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PREFACE

This revision kit provides concise, clear, and easy memory approach for those preparing examinations of the subject of Management Principles. This is not only a book, but also a progress learning tool for students. With enough short questions and case study in each chapter, students can understand their studying progress to prepare the examination.

Moreover, the content of this revision kit is suitable for students studying management and related areas at tertiary and university education, and other professional examinations, such as ACCA, ICSA and CIMA. This kit is also suitable for candidates to prepare the subject of Business Studies in A Level Examination as a reference.

Special features of this revision kit

- 1) **Concise** - This revision kit is examination oriented. Therefore, only main management concepts and theories related to the management syllabus are contained.
- 2) **Clear** - With practical examples, students can easily understand how to apply related concepts and theories to actual working situations.
- 3) **Easy Memory** - At the end of each chapter, there are a number of revision questions extracted from past examination (or with some modifications) papers of different professional examinations to speed up students' memory.
- 4) **Case Exercises** - This revision kit contained practical cases with suggested approaches for students to practice more exercises on case approach before the examination.
- 5) **Mock Examination Paper** - The last part of the revision kit has a mock examination paper prepared by qualified tutors. Students are suggested to finish reading this kit first before attempting this paper. Students have their choice to send their answers with HK\$80 as marking fee to our institute. Only cheque is acceptable and should be payable to '**In-Com Link Management Associates Ltd.**' Their answer will be marked with comments from qualified tutors, enclosed with suggested answer and sent back to students within one week upon receiving students' answer sheets.

This revision kit and the Mock Examination Paper will be revised each half-year.

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Chapter 1 – The Role of Manager

1.1 What is Management?

Management is the process of getting activities completed efficiently and effectively with and through other people. Some textbooks simply describe it a process of getting things done through other people.

To measure how well the activities are accomplished efficiently and effectively, predetermined objectives and standards must be set up at first, that is a planning process.

Getting activities completed implies to arrange activities and tasks into a meaningful, logical, and systematic way, that is an organising process.

Getting things done through other people is a delegation process of tasks from superiors to subordinates. It is a leading /directing process.

To ensure the activities completed in efficient and effective way is a controlling process.

The terms of efficiency and effectiveness are in different meanings.

Efficiency is an output/input ratio analysis. It refers to how well outputs are produced at minimum costs. Thus, if a company produces 5000 units of clothes at \$0 costs, it should be very efficient at production since no costs are incurred at production process!!

Effectiveness is an output/objectives analysis. It refers to doing the right things. Using above example, supposing the company has only one objective, that is to produce good quality of clothes with no defects, the number of objectives is 1. If it can really produce no defected clothes, the ratio will be 5000/1, implying all units can attain this objective. The company is very effective to achieve the objective. However, if 2000 units are defective, it means only 3000 units of clothes can attain the objective. The company is ineffective to achieve its objective, but still efficient in production process because 5000 units of clothes are produced with no costs.

Therefore, management described above ‘... activities completed efficiently and effectively...’ implies a good manager must consider both efficiency and effectiveness in his management process.

1.2 Management Functions

From the above discussion, management includes four major functions. They are planning, organising, leading and controlling. Some textbooks may involve a few more, like coordinating, and decision making.

(a) Planning

It refers to define goals, establishing strategy and developing plans to coordinate activities.

(b) Organising

It refers to determine what tasks are to be done, which one is to do them, how tasks are grouped, how reporting channels are defined, and where decisions are to be made.

(c) Leading

It is a process of motivating and directing subordinates, selecting the most effective communication channels, and resolving conflicts.

(d) Controlling

It refers to how to monitor activities to ensure that they are being accomplished the predetermined plans and correcting any significant deviations.

You should aware all management functions are equal importance. If there is no planning, it implies no objectives/goals being set up. Therefore, the other three functions will not be existed. However, if none monitors the activities to ensure objectives/standards being accomplished, planning is meaningless too.

Furthermore, to organise tasks in systematic way, for example, a good filing system, can assist you controlling information in more efficient way. Finally, the organisation objectives can be achieved only by teamwork. So, leading is important to maintain a solid team spirit.

Working Example:

One of the main responsibilities of a Financial Controller is required to prepare a master budget submitted to the Board of Directors. To prepare a master budget, he needs to coordinate with other departmental managers to determine future sales volume, unit price, unit cost, and other overheads to derive future profit. To set up a future attainable profit with all departmental managers is a planning process. To assist the departmental managers to lay down sales strategies or procedures to control costs is an organising process. To prepare variances analysis on actual against budgeted figures is a controlling process. The Financial Controller also requires to inform and instruct his subordinates (accounting staff) to set up control procedures to ensure only approved expenditure for payment processing.

1.3 Charles Handy: Definition of a Manager

a) Manager as a general practitioner

1. identify the problems and symptoms in an organisation , e.g. low staff morale, poor financial results, low productivity etc.,
2. diagnose the disease or cause of the trouble, e.g. poor staff morale and productivity due to no training provided.
3. develop a strategy to cure the problems for better health. Strategy is always conducted in areas of:
 - a) People: improving hiring and firing procedures, replacement of staff, designing training programmes, better pay systems, staff counselling etc.,
 - b) Task and structure: redefining reporting channels, work task structure, and job roles, and redesigning job nature through job enrichment and enlargement.
 - c) Organisational system: redefining communication systems, decision support systems, like budgeting control, and information networks.
4. Start the strategy as a treatment

b) Managerial dilemmas

1. Cultural dilemma: Since an organisation consists different groups of people who have their own interests, a senior manager should be flexible but consistent to choose an organisation culture in diverse manner to satisfy the requirements of his job and the expectations of his employees.
2. Dilemma of time horizons: A manager should consider both short-term and long-term objectives and problems, which may be in conflict. For example, to cut price for expanding market share may suffer a loss in short-term, while the company must have reasonable profit in long-term for survival.
3. Trust-control dilemma: Through delegation, a manager needs to trust his subordinates to do the work properly.
4. Commando leader dilemma: A manager decides how many project groups (commando groups) can satisfy his subordinates' needs and keep the normal bureaucratic structure operating in efficient way.

c) Manager as a person

Due to face above dilemmas and problems, managers are rewarded for their professional skills. So, they should improve their skills to sell to the right buyers.

1.4 Mintzberg's Management Roles

In his publication, *The Nature of Managerial Work* (New York: Harper & Row, 1973), Henry Mintzberg identified the following management roles for a manager.

a) Interpersonal

Figurehead: It is a symbolic nature or a ceremonial role to represent the company. For example, a sales manager needs to greet visitors and customers. A company secretary always signs legal documents on behalf of the company.

Leader: It refers to activities to motivate subordinates by training and reinforcement. A sales manager designs a commission scheme to motivate sales staff improving their sales performance.

Liaison: It is a activity of contacting outsiders who provide the manager with information. They may be individuals or groups inside and outside the organisation. A manager always spends a lot of time on meetings with colleagues, customers or vendors.

b) Informational

Monitor: It refers to activities of receiving, collecting and filtering information. Managers always read magazines, newspapers, reports, or periodicals.

Disseminator: Managers need to transmit information received from outsiders or colleagues to members of the organisation. For example, a Financial Manager needs to describe and interpret the financial position of a company to the director, after receiving the bank statements, and a forecasted cash flow statement which is a consolidation of information and data for other departments, such as sales department prepared projected income.

Spokesperson: Managers also need to transmit information to outsiders on company policies, plans, background, products, etc., A marketing manager often conducts presentation to customers regarding the products, services and background of his company.

c) Decisional

Entrepreneur: It refers to activities of identifying opportunities and threats from external business environment. Such activities involve risk taking element and innovative idea. The Managing Director or Chief Executive often spends a lot of time on strategic planning, for example, to develop new products or a range of new businesses by merger or takeover.

Disturbance handler: Managers sometimes need to handle and correct unexpected problems or disturbances. For example, a Personnel Manager requires handling a sudden strike and is responsible for negotiation with leaders of trade union. A Financial Controller is responsible for solving cash flow problem of a company through liaising with bankers, vendors, and customers.

Resource allocator: It refers to activities of allocating resources in efficient and effective way, for examples, production scheduling, fund allocation on different departments based on budgets, time

allocation on subordinates' work.

Negotiator: Managers always represent the company to bargain better terms with different parties. A Personnel Manager needs to negotiate terms of employment contracts with trade union. A Merchandising Manager negotiates better payment terms with vendors.

1.5 Peter Druker's Management Process

He grouped the management process into five categories.

1. *Setting objectives for the organisation:* Managers set, quantify and communicate with lower level the objectives of an organisation.
2. *Organising the work:* Managers should arrange jobs and activities for appropriate people into a formal organisation structure.
3. *Motivating subordinates:* In order to make jobs running effective, managers should identify and satisfy the needs of subordinates to motivate them at work.
4. *Job measurement:* Managers should measure actual performance against established objectives. He should communicate and explain the importance of findings to subordinates for further improvements.
5. *Developing people:* It is the responsibility of managers to assist lower levels to develop their career in the organisation.

1.6 Managerial Skills

Research by Robert L. Katz during 1970s, he found that managers should have three essential skills.

a) Technical Skills

- It refers to work knowledge of a manager, such as language skill, computer knowledge, and relevant job knowledge. For example, a production manager should have knowledge in manufacturing operations, computer design on products, and production scheduling management. Such skills are acquired from past education, training and working experience.

b) Human Relations Skills

- It refers how to work or get along well with other people. For example, a personnel manager needs to get cooperation with other departmental managers to formulate recruitment or hiring procedures of a company. Also, he needs to motivate his department staff to implement the procedures in efficient way. So, it involves communication skills, leadership training, and skills to handle human problems, e.g. group conflicts.

c) Conceptual Skills

- It refers to skills to visualise how the organisation fits into its broader (external) environment. For example, a financial director should aware to what extent the Asian financial crisis in 1997 (i.e. a event from external business environment) impacted on the financial performance of his organisation as a whole

1.7 Management Level

An organisation always classifies management into three layers/levels

a) Top level

- It refers to those holding a senior position of the organisation, such as Managing Director, Chief executive, and General Manager.

b) Middle level

- It refers to those managers at departmental level, such as Financial Manager, Personnel Manager, and Marketing Manager.

c) Front line

- It refers to sectional managers or supervisors at lower level, such as product manager, account executive, production supervisors, etc.,

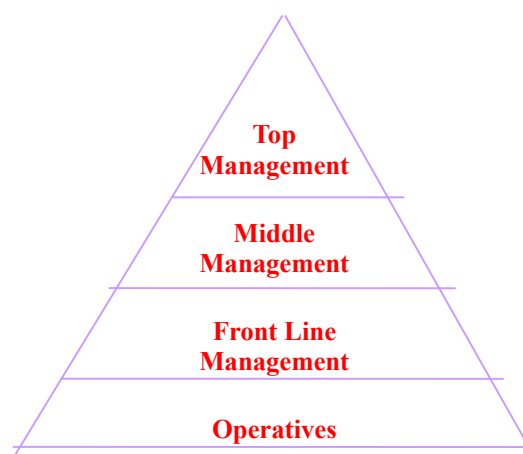


Figure 1 Management Level in an Organisational Pyramid

The shape of pyramid shows top managers hold smaller positions while many staff are at lower or even operative level in an organisation.

1.8 Management Roles, Functions and Skills Required for Managers at different level

All managers of an organisation will play the same roles, functions, and are required the same skills. However, the extent or degree of them is differently influencing managers at different level.

For example, the Chief Executive of an organisation spends more time on planning and controlling than leading and organising. Also, he always plays figurehead role to represent the organisation to negotiate terms with major vendors and customers (negotiator role). He may make decision on some strategic plans, e.g. to takeover other competitors' businesses which involves financial risks (entrepreneur role). So, he should have strong conceptual and human skills.

However, a Product Manager may spend more time on leading and organising. He requires organising some promotional activities for launching a new product, and instructing his subordinates to handle potential customers at exhibition. So, he often plays leader, liaison (meetings with other departments), spokesperson (introduce new products to customers), or resource allocator (to allocate fund used for different promotional campaigns). Technical and human skills are more important for him. He must have good human skills for close customer relationship and strong product knowledge, while he does not require strong conceptual skills to formulate strategies and policies for the whole organisation.

From the above examples, the roles, functions and skills of top managers are different from that of front line managers. However, you should aware all these functions, roles, and skills are applied to all managers but at different extent.



Revision Questions for Chapter 1

Suggested paragraph(s) in brackets are hints only. Students should apply related concepts at their working life.

- d) Describe the nature of management. How can it relate to management functions?
(see 1.1)
2. Planning and controlling are more important management functions than others. Do you agree?
(see 1.2)
3. In your working experience, how can management functions be applied in your daily work?
(see 1.2)
4. Describe Mintzberg management roles. How can it apply in your organisation?
(see 1.4)
- e) Management is universal skill because managers play same roles and functions. Do you agree?
(see 1.7 & 1.3 Charles Handy implies different managers require to solve individual problems applying different skills)

Case 1 What should a manager do?

Johnson Co Ltd is a marketing research agency in Hong Kong for different clients. Mr. Chan is a customer services officer to liaise with clients to formulate marketing surveys. The following is a day of Mr. Chan normal activities working in this agency .

9:00 a.m.	Arrive at office and go through incoming faxes
9:30 a.m.	Contact client by phone and discuss ongoing work
9:45 a.m.	Meet with supervisor of marketing researchers to convene a meeting at morning
10:00 a.m.	Discuss with statistical section and consider the validity of statistical result of marketing survey report before submitting to client.
10:45 a.m.	Talk on phone to client for submitting a proposal of marketing survey
11:00 a.m.	Write a memo to his subordinate to draft above proposal
11:15 a.m.	Meet with marketing researchers to clarify the client requirements of a new project
12:30 p.m.	Lunch at office. Read faxes and E-mails from clients and colleagues
1:30 p.m.	Contact client to convene a meeting the day after tomorrow for clarifying detailed terms of the new project
1:45 p.m.	Meet with statistical section to work out questionnaires for another major client
3:15 p.m.	Fax drafted questionnaires for client comment
3:30 p.m.	Revise and amend the proposal prepared by the subordinate
4:00 p.m.	Meet with a client made appointment yesterday
5:30 p.m.	Informal meeting with subordinates
6:30 p.m.	Reply faxes and E-mails
7:30 p.m.	Prepare papers for tomorrow meetings
8:00 p.m.	Leave office

Questions for Case 1

1. Using Mintzberg Roles to analyse Mr. Chan activities,
2. Which of the management skills is more important for Mr. Chan? Why?
3. Which of the management functions should Mr Chan have applied most?

Suggested Approach on Case 1

1. Mr. Chan plays interpersonal and informational roles for this case, except decisional. He spends a lot of time on meetings with clients and colleagues. However, his role is more emphasis on leader and liaison than figurehead, e.g. to revise the proposal prepared by the subordinate being a leader role.

Also, he needs to digest information from incoming faxes and E-mails, i.e. a monitoring role, while he needs to disseminate information by replying faxes and through meetings. Also, he is a spokesperson to introduce the company background to new clients.

However, he plays little decisional roles in this case.

2. Mr. Chan, as a front line manager, requires strong technical skills at marketing research field. Also, he should have good human relations to work with clients, colleagues, and subordinates. However, there is little conceptual skills required for him, since he does not require to formulate corporate strategy for the agency.
3. Planning seems less important for him. From the case, he spends a lot of time on organising meetings and activities and leading his subordinates. Also, he spends only little time on controlling the work done by his subordinate – proposal. So, organising is the most important function for him.

Chapter 2 – Development of Management Thinking

This chapter is a summary of the development of management theories and concepts in this century. They will be discussed in more detail in following chapters.

2.1 Early influences

Management was applied in politics by Roman Empire, Chinese Emperors or Kings of Greece in ancient records. Until 19th Century, Charles Babbage, a professor of Cambridge University, recognised science and mathematics could be used in factory operations and cost control.

2.2 Scientific management (Classical Theory)

After industrial revolution, many factories were established. Owners of the factories emphasised on the productivity of production lines. Frederick Taylor studied how to improve productivity through scientific methods.

2.3 Administrative theories (Classical Theory)

At this stage, some researchers, like Henri Fayol and Max Weber, emphasised on specific functions, administrative principles and organisational structure, e.g. bureaucracy to run a business.

2.4 Human relations movement and behavioural science

Due to business growing in size, relationship between workers and organisations was more complicated. Industrial psychology was a science to study workers' behaviours. A lot of studies were conducted for evaluating the relationship between job satisfaction and motivation. Also, Hawthorne Experiments by Elton Mayo in 1941 proved the importance of work group behaviours affecting job performance.

2.5 Quantitative and management science school

After World War II, to use of quantitative techniques and mathematical models to assist management to operate a business became more common. With the use of computer, by applying mathematical approach, a company could forecast maximum output level, minimum cost activity, break-even point, etc., of different scenarios.

2.6 System approach

As the business environment was more turbulent than before, an organisation was no longer a closed

system but an open system. An organisation, as a system, should adapt to changes from external environment.

2.7 Contingency approach

Due to the complexity of business environment, there was an if-then' relationship to manage an organisation. Different management policies and practices would be applied at different situations and circumstances.

2.8 Comparison of different management thinking

Scientific management emphasised on increasing workers' efficiency and productivity. However, it ignored the psychological needs of workers, group behaviours and organisational structure impacted on human beings. Also, there were no administrative principles to manage a company. In fact, after industrial revolution, organisations were factories with various production lines. So, it was most important to improve productivity in owners' views. At that time, living standard was poor. Workers only concerned monetary rewards, not psychological needs.

Administrative theories emphasised on different organisational structure requiring different administrative principles to manage. However, it still ignored the importance of group behaviours and psychological needs of workers. Furthermore, to apply administrative principles did not mean a good productivity or output/input relations. Indeed, at that time, organisations were more complicated, not only factories or plants, but others, like retail or wholesales companies. So, different structures, which required different administrative procedures to manage, were established.

Human resources movement and behavioural science concerned the psychological effects on workers and work groups. However, it did not study the economic efficiency or how to improve the productivity of a company. It ignored the efficient ways to control costs or making better profits. Also, it overlooked administrative principles to manage an effective organisation.

Quantitative schools could make planning and controlling process better by using data analysis. Some of the mathematical or quantitative methods are still using today: capital budgeting, production scheduling,, economic order quantity for inventory control etc., However, not all could be interpreted by data, e.g. staff morale. It ignored the importance of human aspects in organisation. Also, it did not depict the organisational structure and network.

System approach could identify inputs, transformation process, i.e. how to transform resources into outputs, and outputs of an organisation. It looks an organisation as a system. Also, as the business environment has been changed rapidly recent years, e.g. fast economic take-off in 1970, an open system approach has been introduced. Upon receiving feedback from external environment and output results, management will adjust inputs or improve transformation process in providing better products or services. So, it is more flexible than above theories.

Contingency approach is both the most flexible and difficult theory to apply in working environment. Since System approach did not tell how to handle different environment, Contingency approach tries to solve this problem. It classifies different situational variables, like organisation size, environmental uncertainty, etc., to determine which management practices, including those discussed as above, are suitable to use in an organisation. However, as such variables are always changed at different time, management is hard to take appropriate management practice at right time.

Revision Questions for Chapter 2

4. Briefly describe the development of different management thinking schools.
(see 2.1 – 2.7)
5. Please give criticism and comment on any three management thinking approaches.
(see 2.8)
6. Can you compare and contrast the following:
 - a) Scientific Management
 - b) Administrative Theories
 - c) Human Resources & Behavioural School(see 2.8)



Chapter 3 – Scientific Management

Scientific management emphasised on improving productivity and efficiency of workers. The following are some of famous theorists in this stage.

3.1 Frederick Taylor (1856-1917)

He suggested improving productivity through scientific methods, e.g. time study that applied to workers of a factory. It was to measure when a worker could complete a certain work step or an activity in production process so as to estimate daily output level. He also studied the best way to do jobs to increase plant production.

In order to improve productivity and efficiency of workers, standard of performance was established, e.g. predetermined daily output level, or standard time to complete a finished product.

He listed four principles of management:

1. ***to develop science element for an individual work.*** Motion study was a technique to study how many motions or movements of an activity were involved. If a worker wanted to complete this activity, e.g. packing a toy into a box, sewing a T-shirt, typing a document etc., this technique was used for improving movements or motions of a worker in a work process in order to improve their efficiency.
2. ***scientifically selecting and training workers.*** To select appropriate workers was based on their education, skills, and results of selection tests. Their skills and career could be developed further through training.
3. ***cooperation with workers to ensure work being done efficiently.*** Friendly atmosphere between management and workers could improve workers' efficiency and productivity.
4. ***dividing work and responsibility equally between management and workers.*** Each worker should have a large, clearly defined, daily task. Also, through specialisation or division of labour, productivity should be higher.

In his study, high payment was offered to a worker who was successful completion of tasks. Workers might not have rewards, if they failed to meet the standards laid down. A piece rate worker might have higher rewards if he produced more. So, it implied workers could only be motivated by monetary incentive.

Also, he stressed the engineering approach' applying in working environment. It implied a man-machine relation. Better machine layout and location could improve workers' efficiency at work. This is so-called 'human engineering technique' or 'Ergonomics'.

3.2 H. L. Gantt (1861-1919)

He supported the idea of F. Taylor. He stressed more on proper methods of planning and control. He used graphical method, called 'Gantt Chart', to record the progress of events or activities in a production programme. It was very useful in project oriented industry.

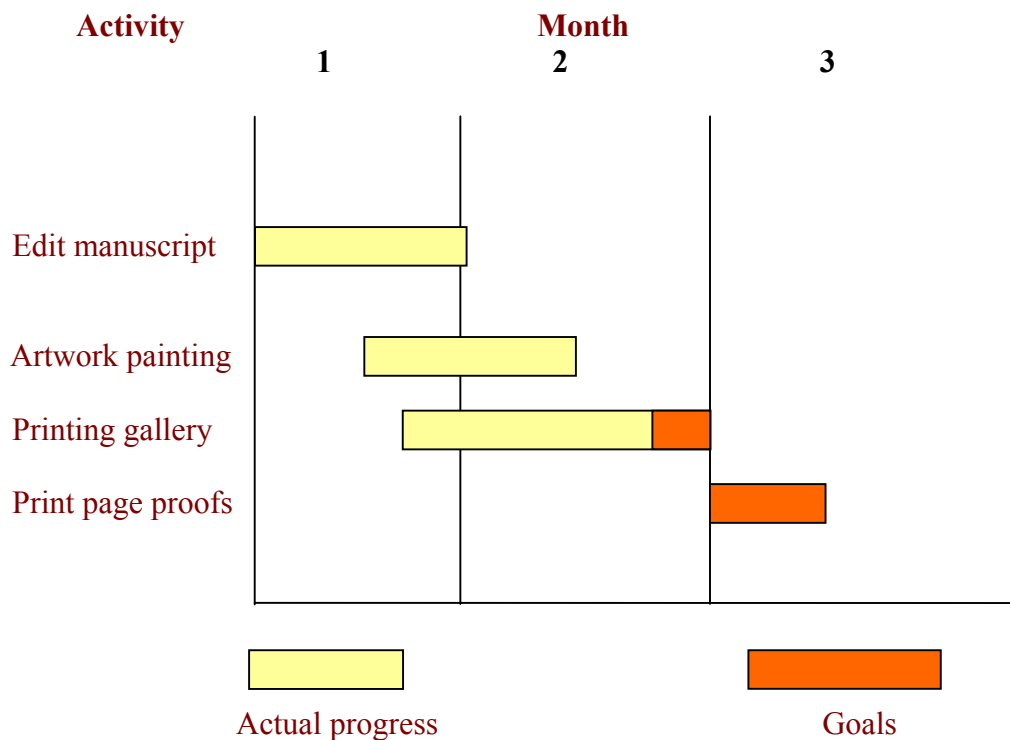


Figure 2 – A Gantt Chart

Figure 2 shows the activities of publishing a book. The yellow boxes indicate the actual progress of each activity. All activities are completed by the end of month 2. Only the activity of printing page proofs is not yet done. If the chart shows some orange areas in yellow boxes, it means the activity can complete earlier than the specified date. So, the activity of printing gallery is completed earlier than the specified goal date.

3.3 F. Gilbreth (1868-1924)

He identified a lot of elements in job motions to improve the 'best way' of doing a job. Also, he created a flow process chart to describe the working procedures of some activities.

3.4 H. Emerson (1853-1931)

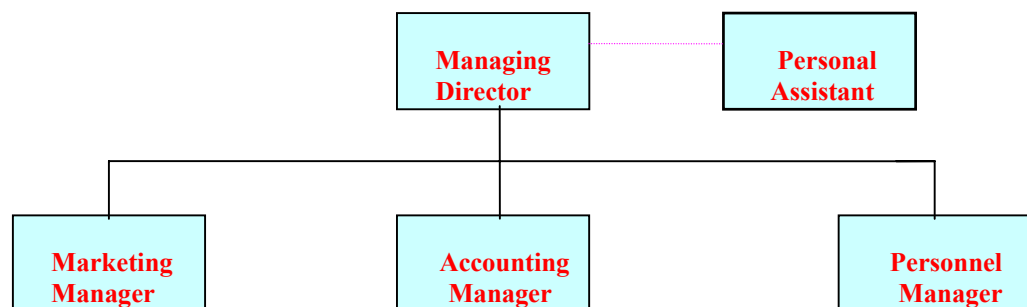
He stressed the importance of correct organisation to achieve better productivity. He defined the 'line and staff' organisation in his publication.

- **Line Organisation**

It is a structure showing direct vertical relationship between top and bottom at each level. It always shows the channels of authority from sources to point of action, e.g. a departmental manager having authority to hire and fire subordinates of his department. This structure is the basic framework of an organisation. It can be depicted on organisational charts by solid lines connecting the job positions.

- **Staff Organisation**

When the organisation is growing in larger size, direct relations between different level are not enough to run the business efficiently. Some specialists are employed to give their professional advice, e.g. personal assistant to managing director, or even through external consultants. Due to their expert and professional knowledge, their advice will be significant to director decision to formulate company policies. The staff specialists do not have authority to order others to do something. Nevertheless, their advice will be informal authority to affect others' work. This structure can be shown in dotted line of an organisational chart.



**Figure 3 – Organisational Chart
(Line & Staff Organisation)**

Figure 3 shows the line and staff relations of an organisation. The solid lines in the chart indicate the direct authority between top and bottom – line structure. The managing director has direct authority to hire, appraise the performance of, or firing each departmental manager.

On the other hand, the personal assistant to managing director does not have any authority to order the departmental managers to do anything. You can see there is no relationship in the chart between the assistant and departmental managers! However, the assistant advice to managing director will affect the company policy. So, such informal authority or relations will require all managers to follow the instructions he advised. The dotted line indicates his relation to the director, not the managers.

Indeed, in a large organisation, both structures are used. Practically, most managers play both line and

staff roles. For example, a personnel manager has direct authority to recruit staff of his own department. It is a line role. However, at the same time, in recruitment process, he will give his advice to the departmental manager to select right candidate. It is a staff role. The authority to recruit the candidate of a department remains in the departmental manager, not personnel manager!



Revision Questions for Chapter 3

1. Explain the main ideas and issues of Frederick Taylor Scientific Management.
(see 3.1)
2. How can a Gantt Chart be used for planning and controlling in an organisation?
(see 3.2)
3. What is the difference between line structure and staff structure?
(see 3.4)
4. To what extent Scientific Management can be applied in the case 'What should a Manager do' in page 9?

Suggested Approach for Question 4

In fact, a marketing survey agency is not a manufacturing factory. Therefore, productivity in output level is not applied in this service industry. Staff productivity in terms of output units is hardly to be measured. From the case, staff seems to sell their knowledge, not production skills. So, motion study and human engineering techniques have less opportunity to apply.

However, even though motion study or human engineering techniques are less important, it does not mean they are useless in the case. The layout of computer and office equipments, height of chairs, size of desks, etc., still influence staff working performance.

Also, Gantt Chart can be used to monitor advertising campaign and market research progress for each project. From the case, Mr. Chan has direct authority against his subordinates, i.e. a line relationship.

Therefore, Scientific Management can still be applied for the case. However, the extent of its application is less important as compared with a manufacturing company or a plant working environment.

Chapter 4 – General Administrative Theories

At this stage, a lot of theorists focused on the entire organisation. They emphasised on how to contribute good management practice. The scientific management and this groups are frequently referred to as the **classical theorists**. Some of famous general administrative theories are as following.

4.1 Henri Fayol (1841-1925)

He suggested fourteen principles of management that are universal truths of management.

- 1) **Division of Work.** Output can be increased by specialisation.
- 2) **Authority.** Managers can delegate his power to others so an organisation should balance authority and responsibility for each manager.
- 3) **Unity of Command.** At the same time, one subordinate should report to only one superior.
- 4) **Unity of Direction.** The objectives of a group should be directed by one manager implementing one plan.
- 5) **Discipline.** Each organisation should have rules and regulations for employees to follow. Good discipline can improve effectiveness of running the organisation.
- 6) **Subordination of Individual Interests to the General Interest.** The interests of the organisation as a whole are more important and should be the sum of the interests of any one employee or group of them.
- 7) **Centralization.** It refers to the authority of decision making centralized to management or decentralized to subordinates. The degree of centralization depends on different situations.
- 8) **Scalar Chain.** It depicts the line of authority from top management to bottom. It reflects the principle of span of control, that is the number of subordinates an **immediate** superior manages. It also shows the communication channels.
- 9) **Remuneration.** Workers should be paid fairly for their services. From Adam Smith Equity Theory, workers may concern more about relative pay to each other in the same organisation than absolute pay at the market. Workers may firstly compare their wage rate with colleagues. For example, if A believes he contributes the same effort with colleague B but receives fewer wages, he will not tolerate and feel unfair treatment. He may leave earlier or come late in office to reflect his grievance.

On the other hand, if a company offers a bit lower wage rate than market level due to its poor financial performance, workers are still acceptable in short run.

- 10) **Order.** In order to run the business efficiently, people and materials should be at the right time in the right place.
- 11) **Equity.** As explained in 9, managers should treat subordinates in fair and equitable manners.
- 12) **Stability of Personnel.** Good manpower planning and personnel policy can reduce staff turnover. High staff turnover is inefficient.
- 13) **Initiative.** Staff encourages developing and carrying out plans for the organisation. It can increase their efforts.
- 14) **Esprit de Corps.** Management should promote team spirit to ensure the organisation working in harmony atmosphere.

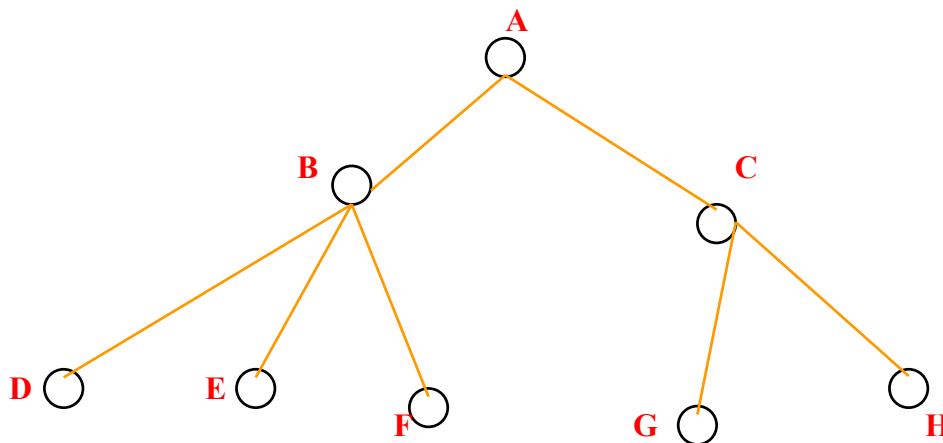


Figure 4 – Scalar Chain

Figure 4 shows three layers of management level. The small circles represent different persons in an organisation at each layer. Span of control of A is 2. B and C are his immediate subordinates. Span of control of B is 3, i.e. D, E, and F that are his immediate subordinates. Span of control of C is 2. They are G and H, immediate subordinates of C.

Each of them only has one superior, i.e. unity of command. Also, the solid lines represent the communication or report channels from top to bottom. If the layers develop from top to bottom in a chain effect, it will be a network of many layers as shown in above figure, i.e. scalar chain.

4.2 Max Weber (1864-1920)

Weber developed an ideal type of organisation, i.e. **bureaucracy**. Its characteristics are the following.

- 1.Division of Labour.** Jobs are well defined, simple and routine in nature. Regular tasks are distributed in a fixed way.
- 2.Authority Hierarchy.** The structure is in a hierarchy form. Each lower level is supervised by higher ones.
- 3.Formal Rules and Regulations.** A consistent system of rules and regulations are imposed in order to attain common goals of the organisation efficiently.
- 4.Formal Selection and Promotion.** Selection and promotion of staff are based on technical qualifications, e.g. education, training , etc., and seniority.
- 5.Impersonal Influences.** Duties are implemented impersonally. For example, the one who takes and carries out the order laid down may not recognise the one issued this order. It supposes no personal preferences of individual employees. Rules apply to everyone in uniform manner.
- 6.Career Development.** In a large organisation, managers are always not the owners. They work for salaries and develop their careers with the organisation in long run.

Advantages of Bureaucracy

- 1.Clearly defined authority in an organisation – Since the structure is arranged in hierarchy form, authority is clearly defined for managers of each level.
- 2.Application of rules implies a good discipline operation in this type of organisation. Also, rules and regulations can govern a system of procedures for processing work.
- 3.Division of labour implies a functional specialization in an organisation. Each department is grouped on technical expertise together in the same area, e.g. accounting professionals in accounting department.
- 4.Due to well-defined rules and structure, bureaucracy is better used for organisations with large size in stable environment and routine technology.

Disadvantages of Bureaucracy

- 1.Arbitrary rules sometimes imply too many '*Red tape*' paper works within the organisation.
- 2.Since the promotion and selection are based on seniority and formal qualifications, there may be no room for personal growth of some competent employees.

3. Too many paper works implies a slow communication network. Also, bureaucracy emphasises on formal rules and networks, but overlooks numerous informal networks.
4. Bureaucracy is less efficient to apply for smaller organisations in rapid changed environment. It is slow to adapt to new technology and inflexible.

4.3 Summary of General Administrative Theories

From the above discussion, theorists concentrated on the structure and administrative principles of an organisation, like impersonal implementation of rules and regulations in a bureaucracy, division of labour, or unity of command. All of these principles ignore the creativity of employees. For example, unity of command may not be applied in a matrix structure (it will be discussed in next Part) which can assist employees more creative thinking in project oriented approach.



Revision Questions for Chapter 4

1. Please describe Henri Fayol Administrative Principles.
(see 4.1)
2. Please discuss what a bureaucracy is. What kind of organisation is more suitable for using this structure?
Why?
(see 4.2)
3. Can you compare the differences between Taylor and Fayol ideas?
(see 3.1 and 4.1 to compare their differences)

Chapter 5 – Human Relations Movement and Behavioural Science

5.1 Hawthorne Experiments (by Elton Mayo)

In 1941, Elton Mayo published his results of the psychological experiments at the Hawthorne plant of the Western Electric Company at Illinois.

In his experiments, a group of women were segregated in a room where temperature, lighting and rest period were changed usually in a testing period. Their performance was noted. Since the working conditions were poorer than before, their performances and output level should be poorer too. However, the results were unexpected good. Their performances did not be affected by poorer working conditions.

Through interviewing and observational studies, it discovered employee performance was not determined by working conditions or incentives in the tests, but influenced by group norms. A high *esprit de corps* had been established in the group. Also, the role of supervisor in the group was important. In the tests, the group was imposed a daily output level among members, i.e. a norm set by behaviour, led by a supervisor.

This experiment provided new insights in group norms and behaviour. Norms are standards and patterns imposed by behaviour of group members. It was not in formal regulations and rules. Thus, the experiments emphasized the importance of informal relations of work groups.

5.2 Human Relations Movement

Another group of theorists believed to satisfy employee needs could make them more productive. Some of famous theorists are the following.

5.21 Abraham Maslow Hierarchy of Needs (1908-1970)

He divided five level of needs for human beings.

1. Physiological Needs

People need food and water if they feel hunger and thirst.

2. Safety Needs

People need protection against danger, e.g. a house for reducing disturbance from outsiders.

3. Social Needs

People need to be accepted by others in society. They need to belong to a group.

4. Esteem Needs

People need to be respected and recognised by others so as to have feelings of achievement and self-confidence.

5. Self-actualisation/Self-realisation

People need self-development for their potentialities.

In his hierarchy, Maslow believed people satisfaction would be diminished after satisfied needs of one level and would like to move to a higher level in sequence. He referred basic needs to the first two levels.

His hierarchy contributed much on motivating factors for work. The first two levels related to job factors of wages and working conditions. Social needs related to co-workers' or work group relations. Esteem referred to job status, promotion etc., and self-actualisation was career development or nature of work.

However, his hierarchy was criticised.

- 1) People need not satisfy higher level at their jobs. It depends on individual differences.
- 2) It does not show the time period of changing needs. A person will pursue higher level of needs in a few weeks, a year later or immediately, after has satisfied his current needs!
- 3) To satisfy peoples' needs do not mean being able to motivate them at work.

In fact, the first two level of needs could explain why people motivated *to work*. They worked for money in a health and good working conditions. The last three levels of needs explained why people motivated *at work*. They would work better at work if they had good working relations with others, promotion in the organisation and a challenging work nature.

5.22 Douglas McGregor – Theory X and Y

In his publication, the Human Side of Enterprise, 1960, McGregor developed two theories of leadership, i.e. theory X and Y, based on some assumptions of human nature and behaviour.

- 1) Theory X

It assumes:

- Average people dislike work and avoid it if possible.
- Punishment, rules and regulations should be used to control and direct people to work.
- People have little ambition and desires at work. So, job security is enough and no more needs above this level are required.
- They prefer to be directed by others and do not seek responsibility.

2) Theory Y

It assumes:

- People feel work as a natural play and rest. Work is a source of satisfaction for them.
- They prefer self-direction and control to attain objectives they are committed.
- To achieve the objectives is a function of the rewards for them.
- People can learn to accept and seek more responsibility.
- People have ability in creative thing and imagination.
- Average people can apply their intellectual potential in working life.

A leader should analyse behaviour of subordinates based on the above assumptions and decide which leadership styles are appropriate in his working situations.

5.3 Behavioural Science

This group of theorists studied the organisational behaviour, i.e. human behaviour in organisations. They developed a lot of leadership and motivation theories.

5.31 Leadership

Leadership is a mean of direction. Leadership is the ability and skill of management to direct subordinates towards the organisation or group goals with confidence. It reflects the styles of a leader.

5.311 Types of Leadership Styles

Authoritarian/Dictatorship: The leader uses fear, threats, and his authority and personality to influence others to get things done. He does not consider the feelings of others and only emphasizes on achieving the tasks, i.e. a task-oriented approach.

Democratic/Participative: The leader seeks to persuade and considers the feelings of subordinates. They are encouraged on participation in decision-making, i.e. a people-oriented approach.

Actually, there are rarely in extreme above cases. So, it is a measurement of degree to apply above leadership styles, i.e. more people or task oriented.

Furthermore, leader can be formal, i.e. formal delegated authority or informal, i.e. inducing others to do things by his relations with others.

5.312 Approaches on Leadership

There are a lot of theories developed to analyse the relation between leader and his group.

5.313 Trait Theories

Sometimes, leaders can be born by God. As a leader, he should have the following six traits.

1. *Intelligence* – A leader should have intellectual knowledge and cleverness to solve problems and create visions.
2. *Dominance* – A leader has strong desire to influence others. He shows himself a willingness to take responsibility of direction.
3. *Self-confidence* - A leader should be confident in convincing subordinates to achieve goals.
4. *High drive level* – A leader has a high energy level, ambitious, and persistent to achieve his goals. He should be initiative.
5. *Honesty and integrity* – He should create trust relations with subordinates. His action should be consistent in mouth and written deed.
6. *Task relevant knowledge* – An effective leader has a strong knowledge and skills in his job nature. Such skills may never be trained before. For example, some persons may have strong numerical skills, even though never trained.

The above characteristics of a leader refers to his personality, physical energy and mental intelligence, implying a leader can be born by God. So, **attribution theory or charismatic theory of leadership** are similar things.

5.314 Behavioural Theories

This group of theorists believed effective leaders could be trained. In Ohio State Studies, a leader behaviour could be divided into two dimensions, i.e. initiating structure and consideration.

1. *Initiating structure* – It is the extent to which a leader defines goals and task structure to his subordinates. It is a task oriented approach if a leader is high in initiating structure, i.e. to define task structure and standard for workers and emphasis meeting deadlines.
2. *Consideration* – It is the extent to which a leader considers his subordinates' needs, ideas, and feelings. A leader is people oriented if he is high consideration of his subordinates.

These two dimensions can be expressed by Blake and Mouton’s Managerial Grid. It demonstrates the leadership styles of “concern for people” and “concern for production”.

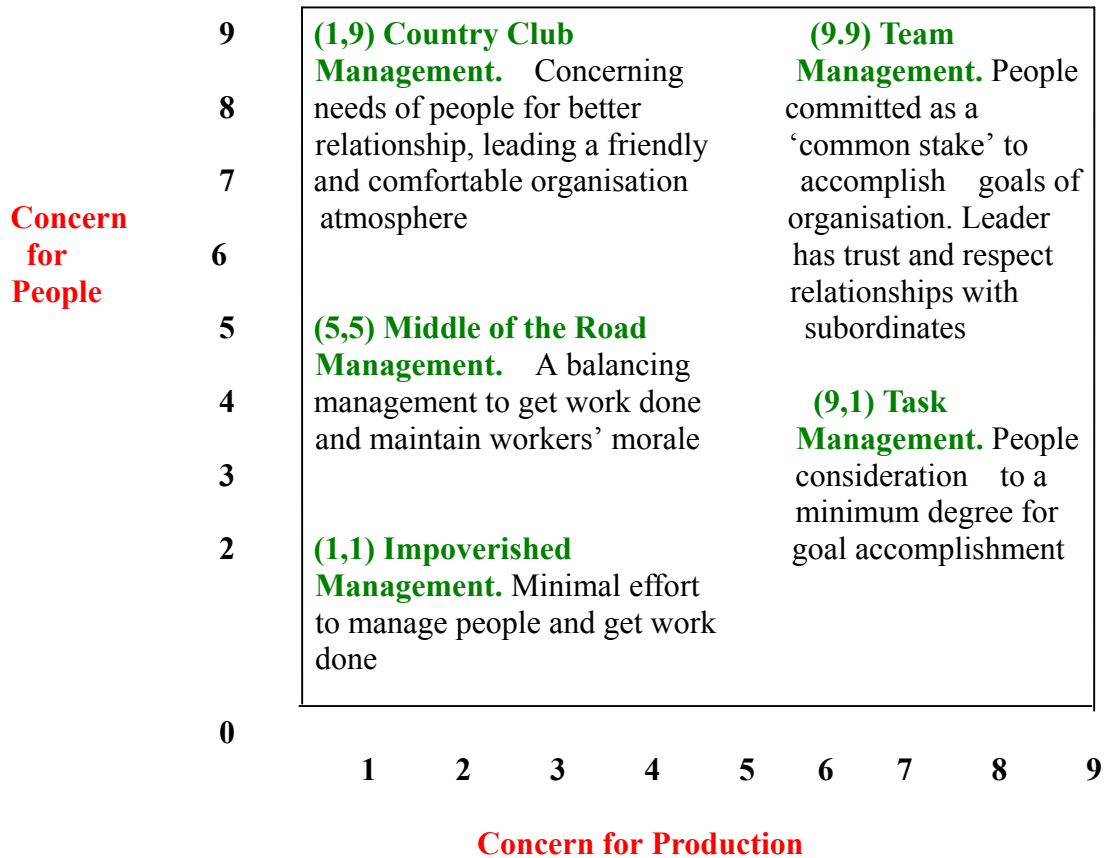


Figure 5 – Managerial Grid

Figure 5 shows different leadership styles at different situations. Based on this grid, managers can have self-assessment or be appraised by others to evaluate their appropriate styles. 1,1 style is most ineffective and should be improved further! 9,9 style is most effective in all situations.

5.315 Contingency Theories

This group of theorists explained different leadership styles should be applied at different situations. The following are some of the theorists’ ideas.

(a) The Fiedler Model

Fiedler identified three situational factors to determine different leadership styles.

1. Leader-member relations: The trust, confidence, and respect level between leader and subordinates.

2. *Task structure*: The degree of job assignment are formalised in procedure, scope and nature.
3. *Position power*: The influence of leader's power on subordinates are effective or not through his ability to fire, hire, promote or revise salary of subordinates.

In his model, if there are good leader-member relations, well-defined task structure, and strong position, i.e. high level of these three situational factors, task or performance oriented approach should be applied. You can see that there is little time required to coordinate and clarify job nature with subordinates.

If there are poor leader-member relations, unstructured task, and weak position power, i.e. low level of these three factors, again, task oriented approach should be applied. Since the situation is too bad, considering people is time wasting! The leader's position will be challenge, if he still spends time on negotiation with uncooperated subordinates. It explains why government always suppresses revolution at critical moments.

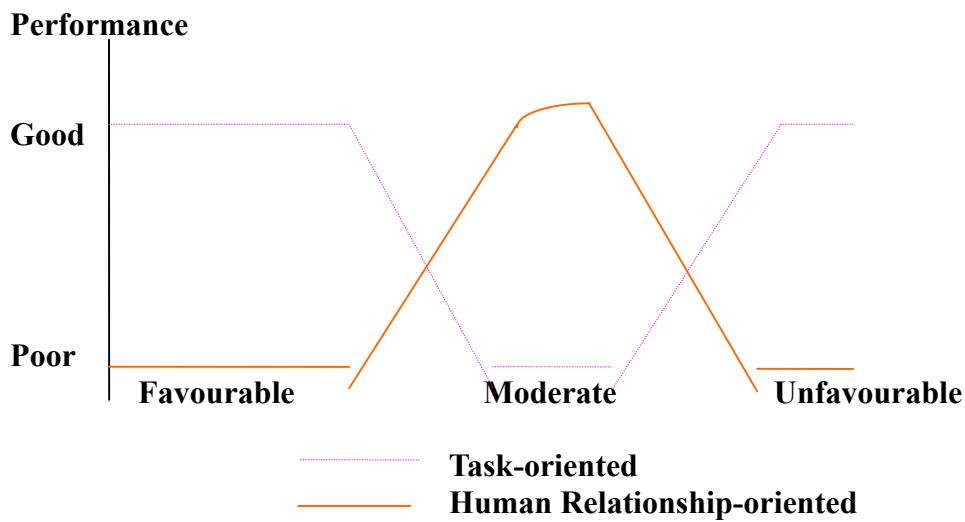
However, if there are moderate level of these three situational factors, people oriented approach should be applied because the leader needs time to coordinate with subordinates. He discusses the job nature with subordinates. Also, his relationship with subordinates is not excellent or not worse. He needs time to build up trust relations with them.

In fact, Fiedler classified the above three situational factors into eight categories. Each category described the level of different situations. High level was favourable situation to the leader who should apply task-oriented approach to attain good performance. Also, low level was unfavourable situation to the leader. He should apply task-oriented approach as well.

Moderate level implied the situation to the leader was moderate. He needed more time to coordinate with people. A human relationship-oriented approach was preferred.



The above situations demonstrate in Figure 6 next page.



Category	I	II	III	IV	V	VI	VII	VIII
Leader-member Relation	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task structure	High	High	Low	Low	High	Low	Low	Low
Position power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak

Figure 6 – Fiedler Contingency Leadership Model

(b) Hersey-Blanchard Situational Theory

As defined by Hersey and Blanchard, readiness is the ability and willingness of people to accept responsibility. They classify the leadership styles into:

1. *Telling* (high task, low relationship): The leader determines roles and tells people what, how, when, and where to do tasks.
2. *Selling* (high task, high relationship): The leader gives supportive and directive behaviours to subordinates.
3. *Participating* (low task, high relationship): The leader and subordinates make decisions together. The role of the leader is to facilitate communications of the group.
4. *Delegating* (low task, low relationship): The leader provides little direction and support to the subordinates.

Also, they described four stages of subordinates’ readiness.

R1: People are unwilling and incompetent to take responsibility for doing things.

R2: People are willing but unable to do the assigned tasks due to inadequate skills.

R3: People are unwilling but able to do the assigned tasks ordered from the leader.

R4: People are both willing and able to do the assigned tasks.

Under *R1* situation, i.e. a low level of readiness, subordinates need clear and specific directions, a *telling leadership style*. Under *R2* situation, a *selling leadership style* is required. The high task behaviour can assist the inability of subordinates and high relationship behaviour can consolidate the subordinates to 'buy' the leader's idea. Under *R3* situation, a *participating leadership style* is used because motivational problems exist in the group. Under *R4* situation, a *delegating leadership style* is fine because subordinates are competent and willing to take responsibility.

5.316 Path-Goal Theory (by Robert House)

An effective leader should satisfy the needs of subordinates. He can motivate people to the extent that he makes subordinates' needs to be satisfied from their effective performance, and provides guidance, support, and rewards for such effective performance. House identified four leadership styles.

1. *Directive leader* – lets subordinates know what happen, arranges work to be finished, and gives specific guidance to complete tasks, like initiating structure in Ohio State studies.
2. *Supportive leader* – shows concern the needs of subordinates, like consideration structure in Ohio State studies.
3. *Participative leader* – discusses with subordinates and considers their suggestions before making a decision.
4. *Achievement-oriented leader* – expects the subordinates to perform highest effort to attain challenging goals.

The leader can use any or all of these leadership styles depending on the situation. The situational factors can be classified as:

- *environment contingency factors*, e.g. task structure, formal authority system, work group etc.,
- *subordinate contingency factors*, e.g. locus of control that is the extent of a subordinate belief to be controlled by the environment (self-confidence), experience, perceived ability that is the ability to interpret things.

An effective leader should analyse the above contingency factors and adopt the appropriate leadership style(s) to achieve the desired outcomes through effective performance of subordinates. All can get satisfaction in this leading process.

5.317 Vroom and Yetton Leader Participation Model

They related leader behaviour to decision making. They classified leadership styles into the following.

1. *Autocratic I (AI)*: A leader solves the problem and make a decision himself using available information.
2. *Autocratic II (AII)*: A leader obtains information from subordinates but makes his own decision. The subordinates may or may not know the problem. They only play the role to give information.
3. *Consultative (CI)*: A leader discusses the problem with individual subordinates and brings their ideas and suggestions without making them in group basis. The leader's decision may or may not reflect the subordinates' ideas.
4. *Consultative (CII)*: A leader shares the problem with his subordinates in group basis. He collects their suggestions and ideas before making his decision which may or may not have subordinates' influences.
5. *Group II (GII)*: A leader makes a consensus agreement with his subordinates in group basis for the decision made to solve the problem.

Again, the above leader behaviour relating to decision making depends on different situations.

5.4 Other Motivational Theories

(A) Victor Vroom's Expectancy Theory

In his theory, one could be motivated if he expected his actions would lead to desired goals which could him high satisfaction. Therefore, motivation (M) is a function of the expectancy (E) i.e. possibility rate of success, of attaining a certain outcome in performing a certain task multiplied by the Vale (V) of the outcome, i.e. amount of satisfaction derived from the outcome.

$$M \propto E \times V$$

For example, if you want to get marry with Miss Hong Kong that will give you 100 full score, i.e. full satisfaction in V. However, there is no expected successful rate even though you send flowers everyday to her work place. The success rate of E will be 0 ! You should have no motivation to run mad after Miss Hong Kong, because your motivation will be:

$$M = 0 \times 100 = 0$$

So, to motivate someone, you must identify his needs that provided him high satisfaction, and analyse

his ability to achieve it, i.e. his expected successful rate.

(B) F. V. Herzberg Two Factor Theory

He classified needs at higher and lower level. He explained factors creating satisfaction, so called ‘satisfiers or motivators’, are from the intrinsic content and nature of a job, e.g. recognition, challenging job nature, etc., They refer to higher needs to be satisfied.

Factors creating dissatisfaction, so called ‘dissatisfiers or hygiene factors’, come from the extrinsic job content, e.g. working conditions, salary, supervision, job security, etc., They represent lower needs.

This theory pointed out dissatisfaction aroused if lower needs are not satisfied, e.g. poor pay and working condition. However, even if they are satisfied, it only removes dissatisfaction but not increases motivation. Only higher needs to be satisfied, e.g. challenging job nature, advancement of skills, clear responsibility, recognition by others etc., can motivate people at work. So, to satisfy lower needs only explains why people are motivated to work.

Also, as compared with Maslow’s hierarchy of needs, Herzberg could apply job factors behind in the hierarchy of needs. Also, motivators should be at higher hierarchy and dissatisfiers at lower hierarchy in Maslow’s needs.

(C) Three-needs Theory (by David McClelland)

He described three important needs or motives in work situations:

1. *Need for Achievement*: the drive to achieve to succeed something.
2. *Need for Power*: the need to influence or make others behave in a way to be expected.
3. *Need for Affiliation*: the desire to make friends or have close interpersonal relationships.

Different types of people have different extent of preferences to the above needs. Someone need more social gathering or to work in group basis, while others may prefer working individually but wish to control others and take moderate risks to achieve challenging goals.

Revision Questions for Chapter 5

1. Explain the term of leadership. What are the similarities and differences between a manager and a leader. (ICSA Modified 1996) (see 5.211 and Chapter 1. On the whole, a manager plays different functions, e.g. planning, organising, directing, and controlling, and different roles, while a leader performs duties of directing mainly, i.e. identifying workers' needs and motivating them to achieve goals.)
2. What are the implications of Hawthorne Experiments? Please explain the differences of Theory X and Y.
(see 5.0, 5.12)
3. Describe Maslow's hierarchy of needs and compare its similarities and differences with Herzberg's two-factor theory. How can an organisation motivate people to attain lower and higher needs?
(see 5.11 and 5.22)
4. Do you agree a leader is born by God? Please give some theories to support your arguments.
(see 5.213, 5.214, 5.215)
5. Please compare the following contingency theories:
(a) Fiedler model (b) Blanchard situational theory (c) House Path-goal theory
theory
(see 5.215 (a), (b), (c))

