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Management Basics

Susan Quinn, Associate Professor, Bissett School of Business

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Susan Quinn

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Management Basics
1st edition
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ISBN 978-87-7681-717-6

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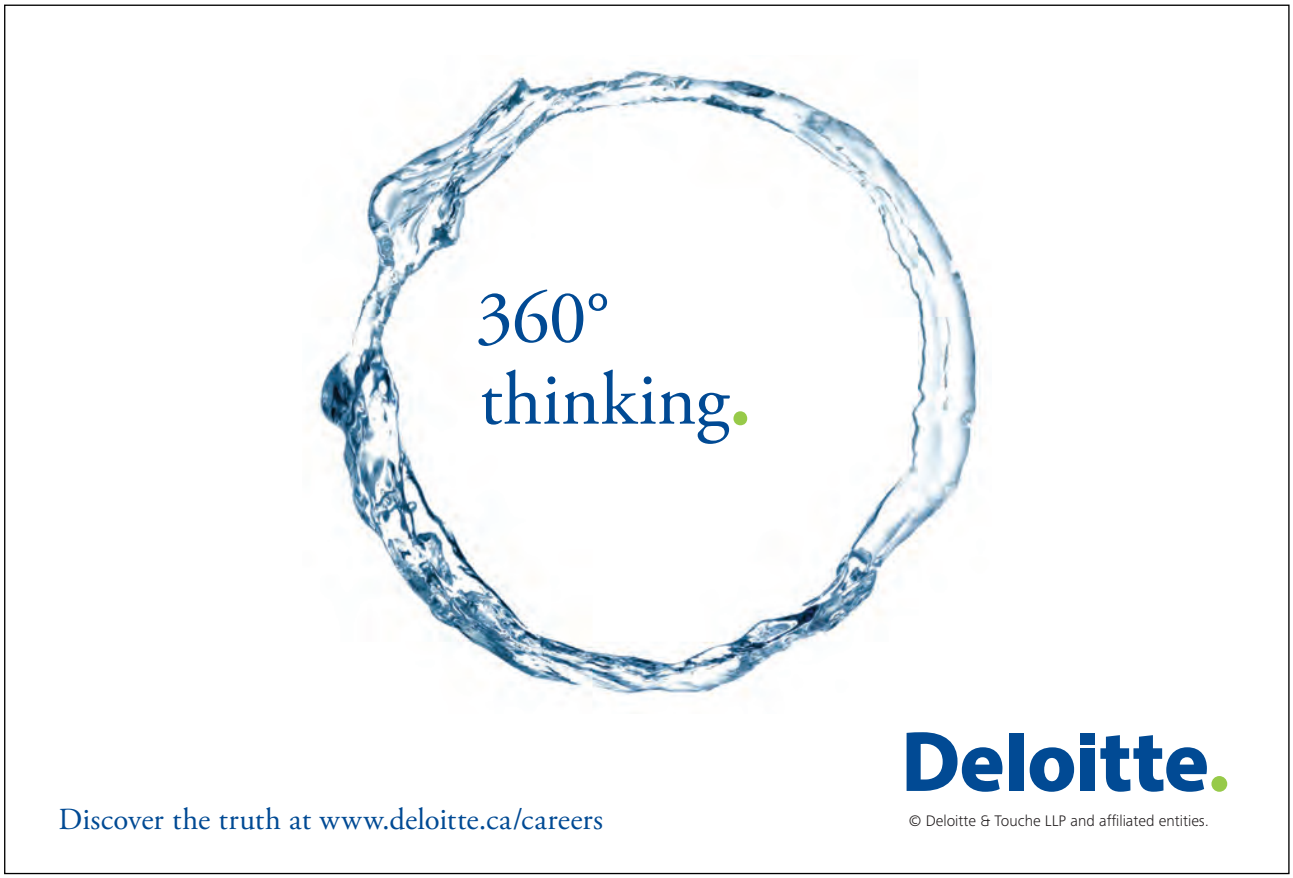

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Management basics

Susan Quinn is an Associate Professor at the Bissett School of Business at Mount Royal University.

The running case in this book is a fictional case. The name of the company and the location are fictional. It is a case that is based on a real industry, so that readers, instructors and students can research the industry to apply the concepts and expand the application of the material contained in this text.

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1 Management basics – Calm Seas case

Tasneem Khan is the General Manager for Calm Seas, a small ocean kayak manufacturing company in western Canada. It is the end of the day in mid-October. Tasneem is wondering where the day went. She has gotten nothing done on the "to-do" list that she had with her when she started her day. And yet, she had been busy from the moment she walked in until now. She shrugs her shoulders and starts to tackle some of the work piled up on her desk. Everyone else has left the building by now. Perhaps she can get in a couple of hours of uninterrupted work before she goes home.

Tasneem had been promoted to General Manager almost two years ago. She had been the Sales Manager before that for 3 years and had worked in sales for another company for 3 years before that. As she sat at her desk, she thought that the job of General Manager was certainly challenging.

Being a manager was tough. There was always something going on to eat up her time and keep her busy. Tasneem wondered sometimes how she ever got anything done. She knew how to do her job – that wasn't the problem. It was trying to get things finished! She thought back over her day to try to figure out what happened.

Her day had started before she even got to the office. Her cell phone had rung when she was driving to work. The caller was one of her sales staff who was on his way to a client's office, but his car had broken down. A car was essential for the sales person's job and he had an important client visit to make that morning. He had tried to contact the Sales Manager, but he was on a plane and couldn't answer his phone. She promised to see what she could do about it when she got to the office.

As she walked through the parking lot, she saw the sign on the wall of their building, advertising for two more production assistants. That sign looked as though it had been up there for ever. They were always looking for production assistants. Tasneem made a mental note to ask their Human Resource Administrator about that.

When she walked into the office, Tasneem asked her Administrative Assistant to arrange for a rental car company to take a car out to their sales person, stranded on the side of the road.

Tasneem turned her computer on, knew it would take awhile to start and decided to go to the employee lounge for a coffee. She chatted for a few minutes to a couple of other employees who were there, flipped through the morning paper, glanced at the notices on the bulletin board and returned to her office.

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She opened up her e-mail and watched all of the new e-mails enter her inbox. She shook her head and wondered how she could have so many new ones. She had checked her e-mail from home last evening and had gotten caught up. Now, she had 60 new e-mails! How was that even possible? She looked more closely and realized that half of them were e-mails that she had been copied on, but didn't necessarily need to see. She was tempted to delete a lot of them, but then thought she might miss out on some information that she needed to know. She sighed and opened up her calendar to see what was scheduled.

She had appointments that day with the company lawyers to go over the papers to buy a small piece of land beside their office so that they could build an extension of their building. They needed more production capability and they were delighted when this land came up for sale. She got it for a fairly good price and the expansion could start at the end of the month.

In addition, there was an appointment scheduled with the contractors to review the designs for the new building. This was the first meeting for them to get together and they needed to really get detailed on their requirements and budget for the construction.

Just as she had returned to look at her e-mail, her Administrative Assistant had come in to her office, complaining that she couldn't get the numbers to reconcile on the sales reports. The Assistant was responsible for ensuring all of the sales figures submitted by the sales staff matched the invoices. Usually she had no problem with this, but they had just installed a new software program and this month, the numbers didn't work out. Tasneem sat down with her and spent the next thirty minutes trying to figure it out. Finally, one of their delivery people, who was good at computers, came along and gave them some ideas for trouble-shooting. Fifteen minutes later, they solved it.

As Tasneem walked back to her office, the sales staff with the car problem phoned back to say his rental car still had not arrived and he was getting anxious about his upcoming client visit. They talked for a few minutes and as he was talking, the car arrived. Tasneem got off the phone.

The meeting with the lawyers came next. These were lawyers they had used on a number of occasions before for legal issues, so after the legal matters had been taken care of, they visited with one another and chatted over more coffee. The meeting lasted an hour.

After the lawyers left the building, the Production Supervisor waved at Tasneem and asked her to come into the production room. There was a problem with the finish surface on four of the kayaks that were being completed. The finish on the kayaks looked bumpy, which was unusual and spoiled the look of the kayak. This had not happened before and the kayaks could not be shipped to customers in that condition!

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Tasneem asked the Production Supervisor to call the Production Manager, the production operator and the buyer, who was also a chemist, for a meeting to figure out this problem. An hour and a half later, the bumpiness on the surface was gone and the finish looked perfect.

Tasneem next drove to the bank. She had an appointment there to discuss the financial arrangements that they needed for the expansion. As she drove there, she called the friend she was supposed to have lunch with, and cancelled. No time for lunch today. She rummaged around in her briefcase for an energy bar. She made a mental note to grab a sandwich later.

The afternoon just sped by. Tasneem had the meeting with the contractors, got reports from the sales staff containing recommendations on pricing structures, had a conversation with the Sales Manager for some new product ideas and talked to accounting about some budget projections that she had to present at Calm Seas next Executive meeting. She asked her Administrative Assistant to run out and buy her a sandwich.

Finally she caught up with the Human Resource Administrator before he left for the day and they discussed the problem they were having finding good production assistants. Tasneem wondered if the Human Resource Administrator was having trouble doing his job. She had hired him only two months ago and thought that she'd have to check in more often to see how he was doing with his responsibilities.

That brought Tasneem to the end of the day. The building was quiet now. Most people had left for the day. She looked at her computer and sighed. Over 100 e-mails! She opened up her sandwich and settled in to examine her messages. Another busy day.

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2 The Manager's job

The job of a manager is extremely difficult to describe. Job descriptions exist, and all will be different. One of the major challenges for managers is exactly what is outlined above with Tasneem – the job is fragmented and constantly changing, even as the day progresses. Planning can be difficult with so many interruptions. As shown with Tasneem's day, it can be difficult to get done what needs to get done. On top of that, if the manager is "fighting fires" and dealing with crises and unforeseen events, then getting tasks done becomes even more of a problem.

The job description for a manager also changes depending on what industry they are in, what type of "organizational culture" they are part of and whether they are junior or senior in the organization. It can also depend on factors including how the manager gets rewarded, their own personality and whether they work in a for-profit or not-for-profit organization.

The term "manager" can be used in relation to all the various levels of management in the company. Most of the time, the term "manager" is used to describe someone who supervises others. Some examples of manager job titles are:

- Team or area leader
- Front-line supervisor
- Mid-level manager
- Department head
- Vice-President
- President
- Officer, Chief Officer
- Managing Director
- Deputy Officer

If we look at the question, "what does a manager do?" the answer is not straightforward!

2.1 Management functions

Managers are involved in four main functions that form the basis of this text. These functions are planning, organizing, leading and controlling.[1]

Planning – managers have to plan what they want to accomplish and develop specific actions in order to reach those goals.

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Organizing – managers must figure out how many people are needed to get the jobs and tasks done. They also determine how the job flow happens (who does what). Generally, we talk about what kind of structure will be put in place to get these tasks done.

Leading – managers must supervise, lead, motivate, train, coach, guide, hire and assess employees. There are a lot of ways that these can be done.

Controlling – managers must monitor what's going on in their area, to make sure that the goals or objectives are going to be met. If the goals are not going to be met, then corrective action can be taken. The earlier the corrective action is taken, the easier it is to correct.

2.2 Management roles

One of the most important pieces of research into the job of a manager comes from Henry Mintzberg. He is a Canadian academic and researcher who has studied management for years. He believes that a manager's work is never really done!

He was the person who categorized the various roles that a manager plays in the organization. The following chart outlines Mintzberg's categories and roles. It also gives brief examples of the roles.

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When looking at the roles in the chart, you can see that Tasneem, in her one day outlined above, acted in almost all of those roles. If we describe the manager as wearing different "hats" representing the different roles they are doing, then we can see that Tasneem has indeed worn many hats during the day.

Different levels of managers will play these roles to a different extent. For instance, a front-line (junior) supervisor will likely be a resource allocator and a disturbance handler to a far greater extent than they will act as a figurehead. A Chief Executive Officer likely will act as a spokesperson and perhaps an entrepreneur more than they will act as a monitor.

2.3 Management skills

Management texts talk about different skills needed to be a manager. The skills are conceptual, technical and human skills.[2]

Conceptual – be able to see the "big picture" of the situation. Ability to arrive at ideas, create a vision and plan for the future.

Technical – possess specific knowledge or have a specialized expertise.

Human – be able to work well with others both individually and in a group setting.

According to management writings, all managers need to have all three skills, but they need them in different amounts, depending on their position in the organization. So, for instance, a senior level manager will need to have and use more conceptual skills, while a lower level manager will likely use more technical skills. All levels will use human skills.

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Mintzberg's roles of the manager

Category	Role	Activity
Informational	Monitor	Look for and receive information, review papers and reports, maintain interpersonal contacts and networks.
	Disseminator	Pass information on to others by phone, in meetings, memos.
	Spokesperson	Represent the area or organization to people outside the area or organization in speeches and reports. Deal with the media. Make presentations at professional or community events.
Interpersonal	Figurehead	Perform ceremonial and symbolic duties inside the organization, receive visitors. Give presentations/awards to employees.
	Leader	Supervise direct subordinates, including recruiting, selecting, motivating, training and leading them.
	Liaison	Be the conduit (the in-between person) for information flowing in and out of the organization.
Decisional	Entrepreneur	Initiate change. Plan new projects, spot opportunities, identify areas of business development.
	Disturbance handler	Take corrective action during crises or operational breakdowns, resolve conflicts amongst staff, adapt to external changes.
	Resource allocator	Decide who gets resources, sets the schedule, budget, set priorities
	Negotiator	Represent department during negotiations with unions, suppliers, and generally defend interests.

Table 2.1 http://www.provenmodels.com/88/ten-managerial-roles/henry-mintzberg/

It is for this reason that a person who is a good front-line supervisor will not necessarily be a good middle manager or be successful as a senior manager. The skills needed for the various positions in management will be different. The good organization recognizes this and will offer training and development opportunities, perhaps linked to career development programs and excellent performance management and appraisal programs. In this way, the individual is supported in their movement from one type of management position to another within the organization.

2.4 Not-for-profit note

The roles of a manager or supervisor in the not-for profit organization are in large part very similar to those described above. Two additional challenges exist in the not-for-profit organization. One is that they deal with volunteers who contribute their work to the organization. This generally is not something that occurs in a for-profit organization. It requires different management skills to utilize and recognize volunteer contributions of time, energy and task performance.

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The second challenge is that the funding in a not-for-profit comes from very different sources than a for-profit. In a for-profit company, revenue comes from sales of a good or a service. In the not-for-profit world, revenue comes in as a result of fund-raising and/or it comes from government sources or other funding groups. Generating revenue in this way requires unique skills in order to organize events to solicit money and requires talent and time to liaise with government or funding groups and write proposals to raise both on-going and project funding.

> When I first began to study management, during and immediately after World War II, a manager was defined as 'someone who is responsible for the work of subordinates'. A manager, in other words, was a 'boss', and management was rank and power… But by the early 1950s, the definition had already changed to 'a manager is responsible for the performance of people'. Now we know that this also is too narrow a definition. The right definition is 'a manager is responsible for the application and performance of knowledge'.
>
> A quote from Peter Drucker
> http://newlearningonline.com/new-learning/chapter-3-learning-for-work/peterdrucker-on-the-new-knowledge-manager/

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2.5 Questions for the manager's job:

1. Review the management functions, roles and skills. Which ones can you apply to Tasneem at Calm Seas?
2. Review the management functions, roles and skills. Relate these to a manager you know.
3. Review the management functions, roles and skills. Which ones are skills that you have? Which ones do you need to work on?
4. Do you agree that "a manager is responsible for the application and performance of knowledge" as Drucker says? Why or why not?
5. Do you think that management functions, roles and skills are different depending on the industry? Give some examples.
6. When you examine the management functions, roles and skills of a manager in a not-for-profit organization, how would they differ from a manager in a for-profit organization?

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3 Planning – Calm Seas case

Calm Seas is a small Canadian manufacturer of ocean kayaks. They also sell kayaking accessories including paddles, bilge pumps and other essentials. They are located in Nelson, B.C., where they have both their plant and their administrative office. They have about 60 employees in total and have been in operation for over 20 years.

They sell their products to retail stores in North America and to distributors in Japan, Germany, Greenland, Norway, New Zealand and Australia. They also sell directly to outfitting and tour companies, to groups that teach people how to kayak and to educational institutions and sports organizations.

Calm Seas makes ocean kayaks out of 2 very different materials. One is called "composite". These materials are fibreglass, kevlar or graphite laminates. The other type of material is rotationally molded polyethylene (plastic). Very different production methods and materials must be used in the making of these two different types of kayaks. Calm Seas has different types of models in both materials (for example, double or single seating, smaller day kayaks, bigger kayaks for longer, multi-day trips).

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The kayaking industry is competitive. Manufacturers must develop, test and market at least one new model every year. Since there are both national and international competitors in the industry, it is also very important for Calm Seas to maintain and expand their network of retail stores and distributorships.

Production is also a very important process at Calm Seas, since they pride themselves on making the best-quality kayaks possible, through continuous quality improvements. Calm Seas has an excellent reputation for quality. Their prices are fairly competitive, although they are a bit higher than their two main competitors. Feedback from clients generally indicates that customers will buy the Calm Seas product at a higher price because they can be assured of a good quality product that is also shipped out by the agreed-upon time. Calm Seas ships their products to their various clients around the world.

There are a few competitors in the world, but two main ones. One is located in Australia and one in the United States. These other companies offer very similar products to the products from Calm Seas. A client looking to buy a kayak or a number of kayaks, will balance price, quality, company reputation and sales representative relationship in their purchase decision.

Business has been steadily growing over the past 10 years, as more and more people are getting interested in kayaking. It is both a sporting and a leisure activity. For a person who wants to get out paddling on the water, and who doesn't have much technical skill, ocean kayaking is the perfect activity.

The sport part of the kayaking market mainly centres on river kayaks, which Calm Seas does not manufacture. The river kayak market involves a very different clientele, a different material and different manufacturing processes. These kayaks are small and very light. It takes a lot of skill to manage a river kayak. The river kayak enthusiast is the kind of person who would shoot down steep waterfalls, manuoevre through rapids and do "water dancing" with their kayaking. Calm Seas has decided not to go after this market.

The two other types of kayaks available to consumers are the inflatable and the foldable kayak. The inflatable is also called a "sit-on-top". It is made out of plastic and is often the type found at all-inclusive resorts or other vacation properties. The foldable kayak is made of lightweight fabric and literally folds down to the size of a large suitcase. Both of these kayaks are considered specialty kayaks and are not something Calm Seas wants to get into.

The employees of Calm Seas vary in age and in gender. About 40% of the workers are female and the age range is from 22 to 63. The average age of the employees is 28. They are all involved in sports and kayaking. They are non-unionized. There are some employees who have been there since the beginning and some who have just joined. The average length of service for the staff is about 8 years.

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4 Planning in the organization

The successful organization is one that has a clear plan. The plan clarifies to both employees working in the organization and to those dealing with the organization, what it is that the company is doing and where they are headed.

What this illustrates is that the plan can also help the employees make decisions in the company. If we look at the example of Calm Seas, above, we see that they have decided to *not* pursue making river, foldable or inflatable kayaks. This is not based on a whim nor is it simply a reflection of the preferences of senior management. This is based on a variety of factors that include an analysis of the market, predicting what the consumer will want and figuring out the strengths of Calm Seas, among other factors. These decisions reflect careful planning on the part of Calm Seas.

So if, for instance, a salesperson at Calm Seas were to receive a request from a distributor that wanted to order river kayaks, that salesperson would be able to tell the distributor that Calm Seas does not make river kayaks and has no immediate plans to do so. Calm Seas has carved out a market for themselves in the ocean kayak area and that is the area in which they will specialize. They will leave the manufacturing of those other kayaks to other manufacturers.

4.1 Competitive advantage

Every company needs to figure out their own unique competitive advantage. What is it that makes the organization "better" than the others in the same industry or category? If the answer is "nothing", then why does the organization exist? Should the organization exist if what it is producing or doing is not in some way "better" than the competition? Generally, in our capitalist and market-driven economies, the organizations that are successful are those that have figured out their competitive advantage.

"Better" can be defined in a number of different ways. Better could be:

- faster
- bigger
- cheaper
- stronger
- more luxurious
- locally produced or locally sourced suppliers
- sustainable
- customer-oriented
- providing unique employment (the organization perhaps employs recently-released jail inmates or people with developmental challenges in order to give them employment and job skills).

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4.2 Strategic planning process

Let's take an example from a non-organization setting. Let's say you and your family want to go away for a holiday. First you have to figure out what everyone wants to do on the holidays and where you want to go. Members of the family will examine a number of factors including investigating accessibility of the location, time available, family budget, possibly sales for destinations that are of interest and features of different locations. Once they have done that, they will decide where they want to go. Once they know where they want to go, they have to decide how they are going to make it happen.

The first decision is the "big", overall decision – the destination or end goal. The second set of decisions is more technical, or detailed. How are those goals going to be met? Exactly how is the family going to get to that destination? Are they going to drive, take the train or bus? When are they going to leave and return? How many bags can they take with them? What will they take with them? There are a lot of detailed decisions to be made!

The second set of decisions can ONLY be made once the "big" decision is made. The family can't decide what method of transportation they will use if they don't know where they are going. The end goal has to be decided and agreed on before the family can make any further decisions. There is no point bringing snorkeling equipment if the family ends up going hiking in the Alps.

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The process for the organization is very similar. The "big" decision is the organization's strategic decision. What are they doing? Who are they? The second set of decisions involve operational or tactical decisions. Once they decide what it is that they want to do, they then decide how they are going to get there.

Usually, this involves the senior managers of the organization, although the employees could all be involved in the discussions.

4.3 SWOT analysis[3]

The particular process that is commonly used at the beginning of strategic planning is an analysis of the company's

Strengths
Weaknesses
Opportunities
Threats

also known as a SWOT analysis.

This analysis on the part of the organization can take months for very large organizations – in fact, sometimes it may feel as though one round of planning has just finished when the next one begins! For smaller organizations, it can take only a few hours.

It is sometimes useful to have an outside consultant or facilitator help with the SWOT analysis because the analysis requires the participants to be truly objective as they complete the factors that will go into each category. This can sometimes be difficult for people inside the organization to do.

4.4 Stakeholders

An important concept in conducting strategic planning is to determine what the stakeholder groups are that have an impact on the organization. Once those stakeholder groups are determined, then the organization can figure out how the stakeholder group might exert it's influence and how important this influence is on the organization.

There may be a lot of stakeholders to consider. For strategic planning purposes, we have to figure out whether the stakeholder exists inside or outside the organization.

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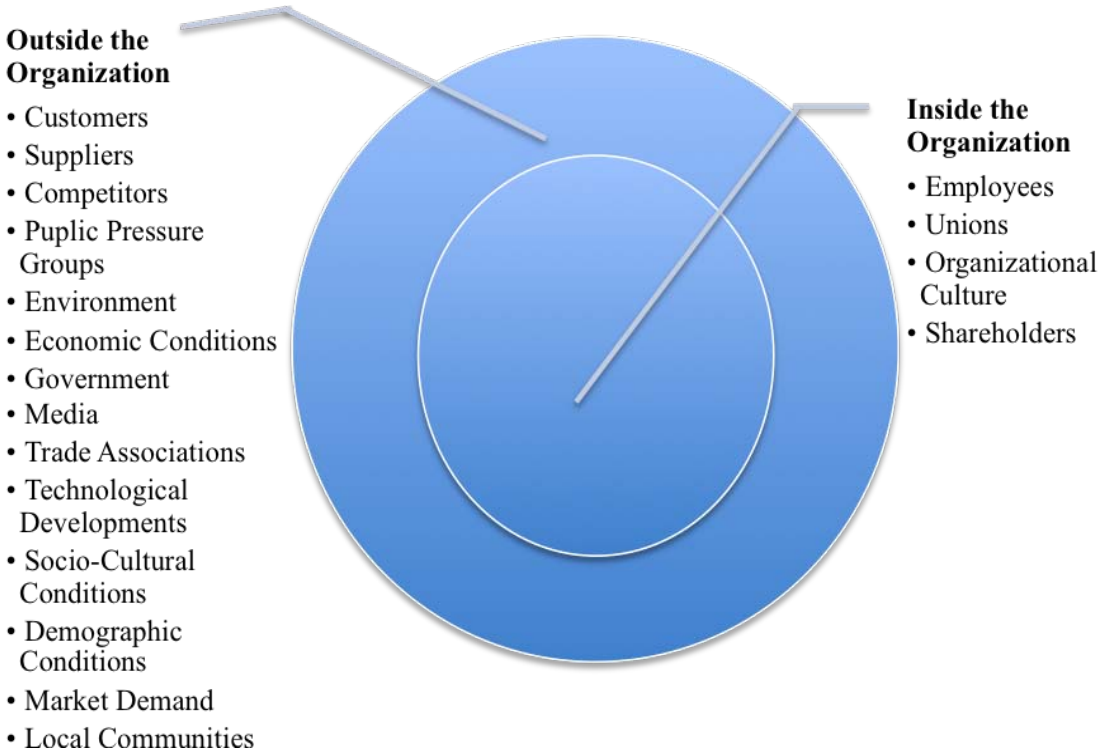

Figure 4.1 Stakeholder diagram

4.5 Factors inside the organization

4.5.1 Strengths and Weaknesses

These points are factors that exist *within* the organization. So, for instance, if the organization is really good at research, that would be listed as a strength. If they aren't very good at product design, that would be listed as a weakness.

The strengths tend to be easier to list than the weaknesses. Everyone wants to claim they contribute to the strengths of the organization.

However, the head of a department is not likely going to want something that is the responsibility of that department to be listed as a weakness. Using our example here, the department head of product design will not want "product design" listed as one of the organization's weaknesses. Neither will the employees in that department. It doesn't look good for the design department! However, in order to deal with that weakness, it must be identified. In this way, the organization can tackle that weakness. This could provoke a number of responses ranging from investing more money into technology and/or salaries in the design area, to contracting out the design function to another company.

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4.6 Factors outside the organization

4.6.1 Threats and Opportunities

In this section, the factors that exist outside of the organization are examined.

Factors that should be considered exist in the external environment (think of all external stakeholders). Refer back to the stakeholder diagram above.

The confusing term here is the word "opportunity". In every-day language, this is usually interpreted as "what could/should the organization do?" However, in strategic planning, the term refers to those factors that exist outside the organization that are favourable to the organization. So for instance, we might say that there is a research report that forecasts an increase in interest in the general population to be involved in ocean kayaking. If you are an ocean kayaking company, this would definitely be listed as an opportunity. That company may be able to do something with that specific piece of information.

The threats are those factors outside the organization that are not good news for the company. For instance, if the government is going to introduce legislation that will increase the need for pollution control devices that the organization does not presently have, this will likely be a threat. This will increase the operating costs for the company.

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What the company chooses to do with that information depends on what gets stated in the other categories.

What is important to realize is that potential future directions for the organization are not identified at this stage – that comes a bit later.

Now, we want to marry the strengths with the opportunities. We also want to either minimize or somehow face and deal with the weaknesses and the threats.

Inside the organization	Outside the organization
Strengths	Opportunities
Weaknesses	Threats

Table 4.2

4.7 Grand Strategy

This is where the "grand strategy" comes in. And here, we look to the work of Michael Porter to guide some of the discussion.

Once the SWOT is concluded, there are four strategies to choose from in order to guide future directions:

1) Growth
2) Stability
3) Retrenchment
4) Combination

The names are pretty representative of the strategy.

Growth means exactly that – the organization is going to grow in some way. This includes decisions such as adding a product line, expanding to another country, buying another company or increasing investment in green energy.

A stability strategy means that the company is going to maintain the status quo. They are going to continue what they have been doing up until now. Nothing is going to change. No increase in production, no new markets, no growth in number of employees.

Retrenchment means that somehow the company will be cutting back. That could include selling off some assets, reducing the number of products that they sell or getting out of some countries in which they now operate.

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A combination strategy is more common with a large, multi-divisional company. With a combination strategy, one division of the company will pursue one strategy while another division follows another strategy. So for example, one division may withdraw from a geographic area where they are operating in order for another division to expand production to meet increased demand for the product.

The strategies outlined at this point flow directly out of the SWOT analysis. Done correctly, the strategies and the SWOT analysis form a great package. Everything becomes linked and the strategies come out of the factors in the SWOT. For instance, if a strategy is to develop a communications plan, then the lack of a communications plan should have been mentioned in the SWOT.

Example

Let's say a company has a strength in developing new products (strength). They also identify that there is an increase in demand forecasted for their product (opportunity). Their competition also does not have the capability to meet this demand (another opportunity). The company though does not have a strong advertising ability (weakness). And there may be a lack of skilled workers in their area (threat).

Given this example, the company would probably adopt a growth strategy. They might develop some new products (combine their strength and opportunities), cross-train their present employees (deal with the external threat) and hire some advertising people to increase their advertising of the new products (overcoming their weakness).

4.8 Mission statements

The organization creates a descriptor for their company which is their mission statement. The best written mission statements are only one to two sentences long. This allows the organization to outline what it is and what it does – literally what defines them. By definition, this also allows them to describe what they do not do. It becomes a communication tool for people both inside and outside of the organization.

Language in the mission statement should be clear, simple and jargon-free. Here is one way to examine a mission statement. If a person who did not know what the company did were to read the organization's mission statement, would they understand what it does?

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4.8.1 Mission statement examples

A not-for-profit example – The Jeremiah Program

Jeremiah Program assists single mothers and their children to break the cycle of poverty by providing a campus community where they can prosper in all senses of the word.

Our services are designed to help mothers change their lives so that they can provide a better future for their children. Jeremiah Program provides safe affordable housing, developmental childcare, Life Skills programming, individual coaching and Empowerment training. This solid foundation upon which the program is built allows mothers to complete their education and secure employment at a livable wage and within their chosen career path.

http://www.jeremiahprogram.org/?page_id=7

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A for-profit example – Nexen Inc. (Oil and Gas)

Our mission
Nexen's mission is to grow value responsibly.

Our vision
In pursuing this mission, our vision is to be the pre-eminent, global, independent energy producer in North America.

We grow our business to be successful and sustainable by engaging resourceful people, capitalizing on superior assets and innovation, and operating in a socially responsible manner.

http://www.nexeninc.com/en/AboutUs/IntegrityAndCompliance/OurCulture.aspx

Another for-profit example – Google (a simple one!)

Google's mission: to organize the world's information and make it universally accessible and useful.

http://www.google.com/corporate/

4.9 Action/implementation plan

The questions that get asked here are "how are we going to get there?", "what do we have to do to get there?" and "who is going to do what?" In other words, we start to develop the specific action plan to reach the strategic goals established. Issues such as structure, staffing, monetary needs, funding, timetable, specific responsibilities and measurement tools can be addressed.

4.9.1 Example of action plan

Using the example from the previous section, here is a sample of their action plan

What?	Who?	How?/When?
Develop new products. Specific goal – develop one new product by the end of six months.	Representatives from design, manufacturing and sales department form a team to determine market needs and manufacturing capability.	Prototype presented to management by the end of four months for approval. Production in place at the end of six months.
Cross-train present employees.	HR Administrator	Training plan presented to management by the end of one month. Training started in six weeks and completed by the end of three months.

Table 4.3

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That's the strategic planning process. The organization has figured out what's going on in their environment and can now move forward with specific action plans that should give them a competitive advantage in the market. As long as they also fulfill the other management functions well, they will be much better positioned to succeed.

4.10 Not-for-profit note

Again, strategic planning for the not-for-profit sector follows exactly the same steps. This sector clearly has additional and different factors that they will consider that are not present in the for-profit organization – searching for and managing volunteers and dealing with multiple and often-changing funding sources come to mind.

An issue that is discussed more commonly today in the not-for-profit sector as it relates to strategic planning centres on the topic of "competitive advantage". Competitive advantage is a term that has arisen from the for-profit sector and can sometimes be a concept that may not fit the outlook of those in the not-for-profit area.

However, with government funding changing and in many cases decreasing, the not-for-profit sector is now looking at creating strategic alliances with the for-profit sector. This has given rise to many ethical debates that we won't deal with here. The reality is that the not-for-profit sector is adopting more of the for-profit language and sensibilities.

Many in the not-for-profit sector do not perceive themselves to be in competition with other organizations in the sector that are doing similar work. Specifying what their competitive advantage is, describing how they are "better" than others in the sector, is sometimes a concept that does not come easily. If they are going to partner or create an alliance with the for-profit sector, these are both concepts and language that the not-for-profit sector must adopt. This may be a challenge that the not-for-profit sector must address in their strategic planning process.

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4.11 Strategic planning diagram

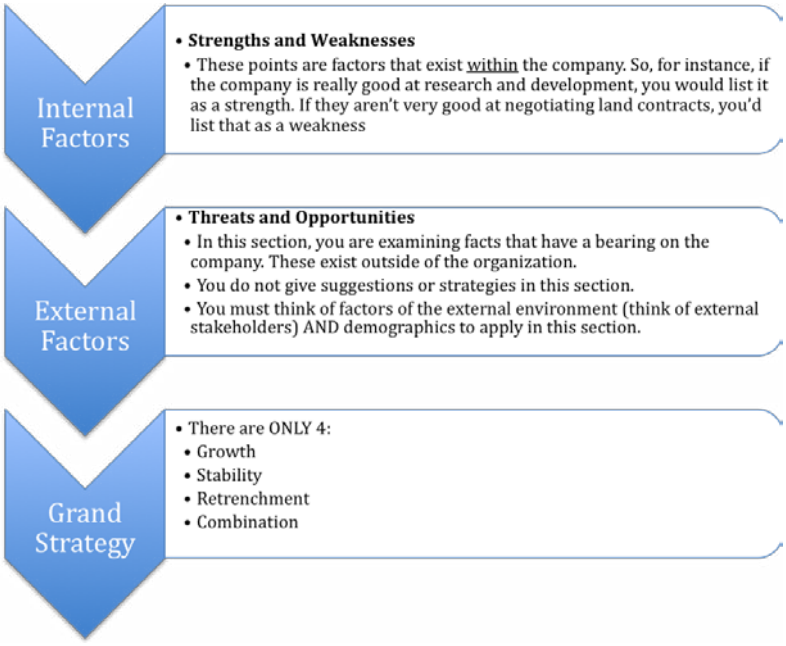

Figure 4.4

Then the organization specifies how it should follow through on the chosen strategy and develop action plans to get there.

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4.12 Questions for organizational planning section:

1. One of the important factors to examine in planning is demographics. Go to this other online resource to look at demographic factors. How do you see these demographic changes impacting your work environment?
   http://bookboon.com/int/business/hrm/generational-challenges-in-the-workplace
2. Using the demographic information from the previous question, conduct a strategic planning analysis for Calm Seas. Figure out the SWOT, grand strategy, mission statement and possible action plans. What is their competitive advantage? Who are their stakeholders?
3. Find other examples of mission statements. Are they clear? Do you understand what the company does as a result of reading the mission statement? Would these statements provide guidance to decision-making in the organization?
4. There is a lot of writing and research about the topic of "competitive advantage." Look up current business articles that deal with this subject. How does it relate to organizational planning?
5. Popular topics today relate to the concepts of "corporate social responsibility" and "business ethics". Research what these concepts refer to, why they are being discussed and what companies are doing about them.
6. Find a local not-for-profit organization. Conduct a strategic planning analysis for this organization. How is this process different from the analysis of the for-profit organization?

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5 Organizing – Calm Seas case

Calm Seas could be organized a number of different ways.

As described in previous sections, Calm Seas manufactures and sells ocean kayaks. They produce both composite and plastic ocean kayaks that they sell to retail stores in North America and to distributors around the world. They also sell directly to outfitting and tour companies, to groups that teach people how to kayak and to educational institutions and sports organizations.

Calm Seas must look back to their mission statement and then figure out which structure might allow them to accomplish this best.

How are they going to get done what needs to be done? How can they group similar functions together? How can they maintain their competitive advantage?

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6 Organizing the organization

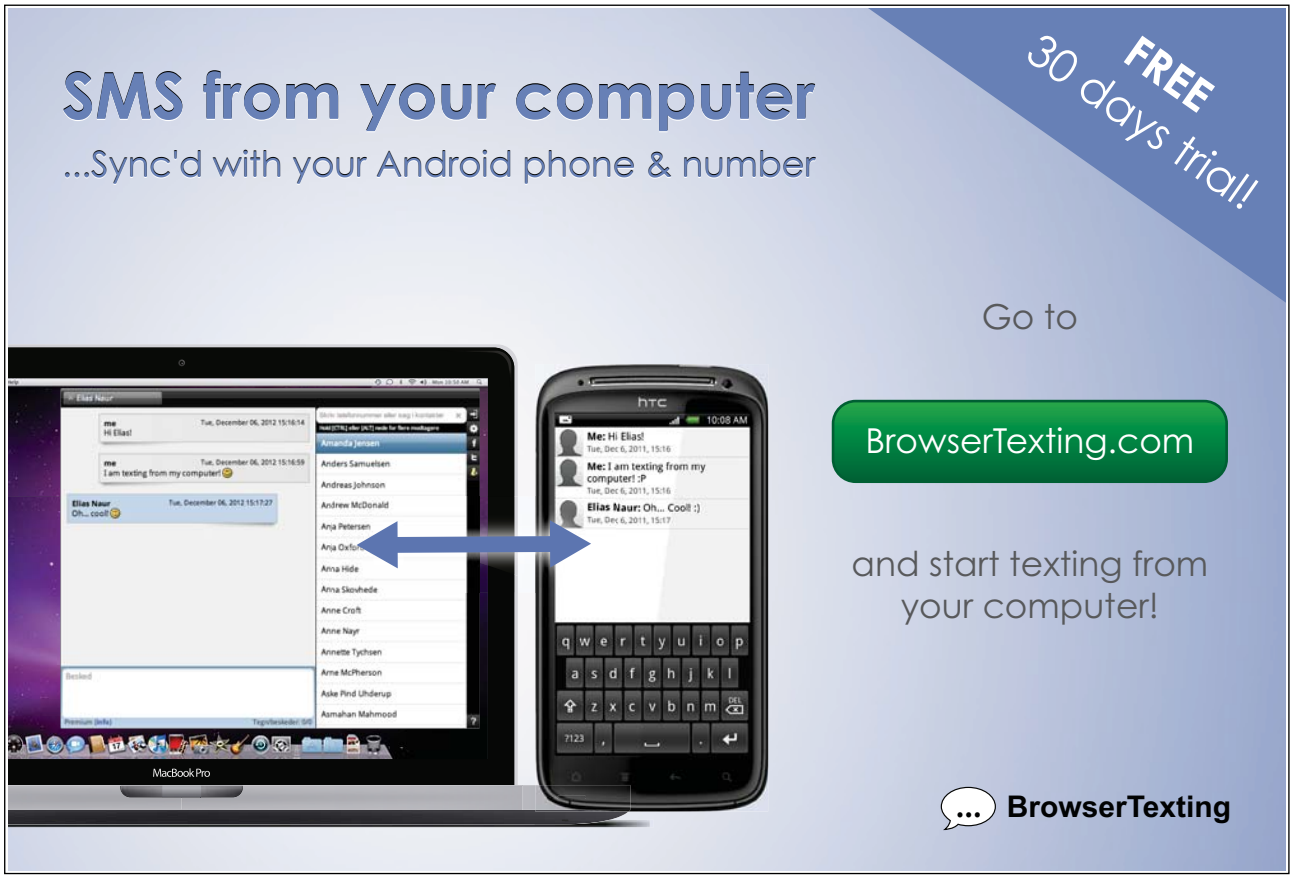
6.1 Structure follows strategy

Decision-makers in the organization have to ask themselves a number of questions:

- What kind of structure should be put in place?
- How do they want to get the work done?
- What about the idea of centralization vs. decentralization?
- How do we handle authority and responsibility?

Most organizations today in North America are structured using a "bureaucracy". This is an ancient structure, dating as far back as Julius Caesar. It has a military background. The organization does not have to be structured using bureaucratic principles. There are a number of inherent drawbacks to bureaucracies that good organizations have learned how to minimize in order to function effectively.

There are other options. However, the next section will talk about bureaucracies, how they work and what they mean. Many companies are structured along bureaucratic lines, so it is important to know what they are all about.



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6.2 Bureaucracy

It is the bureaucratic organization that looks like a pyramid – one person at the top, a lot at the bottom and layers of middle management. This sounds as though it exists only in large organizations. However, a bureaucracy can exist in an organization that has, for example, 10 people. When we use the word bureaucracy, we are referring to the structure used.

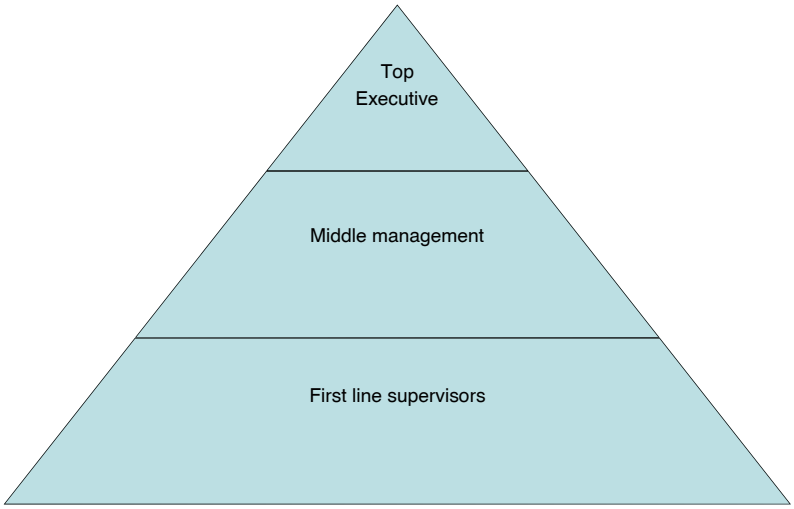

Figure 6.1 Basic bureaucratic structure

6.3 Authority – staff and line

There are two concepts related to "authority" within a bureaucracy. There is both line authority and staff authority in a bureaucracy.

It is easier to talk about some departments as line departments and some as staff departments. The people in a line department are called line employees and the people in the staff departments are staff employees. They have different roles and authority.

6.3.1 Line departments/line authority

To take a manufacturing company as an example, there are 3 absolutely essential functions that must exist in this company. These three are manufacturing, sales and finance. The company cannot exist without these functions. These departments are the ones that directly make money for the organization. These are the line departments.

In using the example in the preceding paragraph, we need to define some terms. "Manufacturing" refers to the area that makes the product. This area could also be labeled operations or production.

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"Sales" refers to the area that directly sells the product to the end customer. In this way, this is the area that brings money into the company. If sales and marketing are separate areas, then sales is a line function and marketing is not. Marketing is the area that comes up with ideas (like new packaging or advertising) that help the sales area to sell the product. They are auxiliary to the sales function.

"Finance" is also distinct from accounting. Finance is the function that manages the money in the organization. They would be involved in activities such as raising money through going onto the stock market or acquiring debt or examining and approving capital expenditures (buying a new plant or expanding into another country). Accounting is the function that keeps track of the revenue and expenditures.

6.3.2 Staff departments/staff authority

The other departments in this company are nice to have, and they presumably support the activities of these line functions. However, they are not absolutely essential. These are staff departments. The role of these staff departments is to advise, counsel and assist the line departments to do their jobs. If there is a budget cutback, it is likely that these staff departments would get cut first.

Staff departments work by influencing the people in the line departments – as such then, the staff employees should have no power, except for activities in their own departments. Who are these staff departments? These would be anything other than the 3 line departments listed above. So, for instance, Human Resources, Accounting, Marketing, Public Relations, Engineering, Event Planning, would all be examples of staff departments. There are lots of others.

Let's take an example of the Human Resource (HR) department. Their role is to help the managers and employees in the line departments in Human Resource activities. So let's say that the manager of Manufacturing has a vacant position that needs to be filled. The Human Resource department will help to create the job description, advertise the position, receive all of the resumes and phone calls and do the preliminary interviews to screen the applicants. They will then refer perhaps the 3 "best" applicants to the Manager of Manufacturing, who then interviews these three. The final hiring decision should be made by the Manager of Manufacturing, since the Manager of Manufacturing has to, in essence, "live" with this person. The HR department helps the Manager of Manufacturing to fill the vacancy. However, the HR department should not make the final hiring decision. If they do, then the HR department has assumed line authority, which they should not have. If the HR department makes the final hiring decision and assumes line authority, then the organization will have a whole pile of problems.

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So the HR department has staff authority. They do not have the same type of power that a line department has. The line departments do not have to accept the advice offered by a staff department. The staff employees must use influence, created by their expertise and personal credibility, to help the line employees. If there was a budget cut, the company could fire the entire HR department. To use the above example, the Manager of Manufacturing would simply do all of the activities connected with filling their vacancy. It simply would not make sense for the company to keep the HR employees (because they are doing an important job) and fire manufacturing employees in a budget cut decision.

The basic message is that the line departments are the essential departments, without which the company could not survive.

The example above has only described a manufacturing company. The same principles apply to all organizations. In order to determine the equivalent of the manufacturing department in any organization, we must ask ourselves what the core or basis of the organization is. For instance, the core of a call centre is the area that answers the calls (not surprisingly). The core of a university is the academic group that teaches and researches.

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6.4 Bureaucratic structures

There are 4 bureaucratic structures we could put in place. Each of these structures has their pros and cons. The organization must choose which one of these structures would best suit their purpose or best accomplish their strategic plan. What we will show in the following examples is just the top level of the organization. There will be many positions (people) that report to these Vice-Presidents, but for simplicity's sake, only that top level will be shown.

Example

Let's assume we are dealing with a manufacturing company that makes toys, baby furniture and children's clothes. They make high-end products that they sell through their own retail outlets and they make discount brands that they sell to mass-market distributors around the world.

What we will see in the following pages is that this company could be structured in a variety of ways.

6.4.1 Functional structure

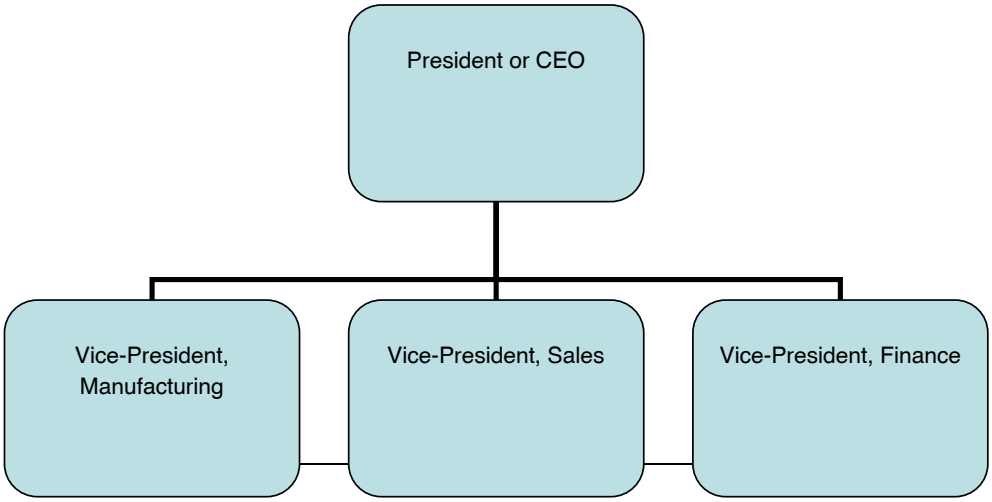

Figure 6.2

In this structure, we have the three line functions of manufacturing, sales and finance represented. They are all shown to be at the same level because the positions are all Vice-Presidents.

If the company wanted to have a Vice-President of Human Resources for instance, they could choose to do that because Human Resources would represent another function in the organization. If they do, then that position would show up as a fourth box on the same level as the other boxes.

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In this structure, we would read into it that the manufacturing process all happens under one roof, in one location. The company looks like they make all of the products in one location. For our manufacturing company example, this would be quite unusual.

Advantages of the functional structure

- Easy to understand
- Can be used in any sized organization
- Responsibilities are clearly defined
- Can be expanded to include other functional areas (legal, HR, PR, etc.)

Disadvantages of the functional structure

- Won't be able to figure out which products are profitable, since they are all lumped together.
- If the manufacturing is in one location, transportation and distribution costs could be high to get the product to the customer.

6.4.2 Product Structure

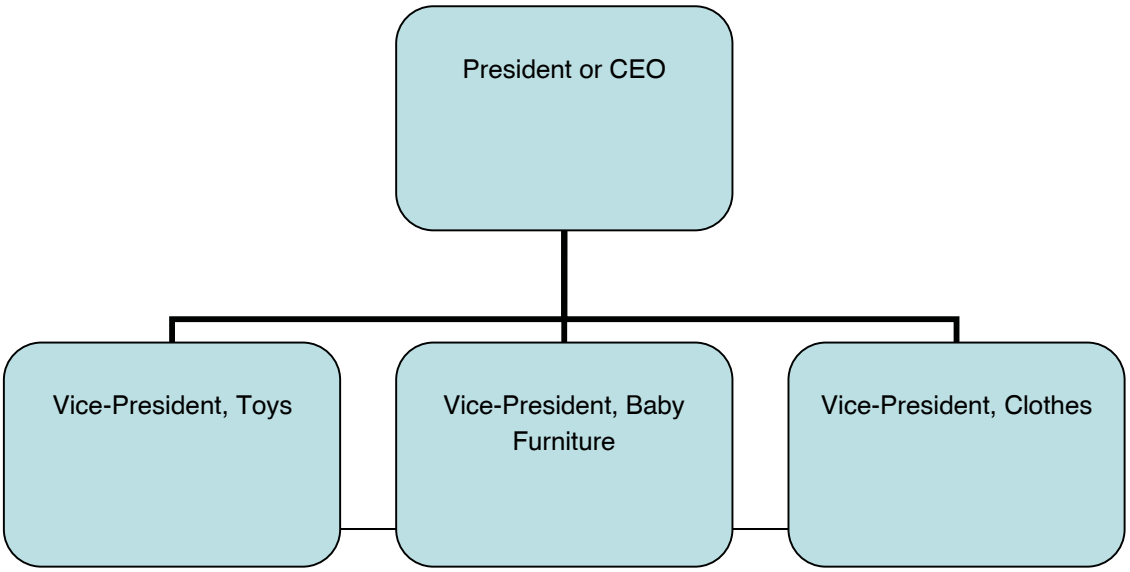

Figure 6.3

In the product structure, each area then specializes in their particular product. Everyone who reported to the Vice-President of Toys, for instance would be involved in some aspect of toys – their manufacture, quality control, sales, marketing, etc.

This would be a good option for our fictional manufacturing company of toys and other goods.

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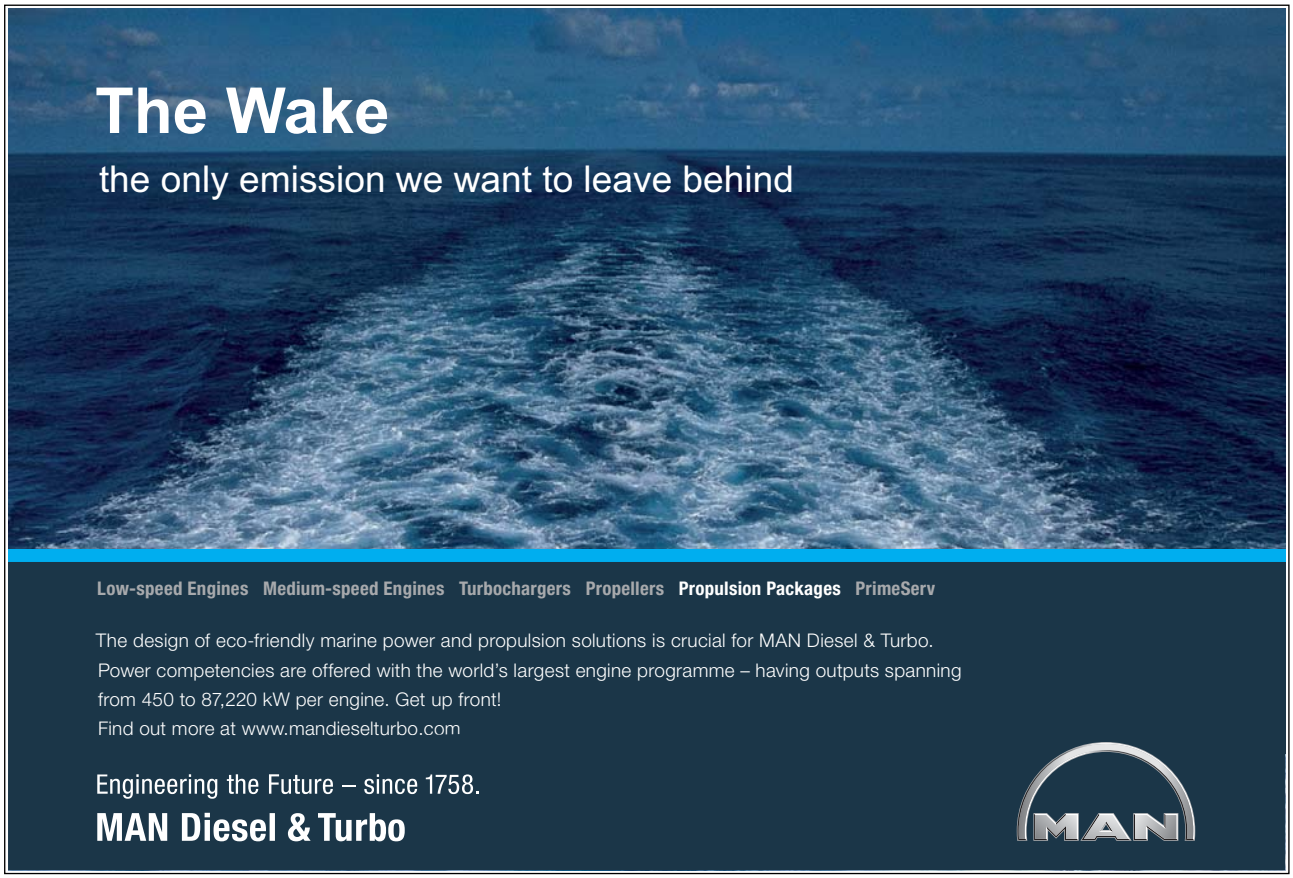
Advantages of the product structure

- Employees in each division are specialists – they know their product from manufacturing to sales to accounting for it.
- Easy to see which product is profitable since each area will likely be set up as a profit centre.
- Can set up the different products in different geographic areas.

Disadvantages of the product structure

- Can only work in a large organization. Using this example, there will be a manufacturing department for the toy department, another one for the furniture department and yet another for the clothes department. Must have a large organization to sustain this.
- Employees cannot easily move from one department to another since those departments are specialized and operate almost as completely separate divisions.



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6.4.3 Customer Structure

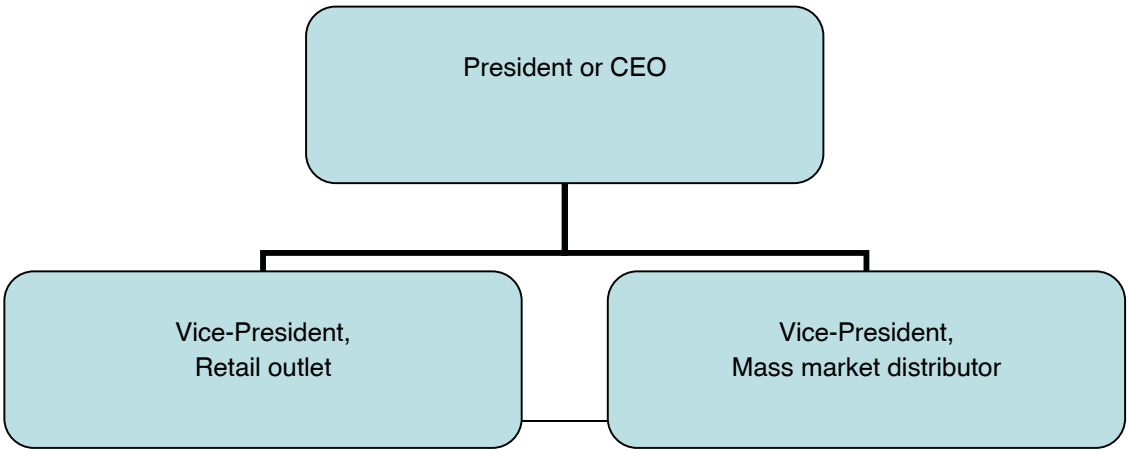

Figure 6.4

This structure allows the organization to specialize their operations in a different way. In our example, they do make different products – the high end and the mass market products and they also sell them to different customers (retail outlet and distributor).

Advantages of the customer structure

- Customer-oriented structure. Most customer-focused structure to choose.
- Can change the product to suit the customer.
- Again, can see which line is profitable since they are set up as profit centres.
- Can set up divisions in different geographic areas.

Disadvantages of the customer structure

- Need to have more than one product line, usually quite different products.

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6.4.4 Geographic Structure

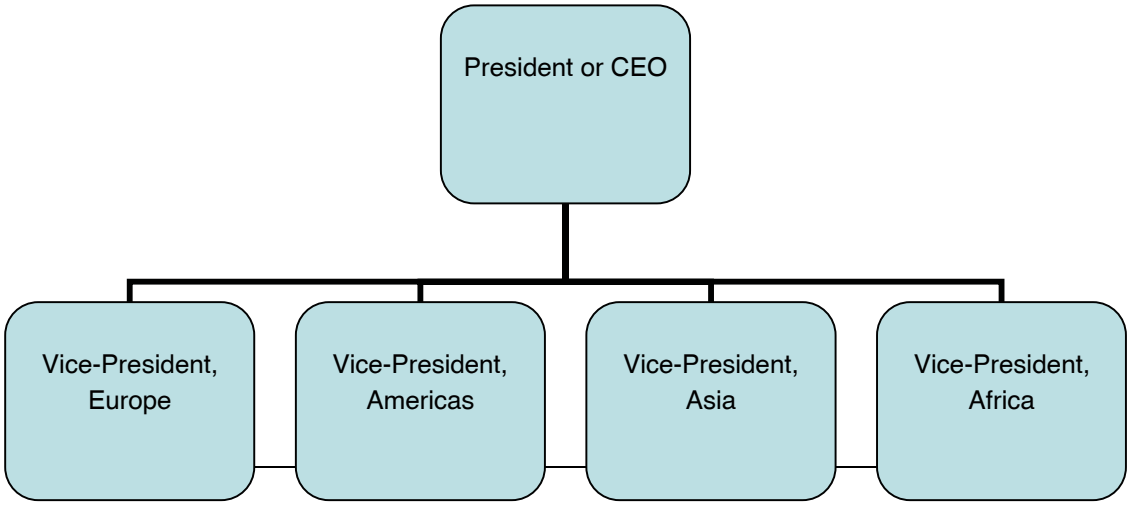

Figure 6.5

With this structure, the organization specializes by setting up operations in the different geographic areas in which it does business.

Advantages of a geographic structure

- Also a customer focused structure.
- Custom tailor the product to different requirements of the customer in various countries.
- Closer geographically to your customer

Disadvantage of a geographic structure

- Can only work in a fairly large organization – need a "critical mass" in order for it to work.
- Need for superb communication and co-ordination on the part of the President or CEO, since the operations are literally spread out.

6.5 "Rules" of a bureaucracy[4]

There are "rules" that employees must follow in the strict bureaucracy and are inherent in the structure of a bureaucracy:

1. Chain of command – this indicates who reports to who. In a strict bureaucracy, there is a rule that "you don't go over your bosses head." This has a profound impact on communication and decision-making.
2. Unity of command – an employee should have one and only one boss.

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3. Span of control – refers to the **number** of employees a manager supervises. At the top of the organization, this number is small – around 3–8. As you go down in the organization, this number gets higher. A first-line supervisor could have a span of control of say, 50 in an assembly-line operation.

6.5.1 Centralized vs. decentralized

Bureaucracies have tended to be very centralized as opposed to decentralized, although this is not always the case. We would define an organization as being centralized if the decision-making is done by the person at the top and power and information is generally held by the person at the top. In a decentralized structure, the authority to make decisions and to act is delegated down to lower levels in the organization.

6.6 Disadvantages of a bureaucracy

While the bureaucracy has existed for years, is common and fairly easily understood, there are factors that exist within a bureaucracy that can make it cumbersome, unwieldy and sometimes downright dysfunctional.

When you look at the "rules" above, you can see the disadvantages popping out.

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If there are lots of levels of management, there is a centralized decision-making style and an attitude that you don't go over your bosses head, then that is an organization where communication and decision-making are slow. Not only are they slow, but since both the communication and the decisions have to go through many layers, there is a good chance that the message and the decision will either be lost or garbled.

Not only are these processes slow, but the organization will lack the ability to change quickly or to adapt to changes. There are too many layers to go through to get anything approved!

These problems exist not just from the viewpoint of communication and decision-making but also from the viewpoint of the new generation of employees coming up through the ranks. Older generations may have been more content to stay in their places and do their jobs, but the upcoming generations hold different values. This newer generation wants to contribute and tends to thrive on change and multi-tasking. They do not want to be told they need to get many layers of signatures in order to do something. And if they see something that needs to be fixed, they want to talk to talk to the person who can fix it. They don't tend to react well to the "don't go over your bosses head" advice.

6.7 Changing the bureaucratic structure

Because of drawbacks to the bureaucratic structure, some of which are noted above, managers, leaders, consultants, academics and researchers have devised other ways of structuring the organization.

One of the first responses was to reduce many layers of middle management. If the organization could be "flattened", so that there were not so many levels in between the top and the bottom of the organization, then the communication and decision-making problems outlined in the previous section here would be reduced. That seemed on the surface to be intuitively sensible.

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If we can change from this:

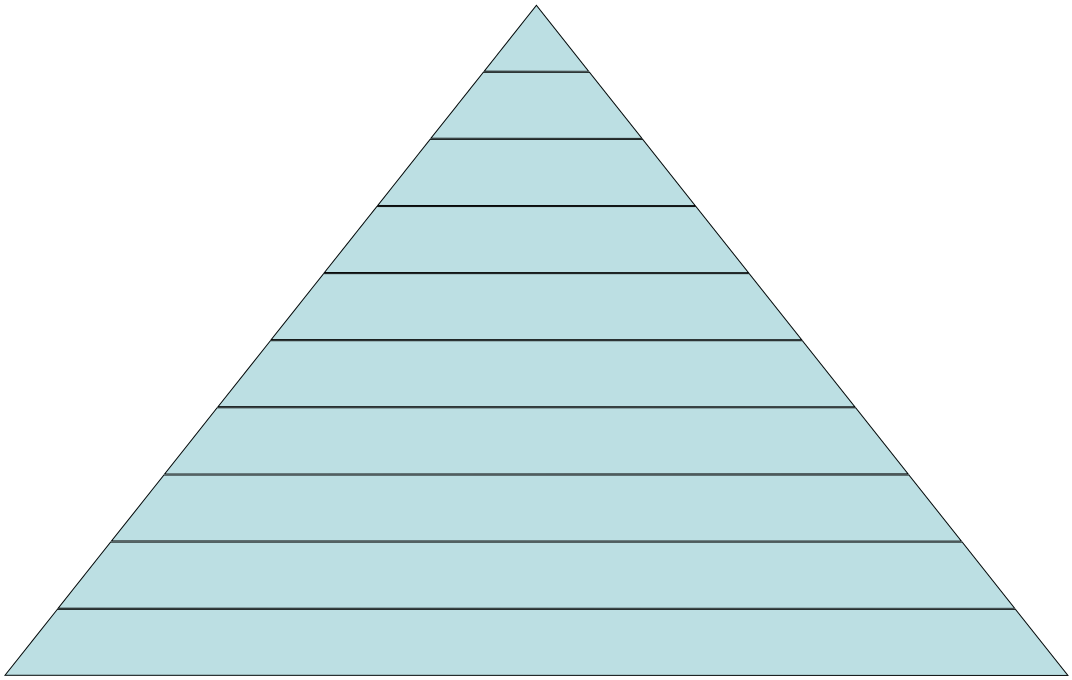

Figure 6.6

to this:

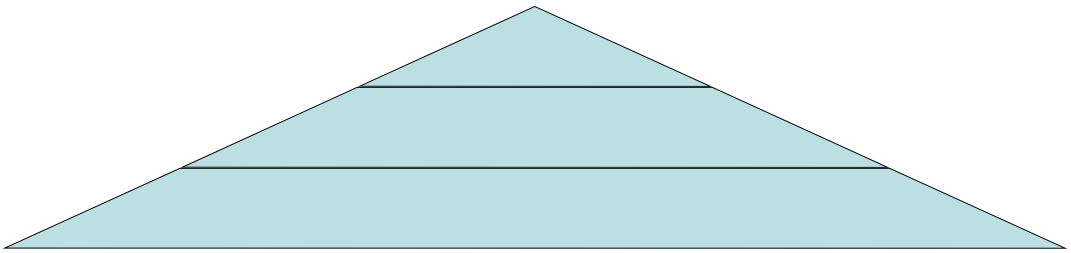

Figure 6.7

We can see that with a "flattened" structure, communication and therefore decision-making will be improved. However, we can't just get rid of middle management so simply. Middle managers did contribute to the organization by fulfilling such roles as co-coordinating, scheduling and planning. Those roles still have to be done.

The answer to this situation was to delegate those roles to employees at the lower levels. Done properly, lower level employees were given training and support to be able to take on those roles and do them properly. Employees would have far more scope and variety to their jobs, more responsibility and generally more job satisfaction. This was usually accompanied with a salary increase in recognition of increased job responsibilities.

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6.8 The rise of the "group" structure

In addition to eliminating layers of middle management and delegating middle management roles to employees at lower levels, the idea of forming those lower levels into groups arose. What happens with this idea is that the groups become teams that "manage" sections of the work. If we look at our manufacturing example, the teams would not only manufacture the product, but would also confirm that there was enough raw material for their manufacturing, certify the quality of the end product, ensure that the members were doing their share of the work and check that enough product is made on schedule. These are the types of roles that middle managers used to do in the organization with many layers. The organization would look like this:

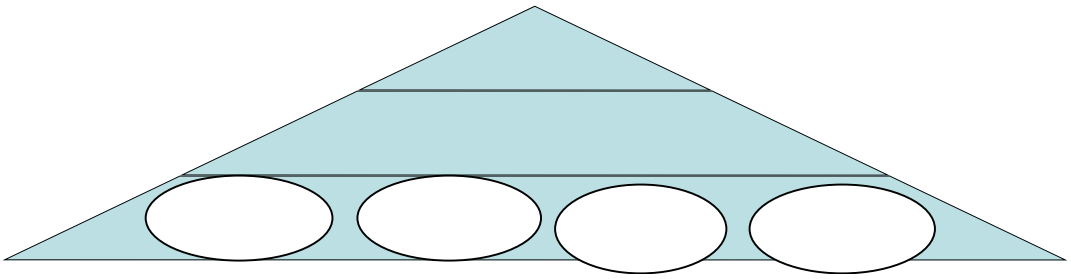
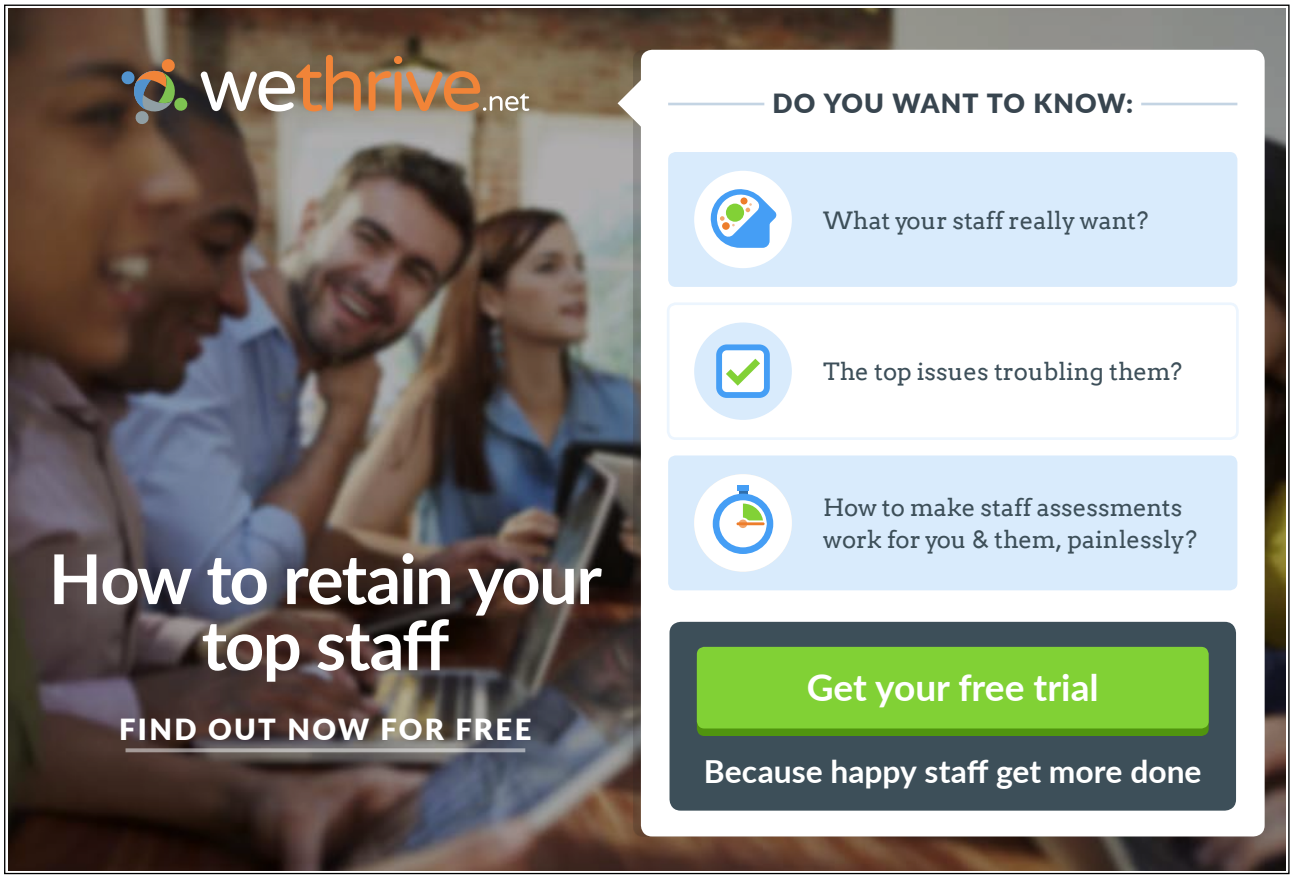


Figure 6.8



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The remaining middle managers would act as co-coordinators between the groups. This would require more facilitation skills on the part of middle managers.

The organization in this case also must train group members on group skills. A checklist of group effectiveness is found at the end of this chapter.

6.9 Not-for-profit note

Creating an organization structure is the same type of challenge for the not-for-profit sector.

Many not-for-profits are small, and the jobs in those organizations are ones where the incumbent must take on a variety of tasks. In this case, the jobs may not be able to be clearly defined. This organization would likely have a functional structure.

Many not-for-profits are large, which allows them more flexibility in terms of choosing a structure that suits them. They may choose from any of the structures outlined above.

Both small and large not-for-profits have the additional dynamic of their volunteer workers. Who should these folks report to? How should the volunteers be held accountable? Who would be responsible for them? These are all questions that the not-for-profits must deal with when they develop their structures.

> There is a great deal of talk today about 'entitlement' and 'empowerment'. These terms express the demise of the command and control-based organization. But they are as much terms of power and terms of rank as the old terms were. We should instead be talking about responsibility and contribution.
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6.10 Checklist for Team or Group Effectiveness[5]

	Goals and Directions	
No clear idea of direction, confusion on goals		Purpose and direction well understood
0	5	10
Lack of agreement on goals, different directions in group		Strong agreement on goals, common direction accepted
0	5	10
	Climate of Group Atmosphere	
Oppressive, doesn't want to be part of group negative atmosphere		Exciting, congenial, people looking forward to group
0	5	10
	Trust Factors	
Very low trust, highly suspicious		High trust, acceptance of each other
0	5	10
	Communications	
Very closed, secretive, guarded and cautious		Open, sharing, valid information shared
0	5	10
No one listens, can't hear anyone but self		Active listening and high interests in what others are saying
0	5	10

6.11 Questions for organizing section:

1. Examine all the bureaucratic structures. Which one would be best for Calm Seas?
2. Could Calm Seas use some type of group structure? If so, what would that look like? How would it be organized?
3. What structure exists in the company that you work for? Or study in?
4. There is a lot of material written about groups and teams in organizations. Do some research and find out what makes for successful groups in organizations.
5. If an organization wants to change from a structure with lots of layers to one that is more "flat", they have to do more than just get rid of lots of middle managers. What other things would have to change?
6. When you look at the different generations that were described in the generations article mentioned earlier, what preference might each generation have for a centralized as opposed to a decentralized structure? Explain your answer.

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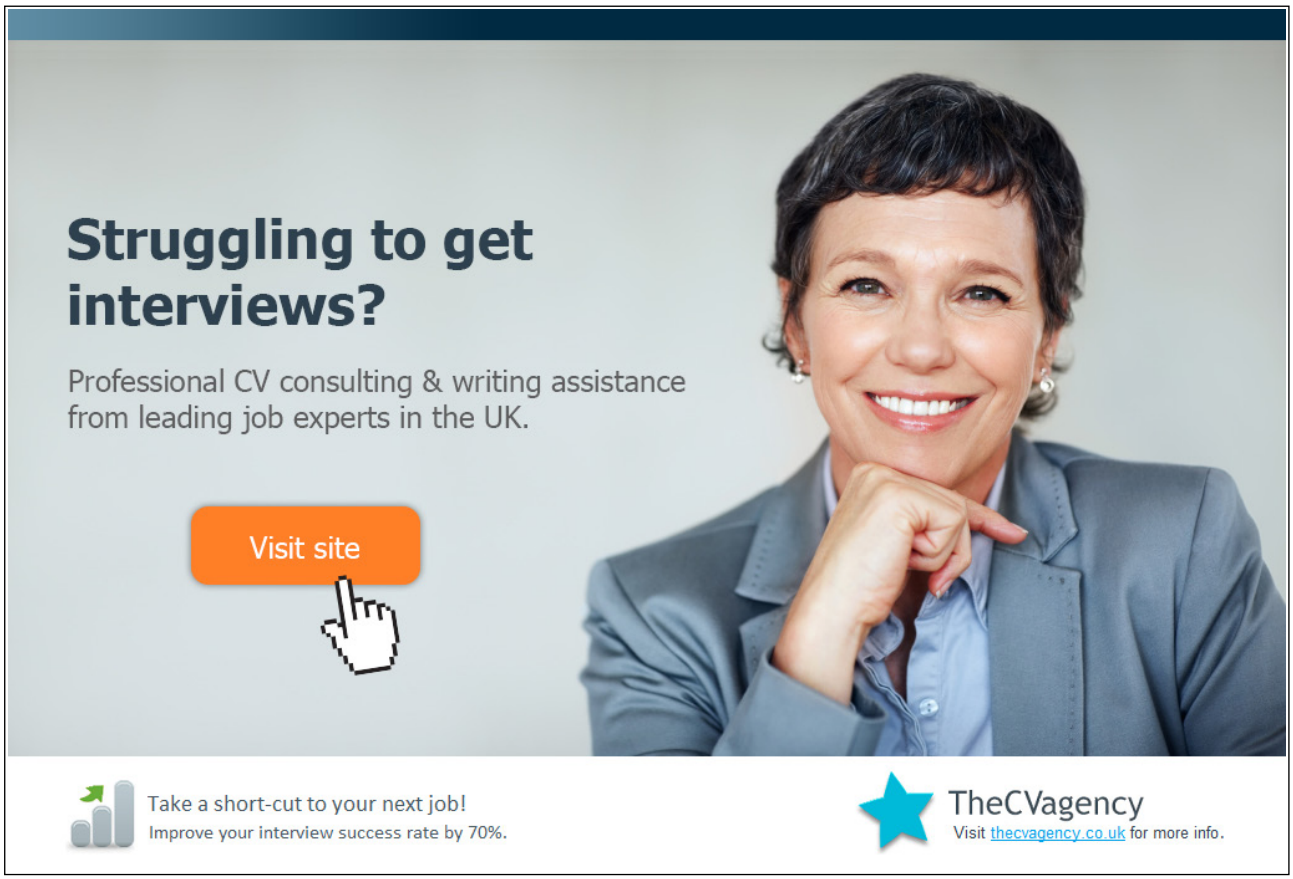
7. The following link takes you to a site where there is an on-line assessment of team effectiveness. Do the assessment and see whether you think it is valid for groups that you've been involved in. Is it helpful? http://www.mindtools.com/pages/article/newTMM_84.htm
8. Look at some not-for-profit organization websites. Given the information you find there, how do you think they might be structured? Draw them out. Do the same for a hospital. How about a university?



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7 Leading – Calm Seas case

Tasneem Khan is the General Manager at Calm Seas, the ocean kayak manufacturer. She reports to the founder of the company. Calm Seas has a strong emphasis on quality in the products they make – indeed they have made it part of their competitive advantage.

The organization has a curious mixture of a bureaucratic structure and a team structure. In the production area, they have implemented a team structure, as outlined in the previous section. There are teams involved in production, and those teams report to co-coordinators/supervisors who ensure that everything is being done properly. They put this structure into place about 10 years ago and have enjoyed the benefits of that structure since then.

Each employee was trained to take on tasks that used to be done by some middle managers, and those employees saw an increase in their salary. This team structure has allowed Calm Seas to improve their quality emphasis in their finished products. It has also reduced their turnover rate – employees are staying with Calm Seas longer now. They know that if they go to another manufacturing facility, they will likely experience a functional structure, a more narrowly defined job and a reduction in salary. All of these factors are compelling reasons for an employee to stay!

Tasneem describes the working environment this way. "We've cultivated a strong quality ethic through this structure. They know that they are accountable for the quality of the work done by their team. Everyone must have clear expectations and responsibilities and these must be communicated to everyone in the team. This becomes the cultural norm. Everyone then becomes accountable, responsible and in charge of quality assurance."

Communication among the employees in the plant is also illustrated in the company policy manual. Section 8.1 states "The company practices an "open door" policy with regard to the accessibility of supervisors by employees. Supervisors make themselves available to employees as much as possible within operational requirements. If a supervisor will be unavailable for an extended period, she/he will specify an alternate. Employees respect the supervisor/supervisee relationship and do not go "over the head" of their immediate supervisor without discussing their intent to do so with the supervisor."

She continued, "I am not the boss, in that I can't just do anything I want, when I want. Issues must always be discussed with the employees."

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The employees set up performance goals with their team and with their supervisor. The attainment of these goals helps the employee to get their raise earlier. In addition, there is also profit-sharing for everyone in the company, except for the General Manager and the founder.

Tasneem says, "I can't claim to be a success but then say everyone else is a screw-up. My own success is the result of the successes of the people for whom I am responsible. Others' success will then be my success. In this way, I am a supplier to the employees."

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8 Leading in the organization

In this section, some brief concepts surrounding leadership will be introduced. Since an important aspect of leadership is motivation, that topic will also be touched on.

8.1 Leader vs. manager

The first thing we have to do is to separate a "leader" from a "manager". According to the Encarta Dictionary, a:

Manager is somebody who is responsible for directing and controlling the work and staff of a business, or of a department within it.

Leader is somebody whom people follow.

This is quite a difference. We have talked about managers up until now in this text. However, managers and leaders are different. We need managers but we are seeing an increasing need to have leaders. They are not the same thing, they operate differently and they need different skills.

> Management is doing things right; leadership is doing the right things.
>
> Peter Drucker
> http://www.brainyquote.com/quotes/quotes/p/peterdruck131069.html

8.2 Leadership theories

The chart and the accompanying description will combine a number of popular leadership theories.

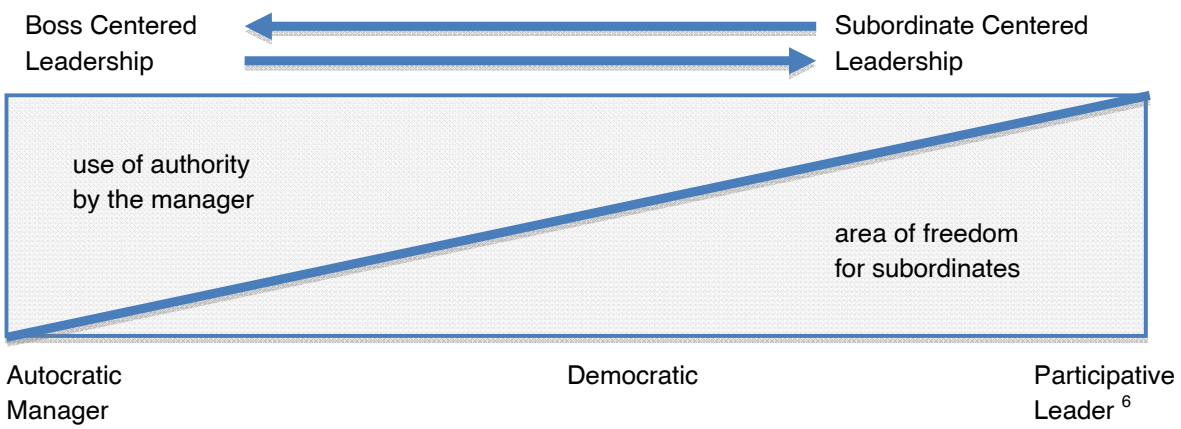

Figure 8.1

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If we look at the autocratic manager, that person will basically tell their employees what to do. As the chart indicates, the manager makes the decision and announces it. Input by employees is not sought and is not given. Power and authority rest with the manager. In this situation, the manager may also retain most of the information.

If we move to the right, part-way through the graph, we come to the democratic leader. As the chart indicates, the manager presents the problem, gets suggestions and then makes the decision. In this way, the manager is still retaining power and authority, especially because they see it as their role to make the final decision. However, this manager/leader will be far more likely to share information and actively solicit input.

On the far right of the diagram, we have the participative leader. This leader may let the individual or group make the decision and then simply inform the leader what that decision is. Another example would be the leader who participates with the group in arriving at a decision. In this case, the leader's opinion has no more weight than anyone else in the group.

One question that is often asked at this point is "what about the manager who asks for our opinions but doesn't really listen to what we have to say? What kind of manager are they?" My answer always is that this is a lousy manager who does not have any integrity. If the manager does not want to listen to the employees, then s/he shouldn't ask for employee input. Employees know when the manager doesn't really care for employees' opinions. This is one of the prime ways to destroy the relationship and trust between managers and employees.

This is different from soliciting input and then the manager choosing to do something else. As long as the employees are listened to and their opinions truly considered, if the manager then chooses another option, the manager can still be described as democratic. The big difference comes down to listening.

> The key to successful leadership today is influence, not authority.
>
> Kenneth Blanchard
> http://www.betterworld.net/quotes/leadership-quotes.htm

Another interesting dynamic is the manager/leader who thinks they use one style but actually act another way. This generally happens with an autocratic manager who doesn't believe that they are autocratic. After all, in today's business world, the description of the autocratic manager doesn't "sound" as good as the other styles. "Autocratic" itself is a term that does not sound positive. A manager can say that they have a democratic style and may believe that they are democratic managers but it's the actions that count. If they still behave in an autocratic manner, then they are autocratic.

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8.3 Knowing what kind of manager/leader to be

This continuum chart above is also useful because it shows the variety of options for behaviour for the manager/leader. The smart manager/leader chooses which behaviour is best, given the variables of the situation. There is no one "right" style to use all the time.

A manager/leader will generally operate and behave in a consistent manner. However, under different conditions or when something in the environment changes, it may be wise for the manager to use a different leadership style.[7]

For example, an autocratic style would often be wise to use:

- In a crisis or emergency
- When there is a legitimate, unforeseen rush needed for production
- Sometimes with untrained, unskilled employees

By contrast, a participative style would often be wise to use:

- When the outcome is more important to the employees than the leader
- When the employees know more about the issue than the leader
- When the employees can improve and develop their skills
- When lots of creativity is needed

Therefore, a good manager knows what the situation requires and will use the most appropriate style, given the particular situation. S/he may use one style in certain situations and another style in other situations.

8.4 Motivation Theories and Concepts

The Encarta dictionary says that motivate means "give somebody incentive" or "make somebody willing". This is a tall order for the leader/manager. The good leader/manager is one who can marshal the energies and enthusiasm of the employees so that they work in the desired direction and towards the goals of the leader and the organization. What the leader/manager wants is a group of employees who are productive and interested in contributing to the work.

8.4.1 Intrinsic and extrinsic motivation

One of the first distinctions to be made, which is a concept which also arises in some of the following motivation theories, is the distinction between intrinsic and extrinsic motivation.

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As the terms intrinsic and extrinsic suggest, intrinsic motivation is that motivation that comes from a source inside the individual, while extrinsic motivation is that motivation that comes from a source outside the individual.

We would describe someone as being intrinsically motivated if they derive their satisfaction from the knowledge of a job well done. Or they could derive a satisfaction from the challenge of the job. An extrinsically motivated person is one who wants something given to them as a reward. This reward for instance could be a cash reward, a prize of some sort or a medal.

This is not to say that the person who is intrinsically motivated does not also want or search for rewards. It's just that the externally granted reward will not motivate them if that is the only reward they get. The main source of their motivation comes from the internal source.

What is important to understand here is that the good leader/manager must understand what it is that motivates the employee and motivate them by keeping the employees' needs in mind.

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8.5 Content Theories of motivation

Maslow's Hierarchy of Needs	• 5 levels, physiological, security, social, esteem, self-actualization • each level must be substantially satisfied before moving to the next • refinements of Maslow's theory today include a recognition that individuals could be on more than one level at a time and that individuals could move up and down the hierarchy overnight.
McGregor's Theory X and Theory Y	• actually defines how managers view employee motivation • Theory X manager believes that employees need to be controlled, coerced and bribed. • Theory Y manager believes that people are willing to work, are creative and independent and self directed when motivated properly. • Concept of "self-fulfilling prophecy" may enter in here. If manager follows Theory Y beliefs, does that create Theory Y employees?
Herzberg's Motivation – Hygiene Theory	• hygiene factors are extrinsic to the work (work environment, relationship with peers, supervisor, and salary). If absent, result is dissatisfaction; if present, result is neutrality. • job satisfiers are intrinsic to the work itself (achievement, recognition, nature of the work, responsibility). If absent , effect is neutral; if present, result is motivation • both hygiene and motivators must be present for motivation to occur. Can't have motivation if hygiene issues are not dealt with.
Job Design Theory [8]	Could choose: • job specialization • job enlargement • job enrichment
Job Characteristics Model [9]	Building in more of these factors into each job may increase job satisfaction. • skill variety, task identity, task significance, autonomy, feedback.

Table 8.2

8.6 Process Theories of motivation

Equity Theory[10]	people compare their own input to their own perceived reward, then people compare their input and perceived rewards to one another perceived inequity negatively affects motivation
Expectancy Theory[11]	the amount of motivation depends on the answers to the three questions: Will increased effort improve performance? Will increased performance be rewarded? Does the reward have value?

Table 8.3

Howard Schultz, CEO of Starbucks, said that:

"You can't expect your employees to exceed the expectations of your customers if you don't exceed the employees' expectations of management. That's the contract."

http://www.evancarmichael.com/Famous-Entrepreneurs/643/Howard-Schultz-Quotes.html

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8.7 Maslow

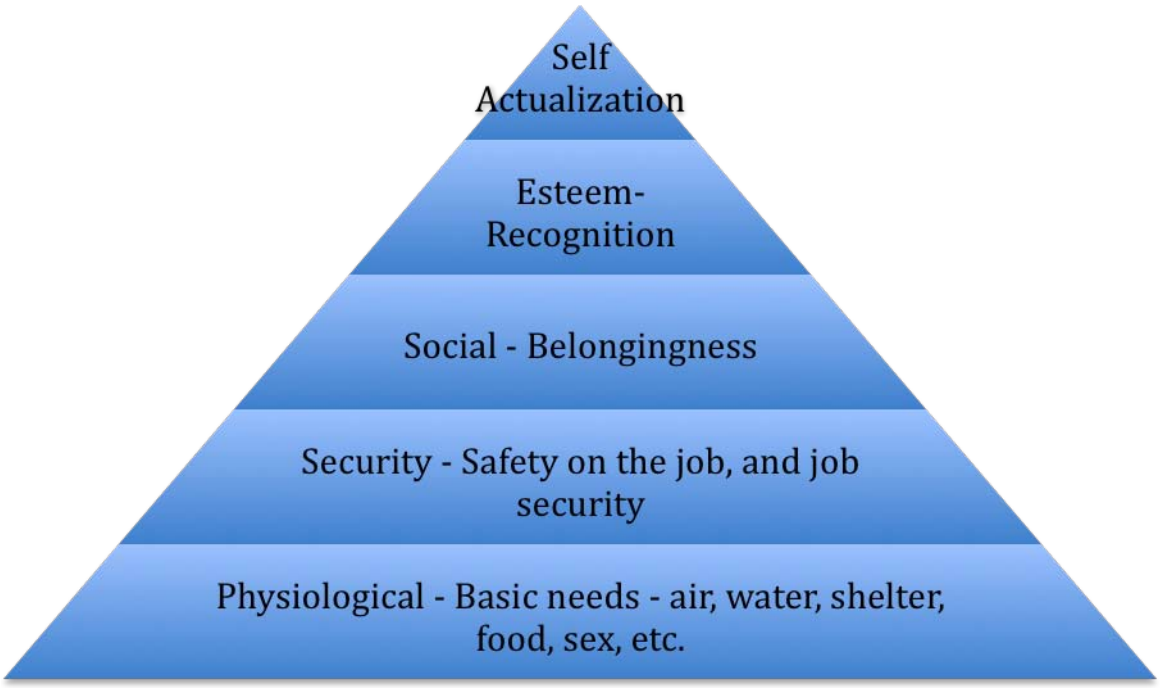
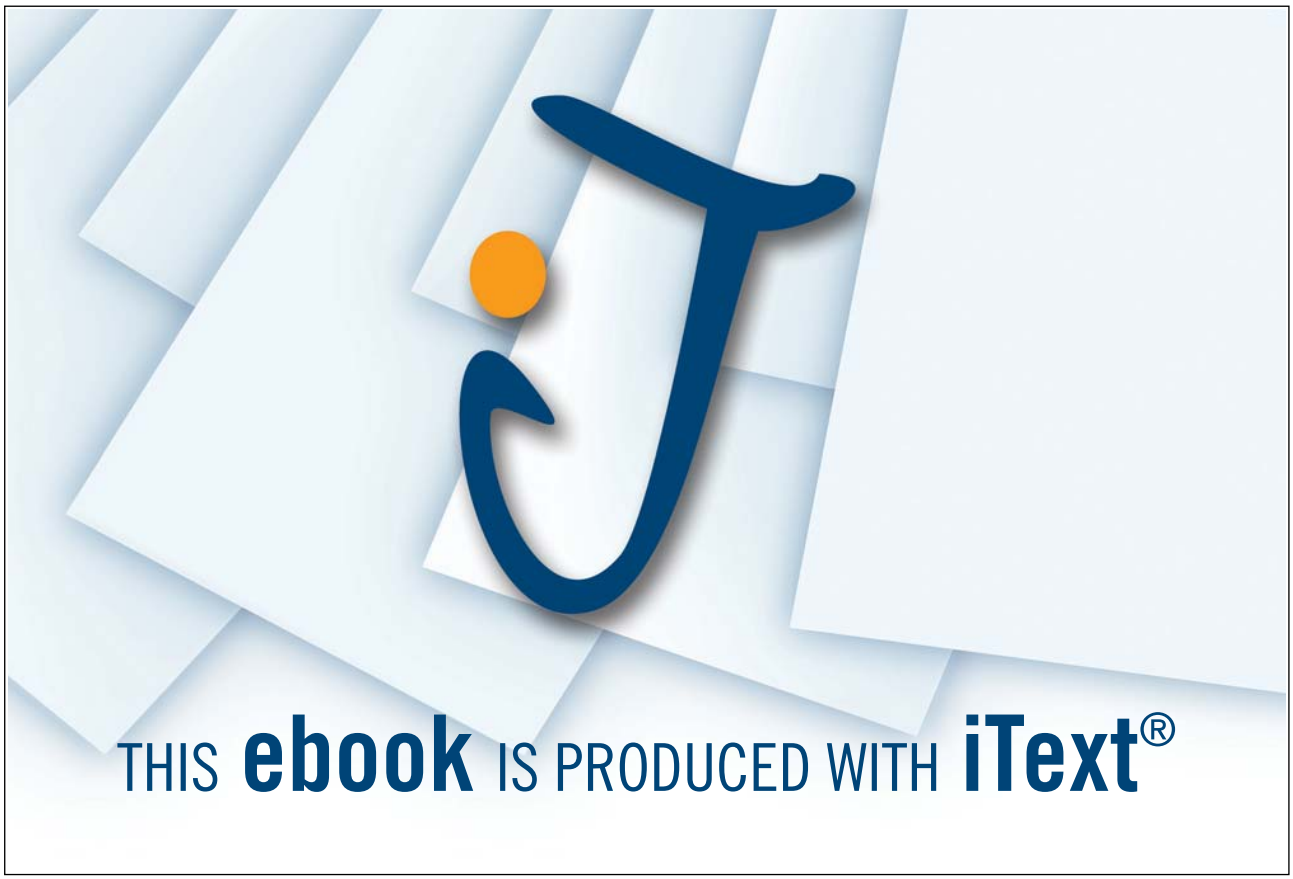


Figure 8.4



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8.8 Expectancy Theory of Motivation explained in simple terms

The employee will ask themselves 3 sets of questions when asked to perform a task:

- Do I know what I am expected to do? Do I have the skills/resources necessary to do the job?
- Do I clearly know what I will get if I do the job?
- Do I value the reward?

This theory indicates that the employee must answer yes to all three sets of questions if the employee is to be positively motivated. Answering yes to two out of three isn't good enough and will not result in positive motivation. By contrast, answering no to one or more of these questions will bring motivation back to zero.

8.9 Equity Theory explained in simple terms

This theory says that the employee asks themselves these questions.

Internal Equity

- Does my reward (outcome) seem to make sense to me, given the effort (input) that I am required to make?
  (If I get $50 for doing a job that will take me all weekend to do, personally my answer to this question would be "no")

External Equity

- Given the reward I'm being offered for doing a certain job, does that make sense with the rewards other people are being given for the tasks they are being asked to do?
  (I may think that being allowed to go to a local conference would be an OK reward for doing a certain task, until I find out that a colleague is being allowed to take an extra week's paid vacation for doing a "lesser" job).

The employee must feel there is equity in *both* of these dimensions in order to be positively motivated.

There are numerous challenges for the manager with this theory. First, we are dealing here with "perception". What does the employee perceive to be a "fair" situation? It is difficult for the manager to know this. What would be OK for one employee would not be OK for another.

The second challenge is to determine exactly who the employee is going to compare themselves to in external equity. Someone else in the same department? The same company? Someone they know in another company? Another industry?

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> A leader takes people where they want to go. A great leader takes people where they don't necessarily want to go but ought to be.
>
> Rosalynn Carter
> http://www.betterworld.net/quotes/leadership-quotes.htm

8.10 What do employees want?

Employees clearly want different things from their work experiences. Motivating employees is a challenge for every manager/leader.

The prevalent thinking about rewarding employees up until about 25 years ago was to motivate them using the tools at the bottom levels of Maslow's hierarchy. The thinking was that as long as the employee was paid adequately, had decent benefits and reasonable job security, then that would be enough.

That mode of motivating is no longer suitable. Today's employees want far more out of their work and from their leaders.

A McKinsey Quarterly survey in June 2009, found the following results. "The respondents view three noncash motivators – praise from immediate managers, leadership attention (for example, one-on-one conversations), and a chance to lead projects or task forces – as no less or even more effective motivators than the three highest-rated financial incentives: cash bonuses, increased base pay, and stock or stock options." [12]

This may come as a surprise to some managers, but not to the leaders. Leaders already know this and have been using these tools as motivators for years.

This type of leadership style requires excellent communication and interpersonal skills. The smart and effective leader is honing those skills constantly.

8.10.1 Trust

One major area where "good" leaders shine is in the ability to create an environment of trust.

Trust is an important component of leadership and the workplace environment. More is being written about establishing relationships of trust in the workplace. Here are some ideas based on the work of Cloke & Goldsmith (2005):

- Recognize that when others engage in self-reflection and dialogue, they are making themselves vulnerable to those around them—honour their vulnerability with care
- Show respect

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- Follow through on your commitments to others, including commitments to confidentiality
- Be consistent and reliable in your actions generally, and how you treat others
- Recognize that trust requires time and patience
- Show concern for the well-being of others
- Focus on the thing you can affect – your own actions
- Acknowledge your mistakes
- Be honest about current challenges
- Try to be flexible and creative when problem solving

Remember that once trust is broken in a relationship, it can be extremely difficult to fix. Be proactive about acting to maintain trust.[13]

8.10.2 Good vs. bad bosses

Another article summarizes how employees view their bosses. In it, the employees described a good boss as:

- accessible
- supportive
- in tune with employees
- responsive

While a bad boss was:

- elitist
- condescending
- inconsistent
- dismissive[14]

What's interesting is that these characteristics have been mentioned by all of the demographic groups. Every age group wants to see these good factors in their leaders and supervisors. These then are descriptors which form the template for action for the good manager.

8.11 Motivation summary

1. Know what your employees want and motivate them according to their needs.
2. Everyone is different.
3. Keep up-to-date on their needs.
4. Don't motivate them according to your needs.

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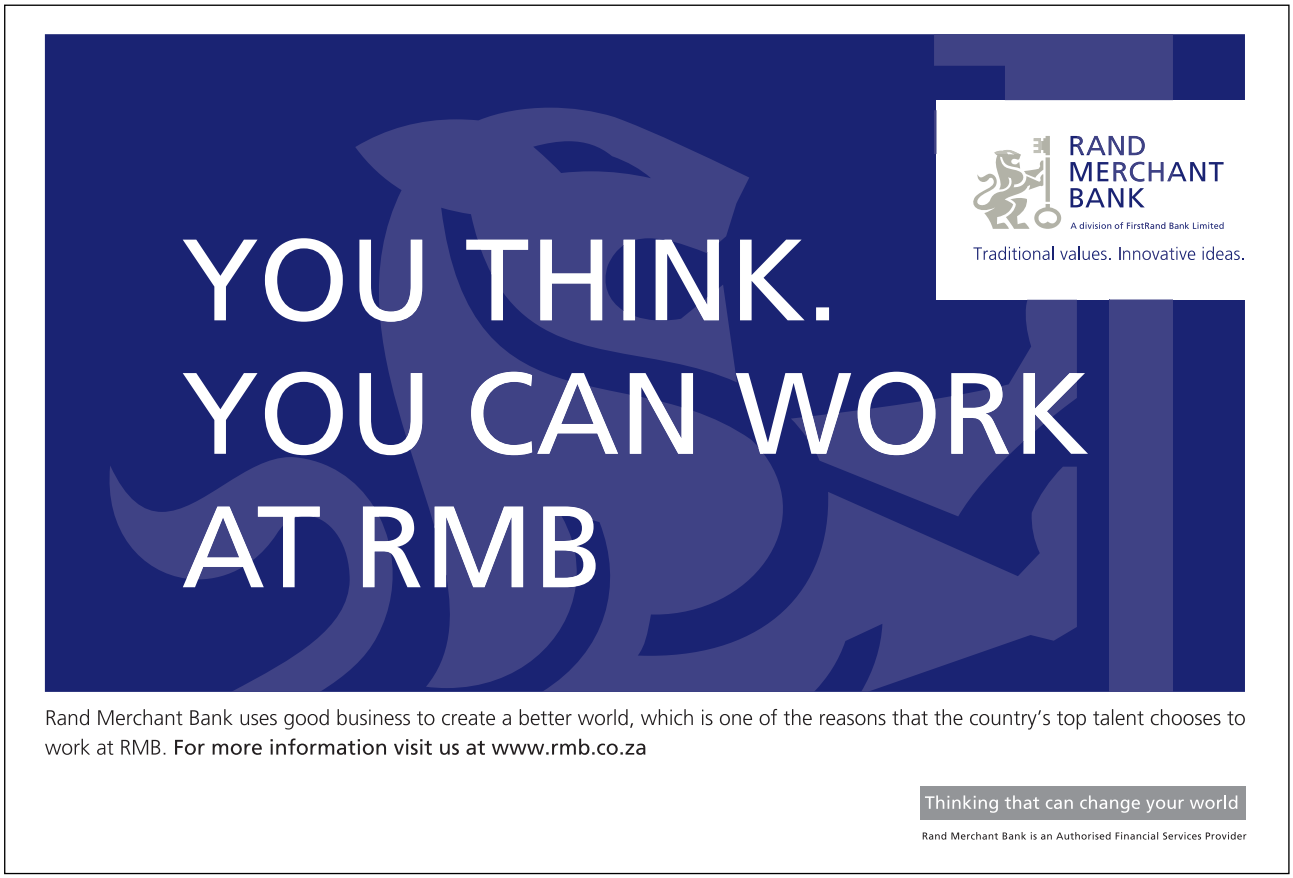
The nine essential capabilities of an effective leader in Royal Dutch Shell:

- Builds shared vision
- Champions customer and stakeholder focus
- Maximizes business opportunities
- Demonstrates self-mastery
- Displays interpersonal effectiveness
- Demonstrates courage
- Motivates, coaches and develops
- Values difference
- Delivers results through others

Kate Cowie's work reported in
Ivey Business Journal, May/June 2008
The HR Challenge: Leadership development for ordinary heroes
http://www.iveybusinessjournal.com/article.asp?intArticle_id=757

8.12 Not-for-profit note

Not-for-profit organizations have two additional challenges regarding the topic of motivation on their workplaces. One is that they are often operating with tight budgets and perhaps not as much money to use for motivating the employees. Profit-sharing, which is a technique increasingly used to increase motivation and satisfaction in the for-profit area, is not a possibility in the not-for-profit area. Bonuses given to individuals are unheard of. Salary increases are often small and judiciously given. Job security may be linked only to the next funding period and benefits are often minimal.



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Leaders and managers in the not-for-profit area must be creative and excellent in motivating their employees. Since a lot of the monetary motivation tools are not available to them, other motivation techniques must be used. Keeping employees charged up, without being able to resort to most perks related to money, is a huge challenge in the not-for-profit area.

The second challenge in the not-for-profit area centres on their use of volunteers. Not only are monetary motivators not an option for their volunteers, but other incentives are also not available. The leader/manager cannot use promotions as incentives with volunteers, nor can they offer bigger budgets. Almost the only category of motivator is the intrinsic motivator for the volunteers, so the leader/manager must be excellent at offering this type of feedback and incentive.

8.13 Motivation exercise

Listed below are different characteristics a job might have.

Rank-order the characteristics from 1 (most important) to 12 (least important) in terms of how important they are to you. In other words, what do you want to get out of your job?

Compare your answers to others who have filled this out. How do your answers compare? What might account for the differences?

Rank	Job Characteristic	Hygiene or Motivator
	The pay is good	
	The boss provides lots of direction	
	The job provides a chance to do things your way	
	The benefits are really appealing	
	The company is an "equal opportunity employer"	
	The job has well-defined responsibilities	
	"Voluntary overtime" is NOT expected	
	Your professional development is supported and paid for	
	You find the work itself to be very interesting	
	The position provides job security	
	You can design and achieve your career path and goals	
	Individual achievement is formally recognized	
	Employees participate in decisions regarding work	
	Your co-workers are friendly	
	The job title reflects its importance	

Table 8.5

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8.14 Questions on leadership/motivation section:

1. What kind of leadership and motivation does Tasneem seem to be using now at Calm Seas? Is this appropriate? Why or why not? Should she change the leadership and motivation techniques? If so, how? Explain your answer.
2. Motivating the different generations on the workplace is one of the biggest challenges for managers. Review this resource for information on the different generations.
   http://bookboon.com/int/business/hrm/generational-challenges-in-the-workplace
   How can managers and leaders know how to motivate these generations? Do they have to motivate these groups differently? Why or why not?
3. Go to the following link for an excellent 10-minute video on motivation.
   http://comment.rsablogs.org.uk/2010/04/08/rsa-animate-drive/
   What other insights about motivation do you get out of this video? How can you use this information?
4. Research the job design theory and the job characteristics model. Why are they placed in the motivation section? How can a leader put these concepts to use in the workplace?
5. The topic of "organizational culture" is often tied to the topics of leadership and motivation. Research this topic and explain how it ties in.
6. What motivators can the leader in the not-for-profit organization use? Be specific.

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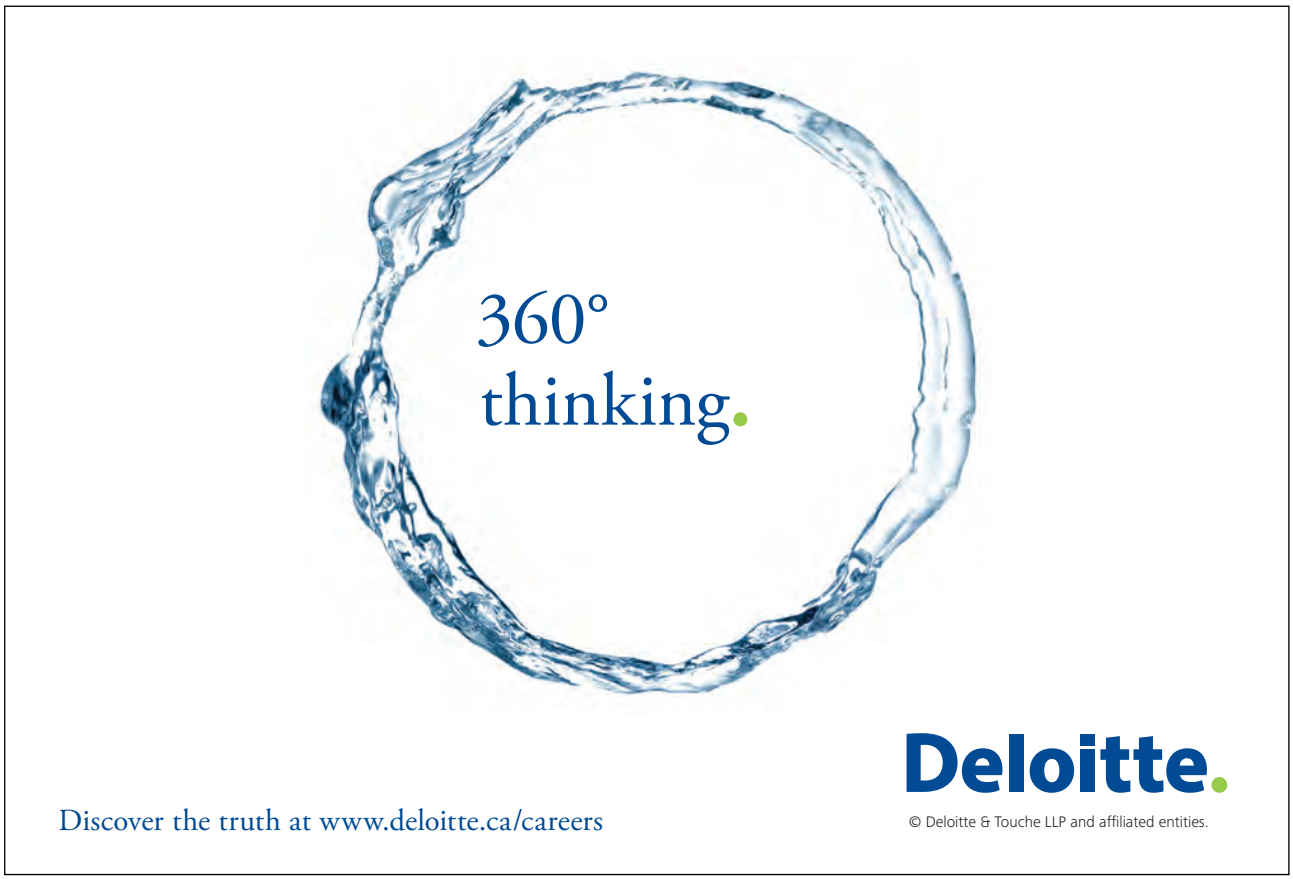
9 Control – Calm Seas case

Tasneem Khan, as the General Manager at Calm Seas, has a lot to keep track of. She has the overall responsibility for the profitability and the continued growth of Calm Seas. This didn't happen by accident. She and other people in the organization had to figure out how to make sure everything was going according to plan.

She thought that if she had to keep a list of everything she had to monitor, it would take too long. She and the others just had to do it. As long as she looked at the different functions, plans for the company and the separate operations, she would be OK. Tasneem also recognized that the only way they could make sure everything was going in the right direction was to have everyone working together. This way, they could all get to the place they wanted to be.

Tasneem was glad that they had worked together to form the plan for the company. They knew that they wanted to continue to emphasize quality in all of their products and they knew they had to design and develop new models. These were their top priorities. In addition, they also knew that the way to achieve this was to ensure that they had a large number of factors in place, including: the right employees in place, motivated, skilled and trained employees, efficient work processes in place, reliable suppliers for their raw material, good relationships with their distributors, a reasonable increase in sales, as well as many others.



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10 Control in the organization

10.1 What does "control" mean?

One area of potential confusion about the purpose of the controlling function is the use of the word "control". Control today often refers to the practice of closely supervising, being in charge or command of and having power over. As we saw in the previous section on leading, "being in command" and closely supervising are not as popular today for a number of reasons. And that isn't what we mean when we talk about control in the organization.

We should instead think of the term "monitor" when we think of controlling in the organization. The question becomes, "what do we want to monitor?" Or, "what do we want and need to keep track of?"

10.2 What kinds of controls?

Most organizations know that they must have financial controls in place. These are widely accepted as being tools to decide on an organization's financial health. Traditional financial control measures are ratios such as liquidity, leverage, activity and profitability – all of these are indicators of financial performance.

However, the organization must have more control mechanisms in place than just financial controls. We can see that the control function ties directly back to the planning function. It is only with a good, detailed and well-thought out plan that the organization can have a valid control function. The plan will guide the activities that need to be monitored.

So let's go back to the action plan that we developed for our fictional manufacturing example in the planning section. The example we had in that section looked like this:

What?	Who?	How?/When?
Develop new products. Specific goal – develop one new product by the end of six months.	Representatives from design, manufacturing and sales department form a team to determine market needs and manufacturing capability.	Prototype presented to management by the end of four months for approval. Production in place at the end of six months.
Cross-train present employees.	HR Administrator	Training plan presented to management by the end of one month. Training started in six weeks and completed by the end of three months.

Table 10.1

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What we see is that the activities that will need to be monitored are those that are in the "how?/when?" column or the third column. We will be checking to see if the prototype is presented to management by the end of four months for approval and if production is in place at the end of six months. We will also be keeping track to see if the training plan was presented to management by the end of one month and the training program was started at the end of six weeks and completed by the end of three months.

In order to be proactive, the monitoring should be done constantly. If we use the above example, we should be communicating with the designers at the end of every month to see how much progress is being made in the design of the new models. For example, if the designers seem to be behind schedule at the end of one month, perhaps some corrective action can be put in place right away. Perhaps they need more people involved, more time during the workweek devoted to design or better technology to help with designing. Intervening at an early stage could keep the project on track so they accomplish what they want at the end of four months.

10.3 Measure what matters

The expression of "measure what matters" applies to the control function. The thinking here is that if some factor is important to the organization, then there must be a way of measuring that factor. In this way, the activity will be measured, monitored and put on the right track to achieving it.

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For instance, if the organization says that they need to increase sales by 5% to sustain growth, then that is pretty simple to measure. However, if the organization says that their employees are important to them (which a lot of companies do), then the questions become "are you actually measuring this?" and "how are you going to measure it?" This measurement becomes trickier to figure out because it is not as straightforward as measuring sales increases.

In this case, there would probably have to be a couple of different measurement tools put in place. The organization could specify a retention or turnover rate that they want to achieve, in the thoughts that retention is an indicator of employee satisfaction. Or they could set a target for satisfaction as indicated on an employee attitude survey.

10.4 What will we monitor?

The organization must look to their plan, their goals, their priorities, their values and culture to figure out what activities they will monitor. Here is a small sampling of possible goals and monitoring that could exist in an organization:

- Decreasing waste by-products in production
- Decreasing energy consumption in the plant
- Setting performance appraisal goals for each employee
- Shortening time between customer order placement and delivery of product
- Reducing time between interviewing and making hiring decision for employees.
- Reducing response time between customer enquiry and sales staff filling orders

10.5 Flowcharting

Another method to make sure that production is going as planned is to create a flow chart. Also referred to as a flow sheet or a flow diagram, this is described as "a detailed diagram or chart of the operations and equipment through which material passes, as in a manufacturing process" or "a graphic representation, using symbols interconnected with lines, of the successive steps in a procedure or system." [15]

A flowcharting system can be useful to literally "map out" how a process is going to work. This ensures that the process is done efficiently and if there is a problem in the process, it becomes easier to see where that problem is. Once that problem or bottleneck is determined, it becomes relatively easy to fix.

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Let's look at the following example:

Sample Flowchart: Process for Shipping a Package

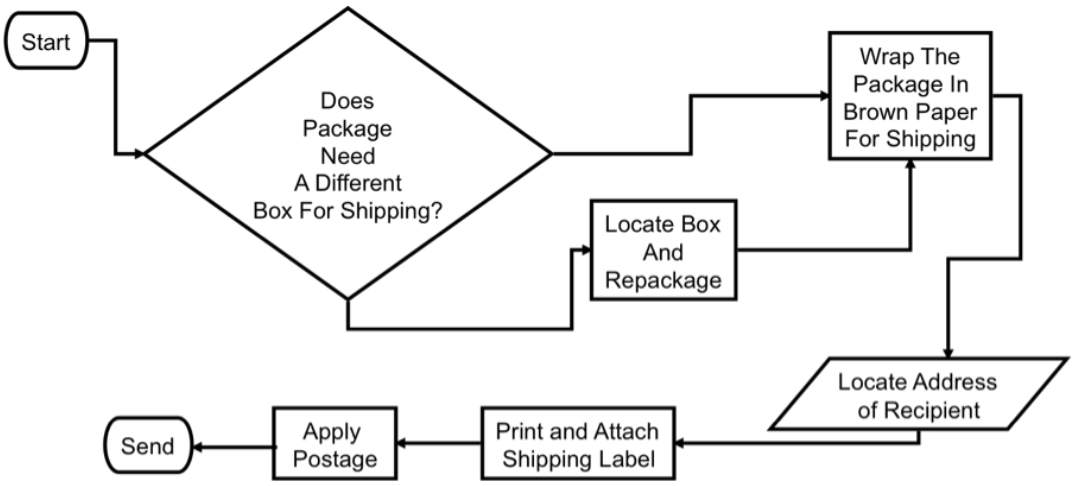

Figure 10.2

10.6 Critical path planning

Critical path planning is another tool that outlines the specific tasks that comprise a project, lists them sequentially, puts a completion date for each task and assigns a person to the task. This ensures that everything is done so that the task is complete and responsibility is clearly outlined.

Here is an example for a fundraising breakfast event.[16]

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Fundraising Breakfast Tuesday, November 23, 2010			
Activity	**Who**	**Deadline**	**Status**
Budget			
Operating account	Stefanie & Veronique	N/A	
Sponsorship / Donors			
List of sponsors/donors to target. List to be reviewed prior to being distributed to the group. List to be sent out and divided amongst sub-committee members.	Marie & All	3-Sep-10	Complete
Donor brochure and Sponsorship brochure to be updated and distributed to all sub-committee members.	Stefanie	30-Jul-10	Complete
Coordinate revisions of content and printing of brochures	Marie	3-Sep-10	Complete
Planning			
Determine date	Veronique	N/A	Complete
Sub-committee members selected	Stefanie	27-Jul-10	Complete
Meet to initialize steps and get organized	All	27-Jul-10	Complete
Update website and e-vite design and content	Marie	8-Oct-10	Complete
Coordinate Program Brochure content and printing	Andrea & Stefanie	1-Nov-10	Complete
Coordinate thank you gifts for speakers	Marie	5-Nov-10	Complete
Logistics			
Develop a streamlined process for future years	Marie & Haddah	1-Dec-09	Complete
Signage	Marie & Haddah	1-Nov-10	Being printed
Name tags, registration, tent cards	Marie & Haddah	19-Nov-10	Being printed
Finalize registration set-up and volunteer roles	Haddah, Stefanie, Chelsey & Kristyn	9-Nov-10	Complete
Marketing/Branding			
Website	Marie	8-Oct-10	Complete
Email Invites	Marie	19-Oct-10	Complete
Communicating with students & passing names of volunteers to Chelsey and Kristyn.	Haddah	29-Oct-10	Complete
Speakers / Program			
PowerPoint Presentation	Andrea	5-Nov-10	Complete
Determine make up of panel	All	27-Jul-10	Complete
Recruit three panel members		3-Sep-10	Complete
Lawyer	Raj Denman	6-Aug-10	Confirmed by Veronique
HR Practitioner	Kim Sykes	6-Aug-10	Confirmed by Wayne
Line Manager	Beverley Gonzales	6-Aug-10	Confirmed by Alia
Co-hosts (Gord & Jim)	Veronique	3-Sep-10	Jim and Gord confirmed

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Fundraising Breakfast Tuesday, November 23, 2010			
Activity	**Who**	**Deadline**	**Status**
Review event logistics with hosts and panel speakers two weeks in advance.	Alia	9-Nov-10	Complete
Review event logistics with hosts and panel speakers the morning of the event.	Jim	23-Nov-10	
Timing of program	All	5-Nov-10	Complete
Finalize draft program	Andrea & Stefanie	1-Nov-10	Complete
Event location			
Event confirmation	Veronique	N/A	Complete
Breakfast details	Lindsay	1-Nov-10	Complete
Room set-up	Lindsay	1-Nov-10	Complete
Final headcount communicated	Lindsay	15-Nov-10	Complete
Audio/Visual			
3–5 microphones, screen and media projector	Lindsay	1-Nov-10	Complete
Laptop	Stefanie or Andrea	1-Nov-10	Stefanie to provide laptop
Remote to advance slides	Marie	23-Nov-10	Marie to provide
Post-Event			
Post-event evaluation	Stefanie	3-Dec-10	
Thank you notes	Haddah	3-Dec-10	

Figure 10.3

10.7 Not-for-profit note

Controlling and monitoring in the not-for-profit area is equally important. Since many not-for-profits run on extremely tight budgets, being aware of potential deviations from the budget and taking immediate remedial action is crucial.

In the for-profit area, many organizations are using sophisticated (and costly) computerized management information systems (MIS) to monitor and control costs. These can help enormously to keep track of costs and highlight deviations yet these systems can be beyond the budget of many not-for-profits. Therefore, the not-for-profit area may have to devote time, energy and resources to controlling of the important activities in their organizations.

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10.8 Questions on the controlling function:

1. What control measures should Tasneem put in place at Calm Seas?
2. Issues on the workplace today include monitoring of employee use of the internet at work and use of surveillance cameras to monitor employee behaviour at work. Employers can argue that these control methods are necessary. Employees can argue that these control methods are intrusive. Do you think these control measures are necessary? Why or why not? Are there any conditions under which they could be required?
3. Employee theft and white collar crime are obviously of concern to the organization. They are also issues that are increasingly being discussed as problems. Research this issue and relate it to the issue of control.
4. Do you agree with the saying that we "measure what matters"? Is that possible? Desirable? Why or why not?
5. Research a not-for-profit and determine what control mechanisms they might have in place.
6. If we "measure what matters" in a not-for-profit, what activities could they be measuring that are different than the for-profit organization?

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11 For further reading

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12 Definition of terms

The following are terms that are often used in business articles.

Manufacturing Co.	A company that makes a tangible product (you can grab and hold onto the product).
Retail Co.	This company will sell products to the customer (or end-user). They do not make the product themselves, but they buy the product from the manufacturer.
Distributor	This company exists only in certain industries and falls between the manufacturer and the retailer. The manufacturer sells the product to the distributor, who then sells the product to the retailer.
Service Co	This company sells a service, not a tangible good, to the customer.
Co-op	This is an organization that is jointly owned, often by the workers, to produce and distribute goods and services. The co-op exists for the benefits of the owners. Look up the Mondragon Co-op in Spain for an example.
Monopoly	The company is the only company in the area to sell that particular good or service. The customer has no choice but to buy the product or service from this company.
Competitive	At least one other company, perhaps more, offers the same or a similar good or service in that geographic area.
Public Sector	If a company is described a "being in the public sector", then it is part of the government. It could be either federal, provincial or municipal governments. "Public sector" also applies to what are called Crown Corporations –those organizations that are not run by the government but are at an "arm's length".
Private Sector	Any company that is not in the public sector.
Privatization	An organization is said to be "privatized" when it used to be in the public sector and is turned over to the private sector. The government can make a whole lot of money all at once, selling off an asset like gas. Once it is sold, the government does not make any more money from that product or service.

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Profit-oriented	A company whose purpose (or mandate) is to make money for the shareholders. If the company's purpose is to make money but it doesn't, it is still a profit-oriented company.
Non-profit (not-for-profit)	A company whose stated purpose is to end the year with no surplus money (profit). This company does take in money during the year (usually through government funding and/or their own fund-raising) but then they are supposed to spend that same amount by year-end.
Proactive	An attitude of looking ahead and forecasting what may happen, with a view of preparing now to be able to cope better with upcoming changes.
Reactive	An attitude of waiting for things to happen and then scrambling to fix things. This manager (or organization) is always being taken by surprise by events and ends up "fighting fires" and generally running around tearing their hair out. They are not prepared and often complain that they are a victim of circumstance.

Other terms:

CEO – Chief Executive Officer
COO – Chief Operating Officer
CFO – Chief Financial Officer
CIO – Chief Information Officer

The CEO is the head person in the organization. If there is another person in the company who is called the President, the CEO will be the senior person to the President (meaning the President's boss is the CEO). Sometimes the CEO and the President are the same person. COOs, CIOs and CFOs usually report to the CEO.

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13 Endnotes

1. See the work of Henri Fayol, Mary Parker Follett, Elton Mayo, Chester Barnard, Max Weber, Rensis Likert, Chris Argyris and many others.
2. Taken from the work of Robert Katz
3. Technique credited to Albert Humphrey
4. Again, from the work of Weber and Fayol.
5. From the work of J Richard Hackman
6. This represents a couple of different theories. One is the Tannenbaum and Schmidt Continuum, while another is from the work of Kurt Lewin.
7. Taken from the work of Paul Hersey and Ken Blanchard
8. Derives from Hertzberg and Hackman and Oldham
9 Hackman and Oldham's theory
10. John S. Adams' theory
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12. November 2009, Motivating people: Getting beyond money, McKinsey Quarterly, page 2.
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16. Thanks to Alia Azim Garcia, Manager, Labour Relations, CPRail for this template idea.