Plan and Organize Work CST TOS4 02 0912

Learning Outcomes

LO1. **Define** the nature and purposes of planning.

LO2. **Classify** the types of goals organizations might have and the plans they use.

LO3. **Compare** and contrast approaches to goal-setting and planning.

● **know how** to set goals personally and create a useful, functional to-do list.

● **Develop your skill** at helping your employees set goals.

LO4. **Discuss** contemporary issues in planning.

You may think "planning" is relevant to large companies, but not something that's relevant to you right now. But when you figure out your class schedule for the next term or when you decide what you need to do to finish a class project on time, you're planning. And planning is something that all managers need to do. Although what they plan and how they plan may differ, it's still important that they do plan. In this part , we present the basics: what planning is, why managers plan, and how they plan.

LO1 The How and Why of Planning

Boeing called its new 787 aircraft the Dreamliner, but the project turned into more of a nightmare for managers. The company's newest plane has been its most popular product ever, mostly because of its innovations, especially in fuel efficiency. However, the plane was delivered three years behind schedule. Boeing admitted the project's timeline was way too ambitious, even though every detail had been meticulously planned. Some customers (the airlines who ordered the jets) got tired of waiting and canceled their orders. Could Boeing's managers have planned better?

What Is Planning?

Planning involves defining the organization's goals, establishing strategies for achieving those goals, and developing plans to integrate and coordinate work activities. It's concerned with both ends (what) and means (how).

When we use the term planning, we mean formal planning. In formal planning, specific goals covering a specific time period are defined. These goals are written and shared with organizational members to reduce ambiguity and create a common understanding about what needs to be done. Finally, specific plans exist for achieving these goals.

Why Do Managers Plan?

Planning seems to take a lot of effort. So why should managers plan? We can give you at least four reasons:

1. Planning provides direction to managers and non-managers alike. When employees know what their organization or work unit is trying to accomplish and what they must contribute to reach goals, they can coordinate their activities, cooperate with each other, and do what it takes to accomplish those goals. Without planning, departments and individuals might work at cross-purposes and prevent the organization from efficiently achieving its goals.

2. Planning reduces uncertainty by forcing managers to look ahead, anticipate change, consider the impact of change, and develop appropriate responses. Although planning won't eliminate uncertainty, managers plan so they can respond effectively.

3. Planning minimizes waste and redundancy. When work activities are coordinated around plans, inefficiencies become obvious and can be corrected or eliminated.

4. Planning establishes the goals or standards used in controlling. When managers plan, they develop goals and plans. When they control, they see whether the plans have been carried out and the goals met. Without planning, there would be no goals against which to measure work effort.

Planning and Performance

Is planning worthwhile? Numerous studies have looked at the relationship between planning and performance.

Although most have shown generally positive relationships, we can't say that organizations that formally plan always outperform those that don't plan. But what can we conclude?

First, generally speaking, formal planning is associated with positive financial results—higher profits, higher return on assets, and so forth. Second, it seems that doing a good job planning and implementing those plans play a bigger part in high performance than how much planning is done. Next, in those studies where formal planning didn't lead to higher performance, the external environment often was the culprit. When external forces—think governmental regulations or powerful labor unions—constrain managers' options, it reduces the impact planning has on an organization's performance. Finally, the planning-performance relationship seems to be influenced by the planning time frame. It seems that at least four years of formal planning is required before it begins to affect performance.

LO2 Goals and Plans

Planning is often called the primary management function because it establishes the basis for all the other things managers do as they organize, lead, and control. It involves two important aspects: goals and plans.

Goals (objectives) are desired outcomes or targets. They guide management decisions and form the criterion against which work results are measured. That's why they're often described as the essential elements of planning. You have to know the desired target or outcome before you can establish plans for reaching it. **Plans** are documents that outline how goals are going to be met. They usually include resource allocations, schedules, and other necessary actions to accomplish the goals. As managers plan, they develop both goals and plans.

Types of Goals

It might seem that organizations have a single goal. Businesses want to make a profit and not-for-profit organizations want to meet the needs of some constituent group(s). However, a single goal can't adequately define an organization's success. And if managers emphasize only one goal, other goals essential for long-term success are ignored. Using a single goal such as profit may result in unethical behaviors because managers and employees will ignore other aspects of their jobs in order to look good on that one measure. In reality, all organizations have multiple goals. For instance, businesses may want to increase market share, keep employees enthused about working for the organization, and work toward more environmentally sustainable practices. And a church provides a place for religious practices, but also assists economically disadvantaged individuals in its community and acts as a social gathering place for church members.

We can classify most company's goals as either **strategic** or **financial**. **Financial goals** are related to the financial performance of the organization, while **strategic goals** are related to all other areas of an organization's performance. For instance, Volkswagen states that its financial target (to be achieved by 2018) is to sell 10 million cars and trucks annually with a pretax profit margin over 8 percent. And here's an example of a strategic goal from Union, Asia's biggest apparel chain: It wants to be the number-one apparel retailer in the United States.

The goals just described are **stated goals**—official statements of what an organization says, and what it wants its stakeholders to believe, its goals are. However, stated goals—which can be found in an organization's charter, annual report, public relations announcements, or in public statements made by managers—are often conflicting and influenced by what various stakeholders think organizations should do. For instance, Nike's goal is "delivering inspiration and innovation to every athlete." Canadian company EnCana's vision is to "be the world's high performance benchmark independent oil and Gas Company." Deutsche Bank's goal is "to be the leading global provider of financial solutions, creating lasting value for our clients, our shareholders and people and the communities in which we operate." Such statements are vague and probably better represent management's public relations skills than being meaningful guides to what the organization is actually trying to accomplish. It shouldn't be surprising then to find that an organization's stated goals are often irrelevant to what actually goes on.

If you want to know an organization's **real goals**—those goals an organization actually pursues—observe what organizational members are doing. Actions define priorities. For example, universities may say their goal is limiting class sizes, facilitating close student-faculty relations, and actively involving students in the learning process, but then they put students into 300+

student lecture classes! Knowing that real and stated goals may differ is important for recognizing what you might otherwise think are management inconsistencies.

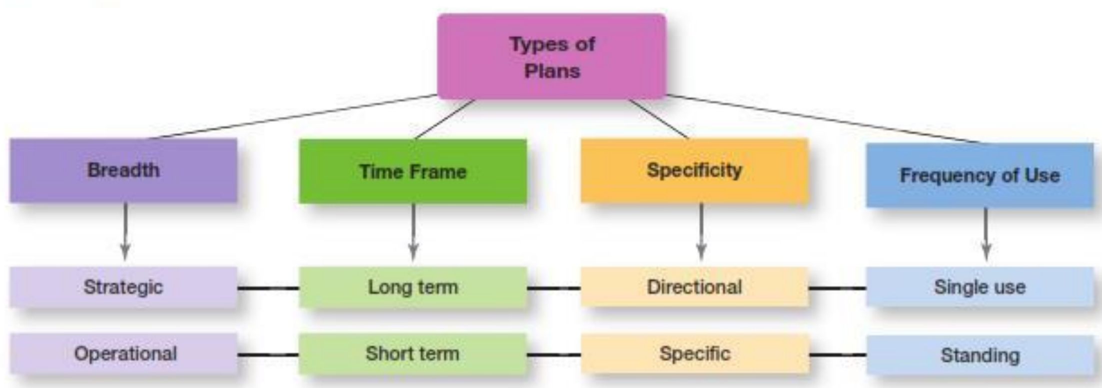
Types of Plans

The most popular ways to describe organizational plans are breadth (strategic versus operational), time frame (short term versus long term), specificity (directional versus specific), and frequency of use (single use versus standing). As Exhibit 8-1 shows, these types of plans aren't independent. That is, strategic plans are usually long term, directional, and single use whereas operational plans are usually short term, specific, and standing. What does each include?

Strategic plans are plans that apply to the entire organization and establish the organization's overall goals. Plans that encompass a particular operational area of the organization are called **operational plans**. These two types of plans differ because strategic plans are broad while operational plans are narrow.

The number of years used to define short-term and long-term plans has declined considerably because of environmental uncertainty. Long-term used to mean any- thing over seven years. Try to imagine what you're likely to be doing in seven years, and you can begin to appreciate how difficult it would be for managers to establish plans that far in the future. We define **long-term plan**s as those with a time frame beyond three years. **Short-term plans** cover one year or less. Any time period in between would be an intermediate plan. Although these time classifications are fairly common, an organization can use any planning time frame it wants.

Exhibit 8-1
Types of Plans



Intuitively, it would seem that specific plans would be preferable to directional, or loosely guided, plans. **Specific plans** are clearly defined and leave no room for interpretation. A specific plan states its objectives in a way that eliminates ambiguity and problems with misunderstanding. For example, a manager who seeks to increase his or her unit's work output by 8 percent over a given 12-month period might establish specific procedures, budget allocations, and schedules of activities to reach that goal.

However, when uncertainty is high and managers must be flexible in order to respond to unexpected changes, directional plans are preferable. **Directional plans** are flexible plans that set out general guidelines. They provide focus but don't lock managers into specific goals or courses of action. For example, Sylvia Rhone, president of Motown Records, said she has a simple goal—to "sign great artists."

So instead of creating a specific plan to produce and market 10 albums from new artists this year, she might formulate a directional plan to use a network of people around the world to alert her to new and promising talent so she can increase the number of new artists she has under contract. Keep in mind, however, that the flexibility of directional plans must be weighed against the lack of clarity of specific plans.

Some plans that managers develop are ongoing while others are used only once. A **single-use plan is** a one-time plan specifically designed to meet the needs of a unique situation. For instance, when Walmart wanted to expand the number of its stores in China, top-level executives formulated a single-use plan as a guide. In contrast, **standing plans** are ongoing plans that provide guidance for activities performed repeatedly. Standing plans include policies, rules, and procedures. An example of a standing plan is the non-discrimination and anti-harassment policy developed by the University of Arizona. It provides guidance to university administrators, faculty, and staff as they make hiring plans and do their jobs.

LO3 Setting Goals and Developing Plans

Taylor Haines has just been elected president of her business school's honorary fraternity. She wants the organization to be more actively involved in the business school than it has been. Francisco Garza graduated from Tecnologico de Monterrey with a degree in marketing and computers three years ago and went to work for a regional consulting services firm. He recently was promoted to manager of an eight-person social media development team and hopes to strengthen the team's financial contributions to the firm. What should Taylor and Francisco do now? Their first step should be to set goals.

Approaches to Setting Goals

As we stated earlier, goals provide the direction for all management decisions and actions and form the criterion against which actual accomplishments are measured. Everything organizational members do should be oriented toward achieving goals. These goals can be set either through a traditional process or by using management by objectives.

In **traditional goal-setting**, goals set by top managers' flow down through the organization and become sub goals for each organizational area. This traditional perspective assumes that top managers know what's best because they see the "big picture." And the goals passed down to each succeeding level guide individual employees as they work to achieve those assigned goals. If Taylor were to use this approach, she would see what goals the dean or director of the school of business had set and develop goals for her group that would contribute to achieving those goals. Or take a manufacturing business, for example. The president tells the vice president of production what he expects manufacturing costs to be for the coming year and tells the marketing vice president what level he expects sales to reach for the year. These goals are passed to the next organizational level and written to reflect the responsibilities of that level, passed to the next level, and so forth. Then, at some later time, performance is evaluated to determine whether the assigned goals have been achieved. Although the process is supposed to happen in this way, in reality it doesn't always do so. Turning broad strategic goals into departmental, team, and individual goals can be a difficult and frustrating process.

Another problem with traditional goal-setting is that when top managers define the organization's goals in broad terms—such as achieving "sufficient" profits or increasing "market leadership"—these ambiguous goals have to be made more specific as they flow down through the organization. Managers at each level define the goals and apply their own interpretations and biases as they make them more specific. However, what often happens is that clarity is lost as the goals make their way down from the top of the organization to lower levels. Exhibit 8-2 illustrates what can happen. But it doesn't have to be that way. For example, at the Carrier- Carlyle Compressor Facility in Stone Mountain, Georgia, employees and managers focus their work efforts around goals. Those goals encompass meeting and exceeding customer needs, concentrating on continuous improvement efforts, and engaging the workforce. To keep everyone focused on those goals, a "thermostat"—a 3-foot-by-4- foot metric indicator—found at the employee entrance communicates what factory performance is at any given time and where attention is needed. It identifies plant goals across a range of measures as well as how closely those goals are being met. Company executives say that good planning drives improved performance results. Does their goal approach work? In the past three years, the facility has experienced a nearly 76 percent reduction in customer reject rates and a 54.5 percent reduction in OSHA-recordable injury and illness cases.

Exhibit 8-2
The Downside of Traditional Goal-Setting

When the hierarchy of organizational goals is clearly defined, as it is at Carrier- Carlyle Compressor, it forms an integrated network of goals, or a **means-ends chain**. Higher-level goals (or ends) are linked to lower-level goals, which serve as the means for their accomplishment. In other words, the goals achieved at lower levels become the means to reach the goals (ends) at the next level. And the accomplishment of goals at that level becomes the means to achieve the goals (ends) at the next level and on up through the different organizational levels. That's how traditional goal- setting is supposed to work.

Instead of using traditional goal-setting, many organizations use **management by objectives** (MBO), a process of setting mutually agreed-upon goals and using those goals to evaluate employee performance. If Francisco were to use this approach, he would sit down with each member of his team and set goals and periodically review whether progress was being made toward achieving those goals. MBO programs have four elements: goal specificity, participative decision making, an explicit time period, and performance feedback. Instead of using goals to make sure employees are doing what they're supposed to be doing, MBO uses goals to motivate them as well. The appeal is that it focuses on employees working to accomplish goals they've had a hand in setting. Exhibit 8-3 lists the steps in a typical MBO program.

Does MBO work? Studies have shown that it can increase employee performance and organizational productivity. For example, one review of MBO programs found productivity gains in almost all of them. But is MBO relevant for today's organizations? If it's viewed as a way of setting goals, then yes, because research shows that goal-setting can be an effective approach to motivating employees.

Exhibit 8-3
Steps in MBO

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

Characteristics of Well-Written Goal's Goals aren't all written the same way. Some are better than others at making the desired outcomes clear. For instance, the CEO of Procter & Gamble said that he wants to see the company add close to 548,000 new customers a day, every day, for the next five years. It's an ambitious but specific goal. Managers should be able to write well-written work goals. What makes a "well-written" work goal? Exhibit 8-4 lists the characteristics.

Steps in Goal- Setting Managers should follow five steps when setting goals.

1. Review the organization's mission, or purpose. A **mission** is a broad statement of an organization's purpose that provides an overall guide to what organizational members think is important. Managers should review the mission before writing goals because goals should reflect that mission.

2. **Evaluate available resources**. You don't want to set goals that are impossible to achieve given your available resources. Even though goals should be challenging, they should be realistic. After all, if the resources you have to work with won't allow you to achieve a goal no matter how hard you try or how much effort is exerted, you shouldn't set that goal. That would be like the person with a $50,000 annual income and no other financial resources setting a goal of building an investment portfolio worth $1 million in three years. No matter how hard he or she works at it, it's not going to happen.

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

3. Determine the goals individually or with input from others. The goals reflect desired outcomes and should be congruent with the organizational mission and goals in other organizational areas. These goals should be measurable, specific, and include a time frame for accomplishment.

4. Write down the goals and communicate them to all who need to know. Writing down and communicating goals forces people to think them through. The written goals also become visible evidence of the importance of working toward something.

5. Review results and whether goals are being met. If goals aren't being met, change them as needed.

Once the goals have been established, written down, and communicated, a manager is ready to develop plans for pursuing the goals.

Exhibit 8-5
Planning and Organizational Level

Developing Plans

The process of developing plans is influenced by three contingency factors and by the planning approach followed.

Contingency factors In Planning Three contingency factors affect the choice of plans: organizational level, degree of environmental uncertainty, and length of future commitments.

Exhibit 8-5 shows the relationship between a manager's level in the organization and the type of planning done. For the most part, lower-level managers do operational planning while upper- level managers do strategic planning.

The second contingency factor is 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.

For example, prior to Continental Airlines' merger with United Airlines, the former CEO and his management team established a specific goal of focusing on what customers wanted most—on-time flights—to help the company become more competitive in the highly uncertain airline industry. Because of the high level of uncertainty, the management team identified a "destination, but not a flight plan," and changed plans as necessary to achieve that goal of on-time service.

The last contingency factor also is related to the time frame of plans. The **commitment concept** says that plans should extend far enough to meet those commitments made when the plans were developed. Planning for too long or too short a time period is inefficient and ineffective. For instance, Walmart, like many businesses during the economic recession, cut staff. Yet, it continued to add stores that need to be stocked and restocked with merchandise. With fewer employees, however, merchandise is piling up in stockrooms, shelves are going unstocked, checkout lines are longer, and fewer employees are in the store itself to help customers. How does this illustrate the commitment concept? By deciding to cut staff, Walmart "committed" to the consequences of that decision—good and bad.

Approaches to Planning

Federal, state, and local government officials are working together on a plan to boost populations of wild salmon in the northwestern United States. Managers in the Global Fleet Graphics division of the 3M Company are developing detailed plans to satisfy increasingly demanding customers and to battle more aggressive competitors. Emilio Azcárraga Jean, chairman, president, and CEO of Grupo Televisa, gets input from many different people before setting company goals and then turns over the planning for achieving the goals to various executives. In each of these situations, planning is done a little differently. How an organization plans can best be understood by looking at who does the planning.

In the traditional approach, planning is done entirely by top-level managers who often are assisted by a **formal planning department**, a group of planning specialists whose sole responsibility is to help write the various organizational plans. Under this approach, plans developed by top-level managers flow down through other organizational levels, much like the traditional approach to goal-setting. As they flow down through the organization, the plans are tailored to the particular needs of each level. Although this approach makes managerial planning thorough, systematic, and coordinated, all too often the focus is on developing "the plan"—a thick binder (or binders) full of meaningless information that's stuck on a shelf and never used by anyone for guiding or coordinating work efforts. In fact, in a survey of managers about formal top-down organizational planning processes, more than 75 percent said their company's planning approach was unsatisfactory. A common complaint was that, "plans are documents that you prepare for the corporate planning staff and later forget." Although this traditional top-down approach to planning is used by many organizations, it can be effective only if managers understand the importance of creating documents that organizational members actually use, not documents that look impressive but are ignored.

Another approach to planning is to involve more organizational members in the process. In this approach, plans aren't handed down from one level to the next, but instead are developed by organizational members at the various levels and in the various work units to meet their specific needs. For instance, at Dell, employees from production, supply management, and channel management meet weekly to make plans based on current product demand and supply. In addition, work teams set their own daily schedules and track their progress against those schedules. If a team falls behind, team members develop "recovery" plans to try to get back on schedule.

When organizational members are more actively involved in planning, they see that the plans are more than just something written down on paper. They can actually see that the plans are used in directing and coordinating work.

LO4 Contemporary Issues in Planning

The second floor of the 21-story Hyundai Motor headquarters buzzes with data 24 hours a day. That's where you'd find the company's Global with numerous "computer screens relaying video and data keeping watch on Hyundai operations around the world." Managers get information on parts shipments from suppliers to factories. Cameras watch assembly lines and closely monitor the company's massive Ulsan, Korea, factory looking for competitors' spies and any hints of labor unrest. The GCCC also keeps tabs on the company's R&D activities in Europe, Japan, and North America. Hyundai can identify problems in an instant and react quickly. The company is all about aggressiveness and speed and is representative of how a successful twenty-first-century company approaches planning.

We conclude this part by addressing two contemporary issues in planning. Specifically, we're going to look at planning effectively in dynamic environments and then at how managers can use environmental scanning, especially competitive intelligence.

How Can Managers Plan effectively in Dynamic environments?

As we have said previously, the external environment is continually changing. For instance, cloud computing storage is revolutionizing all kinds of industries from financial services to health care to engineering. Social networking sites are used by companies to connect with customers, employees, and potential employees. Amounts spent on eating out instead of cooking at home are predicted to start rising after years of decline during the economic downturn. And experts believe that China and India are transforming the twenty-first-century global economy.

How can managers effectively plan when the external environment is continually changing? We already discussed uncertain environments as one of the contingency factors that affect the types of plans managers develop. Because dynamic environments are more the norm than the exception, let's look at how managers can effectively plan in such environments.

In an uncertain environment, managers should develop plans that are specific, but flexible. Although this may seem contradictory, it’s not. To be useful, plans need some specificity, but the plans should not be set in stone. Managers need to recognize that planning is an ongoing process. The plans serve as a road map, although the destination may change due to dynamic market conditions. They should be ready to change directions if environmental conditions warrant. This flexibility is particularly important as plans are implemented. Managers need to stay alert to environmental changes that may impact implementation and respond as needed. Keep in mind, also, that even when the environment is highly uncertain, it’s important to continue formal planning in order to see any effect on organizational performance. It’s the persistence in planning that contributes to significant performance improvement. Why? It seems that, as with most activities, managers “learn to plan” and the quality of their planning improves when they continue to do it. Finally, make the organizational hierarchy flatter to effectively plan in dynamic environments. This means al- lowing lower organizational levels to set goals and develop plans because there’s little time for goals and plans to flow down from the top. Managers should teach their employees how to set goals and to plan and then trust them to do it. And you need look no further than Bangalore, India, to find a company that effectively under- stands this. Just a decade ago, Wipro Limited was “an anonymous conglomerate selling cooking oil and personal computers, mostly in India.” Today, it’s a $6.8 billion-a-year global company with much of its business coming from information-technology services.

Accenture, Hewlett-Packard, IBM, and the big U.S. accounting firms know all too well the competitive threat Wipro represents. Not only are Wipro’s employees economical, they’re knowledgeable and skilled. And they play an important role in the company’s planning.

Because the information services industry is continually changing, employees are taught to analyze situations and to define the scale and scope of a client’s problems in order to offer the best solutions. These employees are on the front line with the clients, and it’s their responsibility to establish what to do and how to do it. It’s an approach that positions Wipro for success—no matter how the industry changes.

How Can Managers Use environmental Scanning?

Crammed into a small Shanghai apartment that houses four generations of a Chinese family, Indra Nooyi, Chairman and CEO of PepsiCo Inc., asked the inhabitants several questions about “China’s rapid development, their shopping habits, and how they feel about Western brands.” This visit was part of an “immersion” tour of China for Ms. Nooyi, who hoped to strengthen PepsiCo’s business in emerging markets. She said, “I wanted to look at how people live, how they eat, what the growth possibilities are.”

The information gleaned from her research—a prime example of environmental scanning up close and personal—will help in establishing PepsiCo’s future goals and plans.

A manager’s analysis of the external environment may be improved by **environmental scanning,** which involves screening information to detect emerging trends. One of the fastest-growing forms of environmental scanning is **competitor intelligence**, gathering information about competitors that allows managers to anticipate competitors’ actions rather than merely react to them. It seeks basic information about competitors: Who are they? What are they doing? How will what they're doing affect us?

Many who study competitive intelligence suggest that much of the competitor- related information managers need to make crucial strategic decisions is available and accessible to the public. In other words, competitive intelligence isn't corporate espionage. Advertisements, promotional materials, press releases, reports filed with government agencies, annual reports, want ads, newspaper reports, information on the Internet, and industry studies are readily accessible sources of information. Specific information on an industry and associated organizations is increasingly available through electronic databases. Managers can literally tap into this wealth of competitive information by purchasing access to databases. Attending trade shows and debriefing your own sales staff also can be good sources of information on competi- tors. In addition, many organizations even regularly buy competitors' products and ask their own employees to evaluate them to learn about new technical innovations.

In a changing global business environment, environmental scanning and obtaining competitive intelligence can be quite complex, especially since information must be gathered from around the world. However, one thing managers could do is sub- scribe to news services that review newspapers and magazines from around the globe and provide summaries to client companies.

Managers do need to be careful about the way information, especially competitive intelligence, is gathered to prevent any concerns about whether it's legal or ethical. For instance, Starwood Hotels sued Hilton Hotels, alleging that two former employees stole trade secrets and helped Hilton develop a new line of luxury, trendy hotels designed to appeal to a young demographic.The court filing said this was an obvious "case of corporate espionage, theft of trade secrets, unfair competition, and computer fraud." Competitive intelligence becomes illegal corporate spying when it involves the theft of proprietary materials or trade secrets by any means. The Economic Espionage Act makes it a crime in the United States to engage in economic espionage or to steal a trade secret. Difficult decisions about competitive intelligence arise because often there's a fine line between what's considered legal and ethical and what's considered legal but unethical. Although the top manager at one competitive intelligence firm contends that 99.9 percent of intelligence gathering is legal, there's no question that some people or companies will go to any lengths—some unethical— to get information about competitors.

Discussion Questions

-1. Explain what studies have shown about the relationship between planning and performance

2. Planning takes a lot of effort. Why do you think people should engage in it?

3. Define the term goal and explain how planning fits into an organization's goal.

4. If planning is so crucial, why do some managers choose not to do it? What would you tell these managers?

5. Outline the five steps required for setting goals in an organization. Explain how they work.

6. What is the fastest-growing area of environmental scanning? What does it provide to an organization?

7. What types of planning do you do in your personal life? Describe these plans in terms of being (a) strategic or operational, (b) short term or long term, and (c) specific or directional.

8. Many companies have a goal of becoming more environmentally sustainable. One of the most important steps they can take is controlling paper waste. Choose a company—any type, any size. You've been put in charge of creating a program to do this for your company. Set goals and develop plans. Prepare a report for your boss (that is, your professor) outlining these goals and plans.

Designing Organizational Structure

Learning Outcomes

LO1 **Describe** six key elements in organizational design.

LO 2 **Know** how to delegate work to others and develop your skill at delegating.

LO 3 **Contrast** mechanistic and organic structures.

LO 4 **Discuss** the contingency factors that favor either the mechanistic model or the organic model of organizational design.

Lo5 **Describe** traditional organizational designs.

Welcome to the fascinating world of organizational structure and design. In this part, we present the basics of organizing. We define the key organizing concepts and their components and how managers use these to create a structured environment in which organizational members can do their work efficiently and effectively. Once the organization's goals, plans, and strategies are in place, managers must develop a structure that will best facilitate the attainment of those goals.

LO1 Designing Organizational Structure

A short distance south of McAlester, Oklahoma, employees in a vast factory complex make products that must be perfect. These people "are so good at what they do and have been doing it for so long that they have a 100 percent market share." They make bombs for the U.S. military and doing so requires a work environment that's an interesting mix of the mundane, structured, and disciplined, coupled with high levels of risk and emotion. The work gets done efficiently and effectively here. Work also gets done efficiently and effectively at Cisco Systems, although not in such a structured and formal way. At Cisco, some 70 percent of the employees work from home at least 20 percent of the time. Both of these organizations get needed work done, although each does so using a different structure**.**

Exhibit 10-1
Purposes of Organizing

- 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.

Few topics in management have undergone as much change in the past few years as that of organizing and organizational structure. Managers are reevaluating traditional approaches to find new structural designs that best support and facilitate employees' doing the organization's Work—designs that can achieve efficiency but are also flexible.

The basic concepts of organization design formulated by early management writers, such as Henri Fayol and Max Weber, offered structural principles for managers to follow. Over 90 years have passed since many of those principles were originally proposed. Given that length of time and all the changes that have taken place, you'd think that those principles would be pretty worthless today. Surprisingly, they're not. For the most part, they still pro- vide valuable insights into designing effective and efficient organizations. Of course, we've also gained a great deal of knowledge over the years as to their limitations.

Previously we defined **organizing** as arranging and structuring work to accomplish organizational goals. It's an important process during which managers design an organization's structure. **Organizational structure** is the formal arrangement of jobs within an organization. This structure, which can be shown visually in an **organizational chart**, also serves many purposes. (See Exhibit 10-1.) When managers create or change the structure, they're engaged in **organizational design**, a process that involves decisions about six key elements: work specialization, departmentalization, chain of command, span of control, centralization and decentralization, and formalization.

Work Specialization

At the Wilson Sporting Goods factory in Ada, Ohio, 150 workers (with an average work tenure exceeding 20 years) make every football used in the National Football League and most of those used in college and high school football games. To meet daily output goals, the workers specialize in job tasks such as molding, stitching and sewing, lacing, and so forth.
This is an example of **work specialization**, which is dividing work activities into separate job tasks. Individual employees "specialize" in doing part of an activity rather than the entire activity in order to increase work output. It's also known as division of labor, a concept we introduced in the management history module.

Work specialization makes efficient use of the diversity of skills that workers have. In most organizations, some tasks require highly developed skills; others can be performed by employees with lower skill levels. If all workers were engaged in all the steps of, say, a manufacturing process, all would need the skills necessary to perform both the most demanding and the least demanding jobs. Thus, except when performing the most highly skilled or highly sophisticated tasks, employees would be working below their skill levels. In addition, skilled workers are paid more than unskilled workers, and, because wages tend to reflect the highest level of skill, all workers would be paid at highly skilled rates to do easy tasks—an inefficient use of resources. This concept explains why you rarely find a cardiac surgeon closing up a patient after surgery. Instead, doctors doing their residencies in open- heart surgery and learning the skill usually stitch and staple the patient after the surgeon has finished the surgery.

Early proponents of work specialization believed it could lead to great increases in productivity. At the beginning of the twentieth century, that generalization was reasonable. Because specialization was not widely practiced, its introduction almost always generated higher productivity. But, as Exhibit 10-2 illustrates, a good thing can be carried too far. At some point, the human diseconomies from division of labor— boredom, fatigue, stress, low productivity, poor quality, increased absenteeism, and high turnover—exceed the economic advantages.

Today's View Most managers today continue to see work specialization as important because it helps employees be more efficient. For example, McDonald's uses high work specialization to get its products made and delivered to customers efficiently and quickly—that's why it's called "fast" food. One person takes orders at the drive-through window, others cook and assemble the hamburgers, another works the fryer, another gets the drinks, another bags orders, and so forth. Such single-minded focus on maximizing efficiency has contributed to increasing productivity. In fact, at many McDonald's, you'll see a clock that times how long it takes employees to fill the order; look closer and you'll probably see posted some-where an order fulfillment time goal. At some point, however, work specialization no longer leads to productivity. That's why companies such as Avery-Dennison, Ford Australia, Hallmark, and American Express use minimal work specialization and instead give employees a broad range of tasks to do.

Departmentalization

Does your college have a department of student services or financial aid department? Are you taking this course through a management department? After deciding what job tasks will be done by whom, common work activities need to be grouped back together so work gets done in a coordinated and integrated way? How jobs are grouped together is called **departmentalization.** Five common forms of departmentalization are used, although an organization may develop its own unique classification. (For instance, a hotel might have departments such as front desk operations, sales and catering, housekeeping and laundry, and maintenance.) Exhibit10-3 illustrates each type of departmentalization as well as the advantages and disadvantages of each.

Today's View Most large organizations continue to use combinations of most or all of these types of departmentalization. For example, a major Japanese electronics firm organizes its divisions along functional lines, its manufacturing units around processes, its sales units around seven geographic regions, and its sales regions into four customer groupings. Black & Decker organizes its divisions along functional lines, its manufacturing units around processes, its sales around geographic regions, and its sales regions around customer groupings.

One popular departmentalization trend is the increasing use of customer departmentalization. Because getting and keeping customers is essential for success, this approach works well because it emphasizes monitoring and responding to changes in customers' needs. Another popular trend is the use of teams, especially as work tasks have become more complex and diverse skills are needed to accomplish those tasks. One specific type of team that more

Organizations are using is a cross-functional team, a work team composed of individuals from various functional specialties. For instance, at Ford's material planning and logistics division, a **cross-functional team** of employees from the company's finance, purchasing, engineering, and quality control areas, along with representatives from outside logistics suppliers, has developed several work improvement ideas. We'll discuss cross-functional teams (and all types of teams) more fully.

Chain of Command

Suppose you were at work and had a problem with an issue that came up. What would you do? Who would you go to help you resolve that issue? People need to know who their boss is. That's what the chain of command is all about. The **chain of command** is the line of authority extending from upper organizational levels to lower levels, which clarifies who reports to whom. Managers need to consider it when organizing work because it helps employees with questions such as "Who do I report to?" or "Who do I go to if I have a problem?" To understand the chain of command, you have to understand three other important concepts: authority, responsibility, and unity of command. Let's look first at authority.

Authority Authority was a major concept discussed by the early management writers; they viewed it as the glue that held an organization together. **Authority** refers to the rights inherent in a managerial position to tell people what to do and to expect them to do it.8 Managers in the chain of command had authority to do their job of coordinating and overseeing the work of others. Authority could be delegated down- ward to lower-level managers, giving them certain rights while also prescribing certain limits within which to operate. These writers emphasized that authority was related to one's position within an organization and had nothing to do with the personal characteristics of an individual manager. They assumed that the rights and power inherent in one's formal organizational position were the sole source of influence and that if an order was given, it would be obeyed.

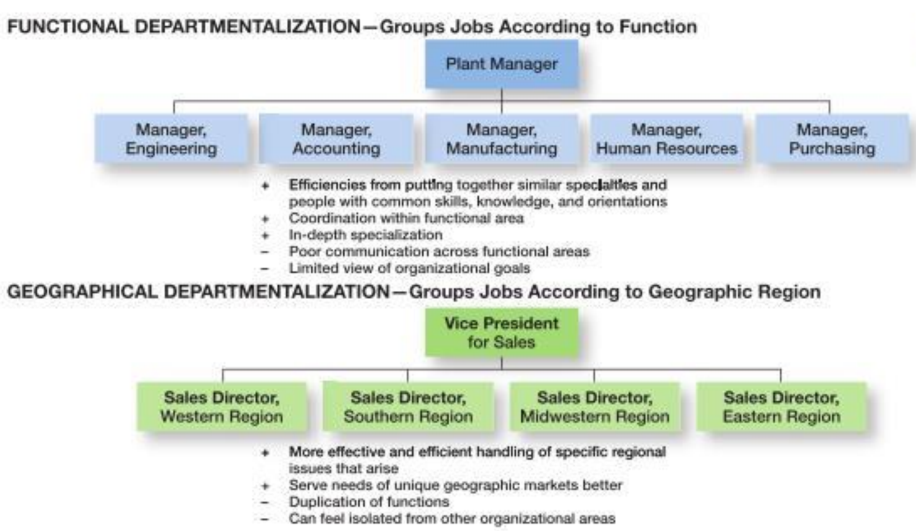
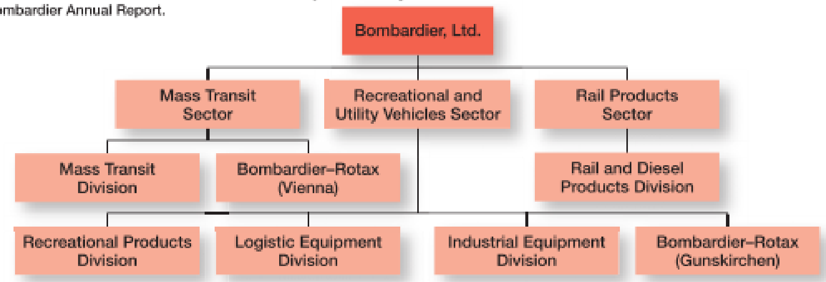


Exhibit 10-3
The Five Common Forms of Departmentalization

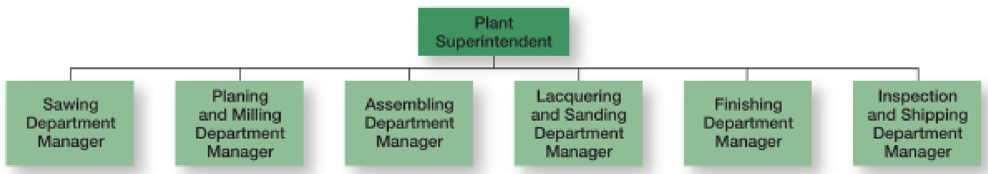
PRODUCT DEPARTMENTALIZATION—Groups Jobs by Product Line

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

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

Another early management writer, Chester Barnard, proposed another perspective on authority. This view, the **acceptance theory of authority**, says that authority comes from the willingness of subordinates to accept it. If an employee didn't accept a manager's order, there was no authority. Barnard contended that subordinates will accept orders only if the following conditions are satisfied:

1. They understand the order.

2. They feel the order is consistent with the organization's purpose.

3. The order does not conflict with their personal beliefs.

4. They are able to perform the task as directed.

Barnard's view of authority seems to make sense, especially when it comes to an employee's ability to do what he or she is told to do. For instance, if my manager (my department chair) came into my classroom and told me to do open-heart surgery on one of my students, the traditional view of authority said that I would have to follow that order. Barnard's view would say, instead, that I would talk to my manager about my lack of education and experience to do what he's asked me to do and persuade him that it's probably not in the best interests of the student (or our department) for me to follow that order. Yes, this is an extreme and highly unrealistic example. However, it does point out that simply viewing a manager's authority as total control over what an employee does or doesn't do is unrealistic also—except in certain circumstances, such as the military, where soldiers are expected to follow their commander's orders. However, understand that Barnard believed most employees would do what their managers asked them to do if they were able to do so.

The early management writers also distinguished between two forms of authority: line authority and staff authority. **Line authority** entitles a manager to direct the work of an employee. It is the employer–employee authority relationship that extends from the top of the organization to the lowest echelon, according to the chain of command, as shown in Exhibit 10-4. As a link in the chain of command, a manager with line authority has the right to direct the work of employees and to make certain decisions without consulting anyone. Of course, in the chain of command, every manager is also subject to the authority or direction of his or her superior.

Keep in mind that sometimes the term **line** is used to differentiate line managers from staff managers. In this context, **line** refers to managers whose organizational function contributes directly to the achievement of organizational objectives. In a manufacturing firm, line managers are typically in the production and sales functions, whereas managers in human resources and payroll are considered staff managers with staff authority. Whether a manager's function is classified as line or staff depends on the organization's objectives. For example, at Staff Builders, a supplier of temporary employees, interviewers have a line function. Similarly, at the payroll firm of ADP, payroll is a line function.

As organizations get larger and more complex, line managers find that they do not have the time, expertise, or resources to get their jobs done effectively. In response, they create **staff authority** functions to support, assist, advise,and generally reduce some of their informational burdens. For instance, a hospital administrator who cannot effectively handle the purchasing of all the supplies the hospital needs creates a purchasing department, which is a staff function. Of course, the head of the purchasing department has line authority over the purchasing agents who work for him. The hospital administrator might also find that she is overburdened and needs an assistant, a position that would be classified as a staff position. Exhibit 10-5 illustrates line and staff authority.

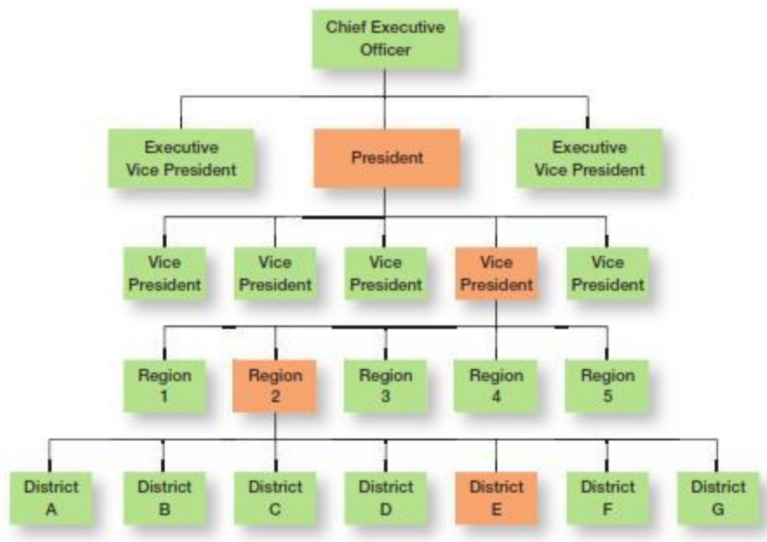


Exhibit 10-4
Chain of Command and Line Authority

Responsibility When managers use their authority to assign work to employees, those employees take on an obligation to perform those assigned duties. This obligation or expectation to perform is known as **responsibility**. And employees should be held accountable for their performance! Assigning work authority without responsibility and accountability can create opportunities for abuse. Likewise, no one should be held responsible or accountable for work tasks over which he or she has no authority to complete those tasks.

Exhibit 10-5
Line Versus Staff Authority

Unity Of Command Finally, the **unity of command** principle (one of Fayol's 14 management principles) states that a person should report to only one manager. Without unity of command, conflicting demands from multiple bosses may create problems as it did for Damian Birkel, a merchandising manager in the Fuller Brands division of CPAC, Inc. He found himself reporting to two bosses—one in charge of the department-store business and the other in charge of discount chains. Birkel tried to minimize the conflict by making a combined to-do list that he would update and change as work tasks changed.

Today's View Although early management theorists (Fayol, Weber, Taylor, Barnard, and others) believed that chain of command, authority (line and staff), responsibility, and unity of command were essential, times have changed. Those elements are far less important today. For example, at the Michelin plant in Tours, France, managers have replaced the top-down chain of command with "birdhouse" meetings, in which employees meet for five minutes at regular intervals throughout the day at a column on the shop floor and study simple tables and charts to identify production bottlenecks. Instead of being bosses, shop managers are enablers. Information technology also has made such concepts less relevant today. Employees can access information that used to be available only to managers in a matter of a few seconds. It also means that employees can communicate with anyone else in the organization without going through the chain of command. Also, many employees, especially in organizations where work revolves around projects, find themselves reporting to more than one boss, thus violating the unity-of-command principle. However, such arrangements can and do work if communication, conflict, and other issues are managed well by all involved parties.

Span of Control

How many employees can a manager efficiently and effectively manage? That's what **span of control** is all about. The traditional view was that managers could not—and should not—directly supervise more than five or six subordinates. Determining the span of control is important because to a large degree, it determines the number of levels and managers in an organization— an important consideration in how efficient an organization will be. All other things being equal, the wider or larger the span, the more efficient the organization. Here's why.

Assume two organizations both have approximately 4,100 employees. As Exhibit 10-6 shows, if one organization has a span of four and the other a span of eight, the organization with the wider span will have two fewer levels and approximately 800 fewer managers. At an average manager's salary of $42,000 a year, the organization with the wider span would save over $33 million a year! Obviously, wider spans are more efficient in terms of cost. However, at some point, wider spans may reduce effectiveness if employee performance worsens because managers no longer have the time to lead effectively.

Today's View The contemporary view of span of control recognizes there is no magic number. Many factors influence the number of employees a manager can efficiently and effectively manage. These factors include the skills and abilities of the manager and the employees and the characteristics of the work being done. For instance, managers with well-trained and experienced employees can function well with a wider span. Other contingency variables that determine the appropriate span include similarity and complexity of employee tasks, the physical proximity of subordinates, the degree to which standardized procedures are in place, the sophistication of the organization's information system, the strength of the organization's culture, and the preferred style of the manager.

The trend in recent years has been toward larger spans of control, which is consistent with managers' efforts to speed up decision making, increase flexibility, get closer to customers, empower employees, and reduce costs. Managers are beginning to recognize that they can handle a wider span when employees know their jobs well and when those employees understand organizational processes. For instance, at PepsiCo's Gamesa cookie plant in Mexico, 56 employees now report to each manager. However, to ensure that performance doesn't suffer because of these wider spans, employees were thoroughly briefed on company goals and processes. Also, new pay systems reward quality, service, productivity, and teamwork.

Centralization and Decentralization

One of the questions that needs to be answered when organizing is "At what organizational level are decisions made?" **Centralization** is the degree to which decision making takes place at upper levels of the organization. If top managers make key decisions with little input from below, then the organization is more centralized. On the other hand, the more that lower-level employees provide input or actually make decisions, the more **decentralization** there is. Keep in mind that centralization- decentralization is not an either-or concept. The decision is relative, not absolute—that is, an organization is never completely centralized or decentralized.

Early management writers proposed that the degree of centralization in an organization depended on the situation. Their goal was the optimum and efficient use of employees. Traditional organizations were structured in a pyramid, with power and authority concentrated near the top of the organization. Given this structure, historically, centralized decisions were the most prominent, but organizations today have become more complex and responsive to dynamic changes in their environments. As such, many managers believe decisions need to be made by those individuals closest to the problems, regardless of their organizational level. In fact, the trend over the past several decades—at least in U.S. and Canadian organizations—has been a movement toward more decentralization in organizations. Exhibit 10-7 lists some of the factors that affect an organization's use of centralization or decentralization.

Today's View Today, managers often choose the amount of centralization or decentralization that will allow them to best implement their decisions and achieve organizational goals. What works in one organization, however, won't necessarily work in another, so managers must determine the appropriate amount of decentralization for each organization and work units within it.

As organizations have become more flexible and responsive to environmental trends, there's been a distinct shift toward decentralized decision making. This trend, also known as **employee empowerment**, gives employees more authority (power) to make decisions. (We'll address this concept more thoroughly in our discussion of leadership. In large companies especially, lower-level managers are "closer to the action" and typically have more detailed knowledge about problems and how best to solve them than top managers. For instance, at Terex Corporation, CEO Ron Defeo, a big proponent of decentralized management, tells his managers that, "You gotta' run the company you're given." And they have! The company generated revenues of more than $4 billion in 2009 with about 16,000 employees worldwide and a small corporate headquarters staff.22 Another example can be seen at the General Cable plant in Piedras Negras, Coahuila, Mexico, where employees are responsible for managing nearly 6,000 active raw material SKUs (stock-keeping units) in inventory and on the plant floor. And company managers continue to look for ways to place more responsibility in the hands of workers.

Exhibit 10-7
Centralization or Decentralization

More Centralization	More Decentralization
• Environment is stable.	• Environment is complex, uncertain.
• Lower-level managers are not as capable or experienced at making decisions as upper-level managers.	• Lower-level managers are capable and experienced at making decisions.
• Lower-level managers do not want a say in decisions.	• Lower-level managers want a voice in decisions.
• Decisions are relatively minor.	• Decisions are significant.
• Organization is facing a crisis or the risk of company failure.	• Corporate culture is open to allowing managers a say in what happens.
• Company is large.	• Company is geographically dispersed.
• Effective implementation of company strategies depends on managers retaining say over what happens.	• Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.

Formalization

Formalization refers to how standardized an organization's jobs are and the extent to which employee behavior is guided by rules and procedures. In highly formalized organizations, there are explicit job descriptions, numerous organizational rules, and clearly defined procedures covering work processes. Employees have little discretion over what's done, when it's done, and how it's done. However, where there is less formalization, employees have more discretion in how they do their work.

Today's View Although some formalization is necessary for consistency and control, many organizations today rely less on strict rules and standardization to guide and regulate employee behavior. For instance, consider the following situation:

A customer comes into a branch of a large national drug store and drops off a roll of film for same-day developing 37 minutes after the store policy cut-off time.

Although the sales clerk knows he's supposed to follow rules, he also knows he could get the film developed with no problem and wants to accommodate the customer. So he accepts the film, violating policy, hoping that his manager won't find out.

Has this employee done something wrong? He did "break" the rule. But by "breaking" the rule, he actually brought in revenue and provided good customer service.

Considering there are numerous situations where rules may be too restrictive, many organizations have allowed employees some latitude, giving them sufficient autonomy to make those decisions that they feel are best under the circumstances. It doesn't mean throwing out all organizational rules because there will be rules that are important for employees to follow—and these rules should be explained so employees understand why it's important to adhere to them. But for other rules, employees may be given some leeway.

LO2 Mechanistic and Organic Structures

Stocking extra swimsuits in retail stores near water parks seems to make sense, right? And if size 11 women's shoes have been big sellers in Chicago, then stocking more size 11s seems to be a no-brainer. After suffering through 16 months of declining same-store sales, Macy's CEO Terry Lundgren decided it was time to restructure the organization to make sure these types of smart re- tail decisions are made. He's making the company both more centralized and more locally focused. Although that may seem a contradiction, the redesign seems to be working. Lundgren centralized Macy's purchasing, planning, and marketing operations from seven regional offices to one office at headquarters in New York. He also replaced regional merchandise managers with more local managers—each responsible for a dozen stores—who spend more time figuring out what's selling. Designing (or redesigning) an organizational structure that works is important. Basic organizational design revolves around two organizational forms, described in Exhibit 10-8.27

The **mechanistic organization** (or bureaucracy) was the natural result of combining the six elements of structure. Adhering to the chain-of-command principle ensured the existence of a formal hierarchy of authority, with each person controlled and supervised by one superior. Keeping the span of control small at increasingly higher levels in the organization created tall, impersonal structures. As the distance between the top and the bottom of the organization expanded, top management would increasingly impose rules and regulations. Because top managers couldn't control lower-level activities through direct observation and ensure the use of standard practices, they substituted rules and regulations. The early management writers' belief in a high degree of work specialization created jobs that were simple, routine, and standardized. Further specialization through the use of departmentalization in- creased impersonality and the need for multiple layers of management to coordinate the specialized departments.

The **organic organization** is a highly adaptive form that is as loose and flexible as the mechanistic organization is rigid and stable. Rather than having standardized jobs and regulations, the organic organization's loose structure allows it to change rapidly, as required. It has division of labor, but the jobs people do are not standardized. Employees tend to be professionals who are technically proficient and trained to handle diverse problems. They need few formal rules and little direct supervision because their training has instilled in them standards of professional conduct. For instance, a petroleum engineer doesn't need to follow specific procedures on how to locate oil sources miles offshore. The engineer can solve most problems alone or after conferring with colleagues. Professional standards guide his or her behavior. The organic organization is low in centralization so that the professional can respond quickly to problems and because top-level managers cannot be expected to possess the expertise to make necessary decisions.

Exhibit 10-8
Mechanistic Versus Organic Organizations

Mechanistic	Organic
• High specialization	• Cross-functional teams
• Rigid departmentalization	• Cross-hierarchical teams
• Clear chain of command	• Free flow of information
• Narrow spans of control	• Wide spans of control
• Centralization	• Decentralization
• High formalization	• Low formalization

LO3 Contingency Factors Affecting Structural Choice

When Carol Bartz took over the CEO position at Yahoo! from co-founder Jerry Yang, she found a company "hobbled by slow decision making and ineffective execution on those decisions."30 For a company that was once the darling of Web search, Yahoo! seemed to have lost its way, a serious misstep in an industry where change is continual and rapid. Bartz (who is no longer the CEO) implemented a new streamlined structure intended to speed up decision making, which would allow the company to respond more quickly to changing conditions. Marissa Mayer—formerly a top executive at Google—is now Yahoo's CEO, and she has put her own stamp on the organization's structure. Top managers typically put a lot of thought into designing an appropriate organizational structure. What that appropriate structure is depends on four contingency variables**: the organization's strategy**, **size, technology**, and **degree of environmental uncertainty.**

Strategy and Structure

An organization's structure should facilitate goal achievement. Because goals are an important part of the organization's strategies, it's only logical that strategy and structure are closely linked. Alfred Chandler initially researched this relationship. He studied several large U.S. companies and concluded that changes in corporate strategy led to changes in an organization's structure that support the strategy.

Research has shown that certain structural designs work best with different organizational strategies. For instance, the flexibility and free-flowing information of the organic structure works well when an organization is pursuing meaningful and unique innovations. The mechanistic organization with its efficiency, stability, and tight controls works best for companies wanting to tightly control costs.

Size and Structure

There's considerable evidence that an organization's size affects its structure. Large organizations—typically considered to be those with more than 2,000 employees—tend to have more specialization, departmentalization, centralization, and rules and regulations than do small organizations. However, once an organization grows past a certain size, size has less influence on structure. Why? Essentially, once there are around 2,000 employees, it's already fairly mechanistic. Adding another 500 employees won't impact the structure much. On the other hand, adding 500 employees to an organization with only 300 employees is likely to make it more mechanistic.

Technology and Structure

Every organization uses some form of technology to convert its inputs into outputs. For instance, workers at Whirlpool's Manaus, Brazil, facility build microwave ovens and air conditioners on a standardized assembly line. Employees at FedEx Kinko's Office and Print Services produce custom design and print jobs for individual customers. And employees at Bayer's facility in Karachi, Pakistan, are involved in producing pharmaceuticals on a continuous-flow production line.

The initial research on technology's effect on structure can be traced to Joan Woodward, who studied small manufacturing firms in southern England to deter- mine the extent to which structural design elements were related to organizational success. She couldn't find any consistent pattern until she divided the firms into three distinct technologies that had in-creasing levels of complexity and sophistication. The first category, **unit production**, described the production of items in units or small batches. The second category, **mass production**, described large-batch manufacturing. Finally, the third and most technically complex group, **process production**, included continuous-process production.

Other studies also have shown that organizations adapt their structures to their technology depending on how routine their technology is for transforming inputs into outputs. In general, the more routine the technology, the more mechanistic the structure can be, and organizations with more nonroutine technology are more likely to have organic structures.

Environmental uncertainty and Structure

Some organizations face stable and simple environments with little uncertainty; others face dynamic and complex environments with a lot of uncertainty. Managers try to minimize environmental uncertainty by adjusting the organization's structure.

In stable and simple environments, mechanistic designs can be more effective. On the other hand, the greater the uncertainty, the more an organization needs the flexibility of an organic design. Forexample, the uncertain nature of the oil industry means that oil companies need to be flexible. Soon after he was named CEO of Royal Dutch Shell PLC, Jeroen van der Veer (now the former CEO) streamlined the corporate structure to counteract some of the industry volatility. One thing he did was eliminate the company's cumbersome, overly analytical process of making deals with OPEC countries and other major oil producers.

Today's View The evidence on the environment-structure relationship helps explain why so many managers today are restructuring their organizations to be lean, fast, and flexible. Worldwide economic downturns, global competition, accelerated product innovation by competitors, and increased demands from customers for high quality and faster deliveries are examples of dynamic environmental forces. Mechanistic organizations are not equipped to respond to rapid environmental change and environmental uncertainty. As a result, we're seeing organizations become more organic.

Exhibit 10-9
Woodward's Findings on Technology and Structure

	Unit Production	Mass Production	Process Production
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

LO4 Traditional Organizational Designs

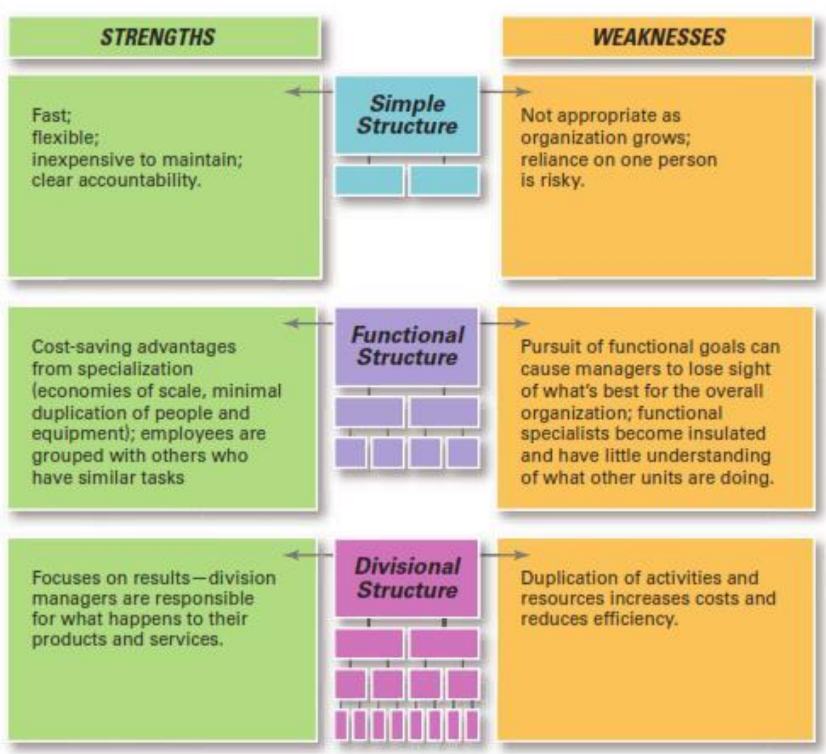
They're a big hit with the elementary-school crowd, and millions of them were sold every month. Ever heard of Silly Bandz? If you're over the age of 10, you probably haven't! These colorful rubber bands retain the shapes they're twisted into and kids love them. The small business that created Silly Bandz—BCP Imports of Toledo, Ohio—increased its employee count from 20 to 200 and added 22 phone lines to keep up with inquiries. The person behind those organizing decisions is company president Robert Croak. In making structural decisions, managers have some common designs from which to choose In this chapter, we're describing the traditional organizational designs. In the next chapter, we'll be looking at more con- temporary types of organizational designs.

When designing a structure, managers may choose one of the traditional organizational designs. These structures tend to be more mechanistic in nature. A summary of the strengths and weaknesses of each can be found in Exhibit 10-10.

Simple Structure

Most companies start as entrepreneurial ventures using a **simple structure**, an organizational design with little departmentalization, wide spans of control, authority centralized in a single person, and little formalization.As employees are added, however, most don't remain as simple structures. The structure tends to become more specialized and formalized. Rules and regulations are introduced, work becomes specialized, departments are created, levels of management are added, and the organization becomes increasingly bureaucratic. At this point, managers might choose a functional structure or a divisional structure.

Exhibit 10-10
Traditional Organizational Designs



Functional Structure

A **functional structure** is an organizational design that groups similar or related occupational specialties together. You can think of this structure as functional departmentalization applied to the entire organization.

Divisional Structure

The divisional structure is an organizational structure made up of separate business units or divisions.In this structure, each division has limited autonomy, with a division manager who has authority over his or her unit and is responsible for performance. In divisional structures, however, the parent corporation typically acts as an external overseer to coordinate and control the various divisions, and often provides support services such as financial and legal. Walmart, for example, has two divisions: retail (Walmart Stores, International, Sam's Clubs, and others) and sup- port (distribution centers).

Hopefully, you've seen in this chapter that organizational structure and design (or redesign) are important managerial tasks. Also, we hope that you recognize that organizing decisions aren't only important for upper-level managers. Managers at all levels may have to deal with work specialization or authority or span-of-control decisions. In the next chapter, we'll continue our discussion of the organizing function by looking at contemporary organizational designs.

Self- Check Questions

1. Discuss the traditional and contemporary views of each of the six key elements of organizational design.

2. Contrast mechanistic and organic organizations.

3. Discuss why you think an organization might be keen to increase its managers' span of control.

4. In terms of organizational designs, what is a simple structure?

5. Why is structure important? Why does an organization need a clear structure? Are there any other reasons for organizational structures beyond the formal arrangement of jobs, roles, and responsibilities?

6. Management in an organization isn't restricted to having line authority over subordinates. There is also staff authority present in many organizations. Distinguish between these two types of authority.

Monitor/Control Work Operation CST TOS4 02 0912

Learning Outcomes

LO1 **Explain t**he nature and importance of control.

LO 2 **Describe** the three steps in the control process.

LO 3 **Explain** how organizational and employee performance are measured.

● **Know** how to be effective at giving feedback.

Lo 4 **Describe** tools used to measure organizational performance.

Things don't always go as planned. That's why controlling is so important! Controlling is the final step in the management process. Managers must monitor whether goals that were established as part of the planning process are being accomplished efficiently and effectively as planned. That's what they do when they control. Appropriate controls can help managers look for specific performance gaps and areas for improvement. And that's what we're going to look at in this chapter— the control process, the types of controls that managers can use, and contemporary issues in control.

LO1 What Is Controlling and Why Is It Important?

A press operator at the Denver Mint noticed a flaw—an extra up leaf or an extra down leaf—on Wisconsin state quarters being pressed at one of his five press machines. He stopped the machine and left for a meal break. When he returned, he saw the machine running and assumed that someone had changed the die in the machine. However, after a routine inspection, the machine operator realized the die had not been changed. The faulty press had likely been running for over an hour and thousands of the flawed coins were now commingled with unblemished quarters. As many as 50,000 of the faulty coins entered circulation, setting off a coin collector buying frenzy.

• After an above-ground radioactive release at a nuclear waste storage vault in New Mexico, a report blamed managers who failed to "understand and control the risks."

• Security lapses, including unlocked doors and defective airflow, at a federal Center

for Disease Control lab in Atlanta generated serious concerns.

• After a number of negatively publicized incidents on its cruise ships, Carnival

Corporation accelerated its schedule of maintenance and other renovations.

• A technical error on Walmart's Web site led to certain products showing unbelievably low prices (for instance, a treadmill for $33). The error was not the result of hacking, but an internal glitch, and was quickly corrected.

• For more than a century, the venerable New York Times had an error on its front

page every single day. Somehow, back in 1898, the issue number was inflated by

500. The paper did correct the error once it was discovered in 1999.

• Clothing return fraud costs U.S. retailers almost $9 billion annually. To combat this, many high-end retailers have started placing large black plastic tags in highly visible places on dresses and other pricey clothing items.

• No fast-food chain wants its employees doing gross stuff behind the scenes, but social media photos and videos of a Taco Bell employee licking a stack of taco shells, a Wendy's employee bending down under a Frosty machine with mouth wide open gobbling the treat, and a Domino's Pizza employee performing vulgar and unsanitary actions while preparing food have all shown up online.

Yikes! Can you see why controlling is such an important managerial function?

What is **controlling**? It's the process of monitoring, comparing, and correcting work performance. All managers should control even if their units are performing as planned because they can't really know that unless they've evaluated what activities have been done and compared actual performance against the desired standard.

Effective controls ensure that activities are completed in ways that lead to the attainment of goals. Whether controls are effective, then, is determined by how well they help employees and managers achieve their goals.

In David Lee Roth's autobiography (yes, that David Lee Roth, the former front man for Van Halen), he tells the story of how he had a clause (article 126) in his touring contract asking for a bowl of M&Ms backstage, but no brown ones. Now, you might think that is just typical demanding rock star behavior, but instead it was a well-planned effort by Roth to see whether the venue management had paid attention. With the technical complexity of his show, he figured if they couldn't get the M&Ms right, he needed to demand a line check of the entire production to ensure that no technical errors would occur during a performance. Now that's how managers should use control!

Why is control so important? Planning can be done, an organizational structure created to facilitate efficient achievement of goals, and employees motivated through effective leadership. But there's no assurance that activities are going as planned and that the goals employees and managers are working toward are, in fact, being attained. Control is important, therefore, because it's the only way that managers know whether organizational goals are being met and, if not, the reasons why. The value of the control function can be seen in three specific areas: planning, empowering employees, and protecting the workplace.

Exhibit 18-1
Planning-Controlling Link

Previously we described goals, which provide specific direction to employees and managers, as the foundation of planning. However, just stating goals or having employees accept goals doesn't guarantee that the necessary actions to accomplish those goals have been taken. As the old saying goes, "The best-laid plans often go awry." The effective manager follows up to ensure that what employees are supposed to do is, in fact, being done and goals are being achieved. Controlling provides a critical link back to planning. (See Exhibit 18-1.) If managers didn't control, they'd have no way of knowing whether their goals and plans were being achieved and what future actions to take.

The second reason controlling is important is because of employee empowerment. Many managers are reluctant to empower their employees because they fear something will go wrong for which they would be held responsible. But an effective control system can provide information and feedback on employee performance and minimize the chance of potential problems.

The final reason why managers control is to protect the organization and its assets. Today's environment brings heightened threats from natural disasters, financial scandals, workplace violence, global supply chain disruptions, security breaches, and even possible terrorist attacks. Managers must protect organizational assets in the event that any of these things should happen. Comprehensive controls and back-up plans will help assure minimal work disruptions.

LO2 The Control Process

Zebra. That's the name of a company with an RFID sensor tracking product called Motion Works that Nascar's Michael Waltrip Racing pit crew is clamoring over, although it's not yet been approved for use in races. This RFID sensing technology will allow pit crews to track in real-time what they've only been able to do with videos and stopwatches. By controlling every movement and action, the team hopes to maximize speed in pit stops and prevent penalties. It would allow them to measure their performance in ways not available before.14 What a great example of managers using the control process to address issues both leading to and resolving problems and trying to be more efficient and effective.

The **control process** is a three-step process of measuring actual performance, comparing actual performance against a standard, and taking managerial action to correct deviations or to address inadequate standards. (See Exhibit 18-2.) The control process assumes that performance standards already exist, and they do. They're the specific goals created during the planning process.

Exhibit 18-2
The Control Process

Step 1: Measuring Actual Performance

To determine what actual performance is, a manager must first get information about it. Thus, the first step in control is measuring.

How we Measure Four approaches used by managers to measure and report actual performance are personal observations, statistical reports, oral reports, and written reports. Exhibit 18-3 summarizes the advantages and drawbacks of each approach. Most managers use a combination of these approaches.

What we Measure At Office Depot, customer service was measured by metrics— such as the cleanliness of bathrooms—that didn't drive sales. The company's president is trying to address this by identifying what measures are most important and then retraining the staff on achieving those measures.Yes, what is measured is probably more critical to the control process than how it's measured. Why? Because selecting the wrong criteria can create serious problems. Besides, what is measured often determines what employees will do. What control criteria might managers use?

Some control criteria can be used for any management situation. For instance, all managers deal with people, so criteria such as employee satisfaction or turnover and absenteeism rates can be measured. Keeping costs within budget is also a fairly common control measure. Other control criteria should recognize the different activities that managers supervise. For instance, a manager at a pizza delivery location might use measures such as number of pizzas delivered per day, average delivery time for phone orders versus online orders, or number of coupons redeemed. A manager in a governmental agency might use applications typed per day, client requests completed per hour, or average time to process paperwork.

Most work activities can be expressed in quantifiable terms. However, man- agers should use subjective measures when necessary. Although such measures may have limitations, they're better than having no standards at all and doing no controlling.

Exhibit 18-3
Sources of Information for Measuring Performance

	Benefits	Drawbacks
Personal Observations	• Get firsthand knowledge • Information isn't filtered • Intensive coverage of work activities	• Subject to personal biases • Time-consuming • Obtrusive
Statistical Reports	• Easy to visualize • Effective for showing relationships	• Provide limited information • Ignore subjective factors
Oral Reports	• Fast way to get information • Allow for verbal and nonverbal feedback	• Information is filtered • Information can't be documented
Written Reports	• Comprehensive • Formal • Easy to file and retrieve	• Take more time to prepare

Step 2: Comparing Actual Performance Against the Standard

The comparing step determines the variation between actual performance and the standard. Although some variation in performance can be expected in all activities, it's critical to determine an acceptable **range of variation** (see Exhibit 18-4). Deviations outside this range need attention. Let's work through an example.

Chris Tanner is a sales manager for Green Earth Gardening Supply, a distributor of specialty plants and seeds in the Pacific Northwest. Chris prepares a report during the first week of each month that describes sales for the previous month, classified by product line. Exhibit 18-5 displays both the sales goals (standard) and actual sales figures for the month of June. After looking at the numbers, should Chris be concerned? Sales were a bit higher than originally targeted, but does that mean there were no significant deviations? That depends on what Chris thinks is significant; that is, outside the acceptable range of variation. Even though overall performance was generally quite favorable, some product lines need closer scrutiny. For instance, if sales of heirloom seeds, flowering bulbs, and annual flowers continue to be over what was expected, Chris might need to order more product from nurseries to meet customer demand. Because sales of vegetable plants were 15 percent below goal, Chris may need to run a special on them. As this example shows, both overvariance and undervariance may require managerial attention, which is the third step in the control process.

Step 3: taking Managerial Action

Managers can choose among three possible courses of action: do nothing, correct the actual performance, or revise the standards. Because "do nothing" is self-explanatory, let's look at the other two.

Correct Actual Performance Sports coaches understand the importance of correcting actual performance. During a game, they'll often correct a player's actions. But if the problem is recurring or encompasses more than one player, they'll devote time during practice before the next game to correcting the actions.17 That's what man- agers need to do as well.

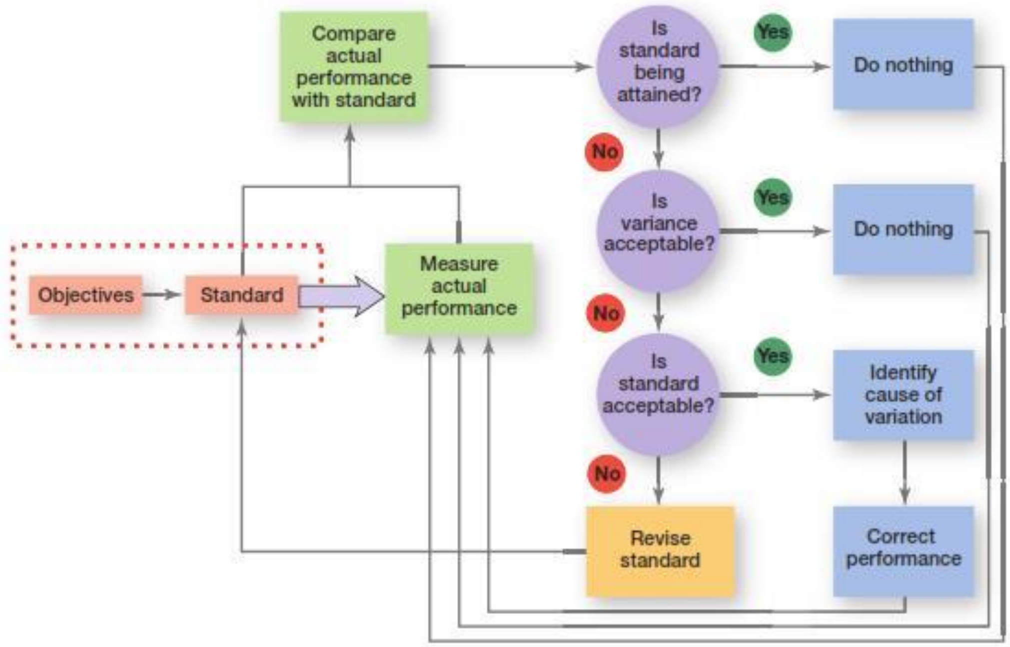
Depending on what the problem is, a manager could take different corrective actions. For instance, if unsatisfactory work is the reason for performance variations, the manager could correct it by things such as training programs, disciplinary action, changes in compensation practices, and so forth. One decision a manager must make is whether to take **immediate corrective action**, which corrects problems at once to get performance back on track, or to use **basic corrective action**, which looks at how and why performance deviated before correcting the source of deviation. It's not unusual for managers to rationalize that they don't have time to find the source of a problem (basic corrective action) and continue to perpetually "put out fires" with immediate corrective action. Effective managers analyze deviations and, if the benefits justify it, take the time to pinpoint and correct the causes of variance.

Revise The Standard It's possible that the variance was a result of an unrealistic standard—too low or too high a goal. In that situation, the standard needs the corrective action, not the performance. If performance consistently exceeds the goal, then a manager should look at whether the goal is too easy and needs to be raised. On the other hand, managers must be cautious about revising a standard downward. It's natural to blame the goal when an employee or a team falls short. For instance, students who get a low score on a test often attack the grade cut-off standards as too high. Rather than accept the fact that their performance was inadequate, they will argue that the standards are unreasonable. Likewise, salespeople who don't meet their monthly quota often want to blame what they think is an unrealistic quota. The point is that when performance isn't up to par, don't immediately blame the goal or standard. If you believe the standard is realistic, fair, and achievable, tell employees that you expect future work to improve, and then take the necessary corrective action to help make that happen.

Managerial Decisions in Controlling

Exhibit 18-6 summarizes the decisions a manager makes in controlling. The standards are goals developed during the planning process. These goals provide the basis for the control process, which involves measuring actual performance and comparing it against the standard.Depending on the results, a manager's decision is to do nothing, correct the performance, or revise the standard.

Exhibit 18-6
Managerial Decisions in the Control Process



LO3 Controlling for Organizational and Employee Performance

Cost efficiency. The length of time customers are kept on hold. Customer satisfaction with service provided. These are just a few of the important performance indicators that executives in the intensely competitive call-center service industry measure. To make good decisions, managers in this industry want and need this type of information so they can manage organizational and employee performance.Managers in all types of businesses are responsible for managing organizational and employee performance.

What is Organizational Performance?

When you hear the word performance, what do you think of ? A summer evening con- cert by a local community orchestra? An Olympic athlete striving for the finish line in a close race? A Southwest Airlines ramp agent in Ft. Myers, Florida, loading passengers as efficiently as possible in order to meet the company's 20-minute gate turnaround goal? **Performance** is all of these things. It's the end result of an activity. And whether that activity is hours of intense practice before a concert or race or whether it's carrying out job responsibilities as efficiently and effectively as possible, performance is what results from that activity.

Managers are concerned with **organizational performance**—the accumulated results of all the organization's work activities. It's a multifaceted concept, but man- agers need to understand the factors that contribute to organizational performance. After all, it's unlikely that they want (or intend) to manage their way to mediocre performance. They want their organizations, work units, or work groups to achieve high levels of performance.

Measures of Organizational Performance

Theo Epstein, former executive vice president and general manager of the Boston Red Sox and now president of the Chicago Cubs, uses some unusual statistics to evaluate his players' performance. Instead of the old standards like batting average, home runs, and runs batted in, performance measures include on-base percentage, pitches per plate appearance, at-bats per home run, and on-base plus slugging percentage.

By using these statistics to predict future performance, Epstein identified some potential star players and signed them for a fraction of the cost of a big-name player, a key factor in the Red Sox winning the World Series in 2004. As a manager, Epstein has identified the performance measures that are most important to his decisions.

Like Epstein, all managers must know which measures will give them the information they need about organizational performance. Commonly used ones include organizational productivity, organizational effectiveness, and industry rankings.

Oganizational Productivity Productivity is the amount of goods or services produced divided by the inputs needed to generate that output. Organizations and individual work units want to be productive. They want to produce the most goods and services using the least amount of inputs. Output is measured by the sales revenue an organization receives when goods are sold (selling price× number sold). Input is measured by the costs of acquiring and transforming resources into outputs.

It's management's job to increase this ratio. Of course, the easiest way to do this is to raise prices of the outputs. But in today's competitive environment, that may not be an option. The only other option, then, is to decrease the inputs side. How? By being more efficient in performing work and thus decreasing the organization's expenses.

Organizational Effectiveness Organizational effectiveness is a measure of how appropriate organiza- tional goals are and how well those goals are met. That's the bottom line for managers, and it's what guides managerial decisions in designing strategies and work activities and in coordinating the work of employees.

Industry And Company Rankings Rankings are a popular way for managers to measure their organization's performance. And there's not a shortage of these rankings, as Exhibit 18-7 shows. Rankings are determined by specific performance measures, which are different for each list. For instance, Fortune's Best Companies to Work For are chosen by answers given by thousands of randomly selected employees on a questionnaire called "The Great Place to Work® Trust Index®" and on materials filled out by thousands of company managers, including a corporate culture audit created by the Great Place to Work Institute. These rankings give managers (and others) an indicator of how well their company performs in comparison to others.

Exhibit 18-7
Popular Industry and Company Rankings

Fortune **(www.fortune.com)**	***IndustryWeek*** **(www.industryweek.com)**
Fortune 500	*IndustryWeek* 1000
Global 500	*IndustryWeek* U.S. 500
World's Most Admired Companies	50 Best Manufacturers
100 Best Companies to Work For 100 Fastest-Growing Companies	*IndustryWeek* Best Plants
Forbes **(www.forbes.com)**	**Customer Satisfaction Indexes**
World's Biggest Public Companies	American Customer Satisfaction Index—University of Michigan Business School
	Customer Satisfaction Measurement Association

Controlling For Employee Performance

Since managers manage employees, they also have to be concerned about controlling for employee performance; that is, making sure employees' work efforts are of the quantity and quality needed to accomplish organizational goals. How do managers do that? By following the control process: measure actual performance; compare that performance to standard (or expectations); and take action, if needed. It's particularly important for managers to deliver effective performance feedback and to be prepared, if needed, to use **disciplinary actions**—actions taken by a manager to enforce the organization's work standards and regulations. Let's look first at effective performance feedback.

Delivering Effective Performance Feedback Throughout the semester, do you keep track of all your scores on homework, exams, and papers? If you do, why do you like to know that information? For most of us, it's because we like to know where we stand in terms of where we'd like to be and what we'd like to accomplish in our work. We like to know how we're doing. Managers need to provide their employees with feedback so that the employees know where they stand in terms of their work. When giving performance feedback, both parties need to feel heard, understood, and respected. And if done that way, positive outcomes can result. "In a productive performance discussion, organizations have the opportunity to reinforce company values, strengthen workplace culture, and achieve strategic goals." Sometimes, however, performance feedback doesn't work. An employee's performance may continue to be an issue. Under those circumstances, disciplinary actions may be necessary to address the problems.

Using Disciplinary Actions Fortunately, most employees do their jobs well and never need formal correction. Yet, sometimes it is needed. Exhibit 18-8 lists some common types of work discipline problems and examples of each. In those circumstances, it's important for a manager to know what the organization's policies are on discipline. Is there a process for dealing with unsatisfactory job performance? Do warnings need to be given when performance is inadequate? What happens if, after the warnings, performance or the troublesome behavior doesn't improve? Disciplinary actions are never easy or pleasant; however, discipline can be used to both control and correct employee performance, and managers must know how to discipline. (See the end-of-chapter Skill Application on Disciplining Employees Effectively for more suggestions.)

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

Exhibit 18-8
Types of Discipline Problems and Examples of Each

LO4 Tools for Measuring Organizational Performance

• When someone typed the word "bailout" into a Domino's promo code window and found it was good for a free medium pizza, the news spread like wildfire across the Web. Domino's ended up having to give away thousands of free pizzas.

• A simple mistyped Web address by a Google employee caused all search results worldwide during a 55-minute period to warn, "This site may be harmful to your computer," even though it wasn't.

What kinds of tools could managers at these companies have used for monitoring and measuring performance?

All managers need appropriate tools for monitoring and measuring organizational performance. Before describing some specific types of control tools, let's look at the concept of feedforward, concurrent, and feedback control.

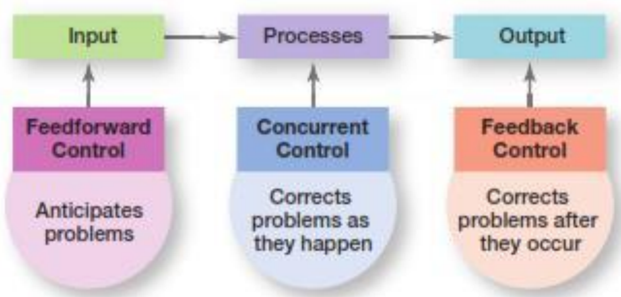


Exhibit 18-9
Types of Control

Feedforward/Concurrent/Feedback Controls

Managers can implement controls before an activity begins, during the time the activity is going on, and after the activity has been completed. The first type is called feedforward control; the second, concurrent control; and the last, feedback control (see Exhibit 18-9).

FEEDFORWORD CONTROL The most desirable type of control—**feedforward control—**prevents problems because it takes place before the actual activity. For instance, hospital emergency rooms are looking to prevent mistakes such as an 18-year-old with fever and chills being sent home from the emergency room with Tylenol and later dying of sepsis, a blood infection; or a 42-year-old woman with chest pains being discharged, only to suffer a heart attack two hours later. Medical experts know that a serious ailment can look a lot like something else in the hubbub and chaos of the ER. So that's why many are setting protocols and oversights in place to prevent these kinds of mistakes. When McDonald's opened its first restaurant in Moscow, it sent company quality control experts to help Russian farmers learn techniques for growing high-quality potatoes and to help bakers learn processes for baking high- quality breads. Why? McDonald's demands consistent product quality no matter the geographical location. They want a cheeseburger in Moscow to taste like one in Omaha. Still another example of feedforward control is the scheduled preventive maintenance programs on aircraft done by the major airlines. These programs are designed to detect and hopefully to prevent structural damage that might lead to an accident.

The key to feedforward controls is taking managerial action before a problem occurs. That way, problems can be prevented rather than having to correct them after any damage (poor-quality products, lost customers, lost revenue, etc.) has already been done. However, these controls require timely and accurate information that isn't always easy to get. Thus, managers frequently end up using the other two types of control.

CONCURRENT CONTROL **Concurrent control**, as its name implies, takes place while a work activity is in progress. For instance, Nicholas Fox is director of business product management at Google. He and his team keep a watchful eye on one of Google's most profitable businesses—online ads. They watch "the number of searches and clicks, the rate at which users click on ads, the revenue this generates—everything is tracked hour by hour, compared with the data from a week earlier and charted." If they see something that's not working particularly well, they fine-tune it.

The best-known form of concurrent control is direct supervision. Another term for it is **management by walking around**, which is when a manager is in the work area interacting directly with employees. For example, Nvidia's CEO, Jen-Hsun Huang, tore down his cubicle and replaced it with a conference table so he's available to employees at all times to discuss what's going on. Even GE's CEO, Jeff Immelt, spends a large portion of his workweek on the road talking to employees and visiting the company's numerous locations. All managers can benefit from using concurrent control, but especially first-line managers, because they can correct problems before they become too costly.

Feedback Control The most popular type of control relies on feedback. In **feedback control**, the control takes place after the activity is done. For instance, the Denver Mint discovered the flawed Wisconsin quarters using feedback control. The damage had already occurred, even though the organization corrected the problem once it was discovered. And that's the major problem with this type of control. By the time a manager has the information, the problems have already occurred, leading to waste or damage. However, in many work areas (for example, financial), feedback is the only viable type of control.

Feedback controls have two advantages. First, feedback gives managers meaningful information on how effective their planning efforts were. Feedback that shows little variance between standard and actual performance indicates that the planning was generally on target. If the deviation is significant, a manager can use that information to formulate new plans. Second, feedback can enhance motivation. People want to know how well they're doing and feedback provides that information. Now, let's look at some specific control tools that managers can use.

Financial Controls

Every business wants to earn a profit. To achieve this goal, managers need financial controls. For instance, they might analyze quarterly income statements for excessive expenses. They might also calculate financial ratios to ensure that sufficient cash is available to pay ongoing expenses, that debt levels haven't become too high, or that assets are used productively.

Managers might use traditional financial measures such as ratio analysis and budget analysis. Exhibit 18-10 summarizes some of the most popular financial ratios. Liquidity ratios measure an organization's ability to meet its current debt obligations. Leverage ratios examine the organization's use of debt to finance its assets and whether it's able to meet the interest payments on the debt. Activity ratios assess how efficiently a company uses its assets. Finally, profitability ratios measure how efficiently and effectively the company uses its assets to generate profits. These ratios are calculated using selected information from the organization's two primary financial statements (the balance sheet and the income statement), which are then expressed as a percentage or ratio. Because you've probably studied these ratios in other accounting or finance courses, or will in the near future, we aren't going to elaborate on how they're calculated. We mention them here to remind you that managers use such ratios as internal control tools.

Budgets are planning and control tools. (See the Planning and Control Techniques module for more information on budgeting.) When a budget is formulated, it's a planning tool, because it indicates which work activities are important and what and how much resources should be allocated to those activities. But budgets are also used for controlling, because they provide managers with quantitative standards against which to measure and compare resource consumption. If deviations are significant enough to require action, the manager examines what has happened and tries to uncover why. With this information, necessary action can be taken. For example, if you use a personal budget for monitoring and controlling your monthly expenses, you might find that one month your miscellaneous expenses were higher than you had budgeted for. At that point, you might cut back spending in another area or work extra hours to get more income.

Exhibit 18-10
Popular Financial Ratios

Objective	Ratio	Calculation	Meaning
Liquidity	Current ratio	Current assets / Current liabilities	Tests the organization's ability to meet short-term obligations
	Acid test	Current assets less inventories / Current liabilities	Tests liquidity more accurately when inventories turn over slowly or are difficult to sell
Leverage	Debt to assets	Total debt / Total assets	The higher the ratio, the more leveraged the organization
	Times interest earned	Profits before interest and taxes / Total interest charges	Measures how many times the organization is able to meet its interest expenses
Activity	Inventory turnover	Sales / Inventory	The higher the ratio, the more efficiently inventory assets are used
	Total asset turnover	Sales / 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	Net profit after taxes / Total sales	Identifies the profits that are generated
	Return on investment	Net profit after taxes / Total assets	Measures the efficiency of assets to generate profits

Information Controls

During the most critical—and worst possible—time period for retailers, Target Corporation found that cybercriminals caused an enormous data breach in late 2013. Six months after the attack, Target executives were still trying to fix the mess. Cyber attackers from China targeted Google and 34 other companies in an attempt to steal information. A large criminal theft of credit card data—account information belonging to millions of people—happened to Heartland Payment Systems, a payments processor. American Express found its Web site under attack, one of several and powerful attacks on American financial institutions. An ex-worker at Goldman Sachs stole "black box" computer programs that Goldman uses to make lucrative, rapid-fire trades in the financial markets. Even the U.S. government is getting serious about controlling information. Financial-market sensitive data (think Consumer Price Index, housing starts, inflation numbers, gas prices, corn yields, etc.) will be guarded as a precaution against anyone who might want to take advantage of an accidental or covert leak to get an insider's edge in the financial markets. Talk about the need for information controls! Managers deal with information controls in two ways: (1) as a tool to help them control other organizational activities and (2) as an organizational area they need to control.

HOW IS INFORMATION USED IN CONTROLLING? Managers need the right information at the right time and in the right amount to monitor and measure organizational activities and performance.

In measuring actual performance, managers need information about what is happening within their area of responsibility and about the standards in order to be able to compare actual performance with the standards. They also rely on information to help them determine if deviations are acceptable.Finally, they rely on information to help them develop appropriate courses of action. Information is important! Most of the information tools managers use come from the organization's management information system.

A **management information system (MiS)** is a system used to provide managers with needed information on a regular basis. In theory, this system can be manual or computer-based, although most organizations have moved to computer- supported applications. The term **system** in MIS implies order, arrangement, and purpose. Further, an MIS focuses specifically on providing managers with **information** (processed and analyzed data), not merely **data** (raw, unanalyzed facts). A library pro- vides a good analogy. Although it can contain millions of volumes, a library doesn't do you any good if you can't find what you want quickly. That's why librarians spend a great deal of time cataloging a library's collections and ensuring that materials are returned to their proper locations. Organizations today are like well-stocked libraries. The issue is not a lack of data; instead, the issue is whether an organization has the ability to process that data so that the right information is available to the right person when he or she needs it.An MIS collects data and turns them into relevant information for managers to use.

CONTROLLING INFORMATION Using pictures of a cute kitty attached to e-mails or as a link, companies are using "ethical hackers" to demonstrate how easily employees can put company data at risk by clicking on them. Although these cute kitties are simulated attacks, it seems that every week, there's another news story about actual information security breaches. A survey shows that 60 percent of companies had a network security breach in the past year. Cause information is critically important to everything an organization does, managers must have comprehensive and secure controls in place to protect that information. Such controls can range from data encryption to system firewalls to data back-ups, and other techniques as well.

Problems can lurk in places that an organization might not even have considered, like blogs, search engines, and Twitter accounts. Sensitive, defamatory, confidential, or embarrassing organizational information has found its way into search engine results. For instance, detailed monthly expenses and employee salaries on the National Speleological Society's Web site turned up in a Google search.33 Equipment such as tablet and laptop computers, smartphones, and even RFID (radio-frequency identification) tags are vulnerable to viruses and hacking. Needless to say, information controls should be monitored regularly to ensure that all possible precautions are in place to protect important information.

Balanced Scorecard

The **balanced scorecard** approach is a way to evaluate organizational performance from more than just the financial perspective. A balanced scorecard typically looks at four areas that contribute to a company's performance: financial, customer, internal processes, and people/innovation/growth assets. According to this approach, managers should develop goals in each of the four areas and then measure whether the goals are being met.

Although a balanced scorecard makes sense, managers will tend to focus on areas that drive their organization's success and use scorecards that reflect those strategies.36 For example, if strategies are customer-centered, then the customer area is likely to get more attention than the other three areas. Yet, you can't focus on measuring only one performance area because others are affected as well. For instance, at IBM Global Services in Houston, managers developed a scorecard around an overriding strategy of customer satisfaction.However,the other areas (financial, internal processes, and people/innovation/growth) support that central strategy. The division manager described it as follows, "The internal processes part of our business is directly related to responding to our customers in a timely manner, and the learning and innovation aspect is critical for us since what we're selling our customers above all is our expertise. Of course, how successful we are with those things will affect our financial component."

Benchmarking of Best Practices

The Cleveland Clinic is world renowned for delivering high-quality health care, with a top-ranked heart program that attracts patients from around the world. But what you may not realize is that it's also a model of cost-effective health care. It could serve as a model for other health care organizations looking to be more effective and efficient.

Managers in such diverse industries as health care, education, and financial services are discovering what manufacturers have long recognized—the benefits of **benchmarking**, which is the search for the best practices among competitors or noncompetitors that lead to their superior performance. Benchmarking should identify various **benchmarks**, the standards of excellence against which to mea- sure and compare. For instance, the American Medical Association developed more than 100 standard measures of performance to improve medical care. Carlos Ghosn, CEO of Nissan, benchmarked Walmart operations in purchasing, transportation, and logistics.

Target Corporation benchmarked Amazon by mimicking its online offerings including recurring diaper delivery, free shipping, and member discounts. At its most basic, bench- marking means learning from others. As a tool for monitoring and measuring organizational performance, benchmarking can be used to identify specific performance gaps and potential areas of improvement. But best practices aren't just found externally.

Sometimes those best practices can be found inside the organization and just need to be shared. One fertile area for finding good performance improvement ideas is an employee suggestion box. Research shows that best practices frequently already exist within an organization but usually go unidentified and unnoticed. In today's environment, organizations seeking high performance levels can't afford to ignore such potentially valuable information. For example, Ameren Corporation's power plant managers used internal benchmarking to help identify performance gaps and opportunities. Exhibit 18-11 provides some suggestions for internal benchmarking.

Exhibit 18-11

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.

Source: Based on "Extracting Diamonds in the Rough," by Tad Leahy, from *Business Finance*, August 2000.

Self-check
Questions-3

1. Why is control an essential managerial function in all types of organizations?

2. State the information sources for measuring performance.
3. Discuss the four main workplace discipline problems.

4. What do the two liquidity ratios—current and acid—actually measure and reveal?

5. What workplace concerns do managers have to deal with? How might those concerns be controlled?

6. Why is control important to customer interactions?

7. "Every individual employee in an organization plays a role in controlling work activities." Do you agree with this statement, or do you think control is something that only managers are responsible for? Explain.

Develop Individuals and Team CST TOS4 28 0912

Learning Outcomes

LO1 **Define** groups and the stages of group development.

LO 2 **Describe** the major components that determine group performance and satisfaction.

LO 3 **Define** teams and best practices influencing team performance.

● **Know how** to maximize outcomes through effective negotiating.

● **Develop your skill** at coaching team members.

LO 4 **Discuss** contemporary issues in managing teams.

You've probably had a lot of experience working in groups—class project teams, maybe an athletic team, a fundraising committee, or even a sales team at work. Work teams are one of the realities—and challenges—of managing in today's dynamic global environment. Many organizations have made the move to restructure work around teams rather than individuals. Why? What do these teams look like? And, how can managers build effective teams? We will look at answers to these questions throughout this part. Before we can understand teams, however, we first need to understand some basics about groups and group behavior.

LO1 Groups and Group Development

Each person in the group had his or her assigned role: The Spotter, The Back Spotter, The Gorilla, and the Big Player. For over 10 years, this group—former MIT students who were members of a secret Black Jack Club—used their extraordinary mathematical abilities, expert training, teamwork, and interpersonal skills to take millions of dollars from some of the major casinos in the United States.1Although most groups aren't formed for such dishonest purposes, the success of this group at its task was impressive. Managers would like their groups to be successful at their tasks also. The first step is understanding what a group is and how groups develop.

What Is a Group?

A **group** is defined as two or more interacting and interdependent individuals who come together to achieve specific goals. Formal groups are work groups defined by the organization's structure and have designated work assignments and specific tasks directed at accomplishing organizational goals. Exhibit 13-1 provides some examples. Informal groups are social groups. These groups occur naturally in the workplace and tend to form around friendships and common interests. For example, five employees from different departments who regularly eat lunch together are an informal group.

Stages of Group Development

Research shows that groups develop through five stages. As shown in Exhibit 13-2, these five stages are **forming**, **storming, norming, performing, and adjourning**.

The **forming** stage has two phases. The first occurs as people join the group. In a formal group, people join because of some work assignment. Once they've joined, the second phase begins: defining the group's purpose, structure, and leadership. This phase involves a great deal of uncertainty as members "test the waters" to determine what types of behavior are acceptable. This stage is complete when members begin to think of themselves as part of a group.

The **storming stage** is appropriately named because of the intragroup conflict. There's conflict over who will control the group and what the group needs to be doing. During this stage, a relatively clear hierarchy of leadership and agreement on the group's direction emerge.

The **norming stage** is one in which close relationships develop and the group becomes cohesive. There's now a strong sense of group identity and camaraderie. This stage is complete when the group structure solidifies and the group has assimilated a common set of expectations (or norms) regarding member behavior.

The fourth stage is the **performing stage**. The group structure is in place and accepted by group members. Their energies have moved from getting to know and understand each other to working on the group's task. This is the last stage of development for permanent work groups. However, for temporary groups—project teams, task forces, or similar groups that have a limited task to do—the final stage is **adjourning**. In this stage, the group prepares to disband. The group focuses its attention on wrapping up activities instead of task performance. Group members react in different ways. Some are upbeat and thrilled about the group's accomplishments. Others may be sad over the loss of camaraderie and friendships.

Exhibit 13-1
Examples of Formal Work Groups

- *Command groups*—Groups determined by the organizational chart and composed of individuals who report directly to a given manager.
- *Task groups*—Groups composed of individuals brought together to complete a specific job task; their existence is often temporary because when the task is completed, the group disbands.
- *Cross-functional teams*—Groups that bring together the knowledge and skills of individuals from various work areas or groups whose members have been trained to do each others' jobs.
- *Self-managed teams*—Groups that are essentially independent and that, in addition to their own tasks, take on traditional managerial responsibilities such as hiring, planning and scheduling, and evaluating performance.

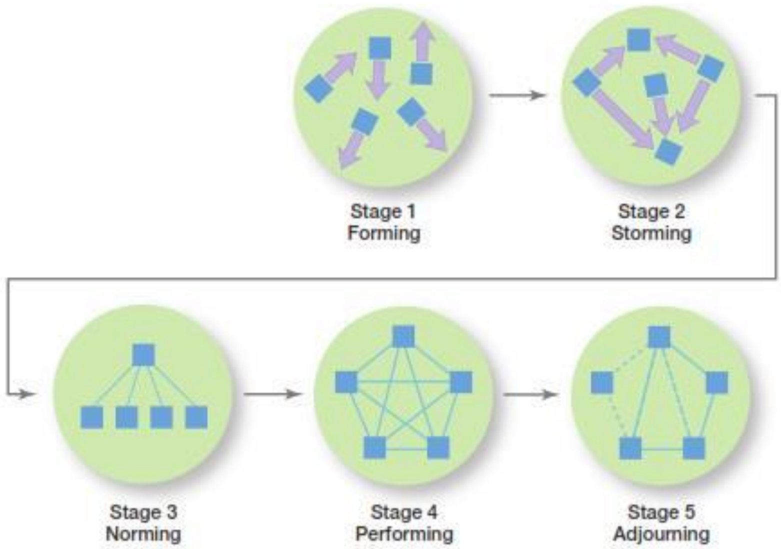


Exhibit 13-2
Stages of Group Development

Many of you have probably experienced these stages as you've worked on a group project for a class. Group members are selected or assigned and then meet for the first time. There's a "feeling out" period to assess what the group is going to do and how it's going to be done. What usually follows is a battle for control: Who's going to be in charge? Once this issue is resolved and a "hierarchy" agreed upon, the group identifies specific work that needs to be done, who's going to do each part, and dates by which the assigned work needs to be completed. General expectations are established. These decisions form the foundation for what you hope will be a coordinated group effort culminating in a project that's been done well. Once the project is complete and turned in, the group breaks up. Of course, some groups don't get much beyond the forming or storming stages. These groups may have serious interpersonal conflicts, turn in disappointing work, and get lower grades.

Does a group become more effective as it progresses through the first four stages? Some researchers say yes, but it's not that simple. That assumption may be generally true, but what makes a group effective is a complex issue. Under some conditions, high levels of conflict are conducive to high levels of group performance. In some situations, groups in the storming stage outperform those in the norming or performing stages. Also, groups don't always proceed sequentially from one stage to the next. Sometimes, groups are storming and performing at the same time. Groups even occasionally regress to previous stages; therefore, don't assume that all groups precisely follow this process or that performing is always the most preferable stage. Think of this model as a general framework that underscores the fact that groups are dynamic entities and managers need to know the stage a group is in so they can understand the problems and issues most likely to surface.

LO2 Work Group Performance and Satisfaction

Many people consider them the most successful "group" of our times. Who? The Beatles. "The Beatles were great artists and entertainers, but in many respects they were four ordinary guys who, as a group, found a way to achieve extraordinary artistic and financial success and have a great time together while doing it. Every business team can learn from their story."

Why are some groups more successful than others? Why do some groups achieve high levels of performance and high levels of member satisfaction and others do not? The answers are complex, but include variables such as the abilities of the group's members, the size of the group, the level of conflict, and the internal pressures on members to conform to the group's norms. Exhibit 13-3 presents the major factors that determine group performance and satisfaction.Let's look at each.

External Conditions Imposed on the Group

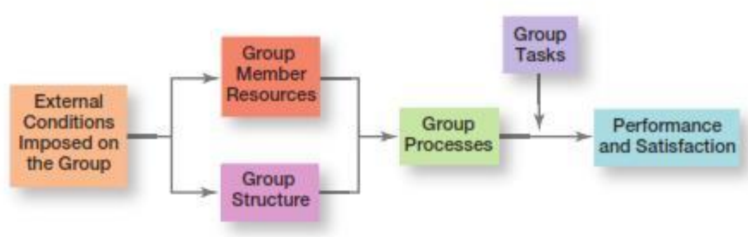
Work groups are affected by the external conditions imposed on it such as the organization's strategy, authority relationships, formal rules and regulations, avail- ability of resources, employee selection criteria, the performance management system and culture, and the general physical layout of the group's work space. For instance, some groups have modern, high-quality tools and equipment to do their jobs while other groups don't. Or the organization might be pursuing a strategy of lowering costs or improving quality, which will affect what a group does and how it does it.

Group Member Resources

A group's performance potential depends to a large extent on the resources each individual brings to the group. These resources include knowledge, abilities, skills, and personality traits, and they determine what members can do and how effectively they will perform in a group. Interpersonal skills—especially conflict management and resolution, collaborative problem solving, and communication—consistently emerge as important for high performance by work groups.

Personality traits also affect group performance because they strongly influence how the individual will interact with other group members. Research has shown that traits viewed as positive in our culture (such as sociability, self-reliance, and independence) tend to be positively related to group productivity and morale. In contrast, negative personality characteristics, such as authoritarianism, dominance, and unconventionality, tend to be negatively related to group productivity and morale.

Exhibit 13-3
Group Performance/Satisfaction Model



Group Structure

Work groups aren't unorganized crowds. They have an internal structure that shapes members' behavior and influences group performance. The structure defines roles, norms, conformity, status systems, group size, group cohesiveness, and leadership. Let's look at the first six of these aspects of group structure.

Roles We introduced the concept of roles when we discussed what managers do. (Remember Mintzberg's managerial roles?) Of course, managers aren't the only individuals in an organization who play various roles. The concept of roles applies to all employees and to their life outside an organization as well. (Think of the various roles you play: student, friend, sibling, employee, spouse or significant other, etc.)

A **role** refers to behavior patterns expected of someone occupying a given position in a social unit. In a group, individuals are expected to do certain things because of their position (role) in the group. These roles are generally oriented toward either getting work done or keeping group members happy. Think about groups you've been in and the roles you played in those groups. Were you continually trying to keep the group focused on getting its work done? If so, you were performing a task accomplishment role. Or were you more concerned that group members had the opportunity to offer ideas and that they were satisfied with the experience? If so, you were performing a group member satisfaction role. Both roles are important to the group's ability to function effectively and efficiently.

A problem arises when individuals play multiple roles and adjust their roles to the group to which they belong at the time. However, the differing expectations of these roles often means that employees face role conflicts.

Norms All groups have **norms**—standards or expectations that are accepted and shared by a group's members. Norms dictate things such as work output levels, absenteeism, promptness, and the amount of socializing on the job.

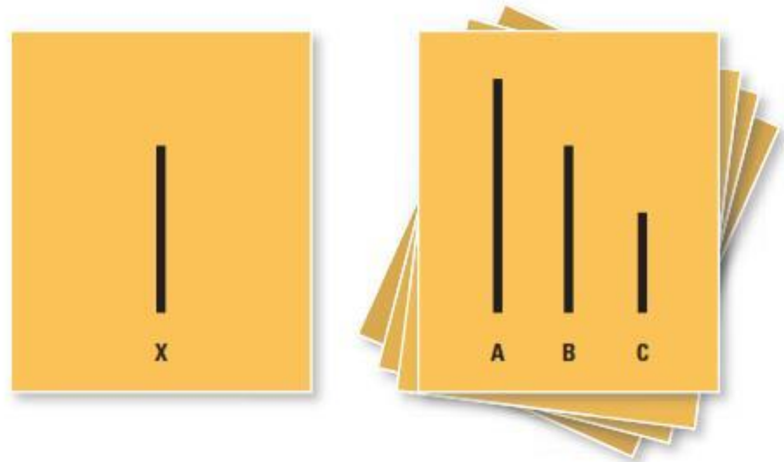
For example, norms dictate the "arrival ritual" among office assistants at Coleman Trust Inc., where the workday begins at 8 a.m. Most employees typically arrive a few minutes before and hang up their coats and put their purses and other personal items on their desk so everyone knows they're "at work." They then go to the break room to get coffee and chat. Anyone who violates this norm by starting work at 8 a.m. is pressured to behave in a way that conforms to the group's standard.

Although a group has its own unique set of norms, common organizational norms focus on effort and performance, dress, and loyalty. The most widespread norms are those related to work effort and performance. Work groups typically provide their members with explicit cues on how hard to work, level of output expected, when to look busy, when it's acceptable to goof off, and the like. These norms are powerful influences on an individual employee's performance. They're so powerful that you can't predict someone's performance based solely on his or her ability and personal motivation. Dress norms frequently dictate what's accept- able to wear to work. If the norm is more formal dress, anyone who dresses casually may face subtle pressure to conform. Finally, loyalty norms will influence whether individuals work late, work on weekends, or move to locations they might not prefer to live.

One negative thing about group norms is that being part of a group can increase an individual's antisocial actions. If the norms of the group include tolerating deviant behavior, someone who normally wouldn't engage in such behavior might be more likely to do so. For instance, one study found that those working in a group were more likely to lie, cheat, and steal than individuals working alone.

Why? Because groups provide anonymity, thus giving individuals—who might otherwise be afraid of getting caught—a false sense of security.

Exhibit 13-4
Examples of Asch's Cards



Conformity Because individuals want to be accepted by groups to which they belong, they're susceptible to pressures to conform. Early experiments done by Solomon Asch demonstrated the impact conformity has on an individual's judgment and attitudes. In these experiments, groups of seven or eight people were asked to com- pare two cards held up by the experimenter. One card had three lines of different lengths and the other had one line that was equal in length to one of the three lines on the other card (see Exhibit 13-4). Each group member was to announce aloud which of the three lines matched the single line. Asch wanted to see what would happen if members began to give incorrect answers. Would pressures to conform cause individuals to give wrong answers just to be consistent with the others? The experiment was "fixed" so that all but one of the members (the unsuspecting subject) were told ahead of time to start giving obviously incorrect answers after one or two rounds. Over many experiments and trials, the unsuspecting subject conformed over a third of the time.

Are these conclusions still valid? Research suggests that conformity levels have declined since Asch's studies. However, managers can't ignore conformity because it can still be a powerful force in groups. Group members often want to be seen as one of the group and avoid being visibly different. We find it more pleasant to agree than to be disruptive, even if being disruptive may improve the group's effectiveness. So we conform. But conformity can go too far, especially when an individual's opinion differs significantly from that of others in the group. In such a case, the group often exerts intense pressure on the individual to align his or her opinion to conform to others' opinions, a phenomenon known as groupthink. **Groupthink** seems to occur when group members hold a positive group image they want to protect and when the group perceives a collective threat to this positive image.

Status Systems Status systems are an important factor in understanding groups. **Status** is a prestige grading, position, or rank within a group. As far back as researchers have been able to trace groups, they have found status hierarchies. Status can be a significant motivator with behavioral consequences, especially when individuals see a disparity between what they perceive their status to be and what others perceive it to be.

Status may be informally conferred by characteristics such as education, age, skill, or experience. Anything can have status value if others in the group evaluate it that way. Of course, just because status is informal doesn't mean it's unimportant or hard to determine who has it or who does not. Group members have no problem placing people into status categories and usually agree about who has high or low status.

Status is also formally conferred, and it's important for employees to believe the organization's formal status system is congruent—that is, the system shows consistency between the perceived ranking of an individual and the status symbols he or she is given by the organization. For instance, status incongruence would occur when a supervisor earns less than his or her subordinates, a desirable office is occupied by a person in a low-ranking position, or paid country club memberships are provided to division man- agers but not to vice presidents. Employees expect the "things" an individual receives to be congruent with his or her status. When they're not, employees may question the authority of their managers and may not be motivated by job promotion opportunities.

Group Size What's an appropriate size for a group? At Amazon, work teams have considerable autonomy to innovate and to investigate their ideas. And Jeff Bezos, founder and CEO, uses a "two-pizza" philosophy; that is, a team should be small enough that it can be fed with two pizzas. This "two-pizza" philosophy usually limits groups to five to seven people depending, of course, on team member appetites.

Group size affects performance and satisfaction, but the effect depends on what the group is supposed to accomplish.14 Research indicates, for instance, that small groups are faster than larger ones at completing tasks. However, for groups engaged in problem solving, large groups consistently get better results than smaller ones. What do these findings mean in terms of specific numbers? Large groups—those with a dozen or more members—are good for getting diverse input. Thus, if the goal of the group is to find facts, a larger group should be more effective. On the other hand, smaller groups—from five to seven members—are better at doing something productive with those facts.

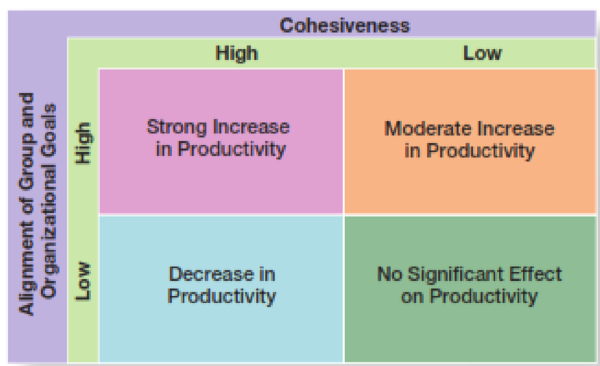
One important research finding related to group size concerns **social loafing**, which is the tendency for an individual to expend less effort when working collectively than when working individually.15 Social loafing may occur because people believe others in the group aren't doing their fair share. Thus, they reduce their work efforts in an attempt to make the workload more equivalent. Also, the relationship between an individual's input and the group's output is often unclear. Thus, individuals may become "free riders" and coast on the group's efforts because individuals believe their contribution can't be measured.

The implications of social loafing are significant. When managers use groups, they must find a way to identify individual efforts. If not, group productivity and individual satisfaction may decline.

Group Cohesiveness Cohesiveness is important be- cause it has been found to be related to a group's productivity. Groups in which there's a lot of internal disagreement and lack of cooperation are less effective in completing their tasks than groups in which members generally agree, cooperate, and like each other. Research in this area has focused on **group cohesiveness**, or the degree to which members are attracted to a group and share the group's goals.

Research has generally shown that highly cohesive groups are more effective than less cohesive ones.However, the relationship between cohesiveness and effectiveness is complex. A key moderating variable is the degree to which the group's attitude aligns with its goals or with the goals of the organization.(See Exhibit 13-5.) The more cohesive the group, the more its members will follow its goals. If the goals are desirable (for instance, high output, quality work, cooperation with individuals outside the group), a cohesive group is more productive than a less cohesive group. But if cohesiveness is high and attitudes are unfavorable, productivity decreases. If cohesiveness is low but goals are supported, productivity increases but not as much as when both cohesiveness and support are high. When cohesiveness is low and goals are not supported, productivity is not significantly affected.

Exhibit 13-5
Group Cohesiveness and Productivity



Group processes The next factor that determines group performance and satisfaction concerns the processes that go on within a work group such as communication, decision making, conflict management, and the like. These processes are important to understanding work groups because they influence group performance and satisfaction positively or negatively. An example of a positive process factor is the synergy of four people on a marketing research team who are able to generate far more ideas as a group than the members could produce individually. However, the group also may have negative process factors such as social loafing, high levels of conflict, or poor communication, which may hinder group effectiveness. We'll look at two important group processes: group decision making and conflict management.

Group Decision Making It's a rare organization that doesn't use committees, task forces, review panels, study teams, or other similar groups to make decisions. Studies show that managers may spend up to 30 hours a week in group meetings.

Undoubtedly, a large portion of that time is spent formulating problems, developing solutions, and determining how to implement the solutions. It's possible, in fact, for groups to be assigned any of the eight steps in the decision-making process.

What advantages do group decisions have over individual decisions? One is that groups generate more complete information and knowledge. They bring a diversity of experience and perspectives to the decision process that an individual cannot. In addition, groups generate more diverse alternatives because they have a greater amount and diversity of information. Next, groups increase acceptance of a solution. Group members are reluctant to fight or undermine a decision they helped develop. Finally, groups increase legitimacy. Decisions made by groups may be perceived as more legitimate than decisions made by one person.

Group decisions also have disadvantages. One is that groups almost always take more time to reach a solution than it would take an individual. Another is that a dominant and vocal minority can heavily influence the final decision. In addition, groupthink can undermine critical thinking in the group and harm the quality of the final decision. Finally, in a group, members share responsibility, but the responsibility of any single member is ambiguous.

Determining whether groups are effective at making decisions depends on the criteria used to assess effectiveness.23 If accuracy, creativity, and degree of acceptance are important, then a group decision may work best. However, if speed and efficiency are important, then an individual decision may be the best. In addition, decision effectiveness is influenced by group size. Although a larger group provides more diverse representation, it also requires more coordination and time for members to contribute their ideas. Evidence indicates that groups of five, and to a lesser extent seven, are the most effective for making decisions.Having an odd number in the group helps avoid decision deadlocks. Also, these groups are large enough for members to shift roles and withdraw from unfavorable positions but still small enough for quieter members to participate actively in discussions.

What techniques can managers use to help groups make more creative decisions? Exhibit 13-6 describes three possibilities.

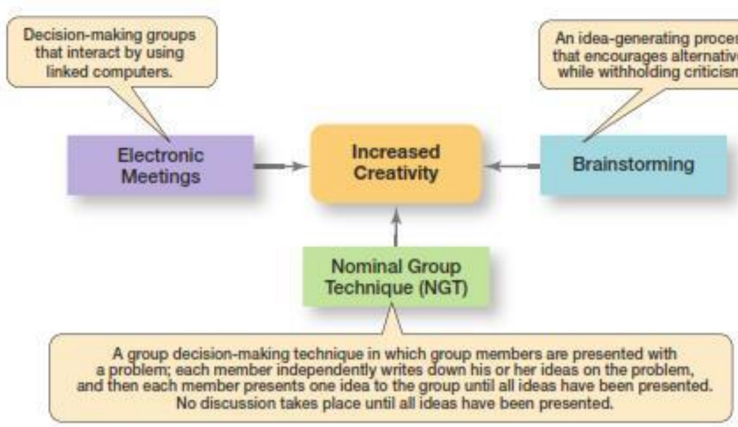


Exhibit 13-6
Creative Group Decision Making

Conflict Management Another important group process is how a group manages conflict. As a group performs its assigned tasks, disagreements inevitably arise. **Conflict** is perceived incompatible differences resulting in some form of interference or opposition. Whether the differences are real is irrelevant. If people in a group perceive that differences exist, then there is conflict. Surveys show that managers spend about 25 percent of their time resolving conflicts.

Three different views have evolved regarding conflict. The **traditional view of conflict** argues that conflict must be avoided—that it indicates a problem within the group. Another view, the **human relations view of conflict**, argues that conflict is a natural and inevitable outcome in any group and need not be negative but has potential to be a positive force in contributing to a group's performance. The third and most recent view, the **interactionist view of conflict**, proposes that not only can conflict be a positive force in a group but that some conflict is absolutely necessary for a group to perform effectively.

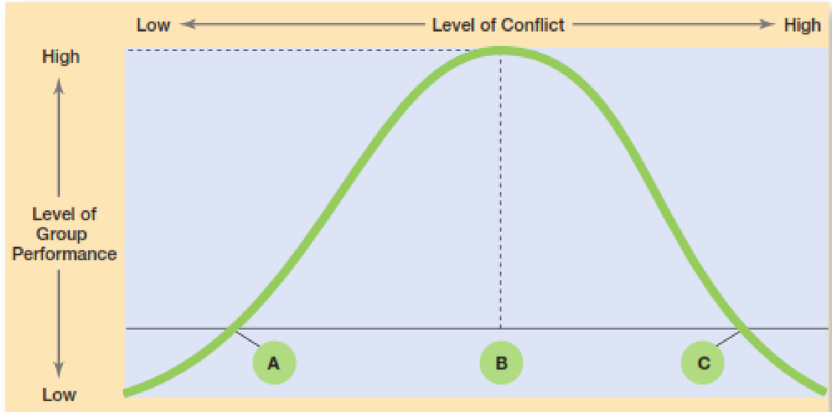
The interactionist view doesn't suggest that all conflicts are good. Some conflicts— **functional conflicts**—are constructive and support the goals of the work group and improve its performance. Other conflicts—**dysfunctional conflicts**—are destructive and prevent a group from achieving its goals. Exhibit 13-7 on the next page illustrates the challenge facing managers.

When is conflict functional and when is it dysfunctional? Research indicates that you need to look at the type of conflict. **Task conflict** relates to the content and goals of the work. **Relationship conflict** focuses on interpersonal relationships. **Process conflict** refers to how the work gets done. Research shows that relationship conflicts are almost always dysfunctional because the interpersonal hostilities increase personality clashes and decrease mutual understanding and the tasks don't get done. On the other hand, low levels of process conflict and low-to-moderate levels of task conflict are functional. For process conflict to be productive, it must be minimal. Otherwise, intense arguments over who should do what may become dysfunctional and can lead to uncertainty about task assignments, increase the time to complete tasks, and result in members working at cross-purposes. However, a low-to- moderate level of task conflict consistently has a positive effect on group performance because it stimulates discussion of ideas that help groups be more innovative.Because we don't yet have a sophisticated measuring instrument for assessing whether conflict levels are optimal, too high, or too low, the manager must try to judge that intelligently.

When group conflict levels are too high, managers can select from five conflict man- agement options: avoidance, accommodation, forcing, compromise, and collaboration (See Exhibit 13-8 for a description of these techniques.) Keep in mind that no one option is ideal for every situation. Which approach to use depends on the circumstances.

Have you ever been part of a class group in which all teammates received the same grade, even though some team members didn't fulfill their responsibilities? How did that make you feel? Did it create conflict within the group, and did you feel that the process and outcome were unfair? Recent research also has shown that organizational justice or fairness is an important aspect of managing group conflict.How group members feel about how they're being treated both by each other within the group and by outsiders can affect their work attitudes and behaviors. To promote the sense of fairness, it's important that group leaders build a strong sense of community based on fair and just treatment.

Exhibit 13-7
Conflict and Group Performance



Situation	A	B	C
Level of Conflict	Low or none	Optimal	High
Type of Conflict	Dysfunctional	Functional	Dysfunctional
Group's Internal Characteristics	Apathetic Stagnant Unresponsive to Change Lack of New Ideas	Viable Self-Critical Innovative	Disruptive Chaotic Uncooperative
Level of Group Performance	Low	High	Low

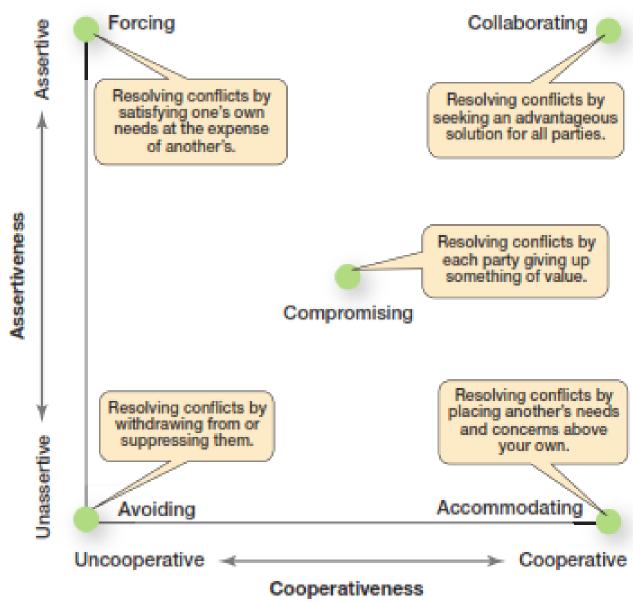


Exhibit 13-8
Conflict-Management Techniques

Source: K. Thomas, "Conflict and Negotiation Process in Organizations," in M. D. Dunnette and L. J. Hough (eds.), *Handbook of Industrial and Organizational Psychology*, 2 ed. vol. 3 (Palo Alto, CA: Consulting Psychologists Press, 1992), p. 668. Used with permission by Leaetta Hough-Dunnette.

Group Tasks

At Hackensack University Medical Center in New Jersey, daily reviews of each patient in each nursing unit are conducted in MDRs (multidisciplinary rounds) by teams of nurses, case managers, social workers, and an in-hospital doctor. These teams perform tasks such as prescribing drugs or even recommending a patient be discharged. Employee teams at Lockheed Martin's New York facility custom build complex products such as ground-based radar systems using continuous quality improvement techniques. The six people in the Skinny Improv group in Springfield, Missouri, perform their unique brand of comedy every weekend in a downtown venue. Each of these groups has a different type of task to accomplish.

As the group performance/satisfaction model shows, the impact that group processes have on group performance and member satisfaction is modified by the task the group is doing. More specifically, it's the **complexity** and i**nterdependence** of tasks that influence a group's effectiveness.

Tasks are either simple or complex. Simple tasks are routine and standardized. Complex tasks tend to be novel or nonroutine. It appears that the more complex the task, the more a group benefits from group discussion about alternative work methods. Group members don't need to discuss such alternatives for a simple task, but can rely on standard operating procedures. Similarly, a high degree of interdependence among the tasks that group members must perform means they'll need to interact more. Thus, effective communication and controlled conflict are most relevant to group performance when tasks are complex and interdependent.

LO3 Turning Groups into Effective Teams

When companies like W. L. Gore, Volvo, and Kraft Foods introduced teams into their production processes, it made news because no one else was doing it. Today, it's just the opposite—the organization that doesn't use teams would be newsworthy. It's estimated that some 80 percent of Fortune 500 companies have at least half of their employees on teams. And 83 percent of respondents in a Center for Creative Leadership study said teams are a key ingredient to organizational success. Without a doubt, team- based work is a core feature of today's organizations. And teams are likely to continue to be popular. Why? Research suggests that teams typically outperform individuals when the tasks being done require multiple skills, judgment, and experience. Organizations are using team-based structures because they've found that teams are more flexible and responsive to changing events than traditional departments or other permanent work groups. Teams have the ability to quickly assemble, deploy, refocus, and disband. In this section, we'll discuss what a work team is, the different types of teams organizations might use, and how to develop and manage work teams.

Work Teams	Work Groups
Leadership role is shared	One leader clearly in charge
Accountable to self and team	Accountable only to self
Team creates specific purpose	Purpose is same as broader organizational purpose
Work is done collectively	Work is done individually
Meetings characterized by open-ended discussion and collaborative problem-solving	Meetings characterized by efficiency; no collaboration or open-ended discussion
Performance is measured directly by evaluating collective work output	Performance is measured indirectly according to its influence on others
Work is decided upon and done together	Work is decided upon by group leader and delegated to individual group members
Can be quickly assembled, deployed, refocused, and disbanded	

Exhibit 13-9
Groups Versus Teams

Sources: J. R. Katzenbach and D. K. Smith, "The Wisdom of Teams," *Harvard Business Review*, July–August 2005, p. 161; A. J. Fazzari and J. B. Mosca, "Partners in Perfection: Human Resources Facilitating Creation and Ongoing Implementation of Self-Managed Manufacturing Teams in a Small Medium Enterprise," *Human Resource Development Quarterly*, Fall 2009, pp. 353–376.

What Is a Work team?

Most of you are probably familiar with teams, especially if you've watched or participated in organized sports events. Work teams differ from work groups and have their own unique traits (see Exhibit 13-9). Work groups interact primarily to share information and to make decisions to help each member do his or her job more efficiently and effectively. There's no need or opportunity for work groups to engage in collective work that requires joint effort. On the other hand, **work teams** are groups whose members work intensely on a specific, common goal using their positive synergy, individual and mutual accountability, and complementary skills. For instance, at the Sparta, Tennessee, facility of Philips Professional Luminaires, a work team came up with a startling innovation. One team member was commenting on the efficient way that Subway restaurants make their sandwiches, with workers lining up all their ingredients in an easy-to-reach, highly adaptable format. The team decided to apply that same flexible principle to their work of producing lighting fixtures and together figured out a way to make that happen.

Types of Work Teams

Teams can do a variety of things. They can design products, provide services, negotiate deals, coordinate projects, offer advice, and make decisions. For instance, at Rockwell Automation's facility in North Carolina, teams are used in work process optimization projects. At Sylvania, the New Ventures Group creates cool LED-based products. At Arkansas-based Acxiom Corporation, a team of human resource professionals planned and implemented a cultural change. And every summer weekend at any NASCAR race, you can see work teams in action during drivers' pit stops. The four most common types of work teams are problem- solving teams, self-managed work teams, cross-functional teams, and virtual teams.

When work teams first became popular, most were **problem-solving teams**, teams from the same department or functional area involved in efforts to improve work activities or to solve specific problems. Members share ideas or offer suggestions on how work processes and methods can be improved. However, these teams are rarely given the authority to implement any of their suggested actions.

Although problem-solving teams were helpful, they didn't go far enough in get- ting employees involved in work-related decisions and processes. This shortcoming led to another type of team, a self-managed work team, a formal group of employees who operate without a manager and are responsible for a complete work process or segment. A **self-managed team** is responsible for getting the work done and for managing themselves, which usually includes planning and scheduling of work, assigning tasks to members, collective control over the pace of work, making operating decisions, and taking action on problems. For instance, teams at Corning have no shift supervisors and work closely with other manufacturing divisions to solve production- line problems and coordinate deadlines and deliveries. The teams have the authority to make and implement decisions, finish projects, and address problems.Other organizations such as Xerox, Boeing, PepsiCo, and Hewlett-Packard also use self-managed teams. An estimated 30 percent of U.S. employers now use this form of team; among large firms, the number is probably closer to 50 percent.41 Most organizations that use self-managed teams find them to be effective.

The third type of team is the **cross-functional team**, which defined as a work team composed of individuals from various functional specialties. Many organizations use cross-functional teams. For example, ArcelorMittal, the world's biggest steel company, uses cross-functional teams of scientists, plant managers, and salespeople to review and monitor product innovations. The concept of cross-functional teams is even applied in health care. For instance, at Suburban Hospital in Bethesda, Maryland, intensive care unit (ICU) teams composed of a doctor trained in intensive care medicine, a pharmacist, a social worker, a nutritionist, the chief ICU nurse, a respiratory therapist, and a chaplain meet daily with every patient's bedside nurse to discuss and debate the best course of treatment. The hospital credits this team care approach with reducing errors, shortening the amount of time patients spent in ICU, and improving communication between families and the medical staff.

The final type of team is the **virtual team**, a team that uses technology to link physically dispersed members to achieve a common goal. For instance, a virtual team at Boeing-Rocketdyne played a pivotal role in developing a radically new product.

Another company, Decision Lens, uses a virtual team environment to generate and evaluate creative ideas. In a virtual team, members collaborate online with tools such as wide-area networks, videoconferencing, fax, e-mail, or Web sites where the team can hold online conferences. Virtual teams can do all the things that other teams can— share information, make decisions, and complete tasks; however, they lack the normal give-and-take of face-to-face discussions. That's why virtual teams tend to be more task-oriented, especially if the team members have never met in person.

Creating Effective Work Teams

Teams are not always effective. They don't always achieve high levels of performance. However, research on teams provides insights into the characteristics typically associated with effective teams. These characteristics are listed in Exhibit 13-10. One element you might notice is missing but think is important to being an effective team is that a team be harmonious and friendly.

In fact, friendliness is not a necessary ingredient. Even a grumpy team can be effective if these other team characteristics are present. When a team is productive, has done something good together, and is recognized for its efforts, team members can feel good about their effectiveness.

Exhibit 13-10
Characteristics of Effective Teams

Clear Goals High-performance teams have a clear understanding of the goal to be achieved. Members are committed to the team's goals, know what they're expected to accomplish, and understand how they will work together to achieve these goals.

Relevant Skills Effective teams are composed of competent individuals who have the necessary technical and interpersonal skills to achieve the desired goals while working well together. This last point is important because not everyone who is technically competent has the interpersonal skills to work well as a team member.

Mutual Trust Effective teams are characterized by high mutual trust among members. That is, members believe in each other's ability, character, and integrity. But as you probably know from personal relationships, trust is fragile. Maintaining this trust requires careful attention by managers.

Unified Commitment Unified commitment is characterized by dedication to the team's goals and a willingness to expend extraordinary amounts of energy to achieve them. Members of an effective team exhibit intense loyalty and dedication to the team and are willing to do whatever it takes to help their team succeed.

Good Communication Not surprisingly, effective teams are characterized by good communication. Members convey messages, verbally and nonverbally, between each other in ways that are readily and clearly understood. Also, feedback helps guide team members and correct misunderstandings. Like a couple who has been together for many years, members of high-performing teams are able to quickly and efficiently share ideas and feelings.

Negotiating Skills Effective teams are continually making adjustments to who does what. This flexibility requires team members to possess negotiating skills. Because problems and relationships regularly change within teams, members need to be able to confront and reconcile differences.

Appropriate Leadership Effective leaders are important. They can motivate a team to follow them through the most difficult situations. How? By clarifying goals, demonstrating that change is possible by overcoming inertia, increasing the self-confidence of team members, and helping members to more fully realize their potential. Increasingly, effective team leaders act as coaches and facilitators. They help guide and support the team, but don't control it. Studies have shown that when a team leader's emotional displays—positive and negative—are used at appropriate times, the team's functioning and performance can be enhanced.

Internal And External Support The final condition necessary for an effective team is a supportive climate. Internally, the team should have a sound infrastructure, which means proper training, a clear and reasonable measurement system that team members can use to evaluate their overall performance, an incentive program that recognizes and rewards team activities, and a supportive human resource system. The right infrastructure should support members and reinforce behaviors that lead to high levels of performance. Externally, managers should provide the team with the resources needed to get the job done.

LO4 Current Challenges in Managing Teams

Few trends have influenced how work gets done in organizations as much as the use of work teams. The shift from working alone to working on teams requires employees to cooperate with others, share information, confront differences, and sublimate personal interests for the greater good of the team. Managers can build effective teams by understanding what influences performance and satisfaction. However, managers also face some current challenges in managing teams, primarily those associated with managing global teams, building team skills, and understanding organizational social networks.

Managing Global Teams

Two characteristics of today's organizations are obvious: they're global and work is increasingly done by teams. These two aspects mean that any manager is likely to have to manage a global team. What do we know about managing global teams? We know there are both drawbacks and benefits in using global teams (see Exhibit 13-11). Using our group model as a framework, we can see some of the issues associated with managing global teams.

Group Member Resources In Global Teams In global organizations, understanding the relationship between group performance and group member resources is more challenging because of the unique cultural characteristics represented by members of a global team. In addition to recognizing team members' abilities, skills, knowledge, and personality, managers need to be familiar with and clearly understand the cultural characteristics of the groups and the group members they manage. For instance, is the global team from a culture in which uncertainty avoidance is high? If so, members will not be comfortable dealing with unpredictable and ambiguous tasks. Also, as managers work with global teams, they need to be aware of the potential for stereotyping, which can lead to problems.

Group Structure Some of the structural areas where we see differences in man- aging global teams include conformity, status, social loafing, and cohesiveness.

Are conformity findings generalizable across cultures? Research suggests that Asch's findings are culture-bound. For instance, as might be expected, conformity to social norms tends to be higher in collectivistic cultures than in individualistic cultures. Despite this tendency, however, groupthink tends to be less of a problem in global teams because members are less likely to feel pressured to conform to the ideas, conclusions, and decisions of the group.

Also, the importance of status varies between cultures. The French, for example, are extremely status conscious. Also, countries differ on the criteria that confer status. For instance, in Latin America and Asia, status tends to come from family position and formal roles held in organizations. In contrast, while status is important in countries like the United States and Australia, it tends to be less "in your face." And it tends to be given based on accomplishments rather than on titles and family history. Managers must understand who and what holds status when interacting with people from a culture different from their own. An American manager who doesn't understand that office size isn't a measure of a Japanese executive's position or who fails to grasp the importance the British place on family genealogy and social class is likely to unintentionally offend others and lessen his or her interpersonal effectiveness.

Social loafing has a Western bias. It's consistent with individualistic cultures, like the United States and Canada, which are dominated by self-interest. It's not consistent with collectivistic societies, in which individuals are motivated by group goals. For instance, in studies comparing employees from the United States with employees from the People's Republic of China and Israel (both collectivistic societies), the Chinese and Israelis showed no propensity to engage in social loafing. In fact, they actually performed better in a group than when working alone. Cohesiveness is another group structural element where managers may face special challenges. In a cohesive group, members are unified and "act as one." These groups exhibit a great deal of camaraderie, and group identity is high. In global teams, however, cohesiveness is often more difficult to achieve because of higher levels of "mistrust, miscommunication, and stress."

Exhibit 13-11
Global Teams

Drawbacks	Benefits
• Dislike of team members	• Greater diversity of ideas
• Mistrust of team members	• Limited groupthink
• Stereotyping	• Increased attention on understanding others' ideas, perspectives, etc.
• Communication problems	
• Stress and tension	

Source: Based on N. Adler, *International Dimensions in Organizational Behavior,* 4th ed. (Cincinnati, OH: South-Western Publishing, 2002), pp. 141–147.

Group Processes The processes global teams use to do their work can be particularly challenging for managers. For one thing, communication issues often arise because not all team members may be fluent in the team's working language. This can lead to inaccuracies, misunderstandings, and inefficiencies. However, research also has shown that a multicultural global team is better able to capitalize on the diversity of ideas represented if a wide range of information is used.

Managing conflict in global teams isn't easy, especially when those teams are virtual teams. Conflict can interfere with how information is used by the team. However, research shows that in collectivistic cultures, a collaborative conflict management style can be most effective.

Manager's Role Despite the challenges associated with managing global teams, managers can provide the group with an environment in which efficiency and effective- ness are enhanced. First, because communication skills are vital, managers should focus on developing those skills. Also, as we've said earlier, managers must consider cultural differences when deciding what type of global team to use. For instance, evidence suggests that self-managed teams have not fared well in Mexico largely due to that culture's low tolerance of ambiguity and uncertainty and employees' strong respect for hierarchical authority.Finally, it's vital that managers be sensitive to the unique differences of each member of the global team, but it's also important that team members be sensitive to each other.

Building Team Skills

Have you ever participated in a team-building exercise? Such exercises are commonly used to illustrate and develop specific aspects or skills of being on a team. For instance, maybe you've completed Lost on the Moon or Stranded at Sea or some other written exercise in which you rank-order what items are most important to your survival. Then, you do the same thing with a group—rank-order the most important items. The rank-ordered items are compared against some expert ranking to see how many you got "right." The intent of the exercise is to illustrate how much more effective decisions can be when made as a team. Or maybe you've been part of a trust-building exercise in which you fall back and team members catch you, or an exercise in which your team had to figure out how to get all members across an imaginary river or up a rock wall. Such exercises help team members bond or connect and learn to rely on one another. One of the important tasks managers have is building effective teams. These types of team-building exercises can be an important part of that process. And team-building efforts can work. For example, a research project that looked at star performers with poor team skills who went through two cycles of team-building exercises found that those individuals learned how to collaborate better.

With the emphasis on teams in today's organizations, managers need to recognize that people don't automatically know how to be part of a team or to be an effective team member. Like any behavior, sometimes you have to learn about the skill and then keep practicing and reinforcing it. In building team skills, managers must view their role as more of being a coach and developing team members in order to create more committed, collaborative, and inclusive teams.It's important to recognize that not everyone is a team player or can learn to be a team player. If attempts at team building aren't working, then maybe it's better to put those people in positions where their work is done individually.

Understanding Social Networks

We can't leave this chapter on managing teams without looking at the patterns of informal connections among individuals within groups—that is, at the **social network structure**. What actually happens within groups? How do group members relate to each other and how does work get done?

Managers need to understand the social networks and social relationships of work groups. Why? Because a group's informal social relationships can help or hinder its effectiveness. For instance, research on social networks has shown that when people need help getting a job done, they'll choose a friendly colleague over someone who may be more capable. Another recent review of team studies showed that teams with high levels of interpersonal interconnectedness actually attained their goals better and were more committed to staying together. Organizations are recognizing the practical benefits of knowing the social networks within teams. For instance, when Ken Loughridge, an IT manager with MWH Global, was transferred from Cheshire, England, to New Zealand, he had a "map" of the informal relationships and connections among company IT employees. This map had been created a few months before using the results of a survey that asked employees who they "consulted most frequently, who they turned to for expertise, and who either boosted or drained their energy levels." Not only did this map help him identify well-connected technical experts, it helped him minimize potential problems when a key manager in the Asia region left the company because Loughridge knew who this person's closest contacts were. Loughridge said, "It's as if you took the top off an ant hill and could see where there's a hive of activity. It really helped me understand who the players were."

Self-Check
Questions-4

1. Describe the different types of groups and the five stages of group development.

2. Explain how external conditions and group member resources affect group performance and satisfaction.

3. Discuss how group structure, group processes, and group tasks influence group performance and satisfaction.

4. Compare groups and teams.

5. Why are virtual teams not suitable for all situations?

6. Discuss how having clear goals can make a team more effective.

7. List and describe the key benefits of global teams.

8. A recent review of team studies indicated that teams with high levels of interpersonal interconnectedness attain goals better and are more committed to each other. Do you agree? Why or why not?

Manage Continuous Improvement System CST TOS4 31 1012

Learning Outcomes

Lo1 Identify the activities and underlying objectives involved in total quality management.

LO 2 Explain how a supply chain strategy differs from traditional strategies for coordinating operations among firms.

LO1The Quality-Productivity Connection

It's no secret that quality and productivity are watchwords in today's competitive environment. Companies are not only measuring productivity and insisting on improvements; they also are requiring that quality bring greater satisfaction to customers, improve sales, and boost profits.

Productivity is a measure of economic performance: It compares how much we produce with the resources we use to produce it. The formula is fairly simple. The more services and goods we can produce while using fewer resources, the more productivity grows and the more everyone—the economy, businesses, and workers— benefits. At the national level, the most common measure is called labor productivity, because it uses the amount of labor worked as the resource to compare against the benefits, the country's GDP, resulting from using that resource:

$$\text{Labor productivity of a country} = \frac{\text{GDP for the year}}{\text{Total number of labor hours worked for the year}}$$

This equation illustrates the general idea of productivity. We prefer the focus on labor, rather than on other resources (such as capital or energy), because most countries keep accurate records on employment and hours worked. Thus, national labor productivity can be used for measuring year-to-year changes and to compare productivities with other countries. For 2014, for example, U.S. labor productivity was $64.12 of output per hour worked by the nation's labor force. By comparison, Norway was $86.61, Ireland was $71.31, and Belgium was $60.17. In contrast, the Republic of Korea was $26.83, lowest among the 20 measured countries.

However, focusing on just the amount of output is a mistake because productivity refers to both the quantity and quality of what we produce. When resources are used more efficiently, the quantity of output is certainly greater. But experience has shown businesses that unless the resulting products are of satisfactory quality, consumers will reject them. And when consumers don't buy what is produced, GDP suffers and productivity falls. Producing quality, then, means creating fitness for use—offering features that customers want.

Managing For Quality

Total quality management (TQM) includes all the activities necessary for getting high-quality goods and services into the marketplace. TQM begins with leadership and a desire for continuously improving both processes and products. It must con- sider all aspects of a business, including customers, suppliers, and employees. To marshal the interests of all these stakeholders, TQM first evaluates the costs of poor quality. TQM then identifies the sources causing unsatisfactory quality, assigns responsibility for corrections, and ensures that those who are responsible take steps for improving quality.

The Cost of Poor Quality As seen prominently in the popular press, Toyota recalled more than 24 million cars in 2009–2013, costing the world's then-number-one automaker billions of dollars and a severe blemish to its high-quality image. Problems ranging from sticking gas pedals to stalling engines and malfunctioning fuel pumps were dangerous and costly not only to Toyota, but also to many consumers.

As with goods producers, service providers and customers suffer financial distress from poor-quality service products. The banking industry is a current example. As a backbone of the U.S. financial system, banks and their customers are still suffering because of bad financial products, most notably home mortgage loans. Lenders during "good times" began relaxing (or even ignoring altogether) traditional lending standards for determining whether borrowers were creditworthy. Lenders in some cases intentionally overstated property values so customers could borrow more money than the property justified. Borrowers were sometimes encouraged to over- state (falsify) their incomes and were not required to present evidence of income or even employment. Some borrowers, unaware of the terms of their loan agreements, were surprised after an initial time lapse when a much higher interest rate (and monthly payment) suddenly kicked in. Unable to meet their payments, borrowers had to abandon their homes. Meanwhile, banks were left holding foreclosed proper- ties, unpaid (defaulted) loans, and no cash. With shortages of bank funds threatening to shut down the entire financial system, the entire nation felt the widespread costs of poor quality—loss of equity by homeowners from foreclosures, a weakened economy, high unemployment, and loss of retirement funds in peoples' savings accounts.

Quality Ownership: **Taking Responsibility for Quality** To ensure high-quality goods and services, many firms assign responsibility for some aspects of TQM to specific departments or positions. These specialists and experts may be called in to assist with quality-related problems in any department, and they keep everyone informed about the latest developments in quality-related equipment and methods. They also monitor quality-control activities to identify areas for improvement.

The backbone of TQM, however, and its biggest challenge, is motivating all employees and the company's suppliers to achieve quality goals. Leaders of the quality movement use various methods and resources to foster a quality focus, such as training, verbal encouragement, teamwork, and tying compensation to work quality. When those efforts succeed, employees and suppliers will ultimately accept quality ownership, the idea that quality belongs to each person who creates it while performing a job.

With TQM, everyone—purchasers, engineers, janitors, marketers, machinists, suppliers, and others—must focus on quality. At Saint Luke's Hospital of Kansas City, for example, every employee receives the hospital's "balanced scorecard" showing whether the hospital is meeting its goals: fast patient recovery for specific illnesses,94 percent or better patient-satisfaction rating, every room cleaned when a patient is gone to X- ray, and the hospital's return on investment being good enough to get a good bond rating in the financial markets.

Quarterly scores show the achievement level reached for each goal. Every employee can recite where the hospital is excel- ling and where it needs improvement. In recognition of its employees' dedication to quality performance, Saint Luke's received the Malcolm Baldrige National Quality Award, the prestigious U.S. award for excellence in quality, and is a three-time winner of the Missouri Quality Award.

Tools for Total Quality Management

Hundreds of tools have proven useful for quality improvement, ranging from statistical analysis of product data, to satisfaction surveys of customers, to competitive product analysis, a process by which a company analyzes a competitor 's products to identify desirable improvements. Using competitive analysis, for example, Toshiba might take apart a Xerox copier and test each component. The results would help managers decide which Toshiba product features are satisfactory, which features should be upgraded, and which operations processes need improvement. In this section, we survey five of the most commonly used tools for TQM: (1) value-added analsis, (2) quality improvement teams, (3) getting closer to the customer, (4) the ISO series, and (5) business process reengineering.

Value-Added Analysis Value-added analysis refers to the evaluation of all work activities, materials flows, and paperwork to determine the value that they add for customers. It often reveals wasteful or unnecessary activities that can be eliminated without jeopardizing customer service. The basic tenet is so important that Tootsie Roll Industries, the venerable candy company, employs it as a corporate principle: "We run a trim operation and continually strive to eliminate waste, minimize cost, and implement performance improvements."

Quality Improvement Teams Companies throughout the world have adopted quality improvement teams, which are patterned after the successful Japanese concept of quality circles, collaborative groups of employees from various work areas who meet regularly to define, analyze, and solve common production problems. The teams' goal is to improve both their own work methods and the products they make. Quality improvement teams organize their own work, select leaders, and address problems in the workplace. For years, Motorola has sponsored companywide team competitions to emphasize the value of the team approach, to recognize outstanding team performance, and to reaffirm the team's role in the company's continuous-improvement culture.

Getting Closer to the Customer Successful businesses take steps to know what their customers want in the products they consume. On the other hand, struggling companies have often lost sight of customers as the driving force behind all business activity. Such companies waste resources by designing products that customers do not want. Sometimes, they ignore customer reactions to existing products, an example of which is the outpouring of complaints about airline services that go unanswered (see this chapter 's opening case). Or companies fail to keep up with changing customer preferences. BlackBerry mobile devices, for example, fell behind competing products because they did not offer customers the features that Samsung, Motorola, and Apple provided.

Successful firms take steps to know what their customers want in the products they consume. Caterpillar 's (CAT) financial services department, for example, received the Malcolm Baldrige National Quality Award for high ratings by its customers (that is, dealers and buyers of Caterpillar equipment). Buying and financing equipment from Cat Financial became easier as CAT moved its services increasingly online. Customers now have 24/7 access to information on how much they owe on equipment costing anywhere from $30,000 to $2 million, and they can make payments around the clock, too. In the past, the 60,000 customers had to phone a Cat representative, who was often unavailable, resulting in delays and wasted time. The improved online system is testimony to Cat Financial's dedication in knowing what customers want, and then providing it.

IDENTIFYING CUSTOMERS—INTERNAL AND EXTERNAL Improvement projects are undertaken for both external and internal customers. Internal suppliers and internal customers exist wherever one employee or activity relies on others. For example, marketing managers rely on internal accounting information—costs for materials, supplies, and wages—to plan marketing activities for coming months. The marketing manager is a customer of the firm's accountants, the information user relies on the information supplier. Accountants in a TQM environment recognize this sup- plier–customer connection and take steps to improve information for marketing.

The ISO Series Perhaps you've driven past companies proudly displaying large banners announcing, "This Facility Is ISO Certified." The ISO (pronounced ICE-oh) label is a mark of quality achievement that is respected throughout the world and, in some countries, it's a requirement for doing business.

ISO 9000 ISO 9000 is a certification program attesting that a factory, a laboratory, or an office has met the rigorous quality management requirements set by the International Organization for Standardization (ISO). Today, more than 170 countries have adopted ISO 9000 as a national standard. Over 1 million certificates have been issued to organizations worldwide meeting the ISO standards.

The standards of ISO 9000 allow firms to show that they follow documented procedures for testing products, training workers, keeping records, and fixing defects. It allows international companies to determine (or be assured of) quality of product (or the business) when shipping for, from, and to suppliers across borders. To become certified, companies must document the procedures followed by workers during every stage of production. The purpose is to ensure that a company's processes can create products exactly the same today as it did yesterday and as it will tomorrow.

ISO 14000 The ISO 14000 program certifies improvements in environmental performance by requiring a firm to develop an environmental management system: a plan documenting how the company has acted to improve its performance in using re- sources (such as raw materials) and in managing pollution. A company must not only identify hazardous wastes that it expects to create, but it must also stipulate plans for treatment and disposal.

Business Process Reengineering Every business consists of processes, activities that it performs regularly and routinely in conducting business, such as receiving and storing materials from suppliers, billing patients for medical treatment, filing insurance claims for auto accidents, and filling customer orders from Internet sales. Any business process can increase customer satisfaction by per- forming it well. By the same token, any business process can disappoint customers when it's poorly managed.

Business process Reengineering focuses on improving a business process— rethinking each of its steps by starting from scratch. Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements as measured by cost, quality, service, and speed. The discussion of CAT's changeover to an online system for customers is an example. CAT reengineered the whole payments and financing process by improving equipment, retraining employ- ees, and connecting customers to CAT's databases. As the example illustrates, rede- sign is guided by a desire to improve operations and thereby provide higher-value services for customers.

LO2 Add Value Through Supply Chains

The term supply chain refers to the group of companies and stream of activities that work together to create a product. A supply chain (or value chain) for any product is the flow of information, materials, and services that starts with raw-materials suppli-ers and continues adding value through other stages in the network of firms until the product reaches the end customer.

Figure 7.13 shows the chain of activities for supplying baked goods to consumers. Each stage adds value for the final customer. This bakery example begins with raw materials (grain harvested from the farm). It also includes storage and transportation activities, factory operations for baking and wrapping, and distribution to retailers.

Each stage depends on the others for success in getting freshly baked goods to con-sumers. However, a failure by any link can spell disaster for the entire chain.

The Supply Chain Strategy

Traditional strategies assume that companies are managed as individual firms rather than as members of a coordinated supply system. Supply chain strategy is based on the idea that members of the chain will gain competitive advantage by working as a coordinated unit. Although each company looks out for its own interests, it works closely with suppliers and customers throughout the chain. Everyone focuses on the entire chain of relationships rather than on just the next stage in the chain.

A traditionally managed bakery, for example, would focus simply on getting production inputs from flour millers and paper suppliers, and then on supplying baked goods to distributors. Unfortunately, this approach limits the chain's performance and doesn't allow for possible improvements when activities are more carefully co- ordinated. Proper management and better coordination among supply chain activities can provide fresher baked goods at lower prices.

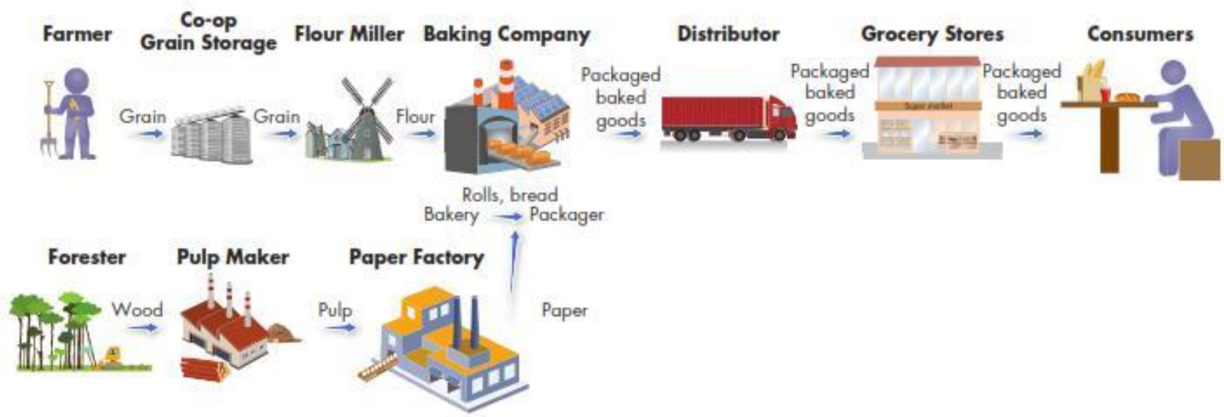


FIGURE 7.13 Supply Chain for Baked Goods

Supply Chain Management Supply chain management (SCM) looks at the chain as a whole to improve the overall flow through a system composed of companies working together. Because customers ultimately get better value, supply chain management gains competitive advantage for each of the chain's members.

An innovative supply chain strategy was the heart of Michael Dell's vision when he established Dell Inc. Dell's concept improves performance by sharing information among chain members. Dell's long-term production plans and up-to-the-minute sales data are available to suppliers via the Internet. The process starts when customer orders are automatically translated into updated production schedules in the factory. These schedules are used not only by operations managers at Dell but also by such parts suppliers as Sony, which adjust their own production and shipping activities to better meet Dell's production needs. In turn, parts suppliers' updated schedules are transmitted to their materials suppliers, and so on up the chain. As Dell's requirements change, suppliers up and down the chain synchronize their schedules to produce only the right materials and parts. As a result, Dell's prices are low and turnaround time for shipping PCs to customers is reduced to a matter of hours in- stead of days.

Reengineering Supply Chains for Better Results Process improvements and reengineering often are applied in supply chains to lower costs, speed up service, and coordinate flows of information and material. Because the smoother flow of accurate information along the chain reduces unwanted inventories and transportation, avoids delays, and cuts supply times, materials move faster to business customers and individual consumers. SCM offers faster deliveries and lower costs than customers could get if each member acted only according to its own operations requirements.

Outsourcing and Global Supply Chains Outsourcing is the strategy of paying suppliers and distributors to perform certain business processes or to provide needed materials or services. The decision to outsource expands supply chains. The movement of manufacturing and service operations from the United States to countries such as China, Mexico, and India has reduced U.S. employment in traditional jobs.

Self-Check Questions -5

1. Define quality and discuss the five most commonly used tools for TQM

COACH OTHERS IN JOB SKILL CST TOS4 01 0912

Course Presenter-Teferi A.

Element 1: Prepare for on-the-job coaching

Performance Criteria

1.1 Identify the need for coaching based on a range of factors

1.2 Identify skill deficiencies that could be addressed by coaching needs through discussion with the colleague to be coached

1.3 Organise with colleague a suitable time and place to conduct coaching in accordance with enterprise policy

Element 2: Coach colleagues on-the-job

Performance Criteria

2.1 Explain to the colleague the overall purpose of coaching

2.2 Explain and demonstrate the specific skills to be coached

2.3 Communicate clearly any underpinning knowledge required

2.4 Check the colleague's understanding

2.5 Provide the colleague the opportunity to practice the skill and ask questions

2.6 Provide feedback in a constructive and supportive manner

Element 1:
Prepare for on-the-job coaching

1.1 Identify the need for coaching based on a range of factors

Introduction

Coaching plays an important role in any enterprise and being asked to coach a workmate is recognition of your current skill and your potential to pass on that expertise to others.

Up to date skills and information must be regularly passed on to both new and old employees. Coaching will ensure that all staff are confident in working the systems and equipment present in the workplace and in complying with workplace procedures.

What does coaching relate to?

Coaching a colleague will generally relate to:

- Presenting and explaining verbal and/or written information
- Demonstrating practical skills
- Observing a colleague complete a task
- Providing follow up advice, support and feedback
- Reviewing a colleague's work and work practice.

Identifying the need for coaching

Colleagues may require coaching on existing systems and equipment, coaching on new systems and equipment, or they may require remedial coaching (such as refreshing a person's skills with the aim of improving their current observable performance).

There are several factors that can indicate a need for coaching:

Staff induction

Staff who are inducted may need initial skills coaching in certain areas (because they have no experience at all with a specific task), or they may require remedial coaching (because their existing experience is not at the standard required by the new venue, or the equipment and procedures are different).

Where this is not provided, new staff can easily feel ignored and frustrated, leading to high levels of staff turnover. Since recruiting staff is time consuming and expensive, it makes sense to ensure the appropriate levels of coaching are delivered at this early stage of a person's time with a new employer.

A request from a colleague for coaching

Many staff identify their own need for coaching.

If this occurs recognise staff may feel anxious about disclosing this need, feeling they are 'admitting' their performance is below the required level and fearing they might lose their job.

This means you must be sensitive to the feelings of learners when delivering coaching in these circumstances, and develop a good rapport so they do not feel threatened, compromised or incompetent by virtue of having asked for help.

It is vital they realise their jobs are not at risk simply because they have asked for help.

A direction from management to help a staff member

Management may observe certain staff and determine they require coaching.

Once again, you must be sympathetic to the staff concerned and ensure you support them, rather than further increase their anxiety at being identified as being 'deficient' by management.

It is to be expected that any staff who are told by management they need training are going to be somewhat anxious about their future and job security.

Where appropriate, it is vital you begin such coaching by informing staff their jobs are not under threat. A coaching session set within a framework of mutual co-operation and benefit is much more likely to result in success than one set within a context of coercion and worry.

As a result of personal observation of staff performance

Frequently, coaches are supervisors or middle level managers and their job can present opportunities to observe staff in the workplace.

Your observations in this regard may indicate a need for coaching and, arguably, this is something management expects you to do.

When such circumstances arise, it is critical that *specific instances* are communicated to staff to provide (or prove) the basis for the coaching needed.

Where coaches can identify *specific* needs (that is, actual examples of under-performance/sub-standard performance) staff are more ready to understand, and accept, why they require coaching.

Following a customer complaint

Given you work in an industry where there is a high degree of interaction with customers, it is almost inevitable complaints will occur.

As a workplace coach you need to differentiate between genuine and frivolous complaints so coaching is only offered when a real and genuine need exists.

In reality this usually means you do not automatically respond with a coaching response to each and every complaint received.

As a result of changes in workplace equipment

There will always be examples of new equipment being introduced into the workplace whether items are replacing worn out or superseded equipment or they are new items introduced to enable a new product or service to be provided.

As coaches you must realise, for example, that just because staff could competently operate the *previous* cash register, it does not mean they will be able to use the new one.

It is common for suppliers to provide some form of initial training, but it may well be up to the coach to complete or complement this training, as well to coach new staff.

As a result of changes in procedures

Changes in procedures may be caused by:

- A change in management – new management can have new or different ways of doing things
- A change in establishment focus such as a change in the customer profile the establishment is trying to attract

- Changes in equipment used requiring coaches to teach staff how to use the new items.

Changes in legal requirements

Existing legislation often varies over time, and new legislation can be introduced.

Common legislation requiring your ongoing attention as a workplace relates to safety and health, liquor licensing, gaming and food handling and any other compliance-related issues.

Coaching as a result of these changes often involves making staff aware of the new or revised legislation, but there are occasions where demonstrations to illustrate the new laws and requirements are required.

Case studies and role plays may be used to further illustrate mandatory legislated requirements.

1.2 Identify skill deficiencies that could be addressed by coaching needs through discussion with the colleague to be coached

Introduction

Any coaching session must be undertaken with a definite end in mind. Coaching without an aim is a waste of time, money and effort and likely to be ineffective.

The person being coached must be able to see they have a definite need for the coaching.

No coaching should ever be done just for the sake of it.

To help achieve effective coaching, a coaching plan should be developed and used.

Training and coaching

Formal training tends to be a situation where all staff are required to undertake a set course of instruction. It is somewhat ‘lock-step’ and everyone is usually expected to complete all of the requirements for the unit, session or topic.

By comparison, coaching is less formal and focuses more on individual staff need as it is identified at the time.

In some ways, coaching can be seen as informal training delivered on the job that supplements other training he business engages in. It is usually of a short duration and addresses common workplace tasks.

For example, a worker may be doing a course at a local training college yet still receive coaching at work to help with their study.

Alternatively, the staff member may not be undertaking any kind of course but still receive coaching to bring their existing skills and knowledge up to the required level.

Skill deficiencies that could be addressed by coaching

There is no limit to the skills coaching can effectively address.

In practice skill deficiencies often addressed by coaching tend to be those which do not require formal or extended training sessions but which are short, commonly-used tasks such as:

- Customer service skills
- Technical or practical skills such as operating equipment, making something or completing documentation
- Selling or promoting products and services.

Identifying specific coaching needs

Specific coaching needs for each individual colleague will be determined as a result of considering a combination of three main elements:

- General need for coaching
- The factors relating to the individual colleague
- Discussion with each individual staff member.

What factors will individualise the coaching needed for each staff member?

The following is a representative list of factors you will need to take into account when developing a coaching plan for a staff member.

Remember, factoring in these considerations is important because you do not want to deliver coaching seen as unnecessary.

You need to make sure you address genuine, identified need.

Urgency of the coaching

This can be influenced by:

- The number of staff needing to be coached. If all staff have to be coached, the need can be urgent
- The nature of the coaching topic, such as whether or not it is a legal requirement, a safety issue, or strongly related to revenue and/or service standards.

The colleague's previous work, life experience and training

It is useful to know whether or not staff have had positive or negative experiences with earlier coaching/training.

Colleagues with negative experiences relating to coaching/training can warrant:

- Extra attention
- More support
- Added time to ensure they understand the first time they receive coaching. This allows you to build success upon success with your coaching.

The colleague's current skill level

When delivering coaching it is vital to know where the individual staff members are starting from, and where it is you want them to go.

This helps avoid coaching them in skills they already have competency in, and allows you to describe to them the path individuals will take in their future coaching/training.

This level of starting information and skills is referred to as their 'entry' level to training/coaching.

In the workplace this means having a very clear idea about the standards involved in the task being coached, and the establishment practices and protocols that apply. It is to be expected you will already know these or you would not have been chosen as a coach.

If you do not know the required workplace standards, criteria, practices and protocols you must take action to learn them.

The colleague's prior knowledge

When coaching staff, it is standard practice for the coach to move from the known to the unknown in terms of any knowledge or skill being delivered.

This means when you coach someone you should begin with something the person being coached already knows, and build on it.

For example, if you were coaching a staff member on new legislated requirements in relation to dealing with intoxicated customers, you might use as the starting point for your coaching session the experience the staff member had last weekend when they refused service to an intoxicated person.

Alternatively, you might base a session of grinding coffee beans on their previous training in using the espresso machine to make lattes.

The colleague's weaknesses

This may require you to:

- Provide evidence you have of their below standard performance. This may be your own observations, letters from unhappy customers, samples of sub-standard product, copies of internal documents they have competed incorrectly
- Ask them to perform a nominated task. This is often useful and can quickly gain their agreement that there is a need for the assistance coaching will provide when they show they cannot perform to the standard required.

The colleague's strengths

Knowing a staff member's strengths provides you as the coach with an opportunity to use the staff member themselves as a coach.

There is absolutely nothing wrong with using other staff to coach other staff, providing appropriate levels of competencies (perhaps combined with appropriate experience too) exist.

Knowing these strengths also ensures you do not coach those staff in things they already know and have competency in.

The required standard/level at which the learner is required to work

You are only required to coach staff to the level the establishment requires them to work to, so before you start coaching you must know this level (sometimes referred to as the 'standard') they are required to work to.

Within the one venue there can be different standards/levels of service or product. For instance, the level of bar service in a cocktail bar will be different from what is required in another bar.

When coaching, there is only a need to coach to the level/standard required in the particular area where the staff member works.

This means someone who works in a cut-price establishment does not need to be trained to the level required of the same position in a 5-star venue.

Coaching people to a standard they do not need to have is a waste of time, effort and money and may confuse the staff member who is being trained, especially when they never get to use the extra skills or knowledge they are coached in.

There are, however, certain times when staff are intentionally coached in additional skills and knowledge. This is known as 'multi-skilling' where workers gain skills and knowledge to allow them to work in another area or department if the need to do so arises.

The colleague's time restrictions and personal affairs

Coaches must strive to match the delivery of their coaching with the ability of staff to attend.

This means factoring in the work demands of staff together with their out of work obligations such as their family, sporting commitments, community service obligations and socialising requirements.

It is often frustrating to have to arrange coaching around such restrictions, but it is part of coaching and training life. Arranging a suitable time for coaching seems to be a continual juggling act trying to get times when both you and the person being coached are available and willing to participate.

Sometimes coaching may occur during working hours and sometimes it may need to occur before or after work.

Discussing things with the learner

It is important for the person being coached to be involved in the development of their coaching plan. This helps them to understand coaching is being created to suit their needs and to help bring their workplace performance in line with expectations.

Their involvement in the planning phase will:

- Demonstrate your intention to assist them as an individual. This discussion shows the investment the business is prepared to make in them

- Prove they are a valuable asset to the organisation even though they may not be 100% competent. This should help allay any fears they may have about losing their job just because they cannot do things, or they do not know things

- Allow them to share any additional coaching needs they have. Many staff have ’hidden’ coaching needs they are reluctant to share, fearing job loss, reduced hours or less chance of promotion

- Enable you to get to know them better as an individual. This includes finding out about their previous training experiences, identifying restrictions they have on their participation in coaching, talking about their previous work history/experience and their out of work interests.

Your discussion with the learner should also:

- Explain why the coaching is needed

- Highlight the benefits of receiving coaching to the learner, the business and to the customers

- Obtain agreement coaching is a legitimate activity in the particular context and can be seen as a way of achieving mutually acceptable results

- Agree to outcomes/goals for the coaching.

The coaching plan

There are many different ‘plans’ that can be used to help coaches deliver their coaching sessions.

All of these plans are essentially variations on a theme and you should feel free to experiment with different coaching plans (or ‘session plans’, or ‘lesson plans’) available.

There is no legally required type or style of coaching plan. It is a matter of personal preference as to what style you elect to use.

The role of the coaching plan:

- Is to help you sequence the material you want to deliver to the learner

- Is to help you remember all the content you need to deliver

- Is for your use only – no-one else needs to see it, read it or use it

- Provides you with an opportunity to work out in advance:

- How you will start the session
- The key points you want to make
- How you will conclude the session
- What materials you will need in order to conduct an effective session
- How you will determine, if applicable, whether the learner has successfully learned what was necessary or intended
- Timing requirements – how long the session and individual parts of it will take.

Your first plans will commonly be pretty lengthy but they will be vital to the success of your session (you might do a first draft, a second and even a third draft before you get to the finished product) but stick to it.

If you decide to do a session without a plan you will soon understand why you need one.

Preparing a Task Breakdown

When delivering coaching for a practical skill it is usual for the coach to prepare a Task Breakdown sheet to guide the session.

In some organisations these sheets will exist as part of the standard operating procedure. In other places, you as the coach will have to develop them from scratch.

The intention of this stage is to produce a written analysis for each job that can eventually be converted into a checklist. This is a printed form setting out the major steps to be performed, and the features in each of the steps.

Task breakdown sheets can only properly be prepared when you are fully aware of all the aspects of the task under consideration:

- You must know all the knowledge, skills and attitudes required to complete the task
- You must break down major steps of the task into sub-steps and features
- You must ensure correct sequencing of all activities
- You must be aware of any special factors applying to any aspect of any step or sub-step (the so-called ‘tricks of the trade’, or certain safety issues).

Not only must the physical task itself be analysed, but associated standards related to quality and quantity – for your workplace – must be determined.

The quantitative aspects can frequently be measured in terms of speed, wastage, weight, specific size and percentages and these are relatively easy to measure, however qualitative factors (such as use of communication and interpersonal skills) are more difficult to measure but are nonetheless critical, especially in the service industries.

Where a Task Breakdown sheet is not used, there is always a risk the coach only passes on the bits he or she knows (which may include dangerous practice, wasteful methods, incorrect professional techniques), as well as the chance the job/task can be delivered in a disjointed and ad hoc fashion or important key information is missed.

One approach to a coaching plan

Any plan must begin by setting out what it is that is to be achieved. There should be a clearly stated ‘Objective’ or ‘Aim’ or ‘Learning outcome(s)’ for the session.

Essentially this is where the aims of the session are clearly and concisely stated at the outset.

You can add individual details if you want, such as date the coaching is to be delivered and specific title of the session, if applicable.

Next may come a section headed ‘Preparation’ listing all the equipment, items, tools, facilities, manuals, notes, and audio-visual equipment you will need throughout the session. This list grows as your plan takes shape.

It becomes a checklist you can refer to prior to delivering the coaching session to check everything needed is available and ready.

Next an ‘Introduction’ heading may be written up.

This explains how you intend to introduce the topic/session to focus learner interest in what is about to be delivered, to help verify prior knowledge, or to revise any previous coaching.

The Introduction might be a challenging question, a startling set of facts, a humorous anecdote, or an attention-grabbing demonstration.

Next comes analysis of ‘Content’ (that is, what is going to be taught) and ‘Method’ (that is, how it is going to be taught) along with a ‘Time’ frame (allocating each section of the coaching session a pre-determined number of minutes to guide the pacing of the session to ensure it finishes on time and everything will fit in to the time available).

The Content section should set out the key points to be covered in the session, laying them out in the order identified as being the most appropriate sequential arrangement.

Key questions may be written down to prompt you about what to ask. Key points may also be written down to prompt about what to say. Even the answers to the questions you plan asking can be written in so you do not forget, or get caught out.

The Content should be laid out as clearly as possible, making things as easy to do as possible so trainees can succeed and build on their success.

In addition trainers must know where to draw the line about what to include in the training and what to leave out.

The content must build on existing knowledge and proceed from the known to the unknown.

Other points to consider in any type of session plan are:-

- Stick to the main topic – do not waste time on peripheral or unimportant issues
- Teach the basics first
- Move from the important points to the less important ones
- Put the task in context by illustrating how the content in question fits into the overall scheme of things
- Get learners to observe and then to reason about what they have seen.

When writing the plan, ensure the writing is sufficiently large, clear and legible so you can refer to it easily during the training session.

Under ‘Method’ is listed the training technique (‘Demonstration’, Video’, ‘Chalk and talk’) you will use to deliver each part of the Content.

Next comes a heading ‘Conclusion’ where you set down what is going to be said and/or done at the end of the session to finalise the session.

The Conclusion may include some verbal summary of what has been done, and/or a few questions to check the extent of the learning and understanding.

The conclusion should always include some constructive feedback to the learner on how they went in the session.

1.3 Organise with colleague a suitable time and place to conduct coaching in accordance with enterprise policy

Introduction

There is often the belief coaching sessions ’just happen’.

The reality is effective coaching must be planned, organised and arranged.

Coaching sessions not properly planned tend to confuse the learner and embarrass the coach.

Organisation policy

Different establishments will have different policies relating to the delivery of training sessions.

A central issue relates to paying staff to attend training.

Some employers are happy to pay staff to attend training, and others prefer not to do so.

A variation to this is where the employer may be prepared to pay, say, for 2 hours of coaching but the staff member is expected to contribute the rest of the time needed ‘free of charge’ (at their own expense and in their own time without being paid).

Check to see what applies where you work. It can obviously be much more difficult to arrange training sessions for staff who are not being paid to attend.

Another factor is the approach taken by the organisation toward certain competency topics. For example, an establishment may say it is a condition of continuing employment that all staff successfully complete the in-house course in 'cash register operation'.

The fact that this unit is 'compulsory' generally makes it a lot easier to arrange the coaching as staff are more willing and eager to attend.

Organisation policy may also relate to:

- The sequence in which coaching is delivered on various topics
- Who is eligible to receive coaching. Generally, *all* staff are eligible
- Where the coaching can occur. Most times it is on the job but there may be times when:
    - A training room is to be used
    - Off-site training may be required
- Payment for coaching – identifying whether or not staff who provide coaching are entitled to payment for delivering out of hours coaching
- Who can deliver the coaching. There may be a requirement that only nominated people with specified experience and/or qualifications are allowed to provide on the job coaching
- The relationship between coaching and other formal training. Coaching is usually regarded as a fundamental addition to formal training, enabling workplace practice and allowing the training to take on an actual workplace context.

Coaching contexts

Coaching sessions are usually conducted in a range of workplace contexts including:

- On the job coaching during work hours where the coaching is regarded as part of the time worked by the employee.

  This coaching initially takes place during quieter periods in order to minimise disruption to trade and reduce interruption to service.

  Often this type of coaching will build up to coaching in busier situations where actual workplace pressure can be added to in order to create a more realistic situation
- Before or after work. These times are useful because the equipment needed for coaching is usually available and free for coaching purposes rather than being needed for servicing customers.

When using these options you will need to take into account:

- Out of hours commitments the learner has – are they able to arrive at work early or do they have to drop children off at school? Can they stay back after their shift has finished or do they have a team sport they have to go and participate in?
- The fact the learner may be tired after their working day so coaching them 'after work' may not be a good idea. If they are tired they are likely to be resentful at having to stay back and be coached, and the chances are they will not learn as efficiently either

- In a simulated location away from the actual workplace. This can occur where the organisation has a dedicated training room, or it may involve moving off-site and using, for example, the facilities provided at head office, a supplier's premises, a recognised training provider (College or Institute) or some other business with whom partnering arrangements have been established.

Organising coaching

Time and date

A specific time and place for coaching must be organised with the colleague. As we have said, good coaching does not just happen, and it has to be planned.

The time and place should be agreed to by you and the learner.

Note some establishments have a separate training room where coaching can take place, but actual workplace coaching is preferred by many.

It is a fact coaching will tend to be ineffective if it takes place in an inappropriate location and at an inappropriate time. For example, it would be very unproductive to coach your colleague in a bar during trading hours where there is a shortage of staff and has customers standing four-deep waiting for service.

Coaching should be conducted wherever possible in a comfortable environment and at a time when the learner will be able to focus solely on the information being transferred. This means the coaching location should be as free as possible from distractions and interruptions.

There should also be a lack of external pressure from customers and other staff. Therefore there should preferably not be other people standing around watching, or listening to what is going on.

Time, date and location of coaching will further depend on factors such as:

Reason for the coaching

Where the coaching is urgently needed, staff seem more prepared to participate almost 'anywhere, anytime'.

Because they realise the urgency involved, they will accommodate nearly any time, date and location for coaching.

Also, the reason for the training will often determine what equipment and other resources are needed to conduct the coaching. For example, you cannot coach someone in cellar operations in the housekeeping department!

Staff availability and your availability

In many instances, staff may not be able to be coached when they are rostered 'on' to work. The reality is arranging a time for coaching is nearly always a problem.

There may often be times when you, as the coach, are available and the staff member is not, or vice versa.

In many situations coaching may need to be done before or after work. In other circumstances, you may need to negotiate with the relevant supervisor to have staff released from duties to attend coaching.

Room availability – location of the coaching

The 'training room' may be unavailable, or the room/workplace location in which you intended to do the coaching may be in use. This can often be a problem in role specific rooms such as the cellar, the bottle shop, the dining room, accommodation rooms and front office.

While there may be a room available, it may not be suitable for the particular coaching need, especially where specific items of equipment are required.

Likewise, certain coaching will require access to relevant stock – food, beverages, linen.

Agreement about a time and date for the training therefore needs to factor in the availability of a suitable location for the training and the availability of supporting resources to enable the coaching to occur.

Operational staffing levels

Service to guests and customers must take precedence over coaching.

This means it is vital to maintain suitable staffing levels at all times and not to compromise service levels because of coaching demands.

If you have to choose between coaching and serving customers, serving customers must always take priority unless there is a very real safety issue involved.

To conclude

You should not only simply tell the learner when and where their coaching session will be.

You have to involve them in the decisions and negotiate a time and date with them.

You should also:

- Advise of the finishing time so they can arrange other aspects of their private, social or work life
- Tell them if they have to bring anything with them
- Let them know if you expect them to have done something before they arrive such as read a workplace policy, watched another staff member undertake a certain task
- Confirm the location for the coaching session.

When a mutually agreed time, date and location for the coaching has been established, this should be noted on the coaching plan.

Element 2:
Coach colleagues on-the-job

2.1 Explain to the colleague the overall purpose of coaching

Introduction

Skills to be coached are generally those which do not require formal or extended training sessions.

This means coaching is commonly applied to common, practical tasks which are of a short duration such as:

- Customer service skills
- Technical or operational skills such as operating equipment, making something or completing documentation
- Selling or promoting products and services.

Before a coaching session commences, the overall purpose of the coaching should be explained to the learner even though it was agreed to at the planning stage.

This explanation helps to set the scene for the coaching and serves to focus attention on what is about to take place.

Coaching must never simply be imposed.

Even though your coaching is underpinned by a legitimate rationale, adults do not respond well to anything imposed on them.

What might be the purpose of the coaching?

The overall purpose of coaching may be one or more of the following:

- To increase product knowledge
- To address a legally-imposed compliance requirement
- To increase workplace safety
- To reduce wastage
- To increase productivity
- To raise service delivery standards
- To change an existing skill to one required or preferred by the employer
- To prepare the learner for extra duties, promotion or additional responsibilities.

Before each coaching session

Remember, before each coaching session, the following three things should occur:

- The purpose of the session should be explained to the learner
- Agreement should be gained that there is a need for the coaching
- Agreement should be obtained that a coaching session (or series of sessions) is a legitimate and effective way to achieve the intended goal.

Tips to use when explaining the purpose of the coaching

Suggestions to remember when preparing staff for coaching are:

- They should be informed of the *need* for the coaching and how it will benefit them in their daily tasks. This will help provide fundamental motivation for the coaching and demonstrate there is a genuine need for the coaching
- Where applicable, the learner should also be informed about how the coaching will benefit co-workers, customers and the business
- The learner should be encouraged. As the coach you must ensure staff feel you are there to *support* and *help* them.

  Extremely high levels of interpersonal skills are critical for successful coaches.

  Learners must feel confident and comfortable enough to ask the coach questions. Any learner who feels uncomfortable with their coach, or feels intimidated by them, will never learn to their optimum capacity.

  To be clear about this, ***it is 100% the responsibility of the coach*** to create and maintain this supportive and encouraging environment

- Staff should be encouraged to be *involved* in the coaching session. This means all coaching sessions must be *participatory* in nature.

  Adults learn better and quicker if they *learn by doing* rather than simply by watching or listening

- The coaching session is being conducted for the benefit of the learner. Ensure you do not shift the focus of the coaching to yourself.

  It is a common trap for coaches to begin to feel the coaching sessions are being undertaken so they can show the learner how smart or competent they are!

  Remember: the coaching session is there to assist the learner, not to indulge the coach.

- Create a positive environment conducive to learning. The coach must use excellent interpersonal skills welcoming the learner into a supportive and caring place where the focus is on fostering and cultivating.

  This means the coach will need to adjust the pace and flow of their coaching to meet the needs of the learner. Not all learners will learn at the same speed so the effective coach must modify their delivery to take this into account.

2.2 Explain and demonstrate the specific skills to be coached

Introduction

To explain and demonstrate a skill, the coach must be well versed in the theory and practical components of the task – it is inadvisable for a coach who is not fully competent in a skill to try to coach in it.

As obvious as this sounds, there may well be occasions where you are required to coach in a task you are less than totally proficient in.

While this is a less than satisfactory situation, it is a fact of training life.

In addition, you **must** have the necessary knowledge and skills to perform the task while adhering to all safety and health requirements as well as establishment practices.

Specific skills needing to be explained and demonstrated may relate to:

- New equipment introduced to the workplace
- New processes and procedures introduced by management
- Skills required to competent a job or task effectively and efficiently.

Coaching practice

Every task coached should be explained and demonstrated in a clear, short and simple manner.

Remember, skills to be coached are generally those which do not require formal or extended training sessions.

This means coaching is commonly applied to common, practical tasks which are of a short duration.

The two basic techniques commonly used in coaching sessions are:

- Explanation
- Demonstration.

Explanation

When explanation is required the following are useful guidelines:

- Use industry and establishment jargon as appropriate, but ensure full explanations are provided where necessary. Communication should *inform* the learner, not exclude or confuse them
- Speak slowly, clearly and accurately. Do not rush your words and never assume knowledge on behalf of the learner.
- Ask questions to confirm comprehension. Questions are a vital part of coaching.

  A good coach will ask many more questions than the learner (see below).
- Refer to safety and health requirements where and when necessary. All coaching must be set against a framework of required OHS practices.

  It is **never** acceptable to coach people in unsafe practice, or in short-cuts that introduce the potential for accidents
- Make references to the manufacturer's instruction manual where appropriate. Coaching must conform to protocols as listed by the manufacturer's instructions for equipment being used.

  A copy of the manufacturer's instructions should be available for the learner to read, and where possible take away with them for future reading or study.

Questions

There should be lots and lots of questions in any coaching session. The learner will hopefully ask some but the coach should ask loads of them.

Questions should be both 'open' and 'closed' questions, and they should be designed to provide you as the coach with feedback on how the learner is progressing so you can use this information to modify what it is you are doing, if the need to do so exists.

Questions may be along the lines of:

- “Have you got any questions?”
- “What do you think the next step might be?”
- “Do you think this product is now ready to serve to a customer?”
- “Why do you think this product is not fit to serve to a customer?”
- “What are the legal considerations at this stage?”
- “What safety issues are likely to be involved in this task?”
- “What would happen if I now pressed the red button?”

Asking questions does not come naturally to most people so you have to practice asking them.

You should get to the stage where asking questions is a standard part of your coaching delivery.

If the learner knows you ask lots of questions, this can also serve as a motivator for them to pay attention.

Conducting a demonstration

Demonstration is a very common and popular coaching technique. Where a skill is being taught, it is impossible to coach someone without using demonstration.

Remember earlier advice – you must be proficient in the skill being demonstrated or the session will degenerate into an embarrassing farce.

If you cannot do the demonstration yourself, try to get another staff member to do the session with you there to add whatever comments (underpinning knowledge – see next Section – company policies, legal requirements) are necessary.

When demonstration is required, the following are effective guidelines:

Go through the tasks slowly and accurately

It is important you get the task right *the first time*.

Any mistakes on your part as the coach will have an enormous negative impact on the coaching and harm your personal credibility in the eyes of the persons being coached.

This highlights the need for the coach to be competent, and also underlines the need for the coach to practice before delivering coaching.

You have a duty to your learner to be able to competently perform any task you are coaching them in. This is a non-negotiable requirement.

Bear in mind as a coach your role may also be one of ‘facilitator’. That is, your job may be to facilitate the learning process.

This means you yourself do not have to do all the coaching but you may elect to get someone else (more qualified, more experienced) to do certain coaching tasks. This is not an admission of your own incompetence, but more an indication you recognise your own shortcomings yet remain committed to ensuring the learner gets the best coaching help available.

People you might use to deliver some of the coaching sessions might be:

- Other staff from your department (or from elsewhere in the establishment) who have special skills
- Management personnel or owners
- Manufacturers and/or suppliers.

The real key here, regardless of who does the coaching, is they must be competent in the task, too.

Provide verbal explanation when and where necessary

Coaches must be able to explain simply and accurately what they are doing, and why.

This includes being able to correctly name pieces of equipment and procedures being used.

Industry terminology should be used as appropriate, but there is a need to try not to dazzle the learner with your own brilliance on the subject – coaching is not intended to show the learner how smart you are!

Ensure all procedures used in coaching sessions adhere to the establishment’s policies and procedures

Internal policies, practices and procedures must be incorporated into the coaching so they become part of the operation, and are not seen as an optional extra.

It is acceptable to coach the learner by showing them legitimate, safe and effective short-cuts that are part and parcel of being a trade professional but it is never acceptable to coach someone in the use of illegal practices or unsafe techniques.

Also be aware that research has shown there is often a gender issue when coaching staff in this regard. Especially, research has shown males will coach females in the correct techniques for a job but not pass on any of the ‘inside tips/trade secrets’ – they reserve these only for other males.

Try to make sure you share ***all*** your knowledge with all your learners regardless of who they are.

Ensure all demonstration of equipment complies with the manufacturer’s instructions

The way learners are coached must conform to prescribed instructions, especially where things such as safety, operation and cleaning are concerned.

Explaining these requirements before you start is a good idea, and also indicating to the learner where the 'operating instructions' are kept is useful.

If you can photocopy relevant parts of the operating instructions to give to the learner for them to take away with them after the coaching session this is even better.

You must also check what you are going to use for the demonstration beforehand to make sure:

- It is safe
- It is fully functional
- All parts are in place – including ancillary items such as printer ribbons in cash registers/terminals
- It has been adjusted where necessary to suit the needs of the learner.

I do it normal …

There is a little rhyme used by coaches and trainers to describe how they might go about doing a demonstration with a learner.

It goes:

"I do it normal,

I do it slow,

You do it with me,

Then off you go."

I do it normal

This describes the first part of the demonstration.

The task is explained to the learner and then the coach demonstrates the task at normal speed with no pauses, and no explanations.

This gives the learner the opportunity to see how 'it' is done and helps to put the whole coaching session into context/perspective.

I do it slow

The coach then repeats the demonstration but this time breaks the demonstration down into sub-steps/stages (see 'Coaching sub-steps in sequence' in this section) and explains each phase as the demonstration progresses.

The learner is encouraged to ask questions and the coach uses questions too.

The coach might ask:

- "Can you remember what I did next?"
- "Why do you think it is important to do this before we do that?"
- "Why was it important I did what I just did?"

It is during this stage you would also:

- Incorporate underpinning knowledge – see next Section
- Name the parts, ingredients and other items being used
- Highlight any safety issues relating to the task
- Explain how this task fits in with other tasks the learner (or other staff) might have to undertake.

You do it with me

This is where the learner and the coach do the demonstration together.

This may occur with the coach and the learner each using their own piece of equipment (that is, the coach and the learner each have a piece of equipment, and they work 'in tandem') or it can be a joint effort with the coach and the learner combining to work on the one item, piece of equipment or set of items.

The learner is free to ask questions as they go and the coach provides whatever assistance is necessary.

The role of questioning plays a vital role during this phase too.

For example, if the learner had a question about 'what to do next', the coach could simply provide the answer to the question or they could elect to ask a question to get the learner to think through the situation and work out the answer for themselves. The coach might say:

- "What do *you* think might be the next step?" Or
- "If I said, think about the safety aspects of this job and try to recall what we said about the possibility of you losing a couple of fingers … would that help?"

Throughout this phase the coach must:

- Be alert to make sure the safety of the learner is never at risk
- Ensure the learner follows all the required steps. At this stage of their education, the learner is **not allowed** to take short cuts or make up their own mind about standards or the sequence of steps in the task
- Offer support and encouragement. Where the learner has done a correct step it is appropriate to offer some form of sincere praise (but not to overdo it). A simple "Good", "Yes", "Well done" or just an approving nod of the head should be enough
- Offer extra advice/coaching when the learner gets lost or stuck. This can be verbal advice, providing another demonstration or a mix of the two.

Then off you go

This is the last stage of the coaching where the coach provides the opportunity for the learner to practice their newly learned skill.

The opportunity for practice may be in the training room or on the floor in an actual workplace situation.

Usually, practice is also arranged with the learner's supervisor so they too can monitor what is being done and provide on the spot assistance when and if it is required.

The coach should check back with the learner (and/or the supervisor) periodically to see how things are going and determine whether:

- The learner needs more coaching
- The learner is ready to move on to their next coaching task.

Using handouts

Many coaching sessions can benefit from the use of 'handouts'.

Observing the learner practicing

When observing a colleague attempting or practicing their newly acquired skills, the following apply as guidelines:

- Effectively correct the learner whenever they take an incorrect step – corrective action needs to be immediate so incorrect practices are not allowed to become habits
- Ask questions to confirm the learner's knowledge. Effective coaching will ensure staff not only know what to do, but *why* they are doing it.

  For example, if the learner correctly performed a sequence of tasks it is still appropriate for the coach to say something like "Well done. Can you tell me *why* we turn the X valve off before we release the pressure?"
- Ensure the learner is always in comfortable surroundings. This may mean adjusting lighting and/or air conditioning and taking action to eliminate extraneous distractions. Sometimes comfortable surroundings may mean having music playing in the background and sometimes it may not
- Praise the learner when and where appropriate. Be lavish in your praise, but ensure it is genuine praise and is deserved.

  Too much unwarranted quickly becomes false and annoying
- Encourage the learner as much as possible. Learners may be anxious about the coaching so create an environment of success.

If they get something right, it is appropriate to say a quick "Good", or "You're doing well". A smile or a nod of the head can do the same job in some circumstances

- Listen to the learner's feedback and act on it. If the learner is unhappy or uncomfortable with some aspect of the coaching, do whatever you can to remedy the situation in line with still achieving the coaching objective

- Pay attention. You must focus your attention on what the learner is doing and not get distracted (by phone calls, people walking past, calling in for a chat), or by doing other things such as completing paperwork, taking a delivery.

Coaching sub-steps in sequence

Any task to be coached must be broken down into its sub-steps, and then coached in sequential order.

This is one of the tasks the coach must prepare as part of their planning and preparation for the coaching session.

It requires you to write each sub-step down and into your coaching plan to ensure:

- No step is omitted

- Tasks are presented in the correct sequence.

It is not acceptable for a coach to believe they can remember all the sub-steps for a job or activity. They must be written down for reference if needed during the coaching session and/or to give to the learner for *their* future reference.

2.3 Communicate clearly any underpinning knowledge required

Introduction

Underpinning knowledge refers to the essential knowledge required to carry out tasks or perform skills effectively, legally and as required by the establishment.

All tasks where there is a need for coaching will have some level of underpinning knowledge associated with it.

As a coach, not only must you be competent in the task you are demonstrating, but you must also be knowledgeable about the underpinning knowledge required for that task.

Communicate clearly any underpinning knowledge required

Depending on the task being coached, underpinning knowledge can include:

- Knowledge of processes and procedures, principles and practices – including theory underpinning technical skills
- Communication skills that contribute to production and harmonious relations between employees and customers
- Teamwork skills, contributing to productive working relationships and outcomes
- Planning and organising skills that contribute to long-term and short-term strategic planning
- Self-management skills, contributing to employee satisfaction and growth
- Learning skills helping to contribute to ongoing improvement and expansion in employee and company operations and outcomes
- Technology skills that contribute to effective execution of tasks
- Ingredients in a dish or drink, including information on how those ingredients need to be stored, where they are stored and indicators of quality for each ingredient
- Components of a piece of equipment, including indicators something is wearing out and needs replacing, and how to undertake basic maintenance
- Product knowledge and/or knowledge relating to the services the venue offers such as trading hours, discount rates available, which credit cards are accepted, whether or not there are home deliveries. This list is virtually endless
- The range of principles underscoring skills such as selling, so practice may be based on sound theory, and so certain acknowledged and accepted strategies can be applied at appropriate times.
- Reasons for undertaking tasks so staff understand not only *what* they are doing, but also *why* they are doing it.

  This makes it more likely staff can modify behaviour and practice as circumstances alter and as situations dictate, rather than blindly continue to deliver the same service to all customers when the situation obviously requires a variation to standard practice
- Legislative requirements, so staff function responsibly and within the letter and spirit of the various laws applying to the industry. Major concerns in this regard (depending on the venue) include OHS, liquor licensing, food safety and gaming as well as the common law 'duty of care' provisions.

2.4 Check the colleague's understanding

Introduction

It is a standard requirement throughout all coaching sessions that you focus effort on checking and determining the level of understanding the learner has in relation to the task being coached.

This applies whether the topic is a knowledge-based one, attitudinal or skill-based.

Another look at the role of questions in coaching

During a coaching session, it may be necessary for the coach to ask the learner questions to confirm their knowledge of a specific task. Indeed, as earlier stated, the effective coach will ask many, many questions.

The type of questions that can be asked will vary according to the type of coaching session being conducted.

It is advisable to prepare these questions as part of the planning phase of the coaching, rather than rely on your ability to think of and remember to ask appropriate questions during the coaching session.

Examples of such questions may include safety and health issues like:

- Why is it important not to touch the steam wand of the cappuccino machine?
- Why is it important to check glassware before it is used?
- When and why should you refer to the manufacturer's instruction manual about how to operate a piece of equipment?
- Why must we always refer to the current schedule before making a quote?

Questions could also relate to seeking underpinning knowledge about products, such as:

- Who makes XYZ liqueur?
- What brand of coffee do we serve?
- What is the price of a trip to ABC?
- What procedure do you follow when changing a cash drawer?
- In which book or file do you record deposits paid?
- Sometimes, when attempting to determine the existing level of underpinning skills and/or knowledge a staff member has, the coach may approach a supervisor and ask their opinion.

Alternatively, or in addition, the coach may ask the staff member to bring along evidence they have previously completed a course or received some other experience via training or life experience.

Checking colleague's understanding

At various stages throughout a coaching session you should ask the learner questions confirming or determining their understanding of a particular task.

The reason for this is to seek verbal and/or visual confirmation of understanding. Checking for understanding is important because the learner may not have fully understood what you showed them.

The learner may have been anxious and unable to concentrate properly, they may have just had a momentary lapse of concentration, they may have been distracted by something, they may have been trying to assimilate an earlier item and missed the next one, or there could have been a noise that prevented them hearing what you said.

It is therefore essential to seek confirmation at regular intervals throughout the coaching session to make sure all information provided by you has been accurately received by the staff member, and received in the right context and to ensure it is appropriate to move on to the next step/stage of the coaching.

The two-way nature of communication

Always remember communication is two-way thing: there is a sender and a receiver. For communication to be effective, the receiver must accurately interpret the sender's message and provide feedback to it.

To check if information has been received accurately, coaches commonly use more 'open' questions than 'closed' questions to obtain feedback.

Open questions require more lengthy answers than 'closed' questions, which require a simple 'Yes' or 'No' response , or a very short reply.

Open questions start with:

- Who? - Who do you report equipment failures to?
- What? - What is the purpose of our guarantee?
- When? - When should you switch off in-room air conditioning?
- Where? - Where do you store the travel vouchers?
- How? - How do you greet a customer?

2.5 Provide the colleague the opportunity to practice the skill and ask questions

Introduction

All coaching sessions should provide an opportunity for the learner to practice their newly found skills.

This opportunity should include:

- Opportunity within the coaching session as part of the coaching provided
- Opportunity *after* the coaching session has finished in the workplace under your supervision, the supervision of another staff member or under the supervision of a supervisor.

Providing the opportunity to practice

Any new skills shown to the learner may be quickly lost if there is no opportunity for the learner to put those skills into practice.

Do not believe once you have shown the learner what to do, the job of coaching is finished – far from it!

While the colleague practices, you must:

- Watch to ensure they are doing the task correctly. This means they are working safely, doing sub-tasks in the correct sequence, not wasting effort, time or product

- Provide further information. This information is sometimes known as the 'nice to know' information, or the 'could know' information. The vital information is called the 'must know' information and should be presented as part of the demonstration you did initially)

- Be ready to demonstrate again a step where and when necessary

- Encourage, praise and congratulate.

While watching the learner practice it is also appropriate to ask them questions to assess their level of understanding or underpinning knowledge.

Remember some employees become embarrassed easily, so all feedback (especially feedback with a negative element) should be done in an appropriate location away from other staff members and members of the public.

Encouraging the learner to ask questions

Some learners are reluctant to ask questions.

There can be several reasons for this:

- They may feel it indicates their ignorance

- They may not want to ask what they feel is a stupid question

- They may not want to waste your time.

Ways to overcome this possibility are to:

- Regularly ask the learner if they have any questions and then pause long enough for them to ask a question.

  There's no point asking if they have a question and then rushing on to the next topic or point without giving them an opportunity to actually ask a question

- Ask lots of questions yourself. This legitimises the use of questions in the coaching context and, if the learner is not asking any or many, it gives you the opportunity of trying to determine their actual level of understanding and/or knowledge

- Congratulate the learner on their question. This must be done appropriately to avoid it seeming false.

  You might simply say “Good question. It shows you’re thinking about XYZ. That’s good”

- Generate an answer to the question – note we have not said ‘answer’ the question.

  If the learner asks a question it is vital it gets answered but this does not mean you have to supply the answer.

  Part of the learning process can be for the learner to think the question through themselves and come up with an answer you will either confirm or modify.

  For example, when asked a question you could:

  - Re-word the question and ask the question back to the learner
  - Give them a hint and then ask them what they think the answer might be
  - Tell them the answer – this option should not be your only response when learners ask questions.

  2.6 Provide feedback in a constructive and supportive manner

Introduction

Not only must all coaching be conducted positively and in an encouraging fashion but supportive and constructive feedback must also be given.

Such an approach encourages the learner to try harder and assists in creating an environment conducive to learning.

This will inspire more determination to achieve the final goal.

The anxiety of learners

Commonly learners are anxious about their progress and they are usually seeking answers to questions such as:

- "How am I going?"
- "Am I on the right track?"
- "Is what I am doing OK?"

Many learners will not actually talk about these concerns but it is usual they are *thinking* them.

The effective coach will set their mind at ease by supplying appropriate answers to the unstated questions on a regular basis.

Basics of feedback

It is useful to bear the following in mind when considering the use of feedback in coaching. Feedback refers to:

- Guiding the person being coached
- Being a core part of coaching sessions
- Being constructive so the person being coached feels encouraged and motivated to improve their practice
- Being timely so the person being coached can use the feedback to guide practice
- Being linked to a clear statement of orderly progression of learning so the person being coached has a clear indication of how to improve their performance. This provides a developmental approach for achievement of a certain skills set
- Being specific to the learning outcomes of the coaching session so assessment is clearly linked to learning
- Guiding people to become independent learners and their own critics.

Providing feedback

The support and feedback can be communicated either by verbal or non-verbal communication.

Verbal communication

This is communication spoken to the learner, for example: “You’re doing a great job, Tony. Now would you like to try including some workplace statistics?”

Keys in giving verbal feedback are:

- Keep it brief
- Keep it relevant
- Keep it genuine
- Make sure it is warranted.

Beware!

While speaking with a learner during a coaching session remember to avoid phrases which, on the surface, sound encouraging but which can be counter-productive.

For example, you may wish to indicate a certain task is relatively easy so you say “You’ll learn this quickly – it’s child’s play, really!”

Your genuine intention is to set the learner's mind at ease, and to facilitate their learning by attempting to remove the thought that the task is difficult: this is very commendable.

However, if the learner was then unable to learn the task quickly, what have you just said?

In effect, you have told them they are more incompetent than a child.

The above example highlights the need for coaches to be extremely alert to giving *unintentional* negative feedback, and the very real need for them to think before talking.

Delivering negative feedback

It is a fact of life when coaching that there will be times when you need to provide negative feedback to a learner.

In reality you have an obligation to do this where it is called for. You would not be doing your job if you failed to give legitimate negative feedback.

However, there is a need for you to pass on such comments in a sensitive and supportive fashion.

This can be done by using a 'positive-negative-positive' sandwich.

This means you begin your feedback by mentioning something the learner is doing well, follow it with the negative feedback, and then finish the communication on a positive note by making reference to something else you are pleased with.

This approach still gets the negative message across but is sensitive because it allows the learner to know you are happy with other aspects of what they are doing.

An example of the use of a 'positive-negative-positive' sandwich is:

"Jim, I think you are going really well with the new cocktails. I was especially impressed with that new cocktail you created the other day. I think it'll be a winner.

I just need you to focus a bit more though on the wastage angle. I think we're wasting just a bit too much product when we mix the drinks and that will really bite into the bottom line.

But overall you're doing great – your presentation and garnishing are outstanding."

The above illustrates how the coach can let Jim know he needs to stop wasting product but does it in such a way Jim is left positive about the negative feedback because the coach has acknowledged some of the other good work he has done.

Note the use of the 'we' in the feedback also helps to de-personalise the feedback.

Non-verbal communication

This is communication via body language.

Coaches have to pay special attention to their body language to avoid sending unintentional negative messages to their learners.

For example, when observing a learner you might find yourself frowning, shaking your head, drumming your fingers or giving off 'negative' signals in some other way.

These negative signals will interfere with the learning process and are to be avoided.

In addition, because most people believe body language above verbal language, you must be careful about what messages your body language is sending.

There is no point verbally telling a learner you are happy with their progress when your non-verbal signals indicate frustration, anger, disapproval or dissatisfaction.

Work Projects

To meet the requirements of the Work Project you are required to provide written, video, photographic or other evidence you have coached a colleague on the job and:

- Explained the need and purpose of the coaching to them
- Prepared for the coaching by arranging the location and necessary resources/materials
- Explained and demonstrated the required skills
- Communicated necessary underpinning knowledge as part of the coaching process
- Checked understanding of the person being coached throughout the coaching process
- Provided opportunity for colleague to practice
- Provided feedback to the learner throughout the session.

Self-check Questions

- How does the definition of coaching this training module provides differ from your own?
- What do you and others perceive to be the key benefits of coaching in your tour operation business?
- Which people in your department could benefit from coaching and in which areas?
- How can you integrate coaching into your company’s performance management cycle?
- How could you personally benefit from coaching?
- What beliefs do you personally hold about coaching?
- How do these limit or enhance your potential coaching relationships? What assumptions do you or others in your organisation make about how people learn best? How do these relate to coaching?
- What are your thoughts on which style of coaching will be most useful in an tourism environment?