

МИНИСТЕРСТВО ОБРАЗОВАНИЯ И НАУКИ РОССИЙСКОЙ ФЕДЕРАЦИИ

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**«НАЦИОНАЛЬНЫЙ ИССЛЕДОВАТЕЛЬСКИЙ
ТОМСКИЙ ПОЛИТЕХНИЧЕСКИЙ УНИВЕРСИТЕТ»**

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LESSON 1. INTRODUCTION TO MANAGEMENT THEORY

1.1.HISTORY OF MANAGEMENT

- 1.1.1. Classical theories**
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- 1.1.3. Human Relations**
- 1.1.4. Systems approach**

1.2.THE PROCESS OF MANAGEMENT

- 1.2.1. Introduction**
- 1.2.2. The meaning of Management**
- 1.2.3. Administration vs Management**
- 1.2.4. Organizations**
- 1.2.5. Relationship between Management and Organizational Theory**
- 1.2.6. Managerial Functions**

Planning

Organizing

Motivating (Directing)

Controlling

Forecasting

Staffing

LESSON 2. ORGANIZATION THEORY

2.1.LINE AND STAFF: FUNCTIONS AND RELATIONSHIPS

There is hardly a textbook on Management that does not refer to the confusion that exists between the term 'line', 'staff and 'functional' when these expressions are used to describe structural aspects of organization. One of the main reasons for this confusion undoubtedly stems from the attempt to promote classical 'principles' in complex organizational structures which are far from classical in themselves. For example, the classical concept of Unity of Command - one man, one boss - is just not practicable in organizations where the legal, financial, personnel and technological implications of the line processes can only be dealt with by diffusing authority across the management hierarchy as well as down it.

This is not to reject the classical view out of hand, but to say that it has to be considerably qualified in the light of modern organizational complexity.

The terms 'line' and 'staff are usually understood in two senses: (a) as *functions* contributing to organization objectives, and (b) as *relationships* of authority. Taking these meanings in order, we can summarize the most frequent views that have been expressed about 'line' and 'staff.

2.1.1. Line and Staff as Functions

LINE	STAFF
Functions contribute directly to the provision of goods and services to the customer.	Functions contribute indirectly to goods and services by supporting the line.
Typical line functions are production and sales.	Typical staff functions include purchasing, accounts, legal and personnel.
Seen as the primary functions of the organization.	Seen as the secondary functions of the organization.
Line functions act.	Staff functions think.

2.1.2. Line and Staff as Relationships of Authority

In terms of relationships of authority, 'line' and 'staff can be more effectively distinguished if staff is sub - divided into service and functional as depicted below.

LINE	STAFF	
	Service	Functional
Direct authority over others.	Advisory only.	Direct authority over others in respect of specialist functions only
Part of the role of every manager supervisor. Line authority is the essence of the chain of command.	Seen as authority without responsibility.	

Line relationships TELL Line authority is invariably qualified by functional authority.	Service relationships SELL.	Functional relationships also TELL, but only AS PRESCRIBED.
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It makes more sense to consider line and staff in terms of authority relationships where there are *real* differences, rather than in terms of functions, where it is highly arguable to state that some functions are primary and others secondary. The key point about functions is that every organization is a complex blend of functions that are dependent each on the other. Almost every comment made in the columns under *Functions* can be challenged. No wonder there is confusion! It is much more productive to concentrate attention on line and staff as an issue of differences of authority as between one manager and another.

Line authority is the simplest to understand as well as to agree about. It is the authority that every manager in respect of his own subordinates. Thus specialist managers, such as chief accountants and personnel managers, exercise line authority over their own staff. In this role they are not different from so-called line managers, such as production managers and sales managers. Line authority, then, is not dependent on line *functions*. It is the central feature of the total chain of command throughout the entire organization structure.

Staff authority, as such, is a misleading concept altogether. It begins to make more sense when divided into two further concepts, those of 'service' and 'functional authority', as suggested above. Unlike the situation for line authority, the concept of staff authority is derived from the staff function, and this does relate it to advisory and service functions of the internal structure of an organization. However, because of the very interdependence of all key functions in a modern organization, one must distinguish between those aspects of the staff function that merely provide services (e.g. costing,

recruitment, market research etc.), and those that provide key standards of performance for all other sections of the organization (e.g. setting and monitoring company accounting procedures, installing and controlling industrial relations procedures etc.). When looked at in this way, it is probably best to forget the term 'staff authority' altogether in favor 'functional authority', which is the former stripped of its servicing aspects, but made much more powerful in respect of standards in the particular function.

Functional authority, unlike line authority, is not exercised by every manager. It can only be exercised by managers of specialist functions, and it consists of the right to order others, including other managers, as to what to do, and how to do it, *in relation to agreed aspects of their own particular specialism*. So, for example, the Finance Director of a company is not only responsible (i.e. accountable) for the conduct of financial matters, but also has the authority to insist that line managers and others shall adhere to the company's established financial procedures and policies. With the complexity of modern business, it would not be possible for senior line managers to be busy with their operational duties and to have the time to attend to the design and use of financial, personnel and other procedures. Thus the use of functional authority is a very real part of organizations today. Naturally, the existence of such authority detracts from the power of line managers to exercise their own discretion as widely as they would like, but, given the pressures imposed on organizations by their external environment, it is only by having strong specialist guidance that line managers can fulfill their responsibilities in the ways demanded by customers, employees, politicians and other groups. What has to be avoided is turning line managers into puppets, operated by functional masters at the centre.

Ironically, perhaps, the very power functional specialists arises from the operation of another classical idea - that of the Principle of Correspondence. This states that authority should be commensurate with responsibility. It will be useful to consider for a moment the differences between these two concepts.

Authority is the legitimate power to act in certain ways; it is rarely carte blanche; it can be delegated to subordinates.

Responsibility is the obligation to perform certain function on behalf of the organization ; responsibility may range from the very specific to the very broad; it is commonly called accountability ; unlike authority it cannot be delegated. Both of these can be distinguished from *power*, which is the ability to implement actions, regardless of considerations of authority and responsibility. For example, an unofficial strike leader may have no authority whatsoever to call a strike, and certainly will have nothing about such activities in his job description(I), but nevertheless has the power to lead his group into a strike situation. Managers in such a situation have the authority to prevent a strike, but do not necessarily have the power to do so.

2.2.PRINCIPLES OF GOOD ORGANIZATION

2.2.1. Definition

Organization is a process of dividing work into convenient tasks or duties, of grouping such duties in the form of posts, of delegating authority to each post, and of appointing qualified staff to be responsible that the work is carried out as planned.

2.2.2. Principles of Good Organization

To draw up an organization chart is a relatively simple operation, but to ensure that the principles of good organization are followed is an entirely different, and more difficult, matter. It would be presumptuous to lay down a set of rules of good organization and assess that they are capable of universal application, but the following might be regarded as general principles applicable.

- a) Objectives. The objective should be clearly determined and the method of achieving it indicated in sufficient detail to enable the organizers to decide what type of organization is needed.
- b) Flexibility. An organization structure must possess flexibility in its planning of it, provision ought to be made for adjustments necessitated by changing circumstances.
- c) Responsibility:
 - i) The responsibility attaching to any post should be clearly defined.
 - ii) When responsibility is given, it must be accompanied by the necessary authority to enable the subordinate to carry out the work delegated.
 - iii) The person to whom work has been delegated should be responsible to one senior person only - unless the subordinate carries out more than one function or occupies more than one post, in which case he should be responsible to one person only in respect of each function or post.
 - iv) If several responsibilities are attached to a particular post, they should have some common characteristic.
- d) The span of responsibility (or span of control) should be limited to whatever number is reasonable in the circumstances.
- e) Discipline: Discipline is an important factor in any form or type of organization. It can no longer be enforced by threats of 'sacking' and there is much to be said for the application of the 'law of the situation' in this connection.

2.2.3. Formal Relationships

Within any organization structure various format relationships exist between those holding post at different levels or on the same level.

They may be classified as follows:

- a) Direct relationship. This is the relationship which exists between a senior and his subordinate at any level in the organization - for example, between the general manager and a departmental manager directly responsible to him; also between departmental manager and assistant departmental manager. Such relationships might alternatively be described as executive or line relationships.
- b) Functional relationships. This is the relationship existing between those holding functional (or specialist) posts and those with direct executive responsibilities ; for example, the relationship between the personnel officer and the works manager. This might alternatively be described as specialist relationship.
- c) Lateral relationship. This is the relationship between executives and supervisors operating at the same level; that is neither is superior to nor the subordinate or the other. Such relationships exist between, say, the managers of the sales, advertising, research, and public relations departments, in that they must co - operate and co - ordinate their efforts along the lines indicates by the marketing director, to they are all equally and directly responsible.
- d) Staff relationship. This is a personal relationship occurring mainly in the top levels of an organization, where, for example, such a relationship exists between the managing director and his personal assistant. Here the personal assistant is an extension of the personality of the managing director, with whom alone he has a formal relationship; he has no formal relationship with any other persons within the organization, nor does he possess authority of his own right. Any instructions he may give or any authority he may exercise are in discharge of his chiefs responsibilities.

For the formal organization to function properly it must include people who :

- a) are willing and able to communicate with each other.
- b) are willing to contribute to the action of the group.
- c) possess a conscious common purpose.

2.3.ORGANIZATIONAL CHARTS

2.3.1. Forms of organization charts

Although we are, perhaps, more familiar with the vertical form of organization chart, other forms are also used. The three types available are :

- a) Horizontal chart. Are to all intents and purposes the same as vertical, except that this pyramid lies horizontally instead of standing in its usual vertical position. The lines of command will therefore proceed horizontally, usually from left to right.
- b) Vertical Charts. These show the organization structure in the form of a pyramid, the lines of command proceeding from top to bottom in vertical lines; - «cept fn a functioning organization, when the lines may be shown diagonally, though still in downward direction.
- c) Circular (sphere) charts. Are used comparatively rarely ; in some cases, however they can be used to show the respective spheres of responsibility more clearly than would be possible in either of the above forms. The circular (or sphere) chart consists of spheres within spheres, the sizes of the spheres showing the comparative areas of responsibility of the line or functional managers and any other included. In order to show the distinction between "line" and functional responsibility, use can be made of thicker lines, shading, etc.

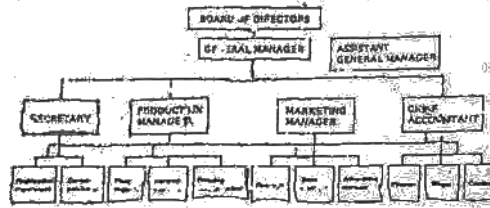


FIG. 4.—Vertical organization chart (manufacturing company).

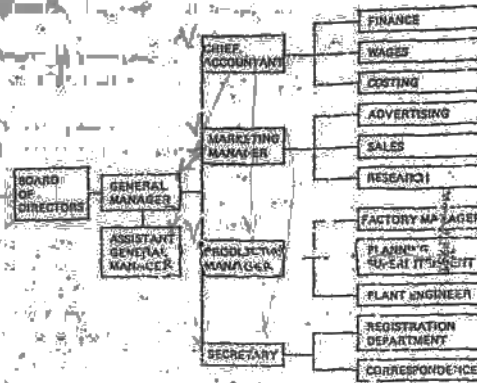
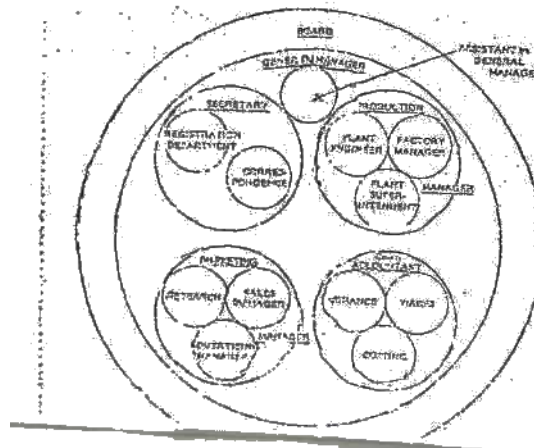


FIG. 5.—Horizontal organization chart.



2.3.2. Purpose of Organization charts

All the forms of organization chart described above have various purposes, namely:

- Relationships i.e. "line", financial, lateral and staff can be clearly illustrated and more easily appreciated.
- Responsibility is clearly defined, whether shown by straight lines or spheres. Each member of the staff can see at a glance to whom he is responsible, and who is responsible to him.
- A complete picture of the organization is provided in a way that is simple to understand ; thus it provides information for everyone within the organization, from top management down to the latest newcomer to the junior staff.
- Grades and numbers within the various grades may also be incorporated in an organization chart. Used in this way, the chart would provide a basis for the control of staff and ensure the maintenance of a reasonable balance within the various grades.

2.3.3. Advantages and disadvantages of organization charts

- Advantages. Apart from the advantages already stated when enumerating their

- purposes, organization charts have the following additional advantages:
- i) Assisting O & M. A well drawn organization chart can be of great assistance to the organization consultant, particularly when his assignment involves considerable reorganization.
 - ii) As part of an organization manual An organization chart is often (and advisably) included in a firm's organization manual, where it is easily referred to by management and staff who wish to obtain information from it or to make themselves, conversant with any changes in the structure of the organization
 - iii) An important side effect may result during the preparation of an organization chart. The very fact that someone is getting down to the actual planning of an organization, and intending to reduce it to chart form, is itself a step in the right direction. Moreover, during the preliminary planning stage, new ideas often emerge which result in useful changes in the organization structure which had not originally been intended.
- b) Disadvantages Organization charts are sometimes criticized on the following grounds:
- i) Misleading effects may be created if a chart is badly prepared - in particular, where it attempts to give too much detail, where the reference key is omitted or inadequate, or where the lines of responsibility are confusing.
 - ii) Lack of flexibility. It is suggested that a chart, cannot represent an organization which is (or ought to be) dynamic, capable of great flexibility. NOTE: One might counter this criticism by suggesting that it is just as easy (if not easier) to amend or prepare a new chart as to recognize the actual structure.
 - iii) Interpretation may be too narrow. Arising out of the last point, the chart's flexibility may give member of the staff the opportunity and excuse to interpret their duties and responsibilities too narrowly. Alternatively, the keen, willing worker's initiative may be dulled if he has to conform too rigidly to the chart.
 - iv) Misunderstanding concerning status often arises when the vertical form of chart is used, this is due to the quite common mistake of thinking that an employee's status is necessarily indicated by the height at which his post appears in the chart. (This is not a disadvantage applicable to the circular, or sphere, chart).

LESSON 3. LEADERSHIP

3.1.INTRODUCTION

Management is concerned with getting people to carry out tasks , either routinely or specifically , as a result of decisions that may have been taken. Leadership is the aspects of so managing people that they will perform their assigned tasks willingly and in an efficient and effective manner.

3.2.DEFINITION OF LEADERSHIP

Leadership can be thought of as a process by which individuals are influenced so that they will be prepared to participate in the achievement of company or group goals. It is the role of the leader to obtain the commitment of individuals to achieving these goals. The leader has to co - ordinate the efforts of individuals and strive to maintain harmonious relationships between and with them to facilitate the accomplishment of company or group objectives . It is the leader's task to :

- (a) plan and organize group activities ;
- (b) exercise control over group activities;
- (c) admit and dismiss group members to and from group activities;
- (d) enable all group members to perform their roles satisfactorily within the group;
- (e) enable all group members to clarify their roles as environmental circumstances change; and
- (f) enable all group members to understand their roles within the organization with respect to other groups and with respect to the corporate enterprise.

3.3.ACCOMPLISHMENT OF LEADERSHIP

The key word is motivation . The leader has to motivate colleagues to commit themselves to organizational goals. Whilst a knowledge of motivation theory is important to a leader it has to be recognized that our knowledge of the nature of motivation is incomplete.

More important point for a leader to remember is that an individual's motivation changes with time and circumstances and that it is the function of the leader to find out the appropriate motivation for individual group members in-each different circumstance.

Most individuals are strongly motivated by financial reward, for example, but only up to a point. Beyond that point, increasing the financial reward will not prove to be an effective motivator. One view is that the leader's task is to discover the most appropriate form of incentive to offer group members in order to obtain the individual has a sense of commitment and that it is the leader's task to show each person how to express their commitment.

3.4.NATURE OF LEADERSHIP

Leadership is a skill which requires several specific abilities:

- (a) to understand what motivates individual group members at different times and in different situations or circumstances;
- (b) to inspire others; and
- (c) to create an organizational climate which will encourage others to act on the basis of aroused motivation.

A useful first step for a leader is to make himself familiar with leadership theories. The next step , putting theory into practice , is the most difficult one. The skill lies in recognizing the motivational patterns of members of the group and becoming familiar with

how they think. Problems arise because the way in which leaders can acquire the skill or ability to inspire others is not clearly understood. Many managers regrettably lack the basic skills of leadership and in consequence the groups which they nominally "lead" operate either ineffectively or sluggishly or in their own way.

3.5.CHARISMA

Charisma refers to the ability of an individual to inspire great trust and devotion and admiration amongst the people with whom he or she comes into contact. Charismatic leadership exists where the personality of an individual (who naturally assumes the role of leader) is such that it causes others to seek to please him. The desire to please the leader" can therefore lead individuals to become committed to achieving the organizational goals laid down by the leader . Individuals who are charismatic and who assume a leadership role are usually highly successful in motivating large groups of people to follow them. Many examples exist in history and political leaders who have been renowned for their charisma.

Despite the apparent importance of charisma in leadership , no specific and generalizable personality traits which can be clearly associated with successful leadership have yet been identified . A number of studies have highlighted significant correlations between certain personality traits and leadership effectiveness. Intelligence, scholarship, dependability , responsibility , and social participation (gregariousness) and socio - economic status have all been found to have a positive association with effective leadership , but no real indication exists of how these traits are acquired and , since they are no more than the qualities that a good manager would be expected to possess , research findings have been inconclusive.

3.6.THE SITUATIONAL APPROACH

The failure of researchers to identify generalizable personality traits which can be associated with qualities of leadership caused them to look further afield. It has been observed that individuals are likely to accept the leadership of those in whom they perceive a means of accomplishing their own personal aspirations, as instanced in such historical figures as Mussolini, Hitler and Napoleon. Researchers then switched to investigating the possibility that leaders are the product of given situations. It has been argued , for example, that had the Germany in 1920 existed in the form in which it look after the end of the Second War Hitler could never have risen to power . Provided that a leader has the right qualities which will enable him or her to assume the role of leader , " being in the right place at the right time" can have a very great effect on the success of his or her leadership.

3.7.FIELDER'S THEORY

Fielder's theory of leadership , the contingency theory , combines the situational and the personality trait approaches. Fielder suggests that individuals adopt the role of leader not only on account of their personality traits , but also because they are able to adapt successfully to the different situations. From this it may be argued that a person who possesses leadership potential will not necessarily be an effective leader unless he is able to lead in all situations . Fielder identified three critical dimensions of any situation that can affect the effectiveness of a leader's style.

- (a) Position power; this arises from the power of the position that an individual holds in an organization:
- (b) Task structure; this is the extent to which tasks can be clearly defined and responsibility for their conduct allocated to specific individuals:
- (c) Leader - member relations; this reflects the extent to which group members like and trust a leader and are prepared to follow him or her.

- (d) Fielder recognized two styles of leadership:
- (e) a task - orientated approach ; here the leader seeks satisfaction in seeing jobs performed efficiently and effectively; and
- (f) a people - orientated approach ; here the leader seeks satisfaction by attaining a position of personal prominence.

3.8.PARTICIPATIVE MANAGEMENT

Much attention has been given to the problem of trying to determine the most effective style of leadership. However, it is evident that if leadership is situational, different styles can be effective in different situations . Nevertheless one writer , Rensis Likert, is a proponent of what he calls participative management. This approach emphasises orientation towards subordinates , with the managers having complete trust and confidence in him in all matters. Subordinates' ideas and opinions are actively solicited and used constructively and economic rewards are based upon the extent to which individuals participate in group activities.

The leader and followers (manager and subordinates) agree on mutual group goals and objectives and participate in decision - making together . Here the role adopted by the leader is a supportive one , through which he or she helps individuals to identify personal objectives and the manner in which to achieve them. In his researches Likert has found that this style of leadership has been the most successful. Likert also identified three other types of leadership.

(a) **Exploitative - authoritative.** This style is very autocratic and little trust in subordinates is shown. There is no participation by group members in decision - making and the fear or punishment are used to motivate subordinates.

(b) **Benevolent - authoritative.** This style is mildly autocratic and not as severe in its system of incentives as (a) above. Some ideas are obtained from subordinates and some decisions are delegated . This can be described as the "handing - out -of- favours" management style.

(c) **Consultative** . This style permits substantial trust in subordinates , makes constructive use of subordinates' ideas and opinions and motivates them with rewards and occasional punishments . Broad decisions are taken by the leader but specific decisions are taken by group members.

3.9.SHOWING CONCERN FOR PEOPLE AND THE TASK.

Robert Kahn (1956) reported a study among 20,000 workers employed in producing earthmoving equipment and tractors.

EXAMPLE

The foremen with the best production records were the ones who were most skilled at end most concerned with meeting employee needs for information, support and assistance, but they were no less concerned with production The foremen with the best production records , in short, were both production - centred and employee - centred.

3.10. MANAGERIAL GRID BY R. BLAKE AND J. MOUTON

Robert Blake and Jane Mouton (1964) devised a management training diagnostic package which enables a researcher or a consultant to identify a practising manger's current managerial style. Their work built on previous research which pointed to the need for managers to have concern for both " getting the job done" and for the needs and the wants of the people who actually do the work. The grid (see figure 1) has been widely employed to identify different leadership styles and is also used as training tool. " Work orientation" at the bottom of the grid measures the subject's concern for the quality of policy decisions, procedures and processes , etc. " Concern for people" includes such things as wanting to maintain the self- esteem of workers and having satisfactory inter-personal relations. Four extremes of style are singled out.

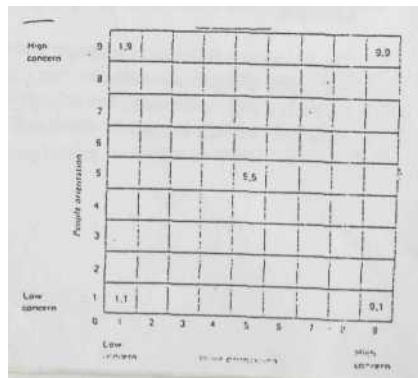


Figure .1 The managerial grid

1,1 style . Leaders act as messengers between subordinates and their own superiors. They take little interest in their job or their subordinates.

9,9 style. This idealised style is the complete opposite to the 1,1 style . Leaders are dedicated both to people and to production . These are the real "team managers".

1,9 style . Such leaders promote a pleasing, amicable , relaxed atmosphere. This is often referred to as "country club" management. No concern is shown for working as a team towards enterprise goals.

9,1 style . The autocratic style of management where the only concern shown is that for getting the job done.

5,5 style . This is the " halfway house" approach , where managers aim to perform adequately along both dimensions of the grid. Goals set are usually well within the reach of the organization and the attribute of management is mildly autocratic but at the same time benevolent.

Blake and Mouton's researches using this method uncovered some interesting finding . Most managers appear to adopt a 5,5 style and these managers are moderately successful. The most successful managers adopt the 9,9 style of management but, interestingly enough, practising managers see subordinates who adopt 9,1 style of management as promotable.

LESSON 4. THE MANAGER

4.1.MANAGER VS SUPERVISOR

4.2.QUALITIES OF A MANAGER

4.3.LEADERSHIP

4.4.STYLES OF LEADERSHIP OR MANAGEMENT

4.4.1. Authoritarian management

4.4.2. Paternal management

4.4.3. Democratic management

4.5.MBO – MANAGEMENT BY OBJECTIVES

4.6.THE FRAMEWORK OF MBO

LESSON 5. ORGANIZATION

5.1.CENTRALIZATION

5.2.DECENTRALIZATION

5.3.DIVISIONALIZATION

5.4.DELEGATION

5.5.SPAN OF CONTROL

5.6.ORGANIZATIONAL RELATIONSHIPS

LESSON 6. DIRECTION OF COMMAND

In all human enterprise, in whatever sphere it exists, wherever a group of people are concerned with achieving specified objectives there arises the need to have someone with ultimate responsibility; in other words a leader or commander to whom authority is given to direct the group's activities and to assume command of the resources devoted to the requirements of the enterprise.

The word 'command' suggests a rather military arrangement that demands unquestioning adherence to orders or instructions from the top, and while this may have been the case in the past, this is not so in the modern industrial society. Most instructions nowadays are, in fact, presented in the form of requests rather than in the form of orders, albeit they may have the same ultimate effect. People at all levels, from departmental managers to shop-floor workers, are sensitive of their personal value and are inclined to resent any tacit suggestion, which may be implied in an order, that they are unable to think for themselves or have no opinions. It is suggested, in fact, that less than a third of the orders given to subordinates take the form of firm instructions.

6.1.Chain of command

However command is carried out, in effect it starts at the top and, through the process of delegation, travels down the management structure to find the level at which action is required. Each level of command, therefore, has a narrower sphere of influence than the one above it and a narrower field of accountability. It is also a fact that the span of authority also narrows in the same way.

The level at which direction is given also affects the type of instruction that results. Instructions from the upper levels of management, from the chief executive or the senior executives for example, will be subject to judgment on the various aspects of the content of the instructions. At the lower levels of supervision instructions will, for the most part, be laid down according to specific rules and a minimum of individual judgment will be required.

6.2.The law of the situation

In a small organization the chain of command is obvious with or without an organization chart. As organizations have become more complex, and particularly where there is decentralization, the chain of command becomes much less obvious and direct commands are less easy to give and have accepted. Departments have become specialized and top management's command is not so much related to its own exclusive views as to the furtherance of plans that have been formulated in consultation with the specialists and on their advice. In fact it is often asserted that plans and objectives are now very much influenced from below and that command is thus as much by consent as by direction.

In turn this leads to the setting up of a code of standard practices that are required to meet the requirements of the plans, and workers no longer obey orders as much as adhere to standard practices. These standard practices are developed out of the needs establishing themselves to meet circumstances as they arise in pursuit of the plans laid down, and workers expect to be relied upon to take the steps necessary to deal with the situation. Direct instructions, in these circumstances, can be resented by workers unless their precise relevance is demonstrated. If such direct orders are considered necessary the workers expect to have this necessity explained. In other words a worker needs to be satisfied that direct instructions result only because of the facts of the situation and are not given as an expression of authority only. Mary Parket Follett, an accepted au-

thority on the use of power and authority in industry, expressed this concept as the 'law of the situation'. Nowadays it is suggested that the exercise of authority or power should be replaced by the personal influence of the manager in the relationship between the manager and the managed, at whatever level it occurs.

6.3.Unity of command

People are apt to become confused if they are answerable to more than one authority. In the direction of an enterprise this is also very true and hence it is considered essential that there should be what is termed 'unity of command', that is there should be only one source giving directions.

This is usually taken to mean that one manager only should be in the position of commander, this person normally being the chief executive. It is true that he is the ultimate authority, but it is unrealistic to suppose that he can act entirely on his own. It is probably truer to say that unity of command entails top management speaking with one voice ; in other words that differences at board level or among senior executives are resolved before instructions are issued, and that no dissension is observable by those being managed.

Lower down the management ladder the same observations apply. No worker should be required to accept orders from more than one supervisor, neither should any department or division be the subject of the command of more than one manager.

6.4.Difficulties in achieving effective command

The difficulties in achieving effective command are primarily those of failures in communication, and failure to achieve positive unity in authority; in other words failure to ensure unity of command.

Unity of command must be seen to obtain. Jealousies or other personal disagreements must be kept within the confines of the boardroom and not allowed to become the subject of common knowledge, as this can destroy confidence down the line. The authority of the chief executive must be maintained at all times, and be seen to have the backing of the board or other governing body.

Another difficulty leading to a reduction in effective command is the failure to ensure that the duties and scope of each department or division are very clearly defined, and that there should be no overlap. A simple example is where both the sales department and the production department have direct access to customers. This results in a dilution of the authority of the sales department in customer relations and the inevitable reduction in effective overall command, because each of these departments will try to assume control of a common aspect of the product with a probable divergence from laid-down procedures. It is very necessary, therefore that clear lines of demarcation are laid down for each sector of the enterprise to ensure command is effective.

However, it must be accepted that unity of command may not be absolutely possible in some circumstances, and that exceptions must be accepted which will not necessarily create difficulties in practice. Citing the example just mentioned, it is common practice in highly technical industries for a member of the production staff to have to follow up the contact of a sales representative to clarify certain technical aspects of a customer's order which the salesman is not competent to resolve. In such circumstances of course, the utmost co-operation must obtain between the two departments. Similarly, the credit control department may call on the assistance of the sales people to help in resolving a customer's financial difficulties on the basis that the sales representative is more likely to know the customer and his business better than does the credit control clerk.

There are many more such circumstances that could be mentioned. If effective command is to be maintained in these conditions it is- essential that trust and confidence is built up between the participants and full cooperation is developed.

6.5. Decision - making

Inherent in the activity of command is the need to make decisions and it can be said with truth that, fundamentally, all management is concerned with decision-making. Also inherent in the activity of command is the need to delegate authority and functions, and so the power to make certain decisions has also to be delegated. It is necessary, therefore, to examine the process of decision-making from the point of view of the levels at which it operates.

There is no consensus of opinion among writers on management as to the categories into which decision-making should be divided, but a useful classification as shown by practical experience could be as follows:

1. Long-range decisions that will affect the prospects of the organization for a very long time. These are almost certainly the province of top management, who are charged with the responsibility of the continued survival and prosperity of the enterprise. Such decisions include major capital investment, determining the sources of finance for such investment, product and market choice, and similar long-term problems. Such decisions embrace a considerable amount of uncertainty and take a long time for the results of their implementation to be known.
2. Medium-term decisions that are less far-reaching, involving problems such as minor capital investment, product modification, tactical market planning and similar decisions that are needed to keep the enterprise on course in the implementation of top-level planning and objectives.
3. Operational decisions that have immediate results and are, or should be taken at the lower levels of supervision. Such decisions include, for example, replenishment of stocks, routes for deliveries, credit control in normal circumstances and so on. It will be seen that inherent in the implementation of a decision is the need to have feedback as to its effectiveness so that modifications to the instructions can be issued where necessary to ensure the ultimate success of the decision.

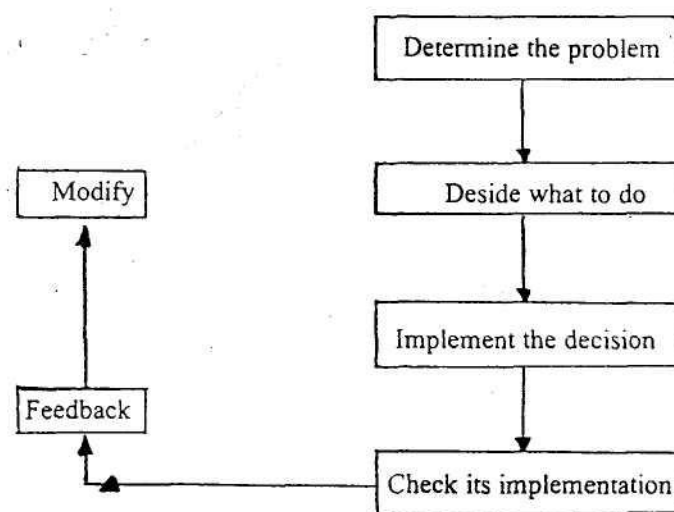


Fig. 1 basic steps in decision-making

6.6. Steps to effective decision-making

Many managers and their subordinate supervisors shirk the responsibility of making decisions, and give many reasons such as not having sufficient knowledge of all the facts, difficulty in finding competent operating staff, lack of time for proper consideration and so on. Very often the real reason is lack of courage or self-confidence: but even not making a decision is a decision to refrain from action. Other managers and supervisors rush into decisions without due regards for circumstances or resultant effects, sometimes with disastrous results, and sometimes with unexpected success.

Neither of these attitudes, of course, is the right one, and decision-making can be made easier and more effective by taking the following, considered, steps:

1. Define as accurately as possible the problem to be solved. This entails going into detail about every aspect of the problem and making sure no relevant facts are omitted, however remote they may appear to be at first sight.
2. Ascertain the relevance of this problem to other areas that might be affected by any decision taken.
3. Analyze the problem into its component parts so that each can be considered fully.
4. Review the resources available to solve the problem, or those that can be provided if necessary.
5. Determine as many possible solutions as can be reasonably considered given the circumstances as stated.
6. Test the most attractive solutions on the basis of their probable success and their impact on the rest of the organization.
7. Determine the solution that promises to be the most effective.
8. Implement the decision and monitor its effectiveness.

It is obvious that not all these steps will be necessary at operational level but may be thought essential for long-term and medium-term decision-making.

6.7. Programmed and non-programmed decision-making

It is also common to divide decision-making into programmed and non-programmed, and it is considered good management practice to have as many decisions as possible in the first category. Programmed decisions are simply those that are taken automatically in any given set of circumstances. They are thus those normally taken at the lower levels of supervision. An example is that of stock replenishment. It is a rule that the stock of a certain product should not fall below one hundred units, then the decision by the storekeeper to replenish the stock when this level is being reached is a programmed one. The amount to be ordered will also be programmed by the setting of a maximum stockholding figure, the reorder amount being the difference between maximum and existing stock.

Non-programmed decisions require the exercise of managerial judgment and the higher up the management hierarchy the decisions are required to be made the greater the exercise of judgment that is required. A decision to invest large sums of money in new buildings and plant requires judgment of a very high order and is done at the level of top management.

However, judgment at all levels is required where the decision is not automatic. Taking the case of stock replenishment again as an example, should the firm be offered a quantity of the product at a very attractive price, but this would mean departing from the laid-down stockholding level, a judgment would have to be made as to the wisdom of departing from the normal holding. This requires a decision of a non-programmed kind

even though it may be taken at a low level of management. It involves assessing the risks of having stock left on hand, of tying up working capital which, perhaps, could be better used in other ways, of taking up storage space and other associated problems.

6.8. Where decisions are made

Every level of management and supervision is responsible for making decisions within its own environment. The extent to which such decisions are matters of judgment and experience depends upon the level at which they are taken and the extent of initiative allowed at each level by top management. However, **it is often said that all decisions are really made on the shop floor.** This is because the implementation of decisions, at whatever level they are taken, depends ultimately upon their acceptability by the general work-force. Even the installation of the most modern equipment, decided upon by top management, will not be effective in production if the workers refuse to operate it. Without their agreement the decision is a sterile one, so their consent must be assured before implementation.

Similarly, many of the factors upon which decisions are made emanate from the shop floor. Such items as production levels, machine utilization, job sharing and the like are shop-floor-level factors which management must take into account.

Many organizations cognizant of this fact, now have regular consultations with employees before taking significant decisions that will affect working conditions, pay and job security. This is approved by many as a step towards industrial democracy and certainly entails the involvement of the labor-force in the making of important decisions. In turn, this should lead to the co operation of the work force in the implementation of the decisions. On the other hand, it is undeniable that the viewpoint of the workers will be limited to seeing their own advantage and disadvantage and they will probably be unable to appreciate the long-term significance of decisions suggested to them. In this case it might mean a slowing up of modernization, and probably a measure of over manning, which would appeal to the employees more readily than possible redundancies however well-managed the redundancy scheme, and so possibly to the ultimate detriment of the enterprise.

6.9. Aids to top-level decision-making

Long-term decisions are fraught with the problems of uncertainty, and errors can have the most far-reaching repercussions. Yet decisions have to be made for the future of the organization it is to survive.

To try to take some of the risk out of these decisions management now makes use of many sophisticated techniques, mostly mathematical or statistical. It must be remembered, however, that these are only tools to aid managers and do not usurp their responsibility to exercise their own judgment born of their own knowledge and experience. Unfortunately it is a fact that many of the specialists in these mathematical and statistical techniques do sometimes give the impression that their contributions are the complete answer to managerial decision-making.

The findings of these specialists are only part of the range of factors that management has to consider in its deliberations: management decisions must remain within the judgment of the managers, whatever tools they use.

LESSON 7. FORMULATION OF POLICY

7.1.TYPES OF POLICY

7.1.1. Definition

The "policy" of a business might be defined broadly as its purpose or objective but, in order to define it in more specific terms, we must also introduce some reference to the method of achieving that purpose or objective. The following definition is, therefore, suggested: **the policy of a business undertaking is a statement of its primary objective, accompanied by a directive indicating the general pattern to be followed to secure its implementation.**

7.1.2. Sectional policies

The policy of top management is communicated to the lower levels of management only in general terms. At that point it branches off into the separate sectional policies of the respective managers, by whatever name they are called. Although these "managers" must work together as a team to implement the general policy, each of them is individually responsible for his own policy. In a large manufacturing company, the most important of these sectional policies (considered separately below) are (a) financial, (b) marketing, (c) production, (d) personnel.

7.1.3. Financial policy

In formulating financial policy, consideration must be given to the following:

- (a) Capital. Initially, a decision must be made concerning capital requirements, and in what form and from what sources capital is to be obtained. If we take a public limited company by way of example, the promoters must decide:
1. What the company's authorized (or nominal) capital shall be (this must be stated in the company's Memorandum of Association).
 2. How much of that authorized capital it will be necessary to issue initially.
 3. If the shares are to be offered to the public, by what method - by prospectus, offer for sale or "placing".
 4. What classes of shares are to be offered, if it is decided to offer more than one class.
 5. What other forms of finance it is intended to employ (e.g. debentures, loan stock, etc.) originally or at a later date.
- (b) Working capital. Initially, and at all times, care must be taken to ensure adequacy of working capital. This will permit the company to meet its everyday commitments and work to optimum capacity.
- (c) Capital expenditure. Prior to a company's incorporation, the calculation of its capital requirements must, obviously, take into consideration the purchase price of any considerable fixed assets. If, for example, the company has been formed to acquire an existing business, the purchase price of that business must be included. Subsequently, any policy decisions affecting capital expenditure will probably be based upon a long-term budget, if a system of budgetary control is being operated.
- (d) Revenue expenditure. Capital requirements to meet expenditure on materials, labor

and all other forms of revenue expenditure must also be calculated. Where a system of budgetary control is in operation, this calculation will, of course, be based upon the sales and production budget.

- (e) Credit. Capital requirements may be influenced very considerably by decisions affecting the giving and receiving of credit; for example, the wholesaler in most trades would be expected to afford comparatively long-term credit facilities, whereas the retailer in the same trade may, himself, sell only on a cash basis. If credit is given and received, there must be adequate control and, to that end, the following are subsidiary to the financial policy:
1. The setting up of a credit control system, to reduce bad debts and standardize the system for debt collection, etc.
 2. The earning of all cash discounts, by prompt payment of accounts.

7.1.4. Marketing policy

- (a) The broad policy of any manufacturing business will, no doubt, state in general terms what it intends to produce and hopes to sell. It will, for example, make it clear that it is intended to produce machine tools and not electrical components. If, however, the policy is to succeed, considerable thought must be given, and many decisions taken, by the marketing director (or manager) and others responsible for the implementation.
- (b) The main considerations upon which a working marketing policy may be based include:
1. Profit planning. Where a budgetary control system is employed, the whole structure of the budget and, therefore, of the policy may be based upon a planned profit.
 2. Sales volume. In order to achieve that profit, the volume of sales must be estimated. This may introduce many problems which, in a large organization, will require considerable market research.
 3. Market research. A thorough study of the market will provide answers to most of the problems. Properly conducted, the research will reveal the present and future potentialities of the market.
 4. Sales promotion. Having ascertained the market potential, planning must then be directed towards promoting sales to the level necessary to earn the planned profit. In order to achieve the objective, advertising, public relations and perhaps other subsidiary policies will be formulated and treated as the separate responsibilities of managers within the marketing group.
 5. Sales. The selling and distribution of the goods produced are usually treated as a separate department, that is, they are usually separated from the public relations and sales promotion (or advertising) departments. They are, nevertheless, an essential part of the marketing team, and will probably be responsible to a marketing manager or marketing director.

7.1.5. Production policy

The planning of production is based upon the facts of the market research and the figures of the sales budget; therefore, the broad policy of the production department is to keep pace with the requirements of the sales organization. To meet these requirements, production must be carefully planned and controlled. How this is achieved depends upon the size of the organization, the processes employed and the end product; in gen-

eral, however, some or all of the following are taken into consideration in formulating a production policy:

1. Volume of production required, stated in specific terms and/or as a percentage of optimum production capacity.
2. Design. The design of the product is probably influenced by the results of a market research.
3. Production planning of:
 - a. Material requirements
 - b. Labor requirements
 - c. Machines, tools and other equipment required
4. Production control. Various control arrangements may be planned as part of the overall production policy, including:
 - a. Control of labor efficiency
 - b. Quality control
 - c. Control of the progress of orders.

7.1.6. Personnel policy

- (a) This section of the overall policy is closely allied to one of the primary functions of management, namely motivation.
- (b) The aims of a sound personnel policy are:
 1. To maintain an effective, contented and adequate working force at all levels, capable of implementing the other sections of the overall policy.
 2. To close the gap between management and employees by providing adequate means of communication, so as to ensure that employees are made aware of policy decisions promptly.
 3. To provide conditions of employment calculated to increase efficiency, give encouragement towards maximum effort, and minimize friction.
- (c) Responsibility for interpreting the personnel policy is usually in the hands of the personnel officer, or personnel manager, whose status is discussed at a later stage.
- (d) Content. In formulating a personnel policy, provision must be made for:
 1. *Recruitment*, that is, tapping all available sources of recruitment consistent with the levels of employment affected.
 2. *Selection and placement of employees*, an aspect of personnel policy which is now being considered more carefully and handled more scientifically by enlightened employees.
 3. *Training*. The personnel policy might well embody a subsidiary training policy, as many employees are now providing their own training schemes, or permitting employees to undertake external day-release or "sandwich" courses.
 4. *Wages*. No personnel policy would be complete without a wages policy. It will deal with the general wage structure for the production departments and the salary structure for the administrative staff.
 5. *Promotion*. If the training policy is to succeed, opportunities for promotion must

be offered. In conjunction with any promotion scheme, a scheme for merit rating may be introduced.

6. *Welfare.* The management must decide what welfare facilities it is prepared to provide. Nowadays, most employers are expected to provide these and various "fringe benefits" on a generous scale. They are, in any case, now required by legislation to provide some of these. The Employers' Liability (Compulsory Insurance) Act 1969 and the Employment Protection Act 1975 are cases in point;
7. *Health and safety.* Apart from any voluntary efforts on the part of the employers to maintain reasonable health and safety standards, they must conform to the provisions of the Factories Act 1961, the Offices, Shops and Railway Premises Act 1963 and the Health and Safety at Work Act 1974;
8. *Retirement.* The State pension scheme allows an employee to receive a basic pension and an additional pension related to his earnings;
9. *Redundancy.* Recent legislation has compelled employers to include this as part of their personnel policy, although it must be acknowledge that many employers were already making provision for redundancy of employees before it became mandatory in the industries affected;
10. *Joint consultation.* The personnel policy may also provide machinery for joint consultation, as this provides a very useful means of management - employee communication.

7.2. DEFINITION AND COMMUNICATION OF POLICY

7.2.1. Definition of policy

Is primarily the function of top management; how, or in what form, it is defined is not by any means a standard procedure. The following are some of the documents in which policy may be defined in writing:

- (a) Memorandum of Association. The main objects of a limited company appear in its Memorandum of Association, and some of the ancillary objects which it contains are often indicative of the methods to be employed in achieving the main object. Thus a company whose principal object is to carry on the business of cabinet makers is also permitted to "design, develop, produce, assemble...plant, machinery, equipment, tools capable of being used in the business of cabinet makers..." Elsewhere in the Memorandum, the company is also permitted to borrow and to charge its assets by way of security.
- (b) Articles of Association. Although a company's Articles of Association are a "public" document in that they are available for inspection by the public, they are primarily an "internal" document which set out the rules for the internal administration of the company.
- (c) Public manual. Some firms favor the use of a **policy manual**, in which the general policy is defined. As it is intended principally for executives and supervisory grades, it may also contain the broad lines of sectional or departmental policies.
- (d) Organization manual. Although the organization manual (sometimes known as procedure manual, office manual, **staff rule book**, etc.) is principally concerned with the standardization of organizational rules and procedures, it may also be used to define basic and departmental policies. In that case, dissemination of policy goes beyond executive and supervisory grades, as the manual is - or ought to be - available to everyone within the organization.

- (e) Minutes, particularly the minutes of board (or other "top management bodies") meetings, provide a record of most policy decisions, but the minutes of general meetings also frequently record policy decisions - where, for example, a company has altered the "objects" clause of its Memorandum of Association.

NOTE: Where a policy manual and / or organization manual are used, new policy decisions and policy changes must be transmitted from the minutes books to the appropriate section of the manual as soon as possible.

- (f) Annual reports. The advance copy of the report and accounts sent to each shareholder of the company (along with his notice of the annual general meeting) usually includes a "chairman's review" or "address by the chairman", which not only reviews the activities of the company during the past year to which the accounts relate, but also very often defines the policy of the company, and states planned developments for the coming year and the more remote future.
- (g) House journal (or house magazine). Apart from its intended use as a "personalized" internal publication, the house journal may also be used to define company policy in general terms and to give advance communication of future developments to personnel at all levels.

7.2.2. Communication of policy

The methods of communicating policy in written form have already been stated above in the process of naming the documents in which policy may be defined. Other methods and means of communicating policy include:

- (a) Personnel. Verbal communication of policy proceeds from the board of directors (or whatever constitutes "top management") via the managing director down through "management" at lower levels to the lowest reaches of the organizational hierarchy.
- (b) Committees, such as management committees and joint production committees, are ideally suited for the interpretation and dissemination of policy.
- (c) Joint consultation. A joint consultative committee or any other form of consultative machinery, by whatever name it is called, brings together representatives of management and employees; it is, therefore, a very suitable medium for the communication of management policy.
- (d) Conferences. A conference, like any form of joint consultation, is primarily an occasion for "two-way" communication. It is, however, frequently used as a means for communicating policy. If, for example, the managing director calls a conference of departmental heads, he may use the occasion to communicate the company's policy (or proposed change of policy) and invite suggestions for its implementation.
- (e) Trade unions. Matters of personnel policy, such as redundancy, wages structure and organizational changes, are communicated to employees through their trade union representatives in many of the large industrial concerns.

7.3. RESPONSIBILITIES OF MANAGEMENT

7.3.1. Dual responsibility

As stated before, the policy of management is - or appears on the surface to be - a dual one:

- To earn maximum profits
- To fulfill certain social responsibilities.

7.3.2. Responsibility to earn maximum profits

The management of any business obviously has a responsibility to its proprietors; it might even be argued that its primary responsibility lies in that direction. Thus the responsibility of the board of a public company is to its shareholders, not only because they are the proprietors of the company but also, and perhaps more significantly, because the directors who jointly constitute the top management of the company are appointed by the shareholders to manage the company on their behalf and, particularly, to:

- Maximize profits so that the shareholders can be assured of a reasonable return upon their investment.
- Provide the shareholders with up-to-date information concerning the company's present activities and the board's proposals for future development.

7.3.3. Social responsibilities

Although it may be acknowledged that management's primary responsibility is to earn maximum profit, it undoubtedly has other responsibilities. This is particularly true in the case of a public limited company which not only serves the public but also relies upon public money to finance its activities, and there is evidence that the management of such companies are beginning to acknowledge their social responsibilities.

(a) Responsibilities to the community:

1. To manufacture and/or supply goods of "merchantable quality" and/or (where applicable) provide services, at a reasonable price and on the basis of fair trading;
2. To increase productivity and improve the quality of goods supplied to the community; also, where economies are effected by using improved methods, to pass on a reasonable proportion of the saving to the consumer.

NOTE: A management which is prepared to meet its social responsibilities will retain profits to cover the cost of research in the use of new materials and the development of new techniques.

3. To create good relationships with the public at large and, in the local area(s) of operation, to contribute to the well-being of the community and refrain from causing damage or nuisance to the property or persons as the result of industrial or other activities.

(b) Responsibilities to employees:

1. To provide **good working conditions** for employees, and have regard for their health and safety.
2. To provide **adequate opportunity for management-employee communication**, so that employees may be provided with frank, timely information, and management with a back-flow of information, suggestions, grievances and problems that require to be aired and discussed in joint consultation.
3. To provide **opportunity for training** at all levels with ample incentives for promotion.
4. To do everything possible to foster **good human relations** in industry or whatever activity the management is concerned with.

NOTE: The appointment of a personnel officer will relieve management of many of its responsibilities to its work-people, but the mere presence of a personnel officer, or the formation of a personnel department, will not automatically solve

management's personnel problems. The personnel officer must have the support of the management and the co-operation of departmental heads and others at lower levels of management if personnel policy is to succeed.

7.3.4. Management's problem

- (a) Apparent conflict of policies. At first glance, the dual responsibilities just explained and illustrated set management a problem, as its responsibility to earn maximum profits for the shareholders and its social responsibilities appear to be pulling in opposite directions.
- (b) Management must bear the blame of its shareholders if the profits do not warrant the recommendation of a dividend; therefore the board of directors may be tempted at times to abandon some of its social responsibilities in an effort to make a "quick profit" This might result in the production of goods of inferior quality, cutting down after-sales service or the withdrawal of social amenities available for employees, to mention only a few of the ways in which apparent economies might be effected. It is doubtful, however, whether such measures would prove effective, even in the short term, and certainly in the long-term period the company would lose much of its custom and its hitherto good personnel relationships.
- (c) The solution is to merge the dual responsibilities. Neither of them can stand in isolation, and a sound management will appreciate that, in order to maximize profits, it must first acknowledge and shoulder its social responsibilities.

7.4.POLICY CHANGES

7.4.1. Stability

Is an important feature of management policy, but stability must not be interpreted as inflexibility. Indeed, as stated before, management policy must be flexible enough to meet changing conditions.

7.4.2. Changes of policy

Are not to be regarded as evidence of weak, indecisive management; on the contrary, in most cases a readiness to change policy signifies that management is healthy and not afraid to change course, either on its own initiative or on the advice of its specialists in finance, marketing, etc.

7.4.3. Reasons for change

Policy changes are made for the following reasons:

- (a) To meet current problems which necessitate immediate decision. These are usually changes of sectional, and not general, policy. Policy changes of this order are frequently made as a result of the communication back of information from a departmental head, or on the advice of a "functional" manager, such as the personnel manager;
- (b) To meet changing conditions created by political, economic, legislative and other influences over which the management has not control. Policy changes made for these reasons may be vital enough to affect the general policy, and not merely sectional policies alone;

7.5.QUESTIONS

1. What are the 2 key factors in defining the "policy"

Answer:

Business policy - is a statement of its **primary objective** and + **directive**, indicating the general pattern to be followed to secure its implementation.

2. What is the essence of sectional policies? What are they about?

Answer:

Financial, marketing, production, personnel

3. What are the aspects of financial policy?

Answer:

1. Capital considerations
2. Working capital requirements
3. Capital expenditure requirements
4. Revenue expenditure requirements
5. Credit

4. What are the main considerations of Marketing Policy?

Answer:

1. Profit planning
2. Sales volumes
3. Market research
4. Sales promotion
5. Sales (selling and distribution)

5. What are the considerations of Production Policy?

Answer:

1. Volume
2. Design
3. Production planning of materials, labor, equipment
4. Production control of quality, labor efficiency, progress of orders.

6. What are considerations of Personnel Policy?

Answer:

1. Aims
2. Responsibility
3. Content

7. Translate from English into Russian the following documents (give explanation their basic purpose in English):

1. Memorandum of Association -
2. Articles of association -
3. Public Manual -
4. Procedure Manual -
5. Staff Rule book -
6. House Journal -

Answer:

Memorandum of Association - Учредительный договор

Articles of association - Устав компании

Public Manual - Публичное руководство компании

Procedure Manual - производственная инструкция

Staff Rule book - сборник должностных инструкций

House Journal - Фирменный журнал

8. What are the tools of policy dissemination:

1. Among top managers?

Answer:

1. Committees, Board meetings

2. From top management to employees?

Answer:

1. Joint consultation, conferences.
9. What are the tools of feed-back on the policy from employees to top managers?

Answer:

1. Joint consultation
 2. Conferences
 3. Trade Unions
10. What is the best way to combine responsibility before owners and social responsibilities in the organization? Share you opinion.

Answer:

Manager need to combine the two together and communicate to the owner the social aspects of business and consequences of neglecting social responsibilities in pursuit of profitability and capitalization.

LESSON 8. COMMITTEES IN MANAGEMENT

Committees are an accepted, if controversial, part of modern living, linked with meetings of all kinds and conferences. We have already seen that board meetings give rise to **standing (permanent)** and **ad hoc (special-purpose) committees**. Reference has also been made to **management committees at top level**. There are many committees, of course, in every walk of life - political, social, educational, sport, etc. - but **we are particularly concerned here with the pros and cons of using committees in business**. The extent, to which use is made of committees by companies, divisions, departments, etc., varies with overall corporate policy and with the attitude of directors and executives within that policy. Committees can be welcomed as a **coordinating influence** or disregarded as a **waste of executive time**.

8.1. DEFINITION

A committee may be defined as a **group of people formally appointed by another, usually larger, group (sometimes groups) to meet with the intention to discussing certain matters laid down by stated terms of reference**. The usual intention is to make decisions, given a mandate to do so, on behalf of the parent body, or to make recommendations to that body. The term 'committee' is often used loosely in practice and could refer to the parent body itself. The main aspect dealt with here, however, is that of being **created by the parent body for a specific purpose**.

It may be asked what the difference is between a meeting, a committee, and a conference. Broadly speaking, a **meeting is a getting together of people for any purpose** whatever, whether formalized or not; a committee has just been defined; and a **conference is an infrequent large gathering of people, usually with a common interest, to listen to papers read, take part in debate, discuss business, and receive the latest information on relevant issues**.

In practice, these terms are often used synonymously; for example, a managing director said to be 'in conference' may simply be having a meeting in his office with an important customer.

8.2. THE PURPOSE OF COMMITTEES

For committees to succeed there must be **clear-cut terms of reference** (preferably in writing), **competent chairmanship**, **wise selection of committee members**, and an **efficient secretary**. The main purposes of committees in business may be summarized as follows:

1. Coordination

This aspect relates to **liaison** between groups of executives at much the same level in the hierarchy, and to bridging the gap between adjacent levels. In particular, it is essential that the various functions should be systematically coordinated, for example the production side with the marketing side, through properly constituted committees. Ideally such committees should cover all functions needing integration into the corporate whole. In the process, all departmental managers are encouraged to obtain a better **understanding of the work of other departments and to appreciate more realistically how they can and should link up with each other to achieve optimum results**.

In so far as executives from different divisions, branches, etc., are brought together in committee, centrally or regionally, this adds to the range of personal contact, cooperation and understanding, quite apart from coordinating action on policy matters and to

broadening of experience generally. In particular, this relates to the introduction of problems containing a common interest and the discussion of local solutions found to be effective. This is a valuable method in itself of exchanging information, **the important factor** here being that **everyone** concerned with management, and participating in activities towards a common end, **should be told not only what is going on, but also why and how**. It is clearly better to arrange to give a personal briefing to a group, all the members of which are present at the same time, and in an atmosphere where questions can be asked and answered, than rely on the alternative of sending out written instructions which can be misconstrued or go astray.

2. Consultative and Advisory

A similar opportunity is created here whereby key personnel are brought together in committee to give specialist advice, help with decision-making, or air their views on particular issues referred to them by a superior. The **superior is thereby provided with a regular channel for seeking the opinions of subordinates, using their special skills, local knowledge, experience, and judgment to the best effect**.

This kind of approach implies that the **superior is genuinely anxious to obtain the views of his team before coming to a point of view or making a decision**. In many cases, however, the **superior has already made up his mind and is only seeking approval, perhaps even on a 'yes-man' basis, whereby subordinates are discouraged from intimating any contrary opinion**. Such a committee approach is largely a waste of time. Nor is a 'no-man' attitude any better, the obvious **ideal being an atmosphere of frank discussion with each case being objectively decided on its merits**.

By bringing together in committee people of varying types, drawn for example from the company strata concerned, it is possible to obtain a **reasonably balanced point of view**. Positive contributions will tend to offset more negative attitudes, highlighted by a natural optimist being matched with a confirmed pessimist, and practical operational experience will leave backroom theory.

It often happens too, that **simply by being together the members of such a committee can spark off more ideas and solve problems more easily than they could do if approached individually**. This is one group benefits whereby 2 + 2 clearly equals more than 4. A management committee is a good example.

Special uses of the consultative / advisory approach include a policy-making body giving advice to a chief executive; secondly, there is **joint consultation relating to a series of meetings between management and workers**.

3. State of Play

This category refers to **regular meetings held to discuss projects and targets in general, or as related to specific items**. Such committees would deal with problems arising from current plans, ensure that everyone is working efficiently to the desired end, **chase-up** progress, and **'follow through'** into the future all action taken to date.

4. Development

Grouped together here are some various unstructured meetings including those of a training nature, of particular value in executive development. **'Brain-storming' sessions, and other free-thinking opportunities** for constructive contribution, give full scope to the imagination and ingenuity of those present.

While these committee purposes are shown separately above, for theoretical convenience, there will obviously be considerable overlapping in practice. For example, brain-

storming used as a technique in a product-development meeting could also be classified under 'Consultative and Advisory'.

Reference has already been made to the importance of a committee having proper terms of reference; it is also essential that these terms should be kept continually in mind. It is by no means unknown for a committee, in existence for some time, to be operating with a purpose which has become substantially different from that originally intended - sometimes without the members realizing that a change has taken place. If such a change was seen to be the logical outcome of events, then revised terms of reference and appropriate authority should be initiated by or sought from the parent body. Similarly, a committee set up for one purpose only can have unexpected **spin-off advantages** in another direction as well.

8.3.TYPES OF COMMITTEES

There are no standard practices to be observed with regard to the types, number, and frequency of committees that should be set up in any particular company. Nevertheless, industry and business in general make great use of committees of many kinds. While a few typical examples can be given here, each company will establish its own committee structure in the light of practical experience. To start with, **some authorities believe that there are too many committees today**; although largely a matter of judgment in any given set of circumstances, certain committees have clearly stood the test of time.

8.3.1. Committee of the Board

To enable more concentration to be given to detailed specialist (special technical) issues, it is useful practice to appoint one or more permanent or standing committees. Meeting at intervals, usually regularly, these committees consider relevant problems as they become important, and make recommendations to the board. Examples found in practice are a **finance committee, with important budgeting and capital-expenditure responsibilities**; a **marketing committee**; a **salaries and pensions committee**; a **corporate planning committee**. Each **standing committee** meets regularly, or when necessary, under its own chairman. Appropriate executives attend either by right as directors or are invited as specialists. **Formal records should normally be kept**. **Each committee chairman reports his committee's findings to the board, preferably supporting them with a written report which can be included with the papers circulated in advance of board meetings**. Where a board meeting follows a committee meeting, giving insufficient time for the preparation of a written report, then a verbal report should be made seeking action on any matters of urgency, the formal report (committee minutes) following later. In any case, the board minutes would formalize any action taken on the committee's recommendations, as adopted.

A special and frequently used committee device is an **executive committee** with wide terms of reference and power to make decisions. This reports back periodically to the board, or other governing body, for **'rubber-stamping'** approval and/or new guidelines on general policy to be adopted for future activities. An executive committee may meet either regularly, which is usually the case in most large organizations, or occasionally.

Executive committees are an even more controversial subject than committees in general; for **it is claimed that the board, or other governing body, is thereby evading its proper responsibilities**. It is often held, too, that decisions reached can be result of one committee member (perhaps the managing director) **having over-persuasive powers and exercising undue influence on the remainder**. In that case a committee decision really becomes a personal decision, in the absence of any contrary opinion being effectively expressed.

With recommendations emanating from a normal committee, it is within the province of a board to accept, amend, or reject; but with an executive committee there is usually no reporting back after action has been taken on the decision made.

Nevertheless, there may be practical reasons, such as the directors being widely dispersed geographically, why it is difficult to hold a full board meeting except at long intervals of time. Or there may be a very large governing body of Council members elected or appointed to a professional institution, for prestige reasons, many of whom, because of heavy normal managerial commitments, are unable to attend more than occasional policy meetings. In such cases the appointment of a small executive committee enables the business to be properly carried on in the interim.

An ad hoc committee is simply a committee set up for a special purpose, often constituting a working party, usually with a succession of meetings but with its life limited to that purpose. Examples include omitted appointed to deal with the practical implications to a firm of a major change in legislation; with new plant or branch locations; or with policy and plans for mergers and acquisitions.

8.3.2. Management Committees

It was shown previously that management coordination could be enhanced by committees. Such committees have power to take and enforce executive action within overall board policy. Here would be included regular meetings of central managers with divisional heads, specialist and staff managers, branch managers, etc., as appropriate to a given organization. Other examples are regular functional meetings such as the marketing director with the sales manager, advertising manager, sales representatives, etc., or the production director with the works managers and their key personnel. Here again there can be standing committees or ad hoc committees as determined by circumstances.

It must also be recognized that whenever executives get together for any informal purpose, even social purpose, there is a natural tendency for them to 'talk shop'. Consequently, there must be many unstructured committees of this kind taking place week by week and serving a valuable purpose in respect of information-passing, discussing problems, and helping communication generally.

Similarly, the procedure at the committees themselves can vary from the strictly formal to the informal. In some cases, strict rules of order are observed with structured agendas, properly presented reports, voting, minutes, etc, all according to the book; in other cases scant attention is paid to any formalities, the committee members themselves ranging freely over a wide area of discussion. The choice largely depends on the purpose of the committee, the attitude of the chairman, the status of the members, and any constraints imposed by appointing body. The venue, too, can range from the board-room, or director's committee room, to the works canteen.

8.4.EFFECTIVENESS OF COMMITTEES

The list of main purposes of committees has already indicated some of their advantages such as achieving better coordination, securing advice, giving opportunities for consultation, stimulating cooperation in planning and progress, and helping with training. This section attempts to evaluate the effectiveness of committees in the use and development of group judgment, as opposed to individual thought and action taken in isolation.

8.4.1. Questions to be Asked.

The following questions summarize the practical features most likely to be significant in the determination of group effectiveness:

- (a) Is the chairman **qualified** as a chairman with proved **ability to produce results representing the collective judgment** of the committee members as a whole? Does he **know how to keep the discussion free and relevant, but under control, wasting time**?
Can he ensure at any given moment that members know clearly what matters are under consideration and what conclusions have so far been reached?
- (b) Does every member **understand the exact purpose** for which the committee was set up, what it is attempting to achieve, and **to what end he was appointed to add his individual contributions** to the general pool?
- (c) Is the committee **large enough** to include all the expertise and experience required for the purpose in hand, but **small enough** to enable the business to be concluded **expeditiously**? Is there in fact an optimum size that can be related to any given set of circumstances?
- (d) Are the formalities of preparing **agendas, reports, minutes, etc., being carried out as efficiently** and accurately as occasion demands?
- (e) Is it fully appreciated that once a committee has ceased to serve a useful purpose it should be wound up, even though there are status advantages to members in continuing that committee?

8.5.COMMITTEES MISUSED

Much of the criticism of committees arises from their misuse. The keen businessman should therefore learn to appreciate both the practical value of committees that are properly and effectively used and the inherent dangers of committees that are misused.

8.5.1. Dangers to be Avoided

Some of the following disadvantages become apparent when 'wrong' answers are given to the basic questions suggested in the previous section; other problems appear to be equally frustrating.

(a) *Ineffective Meetings*

Bad chairmanship, for example, can result in domination from the Chair, or by some other member; poorly controlled discussion; 'awkward' members holding up proceedings; over-lengthy meetings; failure to sort out the important from the unimportant; and confusion as to the real issues in hand.

Too large a committee can in itself be a material cause of ineffectiveness. Trying to extract a collective point of view from say, 50 different people needs skillful and experienced chairmanship. This kind of situation gives rise to the often expressed sentiment that the best committee is a committee of one. There is also the **well-known cynical comment that a camel is simply a horse designed by a committee**. One method of dealing with the problem of size is **to appoint a small active working sub-committee, with a suitable mandate, reporting back to the full committee as necessary**. This kind of approach has already been indicated in connection with an executive committee of a company board.

But if the **main purpose of the committee is information-passing, or for exchanging experiences with a common basis**, then large size can be an advantage. Too small a committee can also be a problem; for instance, two people can arrive at a **deadlock**, and two out of a committee of three can easily exclude the third. The question of **stalemate** can arise, of course, with even numbers at any size, but this may be overcome where the chairman has an extra (**casting**) voice, vote. But as a matter of practical politics, the chairman should not use this personal power to force through any controversial change,

unless there are exceptional circumstances or he has strong convictions in the company's best interests. He may, of course, have vital information which he is not prepared, or able, to divulge for the time being.

(b) Time - wasting

Having **too many committees**, or **over lengthy committee meetings**, can be costly in expensive executive time. It is sobering exercise to total up the salaries, expenses, and administrative costs related to time absorbed by committees in preparation, traveling, in session and when dealing with resultant paperwork, together with the cost of supporting services. This must be the subject of a **cost/benefit analysis in realistic terms**, not forgetting the **opportunity-cost** element of being unable to carry out some other important duty instead. Against this type of approach, it can be held that many of the more **indirect benefits** are valuable but **intangible** and therefore cannot be quantified and evaluated accurately.

(c) Avoiding Responsibility

Appointing a special committee, or **referring a particular matter to a standing committee**, can be used as a device to **delay the making of difficult or unpalatable decisions**, without justifiable reason. **The existence of committees can also make it easy to avoid personal responsibility by substituting group judgment for individual judgment**; similarly it is possible for individuals to vote for a group decision which they would not make themselves. In certain circumstances, too, perhaps simply to **preserve committee harmony** or to **get through the agenda in time**, a compromise solution may be reached, which by its very nature, is unlikely to be the best solution.

(d) Undermining Authority

A committee created for something which could be better dealt with by the managing director on his own, would tend to undermine his authority, it would also tend to slow down operating efficiency through lack of proper delegation.

It can be seen, therefore, that committees are mixed **blessing**, but, properly constituted and used, they serve a valuable purpose in modern democratic management. Nevertheless, while **every member of a committee is jointly responsible for the recommendations of that committee**, he cannot individually be held accountable. He could be, in fact, in minority opposition.

8.6. THE GOOD COMMITTEEMAN

Committee members combine all characteristics, shades of political opinion, knowledge, background and temperament. They may be joined together by the same basic bonds, or find themselves on opposing sides; they may be on the committee in their own right or simply as agent representing other interests; but collectively they represent a valuable mixture of different viewpoints expertise, and experience.

8.6.1. Concerted and Contrary Opinion

In making a selection of committee members, where selection is possible and not dictated by controlling interests, **it is important to avoid appointing either domineering personalities or those too reserved to make any contribution at all**. The latter type of person must not be confused, however, with the **good listener** who, when necessary, or when encouraged to contribute, can produce a valuable and informed point of view.

Naturally, **the members as a body need to cover all the technical knowledge, experience, etc. required for the particular job in hand, both academically and practically**. Un-

der an effective chairman, they should be blended to work harmoniously together, but not to point where other loyalties, such as separate interests represented on the committee, are not given their full weight if likely to be in opposition.

There must always be room for a minority opinion, which should be given fair play and a proper hearing. Where strong feelings exist, this contrary opinion should be stated in writing or by oral report when situation is one of recommendations being made to a parent body. If the minority committee member is also on the parent body, he can reserve his right to speak at the meeting of that body and vote against the majority recommendation. Without reserving such rights, he would be duty bound to support his committee's majority verdict. There is a much stronger case, of course, where there is minority group of members all wishing to make themselves heard at the higher level.

8.6.2. Points of watch

Newly appointed committee members are usually anxious to start off on the right foot, and must therefore make themselves aware of well-established rules which can make all the difference between becoming effective and being considered as a passenger. The following points are relevant in this context:

- 1) There is a more or less standard formal procedure for conducting business at meetings which should be understood by all those taking part. Many books have been written on this subject. Similarly, it is the committee member's responsibility to find out about the terms of reference; the nature of the committee and its powers; the degree of formality expected; and allied matters which can usually be discovered by careful inquiry in advance. Committee members should of course be given such essential information on appointment, but this may not happen in practice.
- 2) Experience suggests that it usually pays to play a waiting game at the first few meetings, at least until the various responsibilities can be sized up, the pressure groups discovered, and the atmosphere thoroughly absorbed. In any case, too strong a contribution made too early could be along the wrong lines, through lack of background awareness, or could be resented by more senior members. Where the meeting is not one of a series, the position must be sized up quickly and contributions made as sensitively as possible. Even so, it often pays to draw the fire of the opposition first, if such exists, before expending any valuable ammunition of one's own.
- 3) Making careful preparation for a meeting would seem to be obvious; but all too often, because of other time-absorbing interests responsibilities, it is overlooked in practice. Such preparation should include coming to a point of view, by logical reasoning from the fact; finding the need for additional information; and deciding on which points it may be essential to stand firmly and on which, under pressure, it would do no real harm to give way.
- 4) Tact, courtesy, patience, and good humor are likely to achieve more in the long run than riding roughshod over opponents. Participation should be cooperative, constructive, and a genuine attempt to help towards arriving at a 'right' group decision; it could assist, on occasion, by building a bridge between opposing sides. But on other occasions it may become necessary to take a firm stand in support of strongly held principles found to be coming under attack. There can be so diverse an unpredictable.
- 5) There are, of course, innumerable tactics which can be employed, some acceptable, others more ethically dubious. A good committeeman, while knowing how to achieve effective participation, should at the same time be sophisticated enough to recognize any less reputable tactics adopted by others members, particularly when directed towards himself and his special interests.

- 6) Chairmanship has already been dealt with in the context of a board of directors; a committee chairman requires much the same qualities. In particular, he has a choice of either holding back, and aiming for full participation, or holding forth, and aiming at consent. In between, there is a flexible approach geared to the situation in hand, a **happy medium** where the chairman neither dominates his committee nor abstains from control.

Although theoretically a distinction has been made between boards of directors making policy and executives carrying out that policy, in practice there are wide variations. For example, taking extreme cases, a board can confine itself to pure policy or take a major part in the operational side, using an executive committee (in itself an indication of a dual role) to centralize managerial decision within its own membership. Where the directors are executive directors, the integration of policy-making and executive action has a practical logic. But it still remains necessary for the theoretical concepts to be maintained, if only to ensure that proper attention is given to essential policy without too much time being wasted on less important executive action (which could be delegated down the managerial line).

8.7.DISCUSSION QUESTIONS (IN CLASS)

1. What is a standing committee
 - a. Permanent, ongoing committee
2. What is an ad hoc committee?
 - a. Special purpose committee
3. What are terms of reference?
 - a. It's a circle of activities for the committee. Circle of issues to be dealt with for the member of the committee.
 - b. Компетенция, ведение
4. What are the two contradicting attitudes towards committees?
 - a. Committees can be welcomed as a **coordinating influence** or disregarded as a **waste of executive time**.
5. Why committees can be an asset or a waste to the management?
6. Why some organization elect a very large governing body of Council Members, when many of them can't physically to participate.
7. When is there a need for an ad-hoc committee in the organization?
 - a. **major change in legislation**;
 - b. **new plant or branch locations**;
 - c. **policy and plans for mergers and acquisitions**
8. What is the purpose of Management committees? What is special about them? What are the examples of management committees?
 - a. Purpose: management coordination
 - b. Special about them: have power to take and enforce executive action within overall board policy.
 - c. Examples:

- i. regular meetings of central managers with divisional heads, specialist and staff managers, branch managers, etc.,
- ii. regular functional meetings such as the marketing director with the sales manager, advertising manager, sales representatives, etc.,
- iii. the production director with the works managers and their key personnel.

9. What are the factors of group effectiveness in committees?

- a. Chairman. What should be his qualities?
- b. Purpose: for the committee. For each individual and his input.
- c. Size: Large enough and small enough at the same time (why?)
- d. Formalities: Why have the agenda? why keep the minutes? Why give reports?
- e. Ability to wound up, when purpose is fulfilled. Why?

10. What are committees potential problems?

- a. Bad chairmanship
- b. Too long meetings
- c. Time spent on unimportant things (How to define what is important and what is not? "Have to / want to " topics
- d. Too large committees. Small Group dynamics is poor when more than 10-15 people. camel is simply a horse designed by a committee (big committee I guess)
- e. Too small committees: two people arrive to a dead-lock.
- f. Time-wasting. Too many committees → High administrative costs → no time for the real work of a manager. Cost-benefit analysis should be made. But it can't account for intangible benefits of the committee.
- g. Avoiding responsibility.
- h. Undermining Authority. Why to have a committee for something that can be done by one and be done much faster.

11. Who is a good committeeman?

- a. Not domineering
- b. Not shy
- c. Good listener
- d. Has technical knowledge in his area of expertise. Experienced (Academic and Practical knowledge of his matters)
- e. Fair play for the minority
- f. Knows the formal procedures, terms of reference
- g. Plays waiting game in the beginning to learn the atmosphere of the group
- h. Comes prepared
- i. Knows tact, courtesy
- j. Patient

- k. Has a sense of humor. Can laugh at himself
- l. Sophisticated enough to see what others are really doing
- m. Good chairman qualities:

8.8. QUESTIONS (AT HOME)

1. What is a committee? Give a definition in your own words
 - a. group of people formally appointed by another, usually larger, group (sometimes groups) to meet with the intention to discussing certain matters laid down by stated terms of reference.
2. How do terms “meeting”, “committee” and “conference” correspond?
 - a. a meeting is a getting together of people for any purpose whatever, whether formalized or not;
 - b. a committee has a definite purpose;
 - c. and a conference is an infrequent large gathering of people, usually with a common interest, to listen to papers read, take part in debate, discuss business, and receive the latest information on relevant issues
3. What is needed for a successful committee?
 - a. clear-cut terms of reference
 - b. competent chairmanship
 - c. wise selection of committee members
 - d. efficient secretary
4. What is the right and the wrong attitude of a superior in approaching a committee?
 - a. Right: superior is genuinely anxious to obtain the views of his team before coming to a point of view or making a decision
 - b. Wrong: superior has already made up his mind and is only seeking approval, perhaps even on a 'yes-man' basis, whereby subordinates are discouraged from intimating any contrary opinion.
5. What is the meaning of the “2 + 2 clearly equals more than 4” benefit?
 - a. by being together the members of such a committee can spark off more ideas and solve problems more easily than they could do if approached individually.
6. What is the purpose of a committee where member deal with current problems of the organization and make sure that everyone is “on the same page”
 - a. State of play purpose
7. Why is it important to continually keep clear terms of reference for the committee?
 - a. it is also essential that these terms should be kept continually in mind. It is by no means unknown for a committee, in existence for some time, to be operating with a purpose which has become substantially different from that originally intended-sometimes without the members realizing that a change has taken place.

8. What are some problems with executive committees?
 - a. the board, or other governing body, is thereby evading its proper responsibilities.
 - b. decisions reached can be result of one committee member (perhaps the managing director) having over-persuasive powers and exercising undue influence on the remainder.
9. What are the good reasons for having a small executive committee?
 - a. directors being widely dispersed geographically,
 - b. there may be a very large governing body of Council members elected or appointed to a professional institution, for prestige reasons,
10. What is the unstructured committee?
 - a. executives get together for any informal purpose, even social purpose, there is a natural tendency for them to 'talk shop'
11. What are the advantages of having committees?
 - a. achieving better coordination
 - b. securing advice,
 - c. giving opportunities for consultation,
 - d. stimulating cooperation in planning and progress, and
 - e. helping with training
12. When large size of a committee may be an advantage?
 - a. if the main purpose of the committee is information-passing, or for exchanging experiences with a common basis
13. What points are important to know for a newly appointed member?
 - a. There is a more or less standard formal procedure for conducting business at meetings which should be understood by all those taking part
 - b. it usually pays to play a waiting game at the first few meetings
 - c. careful preparation for a meeting
 - d. Tact, courtesy, patience, and good humor are likely to achieve more in the long run than riding rough-shod over opponents
 - e. A good committeeman, while knowing how to achieve effective participation, should at the same time be sophisticated enough to recognize any less reputable tactics adopted by others members,
14. What are the causes for ineffective committees?
 - a. Bad chairmanship
 - b. Too large a committee
 - c. too many committees, or over lengthy committee meetings
 - d. avoiding responsibility
 - e. undermining authority

8.9. TEST QUESTIONS

1. A group of people formally appointed by another, usually larger, group (sometimes groups) to meet with the intention to discussing certain matters
 - a. Meeting
 - b. Committee
 - c. Conference
 - d. Subgroup
2. A permanent committee
 - a. Standing committee
 - b. Ad hoc committee
 - c. Management committee
 - d. Business committee
 - e.

8.10. VOCABULARY:

ad hoc [] специальный, устроенный для данной цели ad hoc committee — специальный комитет

Terms of reference – 1) **компетенция**, пределы компетенции, круг полномочий, **круг ведения** 2) третейская запись, компромисс

Talk shop – говорить на узкопрофессиональные темы

Venue – место сбора, встречи to shift the venue — изменить место встречи/сбора

Stalemate – 1. 1) пат 2) патовая ситуация, безвыходное положение, тупик Syn: **deadlock** 2. 1) делать пат 2) ставить в безвыходное положение, "загонять в угол"

LESSON 9. THEORY X AND Y

1. The American writer Douglas McGregor described the two contrasting assumptions about the behavior of employees, called theory X and theory Y, which may be summarized as follows:
2. Theory X takes the view that the average employee dislikes work, will try to avoid responsibility, and will only be made to work by a mixture of close control and threats.
3. Theory Y assumes that the work is a natural and welcome activity which need not be externally controlled if the employee is adequately motivated, that employees will seek responsibility and that they can give valuable help in solving work problems.
4. McGregor took the view that theory Y was the correct assumption to make, and that firms should be organized on that basis. He said that theory X gives employees the opportunity to satisfy only basic and security needs at work, but a theory Y management attitude would enable them to satisfy Maslow's higher needs, in particular ego and self-actualization needs. A man's job should be so constructed that it gave him the opportunity for full self-development.
5. There are similarities between theory X and task-centered management on the one hand, and theory Y and people-centered management on the other, and the comments made in the previous section about styles of management apply to a large extent to theories X and Y. Most employees would no doubt welcome the opportunity to have more control over their work and to put into practice their own ideas. There is undoubtedly a large fund of valuable expertise, experience and originality among employees that is often untapped by management. Unfortunately some jobs are so closely limited, defined and integrated into a complex production process that opportunities to satisfy the higher needs at work are completely absent. Workers in jobs like these must quite often be treated in a theory X manner, i.e. coerced and controlled, if adequate effort is to be obtained. Moreover, there are many employees who do not expect to take responsibility at work and avoid it if they can. Therefore, management is sometimes justified in making theory X assumptions about employees.
- 6.

9.1.D MCGREGOR - THEORY X AND THEORY Y

7. Like Schein's classification of Man, McGregor's Theory X and Theory Y are essentially sets of assumptions about behavior. In his book 'The Human Side of the Enterprise', McGregor specifically refers to the theoretical assumptions of management that underlie its behavior. He sees two noticeably different sets of assumptions made by managers, about their employees. The first set regards employees as being inherently lazy, requiring coercion and control, avoiding responsibility and only seeking security. This is Theory X. This is the theory of scientific management, with its emphasis on controls and extrinsic rewards. Theory X is very similar to Schein's idea of Rational-economic man.
8. The second set of assumptions sees Man in a more favorable light. In this case employees are seen as liking work, which is a natural as rest or play; they do not have to be controlled and coerced, if they are committed to the organization's objectives; under proper conditions they will not only accept but also seek responsibility; more rather than less people are able to exercise imagination and ingenuity at work. These are the assumptions of theory Y. They are closely related to Schein's Self-actualizing Man.
9. Theory X and Theory Y have made their major impact in the managerial world ra-

- Company Policy and Administration
- Supervision - the technical aspects
- Salary
- Interpersonal Relations - supervision
- Working Conditions

Herzberg noted that these factors were more related to the context or environment of work than to job content.

13. A key distinction between the motivators and the hygiene factors was that whereas motivators brought about positive satisfaction, the hygiene factors only served to prevent dissatisfaction. To put it another way, if motivators are absent from the job, the employee will experience real dissatisfaction. However, even if the hygiene factors are provided for, they will not in themselves bring about job satisfaction. Hygiene, in other words, does not positively promote good health, but can act to prevent ill-health.

14. If we apply Herzberg's theory to the ideas and assumptions of earlier theorists, it is possible to see that Taylor and colleagues were thinking very much in terms of hygiene factors (pay, incentives, adequate supervision and working conditions). Mayo, too, was placing his emphasis on a hygiene factor, namely interpersonal relations. It is only when we consider the ideas of the neo-Human Relations school that motivators appear as a key element in job satisfaction and worker productivity.

Herzberg's motivation-hygiene theory has been well received by practicing managers and consultants for its relatively simple and vivid distinction between factors inducing positive satisfaction and those causing dissatisfaction. It has led to considerable work on so-called 'job enrichment' i.e.: the design of jobs so that they contain the optimum numbers of motivators. The approach here is basically to counter the effects of years of Taylorism, which sought to break work down into its simplest components and to remove responsibility for planning and control.

15. Herzberg's ideas have been less well-received by fellow social scientists, mainly on grounds of doubt about (a) their applicability to non-professional groups and (b) his use of the concept of 'job satisfaction'.

16. Discussion of Herzberg's theory. When Herzberg's enquiries have been repeated using his methods, his findings have been confirmed to a large extent. However, when other methods have been used, for example questionnaires, different results have emerged. Very few enquiries appear to have been conducted with manual workers. Herzberg's method of investigation, which may be described as anecdotal self-report, is likely to produce answers of a certain type. Someone will probably describe his good work experiences in terms which reflect credit on himself - success, greater responsibility or recognition. He will always be tempted to attribute bad work experiences to things beyond his own control - uncongenial colleagues, an unpleasant boss or poor working conditions. Thus he will take the credit for the good experiences and blame others for the bad experiences.

The main application of the theory has been in the enlarging or enriching of the jobs of non-manual workers. It would be possible to find theoretical justification for this in the hierarchy of needs without postulating a two-factor theory. Herzberg does, however emphasize that improving fringe benefits or other conditions of work will not motivate employees; again the hierarchy of needs would explain this because working conditions are relevant to the lower needs which in modern industry and commerce are usually adequately satisfied.

9.3. JOB EXTENSION

17. Job enlargement and job enrichment - definitions. A job is enlarged when the employee carries out a wider range of tasks of approximately the same level of difficulty and responsibility as before.

A job is enriched (or vertically enlarged) when the employee is given greater responsibilities and scope to make decisions, and is expected to use skills he has not used before. Both are examples of job extension.

18. Effects of job enlargement and enrichment. Both are attempts to build opportunities into the employee's job for the satisfaction of ego and self-actualization needs. A greater range of tasks or decisions will, it is thought, make the employee feel more important, give him a sense of achievement, and make more use of his abilities. He will therefore receive satisfaction from the job itself (intrinsic satisfaction) as well as money and fringe benefits (extrinsic satisfaction).

Many companies have introduced either job enlargement or job enrichment and increased the job satisfaction of their employees. In most cases it appears that non-manual workers (often managers) rather than manual workers are concerned. It is easier to extend the job of a non manual worker, whose responsibilities and actions are very often not precisely described, than to change the job of a manual worker whose tasks may be highly specialized and precisely defined because they are part of a complex production process. There may be a conflict between specialization and development of specific skills required for efficient operation of the process and the construction of a job sufficiently enlarged or enriched to give greater satisfaction to the employee. In order to make the job significant to the worker it may have to be extended so much that productivity is seriously affected. The result may be a compromise between efficiency and job satisfaction in which the worker, instead of doing one meaningless task, is now expected to do several meaningless tasks.

19. Job rotation. Some of the difficulties the employer finds in job extension can be avoided if job rotation is used instead. Employees are trained in several minor skills and exchange jobs with each other at intervals. Greater satisfaction is obtained because the employee has a greater understanding of the work process through experiencing several jobs within it, and the increased versatility of the workers is useful to management when sickness absence is high. It is not necessary to redesign production methods, and rises in pay, if any, are small.

9.4. QUESTIONS

1. Why management sometime have to make X-theory assumptions about employees.
 - a. some jobs are so closely limited, defined and integrated into a complex production process that opportunities to satisfy the higher needs at work are completely absent.
 - b. there are many employees who do not expect to take responsibility at work and avoid it if they can
2. What are the characteristics of “rational-economic man”?
 - a. employees as being inherently lazy, requiring coercion and control, avoiding responsibility and only seeking security
3. What are the characteristics of “self-actualizing man”?
 - a. employees are seen as liking work, which is a natural as rest or play; they

do not have to be controlled and coerced, if they are committed to the organization's objectives; under proper conditions they will not only accept but also seek responsibility; more rather than less people are able to exercise imagination and ingenuity at work.

4. How are motivators different from hygiene factors?
 - a. A key distinction between the motivators and the hygiene factors was that whereas motivators brought about positive satisfaction, the hygiene factors only served to prevent dissatisfaction. To put it another way, if motivators are absent from the job, the employee will experience real dissatisfaction. However, even if the hygiene factors are provided for, they will not in themselves bring about job satisfaction. Hygiene, in other words, does not positively promote good health, but can act to prevent ill-health
5. What did appear to be a problem with Herzberg's theory?
 - a. Herzberg's method of investigation, which may be described as anecdotal self-report, is likely to produce answers of a certain type. Someone will probably describe his good work experiences in terms which reflect credit on himself - success, greater responsibility or recognition. He will always be tempted to attribute bad work experiences to things beyond his own control - uncongenial colleagues, an unpleasant boss or poor working conditions. Thus he will take the credit for the good experiences and blame others for the bad experiences
6. What are similarities and differences between job enlargement and job enrichment?
 - a. Similarities: both belong to job extension
 - b. Differences: Job Enlargement grows horizontally. Job Enrichment – vertically
7. What is more difficult: to extend a job of manual or non manual worker? Why?
 - a. It is easier to extend the job of a non manual worker, whose responsibilities and actions are very often not precisely described, than to change the job of a manual worker whose tasks may be highly specialized and precisely defined because they are part of a complex production process.
8. What is the side-effect of trying to make the job of a manual worker more significant for him?
 - a. Drop in efficiency of work. Worker, instead of doing one meaningless task, is now expected to do several meaningless tasks.
9. What are the benefits of job rotation?
 - a. Greater satisfaction is obtained because the employee has a greater understanding of the work process through experiencing several jobs within it
 - b. the increased versatility of the workers is useful to management when sickness absence is high

9.5.VOCABULARY

Fringe benefits – дополнительные льготы (пенсия, оплаченные отпуска и т. п.)

Job enlargement – укрупнение [увеличение] работы, расширение задач (горизонтальное расширение круга задач (обязанностей), выполняемых

сотрудником на конкретном рабочем месте (должности), путем добавления к их числу новых, структурно однородных с уже выполняемыми им задач и требующих от работника одной и той же квалификации)

Job enrichment – обогащение труда [работы] (вертикальное расширение состава работы, т. е. добавление к обязанностям работника функций, ранее выполнявшихся его начальством, в том числе предоставление работнику большей свободы в принятии решений относительно способов выполнения поставленных задач, в т. ч. относительно планирования, организации выполнения и оценки выполнения задач; автор концепции — Фредерик Герцберг)

Job rotation – ротация рабочих мест, поочередное пребывание в должности, чередование характера работы (принцип периодического перевода работников с одного рабочего места на другое в рамках одной организации)

LESSON 10. TYPES OF BUSINESS ORGANIZATION

10.1. INTRODUCTION

1. The subject - matter of this manual is management. Many of the management issues touched upon are common to every kind of organization, be it business, state enterprise, public service, **non-profit-making charity** or private club. However, the full range of management theory and practice occurs mainly in what we call 'business organizations'.

2. A *Business* organization, in contrast to a public service organization or a charity, exists to provide goods or services at a profit. Making a profit may not necessarily be the sole aim of the business, but it is certainly what distinguishes it from a **non-business** organization. In Britain, business organizations are mainly to be found in the private sector of the economy, which has grown in recent - years as a number of State-owned corporations have been **privatized**. The business organizations we are concerned with here range in size from the one-man business, or **sole trader**, through partnerships between two or more people working in collaboration, to large public limited companies (**plc's**) employing thousands of staff in a variety of locations. There are also cooperative enterprises notably in retail distribution, but also in manufacturing on a small scale.

3. The most common type of business organization are as follows:

- limited companies
- sole traders
- partnerships
- cooperatives

Society, through Parliament and Courts, sets standards of behavior for all these types of business.

These standards are made public by means of **legal requirements** and **judicial interpretations**. The following paragraphs summarize the principal legal features of these businesses, together with the main advantages and disadvantages for the parties concerned.

10.2. LIMITED COMPANIES

4. When a limited company is formed, it is said to have become '**incorporated**', i.e. **endowed** with a separate body, or person, the corporation so formed is treated in English law as a separate **entity**, independent of its members. The corporation, or 'company', as it is generally called, is capable of owing property, employing people, making contracts, and of **suing** or **being sued**. Another important feature of a company is that, unlike a sole trader or a partnership, it **does have continuity of succession**, as it is unaffected by the death or incapacity of one or more of its members.

5. The key feature of a '**limited**' company is that, **if it fails it can only require its members (shareholders) to meet its debts up to the limit of the nominal value** of their shares. The principle of legally limiting the financial liabilities of persons investing in business ventures was introduced by Parliament in the 1850's to encourage the wealthy to give financial support to the inventors, engineers and others who were at the forefront of Britain's Industrial Revolution. Without the protection of **limited liability**, an investor could find himself stripped of his home and other personal **assets** in order **to meet debts** arising

ing from the failure of any company in which he had invested his money.

6. Since the turn of the century, various Company Acts have laid down the principles and procedures to be followed in the conduct of business organizations. Such legislation has been intended to minimize the risk to suppliers and customers as well as to shareholders, and to a lesser extent employees, arising from gross mis-management of, or deliberate restriction of information about a company. The legislation of recent decades has now been consolidated into one Principal Act - the Companies Act, 1985 - as amended by the Companies Act 1989.

7. Limited liability companies now fall into two categories - Public limited companies (plc's) and private limited companies. The Memorandum of a plc must state that the company is a public company (i.e. its shares are available for purchase by the public) and the company name must end with the words 'Public limited company'. A private limited company by comparison may not offer its share to the public, and is even restricted in the transfer of its shares between the private shareholder. The name of a private limited company must end with the word 'Limited'. Both kinds of company must have at least two members and one director. Once registered under the Companies Act, a private company can begin trading without further formality. A public limited company has to obtain a certificate of trading from the Registrar of Companies. All limited companies have to fulfill certain procedures before they can be incorporated. These include the filing of two important documents: (a) the Memorandum of Association and (b) the Articles of Association.

8. The Memorandum of Association must supply the following information:

- the company's name
- the location of the registered office
- the objects or purpose of the company
- a statement that the liability of members is limited
- the amount of share capital, together with the numbers and class of shares
- a declaration of association in which the initial members (subscribers) express their desire to form a company and to take up shares.

The details contained in the Memorandum are available for public inspection. Persons considering doing business with a company, or wishing to purchase shares in it, can therefore consult the register before deciding to take the risks involved.

9. The Articles of Association are concerned with the internal affairs of the company and give details of the shareholders, directors, secretary and auditors. The directors of a company are, in law, its agents. They may be also senior employees of the enterprise. They are appointed by the shareholders to use their best endeavors to see that the company's objects are achieved. The main directors make up the Board of Directors, which in Britain acts as an executive management group as well as fulfilling the legal guardianship of the company. Company law requires that information about directors, including their interests in the company, be made available for the inspection of members and others.

10. The chief administrative officer of a company is the Company Secretary, who carries out the decisions of the Board and ensures that the legal requirements for meetings are met. The role of Directors is not defined in the Companies Act, but the following types of director may be identified:

- Managing Director - usually the chief executive
- Executive Director - has day-to-day responsibilities as well as Board duties
- Non-executive Director - duties are confined to Board and Board committee meet-

ings.

11. The ownership and control of a limited company are **vested in** the shareholders and the directors. The shareholders in general meeting have ultimate control over the company by virtue of their power to appoint or remove directors and to vary the constitution and regulations of the company. All directors have a duty of trust and care in respect of their company obligations, and the executive directors of the company are also entrusted with the day-to-day management of the business. **Whilst** on their investment, it is also expected nowadays that the interests of other **stakeholders** in the business will be considered. Thus employees, customers, creditors and suppliers all expect their needs to be given due weight by the directors.

12. The main advantages of limited liability can be summarized as follows:

- in the event of failure of the business, **shareholders are protected against the loss of more than the nominal value of their shareholding**
- the **separate legal person** of the company exists independently of the members
- shares (in plc's) are **readily transferable**
- wider share-ownership is encouraged
- companies are required to submit annual returns to the Registrar, and these are available for public inspection.

13. The disadvantages are primarily as follows:

- precisely because liability is limited, **it may be difficult for small companies to borrow as extensively as desired**, since banks and other financial institutions may be unable to recover their funds if the business fails.
- there are considerable legal procedures involved in setting up a company, as well as the procedures incurred in **publishing the various financial accounts of the company**.

10.3. SOLE TRADERS

14. The sole trader is the simplest form of business organization - one person in business on his own. The legal requirements for setting up such a business are minimal, but the **owner is fully liable for any debts incurred in running the business, since the owner literally is the business. Ownership and control are combined.** All profits, made by the sole trader are subject to income tax rather than the corporation **tax levied** on company profits. Apart from the need to maintain accounts for controlling the business and for dealing with the **Inland Revenue**, there are no formal accounts to be published.

15. The main Advantages of operating as a sole-trader are:

- the **formalities** for starting up are **minimal**
- **complete autonomy** to run the business as the individual wishes
- the profits of the business belong to the trader
- various business expenses are allowable against income tax
- **no public disclosure** of accounts (except to Inland Revenue)

16. The main disadvantages are as follows:

- the sole trader is **entirely responsible** for the debts of the business
- the individual as owner and manager **has to be responsible for all aspects of the business** (marketing, product development, sales, finance etc.)

10.4. PARTNERSHIPS

17. **A partnership exists when at least two, and usually not more than twenty, persons agree to carry on a business together.** The Partnership Act, 1890, defines a partnership

as a relationship which 'subsists between persons carrying on a business in common with a view to profit'. The legalities required to set up a partnership are minimal although it is available to have a formal Partnership agreement drawn up by a solicitor. Such an agreement can specify the right and obligations of individual partners, and can make provision for changes brought about by death or retirement of partners. As with a sole trader, the members of a partnership are owners of its property and liable for its contracts. Therefore they are fully responsible for meeting their debts to third parties. Partners are not automatically entitled to a salary for the services they provide for the partnership, but are entitled to their proper share of the profits of the business. However, many agreements do allow for salaried partners.

18. Many partnerships, and some sole traders, have been converted into limited companies because of the perceived benefits of incorporation. Most professional persons, and especially accountants and solicitors, maintain partnership as their form of business in order to preserve the principle of individual professional accountability towards the client.

19. The main advantages of partnership are:

- few formalities required for starting up
- sharing of partner's knowledge and skills
- sharing of management of business
- no obligation to publish accounts (except for Inland Revenue purposes)
- sharing of profits (or losses!) of business

20. The main disadvantages are primarily these:

- each partner is liable for the debts of the partnership, even if caused by the actions of other partners
- risk that the partner may not be able to work together at a personal level
- the death or bankruptcy of one partner will automatically dissolve the partnership, unless otherwise provided for in a partnership agreement.

10.5. COOPERATIVE ENTERPRISES

21. Small groups of people who wish to set up business along explicitly democratic lines and with the benefit of limited liability, can choose to establish a cooperative. This kind of business has been a feature of British commercial life for well over a hundred years, at least so far as distribution is concerned. These distribution cooperatives were essentially consumer-cooperatives in which the profits of the business were given back to consumers in dividends based on the amount of their purchases over a given period. The modern trend in cooperatives is towards producer-cooperatives in which individuals benefit not only as investors but as employees in the business. There are more than 700 such worker-cooperatives in Britain at the present time.

22. The promotion of cooperatives has been encouraged by recent Governments in Britain, and a Cooperative Development Agency has been established since 1978 to provide advice and assistance to those considering setting up such a business.

23. The legislation governing cooperative enterprises is the Industrial & Provident Societies Act, 1965, which requires that in lieu of Memorandum and Articles, every cooperative shall have a set of rules approved by the Registrar of Friendly Societies. The rules must embrace the following principles:

- each member must have equal control on the 'one person, one vote' principle
- members must benefit primarily from their participation in the business, i.e. as employees as well as investors

- **interest on loan** or share capital has to be limited
- surplus ('profit') must be shared between members in proportion to their contribution (for example, by number of hours worked or wage level), or must be retained in the business
- membership must be open to **all who qualify**

For the **principle of limited liability to apply to the members**, the cooperative must be registered, in which case a minimum of seven members is required.

24. The main advantages of cooperative enterprise are:

- Provides opportunity for genuine pooling of capital between a group of people
- encourages active collaboration between all sections of the workforce
- enables decisions to be made democratically
- provides rewards on an **equitable** basis those involved
- provides limited liability (if registered)

25. The disadvantages are mainly:

- there is less likelihood of a level of profitability and growth that could be achieved by a limited company
- as with partnerships, relationships can **deteriorate**, especially when some members are seen to be making a smaller contribution than the rest
- democratic decision-making can lead to lengthy discussions before action is taken
- members who are not truly dedicated to the democratic **ethos** of the business, may find themselves **at odds** with the openness of communication and decision-making.

10.6. QUESTIONS:

1. Who sets the standards of behavior for business organizations?
 - a. Society, through Parliament and Courts, sets standards of behavior for all these types of business.
2. What does the term limited mean in the context of the company?
 - a. The key feature of a 'limited' company is that, if it fails it can only require its members (shareholders) to meet its debts up to the limit of the nominal value of their shares
3. What are the advantages of limited liability?
 - a. in the event of failure of the business, shareholders are protected against the loss of more than the nominal value of their shareholding
 - b. the separate legal person of the company exists independently of the members
 - c. shares (in plc's) are readily transferable
 - d. wider share-ownership is encouraged
 - e. companies are required to submit annual returns to the Registrar, and these are available for public inspection.
4. What are the disadvantages of a limited company?
 - a. **it may be difficult for small companies to borrow as extensively as desired**, since banks and other financial institutions may be unable to recover their funds if the business fails.

- b. there are considerable legal procedures involved in setting up a company, as well as the procedures incurred in publishing the various financial accounts of the company.
5. What can be said about sole traders concerning their responsibilities to creditors?
 - a. owner is fully liable for any debts incurred in running the business, since the owner literally is the business
 6. What are the advantages of sole traders?
 - a. the formalities for starting up are minimal
 - b. complete autonomy to run the business as the individual wishes
 - c. the profits of the business belong to the trader
 - d. various business expenses are allowable against income tax
 - e. no public disclosure of accounts (except to Inland Revenue)
 7. How many people are needed to form a partnership (min, max)?
 - a. 2-20 people
 8. What are the responsibilities and benefits of the partners in the partnership?
 - a. Responsibilities: full responsibility for partnership debt to third parties; sharing the losses of a business.
 - b. Benefits: part in the revenues of the business, sharing of partner's knowledge and skills;
 9. When is cooperative enterprise might be the best form of organizing a business?
 - a. When a small group of people wishes to set up business along explicitly democratic lines and with the benefit of limited liability,
 10. What is the difference between distribution cooperative, producer cooperative and worker cooperatives.
 - a. Distribution cooperative is consumer cooperative, where member would buy certain goods, where as in the producer-cooperatives member could be workers (employees) in the cooperative.
 - b. Worker cooperative is the same as producer-cooperative (just a different name for it)
 - c. Distribution cooperative is the same as consumer cooperative.

10.7. VOCABULARY

public limited company открытая публичная компания с ограниченной ответственностью (удовлетворяющая ряду требований по закону 1980 г.)

memorandum of association договор об учреждении акционерного общества

articles of association устав компании / товарищества / акционерного общества

agent 1) деятель, личность Syn: figure 2) **агент, представитель, посредник, доверенное лицо**

levy [] 1. 1) сбор, взимание (пошлин, налогов); обложение (налогом), сумма обложения

2. 1) **взимать (налог); облагать (налогом) (on / upon); вводить налоговые ставки**

inland revenue 1) внутренние поступления в государственную казну; внутренние налоги 2) департамент, ведающий внутренними налогами

legalities - обязательства, налагаемые законом

solicitor [] 1) солиситор, адвокат (дающий советы клиенту, подготавливающий дела для барристера и выступающий только в судах низшей инстанции) Syn: lawyer 2) защитник, заступник; проситель, ходатай Syn: pleader, intercessor, advocate 1. 3) юрисконсульт

ethos [] ; характер, преобладающая черта, дух; повадки

LESSON 11. MATERIALS MANAGEMENT

11.1. THE PURCHASING SYSTEM

1. The scope of purchasing.

A careful examination of the production system will produce a long list of inputs, each of which could probably be placed in one of three categories:

- Materials
- Labor and managerial skills
- Processes.

The provision of materials has always been the work of the purchasing function, and an examination of Fig. 1 will show how this function is interwoven among the other sub-systems which make up the production system. A very large proportion of input cost, and hence total manufacturing cost, is taken up with materials, and so the purchasing function plays a very important part in the work of production management. The communication network shown in Fig. 1 extends inside and outside the firm and through the various divisions and the centrally controlled areas of the firm. Hence it is a mirror of the activities of the division or unit that it represents, and is the representative of the company to suppliers in the market place. Therefore it needs careful consideration as a function in its own right.

2. The functions of purchasing.

Long lists of the functions of purchasing have been produced, but when they are compared there emerge a small number of common activities which are vital to the efficient operation of this arm of management. These are the following:

- The evaluation of alternative suppliers, and the use of a small but effective number of these suppliers for the more important goods and materials.
- The ability to buy at competitive prices, giving due regard to total cost in the long term rather than to spot price at any given time.
- The rating or assessment of suppliers for delivery, service and quality, as well as price.

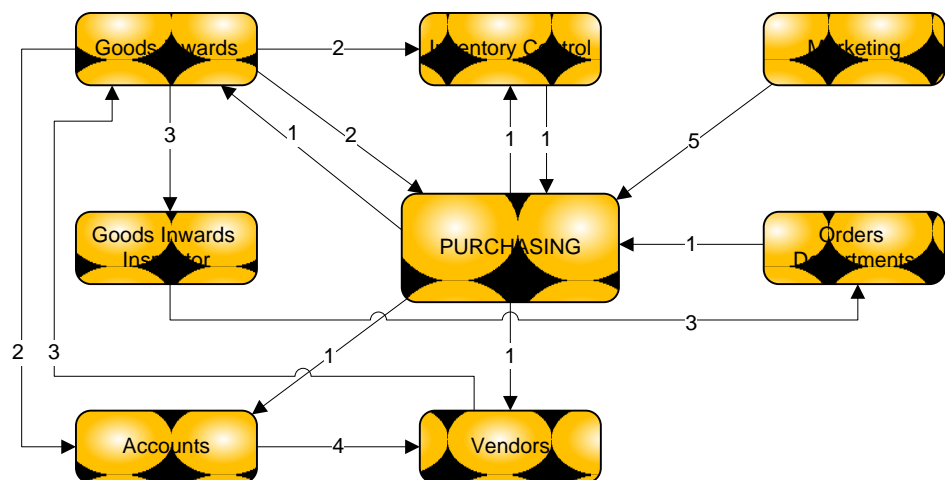


Fig. 1 - The purchasing system.

1. Orders and copy orders.
2. Receipt notes.
3. Movement of goods.
4. Payment.
5. Market information and forecasts.
4. **The enhancement of the company reputation** in the eyes of suppliers and competitors in the market place.
5. **Ability to help in the selection of new materials** by constant communication with the market.
6. **The maintenance of adequate stock levels** throughout the company, in conjunction with other departments.

It will be evident from these six activities that the purchasing function could have a profound effect on the profitability of the company. It is important therefore to consider different situations where purchasing will be involved.

3. The importance of the function.

It is a fundamental principle of organization that "the most important activities, i.e. those having the greatest effect on profit, cost or future position, should be handled at a high managerial level. Examples of this abound, but nowhere more strikingly than in purchasing. Some examples are as follows:

- a. Large **pulp and paper companies** sometimes have a whole division responsible for the administration of timber limits.
- b. A large paper manufacturer has a buying division, split into pulp buying and other commodities.
- c. A motor-car manufacturer has a division dealing with materials control.
- d. A company manufacturing diverse **insulating and conducting equipment** has a large buying department with managerial control close to board level. This purchasing activity includes speculative buying of materials.
- e. Mail-order companies rely for their margins very largely on **astute purchasing**, as the production activity in this business is purely as re-packaging and dispatching activity backed by efficient inventory control and warehousing.

4. Methods of ordering.

Several methods of ordering are in use, each having different effects on the production system, and different objectives:

1. **The spot order** is the normal, single order for a quantity of goods. It may or may not be repeated, and a price is negotiated.
2. **The contract order** is when a contract is entered into whereby the supplier will agree to deliver a quantity of goods over a period of time, the delivery orders being specified as to time and quantity at a later date. A price is negotiated for the whole contract quantity, and the time period involved may be considerable.
3. **The sole supplier agreement** is made when a company agrees to use only the one supplier for a certain item, again for a given time period.

Variations on these three methods are common, depending on established practices in particular industries. **Side-issues** arise when suppliers offer incentives in the form of **quantity rebates**, and annual rebates dependent on total trading figures. Contracts may be prepared where an agreement is made for several parts of a company to buy a commodity from one supplier, and there are special pricing arrangements to cover this form of ordering. A further side-issue of contract ordering is the practice of **reciprocal trading**. When one company buys a large amount from another it may use this as a level in ob-

taining return contracts. This may, however, restrain trade, and invoke the interest of central government, in particular where the American Anti-Trust Laws or the British Restrictive Trade Practices Act may be violated.

5. Purchasing policy.

In view of the great variations in importance of purchasing in different companies and industries, it is important that clear and adequate terms of reference are given to the purchasing manager, and that purchasing policies are laid down as a direct consequence of the setting of company objectives. The following are some of the important aspects of purchasing which should be clearly defined:

1. The position and status of the purchasing manager in the organization, and his relationships with other functions and departments.
2. The scope of purchasing and the extent of its authority in relation to other parts of materials management.
3. Guidance concerning the extent of risk decision-making by purchasing, particularly where speculative buying is concerned. Obviously high speculation means high status and authority for purchasing, with equivalent accountability.
4. The extent of centralization or decentralization of purchasing in the large firm.
5. General guidance to aid the purchasing manager in making decisions regarding quality standards, inspection practices and "make or buy" problems.
6. The position of purchasing in the coordination of product development, particularly the application of value engineering.
7. The criteria against which the performance of the purchasing function will be assessed.

6. Centralized purchasing.

As a company grows from being very small, it will progressively take on more and more specialists, including purchasing experts. As it grows larger it will probably diversify, profit centers will appear, and the possibility of bulk buying will arise. The argument of centralized purchasing is always based on the ability to buy more cheaply, but there are other arguments in favor of centralization:

- a. It provides the ability to coordinate, to buy in bulk and to obtain much more advantageous prices.
- b. Different manufacturing units will always have many similar needs, like stationery, canteen suppliers, medical needs and some raw materials.
- c. Centralization allows standardization of procedures and systems.
- d. Specialist buying staff may be justified with a central organization.
- e. Only a central organization will know the quickest way to supply one factory from another during shortages.

7. The argument of decentralization.

The large company is a very impersonal organization, with no sense of the urgency of local problems. When there are a number of widely separated factories then there is a natural allegiance to the local unit, which is accentuated by having a local purchasing organization.

- a. The local organization, in knowing local suppliers, will be able to obtain faster service in emergencies.
- b. Speed of order-processing is often thought to be better.
- c. Knowledge of local suppliers leads to a stronger commitment by those suppliers.

- d. Local suppliers are more easily held accountable in cases of poor quality or failure to meet specifications.

8. The individual solution.

In fact, the answer to this problem usually lies in the size of the firm. Centralization brings obvious advantages in a compact organization, or where the lines of communication are short. Where the remainder of the organization tends towards decentralization then purchasing will often follow suit. In practice some very large companies find it better to concentrate buying at divisional levels, and only to use central purchasing departments for negotiating large contracts for materials used in bulk throughout the company. Another solution is for one division using large quantities of a material to act as central buyer for that material.

11.2. Integrated Materials Management

9. The need for integration.

Returning to our examination of the purchasing system in Fig1 is one of the major categories of inputs to the production system is that of materials, and we may define purchasing as the different means of obtaining materials from inside or outside the production unit. During recent years there has evolved a conviction in some companies that the management of materials was so important as to demand a special place in the organization and be responsible to one authority. Amongst those activities constituting **materials management** there would be the following:

- a. Purchasing - both ordering and expediting
- b. Goods-inwards stores
- c. Goods-inwards inspection
- d. Inventory and stores control
- e. Inter-group transfers
- f. Production planning and control
- g. Value engineering.

In some cases the scope is much wider, and takes in the materials outputs from production, but this raises many complications of conflicting interrelationships.

The reason behind this thinking is as follows: progressive firms, usually those larger ones with extensive materials movement, have spent time and money refining and improving production processes, and using every new development in automation or mechanization. They have employed work study to bring down operating costs to figures approaching the optimum. In turning to other methods and regions for improvement it becomes evident that materials control could be greatly improved, but that it extends through a number of other, separately organized functions such as purchasing, stores control, and production planning and control. So over a period of time reorganizations have taken place, and one person has been charged with the responsibility for all materials control work. He is usually responsible to a director, or is a director himself.

11.3. QUESTIONS

1. Why purchasing plays an important role in production management?
 - a. Because a very large proportion of input cost, and hence total manufacturing cost, is taken up with materials.
2. What are the main methods of ordering? What are the benefits of each method?
 - a. The spot order – quick,
 - b. The contract order – Low risk, consistency
 - c. The sole supplier agreement – quality assurance,

3. Why centralized buying is good?
 - a. Ability to buy more cheaply
 - b. standardization of procedures and systems
 - c. Specialist buying staff may be justified
4. Why decentralized buying is good?
 - a. faster supplier service in emergencies.
 - b. Speed of order-processing is often thought to be better
 - c. stronger commitment by those suppliers
 - d. Local suppliers are more easily held accountable
5. How to decide between centralized and decentralized buying?
 - a. Centralized buying: compact organization, lines of communication are short

11.4. TERMINOLOGY

astute [] 1) хитроумный, хитрый, лукавый, коварный Syn: wily, crafty 2) умный, мудрый, проницательный, сообразительный Syn: keen, shrewd

rebate 1. [] 1) а) скидка, уступка (при расчетах)

value engineering метод разработки максимально экономичного дизайна продукта.

reciprocal trade agreement торговое соглашение на основе принципа взаимности

LESSON 12. MODERN MANAGEMENT THINKING

The changing environment in which business organizations operate have clearly exerted considerable influence over the development of modern management thinking and for this reason, individual contributors have been considered chronologically. Generally, during the area of mass production management thought was directed towards finding the best way of performing a job and evolving management principles. But as firms became more marketing-orientated and internal conflicts arose in the area of mass-marketing interest shifted to the social and psychological dimensions of organizations. Later still, in the post-industrial area, the emphasis has changed to include the consideration of "strategic management".

12.1. CLASSIFICATION

While it is useful and necessary to identify and classify the different schools of thought, it is not always possible or desirable to **compartmentalize** thinking on management too rigidly. The reader should realize that distinctions between approaches may become blurred.

1. **The Classical school** The first writers to concern themselves with the subjects of management and organization as such thought in terms of the formal structure of an organization. **They tried to formulate principles which could be applied by all managers.** These writers belong to the classical school. Writers of this school seek to find the best way of dividing tasks, grouping them together under various departments and devising means of coordinating activities. Early writers of the classical school include:
 - a. *FAYOL* who formulated a series of management principles; and
 - b. *TAYLOR* who promoted "scientific management"
2. **The Human relations school** On the whole, the classical school did not take the social and psychological dimensions of the work situation into account or fully explain the working of an organization over a period of time, it was prevalent during the area of mass production when management objectives were to find the most economic way to producing goods through the division of labor and the organization of the work - load. The behavioral school, on the other hand **considers the needs and behavior of the members of an organization as well as its structure.** The emergence of this school coincided roughly with the advent of the area of **mass-marketing** and the new marketing approach to management. Although there are early proponents of the behavioral approach, *MAYO* and *ROETHLISBERGER'S HAWTHORNE STUDIES* of the later 1920s and early 1930s mark the start of wide-spread interest in it.
3. **The contingency theorists** This school of thought suggests that organization structures should reflect current environment circumstances. These are:
 - a. technology
 - b. innovation, and
 - c. uncertainty.

Major contributions to contingency theory have been made by *TRIST* and *WOODWARD* who independently concerned themselves with the impact of *TECHNOLOGY* on work organization. In addition, *BUMS* and *STALKER* together examined the impact of *INNOVATION* on organizational structure, while *LAWRENCE* and *LORSCH* examined the problems associated with coping with *UNCERTAINTY*.

4. **The systems approach** A new school of thought arose in the post-industrial area which considered an organization as a number of systems. There are a

number of ways of considering an organization from this perspective. Two such ways are:

- a. **The decision-making (information systems) approach.** This considers the organization's functions as being one of providing information on which decisions may be based. Writers include *SIMON*, *CYERT*, *MARCH*, *ACKOFF* and *ARNOFF*.
- b. **The total systems approach.** This views the organization as a whole systems comprising various subsystems. Different writers adopt different systems viewpoints on organizations. A common feature, however, is the need to view an organization as a whole and its subsystems as interdependent and interrelated parts of that whole. **Emphasis is placed on communications channels and flows of information between subsystems, with the idea that the organizational design should facilitate information flow to support decision-making.** The approach stresses the importance of identifying the need for, and use of, **information** and the position of the decision-maker.

The major impact of the systems approach on organization structure has been the development of **"matrix" structures**. These recognize the fact that traditional organization structures are inappropriate in many instances because of the problem of co-ordination across functions.

12.2. THE CLASSICAL SCHOOL

Two of the most important writers of the classical school were Fayol and Taylor. They were contemporaries, both born in the middle of the nineteenth century, and both with first-hand experiences of the management problems created by the growth of large-scale enterprises towards the end of the nineteenth century.

12.2.1. Henry Fayol (1841 -1925)

A French mining engineer, his prime interest was in the functioning of organizations. He spent most of his working life in general management with one firm, eventually becoming its managing director. He maintained in his influential book, *GENERAL AND INDUSTRIAL MANAGEMENT*, first published in English in 1948, that all activities of an industrial firm could be considered under six headings:

1. technical;
2. commercial;
3. financial;
4. security;
5. accounting;
6. managerial.

His definition held that management functions comprised:

1. forecasting and planning;
2. coordinating;
3. organizing;
4. controlling;
5. commanding;

Fayol recommended a number of **guidelines or principles** (still in general use) to help managers perform these functions well.

1. **Division of work and specialization** should be encouraged since it leads to greater productivity.
2. The **authority** to issue commands should be **accompanied by responsibility** commensurate with its proper exercise.

3. **Good leadership** must be provided to maintain discipline and order.
4. There should be **unity of command**: each man should have only one boss.
5. There should be **unity of direction**: a simple plan should be laid down for all employees engaged in the same work activities.
6. The interests and goals of individual members of the organization should be made subservient to the overall **organizational goals**.
7. The **system of reward** should be related where possible to the individual's wants and needs. There is no one perfect system of **remuneration**.
8. The **degree of centralization or decentralization** (of authority and decision-making) should vary according to the individual circumstances of different organizations.
9. It is essential to have both **vertical and lateral communication** in an organization, but it is important in the latter case that superiors in the **scalar chain** (chain of command) are aware of such communications.
10. To minimize lost time and unnecessary handling of materials it is essential to achieve both **material order** and **social order** in an organization.
11. In order to achieve **equity** a "**combination of kindness and justice**" is required in dealing with employees.
12. Successful business require **stability of tenure** as far as managerial personnel are concerned. A low turnover of management staff is important.
13. All employees should be given the opportunity to use their **initiative**.

It is the task of management to foster an **esprit de corps**. High morale in an organization is a vital ingredient of its success. The manager has to coordinate effort, encourage keenness and use men's abilities without causing hostilities as a result of the reward he offers to them.

12.2.2. Frederick W. Taylor (1856 -1915)

An American by birth, Taylor spent all his working life in the United States. Often referred to as father of scientific management, he started at the MIDVALE STEELWORKS, PHILADELPHIA as a laborer, later rising through foreman to become the company's chief engineer and subsequently consultant to the US engineering industry. His best-known work PRINCIPLES OF SCIENTIFIC MANAGEMENT (1911).

Taylor considered that the basic reason for hostility between management and worker was that there was a **conflict of interests between them: while the workforce desired high wages above all else, management's aim was for low labor costs**. He believed that it was possible for the interests of both parties to be reconciled through the medium of his "scientific" methods of management, leading to a better and more profitable business. He held that four aims of factory management should be applied to achieve this:

1. determine the **best way** for a worker to do this job;
2. provide him with **proper tools**;
3. train him to follow **precise instructions**; and
4. provide **incentives for good performance**.

The first to introduce "TIME AND MOTION" STUDIES, he determined the best way of doing a job by breaking down each job in his factory into its constituent motions, analyzing these to eliminate those that were non-essential, and timing the worker as he did so. With superfluous motion eliminated, the worker's output was greatly increased, while, by measuring work in this way, it was possible to establish an optimum output for a particular job. Workers would be happy to cooperate with management in introducing the new system he held, because of the financial incentive involved and the fact that it would enable them to do their work with the minimum of effort. While Taylor's principles were sound (they form the basis of the modern subjects of work study and organization and

methods) practical difficulties have been encountered in the implementation of his theories:

1. the definition of a **good day's work** is always the subject of controversy between management and workers;
2. where an incentive scheme based on work measurement is in operation and individuals produce considerably more than the **group norm** or average output, management is apt to want to reevaluate its definition of an optimum day's work. As a result, individual workers in a group do not encourage each other to exceed the group norm.
3. some employers used time and motion studies to set **high production norms** in order to increase output without a correspondingly high increase in wage levels.
4. generally, **workers tend to resent having their work processes studied**, while the elimination of non-essential movements from a job make it repetitive and less interesting.

12.3. 2. THE HUMAN RELATIONS SCHOOL

Taylor's ideas were unable to halt the decline in productivity and standards of production which occurred frequently throughout industry in the 1920s. The next step, therefore, was for management to seek ways of understanding and motivating the workforce. Here it was able to draw on the work of sociologists and psychologists, the behavioral or social scientists, which had given rise to a new science: **industrial psychology**. This considered the worker in relation to his job environment and his fellow workers and supervisors; these writers belong to the human relations school.

Influential thinkers A number of influential nineteenth century thinkers created the climate in which the behavioral school of management thought was able to develop.

12.3.1. Weber (1864 -1920)

A German sociologist, Weber approached the study of managerial behavior through his concept of bureaucracy. He made a number of analyses of the organization of religious, military and business establishments and from these concluded that "hierarchy, authority and bureaucracy (including clear rules, definition of tasks, and discipline) form the basis of all social organizations".

In Weber's view, the manager was the individual who interpreted and applied the rules of the organization.

12.3.2. Mary Parker Follet (1868 - 1933)

Like Taylor, Mary Parker Follet was also interested in the management of organizations. An American, her ideas were far in advance of her time and probably for this reason were not published until eight years after her death. A graduate of Harvard and Cambridge universities, she studied philosophy, history and political science. Interested and active in social work, she was instrumental in establishing a youth employment bureau. Her interest in social work later led her to study social aspects of management.

One of the first to realize the potential of psychology as a means of understanding worker and management behavior, **she saw the management problems of her time in terms of reconciling the needs of individuals with those of the social groups to which they belong.** She held that it was management's task to **understand how and why such groups are formed and to co-ordinate their aims and objectives.** She held that consultation with those affected by a management decision should take place before such a decision is made, leading to increased morale and improved motivation within the organi-

zation. Orders or commands should be based on the objective requirements of a given situation and not on the whim or fancy of a particular manager. Her intention was that management should create the situation where it would be easy for workers to cooperate of their own accord.

12.3.3. Hugo Munsterberg (1863-1916)

Another to consider the subject of management from the perspective of the social sciences was Munsterberg. Born in Danzing, Poland, he pioneered the application of psychology to the fields of business and industry. His influential book PSYCHOLOGY AND INDUSTRIAL EFFICIENCY (1913) set out his desire to discover:

1. the best way to find people whose mental abilities best suited them for the work they were required to do;
2. the conditions that would motivate each individual to produce his greatest output.

Others purchasing similar lines of thought were Frank B. and Lillian Gilbreth and Walter Din Scott.

12.3.4. Elton Mayo (1880 -1949)

A psychologist, Mayo conducted a pioneering industrial research project known as THE HAWTHORNE STUDIES AT THE WESTERN ELECTRIC COMPANY'S HAWTHORNE, WORKS, CHICAGO between 1924 and 1932, the results of which were later summarized by his collaborators F.J. ROETHLISBERGER and WILLIAM J. DICKSON in MANAGEMENT AND WORKER (1939). If the findings of his research did not revolutionize management thinking (since they merely supported Pareto's earlier ideas), they focused attention dramatically on the behavioral approach to management. Originally called in to assess the potential effect on productivity levels of a proposed change in the lighting of the works, Mayo set up two groups producing the same part under similar conditions, intending to vary the intensity of light for the test group but to keep it constant for the control group. To his surprise, he found that the output of both groups rose despite variations in the intensity of the test group's lighting. Investigation revealed that productivity had increased as a result of an improvement in the group's morale: because great interest had been shown in them and because the advice and co-operation of members of the group had been sought by the company during the experiment, workers had felt themselves to be important and it was this that had caused output to rise.

12.3.5. C. Argyris (1923 -) and others

The Hawthorne studies showed that workers can obtain satisfaction through belonging to small stable work groups and suggested that management could achieve its goals by establishing such groups. It is also focused management scientists' interest on discovering the most important determinants of an individual's work behavior, which are: motivation, leadership, roles, groups and communication. These, along with the specific contributions of writers such as Herzberg and Maslow, are discussed later.

Behavior scientists have made many contributions to management studies since the Hawthorne investigations. An important contemporary contributor is Chris Argyris, an American academic. He draws together the ideas of both contemporary and earlier writers. He maintains that individuals are not, by and large averse to work, a belief at one time commonly held by employers but instead seek self-management, self-direction, responsibility and self-actualization. He believes that organizations are not traditionally conducive to enabling individuals to achieve these goals, and hereby to benefit the organization as a whole. He considers that this failure is due to a lack of interpersonal competence which results in mutual suspicion and distrust and lack of frankness of

manner and job commitment. Management, he suggests, should aim to develop the full potential of individuals and their interpersonal relationships thereby facilitating better performance of the whole organization.

12.3.6. Chester Irving Barnard (1886 -1961)

An American Administrator and sociological theorist, Barnard was greatly influenced by the work of Pareto, Mayo and Roethlisberger; his book FUNCTIONS OF THE EXECUTIVE (1938) made a major contribution to management theory. His principal proposition was that it is the function of the executive (implying all types of managers and supervisors) to maintain a system of cooperation and coordinated effort in a formal organization. Barnard distinguished a "formal" from an "informal" organization as follows.

1. Formal organization. This is the set of consciously coordinated social interactions which have a deliberate and joint purpose.
2. Informal organization. This comprises those social interactions without a common or consciously coordinated joint purpose.

He maintained that, if a formal organization is to function properly, it must include people who:

1. are willing and able to communicate with each other;
2. are willing to contribute to the action of the group;
3. possess a conscious common purpose.

Further it must provide:

1. the opportunity for individuals to specialize in doing that which they do best;
2. a system of incentives which will motivate people to make effective contributions to the furtherance of group aims and objectives;
3. a system of authority which all permit its executives to make and carry through decisions;
4. system of decision-making based on logical thought.

He concluded that, in order to work effectively, the formal organization must be compatible with the informal. He held that the function of the executive is to:

1. maintain this compatibility;
2. encourage good intra-organizational communication,
3. ensure that others in the organization perform essential duties;
4. formulate and implement plans of action.

Barnard saw cooperation amongst individuals as the keystone of organizational effectiveness and good leadership as the means of achieving it.

12.3.7. Elliot Jaques (1917 -)

A CANADIAN BY BIRTH, JAQUES is renowned for his action research undertaken in the CLACIER METAL COMPANY'S ENGINEERING FACTORY IN LONDON. He set out to study the psychological and sociological factors affecting group behavior within the firm and to develop more effective ways of dealing with social stresses within it. In addition, since the work involved collaboration with members of the firm a further objective was to allow improvements in social interactions to take place. The kind of problems studied included worker-management cooperation on the works committee, and the quality of executive leadership at the divisional manager's meetings.

1. Role and status. Jaques found that individuals showed a strong desire to have their role and status within a group clearly defined in a way that would be acceptable to all members of the group. He found that problems arose when role boundaries were not clearly defined and when individuals were obliged to occupy more than one role. Conflict could also arise in an individu-

al's mind when there was a discrepancy between his own views and those demanded of him by the role he had to adopt.

2. Leadership. Further, he found that difficulties arose in committee meetings if the senior member present did not assume the leadership role by avoiding or abdicating his authority or responsibility. All groups, he concluded, expect one of their number, usually the most senior, to assume the leadership role, and unless this happens, the group will not be able to function well. The problem with the works committee was that it was composed of people who occupied widely different positions in the firm's formal hierarchy. It was difficult for a member of the committee who did not occupy a senior position within the firm to assume the leadership role.

12.3.8. Amitai Etzioni (1929 -)

ETZIONI, A CONTEMPORARY AMERICAN SOCIOLOGIST, was interested in why an organization should continue to exist. His interest centered in particular on why individuals accept authority and comply with prescribed standards of behavior. The two problems are inter-related: an organization pursues specific objectives in order to ensure its own survival; to achieve these objectives, a firm lays down rules which its members must follow. In other words, it must have power to control the activities of its members to ensure that they comply with the over-all requirements necessary for it to achieve its organizational goals.

Etzioni's researches led him to conclude that organizations can be classified by the means which they use to ensure that their members comply with requirements:

1. coercive power (e.g. concentration camps);
2. remunerative or utilitarian power using material means (e.g. business organizations);
3. normative or "identitive" power using symbolic means such as prestige (e.g. religious organizations, universities, etc.).

He noted that an individual's response to authority can be classified as:

1. alienative; usually is response to coercion;
2. calculative; usually in response to remunerative or utilitarian approaches;
3. moral; usually in response to normative or identitive approaches.

Etzioni advocated that a business management system should be remunerative or utilitarian where an individual's response will generally be a calculative one.

12.4. 3. THE CONTINGENCY THEORISTS

12.4.1. Joan Woodward (1916 - 1971)

The impact of advances in technology on organizations and their management is of great significance and a number of writers have considered this subject. JOAN WOODWARD, A BRITISH RESEARCHER (1965), has found a strong positive correlation between the introduction of improved technology and certain aspects of a firm's organization:

1. the length of the line of command;
2. the span of control of the chief executive;
3. the percentage of total turnover paid to members of staff;
4. the ratios of managers to total personnel, of clerical and administrative staff to manual workers and of graduate to non-graduate supervision in production department.

Her research forced management thinking away from the abstract elaboration of principles of administration to a study of the constraints different technologies and their associated control systems impose on organizational structure and management.

12.4.2. Tom Burns (1913 -)

The contributions of BRITISH RESEARCHER BURNS and his collaborator STALKER (1961) have been amongst the most notable in assessing the impact of advances in technology on management systems. They showed that while one management system was appropriate for firms operating in a stable economic and technological environment (the mechanistic system), another was necessary for those adapting to a rapidly changing technology (the organic system).

- (1) **Mechanistic:** Mechanistic systems are characterized by rigidly prescribed organizational structure in which there are well-defined tasks and methods, duties and powers attached to each functional role. Information tends to flow vertically along the lines of authority in the organization and there is little horizontal exchange between individuals of similar status in different departments.
- (2) **Organic:** Organic systems, on the other hand, have a relatively flexible structure with the emphasis on horizontal forms of communication. Power, influence and status within the organization is based more on technical know-how than position within the hierarchy.

Burns and Stalker did not propose a model system as did Weber but suggested that a firm should use that which was most appropriate for its particular circumstances.

12.4.3. P.R. Lawrence (1922 -) and I.W. Lorsch

Lawrence and Lorsch thought of manufacturing organizations as having environments that might be conveniently thought of as being divided into three segments.

- (1) market segments;
- (2) a research and development segment;
- (3) a technological segments.

They suggested that each of these environments is likely to have different rates of change and each of them is likely to differ also in the length of time that elapses between the making of a decision, or taking of an action and the outcome becoming known to those who are involved in it. Lawrence and Lorsch's study of organizations suggested that, in the face of uncertainty, organizations are likely to be more efficient and effective if their structure differentiates between functions in terms of informality of structure, interpersonal relationships, time scales and goals.

12.5. 4.THE SYSTEMS APPROACH

The impact of technological advances and the realization that the external environment in which a firm operates, shapes the needs of its management and organizational structure led to the present "systems" approach which considers organizations as a series of interconnected and interrelated systems.

12.5.1. The Decision-Making Approach

This approach considers management from the point of view of its role in producing and obtaining information for the making of organizational decisions.

Herbert A. Simon (1916 -)

A contemporary American academic with considerable practical experience. Simon began his career in local government. His prime interest was in decision-making which he considered to be the central function of management; he has made a number of contributions to management theory, but the two main ones are as follows.

1. Administrative man and "satisficing". Arguing against the classical economists doctrine of rational economic man, who has held to consider each option in any given situation and to choose that course of action that would yield the optimum (most profitable) outcome, he proposed instead **administrative man, who attempts to satisfice (find the most satisfactory outcome) rather than optimize**. He argues that decision situations are in practice so complex that it is not possible within the limits of human rationality to identify all the possible outcomes of exercising choice amongst options in a given situation. **He suggests that executives should instead attempt to simplify and "satisfice"**. "Satisficing" is defined as pre-determining a set of criteria against which to evaluate a decision alternative, specifying acceptable limits against each criterion and **selecting that option which satisfies the most criteria-bearing in mind any which are critical**.
2. Computer-aided decision-making. Simon's second contribution is closely linked to his first. He believed that with the advent of high speed electronic computers much of the work of routine decision-making could be undertaken by them -programmable decisions. Such decision-making was to rely on heuristics (the problem-solving procedure that involves conceiving a hypothetical answer to a problem at the outset of an inquiry in order to give guidance and direction to it).

The first edition of his book *THE NEW SCIENCE OF DECISION MAKING* (1960) was published at about the time that the large-scale installation of business computers was taking place. His foresight has proved correct for much of today's routine decision-making, such as the re-ordering of stock and the pricing of goods, has been taken over by computers.

Richard Cyert (1921 -) and James March (1928 -)

CYERT AND MARCH, CONTEMPORARY AMERICAN CONTRIBUTORS, developed decision-making theory alongside Herbert Simon at Carnegie Mellon University in the USA: their best-known book is *THE BEHAVIORAL THEORY OF THE FIRM* (1964). Their theory links that of classical economics to that of organizations in order to explain how business decisions come about, taking as the basis of their model a large, multi-product organization operating under conditions of imperfect competition. They studied price, production volume and internal resource allocation decisions.

Cyert and March view a business unit as an information processing and decision-making system. They visualize the organization as a coalition of individuals all pursuing essentially different goals. Individuals are assigned to different departments where they attempt to solve problems presented to them by top management's need for information on which to base its decisions. Each sub-unit or department considers its own objectives as being of paramount importance to the firm as a whole. **They also suggest that most managers probably spend as much time resolving internal conflicts as they do in dealing with contacts outside the firm.**

Cyert and March postulate that there are four features of the decision-making process which together explain how a decision is reached:

1. quasi-resolution of conflict: an organization is a coalition of conflicting interests. This results in a lack of consensus of opinion when it comes to decision-making. Organizations will employ a number of devices to circumvent unresolved divergencies of opinion, for example accepting a solution which is satisfactory though not optimal, from the point of view of all the members of the coalition.
2. uncertainty avoidance: many options considered by an organization involve uncertainties. Firms will often avoid these and choose instead to solve first those problems that are most pressing.
3. problemistic search: executives have to search to find possible answers to a problem. Such solutions are not necessarily obvious when a problem is first encountered.
4. organizational learning: executives in an organization will change or adapt its goals as a result of their past experience.

C.W. Churchman (1913 -). R.L. Ackoff (1919 -) and E.C. Arnoff (1922 -)

The application of quantitative methods to decision-making or problem-solving gave rise to operations research, or management science, which uses a "scientific" approach to solve management problems.

Operational research grew out of the activities of scientists who, during the Second World War, were asked to find solutions to tactical and logical military problems. While the methods they developed were applied to non-military business management problems after 1945, Churchman, Ackoff and Arnoff (1957) were among the first contemporary writers to indicate the management applications of OR. The "scientific approach" involves:

1. formulating the problem;
2. constructing a mathematical model to represent the system under study;
3. deriving a solution from the model;
4. detesting the model and the solution derived from it;
5. establishing controls over the situation; and
6. putting the solution to work.

12.5.2. The Total Systems Approach

Introduction

An organization can be regarded as comprising a number of systems and subsystems.

1. The operating subsystem. At the core of the organization is the operating subsystem which is concerned with accomplishing stated objectives effectively and efficiently. It "gets things done" such as producing goods and services, etc.;
2. The coordinative subsystem. This surrounds the operating subsystem and is concerned with translating objectives into operational plans and procedures and interpreting the output of the operating subsystem;
3. The strategic subsystem. This relates the activities of the organization to its environment.

The total systems approach views management's functions as follows:

1. External: the role of management is basically to deal with uncertainties and above all to enable the organization to maintain harmony with its environment by successful adapting to changing circumstances;
2. Internal: an organization is seen in terms of a number of systems and subsystems; it is management's role to oversee these by spanning and linking them, thus maintaining the internal stability of the organization.

Figure 2 depicts the managerial system within the overall context of the firm and its environment. In overseeing the boundaries between subsystems, management must relate one subsystem to the next. However, an interaction space is shown between the strategic subsystem and the influence of the environment. This is because a firm cannot interact directly with its various environments, technological, cultural, etc. but only with other organizations or groups which represent those environments or are themselves more directly influenced by them.

Demographic, cultural or sociological factors, for example, may influence new customers or employees with whom or through whom management has to deal. Each new generation has a somewhat different set of values and attitudes from its predecessor. These factors influence its demand for products and services and its expectations of employment, for example.

The influence of environmental factors is strongest at the strategic boundary of the organization with its environment interaction space. However, their influence can permeate to reach the coordinative and operational subsystems; a change in the availability of natural resources such as the discovery of natural gas, for example, can radically affect manufacturing processes (part of the operational subsystem) and create new problems for management to solve at that level. Again, the introduction of computers (a change in the technological environment) can, for example, reduce the dependence of the coordinative subsystem on clerks for the administration and planning of control systems, creating new problems for management.

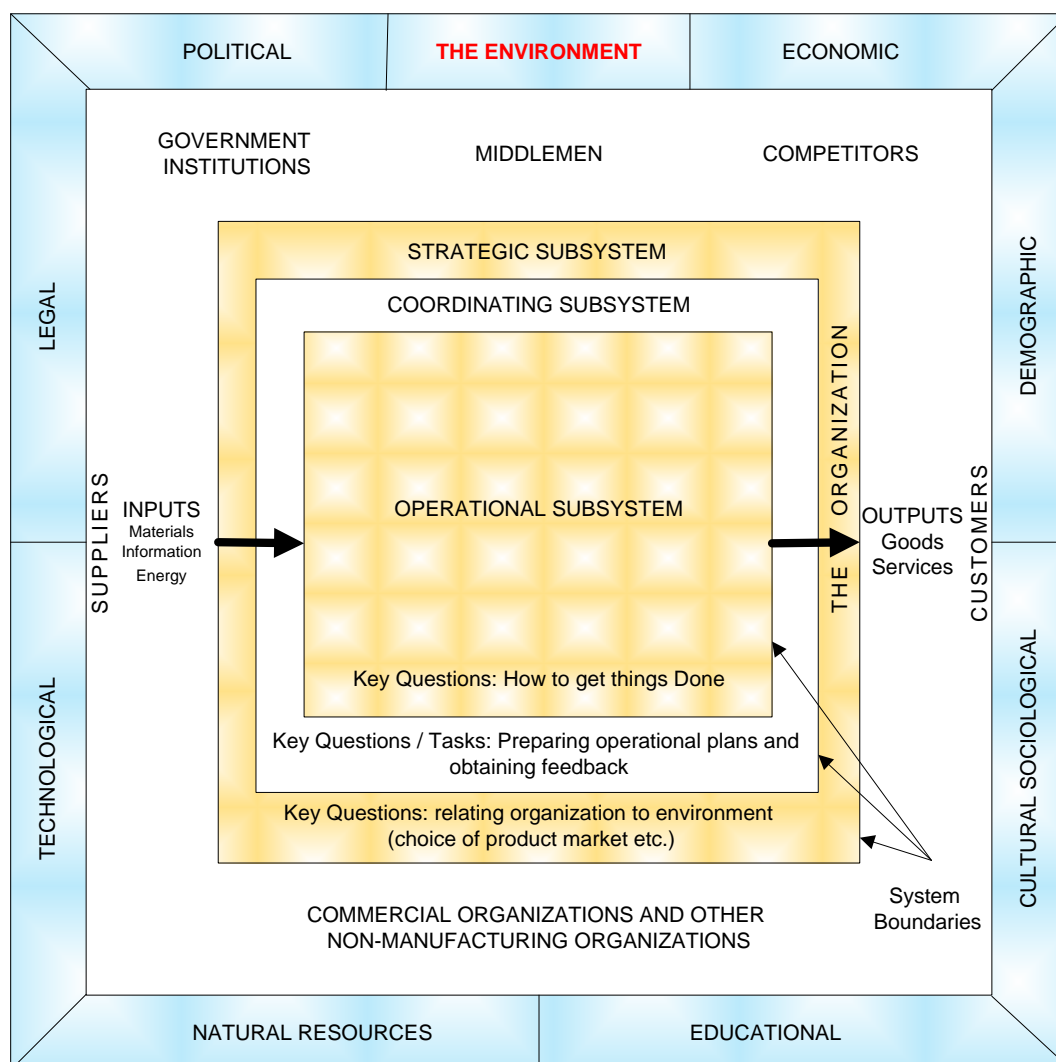


Fig.2. The firm and its environment: a system viewpoint.

F.E. Kast and T.E. Rosenzweig

Kast and Rosenzweig (1974) are contemporary proponents of the total systems approach to management. They hold that "the management system **spans** the entire organization by directing the technology, organizing people and other resources, and relating the organization to its environment". The organization is viewed as an open sociotechnical system composed of a number of sub systems the organization receives:

1. inputs of energy, information and materials from its environment;
2. these inputs are transformed by it into
3. outputs which are returned to its environment.

The organization is not viewed simply as a social or technical system but as a structuring and integration of human activities around various technologies. These technologies influence the nature of the inputs received by the organization, the transformation processes, and the system's output. In addition, the social system determines the effectiveness and the efficiency of the utilization of that technology.

Kast and Rosenzweig hold that the internal organization comprises several major sub-systems.

1. the **goals and values** subsystem;
2. the **technical** subsystem: the knowledge required for task performance;
3. the **structural** subsystem: the manner in which the tasks are divided and coordinated;
4. the **psychological** subsystem: the manner in which groups and individuals interact and collaborate; and
5. the **managerial** subsystem.

12.6. QUESTIONS

1. What were the three focuses in management thinking development?
 - a. Best way of performing a job and evolving management principles
 - b. social and psychological dimensions of organizations
 - c. consideration of "strategic management".
2. What is "combination of kindness and justice"?
 - a. It is a means of achieving equity in dealing with employees.
3. What is "stability of tenure" in the framework of managerial staff?
 - a. A low turnover of management staff is important
4. What was the input of Henry Fayol in the development of management science? (In 1 or 2 sentences)
 - a. Definition of Management: 5 functions
 - b. Guidelines or principles of management
5. What was the input of Mary Parker Follet in the development of management science? (In 1 or 2 sentences)
 - a. create the situation where it would be easy for workers to co-operate of their own accord.
6. What did Chris Argyris suggest for management to aim at in improving performance of the whole organization? (2 points)
 - a. Management, should aim to develop the full potential of individuals and
 - b. their interpersonal relationships
7. What is the difference between formal and informal organizations under Barnard's view?
 - a. Although both are a set of social interactions, informal organizations don't have consciously coordinated joint purpose.

8. What powers (as it's described by Etzioni) organizations use to ensure compliance with requirements? Match each power with according individual response
 - a. coercive power → alienative
 - b. remunerative or utilitarian power → calculative
 - c. normative or "identitive" power → moral
9. What was the main focus of Joan Woodward's studies?
 - a. Correlation between the introduction of improved technology and certain aspects of a firm's organization:
 - i. the length of the line of command;
 - ii. the span of control of the chief executive;
 - iii. the percentage of total turnover paid to members of staff;
 - iv. the ratios of managers to total personnel, of clerical and administrative staff to manual workers and of graduate to non-graduate supervision in production department.
10. Why Tom Burns and Stalker are considered contingency theorists?
 - a. Because he suggested that a firm should use the system (mechanic or organic) which would be most appropriate for its particular circumstances.
11. Why Lawrence and Lorsch suggested to divide the environment of manufacturing organizations into 3 segments?
 - a. each of these environments is likely to have different rates of change and each of them is likely to differ also in the length of time that elapses between the making of a decision, or taking of an action and the outcome becoming known to those who are involved in it
12. What is the idea of administrative man vs rational economic man in Simon's view?
 - a. rational economic man, who has held to consider each option in any given situation and to choose that course of action that would yield the optimum (most profitable) outcome.
 - b. administrative man, who attempts to satisfice (find the most satisfactory outcome) rather than optimize.
13. What is "satisficing"?
 - a. find the most satisfactory outcome
 - b. pre-determining a set of criteria against which to evaluate a decision alternative, specifying acceptable limits against each criterion and selecting that option which satisfies the most criteria-bearing in mind any which are critical.
14. What are the features of decision-making process?
 - a. quasi-resolution of conflict
 - b. uncertainty avoidance
 - c. problemistic search
 - d. organizational learning
15. What are the 3 subsystems that comprise the organization? What is their purposes?
 - a. The operating subsystem. At the core of the organization is the operating subsystem which is concerned with accomplishing stated objectives effectively and efficiently. It "gets things done" such as producing goods and services, etc.;
 - b. The coordinative subsystem. This surrounds the operating subsystem and is concerned with translating objectives into operational plans and procedures and interpreting the output of the operating subsystem;
 - c. The strategic subsystem. This relates the activities of the organization to its environment.

12.7. TERMINOLOGY

Compartmentalize – делить на отсеки, отделения, ячейки; отделять

advent [] 1) наступление (какой-л. эпохи, какого-л. события), прибытие, приход
Syn: arrival

mass-marketing

"matrix" structures

remuneration [] вознаграждение, оплата, компенсация to accept remuneration — принимать компенсацию to offer remuneration — предоставлять компенсацию Syn: reward, recompense, repayment ; payment, pay

equity [] 1) справедливость; беспристрастность, объективность Syn: fairness, impartiality

esprit de corps [] честь мундира; кастовый дух to develop (an) esprit de corps — поддерживать кастовый дух (a) strong esprit de corps — сильный кастовый дух

conducive [] благоприятный, подходящий; способствующий conducive to smth. — ведущий к чему-л.

LESSON 13. RECRUITMENT AND SELECTION

13.1. DEFINITIONS

It is useful to make a distinction between recruitment and selection.

Recruitment is the first part of the process of filling a vacancy; it includes the examination of the vacancy, the consideration of sources of suitable candidates, making contact with these candidates and attracting applications from them. **Selection** is the next stage, i.e. assessing the candidates by various means, and making a choice followed by an offer of employment.

13.2. RECRUITMENT

13.2.1. Examining the vacancy

If the vacancy is additional to the present workforce, i.e. it has occurred because of some new or increased activity, then in all probability the need for the new employee has been established and a job specification compared. The majority of vacancies create placements for people who have left the company or as the final event in a chain of transfers and promotions following on a reorganization. In these cases consideration may be given to the following points:

- a) It may be possible to fill the vacancy from within the company.
- b) It may be filled by a different kind of employee, e.g. a school-leaver or a part-timer
- c) The job and personnel specifications may need to be revised.

13.2.2. Internal sources

The advantages of filling the vacancy internally rather than externally are:

- a) Better motivation of employees, because their capabilities are considered and opportunities offered for promotion.
- b) Better utilization of employees, because the company can often make better use of their abilities in a different job.
- c) It is more reliable than external recruitment, because a present employee is known more thoroughly than an external candidate.
- d) A present employee is more likely to stay with the company than an external candidate
- e) Internal recruitment is quicker and cheaper than external.

13.2.3. External sources

Very many vacancies are filled from external sources; even when an internal candidate is transferred or promoted the final result is usually a vacancy elsewhere in the company which has to be filled from outside. External recruitment can be time-consuming, expensive and uncertain, though it is possible to reduce these disadvantages to some extent by **forethought** and planning. External sources may be divided into two classes; those which are comparatively inexpensive but offer a limited choice (i.e. (a) to (f) below) and those which are comparatively expensive but give the employer access to a wider range of candidates (i.e. (g) and (h) below).

- a) Recommendations by present employees.
- b) **Unsolicited.**
- c) Direct Link with universities, colleges and schools.
- d) Trade Unions.
- e) Job centre or Careers Office.
- f) Professional bodies' appointments service.
- g) Private agencies.
- h) Advertising.

Recommendations by present employees.

This is sometimes encouraged by rewards to employees who introduce successful candidates. It gives a limited field of choice, but it costs very little and, as a rule, the candidates are of good quality.

Unsolicited

Applications are sometimes received from candidates who either call personally the place of work or write letters of enquiry. This is another inexpensive source which provides a limited choice, but the candidates are of variable quality.

Direct links with educational establishments.

Many employers maintain connections with universities, colleges and schools. Candidates are usually available from these sources only at one time of the year, but this difficulty can often be overcome if companies begin their internal training courses in the autumn, or fill junior vacancies with temporary staff until school-leavers are available.

Trade Unions¹

Some companies recruit certain kinds of employees through the appropriate trade unions. The choice is limited, but there is some certainty that the candidate has the skill or knowledge the job requires.

Government agencies

The Careers Service and the various services of the Department of Employment provide a means of recruitment which is either free of charge or costs very little. The choice offered by these services is limited, however, because many types of employee prefer to seek jobs by other methods and do not register with the appropriate government agency.

Professional bodies²

Many professional bodies have an employment service with their members can register, supplying details of their experience and the kind of job they are looking for. An employer who uses this service can be sure that all the candidates submitted to him are pro-

¹ A trade union (British English) or labor union (American English) is an organization of workers that have banded together to achieve common goals such as better working conditions.

² A professional association (also called a professional body, professional organization, or professional society) is usually a non-profit organization seeking to further a particular profession, the interests of individuals engaged in that profession, and the public interest.

professionally qualified, and if the vacancy he wishes to fill requires a certain qualification the limited choice offered is not a disadvantage.

Instead of running an employment service, which needs careful administration, some bodies prefer to encourage employers to advertise in the journal.

Private agencies

Organizations which are run as commercial enterprises for supplying employers with candidates for jobs are of two types:

- a) **Office staff employment agencies**, which mainly deal with clerical, typing and office machine operator vacancies. The employer informs the agency of the vacancy he wishes to fill, and the agency submits any suitable candidates on its **register**. When a candidate is engaged the employer pays a fee to the agency, part of which is usually refunded if the employee leaves within a specified time. There is no charge to the candidate, who of course is at liberty to register with several agencies if he or she likes. Unless the agency takes care to submit only reasonable candidates for the vacancy its services can be expensive because of the time taken up in interviewing, testing and processing applications.
- b) **Senior selection agencies**, which usually undertake the complete recruitment process and the first stages of selection for managerial and professional vacancies. The agency analyses the job, prepares job and, personnel specifications, advertises, sends out application forms and interviews selected candidates, sometimes testing them also. The employer is then presented with a short list of candidates, the career and qualifications of each being described, so that he may make the final choice. This method of recruitment is expensive because it is usual for the employer to pay a substantial fee whether or not a suitable candidate is found.

It has two disadvantages:

- In many cases it is impossible for an outside body to understand in a short time what kind of a person will fit in with the present management of the company.
- It is very difficult for the agency to follow up and validate its recommendation.

Advertising

The most popular method of recruitment is to advertise the vacancy and invite candidates to apply to the company. It has been estimated that about 10% of all advertising expenditure is devoted to situations vacant advertising; there is no doubt that much of this huge sum is wasted, chiefly because so little research has been carried out compared with research in the field of product advertising. **Many employers have been able to reduce their job advertising costs with no adverse effect on the quality or quantity of candidate response by experimenting with styles of advertisements, media and wording, and keeping careful records of the number of replies received to each advertisement and the candidate who was eventually selected.** The only reliable guidance about advertising comes from the person who receives and analyses the replies, i.e. the employer himself; newspapers and advertising agencies, which often claim to advice on the style and size of advertisements, are not usually in a position to know and evaluate the response.

Job advertisements should aim at procuring a small number of well-qualified candidates quickly and cheaply. An advertisement which produces hundreds of replies is bad; the employer must now face the lengthy and expensive task of sorting out few candidates for interview. The advertisement can become the first stage in selection by describing the job and the qualifications required so comprehensively that borderline candidates will be deferred from applying and good candidates encouraged. The small amount of research that has been done in this field shows that information about the job contributes much more to the effectiveness of an advertisement than its style or size. There is also general agreement that including the word in an advertisement increases the response.

Advertising may be made more effective and less expensive if the following principles are observed:

- a) The advertisement should contain a job specification and a personal specification in miniature, including the following:
 - Job title;
 - Description of job and employer (including location);
 - Experience, skills and qualifications required;
 - Age range;
 - Working conditions (e.g. wage or salary, fringe benefits);
 - Training given(if relevant);
 - What action the candidate should take (e.g. write a letter, telephone for an application form, etc.)
- b) It should appear in the appropriate publication e.g. local press for manual routine clerical jobs, national press for senior jobs, professional journals for specialists.
- c) Experiments should be made to test the response for different sizes, headings, page position, day of the week, etc.
- d) Careful records should be kept showing:
 - which publication was used;
 - which date and day of the week;
 - which position on the page;
 - which style and size (e.g. display, semi-display, run-on);
 - names of the candidates replying to each advertisement;
 - names of the candidates who are selected for interview;
 - names of the candidate who is successful.
- e) The response should be analyzed so that advertising expenditure can be directed towards the publication and the style of advertisement which give the best result for a particular type of vacancy.
- f) Rejected candidates should be sent a prompt and courteous letter; inconsiderate treatment will eventually detract from a company's reputation and adversely affect the response to future advertisements.

Sometimes other considerations besides cost and responses must be kept in mind. For example, suppose that evidence has been collected which shows that small advertisements are just as effective as large, providing the information given is the same (a not uncommon finding). The company may decide that small advertisements are not consistent with its prestige and that large advertisements must be used even though they can be shown to be wasteful. In this case part of the cost of the advertisement should logically be paid out of the company's general advertising account as it is concerned as much with public relations as with recruitment. On the other hand, the prestige of the company can sometimes be made use of; a recruitment campaign is very often more successful if it follows a national advertising campaign for a new product which has brought the company into the public eye.

Box numbers³

Occasionally a company decides to use a box number in a job advertisement instead of its own name and address. The reasons for this decision are usually:

- a) The company is beginning a new venture which at present it wishes to keep secret, or
- b) The present holder of the job is to be transferred or dismissed and has not yet been told, or
- c) The company wishes to state a salary in the advertisements but its salary policy is secret.

Only the first of these three reasons is entirely creditable. The response to box number advertisements is usually poor in quality and quantity partly because of the mystery incorporated in them and partly because they inevitably contain less information than a normal advertisement which specifies the company's name, address and business. Some large companies who wish to preserve their anonymity ask a senior selection agency to advertise on their behalf; the prestige of the agency may to some extent counterbalance the disadvantages of the use of a box number.

13.3. SELECTION

13.3.1. The application form

Whatever method of recruitment is used, the candidate should be asked to fill up an application form, firstly to ensure that no important details are omitted and secondly to provide information about the candidate in a logical and uniform order. The layout of application forms varies, but most of them contain the following headings, usually in this order:

- a) job applied for;
- b) name, address, telephone number;
- c) date and place of birth, marital status, nationality;
- d) education;
- e) academic qualifications
- f) medical history (e.g. any serious illness, whether disabled);
- g) employment history (names of previous employers, description of jobs held, dates of employment, reasons of leaving);

³ a mailing address to which answers to a newspaper ad can be sent.

- h) any other information the candidate wishes to provide;
- i) a signature under the words " This information is correct to the best of my knowledge";
- j) date.

The application form is not only the basis of selection, but is the fundamental document in an employee's personnel record and has legal importance in the contract of employment.

13.3.2. Selection method.

The manager's next step is to compare the application form with the personnel specification, looking for attributes which show the candidate to be apparently suitable for the job and shortcomings which may either rule out the candidate from considerations or necessitate special training if he were engaged. From this comparison he can make a list of candidates for interview and a list of those to be rejected. The latter should be written once regretting their lack of success.

He will have decided what type of interview should be given - individual, successive, or panel.

13.3.3. Offer of the job.

Assuming that a suitable candidate has emerged from the selection process, he must now receive an offer. It is usual for him to be made an oral offer, and if he accepts it (perhaps after an interval for consideration) he is given a written offer. The initial offer of a job must be given care, particularly as regards the following points:

- a) The wage or salary offered must not only be appropriate to the job and attractive to the candidate but consistent with the earnings of present employees.
- b) The job must be named and any special conditions stated (e.g. "for the first six months you would be under training at our branch").
- c) The candidate must know the essential conditions of employment (e.g. hours, holidays, bonuses and **fringe benefits**).
- d) Any **provisos** must be clearly stated (e.g. "subject to satisfactory references and medical examination").
- e) The next stage must be clearly defined; if the candidate asks for time for consideration, it must be agreed when he will get in touch. If the candidate accepts the oral offer, the manager must say what will happen next, and when.

13.3.4. References

A clear, unbiased and comprehensive description of a candidate's abilities and behavior by the previous employer would be of enormous value in selection, particularly if the employer also supplied a job specification. Unfortunately this is never realized, for several reasons:

- a) Most candidates are employed at the time of their application, and do not wish their employers to know they are looking elsewhere.
- b) Because of (a) a prospective employer would be breaking a confidence if he asked for a reference, before an offer of a job had been made and accepted.
- c) By the time an offer has been accepted, selection is over, and the reference is too late to affect it.

- d) An offer may be made "subject to satisfactory references", but as most references are received after the candidate has started work they can only be used to warn managers of possible faults in the candidate which in serious cases may eventually lead to warnings followed by dismissal.
- e) Employers giving references are usually extremely cautious; many references merely state the job title, the dates of employment, and the reason for leaving.
- f) References, are occasionally biased, giving a good reference to hasten an employee's departure or a poor one because of a grudge.

Most references do not give rise to second thoughts about the selection of a candidate, but in a few cases information is given (usually by a telephone call) which shows the request for a reference to have been worth while.

13.3.5. Medical examination.

Preferably, every candidate should have a medical examination before the offer of a job is confirmed. It will show whether he is physically suitable for the job and what risk there is likely to be of sickness absence or injury though some doctors maintain that a very thorough medical examination indeed is necessary to fulfill these requirements. Many employers, perhaps the majority, dispense completely with medical examinations because of their cost, the delay they cause in allowing the candidate to start work, and the very large number of jobs in which physique is not important. Others require candidates to be interviewed by a nurse who will refer them to a doctor if she suspects that any serious disability is present.

Medical examinations should always be given:

- a) When the candidate is applying for a particularly **arduous job**, or when he will work alone (e.g. a security officer).
- b) When the job demands high standards of hygiene (e.g. catering and food manufacture).
- c) When the interview or other source reveals a doubtful medical history.
- d) To any employee whose health may be in danger because of his work. This decision is made by the Employment Medical Adviser, who has the statutory power (if the employee consents) to carry out the examination.
- e) To candidates who are known to be disable e.g. registered disable persons.

It is wise to include in the application form, above the space for the signature, a statement to the effect that the candidate agrees, if engaged, to be medically examined at any time.

13.3.6. The written offer of employment

Assuming that the oral offer has been accepted the employer must now confirm in writing. He will repeat in his letter the conditions he has already stated, taking great care that they are accurate because they will be on permanent record as the basis of the contract of employment. In many companies it is the rule that written offers may only be sent by the personnel manager or company secretary to ensure their accuracy.

Some employees combine the written offer of employment with the **statutory statement** which must contain:

- a) Names of employer and employee.
- b) Date when employment began.

- c) Pay, or method of calculating pay.
- d) Intervals at which payment is made (i.e. weekly, monthly, etc:).
- e) Terms and conditions relating to:
 - hours of work;
 - holiday pay, including the pay due on termination of employment;
 - sick pay;
 - pension scheme.
- f) The length of notice of termination the employee is obliged to give and entitled to receive.
- g) A note indicating the employee's right to join, or not to join a trade union, or the effect on him of a union membership agreement.
- h) A description of the manner in which an employee can seek **redress** of any grievance relating to his employment.
- i) The title of the job.
- j) A note showing whether any period of employment with another employer counts as part of the period of employment for notice purposes.
- k) Reference to a document stating the disciplinary rules, and naming a person to whom the employee can apply (and by what method) if he is dissatisfied with a disciplinary decision.

It is not necessary for the written statement to cover all these points in detail; the employee may be directed to documents which are easily accessible to him for the full, particulars. These documents could include, for example, pension scheme handbooks or copies of the works rules. Employees must be informed in writing of any changes in conditions not more than one month after the change been made.

13.3.7. Induction

The process of receiving the employee when he begins work, introducing him to the company and to his colleagues, and informing him of the activities, customs and traditions of the company is called **induction**. It may be regarded as the beginning of training or the final stage of the selection process. It has also been shown to have a close relationship with labor turnover. Induction may be divided into two stages:

- a) Introduction to the working group is important psychologically and is best done by the employee's immediate supervisor, who should introduce him to his colleagues and show him round the department.
- b) Company background (in a large company), which may be described by lectures, films or visits. Probably this should not be done in the first day or week of employment because the employee is that time or week more concerned with his immediate surroundings and his own job. He will become interested in the wider scene two or three months after he has joined the company and can then take part in a second stage induction course at some central point in the firm, if the company is a large one, or his supervisor may talk to him informally if the company is small.

13.3.8. Follow up.

All selection should be validated by follow-up. The employee himself is asked how he feels about his own progress and his immediate superior is asked for his comments, which are compared with the notes taken at the selection interview. If a follow-up is unfavorable it is probable that selection has been at fault; the whole process from job specification to interview is then reviewed to see if a better choice can be made next time.

An employee can be followed-up about three months after he has started if the job is fairly straightforward, and after a longer period if the job is more complex and responsible.

13.4. QUESTIONS

1. What is recruitment?
 - a. the examination of the vacancy, the consideration of sources of suitable candidates, making contact with these candidates and attracting applications from them
2. What is selection?
 - a. assessing the candidates by various means, and making a choice followed by an offer of employment.
3. How usually vacancies are created in the company?
 - a. Because of some new or increased activity in the company.
 - b. Because an employee has left the company
 - c. As the final event in a chain of transfers and promotions following on a re-organization
4. Which is usually the most popular method of recruitment?
 - a. Advertising
5. What is the difference between the office staff employment agencies and senior selection agencies
 - a. The latter do the more profound work in recruitment and selection.
6. How can a company reduce job advertising costs maintaining the level of quality and quantity of candidates?
 - a. Experimenting with ad styles, media, wording etc.
 - b. Keeping careful records of responses
7. What are box numbers? Why are they used?
 - a. Mail box number for correspondence.
 - b. Phone number in the box in the newspaper
 - c. Used when company wants to keep secret about something (company's name, someone is going to be dismissed)
8. What are the pros and cons of using references?
 - a. Pros: may provide a clear, unbiased and comprehensive description of a candidate's abilities and behavior

- b. Cons: hard to get one from previous employer; may be too late, biased (positively and negatively) etc.

9. What is induction?

- a. The process of receiving the employee when he begins work, introducing him to the company and to his colleagues, and informing him of the activities, customs and traditions of the company

13.5. QUESTIONS FOR DISCUSSION

1. What is the difference between recruitment and selection
 - a. Recruitment is the first part of hiring process
 - b. Selection is the second part of hiring process
2. Can you think of any other reasons (not given in the text) why the company would use box numbers?
 - a. Poor reputation of the company
 - b. Trapping and manipulating. Dubious picture of the job. Saying one thing in the ad and then another when you come to the interview.
3. Why is medical examination is important? Why is it avoided by employers?
4. What is the difference between induction and follow for the person who is doing it for the new employee.
 - a. Induction – manager speaks and explains
 - b. Follow up – employee speaks and explains
5. Why should the company send a written offer of employment, when the candidate already gave an oral agreement to take the job?
 - a. It's of legal importance.
 - b. Make sure the agreement is clear and there is a basis for the contract

13.6. VOCABULARY

unsolicited [] предоставленный добровольно unsolicited contributions — добровольные пожертвования

proviso [] условие; оговорка (в договоре) to add a proviso — включить дополнительное условие (в договор) We will agree to the proposal with the proviso that overtime be / should be paid. — Мы согласимся на это предложение, если будут оплачивать сверхурочные.

statutory [] установленный, предписанный (законом) statutory order — указ или постановление, имеющее силу закона statutory corporation — корпорация, учрежденная на основании особого акта парламента statutory restriction — установленное законом ограничение statutory tariff — установленный законом тариф

redress [] 1. 1) исправление, корректирование (of - чего-л.) Syn: correction 1., improvement, amendment, reformation 2) возмещение, компенсация (убытка, ущерб); сатисфакция, удовлетворение (за оскорбление, моральный ущерб и т. п.) They are continuing their legal battle to seek some redress from the government. — Они продолжают судебные разбирательства в надежде получить от правительства компенсацию. Syn: reparation, compensation, satisfaction

induction [] 1) введение, ознакомление (действие или процесс по ознакомлению с чем-л.) the organization of refresher or induction courses — организация повторных или вводных курсов Syn: introduction, initiation

LESSON 14. TRAINING PRINCIPLES & ADMINISTRATION

14.1.1. Purpose of training.

Under favorable circumstances, training has the important dual function of utilization and motivation. By improving employee's ability to perform the tasks required by the company, training allows better use to be made of human resources; by giving employees a feeling of mastery over their work and recognition by management their job satisfaction is increased. When circumstances are unfavorable, these results may not be obtained, for example when the trainee sees no purpose in his training, when it is regarded as a punishment or sign of displeasure, or when the training is irrelevant to the trainee's needs.

In detail, the gains which it is hoped training will bring are as follows:

- (a) Greater productivity and quality.
- (b) Less scrap or spoiled work.
- (c) Greater versatility and adaptability to new methods.
- (d) Less need for close supervision.
- (e) Fewer accidents.
- (f) Greater job satisfaction showing itself in lower labor turnover and less absence.

It is always desirable to attempt to validate a training course to see if any of these results have been achieved.

14.1.2. Reasons for training.

Sometimes training is a routine, e.g. a new employees in certain jobs automatically go through a training course. More often training is given as a response to some event, for example:

- (a) The introduction of new equipment or techniques which require new or improved skills.
- (b) A change in working methods.
- (c) A change in product, which may necessitate training not only in production methods but also in the marketing functions of the company.
- (d) A realization that performance is inadequate.
- (e) Labor shortage, necessitating the upgrading of some employees.
- (f) A desire to reduce the amount of scrap and to improve quality.
- (g) An increase in the number of accidents.
- (h) Promotion or transfer of individual employees.

Training which is routine and traditional sometimes becomes out of date, irrelevant or inadequate. A review may show that the purposes, methods and standards of the training should be changed.

14.1.3. The systematic approach to training.

Like any other business process, training can be very wasteful if is not carefully planned and supervised. Without a logical systematic approach some training may be given which is not necessary and vice versa, or the extent of the training may be too small or too great. When the training is complete validation will show whether it has been successful in achieving its aims and systematic approach to training follows this program:

- (a) The job is analyzed and defined.
- (b) Reasonable standards of performance are established, perhaps by reference to experienced employees.
- (c) The employees being considered for training are studied to see if the required performance standards are being attained.
- (d) The difference (if any) between (b) and (c) is considered. It is often called the "training gap", though it may be partly due to faults in the organization, poor materials or defective equipment.
- (e) Training programs are devised to meet the training needs revealed in (d).
- (f) Training is given and appropriate records kept.
- (g) The performance achieved after training is measured; if the training program has been successful the performance standards set in (b) should now be achieved (validation).
- (h) An attempt is made to calculate the cost of the training and compare it with the financial benefit gained by the improved performance of the employees. The training program may be revised if a method can be seen of achieving the same result at lower cost (evaluation).

The following mnemonic may be useful:

- (1) Analyze job;
- (2) Performance standards;
- (3) Performance attained;
- (4) Requirements of training;
- (5) Originate training program;
- (6) Administer training;
- (7) Check results;
- (8) How can training be improved next time?

14.1.4. The assessment of individual training needs.

The systematic approach to training will show the training needs of an individual employee or a group of employees engaged on the same work. Careful analysis of the job including the setting of performance standards is the first step: management by objectives is a special example of this. The performance now being attained by employees can sometimes be measured, but more often it is assessed through an appraisal scheme. Management by objectives again shows a different technique by reviewing measurable performance in previously agreed key areas of the job. Any disparities between standards and performance levels show possible training needs. Often, of course, the assessment is done almost by intuition, particularly when an individual employee's performance could obviously be improved by clear-out training action, e.g. giving him more knowledge of the product or showing how to use an office machine. Validation of the training may be equally straightforward in such cases.

14.1.5. The assessment of long term training needs.

Many training programs (e.g. **apprenticeships**) are lengthy, and can therefore be wasteful unless plans are made well in advance. A sudden need for skilled engineering craftsmen will not be met by increasing the number of apprentices entering a four-year scheme; on the other hand it is possible for a company to have jobs for only a small proportion of its apprentices when they complete the training because it is reducing or giving up some of its manufacturing activities. **The assessment of long term training needs, usually carried out for a whole company, is therefore part of manpower planning.** By estimating the expansion or contraction of the labor force, what categories will be affected, the probable number leaving the company and the present utilization of employees it is possible to plan what kind of training will be required in the future, when it should begin and how many present or new employees need to be trained. If financial or material resources are limited the analysis may also help to decide which training activities should be given priority.

14.2. TRAINING DESIGN

14.2.1. Training principles.

The motivation of the trainee is particularly important and is influenced a great deal by the design of the training program and the methods which are used.

The first step in designing a training course is to consider the training requirements under three headings:

- ✓ Attitudes
- ✓ **Skills**
- ✓ Knowledge

For example a shop assistant in a men's outfitters would require a certain attitude towards customers, skill in selling, measuring, wrapping and displaying, and knowledge of his stock, sales procedures, current fashions and his company's general policy.

14.2.2. On or off job training.

The methods of training will to a large extent depend whether the training shall take place on or off the job. **On the job training is given in the normal work situation, the trainee using the actual tools, equipment, documents or materials that he will use when fully trained.** He is regarded as a partly productive worker from the time his training begins.

Off-job training takes place away from the normal work situation, usually employing specially simplified tools and equipment. The trainee is not regarded as a productive worker from the beginning, his initial work often consisting of exercises. Off-job training may take place on the employer's premises, at a training centre attended by trainees from several employers, or at a college.

14.2.3. Advantages and disadvantages of on-job training.

The **advantages of on-job training** are as follows:

- a) It is less costly than off-job training because it uses normal equipment in normal surroundings.
- b) Learning will take place on the equipment which will be actually used when the trainee is proficient; there are no transfer of learning problems

- c) The trainee is in the production environment from the beginning; he does not have to adjust to it after the rather sheltered conditions of off-job training.

The **disadvantages of on-job training** are as follows:

- (a) The instructor (usually a supervisor or a nearby worker) may be a poor teacher and may not have enough time to give proper training.
- (b) If there is a payment-by-results scheme it may discourage the instructor from training, and the trainee from learning properly.
- (c) The trainee may be exposed to bad methods and learn these instead of more efficient methods.
- (d) A large amount of spoiled work and scrap material may be produced.
- (e) Valuable equipment may be damaged.
- (f) Training takes place under production conditions which are stressful, i.e. noisy, busy, confusing and exposing the trainee to comments by other workers. Stress usually inhibits learning.

Some forms of training can only take place on-job, e.g. job rotation, coaching, and those skills which are so uncommon that it is not worth-while to set up off-job training facilities for these. Conversely, theoretical training can hardly ever take place on-job; the trainee must attend a college, which is off-job training.

14.2.4. Advantages and disadvantages of off-job training.

The **advantages of off-job training** are as follows:

- (a) As the training is given by a specialist instructor, it should be of higher quality.
- (b) Special equipment, simplified if necessary, can be used.
- (c) The trainee can learn the job in planned stages, using special exercises to enable him to master particularly difficult aspects.
- (d) In the long-term off-job training may be less costly because it enables workers to reach higher standards of speed and quality.
- (e) It is free from the pressures of payment-by-results schemes, noise, danger or publicity.
- (f) The trainee will learn correct methods from the outset.
- (g) He does not damage valuable equipment or produce spoiled work or scrap.
- (h) It is easier to calculate the cost of off-job training because it is more self-contained than on-job.

The **disadvantage of off-job training** are:

- (a) The higher costs of separate premises, equipment and instructors can only be justified if there is regular, fairly large intake of trainees.
- (b) Sometimes there are transfer-of-learning difficulties when a trainee changes from a training equipment to production equipment and from a training school environment to a production environment.

No training can be entirely off-job; some aspects of the task can only be learned by doing them in the normal production setting, with its own customs and network of personal relationships. To illustrate this point, training in driving might be given to a very high standard on a private track, but the driver will not be truly expert until he has experi-

enced driving on public road; only then can he learn to react to the behavior of other drivers.

Some methods of training which have become important in recent years can only be off-job, for example programmed learning, skills analysis and discovery learning. But even here the final stage of training must be on-job.

14.3. VALIDATION AND EVALUATION

14.3.1. Validation of training.

The systematic approach to training provides a means of validating a training program. The trainee may be given a test to see if he is now able to reach the performance standards that have been set, or the quantity and quality of his production may be measured for the same purpose.

Unfortunately, training programs are often extremely difficult to validate. Many jobs are not measurable in any significant way and therefore validation of training for them can only be subjective. For example, the performance of a manager who has attended a management training course may be assessed by his superiors before and after the course. They may well agree that an improvement has occurred, but could this not be due to the fact that the manager is now older? Perhaps the assessors, having sent the manager on a course, will simply assume that he must have benefited from it. Another possibility is that since the course began events have occurred which help the manager in his job.

14.3.2. Evaluation of training.

By calculating the cost of training and comparing it with the financial benefits to the company from the improved performance of the trainees, validation may be extended to become evaluation. The ease and accuracy of evaluation vary a great deal, as follows:

- (a) The cost of off-job training is much easier to ascertain than that of on-job training.
- (b) The financial benefits of training are easier to estimate for manual than for non-manual workers.
- (c) The costs of inadequate training can often be fairly easily measured (e.g. scrap material, spoiled work, customer complaints, overtime working to remedy mistakes).
- (d) The benefits of training often go beyond an improvement in job performance. It is, however, difficult to estimate to what relaxation of supervision and reduction in accidents and labor turnover are due to improved training. Expressing these benefits in financial terms is even more difficult.

14.3.3. Responsibility for company training.

Because training is so important in the utilization and motivation of human resources it deserves the special attention of the senior management of the company. At a lower level, the line manager must regard the training of his subordinates as one of his responsibilities, since he is expected to use the resources at his disposal to the best advantage. Some companies have training officers or departments which advise on policies and methods and may administer some of the training. Consultants are sometimes called in, particularly to give advice about unusual training problems, or to overhaul methods which are obviously inefficient. These various roles in training may be summed up as follows:

- (a) Senior management determines a general training policy which is consistent with the objectives of the company. It may be derived from the company manpower plan or based on an assessment of training needs to which junior levels of management have contributed.
- (b) Line managers have a responsibility for training their subordinates and are often personally involved in giving it because training is always wholly or partly on-job. In some cases they may design and supervise training programs, while in others the training of their subordinates may be largely off-job, line managers being expected to provide the finishing touches when the employees begin productive work. In all cases it is the responsibility of line managers to ensure that the training which is given, by whatever means, is relevant to the needs of the department and is effective in its results.
- (c) Training officers advise senior management on policy by applying their expert knowledge of training to the needs of the company. They frequently conduct surveys or are consulted when changes are proposed which will necessitate training or re-training. They design courses, administering them if they are off-job.
- (d) Instructors are in direct contact with trainees, and in most cases are concerned with off-job training. They are not responsible for designing the course but they are expected to report any deficiencies it seems to contain. They are usually proficient workers who have taken a short course in training methods.
- (e) Consultants tend to be called in when a company is facing unusual training problems, for example, poor productivity or the consequences of reorganization or technical change. They study needs, advise on an appropriate methods and set up training procedures which the manager believes the company can then continue.

14.4. STUDY QUESTIONS

1. What is the purpose of training for the company and for the person himself?
 - a. Under favorable circumstances, training has the important dual function of utilization and motivation. By improving employee's ability to perform the tasks required by the company, training allows better use to be made of human resources; by giving employees a feeling of mastery over their work and recognition by management their job satisfaction is increased.
2. Reasons for training. Explain the reason "a realization that performance is inadequate".
 - a. Performance is less than desired because of poor utilization and motivation of employees.
3. What is a "training gap"?
 - a. The difference (if any) between Reasonable standards of performance and Actual performance is considered. It is often called the "training gap", though it may be partly due to faults in the organization, poor materials or defective equipment
4. What is validation of training?
 - a. The performance achieved after training is measured; if the training program has been successful the performance standards set will be achieved (validation).
5. What is evaluation of training?
 - a. An attempt is made to calculate the cost of the training and compare it with the financial benefit gained by the improved performance of the employees. The training program may be revised if a method can be seen of achieving the same result at lower cost (evaluation).
6. Which forms of training are only "on-job" or "off-job"?

- a. Some forms of training can only take place on-job, e.g. job rotation, coaching, and those skills which are so uncommon that it is not worth-while to set up off-job training facilities for these
 - b. Conversely, theoretical training can hardly ever take place on-job; the trainee must attend a college, which is off-job training.
7. What form of training would you suggest for new employee at the Electric Light Company (Ламповый завод) who is assigned to work on the conveyer producing light bulbs.
 - a. On-job training
8. Whose role is to ensure that given training is relevant for the department and effective in results
 - a. Line Managers
9. What is the role of senior managers?
 - a. determines a general training policy which is consistent with the objectives of the company.
10. Whose role is to help the company with unusual training problems?
 - a. Consultants
11. Whose role is to keep direct contact with employees mostly in the off-job environment?
 - a. Instructors
12. Whose role is to apply their expert knowledge to the needs of the company and help senior managers on training policy?
 - a. Training officers

14.5. DISCUSSION QUESTIONS

1. Why the same training program may in one situation bring gains to the company and in another situation cause losses?
 - a. It should be perceived as a tool of growth in master and recognition by the employee to be a motivating factor
 - b. It should be cost efficient for management to be a gain and not a loss for the company.
2. Situation: You organized training for manual workers, hoping to improve their productivity. How would you evaluate the economic benefit of the training program? How can you say it was successful or not?
3. What is the difference between on and off job training
 - a. Place: inside / outside
 - b. Tools and equipment: real / simplified
 - c. Productivity: yes / no
 - d. Cost: Low / high
 - e. Quality of instruction: bad (good)/ good (bad)
 - f. Scrap: yes / no
 - g. Risk: high / low
 - h. Stress: high / low
 - i. Focus: practical / theoretical
 - j. Learning: more difficult / easier
 - k. Cost of training program: difficult to calculate/ easier to calculate
- 4.

14.6. VOCABULARY

Training - 1) обучение 2) подготовка

scrap 1) отходы, тж бой; обрезки 2) скрап; лом 3) превращать в лом 4) фарматура (табака) 5) шквара

performance 1) работа; функционирование; действие; исполнение; выполнение 2) (рабочая) характеристика; (рабочие) характеристики; эксплуатационные качества; эксплуатационные данные; рабочие параметры; эксплуатационные параметры 3) режим (работы) 4) производительность; эффективность, КПД; пропускная способность; быстродействие 5) ходовые качества (судна) 6) летно-технические характеристики, летные качества

apprenticeship [] 1) обучение, учение, ученичество Syn: period spent as a pupil, period spent as a student 2) срок учения, период обучения

skill 1) умение, мастерство 2) искусство 3) квалификация 4) ремесло

validation 1) проверка достоверности; подтверждение правильности 2) аттестация 3) приемочные испытания 4) ратификация

training officer инструктор производственного обучения; мастер производственного обучения

LESSON 15. APPRAISAL OF PERFORMANCE

15.1. THE NEEDS FOR APPRAISAL

A **sales force**, whether it is "travelling" or **sedentary** in a retail store has to be subjected to a periodic appraisal of its performance. The need for this arises out of:

- (a) personality changes in the salesman, arising from overconfidence or general complacency;
- (b) changing market conditions;
- (c) product evolution; and
- (d) new or improved selling techniques.

The purpose of the appraisal will be to satisfy management of the effectiveness of the over-all sales as well as an appraisal of the individual's performance. For the consideration of possible promotion, bonus or salary increases, **appraisals have to be regular and rational**.

15.2. MAJOR CONSIDERATIONS.

A sales manager will want more specific information in certain areas of the operation. He will want to assess the abilities of his salesmen in particular aspects which have a major effect upon the efficiency of the selling function. Major considerations will be upon the following points.

- (a) Is the salesman obtaining *a satisfactory volume of orders*'?
- (b) Is the salesman providing a *satisfactory level of service* to maintain good customer relations?
- (c) *If there are faults*, is the salesman to blame or is management lacking?
- (d) *What effective action can be taken to help*?

The answers to these questions will determine the manner in which management at levels will perform in the aspects of leadership, motivation and control.

15.3. AIMS OF APPRAISAL

Formal appraisals of performance are not intended to enable management to make categorical decisions but to create conditions of confidence between management and sales force that will allow maximum co-operation between the policy making and the operational bodies.

Formal appraisals were developed originally to assess the performance of workers in factories. Supervisors were asked to evaluate the abilities of the subordinates on a form. This system, known as **"merit rating"**, was concerned with:

- (a) quality and volume of work; and
- (b) attitudes towards the firm and work-mates.

Following the use of "merit rating" it was found necessary to advise supervisors against inclinations to give what was known as a **"halo-effect"**. This is seen in the way a supervisor faced with a number of values to determine about a man's performance will tend to believe that a man who is good or bad at one aspect will be equally good or bad at the others. This tendency has frequently been seen in appraisals of salesmen.

The appreciation of this human tendency to be biased is generally countered by varying the categories down the form so making the assessor deliberate on each answer.

15.4. APPRAISAL OF PERFORMANCE.

Having made allowances for the "halo-effect" the firm will request information on the way the salesman carries out his duties. Normally the manager will accompany the salesmen and make his appraisal from observation but other methods may be used. A number of reports will be made during the course of the year, the exact number depending upon the company's policy. The salesman can be assessed in the following ways.

- (a) The manager will accompany the salesman on his day's work.
- (b) The manager may make independent calls upon customers with the purpose of checking the salesman's effort when he is alone.
- (c) Random checks may be made on the salesman's daily report to determine its accuracy.

15.5. PERSONAL APPRAISAL

When a sales manager or other supervisor accompanies a salesman on his day work he will be watching his performance in several respects:

- (a) his appearance and manner;
- (b) attitude;
- (c) experience; and
- (d) administration.

None of these factors is as intangible as it may appear. The sales records will reveal a great deal about the salesman's attitude experience and administrative abilities and the sales manager will bear this in mind in his personal observation. At first a salesman may display nervousness when dealing with customers under his manager's scrutiny, but with experience he will soon overcome this. A good manager will allow for this initially and try to put the salesman at ease. This will also show the manager's leadership qualities. It has been mentioned elsewhere that there is a tendency for buyers to ignore the salesman and talk to the manager on these occasions. The manager will try to discourage this but a good salesman will also be aware of the problem and will overcome it by his experience and personality. It is a valuable aid to a good assessment, and it will show his ability to handle the interview and the customer.

15.6. TWO-DAY REPORTS.

The appraisal of a salesman is not merely commenting upon the subordinate by the manager, it is a part of the manager's duties to coordinate and control those under him. Senior sales management, in assessing the manager's appraisals, will have this in mind and will want to see just how much work the manager or supervisor did with the salesman and how well he is motivating those under him. Most appraisal forms have a section dealing with "manager's comments and recommendations " and senior management will want to know:

- (a) what the manager thinks of his sales force; and
- (b) what action he is taking.

15.7. STATISTICAL APPRAISAL.

In the modern business environment, statistics are the life-blood of market research and planning. They will be wanted by many departments for their own uses. Many of these statistics emanate directly from the sales force's results. They have to be collated and put in an easily understood form for use by management.

The salesman, can, with a little practice and experience, keep records of his own performance and details of his territory in this easily assimilated form and make his own self-appraisals.

15.8. MOVING ANNUAL TOTALS.

A target set for a salesman will usually cover a period of twelve months. If it commences on a particular date and finishes at the end of twelve months it is not always easy to determine current over-all performance at any point other than the final figure. With increasing needs for immediate and up-to date information the method is not exact enough. The moving annual total, or M.A.T., shows at any point how the salesman's results compare with the previous twelve months. The example below illustrate a simple chart.

There can of course be no M.A.T for the first twelve months' operations. At the end of twelve months a figure is available, in this example CYP 23,000. Each successive month the new M.A.T is calculated by deducing the corresponding figure for the previous twelve months and adding on the new monthly figure. For the M.A.T. at June 1970, the sales for June 1969 are deducted, i.e. CYP 1,900, and to the remaining figure the sales for June 1970 are added, i.e. CYP 2,300 making an M.A.T of CYP 23,500. This method continued over a period enables an appraisal of current performance at a glance. Thus the final figure for 1970 of CYP 26,750 is an increase over the previous year of CYP 3,750.

M.A.T. of Export Sales to Australia.
"P.A. INTERNATIONAL"

Year Month	Actual Sales CYP	M.A.I
January	1,500	
February	1,600	
March	1,450	
April	1,350	
May	1,800	
June	1,900	
July	2,150	
August	2,300	
September	2,450	
October	2,500	
November	2,200	
December	1,800	23,000
January	1,450	22,950
February	1,500	22,850
March	1,600	23,000
April	1,450	23,100
May	1,800	23,100
June	2,300	23,500
July	2,800	24,150

15.9. MOVING AVERAGE FIGURES

August	2,950	24,800
September	3,050	25,400
October	3,150	26,050
November	2,800	26,650
December	1,900	26,750

The moving average is simply a refinement of the previous method which is obtained by dividing the total figure by the number of months it represents. Thus the moving average for June 1969 in the example above would be the total of January to June giving a moving average of CYP 1,600. This continued over a period will enable a salesman to see whether his sales are falling or rising in relation to the previous year.

$$= \frac{9,600}{6 \text{ (number of months)}}$$

15.10. USE OF GRAPHS.

A salesman or a sales manager can make use of graphs to visualize a great deal of information simply. Two types of graph are most commonly used, although many specialist forms may be used. They are Lorenz curves and Z charts.

15.11. LORENZ CURVES.

Lorenz curves may be used to illustrate the disparity arising from a disproportionate spread of sales over a number of customers. Examination of a salesman's results often show that **the largest volume of business comes from a small number of customers.** It is important for a salesman to know this. A simple example will illustrate the point:

EXAMPLE: A salesman specialized in selling metallization treatment to metal finishers, although in the rest of the sales force this type of business represented a small volume of total sales. This salesman worked in the Midlands where there were large numbers of metal finishers and he developed the business until more than 75 per cent of his sales came from three large firms. All three were completing contracts for admiralty and similar work which eventually they finished. When this happened they had no immediate use for the salesman's products and he, having spent so much time with them, had few substantial customer left.

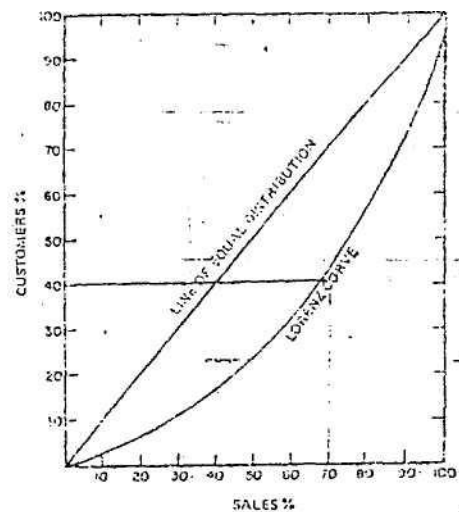


Figure 1. Lorenz Curve

A Lorenz curve will not identify the customers but it will make it clear where sales are coming from and enable further investigation and correction. Figure 1 shows that 70 per cent of sales comes from only 40 per cent of accounts, not a very satisfactory situation.

15.12. Z CHARTS.

A Z chart extends over a single year and incorporates three types of information.

- (a) Individual monthly sales.
- (b) Cumulative sales for the year.
- (c) Moving annual total.

It is usual for a double scale to be used since the cumulative figure will be twelve times larger than the average and would result in the latter being too insignificant on the same scale. The Z chart (see Fig. 2) is useful to the salesman for a continual check on his performance against the previous year.

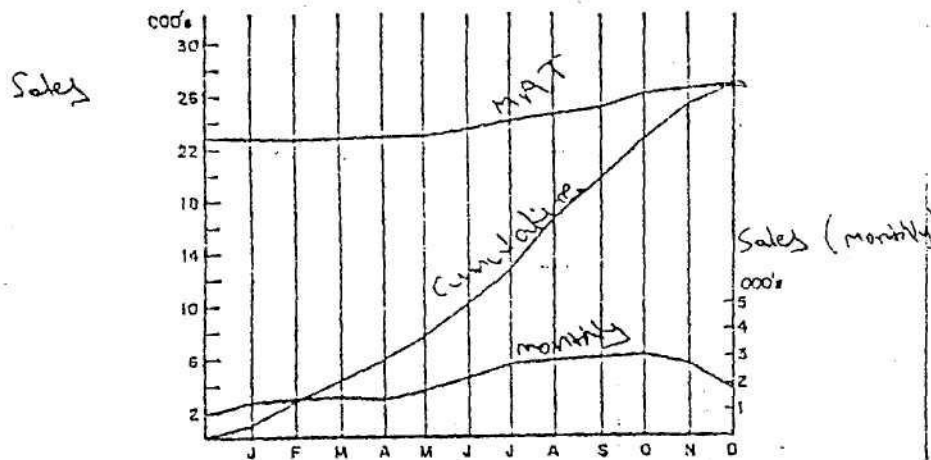


Figure.2 Z chart showing monthly sales and cumulative M.A.T

15.13. STUDY QUESTIONS

1. What is merit rating system?
 - a. It's a system concerned with: quality and volume of work; and attitudes towards the firm and work-mates.
2. What is "halo-effect"?
 - a. This is seen in the way a supervisor faced with a number of values to determine about a man's performance will tend to believe that a man who is good or bad at one aspect will be equally good or bad at the others. This tendency has frequently been seen in appraisals of salesmen.
3. What is the difference between appraisal of performance and personal appraisal?
 - a. Appraisal of performance is assessment of WHAT the person DOES.
 - b. Personal appraisal is an assessment of WHO the person IS.
4. What is the idea of two-day reports? (the way you understood it)
 - a. First day – evaluate the salesman
 - b. Second day – decide and take actions to improve it
 OR
 - c. «First day» – manager evaluates the salesman
 - d. «Second day» – senior manager evaluated the managers evaluation of the salesman
5. What is the idea of moving annual total method used for evaluation of sale's force?
 - a. Calculate the sum of sales the previous 12 months.
 - b. Move forward (deduct what falls out of the frame of 12 months and add what falls in.
6. What is special about moving average figures compare to M.A.T.?
 - a. Here we find out not the total for the year but the average for a given period of time.
7. What is the idea of Lorenz Curves?

- a. It shows the relationship between Sales (0-100%) and Customers (0-100%) generating these sales.
 - b. They say that the largest volume of business comes from a small number of customers.
8. What is the idea of Z charts? Why is it called “Z-charts”?
- a. Chart where on one graph you can plot three curves:
 - i. Individual monthly sales.
 - ii. Cumulative sales for the year.
 - iii. Moving annual total.
 - b. It looks like “Z”

15.14. VOCABULARY

sales force [] продавцы

sedentary [] 1) а) сидячий; неподвижный, малоподвижный *sedentary life* — сидячий образ жизни Syn: sitting б) постоянно прикрепленный (к чему-л.) Syn: permanently attached 2) пребывающий на одном месте; оседлый *sedentary birds* — птицы, не улетающие на зиму в теплые края Syn: settled

merit rating 1) оценка качества 2) оценка деловых качеств работника (работоспособности, аккуратности, организаторских навыков) 3) оценка классификации,(пере)аттестация

allowance [] 1) допущение; принятие; принятие в расчет, во внимание

LESSON 16. THE WHOLESALE TRADE

16.1.1. Introduction

Wholesale trade in the United Kingdom has been through a period of change as the retail trade has been modified by successive Resale Prices Acts. Traditional ways of marketing through wholesalers are often by-passed by manufacturers and growers, who sell direct to retailers, or to the public. Wholesalers themselves have branched out into new fields of activity like selling direct to the consumer by mail order. It is therefore difficult to lay down a definition that applies to all wholesalers today, and **unwise** to specify which activities a wholesaler will perform.

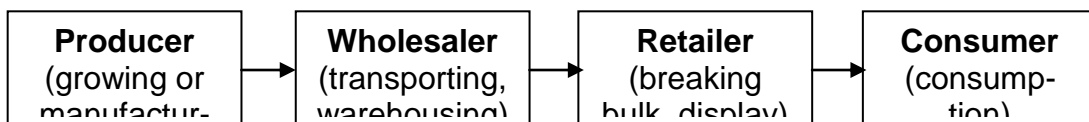
Traditionally a wholesaler is a person who buys in very large quantities and sells in **bulk** to retailers, performing in the **intermediate** period the functions of warehousing and transportation. Today these functions may also be performed by the manufacturer or the purchasing organization of a large-scale retailer.

Whoever **handles** the distribution of primary and secondary goods, it is obviously as important to have an efficient distribution system as it is to have efficient production. Distribution expenses amount to about 40 per cent of retail prices. Whether manufacturers handle these matters themselves or hand them over to the specialist attentions of wholesalers, the public have to pay the distribution costs as an increase in the retail price. A new management technique – **physical distribution management** – seeks to keep these costs as low as possible.

16.1.2. Position of the Wholesaler in the Chain of Commerce

Wholesalers are businessmen who handle goods in the intermediate position between the producer and the consumer, but traditionally they have always dealt in large quantities, e.g. whole cheeses or whole **carcasses**. They have left the cutting up of 'whole' units into smaller quantities to the 'retailers'.

The traditional distribution chain has therefore been:



Since the transporting and warehousing of goods is a very involved and lengthy process, it is not unusual for several wholesalers to be involved in the movement of the goods, handing them on from one to another. The term middlemen has been applied to these traders, since they stand between the producer and the retailer.

16.1.3. Evolution of the Middleman

Where production and consumption are carried on in the same locality there is usually little need for a 'middleman' to arrange the transport and exchange of goods. Middlemen before the industrial revolution were therefore mainly involved in the luxury trades, especially imported luxuries like furs, wine, and silk. They were also a feature of the **'staple' trades**, of which wool and spices were the most important.

As the agricultural and industrial revolution developed, and as transport problems were solved by the use of canals and eventually railways, the change to a more specialized production led to greater distribution problems. Wholesalers became involved in vast

movements of goods. Market-garden and agricultural production increased; meat, poultry, milk and milk products were available in greater quantities. Fishing and whaling increased, while the volume of manufactured goods rose year by year. New classes of wholesaler arose in the produce markets, in the coal trade, in groceries, drapery, furnishings, ironmongery, and above all in the import-export trade.

Merchants. Agents. Brokers, and Factors

Some of these middlemen were mercers, or merchants as we should call them today. A merchant buys the goods he handles and is therefore a true owner of them, selling at a price which takes into account the original cost and the service rendered. Others act only as intermediaries between the producer and the retailer, selling the goods on a commission basis. Such men are called agents. Strictly speaking, an agent is anyone who does something on behalf of another. In commerce we call them 'mercantile agents'. These are defined in the Factors Act of 1889 as persons 'having in the customary course of his business as an agent the authority either to sell goods, or to consign goods for the purpose of sale, or to buy goods or to raise money on the security of goods'.

The two commonest types of mercantile agent are brokers and factors. The difference between them is a difference in the extent to which they handle goods. Brokers merely sell the goods for their principals, and delivery of the goods sold is left to be arranged later, for the broker does not have them in his possession. The factor on the other hand is in possession of the goods, selling them for his principal, delivering them up to the buyer for payment, and rendering an account, less his commission for the sums due.

16.1.4. Functions of the Wholesaler

The functions of traditional wholesalers are as follows:

- (a) To remove from the manufacturer the burden of marketing his goods by taking bulk supplies from him, and settling promptly with cash. The risks of production are therefore greatly reduced, since it is now the wholesaler who is bearing the risks.
- (b) To assume the risks of the enterprise begun by the manufacturer but which he has now relinquished. These risks are i) that the goods will not be needed because there is no demand; (ii) that they can be disposed of only at a lower price than the cost price to the wholesaler; (iii) deterioration; (iv) theft and misappropriation, which are specially high when goods are in transit; (v) bad debts.
- (c) To transport the goods from the point of production to suitable depots in market areas, and possibly from the depots to the retailer's shop.
- (d) To warehouse the goods, in such a way that they will not deteriorate or be stolen, in the time gap before they are bought by the retailers.
- (e) To market the goods by advertising, demonstrating, or displaying them in ways appropriate to the class of goods concerned. This may also involve other processes such as packaging, blending and branding.
- (f) To grant credit where required to retailers whose resources are limited so that goods can be sold before payment is required.
- (g) To act as liaison between retailers and producers conveying the views of each to the other.
- (h) To even out the flow of goods in times of glut or shortage by taking supplies into stock or releasing them from stock. This is the speculative function which keeps prices steady irrespective of natural or man-made interferences with supplies.

All these services are useful to the other parties involved, and to the general consuming public. They may be classified as follows:

16.1.5. Services to the Manufacturer

- (a) The wholesaler removes goods in large quantities as they are produced, thus clearing the production lines.
- (b) He eliminates the need for a marketing system with all that involves in terms of warehousing space, distribution network, sales staff, accounting records, and debt collection.
- (c) By paying promptly the wholesaler reduces the **working capital** required by the manufacturer.
- (d) By warehousing the goods the wholesaler bridges the time gap between production and consumption, leaving the manufacturer free to concentrate on his specialized activities.
- (e) By selling under his own brand name the wholesaler often relieves the manufacturer of the need to advertise his product.

16.1.6. Services to the Retailer

- (a) The wholesaler breaks bulk to a reasonable size, selling in quantity but not large quantities.
- (b) He gives credit to certain classes of retailer, thus reducing the amount of capital needed by the retailer.
- (c) He often **grades, pre-packs, prices goods**. This reduces the retailer's work and enables him to serve customers more quickly.
- (d) By carrying stock which is readily available he reduces the capital and space required by the retailer. The retailer stocks only the goods that 'turn over' quickly. Slow moving items are ordered as required from the wholesaler.
- (e) The wholesaler displays a variety of goods from hundreds of manufacturers and demonstrates or displays them as necessary. At the warehouse the retailer can therefore see not only the lines he normally handles but the latest inventions and designs.
- (f) In many cases the wholesaler operates a **fleet of vehicles** and delivers goods to the retailer as and when required.
- (g) He chooses a convenient situation and opens at convenient hours.
- (h) He often helps the retailer to meet **cut-price competition** from the multiple shops and chain stores by selling to him at cut prices, providing the retailer is prepared to accept a reduction of services. This usually means 'cash and carry'; no credit is given, and the retailer transports the goods to his **premises** in his own **van**.

16.1.7. Services to the Public

- (a) By assuming the speculative function of buying goods when they are plentiful and releasing them when they are in short supply, the wholesaler enables the consumer to obtain a **steady flow of goods throughout the year, at steady prices**.
- (b) By specializing in distribution the wholesalers ensures that goods reach the consumer in the right quantities at the right times in the most economic way, so that the price to the consumer includes the smallest possible element of distribution costs.

- (c) As an intermediary between retailer and manufacturer or grower he conveys the views of each to the other so that complaints from consumers reach the manufacturer and grower and result in a general improvement in products.
- (d) The convenience of the public is served by the increased number of retail outlets kept in existence to serve them against the competition of large-scale retail outlets which are **viable** propositions only if established in town centers.

16.1.8. Types of Wholesaler

The pattern of wholesale trade is changing but the main types are as follows:

- (a) Traditional wholesalers
 - (i) **Large** general wholesales operating very large warehouses. Showrooms in suitable centres enable retailers to see the goods in comfort, but orders are filled from the warehouse. Commercial travelers are also employed in sales areas remote from the showrooms.
 - (ii) **Specialist** wholesalers operating in a more limited field but carrying a detailed inventory in their particular sphere of trade. Both the above may operate on a national scale.
 - (iii) **Regional** wholesalers serving a particular area. These wholesalers operate in the **perishable** field as well as in manufactured goods, delivering prepared foods, frozen foods, fruit and vegetables, meat, etc. Each of these is a specialized field.
 - (iv) **Local** wholesalers, operating on a small scale, and dealing in goods from the produce exchanges or as service and spare agents in the consumer-durable fields.
- (b) "**Cash and carry**" warehouses operating in the cut-price groceries and general retailing fields. The emphasis is on self-service, absence of credit facilities, breaking bulk to the requirement of the individual retailer, convenience of opening hours to suit the retail trade and absence of delivery facilities.
- (c) **Mail-order wholesalers** sell direct to the consumer in his own home, eliminating the retailer. One of the fastest growing fields of wholesale trade, the mail-order houses are really general wholesalers on a national scale. Their chief attraction to the consumer is short-term credit; the basis of their activities being the credit-sale agreement. This is a form of short-term hire purchase, and the 20-week payment period for nondurable goods such as clothing and footwear is attractive to the lower income groups. Mail-order firms operate through 'home agents' working on commission. In fact the system is now so widespread that almost every housewife is her own agent.

16.1.9. Warehousing

The mass-production system depends upon producing in anticipation of demand. It is no longer necessary to order a pair of socks to be **knitted** for you, or to place an order for a motor vehicle with a manufacturer. Millions of pairs of socks and thousands of motor cars are produced each month in **anticipation** of demand. The heavy investment required has to be planned in advance to produce a certain output. It follows that whether the orders come in or not the goods will roll off the production line. Warehousing is the method to used to store the goods until they are required. The demand may be seasonal, as with raincoats and umbrellas. It may be related to a particular festival, like the demand for greetings cards, decorations crackers, gifts, and toys at Christmas.

16.1.10. The Bad Reputation of 'Middlemen'

The term 'middlemen' has come to have **overtones** of **unscrupulousness** attached to it. Certain political groups hold that 'middleman' is synonymous with '**profiteer**'. How true is this, and how did the situation arise?

In earlier times communications were so poor and transport facilities so limited that merchants were carrying considerable risks when they undertook a 'trading venture'. This old name for a commercial undertaking speaks for itself. Also in early days when credit facilities were less well developed, and **usury frowned upon**, one of the middlemen's main function was to finance the undertaking. This he did by paying promptly for the goods supplied, and often in advance of supply, while he also waited until the retailer had sold the goods before receiving payment himself. For this reason it often arose that both producer and retailer were in debt to the merchant, or **brogger**, as he was called. The word brogger has changed into 'broker' and to have the 'broker's man in' is to have one's home sold up to pay debts.

Many of the early capitalists were middlemen who accumulated their wealth in the favorable position in which they found themselves. The man who is in the middle of a productive process is favorably placed to exploit others. He can refuse to buy the product from the producer unless the price is low, and he can refuse to sell it when he has acquired it unless the price is favorable to him.

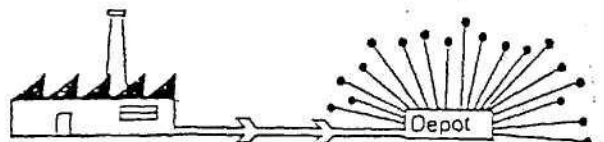
Today the middleman is not able to exploit either the producers or the consumers in quite the same way, but he may nevertheless make quite enormous profits at certain times. If he performs the speculative function, buying in times of glut and selling in times of shortage, he may make tremendous profits out of a situation which has developed **of its own accord** and was not engineered by him. **To the taunt of the politician that his enormous profits are causing the shortage, he will reply that the shortage is causing his profits.** His activities as a matter of fact are not causing the shortage, but relieving it. He may also point out that if prices had fallen, so that he lost on the transaction, no one would have sympathized with him.

If the middlemen is a little **maligned** here, it is perhaps regrettable. The student of commerce at least should see the point that the activities of middlemen, whether it is transport warehousing or risk-bearing are all useful functions. Even if the middleman is eliminated someone will have to perform these functions, and to the extent that he is not a specialist, society will be poorer, not richer.

16.1.11. Should We Eliminate the Wholesaler ?

An almost unanimous 'yes' from the mass of ordinary people would probably greet this question. It seems elementary that if the middlemen is cut out the 'honest' producer and the consumer must benefit. The producer's reward will be greater, and the consumer would get the goods more cheaply.

Manufacturer selling through a wholesaler



Manufacturer selling direct

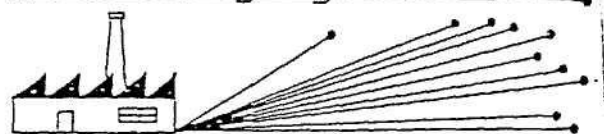


Fig. 13. Increased transport costs in direct selling

In fact this does not necessarily follow. As already mentioned, the wholesaler's functions have still to be performed and they are now to be performed by a non-specialist. Consider direct selling by manufacturers as distinct from selling through the wholesaler.

Fig. 13 illustrates the non-specialist nature of the delivery involved in this type of selling. The point is that increased social costs, not borne by the producer or the consumer but spread over the whole community, will creep in. Bigger traffic jams, bigger road programs, more accidents and hospital treatment, busier funeral parlors may result from a decrease in specialization. Remember that specialization is the key to increased wealth. If the specialist uses his favorable position to reap super profits the tax system usually returns these to the mass of the people anyway.

16.2. STUDY QUESTIONS

- 1) What is a wholesaler?
 - a) Traditionally a wholesaler is a person who buys in very large quantities and sells in bulk to retailers, performing in the intermediate period the functions of warehousing and transportation
- 2) Why is wholesaler is also called 'middleman'?
 - a) Because he is between the Producer and Retailer
- 3) What is "staple" trade?
 - a) Export import trade of special goods. E.g. wool, spices
- 4) What is the difference between Merchants and Agents?
 - a) Merchants are more involved in goods handling (can process, change, add something to the goods). They are true owners of goods.
 - b) Agents are only intermediaries between producer and the retailer, selling the goods on a commission basis.
- 5) What is the difference between Brokers and Factors
 - a) The difference between them is a difference in the extent to which they handle goods.
 - b) Brokers merely sell the goods for their principals, and delivery of the goods sold is left to be arranged later, for the broker does not have them in his possession.
 - c) The factor on the other hand is in possession of the goods, selling them for his principal, delivering them up to the buyer for payment, and rendering an account, less his commission for the sums due
- 6) What are the functions of the wholesaler? Use 2-3 words for each function. Name at least 5 functions
 - a) Remove the burden of Marketing from the manufacturer
 - b) Assume risks
 - c) Transport goods
 - d) Warehouse goods
 - e) Market Goods (advertising, demonstration, display, packaging, blending, banding)
 - f) Grant credit to Retailers
 - g) Even out the flow of goods in times of glut or shortage

- 7) What is the benefit of selling through Wholesaler for Producer?
 - a) This helps to focus more on production (higher specialization)
 - b) Fast clearing of production line, warehouses
 - c) No need for advertizing expenses
- 8) What is the benefit of buying from Wholesaler for Retailer?
 - a) Credit
 - b) To-door-delivery
 - c) See new trendy goods
 - d) Better packaging and pricing
- 9) What is the benefit of having Wholesalers for Publicity?
 - a) Provision of steady flow of goods throughout the year, at steady prices.
- 10) What is "cash and carry" wholesaler?
 - a) Wholesalers operating in the cut-price groceries and general retailing fields. The emphasis is on self-service, absence of credit facilities, breaking bulk to the requirement of the individual retailer, convenience of opening hours to suit the retail trade and absence of delivery facilities.
- 11) What is the appeal of mail-order wholesalers for customers?
 - a) Elimination of retailer costs.
 - b) Their chief attraction to the consumer is short-term credit; the basis of their activities being the credit-sale agreement. This is a form of short-term hire purchase, and the 20-week payment period for nondurable goods such as clothing and footwear is attractive to the lower income groups.
- 12) What are the reasons for a Bad Reputation of 'Middlemen'?
 - a) All the reasons boil down to high profits that they could make in the past because of the following factors
 - i) Bad transportation and lack of information in the past.
 - ii) Big Buying Power in the past. Could influence Producer selling prices and Retailer buying prices
 - iii) Ability to buy at low prices at the times of glut, then wait and sell at high prices at the times of shortage.
- 13) Why is it not good to eliminate the wholesaler?
 - a) If we do so then the wholesaler's functions have still to be performed and they are now to be performed by a non-specialist.
 - i) Leads to higher costs
 - ii) Side effects (Increased Social Costs not borne by the producer or the consumer: Bigger traffic jams, bigger road programs, more accidents and hospital treatment, busier funeral parlors may result from a decrease in specialization)
 - iii) Less specialization leads to less potential for wealth growth.

16.3. VOCABULARY

'staple' trades - ведущий, основной (о товарах, производимых на экспорт)

drapery [] 1) мануфактура, галантерейные товары

ironmongery [] железные изделия, скобяной товар

principal [] 1. 1) а) глава, начальник; патрон б) ректор (университета); директор колледжа / школы в) принципал (лицо, уполномочивающее другое лицо действовать в качестве агента; глава, хозяин)

settling promptly with cash рассчитываться оперативно наличными деньгами

assume the risks – брать на себя риски

relinquish [] 1) оставлять, сдаваться, отступить а) (сдавать территорию и т. п.) Syn: cede, surrender 2. б) (терять надежду, отказываться от мысли что-л. сделать и т. п.) They didn't want to relinquish the hope of return. — Они не хотели терять надежду на возвращение. Syn: surrender 2., abandon 1. в) (бросать привычку) Syn: give up, quit 3., cease 1. 2) отказываться (от права); уступать, передавать (to smb - кому-л.) The father was forced by law to relinquish the children to their mother. — Суд вынудил отца отдать детей матери. Syn: abdicate, renounce 1., resign I

misappropriation [] 1) незаконное присвоение, завладение 2) растрата, растрачивание

Bad Debts 1) безнадежные долги 2) дебиторская задолженность, не оплаченная в срок (статья в бухгалтерском балансе предприятия) 3) просроченные ссуды (в банковской практике)

To grant credit предоставить кредит

glut [] 1. 1) избыток, излишек, излишнее количество; излишество, неумеренность (в еде и т. п.) glut in / on the market — затоваривание рынка

premises ; 1) недвижимость 2) здание с прилегающими постройками и участком земли

cash and carry продажа за наличный расчет без доставки на дом

unscrupulous [] 1) неразборчивый в средствах 2) беспринципный, не имеющий моральных убеждений; бессовестный, недобросовестный

overtone [] 1) обертон 2) намек, нотка, подтекст political overtone — политический подтекст racial overtone — расовый подтекст

profiteer [] 1. спекулянт; барышник, перекупщик Syn: speculator 2. спекулировать; наживаться

usury [] 1) ростовщичество to condemn usury, to outlaw usury — осуждать ростовщичество to engage in usury, to practice usury — заниматься ростовщичеством Syn: money-lending 2) излишек with usury — с лихвой

LESSON 17. Z CHARTS AND LORENZ CURVES

Although graphs are generally designed for the particular purpose for which they are required, there are two types of graph so common that their forms have become standardized. They are Z charts and Lorenz curves.

17.1. Z CHARTS

17.1.1. Description of Z charts.

A Z chart is simply a graph that extends over a single year and incorporates:

- a) Individual monthly figures.
- b) Monthly cumulative figures for the year.
- c) A moving annual total.

It takes its name from the fact that the three curves together tend to look like the letter Z.

17.1.2. Points in the construction of a Z chart.

- a) Very often a double scale is used on the vertical axis, one for the monthly figures and the other for the M.A.T. and cumulative figures. This is because the M.A.T. is some twelve times larger than the normal monthly figure. If the same scale were used for both curves it would mean that the curve of the monthly figures would tend to creep insignificantly along the bottom of the graph.
- b) As an example, figure 6 shows a Z chart for the XYZ's sales figures. Note where the different curves start:
 - i) Monthly figures at the December figure of the previous year.
 - ii) Cumulative figures at Zero.
 - iii) M.A.T. at the M.A.T figure for the December of the previous year.

Table 1. Sales for XYZ

Sales (CYP 0000)			
Month	Monthly Figures	Cumulative Total	M.A.T.
January	4.0	4.0	72.2
February	4.1	8.1	71.1
March	4.2	12.3	69.9
April	4.3	16.6	68.6
May	4.4	21.0	67.2
June	4.5	25.5	65.7
July	4.6	30.1	64.1
August	4.7	34.8	62.4
September	4.8	39.6	60.6
October	4.9	44.5	58.7
November	5.0	49.5	56.7

December	5.1	54.6	54.6
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NOTE:

Dec '75 – 7.2

M.A.T. at Dec'75 – 73.2

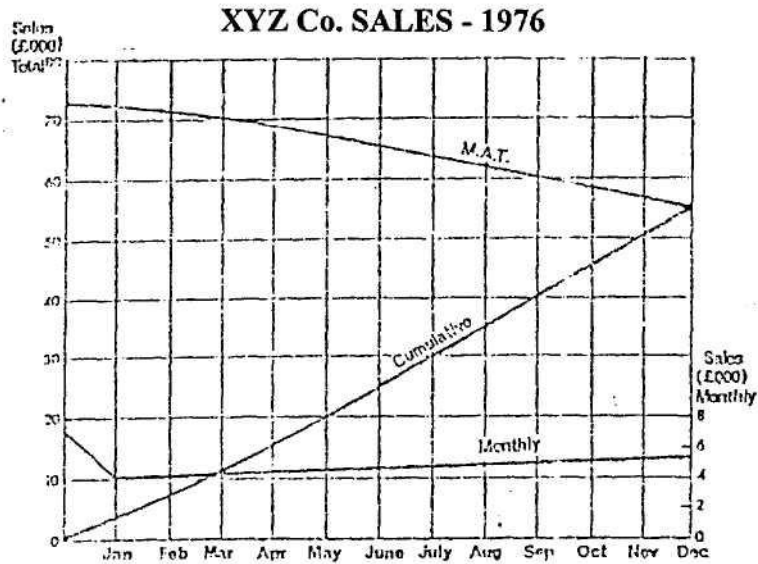


FIGURE 6 Z CHART.

Table 2. M.A.T of XYZ's Sales

YEAR	Month	Sales(CYP)	M.A.T. (CYP)	Notes on Calculation
1975	January	5000		There can be no M.A.T. until 12 month's figures are available.
	February	5200		
	March	5400		
	April	5600		
	May	5800		
	June	6000		
	July	6200		
	August	6400		
	September	6600		
	October	6800		
	November	7000		
		December	7200	73 200
1976	January	4000	72 200	73 200 – Jan 1975 + Jan. 1976
	February	4100	71100	
	March	4200	69 900	

April	4300	68 600	72 200 – Feb '75+ Feb. '76 71 100 – 5 400 + 4 200 etc. Add Jan – Dec'76 to cross - check the ac- curacy of this final figure•
May	4400	67 200	
June	4500	65 700	
July	4600	64 100	
August	4700	62 400	
September	4800	60 600	
October	4900	58 700	
November	5000	56 700	
December	5100	54 600	

- c) Note that since a M.A.T is the total of the twelve immediately preceding months, the M.A.T for the final month must be the same as the cumulative total. The two curves will therefore meet at this point.

17.2. LORENZ CURVES

17.2.1. Function.

It is a well known fact that in practically every country a small proportion of the populations own a large proportion of the total wealth. Industrialists know too that a small proportion of all factories employs a large proportion of the factory workers. This disparity of proportion is a common economic phenomenon, and a Lorenz curve is a curve on a graph demonstrating this disparity.

17.2.2. Construction.

To illustrate the procedure involved in the construction of a Lorenz curve, let us take the following table:

Table 3. Holding sizes in little fielding

Size of holding	No. of holdings	Total area (ha)
Under 1/2 hectare	310	105
1/2 to under 1 hectare	240	175
1 hectare to under 5 hectares	75	180
5 hectares to under 15 hectares	30	300
15 hectares and over	25	420

The sequence of operations will then be as follows:

- a) Draw up a 6-column table. Insert the figures relating to the variables involved in the two "No", columns, and add.

- b) Calculate each figure as a percentage of its column total and insert in the "%" column.
- c) Insert in the "Cumulative %" column the cumulative totals of the percentages.
NOTE: The key to constructing Lorenz curves lies in remembering that it is the *cumulative percentages* that are required.
- d) Prepare a graph with one axis for each variable, each scale running from 0 (at the origin) to 100 per cent.
- e) Plot each pair of cumulative percentage figures on the graph.
- f) Starting at the origin, join these points in a smooth curve.
- g) Insert the "line of equal distribution" by joining the origin to the "100 per cent / 100 per cent" point.

Table 4 Holdings and Total Area in percentages

HOLDINGS			TOTAL AREA (ha)		
No.	%	Cumulative %	No.	%	Cumulative %
310	45.5	45.5	105	9	9
240	35.5	81	175	15	24
75	11	92	180	15	39
330	4.5	96.5	300	25.5	64.5
25	3.5	100	420	35.5	100
680	100		1180	100	

17.2.3. The line of equal distribution.

If in our example, all the holdings had been of equal size, then clearly the total acreage of (say) 25 per cent of the holdings would be 25 per cent of the total acreage of holdings in Little fielding. Similarly, 50 per cent of the holdings would constitute 50 per cent of the area, and 75 per cent of the holdings 75 per cent of the area. If these pairs are plotted on the graph they will found to fall on a straight line running from the origin to the 100 per cent; 100 per cent point.

Such a line, then, is the curve which would be obtained if all holdings were equal size. It is called, therefore, the line of equal distribution.

17.2.4. Interpretation of Lorenz curves.

The extent to which a Lorenz curve deviates from the "line of equal distribution" indicates the degree of inequality. The further the curve swings away, the greater the inequality. There is no actual measure of this inequality but its extent can be indicated by reading the curve at the point where it lies furthest from the line of equal distribution.

For example in Figure 7 the curve at its furthest point from the line of equal distribution is approximately at the 87 per cent "Holdings" and 30 per cent "Total area". This means that 87 per cent of the holdings contain 30 per cent of the total area – or, put the other way round, a mere 13 per cent of the holdings enclose 70 per cent of the total area.

17.2.5. Use of Lorenz Curves.

Lorenz curves can be used to show inequalities in connection with matters such as:

- a) Incomes in the population
- b) Tax payments of individuals in the population.
- c) Industrial efficiencies.

- d) Industrial outputs.
- e) Examination marks.
- f) Customers and sales.

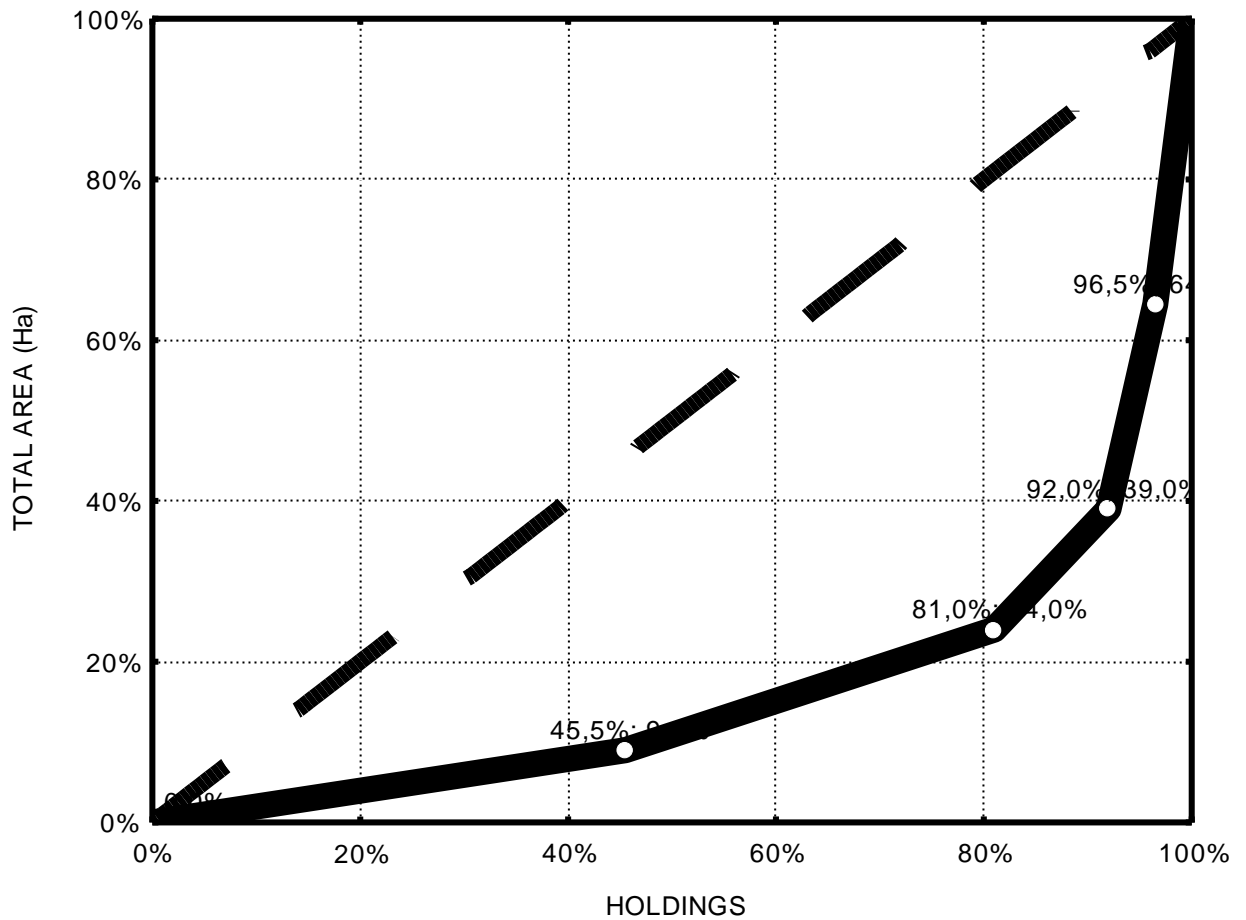


Fig. 1 Lorenz Curve

In some instances, Lorenz curves can be used to compare two series of inequalities. For instance, if a second Lorenz curve relating to holding in, say, Great Fielding, were superimposed on the curve for little Fielding in Figure 7, then it would be possible to compare inequalities of land holding in these two communities and to see in which one holdings were nearer to being equally distributed.

Table 5

Year	Month	Sales (CYP)	M.A.T. (CYP)
1975	January	15 000	NO M.A.T. until 12 months figures are available
	February	14 000	
	March	11 000	
	April	10 000	
	May	8 000	
	June	7 000	
	July	6 000	
	August	6 000	

1976	September	6 000		
	October	10 000		
	November	10 000		Total Sales
	December	13 000	118 000	Jan – Dec 1975
	January	17 000	120 000	118 000 – 15 000 + 17 000
	February	19 000	125 000	120 000 – 14 000 + 19 000
	March	18 000	132 000	125 000 – 11 000 + 18 000
	April	18 000	140 000	132 000 – 10 000 + 18 000
	May	18 000	150 000	140 000 – 8 000 + 19 000
	June	12 000	155 000	150 000 – 7 000 + 12 000
	July	11 000	160 000	155 000 – 6 000 + 11 000
	August	1 000	155 000	160 000 – 6 000 + 1 000
September	5 000	152 000	155 000 – 8 000 + 5 000	
October	5 000	147 000	152 000 – 10 000 + 5 000	
November	8 000	145 000	147 000 – 10 000 + 8 000	
December	10 000	142 000	145 000 – 13 000 + 10 000	

Table 6

Establishment			Net Outputs		
No	%	Cumulative%	CYP 000's	%	Cumulative%
48	22	22	1406	3	3
42	19	41	22 63	6	9
38	18	59	3 699	10	19
21	10	69	2 836	7	26
26	12	81	3152	8	34
16	8	89	5 032	13	47
23	11	100	20 305	53	100
214	100		38 773	100	

17.3. HOMEWORK

1. From the following data taken from monthly sales statistics construct a Z chart for 1976 and comment on the graph:

Table 7 ALPHA LTD. SALES (CYP)

Month	1975	1976	Month	1975	1976
January	15 000	17 000	July	6 000	11 000
February	14 000	19 000	August	6 000	1 000

March	11000	18 000	September	8 000	5 000
April	10 000	18 000	October	10 000	5 000
May	8 000	18 000	November	10 000	8 000
June	7 000	12 000	December	13 000	10 000

2. The following figures come from the Report on the Census of Production for 1958:

Table 8. TEXTILE MACHINERY AND ACCESSORIES

Establishments	Net output
No.	CYP 000
48	1406
42	2 263
38	3 699
21	2 836
26	3152
16	5 032
23	20 385
214	38 773

Analyze this trade by means of a Lorenz curve and explain what this curve shows.

LESSON 18. TYPES OF PRODUCTION

18.1. MAIN TYPES OF PRODUCTION

The most common method of distinguishing between production systems or types of production is to separate them into the three categories of jobbing, batch and mass production.

The jobbing, batch and mass production categories each have their own distinctive systems of operation, and their own problems of production planning and control. Each will be examined in turn the aim of highlighting the most important factors.

18.1.1. Jobbing Production

Jobbing production may also be called job production. The essential feature of jobbing production is that it produces single articles or 'one-off' items. These products may be small, tailor-made components, huge pieces of equipment or large single items, such as a ship. Most products are made for a particular customer or to a particular order. Jobbing production is to be found in industries such as heavy engineering (e.g. production of electricity generating plant), shipbuilding and civil engineering (e.g. bridge construction). It is also to be found in most other industries, where it is employed to produce prototype models, spare parts, modifications to existing plant and countless other 'one-off', tailor-made pieces, there is hardly a factory in existence which does not have a jobbing department somewhere or other.

Because of the unique or individual nature of each article or item to be produced, planning is not easy in jobbing production, neither is control. Efficiency of operations has to give way to inventiveness and creativity. This can be illustrated by considering some of the **key characteristics of jobbing production. These are as follows:**

- a) A wide variety of different operations to be performed under varying circumstances i.e. no standardization.
- b) Varying sequences of operations, also subject to varying circumstances.
- c) General-purpose machinery and equipment.
- d) Varied work layouts, depending on process and / or operation.
- e) Unpredictable demands on stores.
- f) Workforce skilled in wide range skills.
- g) Adaptable and equally skilled supervision.

Many of the above conditions make it extremely **difficult to plan, integrate and control the types, sequence and timing of operations.** It is difficult to avoid idle time for both men and machines. Thus the entire manufacturing process tends to be relatively expensive compared with other forms of production. Against this can be weighted the advantages of producing an article or item which is made especially to the customer's own specification.

18.1.2. Batch Production

Batch production is the production of standardized units, or parts, in small or large lots (batches). It represents a halfway position between jobbing production and mass production, and **is mostly to be found in the light engineering industry.** The main distinction between batch and jobbing production lies in the standardized nature of the former. Un-

like the varied operations and sequences of the unique 'one-off' products of jobbing production, the products of batch production are dealt with systematically in lots, or batches, only moving on the next operation, when each lot has been machined or processed in the current operation.

Batches may be produced to order and forwarded direct to the customer, as in the production of subcomponents for another manufacturer, or they may be made for stock. One of the major problems associated with batch production is to determine the optimum size of batches, particularly where a generalized, rather than specific, demand for a product exists. If too many units are produced, stocks will lie idle or go to waste; if too few are produced, the item will go out of stock, and it may be difficult to fit in further batches in the short-term.

The key characteristics of batch production are as follows:

- a) A standardized set of operations, carried out intermittently, as each batch moves from one operation to the next.
- b) General purpose machinery and plant, but grouped in batteries of the same type.
- c) Heavy shop-floor stores requirement.
- d) Narrower range of skills required.
- e) Emphasis on production planning and progressing.
- f) Relatively short production runs.

These characteristics lead to a generally well-controlled and efficient method of production, whose main disadvantage is the time-delay caused by the queuing effect of individual units waiting for the batch to be completed before moving on to the next operation. This problem can be overcome by changing to an assembly line operation which is a prominent feature of flow production, or mass production, as it is commonly called.

18.1.3. Mass Production

Mass production dates from the time of Henry Ford, who was the first man to adopt the principle of the production line, when he used this approach to produce a restricted range of motor cars put together in a flow-line process. In a unit mass production system, a small range of products is produced in large quantities by 'flowing' uninterruptedly from one operation, or process, to the next until completion. This type of production requires careful and lengthy planning of plant and processes. The capital costs are high on account of the specialized nature of the machines required for the production line. However once the line has been set up, control is relatively simple. Mass production systems are dependent on the high demand created by mass markets, for it is only by making the fullest use of the capital equipment involved that a manufacturing organization can achieve its target profit levels.

The key features of mass production are as follows:

- a) Rigid product specifications, previously tested.
- b) Specialized machines and equipment, set out in a line formation.
- c) Highly-standardized methods, tools and materials.
- d) Long production runs for individual products.
- e) Narrow range of skills, and specified range of operations required by workforce at any one point in the line.

In purely rational terms, mass-production is the most efficient way of producing large quantities of articles or items. Control can be exercised to a sophisticated level because of the standardized nature of the entire process. **Its greatest drawback is that it requires human beings to adapt themselves to the production process,** and in most Western countries, there has been reaction against this requirement. **Employees are seeking to counteract the tedium and monotony of the highly specialized work patterns in mass - production by pressing for more integrated roles, requiring a wider range of skills and operations. In some cases this has led to the complete break up of production lines into autonomous circuits, each operated by teams of employees using their skills on a shared or flexible basis.**

Another form of mass production, usually called **flow production or process production,** can be seen in continuous process industries such as steel-making, paper-making and cement production. In such industries the products literally flow from one process to the next, but, unlike in the mass production of individual products, this process is continuous for weeks or months on end. In flow processes, the supply of raw materials has to be planned to the highest standards in order to avoid complete plant shutdown owing to unforeseen shortages. In these situations shortages have a much more serious effect than in unit mass-production. Fortunately, the control mechanisms and procedures for flow processes are usually so sophisticated that the processes become automatically self-regulating. **Another important difference between this form of mass-production and unit mass-production is that the former invariably requires a lower labor force than the latter.**

18.1.4. Summary

This brief lecture has sought to describe the main features of the basic types of production systems-jobbing, batch and mass-production. Jobbing production refers to the production of unique or 'one-off' items, made to order. These items may be small or large, and they are produced under conditions of what is appropriate at a given time, rather than conditions which are standardized. **Both planning and control are difficult to achieve in this form of production.**

Batch production refers to the production of standardized units in batches, or lots. Only when a batch has completed on process can it be moved to the next. **Batches may be produced to order, or for stock.** Batch production can be relatively well planned and controlled, but queuing problems may arise when batches are ready to move to the next operation. These problems can be overcome by utilizing assembly lines i.e. moving over to a mass production method.

Mass production refers to the production of vast quantities of product units in a flow-line process, where each moves smoothly from one operation, or process, to the next until completion. Where the mass-production of continuous processes is concerned, the method is called flow production or process production. Mass production methods call for detailed planning and sophisticated control procedures. There is very little scope for the exercise of skills by the workforce, and the flowline layout has been challenged in several quarters.

18.2. AIDS TO PRODUCTION

18.2.1. Introduction

This area outlines the key features of three aids to production management - Work Study, Value Analysis or Value Engineering, and Quality Circles.

18.2.2. Work Study

Work Study was developed in American industry in the 1920's. The first known attempts to make a rational assessment of work and tasks were made by F.W. Taylor and the other 'Scientific Managers', whose ideas were described earlier.

Since their time, Work Study has become an established part of the industrial scene.

Work Study has been defined in a British Standard (B.S. 3138) as follows:

" A generic term for those techniques, particularly method study and work measurement, which are used in the examination of human work in all its contexts, and which lead systematically to the investigation of all the factors which affect the efficiency and economy of the situation being reviewed, in order to effect improvement".

The two basic techniques, Method Study and Work Measurement, are complimentary to each other, and are rarely utilized in isolation from each other. The usual practice is for a method study of some kind to precede a work measurement activity. Each technique will be described in outline shortly.

The reasons why Work Study techniques are utilized in production include the following:

- a) To eliminate wasteful work.
- b) To improve working methods.
- c) To increase production.
- d) To achieve cost-savings.
- e) To improve productivity of men and machines.

18.2.3. Method Study

This technique is itself composed of a collection of techniques, all of which systematically examine and record all the methods, existing and proposed, utilized in an operation or process, with a view to increasing efficiency. It could be said that Method Study attempts to answer the Questions What ? When? How? Who? and Where? in contrast to Work Measurement's emphasis, which asks How long? and When? The scope of Method Study, therefore, is considerably wider than that of Work Measurement.

Method Study is used to aid solutions to a variety of production problems. These problems include those of workplace layout, materials handling, tool design, product design and process design for example.

Method Study

Aim: to improve working methods

Procedures:

SELECT work to be studied

RECORD all relevant facts relating to current or proposed methods

EXAMINE the facts critically, especially in relation to purpose, sequence, place, person and means
--

DEVELOP best method in the circumstances
--

INSTALL & MAINTAIN new method.

Results:

1. Improved workplace layout
2. improved equipment design
3. Reduction in worker fatigue etc etc....

All relating to increase efficiency (cost-effectiveness) and productivity (more output per unit of input).

Fig. 2 Methods Study: an Outline

18.2.4. Work Measurement

This is a collection of techniques, particularly Time Study, aimed at establishing the time taken by a qualified worker to complete a specified job at a defined level of performance. As mentioned above, Work Measurement techniques set out to answer the questions How long? and When? They usually follow or overlap with a method study, and are employed not only to improve methods of working, but also to develop costing systems, production schedules and incentive schemes, as well as to establish machine capacities and manning levels.

Like Method Study, Work Measurement has a systematic set of procedures to be followed, and these are set out below. When work measurement is linked into a method study, it is introduced at the 'DEVELOP best method' stage, as shown in Fig. 2. The basic steps in work measurement are as follows in Fig. 3

Work Measurement

Aim: To measure human performance

Procedures:

DESCRIBE method to be measured

BREAK JOB ELEMENTS MEASURE performance of operator

RATE PERFORMANCE (Basic Time)

DETERMINE STANDARD TIME

Results:

1. Reliable data for planning and control
2. More efficient manning levels
3. Reliable basis for incentive payment schemes etc etc....

Leading to increased efficiency and higher productivity

Fig. 3 Work Measurement-an Outline

It can be seen from the above diagram that the aim of Work Measurement is significantly different from that of Method Study. The latter aims to improve working methods; the

former aims to measure, or assess, the performance of people. In pursuing its aim, work Measurement has to rely on the exercise of a greater degree of subjective judgment than is required for Method Study. In particular, the rating of performance and the determination of the standard time rely heavily on the judgment of the person conducting the measurement.

18.2.5. Value Analysis (Value Engineering)

This is another analytical technique which is widely used, especially in engineering, hence the alternative title. It is very like Method Study in its approach. The purpose of Value Analysis is to examine critically the function of a product with a view to fulfilling that function at the least cost consistent with reliability of the function. Thus Value Analysis is concerned with identifying the relationship between costs and reliability of function.

The stages of a value analysis are typically as follows:

- a) Select product to be studied.
- b) Determine function, design and cost of product (including components).
- c) Develop alternative designs for product in order to achieve same function at less cost i.e. designs of 'higher' value.
- d) Evaluate the alternative designs.
- e) Adopt optimum design i.e. the one able to perform the required function reliably but at least cost.
- f) Implement design and review results.

This process is usually carried out by a multi-disciplinary team composed of the following: value analyst / engineer, product designer, cost accountant, production representative and purchasing manager.

Value Analysis is applied most frequently in mass production or assembly line production processes, where large numbers of items are being produced, and where marginal cost savings can lead to substantial savings overall.

The benefits of Value Analysis are that it encourages cost consciousness and the search for alternative designs and materials etc., and also permits more competitive pricing. However, it does tend to require large-scale production to show it off to the greatest advantage, and must, to a certain extent duplicate work carried out at the design stage of a product.

18.2.6. Quality Circles

The development of so called 'Quality Circles' is a recent phenomenon. Quality Circles are small groups of about eight to ten employees, meeting together on a regular basis to discuss day-to-day issues such as quality, productivity and safety, with the object of (a) making improvements, and (b) organizing their implementation. The second object is significant, as it implies a degree of grass-roots decision-making which is new to most shop-floor situations, in the past employee involvement in initiating changes on the shop floor could only arise via formal productivity committees or via the firm's suggestion scheme. With Quality Circles, there is an attempt to delegate real power to ordinary employees not only to make suggestions regarding quality etc., but also to implement those suggestions,

Membership of Quality circles is voluntary, but usually consists of a number of shop-floor employees and a foreman or supervisor, or may consist of a mixture of skilled and

unskilled employees together with one or two shop-floor specialists such as Quality Engineers and Inspectors. Each Circle selects its own leader, and usually the organization concerned provides training for such leaders in appropriate subjects (discussion leading, quality control etc.)

Typically, a Quality Circle will adopt the following approach to its task:

- a) Identify and clarify problems in the local work situation,
- b) Select a problem for solution (e.g. wastage rates),
- c) Set realistic target for improvement (e.g. to reduce wastage rates by 15% over next 12 months),
- d) Establish a plan, together with a timetable, for achievement of the target,
- e) Propose plan to local management,
- f) Implement and test plan,
- g) Revise plan, where necessary, and monitor results.

Those organizations which operate Quality Circles claim to see them as a practical means of achieving employee participation on the shop-floor. They are not primarily instruments of cost-reduction exercises, even though costs may well figure in their discussions. Surveys in Japan, for example, where Quality Circles are widely employed, indicate that whilst costs are one of the major topics of discussion in the Circles, there are several others of equal importance, such as quality, use of equipment, efficiency and safety.

18.3. STUDY QUESTIONS (AND ANSWERS)

- 1) Why jobbing production is called that way?
 - a) Because there is more focus on qualified employees to do the job of producing a product.
- 2) Fill in the table: Characterize each type of production in terms of given factors

	Jobbing Production	Batch Production	Mass Production
Product	One-off, unique	Standardized, produced in batches	Rigidly specified, highly standardized, flows through production
Operations	Widely varying,	Standardized sets	Narrow, highly specialized
Workforce	Skilled in wide range of skills	narrower range of skills	Very narrow range of skills
Equipment	General-purpose, (Product focus layout)	General-purpose grouped in batteries, (Intermediate focus layout)	Specialized, set out in a line formation, (process focused layout)
Production Runs	Very short	Relatively short	Long
Planning and Control	Difficult to apply	Emphasized	Sophisticated, automated

- 3) What is the difference between Unit Mass Production and Flow Mass Production? Give examples of each.
 - a) Flow production:
 - i) Longer Process: process is continuous for weeks or months on end.
 - ii) Better Supply Mechanism: the supply of raw materials has to be planned to the highest standards
 - iii) Better Control Mechanism: the control mechanisms and procedures are usually so sophisticated that the processes become automatically self-regulating
 - iv) requires a lower labor force
 - v) Examples: continuous process industries such as steel-making, paper-making and cement production
 - b) Unit Mass Production
 - i) Examples: Car making, light bulbs etc.
- 4) What is the aim of Method Study?
 - a) Improve Methods (of work)
- 5) What is the aim of Work Measurement?
 - a) Measure Performance
- 6) What is the difference between method study and work measurement?
 - a) It can be seen from the above diagram that the aim of Work Measurement is significantly different from that of Method Study. The latter aims to improve working methods; the former aims to measure, or assess, the performance of people
 - b) Work Measurement has to rely on the exercise of a greater degree of subjective judgment than is required for Method Study. In particular, the rating of performance and the determination of the standard time rely heavily on the judgment of the person conducting the measurement.
- 7) What is the purpose of Value Engineering?
 - a) The purpose of Value Analysis is to examine critically the function of a product with a view to fulfilling that function at the least cost consistent with reliability of the function. Thus Value Analysis is concerned with identifying the relationship between costs and reliability of function
 - b) Find the least costly way to produce a product that performs a needed function with a needed reliability.
- 8) Why Value Engineering was called this way?
 - a) Because its focus is “higher value” designs, i.e. designs that that achieve the same function at less cost.
- 9) Where is it best to apply Value Analysis?
 - a) Value Analysis is applied most frequently in mass production or assembly line production processes, where large numbers of items are being produced, and where marginal cost savings can lead to substantial savings overall.
- 10) What is grass-root decision-making?
 - a) This is decision-making delegated to the shop-floor employees concerning