

# MAS 261

## Principles of Management

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# Teaching and Learning Approach

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- ❖ Lectures
- ❖ Pre-class reading
- ❖ Class discussions
- ❖ Group Assignments
- ❖ Mini-quizzes (using Kahoot)
- ❖ Mid-semester examinations
- ❖ Final examinations

# Class attendance & Participation

## Mini-quizzes

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<https://kahoot.it/>

- ❖ To keep up with your learning progress, mini-quizzes will sometimes be administered.
- ❖ Make sure you bring a handheld device (e.g., smart phone, tablet or laptop) which can have internet (or Wi-Fi) connection to participate in the quiz.

# Assessment

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<b>Method</b>	<b>Weight</b>
<b>Assignment/Participation</b>	20%
<b>Mid-Semester Examination</b>	10%
<b>End of Semester Examination</b>	70%
<b>Total</b>	100%

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# Foundations of Management and Organizations

CHAPTER



# LEARNING OUTCOMES

**Explain** why managers are important to organizations.

**Tell** who managers are and where they work.

**Describe** the functions, roles, and skills of managers.

**Describe** the factors that are reshaping and redefining the manager's job.

**Explain** the value of studying management.

# Who Are Managers?

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- **Manager**
  - Someone who coordinates and oversees the work of other people so that organizational goals can be accomplished



# Why Are Managers Important?

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- Organizations need their managerial skills and abilities more than ever in these uncertain, complex, and chaotic times.
- Managerial skills and abilities are critical in getting things done.
- The quality of the employee/supervisor relationship is the most important variable in productivity and loyalty.



# Exhibit 1-1

## Levels of Management

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# Classifying Managers

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- **First-line Managers** - Individuals who manage the work of non-managerial employees.
- **Middle Managers** - Individuals who manage the work of first-line managers.
- **Top Managers** - Individuals who are responsible for making organization-wide decisions and establishing plans and goals that affect the entire organization.

# Where Do Managers Work?

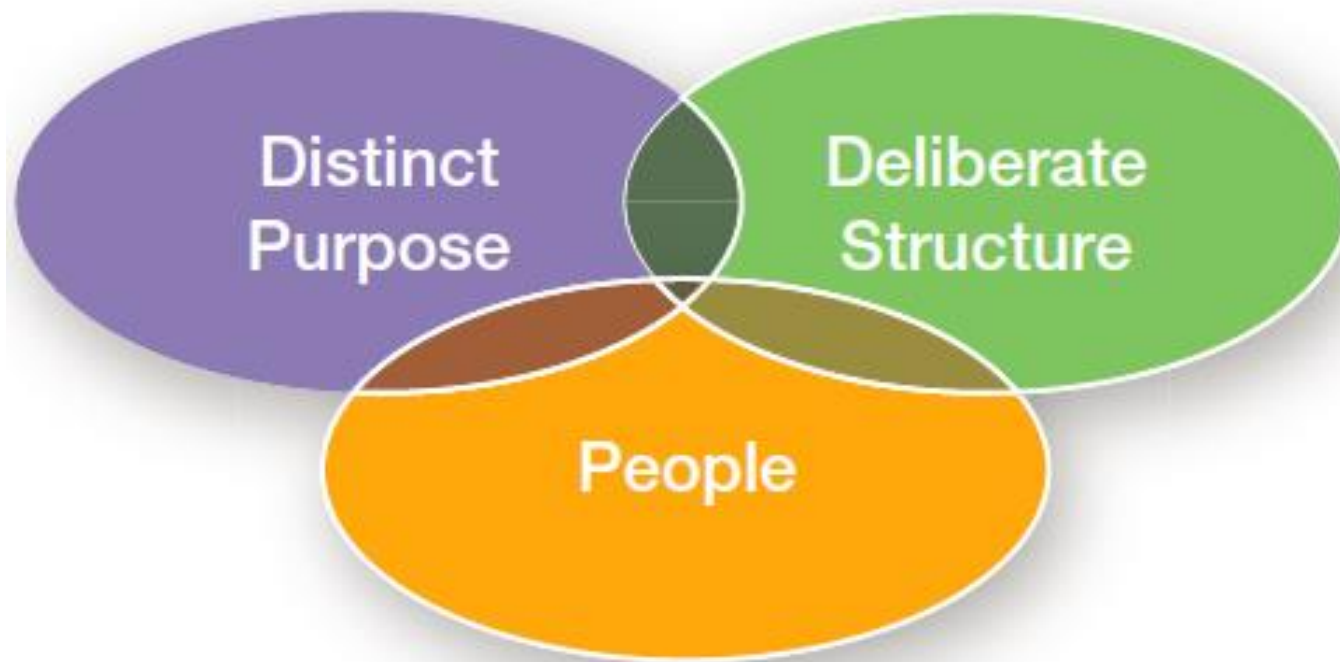
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- **Organization** - A deliberate arrangement of people assembled to accomplish some specific purpose (that individuals independently could not accomplish alone).
- **Common Characteristics of Organizations**
  - Have a distinct purpose (goal)
  - Are composed of people
  - Have a deliberate structure

# Exhibit 1-2

## Characteristics of Organizations

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# What Do Managers Do?

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- **Management** involves coordinating and overseeing the work activities of others so that their activities are completed **efficiently** and **effectively**.

# Effectiveness and Efficiency

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- **Efficiency**

- “Doing things right”
- Getting the most output for the least inputs

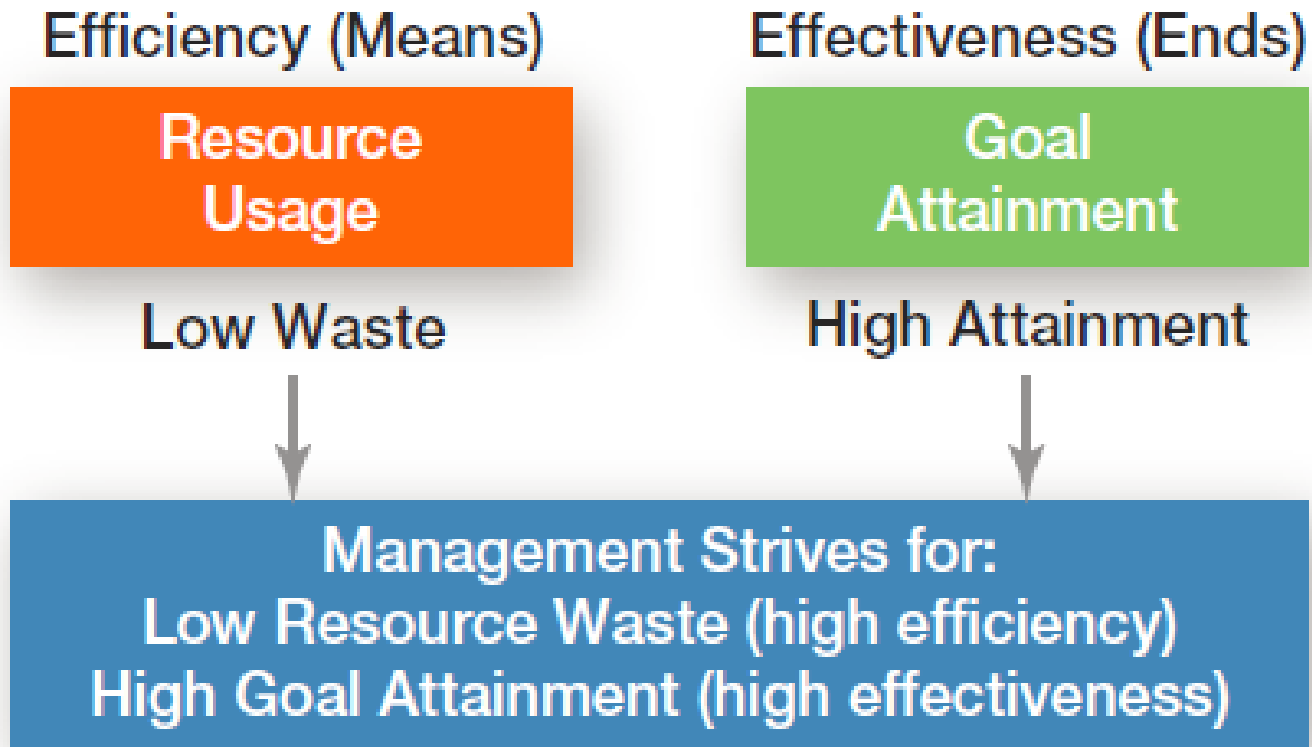
- **Effectiveness**

- “Doing the right things”
- Attaining organizational goals

# Exhibit 1-3

## Efficiency and Effectiveness in Management

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# The Four Management Functions

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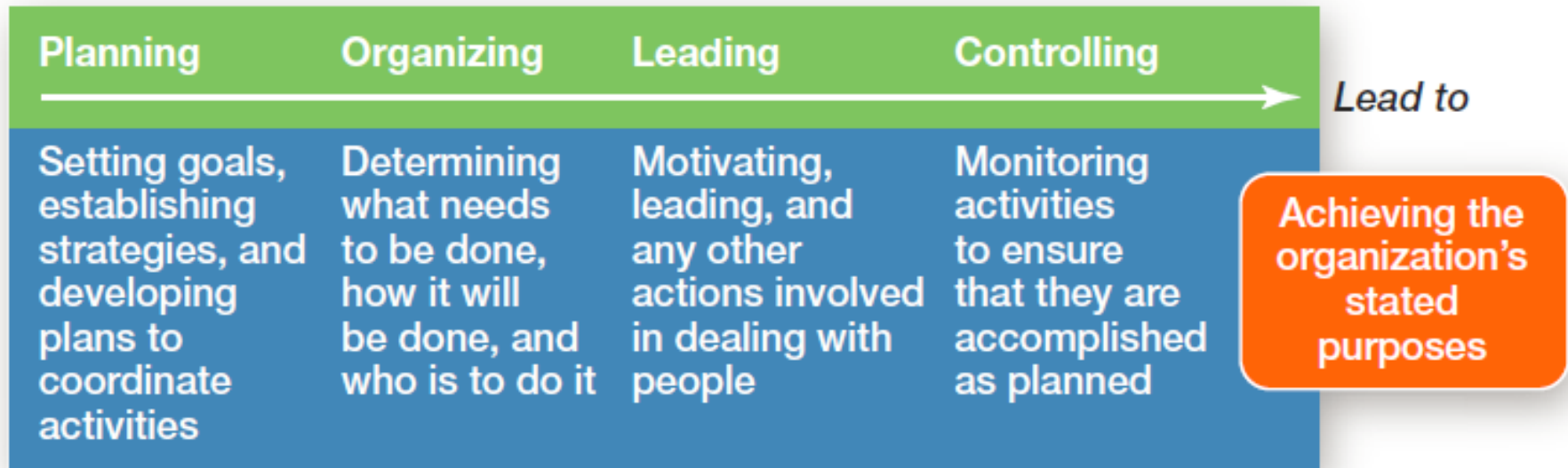
- **Planning** - Defining goals, establishing strategies to achieve goals, and developing plans to integrate and coordinate activities.
- **Organizing** - Arranging and structuring work to accomplish organizational goals.
- **Leading** - Working with and through people to accomplish goals.
- **Controlling** - Monitoring, comparing, and correcting work.



# Exhibit 1-4

## Four Functions of Management

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# Management Roles

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- **Roles** are specific actions or behaviors expected of a manager.
- **Mintzberg** identified 10 roles grouped around *interpersonal relationships, the transfer of information, and decision making*.

# Three Types of Roles

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- **Interpersonal roles**
  - Figurehead, leader, liaison
- **Informational roles**
  - Monitor, disseminator, spokesperson
- **Decisional roles**
  - Entrepreneur, disturbance handler, resource allocator, negotiator

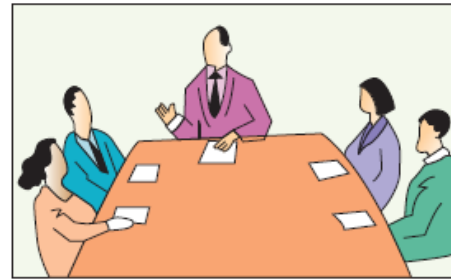
# Exhibit 1-5

## Mintzberg's Managerial Roles

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### Interpersonal Roles

- Figurehead
- Leader
- Liaison



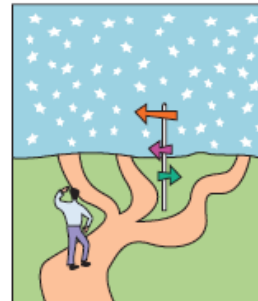
### Informational Roles

- Monitor
- Disseminator
- Spokesperson



### Decisional Roles

- Entrepreneur
- Disturbance handler
- Resource allocator
- Negotiator



# Skills Managers Need

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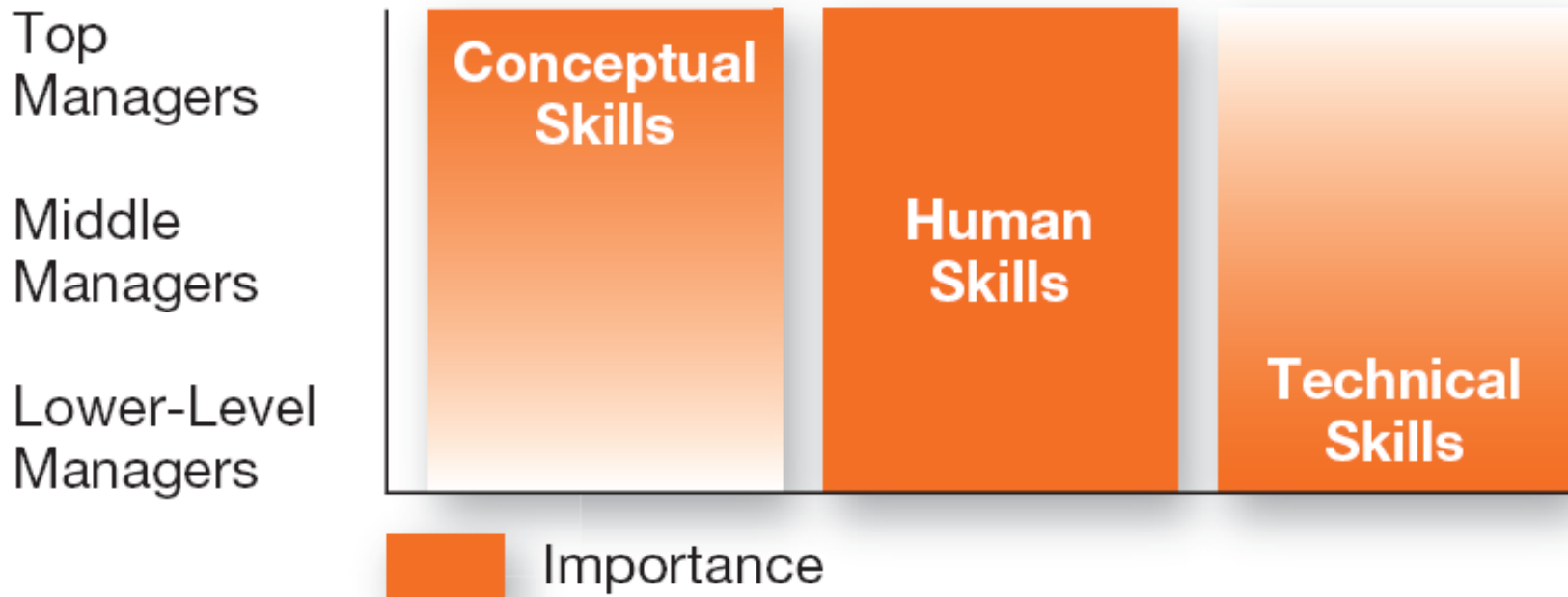
- **Technical skills**
  - Knowledge and proficiency in a specific field
- **Human skills**
  - The ability to work well with other people
- **Conceptual skills**
  - The ability to think and conceptualize about abstract and complex situations concerning the organization

(Robert L. Katz, 1974)

# Exhibit 1-6

## Skills Needed at Different Managerial Levels

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# Exhibit 1-7

## Important Managerial Skills

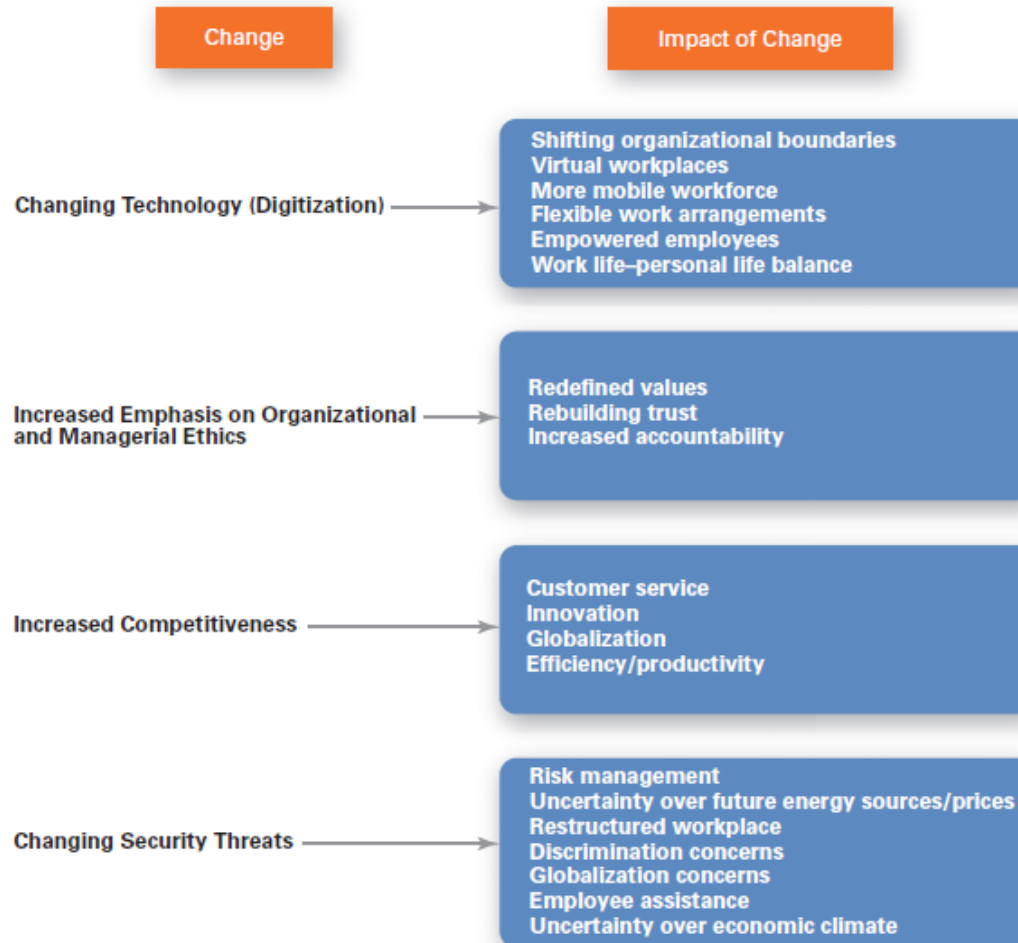
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- Managing human capital
- Inspiring commitment
- Managing change
- Structuring work and getting things done
- Facilitating the psychological and social contexts of work
- Using purposeful networking
- Managing decision-making processes
- Managing strategy and innovation
- Managing logistics and technology

# Exhibit 1-8

## Changes Facing Managers

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# The Importance of Customers

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- **Customers:** the reason that organizations exist
  - Managing customer relationships is the responsibility of all managers and employees.
  - Consistent high quality customer service is essential for survival.

# The Importance of Social Media

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- **Social media**
  - Forms of electronic communication through which users create online communities to share ideas, information, personal messages, and other content.

# The Importance of Innovation

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- **Innovation**

- Doing things differently, exploring new territory, and taking risks.
- Managers should encourage employees to be aware of and act on opportunities for innovation.

# The Importance of Sustainability

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- **Sustainability -**

a company's ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental, and social opportunities into its business strategies.

# Why Study Management?

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- **Universality of Management**
  - The reality that management is needed
    - in all types and sizes of organizations
    - at all organizational levels
    - in all organizational areas
    - in all organizations, regardless of location

# Exhibit 1-9

## Universal Need for Management

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# Challenges of Being a Manager

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- Challenges
  - Can be a thankless job
  - May entail clerical type duties
  - Managers also spend significant amounts of time in meetings and dealing with interruptions
  - Managers often have to deal with a variety of personalities and have to make do with limited resources

# Rewards of Being a Manager

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- Rewards
  - Responsible for creating a productive work environment
  - Recognition and status in your organization and in the community
  - Attractive compensation in the form of salaries, bonuses, and stock options



# Exhibit 1-10

## Rewards and Challenges of Being a Manager

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### Rewards

- Create a work environment in which organizational members can work to the best of their ability
- Have opportunities to think creatively and use imagination
- Help others find meaning and fulfillment in work
- Support, coach, and nurture others
- Work with a variety of people
- Receive recognition and status in organization and community
- Play a role in influencing organizational outcomes
- Receive appropriate compensation in the form of salaries, bonuses, and stock options
- Good managers are needed by organizations

### Challenges

- Do hard work
- May have duties that are more clerical than managerial
- Have to deal with a variety of personalities
- Often have to make do with limited resources
- Motivate workers in chaotic and uncertain situations
- Blend knowledge, skills, ambitions, and experiences of a diverse work group
- Success depends on others' work performance

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## Constraints and Challenges for the Global Manager

CHAPTER



# LEARNING OUTCOMES

**Contrast** the actions of managers according to the omnipotent and symbolic views.

**Describe** the constraints and challenges facing managers in today's external environment.

**Discuss** the characteristics and importance of organizational culture.

**Describe** current issues in organizational culture.

# The Manager: Omnipotent or Symbolic?

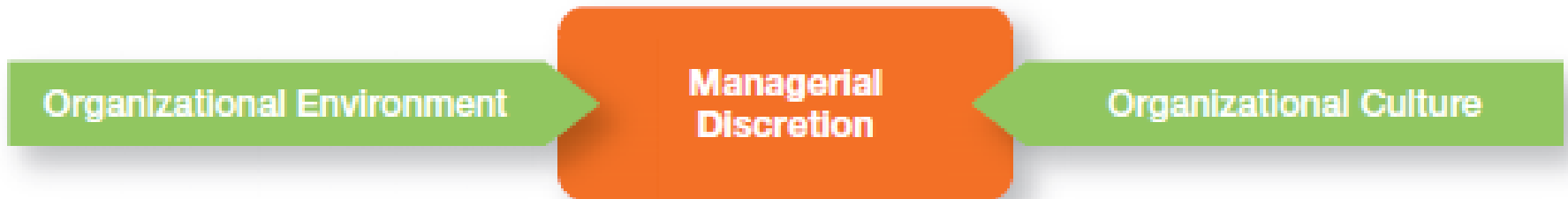
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- **Omnipotent View of Management** - the view that managers are directly responsible for an organization's success or failure.
- **Symbolic view of Management** - the view that much of an organization's success or failure is due to external forces outside managers' control.

# Exhibit 2-1

## Constraints on Managerial Discretion

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# Exhibit 2-2

## Components of External Environment

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# The Economic Environment

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- **Global economic recession** - began with US home mortgage and soon affected businesses as credit markets collapsed. It didn't take long for these economic troubles to spread worldwide.
- **Economic inequality** - As economic growth has languished and sputtered, social discontent over growing income gaps has increased

# The Demographic Environment

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- Baby Boomers - those individuals born between 1946 and 1964
- Gen Y (or the “Millennials”) - those individuals born between 1978 and 1994.
- Post-Millennials - the youngest identified age group, basically teens and middle-schoolers



# How the External Environment Affects Managers

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- Jobs and employment - As external environmental conditions one of the most powerful constraints managers face is the impact of such changes on jobs and employment

# Environmental Uncertainty and Complexity

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- **Environmental Uncertainty** - the **degree of change** and **complexity** in an organization's environment.
- **Environmental Complexity** - the number of components in an organization's environment and the extent of the organization's knowledge about those components.

# Exhibit 2-3

## Environmental Uncertainty Matrix

		Stable	Dynamic	
Simple	Cell 1	<p>Stable and predictable environment</p> <p>Few components in environment</p> <p>Components are somewhat similar and remain basically the same</p> <p>Minimal need for sophisticated knowledge of components</p>	Cell 2	<p>Dynamic and unpredictable environment</p> <p>Few components in environment</p> <p>Components are somewhat similar but are continually changing</p> <p>Minimal need for sophisticated knowledge of components</p>
	Cell 3	<p>Stable and predictable environment</p> <p>Many components in environment</p> <p>Components are not similar to one another and remain basically the same</p> <p>High need for sophisticated knowledge of components</p>	Cell 4	<p>Dynamic and unpredictable environment</p> <p>Many components in environment</p> <p>Components are not similar to one another and are continually changing</p> <p>High need for sophisticated knowledge of components</p>
Complex				

# Managing Stakeholder Relationships

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- **Stakeholders** - any constituencies in the organization's environment that are affected by an organization's decisions and actions.

# Exhibit 2-4 Organizational Stakeholders

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# What Is Organizational Culture?

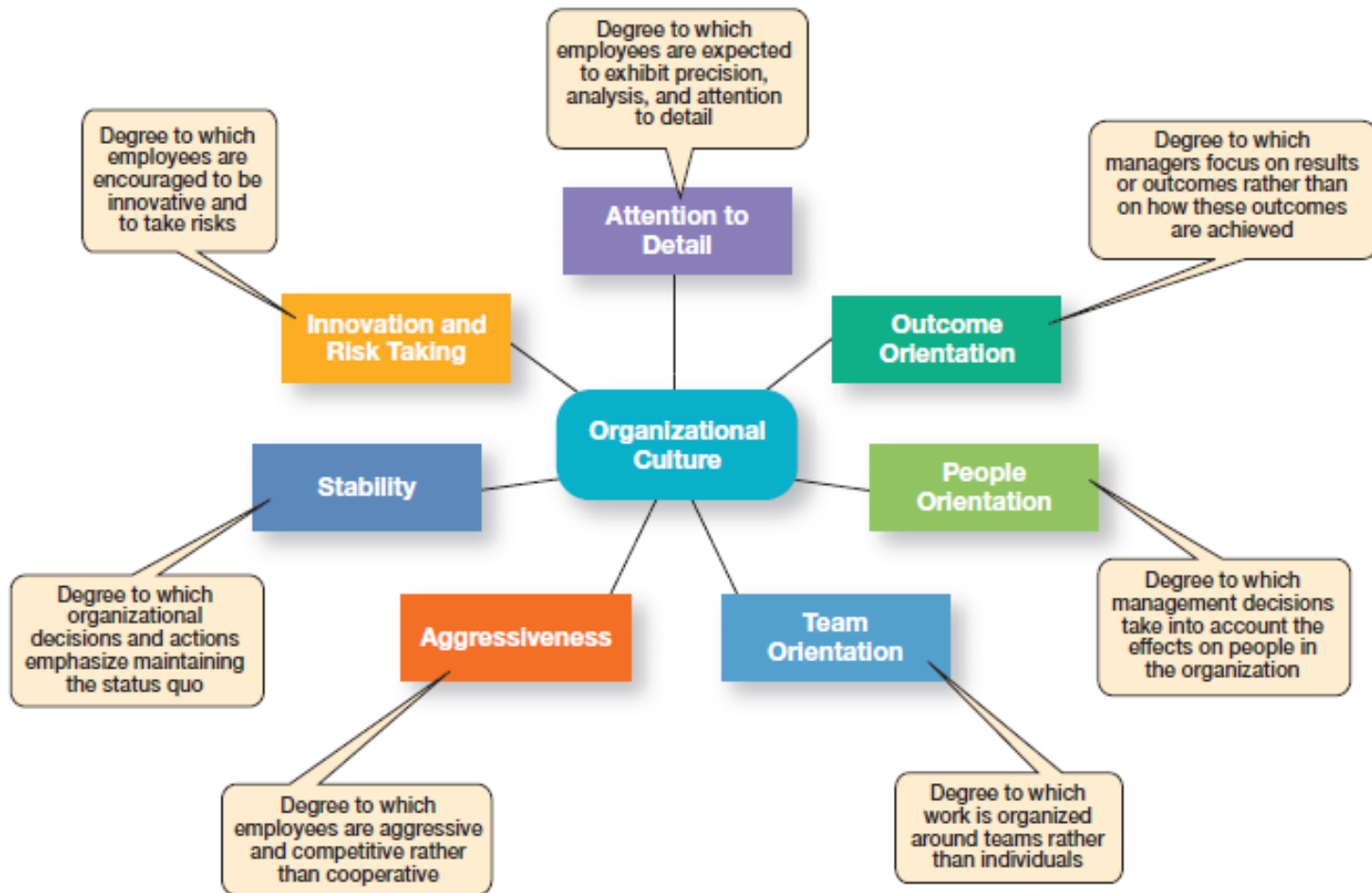
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- **Organizational Culture** - The shared values, principles, traditions, and ways of doing things that influence the way organizational members act.
- **Strong Cultures** - Organizational cultures in which key values are intensely held and widely shared.

# Exhibit 2-5

## Dimensions of Organizational Culture

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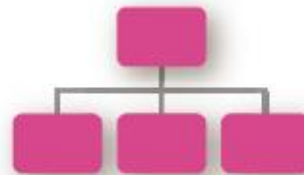


# Exhibit 2-6

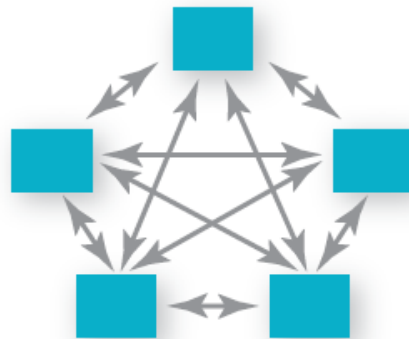
## Contrasting Organizational Cultures

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### Organization A



### Organization B





# Exhibit 2-7

## Strong Versus Weak Cultures

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### **Strong Cultures**

Values widely shared

Culture conveys consistent messages about what's important

Most employees can tell stories about company history or heroes

Employees strongly identify with culture

Strong connection between shared values and behaviors

### **Weak Cultures**

Values limited to a few people—usually top management

Culture sends contradictory messages about what's important

Employees have little knowledge of company history or heroes

Employees have little identification with culture

Little connection between shared values and behaviors

# Where Does Culture Come From?

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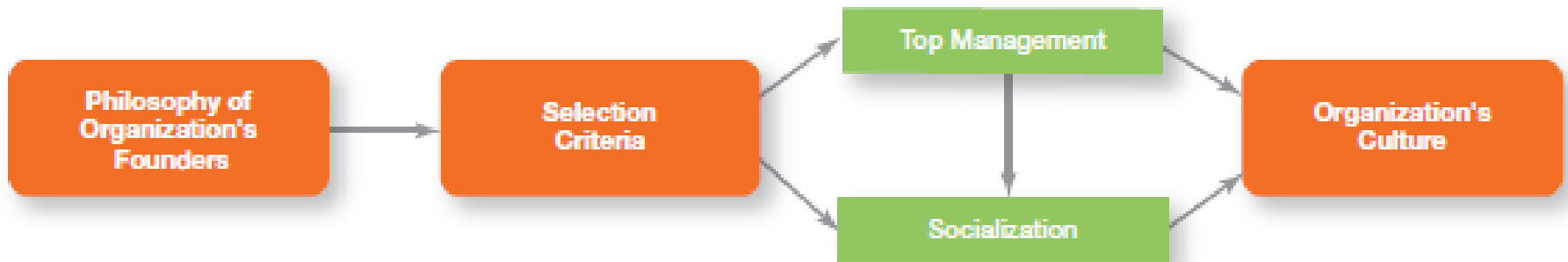
- Organization founder
- Vision and mission
- Past practices
- Top management behavior
- **Socialization** - The process that helps employees adapt to the organization's culture.



# Exhibit 2-8

## Establishing and Maintaining Culture

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# How Do Employees Learn Culture?

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- **Stories** - Narratives of significant events or people, e.g. organization founders, rule breaking, reaction to past mistakes etc.
- **Rituals** - Sequences of activities that express and reinforce the important values and goals of the organization, e.g., annual awards for employees

# How Employees Learn Culture (cont.)

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- **Material Artifacts and Symbols** - Convey the kinds of behavior that are expected, e.g. risk taking, participation, authority, etc.
- **Language** - Acts as a common denominator that bonds members

# How Does Culture Affect Managers?

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- **Cultural Constraints on Managers**
  - Whatever managerial actions the organization recognizes as proper or improper on its behalf
  - Whatever organizational activities the organization values and encourages
  - The overall strength or weakness of the organizational culture

# Exhibit 2-9

## Managerial Decisions Affected by Culture

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### Planning

- ▶ The degree of risk that plans should contain
- ▶ Whether plans should be developed by individuals or teams
- ▶ The degree of environmental scanning in which management will engage

### Organizing

- ▶ How much autonomy should be designed into employees' jobs
- ▶ Whether tasks should be done by individuals or in teams
- ▶ The degree to which department managers interact with each other

### Leading

- ▶ The degree to which managers are concerned with increasing employee job satisfaction
- ▶ What leadership styles are appropriate
- ▶ Whether all disagreements—even constructive ones—should be eliminated

### Controlling

- ▶ Whether to impose external controls or to allow employees to control their own actions
- ▶ What criteria should be emphasized in employee performance evaluations
- ▶ What repercussions will occur from exceeding one's budget

# Creating an Innovative Culture

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- What does an innovative culture look like?
  - Challenge and involvement
  - Freedom
  - Trust and openness
  - Idea time
  - Playfulness/humor
  - Conflict resolution
  - Debates
  - Risk-taking

Goran Ekvall



## Exhibit 2-10

# Creating a Customer-Responsive Culture

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- How Do You Create a Customer Responsive Culture?
  - Hire the right type of employees (those with a strong interest in serving customers)
  - Have few rigid rules, procedures, and regulations
  - Use widespread empowerment of employees
  - Have good listening skills in relating to customers' messages

# Spirituality and Organizational Culture

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- **Workplace Spirituality** - a culture where organizational values promote a sense of purpose through meaningful work that takes place in the context of community
- Characteristics of a Spiritual Organization
  - Strong sense of purpose
  - Focus on individual development
  - Trust and openness
  - Employee empowerment
  - Toleration of employees' expression

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## Global Management

CHAPTER

3

# LEARNING OUTCOMES

**Contrast** ethnocentric, polycentric, and geocentric attitudes toward global business.

**Discuss** the importance of regional trading alliances and global trade mechanisms.

**Describe** the structures and techniques organizations use as they go international.

**Explain** the relevance of the political/legal, economic, and cultural environments to global business.

# What's Your Global Perspective?

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- **Parochialism** - viewing the world solely through your own perspectives, leading to an inability to recognize differences between people.
- **Ethnocentric Attitude** - the belief that the best work approaches and practices are those of the home country.

# Other Global Perspectives

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- **Polycentric Attitude** - the view that the managers in the host country know the best work approaches and practices for running their business.
- **Geocentric Attitude** - a world-oriented view that focuses on using the best approaches and people from around the globe.

# Understanding the Global Environment – Trading Alliances

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- **European Union (EU)** - a union of 27 European nations created as a unified economic and trade entity with the **Euro** as a single common currency.

# Exhibit 3-1

## European Union Map





# Trading Alliances (cont.)

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- **North American Free Trade Agreement (NAFTA)** - an agreement among the Mexican, Canadian, and U.S. governments in which certain barriers to trade have been eliminated.

# Trading Allowances (cont.)

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- **Association of Southeast Asian Nations (ASEAN)** - A trading alliance of 10 Southeast Asian nations

# Exhibit 3-2 ASEAN Map



# Trading Alliances (cont.)

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- **African Union (AU)** – a continental body of 55 African nations created to promote Africa's growth and economic development.

# Exhibit 3-3 African Map



# Global Trade Mechanisms

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- **World Trade Organization (WTO)** - a global organization of 153 countries that deals with the rules of trade among nations.
- **International Monetary Fund (IMF)** - an organization of 185 countries that promotes international monetary cooperation and provides advice, loans, and technical assistance.

# Global Trade Mechanisms (cont.)

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- **World Bank Group** - a group of five closely associated institutions that provides financial and technical assistance to developing countries.
- **Organization for Economic Cooperation and Development (OECD)** - an international economic organization that helps its 30 member countries achieve sustainable economic growth and employment.

# Types of International Organizations

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- **Multinational Corporation (MNC)** - a broad term that refers to any and all types of international companies that maintain operations in multiple countries.
- **Multidomestic Corporation** - an MNC that decentralizes management and other decisions to the local country.



# Types of International Organizations (cont.)

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- **Global Company** - an MNC that centralizes management and other decisions in the home country.
- **Transnational or Borderless Organization** - an MNC in which artificial geographical barriers are eliminated.

# How Organizations Go Global

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- **Global Sourcing** - purchasing materials or labor from around the world wherever it is cheapest.
- **Exporting** - making products domestically and selling them abroad.

# Going Global (cont.)

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- **Importing** - acquiring products made abroad and selling them domestically.
- **Licensing** - an organization gives another organization the right to make or sell its products using its technology or product specifications.
- **Franchising** - an organization gives another organization the right to use its name and operating methods.

# Going Global (cont.)

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- **Strategic Alliance** - a partnership between an organization and one or more foreign company partner(s) in which both share resources and knowledge in developing new products or building production facilities.
- **Joint Venture** - a specific type of strategic alliance in which the partners agree to form a separate, independent organization for some business purpose.

# Going Global (cont.)

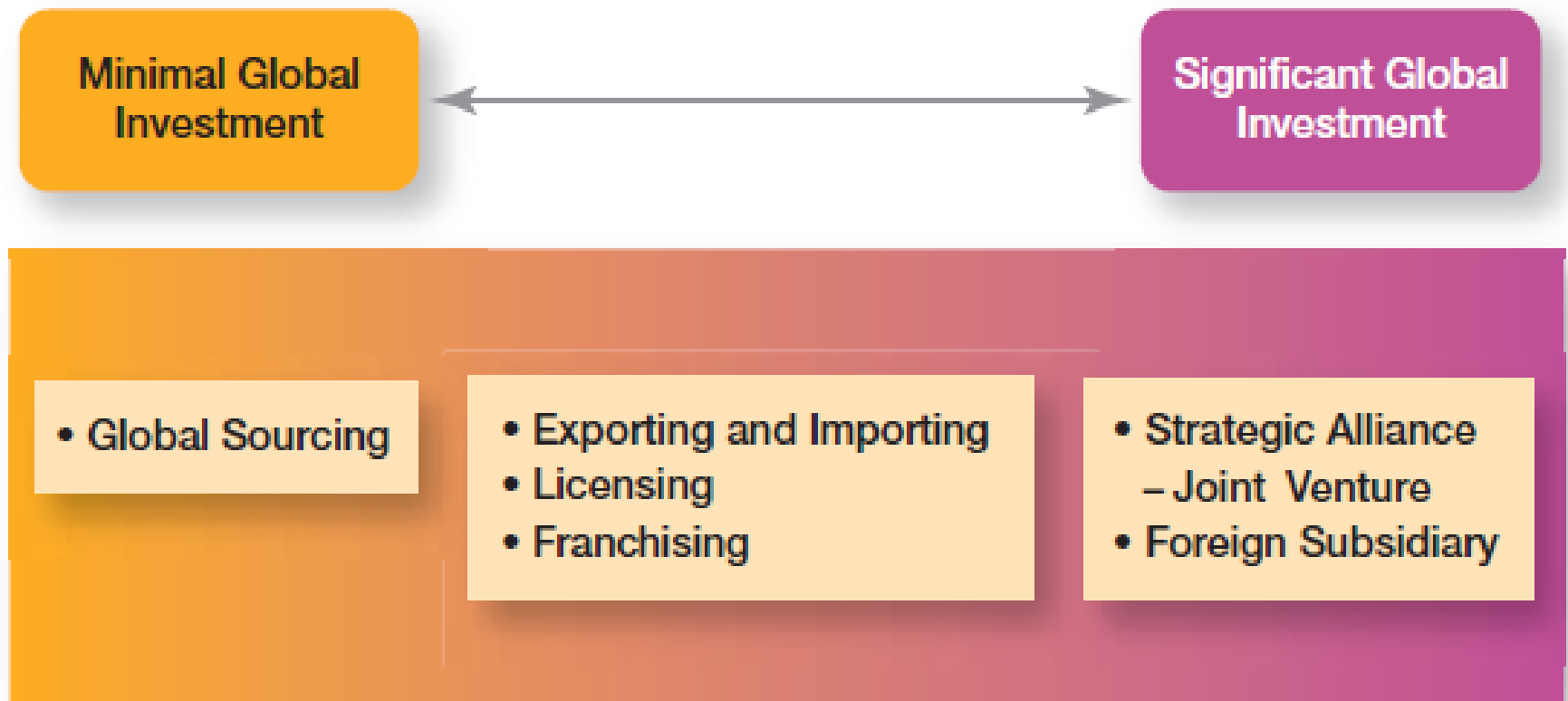
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- **Foreign Subsidiary** - directly investing in a foreign country by setting up a separate and independent production facility or office.

# Exhibit 3-3

## How Organizations Go Global

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# Managing in a Global Environment

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- The Political/Legal Environment
  - U.S. managers are accustomed to a stable legal and political system
  - Managers must stay informed of the specific laws in countries where they do business
  - Some countries have risky political climates

# The Economic Environment

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- **Free Market Economy** - an economic system in which resources are primarily owned and controlled by the private sector.
- **Planned Economy** - an economic system in which economic decisions are planned by a central government.



# The Cultural Environment

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- **National Culture** - the values and attitudes shared by individuals from a specific country that shape their behavior and beliefs about what is important.
- **Hofstede's framework for assessing cultures** - one of the most widely referenced approaches to helping managers better understand differences between national cultures.



# Exhibit 3-5

## What Are Americans Like?

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- Americans are *very informal*. They tend to treat people alike even when great differences in age or social standing are evident.
- Americans are *direct*. They don't talk around things. To some foreigners, this may appear as abrupt or even rude behavior.
- Americans are *competitive*. Some foreigners may find Americans assertive or overbearing.
- Americans are *achievers*. They like to keep score, whether at work or at play. They emphasize accomplishments.
- Americans are *independent and individualistic*. They place a high value on freedom and believe that individuals can shape and control their own destiny.
- Americans are *questioners*. They ask a lot of questions, even of someone they have just met. Many may seem pointless ("How ya' doin'?") or personal ("What kind of work do you do?").
- Americans *dislike silence*. They would rather talk about the weather than deal with silence in a conversation.
- Americans *value punctuality*. They keep appointment calendars and live according to schedules and clocks.
- Americans *value cleanliness*. They often seem obsessed with bathing, eliminating body odors, and wearing clean clothes.

# Global Management in Today's World

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- **Global Leadership and Organizational Behavior Effectiveness (GLOBE) program** - a research program that studies cross-cultural leadership behaviors.

# The GLOBE Project

- The 9 Dimensions of the GLOBE Project:
  - Uncertainty avoidance
  - Power distance
  - Collectivism I: Social collectivism
  - Collectivism II: In-group collectivism
  - Gender egalitarianism
  - Assertiveness
  - Future orientation
  - Performance orientation
  - Humane orientation

# Global Management in Today's World

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- The Challenge of Openness
  - The increased threat of terrorism by a truly global terror network
  - Economic interdependence of trading countries
  - intense underlying and fundamental cultural differences— differences that encompass traditions, history, religious beliefs, and deep-seated values.

# Global Management in Today's World

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- **Cultural Intelligence** - cultural awareness and sensitivity skills.
- **Global Mind-Set** - attributes that allow a leader to be effective in cross-cultural environments.

# Exhibit 3-6

## A Global Mind-Set

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**Intellectual capital:** Knowledge of international business and the capacity to understand how business works on a global scale



**Psychological capital:** Openness to new ideas and experiences



**Social capital:** Ability to form connections and build trusting relationships with people who are different from you



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Source: Based on "Making It Overseas," by M. Javidan, M. Teagarden, and D. Bowen, from *Harvard Business Review*, April 2010; and "Testing Managers' Global IQ," by J. McGregor (ed.), from *Bloomberg BusinessWeek*, September 28, 2009.



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## The Diverse Workforce

CHAPTER



# LEARNING OUTCOMES

**Define** workplace diversity and explain why managing it is so important

**Describe** the changing workplaces in the United States and around the world

**Explain** the different types of diversity found in workplaces

**Discuss** the challenges managers face in managing diversity

**Describe** various workplace diversity management initiatives

# What Is Workplace Diversity?

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- **Workforce Diversity** - the ways in which people in an organization are different from and similar to one another.

# Exhibit 4-1

## Timeline of the Evolution of Workforce Diversity

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**1960s to 1970s**

**Focus on complying with laws and regulations:**

Title VII of Civil Rights Act; Equal Employment Opportunity Commission; affirmative action policies and programs

**Early 1980s**

**Focus on assimilating minorities and women into corporate setting:**

Corporate programs developed to help improve self-confidence and qualifications of diverse individuals so they can “fit in”

**Late 1980s**

**Concept of workforce diversity expanded from compliance to an issue of business survival:**

Publication of *Workforce 2000* opened business leaders’ eyes about the future composition of workforce—that is, more diverse; first use of term *workforce diversity*

**Late 1980s to Late 1990s**

**Focus on fostering sensitivity:**

Shift from compliance and focusing only on women and minorities to including everyone; making employees more aware and sensitive to the needs and differences of others

**New Millennium**

**Focus on diversity and inclusion for business success:**

Workforce diversity seen as core business issue; important to achieve business success, profitability, and growth

# What Is Workplace Diversity? (cont.)

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- **Surface-level diversity-**  
Easily perceived differences that may trigger certain stereotypes, but do not necessarily reflect the ways people think or feel.
- **Deep-level diversity -**  
Differences in values, personality, and work preferences.

# Why Is Managing Workforce Diversity So Important?

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- **People Management** - diversity *is*, after all, about people, both inside and outside the organization.
- **Organizational Performance** - cost savings include reducing employee turnover, absenteeism, and the chance of lawsuits
- **Strategic** - workforce diversity is a key to extracting the best talent performance, market share, and suppliers from a diverse country and world.

# Exhibit 4-2

## Benefits of Workforce Diversity

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### People Management

- Better use of employee talent
- Increased quality of team problem-solving efforts
- Ability to attract and retain employees of diverse backgrounds



### Organizational Performance

- Reduced costs associated with high turnover, absenteeism, and lawsuits
- Enhanced problem-solving ability
- Improved system flexibility



### Strategic

- Increased understanding of the marketplace, which improves ability to better market to diverse consumers
- Potential to improve sales growth and increase market share
- Potential source of competitive advantage because of improved innovation efforts
- Viewed as moral and ethical; the “right” thing to do



# The Changing Workplace

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- Characteristics of the U.S. Population
  - **Total population of the United States** projected to increase to 438 million by the year 2050
  - **Racial/ethnic groups** - changes in the percentages of the Hispanic and white population
  - **Aging population** - median age of 36.9 years up from 36.2 years in 2001



# Exhibit 4-3

## Changing Population Makeup of the United States

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	2005	2050
Foreign-born	12%	19%
Racial/Ethnic Groups		
White*	67%	47%
Hispanic	14%	29%
Black*	13%	13%
Asian*	5%	9%

\*= Non-Hispanic

American Indian/Alaska Native not included.

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Sources: H. El Nasser, "U.S. Hispanic Population to Triple by 2050," *USA Today Online* [www.usatoday.com], February 12, 2008; and "U.S. Population Projections: 2005–2050," Pew Research Center [www.pewhispanic.org/reports/], February 11, 2008.

# The Changing Workplace (cont.)

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- Global Workforce Changes
  - **Total world population** -estimated at over almost 7.023 billion
  - **An aging population** - aging at an *unprecedented rate*

# Exhibit 4-4

## Global Aging: How Much Do You Know?

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1. True or False: The world's children under age 5 outnumber people aged 65 and over.
2. The world's older population (65 and older) increased by approximately how many people each month in 2008?
  - a. 75,000
  - b. 350,000
  - c. 600,000
  - d. 870,000
3. Which of the world's developing regions has the highest percentage of older people?
  - a. Africa
  - b. Latin America
  - c. The Caribbean
  - d. Asia
4. True or False: More than half of the world's older people live in the industrialized nations of Europe, North America, Japan, and Australia.
5. Which country had the world's highest percentage of older people in 2008?
  - a. Sweden
  - b. Japan
  - c. Spain
  - d. Italy

## Exhibit 4-4

# Global Aging: How Much Do You Know? (cont.)

---

### Answers to quiz:

1. **True.** Although the world's population is aging, children still outnumber older people as of 2008. Projections indicate, however, that in fewer than 10 years, older people will outnumber children for the first time in history.
2. **d.** The estimated change in the total size of the world's older population between July 2007 and July 2008 was more than 10.4 million people, an average of 870,000 each month.
3. **c.** The Caribbean, with 7.8 percent of all people aged 65 and over in 2008. Numbers for the other regions: Latin America, 6.4 percent; Asia (excluding Japan), 6.2 percent; and Africa, 3.3 percent.
4. **False.** Although industrialized nations have higher percentages of older people than most developing countries, 62 percent of all people aged 65 and over now live in the developing regions of Africa, Asia, Latin America, the Caribbean, and Oceania.
5. **b.** Japan, with 22 percent of its population aged 65 or over, has supplanted Italy as the world's oldest major country.

---

Source: Based on "An Aging World: 2008," by K. Kinsella and W. He, from U.S. Census Bureau/International Population Reports, June 2009.

---

# Exhibit 4-5

## Types of Diversity Found in Workplaces

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# Types of Workplace Diversity

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- **Age** - Both Title VII of the *Civil Rights Act of 1964* and the *Age Discrimination in Employment Act of 1967* prohibit age discrimination.
- **Gender** - Women (49.8%) and men (50.2%) now each make up almost half of the workforce.

# Types of Workplace Diversity (cont.)

---

- **Race** - The biological heritage (including skin color and associated traits) that people use to identify themselves
- **Ethnicity** - Social traits (such as cultural background or allegiance) that are shared by a human population

# Types of Workplace Diversity (cont.)

---

- **Disability/Abilities** - The *Americans With Disabilities Act of 1990* prohibits discrimination against persons with disabilities.
- **Religion** - Title VII of the *Civil Rights Act* prohibits discrimination on the basis of religion.



# Types of Workplace Diversity (cont.)

---

- **GLBT: Sexual Orientation and Gender Identity** - U.S. federal law does not prohibit discrimination against employees on the basis of sexual orientation
- **Other Types of Diversity** - diversity refers to *any* dissimilarities or differences that might be present in a workplace.

# Challenges in Managing Diversity

---

- **Personal Bias**
  - **Bias** - a tendency or preference toward a particular perspective or ideology.
- **Prejudice** - a pre-conceived belief, opinion, or judgment toward a person or a group of people.

# Challenges in Managing Diversity (cont.)

---

- **Stereotyping** - judging a person based on a prejudicial perception of a group to which that person belongs.
- **Discrimination** - when someone acts out their prejudicial attitudes toward people who are the targets of their prejudice.
- **Glass Ceiling** - the invisible barrier that separates women and minorities from top management positions.

# The Legal Aspect of Workplace Diversity

---

- Federal laws have contributed to some of the social change we've seen over the last 50-plus years
- Workplace diversity needs to be more than understanding and complying with federal laws.
- Organizations that are successful at managing diversity use additional diversity initiatives and programs

# Exhibit 4-8

## Major Equal Employment Opportunity Laws

---

1963	Equal Pay Act	Prohibits pay differences for equal work based on gender
1964 (amended in 1972)	Civil Rights Act, Title VII	Prohibits discrimination based on race, color, religion, national origin, or gender
1967 (amended in 1978)	Age Discrimination in Employment Act	Prohibits discrimination against employees 40 years and older
1978	Pregnancy Discrimination Act	Prohibits discrimination against women in employment decisions on the basis of pregnancy, childbirth, and related medical decisions
1978	Mandatory Retirement Act	Prohibits the forced retirement of most employees

## Exhibit 4-8

# Major Equal Employment Opportunity Laws (cont.)

---

1990	Americans with Disabilities Act	Prohibits discrimination against individuals who have disabilities or chronic illnesses; also requires reasonable accommodations for these individuals
1991	Civil Rights Act of 1991	Reaffirms and tightens prohibition of discrimination and gives individuals right to sue for punitive damages
1993	Family and Medical Leave Act	Gives employees in organizations with 50 or more employees up to 12 weeks of unpaid leave each year for family or medical reasons
2009	Lilly Ledbetter Fair Pay Act	Changes the statute of limitations on pay discrimination to 180 days from each paycheck

# Top Management Commitment to Diversity

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- **Mentoring** - a process whereby an experienced organizational member (a mentor) provides advice and guidance to a less-experienced member (a protégé).
- **Diversity Skills Training** - specialized training to educate employees about the importance of diversity and to teach them skills for working in a diverse workplace.

## Top Management Commitment to Diversity (cont.)

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- **Employee Resource Groups**  
- groups made up of employees connected by some common dimension of diversity.



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## Foundations of Planning

CHAPTER



# LEARNING OUTCOMES

**Define** the nature and purposes of planning.

**Classify** the types of goals organizations might have and the plans they use.

**Compare** and contrast approaches to goal-setting and planning.

**Discuss** contemporary issues in planning.

# What Is Planning?

---

- **Planning** - defining the organization's goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate work activities.
- Formal planning
  - Specific goals covering a specific time period
  - Written and shared with organizational members

# Why Do Managers Plan?

---

- Four reasons for planning
  - Provides direction
  - Reduces uncertainty
  - Minimizes waste and redundancy
  - Sets the standards for controlling

# Planning and Performance

---

- Formal planning is associated with:
  - Positive financial results - higher profits, higher return on assets, and so forth
  - The quality of planning and implementation affects performance more than the extent of planning
  - The external environment can reduce the impact of planning on performance
  - The planning-performance relationship seems to be influenced by the planning time frame

# Goals and Plans

---

- **Goals (objectives)** - desired outcomes or targets
- **Plans** - documents that outline how goals are going to be met

# Types of Goals

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- **Financial Goals** - related to the expected internal financial performance of the organization.
- **Strategic Goals** - related to the performance of the firm relative to factors in its external environment (e.g., competitors).

# Types of Goals (cont.)

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- **Stated goals** - official statements of what an organization says, and what it wants its various stakeholders to believe, its goals are
- **Real goals** - goals that an organization actually pursues, as defined by the actions of its members



# Types of Plans

---

- **Strategic plans** - plans that apply to the entire organization and establish the organization's overall goals
- **Operational plans** - plans that encompass a particular operational area of the organization

# Types of Plans (cont.)

---

- **Long-term plans** - plans with a time frame beyond three years
- **Short-term plans** - plans covering one year or less
- **Specific plans** – plans that are clearly defined and leave no room for interpretation
- **Directional plans** - plans that are flexible and set out general guidelines

# Types of Plans (cont.)

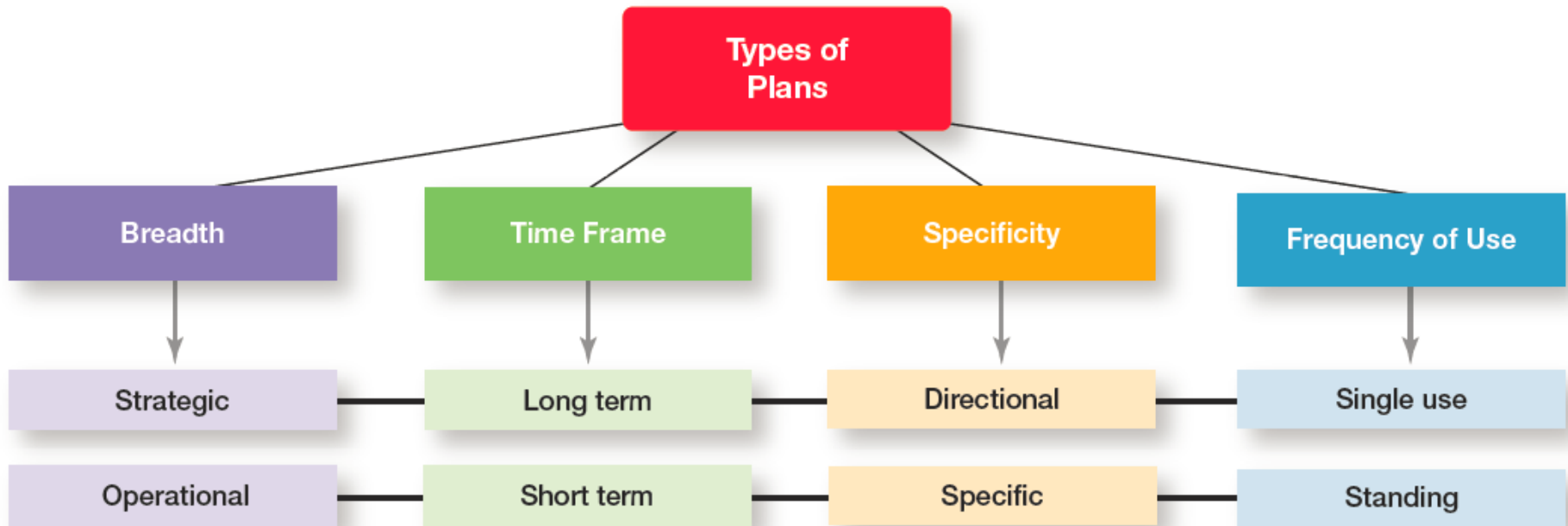
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- **Single-use plan** - a one-time plan specifically designed to meet the needs of a unique situation
- **Standing plans** ongoing plans that provide guidance for activities performed repeatedly

# Exhibit 8-1

## Types of Plans

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# Approaches to Setting Goals

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- **Traditional goal-setting** - an approach to setting goals in which top managers set goals that then flow down through the organization and become subgoals for each organizational area
- **Means-ends chain** - an integrated network of goals in which the accomplishment of goals at one level serves as the means for achieving the goals, or ends, at the next level

# Exhibit 8-2

## The Downside of Traditional Goal-Setting

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# Approaches to Setting Goals (cont.)

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- **Management by objectives (MBO)** - a process of setting mutually agreed upon goals and using those goals to evaluate employee performance



# Exhibit 8-3 Steps in MBO

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1. The organization's *overall objectives and strategies* are formulated.
2. Major objectives are allocated among *divisional and departmental units*.
3. Unit managers *collaboratively set specific objectives* for their units with their managers.
4. Specific objectives are collaboratively set with *all department members*.
5. *Action plans*, defining how objectives are to be achieved, are specified and agreed upon by managers and employees.
6. The action plans are *implemented*.
7. Progress toward objectives is *periodically reviewed*, and *feedback is provided*.
8. Successful achievement of objectives is reinforced by *performance-based rewards*.



# Steps in Goal-Setting

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1. Review the organization's **mission**, or purpose.
2. Evaluate available resources
3. Determine the goals individually or with input from others
4. Write down the goals and communicate them to all who need to know
5. Review results and whether goals are being met.

# Exhibit 8-4

## Well-Written Goals

---

- Written in terms of outcomes rather than actions
- Measurable and quantifiable
- Clear as to a time frame
- Challenging yet attainable
- Written down
- Communicated to all necessary organizational members

# Contingency Factors in Planning

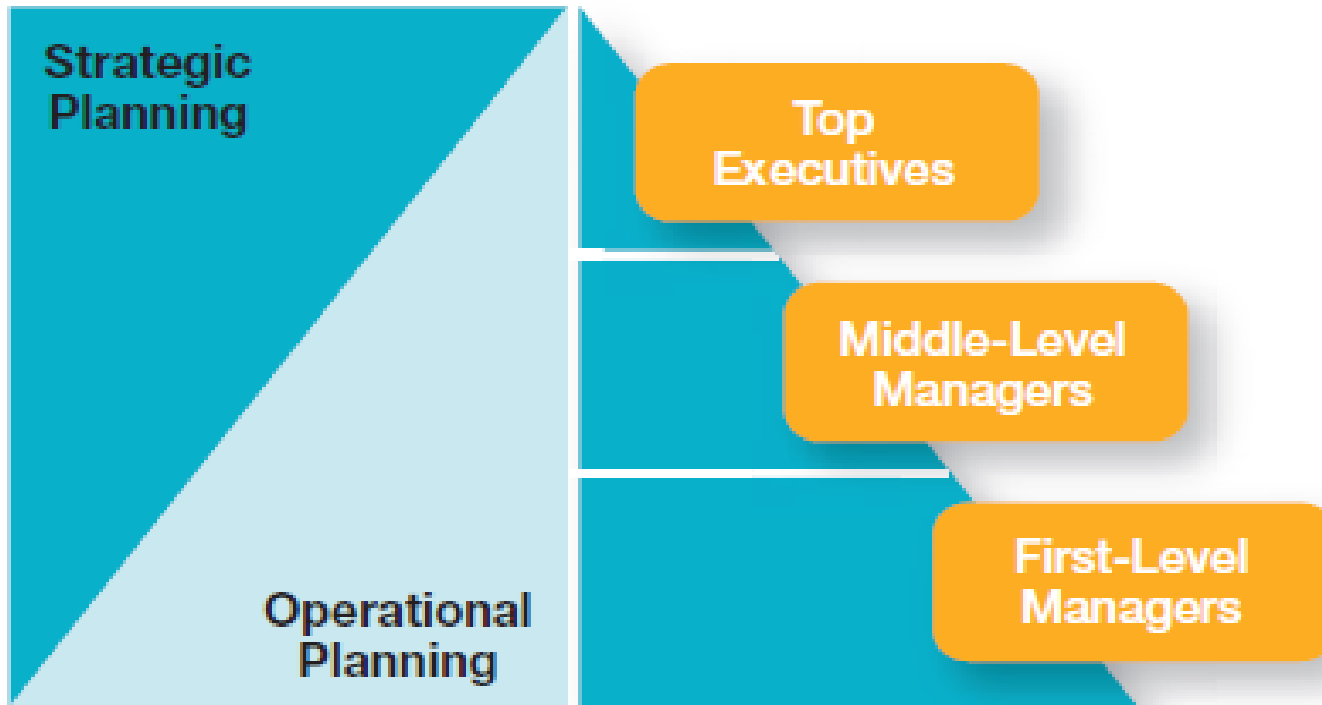
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- Length of future commitments
  - **Commitment Concept:** Current plans affecting future commitments must be sufficiently long-term in order to meet those commitments.

# Exhibit 8-5

## Planning and Organizational Level

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# Contingency Factors in Planning (cont.)

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- **Environmental Uncertainty**
  - When uncertainty is high, plans should be specific, but flexible.
  - Managers must be prepared to change or amend plans as they're implemented.
  - At times, they may even have to abandon the plans

# Approaches to Planning

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- In the **traditional approach**, planning is done entirely by top-level managers often are assisted by a formal planning department
  - **Formal planning department** - a group of planning specialists whose sole responsibility is helping to write organizational plans

# Contemporary Issues in Planning

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- How Can Managers Plan Effectively in Dynamic Environments?
  - In an uncertain environment, managers should develop plans that are specific, but flexible.
  - Managers need to recognize that planning is an ongoing process

# Contemporary Issues in Planning (cont.)

---

- How Can Managers Use Environmental Scanning?
  - **Environmental scanning** - screening information to detect emerging trends
  - **Competitor intelligence** - gathering information about competitors that allows managers to anticipate competitors' actions rather than merely react to them



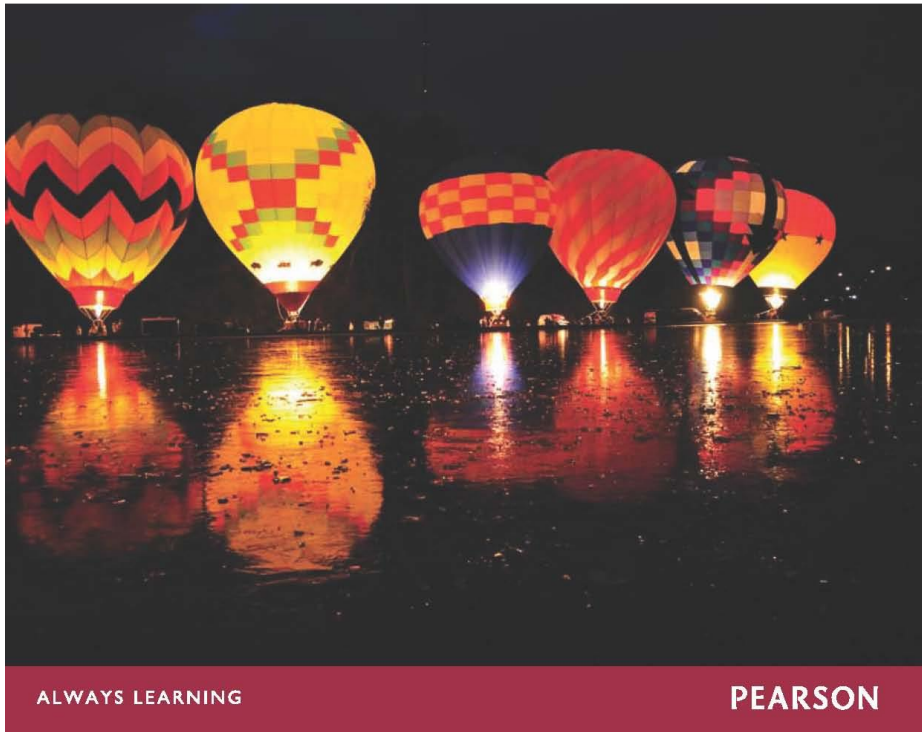
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## Foundations of Control

CHAPTER

10

# LEARNING OUTCOMES

***Explain*** the nature and importance of control.

***Describe*** the three steps in the control process.

***Explain*** how organizational and employee performance are measured.

***Describe*** tools used to measure organizational performance.

***Discuss*** contemporary issues in control.

# What Is Controlling ?

---

- **Controlling** - the process of monitoring, comparing, and correcting work performance.
- **The Purpose of Control**
  - To ensure that activities are completed in ways that lead to the accomplishment of organizational goals.

# Why Is Controlling Important?

---

- As the final link in management functions:
  - **Planning** - controls let managers know whether their goals and plans are on target and what future actions to take.
  - **Empowering employees** - control systems provide managers with information and feedback on employee performance.
  - **Protecting the workplace** - controls enhance physical security and help minimize workplace disruptions.

# Exhibit 10-1

## Planning-Controlling Link

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# The Control Process

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- **Control process** - a three-step process of measuring actual performance, comparing actual performance against a standard, and taking managerial action to correct deviations or inadequate standards.

# Exhibit 10-2

## The Control Process

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# The Control Process (cont.)

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- **Step 1: Measuring Actual Performance**
  - How We Measure - personal observations, statistical reports, oral reports, and written reports.
  - What We Measure - what is measured is probably more critical to the control process than how it's measured.



# Exhibit 10-3 Sources of Information for Measuring Performance

---

	<b>Benefits</b>	<b>Drawbacks</b>
Personal Observations	<ul style="list-style-type: none"><li>• Get firsthand knowledge</li><li>• Information isn't filtered</li><li>• Intensive coverage of work activities</li></ul>	<ul style="list-style-type: none"><li>• Subject to personal biases</li><li>• Time-consuming</li><li>• Obtrusive</li></ul>
Statistical Reports	<ul style="list-style-type: none"><li>• Easy to visualize</li><li>• Effective for showing relationships</li></ul>	<ul style="list-style-type: none"><li>• Provide limited information</li><li>• Ignore subjective factors</li></ul>
Oral Reports	<ul style="list-style-type: none"><li>• Fast way to get information</li><li>• Allow for verbal and nonverbal feedback</li></ul>	<ul style="list-style-type: none"><li>• Information is filtered</li><li>• Information can't be documented</li></ul>
Written Reports	<ul style="list-style-type: none"><li>• Comprehensive</li><li>• Formal</li><li>• Easy to file and retrieve</li></ul>	<ul style="list-style-type: none"><li>• Take more time to prepare</li></ul>

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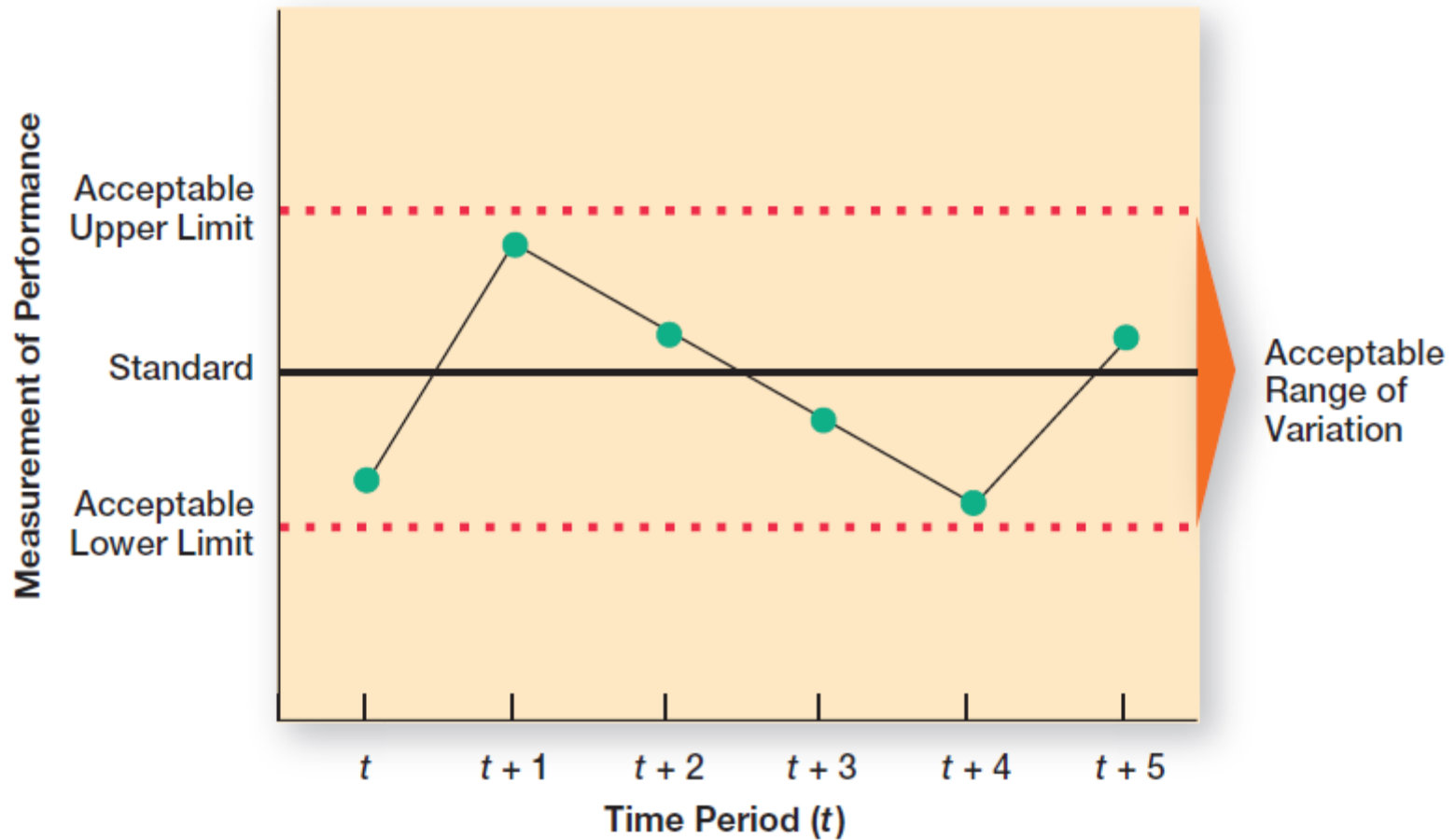
# The Control Process (cont.)

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- Step 2: Comparing Actual Performance Against the Standard
  - Determining the degree of variation between actual performance and the standard
  - **Range of variation** - the acceptable parameters of variance between actual performance and the standard.

# Exhibit 10-4

## Acceptable Range of Variation



# Exhibit 10-5 Green Earth Gardening Supply—*June Sales*

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<b>Product</b>	<b>Standard</b>	<b>Actual</b>	<b>Over (Under)</b>
Vegetable plants	1,075	913	(162)
Perennial flowers	630	634	4
Annual flowers	800	912	112
Herbs	160	140	(20)
Flowering bulbs	170	286	116
Flowering bushes	225	220	(5)
Heirloom seeds	540	672	132
<b>Total</b>	<b>3,600</b>	<b>3,777</b>	<b>177</b>

---

# The Control Process (cont.)

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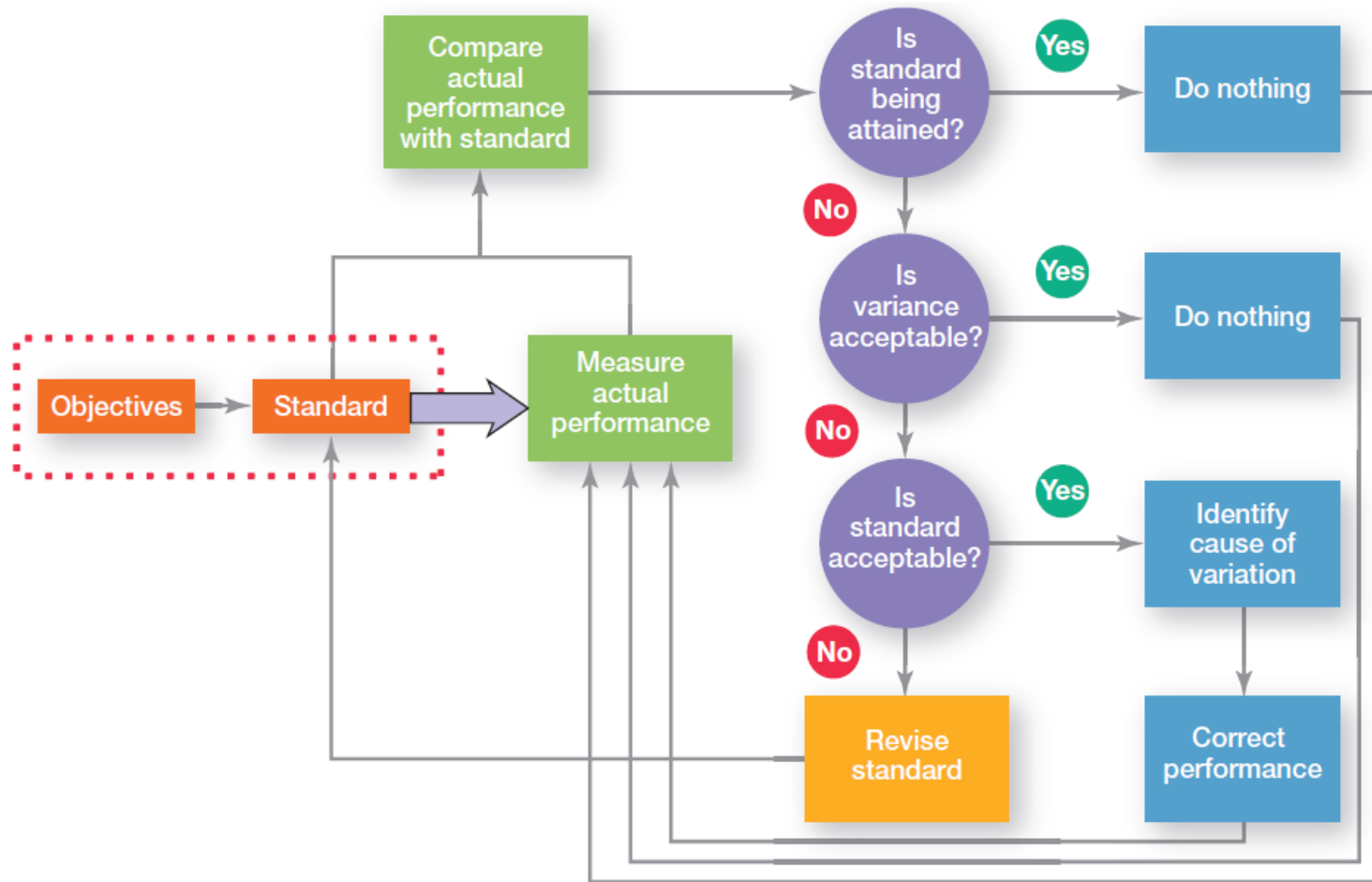
- Step 3: Taking Managerial Action
  - **Immediate corrective action** - corrective action that corrects problems at once in order to get performance back on track.
  - **Basic corrective action** - corrective action that looks at how and why performance deviated before correcting the source of deviation

# The Control Process (cont.)

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- Step 3 (cont.)
  - **Revise the Standard** - if performance consistently exceeds the goal, then a manager should look at whether the goal is too easy and needs to be raised
  - Managers must be cautious about revising a standard downward

# Exhibit 10-6 Managerial Decisions in the Control Process



# What Is Organizational Performance?

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- **Performance** - the end result of an activity.
- **Organizational performance** - the accumulated results of all the organization's work activities.



# Measures of Organizational Performance

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- **Productivity** - the amount of goods or services produced divided by the inputs needed to generate that output.
- **Organizational effectiveness** - a measure of how appropriate organizational goals are and how well those goals are being met.

# Exhibit 10-7 Popular Industry and Company Rankings

---

## ***Fortune* (www.fortune.com)**

*Fortune* 500  
Global 500  
World's Most Admired Companies  
100 Best Companies to Work For  
25 Top Companies for Leaders  
100 Fastest-Growing Companies

## **Forbes (www.forbes.com)**

25 Fastest-Growing Tech Companies  
Best Places for Business and Careers

## ***IndustryWeek* (www.industryweek.com)**

*IndustryWeek* 1000  
*IndustryWeek* U.S. 500  
50 Best Manufacturers  
*IndustryWeek* Best Plants

## **Customer Satisfaction Indexes**

American Customer Satisfaction Index—  
University of Michigan Business School  
Customer Satisfaction Measurement  
Association

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# Controlling for Employee Performance

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- **Disciplinary actions** - actions taken by a manager to enforce the organization's work standards and regulations.
- **Delivering Effective Performance Feedback** - managers need to provide their employees with feedback so that the employees know where they stand in terms of their work.

# Exhibit 10-8 Types of Discipline Problems and Examples of Each

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<b>Attendance</b>	Absenteeism, tardiness, abuse of sick leave
<b>On-the-job Behaviors</b>	Insubordination, failure to use safety devices, alcohol or drug abuse
<b>Dishonesty</b>	Theft, lying to supervisors, falsifying information on employment application or on other organizational forms
<b>Outside Activities</b>	Criminal activities, unauthorized strike activities, working for a competing organization (if no-compete clause is part of employment)

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# Tools for Measuring Organizational Performance

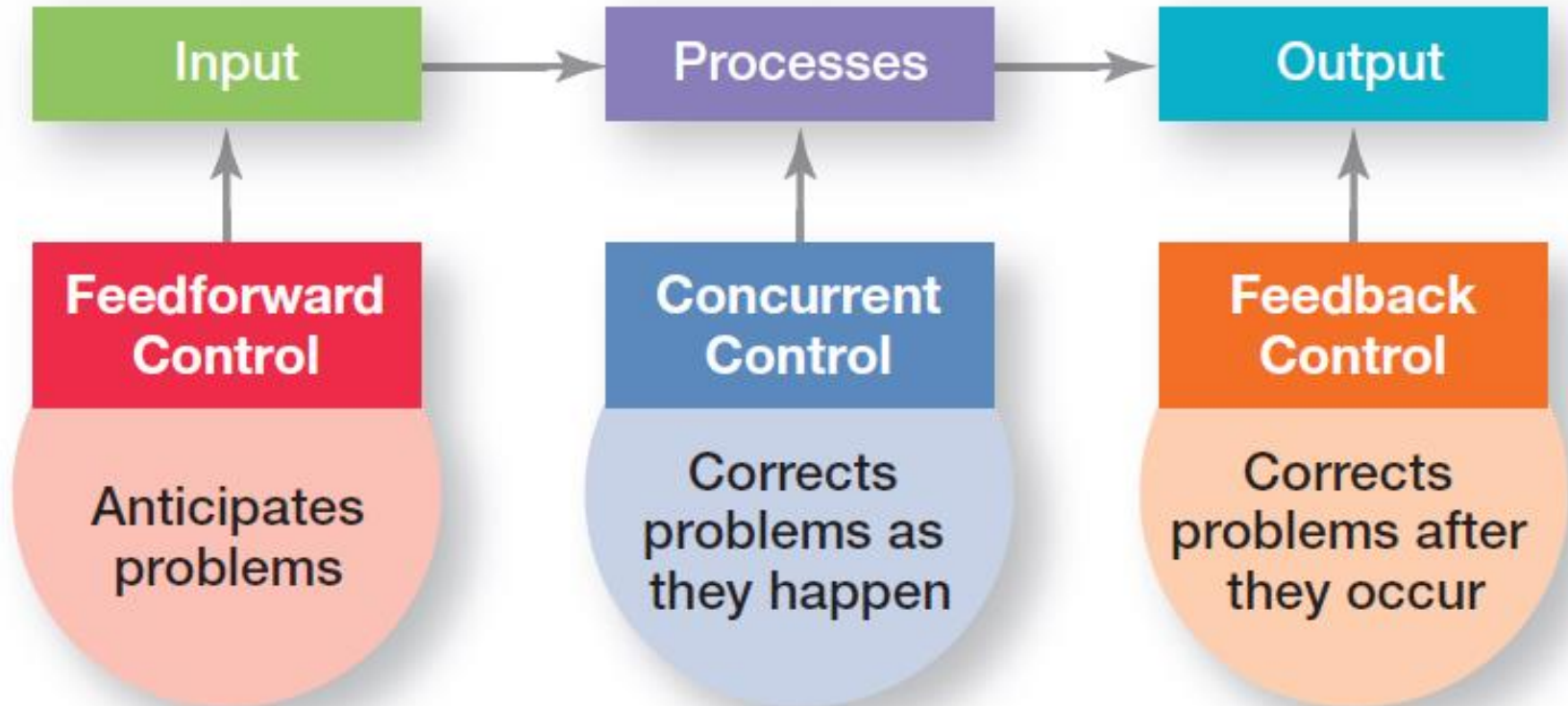
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- **Feed forward control** - control that takes place before a work activity is done.
- **Concurrent control** - control that takes place while a work activity is in progress.
  - **Management by walking around** - a term used to describe when a manager is out in the work area interacting directly with employees.
- **Feedback control** - control that takes place after a work activity is done.

# Exhibit 10-9

## Types of Control

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# Financial Controls

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- Traditional Controls
  - Ratio analysis
    - Liquidity
    - Leverage
    - Activity
    - Profitability
  - Budget Analysis
    - Quantitative standards
    - Deviations

# Exhibit 10-10

## Popular Financial Ratios

---

Objective	Ratio	Calculation	Meaning
Liquidity	Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	Tests the organization's ability to meet short-term obligations
	Acid test	$\frac{\text{Current assets less inventories}}{\text{Current liabilities}}$	Tests liquidity more accurately when inventories turn over slowly or are difficult to sell
Leverage	Debt to assets	$\frac{\text{Total debt}}{\text{Total assets}}$	The higher the ratio, the more leveraged the organization



# Exhibit 10-10

## Popular Financial Ratios (cont.)

---

Objective	Ratio	Calculation	Meaning
Activity	Inventory turnover	$\frac{\text{Sales}}{\text{Inventory}}$	The higher the ratio, the more efficiently inventory assets are used
	Total asset turnover	$\frac{\text{Sales}}{\text{Total assets}}$	The fewer assets used to achieve a given level of sales, the more efficiently management uses the organization's total assets
Profitability	Profit margin on sales	$\frac{\text{Net profit after taxes}}{\text{Total sales}}$	Identifies the profits that are generated
	Return on investment	$\frac{\text{Net profit after taxes}}{\text{Total assets}}$	Measures the efficiency of assets to generate profits

# Information Controls

---

- **Management information system (MIS)** - a system used to provide management with needed information on a regular basis.
  - **Data** - an unorganized collection of raw, unanalyzed facts (e.g., an unsorted list of customer names).
  - **Information** - data that has been analyzed and organized such that it has value and relevance to managers.

# The Balanced Scorecard

---

- **Balanced scorecard** - a performance measurement tool that examines more than just the financial perspective.
  - Measures a company's performance in four areas:
    - Financial
    - Customer
    - Internal processes
    - People/innovation/growth assets

# Benchmarking of Best Practices

---

- **Benchmarking** - the search for the best practices among competitors or non-competitors that lead to their superior performance.
  - **Benchmark** - the standard of excellence to measure and compare against.

# Exhibit 10-11 Suggestions for Internal Benchmarking

---

1. *Connect best practices to strategies and goals.* The organization's strategies and goals should dictate what types of best practices might be most valuable to others in the organization.
  2. *Identify best practices throughout the organization.* Organizations must have a way to find out what practices have been successful in different work areas and units.
  3. *Develop best practices reward and recognition systems.* Individuals must be given an incentive to share their knowledge. The reward system should be built into the organization's culture.
  4. *Communicate best practices throughout the organization.* Once best practices have been identified, that information needs to be shared with others in the organization.
  5. *Create a best practices knowledge-sharing system.* There needs to be a formal mechanism for organizational members to continue sharing their ideas and best practices.
  6. *Nurture best practices on an ongoing basis.* Create an organizational culture that reinforces a "we can learn from everyone" attitude and emphasizes sharing information.
-

# Contemporary Issues in Control

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- Adjusting Controls for Cross-Cultural Differences and Global Turmoil
  - Control techniques can be quite different for different countries
  - Differences are primarily in the measurement and corrective action steps of the control process
  - Managers in foreign countries also need to be aware of constraints on corrective actions they can take.

# Contemporary Issues in Control (cont.)

---

- Workplace privacy
  - Employers can (and do)
    - read your e-mail
    - tap your telephone
    - monitor your work by computer
    - store and review computer files
    - monitor you in an employee bathroom or dressing room
    - track your whereabouts in a company vehicle

# Contemporary Issues in Control (cont.)

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- **Employee theft** - any unauthorized taking of company property by employees for their personal use.
- **Workplace Violence** - the U.S. National Institute of Occupational Safety and Health still says that each year, some 2 million American workers are victims of some form of workplace violence.



# Exhibit 10-13

## Controlling Workplace Violence

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<b>Feedforward</b>	<b>Concurrent</b>	<b>Feedback</b>
Use MBWA (managing by walking around) to identify potential problems; observe how employees treat and interact with each other.	Ensure management commitment to functional, not dysfunctional, work environments.	Communicate openly about incidences and what's being done.
Provide employee assistance programs (EAPs) to help employees with behavioral problems.	Allow employees or work groups to "grieve" during periods of major organizational change.	Investigate incidences and take appropriate action.
Enforce organizational policy that any workplace rage, aggression, or violence will not be tolerated.	Be a good role model in how you treat others.	Review company policies and change, if necessary.

# Exhibit 10-13

## Controlling Workplace Violence (cont.)

---

<b>Feedforward</b>	<b>Concurrent</b>	<b>Feedback</b>
Use careful pre-hiring screening.	Use corporate hotlines or some other mechanism for reporting and investigating incidences.	
Never ignore threats.	Use quick and decisive intervention.	
Train employees about how to avoid danger if situation arises.	Get expert professional assistance if violence erupts.	
Clearly communicate policies to employees.	Provide necessary equipment or procedures for dealing with violent situations (cell phones, alarm system, code names or phrases, and so forth).	

# Contemporary Issues in Control (cont.)

---

- Controlling Customer Interactions
  - **Service profit chain** - the service sequence from employees to customers to profit.



# Contemporary Issues in Control (cont.)

---

- **Corporate governance** - the system used to govern a corporation so that the interests of corporate owners are protected.
- **The Role of Boards of Directors** - a group, independent from management, looking out for the interests of shareholders who were not involved in the day-to-day management of the organization

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## Foundations of Organizational Design

CHAPTER



# LEARNING OUTCOMES

***Describe*** six key elements in organizational design.

***Contrast*** mechanistic and organic structures.

***Discuss*** the contingency factors that favor either the mechanistic model or the organic model of organizational design.

***Describe*** traditional organizational designs.

# Designing Organizational Structure

---

- **Organizing** - arranging and structuring work to accomplish an organization's goals.
- **Organizational Structure** - the formal arrangement of jobs within an organization.

# Designing Organizational Structure

---

- **Organizational chart** - the visual representation of an organization's structure.
- **Organizational Design** - a process involving decisions about six key elements:
  - Work specialization
  - Departmentalization
  - Chain of command
  - Span of control
  - Centralization and decentralization
  - Formalization



# Exhibit 11-1

## Purposes of Organizing

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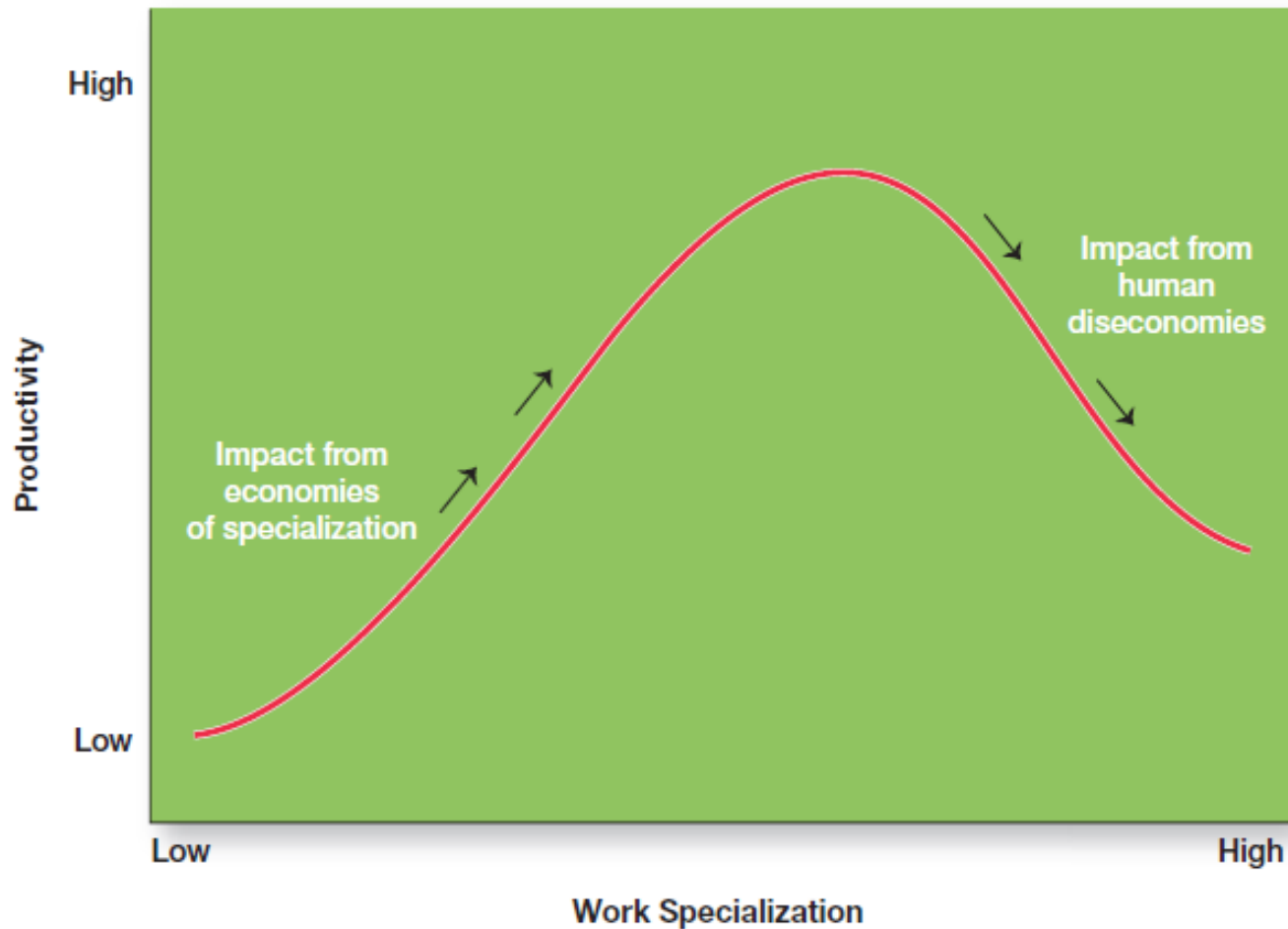
- Divides work to be done into specific jobs and departments.
  - Assigns tasks and responsibilities associated with individual jobs.
  - Coordinates diverse organizational tasks.
  - Clusters jobs into units.
  - Establishes relationships among individuals, groups, and departments.
  - Establishes formal lines of authority.
  - Allocates and deploys organizational resources.
-

# Organizational Structure

---

- **Work specialization** - dividing work activities into separate job tasks
- Early proponents of work specialization believed it could lead to great increases in productivity
- Overspecialization can result in human diseconomies such as boredom, fatigue, stress, poor quality, increased absenteeism, and higher turnover.

# Exhibit 11-2 Economies and Diseconomies of Work Specialization



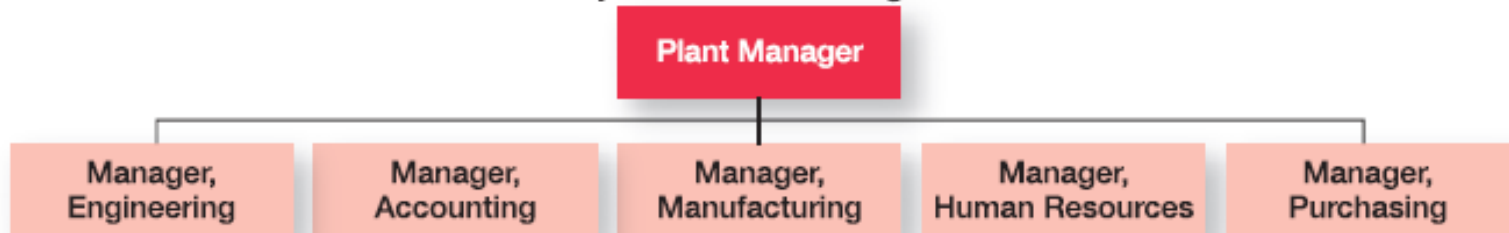
# Departmentalization

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- **Departmentalization** - the basis by which jobs are grouped together
- **Functional**
  - Grouping jobs by functions performed
- **Product**
  - Grouping jobs by product line
- **Geographical**
  - Grouping jobs on the basis of territory or geography
- **Process**
  - Grouping jobs on the basis of product or customer flow
- **Customer**
  - Grouping jobs by type of customer and needs

# Exhibit 11-3 The Five Common Forms of Departmentalization

## FUNCTIONAL DEPARTMENTALIZATION—Groups Jobs According to Function



- + Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations
- + Coordination within functional area
- + In-depth specialization
- Poor communication across functional areas
- Limited view of organizational goals

## GEOGRAPHICAL DEPARTMENTALIZATION—Groups Jobs According to Geographic Region

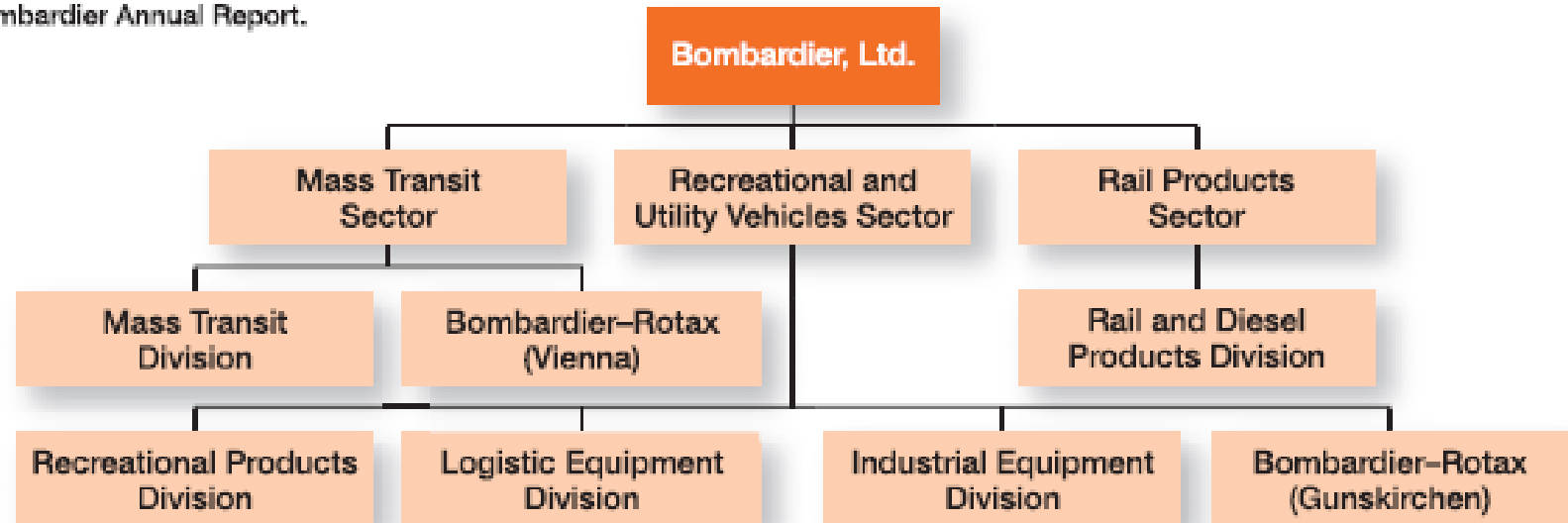


- + More effective and efficient handling of specific regional issues that arise
- + Serve needs of unique geographic markets better
- Duplication of functions
- Can feel isolated from other organizational areas

# Exhibit 11-3 (cont.)

## PRODUCT DEPARTMENTALIZATION – Groups Jobs by Product Line

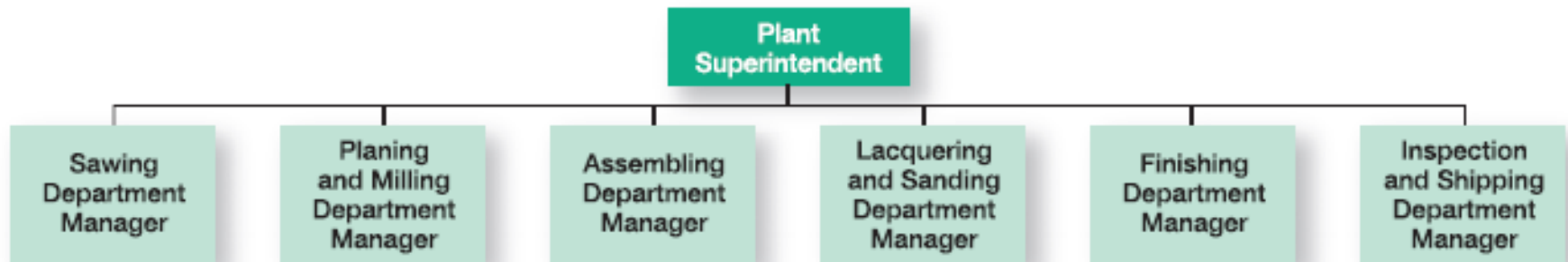
Source: Bombardier Annual Report.



- + Allows specialization in particular products and services
- + Managers can become experts in their industry
- + Closer to customers
- Duplication of functions
- Limited view of organizational goals

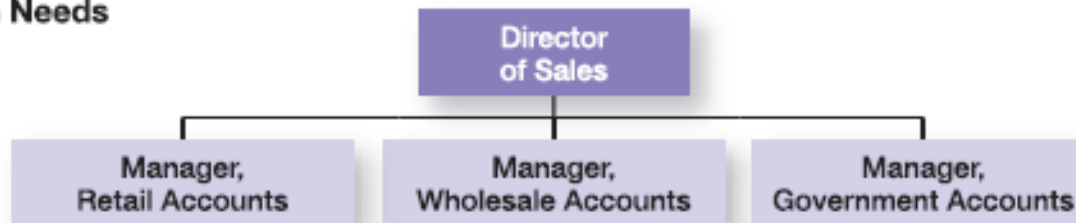
# Exhibit 11-3 (cont.)

## PROCESS DEPARTMENTALIZATION—Groups Jobs on the Basis of Product or Customer Flow



- + More efficient flow of work activities
- Can only be used with certain types of products

## CUSTOMER DEPARTMENTALIZATION—Groups Jobs on the Basis of Specific and Unique Customers Who Have Common Needs



- + Customers' needs and problems can be met by specialists
- Duplication of functions
- Limited view of organizational goals

# Departmentalization Trends

---

- Increasing use of customer departmentalization
- **Cross-functional team** - a work team composed of individuals from various functional specialties



# Chain of Command

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- **Chain of Command** - the continuous line of authority that extends from upper levels of an organization to the lowest levels of the organization—clarifies who reports to whom

# Authority

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- **Authority** - the rights inherent in a managerial position to tell people what to do and to expect them to do it.
- **Acceptance theory of authority** - the view that authority comes from the willingness of subordinates to accept it.

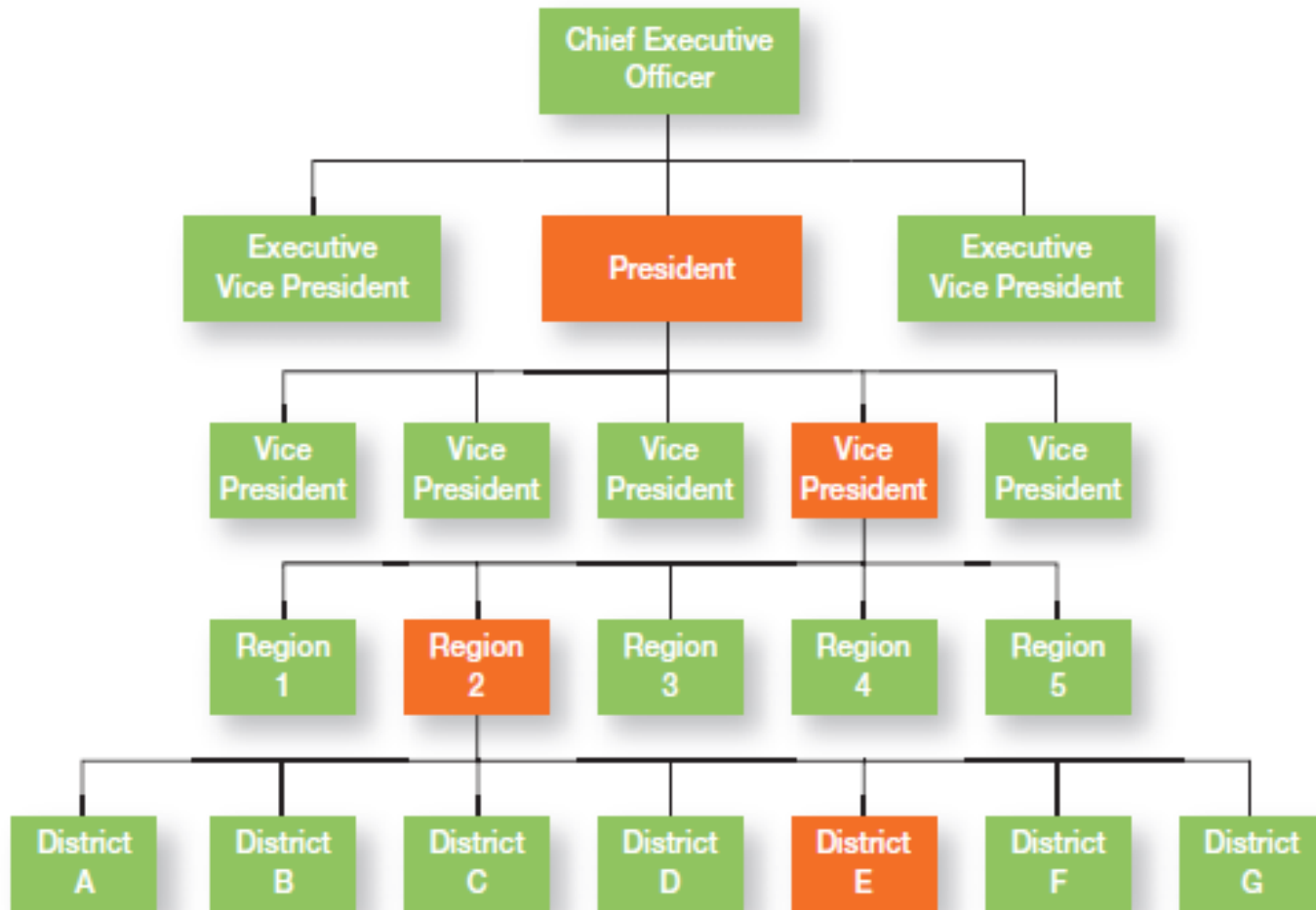
# Authority (cont.)

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- **Line authority** - authority that entitles a manager to direct the work of an employee
- **Staff authority** - positions with some authority that have been created to support, assist, and advise those holding line authority

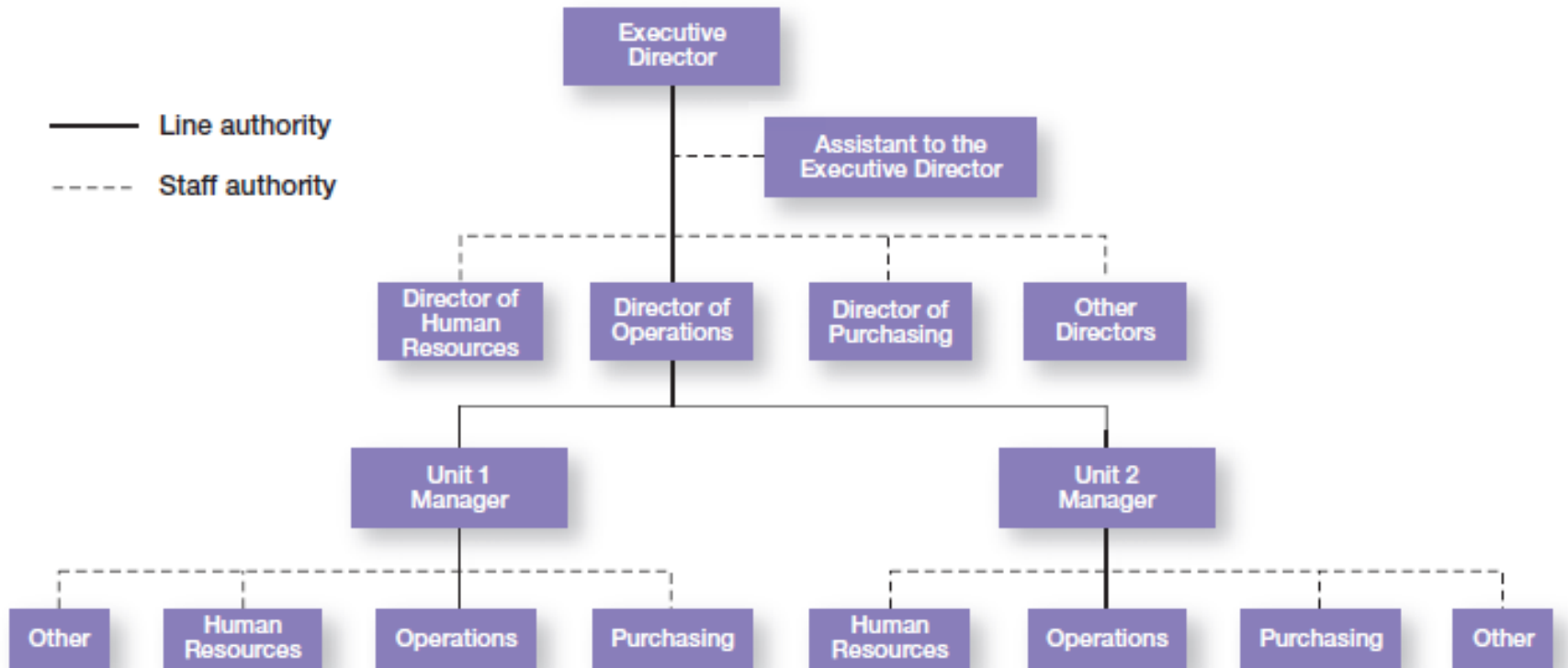
# Exhibit 11-4 Chain of Command and Line Authority

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# Exhibit 11-5

## Line Versus Staff Authority



# Responsibility and Unity of Command

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- **Responsibility** - the obligation or expectation to perform.
- **Unity of command** - the management principle that each person should report to only one manager

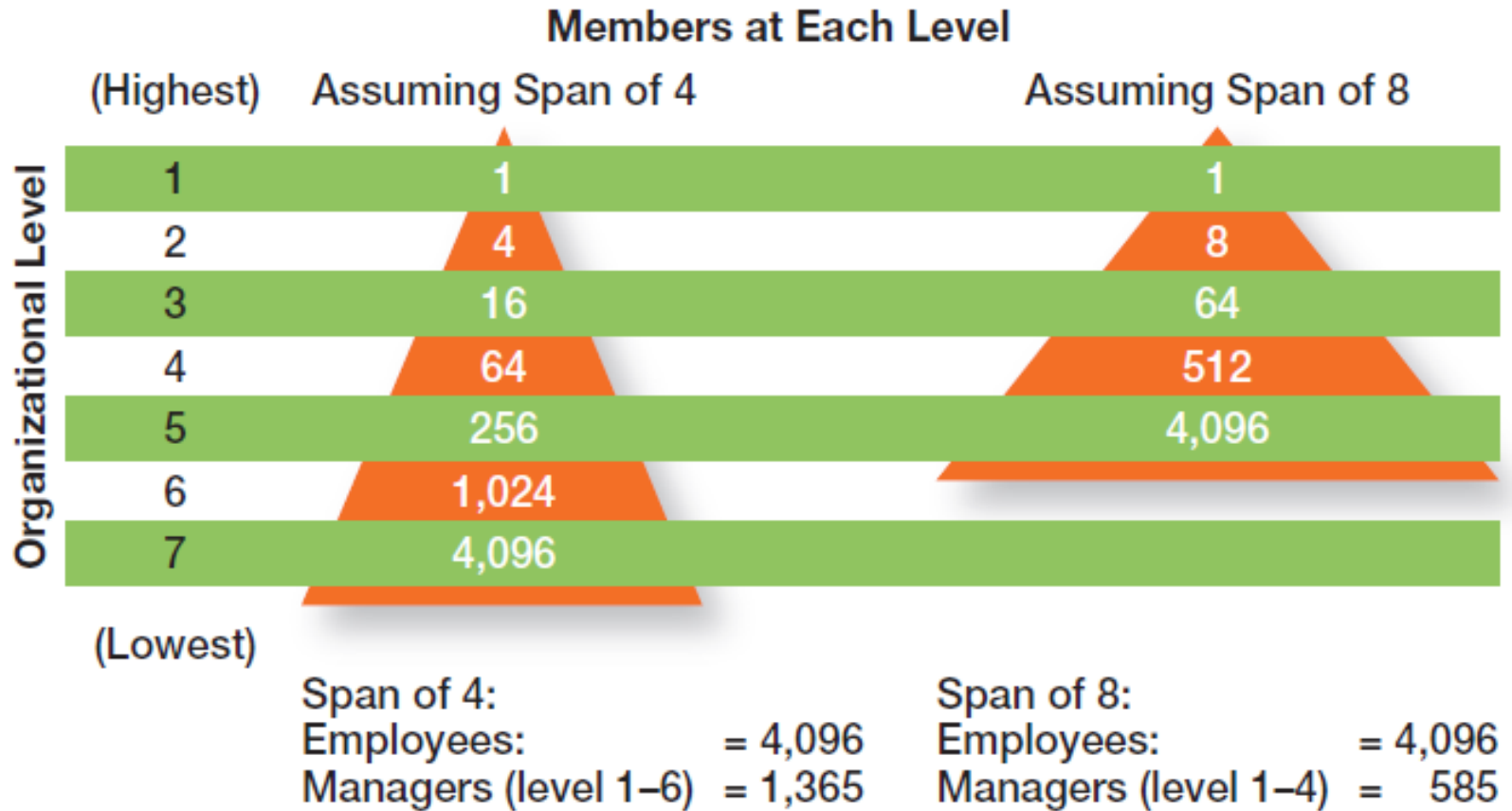
# Span of Control

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- **Span of Control** - the number of employees who can be effectively and efficiently supervised by a manager.

# Exhibit 11-6

## Contrasting Spans of Control





# Centralization and Decentralization

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- **Centralization** - the degree to which decision making is concentrated at upper levels of the organization
- **Decentralization** - the degree to which lower-level employees provide input or actually make decisions
- **Employee empowerment** - giving employees more authority (power) to make decisions

# Exhibit 11-7

## Centralization or Decentralization

---

### More Centralization

- Environment is stable.
- Lower-level managers are not as capable or experienced at making decisions as upper-level managers.
- Lower-level managers do not want a say in decisions.
- Decisions are relatively minor.
- Organization is facing a crisis or the risk of company failure.
- Company is large.
- Effective implementation of company strategies depends on managers retaining say over what happens.

### More Decentralization

- Environment is complex, uncertain.
  - Lower-level managers are capable and experienced at making decisions.
  - Lower-level managers want a voice in decisions.
  - Decisions are significant.
  - Corporate culture is open to allowing managers a say in what happens.
  - Company is geographically dispersed.
  - Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.
-

# Formalization

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- **Formalization** - the degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures.
  - Highly formalized jobs offer little discretion over what is to be done.
  - Low formalization means fewer constraints on how employees do their work.

# Mechanistic and Organic Structures

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- **Mechanistic organization** - an organizational design that's rigid and tightly controlled
- **Organic organization** - an organizational design that's highly adaptive and flexible

# Exhibit 11-8 Mechanistic Versus Organic Organizations

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## Mechanistic

- High specialization
- Rigid departmentalization
- Clear chain of command
- Narrow spans of control
- Centralization
- High formalization

## Organic

- Cross-functional teams
- Cross-hierarchical teams
- Free flow of information
- Wide spans of control
- Decentralization
- Low formalization

# Contingency Factors Affecting Structural Choice

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- **Strategy and Structure**
  - Changes in corporate strategy should lead to changes in an organization's structure that support the strategy.
  - Certain structural designs work best with different organizational strategies
    - The organic structure works well for organizations pursuing meaningful and unique innovations
    - The mechanistic organization works best for companies wanting to tightly control costs

# Contingency Factors (cont.)

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- Size and Structure - as an organization grows larger, its structure tends to change from organic to mechanistic with increased specialization, departmentalization, centralization, and rules/regulations.

# Contingency Factors (cont.)

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- Technology and Structure
  - Organizations adapt their structures to their technology.
  - Woodward's classification of firms based on the complexity of the technology employed:
    - **Unit production** of single units or small batches
    - **Mass production** of large batches of output
    - **Process production** in continuous process of outputs



# Exhibit 11-9 Woodward's Findings on Technology and Structure

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	<b>Unit Production</b>	<b>Mass Production</b>	<b>Process Production</b>
Structural characteristics:	Low vertical differentiation	Moderate vertical differentiation	High vertical differentiation
	Low horizontal differentiation	High horizontal differentiation	Low horizontal differentiation
	Low formalization	High formalization	Low formalization
Most effective structure:	Organic	Mechanistic	Organic

---

# Contingency Factors (cont.)

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- Environmental Uncertainty and Structure
  - Mechanistic organizational structures tend to be most effective in stable and simple environments.
  - The flexibility of organic organizational structures is better suited for dynamic and complex environments.

# Traditional Organizational Designs

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- **Simple structure** - an organizational design with low departmentalization, wide spans of control, centralized authority, and little formalization
- **Functional structure** - an organizational design that groups together similar or related occupational specialties
- **Divisional structure** - an organizational structure made up of separate, semiautonomous units or divisions

# Exhibit 11-10

## Traditional Organizational Designs

---

### **Simple Structure**

- Strengths: Fast; flexible; inexpensive to maintain; clear accountability.
- Weaknesses: Not appropriate as organization grows; reliance on one person is risky.

### **Functional Structure**

- Strengths: Cost-saving advantages from specialization (economies of scale, minimal duplication of people and equipment); employees are grouped with others who have similar tasks.
- Weaknesses: Pursuit of functional goals can cause managers to lose sight of what's best for the overall organization; functional specialists become insulated and have little understanding of what other units are doing.

### **Divisional Structure**

- Strengths: Focuses on results—division managers are responsible for what happens to their products and services.
- Weaknesses: Duplication of activities and resources increases costs and reduces efficiency.

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## Contemporary Organizational Design

CHAPTER

12

# LEARNING OUTCOMES

***Describe*** contemporary organizational designs.

***Discuss*** how organizations organize for collaboration.

***Explain*** flexible work arrangements used by organizations.

***Discuss*** organizing issues associated with a contingent workforce.

***Describe*** today's organizational design challenges.

# Contemporary Organizational Designs

---

- **Team Structure** - an organizational structure in which the entire organization is made up of work teams
- **Matrix-Project Structure** - an organizational structure that assigns specialists from different functional departments to work on one or more projects

# Exhibit 12-1 Contemporary Organizational Designs

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## Team Structure

- What it is: A structure in which the entire organization is made up of work groups or teams.
- Advantages: Employees are more involved and empowered.  
Reduced barriers among functional areas.
- Disadvantages: No clear chain of command.  
Pressure on teams to perform.

## Matrix-Project Structure

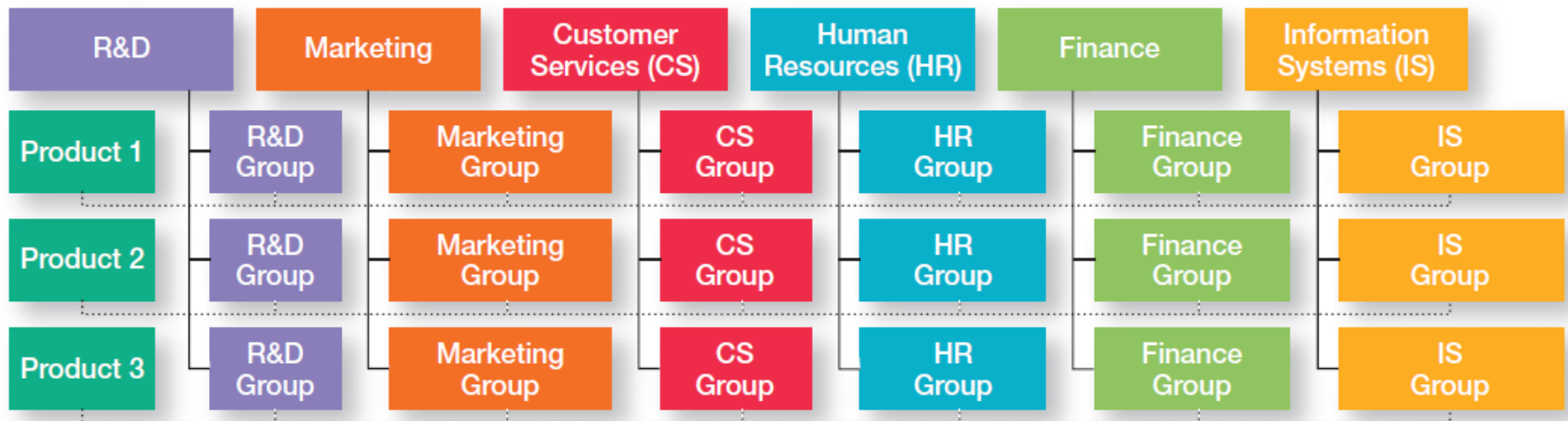
- What it is: Matrix is a structure that assigns specialists from different functional areas to work on projects who then return to their areas when the project is completed. Project is a structure in which employees continuously work on projects. As one project is completed, employees move on to the next project.
- Advantages: Fluid and flexible design that can respond to environmental changes.  
Faster decision making.
- Disadvantages: Complexity of assigning people to projects.  
Task and personality conflicts.



# Exhibit 12-2

## Example of a Matrix Organization

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# Contemporary Organizational Designs (cont.)

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- **Project Structure** - an organizational structure in which employees continuously work on projects
- **Boundaryless Organization** - an organization whose design is not defined by, or limited to, the horizontal, vertical, or external boundaries imposed by a predefined structure.

# Exhibit 12-1 Contemporary Organizational Designs (cont.)

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## Boundaryless Structure

- **What it is:** A structure that is not defined by or limited to artificial horizontal, vertical, or external boundaries; includes *virtual* and *network* types of organizations.
- **Advantages:** Highly flexible and responsive.  
Utilizes talent wherever it's found.
- **Disadvantages:** Lack of control.  
Communication difficulties.

# Contemporary Organizational Designs (cont.)

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- **Virtual Organization**  
- an organization that consists of a small core of full-time employees and outside specialists temporarily hired as needed to work on projects.



# Contemporary Organizational Designs (cont.)

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- **Network Organization** - an organization that uses its own employees to do some work activities and networks of outside suppliers to provide other needed product components or work processes.
- **Learning Organization** - an organization that has developed the capacity to continuously learn, adapt, and change

# Organizing for Collaboration

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- **Internal Collaboration**
  - **Cross-functional team** - a work team composed of individuals from various functional specialties.
  - **Task force (or ad hoc committee)** - a temporary committee or team formed to tackle a specific short-term problem affecting several departments.

# Exhibit 12-3 Benefits and Drawbacks of Collaborative Work

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## Benefits

- Increased communication and coordination
- Greater innovative output
- Enhanced ability to address complex problems
- Sharing of information and best practices

## Drawbacks

- Potential interpersonal conflict
  - Different views and competing goals
  - Logistics of coordinating
-

# Internal Collaboration (cont.)

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- **Communities of practice**
  - groups of people who share a concern, a set of problems, or a passion about a topic, and who deepen their knowledge and expertise in that area by interacting on an ongoing basis.





# Exhibit 12-4 Making Communities of Practice Work

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- Have top management support and set clear expectations.
  - Create an environment that will attract people and make them want to return for advice, conversation, and knowledge sharing.
  - Encourage regular meetings of the community, whether in person or online.
  - Establish regular communication among community members.
  - Focus on real problems and issues important to the organization.
  - Have clear accountability and managerial oversight.
-

# External Collaboration

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- **Open innovation** - opening up the search for new ideas beyond the organization's boundaries and allowing innovations to easily transfer inward and outward.
- **Strategic partnerships** - collaborative relationships between two or more organizations in which they combine their resources and capabilities for some business purpose.

# Exhibit 12-5 Benefits and Drawbacks of Open Innovation

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## Benefits

- Gives customers what they want—a voice
- Allows organizations to respond to complex problems
- Nurtures internal and external relationships
- Brings focus back to marketplace
- Provides way to cope with rising costs and uncertainties of product development

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## Drawbacks

- High demands of managing the process
- Extensive support needed
- Cultural challenges
- Greater need for flexibility
- Crucial changes required in how knowledge is controlled and shared

# Flexible Work Arrangements

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- **Telecommuting** - a work arrangement in which employees work at home and are linked to the workplace by computer.
- **Compressed workweek** - a workweek where employees work longer hours per day but fewer days per week



# Flexible Work Arrangements

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- **Flextime (or flexible work hours)** - a scheduling system in which employees are required to work a specific number of hours a week but are free to vary those hours within certain limits.
- **Job sharing** - the practice of having two or more people split a full-time job.

# Contingent Workforce

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- **Contingent workers** - temporary, freelance, or contract workers whose employment is contingent upon demand for their services.

# Today's Organizational Design Challenges

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- Keeping Employees Connected - mobile computing and communication technology have given organizations and employees ways to stay connected and to be more productive
  - e-mail, calendars, wireless networks, corporate databases, video conferences and web cams.

# Today's Organizational Design Challenges (cont.)

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- **Managing Global Structural Issues**
  - When designing or changing structure, managers may need to think about the cultural implications of certain design elements
  - Formalization may be more important in less economically developed countries and less important in more economically developed countries where employees may have higher levels of professional education and skills



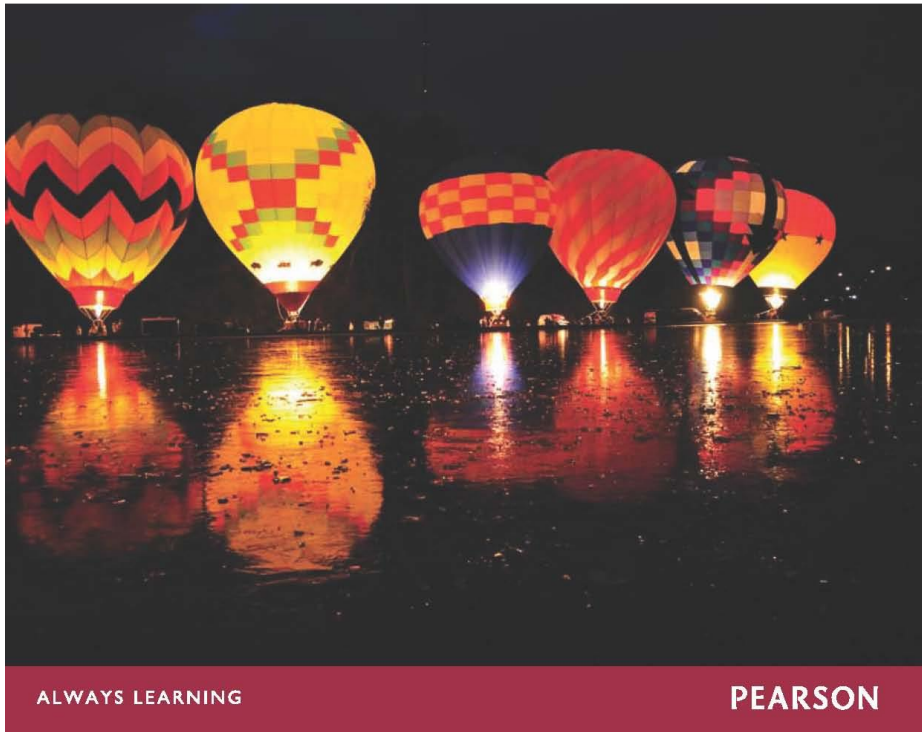
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## Foundations of Individual Behavior

CHAPTER

15

# LEARNING OUTCOMES

**Identify** the focus and goals of individual behavior within organizations.

**Explain** the role that attitudes play in job performance.

**Describe** different personality theories.

**Describe** perception and factors that influence it.

**Discuss** learning theories and their relevance in shaping behavior.

**Discuss** contemporary issues in organizational behavior.

# Focus and Goals of Organizational Behavior

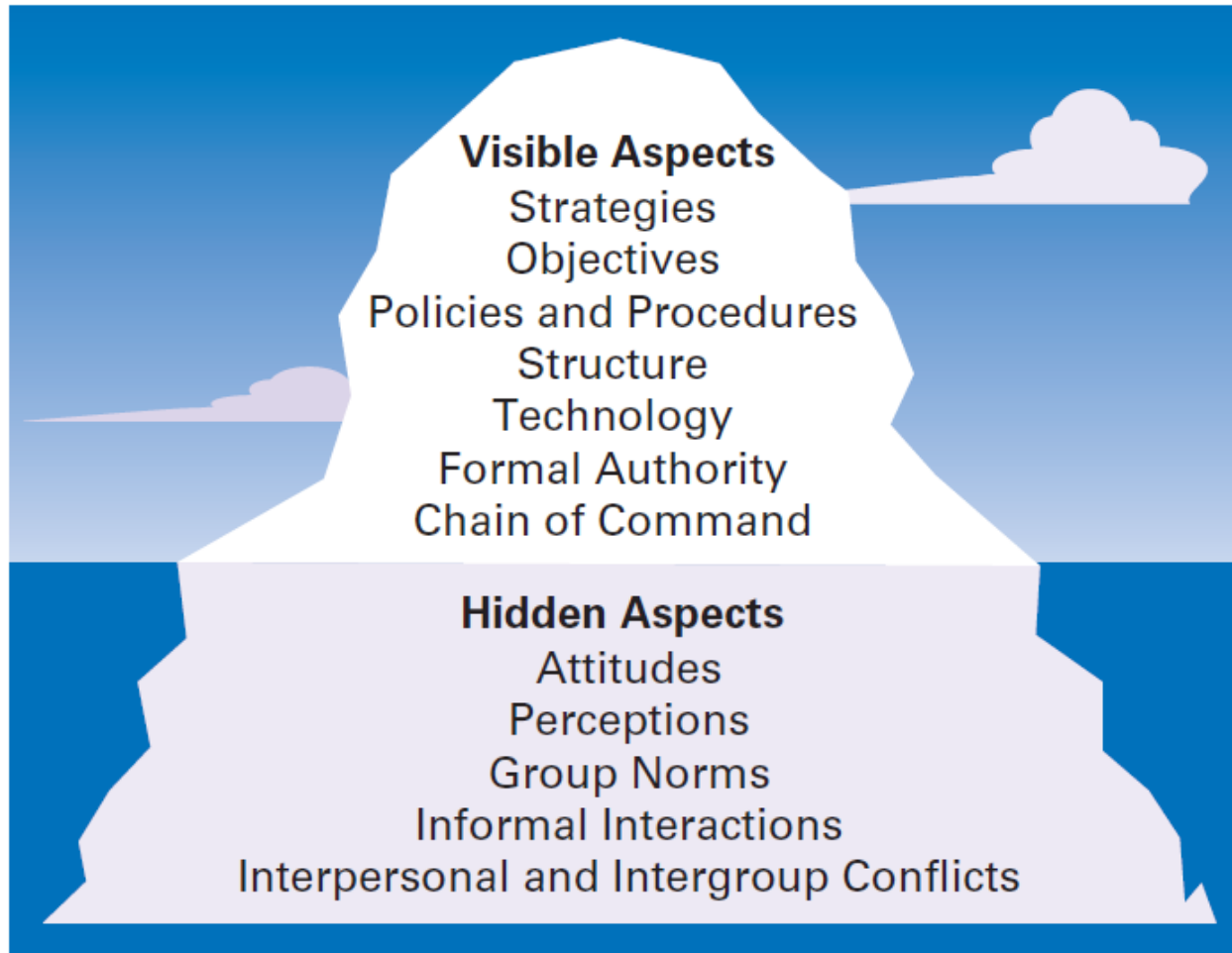
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- **Behavior** - the actions of people.
- **Organizational behavior** - the study of the actions of people at work.

# Exhibit 15-1

## Organization as Iceberg

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# Focus of Organizational Behavior

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- Organizational behavior focuses on three major areas
  1. Individual behavior including attitudes, personality, perception, learning, and motivation.
  2. Group behavior including norms, roles, team building, leadership, and conflict.
  3. Organizational aspects including structure, culture, and human resource policies and practices

# Goals of Organizational Behavior

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- The goals of OB are to *explain, predict,* and *influence* behaviors such as
  - **Employee productivity** - a performance measure of both efficiency and effectiveness.
  - **Absenteeism** - the failure to show up for work.
  - **Turnover** - the voluntary and involuntary permanent withdrawal from an organization

# Goals of Organizational Behavior (cont.)

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- **Organizational Citizenship Behavior (OCB)** - discretionary behavior that is not part of an employee's formal job requirements, but which promotes the effective functioning of the organization.
- **Job satisfaction** - an employee's general attitude toward his or her job

# Goals of Organizational Behavior (cont.)

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- **Workplace misbehavior** - any intentional employee behavior that is potentially damaging to the organization or to individuals within the organization



# Attitudes and Job Performance

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- **Attitudes** - evaluative statements, either favorable or unfavorable, concerning objects, people, or events.
- An attitude is made up of three components: cognition, affect, and behavior

# Attitudes and Job Performance (cont.)

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- **Cognitive component** - that part of an attitude that's made up of the beliefs, opinions, knowledge, or information held by a person.
- **Affective component** - that part of an attitude that's the emotional or feeling part.
- **Behavioral component** - that part of an attitude that refers to an intention to behave in a certain way toward someone or something.

# Job Satisfaction

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- A person with a high level of job satisfaction has a positive attitude toward his or her job.
- A person who is dissatisfied has a negative attitude.
- Job satisfaction is linked to productivity, absenteeism, turnover, customer satisfaction, OCB, and workplace misbehavior

# Job Involvement and Organizational Commitment

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- **Job involvement** - the degree to which an employee identifies with his or her job, actively participates in it, and considers his or her job performance to be important to self-worth.
- **Organizational commitment** - the degree to which an employee identifies with a particular organization and its goals and wishes to maintain membership in that organization.

# Job Involvement and Organizational Commitment (cont.)

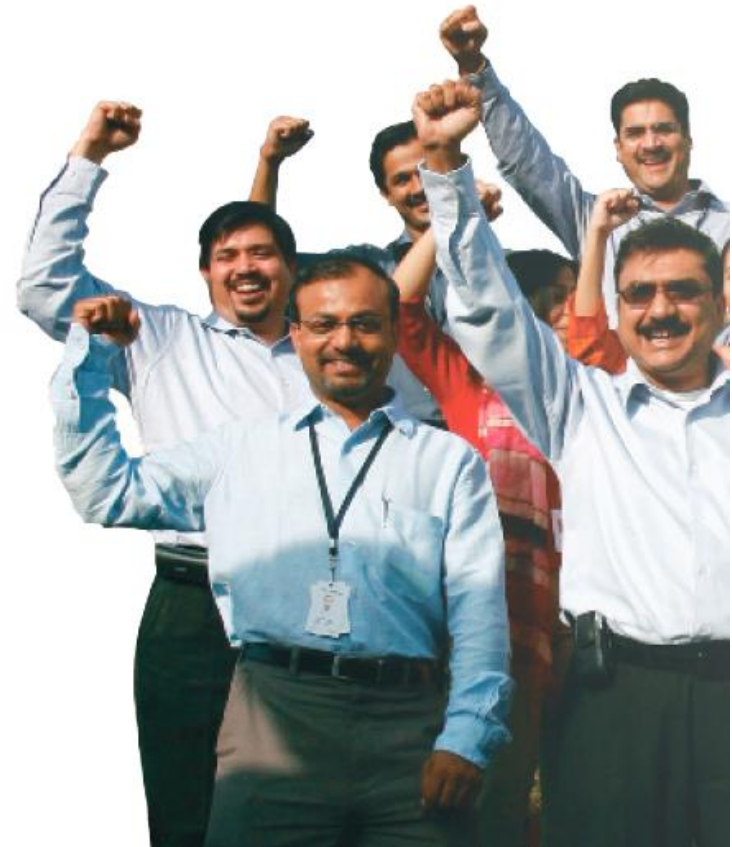
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- **Perceived organizational support** - employees' general belief that their organization values their contribution and cares about their well-being.

# Employee Engagement

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- **Employee engagement** - when employees are connected to, satisfied with, and enthusiastic about their jobs.



# Cognitive Dissonance Theory

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- **Cognitive dissonance** - any incompatibility or inconsistency between attitudes or between behavior and attitudes.
- **Attitude surveys** - surveys that elicit responses from employees through questions about how they feel about their jobs, work groups, supervisors, or the organization.

# Exhibit 15-2

## Sample Employee Attitude Survey

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Here are some sample statements from an employee attitude survey:

- I have ample opportunities to use my skills/abilities in my job.
  - My manager has a good relationship with my work group.
  - My organization provides me professional development opportunities.
  - I am told if I'm doing good work or not.
  - I feel safe in my work environment.
  - My organization is a great place to work.
-



# Personality

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- **Personality** - the unique combination of emotional, thought, and behavioral patterns that affect how a person reacts to situations and interacts with others.

# MBTI®

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- MBTI® - a popular personality-assessment instrument
- Classifies individuals as exhibiting a preference in four categories:
  1. Extraversion or introversion (E or I)
  2. Sensing or intuition (S or N)
  3. Thinking or feeling (T or F)
  4. Judging or perceiving (J or P).

# Exhibit 15-3 Examples of MBTI® Personality Types

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Type	Description
I-S-F-P (introversion, sensing, feeling, perceiving)	Sensitive, kind, modest, shy, and quietly friendly. Such people strongly dislike disagreements and will avoid them. They are loyal followers and quite often are relaxed about getting things done.
E-N-T-J (extraversion, intuition, thinking, judging)	Warm, friendly, candid, and decisive; also skilled in anything that requires reasoning and intelligent talk, but may sometimes overestimate what they are capable of doing.

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# The Big Five Model

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- **Big Five Model** – a personality trait model that include:
  1. Extraversion
  2. Agreeableness
  3. Conscientiousness
  4. Emotional stability
  5. Openness to experience.

# Additional Personality Insights

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- **Locus of control** - the degree to which people believe they are masters of their own fate.
- **Machiavellianism** - a measure of the degree to which people are pragmatic, maintain emotional distance, and believe that ends justify means.

# Additional Personality Insights (cont.)

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- **Self-esteem** - an individual's degree of like or dislike for him/herself.
- **Self-monitoring** - a personality trait that measures the ability to adjust behavior to external situational factors.

# Other Personality Traits

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- **Proactive personality** - a trait belonging to people who identify opportunities, show initiative, take action, and persevere until meaningful change occurs.
- **Resilience** - an individual's ability to overcome challenges and turn them into opportunities

# Emotions and Emotional Intelligence

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- **Emotions** - intense feelings that are directed at someone or something.
- **Emotional Intelligence (EI)** - the ability to notice and to manage emotional cues and information.



# Five Dimensions of Emotional Intelligence (EI)

---

- Emotional Intelligence (EI) is composed of five dimensions:
  1. *Self-awareness*: The ability to be aware of what you're feeling.
  2. *Self-management*: The ability to manage one's own emotions and impulses.
  3. *Self-motivation*: The ability to persist in the face of setbacks and failures.

# Five Dimensions of Emotional Intelligence (EI) (cont.)

---

4. *Empathy*: The ability to sense how others are feeling.
5. *Social skills*: The ability to handle the emotions of others.

# Exhibit 15-4

## Holland's Personality–Job Fit

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Type	Personality Characteristics	Sample Occupations
<i>Realistic.</i> Prefers physical activities that require skill, strength, and coordination	Shy, genuine, persistent, stable, conforming, practical	Mechanic, drill press operator, assembly-line worker, farmer
<i>Investigative.</i> Prefers activities involving thinking, organizing, and understanding	Analytical, original, curious, independent	Biologist, economist, mathematician, news reporter
<i>Social.</i> Prefers activities that involve helping and developing others	Sociable, friendly, cooperative, understanding	Social worker, teacher, counselor, clinical psychologist

# Exhibit 15-4

## Holland's Personality–Job Fit (cont.)

Type	Personality Characteristics	Sample Occupations
<i>Conventional.</i> Prefers rule-regulated, orderly, and unambiguous activities	Conforming, efficient, practical, unimaginative, inflexible	Accountant, corporate manager, bank teller, file clerk
<i>Enterprising.</i> Prefers verbal activities that offer opportunities to influence others and attain power	Self-confident, ambitious, energetic, domineering	Lawyer, real estate agent, public relations specialist, small business manager
<i>Artistic.</i> Prefers ambiguous and unsystematic activities that allow creative expression	Imaginative, disorderly, idealistic, emotional, impractical	Painter, musician, writer, interior decorator

# Perception

---

- **Perception** - a process by which we give meaning to our environment by organizing and interpreting sensory impressions.
- A number of factors act to shape and sometimes distort perception including:
  - Perceiver
  - Target
  - Situation

# Exhibit 15-5

## What Do You See?

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Old woman or young woman?



A knight on a horse?

# Attribution Theory

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- **Attribution Theory** - how the actions of individuals are perceived by others depends on what meaning (causation) we attribute to a given behavior.
  - Attribution depends on three factors: distinctiveness, consensus, and consistency.

# Attribution Theory (cont.)

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- **Fundamental attribution error** - the tendency to underestimate the influence of external factors and to overestimate the influence of internal or personal factors.
- **Self-serving bias** - the tendency of individuals to attribute their successes to internal factors while blaming personal failures on external factors.



# Exhibit 15-6

## Attribution Theory

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Observation	Interpretation	Attribution of Cause
Does person behave this way in other situations?	Yes: Low distinctiveness No: High distinctiveness	Internal attribution External attribution
Do other people behave the same way in similar situations?	Yes: High consensus No: Low consensus	External attribution Internal attribution
Does person behave this way consistently?	Yes: High consistency No: Low consistency	Internal attribution External attribution

# Shortcuts Used in Judging Others

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- **Assumed similarity** - the assumption that others are like oneself.
- **Stereotyping** - judging a person on the basis of one's perception of a group to which he or she belongs.
- **Halo effect** - a general impression of an individual based on a single characteristic.

# Learning

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- **Learning** - any relatively permanent change in behavior that occurs as a result of experience.
- Two theories of learning:
  - Operant conditioning
  - Social learning

# Operant Conditioning

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- **Operant conditioning** - a theory of learning that says behavior is a function of its consequences
  - Behaviors are learned by making rewards contingent to behaviors.
  - Behavior that is rewarded (positively reinforced) is likely to be repeated.
  - Behavior that is punished or ignored is less likely to be repeated.

# Social Learning

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- **Social learning theory** - a theory of learning that says people can learn through observation and direct experience.
  - The influence that these models have on an individual is determined by four processes:
    1. Attentional processes
    2. Retention processes
    3. Motor reproduction processes
    4. Reinforcement processes

# Shaping: A Managerial Tool

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- **Shaping behavior** - the process of guiding learning in graduated steps using reinforcement or lack of reinforcement.
  - **Positive reinforcement:** rewarding desired behaviors
  - **Negative reinforcement:** removing an unpleasant consequence once the desired behavior is exhibited
  - **Punishment:** penalizing an undesired behavior
  - **Extinction:** eliminating a reinforcement for an undesired behavior

# Contemporary Issues in Organizational Behavior

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- Managing Generational Differences in the Workplace
  - Gen Y: individuals born after 1978
    - Bring new attitudes to the workplace that reflect wide arrays of experiences and opportunities
    - Want to work, but don't want work to be their life
    - Challenge the status quo
    - Have grown up with technology

# Managing Negative Behavior in the Workplace

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- What can managers do to manage negative behavior in the workplace?
  - Screening potential employees for certain personality traits
  - Responding immediately and decisively to unacceptable negative behaviors



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## Motivation

CHAPTER

17

# LEARNING OUTCOMES

**Define** motivation.

**Compare** and contrast early theories of motivation.

**Compare** and contrast contemporary theories of motivation.

**Discuss** current issues in motivation.

# What Is Motivation?

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- **Motivation** - the process by which a person's efforts are energized, directed, and sustained toward attaining a goal.
  - *energy* is a measure of intensity, drive, and vigor
  - effort is channeled in a *direction* that benefits the organization
  - We want employees to *persist* in putting forth effort

# Early Theories of Motivation

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- Maslow's *Hierarchy of Needs*
- McGregor's *Theories X and Y*
- Herzberg's *Two-Factor Theory*
- McClelland's *Three Needs Theory*

# Maslow's Hierarchy of Needs Theory

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- **Hierarchy of needs theory** - Maslow's theory that human needs — physiological, safety, social, esteem, and self-actualization — form a sort of hierarchy.
- **Physiological needs** - a person's needs for food, drink, shelter, sexual satisfaction, and other physical needs.

# Maslow's Hierarchy of Needs Theory (cont.)

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- **Safety needs** - a person's needs for security and protection from physical and emotional harm.
- **Social needs** - a person's needs for affection, belongingness, acceptance, and friendship.

# Maslow's Hierarchy of Needs Theory (cont.)

---

- **Esteem needs** - a person's needs for internal factors (e.g., self-respect, autonomy, and achievement) and external factors (such as status, recognition, and attention).
- **Self-actualization needs** - a person's need to become what he or she is capable of becoming.

# Exhibit 17-1

## Maslow's Hierarchy of Needs

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# McGregor's Theory X and Theory Y

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- **Theory X** - the assumption that employees dislike work, are lazy, avoid responsibility, and must be coerced to perform.
- **Theory Y** - the assumption that employees are creative, enjoy work, seek responsibility, and can exercise self-direction.

# Herzberg's Two-Factor Theory

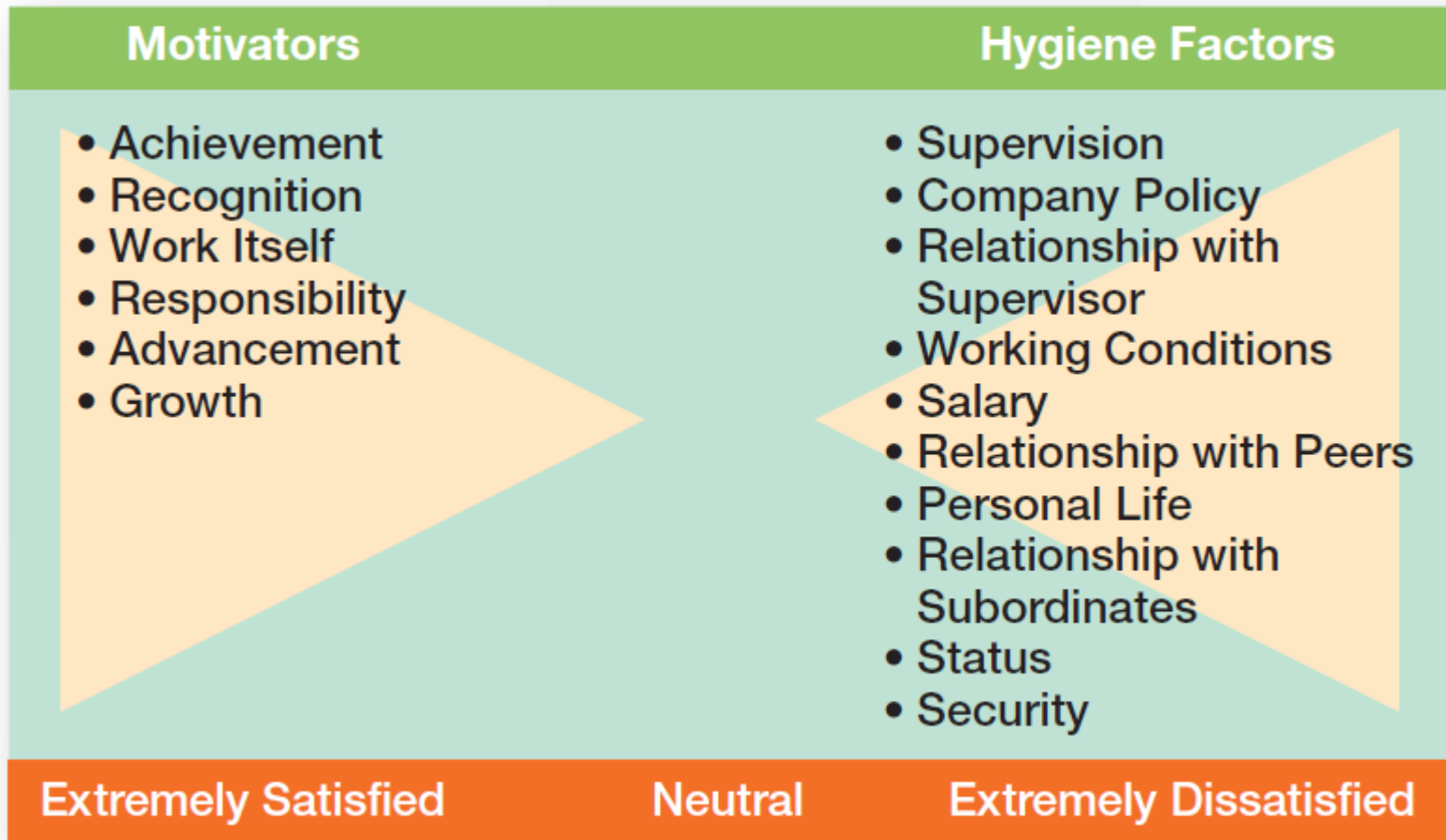
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- **Two-factor theory (motivation-hygiene theory)** - the motivation theory that claims that intrinsic factors are related to job satisfaction and motivation, whereas extrinsic factors are associated with job dissatisfaction.

# Exhibit 17-2

## Herzberg's Two Factor Theory

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# Herzberg's Two-Factor Theory (cont.)

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- **Hygiene factors** - factors that eliminate job dissatisfaction, but don't motivate.
- **Motivators** - factors that increase job satisfaction and motivation.

# Exhibit 17-3 Contrasting Views of Satisfaction– Dissatisfaction

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## Traditional View



## Herzberg's View



# Three-Needs Theory

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- **Three-needs theory** - the motivation theory that sites three acquired (non-innate) needs (achievement, power, and affiliation) as major motives in work.
- **Need for achievement (nAch)** - the drive to succeed and excel in relation to a set of standards.

# Three-Needs Theory (cont.)

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- **Need for power (nPow)** - the need to make others behave in a way that they would not have behaved otherwise.
- **Need for affiliation (nAff)** - the desire for friendly and close interpersonal relationships

# Exhibit 17-4

## TAT Pictures Source

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**nAch:** Indicated by someone in the story wanting to perform or do something better.

**nAff:** Indicated by someone in the story wanting to be with someone else and enjoy mutual friendship.

**nPow:** Indicated by someone in the story desiring to have an impact or make an impression on others in the story.



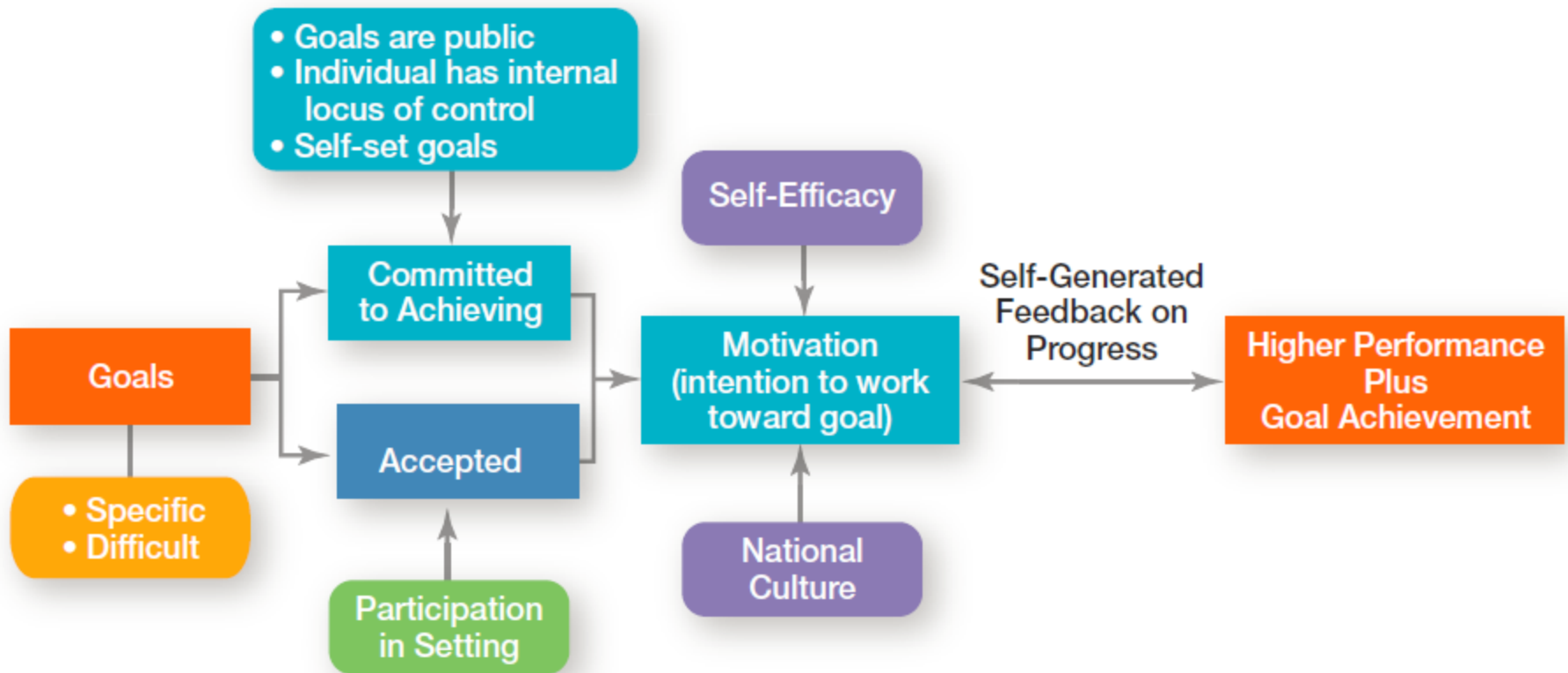
# Contemporary Theories of Motivation

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- **Goal-setting theory** - the proposition that specific goals increase performance and that difficult goals, when accepted, result in higher performance than do easy goals.
- **Self-efficacy** - an individual's belief that he or she is capable of performing a task.

# Exhibit 17-5

## Goal-Setting Theory



# Reinforcement Theory

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- **Reinforcement theory** - the theory that behavior is a function of its consequences.
- **Reinforcers** - consequences immediately following a behavior which increase the probability that the behavior will be repeated.

# Designing Motivating Jobs

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- **Job design** - the way tasks are combined to form complete jobs.
- **Job scope** - the number of different tasks required in a job and the frequency with which those tasks are repeated.
- **Job enlargement** - the horizontal expansion of a job that occurs as a result of increasing job scope.

# Designing Motivating Jobs (cont.)

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- **Job enrichment** - the vertical expansion of a job that occurs as a result of additional planning and evaluation of responsibilities.
- **Job depth** - the degree of control employees have over their work.
- **Job characteristics model (JCM)** - a framework for analyzing and designing jobs that identifies five primary core job dimensions, their interrelationships, and their impact on outcomes.

# Five Core Job Dimensions

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- 1. Skill variety**, the degree to which a job requires a variety of activities so that an employee can use a number of different skills and talents.
- 2. Task identity**, the degree to which a job requires completion of a whole and identifiable piece of work.

## Five Core Job Dimensions (cont.)

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- 3. Task significance**, the degree to which a job has a substantial impact on the lives or work of other people.
- 4. Autonomy**, the degree to which a job provides substantial freedom, independence, and discretion to the individual in scheduling the work and determining the procedures to be used in carrying it out.

# Five Core Job Dimensions (cont.)

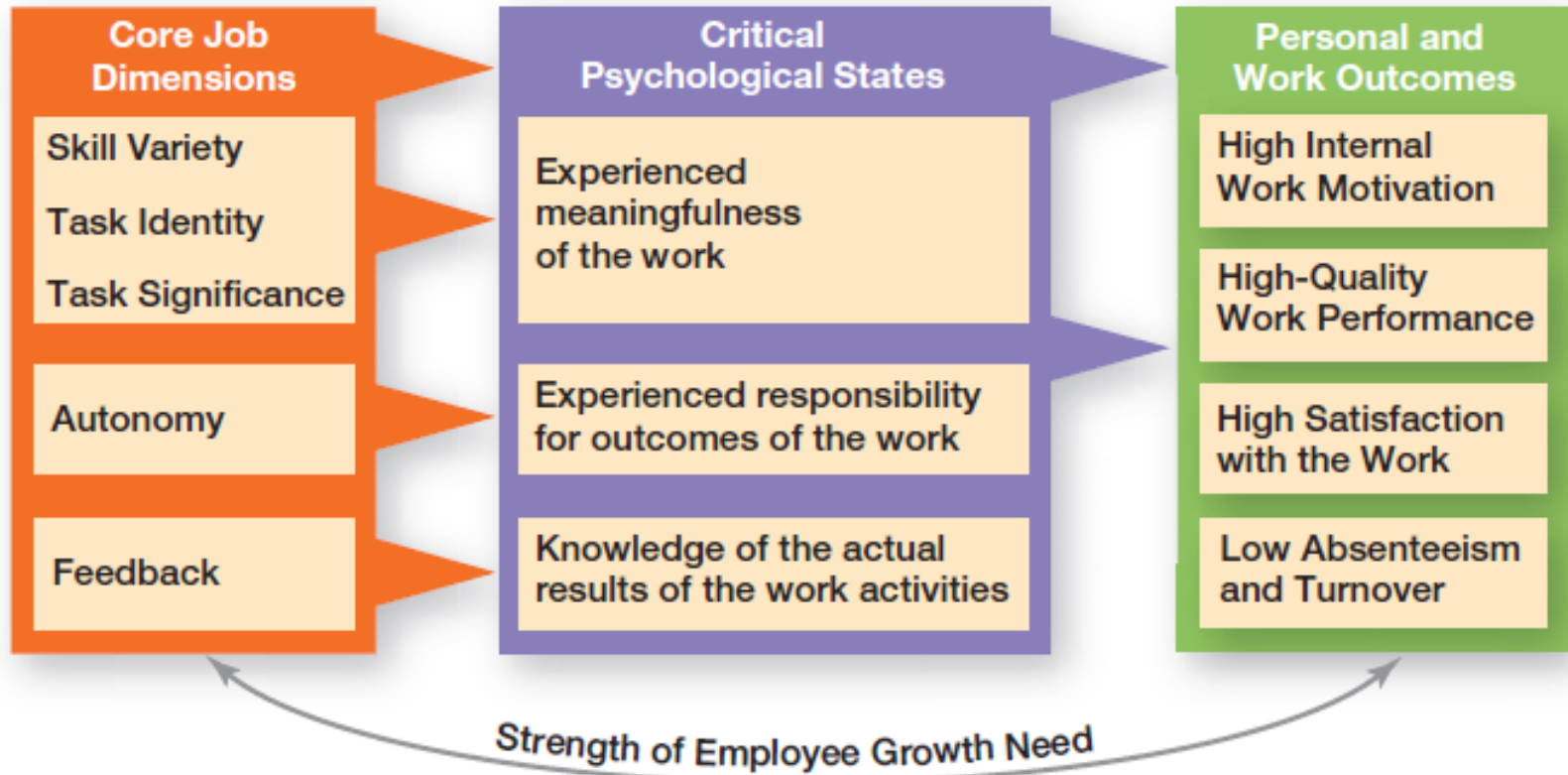
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**5. Feedback**, the degree to which doing work activities required by a job results in an individual obtaining direct and clear information about the effectiveness of his or her performance.



# Exhibit 17-6

## Job Characteristics Model



# Redesigning Job Design Approaches

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- **Relational perspective of work design** - an approach to job design that focuses on how people's tasks and jobs are increasingly based on social relationships.
- **Proactive perspective of work design** - an approach to job design in which employees take the initiative to change how their work is performed.

# Redesigning Job Design Approaches (cont.)

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- **High-involvement work practices** - work practices designed to elicit greater input or involvement from workers.

# Equity Theory

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- **Equity theory** - the theory that an employee compares his or her job's input-outcome ratio with that of relevant others and then corrects any inequity.
- **Referents** - the persons, systems, or selves against which individuals compare themselves to assess equity.
- **Distributive justice** - perceived fairness of the amount and allocation of rewards among individuals.

# Equity Theory (cont.)

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- **Procedural justice** - perceived fairness of the process used to determine the distribution of rewards

# Exhibit 17-7 Equity Theory

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Perceived Ratio Comparison <sup>a</sup>	Employee's Assessment
$\frac{\text{Outcomes A}}{\text{Inputs A}} < \frac{\text{Outcomes B}}{\text{Inputs B}}$	Inequity (underrewarded)
$\frac{\text{Outcomes A}}{\text{Inputs A}} = \frac{\text{Outcomes B}}{\text{Inputs B}}$	Equity
$\frac{\text{Outcomes A}}{\text{Inputs A}} > \frac{\text{Outcomes B}}{\text{Inputs B}}$	Inequity (overrewarded)

<sup>a</sup>Person A is the employee, and person B is a relevant other or referent.

# Expectancy Theory

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- **Expectancy theory** - the theory 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 Theory (cont.)

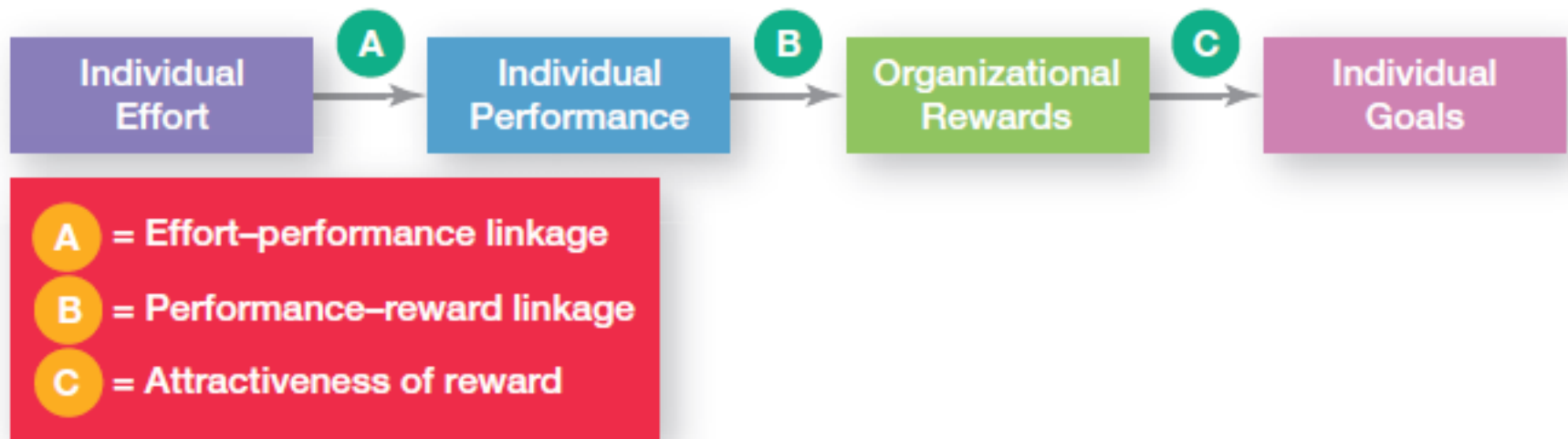
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- Expectancy Relationships
  - Expectancy (effort-performance linkage)
    - The perceived probability that an individual's effort will result in a certain level of performance.
  - Instrumentality
    - The perception that a particular level of performance will result in attaining a desired outcome (reward).
  - Valence
    - The attractiveness/importance of the performance reward (outcome) to the individual.

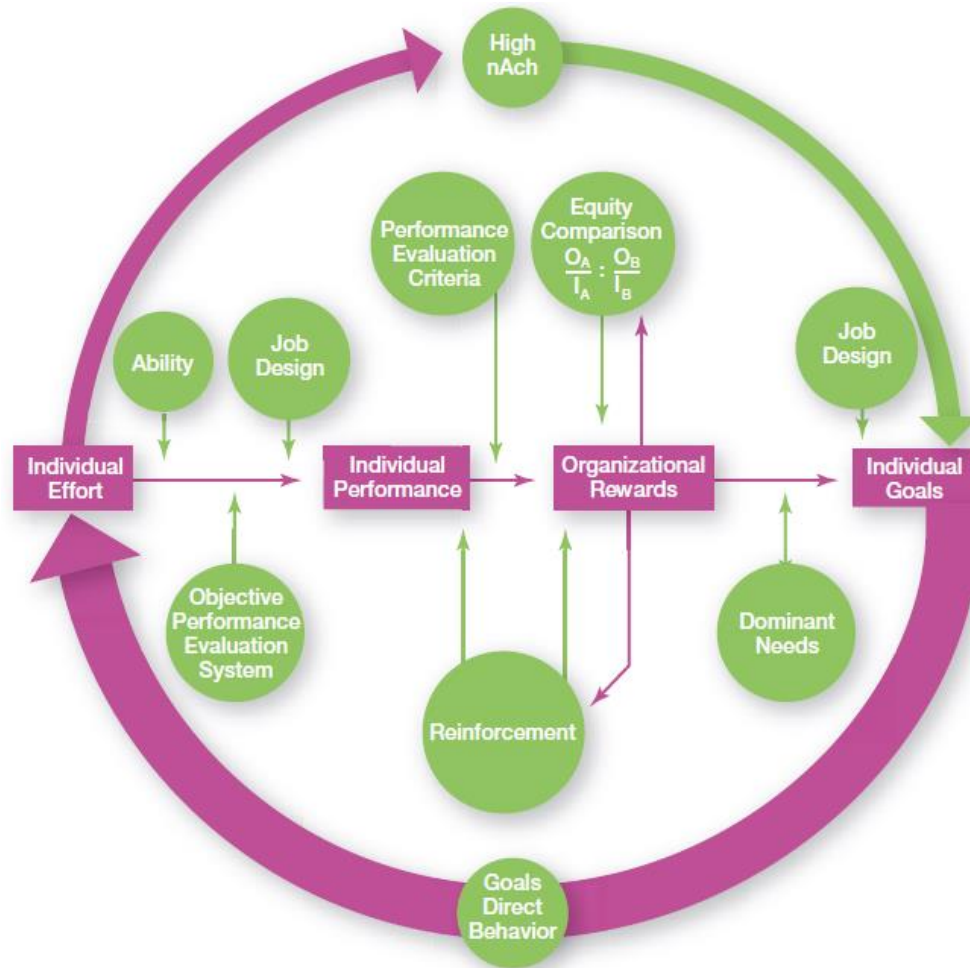


# Exhibit 17-8 Expectancy Model

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# Exhibit 17-9 Integrating Contemporary Theories of Motivation



# Current Issues in Motivation

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- Motivating in Tough Economic Circumstances
  - The economic recession of the last few years was difficult for many organizations
  - Layoffs, tight budgets, minimal or no pay raises, benefit cuts, no bonuses, long hours doing the work of those who had been laid off— was the reality that many employees faced.

# Current Issues in Motivation (cont.)

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- Managing Cross-Cultural Motivational Challenges
  - Most current motivation theories were developed in the United States by Americans and about Americans
  - Managers can't automatically assume motivational programs that work in one geographic location are going to work in others

# Current Issues in Motivation (cont.)

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- **Motivating Unique Groups of Workers**
  - **Compressed workweek**
    - Longer daily hours, but fewer days
  - **Flexible work hours (flextime)**
    - Specific weekly hours with varying arrival, departure, lunch and break times around certain core hours during which all employees must be present
  - **Job Sharing**
    - Two or more people split a full-time job
  - **Telecommuting**
    - Employees work from home using computer links

# Current Issues in Motivation (cont.)

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- **Motivating Professionals**
  - Characteristics of professionals
    - Strong and long-term commitment to their field of expertise
    - Loyalty is to their profession, not to the employer
    - Have the need to regularly update their knowledge
    - Don't define their workweek as 8:00 am to 5:00 pm.

# Current Issues in Motivation (cont.)

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- **Motivating Contingent Workers**
  - Opportunity to become a permanent employee
  - Opportunity for training
  - Equity in compensation and benefits
- **Motivating Low-Skilled, Minimum-Wage Employees**
  - Employee recognition programs
  - Provision of sincere praise

# Designing Appropriate Rewards Programs

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- **Open-book management** - a motivational approach in which an organization's financial statements (the "books") are shared with all employees.
- **Employee recognition programs** - programs based on personal attention and expression of interest, approval, and appreciation for a job well done.
- **Pay-for-performance programs** - variable compensation plans that pay employees on the basis of some performance measure.



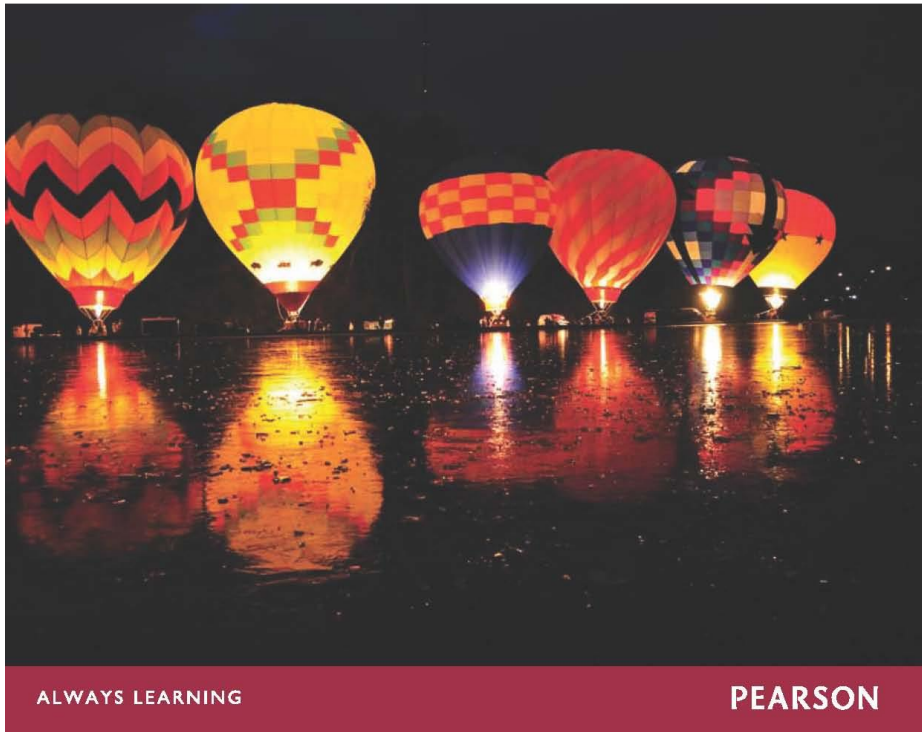
GLOBAL  
EDITION



# Management

TWELFTH EDITION

Stephen P. Robbins • Mary Coulter



# Leadership

CHAPTER

18

# LEARNING OUTCOMES

**Define** leader and leadership.

**Compare** and contrast early theories of leadership.

**Describe** the three major contingency theories of leadership.

**Describe** contemporary views of leadership.

**Discuss** contemporary issues affecting leadership.

# Who Are Leaders and What Is Leadership?

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- **Leader** - Someone who can influence others and who has managerial authority.
- **Leadership** - What leaders do; the process of influencing a group to achieve goals.
- Ideally, all managers *should be* leaders.

# Early Leadership Theories

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- **Trait Theories (1920s -1930s)**
  - Research focused on identifying personal characteristics that differentiated leaders from non-leaders was unsuccessful.
  - It proved impossible to identify a set of traits that would *always* differentiate a leader (the person) from a nonleader.

# Exhibit 18-1 Eight Traits Associated with Leadership

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1. *Drive.* Leaders exhibit a high effort level. They have a relatively high desire for achievement, they are ambitious, they have a lot of energy, they are tirelessly persistent in their activities, and they show initiative.
2. *Desire to lead.* Leaders have a strong desire to influence and lead others. They demonstrate the willingness to take responsibility.
3. *Honesty and integrity.* Leaders build trusting relationships with followers by being truthful or nondeceitful and by showing high consistency between word and deed.
4. *Self-confidence.* Followers look to leaders for an absence of self-doubt. Leaders, therefore, need to show self-confidence in order to convince followers of the rightness of their goals and decisions.

# Exhibit 18-1 Eight Traits Associated with Leadership (cont.)

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- 5. *Intelligence.*** Leaders need to be intelligent enough to gather, synthesize, and interpret large amounts of information, and they need to be able to create visions, solve problems, and make correct decisions.
- 6. *Job-relevant knowledge.*** Effective leaders have a high degree of knowledge about the company, industry, and technical matters. In-depth knowledge allows leaders to make well-informed decisions and to understand the implications of those decisions.
- 7. *Extraversion.*** Leaders are energetic, lively people. They are sociable, assertive, and rarely silent or withdrawn.
- 8. *Proneness to guilt.*** Guilt proneness is positively related to leadership effectiveness because it produces a strong sense of responsibility for others.

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Sources: Based on S. A. Kirkpatrick and E. A. Locke, "Leadership: Do Traits Really Matter?" *Academy of Management Executive*, May 1991, pp. 48–60; T. A. Judge, J. E. Bono, R. Ilies, and M. W. Gerhardt, "Personality and Leadership: A Qualitative and Quantitative Review," *Journal of Applied Psychology*, August 2002, pp. 765–780; and R. L. Schauberg and F. J. Flynn, "Uneasy Lies the Head That Wears the Crown: The Link Between Guilt Proneness and Leadership," *Journal of Personality and Social Psychology*, August 2012, pp. 327–342.

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# Early Leadership Theories (cont.)

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- **Behavioral theories** - leadership theories that identify behaviors that differentiated effective leaders from ineffective leaders.
- **University of Iowa Studies**
  - Identified three leadership styles
    - Autocratic
    - Democratic
    - Laissez-faire

# University of Iowa Studies (cont.)

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- **Autocratic style** - A leader who dictates work methods, makes unilateral decisions, and limits employee participation
- **Democratic style** - A leader who involves employees in decision making, delegates authority, and uses feedback as an opportunity for coaching employees
- **Laissez-faire style** - A leader who lets the group make decisions and complete the work in whatever way it sees fit



# Early Leadership Theories (cont.)

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- **The Ohio State Studies**

- Identified two dimensions of leader behavior:

- **Initiating structure:** the role of the leader in defining his or her role and the roles of group members.
    - **Consideration:** the leader's mutual trust and respect for group members' ideas and feelings.

# Results of Ohio State Studies

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- High consideration/high structure leaders generally, but not always, achieved high scores on group task performance and satisfaction.
- Evidence indicated that situational factors appeared to strongly influence leadership effectiveness.

# University of Michigan Studies

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- Identified two dimensions of leader behavior:
  - **Employee oriented:** emphasizing personal relationships
  - **Production oriented:** emphasizing task accomplishment
- Research findings:
  - Leaders who are employee oriented are strongly associated with high group productivity and high job satisfaction.

# The Managerial Grid

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- **Managerial grid** - a two-dimensional grid for appraising leadership styles
- Places managerial styles in five categories:
  - Impoverished management
  - Task management
  - Middle-of-the-road management
  - Country club management
  - Team management

# Exhibit 18-2

## Behavioral Theories of Leadership

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	<b>Behavioral Dimension</b>	<b>Conclusion</b>
University of Iowa	<p><i>Democratic style:</i> involving subordinates, delegating authority, and encouraging participation</p> <p><i>Autocratic style:</i> dictating work methods, centralizing decision making, and limiting participation</p> <p><i>Laissez-faire style:</i> giving group freedom to make decisions and complete work</p>	Democratic style of leadership was most effective, although later studies showed mixed results.

# Exhibit 18-2 Behavioral Theories of Leadership (cont.)

	<b>Behavioral Dimension</b>	<b>Conclusion</b>
Ohio State	<i>Consideration:</i> being considerate of followers' ideas and feelings  <i>Initiating structure:</i> structuring work and work relationships to meet job goals	High-high leader (high in consideration and high in initiating structure) achieved high subordinate performance and satisfaction, but not in all situations
University of Michigan	<i>Employee oriented:</i> emphasized interpersonal relationships and taking care of employees' needs  <i>Production oriented:</i> emphasized technical or task aspects of job	Employee-oriented leaders were associated with high group productivity and higher job satisfaction.

# Exhibit 18-2 Behavioral Theories of Leadership (cont.)

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	<b>Behavioral Dimension</b>	<b>Conclusion</b>
Managerial Grid	<p><i>Concern for people:</i> measured leader's concern for subordinates on a scale of 1 to 9 (low to high)</p> <p><i>Concern for production:</i> measured leader's concern for getting job done on a scale 1 to 9 (low to high)</p>	Leaders performed best with a 9,9 style (high concern for production and high concern for people).

# Contingency Theories of Leadership

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- **Fiedler contingency model** - a leadership theory proposing that effective group performance depends on the proper match between a leader's style and the degree to which the situation allows the leader to control and influence



# The Fiedler Model (cont.)

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- **Least-preferred coworker (LPC) questionnaire** - a questionnaire that measures whether a leader is task or relationship oriented

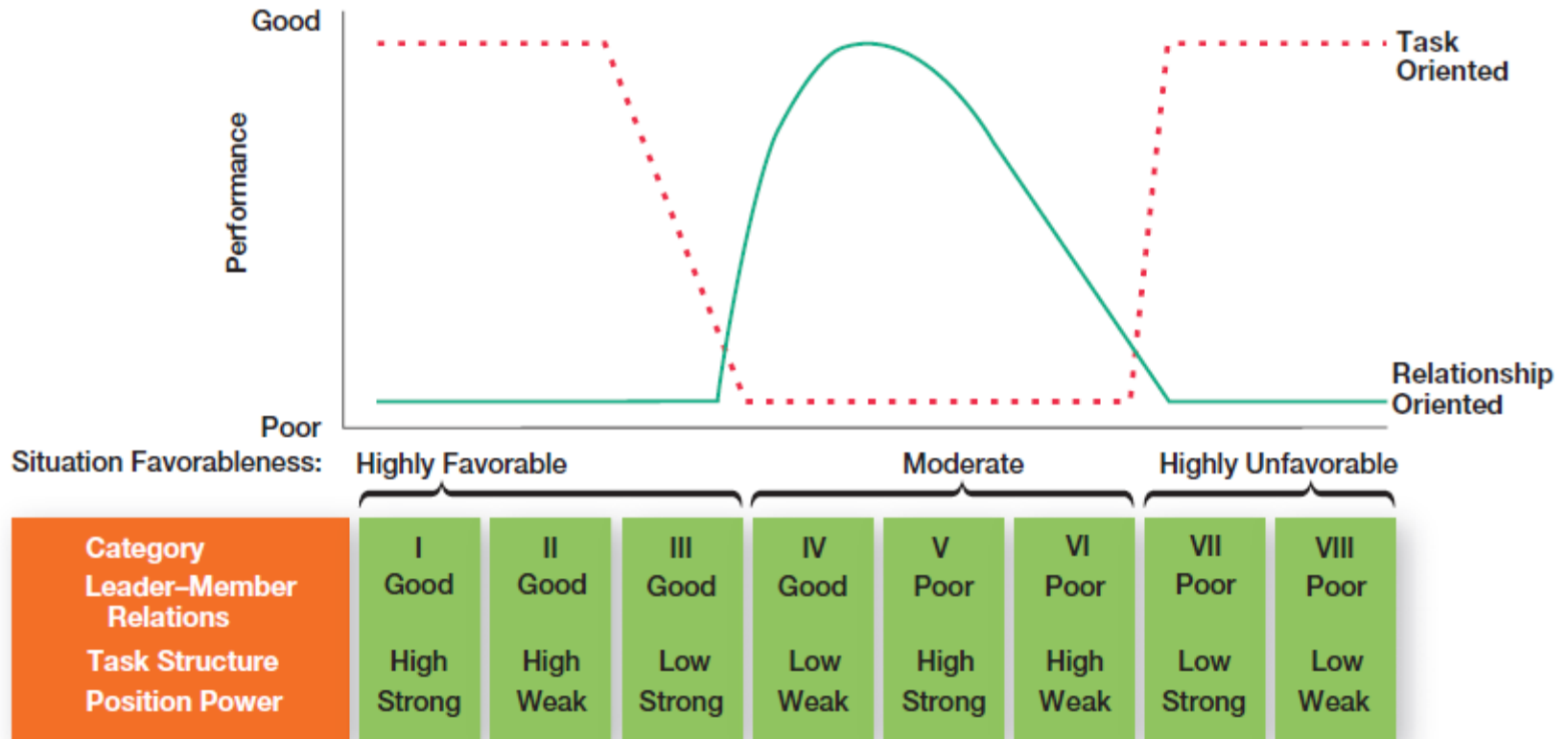
# The Fiedler Model (cont.)

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- **Leader–member relations:** the degree of confidence, trust, and respect employees had for their leader; rated as either good or poor.
- **Task structure:** the degree to which job assignments were formalized and structured; rated as either high or low.
- **Position power:** the degree of influence a leader had over activities such as hiring, firing, discipline, promotions, and salary increases; rated as either strong or weak.

# Exhibit 18-3

## The Fiedler Model



# Hersey and Blanchard's Situational Leadership Theory (SLT)

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- **Situational leadership theory (SLT)** - a leadership contingency theory that focuses on followers' readiness
- **Readiness:** the extent to which followers have the ability and willingness to accomplish a specific task

# SLT Leadership Styles

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- *Telling* (high task–low relationship): The leader defines roles and tells people what, how, when, and where to do various tasks.
- *Selling* (high task–high relationship): The leader provides both directive and supportive behavior.

# SLT Leadership Styles (cont.)

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- *Participating* (low task–high relationship):  
The leader and followers share in decision making; the main role of the leader is facilitating and communicating.
- *Delegating* (low task–low relationship):  
The leader provides little direction or support.

# Four Stages of Follower Readiness

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- *R1*: People are both *unable and unwilling* to take responsibility for doing something. Followers aren't competent or confident.
- *R2*: People are *unable but willing* to do the necessary job tasks. Followers are motivated but lack the appropriate skills.

# Four Stages of Follower Readiness (cont.)

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- *R3*: People are *able but unwilling* to do what the leader wants. Followers are competent, but don't want to do something.
- *R4*: People are both *able and willing* to do what is asked of them.



# Path-Goal Model

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- **Path-goal theory** – a leadership theory that says the leader's job is to assist followers in attaining their goals and to provide direction or support needed to ensure that their goals are compatible with the goals of the group or organization.

# Path-Goal Model (cont.)

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- Four leadership behaviors
  - *Directive leader*: Lets subordinates know what's expected of them, schedules work to be done, and gives specific guidance on how to accomplish tasks.
  - *Supportive leader*: Shows concern for the needs of followers and is friendly.

# Path-Goal Model (cont.)

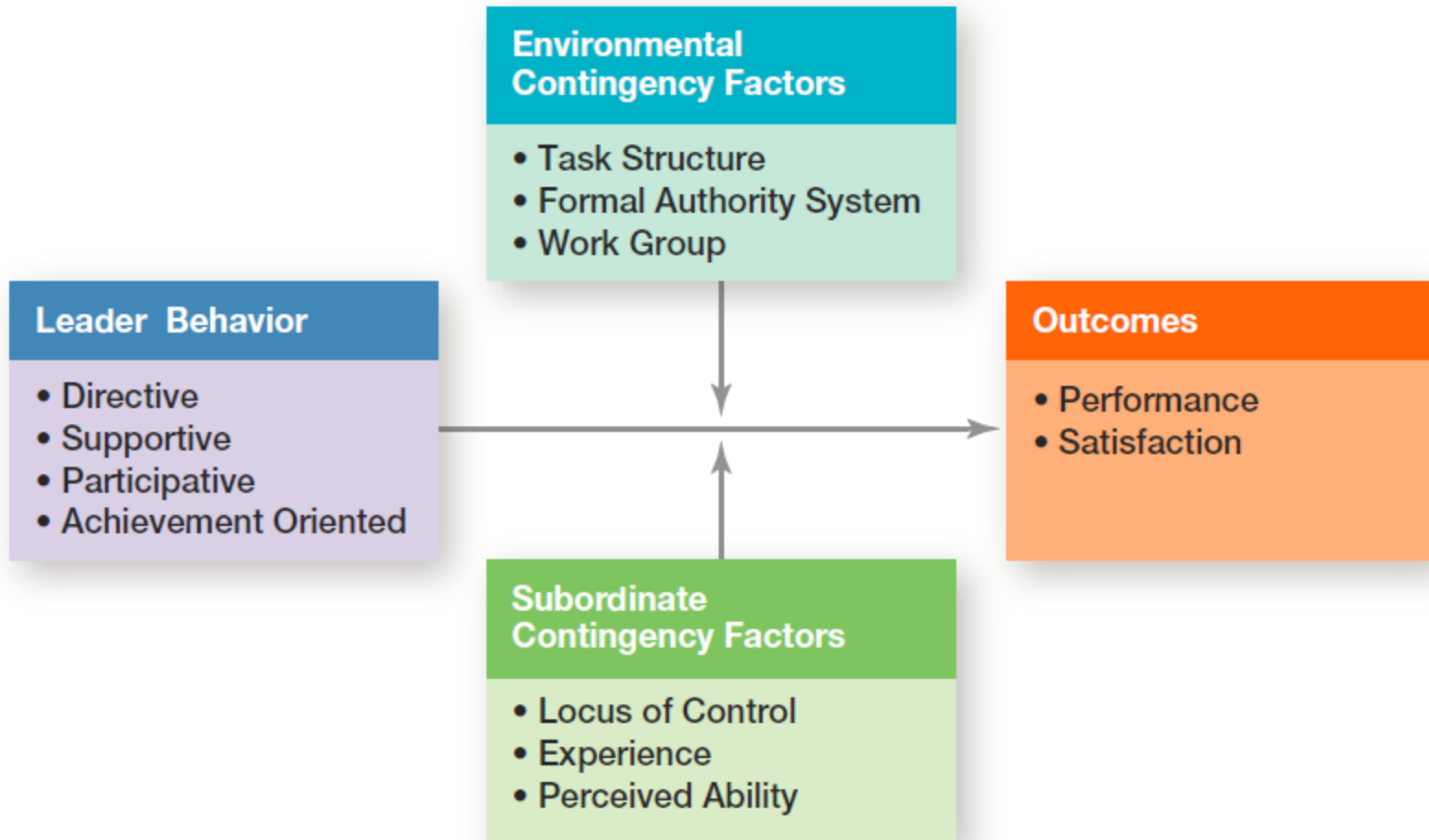
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- Four leadership behaviors (cont.)
  - *Participative leader*: Consults with group members and uses their suggestions before making a decision.
  - *Achievement oriented leader*: Sets challenging goals and expects followers to perform at their highest level.

# Exhibit 18-4

## Path-Goal Model

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# Contemporary Views of Leadership

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- **Leader–member exchange theory (LMX)** - the leadership theory that says leaders create in-groups and out-groups and those in the in-group will have higher performance ratings, less turnover, and greater job satisfaction

# Contemporary Views of Leadership (cont.)

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- **Transactional leaders** - leaders who lead primarily by using social exchanges (or transactions)
- **Transformational leaders** - leaders who stimulate and inspire (transform) followers to achieve extraordinary outcomes

## Contemporary Views of Leadership (cont.)

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- **Charismatic leader** - an enthusiastic, self-confident leader whose personality and actions influence people to behave in certain ways.
- **Visionary leadership** - the ability to create and articulate a realistic, credible, and attractive vision of the future that improves upon the present situation.

# Contemporary Views of Leadership (cont.)

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- Team Leadership - many leaders are not equipped to handle the change to employee teams
- A team leader's job is to focus on two priorities:
  1. Managing the team's external boundary
  2. Facilitating the team process



# Exhibit 18-5

## Team Leadership Roles

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# Leadership Issues in the Twenty-First Century

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- **Managing Power**
  - **Legitimate power** - the power a leader has as a result of his or her position.
  - **Coercive power** - the power a leader has to punish or control.
  - **Reward power** - the power to give positive benefits or rewards.

# Leadership Issues in the Twenty-First Century (cont.)

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- Managing Power (cont.)
  - **Expert power** - the influence a leader can exert as a result of his or her expertise, skills, or knowledge.
  - **Referent power** - the power of a leader that arises because of a person's desirable resources or admired personal traits

# Leadership Issues in the Twenty-First Century (cont.)

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- **Developing Trust**
  - **Credibility** - the degree to which followers perceive someone as honest, competent, and able to inspire
  - **Trust** - the belief in the integrity, character, and ability of a leader

# Leadership Issues in the Twenty-First Century (cont.)

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- Five dimensions of trust
  - *Integrity*: honesty and truthfulness
  - *Competence*: technical and interpersonal knowledge and skills
  - *Consistency*: reliability, predictability, and good judgment in handling situations
  - *Loyalty*: willingness to protect a person, physically and emotionally
  - *Openness*: willingness to share ideas and information freely

# Exhibit 18-6

## Building Trust

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*Practice openness.  
Be fair.  
Speak your feelings.  
Tell the truth.  
Show consistency.  
Fulfill your promises.  
Maintain confidences.  
Demonstrate competence.*

# Leadership Issues in the Twenty-First Century (cont.)

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- Empowering Employees
  - **Empowerment** - increasing the decision-making discretion of workers such that teams can make key operating decisions in developing budgets, scheduling workloads, controlling inventories, and solving quality problems.

# Leadership Issues in the Twenty-First Century (cont.)

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- Leading Across Cultures
  - Effective leaders do not use a single style. They adjust their style to the situation.
  - National culture is certainly an important situational variable in determining which leadership style will be most effective



# Exhibit 18-7

## Cross-Cultural Leadership

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- Korean leaders are expected to be paternalistic toward employees.
- Arab leaders who show kindness or generosity without being asked to do so are seen by other Arabs as weak.
- Japanese leaders are expected to be humble and speak frequently.
- Scandinavian and Dutch leaders who single out individuals with public praise are likely to embarrass, not energize, those individuals.
- Effective leaders in Malaysia are expected to show compassion while using more of an autocratic than a participative style.
- Effective German leaders are characterized by high performance orientation, low compassion, low self-protection, low team orientation, high autonomy, and high participation.

# Becoming an Effective Leader

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- Leader Training
  - Training is more likely to be successful with individuals who are high self-monitors than those who are low self-monitors.
  - Individuals with higher levels of motivation to lead are more receptive to leadership development opportunities.