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Principles of Managing Organisations

Lecture 18:

Organisational
Performance and
Effectiveness/
Stakeholders



Today's Objectives



1. To assess the nature of organisational effectiveness
2. To evaluate the benefits of the learning organisation
3. To debate the value of TQM and BPR
4. To explore the main features and requirements of the management development process
5. To assess the contribution of the Excellence model and of Investors in People
6. To provide criteria for assessing organisational performance and effectiveness
7. To review the future of management and the nature of successful organisations
8. To define and examine stakeholder theories

Assignment Task 2: Presentation

State whether you believe your chosen organisation is operating effectively and include any key recommendations for improvement

What is organisational effectiveness?

<http://youtu.be/L--Oyw6V8gl>

Essential elements:

- Efficiency and optimum use of resources
- Output related to purpose
- Performance including profitability, improved service delivery and meeting or exceeding customer expectations
- Adaptability to changed circumstances
- Innovation as the key to long term success



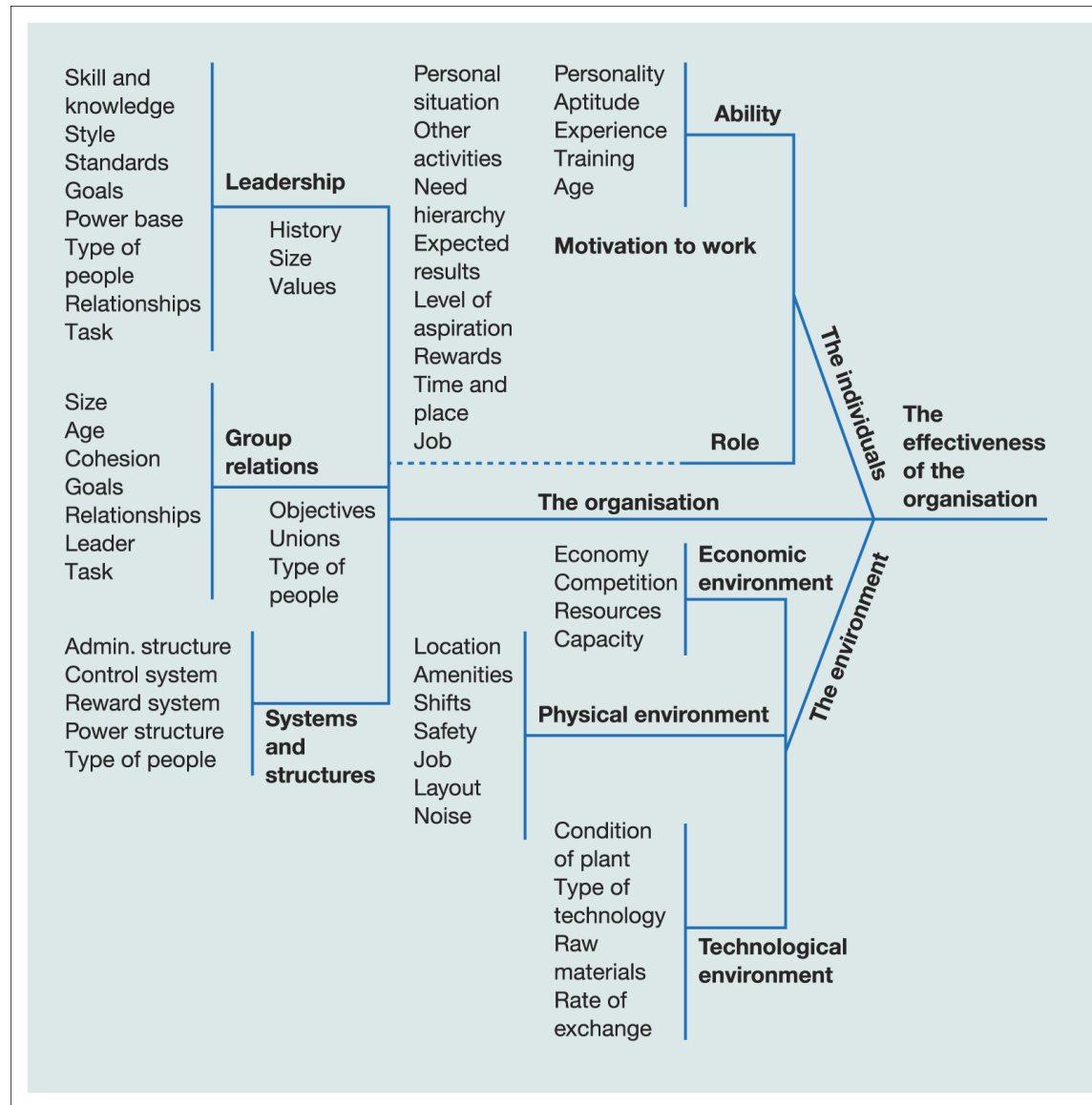


Figure 20.1 Some factors affecting organisational effectiveness

Source: From Handy, C. B. *Understanding Organizations*, fourth edition, Penguin Books (1993), p. 15. Copyright © Charles Handy, 1976, 1981, 1985, 1993, 1999. Reproduced by permission of Penguin Books Ltd.

<http://features.thesundaytimes.co.uk/public/best100companies/live/cleanlist>

- **Leadership:** How employees feel about the head of the company and its senior managers
- **Wellbeing:** How staff feel about the stress, pressure and the balance between their work and home duties
- **Giving something back:** How much companies are thought by their staff to put back into society generally and the local community
- **Personal growth:** To what extent staff feel they are stretched and challenged by their job
- **My manager:** How staff feel towards their immediate boss and day-to-day managers
- **My company:** Feelings about the company people work for as opposed to the people they work with
- **My team:** How staff feel about their immediate colleagues
- **Fair deal:** How happy the workforce is with their pay and benefits

Peters and Waterman study



‘In Search of Excellence’ (1982)

62 successful US companies - **Key attributes of excellence:**

- A bias for action
- Close to the customer
- Autonomy and entrepreneurship
- Productivity through people
- Hands-on, value driven
- Stick to the knitting
- Simple forms and lean staffing
- Simultaneous loose – tight properties

The McKinsey 7-S framework

<http://youtu.be/vQmyKOBdXSU>

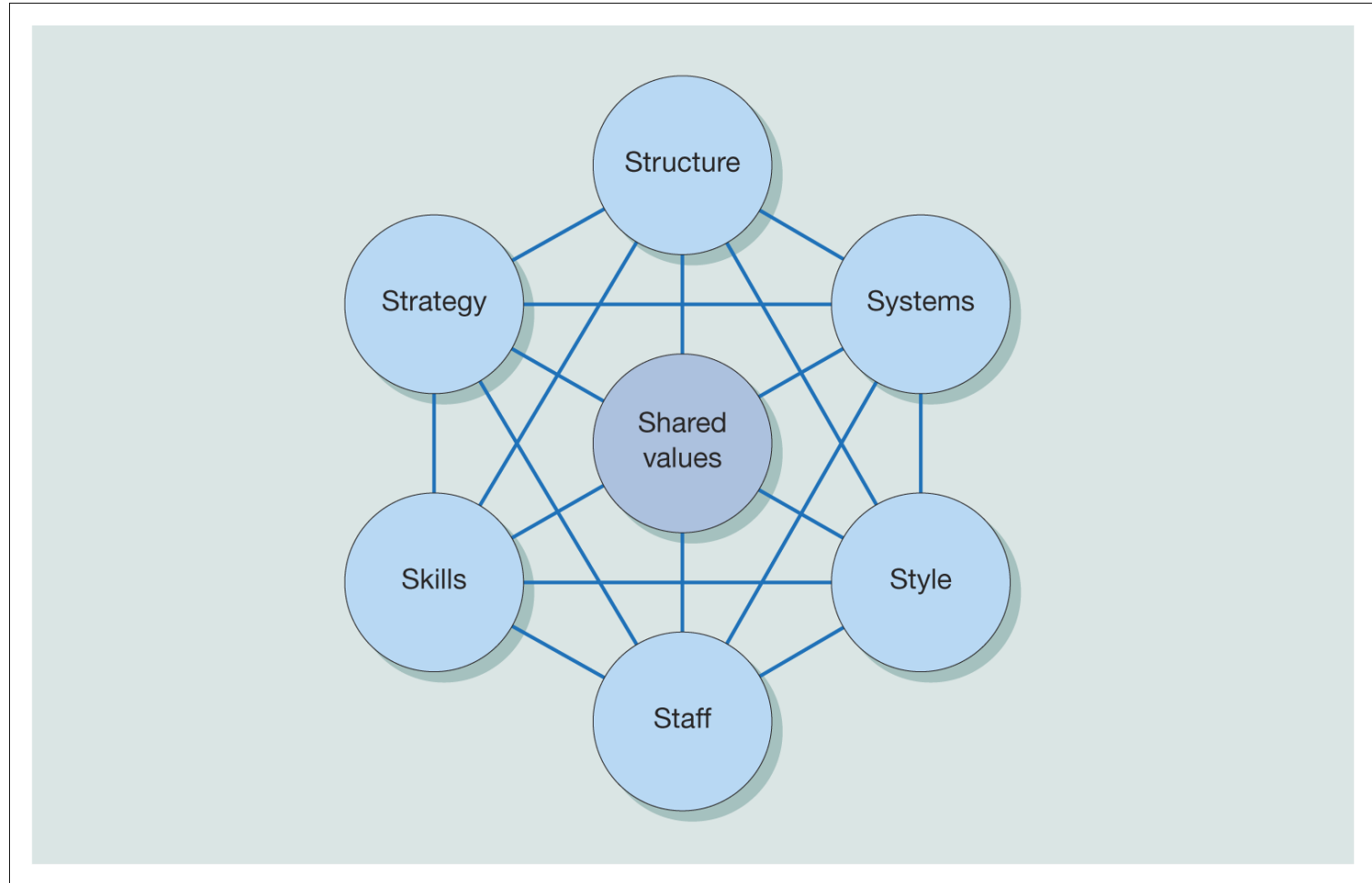
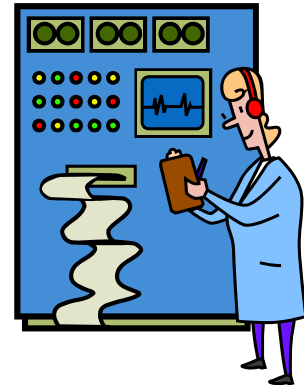


Figure 20.2 The McKinsey 7-S framework

Source: From Peters, T. J. and Waterman, R. H., Jr. *In Search of Excellence: Lessons from America's Best Run Companies*, HarperCollins (1982). Copyright © 1982 by Thomas J. Peters and Robert H. Waterman Jr.

Total quality management (TQM)

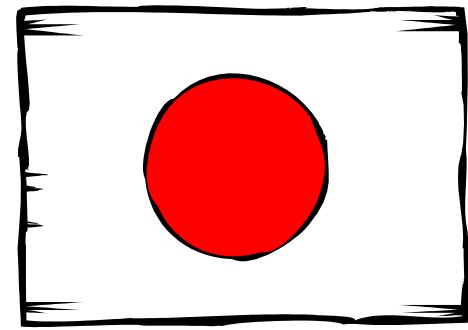


- TQM is a way of life for whole organisation
- Committed to total customer satisfaction
- Continuous process of improvement
- Contribution and involvement of people.
- Deming emphasised the importance of visionary leadership to TQM.

<http://youtu.be/RWD1bjfPAYk>

<http://youtu.be/FuyeiDH78Zk>

Kaizen



- Japanese concept which means **improvement**.
- The Kaizen approach:
 - Analyses every part of a process to the smallest detail
 - Sees how every part of the process can be improved
 - Looks at how employees' actions, equipment, and materials can be improved
 - Looks at ways of saving time and reducing waste

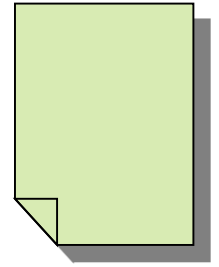
Business process re-engineering (BPR)

‘The fundamental rethinking and radical re-design of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service and speed.’

Hammer and Champy (2001)



The BPR Approach



- Completely fresh start or blank sheet of paper approach to organisational redesign
- A process orientation approach to organisational analysis
- It attempts the total restructuring of an organisation
- It works backwards from how the organisation would like to be

Six sigma

Six Sigma is based on the use of statistical analysis and computer simulation to:

- define,
- measure, and
- reduce

defects and waste.

Investors in People (IiP)

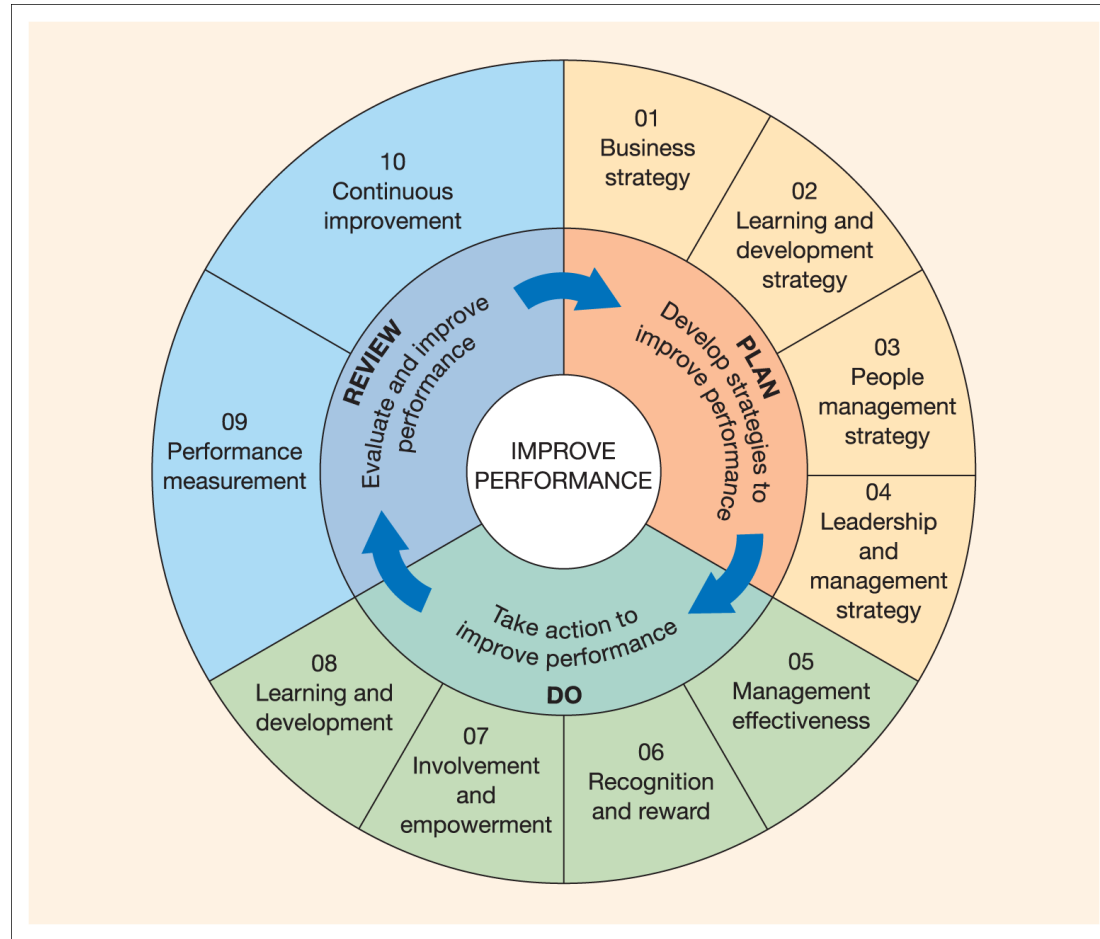


Figure 19.4 Investors in People indicators

Source: Investors in People, Copyright © Investors in People 2009.

Employee commitment

‘Organisational commitment’ is typically conceived as:

- An individual’s psychological bond to the organisation
- A sense of job involvement
- Loyalty
- A belief in the values of the organisation

O’Reilly

Underlying influences

- Differences in individuals' work ethic and the manner of their involvement with work.
- Individual perceptions of the psychological contract.
- The nature of the reward system and satisfaction of needs and expectations in terms of:
 - Economic rewards
 - Intrinsic satisfaction
 - Social relationships

Virtuous circle of employee engagement

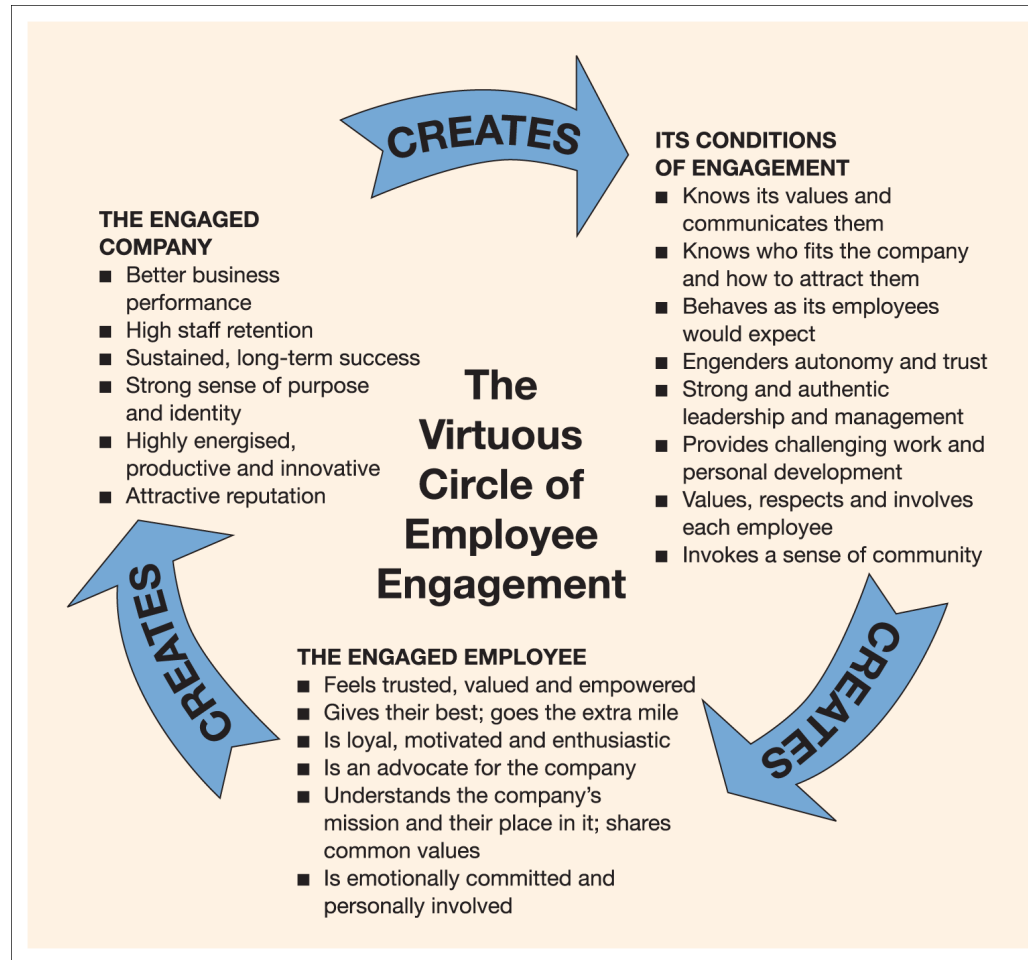


Figure 19.5 Virtuous circle of employee engagement

Source: De Vita, E. 'Get Engaged', *Management Today*, April, 2007, p. 40. Reproduced from *Management Today* magazine with the permission of the copyright owner, Haymarket Business Publications Limited.

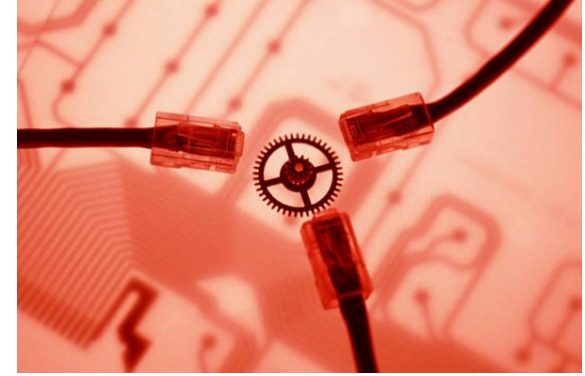
Critical Evaluation



'Effective organisational performance is about a shared vision, inspired leadership and the quality of its managers.'

Concepts such as TQM or techniques like BPR are just passing fads that offer little of real value to the business organisation.

The importance of effective management



- Management is an integrating activity
- It permeates every aspect of an organisation
- It is the cornerstone of organisational effectiveness
- Inadequate management is a major cause of lost productivity
- Managers need a balance of technical, social and conceptual knowledge and skill
- They need both education and experience

Activity:



Are managers necessary?

Do they need to reinvent themselves?

<http://youtu.be/g-bFhIZx6vU>

Attitudes to management development (MD)



Several competing models:

- There is nothing you can do: management is an inherited talent (born)
- It's all down to experience and the needs of the moment
- Become a better manager by taking a course – MBA programmes or other business seminars (made)
- Performance is the only criterion, and competence is of the essence

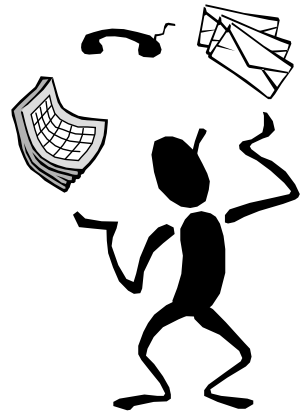
Training and learning



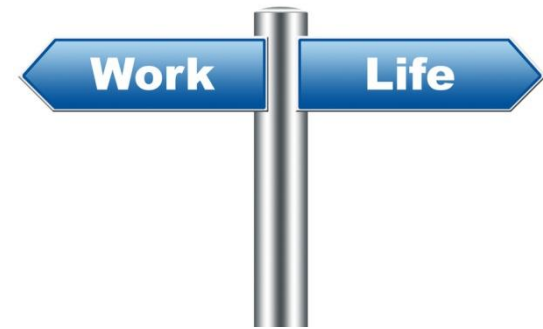
- On-the-job training
 - Delegation, empowerment, project work and coaching
- Off-the-job training
 - External short courses, MBA programmes
- Action learning
 - Developing both know-how and know-that through participation in project work in a small, self-selecting team

An integrated approach to management development (MD)

- Lound (2002) suggests a three step process:
 - Developing targeted competencies as and when required
 - Developing support mechanisms to sustain best practice
 - Creating a learning environment
- To be effective, MD should be concerned with:
 - The performance of individual managers
 - The performance of the organisation as a whole

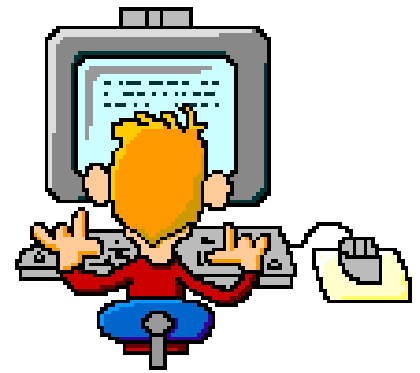


Succession planning and career progression



- **Succession planning** aims to ensure a sufficient supply of appropriately qualified and capable people are available to meet the future needs of the organisation.
- **Career progression** should include:
 - Training and experience to equip managers to assume a level of responsibility compatible with their ability
 - Practical guidance and support to realise potential and satisfy career ambitions

Continuing professional development (CPD)



- The process of planned, continuing development of individuals throughout their career.
- A number of professional bodies have developed competence-based CPD schemes for their members.
- Lifelong learning should be the concern of all employees in the organisation.
- Self-development is a key part of the CPD process.

Leadership and management model

Key principles:

- Top managers being committed to ensuring that the organisation is successful through effective leadership and management.
- The organisation knows what effective leadership and management is and how it can be achieved.
- The organisation takes action to improve leadership and management.
- The approach to effective leadership and management helps the organisation to succeed.

Leadership and management model

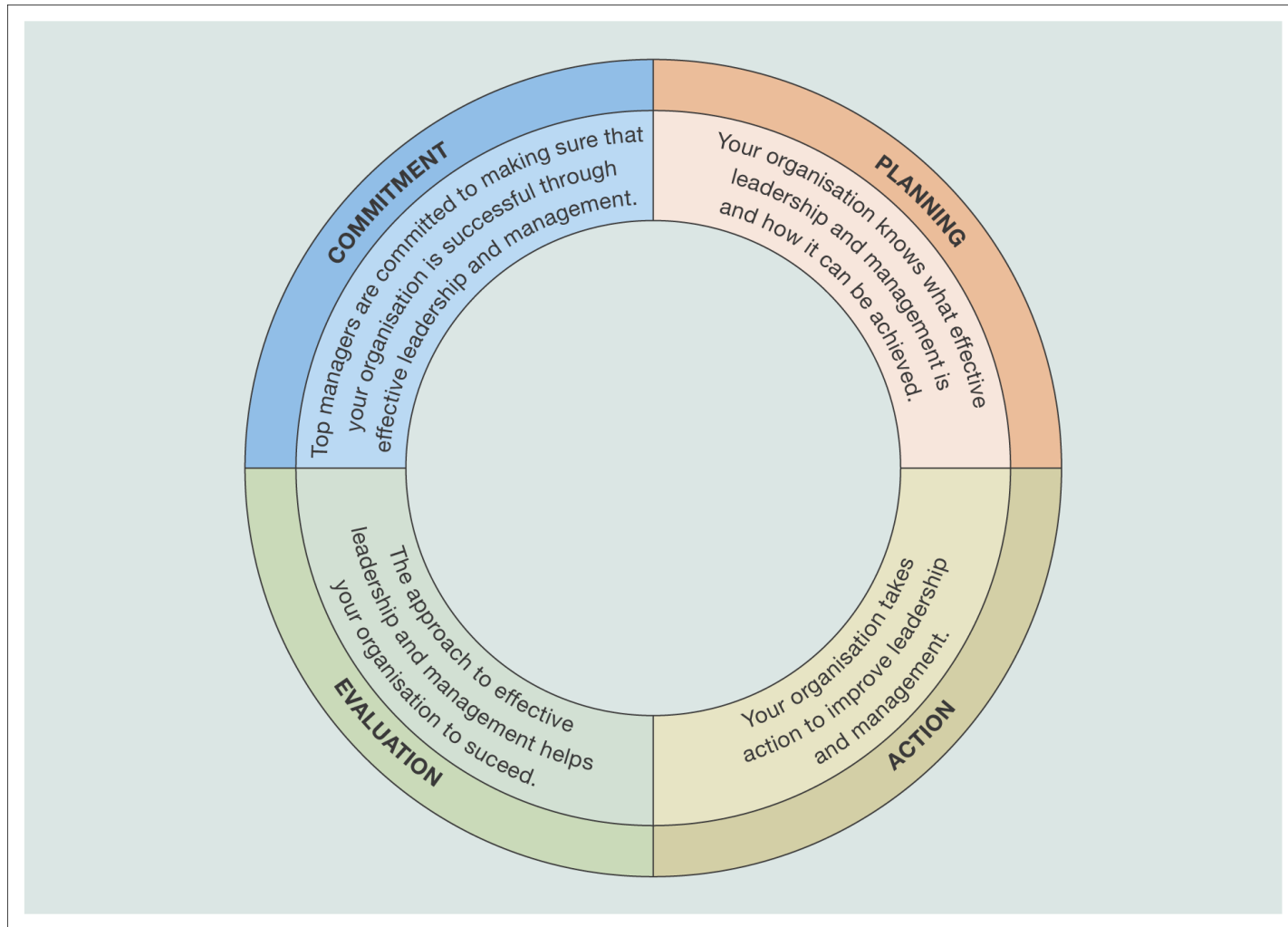


Figure 20.5 Leadership and Management Model

The European Foundation for Quality Management (EFQM) excellence model

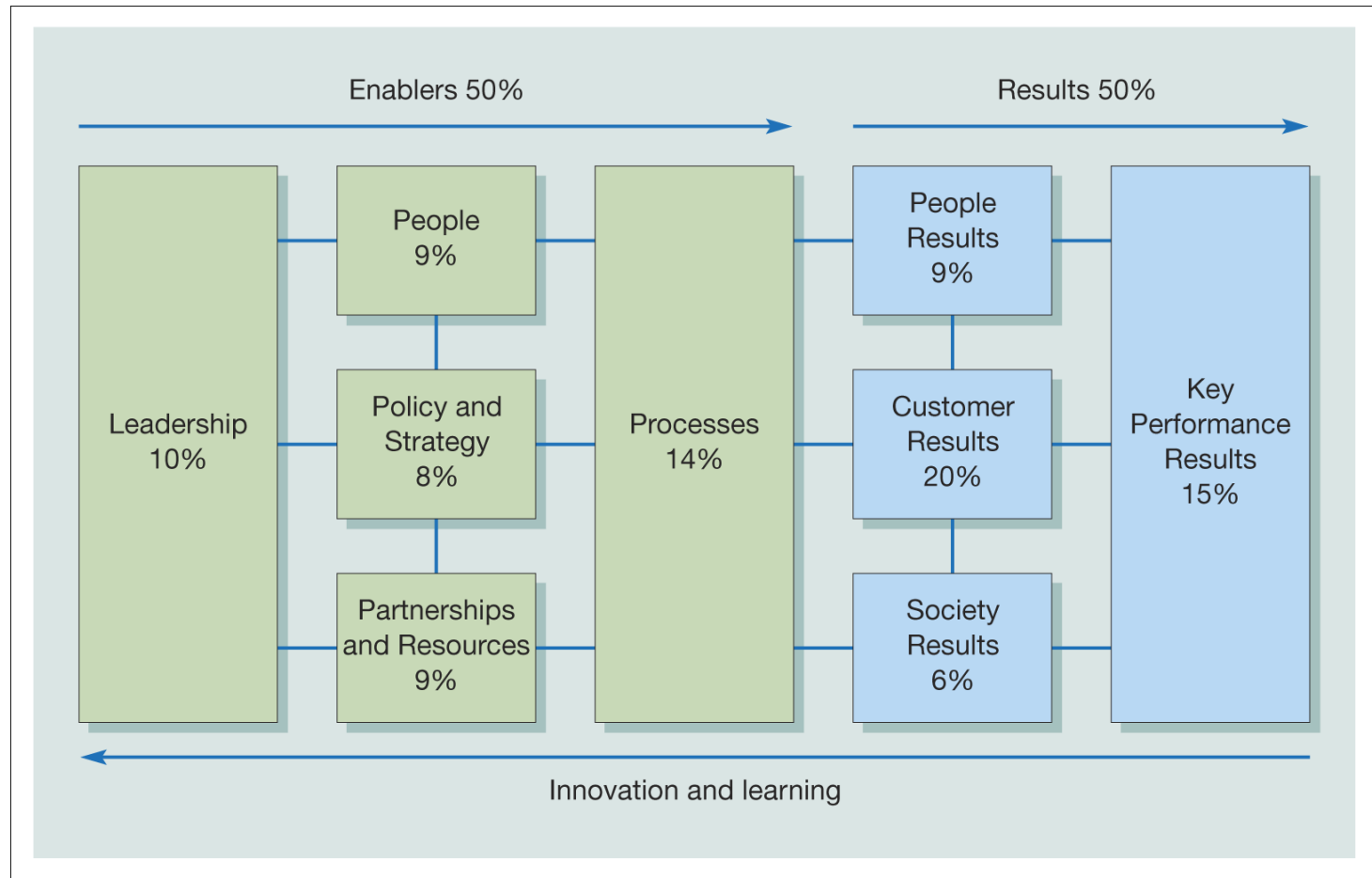


Figure 20.6 EFQM Excellence Model

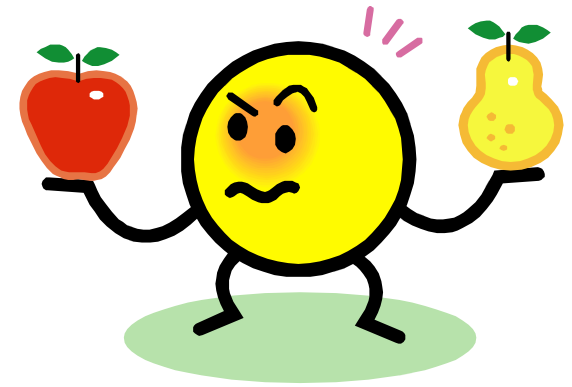
Source: EFQM. Copyright © 1999 EFQM. The Model is a registered trademark of the EFQM. Reproduced with permission

Assessing organisational performance: Steele's 9 Questions

- What is the attitude to change?
- What is the degree of trust?
- How much management information is communicated?
- How visible and accessible is management?
- What is the atmosphere like?
- How frequently are people rewarded?
- What is the prowess of the first point of customer contact?
- Is customer service actively measured?
- Do people have an appropriate purpose?



Benchmarking and Gap Analysis



Benchmarking

'If you want to improve a particular aspect of your organisation or service, find someone else who is good at the activity and use them as a benchmark to raise your own standards.'

Gap Analysis

'Involves investigating the gap between the vision, objectives and goals of the organisation and actual levels of performance.'

Gap analysis and the people process model

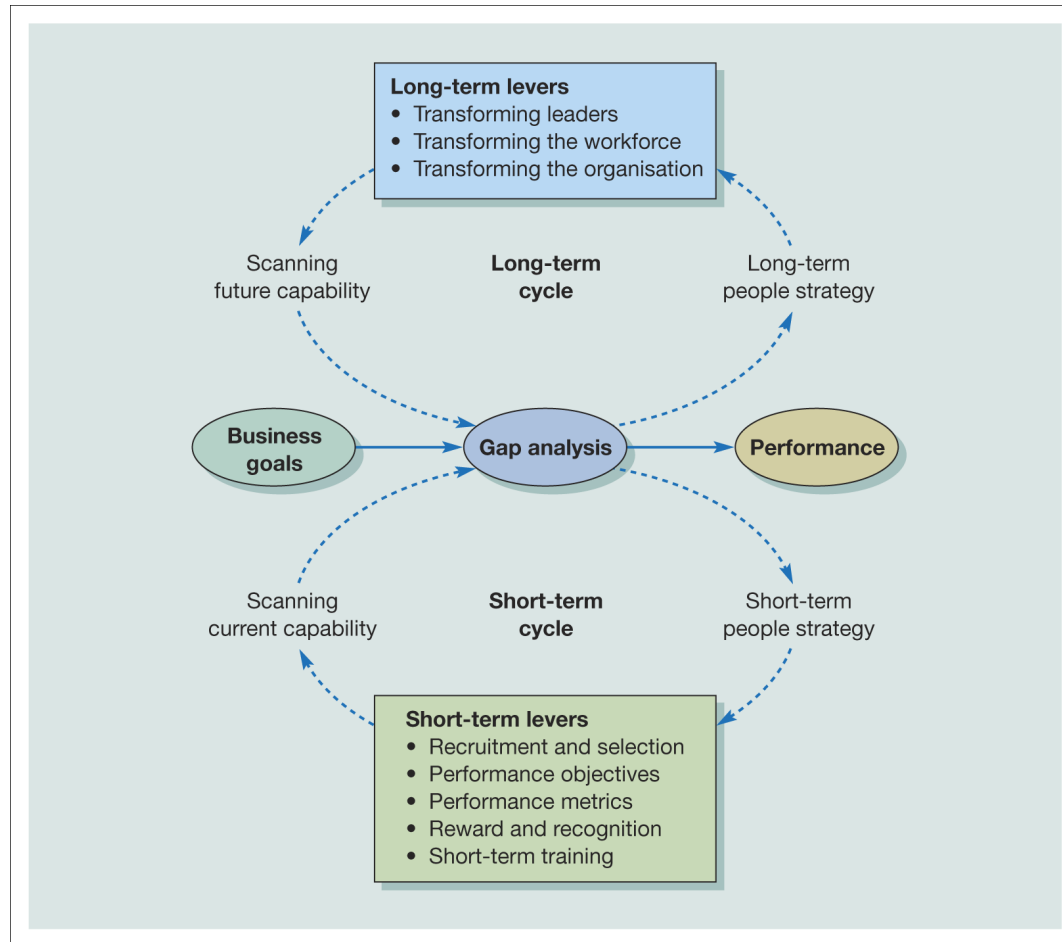


Figure 20.7 Gap analysis and the people process model

Source: From Gratton, L., *Living Strategy: Putting People at the Heart of Corporate Purpose*, Financial Times Prentice Hall (2000), p. 101. Reproduced with permission from Pearson Education Ltd.

A range of criteria



- Open systems framework
- Teamwork and leadership
- The role of management
- Managerial style
- Managerial effectiveness
- Profile of organisational characteristics
- Contribution of the human resource management function
- Key areas of performance and results
- Design of organisational structure
- Organisation control systems
- Planned organisational change
- Organisational culture and climate

Successful organisations and people



‘Talent-centred organizations will constantly search for the new talent, keep them by satisfying their needs, use them effectively, and create a challenging environment for them to work in. People create organizations and people can destroy them. The most valuable commodity in business is not technology or capital but people.’

Chowdhury

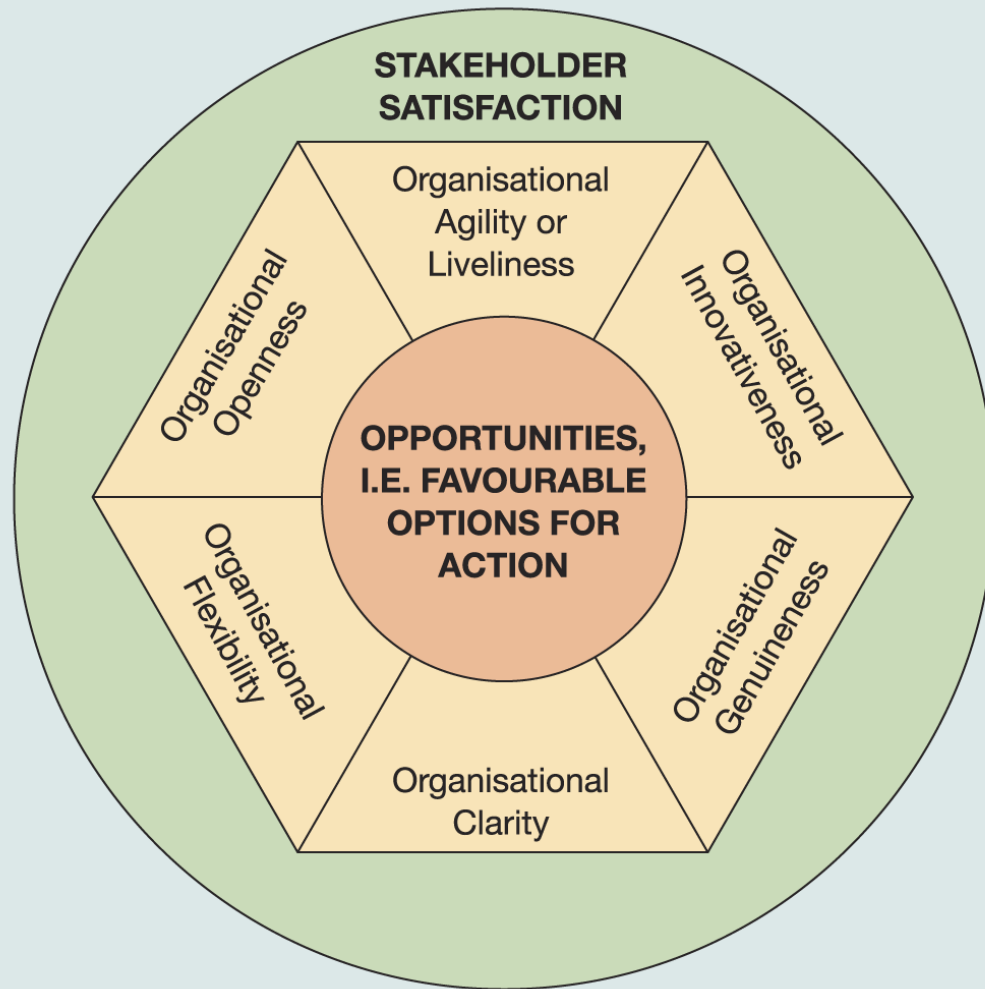


Figure 20.7 Clusters of opportunities

Source: *Management Futures: The World in 2018*, Chartered Management Institute, March 2008, Fig. 1, p. 14. Reproduced with permission

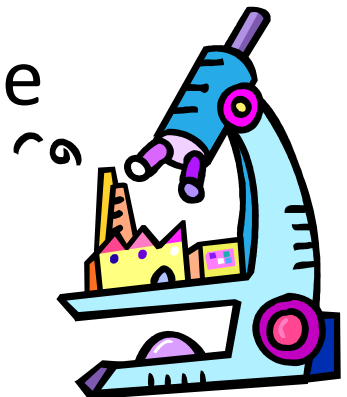
The future of work and management

To create their desired future, businesses should:

- build knowledge about key issues in business markets;
- be more flexible;
- understand business drivers and culture;
- manage the complexity of tasks by reducing noise and information overload;
- bring together specialist functions in an integrated way;
- focus in individual employees and their needs when developing work technologies;
- make organisations more human;
- motivate people creatively;
- obtain access and understand the mechanisms of the talent market;
- provide flexible, tailored support for work-life integration.

Principles of Organisational Audit

- Act as a management consultant to 'diagnose' your organisation and make key recommendations for improvement
- Review range of management activities
- Identify problems in achieving goals
- Differences between strategy and policy
- Necessary actions
- What happens now; what must be done
- Future perspective also



Structural design

1. Organization structure
2. Role of the center
3. Layers and spans of control
4. Organizational cost-efficiency
5. Shared services, offshoring, and outsourcing

Roles and collaboration mechanisms

6. Role clarity
7. Cross-functional collaboration mechanisms
8. Informal/virtual networks

Processes and tools

9. Process excellence/optimization
10. Project management
11. Business analytics and information management

Leadership

12. Leadership performance
13. Leadership pipeline
14. Middle-management effectiveness

People and engagement

15. Recruitment and retention
16. Employee performance management
17. Employee motivation

Culture and change

18. Change management capabilities
19. Adaptability and flexibility
20. Culture

Description

- Reporting lines, including profit-and-loss accountabilities
- The corporate center's role with regard to involvement and leadership
- The number of reporting layers in the hierarchy; the number of people reporting directly to a manager
- The level of cost-efficiency enabled by the organization
- Internal service provider; cross-country relocation; subcontracting to other companies
- Understanding of the role's responsibilities in the organization
- Lateral coordination effort between functions or units
- Important but informal channels for reinforcing culture and communicating key information
- Processes optimized for high quality, short processing times, or low cost
- For example, roles, processes, and tools
- Skills, technologies, applications, and practices to drive business planning
- Capable and effective individual leaders and leadership teams
- Preparing for the next-generation leadership team
- Middle managers empowered to carry strategy into the organization
- Providing the necessary talent to meet strategic and growth goals
- Systems and processes aligned to ensure that goals are achieved
- The willingness to exert discretionary effort
- The organization's ability to manage change efforts
- A flexible structure that allows adapting to external challenges
- The set of shared values in an organization

Figure 19.8 20 Vital Organisational Topics

Source: Roghe, F., Toma, A., Kilmann, J., Dicke, R. and Strack, R. 'Organizational Capabilities Matter', The Boston Consulting Group, January 2012



<https://youtu.be/17hnaKFjDU8>

Stakeholders

Who are the stakeholders?

Stakeholders are those individuals or groups who depend on an organisation to fulfil their own goals and on whom, in turn, the organisation depends.



Organisational stakeholders

- Stakeholders can be considered under six main headings:
 - Employees
 - Providers of finance
 - Consumers
 - Community and environment
 - Government
 - Other organisations and groups



Stakeholders

Stakeholders are any individuals or groups who can affect or will be affected by the outcome of a change.

Can be **INTERNAL** or **EXTERNAL** to the organisation



Influences on strategic purpose

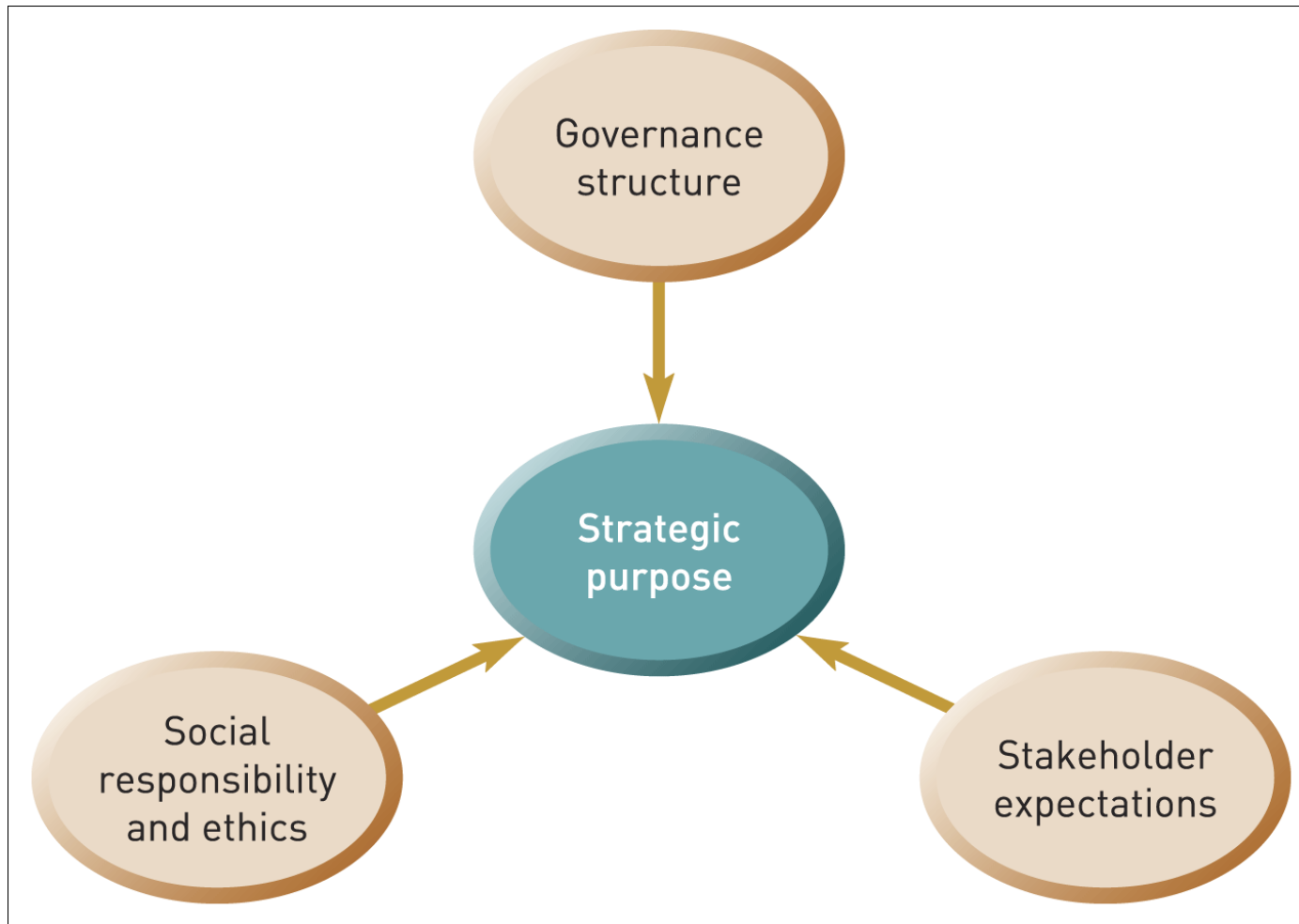


Figure 4.1 Influences on strategic purpose



Should managers take account of all or only selected groups of stakeholders?

Which stakeholders are most important?

➤ *Normative theories.*

- The interests of **all stakeholders** have intrinsic value and should be taken into account when planning and implementing change.

➤ *Instrumental theories.*

- Managers will only attend to the interests of stakeholders to the extent that **those stakeholders can affect their interests.**
- Managers are **selective** in who they attend to and are not motivated by a concern for the welfare of stakeholders in general.



Jawahare and McLaughlin's stakeholder theory

- At any given life cycle stage certain stakeholders become more important than others because of their potential to satisfy critical organisational needs,
- It is possible to identify which stakeholders are likely to be more or less important at each stage of the life cycle.
- The strategy that will be used to deal with each stakeholder will depend on the importance of that stakeholder relative to other stakeholders.



A life cycle approach to stakeholder management

- different pressures threats at different stages in its life cycle.
- Over time, certain stakeholders become more important than others because of their ability to satisfy critical organisational needs.



So therefore.....

- **Managers** pay most attention to those stakeholder groups who control resources critical to the organisation's survival.
- It is possible to identify four ways of attending to stakeholders:

- Proactive



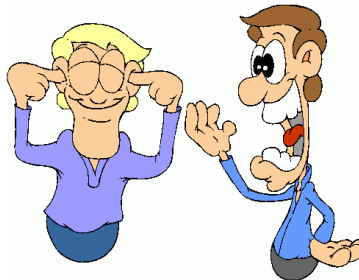
- Accommodating



- Defending



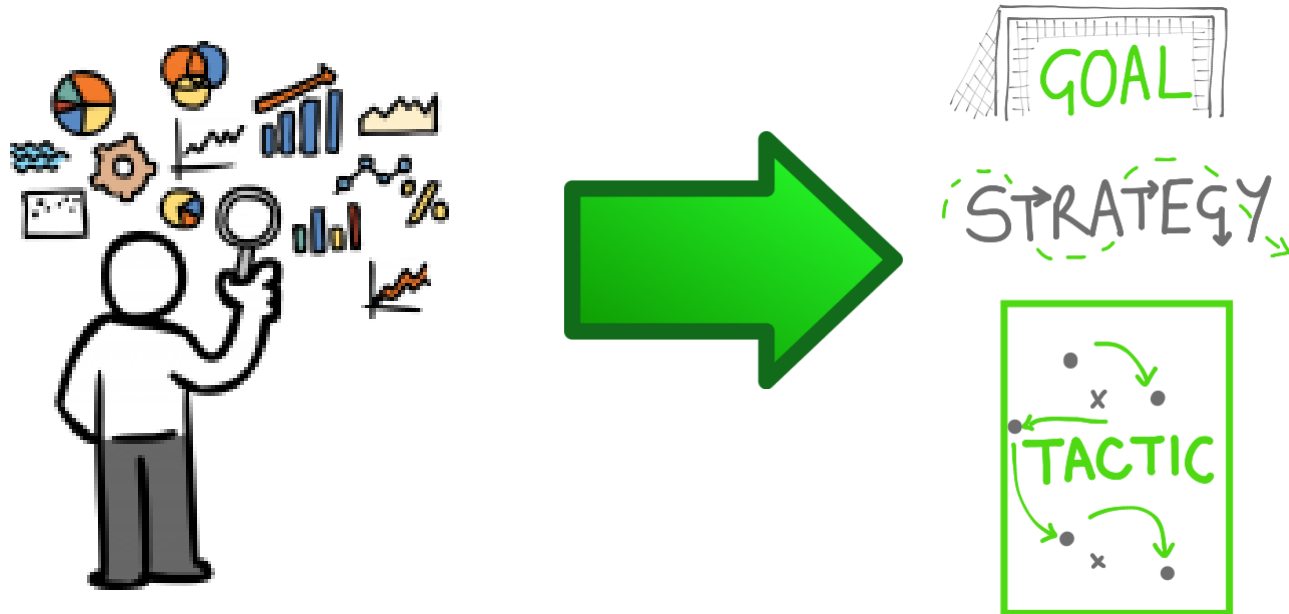
- Ignoring



Managing stakeholders

Key steps are:

- a stakeholder analysis to identify important stakeholders
- the development of a strategy for persuading influential stakeholders to support the change.



Stakeholder mapping



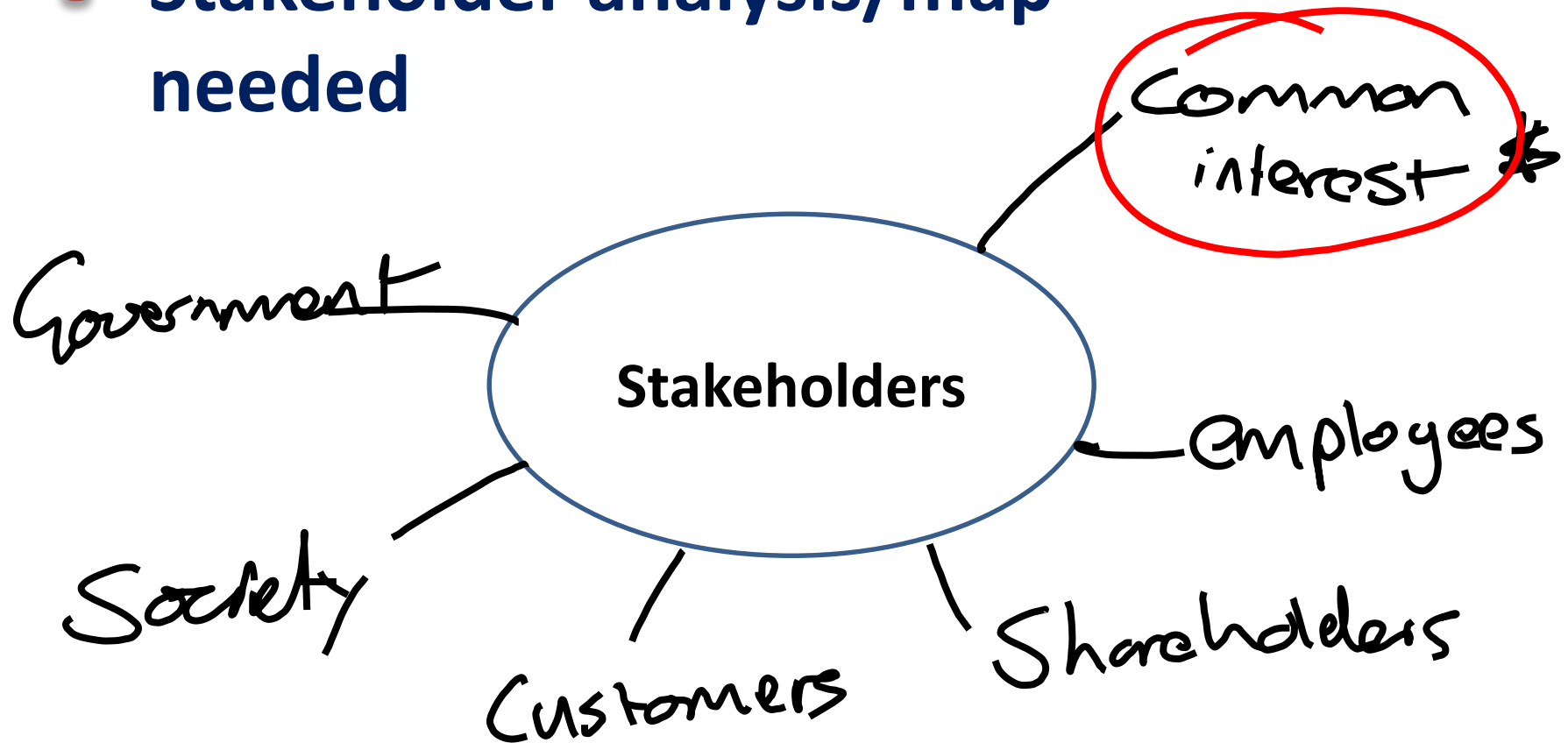
Stakeholder mapping identifies stakeholder expectations and power and helps in understanding political priorities.



Organisational Audit:

Stakeholder analysis/map
needed

S



Stakeholders of a large organisation



Figure 4.3 Stakeholders of a large organisation

Source: Adapted from R.E. Freeman, *Strategic Management: A Stakeholder Approach*, Pitman, 1984. Copyright 1984 by R. Edward Freeman.

Exercise

Identifying the Sources of Power

Consider the following questions

1. Who are the most powerful people/units in your chosen organisation?
2. Why what is the basis of their power?
3. Do they all want the same thing from the organisation?

Notes

Stakeholder mapping: the power/interest matrix

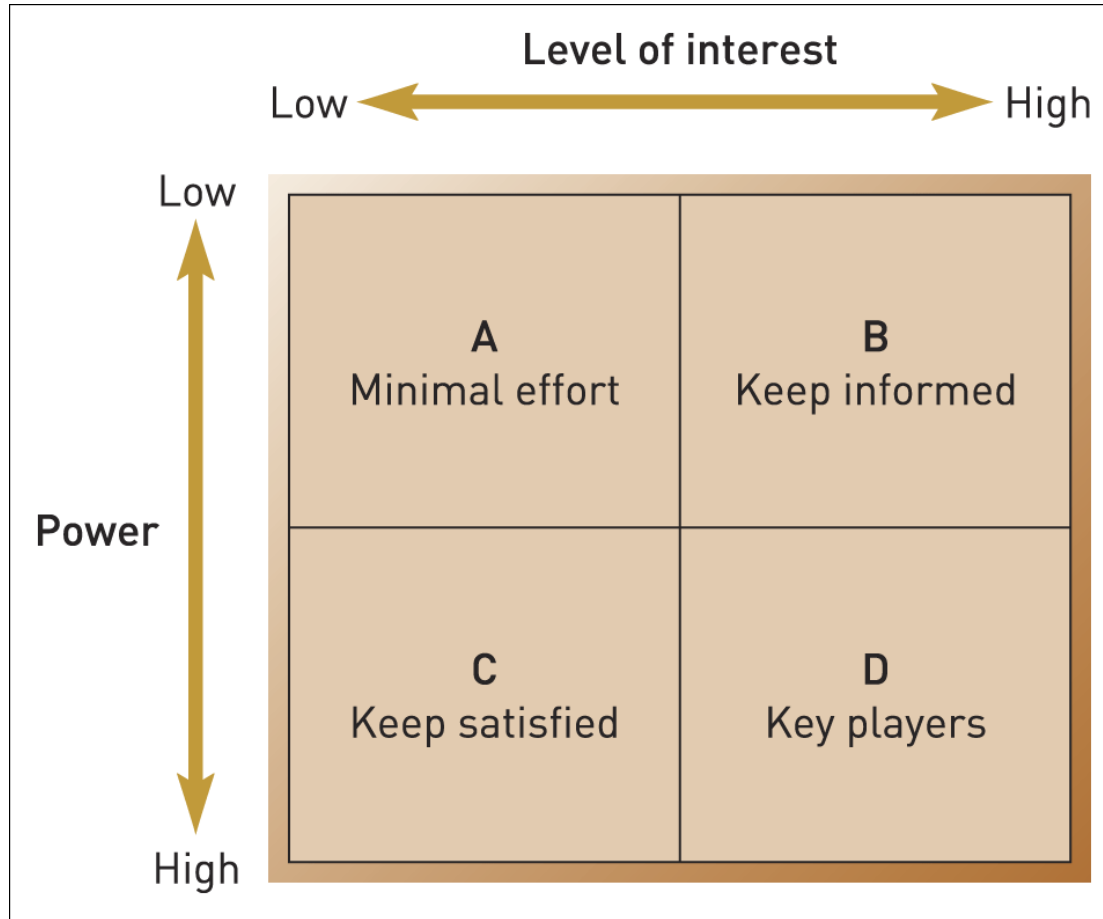


Figure 4.4 Stakeholder mapping: the power/interest matrix

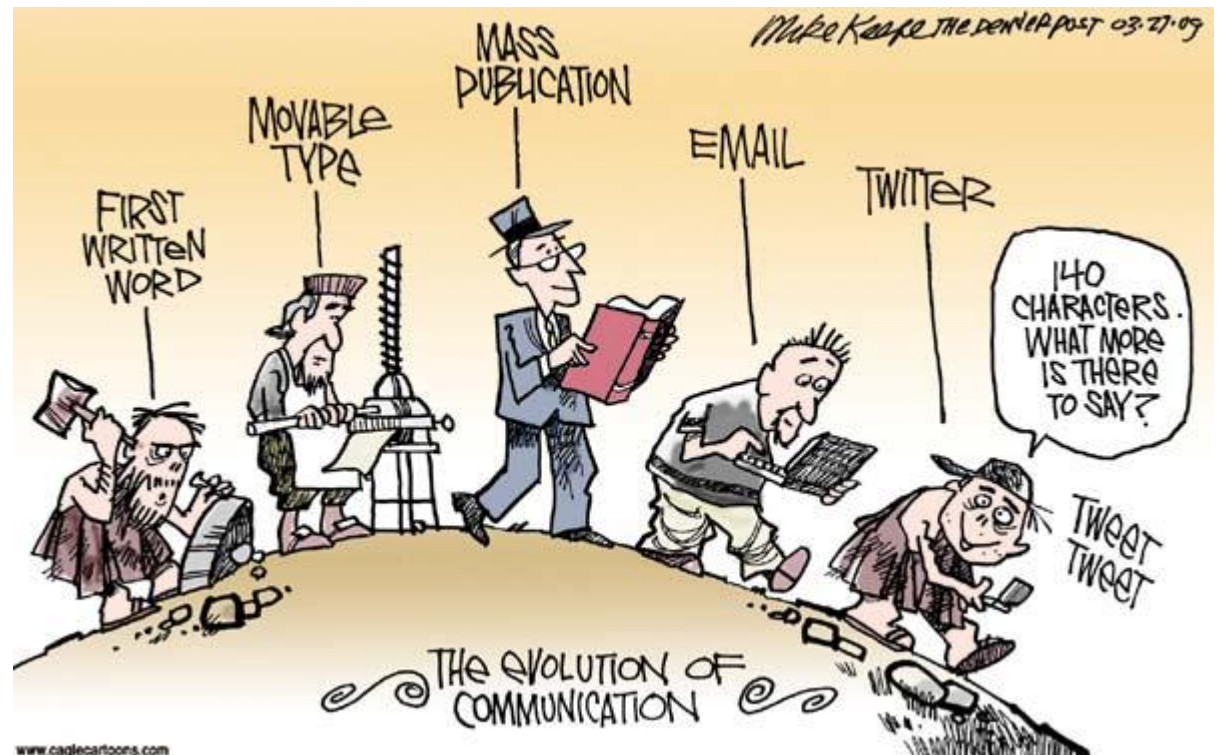
Source: Adapted from A. Mendelow, *Proceedings of the Second International Conference on Information Systems*, Cambridge, MA, 1986

Stakeholder mapping issues

- Determining purpose and strategy – whose expectations need to be prioritised?
- Do the actual levels of interest and power reflect the corporate governance framework?
- Who are the key blockers and facilitators of strategy?
- Is it desirable to try to reposition certain stakeholders?
- Can the level of interest or power of key stakeholders be maintained?
- Will stakeholder positions shift according to the issue/strategy being considered.

Changes over time

- As a change project unfolds and as circumstances change the identity of key stakeholders may also change.





<https://youtu.be/bIRUaLcvPe8>

Stakeholders



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Next: Presentation 1

Next term:

Mon 23 Apr– group meetings

Tues 24 Apr– Revision for each section

Mon 30/Tue 1 May- review draft reports

4 May – submit report

15 May – Final Presentations

