

Chapter 16

What Is Motivation?

Motivation

—the willingness to exert high levels of effort to reach organizational goals, conditioned by the effort's ability to satisfy some individual need

•**effort** - a measure of intensity or drive

•**goals** - effort should be directed toward, and consistent with, organizational goals

•**needs** - motivation is a need-satisfying process

—**need** - an internal state that makes certain outcomes appear attractive

•unsatisfied needs create tensions that stimulate drives

•drives lead to search behavior

The Motivation Process

Early Theories Of Motivation

Maslow's Hierarchy of Needs Theory

—**lower-order needs** - largely satisfied externally

•**physiological** - food, drink, shelter, sexual satisfaction

•**safety** - security and protection from physical and emotional harm

—assurance that physiological needs will be satisfied

—**Higher-order needs** - largely satisfied internally

•**social** - affection, belongingness, acceptance

•**esteem** - internal factors like self-respect, autonomy

—external factors like status, recognition, attention

•**self-actualization** - achieving one's potential

Early Theories Of Motivation (cont.)

Maslow's Hierarchy of Needs Theory (cont.)

—each level in hierarchy must be satisfied before the next is activated

•once a need is substantially satisfied it no longer motivates behavior

—theory received wide recognition

—little research support for the validity of the theory

Maslow's Hierarchy Of Needs

Early Theories Of Motivation (cont.)

McGregor's Theory X and Theory Y

—**Theory X** - assumes that workers have little ambition, dislike work, want to avoid responsibility, and need to be closely controlled

•assumed that lower-order needs dominated

—**Theory Y** - assumes that workers can exercise self-direction, accept and actually seek out responsibility, and consider work to be a natural activity

•assumed that higher-order needs dominated

—no evidence that either set of assumptions is valid

—no evidence that managing on the basis of Theory Y makes employees more motivated

Early Theories Of Motivation (cont.)

Herzberg's Motivation-Hygiene Theory

—intrinsic characteristics consistently related to job satisfaction

• **motivator** factors energize employees

—extrinsic characteristics consistently related to job dissatisfaction

• **hygiene** factors don't motivate employees

—proposed dual continua for satisfaction and dissatisfaction

—theory enjoyed wide popularity

• influenced job design

—theory was roundly criticized

Herzberg's Motivation-Hygiene Theory

Contrasting Views Of Satisfaction-Dissatisfaction

Contemporary Theories Of Motivation

Three-Needs Theory - McClelland

—**need for achievement** (nAch) - drive to excel, to achieve in relation to a set of standards, and to strive to succeed

• do not strive for trappings and rewards of success

• prefer jobs that offer personal responsibility

• want rapid and unambiguous feedback

• set moderately challenging goals

—avoid very easy or very difficult tasks

• high achievers don't necessarily make good managers

—focus on their own accomplishments

» good managers emphasize helping others to accomplish their goals

Contemporary Theories Of Motivation (cont.)

Three-Needs Theory (cont.)

—**need for power** (nPow)

• need to make others behave in a way that they would not have behaved otherwise

—**need for affiliation** (nAff)

• desire for friendly and close interpersonal relationships

—best managers tend to be high in the need for power and low in the need for affiliation

Examples of Pictures used for Assess Levels of nAch, nAff, and aPow

Contemporary Theories Of Motivation (cont.)

Goal-Setting Theory

—intention to work toward a goal is a major source of job motivation

—specific goals increase performance

• difficult goal, when accepted, results in higher performance than does an easy goal

• specific hard goals produce a higher level of output than does the generalized goal of "do your best"

—participation in goal setting is useful

• reduces resistance to accepting difficult goals

• increases goal acceptance

Contemporary Theories Of Motivation (cont.)

Goal-Setting Theory (cont.)

—feedback is useful

- helps identify discrepancies between what has been accomplished and what needs to be done

- self-generated feedback is a powerful motivator

—contingencies in goal-setting theory

- goal commitment - theory presupposes that individual is determined to accomplish the goal

—most likely to occur when:

»goals are made public

»individual has an internal locus of control

»goals are self-set rather than assigned

Contemporary Theories Of Motivation (cont.)

Goal-Setting Theory (cont.)

—contingencies (cont.)

- self-efficacy** - an individual's belief that s/he is capable of performing a task

—higher self-efficacy, greater motivation to attain goals

- national culture - theory is culture bound

—main ideas align with North American cultures

—goal setting may not lead to higher performance in other cultures

Guidelines for Job Redesign

Contemporary Theories Of Motivation (cont.)

Reinforcement Theory

—behavior is solely a function of its consequences

- behavior is externally caused

—**reinforcers** - consequences that, when given immediately following a behavior, affect the probability that the behavior will be repeated

- managers can influence employees' behavior by reinforcing actions deemed desirable

- emphasis in on positive reinforcement, not punishment

Contemporary Theories Of Motivation (cont.)

Designing Motivating Jobs

—**Job Design** - the way tasks are combined to form complete jobs

- historically, concentrated on making jobs more specialized

—**Job Enlargement** - horizontal expansion of job

- job scope** - the number of different tasks required in a job and the frequency with which these tasks are repeated

- provides few challenges, little meaning to workers' activities

- only addresses the lack of variety in specialized jobs

Contemporary Theories Of Motivation (cont.)

Designing Motivating Jobs (cont.)

—**Job Enrichment** - vertical expansion of job

- job depth** - degree of control employees have over their work

—empowers employees to do tasks typically performed by their managers

- research evidence has been inconclusive about the effect of job enrichment on performance

Contemporary Theories Of Motivation (cont.)

Designing Motivating Jobs (cont.)

—**Job Characteristics Model** (JCM) - conceptual framework for analyzing jobs

- jobs described in terms of five core characteristics

—**skill variety** - degree to which job requires a variety of activities

»more variety, greater need to use different skills

—**task identity** - degree to which job requires completion of an identifiable piece of work

—**task significance** - degree to which job has substantial impact on the lives of other people

—these three characteristics create meaningful work

Contemporary Theories Of Motivation (cont.)

Designing Motivating Jobs (cont.)

—JCM (cont.)

- core characteristics (cont.)

—**autonomy** - degree to which job provides substantial freedom, independence, and discretion in performing the work

»give employee a feeling of personal responsibility

—**feedback** - degree to which carrying out the job results in receiving clear information about the effectiveness with which it has been performed

»employee knows how effectively s/he is performing

Job Characteristics Model

Contemporary Theories Of Motivation (cont.)

Designing Motivating Jobs (cont.)

—JCM (cont.)

- links between core characteristics and outcomes are moderated by the strength of the individual's growth need

—**growth need** - person's desire for self-esteem and self-actualization

- model offers specific guidance for job design

Guidelines For Job Redesign

Contemporary Theories Of Motivation (cont.)

Equity Theory

—proposes that employees perceive what they get from a job (outcomes) in relation to what they put into it (inputs)

—input/outcome ratio compared with the ratios of relevant others

- equity - ratio is equal to that of relevant others

- inequity - ratio is unequal to that of relevant others

—**referent** (relevant other) may be:

- other - individuals with similar jobs

- a system - includes organizational pay policies and administrative systems

- self - past personal experiences and contacts

Equity Theory

Contemporary Theories Of Motivation (cont.)

Equity Theory (cont.)

—when inequities are perceived, employees act to correct the situation

- distort either their own or others' inputs or outputs
- behave in a way to induce others to change their inputs or outputs
- behave in a way to change their own inputs or outputs
- choose a different comparison person
- quit their jobs

—theory leaves some issues unclear

Contemporary Theories Of Motivation (cont.)

Expectancy Theory

—theory states that an individual tends to act in a certain way based on the expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual

- Expectancy** (effort-performance linkage) - perceived probability that exerting a given amount of effort will lead to a certain level of performance

- Instrumentality** (performance-reward linkage) - strength of belief that performing at a particular level is instrumental in attaining an outcome

- Valence** - attractiveness or importance of the potential outcome

Simplified Expectancy Model

Contemporary Theories of Motivation (cont.)

Expectancy Theory (cont.)

—theory emphasizes rewards

- organizational rewards must align with the individual's wants
- no universal principle for explaining what motivates individuals
- managers must understand why employees view certain outcomes as attractive or unattractive
- most comprehensive and widely accepted explanation of employee motivation

Integrating Contemporary Theories of Motivation

Current Issues In Motivation

Motivating a Diverse Workforce

—flexibility is the key to motivating a diverse workforce

- diverse array of rewards necessary to satisfy diverse personal needs and goals

—**Flexible Working Schedule**

- compressed workweek** - employees work longer hours per day but fewer days per week

Current Issues In Motivation (cont.)

Motivating a Diverse Workforce (cont.)

—**Flexible Working Schedule (cont.)**

- flexible work hours (flextime)** - employees required to work a specific number of hours a week but are free to vary those hours within certain limits

—system entails common core hours when all employees are required to be on the job

–starting, ending, and lunch-hour times are flexible

•**job sharing** - two or more people split a full-time job

•**telecommuting** - employees work at home and are linked to the workplace by computer and modem

Current Issues In Motivation (cont.)

Motivating a Diverse Workforce (cont.)

–**Cultural Differences in Motivation**

•motivation theories developed in the U.S. and validated with American workers

•may be some cross-cultural consistencies

Pay-for-Performance

–instead of paying for time on the job, pay is adjusted to reflect some performance measure

–compatible with expectancy theory

•imparts strong performance-reward linkage

–programs are gaining in popularity

•research suggests that programs affect performance

Current Issues In Motivation (cont.)

Open-Book Management

–involve employees in workplace decisions by opening up the financial statements

–workers treated as business partners

–get workers to think like an owner

–may also provide bonuses based on profit improvements

Motivating the “New Workforce”

–**Motivating Professionals** - professionals tend to derive intrinsic satisfaction from their work and receive high pay

•more loyal to their profession than their employer

•value challenging jobs and support for their work

Current Issues In Motivation (cont.)

Motivating the “New Workforce” (cont.)

–**Motivating Contingent Workers** - part-time, contract, or temporary workers

•less security and stability than permanent employees

–receive fewer benefits

•display little identification or commitment to their employers

•hard to motivate contingent workers

–opportunity to become a permanent employee

–opportunity for training

•repercussions of mixing permanent and contingent workers when pay differentials are significant

Current Issues In Motivation (cont.)

Motivating the “New Workforce” (cont.)

–**Motivating Low-Skilled, Minimum-Wage Employees**

•difficult challenge to keep performance levels high

•employee recognition programs

- highlight employees whose work performance has been good
 - encourage others to perform better
 - power of praise
 - in service industries, empower front-line employees to address customers’ problems
 - tie compensation to customer satisfaction
- From Theory To Practice

Chapter 17

Leadership

Leader

- someone who can influence others and who has managerial authority
- all managers should *ideally* be leaders
- not all leaders have the ability to be an effective manager

Leadership

- process of influencing a group toward the achievement of goals
- a heavily researched topic

Early Leadership Theories

Trait Theories

- leader traits* - characteristics that might be used to differentiate leaders from nonleaders
- might be used as a basis for selecting the “right” people to assume formal leadership positions
- proved to be impossible to identify a set of traits that would *always* differentiate leaders from nonleaders
- explanations based solely on traits ignored the interactions of leaders, their groups, and situational factors

Early Leadership Theories

Behavioral Theories

- knowing what effective leaders do would provide the basis for training leaders
- University of Iowa Studies* - Kurt Lewin
- explored three leadership styles
- autocratic* - leader dictated work methods
- democratic* - involved employees in decision making
- »used feedback to coach employees
- laissez-faire* - gave the group complete freedom
- results were mixed with respect to performance
- satisfaction higher with democratic leader

Early Leadership Theories (cont.)

Behavioral Theories (cont.)

- Ohio State Studies* - identified two dimensions of leadership
- initiating structure* - extent to which a leader was likely to define and structure her/his role and the roles of group members to seek goal attainment

- **consideration** - extent to which a leader had job relationships characterized by mutual trust and respect for group members' ideas and feelings
 - **findings** - high-high leaders achieved high group task performance and satisfaction
 - however, high-high was not always effective
- Early Leadership Theories (cont.)
Behavioral Theories (cont.)
- **University of Michigan Studies** - identified two dimensions of leadership
 - **employee oriented** - emphasized interpersonal relationships
 - accepts individual differences among subordinates
 - associated with high group productivity
 - **production oriented** - emphasized the technical or task aspects of the job
 - concerned with accomplishing the group's tasks
 - associated with low group productivity and low job satisfaction
- Early Leadership Theories (cont.)
Behavioral Theories (cont.)
- **Managerial Grid** - two-dimensional grid that provides a framework for conceptualizing leadership style
 - dimensions are **concern for people** and **concern for production**
 - five management styles described
 - **impoverished (1,1)** - minimum effort to reach goals and sustain organization membership
 - **task (9,1)** - arrange operations to be efficient with minimum human involvement
 - **middle-of-the-road (5,5)** - adequate performance by balancing work and human concerns
- Early Leadership Theories (cont.)
Behavioral Theories (cont.)
- **Managerial Grid** (cont.)
 - five management styles described (cont.)
 - **country club (1,9)** - attention to human needs and creation of comfortable work environment
 - **team (9,9)** - committed people motivated by a common purpose, trust, and mutual respect
 - concluded that managers should use (9,9) style
 - little empirical evidence to support this conclusion
 - no rationale for what made a manager an effective leader
- Contingency Theories Of Leadership
Basic Assumptions
- leader effectiveness depends on the situation
 - must isolate situational conditions or contingencies
- Contingency Theories (cont.)
Fiedler Model
- effective group performance depends on matching the leader's style and the degree to which the situation permits the leader to control and influence

–**Least-Preferred Coworker (LPC)** - measures the leader's style of interacting with subordinates

- high LPC - least preferred coworker described in relatively favorable terms

–leader is **relationship oriented**

- low LPC - least preferred coworker described in relatively unfavorable terms

–leader is **task oriented**

Contingency Theories (cont.)

Fiedler Model (cont.)

–model assumes that leader's style was always the same and could not change in different situations

–three contingency factors that identify eight possible leadership situations that vary in favorability

- leader-member relations** - degree of confidence, trust, and respect members had for leader

- task structure** - degree to which job assignments were formalized and procedurized

- position power** - degree of influence a leader had over power-based activities

Findings Of The Fiedler Model

Contingency Theories (cont.)

Fiedler Model (cont.)

–results indicated that:

- task-oriented leaders performed better in situations that are very favorable to them and in situations that are very unfavorable

- relationship-oriented leaders performed better in situations that are moderately favorable

–implications for improving leadership

- place leaders in situations suited to their style

- change the situation to fit the leader

–considerable empirical support for the model

–unrealistic to assume that leader cannot alter her/his style

Contingency Theories (cont.)

Hersey and Blanchard's Situational Leadership Theory

–appropriate leadership style is contingent on the followers' readiness

- readiness** - extent to which people have the ability and willingness to accomplish a specific task

–reflects the reality that it is followers who accept or reject the leader

–based on two leadership dimensions

- task behaviors**

- relationship behaviors**

Contingency Theories (cont.)

Situational Leadership Theory (cont.)

–four leadership styles defined by the two dimensions

- Telling** - leader defines roles and tells people how to do their jobs

–people are neither competent nor confident

- Selling** - leader is both directive and supportive

—people are unable but willing to do necessary tasks

•**Participating** - leader and follower make decisions

—people are able but unwilling to do the job

•**Delegating** - leader provides little direction or support

—people are able and willing to do the job

—tests of the theory have yielded disappointing results

Hersey and Blanchard's Situational Leadership Model

Contingency Theories (cont.)

Leader-Participation Model

—Victor Vroom and associates - relate leadership behavior and participation to decision making

—provides a sequential set of rules to follow in determining the form and amount of participation in decision making

•rule selection determined by the situation

—provides an excellent guide to help managers choose an appropriate leadership style to fit the situation

Contingency Theories (cont.)

Leader Participation Model(cont.)-5 Leadership Styles

•**Decide** - leader makes decision alone, either announcing or selling to group

•**Consult Individually** - leader makes decision after obtaining feedback from group members individually

•**Consult Group** - leader makes decision after obtaining feedback from group members in meeting

•**Facilitate** - leader, acting as facilitator, defines problem and boundaries for decision-making after presenting it to group

•**Delegate** - leader permits group to make decision within prescribed limits

Time-Driven Model

Contingency Theories (cont.)

Path-Goal Model

—Robert House - leader's job is to assist followers in attaining their goals that are compatible with the overall objectives of the group or organization

—leader behavior is:

•**acceptable** to the degree that group views it as a source of immediate or future satisfaction

•**motivational** to the extent that it:

—makes satisfaction of subordinates' needs contingent on effective performance

—provides the coaching, guidance, support, and rewards necessary for effective performance

Contingency Theories (cont.)

Path-Goal Model (cont.)

—identifies four leadership behaviors

•**Directive** - describes tasks, sets schedules, and offers guidance on task performance

- **Supportive** - shows concern for subordinates
 - **Participative** - relies on subordinates' suggestions when making a decision
 - **Achievement oriented** - sets challenging goals
 - assumes that a leader can display any or all of the behaviors depending on the situation
- Contingency Theories (cont.)
 Path-Goal Model (cont.)
- two classes of contingency variables
 - **environment** - outside the control of the follower
 - determine the type of leader behavior required if follower outcomes are to be maximized
 - **personal** - characteristics of the follower
 - determine how the environment and leader behavior are interpreted
 - leader behavior will be ineffective when:
 - it is redundant with sources of environmental structure
 - it is incongruent with follower characteristics
 - most evidence supports the logic underlying the model
- Path-Goal Theory
 Cutting-Edge Approaches To Leadership
 Transformational-Transactional Leadership
- transactional** - leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements
 - transformational** - inspire followers to transcend their own self-interests for the good of the organization
 - capable of having profound effect on followers
 - pay attention to concerns of followers
 - change followers' awareness of issues
 - excite and inspire followers to put forth extra effort
 - built on top of transactional leadership
 - good evidence of superiority of this type of leadership
- Cutting-Edge Approaches (cont.)
 Charismatic-Visionary Leadership
- charismatic** - enthusiastic, self-confident leader whose personality and actions influence people
 - can articulate a vision for which s/he is willing to take risks
 - sensitive to environmental constraints and follower needs
 - exhibit behaviors that are out of the ordinary
 - charismatic leadership correlated with high job performance and satisfaction among followers
 - individuals can be trained to exhibit charismatic behaviors
- Cutting-Edge Approaches (cont.)
 Charismatic-Visionary Leadership (cont.)

–**visionary** - ability to create and articulate a realistic, credible, and attractive vision that improves the present situation

- presents a clear and compelling imagery that inspires enthusiasm to pursue the organization's goals

- people must believe that the vision is attainable

- visionary leader has the ability to:

–**explain the vision to others**

–**express the vision verbally and behaviorally**

–**apply the vision to different leadership contexts**

Cutting-Edge Approaches (cont.)

Team Leadership

–role of team leader different from the traditional leadership role

–requires skills such as:

- patience to share information

- ability to trust others and give up authority

- understanding when to intervene

–team leader's job focuses on:

- managing the team's external boundary

- facilitating the team process

Cutting-Edge Approaches (cont.)

Team Leadership (cont.)

–team leaders serve as:

- liaisons with external constituencies** - clarify others' expectations of the team, gather information from the outside, and secure needed resources

- troubleshooters** - ask penetrating questions, help team talk through problems, and gather needed resources

- conflict managers** - identify source of conflict, who is involved, and find resolution options

- coaches** - clarify role expectations, teach, offer support, and whatever else is necessary to keep performance levels high

Specific Team Leadership Roles

Contemporary Issues In Leadership

Leaders and Power

–five sources of power

- legitimate** - authority associated with a position

- coercive** - ability to punish or control

–followers react out of fear

- reward** - ability to give positive benefits

–provide anything that another person values

- expert** - influence based on special skills or knowledge

- referent** - arises because of a person's desirable resources or personal traits

–leads to admiration and desire to be like that person

Contemporary Issues In Leadership (cont.)

Creating a Culture of Trust

–**credibility** - honesty, competence, and ability to inspire

- honesty is the number one characteristic of admired leaders

–**trust** - belief in the integrity, character, and ability of the leader

- confident that rights and interests will not be abused

- important for empowering subordinates

–must trust employees to use their new authority

- trend toward expanding nonauthority relationships within and between organizations widens the need for trust

Building Trust

Contemporary Issues In Leadership (cont.)

Leading Through Empowerment

–managers increasingly leading by empowerment

- need for quick decisions by people who are most knowledgeable about the issues
- larger spans of control resulting from downsizing meant that subordinates had to be empowered to deal with work load

Gender and Leadership

–gender provides behavioral tendencies in leadership

–women adopt more democratic style, share power and information, and attempt to enhance followers' self-worth

–men more directive, command-in-control style

Contemporary Issues In Leadership (cont.)

Gender and Leadership (cont.)

–**Is different better?**

- when rated by peers, employees, and bosses, women executives score better than male counterparts

- explanations of difference in effectiveness include:

–flexibility, teamwork, trust, and information sharing are replacing rigid structures, competitive individualism, control, and secrecy

–best managers listen, motivate, and provide support

–women do the above better than men

- there is still no “one best” leadership style

–can't assume that women's style is always better

Where Female Managers Do Better

Contemporary Issues In Leadership (cont.)

Leadership Styles in Different Countries

–effectiveness of leadership style influenced by national culture

- leaders constrained by the cultural conditions their followers have come to expect

–most leadership theories developed in the U.S.

- emphasize follower responsibilities rather than rights

- assume self-gratification rather than commitment to duty

- assume centrality of work and democratic value orientation

- stress rationality rather than spirituality

Contemporary Issues in Leadership (cont.)

Sometimes Leadership is Irrelevant!

—leader behaviors may be irrelevant in some situations

—factors that reduce leadership importance include:

- follower characteristics - experience, training, professional orientation, or need for independence replace the need for leader support and ability to reduce ambiguity
- job characteristics - unambiguous and routine tasks, or tasks that are intrinsically satisfying, place fewer demands on leaders
- organizational characteristics - explicit goals, rigid rules and procedures, and cohesive work groups can substitute for formal leadership

Chapter 18

What Is Control?

Control

—the process of monitoring activities to ensure that they are being accomplished as planned and of correcting significant deviations

—control systems are judged in terms of how well they facilitate goal achievement

—**market control** - emphasizes the use of external market mechanisms to establish standards of performance

- useful where products and services are distinct
- useful where marketplace competition is considerable
- divisions turned into profit centers and judged by the percentage of total corporate profits each contributes

What Is Control? (cont.)

Control

—**bureaucratic control** - emphasizes organizational authority

- relies on administrative rules, procedures, and policies
- depends on standardization of activities, well-defined job descriptions, and other administrative mechanisms

—**clan control** - behavior regulated by shared values, traditions, and other aspects of organizational culture

- dependent on individual and group to identify expected behaviors and performance measures
- found where teams are common and technology changes often

Why Is Control Important?

Control is the Final Link in the Management Process

—provides the critical link back to planning

—only way managers know whether organizational goals are being met

Permits Delegation of Authority

—fear that employees will do something wrong for which the manager will be held responsible

—provides information and feedback on employee performance

The Planning-Controlling Link

The Control Process

The Control Process

Background

—controlling is a three-step process

—assumes that performance standards already exist

•specific goals are created in the planning process

Measuring

—*How We Measure*

•*personal observation* - permits intensive coverage

—*Management By Walking Around* (MBWA)

—drawbacks - subject to personal biases

»consumes a great deal of time

»suffers from obtrusiveness

The Control Process (cont.)

Measuring (cont.)

—*How We Measure* (cont.)

•*statistical reports* - numerical data are easy to visualize and effective for showing relationships

—drawbacks - not all operations can be measured

»important subjective factors may be ignored

•*oral reports* - includes meetings, telephone calls

—may be best way to control work in a virtual environment

—technology permits creation of written record from oral report

—drawbacks - filtering of information

The Control Process (cont.)

How We Measure (cont.)

—*written reports* - often more comprehensive and concise than oral reports

•usually easy to file and retrieve

—comprehensive control efforts should use all four approaches

The Control Process (cont.)

What We Measure

—what we measure more critical than how we measure

—control criteria applicable to any management situation:

•employee satisfaction, absenteeism, and turnover

•keeping costs within budgets

—control system needs to recognize the diversity of activities

—some activities difficult to measure in quantifiable terms

•most activities can be grouped into some objective segments that can be measured

•when objective measures are not available, should rely on subjective measures

The Control Process (cont.)

Comparing

- determines the degree of variation between actual performance and standard
- acceptable range of variation - deviations that exceed this range become significant

Defining The Acceptable Range Of Variation

Sales Performance Figures For July, Eastern States Distributors

The Control Process (cont.)

Taking Managerial Action

- Correct Actual Performance** - action taken when the performance variation is unsatisfactory

- immediate corrective action** - corrects problems at once to get performance back on track

- basic corrective action** - identifies reason for performance variation

- corrects the source of variation

- Revise the Standard** - variance results from an unrealistic standard

- standard, not performance, needs correction

- troublesome to revise the standard downward

Managerial Decisions in the Control Process

Types Of Control

Feedforward Control

- prevents anticipated problems

- most desirable type of control

- requires timely and accurate information that often is difficult to get

Concurrent Control

- takes place while activity is in progress

- corrects problem before it becomes too costly

- best-known form is direct supervision

Types of Control (cont.)

Feedback Control

- takes place after the activity is done

- problems may already have caused damage or waste

- the most popular type of control

- feedback may be only viable form of control available

- feedback has two advantages

- provides meaningful information on the effectiveness of planning

- can enhance employee motivation

Types Of Control

Qualities Of An Effective Control System

Contingency Factors in the Design of Control Systems

Implications For Managers

Adjusting Controls for Cultural Differences

- methods of controlling people and work can be quite different in other countries

- differences are most marked in the measurement and corrective action steps
 - in technologically advanced nations, controls are indirect
 - in less technologically advanced nations, controls are more direct
 - laws in different countries provide different constraints on corrective action
 - data used for controlling may not be comparable in different countries

Contemporary Issues In Control

Workplace Privacy

- employers have the right to monitor employee communications, examine employee computers and files, and use surveillance cameras
- reasons for monitoring include prevention of:
 - recreational on-the-job Web surfing
 - creation of hostile work environments with e-mail
 - security leaks of critical information

– *Electronic Communications Privacy Act* - 1986

- prohibits unauthorized interception of electronic communication
- workplace electronic monitoring is still legal

Contemporary Issues In Control (cont.)

Workplace Privacy (cont.)

- companies are developing and enforcing workplace monitoring policies
 - develop unambiguous computer usage policy
 - inform employees that computers may be monitored
 - provide clear guidelines on acceptable use of company e-mail system and the Web

Workplace Monitoring

Contemporary Issues In Control (cont.)

Employee Theft

- unauthorized taking of company property by employees for their personal use
- is an escalating problem in all types of organizations
- different proposals to explain employee theft
 - industrial security - opportunity presents itself due to lack of controls and favorable circumstances
 - criminology - people have financial-based pressures or vice-based pressures
 - clinical psychology - people are able to rationalize any type of behavior

Control Measure for Deterring or Reducing Employee Theft or Fraud

Contemporary Issues In Control (cont.)

Workplace Violence

- many factors contribute to workplace violence including:
 - employee work driven by time, numbers, and crises
 - rapid and unpredictable change
 - destructive communication style of manager
 - authoritarian leadership
 - defensive attitude
 - double standards

- unresolved grievances
 - emotionally troubled employees
 - repetitive, boring work
- Contemporary Issues In Control (cont.)
 Workplace Violence (cont.)
 –contributing factors (cont.)
- faulty or unsafe equipment
 - hazardous work environment
 - culture of violence
- Workplace Violence

Chapter 19

What Is Operations Management?

Operations Management

- the design, operation, and control of the transformation process that converts such resources as labor and raw materials into goods and services that are sold to customers
- every organization has an operations system that creates value by transforming inputs into outputs

- every unit in an organization also has an operations system

The Operations System

Why Is Operations Management Important?

Encompasses Services and Manufacturing

- manufacturing organization** - produces physical goods
- service organization** - produces nonphysical outputs in the form of services
- U.S. economy currently dominated by the creation and sale of services

Managing Productivity

- productivity** - overall output of goods or services divided by the inputs needed to generate that output

–increasing productivity is key to global competitiveness

–productivity is a composite of people and operations variables

Deming’s 14 Points for Improving Management’s Productivity

Importance Of Operations Management (cont.)

Strategic Role of Operations Management

–manufacturing operations taken for granted prior to 1970

–in 1970s U.S. executives recognized that they were facing a crisis

- began incorporating existing and future production requirements into the organization’s overall strategic plan

Value Chain Management

What is Value Chain Management?

- value** - performance characteristics, features, and attributes, and any other aspects of goods and services for which customers are willing to give up resources

- organizations must provide value to attract and keep customers
- value provided through the transformation of raw materials into some product or service that end-users need where, when, and how they want it

Value Chain Management (cont.)

What is Value Chain Management? (cont.)

–**value chain** - entire series of work activities that add value at each step of the transformation process

–**value chain management** - process of managing an entire sequence of activities along the entire value chain

- is externally oriented

– focuses on both incoming materials and outgoing products and services

- is effectiveness oriented and aims to create the highest value for customers

–**supply chain management** - is internally oriented

Value Chain Management (cont.)

Goal of Value Chain Management

– create a value chain strategy that meets and exceeds customers' needs

- recognizes that ultimately customers are the ones with power

– create a full and seamless integration among all members of the chain

- sequence of participants work together as a team

- each adds a component of value to the overall process

- the better the collaboration among chain participants, the better the customer solutions

Value Chain Management (cont.)

Requirements for Value Chain Management

–**business model** - strategic design for how a company intends to profit from its broad array of strategies, processes, and activities

–**Coordination and Collaboration** - comprehensive and seamless integration among all members of the chain

- each partner must identify things that customers value

- requires sharing of information and being flexible

–**Technology Investment** - information technology can be used to restructure the value chain to serve end-users

- **enterprise resource planning software** - links all of an organization's activities with trading network partners

Value Chain Management (cont.)

Requirements for Value Chain Management (cont.)

–**Organizational Processes** - the way that organizational work is done

- must examine core competencies to determine where value is being added

- non-value-adding activities should be eliminated

- processes must change in the following ways:

– better demand forecasting is necessary

– selected functions may need to be done collaboratively

– new metrics required for evaluating performance along the chain

Value Chain Management (cont.)

Requirements for Value Chain Management (cont.)

–**Leadership** - outlines expectations for organization's pursuit of value chain management

–**Employees/Human Resources**

- flexibility in the design of jobs

–jobs should be designed around work processes that link functions involved in creating value

- hiring of workers who have the ability to learn and adapt

- significant investments in continual and ongoing employee training

Value Chain Management (cont.)

Requirements for Value Chain Management (cont.)

–**Organizational Culture and Attitudes** - important for employees to have favorable attitudes regarding sharing, collaborating, openness, flexibility, mutual respect, and trust

- these attitudes must characterize internal and external partners

Benefits of Value Chain Management

–improved customer service - the major benefit

–cost savings

–accelerated delivery times

–improved quality

The Requirements For Successful Value Chain Management

Value Chain Benefits

Value Chain Management (cont.)

Obstacles to Value Chain Management

–**Organizational Barriers** - among the most difficult

- include refusal or reluctance to share information, shake up the status quo, and deal with security issues

–**Cultural Attitudes**

- lack of trust - reluctance to share information, capabilities, and processes

- too much trust - leads to theft of intellectual property

–**intellectual property** - proprietary company information that is critical to competitiveness

- collaboration results in a loss of control

Value Chain Management (cont.)

Obstacles to Value Chain Management (cont.)

–**Required Capabilities** - essential to capturing and exploiting the value chain

- coordination and collaboration

- ability to configure products to satisfy customers

- ability to educate internal and external partners

–**People** - must be committed to value chain management

- must be flexible

- must be willing to expend incredible amounts of time and energy

- experienced managers a critical resource

Obstacles To Successful Value Chain Management

Current Issues In Operations Management

Technology's Role in E-Manufacturing

—smart companies trying to harness Web technology to improve operations management

—link plant-floor automation with enterprise-wide business network systems

- synchronize enterprise operations with customers
- technology is helping to reduce manufacturing costs
- e-manufacturing technology is affecting equipment maintenance
- prevents equipment breakdowns and subsequent production downtime

Current Issues (cont.)

Quality Initiatives

—strategic initiatives that promote quality and continuous improvement are critical to manufacturing excellence

—**quality** - the ability of a product or service to reliably do what it's supposed to do and to satisfy customer expectations

—**Planning for Quality** - need quality improvement goals and strategies to achieve those goals

—**Organizing and Leading for Quality** - two approaches

- cross-functional teams
- self-directed or empowered teams

Current Issues (cont.)

Quality Initiatives (cont)

—**Controlling for Quality** - monitor and evaluate the progress of quality improvement efforts

- e.g., standards for inventory control, defect rate, and raw materials procurement
- defect prevention rather than defect detection is a priority

—quality is the responsibility of all employees

Current Issues (cont.)

Quality Goals

—**ISO 9000** - series of international quality management standards proposed by the International Organization for Standardization

- uniform guidelines for processes to ensure that products conform to customer requirements
- internationally recognized

—ISO certification becoming a prerequisite for global business

Quality Dimensions of Goods and Services

Reasons For Pursuing ISO 9000 Certification

Current Issues (cont.)

Quality Goals (cont.)

—**Six Sigma** - a quality standard that establishes a goal of no more than 3.4 defects per million units or procedures

—is essentially a zero-defects standard

- quality-driven businesses use it to judge their suppliers

Chapter 20

Organizational Performance

What is Organizational Performance?

–**performance** - the end result of an activity

–**organizational performance** - accumulated end results of all the organization's work processes and activities

Why is Measuring Organizational Performance Important?

–managers need to understand the factors that contribute to high organizational performance

– **Better Asset Management**

•**asset management** - process of acquiring, managing, renewing, and disposing of assets

–design business models to take advantage of assets

Organizational Performance (cont.)

Why is Measuring Organizational Performance Important? (cont.)

–**Increased Ability to Provide Customer Value** - must monitor value obtained by customers

•customers will seek other sources of supply if value is not obtained

–**Impact on Organizational Reputation** - strong reputation leads to greater consumer trust and ability to command premium pricing

–**Improved Measures of Organizational Knowledge**

•**organizational knowledge** - knowledge created by collaborative information sharing and social interaction leading to appropriate action

Why Is Measuring Organizational Performance Important?

Organizational Performance (cont.)

Measures of Organizational Performance

–**Organizational Productivity**

•**productivity** - overall output of goods or services produced divided by the inputs needed to generate that output

–output measured by sales revenue

–input measured by the costs of acquiring and transforming the organizational resources into outputs

•**organizational productivity** - a measure of how efficiently employees do their work

Organizational Performance (cont.)

Measures of Organizational Performance (cont.)

–**Organizational Effectiveness** - measure of how appropriate organizational goals are and how well an organization is achieving those goals

•there are different models of effectiveness

–**Industry Rankings** - numerous industry and company rankings

•rankings determined by specific performance measures

•examples include **Fortune, Business Week, Forbes, and Industry Week**

Types Of Performance Control Tools

Tools For Monitoring Performance

Financial Controls

–*Traditional Financial Control Measures*

- taken from organization's main financial statements
- a number of financial ratios used in organizations
- *liquidity ratios* - organization's ability to meet its current debt obligations
- *leverage ratios* - use of debt to finance assets and ability to meet interest payments
- *activity ratios* - efficiency of use of firm's assets
- *profitability ratios* - effectiveness with which assets used to generate profits

Popular Financial Ratios

Tools For Monitoring Performance (cont.)

Financial Controls (cont.)

–*Traditional Financial Controls Measures* (cont.)

- budgets provide quantitative standards against which to measure and compare resource consumption
- *Other Financial Control Measures* - increasing popularity
- *Economic Value Added* (EVA) - economic value created with the firm's assets less any capital investments made by the firm in its assets

• *Market Value Added* (MVA) - stock market's estimate of the value of the firm's past and expected capital investment projects

Tools For Monitoring Performance (cont.)

Information Controls

– *Management Information Systems* - used to provide management with needed information on a regular basis

- provides information, not merely data
- *data* - raw, unanalyzed facts
- *information* - analyzed and processed data
- organizes data in a meaningful way
- can access the information in a reasonable amount of time

Tools For Monitoring Performance (cont.)

Information Controls (cont.)

–*How Are Information Systems Used in Controlling?*

- managers need information about:
 - what is happening
 - what are performance standards
 - acceptable ranges of variation
 - appropriate courses of action

Tools For Monitoring Performance (cont.)

Balanced Scorecard Approach

- performance measurement tool that examines four areas
- financial

- customer
- internal processes
- people/innovation/growth assets
- determine whether goals in each area are being met
- focus is still on areas that drive the organization’s success

- scorecards reflect organizational strategies

Tools For Monitoring Performance (cont.)

Benchmarking of Best Practices

–**benchmarking** - search for the best practices among other organizations that lead to their superior performance

- means learning from others

–used to identify performance gaps and potential areas of improvement

–look for internal best practices that can be shared

- best practices frequently already exist within an organization but usually go unidentified and unused

Steps To Successfully Implementing An Internal Benchmarking Best Practices Program

Manager’s Role In Achieving High Performance

Help Members Make Right Choices During Change

–provide direction by answering employees’ questions

–define what change means for employees

–describe how performance will be evaluated

–describe tools and support that will be provided

Design Performance Management Systems

–identify appropriate performance measures

–addresses common performance measurement problems

–what gets measured gets done

–address common problems that plague performance measurement

Common Performance Measuring And Reporting Problems

Manager’s Role In High Performance (cont.)

Move From Ideas To Action

–develop great ideas

–think of these ideas as things that can actually be done

–map out the entire implementation process from conception to delivery

Manager’s Role In Achieving High Performance