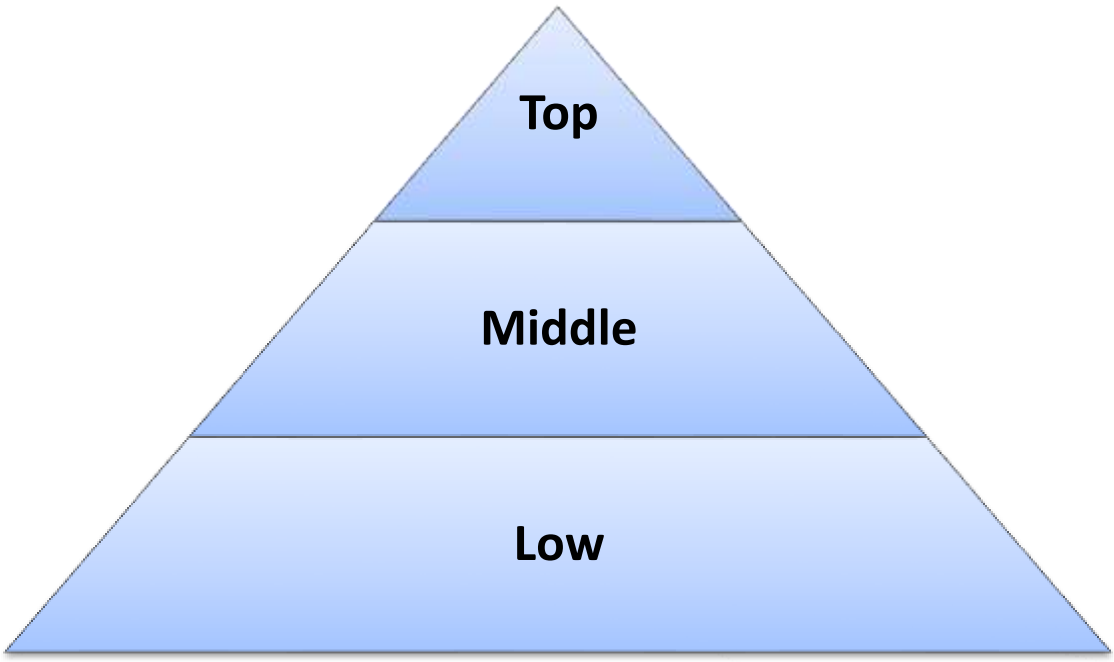
3- **Top Managers:** Responsible for the performance of all departments and have cross-departmental responsibility.

They establish organizational goals and monitor middle managers.

Three Levels of Management

Figure (2)

Management Levels



Management skills No discussion of organizational resources would be complete without the mention of management skills, perhaps the primary determinant of how effective and efficient managers will be.

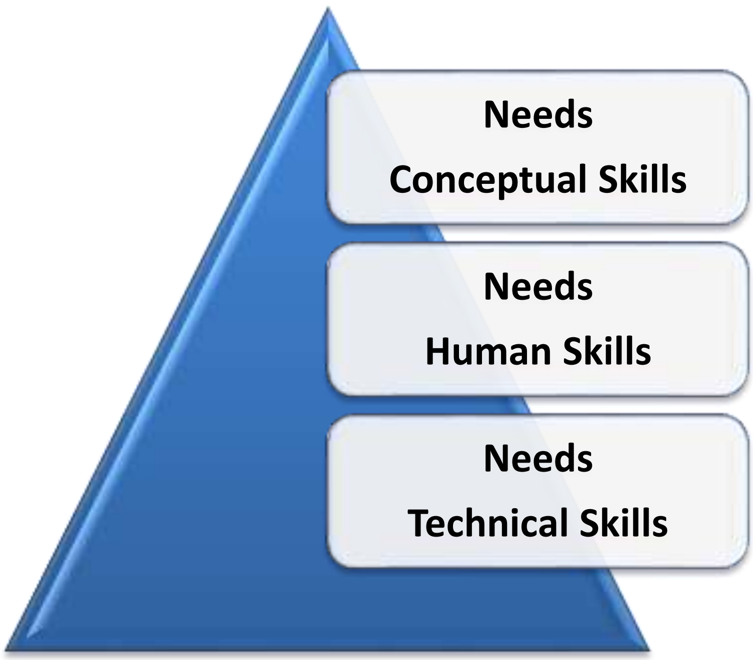
According to a classic article by Robert L.Katz, managerial success depends primarily on performance rather than on personality traits. Katz also states that mangers ability to perform is a result of their managerial skills. A manager with the necessary management skills will probably perform well and be relatively successful. One without the necessary skills will probably perform poorly and be relatively unsuccessful. Katz indicates that three types of skills are important for successful management performance: technical skills, human skills, and conceptual skills.

1- **Technical skills** involve using specialized knowledge and expertise in executing work-related techniques and procedures. Examples of these skills are engineering computer programming, and accounting. Technical skills are mostly related to working with "things"-processes or physical objects.
2- **Human skills** are skills that build cooperation within the team being led. They involve working with attitudes and communication, individual and group interests-in short, working with people.
3- **Conceptual skills** involve the ability to see the organization as a whole. A manager with conceptual skills is able to understand how various functions of the organization complement one another, how the organization relates to its environment, and how changes in one part of the organization affect the rest of the organization.

As one move from lower-level management to upper-level management, conceptual skills become more important and technical skills less important (see Figure 3). The supportive rationale is that as managers advance in an organization, they become less involved with the actual production activity or technical areas and more involved with guiding the organization as a whole. Human skills, however, are extremely important to managers at top, middle, and lower (or supervisory) levels. The common denominator of all management levels, after all, is people.

Figure (3)

Skills Needed



Restructuring

- Top Management has sought methods to restructure their organizations and save costs.
- **Downsizing:** eliminate jobs at all levels of management.
  - Can lead to higher efficiency.
  - Often results in low morale and customer complaints about service.

Management Trends

1- **Empowerment:** expand the tasks and responsibilities of workers.

   - Supervisors might be empowered to make some resource allocation decisions.

2- **Self-managed teams:** give a group of employee's responsibility for supervising their own actions.

   - The team can monitor its members and the quality of the work performed.

Managerial Roles

- **Described by Mintzberg**.
  - A role is a set of specific tasks a person performs because of the position they hold.
- **Roles are directed inside as well as outside the organization.**

- **There are 3 broad role categories:**

1. Interpersonal.
2. Informational.
3. Decisional.

Interpersonal Roles

- **Roles managers assume to coordinate and interact with employees and provide direction to the organization.**
  - **Figurehead role:** symbolizes the organization and what it is trying to achieve.
  - **Leader role:** train, counsel, mentor and encourage high employee performance.
  - **Liaison role:** link and coordinate people inside and outside the organization to help achieve goals.

Informational Roles

- **Associated with the tasks needed to obtain and transmit information for management of the organization.**
  - **Monitor role:** analyzes information from both the internal and external environment.
  - **Disseminator role:** manager transmits information to influence attitudes and behavior of employees.
  - **Spokesperson role:** use of information to positively influence the way people in and out of the organization respond to it.

Decisional Roles

- **Associated with the methods managers use to plan strategy and utilize resources to achieve goals.**

- **Entrepreneur role:** deciding upon new projects or programs to initiate and invest.
- **Disturbance handler role:** assume responsibility for handling an unexpected event or crisis.
- **Resource allocator role:** assign resources between functions and divisions, set budgets of lower managers.
- **Negotiator role:** seeks to negotiate solutions between other managers, unions, customers, or shareholders.

Management Challenges

1- Increasing number of global organizations.

2- Building competitive advantage through superior efficiency, quality, innovation, and responsiveness.

3- Increasing performance while remaining ethical managers.

4- Managing an increasingly diverse work force.

5- Using new technologies.

Art, Science, and Profession discussions about management usually raise the question of whether management is primarily an art, a science, or a profession. The proper answer to this question depends first upon a clear understanding of the meaning of the three key terms: art science, and profession.

The emphasis in any activity that is classed as an **art** is on applying skills and knowledge and accomplishing an end through deliberate efforts. If this idea of art is applied to managerial activity, it is clear that management is an art. **Science** on the other hand, involves seeking new knowledge through the use of a rigorous method of collecting, classifying and measuring data, setting up hypotheses, and testing those hypotheses. In the last century, management has given increased attention to its scientific aspects. In Part 3, we shall summarize some of the sciences that contribute new knowledge to the field of management. In any case, art and science are complementary concepts.

The question of whether management is a profession is complicated by the fact that management is a broad subject. Parts of the subject may have professional characteristics and other parts may not. The following criteria of a profession will help identify those parts which may be considered to be professional:

1- A profession is based on a proven, systematic body of knowledge, and thus requires intellectual training.
2- A profession maintains an experimental attitude toward information, and thus requires a search for new ideas.
3- A profession emphasizes service to others, and usually develops a code of ethics that requires that financial return not be the only motive.
4- Entrance into a profession is usually restricted by standards established by an association that requires its

members be accepted by a group composed of people with common training and attitude.

Whether management is an art, science, or profession is an art, science, or profession is not merely an academic question. It raises issues concerning the future development of the discipline. Management, in its applied aspects, is an art for getting things done through others, guided to a great extent by practitioners. Since World War II, the interest of other disciplines in management problems and management's interest in the findings of other disciplines have resulted in a trend toward seeking scientific validation of management precepts. Part 3 of this book concentrates on these disciplinary foundations and summarizes the scientific approach of management. Management itself may not be a science, but it gradually is employing the approaches and the contributions of a variety of sciences.

The place of management in modern society has forced a new look at its professional status.

Chapter 2

Leadership

Leadership is the process of directing the behavior of others toward the accomplishment of some objective. Directing, in this sense, means causing individuals to act in a certain way or to follow a particular course. Ideally, this course is perfectly consistent with such factors as established organizational policies, procedures, and job description. The central theme of leadership is getting thing accomplished through people. Leadership is one of the four main interdependent activities of the influencing subsystem and is accomplished, at least to some extent, by communicating with others. It is extremely important that managers have a thorough understanding of what leadership entails. Leadership has always been considered a prerequisite for organizational success. Today, given the increased capability afforded by enhanced communication technology and the rise of international business, leadership is more important than ever before.

Leadership is the process where a person exerts influence over others and inspires, motivates and directs their activities to achieve goals.

Effective leadership increases the firm's ability to meet new challenges.

- ■ **Leader**: The person exerting the influence.
  - ◆ **Personal Leadership Style:** the ways leaders choose to influence others.

- Some leader's delegate and support subordinates, others are very authoritarian.
- Managers at all levels have their own leadership style.

Leader versus Manager

Leading is not the same as managing. Many executives fail to grasp the difference between the two and therefore labors under a misapprehension about how carry out their organizational duties. Although some managers are leaders and some leaders are managers, leading and managing are not identical activities. According to Theodore Levitt, management consists of leadership, as one of the four primary activities of the influencing function, is a subset of management. Managing is much broader in scope than leading and focuses on non-behavioral as well as behavioral issues. Leading emphasizes mainly behavioral issues.

Merely possessing management skills are no longer sufficient for success as an executive in the business world. Modern executives need to understand the difference between managing and leading and know how to combine the two roles to achieve organizational success. A manager makes sure that a job gets done, and a leader cares about and focuses on the people who do the job. To combine management and leadership, therefore, requires demonstrating a calculated and logical focus on organizational processes (management) along with a genuine concern for workers as people (leadership).

Figure (7)

Managers & leaders

Managers & leaders

Managers and leaders are two distinct roles within an organization, each with their own set of responsibilities and characteristics. While there may be some overlap between the two, there are also key differences that set them apart. Let's explore the differences between managers and leaders

The difference between manager and leader

The leader	The manager
1- Attracts people. • Communicates. • Do the right things. • Creates. • Develops things. • Focuses on people. • Inspires by trust. • Farsighted. • Asks what? Why? • Shoots for maximum. • Invents. • Focuses on vision, values, and motivation. • Thinks of the solution. • Diplomatic. • Thinks of innovation and change. • Flexible.	• Listens to people. • Instructs. • Do the things right. • Applies. • Keeps things steady. • Concentrates on systems. • Controls by authority. • Shortsighted. • Asks how? When? • Shoots for minimum. • Copy. • Focuses on operations. • Thinks logically. • Strict. • Thinks of survival and existence. • Tough-minded.

The trait approach to leadership

The trait approach to leadership is based on early on early leadership research that seemed to assume that a good leader is born, not made. The mainstream of this research attempted to describe successful leaders as possible. The reasoning was that, if a complete profile of the traits of a successful leader could be drawn, it would be fairly easy to identify the individuals who should and should not be placed in leadership positions.

Many of the early studies that attempted to summarize the traits of successful leaders were documented. One of these summaries concludes that successful leaders tend to possess the following characteristics:

1- Intelligence, including judgment and verbal ability.
2- Past achievement in scholarship and athletics.
3- Emotional maturity and stability.
4- Dependability, persistence, and a drive for continuing achievement.
5- The skill to participate socially and adapt to various groups.
6- A desire for status and socioeconomic position.

Evaluations of these trait studies, however, have concluded that their findings are inconsistent. One research says that 50 years of study have failed to produce one personality trait or set of qualities that can be used consistently to discriminate leaders from nonreaders. It follows, then that no trait or combination of traits guarantees that someone will be a successful leader. Leadership is apparently a much more complex issue.

Contemporary management writers and practitioners generally agree that leadership ability cannot be explained by an individual can be traits or inherited characteristics. They believe, rather, that individuals can be trained to be good leaders, in other words, leaders are made, not born. That is why thousands of employees each year are sent through leadership training programs.

The Situational Approach to Leadership:

A Focus on Leader Behavior

Leadership studies have shifted emphasis from the trait approach to the situational approach, which suggests that leadership style must be appropriately matched to the situation the leader faces. The more modern situational approach to leadership is based on the assumption that each instance of leadership is different and therefore requires a unique combination of leaders, followers, and leadership situation.

Leadership Situations and Decisions

The Tannenbaum and Schmidt leadership continuum since one of the most important tasks of a leader is making sound decisions, all practical and legitimate leadership thinking emphasizes decision making. Tannenbaum and Schmidt, who wrote one of the first and perhaps most often, quoted articles on the situational approach to leadership, stress situations in which a leader make decision. Figure presents their model leadership behavior.

This model is actually a continuum, or range, of leadership behavior available to managers when they are making decision. Note that each type of decision-making behavior depicted in the figure has both a corresponding degree of authority used by the manager and a related amount of freedom available to subordinates. Management behavior at the extreme left of the model characterizes the leader who makes decisions by maintaining high control and allowing subordinates little freedom. Behavior at the extreme right characterizes the leader who makes decisions by exercising little control and allowing subordinates much freedom and self-direction. Behavior in between the extremes reflects graduations in leadership from autocratic to democratic.

Managers displaying leadership behavior toward the right of the model are more democratic, and called subordinate-centered leaders. Those displaying leadership behavior toward the left of the model are more autocratic, and are called boss-centered leaders.

Each type of leadership behavior in this model is explained in more detail in the following list:

1- The manager makes the decision and announces it. This behavior is characterized by the manager (a) identifying a problem, (b) analyzing various alternatives available to solve it, (c) choosing the alternative that will be used to solve it, and (d) requiring followers to implement the chosen alternative. The manager may or may not use coercion, but the followers have no opportunity to participate directly in the decision-making process.

2- The manager "sells" the decision. As above, the manager identifies the problem and independently arrives at a decision. Rather than announce the decision to subordinates for implementation, however, the manager tries to persuade subordinates to accept the decision.

3- The manager presents ideas and invites questions. Here, the manager makes the decision and attempts to gain acceptance through persuasion. One additional step is taken, however: subordinates are invited to ask questions about the decision.

4- The manager presents a tentative decision that is subject to change. The manager allows subordinates to have some part in the decision-making process but retains the responsibility for identifying and diagnosing the problem. The manager then arrives at a tentative decision that is subject to change on the basis of subordinate input. The final decision is made by the manager.

5- The manager presents the problem gets suggestions. And then makes the decision. This is the first leadership activity described thus far that allows subordinates the opportunity to offer problem solutions before the manager does. The manager, however, is still the one who identifies the problem.

6- The manager defines the limits and asks the group to make a decision. In this type of leadership behavior, the manager first defines the problem and sets the boundaries within which a decision must be made. The manager then enters into partnership with subordinates to arrive at an appropriate decision. The danger here is that if the group of subordinates does not perceive that the manager genuinely desires a serious group decision-making effort, it will tend to arrive at conclusions that reflect what it thanks the manager wants rather than what the group itself actually wants and believes is feasible.

7- The manager permits the group to make decision within prescribed limits. Here, the manager becomes an equal member of a problem-solving group. The entire group identifies and assesses the problem, develops possible solutions, and chooses an alternative to be implemented. Everyone within the group understands that the group's decision will be implemented.

Determining How to make Decisions as a leader The true value of the model developed by Tannenbaum and Schmidt lies in its use in making practical and desirable decisions. According to these authors, the three primary factors, or forces, that influence a manager's determination of which leadership behavior to use in making decisions are as follows:

1- Forces in the manager: managers should be aware of four forces within themselves that influence their determination of how to make decisions as a leader. The first force is the manager's values, such as the relative importance to the manager of organizational efficiency, personal growth, the growth of subordinates, and company profits. For example, a manager who values subordinate growth highly will probably want to give group members the valuable experience of making a decision, even though he or she could make the decision much more quickly and efficiently alone. The second influencing force is level of confidence in subordinates. In general, the more confidence a manager has in his or her subordinates, the more likely that manager's decision – making style will be democratic, or subordinate- centered. The reverse is also true:

The less confidence a manager has in subordinates, the more likely that manager's decision – making style will be autocratic, or boss – centered.

The third influencing fore within the manager is personal leadership strengths. Some managers are more effective in issuing orders than in leading group discussions, and vice versa. Managers must be able to recognize their own leadership strengths and capitalize on them.

The fourth influencing force within the manager is tolerance for ambiguity. The move from a boss – centered style to a subordinate – centered style means some loss of certainty about how problems should be solved. A manager who is disturbed by this loss of certainty will find it extremely difficult to be successful as a subordinate – centered leader.

2- Forces in subordinates. A manager also should be aware of forces within subordinates that influence the manager's determination of how to make decisions as a leader. To lead successfully, the manager needs to keep in mind that subordinates are both somewhat different and somewhat alike and that any cookbook approach to leading all subordinates is therefore impossible. Generally speaking, however, managers can increase their leadership success by allowing subordinates more freedom in making decisions when:

- The subordinates have a relatively high need for independence. (people differ greatly in the amount of direction they desire).
- They have a readiness to assume responsibility for decision making. (Some see additional responsibility as a tribute to their ability, others see it as someone above them "passing the buck.)
- They have a relatively high tolerance for ambiguity. (some employees prefer to be given clear – cut directives, other crave a greater degree of freedom.)
- They are interested in the problem and believe it is important to solve it.
- They understand and identify with the organization's goals.
- They have the necessary knowledge and experience to deal with the problem.
- They have learned to expect to share in decision making. (people who have come to expect strong leadership and then are suddenly told to participate more fully in decision making are often upset by this new experience. Conversely, people who have enjoyed a considerable amount of freedom usually resent the boss who assumes full decision – making powers.)

If subordinates do not have these characteristics, the manager should probably assume a more autocratic, or boss – centered, approach to making decisions.

3- Forces in the situation. The last groups of forces that influence a manager's determination of how to make decisions as a leader are forces in the leadership situation. The first such situational force is the type of organization in which the leader works. Organizational factors like the size of working groups and their geographical distribution are especially important influences on leadership style. Extremely large work groups or wide geographic separations of work groups, for example, could make a subordinate – centered leadership style impractical.

The second situational force is the effectiveness of a group. To gauge this force, managers should evaluate such issues as the experience of group members in working together and the degree of confidence they have in their ability to solve problems as a group. As a general rule, managers should assign decision – making responsibilities only to effective work groups. The third situational force is the problem to be solved. Before deciding to act as a subordinate – centered leader, a manager should be sure that the group has the expertise necessary to make a decision about the problem in question. If it doesn't, the manager should move toward more boss – centered leadership. The fourth situational force is the time available to make a decision. As a general guideline, the less time available, the more impractical it is to assign decision making to a group because a group typically takes more time than an individual to reach a decision.

As the situational approach to leadership implies, managers will be successful decision makers only if the method they use to make decisions appropriately reflects the leader, the followers, and the situation.

Leadership Behaviors

The failure to identify predictive leadership traits led researchers in this area to turn to other variables to explain leadership success. Rather than looking at traits leaders should possess, the behavioral approach looked at what good leaders do. Are they concerned with getting a task done, for instance, or do they concentrate on keeping their followers happy and maintaining high morale?

Two major studies series were conducted to identify leadership behavior, one by the bureau of business research at Ohio State University (referred to as the OSU studies), and another by the University of Michigan (referred to as the Michigan studies)

The OSU studies the OSU studies concluded that leaders exhibit two main types of behavior:

- Structure behavior is any leadership activity that delineates the relationship between the leader and the leader's followers or establishes well – defined procedures that followers should adhere to in performing their jobs. Overall, structure behavior limits the self – guidance of followers in the performance of their tasks, but while it can be relatively firm, it is never rude or malicious.

Structure behavior can be useful to leaders as a means of minimizing follower activity that does not significantly contribute to organizational goal attainment. Leaders must be careful, however, not to go overboard and discourage follower activity that that will attainment.

- Consideration behavior is leadership behavior that reflects friendship, mutual trust, respect, and warmth in the relationship between leader and followers. This type of behavior generally aims to develop and maintain a good human relationship between the leader and the followers.

Leadership style. The OSU studies resulted in a model that depicts four fundamental leadership styles. A leadership style is the behavior a leader exhibits while guiding organizational members in appropriate directions. Each of the four leadership styles depicted. The OUS studies made a significant contribution to our understanding of leadership, and the central ideas generated by these studies still serve as the basis for modern leadership thought and research.

The Michigan studies Around the same time the OSU leadership studies were being carried out, researchers at the University of Michigan, led by Rensis Likert, were also conducting a series of historically significant leadership studies. After analyzing information based on interviews with leaders and followers (managers and subordinates), the Michigan studies pinpointed two basic types of leader behavior: job – centered behavior and employee – centered behavior.

Job – cantered behavior. Job – centered behavior is leader behavior that focuses primarily on the work a subordinate is doing. The job- centered leader is very interested in the job the subordinate is doing and in how well the subordinate is performing at that job.

Employee – centered behavior. Employee – centered behavior is leader behavior that focuses primarily on subordinates as people the employee – centered leader is very attentive to the personal needs of subordinates and is interested in building cooperative work teams that are satisfying to subordinates and advantageous for the organization.

Leadership today

Leaders in modern organizations have been confronting many situations rarely encountered by organizational leaders of the past. Today's leaders are often called upon to make massive personal cuts in order to eliminate unnecessary levels of organizations and thereby lower labor expenses, to introduce work teams in order to enhance organizational decision making and work flow, to reengineer work so that organization members will be more efficient and effective, and to initiate programs designed to improve the overall quality of organizational functioning.

In reaction to these new situations, organizations are emphasizing leadership styles that concentrate on getting employees involved in the organization and giving them the freedom to use their abilities as they think best. This is a dramatically different type of leadership from that known in organizations of the past, which largely concentrated on controlling people and work processes. Figure (4) contrasts the "soul" of the new leader with the "mind" of the manager.

The information in this section of the text points up the trend among leaders of today to get employees involved in their organizations and to give them the freedom to make and carry out decisions. The following people perspectives feature describes how the CEO of Chrysler Corporation involves employees in the organization.

Figure (8)

leader Soul	manager Mind
• Visionart	• Rational
• Passionate	• Consulting
• Creative	• Persistent
• Flexible	• Problem- solving
• Inspiring	• Tough- minded
• Innovative	• Analytical
• Courageous	• Structured
• Imaginative	• Deliberate
• Experimental	• Authoritative
• Independent	• Stabilizing

<u>Transformational Leadership</u>

Transformational leadership is leadership that inspires organizational success by profoundly affecting followers' beliefs in what an organization should be, as well as their values, such as justice and integrity. They style of leadership creates a sense of duty within an organization, encourages new ways of handling problems, and promotes learning for all organization members. Transformational leadership is closely related to concepts like charismatic leadership and inspirational leadership.

Perhaps transformational leadership is receiving more attention nowadays because of the dramatic changes that many organizations are going through and the critical importance of transformational leadership in. "transforming" or changing organization successfully. Lee Iacocca is often cited as an exemplas of transformational leadership because of his success in transforming Chrysler Corporation a company on the verge of going under into a successful company.

- Started with von Pierer, CEO of Siemens, and allows dramatic improvements in management effectiveness.
- Transformational managers:
    - Make subordinates aware of **how important their jobs** are by providing feedback to the worker.
    - Make subordinates aware of their own **need for personal growth** and development.
        - Empowerment of workers, added training help.
    - Motivate workers to work for the **good of the organization**, not just themselves.

- Transformational leaders are charismatic and have a vision of how good things can be.
    - They are excited and clearly communicate this to subordinates.
- Transformational leaders **openly share information** with workers.
    - Everyone is aware of problems and the need for change.
    - Empowers workers to help with solutions.
- Transformational leaders **engage in development of workers.**

Manager works hard to help them build skills.

Current topics in leadership

Two currently popular leadership topics are leadership substitutes and women leaders. Both are discussed in the following sections under the heads "substitutes for leadership," "women as leaders "and" ways women lead."

Women as leaders

One can read stogdillis handbook of leadership (1974) and find barely any reference to woman leaders, except as a subject deserving further research. This is probably because in (1970) only 15 percent of all managers were women. By 1989, this figure had risen to more than 40 percent. By 1995, women will make up about 63 percent of the total workforce. Just how many of these women will become leaders in their companies or industries remains to be seen. Currently, only 3 of every 100 top jobs in the largest U.S. Companies are held by women – about the same number as a decade ago. A labor Department study of the early 1990s concluded that the so called glass ceiling was keeping women from moving into leadership positions. The "glass ceiling" is the subtle barrier of negative attitudes and prejudices that prevents women from reaching seemingly attainable top-management position.

Ways women lead

Women who have broken through the glass ceiling have found that there is no one mold for effective leadership. In the past, women leaders modeled their leadership styles after successful male manager. Today's woman managers, however, often describe their leadership styles as transformational- getting workers to transform or subordinate their individual self-interests into group consensus directed toward a broader goal. This leadership style attributes power to such personal characteristics as charisma, personal contacts, and interpersonal skills rather than to the organizational structure.

Men, on the other hand, are more likely to characterize their leadership as transactional. They see their jobs as involving a series of transactions between themselves and their subordinates. This leadership style involves exchanging rewards for services or dispensing punishment for inadequate performance.

- Gender and Leadership **the number of women managers is raising but still relatively low in top levels.**
- **Stereotypes suggest women are supportive and concerned with interpersonal relations. Similarly, men are seen as task-focused.**
  - Research indicates that actually there is no gender-based difference in leadership effectiveness.
  - However, women are seen to be more participative than men.

<u>Leadership across Cultures</u>

- **Leadership styles may vary over different cultures.**
  - European managers tend to be more people-oriented than American or Japanese managers.
    - Japanese culture is very collective oriented, while American focuses more on profitability.
  - Time horizons also are affected by cultures.
    - U.S. firms often focus on short-run efforts.
    - Japanese firms take a longer-term outlook.

Chapter 3

External and Internal Organizational Environments

The organizational environment refers to the external factors and forces that surround an organization and have an impact on its operations, performance, and success. It includes both the internal and external factors that influence the organization's activities and decision-making processes.

The organizational environment can be categorized into two main components:

1. Internal Environment: This includes factors within the organization that directly affect its operations and performance. It encompasses elements such as the organization's structure, culture, leadership style, resources, and employees. The internal environment is under the control of the organization and can be influenced and managed by its leaders and managers.

2. External Environment: This includes factors outside the organization that are beyond its direct control but have a significant impact on its operations and performance. The external environment consists of

various elements, such as the economy, market conditions, competition, technological advancements, legal and regulatory frameworks, social and cultural factors, and political and environmental factors. These external factors can create opportunities or pose challenges for the organization, and it needs to adapt and respond to them effectively.

The organizational environment is dynamic and constantly changing. Organizations need to monitor and analyze their environment to understand the opportunities and threats it presents. By understanding and adapting to the organizational environment, organizations can enhance their performance, competitiveness, and sustainability.

Organizational Environment: those forces outside its boundaries that can impact it.

- Forces can change over time and are made up of Opportunities and Threats.

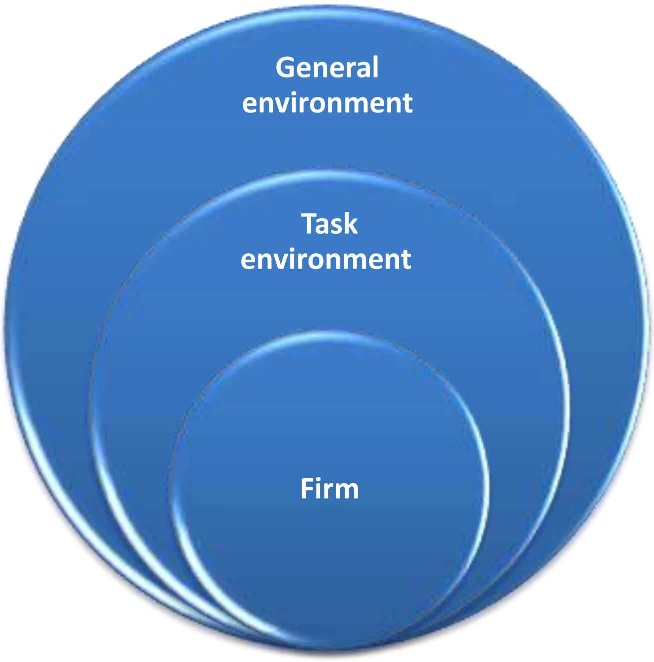
- **Opportunities: openings for managers to enhance revenues or open markets.**
    - New technologies, new markets and ideas.
- **Threats: issues that can harm an organization.**

- Economic recessions, oil shortages.

- **Managers must seek opportunities and avoid threats.**

Figure (9)

Forces in the Organizational Environment



Task Environment

Task Environment: forces from suppliers, distributors, customers, and competitors.

(1) **Suppliers**: provide organization with inputs

- Managers need to secure **reliable input sources**.

- Suppliers provide raw materials, components, and even labor.
    - Working with suppliers can be hard due to shortages, unions, and lack of substitutes.
    - Suppliers with scarce items can raise the price and are in a good bargaining position.
- Managers often prefer to have many, similar suppliers of each item.

(2) **Distributors**: organizations that help others to sell goods.

- Compaq Computer first used special computer stores to sell their computers but later sold through discount stores to reduce costs.
- Some distributors like Wal-Mart have strong bargaining power.
    - They can threaten not to carry your product.

(3) **Customers**: people who buy the goods.

- Usually, there are several groups of customers.
    - For Compaq, there are business, home, & government buyers.

(4) **Competitors**: other organizations that produce similar goods.

- **Rivalry between competitors** is usually the most serious force facing managers.

- High levels of rivalry often mean lower prices.
  - Profits become hard to find.
- Barriers to entry keep new competitors out and result from:
  - Economies of scale: cost advantages due to large scale production.
  - Brand loyalty: customers prefer a given product.

<u>Industry Life Cycle</u>

- **Reflects the changes that take place in an industry over time.**
- **Birth stage: firms seek to develop a winning technology.**
  - VHS vs. Betamax in video, or 8-track vs. cassette in audio.
- **Growth stage: Product gains customer acceptance and grows rapidly.**
  - New firms enter industry, production improves, and distributors emerge.
- **Shakeout stage: at end of growth, there is a slowing customer demand.**

    - Competitor rivalry increases, prices fall.
    - Least efficient firms fail and leave industry.
- **Maturity stage: most customers have bought the product, growth is slow.**
    - Relationships between suppliers, distributors more stable.
    - Usually, industry dominated by a few, large firms.
- **Decline stage: falling demand for the product.**
    - Prices fall, weaker firms leave the industry.

<u>**The General Environment**</u>

- **Consists of the wide economic, technological, demographic and similar issues.**
    - Managers usually cannot impact or control these.
    - Forces have profound impact on the firm.

(1) Economic forces: affect the national economy and the organization.

- Includes interest rate changes, unemployment rates, and economic growth.
- When there is a strong economy, people have more money to spend on goods and services.

(2)Technological forces: skills & equipment used in design, production and distribution.

- Result in new opportunities or threats to managers.
- Often make products obsolete very quickly.
- Can change how we manage.

(3) Social cultural forces: result from changes in the social or national culture of society.

a. Social structure refers to the relationships between people and groups.

    i. Different societies have vastly different social structures.

b. National culture includes the values that characterize a society.

    i. Values and norms differ widely throughout the world.

c. These forces differ between cultures and over time.

(4) Demographic forces: result from changes in the nature, composition and diversity of a population.

a. These include gender, age, ethnic origin, etc.

    i. For example, during the past 20 years, women have entered the workforce in increasing numbers.

b. Currently, most industrial countries are aging.

   i. This will change the opportunities for firms competing in these areas.

   ii. New demand for health care, assisting living can be forecast.

(5) Political-legal forces: result from changes in the political arena.

a. These are often seen in the laws of a society.

b. Today, there is increasing deregulation of many state-run firms.

(6) Global forces: result from changes in international relationships between countries.

a. Perhaps the most important is the increase in economic integration of countries.

b. A free-trade agreement (GATT, NAFTA, and EU) decreases former barriers to trade.

c. Provide new opportunities and threats to managers.

<u>**Managing the Organization Environment**</u>

(1) **Managers must measure the complexity of the environment and rate of environmental change.**

(2) **Environmental complexity: deals with the number and possible impact of different forces in the environment.**

- Managers must pay more attention to forces with larger impact.
- Usually, the larger the organization, the greater the number of forces managers must oversee.

(3) **The more forces, the more complex the manager's job becomes.**

(4) **Environmental change: refers to the degree to which forms in the task and general environments change over time.**

- Change rates are hard to predict.
- The outcomes of changes are even harder to identify.

(5) **Managers thus cannot be sure that actions taken today will be appropriate in the future given new changes.**

Reducing Environmental Impact

(1) **Managers can counter environmental threats by reducing the number of forces.**

- Many firms have sought to reduce the number of suppliers it deals with which reduces uncertainty.

(2) **All levels of managers should work to minimize the potential impact of environmental forces.**

- Examples include reduction of waste by first line managers, determining competitor's moves by middle managers, or the creation of a new strategy by top managers.

Organizational Structure

(1) **Managers can create new organizational structures to deal with change.**

- Many firms use specific departments to respond to each force.

(2) **Managers also create mechanistic or organic structures.**

- Mechanistic structures have centralized authority.
  - Roles are clearly specified.
  - Good for slowly changing environments.

(3) Organic structures authority is decentralized.

  - Roles overlap, providing quick response to change.

Boundary Spanning

(1) **Managers must gain access to information needed to forecast future issues.**

- Rod Canion's forecast of Compaq's future was wrong due to his incorrect view of the environment.

(2) **Boundary spanning** is the practice of relating to people outside the organization.

- Seek ways to respond and influence stakeholder perception.
- By gaining information outside, managers can make better decisions about change.

(3) More management levels involved in spanning yields better overall decision making.

Scanning and Monitoring

(1) **Environmental scanning is an important boundary spanning activity.**

- Includes reading trade journals, attending trade shows, and the like.

(2) **Gate keeping: the boundary spanner decides what information to allow into organization and what to keep out.**

- Must be careful not to let bias decide what comes in.

(3) **Interorganizational Relations: firms need alliances globally to best utilize resources.**

- Managers can become agents of change and impact the environment.

The Global Environment

(1) In the past, managers have viewed the global sector as closed.

- Each country or market was assumed to be isolated from others.
- Firms did not consider global competition, exports.

(2) Today's environment is very different.

- Managers need to view it as an open market.
- Organizations buy and sell around the world.
- Managers need to learn to compete globally.

Tariff Barriers

- A tariff is a barrier to trade.
  - Tariffs are taxes levied upon imports.
  - These seek to protect jobs in the home country.
  - Other countries usually retaliate.
- Free trade: in a free trade agreement, each country seeks to specialize in things they make most efficiently.
  - If India is more efficient in making textiles, and the USA in making computer software, then each country should focus on these.

Distance & Culture Barriers

- **The second leading cause of trade barriers.**
  - **Distance** closed the markets as far as some managers were concerned.
  - Communications could be difficult.
  - Languages and cultures were different.
- **During the last 50 years, communications and transportation technology has dramatically improved.**
  - Jet aircraft, fiber optics, satellites have provided fast, secure communications and transportation.
  - These have also reduced cultural differences.

Effects on Managers

- **Declining barriers have opened great opportunities for managers.**
  - Managers can not only sell goods and services but also **Managers now face a more dynamic and exciting job due to global competition.**
  - Buy resources and components globally.

Free Trade

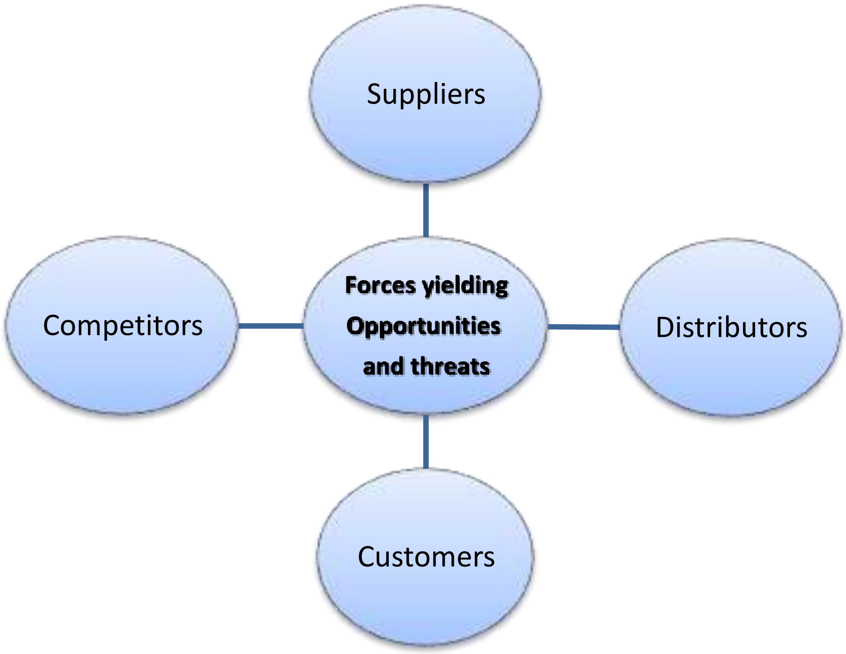
NAFTA: North American Free Trade Agreement.

- **Abolishes most tariffs** on goods traded between Mexico, Canada and the U.S.
- Allows unrestricted cross-border flows of resources.
- Many U.S. firms have now invested in Mexico.

- **This is a manufacturing opportunity.**
  - Wage costs are lower in Mexico.
  - Can serve Mexico with a plant in Mexico and reduce freight.
- **Managers face new opportunities and threats.**

Figure (10)

Global Task Environment



Suppliers & Distributors

(1) **Managers buy products from global suppliers or make items abroad and supply themselves.**

- Key is to keep quality high and costs low.

(2) **Global outsourcing: firms buy inputs from throughout the world.**

- GM might build engines in Mexico, transmissions in Korea, and seats in the U.S.
- Finished goods become global products.

(3) **Distributors: each country often has a unique system of distribution.**

- Managers must identify all the issues.

Customers & Competitors

(1) **Formerly distinct national markets are merging into a huge global market.**

- True for both consumer and business goods.
- Creates large opportunities.

(2) **Still, managers often must customize products to fit the**

(3) **Culture.**

- McDonald's sells a local soft drink in Brazil.

(4) **Global competitors present new threats.**

- Increases competition abroad as well as at home.

Political-Legal Forces

(1) **Results from diverse and changing nature of each country's political system.**

(2) **Representative democracies: such as the U.S., Britain, and Canada.**

- Citizens elect leaders who make decisions for electorate.
- Usually have a number of safeguards such as freedom of expression, a fair court system, regular elections, and limited terms for officials.

(3) **Totalitarian regimes: a single political party or person monopolizes power in a country.**

- Typically, do not recognize or permit opposition.
- Most safeguards found in a democracy do not exist.
- Examples include Iran, Iraq, and China.

(4) **These are difficult to do business with given the lack of economic freedom.**

(5) **Further, human rights issues also cause managers to avoid dealing with these countries.**

Well defined legal system and economic freedom

Economic Systems

(1) **Free market economy: production of goods and services is in private ownership.**

- Production is dictated by supply and demand.

(2) **Command economy: decisions on what to produce, how much, done by the government.**

- Most command economies are moving away from the command economy.

(3) **Mixed economy: certain economic sectors controlled by private business, others are government controlled.**

- Many mixed countries are moving toward a free enterprise system.

Changes in the Environment the world is changing. Population changes are becoming extremely significant to management personnel in organizations. These changes can be viewed as changes in:

(1)Consumers, (2) factors of production, and (3) participants in society. The increase in the size of consumer markets and the segmentation of markets into strata (age, ethnic) are obvious changes. Consumption patterns vary and are in constant states of change, and the manager continually searches for market information to help in making sound decisions. Values, expectations, and aspirations are continually being transformed.

Population increases are favorable when viewed as expansion in consumer markets and greater availability of human resources. There are many instances, however, where the population changes are not seen as positive aspects of societal growth. When the increase in numbers increases density, unemployment, poverty, there is a question about the value of increase. The population explosion, as a problem to society, varies among countries, but in the future management must be aware of the impact of urban concentrations of people in all areas.

Some environmental changes relevant to management are pollution and social changes in the cities. Pollution (air, water, land, noise) seems to be the cost of industrialization and the exploitation of the resources of the country. What makes the topic critical in the last quarter of the twentieth century is that many ecologists (scientists who study humanity's relationship to its environment) foresee the possible destruction of irreplaceable resources. Managers in organizations as well as the professional and academic communities are now starting to show interest in the subject.

The crisis in the cities and urban centers increasingly affects management. The interdependence of the many factors of society makes one problem the problem of many. Thus management in the 1980s may become more oriented to its sociological dimensions.

Chapter 4

Managerial Decision-Making

Definition of a decision

A decision is a choice made between two or more available alternatives. Decision making is the process of choosing the best alternative for reaching objectives. Decision making is covered in the planning section of this text, but since managers must also make decision when performing the other three managerial functions-organization, influencing, and controlling – the subject requires a separate chapter. We all face decision situations every day. A decision situation may involve simply choosing whether to spend the day studying, swimming, and golfing. It does not matter which alternative is chosen, only that a choice be actually made.

Managers make decisions affecting the organization daily and communicate those decisions to other organization members. Not all managerial decisions are of equal significance to the organization. Some affect a large number of organization members, cost a great deal of money to carry out, or have a long – term effect on the organization. Such significant decision can have a major impact, not only on the management system itself, but also on the career of the manger that make them. Other decisions are fairly insignificant, affecting only a small number of organization members, costing little to carry out, and producing only a short-term effect on the organization.

- **Decision making: the process by which managers respond to opportunities and threats by analyzing options, and making decisions about goals and courses of action.**
- **Decisions in response to opportunities: managers respond to ways to improve organizational performance.**
- **Decisions in response to threats: occurs when managers are impacted by adverse events to the organization.**

Types of Decision Making

Decision can be categorized according to how much time a manager must spend in making them, what proportion of the organization must be involved in making them, and the organizational functions on which they focus. Probably the most generally accepted method of categorizing decision, however, is based on computer language, it divides all decision into two basic types: programmed and non-programmed.

1- **Programmed decisions** are routine and repetitive, and the organization typically develops specific ways to handle them. A programmed decision might involve determining how products will be arranged on the shelves of a supermarket. For this kind of routine, repetitive problem, standard - arrangement decisions are typically made according to established management guidelines.

Nonprogrammer decisions, in contrast, are typically one – shot decisions that are usually less structured than programmed decisions. An example of the type of nonprogrammer decision that more and more managers have to make is whether to expand operations into the "forgotten continent" of Africa. Another example is deciding whether a supermarket should carry an additional type of bread. The manager making this decision must consider whether the new bread will merely stabilize bread sales by competing with existing bread carried in the store or actually increase bread sales by offering a desired brand of bread to customers who have never before bought bread in the store. These types of issues must be dealt with before the manager can finally decide whether to offer the new bread.

Programmed and nonprogrammer decisions should be thought of as being at opposite ends of the decision programming continuum illustrated, some decisions are neither programmed nor nonprogrammer, but some fall somewhere between the two.

- **Programmed Decisions: routine, almost automatic process.**
  - Managers have made decision many times before.

- There are rules or guidelines to follow.
- Example: Deciding to reorder office supplies.

2- **Non-programmed Decisions: unusual situations that have not been often addressed.**

- No rule to follow since the decision is new.
- These decisions are made based on information, and a manger's intuition, and judgment.
- Example: Should the firm invest in a new technology?

The responsibility for making organizational decisions

Many different kinds of decisions must be made within an organization – such as how to manufacture a product, how to maintain machines. How to ensure product quality and how to establish advantageous relationships with customers. Since organizational decisions are so varied, some type of rationale must be developed to stipulate who within the organization has the responsibility for making which decisions.

One such rationale is based primarily on two factors: the scope of the decision to be made and the levels of management. The scope of the decision is the proportion of the total management system that the decision will affect. The greater this proportion, the broader the scope of the decision is said to be. Levels of management are simply lower – level management, middle –

level management, and upper – level management. The rational for designating who makes which decisions is this: the broader the scope of a decision, the higher the level of the manager responsible for making that decision.

One example of this decision – making rational is the manner in which E.I. DuPont de Nemours and Company handles decisions related to the research and development function.

The manager who is responsible for making a particular decision, of course, can ask the advice of other managers or subordinates before settling on an alternative. In fact, some managers prefer to use groups to make certain decision.

Consensus is one method a manager can use in getting a group to arrive at a particular decision. **Consensus** is agreement on a decision by all the individuals involved in making that decision. It usually occurs after lengthy deliberation and discussion by members of the decision group, who may be either all managers or a mixture of mangers and subordinates.

The manager who asks a group to produce a consensus decision must bear in mind that groups will sometimes be unable to arrive at a decision. Lack of technical skill or poor interpersonal relations may prove insurmountable barriers to arriving at a consensus. When a group is stalemated, managers need to offer assistance in making the decision or simply make it themselves.

Decisions arrived at through consensus have both advantages and disadvantages. One advantage of this method is that it focuses "several heads" on the decision. Another is that employees are more likely to be committed to implementing a decision if they helped make it. The main disadvantage of this method is that it often involves time – consuming discussions relating to the decision that can be costly to the organization.

The decision- making process

A decision is a choice of one alternative from a set of available alternative. The decision- making process comprises the steps the decision maker takes to arrive at this choice. The process that a manager uses to make decision has a significant impact on the quality of the decision that manager makes. If managers use an organized and systematic process, the probability that their decision will be sound is higher than if they use a disorganized and unsystematic process.

A model of the decision- making process that is recommended for managerial use is presented in figure. In order, the decision-making steps this model depicts are as follows:

1- Identify an existing problem.
2- List possible alternative for solving the problem.
3- Select the most beneficial of these alternatives.
4- Implement the selected alternative.
5- Gather feedback to find out if the implemented alternative is solving the identified problem.

The paragraphs that follow elaborate upon each of these steps and explain their interrelationships.

This model of the decision- making process is based on three primary assumptions. First, the model assumes that humans are economic beings with the objective of maximizing satisfaction or return. Second, it assumes that within the decision- making situation all alternatives and their possible consequences' are known. Its last assumption is that decision makers have some priority system to guide them in ranking the desirability of each alternative. If each of these assumptions is met, the decision made will probably be the best possible one for the organization. In real life, unfortunately, one or more of these assumptions is often not met, and therefore the decision made is less than optimal for the organization.

Identifying an existing problem

Decision making is essentially a problem- solving process that involves eliminating barriers to organizational goal attainment. Naturally, the first step in this elimination process is identifying exactly what the problems or barriers are, for only after the barriers have been adequately identified can management take steps to eliminate them. Several years ago, Molson, a Canadian manufacturer of beer as well as of cleaning and sanitizing products, faced a barrier to success: a free- trade agreement that threatened to open Canadian borders to U.S.beer. although the borders were not due to open for another five years, Molson decided to deal with the problem of increased beer competition from the United States immediately by increasing production and sales of its specialty chemical products. Within four years, Molson's chemical sales exceeded its beer sales. Essentially, the company- the threat of increased U.S. competition for beer sales- and dealt with it by emphasizing sales in a different division.

Chester Barnard has stated that organizational problems are brought to the attention of managers mainly by the following means:

1- Orders issued by managers' supervisors.
2- Situations relayed to managers by their subordinates.
3- The normal activity of the managers themselves.

Listing alternative solutions

Once a problem has been identified, managers should list the various possible solutions. Very few organizational problems are solvable in only one way. Managers must search out the numerous available alternative solutions to most organizational problems.

Before searching for solution, however, managers should be aware of five limitations on the number of problem- solving alternative available:

1- Authority factors (for example, a manager's superior many have told the manager that a certain alternative is not feasible).

2- Biological or human factors (for example, human factors within the organization may be inappropriate for implementing certain alternatives).
3- Physical factors (for example, the physical facilities of the organization may be inappropriate for certain alternatives).
4- Technological factors (for example, the level of organizational technology may be inadequate for certain alternatives).
5- Economic factors (for example, certain alternatives may be too costly for the organization).

Selecting the most beneficial alternative

Decision makers can select the most beneficial solution only after they have evaluated each alternative very carefully. This evaluation should consist of three steps. First, decision makers should list, as accurately as possible, the potential effects of each alternative as if the alternative had already been chosen and implemented. Second, they should assign a probability factor to each of the alternative were implemented. Third, keeping organizational goal in mind, decision makers should compare each alternative's expected effects and the respective probabilities of those effects. After these steps have been completed, managers will know which alternative seems most advantageous to the organization.

The information in this section of the text indicates that a decision alternative should be evaluated primarily for its ability to solve an organizational problem(s). The following CUTTING EDGE FEATURE, however, suggests that decision alternative should be evaluated not only for their ability to solve an organizational problem(s) but also for their ability to build important organizational values. This is an important new approach in management studies.

Implementing the chosen alternative

The next step is to put the chosen alternative into action. Decisions must be supported by appropriate action if they are to have a chance of success.

Gathering problem- related feedback

After the chosen alternative has been implemented, decision makers must gather feedback to determine the effect of the implemented alternative on the identified problem. If the identified problem is not being solved, managers need to search out and implement some other alternative.

Decision – making conditions

In most instances, it is impossible for decision makers to know exactly what the future consequences of an implemented alternative will be. The word future is the key in discussing decision – making conditions. Because organizations and their environments are constantly changing, future consequences of implemented decisions are not per in general, there are three different conditions under which decisions are made. Each of these conditions is based on the degree to which the future outcome of a decision alternative is predictable. The conditions are as follows:

1- Complete certainty.
2- Complete uncertainty.
3- Risk.

Complete certainty condition

The complete certainty condition exists when decision makers know exactly what the results of an implemented alternative will be. Under this condition, managers have complete knowledge about a decision, so all they have to do is list outcomes for alternatives and then choose the outcome with the highest payoff for the organization. For example, the outcome of an investment alternative based on buying government bonds is, for all practical purposes, completely predictable because of established government interest rates. Deciding to implement this alternative, then, would be making a decision in a complete certainty situation. Unfortunately, most organizational decisions are made outside the complete certainty situation.

Complete uncertainty condition

The complete uncertainty condition exists when decision makers have absolutely no idea what the results of an implemented alternative will be. The complete uncertainty condition would exist, for example, if there were no historical data on which to base a decision. Not knowing what happened in the past makes it difficult to predict what will happen in the future. In this situation, decision makers usually find that sound decisions are mostly a matter of chance. An example of a decision made in a complete uncertainty situation is choosing to pull the candy machine lever labeled "surprise of the day" rather than the lever that would deliver a familiar candy bar. Fortunately, few organizational decisions need to be made in the complete uncertainty condition.

Risk condition

The primary characteristic of the risk condition is that decision makers have only enough information about the outcome of each alternative to estimate how probable the outcome will be if the alternative is implemented. Obviously, the risk condition lies somewhere between complete certainty and complete uncertainty. The manager who hires two extra salespeople in order to increase annual organizational sales is deciding in a risk situation. He may believe that the probability is high that these two new salespeople will raise total sales, but it is impossible for him to know that for sure. Therefore, some risk is associated with this decision.

The risk condition is a broad one in which degrees of risk can be associated with decisions. The lower the quality of information about the outcome of an alternative, the closer the situation is to complete uncertainty and the higher is the risk of choosing that alternative. Most decisions made in organizations have some amount of risk associated with them.

Group decision making

Earlier in this chapter, decision makers were defined as individuals or groups that actually make a decision – that is, choose a decision alternative from those available. This section focuses on groups as decision makers. The two key topics discussed here are the advantages and disadvantages of using groups to make decisions, and the best processes for making group decisions.

Advantages and disadvantages of using groups to make decisions

Group commonly make decisions in organizations. For example, groups are often asked to decide what new product should be offered to customers, how policies for promotion should be improved, and how the organization should reach higher production goals. Groups are so often asked to make organizational decisions because there are certain advantages to having a group of people rather than an individual manager make a decision. One is that a group can generally come up with more and better decision alternatives than an individual can. The reason for this is that a group can draw on collective, diverse organizational experiences as the foundation for decision making, while the individual manager has only the limited experiences of one person to draw on. Another advantage is that when a group makes a decision of one person to draw on. Another advantage is that when a group makes a decision, the members of that group tend to support the implementation of the decision more fervently than they would if the decision had been made by an individual. This can be of significant help to a manager in successfully implementing a decision. A third advantage of using a group rather than an individual to make a decision is that group members tend to perceive the decision as their own, and this ownership perception makes it more likely that they will strive to implement the decision successfully rather than prematurely giving in to failure.

There are also several disadvantages to having groups rather than individual managers make organizational decisions. Perhaps the one most often discussed is that it takes longer to make a group decision because groups must take the time to present and discuss all the member views. Another disadvantage is that group decisions cost the organization more than individual decisions do simply because they take up the time of more people in the organization. Finally, group decisions can be of lower quality than individual decisions if they become contaminated by the group members' effort to maintain friendly relationships among themselves.

Managers must weigh all these advantages and disadvantages of group decision making carefully, factoring in unique organizational situations, and give a group authority to make a decision only when the advantages of doing so clearly seem to outweigh the disadvantages.

Processes for making group decisions

Making a sound group decision regarding complex organizational circumstances is a formidable challenge. Fortunately, several useful processes have been developed to assist groups in meeting this challenge. The following sections discuss three such processes: brainstorming, the nominal group technique, and the Delphi technique.

Brainstorming, brainstorming is a group decision – making process in which negative feedback on any suggested alternative to any group member is forbidden until all group members have presented alternatives that they perceive as valuable.

Nominal group technique The nominal group technique is another useful process for helping groups to make decisions. This process is designed to ensure that each group member has equal participation in making the group decision. It involves the following steps:

- Step 1: Each group member writes down individual ideas on the decision or problem being discussed.
- Step 2: Each member presents individual ideas orally. The ideas are usually written on a board for all other members to see and refer to.
- Step 3: after all members present their ideas, the entire group discusses these ideas simultaneously. Discussion tends to be unstructured and spontaneous.
- Step 4: when discussion is completed, a secret ballot is taken to allow members to support their favorite ideas without fear. The idea receiving the most votes is adopted and implemented.

The Delphi technique The Delphi technique is a third useful process for helping groups to make decisions. The Delphi technique involves circulating questionnaires on a specific problem among group members, sharing the questionnaire results with them, and then continuing to recirculation and refine individual responses until a consensus regarding the problem is reached. In contrast to the nominal group technique or brainstorming, the Delphi technique does not have group members meet face to face. The formal steps followed in the Delphi technique are:

- **Step 1:** a problem is identified.
- **Step 2:** group members are asked to offer solution to the problem by providing anonymous responses to a carefully designed questionnaire.
- **Step 3:** responses of all group members are compiled and sent out to all group members.
- **Step 4:** individual group members are asked to generate a new individual solution to the problem after they have studied the individual responses of all other group members compiled in step 3.
- **Step 5:** step 3 and 4 are repeated until a consensus problem solution is reached.

Evaluating group decision – making processes All three of the processes presented here for assisting groups to reach a decision have both advantages and disadvantages. Brainstorming offers the advantage of encouraging the expression of as many useful ideas as possible, but the disadvantage of wasting the group's time on ideas that are wildly impractical. The nominal group technique, with its secret ballot, offers a structure in which individuals can support or reject an idea without fear of recrimination. Its disadvantage is that there is no way of knowing why individuals voted the way they did. The advantage of the Delphi technique is that ideas can be gathered from group members who are too geographically separated or busy to meet face to face. Its disadvantage is that members are unable to ask questions of one another.

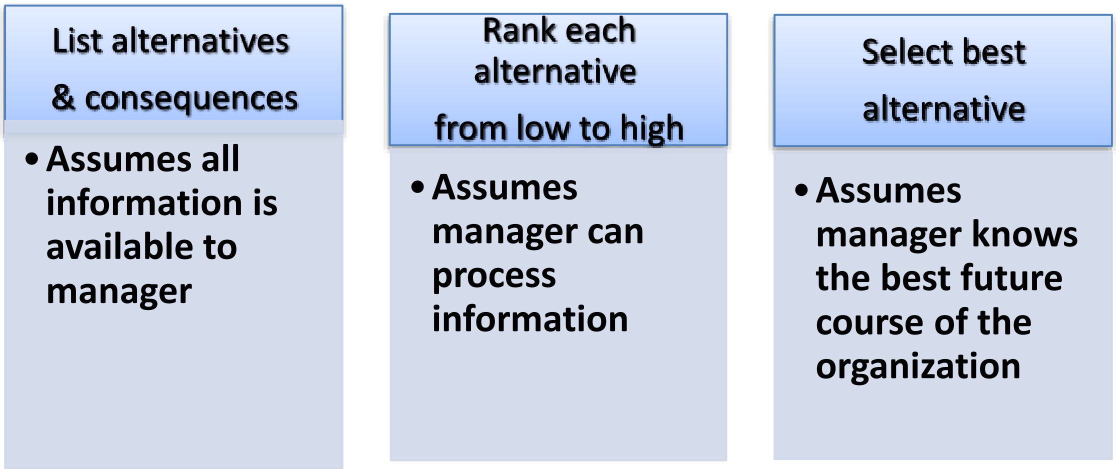
As with any other management tool, managers must carefully weigh the advantages and disadvantages of these three group decision tools and adopt the one or some combination of the three – that best suits their unique organizational circumstances.

The Classical Model

- **Classical model of decision making: a prescriptive model that tells how the decision should be made.**
    - Assumes managers have access to all the information needed to reach a decision.
    - Managers can then make the optimum decision by easily ranking their own preferences among alternatives.
- **Unfortunately, mangers often do not have all (or even most) required information.**

Figure (11)

The Classical Model

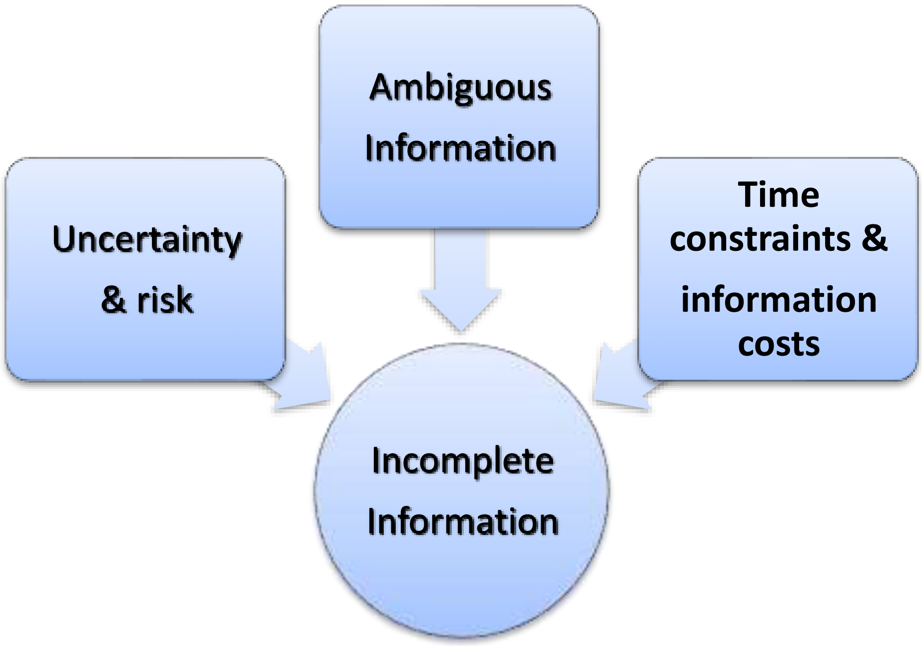


The Administrative Model

- **Administrative Model of decision making: Challenged the classical assumptions that managers have and process all the information.**
  - As a result, decision making is risky.
- **Bounded rationality: There are a large number of alternatives and information is vast so that managers cannot consider it all.**
  - Decisions are limited by people's cognitive abilities.
- **Incomplete information: most managers do not see all alternatives and decide based on incomplete information.**

Figure (12)

Why Information is Incomplete



Incomplete Information Factors

- **Incomplete information exists due to many issues:**
  - Risk: managers know a given outcome can fail or succeed and probabilities can be assigned.
  - Uncertainty: probabilities cannot be given for outcomes and the future is unknown.
    - Many decision outcomes are not known such as a new product introduction.
  - Ambiguous information: information whose meaning is not clear.

- Information can be interpreted in different ways.

- **Time constraints and Information costs: Managers do not have the time or money to search for all alternatives.**
  - This leads the manager to again decide based on **Satisfying: Managers explore a limited number of options and choose an acceptable decision rather than the optimum decision.**
  - This is the response of managers when dealing with incomplete information.
  - Managers assume that the limited options they examine represent all options.
  - Incomplete information.

<u>**Decision Making Steps**</u>

1. Recognize need for a decision: Managers must first realize that a decision must be made.

- Sparked by an event such as environment changes.

2. Generate alternatives: managers must develop feasible alternative courses of action.

- If good alternatives are missed, the resulting decision is poor.

- ◆ It is hard to develop creative alternatives, so managers need to look for new ideas.

3. Evaluate alternatives: what are the advantages and disadvantages of each alternative?

Managers should specify criteria, then evaluate.

4. Choose among alternatives: managers rank alternatives and decide.

- ◆ When ranking, all information needs to be considered.

5. Implement choose alternative: managers must now carry out the alternative.

- ◆ Often a decision is made and not implemented.

6. Learn from feedback: managers should consider what went right and wrong with the decision and learn for the future.

- ◆ Without feedback, managers never learn from experience and make the same mistake over.

<u>Evaluating Alternatives</u>

- **Is it legal? Managers must first be sure that an alternative is legal both in this country and abroad for exports.**
- **Is it ethical? The alternative must be ethical and not hurt stakeholders unnecessarily.**

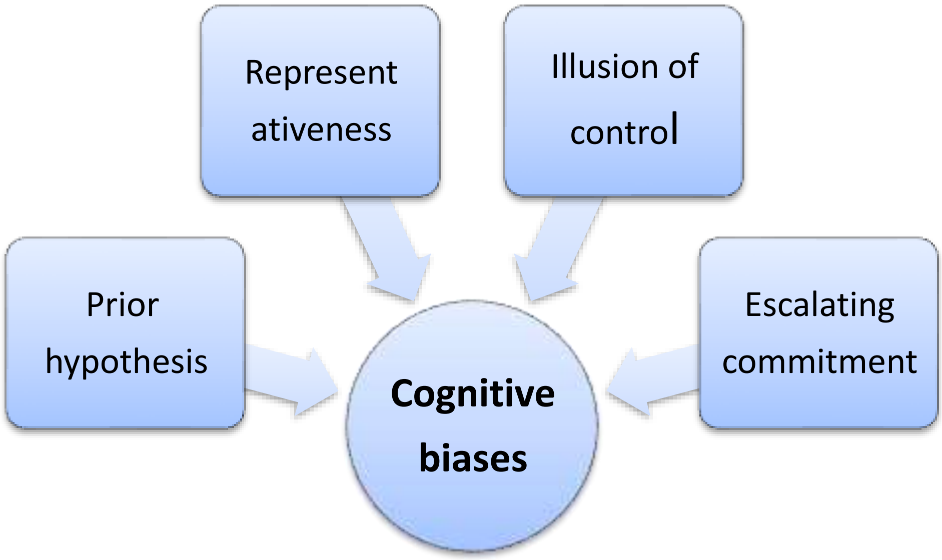
- **Is it economically feasible? Can our organization’s performance goals sustain this alternative?**
- **Is it practical? Does the management have the capabilities and resources to do it?**

Cognitive Biases

- **Suggests decision makers use heuristics to deal with bounded rationality.**
  - A heuristic is a rule of thumb to deal with complex situations.
  - If the heuristic is wrong, however, then poor decisions result from its use.
- **Systematic errors can result from use of an incorrect heuristic.**
  - These errors will appear over and over since the rule used to make decision is flawed.

Figure (13)

Types of Cognitive Biases



Types of Cognitive Biases

Prior hypothesis bias: manager allows strong prior beliefs about a relationship between variables and makes decisions based on these beliefs even when evidence shows they are wrong.

Representativeness: decision maker incorrectly generalizes a decision from a small sample or one incident.

Illusion of control: manager over-estimates their ability to control events.

Escalating commitment: manager has already committed considerable resource to project and then commits more even after feedback indicates problems.

<u>Group Decision Making</u>

Many decisions are made in a group setting.

- Groups tend to reduce cognitive biases and can call on combined skills, and abilities.

There are some disadvantages with groups:

Group think: biased decision making resulting from group members striving for agreement.

- Usually occurs when group members rally around a central manger's idea (CEO), and become blindly committed without considering alternatives.
- The group tends to convince each member that the idea must go forward.

Improved Group Decision Making

- **Devil's Advocacy: one member of the group acts as the devil's advocate and critiques the way the group identified alternatives.**
  - Points out problems with the alternative selection.
- **Dialectical inquiry: two different groups are assigned to the problem and each group evaluates the other group's alternatives.**

- Top managers then hear each group present their alternatives and each group can critique the other.

- **Promote diversity: by increasing the diversity in a group, a wider set of alternatives may be considered.**

Figure (14)

Devil's Advocacy V. Dialectic Inquiry

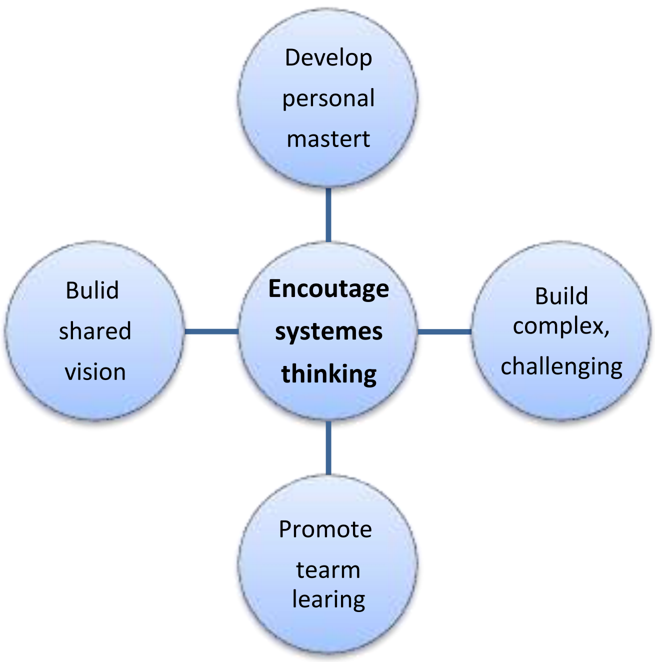
Devil's Advocacy	**Dialectic Inquiry**
Presentation of alternative ⇩ **Critique of alternative** ⇩ **Reassess alternative** **accept, modify, reject**	**Alter. 1 Alter. 2** ⇩ **Debate the two alternatives** ⇩ **Reassess alternatives** **accept 1 or 2, combine**

<u>**Organizational Learning & Creativity**</u>

- **Organizational Learning: Managers seek to improve member's ability to understand the organization and environment so as to raise effectiveness.**
  - The learning organization: managers try to improve the people's ability to behave creatively to maximize organizational learning.
- **Creativity: is the ability of the decision maker to discover novel ideas leading to a feasible course of action.**
  - A creative management staff and employees are the key to the learning organization.

Figure (15)

Senge's Learning Organization Principles



Creating a Learning Organization

Senge suggests top managers follow several steps to build in learning:

- **Personal Mastery**: managers empower employees and allow them to create and explore.
- **Mental Models**: challenge employees to find new, better methods to perform a task.
- **Team Learning**: is more important than individual learning since most decisions are made in groups.
- **Build a Shared Vision**: a people share a common mental model of the firm to evaluate opportunities.
- **Systems thinking**: know that actions in one area of the firm impact all others.

Individual Creativity

- **Organizations can build an environment supportive of creativity.**
  - Many of these issues are the same as for the learning organization.
  - Managers must provide employees with the ability to take risks.
  - If people take risks, they will occasionally fail.
- **Thus, to build creativity, periodic failures must be rewarded.**

- ■ This idea is hard to accept for some managers.

Building Group Creativity

- **Brainstorming: managers meet face-to-face to generate and debate many alternatives.**
  - ◆ Group members are not allowed to evaluate alternatives until all alternatives are listed.
  - ◆ Be creative and radical in stating alternatives.
  - ◆ When all are listed, then the pros and cons of each are discussed and a short list created.
- **Production blocking is a potential problem with brainstorming.**

Members cannot absorb all information being presented during the session and can forget their own alternatives.

- **Nominal Group Technique: Provides a more structured way to generate alternatives in writing.**
  - ◆ Avoids the production blocking problem.
  - ◆ Similar to brainstorming except that each member is given time to first write down all alternatives he or she would suggest.
  - ◆ Alternatives are then read aloud without discussion until all have been listed.
  - ◆ Then discussion occurs and alternatives are ranked.

Building Group Creativity

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    - ◆ Then discussion occurs and alternatives are ranked.

Building Group Creativity

- **Delphi Technique: provides for a written format without having all managers meet face-to-face.**
    - ◆ Problem is distributed in written form to managers who then generate written alternatives.
    - ◆ Responses are received and summarized by top managers.
    - ◆ These results are sent back to participants for feedback, and ranking.
    - ◆ The process continues until consensus is reached.
  - ■ Delphi allows distant managers to participate.

Chapter 5

Group and Teams

The previous chapters in this section dealt with three primary activities of the influencing function: communication, leadership, and motivation. This chapter focuses on managing groups, the last major influencing activity to be discussed in this text. As with the other three activities, managing work groups requires guiding the behavior of organization members in ways that increase the probability of reaching organizational objectives.

Groups

To deal with groups appropriately, managers must have a thorough understanding of the nature of groups in organizations. As used in management – related discussions, a **group** is not simply a gathering of people. Rather it is "any numbers of people who (1) interact with one another, (2) are psychologically aware of one another, and (3) perceive themselves to be a group. Group are characterized by frequent communication among members over time and a size small enough to permit each member to communicate with all other members on a face-to- face basis. As a result of this communication, each group member influences and is influenced by all other group members.

The study of groups is important to managers because the most common ingredient of all organizations is people and the most common technique for accomplishing work through these people is dividing them into work groups. In a classic article, Cartwright and Lippitt list four additional reasons managers should study groups:

1- Groups exist in all kinds of organizations.
2- Groups inevitably from in all facets of organizational existence.
3- Groups can cause either desirable or undesirable consequences within the organization.
4- An understanding of groups can help managers raise the probability that the groups with which they work will cause desirable consequences within the organization.

- **Group: two or more people who interact with each other to accomplish a goal.**

Kinds of groups in organizations

Organizational groups are typically divided into two basic types formal and informal.

(1)Formal groups

A formal group is a group that exists within an organization by virtue of management decree to perform tasks that enhance the attainment of organizational objectives.

An example of a formal group that must be managed in many organizations is a sales force. According to Jose S. Suquet, manager of equitable Life Assurance Company's south Florida agency, managing a sales force in a multicultural, multiethnic environment requires special insight and understanding. Suquet says that the key to management success is not to overcompensate for cultural diversity, but to be consistent across the board. His experience suggests that regardless of culture, employees need to feel that they are being treated fairly and that managers do not mark "favorites" for special treatment.

Experience also indicates that first critical step in successfully managing a diverse sales force is recruiting. Managers should not try to clone themselves, but rather attempt to recruit people who reflect the market – that is, they should struggle to build a sales force that represents the diverse ethnic market segments the company wishes to penetrate. Building such a sales force should help to ensure that the organization's salespeople are able to communicate well with customers. To this end, managers should determine the language or languages that salespeople need to speak and are sensitive to customs, jargon, and individual needs that are relevant to a particular organizational situation. When leading a diverse sales force, managers should also keep in mind that simply because employees have the same ethnic and cultural back grounds does not automatically mean they will have the same opinions about organizational issues, approach problems in the same way, or be motivated by the same organizational incentives.

Formal groups are clearly defined and structured. The next sections discuss the following topics:

1- The basic kinds of formal groups.
2- Examples of formal groups as they exist in organization.
3- The four stages of formal group development.

Kinds of formal groups

Formal groups are commonly divided into command groups and task groups. Command groups are formal groups that are out lined on the chain of command on an organization chart. They typically handle routine organizational activities.

Task groups are formal groups of organization members who interact with one another to accomplish most of the organization's non routine tasks. Although task groups are usually made up of members on the same organizational level, they can consist of people from different levels in the organizational hierarchy. For example, a manager might establish a task group to consider the feasibility of manufacturing some new product and include representatives from various levels of such organizational areas as production, market research, and sales.

Examples of formal groups Tow formal groups that are often established in organizations are committees and work teams. Committees are the more traditional formal group; work teams have only recently gained acceptance and support on U.S. Organizations. Because the part of this text dealing with the managerial function of organizing emphasized command groups, however, the examples here emphasize task groups.

Committees. Sine a committee is a group of individuals charged with performing some type of specific activity, it is usually classified as a task group. From a managerial viewpoint, there are four major reason for establishing committees:

1- To allow organization members to exchange ideas.
2- To generate suggestions and recommendations that can be offered to other organizational units.
3- To develop new ideas for solving existing organizational problems.
4- To assist in the development of organizational policies.

Committees exist in virtually all organizations and at all organizational levels.

Why managers should use committees. Managers generally agree that committees have several uses in organizations.

- Committees can improve the quality of decision making. As more people become involved in making a decision, the strengths and weaknesses of various alternatives tend to be discussed in greater detail and the chances of reaching a higher – quality decision increase.
- Committees encourage the expression of honest opinions. Committee members feel protected enough to say what they really think because the group output of a committee cannot be associated with any one member of that group.

- Committees also tend to increase organization member's participation in decision making and thereby enhance the chances of widespread support of decision. Another result of this increased participation is that committee members satisfy their social or esteem needs through committee work.
- Finally, committees ensure the representation of important groups in the decision – making process. Managers must choose committee members wisely, how – ever, to achieve appropriate representation, for if a committee does not adequately represent various interest groups, any decision it comes to many well be counter to the interests of some important organizational group.

(2)Informal groups

Informal groups, the second major kind of group that can exist within an organization, are groups that develop naturally as people interact. An informal group is defined as a collection of individuals whose common work experiences result in the development of a system of interpersonal relations that extend beyond those established by management.

Kinds of informal groups

Informal groups generally are divided into two types' interest groups and friendship groups. Interest groups are informal groups that gain and maintain membership primarily because of a common concern members have about a specific issue. An example is a group of workers pressing management for better pay or working conditions. Once the interest or concern that instigated the formation of the informal group has been eliminated, the group will probably disband.

As its name implies, friendship groups are informal groups that form in organizations because of the personal affiliation members have with one another. Such personal factors as recreational interests, race, gender, and religion serve as foundations for friendship group. As with interest groups, the membership of friendship groups tends to change over time. Here, however, membership changes as friendships dissolve or new friendship are made.

Benefits of informal Group Membership Informal groups tend to develop in organizations because of various benefits that group members obtain:

1- Perpetuation of social and cultural values that group members consider important.
2- Status and social satisfaction that people might not enjoy without group membership.
3- Increased ease of communication among group members.
4- Increased desirability of the overall work environment.

These benefits may by one reason that employees who are on fixed shifts or who continually work with the same groups tend to be more satisfied with their work than employees whose shifts are continually changing.

Managing work groups

To manage work group effectively, managers must simultaneously consider the effects of both formal and informal group factors on organizational productivity. This consideration requires two steps:

1- Determining group existence.
2- Understanding the evolution of informal groups.

Determining group existence

The most important step that managers need to take in managing work groups is to determine what informal groups exist within the organization and who their members are. Sociometry is an analytical tool manager can use to do this. They can also use sociomentry to get information on the internal workings of an informal group, including the identity of the group leader, the relative status of group members, and the group's communication networks. This information on informal groups, combined with an understanding of the established formal groups shown on the organization chart, will give managers a complete picture of the organization's group structure.

Sociometric analysis

The procedure for performing a sociometric analysis in an organization is quite basic. Various organization members simply are asked, through either an interview or a questionnaire, to name several other organization members with whom they would like to spend free time. A sociogram is then constructed to summarize the informal relationships among group members. Sociograms are diagrams that visually link individuals within the population queried according to the number of times they were chosen and whether the choice was reciprocated.

Applying the sociogram model

Sociometric analysis can give managers many useful insights concerning the informal group within their organization. Managers who do not want to perform a formal sociometric analysis can at least casually gather information on what form a sociogram might take in a particular situation. They can pick up this information through normal conversations with other organization members as well as through observations of how various organization members relate to one another.

Understanding the evolution of informal groups

As we have seen, the first prerequisite for managing groups effectively knows what groups exist within an organization and what characterizes the membership of those groups. The second prerequisite understands how informal groups evolve. This understanding will give managers some insights on how to encourage the development of appropriate informal groups that is, groups that support the attainment of organizational objectives and whose members maintain good relationships with formal work groups within the organization.

Humans' model

Perhaps the most widely accepted framework for explaining the evolution of informal groups was developed by George Homans.according to Homans, the informal group is established to provide satisfaction and growth for its members. At the same time, the sentiments, interactions, and activities that emerge within an informal group result from the sentiments, interactions. And activities that already exist within a formal group. Given these two premises, it follows that feedback on the functioning of the informal group can give managers ideas about how to modify the formal group so as to increase the probability that informal group members will achieve the satisfaction and growth they desire. The ultimate consequence will be to reinforce the solidarity and productiveness of the formal group – to advantage of the organization.

Applying the humans model

To see what Homans concept involves. Suppose that 12 factory workers are members of a formal work group that manufactures toasters. According to Homans, as workers interact to assemble toasters, they might discover common personal interests that encourage the evolution of one or more informal group that maximize the satisfaction and growth of their members. Once established, these informal groups will probably resist changes in the formal work group that threaten the satisfaction and growth of the informal group's members. On the other hand, modification in the formal work group that enhances the satisfaction and growth of the informal group's members will tend to be welcomed.

Teams

The preceding sections of this chapter discussed groups – what t, what kinds exist in organizations, and how such groups should be managed. This section focuses on a special type of group: teams. It covers the following topics:

1- The difference between groups and teams.
2- The types of teams that exist in organizations.
3- The stages of development that teams go through.
4- What constitutes an effective team.
5- The relationship between trust and trust and team effectiveness.

Groups versus teams

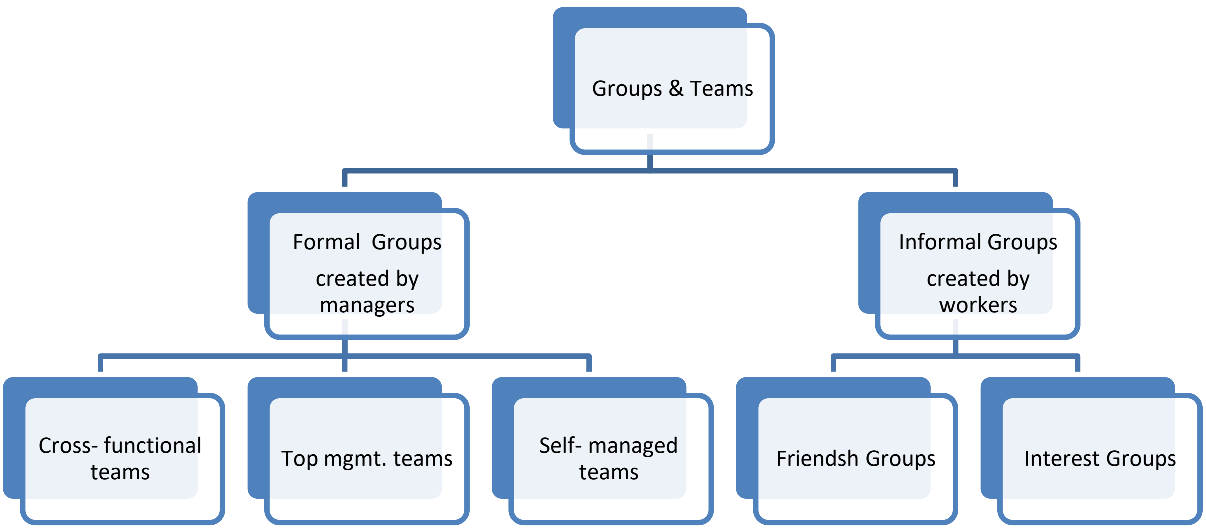
The terms group and team are not synonymous. As we have seen, a group consists of any number of people who interact with one another, are psychologically aware of one another, and think of themselves as a group. A team is a group whose members influence one another toward the accomplishment of an organizational objective(s).

Not all groups in organizations are teams, but all teams are groups. A group qualifies as a team only if its members focus on helping one another to accomplish organizational objectives. In today's quickly changing business environment, teams have emerged as a requirement for success. Therefore, good managers constantly try to help groups become teams. This part of the chapter provides insights on how managers can facilitate the evolution of groups into teams.

The text has defined "team" and emphasized the difference between a group and a team. The following CUTTING EDGE feature discusses a new type of organizational team made possible by the acquisition of advanced technology by organizations – the virtual team.

- Takes time for members to work together.
- Teams can improve organizational performance.

Figure (16)



Types of teams in organizations

Organizational teams take many different forms. The following sections discuss three types of teams commonly found in today's organizations: problem- solving teams, self-managed teams, and cross- functional teams.

Problem- solving teams': management confronts many different organizational problems daily. Examples are: production systems that aren't manufacturing products at the desired levels of quality, workers who appear to be listless and uninvolved, and managers who are basing their decisions on inaccurate information.

For assistance in solving such formidable problems, management commonly establishes special teams. A team set up to help eliminate a specified problem within the organization is called a problem- solving team. The typical problem – solving team has 5 to 12 members and is formal to discuss ways to improve quality in all phases of the organization, to make organizational process more efficient, or to improve the overall work environment.

After the problem- solving team reaches a consensus, it makes recommendations to management about how to deal with the specified problem. Management may respond to the team's recommendations by requesting further information to assess them. Once the problem that management asked the problem-solving team to address has been solved, the team is generally disbanded.

Self-Managed Teams: the self- managed team sometimes called a self – managed work group or self – directed team is a team that plans, organizes, influences, and controls its own work situation with only minimal intervention and direction from management. This creative team design involves a highly integrated group of several skilled individuals who are cross – trained and have the responsibility and authority to perform some specified activity.

Activities typically carried out by management in a traditional work setting- creating work schedules, establishing work pace and breaks, developing vacation schedules, evaluating performance, determining the level of salary increases and rewards received by individual workers, and ordering materials to be used in the production process – are instead carried out by members of the self- managed team. Generally responsible for whole tasks as opposed to "parts" of a job, the self – managed team is an important new way of structuring, managing, and rewarding work. Since these teams require only minimum management attention, they free managers to pursue other management activities like strategic planning.

Reports of successful self –managed work teams are plentiful. These teams are growing in popularity because today's business environment seems to require such work teams to solve complex problems independently, American workers have come to expect more freedom in the workplace, and the speed of technological change demands that employees be able to adapt quickly. Not all self- managed teams are successful of course. To ensure the success of a self- managed team, the manager should carefully select and properly train its members.

Cross- functional teams A Cross- functional team is a work team composed of people from different functional areas of the organization – marketing finance, human resources, and operations, for example – who are all focused on a specified objective. Cross- functional teams may or may not be self-managed, though self- managed teams are generally cross-functional. Because cross- functional team members are from different departments within the organization, the team possesses the expertise to coordinate all the department activities within the organization that impact its own work.

Some examples of cross- functional teams are: teams are: teams established to choose and implement new technologies throughout the organization, teams formed to improve marketing effectiveness within the organization, and teams established to control product costs.

This section discussed three types of teams that exist in organizations: problem- solving, self- directed, and cross-functional. It should be noted here that managers can establish various combinations of these three types of teams. Illustrates some possible combinations that managers could create. For example, a in the figure represents a team that is problem – solving, self- directed, and cross- functional, while represents one that is problem- solving, but neither cross- functional nor self- directed.

Before establishing a team, managers should carefully study their own unique organizational situation and set up the type of team that best suits that situation.

The text describes different types of teams that are found in organizations. The following people perspectives feature illustrates the need for managers to empower work teams if they want them to be successful.

Stages of team development

More and more modern managers are using work teams to accomplish organizational tasks. Simply establishing such a team, however, does not guarantee it will be productive. In fact, managers should be patient when an established work team isn't initially productive, for teams generally need to pass through several developmental stages before they become productive. Managers must understand this developmental process so they can facilitate it. The following sections discuss the various stages a team usually must pass through before it becomes fully productive.

Forming

Forming is the first stage of the team development process. During this stage, members of the newly formed team become oriented to the team and acquainted with one another. This period is characterized by the exploration of issues related to their new job situation, such as what is expected of them, who has what kind of authority within the team, what kind of people are team members, and what skills team members possess.

The forming stage of team development is usually characterized by uncertainty and stress. Recognizing that team members are struggling to adjust to their new work situation and to one another, managers should be tolerant of lengthy informal discussions exploring team specifics and not regard them as time wasters. The newly formed team must be allowed an exploratory period if it is to become truly productive.

Storming

After a team has formed, it begins to storm. Storming, the second stage of the team development process is characterized by conflict and disagreement as team members become more assertive in clarifying their individual roles. During this stage, the team seems to lack unity because members are continually challenging the way the team functions.

To help the team progress beyond storming, managers should encourage team members to feel free to disagree with any team issues and to discuss their own views fully and honestly. Most of all, managers should urge team members to arrive at agreements that will help the team reach its objectives.

Norming

When the storming stage ends, norming begins. Norming, the third stage of the team development process, is characterized by agreement among team members on roles, rules, and acceptable behavior while working on the team. Conflicts generated during the storming stage are resolved in this stage.

Managers should encourage teams that have entered the norming stage to progress toward developing team norms and values that will be instrumental in building a successful organization. The process of determining what behavior is and not acceptable within the team is critical to the work team's future productivity.

Performing

The fourth stage of the team development process is performing. At this stage, the team fully focuses on solving organizational problems and on meeting assigned challenges. The team is now productive: after successfully passing through the earlier stages of team development. It knows itself and has settled on team roles, expectations, and norms.

During these stage managers should recognize the team's accomplishments regularly, for productive team behavior must be reinforced to enhance the probability that it will continue in the future.

Adjourning

The fifth, and last, stage of the team development process is known as adjourning. Now the team is finishing its job and preparing to disband. This stage normally occurs only in teams established for some special purpose to be accomplished in a limited time period. Special committees and task groups are examples of such teams. During the adjourning stage, team members generally feel disappointment that their team is being broken up because disbandment means the loss of personally satisfying relationships and/or an enjoyable work situation.

During this phase of team development, managers should recognize team members' disappointment and sense of loss as normal and assure them that other challenging and exciting organizational opportunities await them. It is important that management then do everything necessary to integrate these people into new teams or other areas of the organization.

Although some work teams do not pass through every one of the development stages just described, understanding the stages of forming, storming, norming, performing and adjourning will give managers many useful insights on how to build productive work teams, above all, managers must realize that new teams are different from mature teams and that their challenge is to build whatever team they are in charge of into a mature, productive work team.

Team effectiveness

Earlier in this chapter, teams were defined as groups of people who influence one another to reach organizational targets. It is easy to see why effective teams are critical to organizational success. Effective teams are those that come up with innovative ideas, accomplish their goals, and adapt to change when necessary. Their individual members are highly committed to both the team and organizational goals. Such teams are highly valued by upper management and recognized and rewarded for their accomplishments.

Note the figure's implications for the steps managers need to take to build effective work teams in organizations. People-related steps include:

1- Trying to make the team's work satisfying.
2- Developing mutual trust among team members and between the team and management.
3- Building good communication- from management to the team as well as within the team.
4- Minimizing unresolved conflicts and power struggles within the team.
5- Dealing effectively with threats toward and within the team.
6- Building the perception that the jobs of team members are secure.

Organization- related steps managers can take to build effective work teams include:

1- Building a stable overall organization or company structure that team members view as secure.
2- Becoming involved in team events and demonstrating interest in team progress and functioning.
3- Properly rewarding and recognizing teams for their accomplishments.
4- Setting stable goals and priorities for the team.

Finally, managers can build effective work teams by taking six tasks – related steps:

1- Developing clear objective, directions, and project plan for the team.
2- Providing proper technical direction and leadership for the team.
3- Establishing autonomy for the team and challenging work within the team.

4- Appointing experienced and qualified team personnel.
5- Encouraging team involvement.
6- Building visibility within the organization for the team's work.

Trust and effective teams

Probably the most fundamental ingredient of effective teams is trust. Trust is belief in the reliance, ability, and integrity of another. Unless team members trust one another, the team leader, and management, managers may well find that building an effective work team is impossible.

Today there is significant concern that management is not inspiring the kind of trust that is essential to team effectiveness. In fact, subordinates trust in their managers is critically low, and employee opinion polls indicate that it may well decline even further in the future.

Management urgently needs to focus on reversing this trend. There are many strategies managers can use to build trust within groups:

- Communicate often to team members. This is a fundamental strategy. Keeping team members informed of organizational news, explaining why certain decisions have been made, and sharing information about organizational operations are examples of how managers should communicate to team members.
- Show respect for team members. Managers need to show team members that they are highly valued. They can demonstrate their respect for team members by delegating

tasks to them, listening intently to feedback from the group, and acting on it appropriately.

- Be fair to team members. Team members must receive the rewards they have earned. Managers must therefore conduct fair performance appraisals and objectively allocate and distribute rewards. It should go without saying that showing favoritism in this area sows mistrust and resentment.
- Be predictable. Managers must be consistent in their actions. Team members should usually be able to forecast what decisions management will make before those decisions are made. Moreover, managers must live up to commitments made to team members. Managers who make inconsistent decisions and fail to live up to commitments will not be trusted by teams.
- Demonstrate competence. To build team trust, managers must show team members that they are able to diagnose organizational problems and have the skill to implement solutions to those problems. Team members tend to trust managers they perceive as competent and distrust those they perceive as incompetent.

Corporate culture

Chapter 6

Communication

Communication is the process of sharing information with other individuals. Information, as used here, is any thought or idea that managers desire to share with other individuals. In general, communication involves one person projecting a message to one or more other people that results in everyone's arriving at a common understanding of the message. Because communication is a commonly used management skill and ability and it is often cited as the skill most responsible for a manager's success, prospective managers must learn how to communicate. To help managers become better interpersonal communicators, new communication training techniques are constantly being developed and evaluated.

The communication activates of managers generally involve interpersonal communication – sharing information with other organization members. The following sections feature both the general topic of interpersonal communication and the more specific topic of interpersonal communication in organizations.

Interpersonal communication

To be a successful interpersonal communication, a manager must understand the following:

1- How interpersonal communication works
2- The relationship between feedback and interpersonal communication.

3- The importance of verbal versus nonverbal interpersonal communication.

How interpersonal communication works Interpersonal communication is the process of transmitting information to others. To be complete, the process must have the following three basic elements:

1- The source/encoder. The source/encoder is the person in the interpersonal communication situation who originates and encodes information to be shared with another person or persons. Encoding is putting information into a form that can be received and understood by another individual. Putting one's thoughts into a letter is an example of encoding. Until information is encoded, it cannot be shared with others.
2- The signal. Encoded information that the source intends to share constitutes a message. A message that has been transmitted from one person to another is called a signal.
3- The decoder/destination. The decoder/destination is the person or persons with whom the source is attempting to share information. This person receives the signal and decodes, or interprets, the message to determine its meaning. Decoding is the process of converting messages back into information. In all interpersonal communication situations, message meaning is a result of decoding.

Importance of Good Communication

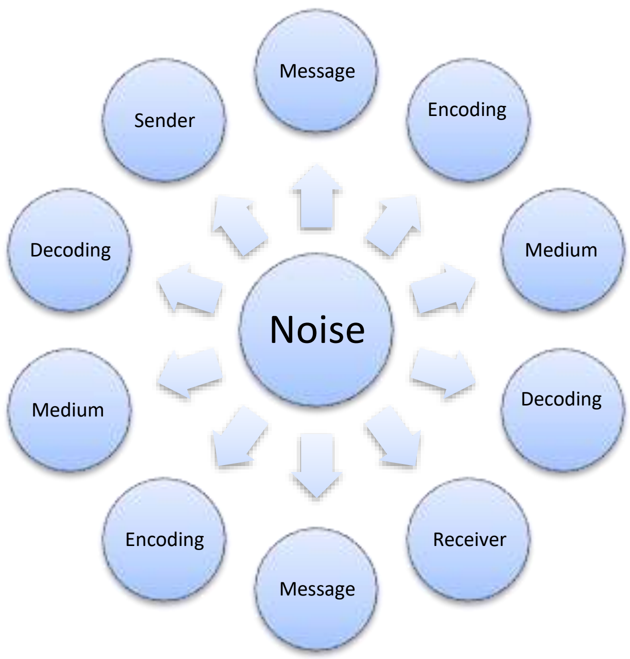
- **Good Communication allows a firm to**
  - Learn new skills and technologies.

- Become more responsive to customers.
- Improve Quality of their product or service.
- Foster innovation.

- **Effective communication is needed by all Managers.**

Figure (17)

The Communication Process



Feedback Phase

- Communication consists of two phases:

1. **Transmission phase:** information is shared by 2 or more people.

2**. Feedback phase:** a common understanding is assured.

- Starts with the Sender who wants to share information.
    - Sender must decide on a message to share
    - Sender also puts the message into symbols or language, a process called encoding.
- Noise: anything harming the communication process.
  - Messages are transmitted over a medium to a receiver.
    - **Medium:** pathway the message is transmitted on (phone, letter).
    - **Receiver:** person getting the message.
  - Receiver next decodes the message.
    - **Decoding** allows the receiver to understand the message.
    - This is a critical point, can lead to mis-understanding.
  - Feedback is started by receiver and states that the message is understood or that it must be re-sent.

Communication Issues

- **Encoding** of messages can be done verbally or non-verbally
  - **Verbal:** spoken or written communication.

        - **Nonverbal:** facial gestures, body language, dress.

- Sender and receiver communicate based on their **perception**.
    - Subjective perception can lead to biases and stereotypes that hurt communication.
    - Effective Managers avoid communicating based on a pre-set belief.

<u>Dangers of Ineffective Communication</u>

- Managers spend most of their time communicating so both they and the subordinates must be effective communicators. To be effective:
- Select an **appropriate medium** for each message.
        - There is no one "best" medium.
    - Consider **information richness**: the amount of information a medium can carry.
        - Medium with high richness can carry much information to aid understanding.
    - Is there a need for a **paper/electronic trail** to provide documentation?

Communication Media

Face-to-Face: highest information richness.

- Can take advantage of verbal and nonverbal signals.
- Provides for instant feedback.
  - Management by wandering around takes advantage of this with informal talks to workers.
- **Video Conferences**: provide much of this richness.
  - Reduce travel costs and meeting times.

- **Verbal Communication electronically transmitted**: has next highest richness.
  - Phone conversations, but no visual nonverbal cues.
    - Do have tone of voice, sender's emphasis and quick feedback.

Communication Media

Personally Addressed Written Communication: lower richness than the verbal forms, but still is directed at a given person.

- Personal addressing helps ensure receiver reads it.

- Letters and e-mail are common forms.

- Cannot provide instant feedback to sender but can get feedback later.

  - Excellent for complex messages needing follow-up.

- **Impersonal Written Communication:** lowest richness.

  - Good for messages to many receivers. Little feedback is expected.

    - Newsletters, reports are examples.

E-Mail Trends

- **E-mail** use is growing rapidly in large firms, and there are even special e-mail etiquette:

  - Words in all **CAPITALS** are seen as "screaming" at the receiver.

  - **Punctuate your messages** for easy reading and don't ramble on.

  - Pay **attention to spelling** and treat like a written letter.

- E-mail has allowed telecommuting, where workers can work from home and be in touch with e-mail.

Communication Networks

Networks show information flows in an organization.

- **Wheel Network:** information flow to and from one central member.
- **Chain Network:** members communicate with people next to them in sequence.
  - Wheel and Chain networks provide for little interaction.
- **Circle Network:** members communicate with others close to them in terms of expertise, office location, etc.
- **All-Channel Network:** found in teams, with high levels of communications between each member and all others.

Organization Communication Networks

Organization chart depicts formal reporting channels.

- **Communication is informal** and flows around issues, goals, and projects.
- **Vertical Communication:** goes up and down the corporate hierarchy.
- **Horizontal Communication:** between employees of the same level.
  - Informal communications can span levels and departments.

- **Grapevine:** informal network carrying unofficial information through the firm.

Technological Advances

- **Internet**: global system of computer networks

Many firms use it to communicate with suppliers.

- **World Wide Web (WWW):** provides multimedia access to the Internet.
- **Intranets**: use the same information concepts as the Internet, but keep the network inside the firm.
- **Groupware**: software designed to let workers share information and improve communication.

Best for team oriented support.

Communication Skills for Managers as Senders

- Send clear and complete messages.
- Encode messages in symbols the receiver understands.
- Select a medium appropriate for the message AND monitored by the receiver.
- Avoid filtering (holding back information) and distortion as the message passes through other workers.

- Provide accurate information to avoid rumors.

Communication Skills for Managers as Receivers

- **Pay Attention** to what is sent as a message.
- **Be a good listener:** don't interrupt.
  - Ask questions to clarify your understanding.
- **Be empathetic:** try to understand what the sender feels.
- **Understand linguistic styles:** different people speak differently.
  - Speed, tone, pausing all impact communication.
  - This is particularly true across cultures.
  - Managers should expect and plan for this.

Achieving communication effectiveness. In general, managers can sharpen their communication skills by adhering to the following "ten commandments of good communication" as closely as possible:

1- Seek to clarify your ideas before communicating. The more systematically you analyze the problem or idea to be communicated, the clearer it becomes. This is the first step toward effective communication. Many communications fail because of inadequate planning. Good planning must consider the goals and attitudes of those who will receive the communication and those who will be affected by it.

2- Examine the true purpose of each communication. Before you communicate, ask yourself what you really want to accomplish with your message – obtain information, initiate action, change another person's attitude. Identify your most important goal and then adapt your language, tone and total approach to serve that specific objective. Don't try to accomplish too much with each communication. The sharper the focus of your message, the greater its chances of success.

3- Consider the total physical and human setting whenever you communicate. Meaning and intent are conveyed by more than words alone. Many other factors influence the overall impact of a communication, and managers must be sensitive to the total setting in which they communicate. Consider, for example, your sense of timing – that is, the circumstances under which you communicate in private or otherwise, for example, the social climate that pervades work relationships within your company or department and sets the tone of its communications, custom and practice – the degree to which your communication conforms to, or departs from, the expectations of your audience. Be constantly aware of the total setting in which you communicate. Like all living things, communication must be capable of adapting to its environment.

4- Consult with other, when appropriate, in planning communication. Frequently, it is desirable or necessary to seek the participation of others in planning a communication or in developing the facts on which to base the communication. Such consultation often lends additional insight and objectivity to your message. Moreover, those who have helped you plan your communication will give it their active support.
5- Be mindful while you communicate of the overtones rather than merely the basic content of your message. Your tone of voice, your expression, your apparent receptiveness to the responses of others – all have a significant effect on those you wish to reach. Frequently overlooked, these subtleties of communication often affect a listener's reaction to a message even more than its basic content. Similarly, your choice of language – particularly your awareness of the fine shades of meaning and emotion in the words you use – predetermines in large part the reactions of your listeners.
6- Take the opportunity, when it arises, to convey something of help or value to the receiver. Consideration of the other person's interests and needs – trying to look at things from the other person's point of view - frequently points up opportunities to convey something of immediate benefit or long – range value to the other person. Subordinates are most responsive to managers whose messages take the subordinates, interests into account.

7- Follow up your communication. Your best efforts at communication may be wasted, and you may never know whether you have succeeded in expressing your true meaning and intent, if you do not follow up to see how well you have put your message across. You can do this by asking questions, by encouraging the receiver to express his or her reactions, by follow – up contacts, and by subsequent review of performance. Make certain that you get feedback for every important communication so that complete understanding and appropriate action result.

8- Communication for tomorrow as well as today. Even though communications may be aimed primarily at meeting the demands of an immediate situation, they must be planned with the past in mind if they are to be viewed as consistent by the receiver. Most important, however, communications must be consistent with long – range interests and goals. For example, it is not easy to communicate frankly on such matters as poor performance or the shortcomings of a loyal subordinate, but postponing disagreeable communications makes these matters more difficult in the long run and is actually unfair to your subordinates and your company.

9- Be sure your actions support your communication. In the final analysis, the most persuasive kind of communication is not what you say, but what you do. When your actions or attitudes contradict your words, others tend to discount what you have said. For every manager, this means that good supervisory practices – such as clear assignment of responsibility and authority, fair rewards for effort, and sound policy enforcement – communicate more than all the gifts of oratory.

10- Last, but by no means least. Seek not only to be understood but also to understand - be a good listener. When you start talking, you often cease to listen, at least in that larger sense of being attuned to the other person's unspoken reactions and attitudes. Even more serious is the occasional inattentiveness you may be guilty of when others are attempting to communicate with you. Listening is one of the most important, most difficult, and most neglected skills in communication. It demands that you concentrate, not only on the explicit meanings another person is expressing, but also on the implicit meanings, unspoken words, and undertones that may be far more significant.

Verbal and Nonverbal interpersonal communication Interpersonal communication is generally divided into two types: verbal and nonverbal. Up to this point, the chapter has emphasized verbal communication – communication that uses either spoken or written words to share information with others.

Nonverbal communication is the sharing of information without using words to encode thoughts. Factors commonly used to encode thoughts in nonverbal communication are gestures, vocal tones, and facial expressions. In most interpersonal communication, verbal and nonverbal communications are not mutually exclusive. Instead, the destination's in the message and on such nonverbal factors as the source's gestures and facial expressions.

The importance of nonverbal communication. In an interpersonal communication situation in which both verbal and nonverbal factors are present, nonverbal factors may have more influence on the total effect of the message. Over two decade's age, Albert Meth Rabin developed the following formula to show the relative contributions of verbal and nonverbal factors to the total effect of a message: Total message impact = .07 words + .38 vocal tones+ .55facial expressions. Other nonverbal factors besides vocal tones that can influence the effect of a verbal message are facial expressions, gestures, gender, and dress. Managers who are aware of this great potential influence of nonverbal factors on the effect of their communications will use nonverbal message ingredients to complement their verbal message ingredients whenever possible.

Nonverbal messages can also be used to add content to verbal messages. For instance, a head might be nodded or a voice toned to show either agreement or disagreement.

Managers must be especially careful when they are communicating that verbal and nonverbal factors do not present contradictory messages. For example, if the words of a message express approval while the nonverbal factors express disapproval, the result will be message ambiguity that leaves the destination frustrated.

Managers who are able to communicate successfully through a blend of verbal and nonverbal communication are critical to the success of virtually every organization. In fact, a recent survey of corporate recruiters across the United States commissioned by the Darden Graduate School of Business at the University of Virginia revealed that the skill organizations most seek in prospective employees is facility at verbal and nonverbal communication.

Interpersonal communication in organizations

To be effective communicators, managers must understand not only general interpersonal communication concepts but also the characteristics of interpersonal communication within organizations, or organizational communication. Organizational communication directly relates to the goals, functions, and structure of human organizations. To a major extent, organizational success is determined by the effectiveness of organizational communication.

Although organizational communication was frequently referred to by early management writers, the topic did not receive systematic study and attention until after World War II. From World War II to the 1950s, the discipline of organizational communication made significant advances in such areas as mathematical communication theory and behavioral communication theory, and the emphasis on organizational communication has grown stronger in colleges of business throughout the nation since the 1970s. The following sections focus on three fundamental organizational communication topics:

1- Formal organizational communication.
2- Informal organizational communication.

3- The encouragement of formal organizational communication.

Formal organizational communication In general, organizational communication that follows the lines of the organization chart is called formal organizational communication.

Types of formal organizational communication. There are three basic types of formal organizational communication:

1- Downward
2- Upward
3- Lateral

Downward organizational communication is communication that flows from any point on an organization chart downward to another point on the organization chart. This type of formal organizational communication relates primarily to the direction and control of employees. Job- related information that focuses on what activities are required, when they should be performed, and how they should be coordinated with other activities within the organization must be transmitted to employees. This downward communication typically includes a statement of organizational philosophy, management system objective, position descriptions, and other written information relating to the importance, rationale, and interrelationships of various departments.

Upward organizational communication is communication that flows from any point on an organization chart upward to another point on the organization chart. This type of organizational communication contains primarily the information managers need to evaluate the organizational area for which they are responsible and to determine if something is going wrong within it. Techniques that managers commonly use to encourage upward organizational communication are informal discussions with employees, attitude surveys, the development and use of grievance procedures, suggestion systems, and an "open door" policy that invites employees to come in whenever they would like to talk management. Organizational modifications based on the feedback provided by upward organizational communication enable a company to be more successful in the future.

Lateral organizational communication is communication that flow from any point on an organization chart horizontally to another point on the organization chart. Communication that flows across the organization usually focuses on coordinating the activities of various departments and developing new plans for future operating periods. Within the organization, all departments are related to all other departments. Only through lateral communication can these departmental relationships be coordinated well enough to enhance the attainment of management system objectives.

The text states that the three basic types of formal communication within an organization are downward, upward, and lateral. The following CUTING EDGE feature suggests that another type of communication is important to managers: communication with individuals outside the organization.

Patterns of formal organizational communication.

By its very nature, organizational communication creates patterns of communication among organization members. These patterns evolve from the repeated occurrence of various serial transmissions of information. According to Haney, a serial transmission involves passing information from one individual to another in a series. It occurs under the following circumstances:

Informal organizational communication

Encouraging formal organizational communication

Since the organization acts only in the way that it's organizational communication directs it to act, organizational communication is often called the nervous system of the organization. Formal organizational communication is generally the more important type of communication within an organization, so managers should encourage its free flow.

One strategy for doing this is to listen attentively to messages that come through formal channels. Listening shows organization members that the manager is interested in what subordinates have to say and encourages them to use formal communication channels in subsequent situations.

Some other strategies to encourage the flow of formal organizational communication are as follows:

- Support the flow of clear and concise statements through formal communication channels. Receiving an ambiguous message through a formal organizational communication channel can discourage employees from using that channel again.

- Take care to ensure that all organization members have free access to formal communication channels. Obviously, organization members cannot communicate formally within the organization if they don't have access to the formal communication network.
- Assign specific communication responsibilities to staff personnel who could be of enormous help to line personnel in spreading important information throughout the organization.

Key Communication Skills

- Listening Skills.
- Feedback Skills.
- Presentation skills.

Stages of the Listening Process

- Hearing.
- Focusing on the message.
- Comprehending and interpreting.
- Analyzing and Evaluating.
- Responding.
- Remembering.

Developing Effective Feedback Skills

- Focus on specific behaviors.
- Keep feedback impersonal.

- Keep feedback goal oriented.
- Make feedback well timed.
- Ensure understanding.
- Direct feedback toward behavior that is controllable by the recipient.

Presentation Skills

Ideas, concepts or issues talked about or spoken to a group or audience

Public speaking is one of the most feared things

“I could make such a fool of myself”

Skills required to give a good presentation can be developed

Preparation is the Key

Chapter 7

Organizational conflict, policies, and change

Conflict exists in situations where goals, interests or values of people are incompatible and they block other's efforts to achieve their goals.

Some level of conflict is inevitable given the wide range of goals in a firm.

- Some conflict is good for organizational performance.
- Too much causes managers to spend much time responding to conflict.

Types of Conflict

(1) **Interpersonal Conflict:** between individuals based on differing goals or values.

(2) **Intragroup Conflict:** occurs within a group or team.

(3) **Intergroup Conflict:** occurs between 2 or more teams or groups.

- Managers play a key role in resolution of this conflict

(4) **Interorganizational Conflict:** occurs across organizations.

- Managers in one firm may feel another is not behaving ethically.

Sources of Conflict

(1) **Different goals and time horizons**: different groups have differing goals.

- Production focuses on efficiency; Marketing on sales.

(2) **Overlapping authority**: two or more managers claim authority for the same activities.

- Leads to conflict between the managers and workers.

(3) **Task Interdependencies**: one member of a group fails to finish a task that another depends on.

- This makes the worker that is waiting fall behind.

(4) **Incompatible Evaluation or reward system**: workers are evaluated for one thing, but are told to do something different.

- Groups rewarded for low cost but firm needs higher service.

(5) **Scarce Resources**: managers can conflict over allocation of resources.

- When all resources are scarce, managers can fight over allocations.

(6) **Status inconsistencies**: some groups have higher status than others.

- Leads to managers feeling others are favored.

Resolving Conflicts

(1) **Functional Conflict Resolution**: handle conflict by compromise or collaboration between parties.

- **Compromise:** each party concerned about their goal accomplishment and is willing to engage in give and take to reach a reasonable solution.
- **Collaboration:** parties try to handle conflict without making concessions by coming up with a new way to resolve differences.

(2) Managers also need to address **individual sources** of conflict.

Managing Individual Conflict

(1) Increase awareness of the **source of conflict**

- Can conflict source can be found and corrected?

(2) Increase **diversity awareness** and skills

- Older workers may resent younger workers, or experience cultural differences.

(3) Practice **Job Rotation & Temporary assignments**

- Provides a good view of what others face.

(4) Use **permanent transfers & dismissal** if needed

- Avoids problem interaction.

(5) **Change organization's structure**

- Conflict can signal the need to adjust the structure.

Conflict Solutions

(1) **Alter the source of conflict**:

- If due to overlapping authority, managers fix the problem to change the source.

(2) **Negotiation**: use when parties have equal power.

- Parties try and find a **common ground** by considering various alternatives.
- **Distributive negotiation:** parties see there is a fixed resource base.
  - For them to gain, the other must lose.
- **Integrative negotiation:** parties can increase total resources by coming up with a new solution.
  - Information sharing, trust are common here.

Negotiation Strategies for Interactive Bargaining

(1) **Emphasize super ordinate Goals: these are goals both parties agree on.**

- Keeps the big picture in focus.

(2) **Focus on the problem, NOT the people: don't make it personal.**

- It is easy to dwell on people's shortcomings rather than problems.
- Once this occurs, people resist negotiation.

(3) **Focus on interests, not demands: demands are what you want; interests are why you want them.**

- Demands are confrontational and slow negotiations.

(4) **Create new options for joint gain: focusing on interests allows for new ideas to come forth.**

- Perhaps there is a new solution that can solve the issue.

(5) **Focus on what is fair: emphasizing fairness allows both parties to give a bit and agree.**

Organizational Politics

- **Organizational politics are the activities managers engage in to increase their power and use it to achieve their goals.**

- ***Political strategies**:* specific tactics used to increase power and use it effectively.
- Politics can be negative, but also is a positive force allowing needed change.
  - Everyone throughout the firm engages in politics
  - Political activity allows a manager to gain support for an idea.

Strategies for Increasing Power

(1)***Control Uncertainty**:* managers who can reduce uncertainty for the firm increase power.

(2)***Be Irreplaceable**:* develop valuable special knowledge or skills.

(3)***Be in a Central Position**:* managers have crucial control over the firm's activities. They increase their power and can influence others.

(4)***Generate Resources**:* managers who can hire skilled people or find financing.

(5)***Build Alliances**:* develop mutually beneficial relations with others inside and outside the organization.

(6)***Rely on Objective Information**:* impartial information causes others to feel the manager's course of action is correct.

(7) ***Bring in an Outside Expert****:* lends credibility to manager's proposal (when the expert agrees).

(8) ***Control the Agenda****:* influence those issues included (and those dropped) from the decision process.

(9) ***Make Everyone a Winner****:* everyone whose support is needed benefits personally from providing that support.

Managing Organizational Change

(1) **Assess need for change:** recognize a problem exists and find its source.

- Look inside and outside the firm for sources.

(2) **Decide on the change to make:** determine the ideal future state.

- Decide exactly what the future company will look like.
- What obstacles need to be changed to get there.

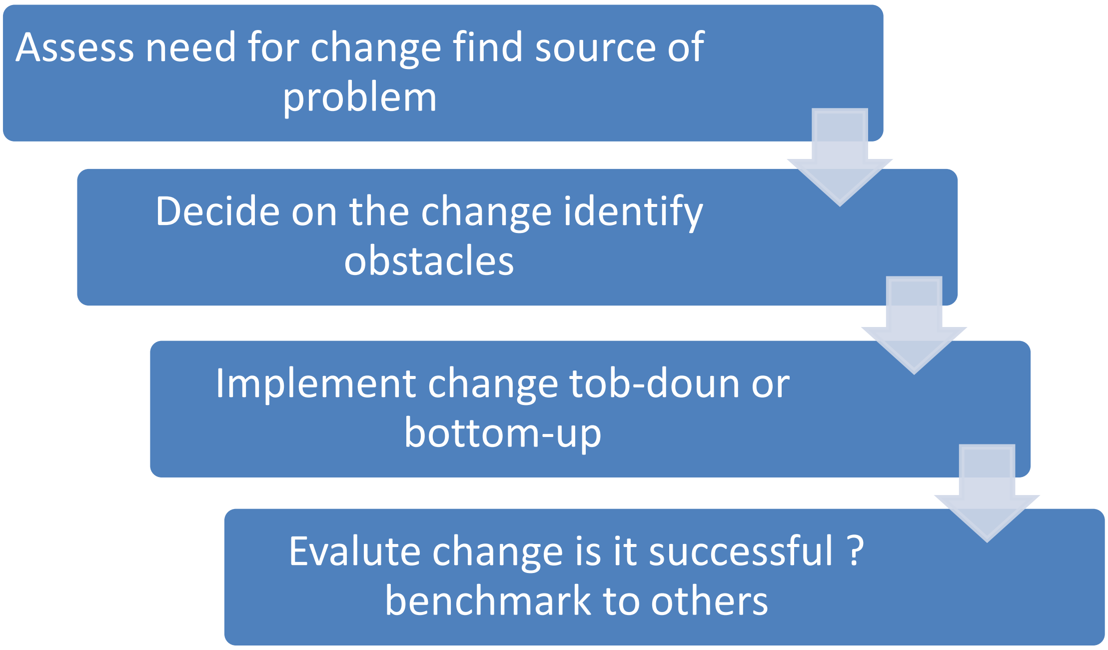
(3) **Implement the change:** a top-down change is quickest; bottom-up is more gradual.

- Bottom-up is more effective at eliminating obstacles.

(4)**Evaluate Change:** was it successful? Benchmark (compare) your change to others.

Figure (18)

Steps in the Organizational Change Process



Chapter 8
Work Motivation for Performance

- **Defined as the psychological forces within a person that determine:**

1) Direction of behavior in an organization;

2) The effort or how hard people work;

3) The persistence displayed in meeting goals.

  - **Intrinsic Motivation**: behavior performed for its own sake.
    - Motivation comes from performing the work.
  - **Extrinsic Motivation**: behavior performed to acquire rewards.
    - Motivation source is the consequence of an action.

Outcomes & Inputs

  - Regardless of the source of motivation, people seek outcomes.
    - **Outcome:** anything a person gets from a job.
      - Examples include pay, autonomy, and accomplishment.

- Organizations hire workers to obtain inputs:
    - **Input:** anything a person contributes to their job.
        - Examples include skills, knowledge, work behavior.
- Managers thus use outcomes to motivate workers to provide inputs.

Expectancy Theory

Developed by Victor Vroom and is a very popular theory of work motivation.

- **Vroom suggests that motivation will be high when workers feel:**
    - High levels of effort lead to high performance.
    - High performance will lead to the attainment of desire outcomes.
- **Consists of three areas:**
    - **Expectancy, Instrumentality, & Valence**.

Expectancy, Instrumentality, & Valence

- **Expectancy** is the perception that effort (input) will result in a level of performance.
    - You will work hard if it leads to high performance.

        - You would be less willing to work hard if you knew that the best you would get on a paper was a D regardless of how hard you tried.
        - **Instrumentality**: Performance leads to outcomes.
    - Workers are only motivated if they think performance leads to an outcome.
        - Managers should link performance to outcomes.
- **Valence**: How desirable each outcome is to a person.
    - Managers should determine the outcomes workers want most.

<u>High Motivation:</u>

- **According to the Expectancy Theory, high motivation results from high levels of Expectancy, Instrumentality, & Valence.**
    - If just one **value is low, motivation will be low**.
    - This means that even if desired outcomes are closely link to performance, the worker must feel the task is possible to achieve for high motivation to result.
    - Managers need to consider this relationship to build a high performance firm.

Need Theory

People are motivated to obtain outcomes at work to satisfy their needs.

- A **need** is a requirement for survival.
- To **motivate** a person:

1) Managers must determine what needs worker wants satisfied.

2) Ensure that a person receives the outcomes when performing well.

- Several needs theories exist.
  - Maslow’s Hierarchy of Needs.
  - Alderfer’s ERG.

Motivation-Hygiene Theory

Focuses on outcomes that can lead to high motivation, job satisfaction, & those that can prevent dissatisfaction.

- **Motivator needs:** related to nature of the work and how challenging it is.
  - Outcomes are autonomy, responsibility, and interesting work.

- **Hygiene needs:** relate to the physical & psychological context of the work.
    - Refers to a good work environment, pay, and job security.
    - When hygiene needs not met, workers are dissatisfied. Note: when met, they will NOT lead to higher motivation, just will prevent low motivation.

<u>Equity Theory</u>

- Considers worker's perceptions of the fairness of work outcomes in proportion to their inputs.
    - Adams notes it is the relative rather than the absolute level of outcomes a person receives.
        - The **Outcome/input** ratio is compared by worker with another person called a referent.
        - The referent is perceived as similar to the worker.
    - **Equity** exists when a person perceives their outcome/input ratio to be equal to the referent's ratio.
        - If the referent receives more outcomes, they should also give more inputs to achieve equity.

Equity Theory

Inequity

- **Inequity** exists when worker's outcome/input ratio is not equal to referent.
  - **Underpayment inequity:** ratio is less than the referent. Worker feels they are not getting the outcomes they should given inputs.
  - **Overpayment inequity**: ratio is higher than the referent. Worker feels they are getting more outcomes then they should given inputs.
- **Restoring Equity:** Inequity creates tension in workers to restore equity.

In underpayment, workers reduce input levels to correct.

Overpayment, worker can change the referent to adjust.

- If inequity persists, worker will often leave the firm.

Goal Setting Theory

- Focus worker's inputs in the direction of high performance & achievement of organizational goals.

- **Goal** is what a worker tries to accomplish.
    - Goals must be specific and difficult for high performance results.
    - Workers put in high effort to achieve such goals.
- Workers must accept and be committed to them.
    - Feedback on goal attainment also is important.
    - Goals point out what is important to the firm.
- Managers should encourage workers to develop action plans to attain goals.

Learning Theory

- Focuses on the linkage between performance and outcomes in the motivation equation shown in Figure 12.1.
    - **Learning**: permanent change in person’s knowledge or behavior resulting from practice or experience.
- **Operant Conditioning**: people learn to do things leading to desired outcomes and avoid doing things with adverse outcomes.

- Motivation can be increased by linking specific behaviors with specific outcomes.
  - Managers can use four tools of conditioning to motivate high performance.

Operant Conditioning Tools

- **Positive Reinforcement:** people get desired outcomes when they perform needed work behaviors.
  - **Positive reinforces**: pay raises, promotions.
- **Negative Reinforcement:** manager eliminates undesired outcomes once the desired behavior occurs.
  - Worker performs to avoid an undesired outcome (Work harder or you are fired).
- In both types of reinforcement, managers must be careful to link the right behaviors by workers to what the organization needs.

Operant Conditioning Tools

- **Extinction:** used when workers are performing behavior detrimental to the firm.
  - Manager does not reward the behavior and over time, the worker will stop performing it.

- **Punishment:** used when the manager does not control the reward the worker receives (perhaps it is outside the job).
    - Manager administers an undesired consequence to worker (verbal reprimands to pay cuts).
    - Punishment can lead to unexpected side-effects such as resentment, and should be used sparingly.

Organizational Behavior Modification

- **OB MOD** occurs when managers systematically apply the tools of operant behavior.
    - Shown to improve productivity, attendance, punctuality and other behaviors.
    - Works best for behaviors that are specific, objective and countable.
- Some managers argue it is over-control while others suggest it provides for high efficiency.
    - Both sides likely have valid points.

Social Learning Theory

- **Vicarious Learning:** or observational learning, occurs when a person is motivated to learn by watching someone else work and is rewarded.

        - People are motivated to imitate models that are highly competent, expert and receive attractive reinforces.

    - **Self- reinforces:** desired outcomes a person can give themselves.

        - Person can reward themselves for success.

    - **Self-efficacy:** refers to a person's belief about their ability to perform a behavior successfully.

        - People will only be motivated if they think they have the ability to accomplish the task.

<u>Pay and Motivation</u>

- Pay can help motivate workers.

Expectancy: pay is an instrumentality (and outcome), must be high for motivation to be high.

Need Theory: pay is used to satisfy many needs.

Equity Theory: pay is given in relation to inputs.

Goal Setting Theory: pay linked to goal attainment.

Learning Theory: outcomes (pay), is distributed upon performance of functional behaviors.

- Pay should be based on performance; many firms do this with a Merit Pay Plan.

Merit Pay

- Can be based on individual, group or organization performance.
  - **Individual Plan:** used when individual performance (sales) is accurately measured.
  - **Group Plan:** use when group works closely together and is measured as a group.
  - **Organization Plan:** When group or individual outcomes not easily measured.
- **Bonus has a higher impact** on motivation since
  - Salary level not related to current performance.
  - Other items (base salary, cost of living, seniority).
  - Salary rarely goes down and usually changes little.

Chapter 9

Human Resource Management

The phrase appropriate human resources refer to the individuals within the organization who make a valuable contribution to management system goal attainment. This contribution results from their productivity in the positions they hold. The phrase inappropriate human resources refer to organization members who do not make a valuable contribution to the attainment of management system objectives. For one reason or another, these individuals are ineffective in their jobs. Productivity in all organizations is determined by how human resources interact and combine to use all other management system resources. such factors as back ground, age, job – related experience, and level of formal education all play a role in determining how appropriate the individual is for the organization. Although then process of providing appropriate human resources for the organization is involved and somewhat subjective, the following section offers insights on how to increase the success of this process.

Human Resource Management includes all activities used to attract & retain employees and to ensure they perform at a high level in meeting organizational goals.

These activities are made up of

1. Recruitment & selection.

2. Training and development.

3. Performance appraisal and feedback.

4. Pay and benefits.

5. Labor relations.

HRM Components

- Component should be consistent with the others, organization structure, and strategy.

    (1) ***Recruitment:*** develop a pool of qualified applicants.

    - Selection: determine relative qualifications & potential for a job.

    (2) ***Training & Development:*** ongoing process to develop worker's abilities and skills.

    (3) ***Performance appraisal & feedback:*** provides information about how to train, motivate, and reward workers.

Managers can evaluate and then give feedback to enhance worker performance

(4) ***Pay and Benefits:*** high performing employees should be rewarded with raises, bonuses.

- Increased pay provides additional incentive.
- Benefits, such as health insurance, reward membership in firm.

(5) ***Labor relations:*** managers need an effective relationship with labor unions that represent workers.

- Unions help establish pay, and working conditions.

If management moves to a decentralized structure, HRM should be adjusted as well

HRM Legal Environment

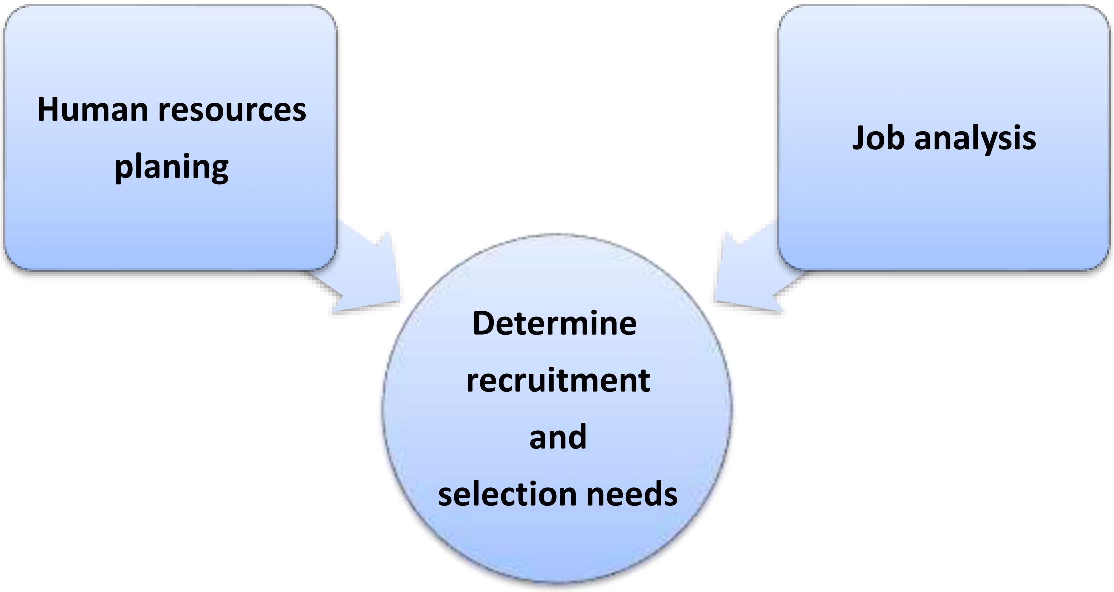
- Management of HR is a complex area. There are many federal, state and local regulations.
  - ***Equal Employment Opportunity (EEO):*** ensures all citizens have equal opportunity for employment without regard to sex, age, race, origin, religion, or disabilities.
    - Makes effective management of diversity crucial.
  - ***Equal Employment Opportunity Commission*** (EEOC) enforces laws.
    - Managers must take steps to ensure discrimination does not occur.

Human Resource Planning

- **HR Planning includes all activities managers do to forecast current and future HR needs.**
  - Must be done prior to recruitment and selection
  - Demand forecasts made by managers estimate the number & qualifications the firm will need.
  - Supply forecasts estimate the availability and qualifications of current workers and those in the labor market.

Figure (19)

Recruitment & Selection



HRM Planning: Outsourcing

- ***Outsourcing**:* managers can decide to contract with outside workers rather than hiring them.
  - Outsourcing is more flexible for the firm.
  - Outsourcing often provides human capital at a lower cost.
- ***Outsource problems**:* managers lose control over output.
  - Outsource contractors are not committed to the firm.

Unions typically are against outsourcing that has potential to eliminate member's jobs.

HRM Planning: Job Analysis

- ***Job analysis*** determines the tasks, duties and responsibilities of the job.
  - A ***job analysis*** should be done for each job in the organization.
  - Job analysis can be done by:
    - Observe current workers.
    - Questionnaires filled out by worker and managers.
  - Current trends are toward flexible jobs where duties are not easily defined in advance.

Recruitment

- ***External recruiting**:* managers look outside the firm for people who have not worked at the firm before.
  - Managers advertise in newspapers, hold open houses, recruit at universities, and on the Internet.
    - External recruitment is difficult since many new jobs have specific skill needs.
    - A multi-prong approach to external recruiting works best.
- ***Internal Recruiting**:* positions filled within the firm.
  - Internal recruiting has several benefits:
    - Workers know the firm's culture, may not have new ideas.
    - Managers likely already know the candidates.

Internal advancement can motivate employees.

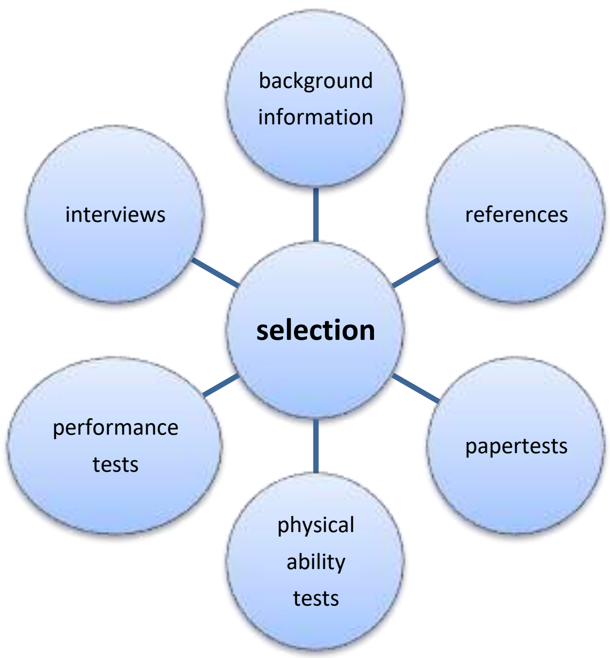
Honesty in Hiring

- **Managers may be tempted to over-rate the attractiveness of the job and firm.**
  - They feel if they are honest, person will not work there.
  - Research indicates this is a poor strategy.
- ***Realistic Job Preview:* provides an accurate overview of the job.**

Avoids having to hire, train and then lose workers.

Figure (20)

Selection Tools



Selection Process

After pools of applicants are identified, qualifications related to the job requirements are determined:

(1) ***Background Information:*** includes education, prior employment, college major, etc.

(2) ***Interview:*** almost all firms use one of two types:

- Structured interview: managers ask each person the same job-related questions.
- Unstructured interview: held like a normal conversation.
- Usually structured interviews preferred; bias is possible.

(3) ***Physical Ability Test:*** measure strength & endurance.

- Good for physically demanding jobs.

(4) ***Paper & Pencil Tests:*** Either an ability and personality test.

- Ability test: assess if applicant has right skills for the job.
- Personality test: seek traits relevant to job performance.
- Be sure test is a good predictor of job performance.

(5) ***Performance Tests:*** measure job performance.

- Typing speed test is one example.
- Assessment Center: candidates assessed on job-related activities over a period of a few days.

(6) ***References:*** outside people provide candid information about candidate.

  - Can be hard to get accurate information.

Reliability & Validity

- Selection tools must be reliable and valid.
  - ***Reliability:*** the degree to which the tool measures the same thing each time it is used.
    - Scores should be close for the same person taking the same test over time.
  - ***Validity:*** Does the test measure what it is supposed to measure?
    - Example: does a physical ability test really predict the job performance of a firefighter?
  - Managers have an ethical and legal duty to develop good selection tools.

Training & Development

  - ***Training:*** teach organizational members how to perform current jobs.
    - Help workers acquire skills to perform effectively.
  - ***Development:*** build worker's skills to enable them to take on new duties.
- Training used more often at lower levels of firm, development is common with managers.
- A Needs Assessment should be taken first to determine who which needs program and what topics should be stressed.

Types of Training

(1) ***Classroom Instruction:*** workers acquire skills in classroom.

- Includes use of videos, role-playing, simulations.

(2) ***On-the-Job Training:*** learning occurs in the work setting as worker does the job.

- Training given by co-workers and can be done continuously.

(3) ***Apprenticeships:*** worker contracts with a master worker to learn a skill.

(4) ***Varied Work Experiences:*** Top managers must build expertise in many areas.

- Workers identified as possible top managers given many different tasks.

(5) ***Formal Education:*** tuition reimbursement is common for managers taking classes for MBA or similar.

- Long-distance learning can also be used to reduce travel.

Whatever training and development efforts used, results must be transferred to the workplace.

Performance Appraisal & Feedback

(1) ***Trait Appraisals:*** evaluate on *traits* (skills, abilities) related to the job.

- Problem: Even though a worker has the trait, they may not use it in the job and it is hard to give feedback.

(2) ***Behavior Appraisals:*** *how* a worker does the job.

- Focuses on what a worker does and provides good feedback options.

(3) ***Results appraisals:*** *what* a worker accomplishes.

- Sales reps are usually evaluated on what they sell.

(4) ***Objective appraisals:*** based on facts (sales figures)

(5) ***Subjective appraisals:*** based on a manager's perceptions of traits, behavior, or results.

- Many rating scales used to overcome subjective problems.

Who Appraises Performance?

(1) ***Self:*** self-appraisals can supplement manager view.

(2) ***Peer appraisal:*** coworker provides appraisal; common in team settings.

(3) ***360 Degree:*** provides appraisal from a variety of people able to evaluate a manager:

- Peers, customers, superiors, self.
  - Need to be alert to bias from some evaluators.

(4) ***Effective feedback****:* appraisals must provide feedback:

(5) ***Formal appraisals:*** conducted at set times of the year

- Provides valuable, but infrequent feedback.

(6) ***Informal appraisals:*** manager provides frequent feedback informally.

<u>Effective Feedback:</u>

1. Be specific and focus on correctable behavior. Provide a suggested improvement.

2. Focus on problem-solving and improvement, not criticism.

3. Express confidence in worker's ability to improve.

4. Use formal and informal feedback.

5. Treat subordinates with respect and praise achievements.

6. Set a timetable for agreed changes.

<u>Pay and Benefits</u>

- ***Pay level:*** how the firm's pay incentives compare to other firms in the industry.
    - **Managers can decide to offer low or high relative wages**.
  - **Pay Structure: clusters jobs into categories based on importance, skills, and other issues.**
- ***Benefits:*** Some are required (social security, workers comp).
    - **Others (health insurance, day care, and others) are provided at the employers option.**
    - **Cafeteria-style plan: employee can choose the best mix of benefits for them. Can be hard to manage.**

<u>Labor Relations</u>

- Considers all activities managers perform to ensure there is a good relationship with labor unions.
  - **There are laws regulating some areas of employment.**
    - **Fair Labor Standards Act (1938) prohibits child labor, sets a minimum wage and maximum working hours.**
    - **Equal Pay Act (1963) men and women doing equal work will get equal pay.**

- **Work Place Safety (1970) OSHA mandates procedures for safe working conditions.**

Unions

Unions represent worker's interests in organizations.

- **Managers usually have more power over an individual worker. Workers join together in unions to try and prevent this.**
  - **Unions are permitted by the National Labor Relations Act (1935) which also created the NLRB to oversee unions.**
  - **Not all workers want unions. Union membership costs money in dues and a worker might not want to strike.**
  - **Union membership is lower today than 40 years ago**.
- ***Collective bargaining:* process unions and management go through to negotiate work agreements.**

Results in a contract spelling out agreed terms.

Chapter 10

Management of Technology and Innovation

Management of Technology and Innovation refers to the practice of strategically managing the development, implementation, and utilization of technology and innovation within organizations. It involves understanding the role of technology and innovation in delivering value to organizations and the marketplace, as well as effectively managing the processes and resources involved in technological advancements and innovative practices.

Importance of Managing Innovation in Technology

Innovation management plays a crucial role in driving progress and success in various industries, including agriculture, healthcare, manufacturing, and beyond. It involves controlling, guiding, and managing the ideation and implementation of new strategies and technologies to support business growth. By effectively managing innovation, organizations can stay competitive, adapt to changing market conditions, and create advanced solutions.

Allow Violet Beauregard from "Charlie and the Chocolate Factory" to serve as a cautionary tale. Once some things start growing, they do not stop, and eventually—often quickly—they become too big to control.

Much like Violet, innovation grows exponentially. The more advanced an innovation becomes, the more rapidly it can grow. And that's where innovation management comes in. This article discusses the increasing need for innovation management and how information technology professionals can be best equipped to provide it to every industry.

Where there are processes, products, or services, there are opportunities for innovation. Some industries are innovating at a particularly fast rate:

- **Manufacturing** — with the supply chain uncertainty of the 21st century, manufacturing is forced to become more efficient and find new ways to maximize profit margins
- **Government** — governments around the world employ innovation management to bring efficient, cost-effective, and more user-friendly services to their citizens
- **Finance and banking** — in an increasingly customer-oriented world, industries like these are constantly trying to make their services and products easier to use, more secure, and more lucrative
- **Automotive** — think Tesla's Cybertruck, which defies everything we know about vehicle interior and exterior styling
- **Technology** — every day companies announce more advanced smart phones, smart drones, mapping technologies, and virtual reality
- **Pharmaceuticals** — new solutions for modern ailments are constantly evolving to be more effective and have fewer side effects
- **Healthcare** — it's no surprise we are creating new ways to heal and keep people alive, like gene therapy and smartphone-connected pacemaker devices
- **Biotechnology** — this industry contributes thought leadership to agriculture, healthcare, manufacturing, aquatics, and beyond

A common thread through all these massive industries is that innovation management plays a key role in moving them forward in a calculated and controlled manner. One of the leading providers of innovation management is information technology professionals.

What is Innovation Management?

is the practice of controlling, guiding, and managing the ideation and implementation of new strategies and technology to support business growth. The need for this integrated role spans about every sector of private and public business, and it will only grow as organizations create more advanced solutions. The of innovation management provides a foundation for IT professionals to identify the areas where an organization can and should innovate, as well as ensuring a company environment that nurtures innovation:

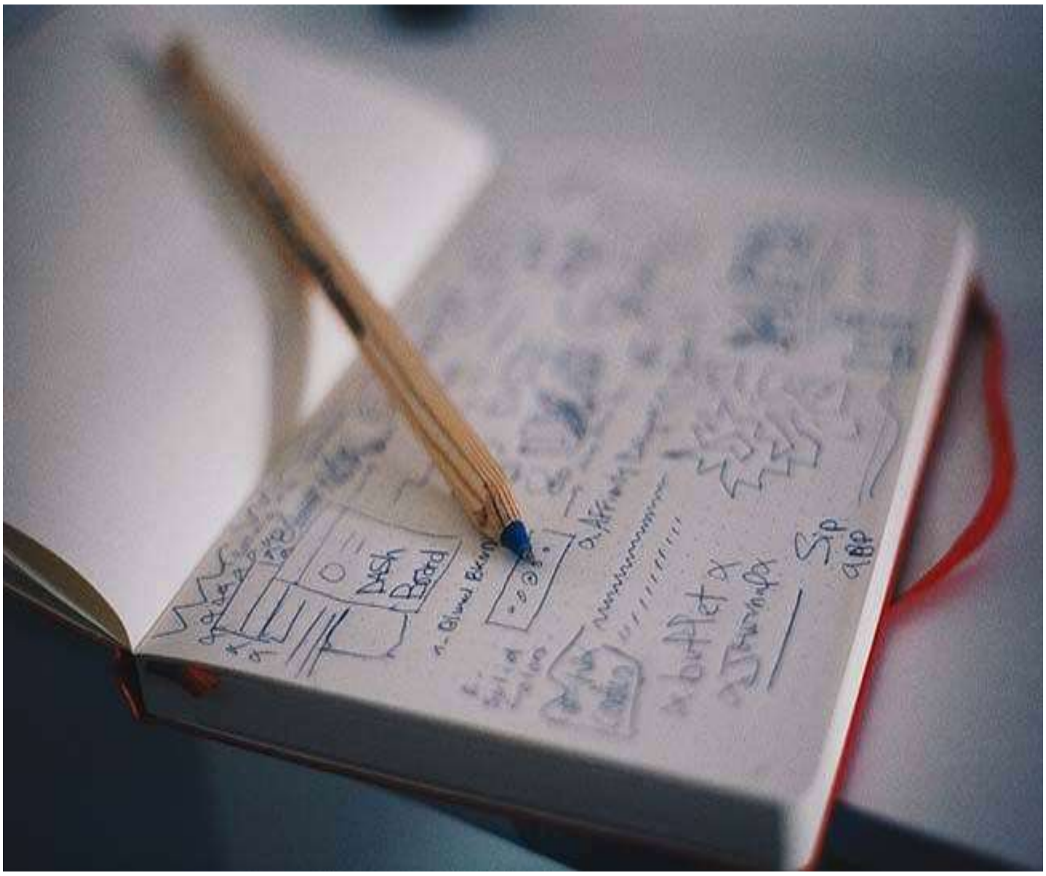
1. Competency: The things that your company does really well and better than your competition (independent of whether it aligns with the needs of your target market).

2. Structure: The systems and business processes within your organization. A well-structured organization is empowered to operate efficiently and execute great ideas.

3. Culture: How your company values new ideas. A “best idea wins" and “leave your ego at the door" approach to company culture sets the stage for successful innovation.

4. Strategy: The long-term growth plan for your organization. This prevents you from pursuing dead-ends and repeating failures, and it helps you allocate funds strategically.

Technological innovation is the cornerstone of growth and prosperity, so why does it need to be managed? Innovation management informs high-level business objectives to create maximum value for the organization. To implement effective innovation management, organizations need to embed the expertise of an IT professional in their business strategy, informed by the four key pillars. This intersection allows executives to make smart business decisions using insights from your IT department forecasting potential disruptors in your industry. As innovation becomes more sophisticated, the need for management becomes more imperative. Look at as evidence of that. They were slow to see change in their industry (cue Netflix), failed to innovate, and went bankrupt.



Types of Innovation

Innovation can be broken into:

- **Incremental innovation**: As the most common form of innovation, incremental innovation uses your existing technology to increase your value in your market.

Example: Adding new features to an existing product or service

- **Disruptive innovation**: This term, coined by Clayton Christensen in a 1995 paper for Harvard Business School, refers to adding a new product to your existing market. Normally, new technology will be inferior to existing tech due to a lack of multiple iterations of improvements.

Example: Apple's iPhone was the first smartphone to offer a touchscreen

- **Architectural innovation**: This form of innovation takes the successful practices, technology, and thought leadership of one market and brings them to a new market.

Example: NASA’s Ames Research Center invented a new foam to increase the safety of the seats on their aircraft. Eventually, they found that it was comfortable enough to use in mattresses. This foam technology is now widely known as memory foam.

- **Radical innovation**: This type of revolutionary change doesn’t simply make good products better—it completely transforms the technology landscape forever and swallows the market whole.

Example: Air travel turned the public transportation industry on its head by making commercial airplanes an efficient, cost-effective way to travel long distances.

Each type of innovation has a time and a place, depending on the company, its growth stage, the state of the market, and many other factors. An IT professional’s ability to analyze and weigh these factors is essential in innovation management and making business decisions.

What is Disruptive Change?

Disruptive change is a result of innovation that demands the organizations in an industry to change the way they do business. Industry disruptors are like waves of the ocean: strong and utterly merciless. The scary truth is, in many industries, to answer the call. No industry is safe from disruptive change, and that is a . It has given us Netflix, Uber, cryptocurrency, artificial intelligence, 3D printing, gene editing—even Wi-Fi.

Why Innovation Management is a Crucial Part of Effective Leadership

Companies that do not innovate will die. To stay afloat in our rapidly evolving economy and technology landscape, companies must foster a collaborative culture wherein business strategy and information technology are intertwined in decision-making and employees are encouraged to express their entrepreneurial spirit. Moreover, a leadership team that encourages entrepreneurial thinking prepares the company for disruptive innovation, as long as innovation management goes hand-in-hand.

An IT professional wanting to implement innovation management in their organization can take:

- Get leadership adoption: The first step to implementing an innovation management process is getting the executives on board. This entails showing how innovation management moves the organization towards its goals and allocating resources to support that.
- Define strategic objectives: This step requires you to outline the strategic goals of your organization. Define the role you want innovation to play in your company.
- Identify areas of need: Find out where there are areas of opportunity in your field to help guide you innovate meaningfully. Use market data to find a need for innovation.
- Brainstorm ideas: Use the first three steps to guide you in producing an innovative idea.
- Design the innovation process: Create a plan for carrying out the innovation determined in step four. This requires a years-long plan for product development, testing, and launch.

Innovative ideas are constantly surfacing. Just look at the mRNA COVID-19 vaccine if you need convincing. The key to successful innovation is creating a business model where new ideas and innovative technologies are celebrated. Innovation management allows these ideas to come to fruition while considering the risks involved in the process. Implementing a plan for innovation management requires a skilled, trained individual. As a growing need in every industry, innovation management has seen more and more positions open for qualified professionals. An from Western Governors University prepares you to implement innovation management strategies in , government, biotechnology, and many other industries. about how you can enter the innovation field and make a difference helping new businesses manage their growth and introduce new technology and solutions to the world.

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