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Part 2. Introduction to Total Quality Management

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Содержит оригинальные тексты на английском языке, тематически связанные с введением во Всеобщее управление качеством, и задания, ориентированные на активное использование профессиональной лексики в предметной области.

Цель пособия – совершенствование навыков владения профессиональным английским языком для специалистов в области менеджмента и систем качества.

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Lesson 2-1. What is Total Quality Management?

1. Introduction

Total Quality Management, often called TQM, is a mindset and a set of well proven processes for achieving the mindset. The mindset is that everyone in your organization understands what their customers expectations are and they meet those expectations every time. Understanding and meeting customer expectations is a challenging proposition and requires processes that support continuing progress toward the goal of meeting customer expectations the first time, every time. There is a great deal of value to you if your organization adopts this mindset, right through the whole organization.

1. You will have satisfied customers who will want to continue doing business with you. A satisfied customer is the least expensive way to generate revenue and profit.

2. Your operating costs will be kept at a minimum because your employees will not be occupied with customer service problems, rework, etc. You should expect to see a 10% savings in your operating costs after six months using the David Butler TQM Process if you have a manufacturing company. If you are in a service business you should expect 20% reduction in operating overhead due to the higher personnel component of your business.

3. You will be able to expand you business without hiring additional staff. Your staff will be much more productive because they will have well documented processes for doing their job and no misunderstanding about what you and your customers expect of them.

4. You will have employees who are better motivated and satisfied with their jobs. Your hourly employees are the key to successful implementation of the TQM process because they know best the root cause of problems keep your organization from meeting customer expectations. Once they understand you are committed to this mindset, their supervisors have the tools and know-how to find and correct problems, and they are empowered to take a key role in improving their organization, you will have lots of happy campers!

Is too much quality possible? Yes! The key is to understand your customers' expectations and meet, not exceed, them. Customers don't expect you to exceed their expectations because they know it costs you money to do so. If you customer expects two ounces of ice cream with his pie, he may be unhappy with you if you give him more - he will get fat.

So if TQM is such a hot idea, why is your business surviving just fine now? If you can answer the following questions to your satisfaction, you have a quality system that works today:

1. Am I losing customers due to poor quality?
2. Are my operating costs rising faster than my revenue?
3. Is employee morale falling due to low productivity?
4. Am I seeing increased competition from GATT, NAFTA, etc.?
5. Am I under pressure from my supplies and customers to meet ISO standards?

TQM has been available for many years. It was originally developed in the US and the Japanese were the first to visualize its benefits and apply it successfully. They found that if management and employees could do joint problem solving, everyone was committed to the solution. If their organization had a set of tools for continuous learning, they were able to manage change much more easily and with less disruption. And when they really attacked and fixed the root causes of their problems, customer satisfaction rose and costs declined. Imagine – a system

that lets you achieve those two objectives simultaneously! Finally, they had a process for measuring the cost of non-quality (PONQ) which allowed them to solve their most costly problems first and to hold supervision accountable for achieving continuous improvement until customer satisfaction was achieved.

TQM programs are a dime a dozen, what makes this one different and the one you should choose? After talking to many small business people, David Butler concluded there were only three key reasons to select a TQM product:

1. It had to be implementable with a minimum of outside help. This keeps down your cost and gets you and your management team involved in the process. Without your commitment and leadership, any quest for customer satisfaction is bound to fail.

2. You and your staff have lots of demands on your time so this process has to be implementable on your time schedule, not that of an outsider. The faster you implement the program, the faster you see results. But you don't have to drop everything and make this your life. Actually, the time commitment you need to make is very small, especially in light of the benefits you can achieve.

3. Most TQM programs have failed during the implementation phase because there is no clear roadmap from concept to application. David Butler has developed clear and easily understandable directions for your supervisors and employees to learn and use the tools of TQM. If you need help, we will provide it to you.

2. What is Quality?: Definitions and Contrasts

The term quality means different things to different people. For example, a quality automobile may be one which has no defects and works exactly as we expect. Such a definition would fit with an oft-repeated definition by J.M Juran (1988): "Quality is fitness for use." However, there are other definitions widely discussed. Quality as "conformance to specifications" is a position that people in the manufacturing industry often promote. Why? Presumably because manufacturing can do nothing to change the design; hence, this definition. Others promote wider views (Gitlow et al., 1989 or Ozeki and Asaka, 1990), which include the expectation that a product or service exceed the expectations of the customer. Such as Gitlow who believes quality is a judgment by customers or users of a product or service; it is the extent to which the customers or users believe the product or service surpasses their needs and expectations, and Ozeki and Asaka who believe. It means delivering products and services that:

- 1) meet customer standards,
- 2) meet and fulfill customer needs,
- 3) meet customer expectations, and
- 4) will meet unanticipated future needs and aspirations.

Still others simply ignore definitions and say "I'll know quality when I see it." It seems that we all 'know' or 'feel' somehow what quality is. A product or service that exceeds our preconceived idea about the quality of the product or service to be received is likely to be designated as a quality product or service. It is equally clear that the best of a group of bad products is not likely to be perceived as a quality product. So, possible definitions of quality are:

1. Customer-Based Fitness for use, meeting customer expectations.

2. Manufacturing-Based Conforming to design, specifications or requirements, having no defects.
3. Product-Based The product has something that other similar products do not that adds value.
4. Value-Based The product is the best combination of price and features.
5. Transcendent It is not clear what it is, but it is something good.

The table above shows some definitions of quality summarized from a textbook by Hunt (1992). Which of these definitions are most relevant to the work presented in this document? Probably, all are relevant. We will examine tools and methods which can be used to improve a process, add value through brainstorming about new features, decrease costs, and help products conform to design specifications. Definitions 2, 3, and 4 are the definitions traditionally associated with quality in America. That is, a product should have no defects, be something people will want, and can be purchased at a reasonable price. The first definition is more interesting, however. Customer-driven products force industry to look outside itself and to create products that people want, not what design engineers think people want. Finally, and the most interesting, is the 'Je ne sais quoi' answer - I do not know what it is, but if I'm delighted, I'll buy it! Which of these definitions matches the Japanese approach to quality? The answer is probably all! Less expensive products, with required features at reasonable cost, no (or few) defects, and often things that we did not know we wanted are often hallmarks of products delivered by the Japanese to American consumer markets. Quite often, the products simply fail less and work better than American products. Why? Probably continuous improvement! Once products are created in Japan, they are continuously improved; this technique has also been successful in improving quality in America, but is not yet as dramatic as the improvements in Japanese products over the years.

What is quality? Several definitions have been given above. Also, the definition will vary depending on the domain under consideration. The table below lists several different areas in our society and indicates some things that might be considered to be related to quality in each. Area examples:

- Airlines - On-time, comfortable, low-cost service.
- Health Care - Correct diagnoses, minimum wait time, lower cost, security.
- Food Services - Good product, fast delivery, good environment.
- Postal Service - Fast delivery, correct delivery, cost containment.
- Academia - Proper preparation for future, on-time knowledge delivery.
- Consumer - Products Properly made, defect-free, cost effective
- Insurance - Payoff on time, reasonable cost.
- Automotive - Defect-free.
- Communications - Clearer, faster, cheaper service.

What is the common denominator of these ten examples? Although the terms used to explain each area vary somewhat, almost all areas can be explained in terms of four basic parameters: cost, time, customer satisfaction, and defects. It is easy to see that some of these parameters are more important in some areas than others. For example, in health care it is vitally important that defects be minimized. In all cases, the bottom line is customer satisfaction. If you take an airline flight that is on-time, inexpensive, and there are no defects, you are satisfied!

The case for use of quality tools and methodologies is that these tools help people work to improve quality at all levels. In the upcoming chapters, we will see that many efforts have been made to create tools for multiple purposes. Some have succeeded, some failed, but all have contributed to the body of knowledge that is now being created that should ultimately result in the production of high quality products throughout the industrial world. Currently, deep understanding of the quality process is immature. It is anticipated that understanding of quality methodologies will mature during the upcoming years and that this document will summarize and contribute to the state-of-the-art in quality tool methodologies.

3. Historical Perspective

The field of quality has its roots in agriculture. Early this century in Britain, R.A. Fisher conducted statistical research to assist farmers in understanding how to optimally plant and rotate crops. This work subsequently inspired Walter Shewhart at Bell Laboratories whose work subsequently motivated W. Edward Deming to devote his life to the teaching and improvement of quality methods. Arguably, Deming has become the best-known 'guru' of quality. Even today at age 92, Deming continues to command respect in the world of quality. His arch-rival, J.M. Juran, 88, runs a close second in prestige and respect in the field. Both Deming and Juran could find no interest in quality methodologies in the U.S. after World War II, and because of this disinterest, both went to Japan as consultants to 'spread the word' about quality. In Japan, they found a receptive audience for their ideas. The Japanese fully embraced quality ideas and methodologies and commenced to integrate the concepts into their industrial base. The results are well-known; the improvement in quality of products in Japan during the post-war period due to the revolutionary ideas of Deming and Juran should ultimately be viewed as legendary by historians who study quality.

4. Customers, Suppliers, and Processes: Internal and External

There are many ways to view quality. For the purposes of this document, consider the diagram shown below. Much of the way that organizations are organized can be viewed as a relationship between customers, suppliers, and processes. In the largest sense, an entire organization can be viewed as the process in the diagram. External suppliers provide input to the entire organization and customers receive the output of the organization. Internal suppliers and customers represent the various internal suppliers and customers that make up the internal workings of an organization. If one duplicates this diagram many times, the entire operation of an organization can be represented. This model of an organization nicely shows how external suppliers and customers are related through the process of the organization. Less well recognized is the way of viewing internal customers and suppliers. The process of an organization can be broken down into component elements; for example, on a manufacturing line the step-by-step process of fabrication, or in a design organization, the process of moving a product design through various gates (i.e., check points). This conceptual model will become useful later in this document as we proceed to utilize tools for mapping processes and understanding interrelationships among processes by using quality tools (e.g., flow charting tools).

5. Total Quality Management (TQM)

Total quality management (TQM) (also known as total quality control (TQC)) is the application of quality principles to all facets of an organization. In America, most efforts in quality during the 40 years after World War II were relegated to the factory floor. Statistical process control (SPC) became the mainstay of quality efforts in America during this period. SPC is a method for assessing statistical variation and determining if any measurements fall outside what would be expected from the statistical characteristics of the data gathered. Hence, SPC became a methodology used to determine if parts conformed to specification, simply by measuring parameters of parts and comparing to specification. In contrast, TQM is a much broader concept - that is, applying quality methods to the entire organization, from management, to accounting, to manufacturing, service, and every other subentity in the organization (for example see, Mizuno, 1982). How is this possible?

Well, one clear definition of quality involves satisfying one's customer - this satisfaction has different meanings for different parts of an organization. In manufacturing, conformity to specifications may well satisfy a customer. However, in sales, simply conforming to specifications is unlikely to satisfy the customer. Hence, other metrics of quality must be sought. In the sales example, a customer might well be satisfied if his needs are adequately met; however, if his expectations are exceeded he would surely purchase from the firm again. Thus, another definition of quality - exceeding the customer specifications! Indeed, there are many definitions of quality and total quality. Next, some of the views of the so-called "quality gurus" will be briefly examined.

There have been many contributors to the concepts of quality during this century. The next paragraphs summarize the views of three leaders: W.W. Deming, J.J. Juran, and P. Crosby.

The Deming Approach. Deming tends toward assessment of quality in human terms, yet espouses the utility of tools for understanding data. Deming created fourteen major points that are widely utilized. These include such items as; create constancy of purpose, institute training, drive out fear, break down barriers, and so forth. The core of the Deming approach, however, lies in the use of simple data analysis tools that include control charts, flow charts, Pareto diagrams, Scatter plots, cause and effect diagrams, etc. Deming is also responsible for the Plan, Do, Check, Act cycle (see below).

The Juran Approach. The Juran approach divides the quality effort into three parts: quality planning, quality control, and quality improvement. The planning process attempts to discover who the customers are and what their needs are, the control process attempts to reach new levels of improved quality (e.g., lowering defects, reducing cost, improving customer satisfaction, etc.) and the improvement process attempts to continuously improve the quality of the process. Juran was a pioneer in the understanding of the interrelationships among customers, suppliers, and processes.

The Crosby Approach. This approach is based on culture change in an organization. By identifying areas in which quality can be improved in an organization and improving awareness, instituting teams, setting goals, giving recognition, and continuously repeating the quality improvement cycle, this approach is a truly human-oriented technique.

Historically, the lessons learned and the methodologies investigated by these leading quality 'gurus' and others have shaped the current state-of-the-art in quality. Concepts from all different approaches now appear to be becoming amalgamated into a single common approach.

6. Plan, Do, Check, Act (PDCA)

The PDCA cycle is a never-ending cycle of improvement. The PDCA improvement cycle can be thought of as continuously rolling up the problem-solving hill as shown in the figure. This cycle is sometimes referred to as the Shewart/Deming cycle since it originated with Shewart and was subsequently applied to management practices by Deming. It is worth noting that the Juran approach has its own cycle in the quality improvement cycle as does the Crosby approach!

7. Quality Assurance and Reliability in the Japanese Electronics Industry

Quality and reliability are two attributes required for all Japanese products, although the JTEC panel found these attributes to be secondary to customer cost requirements. While our Japanese hosts gave presentations on the challenges of technology, cost, and miniaturization, quality and reliability were infrequently the focus of our discussions. Quality and reliability were assumed to be sufficient to meet customer needs. Fujitsu's slogan, "quality built-in, with cost and performance as prime consideration," illustrates this point. Sony's definition of a next-generation product is "one that is going to be half the size and half the price at the same performance of the existing one." Quality and reliability are so integral to Japan's electronics industry that they need no new emphasis.

a) History of the Japanese Quality Movement

The quality movement in Japan began in 1946 with the U.S. Occupation Force's mission to revive and restructure Japan's communications equipment industry. General Douglas MacArthur was committed to public education through radio. Homer Sarasohn was recruited to spearhead the effort by repairing and installing equipment, making materials and parts available, restarting factories, establishing the equipment test laboratory (ETL), and setting rigid quality standards for products (Tsurumi 1990). Sarasohn recommended individuals for company presidencies, like Koji Kobayashi of NEC, and he established education for Japan's top executives in the management of quality. Furthermore, upon Sarasohn's return to the United States, he recommended W. Edwards Deming to provide a seminar in Japan on statistical quality control (SQC).

Deming's 1950 lecture notes provided the basis for a 30-day seminar sponsored by the Union of Japanese Scientists and Engineers (JUSE) and provided the criteria for Japan's famed Deming Prize. The first Deming Prize was given to Koji Kobayashi in 1952. Within a decade, JUSE had trained nearly 20,000 engineers in SQC methods. Today Japan gives high rating to companies that win the Deming prize; they number about ten large companies per year. Deming's work has impacted industries such as those for radios and parts, transistors, cameras, binoculars, and sewing machines. In 1960, Deming was recognized for his contribution to Japan's reindustrialization when the Prime Minister awarded him the Second Order of the Sacred Treasure.

In 1954, Dr. Joseph M. Juran of the United States raised the level of quality management from the factory to the total organization. He stressed the importance of systems thinking that begins with product designs, prototype testing, proper equipment operations, and accurate process feedback. Juran's seminar also became a part of JUSE's educational programs. Juran provided the move from SQC to TQC (total quality control) in Japan. This included company-wide activities and education in quality control (QC), QC circles and audits, and promotion of quality management

principles. By 1968, Kaoru Ishikawa, one of the fathers of TQC in Japan, had outlined the elements of TQC management:

- quality comes first, not short-term profits
- the customer comes first, not the producer
- customers are the next process with no organizational barriers
- decisions are based on facts and data
- management is participatory and respectful of all employees
- management is driven by cross-functional committees covering product planning, product design, production planning, purchasing, manufacturing, sales, and distribution (Ishikawa 1985)

By 1991, JUSE had registered over 331,000 quality circles with over 2.5 million participants in its activities. Today, JUSE continues to provide over 200 courses per year, including five executive management courses and a full range of training courses and programs.

One of the innovative TQC methodologies developed in Japan is referred to as the "Ishikawa" or "cause-and-effect" diagram. After collecting statistical data, Ishikawa found that dispersion came from four common causes, as shown in Figure 1.

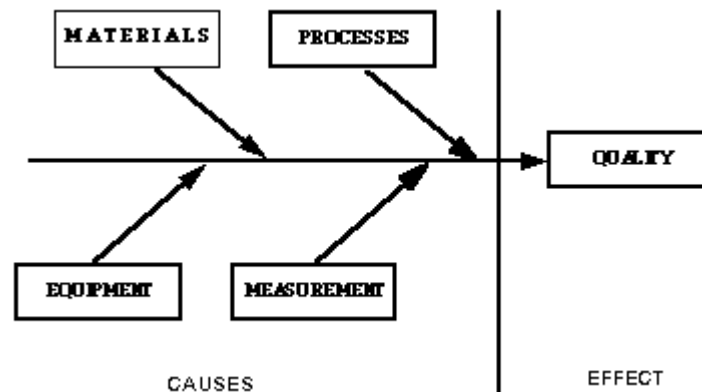


Figure 1. Cause-and-effect diagram (Ishikawa, 1982).

Materials often differ when sources of supply or size requirements vary. *Equipment or machines* also function differently depending on variations in their own parts, and they operate optimally for only part of the time. *Processes or work methods* have even greater variations. Finally, *measurement* also varies. All of these variations affect a product's quality. Ishikawa's diagram has lead Japanese firms to focus quality control attention on the improvement of materials, equipment, and processes.

JTEC panelists observed statistical process control (SPC) charts, often with goal lines extending into 1995, in a few of the factories they visited in 1993. For example, at Ibiden, process control was apparent in its laminated process board manufacture, where there was extensive use of drawings and descriptions of the processes necessary to do the job. Companies that were competing for the Deming Prize made extensive use of such charts, and companies that had received ISO 9000 certification also posted the process information required for each machine. However, the panel was surprised at the relatively limited use of SPC charts within the factories visited. The Japanese believe that the greatest benefit occurs when defect detection is implemented within the manufacturing sequence, thus minimizing the time required for detection, maximizing return on investment, and indirectly improving product reliability.

b) ISO 9000 Standards Certification

The concept of certification and standards, however, breaks down when global competitiveness is at stake. Most recently, ISO 9000 certification has become a requirement for exports to Europe, and Japan has been forced to obtain ISO certification, not because it is a quality issue, but because it is a way of increasing market share. The Japanese companies provide some of the highest-quality products, typically using company product standards (best commercial practices) rather than external standards like QML or any U.S. military standards.

The Japan Quality Association (JQA) is responsible for ISO certification. It was established in 1958 as the Japan Management Institute (JMI) under Japan's Ministry of International Trade and Industry for the purpose of export inspection. In 1960, JMI moved from inspection to process certification, and in October 1993, JMI was renamed JQA to more aptly identify its mission. It has provided ISO 9000 certification in Japan since 1990 after receiving training from the British Standards Institution's (BSI) quality assurance division, and it has memoranda of understanding with both BSI and Underwriters Laboratory in the US for reciprocal certification acceptance.

By October of 1993, JQA had ISO-certified 300 firms in Japan, about 80% of which were electronics firms; the rest were chemical firms. JQA expected to have about 540 companies certified by the end of 1994. It was already booked through 1994, and there was a backlog of over a hundred companies waiting for certification. Most firms seeking certification were electronics firms that depended on exports to Europe. At the time of the JTEC visit, JQA was limited to about thirty assessments per month. It typically took companies one year to eighteen months to gain certification; most had little difficulty in obtaining ISO certification. In addition to JQA certification, there were an equal number of firms obtaining ISO certification from non-Japanese auditors.

When the JTEC panel visited Japan, Fujitsu, NEC, and Hitachi had the largest number of certified factories. Yamagata Fujitsu became ISO 9002-certified in February 1993 and was applying for ISO 9001 certification for early 1994. Fujitsu had over ten certified factories by the end of 1993. Most of the factories visited by the panel had either received ISO certification or were in the process of certification.

Words and expressions

Total Quality Management

Customers expectations

Operating costs

Conformance to specifications

Continuous improvement

Quality process

Cause-and-effect diagram

Home assignment

Read the text and give examples of customer's expectations in different businesses. How can these expectations be met?

Lesson 2-2. Total Quality: The Three Missing Links

There's been a flurry of recent articles challenging the effectiveness of Total Quality Management. These critical evaluations raise an important point: quality-oriented companies still have something to learn. Reports indicate that Total Quality activities have been time consuming, difficult to sustain, and slow in producing measurable results. Some organizations are already looking elsewhere for answers: customer service programs, cycle time reduction and employee empowerment. It's too soon for top management to be changing priorities or direction, however. Let's strengthen the quality foundation that's been started. Most TQM efforts overlook three related ingredients: Strategy, Structure and Synergy. You could call them "The Three Missing Links".

1. Strategy

One can often hear companies proclaim they are "already doing Quality"; this means training courses, clever posters and commitment statements in the annual report. The emphasis is on tools and techniques. People are assigned to committees and work on internal process stabilization. Quality is viewed in terms of products, production-related activities and reduction of defective output. This is a beginning, but not part of the long-term business strategy.

Total Quality must be integrated with the overall mission, objectives and plans of the organization. Frequently, it is not. Many companies, in fact, don't have the strategies necessary for survival in the 1990's. Few include Quality as an integral building block. Consider the following examples: Company A: "Our strategy is to grow sales by 20%." This is not a strategy, it is an objective or goal. The strategy should describe how sales will be increased, i.e. the methods or means for accomplishing the sales objective. Examples could include:

- Development of more attractive pricing or product features
- More effective advertising or promotional activity
- Faster delivery or distribution
- More training and support for sales representatives

Company B: "Our strategy is to be the leader in Customer Satisfaction." This is also an objective or hope, requiring defined methods or strategies to be meaningful. The strategy could be:

- Gather information from customers and translate customer feedback into annual product and service improvements
- Install an ongoing process for identifying improvement needs, stimulating projects, and reviewing results on a quarterly basis

In each case, there is softness in connecting quality to the practical plans for running the business. How well has your organization integrated quality into the following strategic steps?

- Mission - broad definition of organizational purpose: "To be a recognized leader in providing Quality products and services..."
- Objectives - specific descriptions of achievements desired: to improve Quality by: "Reducing customer complaints and returned items by 20%..."
- Strategies - general methods, means and concepts for achieving objectives: "Gather and analyze field failure information for use in guiding Quality improvements.. .

- Plans - who's going to do what, by when? "Detailed agreements involving Customer Service, Sales, Finance, etc..."

Total Quality can be reflected in these strategy elements. It then becomes an essential part of business strategy which is accepted and supported by top management. This is often a missing connection .

2. Structure

The good news: many companies are streamlining their "command and control" organization structures; reducing management levels, eliminating layers of approval, reducing barriers between departments and work groups. The bad news: there is still a lot of restructuring by The 5% Rule: "Every year you get 5% more work and 5% less to work with". Employment levels and expenses are reduced. As a consequence, people are often overloaded and processes lose their performance capability. The structure becomes an obstacle to quality. Common structural barriers include:

A) Conflicting goals and objectives. One part of the organization is tasked with reducing inventories to meet corporate asset management goals. In other areas - material shortages cause production delays, missed deadlines and late completion.

B) Inadequate resources. Senior management cuts employment levels or capital expenditures to meet short term budget targets. As a consequence - personnel and equipment capacity is reduced, unable to meet customer demands.

C) Systems misalignment. Systems for administering performance evaluation, compensation and promotions focus on dollar volumes, production units or sales quotas. To employees - quantity is seen as the top priority, quality as a secondary concern.

Misalignment of goals, resources and systems wastes 20 - 30% of most organizations' true potential. Structures must be realigned to encourage improvement. Characteristics of quality-focused structures include:

- Organization Charts - reflect the needs of customers and external markets rather than internal work functions and administrative convenience; some companies are experimenting with structures designed around market segments rather than functional titles like "engineering" or "sales"
- Goals/Measurements - go beyond financial indicators, to include external customer satisfaction, internal supplier/customer relationships, and key vendor performance
- Recognition/Reward Systems - consider quality of performance as well as quantity, and encourage suggestions, innovation and change

3. Synergy

Nearly every company seeks improved cooperation and teamwork. Quality Circles, Self-directed Work Teams and Employee Involvement programs have been tried with some effect. The workplace is filled with examples of people working "on" each other, rather than "with" each other. Consider the territorial skirmishes in today's corporate world: there's the manufacturing tribe, marketing tribe, finance and human resources. Each has their own job description, unique

measurements and goals. How effectively do your managers, departments and locations work together? Teamwork requires that they share:

- A common mission
- Congruent, compatible goals
- Mutual trust and respect
- Equity of recognition and rewards
- A "Win-Win" philosophy (It's only a good deal if we all benefit)

Organizational effectiveness is reduced by internal conflicts and compromise: like a tug-of-war team with members pulling in the wrong direction. Synergy occurs when individuals, departments and management levels cooperate and help each other. Everyone has to be pulling together for the team to win. This is the other missing link.

4. Peak Performance

The answer to the business challenge of the 90's is Peak Performance, learning to operate better, faster and cheaper. The winners will be those who learn to do more with less, seeking continued improvement in every activity. Today's Total Quality programs have a start in uncovering and unlocking the hidden potential in U. S. companies. Progress will accelerate as business leaders continue the struggle and learn to:

- Integrate Total Quality into strategies for improved customer service, response times and profitability
- Realign organization structures and systems to reflect changing customer needs and quality improvement opportunities as they are discovered
- Recognize that people are the most important resource, and that employees have knowledge and experience to contribute. "None of us is as smart as all of us."

Total Quality may have been overly promoted, raising expectations for immediate results. Perhaps companies have underestimated the time and effort necessary for permanent and effective change. The fact is, global standards for products and services will continue to increase. It will be profitable for those who achieve them. The promise of Total Quality is to put management teams back in touch with their customers, processes and people. TQM can be "just another fad", or can be the key to survival and growth in the 1990's. Development of Strategy, evolution of Structure and pursuit of Synergy are essential. These "Three Missing Links" can make a difference.

Words and expressions

Strategy, Mission, Vision

Customers

Response time

Organization Chart

Profitability

Home assignment

Read the text and. Give your example of some company's strategy, mission, objectives and plans.

Lesson 2-3. Organization and Management

1. Introduction: Why study organizations and management

For most of our lives, we are members of one organization or another - college, a sports team, a musical or theatrical group, a religious or civic organization, a branch of the armed forces, or a business. Some organizations, like the army and large corporations, are structured very formally. Others, like a neighborhood basketball team, are more casually structured. But all organizations, formal or informal, are put together and kept together by a group of people who see that there are benefits available from working together toward some common goal. So a very basic element of any organization is a goal or purpose. The goal will vary-to win a league championship, to entertain an audience, to sell a product - but without a goal no organization would have a reason to exist. All organizations also have some program or method for achieving goals - a plan. The plan might be to practice playing skills, to rehearse a certain number of times before each performance, or to manufacture and advertise a product. Whatever it is, without some plan for what it must do, no organization is likely to be very effective. Organizations must also acquire and allocate the resources necessary to achieve their goals. Perhaps a playing field or rehearsal hall must be available, or money must be budgeted for wages. All organizations depend on other organizations for the resources they need. A team cannot play without the required equipment, manufacturers must maintain contracts with suppliers.

2. What is management

Management is the practice of consciously and continually shaping organizations. All organizations have people who are responsible for helping them achieve their goals. These people are called **managers**. These managers - coaches, conductors, sales executives - may be more obvious in some organizations than in others, but without effective management, organizations are likely to fail. This subject is about how organizations are managed. More specifically, it is about how managers can best help their organizations set and achieve goals. Our emphasis will be on the so-called formal organizations - such as business, religious organizations, government agencies, and hospitals - that provide goods or services to their customers or clients and offer career opportunities to their members. But no matter how formal or informal, all managers in all organizations have the same basic responsibility: to help other members of the organization set and reach a series of goals and objectives.

As part of this process, managers can set the tone, influencing the attitude that employees have about their work. At Southwest Airlines, for example, CEO Herb Kelleher has developed a loyal and committed staff built on three values:

- 1) Work should be fun... it can be play... enjoy it;
- 2) Work is important... don't spoil it with seriousness; and
- 3) People are important ... each one makes a difference.

Your conversations with friends, parents, classmates, and co-workers are probably filled with talk about organizations such as colleges, musical ensembles, athletic teams, and companies where you work. In a world where organizations are everywhere, **there are three compelling reasons for studying them and the practice of management.** In each case involving the past, present, and

future the effect of people collaborating as an organization, under the guidance of managers, can be far-reaching.

a) Living in the present. First, organizations contribute to the present standards of living of people worldwide. We rely on organizations daily for food, shelter, clothing, medical care, communications, amusement, and employment. The Red Cross, for example, is an organization that is particularly focused on the present as it offers assistance to specific groups of people in times of need.

b) Building the future. Second, organizations build toward a desirable future and help individuals do the same. New products and practices are developed as a result of the creative power that can emerge when people work together in organizations. Organizations have an impact - positive or negative on the future status of our natural environment, on the prevention and treatment of disease, and on war around the globe. In this text we will discuss a number of organizations that are addressing concerns about the future in their products and practices, such as Tom's of Maine, which produces a line of all-natural personal-care products with environmentally sensitive packaging.

c) Remembering the past. Third, organizations help connect people to their pasts. Organizations can be thought of as patterns of human relationships. Every day that we work with others this adds to the history of the organization and to our own history. We often define ourselves in terms of the organizations we have been a part of - whether schools, teams, political groups, or businesses. In addition, organizations maintain records and value their own history of organizations that we know about the past.

3. Management as a specialty in time and human relationships

Management is a specialty in dealing with time and human relationships as they arise in organizations. We have just seen how organizations affect the past, present and future. Our idea about **time** in organizations has several elements:

1. Management is an attempt to create a desirable future, keeping the past and the present in mind.

2. Management is practiced in and is a reflection of a particular historical era.

3. Management is a practice that produces consequences and effects that emerge over time.

The importance of **human relationships** also involves several ideas:

1. Managers act in relationships that are two-way streets; each party is influenced by the other.

2. Managers act in relationships that have spill over effects for other people, for better and for worse.

3. Managers juggle multiple simultaneous relationships.

We emphasize these twin themes of **time** and **human relationships** throughout the lessons because we believe they can greatly aid your learning about management. Managers think about **time** and **human relationships** all the time. And so do you. The college years, regardless of your age, are a period in your life when you envision a new or revised future for yourself. These are also years when you may develop new relationships (or modify existing relationships) with spouses, friends, teachers and employers. Since you are "living" these two themes everyday, we appeal to

that personal experience when we define management as a specialty in time and human relationships.

4. **Managerial performance and organizational performance**

Management is the principal activity that makes a difference in how well organizations serve people affected by them. How successfully an organization achieves its objectives, and satisfies social responsibilities as well, depends to a large extent on its managers. If managers do their jobs well, an organization will probably achieve its goals.

How well managers do their jobs - **managerial performance** - is the subject of much debate, analysis, and confusion in the United States and many other countries. So is **organizational performance** - the measure of how well organizations do their jobs. Therefore we will be discussing many different concepts and criteria for evaluating managers and organizations.

Underlying many of these discussions are two concepts suggested by Peter Drucker, one of the most respected writers on management. They are **Efficiency** and **Effectiveness**. As he puts it, **Efficiency** means doing things right and **Effectiveness** means doing the right thing.

Efficiency as the ability to do things right - is an “input -output” concept. An efficient manager is one who achieves outputs, or results, that measure up to the inputs (labor, materials, and time) used to achieve them. Managers who are able to minimize the cost of the resources needed to achieve goals are acting efficiently.

Effectiveness in contrast, involves choosing right goals. A manager who selects an inappropriate goal-say, producing mainly large cars when demand for small cars is soaring - is an ineffective manager, even if the large cars are produced with maximum efficiency. Managers at General Motors learned this lesson the hard way. When the demand for fuel-efficient, smaller cars increased in the 1900s GM ignored the competition created by the Japanese and Germans, believing that the trends were an aberration and that Americans, loyal to American products, would not continue to buy foreign cars. As consequence, they continued to produce large, fuel-inefficient cars, and in so doing lost enormous competitive ground to these new rivals.

No amount of efficiency can make up for a lack of effectiveness. In fact Drucker says, effectiveness is the key to an organization’s success. Before we can focus on doing things efficiently, we need to be sure we have found the right things to do.

5. **The management process**

Since the late nineteenth century, it has been common practice to define management in terms of four specific functions of managers: **planning, organizing, leading, and controlling**. Although this framework has come under some scrutiny, it is still generally accepted.

Management. We can say that management is the process of planning, organizing, leading, and controlling the efforts of organization members and of using all other organizational resources to achieve stated organizational goals.

What is a **process**? A process is a continuous, ongoing, systematic way of doing things. We refer to management as a process to emphasize that all managers, regardless of their particular aptitudes or skills, engage in certain interrelated activities in order to achieve their desired goals. In

the rest of this section, we will briefly describe these four main management activities and how they involve relationships and time.

Now, let us consider the **Four functions of Management**.

a) Planning. Planning implies that managers think through their goals and actions in advance (What to do?) and that their actions are based on some method (How do to?). Plan, or logic rather than on a hunch. Plans give the organization its objectives and set up the best procedures for reaching them. In addition plans are the guides by which (1) the organization obtains and commits the resources required to reach its objectives; (2) members of the organization carry on activities consistent with the chosen objectives and procedures; and (3) progress toward the objectives is monitors and measured so that corrective action can be taken if progress is unsatisfactory.

The first step in planning is the selection of goals for the organization. Goals are then established for each of the organizations subunits - its divisions, departments, and so on. Once these are determined, programs are established for achieving goals in a systematic manner. Of course, in selecting objectives and developing programs, the top manager considers their feasibility and acceptability to the organizations managers and employees.

Relationships and time are central to planning activities. Planning produces a picture of desirable future circumstances - given currently available resources, past experiences, etc.

Plans:

- Top Management - Prepare Long Term Plans, Strategic Plans
- Middle Level Management - Prepare Medium Term Plans
- Front Line Managers - Prepare Operational Plans (Short Term Plans)
- Workers - Actually do the work - Carry out the plan.

Plans made by top management (Long Term Plans) charged with responsibility for the organization as a whole may cover periods as long as five or ten years. In a large organization, such as a multinational energy corporation like British Petroleum, these plans may involve commitments of billions of dollars. On the other hand, planning in particular parts of the organization spans much shorter periods. For example such plans may be for the next days work, or for a two - hour meeting to take place in a week.

b) Organizing. Organizing is the process of arranging and allocating work, authority, and resources among an organization's members so they can achieve the organizations goals. Different goals require different structures. An organization that aims to develop computer software, for example, needs a different structure than does a manufacturer of blue jeans. Producing a standardized product like blue jeans requires efficient assembly - line techniques, whereas producing software requires organizing teams of professionals such as systems analysts and programmers. Although these professionals must interact effectively, they cannot be organized like assembly - line workers. Thus, managers must match an organizations structure to its goals and resources, a process called organizational design.

Relationships and time are central to organizing activities. Organizing produces a structure for the relationships in an organization, and it is through these structured relationships that future plans will be pursued. For instance, Natalie Anderson **coordinates** the work of various people and structures time in organizing the production process for the Pankovsky book.

Another aspect of relationships that is part of organizing is seeking new people to join the structure of relationships. This search is called staffing.

c) Leading. Leading involves directing, influencing and motivating employees to perform essential tasks. Relationships and time are central to leading activities. In fact, leading gets to the heart of managers relationships with each of the people working for them. Managers lead in an attempt to persuade others to join them in pursuit of the future that emerges from the planning and organizing steps. By establishing the proper atmosphere, managers help their employees do their best. Natalie Anderson leads, for instance, when she praises Diane for her assistance and praises France about the ad design. Leading will be discussed in more detail later.

d) Controlling. Finally, the manager must be sure the actions of the organizations members do in fact move the organization toward its stated goals. This is the controlling function of management, and it involves these main elements:

- Establishing standards of performance
- Measuring current performance
- Comparing this performance to the established standards and
- Taking corrective action if deviations are detected.

Through the controlling function, the manager keeps the organization on track. Increasingly, organizations are establishing new ways to build in quality to the control function. One popular approach is Total Quality Management (TQM). TQM focuses management on the continuous improvement of all operations, functions, and, above all, processes of work. Meeting the customers needs is a primary concern.

Relationships and time are central to controlling activities. The reason managers must worry about control is that, over time, the results of organized relationships do not always work out as planned. Natalie Anderson controls when she reviews and follows up on the activity reports submitted to her by Diane and others.

6. Managerial roles

Managers have a number of key roles which they have to perform regularly in their work as managers. What is a Role? An organized set of behaviors identified with a position, and gathers them in to three main groupings.

Managerial Roles:

- **Interpersonal Roles:** Figurehead Role ex: Performing certain ceremonial roles, Leader Role, Liaison Role.
- **Informational Role:** Monitor Role, Disseminator Role ex: Disseminates information, Spokesman Role.
- **Decisional Role:** Entrepreneur Role ex: takes a risk to earn profits, Disturbance Handler Role ex: internal and external environmental disturbance, Resource Allocator Role, Negotiator Role ex: Negotiates with the government, Trade Unions etc.

Now, let us consider the types of managers. We have been using the term manager to mean anyone who is responsible for carrying out the four main activities of management in relationships over time. One way to grasp the complexity of management is to see that managers can practice at different levels in an organization and with different ranges of organizational activities. After looking at the level and scope of various kinds of managers, we will go on to see how different skills and roles are emphasized in different types of management. Possible management levels are:

- **First line managers/ First level managers/ Supervisors/ Front line managers/ Front level managers/ Lower level managers.**

Titles used: Senior Clerk, Officer in Charge, Sub Officer, Junior Executive, Foreman etc.

The lowest level in an organization at which individuals are responsible for the work of others is called first-line or first-level management. First-line managers direct non-management employees: they do not supervise other manager. Examples of first - line managers are the foreman or production supervisor in a manufacturing plant, the technical supervisor in a research department, and the clerical supervisor in a large office. First-level managers are often called “supervisors.” A school principal is also a first-level manager, as is the manager of a major league baseball team. First-line managers:

- make short term plans/operational plans,
- get the work done through workers.

- **Middle managers**

Titles used: Production Manager, Marketing Manager, Finance Manager, Personnel Manager, Senior Executive Officer etc.

The term middle management can include more than one level in an organization. Middle managers direct the activities of lower-level managers and sometimes those of operating employees as well. Middle managers principal responsibilities are to direct the activities that implement their organizations policies and to balance the demands of their managers with the capacities of their employers. Middle managers:

- translate long term plans/strategic plans in to medium term plans,
- implement the such medium term plans through Front Level Managers.

- **Top managers**

Titles used: Chief Executive Officer (CEO), General Manager (GM), Chairman, Managing Director, Director, Executive Director, Director, Deputy General Manager (DGM), Assistant General Manager (AGM), Senior Manager, Chief Manager, Legal Advisor, Consultants etc.

Composed of a comparatively small group of people, top management is responsible for the overall management of an organization. These people are called executives. They establish operating policies and guide the organizations interactions with its environment.

7. Another classification of managers

Another major classification of managers depends on the scope of activities they manage: (1) Functional managers and (2) General managers. Organizations are often described as a set of functions. A **function**, in this sense, is a collection of similar activities. Major functions in an organization:

- Finance Function
- Personnel Function
- Production Function
- Marketing Function

The marketing function, for example, commonly consists of sales, promotion, distribution, and market research activities. At Coca Cola, the marketing function is responsible for TV ads, and the research and development function is responsible for Coke’s special formula. On college

campuses, the athletic department is a function, because the activities of its members differ from what, say, the members of the philosophy department do.

(1) Functional managers.

The functional manager is responsible for only one functional area, such as production, marketing, personnel or finance.

(2) General managers.

The general manager, on the other hand, oversees a complex a subsidiary, or an independent operating division. ex: International Division, Administration Division etc. He is responsible for all the activities of that unit, such as its production, marketing, and finance. A small company may have only one general manager as its president or executive vice president - but a large organization may have several, each heading a relatively independent division. In a large food company, for example, there may be a grocery - products division, a refrigerated - products division, and a frozen food - products division, with a different general manager responsible for each. Like the chief executive of a small company, each of these divisional heads is responsible for all the activities of the unit. A Bank:

- International Division (Exports Department, Imports Department, Treasury Department, Foreign Exchange Department, Gold Bullion Department, FCBU Department etc);

- Administration Division (Security Department, Personnel Department, Clearing Department, Central Cash Department, Maintenance Department etc);

- Electronic Data Processing Division (ATM Department, Methods Research Department, Hardware Department, Telebanking Department etc);

- Accounts and Finance Division (Reconciliation Department, Accounts Department, Internal Audit Department, Credit Division, Rural Credit Department, Export Credit Department, Recoveries Department, Corporate Credit Department etc).

It is important to remember that functional and general managers alike plan, organize, lead, and control relationships over time. The difference is in the scope of activities that they oversee.

8. Management levels and skills

H. Fayol, a famous management theorist, identified **Three basic kinds of skills:**

(1) **Technical skills** - mostly needed by Lower Level Managers then Middle Managers, then by Top Managers;

(2) **Human skills** needed by all three levels at same levels: Lower Level Managers, Middle Managers, and Top Managers;

(3) **Conceptual skills** - mostly needed by Top Managers, then Middle Managers then by Lower Level Managers.

Every manager needs all three. Technical skill is the ability to use the procedures, techniques, and knowledge of a specialized field. Surgeons, engineers, bankers, musicians, and accountants all have technical skills in their respective fields. Human skill is the ability to work with, understand, and motivate other people as individuals or in groups. Conceptual skill is the ability to coordinate and integrate all of an organizations interests and activities. It involves seeing the organization as a whole, understanding how its parts depend on one another, and anticipating how a change in any of its parts will affects the whole.

Although three of these skills are essential to a manager, their relative importance depends mainly on the manager's rank in the organization. Technical skill is most important in the lower levels. Human skill, although important for managers at every level, is the primary skill needed by middle managers; their ability to tap the technical skills of their subordinates is more important than their own technical proficiency. Finally, the importance of conceptual skill increases as one rises through the ranks of a management system. At higher organizational levels, the full range of relationships, and the organization's place in time, are important to understand. This is where a manager must have a clear grasp of the big picture.

9. Managerial Roles

A manager is an individual also who would efficiently utilize the resources available to him, and gets work done with people and through and people, for whom he is responsible for. The Manager could make provision to cover any person who oversees the functions of several others, and performs himself. There are different grades of Managers as assigned to different layers:

- Top Management;
- Middle Management;
- Lower Level Management/Front Line;
- Management/First Level;
- Management/Supervisory Management.

The roles of Managers are:

(1) Interpersonal Roles. The Manager was to play different roles and act as a link with different groups of people, stakeholders and one another. In performing such roles the Manager at times become the:

a) Figure Head. As Senior managers, they have to represent the organization at meetings, conferences, dinners, presentations, ceremonies etc. These roles can be legal (deputizing for the CEO in legal matters) or social (deputizing the CEO in Social Matters).

b) Leader. By leading, one motivates and activates the subordinates by his exemplary conduct and behavior, are could inspire his team to follow him. Thereby achieve the managerial functions involving subordinates.

c) Liaison. It becomes necessary to coordinate matters with sister departments or units in an organization to achieve some objective. Eg. Preparation of annual report of the company, Supply and delivery of your products to a customer In order to avoid confusion, and delays, it is the responsibility of the Manager to Liaise with other such sections/ people.

(2) Informational Roles. This role would facilitate to collect information from various sources, and transmit the same to those who need them to achieve goals and objectives. All informational roles would specify well-developed communication skills.

a) Monitor. Seek and receive wide variety of current information and to develop a thorough understanding of the organizations and its environment. He acts as the verve Center for information, both internally and externally.

b) Disseminator. The manager should also transmit such information received from outside to those employees who need them, and from employees to other groups. The Manager should keep abreast of development taking place outside the Unit/Department, which may affect his team; and

keep them informed of such up-to date information. It may also be necessary for the Manager to inform his team members the vision the mission statements of the organization, and also any other information he thinks as suitable.

c) **Spokesman.** The manager with authority should be the spokesman of his department/unit/company. As the Head of the department he may be required to explain the nature, purpose and the importance of his work of their employees in other department.

(3) Decisional Roles. These roles would facilitate the Manager, in arriving at decisions.

a) **Entrepreneur.** This is the creative ability of the Manager; devising new ways and innovative methods, to do the jobs. Always he would like to see things in the organization which ordinary Managers do not see/observe. This helps organization development.

b) **Disturbance Handler.** Is very receptive to unexpected situations disturbing the balance. It is referred to as crisis management. In such situations swift action intelligently will put the organization in its proper perspective. ex: Handle Trade Union disputes etc.

c) **Resource Allocator.** Men, materials, money, machinery and such other resources are often scarce and limited. The manager should allocate them in the best and efficient way to. ex: Photocopy machines etc.

d) **Negotiator.** The manager should argue matters concerning his/her department when the management decides on plans, targets, and possibly pruning the resources.

10. The challenge of management

You are studying management in a time and place where many people are rethinking what management is all about. The impetus for this re-evaluation comes from the increasing pace of change both in organizations and in the larger world. Think about the mementoes events that have occurred in this country high school or college or the workforce. In this complex and dynamic environment, managers must continually adjust to changing conditions. It should come as no surprise, then, that today's managers look at change as a constant in their lives. We conclude this overview of management practice with three concurrent challenges that confront managers as they deal with a changing world on the doorstep of the twenty first century.

(1) The need for vision. The world is shrinking. New telecommunications technologies continue to expand our reach and speed up our communications. In addition, the world is being reshaped, both by technologies - such as genetic engineering, automated manufacturing, lasers, and computer chips - and by changing political boundaries and alliances. These new technologies and new global political alignments mean that managers face new possibilities for forging relationships that will carry their organizations into the future. For example, Andrew Dressel, a founder of Map Info, and INC 500 company in Troy, New York, USA that manufactures software, wanted a new challenge and developed a new vision with an international focus. He has put his entrepreneurial expertise to work in a business incubator in Kiev, Ukraine, to help aspiring Ukrainian entrepreneurs develop their own businesses. The goal is to share his company-building skills and to explain how capitalism works. A vision for living through and benefiting from these changing circumstances is important to any manager. For most of this century, for example, it was not easy to talk about joint ventures between American and Japanese auto manufacturers. Today there are many alliances. Managers with vision created those new relationships.

(2) The need for ethics. The decisions made by managers in organizations have a broad reach both inside and outside the organizations. Thus managers must be concerned with values and ethics. Sometimes things go awry in the course of organizational activity. Our increasing alarm over industrial pollution is just one reminder that managers inevitably allocate advantages and disadvantages no matter what they do or fail to do. For example, Nike has developed a technological process capable of recycling every type of shoe the company makes except for created modes. Now discarded shoes, rather than taking up landfill space, can be recycled to provide products that can be used to make new shoes. Nike's recycling efforts come from a combination of corporate responsibility and the original purpose of the company: a passion for the environment that marks not only Nikes home state of Oregon, but also the companies founders and first customers, runners. The study of who is-and should be-benefited or harmed by an action is called **ethics**. Ethics deals with both conflict and opportunity in human relationships. Ethical questions are among the most difficult ones any person faces. These questions deal with right and wrong where the magnitude of the decision is often great. Ethics provides the glue that holds our relationships, and the larger society, together. Emphasis on human relationships throughout this subject provides and opportunity to bring ethics into the discussion time and again.

(3) The need for responsiveness to cultural diversity. Education, travel, telecommunications, changing immigration policies, the end of the Cold War, and several decades of peacetime have combined to break down intercultural barriers to an extent not seen in the past. Organizations, reflecting modern life, have been permeated by these changes. Exciting new relationships and new possibilities are now available. Look around your college classroom and snack-bar, or your workplace. Look at the people in the media and the leaders of your community and country. The change is probably obvious. The workplace, like the classroom, is very different from what it was thirty years ago. One very prominent example of this is the influx of women, bringing not just numbers, but talent, and perhaps different approaches to relationships. In short, managers of today's organizations must be prepared to deal with diversity in their organizations and to draw on the talents of all of their employees. Indeed, from a global perspective, immigrants to this country, who present distinct multicultural issues and training needs, make up as much as 40 percent of the annual growth in the US workforce. In order to compete, companies must learn to manage these new workforce entrants successfully.

Words and expressions

Human relationships

Top Management

Middle Level Management

Front Line Managers

Long Term Plans, Strategic Plans, Medium Term Plans, Operational Plans

Technical skills, Human skills, Conceptual skills

Home assignment

Read the text. Try to describe your general impression on what management is. Which managerial roles look most interesting for your future career.

Lesson 2-4. Organizational Design and Organizational Structure

An organization is a pattern of relationships-many interwoven, simultaneous relationships-through which people, under the direction of managers, pursue their common goals. These goals are the products of the decision - making processes. The goals that managers develop through planning are typically ambitious, far-reaching, and open-ended. Managers want to ensure that their organizations can endure for a long time. Members of an organization need a stable, understandable framework within which they can work together toward organizational goals. The managerial process of organizing involves making decisions about creating this kind of framework so that organizations can last from the present well into the future. Managers must take into account two kinds of factors when they organize.

First, they must outline their goals for the organization, their strategic plans for pursuing those goals, and the capabilities at their organizations for carrying out those strategic plans.

Secondly, simultaneously, managers must consider what is going on now, and what is likely to happen in the future, in the organizational environment. At the intersection of those two sets of factors - plans and environments- managers make decisions that match goals, strategic plans, and capabilities with environmental factors. This crucial first step in organizing, which logically follows from planning, is the process of **organizational design**.

The specific pattern of relationships that managers create in this process is called the **organizational structure**. **Organizational structure** is a framework that managers devise for dividing and coordinating the activities of members of an organization. Because strategies and environmental circumstances differ from one organization to the next, there are a variety of possible organizational structures.

1. Types of Organizational Structures

Organizational structure refers to the way in which an organization's activities are divided, grouped, and coordinated into relationships between managers and employees, managers and managers, and employees and employees. An organization's departments can be formally structured in three major ways: 1) by Function, 2) by Product/Market, or 3) in Matrix Form.

(1) Functional organizational structure. Organization by function brings together in one department everyone engaged in one activity or several related activities that are called functions. For example, an organization divided by function might have separate manufacturing, marketing, and sales departments. A sales manager in such an organization would be responsible for the sale of all products manufactured by the firm.

Advantages. Functional organization is perhaps the most logical and basic form of departmentalization. It is used mainly by smaller firms that offer a limited line of products because it makes efficient use of specialized resources. Another major advantage of a functional structure is that it makes supervision easier, since each manager must be expert in only a narrow range of skills. In addition, a functional structure makes it easier to mobilize specialized skills and bring them to bear where they are most needed.

Disadvantages. As an organization grows, either by expanding geographically or by broadening its product line, some of the disadvantages of the functional structure begin to surface. Because functional managers have to report to central headquarters, it can be difficult to get quick

decisions. It is often harder to determine accountability and judge performance in a functional structure. If a new product fails, who is to blame-research and development, production, or marketing? Finally, coordinating the functions of members of the entire organization may become a problem for top managers. Because members of each department may feel isolated from (or superior to) those in other departments, they may have difficulty working with others in a unified way to achieve the organization's goals. For example, the manufacturing department may concentrate on meeting cost standards and delivery dates, and neglect quality control. As a result, the service department may be flooded with complaints. In short, a functional structure can be a difficult setting in which managers must coordinate employees' activities.

(2) Product/market organization structure. Product or market organization, often referred to as organization by division, brings together in one work unit all those involved in the production and marketing of a product or a related group of products, all those in a certain geographic area, or all those dealing with a certain type of customer. Most large, multi product companies, such as General Motors, have a product or market organization structure. At some point in an organization's existence, sheer size and diversity of products make functional departments too unwieldy. When a company's departmentalization becomes too complex for coordinating the functional structure, top management will generally create semiautonomous **division**. In each division, management and employees design, produce, and market their own products.

Unlike a functional department a division resembles a separate business. The division head focuses primarily on the operations of his or her division, is accountable for profit or loss, and may even compete with other units of the same firm. But a division is unlike a separate business in one crucial aspect: the division manager must still report to central headquarters.

A product/market organization can follow one of three patterns:

- Most obvious is division by product.
- Division by geography is generally used by service, financial, and other non-manufacturing firms as well as by mining and oil-producing companies. Geographic organization is logical when a plant must be located as close as possible to sources of raw materials, to major markets, or to specialized personnel.
- In division by customer, the organization is divided according to the different ways customers use products.

Advantages. Organization by division (Product/Market) has several advantages. Because all the activities, skills, and expertise requisites to produce and market particular products are grouped in one place under a single head, a whole job can more easily be coordinated and high work performance maintained. In addition, both the quality and the speed of decision making are enhanced because decisions made at the divisional level are closer to the scene of the scene of action. At the same time, the burden on central management is eased because divisional managers have greater latitude to act. Perhaps most important, accountability is clear. The performance of divisional management can be measured in terms of the division's profit or loss.

Disadvantages. The divisional structure does have some disadvantages, however. The interests of the division may be placed ahead of the goals for the total organization. For example, because they are vulnerable to profit and loss performance reviews, division heads may take short-term gains at the expense of long-range profitability. In addition, administrative expenses increase because each division has its own staff members and specialists, leading to costly duplication of skills.

(3) Matrix organization structure/multiple command system. The matrix structure, sometime referred to as a “multiple command system,” is a hybrid that attempts to combine the benefits of both types of designs while avoiding their drawbacks. An organization with a matrix structure has two types of structure existing simultaneously. Employees have in effect two bosses—that is, they work in two chains of command. One chain of command is functional or divisional. The second is a horizontal overlay that combines people from various divisions or functional department into a project or business team led by a project or group manager who is an expert in the team’s assigned area of specialization.

2. The Formal and Informal Organizational Structure

Organization charts are useful for showing the formal organizational structure and who is responsible for certain tasks. In reality, though, the organization chart cannot begin to capture the interpersonal that make up the **informal organizational structure**.

Informal organizational structure can be described as the in interpersonal relationships in the organization that affect decisions within it but either are omitted from the formal scheme or are not consistent with it. For example, during a busy period, one employee may turn to another for help rather than going through a manager. Or an employee in sales may establish a working relationship with an employee in production, who can provide information about product availability faster than the formal reporting system. And anyone who has worked in an organization knows the importance of secretaries and executive assistants, which never shows on an organization chart. One of the first scholars to recognize the importance of informal structures was Chester Barnard. He noted that **informal relationships help organization members satisfy their social needs and get things done**.

Words and expressions

Organizational structure
Multiple command system

Home assignment

Read the text and try to describe your understanding of formal structures for different types of business companies.

Lesson 2-5. Relationship between organizational Vision, Mission, Objectives, Tasks and People

1. Define the organization's Vision

The dream of a desired future. A view of an organization's future direction and business course, guiding concepts for what the organization is trying to do and to become.

Ex: Vision of John Keels Holdings Ltd: To be the leader in strategic growth sectors of the economy and to venture out internationally in these lines of business.

2. Organization's Mission

Mission is the organization's basic purpose and foundation. Mission determines how the organization will try to achieve its rational. Mission identifies the organization's major priorities direction and its basic business or operations in terms of: (a) markets/customers, (b) products and services. Organizations that identify their mission clearly understand it and work toward it are likely to succeed more than those that do not.

Ex: Mission of The First National Bank Ltd: To be the most caring and versatile provider of excellence in financial services that creates opportunities for more people in more places.

3. Organization's Corporate Objectives

Corporate objectives are overall levels performance of entire organization wants to reach to carry out its mission successfully. Usually organizations have many corporate objectives because they need performance measures in many areas of operation. Corporate objectives should be directly related to mission. Most often they are long term, but they may be short term.

Corporate Objectives of John and Sons Holdings Ltd:

- To exceed the expectations of our customers by maintaining the highest standards of integrity, quality and efficiency.
- To promote team spirit and commitment to excellence among our staff and provide them the opportunity to grow with the group and share its profits.
- To maximize the returns to our shareholders through sound investment and management practices.
- To be an exemplary corporate citizen.

4. Organization Corporate Strategies

A Corporate Strategy is a comprehensive set of activities developed by strategists to aid an organization in achieving its objectives. Corporate strategies are related directly to and developed from corporate objectives but also are derived from the mission and organizational rationale.

5. Organization's Functional Objectives

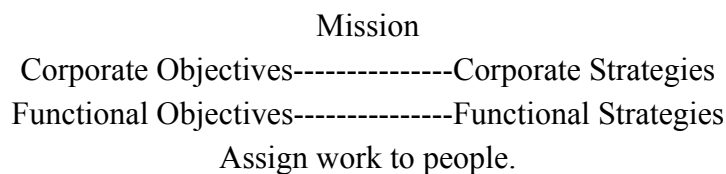
Functional objectives are standards of performance an organization wants to reach in each of its major functions, divisions or units to achieve corporate objectives. Functional objectives are generally shorter term in nature than corporate objective. Like corporate objectives, though they should have specific measurable levels of performance so the organization can know if it has achieved its objectives. Functional objectives should be established to contribute to achievement of corporate objectives.

6. Organizational Functional Strategies

Functional strategies are activities developed for functions, divisions, or units of an organization to aid in achieving functional objectives. Functional strategies are derived from corporate strategies and should contribute to the achievement of functional objectives.

7. Strategic Planning Process

In general, the strategic planning process can be structured as follows:



Many companies operate without formal plans. In new companies managers are sometimes so busy they have no time for planning. In small companies managers sometime think that only large corporations need formal planning. In mature companies many managers argue that they have done well without formal planning and that therefore it cannot be too important. They may resist taking the time to prepare a written plan. They may argue that the market place changes are too fast for plan to be useful-that it would end up collecting dust.

Yet formal planning can yield many benefits for all types of companies, large and small, new and mature. It encourages the management at top to think ahead systematically. It forces the companies to sharpen its objectives and policies lead to better coordination of company efforts and provide clearer performance standards for control. The argument that planning is less useful in fast changing environment makes little sense. In fact the opposite is true: sound planning helps the company to anticipate and respond quickly to environmental changes, and to better prepare for sudden developments.

Companies usually prepare: 1) Annual Plans, 2) Long Range Plans, and 3) Strategic Plans.

- Annual Plan: The annual plan is a short term plan that describes the current situation, company objectives, the management strategy for the year, the action program, the budgets, controls.
- Long Range Plans: The long range plan describes the major factors and forces affecting the organization during the next several years. It includes the long term objectives the major strategies that will be used to attain them and the resources required This long range plan is

then reviewed and updated each years that the company always has a current long range plan.

The company' annual and the long range plans deal with the current business and how to keep them going.

- **Strategic Plan:** The strategic plan involves adopting the firm to take advantages of opportunities in its constantly changing environment. We define strategic planning as the process of developing and maintaining a strategic fit between the organization' goals and capabilities and its changing marketing opportunities. **Strategic planning sets the stage for the rest of the planning in the firm.** It relies on developing a clear company Mission, Corporate Objectives, Functional Objectives, a sound business portfolio, coordinated Corporate Strategies and Functional Strategies. At the corporate level the company first defines its overall purpose and the mission. This mission then is termed into detailed supporting objectives that guides the whole company.

Now, we will consider the **Strategic Planning Process** by steps.

(1) Define the organization's Mission.

Every organization has a mission that defines its purpose and that essentially seek to answer the question: what business are we in? Defining the organization's mission forces the management to carefully identify the scope of its product or service.

It has been argued for instance that the demise of the Railroads Company in USA has been directly attributable to their misdefining the business they were in. During the 1930s and 1940s had they considered themselves in the transportation business rather than in the railroad business, their fate might have been quiet different.

Ascertaining what business and organization is in is as applicable to nonprofit organizations as it is to profit seeking firms. Hospitals, the government agencies and colleges also have to define their mission. Should the college for example trains students for the professions, train students for particular jobs or develop well rounded students through a liberal education? Should it seek students from the top 5% of high schools graduates, those with low academic grades but high aptitude test scores or those in the vast middle ground? Answers to questions such as these. This clarifies the organization purpose and permits management to establish objectives.

(2) Establish Corporate Objectives.

Objectives as noted in earlier are the foundation of any planning program. The mission clarifies for management the organization's purpose. Objectives translate the mission in to concrete terms. Since we have already discussed the objectives in detail lets move on to the next step which is analyzing the organization's resources.

(a) Analyze the Organization's Resources.

What the management can do is limited by the resources and the capabilities that the organization possesses. I may desire to have a stable, secure and well paying job. I may also be aware that there are a number of such jobs in the field of petroleum engineering. But if I have no education or training in this field the existence of the opportunity is irrelevant. The same holds true for organizations. They are limited by their human, financial, physical resources. What they will do is constrained by what they can do. Radio Shacks Company's decision to aggressively produce market inexpensive home and business computers and the success it has achieved in doing so reflects their management awareness that their technological and marketing know how lent it self for pursuing this opportunity.

Analysis of the organization's resources should uncover its comparative advantage: that is relative competency that the organization has over its present and future competitors. One city manager was acknowledging his community's comparative advantages when he said "We have a lot of attractive qualities here: terrific climate, low crime rates, superior mass transportation system and the ready supply of highly skilled workers. But in trying to attract companies to locate here I have to emphasize that quality gives us the biggest advantage other growing cities. Others achieve comparable weather better crime rate statistics and a highly skills labor pool. But non of them have our mass transit system. Here you don't need a car."

Evaluation of some organization resources must also look at the organizations' Strengths and Weaknesses. Carrying a SWOT Analysis is analyzing its Strengths, Weaknesses, Opportunities and Threats.

(b) Scan the environment.

Management will want to scan its environment to identify various political, economic, social, technological and market factors that could have an impact on the organization. The intent of scanning is to develop a scenario about the future. One of the most sophisticated scanning processes takes place at General Electric Company in USA. They break their environmental; analysis down in to three stages:

- Sectoral forecasts,
- Cross impact analysis,
- Scenario writing.

In the first stage nine sectors or areas of concern are identified and analyzed. In the second stage the company reduces the data found in stage one in to manageable proportion and are then cross analyzed to determined potential interactions that how change in one factor triggers changes in the another so on. In the third stage it takes the set of facts found in stage two and creates internally consistent scenarios fro the future.

(c) Make Forecasts.

The next step is a more detailed effort to forecast the possible occurrence of future events. Forecasts cover external factors that were considered earlier and they also include internal factors such as revenue projections, estimates of expenses at various levels of operations, estimates of capital needs for working capital and investment in planning and equipment and forecasts of human resource requirements for present and future operations.

(d) Assess Opportunities and Threats.

The analysis of the organization's resources and forecasts of internal and external factors form the database from which management assesses Opportunities and Threats.

(e) Identify and evaluate Alternative Strategies.

Once an Opportunity or Threat is identified management should seek the set of alternatives that can exploit the situation.

(f) Select Strategy.

Once the alternative strategies have been enumerated and appraised one will be selected. However if a new strategy is selected it should be consistent with the organization's mission and objectives and well suited to the organization's capabilities.

(g) Implement the Strategy.

The final step is implementation. The best of strategies can fail if management fails to translate the strategy chosen in to programs, policies, budgets and other long term and short term

plans necessary to carry it out. Additionally, the implementation stage demands successful communication of the strategy throughout all level of management. If managers throughout the organization fail to understand the strategy and their individual role in it, the strategy is sure to fail.

Words and expressions

Long Range Objectives - the results to be achieved either within next three to five years or else on an on going basis after year Ex: To reach an additional customer base of 1 million customers by the end of next 5 years.

Medium Range Objectives - the results to be achieved within next one to two years. Ex: To reach an additional customer base of 200,000 customers by the end of next year.

Short Range Objectives - The organization's near term performance targets; the amount of short term improvement signals. Ex: To reach an additional customer base of 60,000 customers by the end of next three months.

Strategy - a statement of actions managers employ to achieve organizational objectives. A company's actual strategy is partly planned and partly reactive to changing circumstances.

Strategic Objectives - the targets management has established for strengthening the organization's overall business position and competitive vitality. Ex: To merge with another company to acquire latest technology and production methods to offer high quality products to customers at reasonable price.

Strategic Plan - a statement outlining an organization's mission and future direction, near term and long term performance targets and strategy.

Strategy Formulation - the entire direction-setting management function of conceptualizing an organization's Vision, Mission, setting corporate/performance objectives and cutting a strategy. The end product of strategy formulation is a strategic plan.

Strategy Implementation - the full range of material activities associated with putting the chosen strategy in to place, supervising its pursuit and achieving the targeted results.

Functional Objectives:

(1) Financial Objectives - the targets management has established for the organization's financial performance. Ex: To achieve 10 million profit for the next financial year 2000/2001.

(2) Marketing Objectives - the targets management has established for the organization's marketing/sales performance. Ex: To capture 25% of the market share by the end of year 2000.

(3) Production/Operations Objectives - the targets management has established for the organization's production/operations performance. Ex: To manufacture 100,000 units by the end of next financial year 2000/2001.

(4) Personnel/Human Resource Objectives - the targets management has established for the organization's Personnel/Human Resource Development. Ex: To train 75% of employees in the organization in customer care by the end of next financial year 2000/2001

Home assignment

Read the text. Give your example of some company's Annual Plans, Long Range Plans, and Strategic Plans.

Lesson 2-6. Leadership

1. Defining leadership

We will define managerial **leadership** as the process of directing and influencing the task-related activities of group members. There are four important implications of our definition.

First, leadership involves *other people* - employees or followers. By their willingness to accept directions from the leader, group members help define the leader's status and make the process possible. Without people to lead, all the leadership qualities of a manager would be irrelevant.

Second, leadership involves an unequal of **power** between leaders and group members. Group members are not powerless; they can and do shape group activities in a number of ways. Still, the leader will usually have more power. Possible nature of a manager's power can be: **Reward** power, **Coercive** power, **Legitimate** power, **Referent** power, and **Expert** power.

The greater the number of these power sources available to the manager, the greater his or her potential for effective leadership. Yet it is a commonly observed fact of organization life that managers at the same level-with the same amount of legitimate power differ widely in their ability to use reward, coercive, referent, and expert power.

Thus, the third aspect of leadership is the ability to use the different forms of power to **influence** follower's behaviors in a number of ways. Indeed, leaders have influenced soldiers to kill and leaders have influenced employees to make personal sacrifices for the good of the company. The power of influence brings us to the fourth aspect of leadership.

This fourth aspect combines the first three and acknowledges that leadership is about **values**. Some argues that the leader who ignores the moral components of leadership may well go down in history as a bad leader. Moral leadership concerns values and requires that followers be given enough knowledge of alternatives to make intelligent choice when it comes time to respond to a leader's proposal to lead. As noted some argued, 'We don't learn ethics from people who sermonize or moralize or try to preach to us about ethics; we learn ethics from the people whom we admire and respect, and who have power over us. They are the real teachers of ethics. It is very important for leaders and role models, whether they be sports figures or politicians, to make positive statements of ethics, if they're not hypocritical.

2. Leadership & Management, Leadership theories

It is worth noting that although leadership is highly related to and important to management, leadership and management are not the same concepts. To dramatize the difference, leadership writers had said that most organizations are **overmanaged** and **underled**. A person can serve as an effective manager - a good planner and a fair, organized administrator - but lack the motivational skills of a leader. Others can serve as effective leaders-skilled at inspiring enthusiasm and devotion-but lack the managerial skills to channel the energy they arouse in others. Given the challenges of dynamic engagement into day's organization world, many organizations are putting a premium on managers who also possess leadership skills.

The existing leadership theories are:

- **The great man theory/approach.** The great man approach said leaders are born to families of leaders and they are not made.
- **The trait theory/approach.** The first systematic effort by psychologists and other researchers to understand leadership was the attempt to identify the personal characteristics of leaders (traits). This approach assumed that leaders share certain inborn personality traits.

In searching for measurable leadership traits, researchers have taken two approaches:

- comparing the traits of those who have emerged as leaders with the traits of those who have not;
- comparing the traits of effective leaders with those of ineffective leaders.

(1) Comparing the traits of those who have emerged as leaders with the traits of those who have not. However, they have largely failed to uncover any traits that clearly and consistently distinguish leaders from followers. It is true that leaders have been found to be brighter, more intelligent, and more self confident than non-leaders. They also tend to be taller. But although millions of people have these traits, most of them will never attain leadership positions. And many indisputable leaders have not had these traits-Abraham Lincoln, for example, was moody. Napoleon was rather short. It is also possible that individuals become more assertive and self-confident once they occupy a leadership position, so some of the traits identified may be the **results** of leadership experience rather than the **causes** of leadership ability. Although personality measurements may one day become exact enough to isolate leadership traits, the evidence thus far suggests that people who emerge as leaders possess no single constellation of traits that clearly distinguishes them from non-leaders.

The issue is also clouded by the question of cultural bias. For example, tallness has long been associated with American leaders. Does this mean that tallness is a leadership trait?

(2) Comparing the traits of effective leaders with those of ineffective leaders. Attempts to compare the characteristics of effective and ineffective leaders-the second category of leadership trait studies - are more recent and fewer in number, but they, too have generally failed to isolate traits strongly associated with successful leadership. One study did find that intelligence, initiative, and self-assurance were associated with high managerial levels and performance. However, this study also found that the single most important factor related to managerial level and performance was the manager's supervisory ability - that is, his or her skill in using supervisory methods appropriate to the particular situation.

Some researchers have also found that although women are still less likely than men to emerge as leaders, they are just as effective when they do. Even though an increasing number of people believe in equality of ability and opportunity, persistent, often unconscious, sexual stereotyping continues to hamper the recognition of women as potential leaders. Women who do become leaders, however, not only perform as well as male leaders according to objective measures, but also are generally perceived as equally effective by their employees.

Racial stereotyping, of course, is another problem when attempting to identify the connections between traits and leadership qualities, because leadership qualities may go unrecognized and untapped because of racial stereotyping.

3. The behavioral theory/approach

When it became evident that effective leaders did not seem to have a particular set of distinguishing traits, researchers tried to isolate the **behaviors** characteristic of effective leaders. Hence they tried to define leadership based on behavior not traits.

In other words, rather than try to figure out who effective leaders are, researchers tried to determine what effective leaders do - how they delegate tasks, how they communicate with and try to motivate their followers or employees, how they carry out their tasks, (identify their behavior) and so on. Behaviors, unlike traits, can be learned, so it followed that individuals trained in appropriate leadership behaviors would be able to lead more effectively. These researchers have focused on two aspects of leadership behavior: (1) Leadership functions and (2) Leadership styles.

(1) Leadership functions. Researchers exploring **leadership functions** came to the conclusion that to operate effectively groups need someone to perform two major functions:

- Task-related or problem-solving functions and
- Group-maintenance or social functions.

Group maintenance functions include such actions as mediating disputes and ensuring that individuals feel valued by the group.

An individual who is able to perform both roles successfully would be an especially effective leader. In practice, however, a leader may have the skill or temperament or time to play only one role. This does not mean that the group is doomed, though. Studies have found that most effective groups have some form of shared leadership: one person (usually the manager or formal leader) performs the task function, while another member performs the social function.

(2) Leadership styles. The two leadership functions-task-related and group-maintenance-tend to be expressed in two different **leadership styles**.

- Managers who have a *task-oriented style* closely supervise employees to be sure the task is performed satisfactorily. Getting the job done is given more emphasis than employees' growth or personal satisfaction.

- Managers with an *employee-oriented style* put more emphasis on motivating rather than controlling subordinates. They seek friendly, trusting, and respectful relationships with employees, who are often allowed to participate in decisions that affect them. Most managers use at least a little of each style, but put more emphasis on either tasks or employees.

Theorists describe the various factors thought to influence a manager's choice of leadership style. While they personally favored the employee-centered style, they suggested that a manager consider three sets of "forces" before choosing a leadership style: 1) forces in the manager, 2) forces in employees and 3) forces in the situation.

Forces in the manager - how a manager leads will undoubtedly be primarily influenced by his or her background, knowledge, values, and experience (*forces in the manager*). For example, a manager who believes that the needs of the individual must come second to the needs of the organization is likely to take a very directive role in employees activities.

Forces in employees - but employees must also be considered before managers can choose an appropriate leadership style. According to some writers, a manager can allow greater participation and freedom when employees ask for independence and freedom of action, want to have decision-making responsibility, identify with the organization's goals, are knowledgeable and experienced enough to deal with a problem efficiently, and have experiences that lead them to

expect *participative management*. Where these conditions are absent, managers might need initially to adopt a more authoritarian style. They can, however, modify their leadership behavior as employees gain in self-confidence, skill, and organizational commitment.

Forces in the situation - finally, a manager's choice of leadership style must address such *situational force* such as the organization's preferred style, the size and cohesiveness of a specific work group, the nature of the group's tasks, the pressures of time, and even environmental factors- all of which may affect organization member's attitudes to authority. Most managers, for example, lean toward the leadership style favored by the organization's top ranking executives.

4. The contingency/situation theory/approach

This theory said that leadership is nothing but leading according to the demands of particular situations. Researchers using the trait and behavioral approaches showed that effective leadership depended on many variables, such as organizational culture and the nature of tasks. No *one* trait was common to all effective leaders. No *one style* was effective in all situations.

Researchers therefore began trying to identify those factors in each *situation* that influenced the effectiveness of a particular leadership style. Taken together, the theories resulting from this research constitute the **contingency approach to leadership**.

One of the major contingency approaches to leadership is **situational leadership model**, which holds that the most effective leadership style varies with the "readiness" of employees. Hersey and Blanchard define readiness as desire for achievement, willingness to accept responsibility, and task-related ability, skill and experience. The goals and knowledge of followers are important variables in determining effective leadership style.

They believe that the relationship between a manager and follower moves through four phases as employees develop, and managers need to vary their leadership style.

(a) **High amount of task behavior and low human relationship by manager.** In the initial phase of readiness high amounts of task behavior by the manager is most appropriate. Employees must be instructed in their tasks and familiarized with the organizations' rules and procedures. A nondirective manager would cause anxiety and confusion in new followers.

(b) **High amount of task behavior and high human relationship by manager.** As followers begin to learn their tasks, task-behavior remains essential because they are not able to function without the structure. However, the leader's trust in and support of employees increases as the leader becomes familiar with them and wishes to encourage further efforts on their part. Thus, the leader needs to increase relationship behavior.

(c) **High human relationship and low amount of task behavior by manager.** In the third phase, employees have more ability and achievement motivation begins to surface and they actively begin to seek greater responsibility. The leader will no longer need to be as directive (indeed, close direction might be resented). However the leader will still have to be supportive and considerate in order to strengthen the followers' resolve for greater responsibility.

(d) **Low human relationship and low amount of task behavior by manager.** As followers gradually become more confident, self-directing, and experienced, the leader can reduce the amount of support and encouragement. In this fourth phase, followers no longer need or expect direction from their manager. They are increasingly on their own.

This situational leadership model has generated interest because it recommends a leadership type that is dynamic and flexible rather than static. The motivation, ability, and experience of followers must constantly be assessed to determine which style combination is most appropriate under flexible and changing conditions. If the style is appropriate, according to Hersey and Blanchard, it will not only motivate employees but will also help them develop professionally. Thus, the leader who wants to develop followers, increase their confidence, and help them learn their work will have to shift style constantly.

One of the most thoroughly researched contingency models was developed by Fred E. Fiedler. Fiedler's basic assumption is that it is quite difficult for managers to alter the management styles that made them successful. In fact, Fiedler believes, most managers are not very flexible, and trying to change a manager's style to fit unpredictable or fluctuating situations is inefficient or useless. Since styles are relatively inflexible, and since no one style is appropriate for every situation, effective group performance can only be achieved by matching the manager to the situation or by changing the situation to fit the manager. For example, a comparatively authoritarian manager can be selected to fill a post that requires a directive leader, or a job can be changed to give an authoritarian manager more formal authority over employees.

What differentiates his model from the others is the measuring instrument he used. Fiedler measured leadership style on a scale that indicated "the degree to which a man described favorably or unfavorably his **Least Preferred Co-worker (LPC)**" - the employee with whom the person could work least well.

This measure locates an individual on the leadership-style continuum. According to Fiedler's findings, "a person who describes his least preferred co-worked in a relatively favorable manner tends to be, human relations-oriented, and have good feelings about his men. But a person who describes his least preferred co-worked in an unfavorable manner who has what we have come to call -a low LPC rating-tends to be managing, task controlling, and less concerned with the human relations aspects of the job.

High-LPC Managers: want to have warm personal relations with their co-workers and will regard close ties with employees as important to their overall effectiveness.

Low-LPC Managers: on the other hand, want to get the job done. The reactions of employees to their leadership style is not important to them. The need to maintain production is important to them. Low-LPC managers who feel that a harsh style is necessary to maintain production and will not hesitate to use it.

Fiedler has also identified three 'leadership situations' that help determine which leadership style will be effective:

- (a) Leader-member relation situation
- (b) The task structure situation and
- (c) The leader's position power situation.

(a) Leader-member relations situation. The quality of **leader-member relations** is the most important influence on the manager's power and effectiveness. If the manager gets along well with the rest of the group, if group members respect the manager for reasons of personality, character, or ability, then the manager might not have to rely on formal rank or authority. On the other hand, a manager who is disliked or distrusted may be less able to lead informally and could have to rely on formal directives to accomplish group tasks.

(b) The task structure situation. **Task structure** is the second most important variable in the leadership situation. A highly structured task is one for which step-by-step procedures or instructions are available. Group members therefore have a very clear idea of what they are expected to do. But when tasks are unstructured, as in committee meetings, group member roles are more ambiguous.

(c) The leader's position power situation. The leader's **position power** is the final situation. Some positions, such as the presidency of a firm, carry a great deal of power and authority. The chairperson of a fund-raising drive, on the other hand, has little power over volunteer workers. Thus, high-position power simplifies the leader's task of influencing others, while low-position power makes the leader's task more difficult.

Fiedler reviewed studies of over 800 groups to see which type of leader was most effective in each situation. Among the group he studied were basketball teams, executive training workshops, and Air Force and tank combat crews. He found that low-LPC leaders - those who were task-oriented or authoritarian - were most effective in extreme situations: situations in which the leader either had a great deal of power and influence. High-LPC leaders - those who were employee-oriented - were most effective in situations where the leader had less power and influence.

5. A path-goal approach to Leadership

Like other contingency approaches, the **path-goal model** of leadership tries to help us understand and predict leadership effectiveness in different situations.

The path-goal approach is based on the motivation, which states that an individual's motivation depends on his or her expectation of reward or attractiveness of the reward. Although managers have a number of ways to motivate employees, the most important is their ability to provide rewards and to specify what employees must do to earn them. Thus, managers determine the availability of "goals" (rewards) and the "paths".

This suggests that a manager's leadership style influences the rewards available to employees, as well as employees' perceptions of the path to those rewards.

An employee-centered manager will not only offer pay and promotion, but also support, encouragement, security etc.

A task-oriented manager on the hand, will offer a less set of rewards. Employees of a task-oriented manager will know exactly what productivity or performance level they must attain to get bonuses, or promotions.

Evans believes that the most effective leadership style according to a situation depends on the types of rewards they can offer.

6. The Vroom-Yetton and Vroom-Jago models

The classic Vroom-Yetton approach to situational leadership included a concern for both: the quality and (b) the acceptance of decisions. Writing in the spirit that we call "dynamic engagement" two writers have opened up a new line of inquiry in leadership research by going back to basics and trying to catalog five fundamental practices that leaders use to get extraordinary things done: Challenge things, Inspiring others to share a vision, Action oriented, Set an example, Encourage others.

Leaders who, through their personal vision and energy, inspire followers and have a major impact on their organizations are also called **charismatic leaders**. They have a very high level of referent power. (Power these leaders get because others to refer them or follow their approach.

Charismatic leaders have very high levels of referent power and that some of that power comes from their need to influence others. The charismatic leader has “extremely high levels of self confidence, and conviction. Charismatic leader communicate a vision or higher level goal that captures the commitment and energy of followers. They are careful to create an image of success and competence and to exemplify in their own behavior the values they believe in. They also communicate high expectations for followers and confidence that followers perform up to those expectations.

Transformational leaders and their followers pursue a vision. The deeds of Winston Churchill, Mahatma Gandhi, and Martin Luther King are examples, we are well aware that the ability to inspire great commitment, sacrifice, and energy is no guarantee that the cause or vision is a worthwhile one. Adolf Hitler was also known for his charisma - and for the tragedies his leadership brought to his followers and others. Transformational leaders find meaning and excitement in their work lives, but they can pose great dangers if their goals and values are opposed to the basic tenets of civilized society.

Transactional leaders are leaders who determine what subordinates need to do to achieve objectives, and help subordinates become confident that they can reach their objectives, these leaders are objective oriented.

The example of Hitler has led some people to suggest that we question all leaders’ motives. To understand why some people become leaders, some argue, we need to take a psychoanalytic view. This view, originated by Sigmund Freud, holds that much of human behavior is shaped by unconscious efforts to satisfy unfulfilled needs and drives.

A second challenge to traditional theories of leadership focuses on the followers - the people who look to leaders for guidance. In this view, followers have developed romanticized, or idealized, views of what leaders do, what they can accomplish and how they can affect followers’ lives. These romantic views have evolved because we turn to leaders to simplify our lives.

Words and expressions

Power sources

Reward power

Coercive power

Legitimate power

Referent power

Expert power

Position power

Least Preferred Co-worker (LPC)

Home assignment

Read the text. Give your understanding of the relationship between Leadership and Management.

Lesson 2-7. Conflict Management

In many organizations, conflicts within and between groups are common. A conflict is defined as a perceived difference between two or more parties that results in mutual opposition. Conflict is often considered as negative factors. However, it can have constructive, as well as destructive, consequences.

When tensions are so high that people do not cooperate and are not productive, conflict should be reduced so that they can work together to accomplish their objectives. Modern managers do not necessarily try to eliminate conflict, rather they manage it so that it contributes to the individual's and organization's productivity.

1. Causes of conflict

Conflict in organizations can exist between individuals, groups, units, departments or organizational levels. There are many reasons why we see conflict in organizations:

- **Scarce Resources.** Resources include money, information, supplies. In their desire to achieve goals, individuals may wish to increase their resources, which throws them into conflict.
- **Unclear Resources.** Conflicts emerge when job boundaries and responsibilities are not clearly defined. When duties are clearly specified, people know where they stand. When they are unclear, people may disagree about who has responsibility for specific tasks or who has a claim on resources.
- **Communication Breakdown.** Poor communication results in misperceptions and misinterpretation. In some cases, information may be intentionally withheld, which can jeopardize trust among employees and lead to lasting conflict.
- **Personality clashes.** This happens when people simply do not get along or don't see eye to eye. Such differences could be due to differences in characteristics, values and beliefs.
- **Status Differences.** Power and status differences occur when one party has disputable influence over another. People may engage in conflict to increase their power and influence.
- **Goal Differences.** Conflict occurs because people are pursuing conflicting goals. Individual salespeople's targets may put them in conflict with one another or with the sales manager. Moreover, the sales department may have goals that conflict with manufacturing or finance.

2. Managing Conflict

The challenge for managers is to manage conflict in such a way that it contributes to the organization.

a) Conflict between Individuals. Such conflict can be handled by using the following styles:

- **Competing Style.** This reflects a person's assertiveness to get his/her own way and should be used when quick, decisive action is required. This may be the case when making important or unpopular decisions such as during emergencies.

- **Avoiding Style.** This reflects neither assertiveness nor cooperativeness. This is appropriate when issues debated are trivial, when there is no chance of winning or when a disruption may be very costly.
- **Compromising Style.** This style reflects a moderate amount of assertiveness and cooperativeness. It is appropriate when the goals on both sides are equally important, when opponents have equal power.
- **Accommodating Style.** This shows willingness of individuals to cooperate and can be used when both parties realize they are wrong or when maintaining harmony is important.
- **Collaborating Style.** This enables both parties to win, although it requires substantial bargaining and negotiation.

The various styles above can be used when an individual disagrees with another.

b) Techniques of Resolving Conflicts. Several techniques can help managers resolve conflicts that arise between members of one group or between different teams:

- **Bargaining/Negotiation.** Both parties engage one another in an attempt to systematically reach a solution. They attempt logical problem solving to identify and correct conflict.
- **Mediation.** Using a third party to settle a dispute is called mediation. The mediator may be a supervisor, manager. Mediator can discuss the conflict with each party and work toward a solution.
- **Well-defined tasks.** Managers can reduce conflict by clearly identifying responsibilities and duties.
- **Facilitating communication.** Managers can provide opportunities for parties to communicate more effectively. As they learn about each other, suspicions diminish and improved teamwork becomes possible.

3. Introduction to Change

We live in a dynamic and exciting world where change is always taking place and affects both individuals and organizations. As individuals, we regularly experience change in our everyday lives. In recent years, lives have been changed by the introduction of computers and other innovations. In order to survive and prosper in a competitive world, organizations have to change too. Organizational change is defined as the adoption of a new idea or behavior by an organization.

There are many factors or forces that make change necessary for organizations:

- **External Forces.** As discussed under the topic of environment, external changes take place in all sectors, including consumers, competitors, economic, political and social and technological environment.
- **Internal Forces.** These arise from internal activities and decisions. If managers select a goal of rapid growth, internal actions will have to be taken to accomplish this objective. New departments or technology may need to be introduced. Demands by employees, unions and others may mean changes.

Often, members in an organization do not easily welcome and accept changes. Even though workers may see the need for change, it is still not easy for them to accept it. Some of the reasons why change may be resisted include:

- **Self Interest.** Employees will resist change if they feel that the change will take away something of value to them. A proposed change in structure, job design or technology may lead to a perceived loss of power and prestige.
- **Lack of Understanding.** Employees often do not understand the purpose or need for the change or distrust the intentions behind it. If previous changes have been made and have been negative, then resistance will arise in future.
- **Uncertainty.** Employees may not have adequate information about future events. It represents a fear of the unknown. They do not know how the change will affect them. Employees may fear that they will not be able to cope or keep up with the demands of a new procedure or technology.
- **Different Goals and Objectives.** Managers in each department pursue different objectives and a change may affect whether they can meet their objective.

Managers should not ignore the above concerns of their employees but must diagnose the reasons and design strategies to gain their acceptance.

4. Overcoming Resistance to Change

There are several possible tactics of overcoming resistance to change:

- **Communication and Education.** This is used when solid information is available that the proposed changes will benefit the users and the firm. It is especially useful when change involves new technical knowledge. Education helps workers to see the benefits and accept them more easily.
- **Participation and Involvement.** This tactic involves the users from the start of the change process. It is time consuming but it pays off because users understand what is happening and become committed to the change. It allows employees to offer their personal ideas to make it successful and consequently improving the outcome.
- **Negotiation and agreement.** This uses formal bargaining to win acceptance and approval from the employees for the changes. This tactic is especially necessary when dealing with trade unions. The change becomes a part of the new contract.
- **Coercion.** This means that managers use formal power and authority to force employees to change. Employees are told to accept the changes or lose certain benefits or even their jobs. This is used as a last resort in cases where a crisis may exist.

5. Types of Changes

The different types of changes that can be carried out in organizations include the following:

- **Technology Changes.** Such change are related to the firm's manufacturing activities. They are designed to make the production process more efficient. Such changes should be made by inviting suggestions from the workers involved in such activities. Employees at lower levels understand the technical aspects better and can contribute to the change successfully.
- **Product Changes.** This involves a change in the company's products or services. These changes usually are in response to customer's demands or competitors new product.

Marketing, production and research departments have to work together in developing new product ideas.

- **Structural Changes.** Such changes involve the hierarchy of authority, goals, administrative procedures. For example, the implementation of a no-smoking policy in the firm can be considered a structural or administrative change.
- **Culture/People Changes.** A culture or people change refers to a change in employees' values, attitudes, beliefs and behavior. These changes pertain to how people think. It could involve just a few people or the entire organization. For example, a change in leadership style from autocratic to democratic is a cultural change.

Conclusion

For change to take place successfully, those affected must be psychologically willing to make the effort. Any change process involves unlearning old things and learning new skills. Change is difficult if there is no motivation to change. Inducing this motivation is often the most difficult part of the change process.

Words and expressions

Communication breakdown

Conflict

Lack of understanding

Mutual opposition

Personality clash

Resistance to change

Tension

Home assignment

Read the text. Describe the types of conflicts which exist in your working/study environment and the ways you try to manage them.

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