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MANAGEMENT

Basic course

Textbook

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Basic issues of management are examined including scientific schools and modern approaches, principles, functions and methods of management, technology of decision making and implementation of organizational decisions, features of team work, manager’s leadership styles, corporate social responsibility and management ethics.

It is recommended for the students of higher educational institutions as well as entrepreneurs, managers, i.e. all those who are interested in management issues.

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Foreword

There is no doubt that the world around us has changed, it is changing and it will keep on changing. The dynamic nature of the present-day organizations provides both benefits and new challenges for the people who manage them. Management is a dynamic academic course, and we have tried to present the materials in the textbook in the way that would let the readers fully understand what a person needs to be a successful manager in the modern world.

It goes without saying that organizations having poor management lose clients and highly qualified employees, their income decreases, so that their further operation becomes rather problematic. However, in the course of your work, you will either have to manage or be managed. If you plan to start a career as a manager, comprehension of the management system will be the basis for gaining appropriate skills. When studying management, you will learn how to identify and improve inefficient ways of working, and you will be able to use modern principles, methods and approaches to management. Management course will become one of the elements that some people can successfully use in their future jobs if they deal with people. Having mastered fundamentals of management, you will get better understanding of the management and colleagues' behaviour as well as comprehension of the internal aspects of the whole organization.

This textbook is recommended to all those who:

- wish to master the science, art and skills of management;
- focus on expanding individual professional potential and achieving a synergistic effect from teamwork;
- wish to contribute to the sustainable development of the organization;
- seek career development without violation of moral and ethical standards;
- want to enjoy team work and perform daily functional duties.

Thank you for being with us!

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Preface

Management can be generally treated as a system of scientific knowledge, art and experience implemented in the activities of professional leaders in order to achieve the goals of the organization through the use of labour, intelligence and behaviour incentives of people. But there are no ways and tools for achieving success that are similar for all organizations. However, regardless of the functions the managers perform and the area they work in, there is something common and basic in their activities, i.e. the ability to achieve goals with the help of other people.

This educational textbook reveals the essence of manager's activities at any hierarchical level without consideration of the specific nature of management. Therefore, it will be useful for a wide range of readers, including the students of higher educational institutions, entrepreneurs, managers, i.e. all those who are interested in basic management issues.

The main objectives of the textbook are to systematize knowledge accumulated by the theory and practice of management, to provide individual interpretation of some basic aspects of modern management; to form of a basis for mastering different types of management and other courses related to Economics and Management by the readers.

The structure of the textbook covers a wide range of basic issues of modern management, e.g. introduction to the theory of management and organization, functions of management, technology of decision making and implementation, ethical leadership. The textbook is structured in the way that makes the study of management effective for any reader. Each chapter is completed with questions and tasks for consolidating and extending of the acquired knowledge as well as the statements of well-known people, whose names are associated with management, which confirms the relevance of the textbook and improves the perception of the educational material.

The publication contains a glossary of terms, an index and references. The glossary defines the words and word combinations that are used in the textbook, but their meaning is not explained in the main text. Availability of the index simplifies the use of the textbook, since it makes it possible to quickly find the terms and concepts used as well as information about some individuals. References include a list of the basic literature sources used by the authors when writing the textbook so that they can serve as an additional source for obtaining basic information by

the readers and be recommended for in-depth consideration of some management issues. A non-standard element of this edition is humorous and instructive “wits”, which enriching the content of the textbook and targeting the reader at the constructive entertainment.

Educational goals of the textbook

The textbook is of theoretical and applied nature and it is aimed at mastering knowledge and skills needed by each manager regardless of the hierarchical level.

Having completed a training course presented in this textbook, the readers are expected to *know*: the essence of management and its role in the sustainable development of the organization, the scope and features of the manager’s activities, basic skills and abilities of a successful manager, chronology of the development of the management science, elements and processes in management system, variables of the internal and external environment of the organization, the essence and principles of organizational planning, organizational components of the manager’s activities, basic incentives and theories of motivation, the essence and characteristics of effective control in the organization, management methods, approaches to organizational decision-making, the nature and types of communication in the organization, rules of business communication, positive and negative effects of conflicts, methods of conflict prevention and resolution, causes of stressful situations in the organization, manager’s leadership qualities, forms of authority and leadership styles, conceptual approaches and global initiatives of socially responsible business, management ethics; *be able to* combine science, art and management skills, apply management principles, combine modern approaches to management and current concepts of scientific schools, assess the strengths and weaknesses of the organization, its capabilities and threats, manage informal groups in the organization, receive synergies from teamwork, plan and distribute working time, form the structure of the organization, delegate authority, identify the needs of employees and use appropriate motivational methods of influence, control employees, create a favourable microclimate in the organization and solve problems, use organizational decision-making methods, establish communication flows within the organization, and provide feedback to interlocutor, eliminate the obstacles on the way to the effective communication, prevent dysfunctional

conflicts, apply individual methods of stress prevention and management, wisely choose a leadership style, develop potential of employees, use socially responsible practices to ensure sustainable development, to raise moral and ethical standards in the organization and level of employees' responsibility. After completing "Basic Management" course, the readers will gain a comprehensive understanding of the management system of any organization and will master modern approaches to managing people and using their potential to achieve organization's goals.

Recommendations for the students

How to become a successful manager?

- ④ Try to be well informed about all the latest news in the business world.
- ④ Read the books giving the examples of both successful and unsuccessful management.
- ④ Observe how managers manage people in some specific situations.
- ④ Ask practitioners to share their experience, both positive and negative.
- ④ Train to manage people trying to "play" different leadership roles in student organizations or groups.
- ④ Think whether you enjoy being a manager.

Having completed the course "Management: Basic Course", it is recommended to write an essay answering the question, "What does it mean to be a manager?"

Part I. Introduction to the theory of management and organizations

Chapter 1 **THE ESSENCE OF MANAGEMENT AND SCOPE OF MANAGER'S ACTIVITIES**

The essence and nature of management

Management and managers are needed by all organizations, since they let them function successfully. The term “management” comes from the English verb “to manage” and means “to be in charge of”, “to control”, “to head”. It was first used in Ukraine in the early 1990s, which was caused by the fall of the command and administration system and the beginning of the country’s integration into the world economic space. However, the concepts of “management” and “control” cannot be equated. Management is a deliberate action directed at something or someone to change its/his position or behaviour due to changing circumstances. You can manage processes, devices, financial resources, people, etc.

Management is a type of administration, since, as noted by American business consultant Peter Drucker, it *applies to man only*, and it is a special resource of the organization.

The goal of management is to ensure that employees mutual work through the use of their qualifications and potential. In this context, *management* is a professional activity aimed at uniting the efforts of individual performers, teams in order to accomplish the objectives set and achieve specific goals; *management* is the process of coordinating and integrating other people’s work activities in the way that makes it effective and efficient.

Management is the art of supporting employees in their work

Lee Iacocca

At the same time, employees' efforts are joined together through the use of certain types of managerial activities performed by the manager, in particular, planning, organizing, leading, and controlling. Hence, management is a set of functions aimed at the efficient use of organization’s resources and achievement of the definite goals. The Oxford

English Dictionary defines management is a way of communicating with people; the power and art of leadership; specific abilities and administrative skills; authorities, administrative units.

Management is a special type of activity that turns a disorganized crowd into an effective, purposeful and productive group
Peter Drucker

The term “management” is often used with the term “business”. Business is the activity aimed at making a profit by creating and selling certain products or services. Managers’ services are offered to business organizations that are interested in professional and qualified management. Therefore, *management* is the running of a business through dealing with people. But the term “management” applies to any type of organization, both commercial and non-commercial. In the case of public authorities, the term “public administration” is most commonly used.

The secret of business is in managing people
Andrew Carnegie

Management is a multifaceted concept. It is commonly defined as the ability to achieve goals using the work, intelligence and motives of behaviour of other people. And indeed management has its own methods of influence (principles, methods, approaches), and a person needs to know them and be able to put them into practice to be successful. In addition, management requires making efforts as well as real achievement of the expected results on the basis of the set goals. Since the organization is first and foremost the people, its management must be organized in the way that ensures high productivity and meets the needs of employees.

The sphere of manager’s activities

To perform the work in the organization at a highly qualified level, a *horizontal division of labour* is applied, i.e. splitting of work into small units. Division of large volumes of work into numerous small specialized tasks allows the organization to produce much more. For example, the classic example of such labour division is the division of manufacturing, marketing,

the environment.

But more often, another approach is used to describe the levels of management: top, middle and low levels (Figure 1.1).

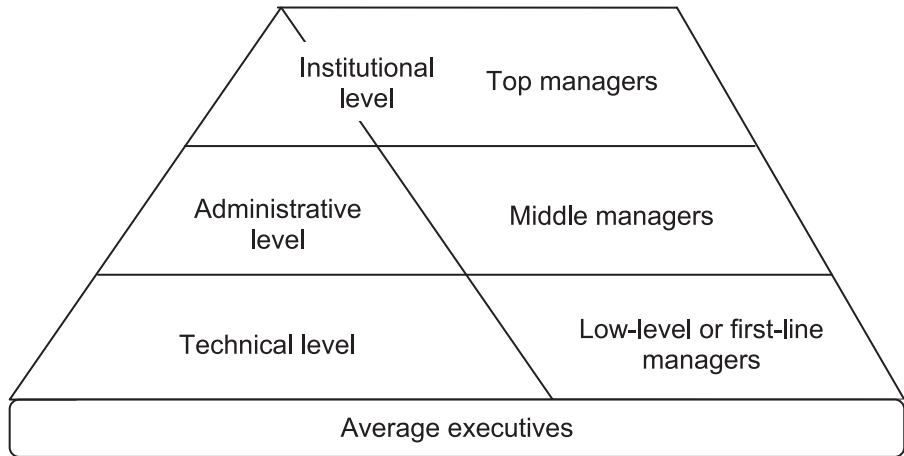


Figure 1.1. Approaches to the description of management levels

First-line managers or *operational managers* refer to the organizational level that is directly above the ordinary employees and controls the execution of production or other tasks responsible for managing the resources allocated, represent the interests of employees. As a rule, most people start their management careers from this level. Masters, foremen, heads of production sites, senior salesmen, supervisors are the representatives of this level.

Middle managers coordinate the work of low-level managers, but any generalization concerning their activity can hardly be made, since its nature varies greatly in different organizations and even within the same organization. In some organizations, they are given wider power than makes their work similar to that of senior managers. And they are an integral part of the decision-making process: they identify problems, initiate innovative proposals and responding actions. Representatives of this level include Head of Production Department, Chief Marketer, Head of Financial Department, Head of Workshop.

Middle managers often head large units in the organization. The nature of their activity is determined by the nature of a particular unit

operation. For example, the head of Production Department at the industrial company is mainly concerned with coordinating and controlling the activities of low-level managers, analyzing the performance of their unit and contacts with engineers or technologists who develop new products, while public relations manager of the same company spends most of time doing paperwork, reading, communicating and participating in various meetings. But the main purpose of the middle management is to serve as a buffer between the top and low level: to prepare information for decision-making by top managers and to transfer these decisions in the form of specific tasks for operational managers. In the organizations, they can be called Director of the Department, Head of Production Department, Chief Marketer, Head of the Planning and Economic Department, Head of Workshop, Head of Logistics Department, etc. But in large organizations, the functional responsibilities of middle managers are so extensive that it necessitates the division of their part of work. In this case, for example, two units are formed: top and low chains. Thus, the organization is not distinguished into three, but four main levels of management: top, upper middle, lower middle and low.

Top managers make all decisions that are the most important to the organization. In addition, being willed personalities, they mostly determine the “face” of their organization. Chairman of the Board, President, Vice-President, CEO, Deputy Director represent this level. Successful top managers in large organizations are valued and highly paid. However, the burden of such activity is also considerable. The main reason for such an intense pace and high load is that work of the top manager has no precise terms of completion. If the sales agent needs to make a certain number of calls and the worker has to fulfil the production rate, there is no moment when the top manager’s work can be considered completed; the workweek lasting for 60-80 hours is quite common for him.

The goal of a manager is to coordinate the activities of employees to achieve the objectives of the organization by setting goals, development of the necessary skills and values, providing opportunities for professional development

However, despite a hierarchical level, managers must make decisions within the defined functional responsibilities, coordinate their actions with other line and functional executives, offer ways to improve the activities of

their structural unit, and increase individual competence and promote the development of the subordinate staff.

Feature of manager's activities

Management has universal nature as well as its characteristics that differentiate it from other activities:

- 1. the subject of the manager's work is people (their knowledge, skills, potential) and the information possessed by them;
- 2. the product of the manager's work is information in the form of decisions, documents, orders that are necessary for successful operation of the organization;
- 3. the success of the manager's work cannot be directly measured, i.e. it is not possible, for example, to directly use estimates of the amount of products manufactured per unit of time. Instead, the effectiveness and efficiency of the manager's work are reflected in the overall performance of the organization or structural units headed by him, i.e. in the work of other people;
- 4. increased qualification requirements for the manager, which is caused by the creative nature of his work and, therefore, requires constant generation of new knowledge, talent, intellectual development, etc.;
- 5. higher autonomy in decision-making, since the manager both performs the tasks set by the top management and sets his own goals, issues the challenges to his subordinates;
- 6. mobility of the manager's work, which is explained by constant business trips, business meetings.

Table 1.1. Advantages and problems of manager's work

Advantages	Problems
Opportunity to create labour environment in which members of the organization can realize their potential	Hard work associated with the execution of difficult tasks
Ability to think creatively and use imagination	Need to communicate with different people, face the difficulties of their character and problems
Opportunity to provide support to subordinates, to be their mentor	Necessity to motivate subordinates in chaotic and uncertain conditions

Opportunity to work with different people	Need to be able to successfully combine knowledge, skills, ambitions and experience of different working groups
Opportunity to achieve high status in the organization and in society	Success of work depends on the effectiveness of other people
Opportunity to influence the results of the organization, to help others to find the sense and satisfaction in work	Frequency of the need to work with limited resources
Every organization needs successful managers	To become a successful manager you need to pass the test of perseverance and time

The work of a manager in modern dynamic environment is associated with the solution of non-standard, complex management tasks; it contains many difficulties caused by its features, but at the same time, it has many advantages (Table 1.1). Work of a successful manager is hard, sometimes thankless, but still it is very interesting.

Roles of managers

Henry Mintzberg has paid considerable attention to the content of managers' activities and noted that practically every manager, depending on his position and the specific nature of the organization's activity, "plays" a certain role in the management process, which comes down to a set of principles, rules, behaviour procedures, sequence of their execution.

Like actors who play roles that induce them to behave in a certain way, managers hold positions being in charge of specific organizational subdivisions, which specify their behaviour at work. An individual may influence the nature of plying the problem, not its content. Therefore, actors, manager and other people play certain roles, but they may interpret them differently as individuals.

Henry Mintzberg

Henry Mintzberg described 10 roles performed by the managers of all levels at different time and different stages of organizational and professional development. He grouped them into three categories: interpersonal, informational, and decisional (Table 1.2).

According to Henry Mintzberg, roles cannot be independent of one another. They are interrelated and aimed at achieving organizational goals. Interpersonal roles are determined by the authority and status of the leader in the organization, and they refer to his relationships with other people. In addition, they can make the manager a source of information, which will allow him and at the same time will force him to fulfil informational roles and become the center of information processing. Fulfilment of interpersonal and informational roles allows the manager to “play” a decisional role, i.e. to allocate resources, resolve conflicts, seek new opportunities, and negotiate. All together these ten roles determine the scope and nature of manager’s work in any organization.

Table 1.2. Roles of managers

Role	Role description	Activities
<i>Interpersonal roles reflect the way a manager interacts with both subordinates and other people beyond the organization</i>		
Nominative leader	Performs legal, social, representative duties	Holding meetings, receiving visitors, signing documents
Leader	Responsible for activating and concentrating employees on achieving the goals of the organization; monitors and provides professional support; responsible for the selection and training of personnel	Management and motivation of subordinates; their training, counseling
Liaison (linking chain)	Establishes and maintains external contacts of the organization that promote formal meetings, form a positive image	Official meetings, public relations (PR)
<i>Information roles are manifested as the manager’s ability to obtain and effectively use necessary information</i>		
Observer (holder)	Collects and processes information necessary for a comprehensive assessment of the state of the organization, its external environment	Review of periodicals, reports; personal contacts with subordinates and other stakeholders
Distributor	Promptly distributes relevant information between relevant departments (members of the organization)	Holding informative meetings; online meetings, phone calls, sending reminders
Representative	Transmits information on organization’s plans, actions, results; presents its policy and positions in the media	Holding meetings of the Board, participation in briefings, press conferences

<i>Decision-making roles</i> reflect the manager's ability to transform his knowledge, skills, and company's resources into an appropriate outcome.		
Entrepreneur	Seeks opportunities within and beyond the organization for strategic development; carries out relevant project activities	Carrying out analysis for the formation of strategies, development and implementation of projects
Responsible for the absence of failures	Monitors labour discipline; corrects actions in cases of unforeseen situations, problems	Control; finding ways to solve problems, quick distribution of tasks
Resource Allocator	Responsible for resource allocation, decision making	Prioritization; drawing up and approval of plans, schedules, budgets
Negotiator	Defends the interests of the organization or unit	Participation in negotiations on concluding contracts or reaching agreements

The manager is both composer and conductor

Peter Drucker

Manager and entrepreneur

As it has already defined, a manager “plays” the entrepreneur’s role at some time, and it is the entrepreneurial skills that help to develop the manager as a professional that is capable of taking justifiable risk. But formally their functions are somewhat different.

An entrepreneur is a person who owns business and takes the risk of investing. It can be a businessman having no direct control of other people, or a large owner who does not hold any position in the organization but who owns its shares and can be a member of the Board. A manager is a hired specialist who holds a position in the organization in accordance with his qualification; other employees of the organization are his direct subordinates.

Entrepreneur is an innovator that is able to turn the most trivial conditions into promising opportunities. He is like a dreamer, a source of energy, a catalyst for changes in business. His favourite phrases are “what if ...”, “if ..., then ...”. Considering the entrepreneur’s need for constant changes, it can be said that he creates a lot of fuss around him, and this is probably not what the employees involved in the implementation of certain innovative ideas and projects may like.

A manager seeks order and tries to maintain status quo. This is a

pragmatic person who has skills of a manager. Planning, predictability, well-organized and coordinated activities are impossible without him. The manager eliminates the disorder caused by entrepreneurial creativity; but without the entrepreneur there would be nothing that could be arranged.

The synthesis of entrepreneur's vision of perspectives and manager's pragmatism creates a basis for the sustainable development of the organization

Considering the difference between an entrepreneur and a manager, it should be noted that the entrepreneur arises before the manager, because a business founder and owner can be one person as long as he wants and is able to manage the business on his own. Then there is a need to delegate some authority to the specialist in management, i.e. a manager. A small enterprise can be managed by its owner (sole proprietorship), while its expansion requires a greater number of managers, as a result of which the enterprise acquires other organizational and legal forms. Large enterprises are transformed into corporate ones, which have an extensive organizational structure and multi-level management, and are usually headed not by the business owner, but by the top manager. But this does not mean that a manager is not an entrepreneur and an entrepreneur is not a manager.

Management practice

It is undeniable that a consistent management system should be aimed to ensure the efficiency and performance of any organization. It is possible to master the manager's profession only through the study of the management science and art as well as practical application of the results of training (training in the process of performing specific tasks).

Manager is the one who makes knowledge work

Peter Drucker

Professor Henry Mintzberg argues, "Almost all the tasks that an organization has to face should not directly refer to its managers – that is concern of specialists. And managers get a lot of "dirty work" – difficult

problems, uneasy relationships. That is what makes management practice “soft” in nature, and that is why such words as experience, intuition, reason, and wisdom are often used to describe it. Add some art artistry to the skills and a bit of science and you will get a job that can be called practice first”. Practical management is formed within the so-called triangle, where science, art and skills are the sides of it (Figure 1.2).

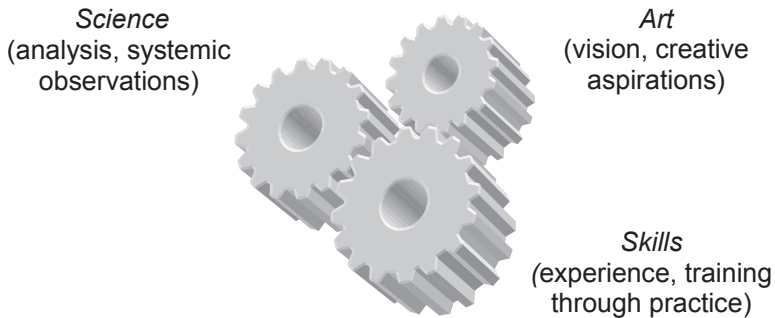


Figure 1.2. Management as practice

Management as a science explains the nature of management work, establishes cause and effect relationships between the elements of organization, identifies the conditions under which the joint work of people will be more effective and productive. The scientific basis of management is the accumulated practice of human civilization and systematized knowledge about management; they are presented in the form of concepts, approaches, principles, functions, methods of management. And the manager, who systematically analyzes “knowledge”, is more guided in the way of facts and phenomena when making constructive management decisions.

Management does not give universal guidelines.

A peculiarity of studying management is that it focuses not on finding the right answers, but on developing the ability to solve problems

However, modern management is a set of possible options and nuances of managerial decisions. The complexity of management cognition is based on the fact that approaches developed by one company, which

have proven themselves well, may be ineffective and even detrimental to another. Therefore, *management* as the *art* focuses not on the standard techniques (which you also need to know), but on the manager's ability to assess the real situation quickly and correctly, apply the acquired knowledge constructively in order to ensure the efficiency and performance of the organization.

In addition, management has got something that cannot be subjected to quantitative analysis, e.g., the ability to communicate with people and resolve conflict situations, to take into account capabilities and psychological characteristics of the person when delegating duties.

Having studied the theory, a manager applies its conceptions considering individual "tastes", skills and abilities

As it has been established, managers differ from ordinary employees by the fact that they coordinate and integrate the work of other people and their goal is to make the organization's activity as efficient and productive as possible, or at least that is what managers should inspire employees to do (Figure 1.3).

The performance indicator reflects the ratio between the resources and the output and, since managers deal with scarce resources, they should strive to use them as efficiently as possible.

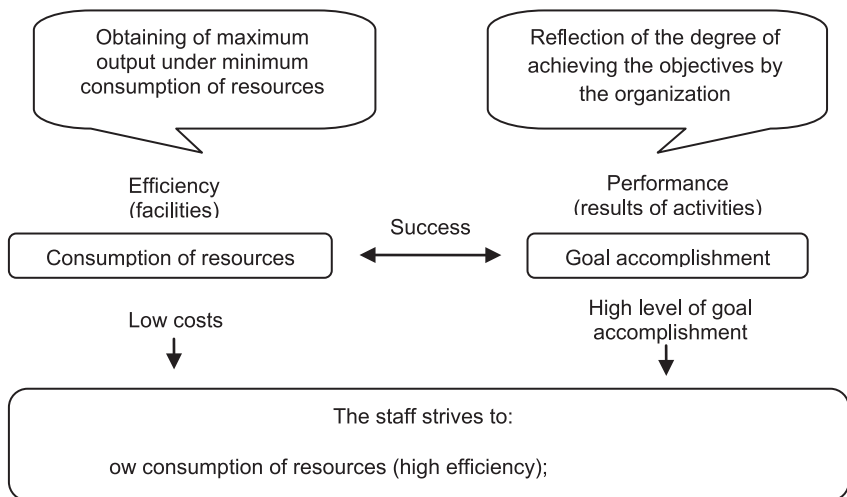


Figure 1.3. Efficiency and performance in management practice

From this point of view, efficiency is often defined as the ability to do everything in a proper way, i.e. to make the decisions what the resources not to be wasted. However, efficiency is a necessary but insufficient condition for the successful operation of any organization. When managing, managers should also strive to accomplish the goals of the organization, i.e. its performance, which is often described as the ability “to do in the way it should be done”. Thus, while efficiency is related to the means of achieving goals, the performance is associated with the ultimate accomplishment of organizational goals. In a successful organization, as a rule, high efficiency and performance go shoulder-to-shoulder. Poor management usually results in low efficiency and performance as well as performance achieved through efficiency.

Management is the art of achieving goals in conditions of scarce resources

Terry Gibson

In addition, the success of a manager also depends on some other factors that are combined in the so-called “management success formula”: $MS = A \times M \times O$, where *A* (ability) – the ability to combine theory, the art and mastery of management; *M* (motivation) – motivation for career advancement; *O* (opportunities) – opportunities for implementing professional projects.

Management skills needed for success

The manager’s job is diverse and quite complex. To perform the duties, he must have certain abilities and appropriate skills. The American Professor of Management Richard L. Daft has divided management skills into three categories: conceptual, human, technical (Figure 1.4), the degree of necessity of which varies depending on the level of management in the hierarchy of the organization. But it is impossible to evaluate the importance of all human skills in managers.

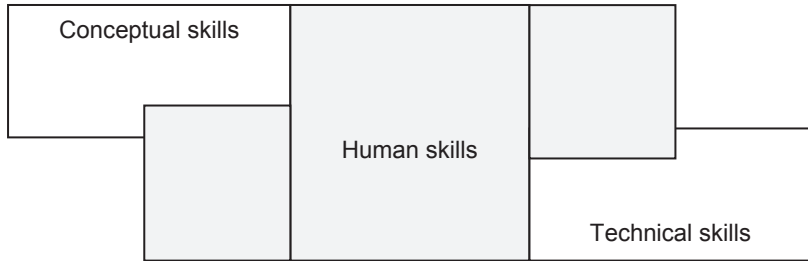


Figure 1.4. Basic skills required by the manager

Conceptual skills – the cognitive ability of a manager to perceive the organization as a single whole and at the same time to clearly distinguish interconnections of its parts. These skills include abstract thinking of the manager, ability to systematize the information received, ability to plan. The manager should clearly understand the role of each structural unit in the organization, the company’s position in the industry, business and social spheres. This also implies the individual’s ability to think strategically, i.e. to evaluate long-term prospects of the organization. Conceptual skills are necessary for all managers, but they are of particular importance for senior management that must be able to “grasp” the essence of any situation that arises, to identify its most important factors and to anticipate further development of events.

Human skills – manager’s ability to work with people and with the help of people, ability to work in a team: to motivate employees, promote their activities, set an example, resolve conflicts. A manager having well-developed human skills can get the best results from his subordinates, inspire them with enthusiasm, evoke trust.

Technical skills – specific knowledge and skills required to perform work tasks, i.e. the skills of using methods, technologies, equipment that are required when performing specific functions, such as research and development, production, marketing. Technical skills play the most important role at the lowest organizational levels, but a professional manager must have experience in the area in which his/her organization (or structural unit) specializes.

One can learn what a manager should do. But there is one trait that cannot be bought but lack of which makes manager's work impossible. This is not the genius, but the integrity of character.

Peter Drucker

British management experts Mike Woodcock and Dave Francis have identified eleven skills and abilities that a successful manager must possess:

- 1. ability to control yourself;
- 2. Reasonable personal values;
- 3. clear personal goals;
- 4. emphasis on continuous personal growth;
- 5. ability to solve problems;
- 6. ingenuity and ability to innovate;
- 7. high ability to influence others;
- 8. knowledge of modern management approaches;
- 9. ability to manage;
- 10. ability to educate and develop subordinates;
- 11. ability to form and develop effective work groups.

The manager deals with a special resource, namely, people, so in addition to specific skills, he must master the skills of working with the staff of the organization.

Questions and tasks to consolidate the knowledge acquired

1. What is the essence of management?
2. What is the horizontal and vertical labour division within an organization?
3. Describe three main levels of management.
4. Who are the managers? Features of managers.
5. Describe the benefits and problems of manager's work.
6. Describe the content of managers' activities using the roles suggested by Henry Mintzberg.
7. What is common and what is the difference between a manager and an entrepreneur?
8. What features characterize management as a science? What is the art and skill of management?
9. What is the difference between the efficiency and effectiveness of management?

10. Why are abilities, motivation and opportunities important for a manager's success?
11. Describe the manager's skills offered by Richard L. Duft.

Extending of the acquired knowledge

1. Give the examples of entrepreneurs, managers, and successful organizations.
2. Describe a professional manager as a diplomat, leader, educator, organizer, innovator and just a human.
3. Competences of a modern manager that are based on the 20-facet model of the British company A&DS.
4. Organizational and individual preconditions of a successful manager: psychological portrait of the individual.
5. A "perfect" manager according to Ichak Adizes.

Chronology of the management science development

Business activity, entrepreneurship, management emerged as long ago as the human society did. Prominent politicians, industrialists, merchants, business owners have always been present in the human history, and the examples of their successful activities and leadership can still be found. But until the second quarter of the nineteenth century, the issues of the need for management (in the modern sense of this word) were not actual in the business community, since the desire to earn as much as possible and to gain influence in the society and politics prevailed. This is proved by the unsupported approach to labour motivation used by Robert Owen at the end of the eighteenth century. He argued that the best results in the organization can be achieved due to managing other people. He provided workers with good housing, improved working conditions, developed the systems of fair evaluation of work outcomes and additionally paid for high performance. Entrepreneurs who wished to experience this “social experiment” went to his textile factory in the Scottish town of New Lanark from everywhere. But despite the fact that it was extremely profitable, the businessmen of that time did not use Robert Owen’s approach in their activities, and the process of managing the factories continued to be non-systematic.

Nevertheless, the awareness of the fact that management was still able to make a significant contribution to the development and success of organizations emerged in the late nineteenth century in the United States; that is why this country is considered to be the birthplace of modern management. This is explained by several factors. Firstly, at that time the USA was practically the only country, where competence and knowledge prevailed over the individual’s origin and social status. And millions of Europeans who were seeking a better life emigrated to America and formed a huge market of hardworking workers. In addition, the USA was actively implementing the idea that education should be available to all interested people. That led to an increase in the number of people intellectually trained for various business roles, including managerial ones.

Secondly, the construction of transcontinental railroads, emergence of a number of inventions, new industries and their rapid production

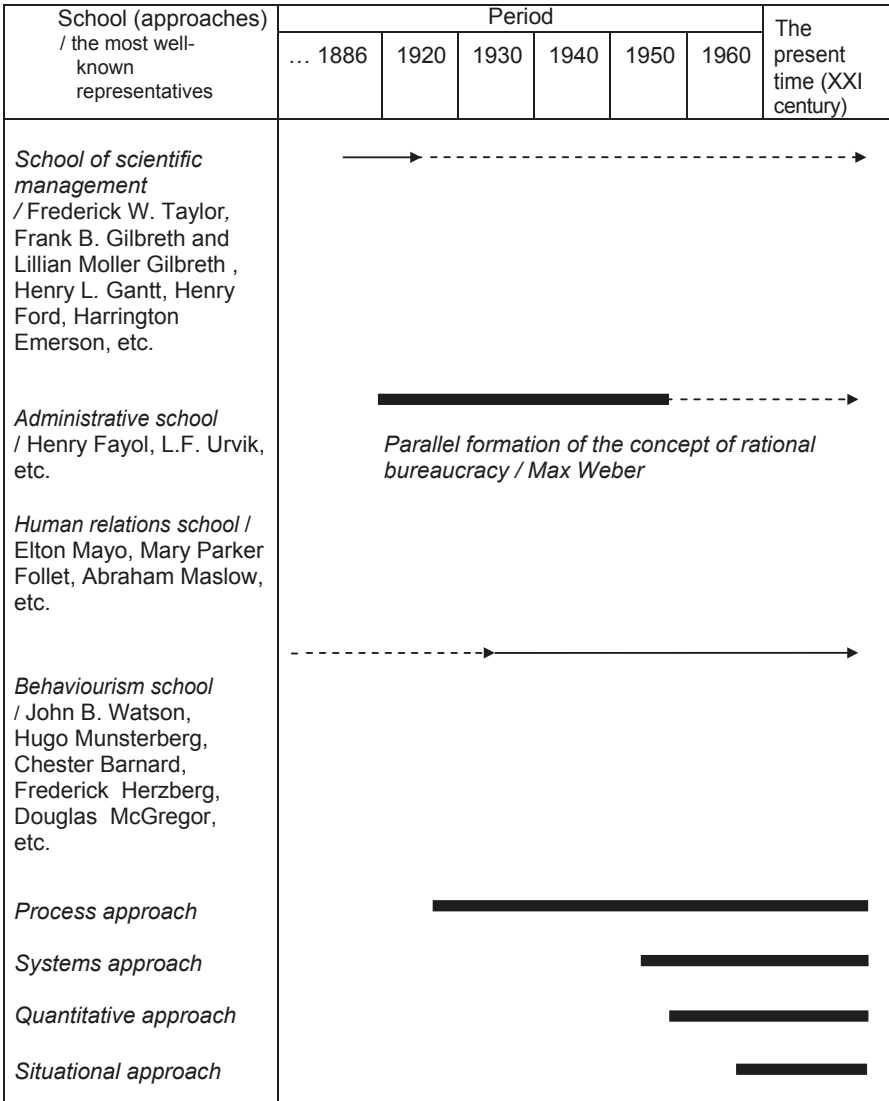
development made the United States a world market leader. These and other factors caused the emergence of large companies and, in fact, their owners were unable to ensure successful operation of their businesses by themselves. Therefore, it was natural to delegate the authority to manage the enterprise to specially trained people, i.e. managers. Both the manager and the entrepreneur are engaged in essentially the same business, the content and forms of their work are similar; the difference bases on the responsibility: the entrepreneur is responsible for his money and property, the manager is a hired specialist.

Thus, there originated a number of schools and approaches to management emerged (Figure 2.1), the concepts of which are used to some extent by modern organizations.

The initial stage of meaningful management formation is associated with the regular meeting of the American Society of Mechanical Engineers in 1886, at which Henry Town, President of “Yale & Town Manufacturing Co” presented the report entitled “An Engineer as an Economist”. His main idea was that engineers should be interested not only in technical efficiency: calculation of costs, revenues and profits. Management of labour processes was proclaimed to be the same art as technical engineering.

One of the listeners of the report was F. Taylor, a member of the American Society of Mechanical Engineers, who supported the organization of the movement for scientific methods of production control since 1885.

The development of management science is conditioned by the gradual development of such sciences as mathematics, psychology, sociology, i.e. new knowledge that has always been a ‘nutritious ground’ for the development of scientific ideas about management



Full line indicates active implementation of the approach during the corresponding time period, the dotted line indicates incomplete, selective use of views

Fig 2.1. Chronology of the management science development

Scientific schools of management

The school is an informal scientific association of people who hold the same views, researching important issues for the society and present the obtained results in the form of certain concepts, principles, methods. Supporters of certain management scientific schools considered they managed to find the “key” to successful management. Each theory has contributed to the development of modern management.

School of scientific management

The founder of the school of scientific management, Frederick Taylor, believed that improvement of the production efficiency in the organization and, consequently, the well-being of each individual employee is possible by means of increasing their productivity, and this requires setting rigid labour standards. That is why F. Taylor argued that the most important task of managers is to identify the best ways to perform work for all jobs as well as to develop the standards that workers must be sure to adhere to when performing tasks. After that managers need to select employees that have physical and intellectual characteristics that best suit the project, which has been designed and provided with the adequate tools. Performers need to be trained to use pre-designed work methods, techniques and procedures. F. Taylor also stressed the necessity to reward workers for their higher productivity and to apply penalties to those who fail to implement the plan.

“The principal object of management should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employee”
Frederick Taylor

In addition, F. Taylor and his followers offered to separate the process of thinking and designing of works from their actual execution. In other words, they argued that management should be a separate speciality. F. Taylor noted, “obviously, one person must first draw up a plan of work, and then another person of a completely different type must execute it”. At that time, it was new and unusual because the workers themselves designed their work process. F. Taylor made a kind of “intellectual revolution” by interpreting industrial management as a mutual activity of managers and workers based on a common interest.

F. Taylor presented his basic ideas in the form of *Principles of Scientific Management*:

- ↳ absolute adherence to the standards and rules developed on a scientific basis;
- ↳ recruitment, training and appointment of employees for the jobs and tasks where they will provide the greatest benefit;
- ↳ payment for results (lower results – smaller pay, better results – higher pay);
- ↳ involvement of functional managers who ensure the performance of and its control in specialized areas.

Henry Gantt, as a representative of the School of Scientific Management, is the author of the most famous management tool, the Gantt Chart, which is a distribution of a set of interrelated tasks over time periods. Due to it, the management acquired a planning tool with clear deadlines for the various stages of work.

In addition, he promoted the use of a bonus and hourly wage system: workers should receive a bonus in addition to regular wages when executing a daily plan (if the plan is not implemented, their fixed salary is still maintained); setting an hourly wage plus a percentage of the time saved if work was completed on time or faster; payment of a foreman's bonus if the plan is executed qualitatively by the whole crew (one of the first attempts to reward a supervisor for the training of subordinates).

H. Gantt also paid attention to the issue of social responsibility in business and argued that organizations have a commitment to society and should contribute to its well-being.

The issue of a human factor is one of the important management issues
Henry Gantt

In support of the basic ideas of scientific management, Frank and Lillian Gilbreth were concerned with searching for the best ways to increase output by reducing the efforts spent on their production. The Gilbreths studied the work of the employees using a camera and a micrometer, which let them accurately determine the time spent by the worker on each movement. With the help of freeze-frame, the Gilbreths managed to identify and describe 17 movements of the hand, which they called terblig (the surname 'Gilbreth', if you read it in reverse). Thus, in the procedure of laying one brick (Frank was a bricklayer when he was young), they reduced the number of movements from 18 to 4, thereby increasing the

productivity of bricklayers by 50%.

The methodology of the study of labour processes, proposed by the Gilbretts, with the subsequent rationalization of the implementation of these procedures is still used for the microelement work measurement. In addition, Lillian Gilbrett, who lived 48 years longer than her husband did, believed that successful management is based on a person, not a job, and therefore scientific management presents the facilities that let maximize the use of human capabilities and efforts. That is why in the 60's of the twentieth century "the first lady of management" began to deal with the issues of organizational psychology and personnel management (their scientific selection, placement and training).

Henry Ford shared the ideas of Taylor's scientific management and first began to use an industrial conveyor, which provided the ability to shorten the Ford T's assembly time from 12 to 2 hours after some optimization processes. He was one of the first to put into practice the idea of "capitalism of well-being" aimed at improving the living conditions of workers and reducing staff turnover: doubling the wages of workers, establishing a reduced working week (initially 6 days and then 5 days 8 hours each).

Administrative (classical) school

Henri Fayol is considered to be the founder of the administrative school. At a time when F. Taylor was interested in the management of the technical (operational) level, H. Fayol's attention was focused on the activities of managers at all levels. He said, "Management plays a very important role in managing any organization: small and large, in industry, trade, politics, religion and other areas of society". In addition, he argued that any business activity is characterized by six areas that are experienced by any organization on a permanent basis. They are as follows:

- 1. technical activity (design, production, operation);
- 2. commercial activity (purchase, sale, exchange);
- 3. financial activity (optimal use of capital);
- 4. security (protection of property and employees);
- 5. reporting activities (inventory, costing, reporting);
- 6. administrative activity (performance of management functions).

Fayol identified the following functions: to anticipate, organize, coordinate, command, control. Since Fayol viewed management as a

continuous process consisting of several functions, his followers began to call his concept and their additions a process approach.

In addition, H. Fayol also identified 14 principles of management:

- 1. *division of work or division of labour* – strengthening the specialization of work by reducing the number of goals to which the employee should direct his attention and efforts, which will lead to higher qualification of the employee, and increase production and product quality;
- 2. *authority and responsibility* – each employee should be delegated authority sufficient to be responsible for the performance of work;
- 3. *discipline* – employees must obey and respect the rules on the basis of which their organization operates, otherwise managers must apply fair sanctions to violators of labour discipline;
- 4. *unity of command* – the employee receives instructions and reports only to one immediate superior that ensures a hierarchy of management;
- 5. *unity of direction* – each group united by the same activities and the same objective must have a single plan and one leader;
- 6. *subordination of the individual interests to the general interests* – the interests of an individual employee or group of employees should not prevail over the interests of the organization as a whole;
- 7. *staff remuneration* – a fair remuneration for the high quality work performed;
- 8. *centralization and decentralization* – depending on specific conditions, ensuring of the optimal proportionality between the leader's concentration of authority "in his hands" when making a decision and the degree of involvement of subordinates in this process;
- 9. *scalar chain* – an inseparable chain of commands, which transmits all orders and ensures communication between all levels of the hierarchy (chain of leaders). Rejecting such a hierarchy without a necessity would be a mistake, but it would be even a bigger mistake to uphold it if it clearly harms the organization;
- 10. *order* – people and materials must be in the right place at the right time (a place for everything and everything in its place);
- 11. *equity* – the manager must be equally friendly and fair to all his subordinates;
- 12. *stability of tenure of personnel* – the success of the organization is possible in case of stable management staff. A less talented but constantly working manager is better than a talented manager who does not value his job;

- ↳ *initiative* – encouraging of the initiative (enthusiasm) of employees, which is a source of strength and energy of the organization;
- ↳ *Esprit de corps* – building of harmonious relations among employees.

These principles have not lost their relevance today; manager's goal is to apply them skillfully.

“Real talent is needed to coordinate effort, encourage keenness, use each person's abilities, and reward each one's merit without arousing possible jealousies and disturbing harmonious relations”

Henri Fayol

The concept of rational bureaucracy

A well-known form of government called bureaucracy was developed in parallel with the ideas of representatives of the school of scientific management and administrative school. It was developed by the German scientist Max Weber, who emphasized that management of the organization should be based on a rational basis, i.e. there should be uniform rules and bureaucratic procedures that provide standard methods of interaction with employees; everyone is treated the same way and everyone knows what he needs to do. Weber's concept of bureaucracy does not apply to real organizations. It was proposed as a normative model, an ideal to which organizations should strive. However, at that time, this approach to management allowed many organizations to achieve high efficiency, because rationalization ensures the development of formal rules of management, lack of which would lead to the chaos in the organizations.

Position is not a private property of the officials;
positions are owned by the organization

Max Weber

Rational bureaucracy has a number of characteristics:

- ↳ *specialization and division of labour*. Each member of the organization specializes in performing certain work (tasks), which ensures availability of highly qualified specialists in each position;
- ↳ *hierarchical authority structures*. The scope of authority of every official is clearly defined: each individual has to perform the orders of a directly

senior official and has the right to give orders only to his immediate subordinates. In addition, officials are accountable to management not only for their actions and decisions, but also for the actions and decisions of their subordinates;

- 1.6 *rules and instructions* that are mutually agreed ensure coordination of tasks regardless of changes in staff, determine the responsibility of officials and the relationship between them. The rules apply equally to all employees;
- 1.6 *technical competence guidelines*. Every position requires qualified labour and job applicants are selected on the basis of their competence, not because of a personal judgment. Competence is determined by the certificates (e.g. educational degree) and through passing exams or testing by the organization;
- 1.6 *guarantees of employment and career growth*. After the evaluation period, the appointed officials acquire guarantees of employment and protection against unjustified (despotic) dismissals; employees are provided with everything necessary to perform functional duties; promotion in the hierarchy is carried out depending on the age and merit or taking into account both;
- 1.6 *impersonality and personal indifference* in relationships between employees all levels of the organization;
- 1.6 *formal written communication*. Administrative decisions, rules, instructions, actions, results are documented and stored in the archive.

Human relations school

Representatives of the school of scientific management and administrative school associated the importance of a human factor in the life of the organization only with material encouragement and establishment of formal functional relations. Elton Mayo pointed out that well-defined work tasks and adequate pay did not always help to increase productivity. In 1924 this inspired him and a group of like-minded people to begin a series of experiments at the Western Electric Company's plant in Hawthorne, Illinois.

The most effective one was the experiment, which was conducted in the Relay Assembly Room. To ensure the purity of the experiment, a group of six women were placed in a separate room, isolated from other workers in the workshop, which numbered about 100 people. They communicated

more with each other than others, and as a result established close relationships. In addition, there were several changes in this group during five years that provided positive results. For example, when additional breaks were introduced, labour productivity increased, and the researchers explained it by less fatigue of female workers; the length of the working day and working week for the experimental group was reduced and the productivity continued to grow. But when the group returned to their previous working conditions (to a forty-hour six-day work week without progressive pay, without breaks for rest and renewal), their productivity did not decrease. There arose a question, "What is a real reason of the constant growth of labour productivity in this group?" The research led to the conclusion, which was later repeatedly confirmed in practice, that the workers eventually created a single social organism, i.e. in fact, they developed their norms of production behaviour, value system, etc. in the group. And then their work became a source not only of income, but also of the joy of communication, a form of self-expression. So, the forces that had arisen within the group in the process of interpersonal relationships prevailed over the efforts of managers. The measurements showed that individual workers sometimes reacted more to the pressure of their friends than to orders and incentives of the administration. That is how the phenomenon of the informal group was discovered. According to Mayo and those who shared his views, informal relationships in the production process are a powerful organizational force that can both oppose the orders of managers and facilitate the implementation of their instructions in the working life of the group. Therefore, managers must learn to manage the informal relationships of their subordinates as well. They should not pay so much attention to forcing them to perform their duties but to cooperating with them, skillfully and competently directing them to achieve the goals of the organization. This will contribute to the social stability of the organization, so that the employees should get personal satisfaction from communication and work performed by them while working with each other and with the manager in order to achieve common goals

A practicing manager Mary Follett shared Mayo's views and participated in the Hawthorne experiment. In her research activities, she paid special attention to analysis of the dynamics of group processes: joint activities of people aimed at developing and implementing plans; manifestation of initiative of individuals, their ability to make and implement decisions; use of the potential of all employees; study of conflicts in groups.

Mary Follett did not support the representatives of the scientific management in the issue of rigid division of labour, because she believed that execution of monotonous, often repetitive tasks in conditions of strict control devalues a creative source of the individual. Therefore, managers must give labour a chance to develop and demonstrate individual skills.

Behaviourist (behavioural) school

Due to the development of psychology and socionics, there was observed an improvement in methods of studying the behaviour of employees, which led to the emergence of a branch of human relations school, called "behaviourism" (from the English word *behaviour* – manner of conducting oneself). This is a school of psychology, which considered human behaviour to be a result of previous environmental influences. The American psychologist John Watson is considered to be the founder of behaviourism, because it was he who in 1913 during the lecture "Psychology from the behaviourist's point of view" first justified the feasibility of psychological research aimed to predict human response and determine the nature of the stimulus used. Adapting this idea to managerial activity, supporters of behaviourism studied various aspects of social interaction, models of government, organizational structure, leadership, communication, quality of working life; in addition, they justified the fact that not only economic but also internal incentives to action have a significant impact on labour productivity. The main goal of the behaviourist concept is to help employees determine their potential, and to help managers to increase the efficiency of the organization through the use and development of the human factor.

Human factor was recognized as a primary one for the success of the organization in the late XVIII century by Robert Owen and this idea was supported in the early twentieth century by Hugo Münsterberg, Mary Parker Follett, Chester Barnard and other scientists-practitioners; and it remains relevant today.

Robert Owen:

- 1. proposed the theory of the ideal workplace;
- 2. considered that money spent on improving working conditions was one of the most effective types of investments.

Hugo Munsterberg:

- 1. suggested to use psychological tests when selecting employees,

determining their professional suitability;

- 1.4 considered the training of employees to be an effective way of their motivation .

Mary Parker Follett:

- 1.4 believed that it is necessary to study the behaviour of employees and other psychological aspects of the personnel relationships to ensure successful management;
- 1.4 proposed the idea of building an organization on the principles of ethics;
- 1.4 put forward the idea of employee participation in the management of the organization on the basis of their functional competence.

Chester Barnard:

- 1.4 proposed the idea of managing the organization through informal groups and relationships;
- 1.4 believed that the organization should be able to meet the goals of employees and thus ensure its effectiveness;
- 1.4 paid special attention to communication links in the organization.

When exploring organizational behaviour, American Professor of Business Management Raymond Miles defined the *postulates of successful management* in his book "Management Theories: Implications for Organizational Behaviour and Development". They are as follows:

- 1.4 most people wish to be not only loved, respected, but also be given an opportunity to participate in the pursuit of worthy goals;
- 1.4 it is the manager's responsibility to create working conditions in which subordinates can direct all their talents to achieve the goals of the organization. At the same time, he must strive to discover and use in practice all his creative abilities;
- 1.4 the manager has to ensure the participation of personnel in addressing both important and current issues. The more important the decisions are, the more vigorous the attempts aimed to involve subordinates in its adoption should be;
- 1.4 the quality of decisions and work increases when the manager uses the experience, knowledge and creative abilities of his subordinates;
- 1.4 the manager should constantly strive to stimulate the subordinates to use self-control and seek to determine the directions of their activities as they develop and show their knowledge and abilities;
- 1.4 personnel satisfaction with work leads to increased productivity and promotes its growth under application of the creative approach.

Modern approaches to management

Management develops in accordance with the laws and patterns of the development of society and economy, and it is practically implemented under the influence of current trends and realities.

Modern business space has the following characteristics:

- ↳ short product life;
- ↳ supply exceeds demand – the value of service increases;
- ↳ significant role of information (about competitors, about the use of capital, etc.)
- ↳ “equality” of competitors;
- ↳ growth of the importance of intellectual and creative capital of the organization;
- ↳ high rate of changes in the internal and external conditions;
- ↳ individual approach to each client, etc.

A growing interrelation of all aspects of the organization (production, finance, marketing, social and others) as well as the expansion and complication of internal and external relations has led to the formation of so-called modern approaches to management.

Process approach

The concept of process approach was developed by Henri Fayol, who first identified and described five management functions, namely, planning, organizing, directing, coordinating and controlling. Other theorists suggested their “lists” of functions. For example, M. Mescon, M. Albert, F. Khedouri in their book “Fundamentals of Management” proposed to combine the main types of management activities into four primary functions: planning, organizing, leadership, and controlling (Figure 2.2); management (leadership) is considered by them as an independent activity associated with the impact on the particular employees and the group in order to ensure the accomplishment of organization’s goals by them.



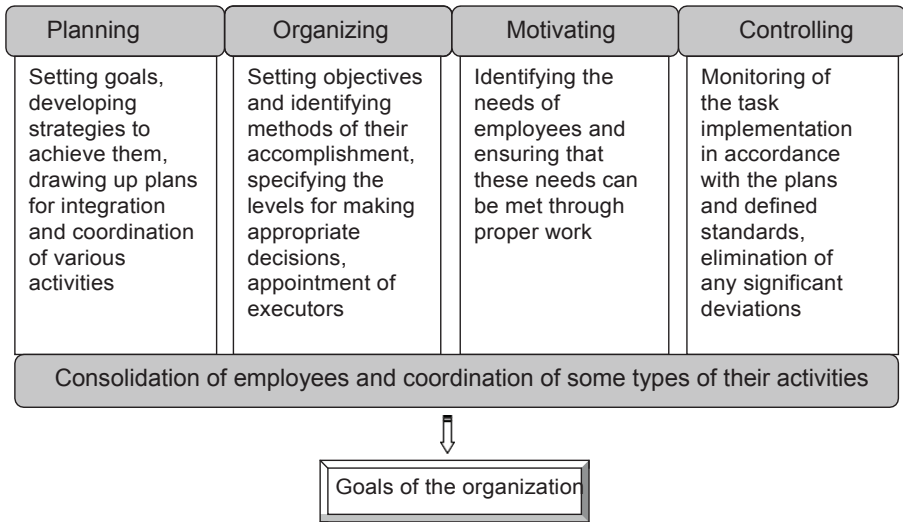


Figure 2.2. The management process as a sequence of functions

In addition to the general functions, which are an integral element of the managers' activities of any hierarchical level or type of activity, there are also specific, specialized functions, which to some extent are determined by the sphere of organizational influence.

Management is considered to be a process since the activities aimed to achieve the goals of the organization with the help of other people is not a single action but a series of on-going interrelated actions called functions.

System approach

System approach to management was developed by Chester Barnard who appeared to be the first to view the organization as a social system. This approach is based on the concept of the organization as a system, where each element is directly interrelated with other elements, although it has its own limited goals and functions. In view of this, management decisions do not just functionally flow from each other, which is emphasized by the process approach, but all without exception impact each other. The decisions made by the manager in one organizational area will inevitably affect the others and vice versa, this is called interdependence of system

elements. For example, no matter how effectively the organization's production department works, if the marketing department does not predict a change in consumer preferences and does not inform the department that deals with new product development in a timely manner, it will negatively affect the company's performance; if the procurement department does not purchase materials in the required quantity and quality in time, the production department will not be able to perform its work effectively. Therefore, when making decisions, every manager should keep in mind their consequences for the whole system. In addition, their activities are influenced by various factors, which also complicates the management process. For example, no organization can exist if it does not liaise with suppliers, does not analyze consumer needs or the actions of competitors, does not comply with government regulations, i.e. ignores the external factors affecting the company's success. Thus, the organization is a set of interrelated elements that ensure transformation of resources into a certain result in conditions of the dynamic influence of external factors of its environment. Hence, the management process should be considered from a systemic point of view (Figure 2.3).

In terms of system approach, the manager's goal is, firstly, to ensure the interaction of all units of the organization to the objectives set, and secondly, to perform constant monitoring of the organization's environment in order to adapt to changes and identify new resource opportunities.

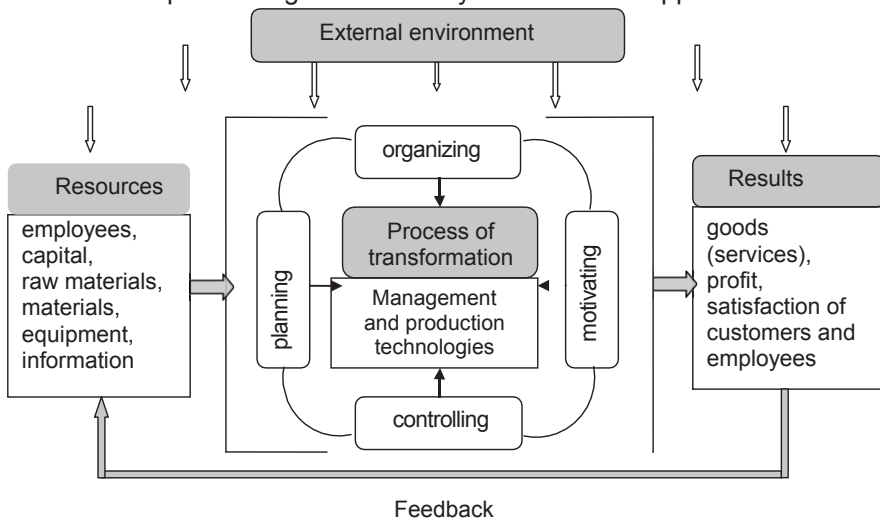


Figure 2.3. The management process from the standpoint of an open system

Quantitative approach

The concept of quantitative approach in management is associated with the use of statistical methods, information and optimization models, computer modeling methods, which significantly increases the efficiency of organizational decision-making. The key idea of this approach is to replace verbal reasoning and descriptive analysis with models, symbols and quantitative meanings. The efficiency of the decision-making process increases not only through the use of quantitative methods and tools, but also due to the adequate interpretation of results.

Quantitative methods and tools are mostly used by the managers when forecasting and planning, which provides an opportunity to organize work and control better as well as to optimize the process of utilization and allocation of resources of the organization (Table 2.1).

Application of quantitative approach to management has become especially popular with the development of economic cybernetics as well as information and communication technologies that greatly facilitate the decision-making process.

Table 2.1. Examples of application of some quantitative methods

Methods and tools	Description of the method	Application
<i>Forecasting methods</i>		
Analysis of time series	Compilation of a mathematical equation for the trend curve and development with its help of the forecasts by the key indicators for the future period	Forecasting sales for the next quarter based on the relevant indicators for the last few years
Regression models	Predicting the value of a single variable based on the known or variables	Finding factors that determine a certain level of sales (for example, price or advertising costs)

<i>Resource allocation methods</i>		
Budgeting	Resource allocation plan for specific individual areas of activity with numerical expression	Budgeting for the purchase of equipment for the use of, for example, a new technological line
Graphs	Determining the list of works, the order of their execution, budget, executors and time limits	Display of planned and actual production for a certain period of time (for example, Gantt chart) as well as costs for each type of work (for example, block diagram PERT)
Break-even point	Determining the point of critical output at which aggregate income is sufficient only to cover aggregate expenditures	Determining the minimum number of new products to ensure the payback of the project

Situational approach

Representatives of the early schools of management, such as F. Taylor, H. Fayol, E. Mayo and others, proposed universal rules and methods of management. However, there may often arise problem, unforeseen situations when the organization is influenced from the outside or inside, which requires a qualitatively new response of the system to these changes. In this case, as never before, the creative thinking of the manager is needed, "What will happen if ...", i.e. the ability to predict the emergence of different situations and, what is most important, possible consequences of their development.

Since organizations and even divisions within one organization differ from each other (in size, goals, nature of work), it is clear that it is impossible to determine universal rules and methods that would "work" in any situation. Therefore, the activities of managers, in terms of situational circumstances, are intuitive and logical, which involves the study of real conditions, a specific situation experienced by the organization (unit) and the development on this basis of specific, unique management techniques. For example, all organizations must create a structure to achieve their goals, but they will differ in the number of levels of management, functional responsibilities are formed differently, the same tasks can be performed by

different departments, etc. Management needs to organize achievements set goals in accordance with the current situation.

Thus, the concept of the situational approach to management is based on the fact that organizations differ from each other, find themselves in different situational circumstances and require different management techniques.

Situational thinking is the direct use of theoretical knowledge to analyze real processes

According to the situational approach, the manager should be able to:

- 1. use professional management tools, the effectiveness of which is confirmed by the practice: understand the essence of the management process, individual and group behaviour, carry out system analysis, use quantitative decision-making methods, etc.;
- 2. predict possible consequences, both positive and negative, of a particular technique (and they can usually be revealed in each situation);
- 3. refer specific methods that had the least negative effect to specific situations and use them when such moments arise;
- 4. interpret the situation correctly: determine the factors that are the most important ones in this situation and the probable effect of changing one or more of its variables.

The main situational factors are the state of the external and internal environments of the organization. The situational approach is focused on studying the impact of each situation on the management system.

Questions and tasks to consolidate the knowledge acquired

1. The principles of scientific management by F. W. Taylor.
2. Taylor's followers: the Gilbreths, Hunt.
3. Fayol's principles of management.
4. Max Weber concept of bureaucracy.
5. Elton Mayo and the Hawthorne experiment.
6. The essence and purpose of the behaviourism.
7. Organizational behaviour theory: the first supporters and basic ideas.
8. The development of management science in Ukraine.

9. Why is management considered to be a process? Describe the general management functions.
10. What is the basic idea of the systems approach to management? Describe the management process as an open system.
11. What is the essence of a quantitative approach to management?
12. What is the basis of the situational approach to management? What skills should a manager have in the context of the situational approach?

Extending of the acquired knowledge

1. Robert Owen as a forerunner of early management.
2. Peter Drucker as a classic of modern management.
3. Henry Ford: a success story.
4. Harrington Emerson's Performance Principles.
5. Nicolas Machiavelli's theory of governance: "moral" and "immoral" parts of the doctrine.
6. Dale Carnegie's views on relationships with people.
7. Modern concept of "ideal bureaucracy": synthesis of the views of Max Weber, Robert K. Merton, Alvin Ward Gouldner.
8. Formulate a paradigm of successful management (based on the generalization of historical views and modern approaches).
9. Why is knowledge of current management concepts important even for those who do not plan to be a manager?
10. Development of management in Ukraine: historical aspect and current trends.

The essence of the organization and its general characteristics

The *organization* as an object of management is a group of people who work to achieve certain goals, and whose activities are consciously coordinated. In his turn, the American entrepreneur Chester Barnard revealed the essence of the organization as a complex system having functional subsystems with their own goals. Such a subsystem can be production, financial, marketing, etc.

Organizations exist for one reason only - to help people to do things that everyone would not be able to do alone.

Robert Waterman

A formal organization (team, unit) is an association of people set by the decision of senior management to perform certain production functions. Organizations differ from each other in different aspects (areas and types of activities, size, principles and methods of management, complexity of operations and procedures), but at the same time they have common characteristics:

- 1. availability of the defined goals and resources that are used to achieve the expected results;
- 2. influence of the internal environment, which determines the potential development of the organization;
- 3. dependence on the external environment as a source of necessary resources, "consumer" of the results as well as organizational and legal platform for production activities;
- 4. labour division of labour and specific structural and hierarchical structure;
- 5. availability of informal groups;
- 6. the need for management.

Organization domain and types of management

Management is universal in nature, because in any case or situation, managers will plan, organize, motivate and control. This does not mean that these functions will be performed in a single scenario and in the same way. However, the difference between the work of the head of the company's project department and its CEO is not based on the functions, but in their responsibilities, since both of them plan, organize, motivate and control.

The type of manager's activity depends, first of all, not on his status in the hierarchical structure, but on the organization domain and the types of work and services provided. For example, there can be distinguished production, financial, intermediary, insurance, legal, public domains. And the types of work, tasks of ordinary employees of the organization and its managers are specified depending on the scope of activity.

Management is needed by the companies of all types and sizes, at all organizational levels and in all areas of activity all over the world
Stephen Robbins, Mary Coulter

Types of management are individual areas of management that have their own specific goals and are intended to solve certain problems. There can be distinguished the following types of management:

- strategic management is aimed at setting the goals of the organization, assessing the external environment, making decisions concerning the maintenance of competitive advantages in the market;
- operational management is aimed at the division of labour and resources in accordance with the production activities of the organization, monitoring of the course of task execution at the current time;
- personnel management is focused on the selection, placement, training and motivation of the organization's staff;
- marketing management studies the demand for products of the organization, provides new proposals and sales channels, sets a pricing policy;
- financial management is aimed at managing the financial resources of the organization in accordance with the development strategy;
- innovation management organizes work with innovations, coordinates

implementation of scientific developments, introduction of advanced technologies;

- investment management focuses on effective investment management in the organization in order to make a profit in the future;
- project management is aimed at managing the process of creating new value within limited time and budget of the organization.

Management as a system

Management is a professional activity on managing the organizations that aims to ensure, firstly, high performance and efficiency of work, and secondly, sustainable development. Like any dynamic system, management is characterized by the availability of interrelated elements and corresponding processes that are influenced by internal and external factors (Figure 3.1).

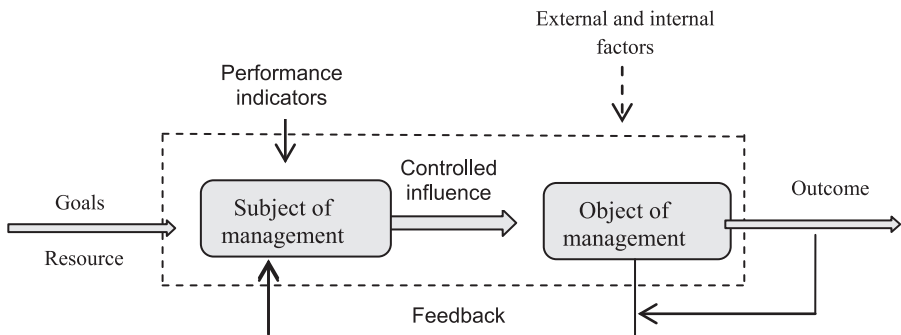


Figure 3.1. Management as a system

Let's consider a general mechanism of operation of the organization and the position of management in this process.

The *“input” of the management system* is everything that makes the operation of the organization possible; it is characterized by the availability of goals and resources. In a general sense, the *goal* is the expected state of the management system after a certain period. *Resources* are items needed to achieve the goals. According to the classical variant, the resources of the organization are divided into four types: material, financial, human and information. *Material resources* are characterized by the availability of equipment, real estate, inventories, etc. *Financial resources*

are the totality of necessary funds, both owned and borrowed ones. *Human resources* are characterized by personnel potential of the organization, which covers professional competencies of employees, their intellectual capabilities and creativity. *Information resources* are the totality of relevant messages about the state of the environment, “reactions” of consumers to the product (service) received, interests of stakeholders of the organization, etc.

The *subject of management* is the one who performs a controlled influence transforming the elements of “input” into the expected outcome, namely, owners, managers, coordinators of the organization. The *object of management* is the item at which the controlled influence of the subject of management is targeted at, namely, the units of the organization represented by specific employees and other resources. In its turn, the *controlled influence* of the subject of management is a set of modern approaches to management, leadership styles, principles and methods of management, management decision-making mechanisms that ensure effective transformation of organizational resources.

The goals used as the standards of the system functioning have two characteristics, namely, time interval and concrete criterion that can be used to compare the executed work. On this basis, *performance indicators* are determined. They clearly define what result should be achieved to accomplish the goals. This is done by periodical comparing the obtained results with the planned ones. So, the “*output*” of the management system is the achieved result of its operation, which is compared with the expected performance indicators, while receiving information to provide constructive feedback.

In addition, in order to achieve the set goals, the system must respond to both external and internal factors that can lead to deviations. That is why the management process should provide feedback, in particular, data on the expected results. It enables managers to identify and correct various unpredictable problems before they lead to deviations of the organization from the most effective course of goals achievement. In fact, management can be treated as an attempt to support the organization, as an effective feedback system that provides a constant “output” at a given level, despite the influence of internal and external factors. However it is clear that a successful manager cannot limit himself to adhering to the status quo and responding to problems. If the organization does not seek to adapt and improve through a proactive position, it is unlikely to be effective during a long period of time.

Environment of the organization

Any organization is found in the specific environment and operates in case it provides such an opportunity. The internal environment of the organization is a source of its vital force and includes the potential that allows the organization to operate and develop, but it can also be a source of problems, even the bankruptcy of the organization, if its functional needs are not met. In its turn, the external environment is a source of resources and other opportunities needed to “nourish” the internal potential of the organization, and on the other hand, it hides some threats including mala fide suppliers, social cataclysms, political instability, etc.

To determine the future behaviour of the organization, its managers need to have an idea of both internal and external environment, its potentials and development trends, as well as know the position of their organization in them. This will reduce the destructive impact of their variables, as well as increase opportunities for sustainable development.

Internal environment of the organization

Internal variables are situational factors that exist within the organization, its strengths and weaknesses. And since the organization is a system that is created by people, these variables are primarily the result of the decisions made during the management process. Nevertheless, this does not mean that managers can fully control all internal variables.

The main internal components of the organization include:

- 1. *goals (objectives)* – a kind of the ideal state or expected outcome that a single group and the whole organization seeks to achieve. During planning, the management sets goals and informs the employees about them and specifies them in the objectives. In addition, it is the goals that can unite the efforts of employees and ensure sustainable development of the organization;
- 2. *structure of the organization* – logically interrelated functional areas and levels of management. Based on it, the division of responsibilities between the structural units of the organization and individual executors is performed;
- 3. *technology* – a combination of certain methods of production, equipment, infrastructure, technical skills, managerial influence required to transform resources into the expected outcome;

- ↳ *finance* – the organization’s ability to attract and use funds to ensure the expected outcome;
- ↳ *information* – data on the strengths and weaknesses of the organization, its capabilities and threats to sustainable development;
- ↳ *organizational culture* – the position, point of view and manner of behaviour, which embody the basic values of the organization;
- ↳ *personnel* – employees of the organization who have necessary knowledge, abilities, skills. And this component is the main one, because the success of the organization largely depends on the activity of the staff.

If you leave us our real estate, equipment, products, but deprive us of our employees, the company will perish. If you take our money and all other resources, but leave us our people, we will rebuild everything in decades

Richard Dupree

External environment of the organization

External environment is a totality of factors that affect the external activities of the organization, its capabilities and threats. Constant and abrupt external changes have attracted great attention to it, especially in the modern world. Therefore, a manager must be able to identify external factors that may have the greatest impact on his organization and develop effective options to respond to them. It is necessary to take into account a number of characteristics of the external environment:

- interrelationship – the degree of influence of changes from one factor to another;
- complexity – the number and variety of factors that seriously affect the activities of the organization;
- variability – the rate of change of the factor influence;
- uncertainty – a relative amount of information about the environment and the degree of confidence in its reliability.

Due to globalization, the term “hyperturbulence” has even introduced in the management theory. It is used to describe the external environment, which is characterized by even more rapid changes and close interrelationships of its factors.

Survival of the organization is becoming more and more dependent on the access of its managers to the information about the external environment

Fred Emery

One of the ways to determine the external environment and understand its impact on the organization is based on the division of external variables into two main categories: direct and indirect.

Direct variables of the external environment (microenvironment) are the factors that directly affect the production activities of the organization and depend on it. These include:

- 1. *suppliers*: organizations that provide resources (materials, equipment, energy, capital, labour) to other companies. They significantly influence the success of the organization, as they set the parameters of quality and price for the final product;
- 2. *consumers*: those who pay money for the purchase of goods or services of the organization. The survival and the nature of the organization's existence depends on the ability of managers to find consumers of the results of its activities and meet their needs; in addition, when deciding which goods or services and at what price they want to buy, consumers of the organization "dictate" their conditions regarding input resources;
- 3. *competitors*: other organizations that compete with it for resources. Most competitors compete for consumer money and managers of all organizations are well aware that they must meet consumer demands as effectively as their competitors, otherwise they will be forced to leave the market; most often it is competitors, not consumers, who dictate what type of product and at what price the organization will be able to sell;
- 4. *legislation and regulatory bodies*: constitutional frameworks, regulations, organizations with the status and right to control or influence the activities of companies. They create a legal "platform" and legal restrictions for organizations;

Indirect environmental variables (macroenvironment) are factors that do not always have a direct and immediate impact on the production activities of the organization, but can significantly change the conditions of its long-term development. These include:

- 1. *technological innovations*: new production methods and equipment standards, development of new sources and methods of resource

supply, new information technologies. To maintain its competitiveness, any organization has to follow innovation trends and keep pace with the times, at least in the areas that affect its effectiveness, since technological factors, in addition to significant opportunities for the company (innovation development, emergence of new markets), pose serious threats (obsolescence of products, shrinking markets);

- ↳ *economic conditions and relations*: economic and industry growth rates, inflation and unemployment, infrastructural development, national currency exchange rate, interest rates on credit, dynamics of market development and its saturation, investment and tax policy, export-import relations, imposition of embargoes and various commodity sanctions. Managers must systematically assess the effects of changing economic conditions on the organization, as they affect, for example, the cost of resources, the ability of consumers to buy goods or pay for services, logistics processes;
- ↳ *socio-cultural factors*: demographic situation, gender and age structure of the population, level of education and wages, values and traditions. They affect the ways of running a business, the range of goods and services, relationships in the team, staff motivation;
- ↳ *political situation*: the degree of public dissatisfaction, stability of the government and its ability to pursue its own policies, protectionism in the industry, administrative barriers, the system of property protection, a threat of the armed conflict. In case of the lack of political stability, the attractiveness of national business for foreign investors, partners and other stakeholders is significantly reduced;
- ↳ *international events*: economic circumstances, cultural values, legislation, political situation, labour market and other factors that take place in partner countries. Managers of organizations operating in the international market should take into account the individual characteristics of each country and change their management methods.

Assessment of external factors helps to develop strategic decisions that provide algorithms for the organization's interaction with the environment, which, in its turn, allow to maintain its potential at the level required for the achievement of goals and help to assess threats and opportunities.

Informal groups in the organization

The organization or individual structural subdivisions (formal groups) is a social environment in which the relationships of team members are regulated not only by official instructions, orders: they communicate over a cup of coffee, during meetings, at lunch; as a result, separate groups, whose members share common interests, common life goals, habits, and simply sympathies, arise. They are called informal because they are formed regardless of the actions or expectations of the management, but they have characteristics of the group, because they regularly interact for some reasons.

Informal groups of the organization are spontaneously formed social associations of employees who interact to achieve personal goals.

Emergence of informal groups and their characteristics

The results of the Hawthorne experiment attracted the attention of managers to informal groups and intensified the process of studying their impact on the organization as a whole. It turned out that the working atmosphere itself contributes to their emergence. Formal structure of the organization as well as the nature of the tasks that should be solved daily, the dependence of its members on each other in many professional aspects promote constant communication and interaction. In addition, people who may not have met under other circumstances spend more time with colleagues than with family, which results in the formation of informal groups.

There objectively arises a question, “Why do employees of the organization value informal relationships so much?” The Hawthorne experiment demonstrated that this was a psychological benefit. Let’s examine the causes of emergence of informal groups in more detail:

- 1. *affiliation*. Involvement of a person in a certain group contributes to greater satisfaction with the duties performed, so managers should work systematically to strengthen social contacts in the formal team and to prevent the emergence of “problem” informal groups;
- 2. *mutual assistance*. It is perfect if subordinates can seek advice from their immediate supervisor without restriction or discuss specific issues. However, people mistakenly or sometimes really think that a manager

will treat them as botchers if they ask him how to perform a task, while most employees are simply afraid to show their incompetence and hear criticism. In such situations they usually ask more experienced colleagues to help them. And this is beneficial to both parties: to those who get assistance and those who provide it; the first ones get necessary advice, and the second ones receive authority and self-esteem. Thus, the need for assistance contributes to the emergence of informal groups in two ways;

- 1. *protection*. People know that the power is in unity. The first social groups were formed on this basis and they tried together to defend their interests before employers, for example, to provide safe working conditions, increase wages, and stop discrimination. Hence, joining informal groups as a protective reaction is becoming more pronounced under the lack of personnel trust in management;
- 2. *communication*. People want to know what is going on around them, especially when it comes to their work. However, some organizations lack a system of internal communications; managers sometimes hide certain information from their subordinates. Therefore, one of the important reasons for people to join informal groups is their desire to gain access to the channel of informal communications (gossip). In addition, there are moments in a person's life when he just wants to share his joy or experiences with some colleagues;
- 3. *sympathy or common interests*. People often join informal groups to be closer to those with whom they simply enjoy spending time. This reason is paramount because people are more likely to seek protection and help, communication, and to be with those they sympathize with. In any case, informal groups are formed on the basis of mutual trust of its members.

Characteristics of informal groups and their comparison with formal ones are given in Table 3.1.

Positive features of the informal group:

- gives employees the opportunity to find their place in society;
- helps to solve problems in stressful, tense situations;
- facilitates communication within the organization;
- provides dissemination of information that managers can use when making decisions;
- helps to identify future formal leaders.

Negative consequences of having an informal group are also possible:

- can cause conflicts and contradictions in situations related to the need to show loyalty to the organization;
- often serves as a basis for gossip, which leads to the spread of false information;
- is able to counteract, if it does not share the system of values proclaimed by the organization;
- can encourage resistance to management plans and create a favourable atmosphere for dissatisfied and inefficient employees.

Tables 3.1. Features of formal and informal groups

Parameters	Formal groups	Informal groups
Purpose	Specific objectives of the activity	Meeting social needs
Formation	Planned	Spontaneous
Method of the activity legalization	Legal formal legalization	Bases on interpersonal relations
Structure of groups	Forms consciously in accordance with objectives	Forms as a result of social interaction
Communications	Formal channels	Formal channels
Number of members	Strictly regulated	Not regulated
Manager	Appointed by the organization	Appointed by the group as a leader
Interpersonal relations	Establish on the basis of hierarchy, functions, tasks	Develop spontaneously
Influence on group members	Management decisions, forms of authority, leadership styles	Personal influence
Control	Application of instructions, standards, regulations	Application of public sanctions

Management of informal groups

Based on contacts and common interests, employees form friendly groups within the organization. But having formed, they begin to “live their own lives” experiencing shared lunches, help at work, psychological support and just friendship. Managers need to remember that the success of the organization greatly depends on the mood of informal groups, that is why they should be managed.

George Homans, a representative of behaviourism, appeared to be the first to notice this fact. He argued that employees of the organization professionally interact while performing specific tasks, and it causes positive or negative feelings and emotions in relationships with each other and with the management. And in their turn, they affect how people will operate and build future relationships (Figure 3.2).

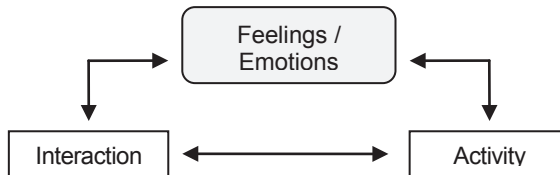


Figure 3.2. Homan's model

The Homan's model both shows how managerial actions lead to emergence of informal groups (i.e. how delegation of tasks leads to interaction) and demonstrates the need to manage them. Since the group emotions affect both tasks and interactions, they can affect the success of the organization. Depending on the nature of feelings, positive or negative, they contribute to either increase or decrease in overall performance. And it is the negative feelings resulted from communication that can cause the emergence of destructive informal groups, which will reduce the effectiveness of the organization through the emergence of complaints, conflicts, rumors, opposition to changes and other factors. And if the manager still eliminates such a group, another one will definitely appear instead of it, and it is likely to have even more negative attitude towards the manager.

But destructive informal groups do not always arise because of the manager's fault, since in any team there may appear an unethical leader who will capture the "masses" with his rebellious speeches. In any case, managers should destabilize unproductive informal groups as soon as possible through the establishment of communications or "elimination" of their leaders.

But informal groups often potentially increase the effectiveness of the organization. As people in a group work together to achieve organizational goals, and loyalty to the group often turns into loyalty to the organization. Employees can refuse from more profitable work in another organization

only because they do not want to leave the established social contacts. The goals of an informal group may coincide with the goals of the organization, and performance standards often even exceed formal standards. For example, a strong team spirit of some organizations is the result of informal relationships, rather than the appropriate efforts of the manager. Even informal communication channels sometimes help organizations by complementing the formal information exchange system.

In any case, the existence of informal groups in the organizations is an objective reality and it has to be taken into account. That is why managers should encourage informal groups to work on achieving the organization's goals, and this can be achieved, for example, through the application of the following recommendations:

- ④ listen to the views of the members and leaders of informal groups. Most managerial practitioners believe that the manager has to identify the leaders of each informal group and work with them, encouraging those who contribute to the accomplishment of the organization's goals. If the informal leader works against his employer, his influence can reduce the motivation and job satisfaction of group members;
- ④ do not to use threats or intimidation;
- ④ weaken resistance to changes initiated by the informal group, allow its representatives to participate in the process of making managerial decisions;
- ④ control false gossip by the spread of accurate information as quickly as possible.

Synergistic effect of team work

The organization is not just a group of people, it is a group of individuals who have different experiences, personal traits, abilities. This defines their strengths and weaknesses. Weaknesses reduce the effectiveness of strengths. Therefore, it is common practice among managers to reduce the impact of employee weaknesses through persistent training or mentoring. But this reduces their strengths equally. And this is natural, because a person to some extent spends his time, energy and money to master the skills, which at first glance, he needs for successful work but which are not his individual abilities. It would be ideal for managers to intensify the work of employees in the field where they will be able to fully demonstrate the acquired knowledge and skills. And for this

you need to start a team where the weaknesses of one person are compensated by the strengths of another.

This approach will give an opportunity to achieve a synergistic effect, i.e. greater success of the organization or individual groups through complementarity, mutual strengthening of knowledge and efforts of employees as well as mutual support during task execution. Aristotle also said, “A whole is greater than the sum of its parts”.

Synergy in management arises when the need to accomplish a particular task makes it possible to gather like-minded people who complement each other and achieve high results all together.

The essence of synergy can be clearly observed in the game of sports teams. For example, a football team achieves a positive synergistic effect during the game, i.e. the effect of the team as a whole is much greater than the effect of the game of each player individually – it is provided by the interaction of players that has been developed during training. Lack of synergy is clearly seen in the team play, where players ignore each other trying to get around each other or when two or three players are late for their part of the field, leaving one player against those who has made a quick breakthrough. And as a rule, such teams lose, while the winners are always characterized by synergy. That is why building a successful team (organization) is a very responsible process for managers.

“It’s easy to get good players. Getting them to play together, that’s the hard part.”

Casey Stengel

Professor Eric Larson from Oregon State University has identified a number of characteristics inherent in synergistic teams:

- 1. each team member has a sense of common purpose and they are ready to work to achieve the goals of the organization;
- 2. the team knows what abilities and knowledge the team members have, and it uses them to work in accordance with the need and it readily obeys and recognizes the authority of those whose knowledge and qualifications are important to perform a particular task;
- 3. the attitude to team members is the same and they work enjoying equal rights, which contributes to accomplishing the goals of the organization

and maintains cohesion and a favourable microclimate;

- ↳ the energy of the team is targeted at fulfilling the tasks set, solving problems, and not at clarifying the relationships and meaningless competing within the organization;
- ↳ different opinions and free exchange of them are encouraged in order to develop creative abilities of team members and to form a sense of responsibility for the decisions made;
- ↳ mistakes are regarded as an opportunity to learn something, not just as an reason for punishment;
- ↳ members of the team consider it to be an integral part of themselves and an important source of professional growth.

It is necessary to start a team that will be similar to a well-played symphony, where everyone leads his part and at the same time performs all instructions of the manager-conductor

It should be remembered that the synergistic communication is based on trust and respect among employees of the organization, which greatly facilitates the process of making constructive decisions. In addition, a kind of mini-culture is formed, which brings pleasure. Of course, it is not necessary to feel tender feelings for the team, but it is desirable to become a kind of “family”. The best way to strengthen the microclimate in an organization is to cultivate loyalty and team spirit.

Questions and tasks to consolidate the knowledge acquired

1. What is a formal organization? What are its basic characteristics?
2. Substantiate the universal nature of management. Briefly describe some types of management.
3. Characterize management as a system.
4. What is the environment of the organization? Why does it require special attention of a manager?
5. Characterize the main internal components of the organization.
6. Characterize direct and indirect variables of the external environment of the organization.
7. What are the informal groups in the organization? What causes

them?

8. What are the positive features of informal groups and possible consequences of the activity in the organization?
9. What is the essence of Homan's model? How can informal groups be managed in the organization?
10. How can the effectiveness of formal groups be increased through informal ones?
11. Explain why there is no single "correct" method of management of the organization.
12. What is the essence of the synergistic effect of teamwork?
13. Indicate the characteristics of synergistic teams.

Extending of the acquired knowledge

1. Organizational and legal forms of enterprises: their advantages and disadvantages, features of management.
2. What areas of activity, in your opinion, are the most promising in terms of sustainable development of business in Ukraine?
3. Life cycle of the organization.
4. World management systems: American, Japanese and European.
5. SWOT-analysis of the organization's environment: strengths and weaknesses, opportunities and threats.

Part II. Functions of management

Chapter 4

PLANNING IN MANAGEMENT

The essence and necessity of planning

Planning is the development of a sequence of actions that enable to achieve the expected outcome. Planning should answer the questions: What, When and How can things happen and thus related to setting of goals, deadlines and ways of their accomplishment. Plans are formed on the basis of forecasts. *Forecasting* is a look into the future, assessment of possible ways of development, consequences of certain decisions.

All managers, without exception, are involved in planning, but in some cases it is only informal. At the same time, the goals and objectives are not documented and there is practically no relationship with the goals of other employees or departments of the organization. This type of planning, for example, is most often used in small organizations, where the owner-manager independently determines the direction of activities and ways of achieving the goals set. In formal planning, specific tasks of the organization and its action program for a certain period of time are determined. The plans made in the course of this process are documented, and all employees are acquainted with them.

Planning is a necessary component of the manager's activities for the following reasons:

- *the direction of development of the organization is determined*, which is a kind of guide for both managers and employees. When employees know in which direction their organization is moving and what should be done to achieve the goals set, they can coordinate their actions, effectively cooperate with each other;
- *the uncertainty factor decreases*, which can be caused by possible changes of the internal and external environments. In other words, planning allows managers to look into the future, anticipate possible changes in the organization and the external environment, consider their impact and develop appropriate actions. In addition, during planning managers can determine the consequences of certain actions that they will take in response to certain changes;

- *helps to minimize costs and irrational use of resources of the organization.* If the goals and ways of their achievement are clear, inefficient elements such as duplication, unnecessary operations and steps in the process of task execution become obvious and can be adjusted or eliminated in advance;
- *criteria (standards, norms) are established,* which can be used in the future during controlling.

Planning is an on-going decision-making process, during which the goals and objectives of the organization's development are set and specified due to the changes taking place around it and the resources for their implementation are determined.

Planning is the process of setting the goals of the organization, developing strategies aimed to achieve them, making plans to unite and coordinate all the activities of the organization.

The role of mission and goals in planning

The *goal* is the final state, the expected outcome, which the organization seeks to achieve. Goals are the basis of planning.

Organizations set a variety of strategic, tactical and operational goals. But they depend on its mission. *Mission* (basic, strategic goal) is a unifying idea, the reason for the existence of the organization, its philosophy and future. It influences the setting of priorities, promotes coherence within the organization and helps to clarify the development strategy. Properly formed mission must meet certain requirements:

- answer the question, “How exactly does the organization improve people’s lives?”;
- be unique, not similar to the applications of competitors;
- be clearly formulated and definitely interpreted;
- be easy to remember;
- be realistic and consistent with what the organization does;
- reflect the benefits or uniqueness of the final product.

The goals set on the basis of the mission will further serve as criteria for making managerial decisions. If the managers do not share the mission of the organization, they do not have a logical starting point for choosing the best alternative, so the goals of the organization should unite the professional interests of its employees.

He who does not know where he is going will be very surprised not to get there

Mark Twain

Goals are a crucial component of an organization's success, and they accomplish several objectives during planning:

- ensure unification of efforts of the people working in the organization;
- significantly affect other aspects of planning: adequate setting of goals contributes to effective planning, and therefore, ensures formation of the following goals;
- can serve as a source of motivation of the employees, since important and complex tasks will motivate some employees to work better, especially if goal achievement involves rewarding;
- provide an effective mechanism for evaluation and control.

One of the most important tasks of managers is to ensure the setting and achievement of goals. And if management is focused on making the goals both clear to all employees and accepted by them as their own ones having a motivating effect, it is necessary to follow some rules:

- 1. executors should take part in setting goals, because then they will better understand their tasks and make more efforts to achieve the goals;
- 2. all goals of the organization should be mutually supportive, i.e. decisions and actions necessary to achieve one goal should not interfere with the achievement of others;
- 3. a complex of intermediate goals should comprise a general one;
- 4. goals must meet the SMART criterion (abbreviation from the English word "smart" meaning "sophisticated, intelligent". The criteria of goal setting are as follows:
 - *S – specific* (detailed and clear);
 - *M – measurable* (must have a quantitative characteristic so that the progress and efficiency could be monitored);
 - *A – attainable* (aimed at the outcome that can be achieved taking into account available opportunities, resources);
 - *R – relevant* (determined on the basis of strengths and weaknesses of the organization, its capabilities and threats);
 - *T – time-bound* (must have a clear time-limit of achievement);
- 5. goals should not be too far-distant, because the closer the goal is, the more it mobilizes;

- ④ if the executor doubts that the task will be performed on time, it is not necessary to resort to the order, it is necessary to understand the reason of the difficulties;
- ④ when discussing intermediate goals, it is necessary to agree on all relations (internal and external), i.e. to record what each employee expects to get and whom from to do his job. These relationships must be monitored and coordinated by the manager;
- ④ goals should be recorded in the written form;
- ④ goals should be evaluated and reviewed periodically, i.e. each subsequent goal should be adjusted considering and using previous experience of planning.

If you can't measure it, you can't improve it.

Peter Drucker

The goals outlined by the manager both determine the actions to be taken and encourage performing them. Goal setting acts as a driving force, the energy that disappears only when the goal is achieved.

Goal setting is only the beginning stage. It is necessary to turn goals into a plan of actions targeted at their achievement and to determine the degree of importance of tasks.

Types of plans

A plan is a document that discloses goals and usually contains the description of the principles of resource allocation, work schedules, and other actions required to achieve those goals. There are three main types of plans: strategic, tactical and operational.

Strategic plan reflects the goals and priorities of the development, internal and external factors that may be favourable or unfavourable, competitive advantages, supply of resources. It enables to decide "where to go". It usually includes long-term prospects and addresses the following issues:

- What are the goals and priorities of strategic development?
- What are the strengths and weaknesses of the organization, its capabilities and threats?
- What forms and methods of implementation of strategic decisions should be preferred?

- What sources of resources will be involved and how will they be distributed among the strategic priorities?
- How to ensure the synergy of the components of strategic development?

If you start with the wrong, there is little hope for the right ending
Confucius

In addition, strategic planning enables to optimize the process of utilization of resources, which ensures successful operation.

Tactical plan is developed in order to implement certain parts of the strategic plan during somewhat shorter time period. It enables to decide how exactly something specific is to be done. The tactical plan correlates with the strategy of “fight with war”: the strategy focuses on the mission, environment, resources, while the tactics refers mainly to people and their activities. Although tactical planning depends on many factors that differ in each situation, it generally answers the following questions:

- What tactical goals is the planning targeted at?
- What alternatives are possible to achieve the goals, and which one should be chosen?
- Does the person who is responsible for decision-making have enough resources and information to perform work?
- How and who will monitor and control current activities?

At the stage of tactical planning the intellectual conceptions are turned into the behaviour of the organization

In addition, tactical plans enable to join forces, clarify vertical and horizontal relationships, which will help to minimize inconsistencies and contradictions.

Operational plans describe in detail the processes, rules and procedures for monitoring the achievement of tactical outcomes. When developing such a plan, the manager seeks answers to the following questions:

- How are the tasks set before the structural units of the organization performed?
- How are the resources distributed?

- What rules and procedures should be implemented?
- What should be the sequence of tasks and what calendar schedules should be made?
- What production methods can be used to achieve the expected outcomes?

When making plans, the activities of low-level managers are mostly related to operational planning. During the career growth of managers, their role in planning becomes more strategic-oriented (Figure 4.1).

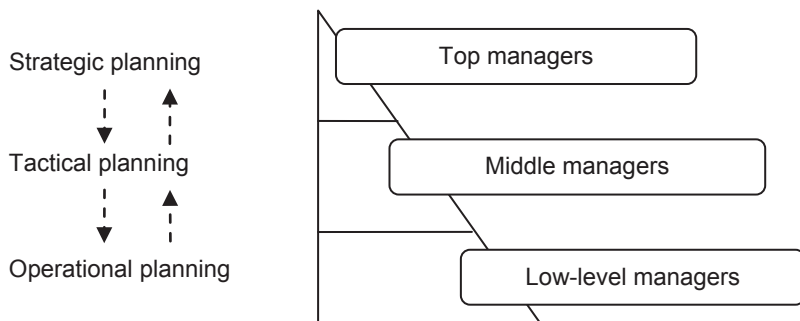


Figure 4.1. Types of planning and their position in the hierarchical structure of the organization

The main stages of the planning process in the organization

A general algorithm of the planning process in the organization is simple. Based on the mission of the organization, which answers the question "Why?", strategic goals are set indicating what should be done in general. Then they are specified to the objectives, and those to specific tasks. After that necessary resources are calculated, time limits are determined and, if necessary, goals, objectives and tasks are reviewed. As a result, a realistic and achievable plan is provided.

Thus, the planning process consists of clearly defined stages:

- 1. goal setting;
- 2. selection, analysis and evaluation of the ways of goal achievement;
- 3. compiling a list of necessary actions and determining the time of their

- implementation;
- 1. drawing up a program of work: the sequence of the planned actions considering that most of them are interrelated;
 - 2. determining the range of officials who will be responsible for specific areas of work;
 - 3. assessment of resources needed to implement the plan;
 - 4. development of a detailed written plan and outlining of contingency actions in case of unforeseen circumstances.

Principles of organizational planning

Organizational planning is based on the following principles:

- 1. *purposefulness* – the focus of the planned actions on the expected outcome in the context of strategic, tactical and operational goals;
- 2. *flexibility* – timely response to various changes in the environmental factors and the situation in the organization through the adjustment of;
- 3. *permanence* – ensuring the continuity of interconnected plans: strategic, tactical and operational ones;
- 4. *balance and resource supply of the plans* – use of balance planning methods that compare the need for resources and sources of coverage when developing resource supply of the plans. Balance methods ensure an on-going production process;
- 5. *accuracy* – plans should be concretized and detailed to the extent allowed by the external and internal conditions of the organization;
- 6. *efficiency* – the development of the plan, which will ensure maximum profitability under limited resources and meet other interests of stakeholders. In addition, the costs of the planning process itself should not exceed the effect of its implementation;
- 7. *participation* – active involvement of personnel in the development of plans and the search for internal reserves to increase the performance and efficiency of the organization operation.

Planning of working time by the manager

Nowadays, the success of the organization is greatly determined by the effectiveness of daily work of the personnel. It seems to be obvious that it is difficult to work in a team if the manager and his subordinates do not

master up-to-date techniques and methods of work, do not improve their individual style of work.

Therefore, an important position is occupied by *self-management*, i.e. self-development of the manager as an individual and organization of his activities. Its main goals are as follows: maximum effective use of time and individual capabilities, overcoming external circumstances both at work and in personal life.

Of course, the manager's readiness to succeed is determined by the knowledge, skills and traits of the individual. However, rational time management plays an important role. An important step in this process is to determine both short and long term objectives. Goal-based management does not involve additional effort, as it is based on the process of planning with the use of deadlines for implementation of the planned actions or measures.

Introduction of the planning periods (year, month, week, day) contributes to a more accurate assessment of the situation as a whole, facilitates selection of the main points, increases the level of performance and helps the manager to make the right decision on how to use working time most effectively.

In business, time is money.
When we spend time on planning, we get more of it.

The main advantage of planning is that it saves time. The manager gets an opportunity to use the available working time for productive, successful activities and achieve goals spending as little time as possible. As the most important part of organizing personal work, planning means preparation for realization of the planned purposes and structuring of working hours.

When developing a plan for each period, the manager should answer the following questions:

- What is the main goal of this period?
- How much time is available?
- In what sequence should the main tasks of the period be performed?
- What preparatory measures should be taken?

To develop a plan for a working day or week, you can use the Alps method, which involves implementation of the following five stages:

- compilation of a complete list of the tasks planned and determination of their priority;
- determination of the planned duration of each task planned and the total budget of working time;
- “reservation” of working time taking into account the rule of 60:40, according to which it is recommended to make a plan only for a certain part of working time, which does not exceed 60% of the total planned time budget of the manager. It is called the period of the planned activities. The remaining 40% should be divided into two blocks and each one should comprise 20%. The first block is a reserve of working time allocated for actions and execution of tasks that are not included in the formal plan and it is called “period of unforeseen activity”. The second block of reserve time is devoted to management activities and creative activity;
- making decisions on the delegation of tasks planned by the manager as those to be executed;
- control and postponing of the unfulfilled tasks. Implementation of control measures allows the manager to obtain necessary information to assess the structure of the actual time spent and identify ways to improve his work.

When you wake up in the morning, ask yourself, “What should I do?”
 In the evening before going to sleep, ask yourself, “What did I do?”

Pythagoras

Principles and methods for determining the priority of tasks

An important component of the manager’s success is his ability to decide which of the tasks facing him should be given a priority and which should be considered as minor ones. The main principles and methods of determining the priority of tasks are the Pareto principle, ABC analysis, the Eisenhower matrix.

The *Pareto principle* or the 80:20 principle can be used in any sphere of human life, where you want to increase the effectiveness of a process. Its use in planning means that in the process of work 80% of the final result is achieved during the first 20% of time spent by the manager; the remaining 80% of time brings him only 20% of the total work. Therefore, it is recommended to solve a few urgent tasks first, and then numerous minor

ones.

The *Eisenhower matrix* aims at learning how to distinguish urgent and important matters, as well as to reject those affairs that are of no use at all. It consists of the so-called 4 squares, which have completely different priorities. And in each of them you can make a note depending on the importance and urgency:

- square 1: important and urgent. This square includes tasks that either got out of control or were unplanned and arose suddenly. Everything that meets the above criteria in the marked square should be solved independently and quickly. Procrastination in solving such problems can lead to significant losses. Ideally, this square should be empty, because the things that need to be done immediately is an unpredictable situation. There is an opinion that important matters become urgent due to laziness or procrastination. It is clear that everyone can have a situation of rush, but not every day. Therefore, it is necessary to try to do things in time in order not to write them in this box;
- square 2: important but not urgent. This box should include those important tasks that do not require prompt execution. The tasks in this box should be treated more carefully, because they can bring the greatest success in the future. According to statistics, people who devote most of their time to these things are more likely than others to succeed. In addition, the solution of these tasks allows a person to express himself in full, because the lack of haste allows an individual to choose methods of solving problems independently and set completely adequate deadlines. But if these tasks are not resolved in advance, they can automatically go to the first square. In addition, if these tasks do not require the direct involvement of the manager, he may delegate them and thus develop staff;
- square 3: urgent but unimportant. This square includes minor tasks that need to be done as soon as possible. Doing these things rarely brings you closer to goal achievement. More often unimportant but urgent tasks distract from really important things. It is very important not to confuse urgent cases from “square 3” with important cases from “square 1”. For example, the management has given you a task with the deadline “yesterday”, but it has nothing to do with your work or responsibilities. But this task must be done urgently and it cannot be in the first square, because it does not bring you closer to achieving the goal;
- square 4: unimportant and non-urgent. It includes tasks that can be

refused from, because they will not ensure the expected outcome. Failure to do them can mostly only benefit. For example, some calls or e-mails, routine work, contacts on social networks.

ABC analysis has proved to be the simplest and most productive way to achieve a positive result. In fact, it combines the Eisenhower matrix and the Pareto principle: the first describes the significance of the task at the time of assessment, and the second one determines the amount of time that can be spent on the task accomplishment in accordance with its urgency and importance.

According to ABC analysis, the entire scope of work can be conditionally divided into three groups of tasks: A, B and C: in accordance with their importance in terms of achieving the goals. And the manager has to “sort” them into groups:

- group of A tasks comprises approximately 15% of the total number of tasks planned by the manager to be performed, and their importance in achieving the goals comprises 65%. These tasks are extremely urgent and important, and they are subjected to immediate and unconditional execution;
- group of B tasks comprises 20% of the total number and 20% is their significance. These tasks are not urgent, but important, they must be performed in the near future, independently or through delegation to a competent subordinate;
- group of C tasks comprise 65% of the total number of tasks, but they hold a small share (15%) in the overall significance of the manager's affairs. They are not so important and they can be entrusted to another person or postponed for some time.

A manager who has learned to plan working hours properly and distinguish important matters from unimportant ones, urgent from non-urgent, will have time for everything and will achieve the goals set more quickly.

Questions and tasks to consolidate the knowledge acquired

1. What is the essence of planning? How does it differ from forecasting?
2. What reasons indicate the necessity of planning?
3. What is the mission of the organization and how does it influence

goal setting? Outline the main requirements for the development of a mission of the organization.

4. What are the goals? What objectives do they perform during planning?
5. What rules should be followed by the management of the organization to ensure that employees treat the goals set as their individual ones?
6. Characterize the types of plans.
7. What plans, tactical or operational, should be developed first? Explain your answer.
8. What position is occupied by planning in the hierarchical structure of the organization? Explain your answer.
9. What are the main stages of planning in the organization?
10. What principles is organizational planning based on?
11. What is the role of time management?
12. Describe the Pareto principle.
13. Describe the Eisenhower matrix.
14. How does ABC analysis assists in planning of working hours?

Extending of the acquired knowledge

1. Business plan: purpose and structure.
2. Typical strategies of the development of the organization by M. Porter.
3. Gantt chart as a tool of operational planning.
4. Enhancement of the manager's individual performance by means of SMART-criterion.
5. Time management: constructive actions on time management of working hours.
6. Lothar Seivert: your time is in your hands.

Organizational activity of the manager

To ensure operation of the organization as an object of management at the appropriate level of effectiveness and performance, it is necessary to organize this process properly and form an appropriate structure. Therefore, organizing as a process, a function of management is associated with the systematic coordination of numerous tasks and formal relationships of people who perform them.

Organizational process is an important component of the manager's activity, as it helps managers to eliminate uncertainties, disorder, confusion and conflicts between people concerning the power, responsibilities and create a suitable environment for their joint activities. The organizational activity of the manager involves implementation of a complex of actions, the main of which are as follows:

- distribution of work that has to be performed according to the departments and positions;
- specification of powers that correspond to certain positions, the degree of responsibility for each job;
- creation of relationships between employees, departments;
- determination of the formal order of subordination;
- coordination of different types of tasks of the organization;
- allocation of resources of the organization.

In any business, the most important thing is to start. Remember: No one has yet succeeded in planning alone

Guy Kawasaki

Organizing as a function of management is a complex of actions related to the distribution of powers, responsibilities and development of the structure that is able to ensure goal accomplishment. The organizing function results in the formation of the organizational structure and the structure of the management personnel, approval of regulations on the structural departments and job descriptions, staff formation, and what is most important, ensuring the internal coherence of all elements of the organization and adaptation to changes in the external environment.

Elements of the organizational structure

Structure of the organization is a formal scheme according to which labour tasks are distributed, grouped and coordinated. Every organization has its own structure, which defines who and at what level makes decisions, who reports to whom on the progress of their implementation as well as the level of responsibility for the task implementation. The structure of the organization usually defines the place of a particular unit in the organizational hierarchy, a formal leader of the unit and its relationship with other structural units of the organization.

There are five key elements that should be considered when developing an organizational structure, namely, specialization, departmentalization, chain of command, span of control, and degree of centralization or decentralization.

Specialization of labour is the division of labour in the organization into separate sections, within which the employee has to begin and complete a certain cycle of actions when performing a particular job. The division of labour is carried out in two directions: horizontal – by stages (for example, supply, planning, production, sales) and vertical – by hierarchy in the organization.

The growth of specialization of particular kinds of work is limited by the possibility of their coordination. To solve this problem similar kinds of work and their executors are grouped; this process is called departmentalization.

Departmentalization is the process of grouping the work and its executors into separate subdivisions (departments, services). Each organization has its own method of departmentalization, but there are the following basic types:

- functional departmentalization involves the grouping of work by types of activities (specialized functions) and formation of appropriate structural departments (Figure 5.1).

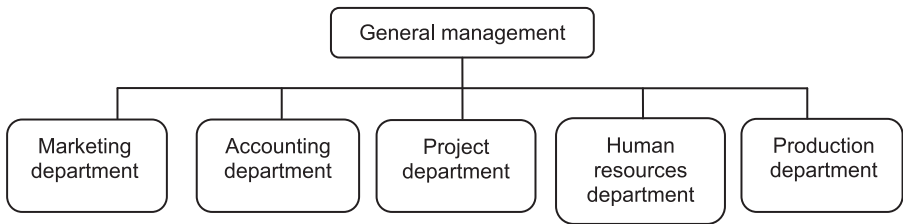


Figure 5.1. Example of the functional departmentalization

Its benefits include the stimulation of professional specialization, efficiency due to combining employees with similar skills, coordination in a particular functional area, and the main disadvantage is the possibility of weak links between functional areas;

- product departmentalization involves grouping of work by the main product lines and formation of appropriate structural departments (Figure 5.2).

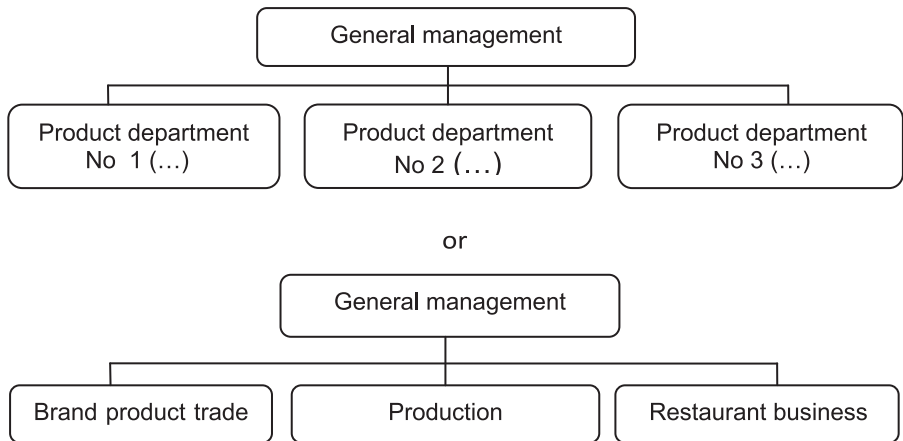


Figure 5.2. Examples of the product departmentalization

According to this method of structuring, the manager responsible for a particular product of the organization is given all the powers associated with its production, and sometimes even sales. Its advantages include the

opportunity of specialization by the types of products and services, rapid response to changes in the competitive environment, and the disadvantages include duplication of functions and increase in costs on this basis, emergence of conflicts over the resources of the organization; territorial departmentalization involves the grouping of work and formation of appropriate structural departments (branches) on the basis of a defined area, where the activities of the organization are performed in one form or another (Figure 5.3).

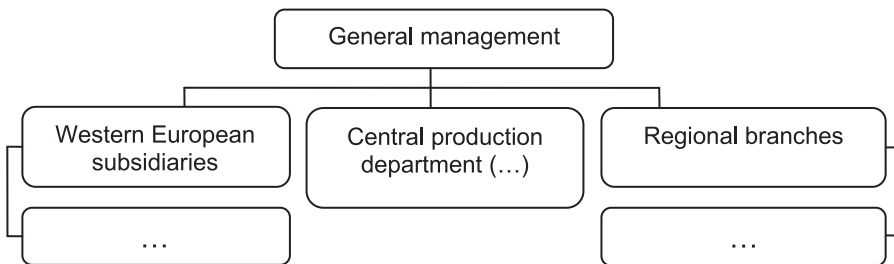


Figure 5.3. Example of territorial departmentalization

Its advantages include the opportunity to increase the level of servicing the groups of customers or markets, take into account local laws and traditions, improve coordination processes, and the disadvantages are similar to those of product departmentalization.

The process of work grouping by the main product lines and a territorial principle is called divisional departmentalization, it is applied to increase the effectiveness of the organization's response to specific challenges of the environment. The *chain of command* is the inseparable authority that links hierarchical levels of the organization and defines the order of subordination. It helps employees to understand who to apply to when it comes to job responsibilities and who they should report to. The chain of command in the organization is based on several interrelated elements:

- *authority* – the official right of the manager to make decisions, dispose of resources, give orders and demand their implementation. To facilitate the management process, each managerial position is assigned a place in the chain of command, and the relevant manager is empowered to let him successfully perform his duties;

- *responsibility* – the duty imposed on the official to ensure the conscientious performance of tasks, to be in charge of the results obtained;
- *delegation* – the distribution of tasks or powers among employees who are subordinate to the manager in order to contribute to better achievement of the goals of the structural unit and organization;
- *unity of command* – an ongoing order of accountability, according to which every employee should have only one manager to whom he reports directly. This principle helps to implement in practice the concept of continuity of the chain of command. If the principle of the unity of command is violated, the subordinate may face contradictory requirements and orders received from different managers.

The basic rule of management for any organization is to involve the fewest number of levels of management and create the shortest chain of command

Fedor Dunaevsky

There objectively arises a question, “How many employees can be successfully managed by one manager, i.e. what is his norm of manageability?” The *norm of manageability* is the optimal number of employees, who report directly to one manager.

The norm of manageability is influenced by many situational factors, in particular, qualification of the manager and his subordinates, nature of the work performed (similarity or complexity of tasks), strength of organizational culture, leadership style, etc. For example, the better the employees are trained and experienced, the more competently they will perform their duties and the less they will need direct control over them. It is obvious that the managers who supervise such employees can work successfully with a greater range of manageability.

The most traditional answer to the question concerning the norm (range) of manageability is as follows: from 5 to 7 at the higher level of management and from 8 to 16 at the lower levels. If the range of manageability becomes too wide, then in order not to disrupt coordination, it is necessary to delegate linear authority and introduce additional levels of management. On the other hand, the expansion of control zones makes it possible to save on the salaries of managers. However, to prevent a decline in productivity caused by overloading of managers, organizations

should invest in training and retraining.

Centralization is the concentration of authority at the upper hierarchical level of the organization; *decentralization* is the delegation of authority on a number of specialized issues to the lower levels of management.

The degree of centralization or decentralization in the organization can be measured using the following variables:

- the number of proposals or decisions made at each level of management;
- the importance of decisions for the organization as a whole;
- the degree of control over the implementation of decisions.

However, in accordance with current management trends aimed at increasing the flexibility of organizations, their ability to respond to changes in situations as quickly as possible, there can be observed a desire for decentralization. This is justified by the fact that middle or lower level managers (especially in large companies) are closer to the essence of the business and are usually more familiar with the problems and optimal methods to respond to them. To define a high degree of decentralization, the term “extension of authority” of employees of the organization is used.

Decentralization has a number of advantages:

- increases the rate and objectivity of decision-making;
- makes the organization flexible and responds in a timely manner to external changes;
- trusting relationship is formed in the organization, which increases the likelihood of using the potential of employees;
- opportunities for staff development and career growth are provided.

At the same time, decentralization has its disadvantages:

- it may lead to the fact that the decision will not be made at all;
- it may weaken control and unity of action;
- it may lead to the wrong path regarding the main goals of the organization.

Therefore, managers must choose between centralized and decentralized ways of influencing being guided by a situational approach to management.

Structural construction of organizational management

One of the tasks of senior management is to form the structure of the management apparatus taking into account the goals, strategy and other internal and external factors. The structure that allows the organization to interact with the environment as effectively as possible, productively and efficiently allocating staff and resources is considered to be the best one.

The organizational structure and structure of the management apparatus are not the same. The *organizational structure* is an ordered set of organizational units, their interrelations. The reflection of the organizational structure is the *structure of management apparatus* that is an ordered set of officials who manage specific structural units of the organization, forming the levels of management.

Relationship in the structure can be linear, functional and informative. *Linear relationship* reflects the movement of managerial decisions between the heads of certain levels of management. A line manager can solve problems without agreeing with senior management, while being guided by the orders, instructions, regulations, and laws. *Functional relationship* is identified along the lines of management decisions depending on specific management functions. The manager, within the functional authority, coordinates his decisions with the line managers of various levels, makes competent proposals or initiates the prohibition of certain actions. *Information relationship* is formed in cases of the necessity to reduce the information burden for senior and middle managers, advising them on specific issues.

Types of the structure of management apparatus

Any organizational structure or structure of the management apparatus is represented by an organizational chart, the main types of which are linear and functional, and all others are the result of their combinations.

Linear type of organizational management is characterized by the concentration of the whole set of management functions in the authority of the heads of production units. Employees of a particular department report to a line manager, who, in his turn, is accountable to general management (Figure 5.4).

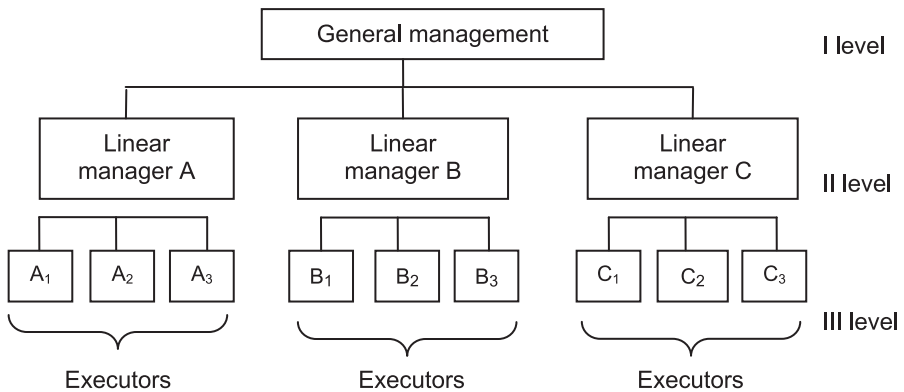


Figure 5.4. Linear type of the structure of management apparatus

Under such conditions, a manager of the highest rank has no right to give orders to employees (executors), bypassing their immediate supervisor. The advantages of this structure are the simplicity and clarity of relationship in the organization. However, since it requires high competence of managers on all management issues, it can be used only in relatively small organizations with little specialization.

Functional type of organizational management is characterized by the separation of management chains, which ensure implementation of certain types of management activities (specific functions) at all hierarchical levels of the organization. However, the functional structure does not exclude linear management, but the functions of the line manager are limited, as the functional units directly give orders within their competence to employees of production units and other executors (Figure 5.5).

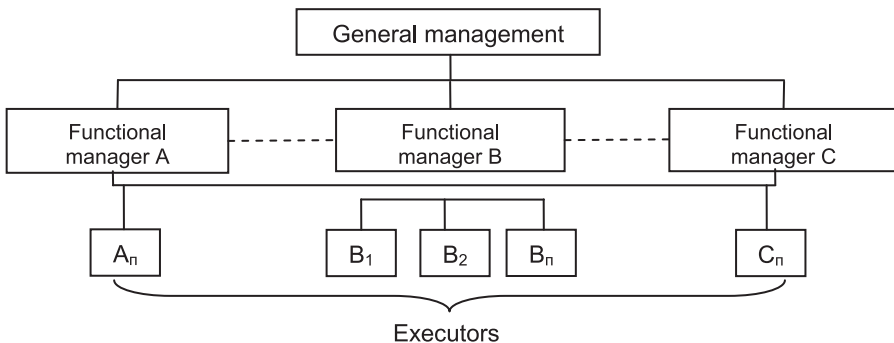


Figure 5.5. Functional type of the structure of management apparatus

The functional structure increases the level of organizational management through the involvement of highly specialized and qualified specialists. However, the problems of violation of the principle of the unity of command and reduction of responsibility for the work done are widely-spread, as executives can get instructions from various functional managers, who make management decisions and give orders within their authority. That is why this type of structure is used very rarely. *Linear-functional type* of management of the organization is characterized by the availability of qualified managers who specialize in specific activities, but have limited authority. Functional managers coordinate their decisions with line managers at various levels, provide competent proposals or initiate the prohibition of certain actions and only in the case of finding a compromise on certain management issues can to give orders within their authority (Figure 5.6).

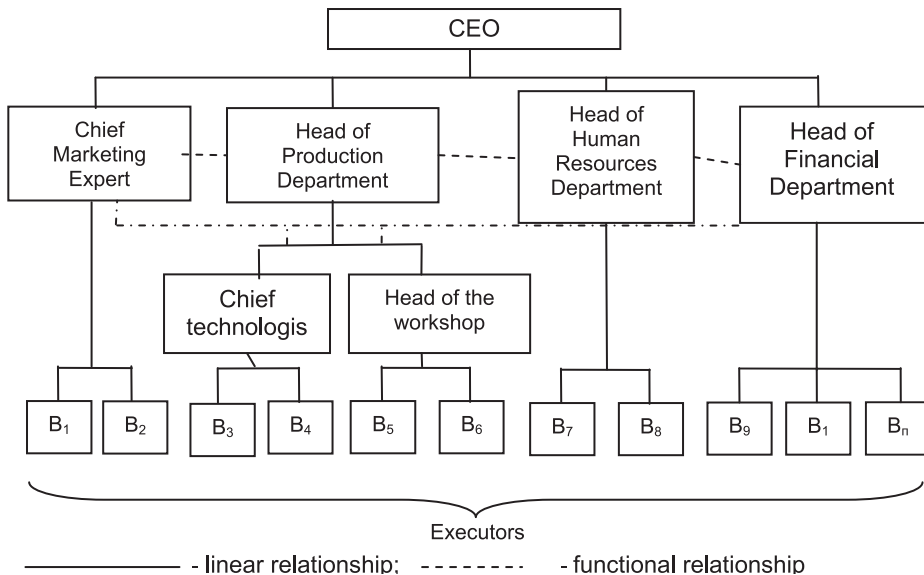


Figure 5.6. Example of the linear-functional type of the structure of management apparatus

In a linear-functional structure, functional managers perform, for example, logistical, financial, marketing support of production activities,

saving time of line managers for performing direct duties.

A *linear-staff type* of organizational management is characterized by the assignment of the line manager of the so-called staff members who specialize in specific activities but are charged to make management decisions.

Staff members ensure preparation of high quality management decisions, which are traditionally made by line managers, and give instructions for their implementation (Figure 5.7).

In the linear-staff structure, staff members provide informational and advisory support to line managers: provide data collection, study and preparation for decision-making by managers; draw up decisions by orders and directives and more.

A *divisional type* of organizational management is characterized by the availability of subdivisions or business units (branches) having a certain autonomy, within which the general manager is responsible for implementing the long-term strategy of the unit as well as for operational activities (Figure 5.8).

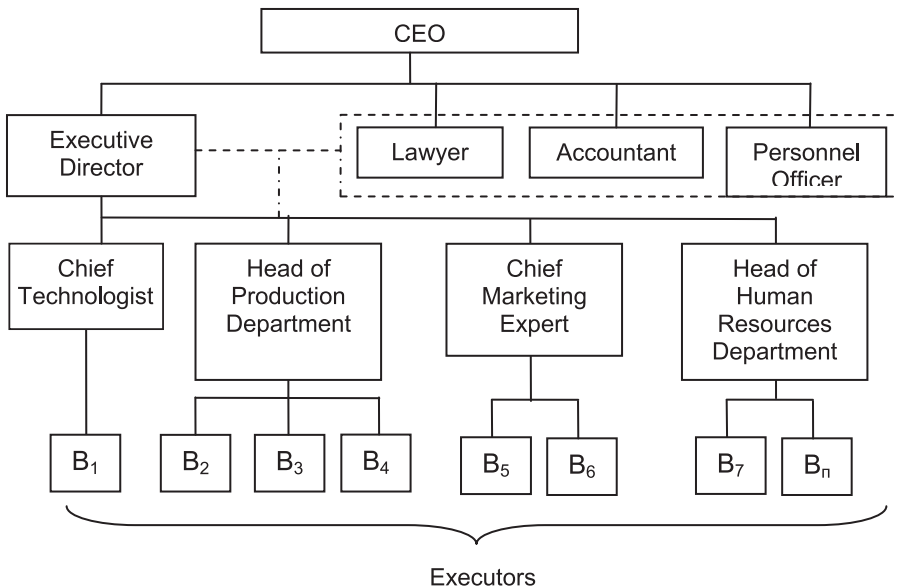


Figure 5.7. Example of the linear-staff type of the structure of management apparatus

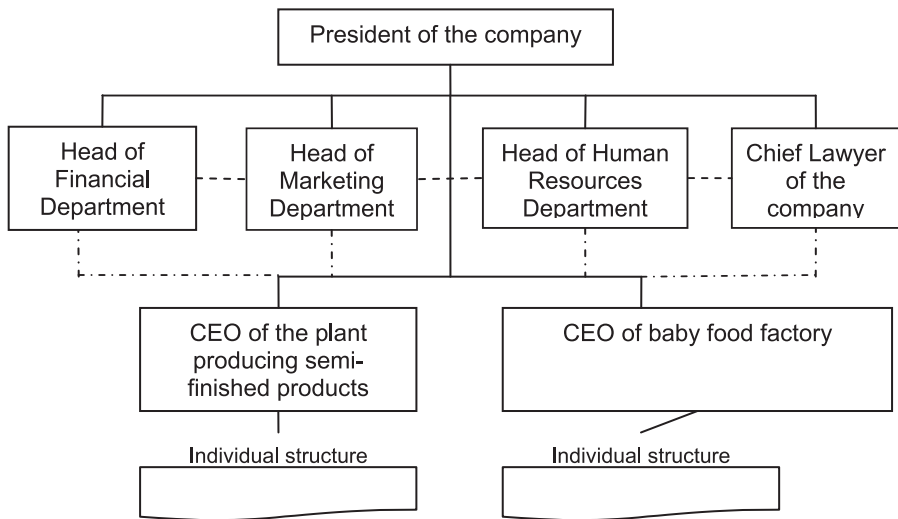


Figure 5.8. Example of the divisional type of the structure of management apparatus

There are two types of divisional structures: product and territorial. The divisional structure of the product type is used when the organization has departments focused on the production and sale of specific types of products (goods or services). The product structure is the result of a broad diversification of the company, in which the nature of the product manufactured, its technological levels differ from each other and therefore require a unique approach to management. The divisional structure of the territorial type is used when the production activities of the organization are located in different areas of domestic and foreign markets.

In the divisional structure of the head office there are staff bodies that provide comprehensive information and advisory support to separate production departments, while the head office acts as an external controller who coordinates the production units and provides them with financial support.

A *matrix type* of organizational management is characterized by the appointment of specialists from different functional units to work on the projects managed by relevant managers. Thus, he works with employees who are not directly subordinate to him and who have their own line

managers (Figure 5.9). When the project is completed, its participants get back to performing the direct duties of their departments.

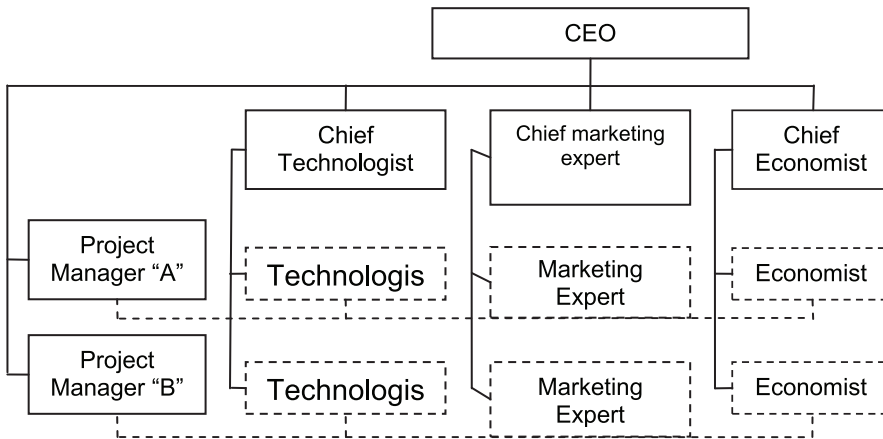


Figure 5.9. Example of the matrix structure of management apparatus

A project manager mainly defines “what” and “when” will be done for a particular project, while the line managers decide “who” and “how” will perform a particular task. Thus, there is a double subordination of subordinates. Of course, this principle violates the principle of the unity of command, but the project manager has power over the project participants only in matters that are directly related to the activities on accomplishing project objectives. At the same time, all decisions, for example, those concerning the production technology, advertising, logistics, budget approval, remain the responsibility of the appropriate functional manager.

The matrix structure is quite flexible and best suited for organizations that are acutely affected by systematic changes in the environment. But in order to ensure coordinated activities in such an organization, the project manager and functional managers should constantly communicate and coordinate their requirements for employees, who are subordinate to both of them and together find the way out of all conflict situations.

Principles of organizational structure

A clear and reasonable division of responsibilities and authority is an

important condition of successful management. Therefore, the development or rationalization of organizational structure should be carried out in accordance with certain science-based principles:

- unity of objectives: availability of clearly defined goals of the organization, which are shared by all levels of management;
- primacy of functions and secondary structure: the structure should be based on the specific functions available in the organization;
- functional closure of the organizations units: the range of tasks for each structural unit should be clearly focused on achieving management goals of the relevant function;
- simplicity of the structure: the simpler and clearer the structure is, the easier it is for staff to understand and adapt to a certain form of management, to take an active part in the accomplishment of the goals of the organization;
- unity of management: the employee should receive orders only from the immediate supervisor;
- determining the range of manageability: the number of employees subordinate to one manager should be optimal from a situational point of view;
- establishment of the optimal ratio between centralized and decentralized forms of management;
- feedback that enables to monitor the outcomes and creates conditions for timely corrective actions;
- correspondence of the scope of authority and responsibility.

Delegation in management

Delegation is an important component of organizational activities of the manager. It is the transfer of tasks to the subordinate, authority within the manager's domain. Delegation may be carried out for a long period (general delegation), when the delegated authority acquires the status of a functional obligation, or is limited to a single assignment (single delegation), when the task remains within the functional domain of the manager. Together with work task, it is also necessary to delegate required competencies (knowledge, information), the right to choose the best way to perform the task and functional responsibility for the outcome. At the same

time, the manager retains managerial responsibility, which cannot be delegated (Figure 5.10).

In other words, when delegating a task to the employee, the manager obliges him to be responsible for its implementation. If the employee has not performed the task properly, he is responsible only to his immediate manager, and in this situation he does not shift the blame to the employee, but is fully responsible to senior management or business owners. In addition, when delegating, it is necessary to consider whether the responsibilities are consistent with the rights of the employee: if the scope of delegated responsibilities exceeds the rights of the employee, there is a real threat of non-performance; when the rights exceed responsibilities, an atmosphere of irresponsibility and uncontrollability is created.

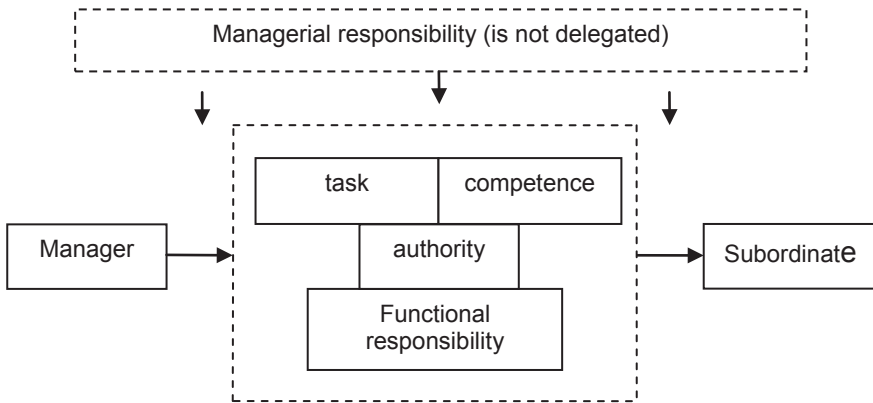


Figure 5.10. A general scheme of the authority delegation

It is most appropriate to apply delegation in the situations when the manager understands that the subordinate can do some work properly, which, in turn, will promote the improvement of his professional skills, if other affairs do not let the manager solve problems himself. Therefore, the main benefits of delegation are the following:

- reduction of the burden on the manager and thus saving time to perform more important tasks;
- application of skills, professional knowledge, experience of employees as well as stimulation of their initiative and independence;
- increase of the level of employee responsibility.

Effective delegation is possible only if there is mutual trust between

the manager and the subordinate, as well as the exactingness of the manager. When trusting, the manager gives employees an opportunity to make the most of their experience, knowledge, ability to perform the tasks assigned, and when demanding, he increases their responsibility for the quality and timeliness of task accomplishment. But the subordinates must be confident that, if necessary, they will be assisted by the manager in the execution of delegated assignments.

Although the significance of delegation is quite obvious, there are various obstacles to the success of this process.

There are factors that prevent delegation:

1. *distrust in subordinates*, i.e. lack of manager's confidence that they will be able to perform the work assigned to them in the best way possible. For example, a CEO who successfully worked with a group of managers of the organization's divisions was fired. A new director was met with hostility. The manager in such conditions has every reason to doubt the loyalty of subordinates. The same can happen when employees are accustomed to work not with full efficiency, with minimal responsibility for the results of their work, and the new manager has set increased requirements for subordinates compared to the established order, imposing the duty and giving them the right for decision-making and responsibility for it. In such conditions, it is possible to anticipate real resistance of some staff to the expansion of their authority;
2. *underestimation of capabilities of the subordinates*. It often has an a priori nature, i.e. the manager considers it impossible to delegate even a small part of his rights without testing the subordinates in conditions of independent work and increased responsibility. Meanwhile, quite often there are cases when having the opportunity to solve problems and act independently, employees who revealed little initiative in the past become active, creative, and persistent in achieving the goal. Therefore, it is advisable to entrust the subordinates to solve production, social and other issues independently, to involve in the management process those who have proved their skills and ability to overcome obstacles. Underestimation of the capabilities of subordinates often arises from the manager's confidence that, firstly, his decisions are always optimal, and secondly, that he will be able to perform work or tasks better than subordinates. Such a reassessment of personal capabilities leads to constant employment of the manager, inaction and lack of initiative of subordinates;

- ④ petty-minded supervision of subordinates, the desire of the manager to constantly monitor all the details and individual moments of work. The manager should not interfere in the work of subordinates without the necessity as constant remarks and instructions lead to the loss of independence, reduced initiative and responsibility of employees;
- ④ *seeking of personal power*, unwillingness to give up part of their rights, confidence that the delegation of authority, trust in subordinates reduce his role and authority. It results in the conscious or intuitive opposition to the growth and development of professional skills of the subordinates, tendency to restrain their actions within a strictly limited framework of responsibilities and rights;
- ④ *fear of causing dissatisfaction of subordinates* as a result of imposing additional responsibilities on them, on the one hand, and self-doubt, on the other. They force the manager to try to do as much as possible himself, showing a minimum trust in employees. There is also a negative fear of mistakes that occur in the early stages of delegation. The manager must keep in mind that subordinates can perform the duties delegated to them and achieve the expected outcome, while the actions, principles and methods may be completely different than his ones. However, managers are not always ready to put up with it.

The concept of management by objectives

Management as a holistic system focuses on achieving the whole complex of goals and objectives of the organization. Therefore, every manager, from the highest to the lowest level, should have clear goals within the framework of his responsibilities. He has to ensure the appropriate target orientation of the work of his unit during the planned period of time. The aims and objectives of the management are both proved and agreed (by prior discussion) with managers at all levels, who direct their efforts, resources and energy to achieve them.

Management by objectives is the process of reconciling goals within the organization so that managers and employees share them and understand their significance for the organization. The idea of management by objectives was developed by Peter Drucker, a supporter of systems approach to management. He believed that this concept is a technique aimed to increase the efficiency of the organization, according to which the activities of any employee are evaluated not by the process, but by the

result, if the result is treated as the achievement of the aim, objective set. The main advantages of implementation of this concept are the increase of labour productivity due to clear guidelines for each employee of the organization and increase of staff motivation due to its participation in setting goals.

Management by objectives consists of four steps:

- clarification of the authority and responsibilities of managers at all levels;
- development and coordination of aims, objectives of management within the defined authority and responsibilities;
- drawing up of plans to achieve the objectives set;
- control, evaluation of work and results. If necessary, adjustment of tasks is done through feedback channels, after which further coordination of objectives may be required.

When following these steps consistently, managers provide all conditions for productive and coordinated work of personnel.

Questions and tasks to consolidate the knowledge acquired

1. What is the essence of organizing as a management function? What actions of a manager characterize his organizational activity?
2. What is the organizational structure? Specify its main elements.
3. What is the essence of work specialization?
4. What is departmentalization? Characterize basic types of departmentalization.
5. What is the chain of command? Characterize its elements.
6. What is the norm of manageability? What is the optimal range of managerial influence? What is it affected by?
7. What is the essence of centralized and decentralized forms of management? What justifies the desire of some managers to “expand authority” of employees of the organization? Identify the advantages and disadvantages of decentralization.
8. What is the difference between the organizational structure and the structure of the management apparatus? What kind of relationship is there in the structure of the organization?
9. What are the types of the structure of management apparatus?
10. What is a linear structure? Construct an organizational chart of the linear type of the structure of management apparatus.

11. What is a functional structure? Construct an organizational chart of the functional type of the structure of management apparatus.
12. What is a linear-functional structure? Construct an organization chart of the linear-functional type of the structure of management apparatus.
13. What is a linear-staff structure? Construct an organizational chart of the linear-staff type of the structure of management apparatus.
14. In what cases is the divisional structure of the product or territorial type of management of the organization used? Construct appropriate organizational charts.
15. When is a matrix structure used? Construct a chart of the matrix type of organizational structure?
16. What is delegation? What are its benefits?
17. Explain the phrase, "Manager's responsibilities are not delegated".
18. What can hinder successful delegation?
19. Describe the essence the concept of management by objectives.

Extending of the acquired knowledge

1. Organizational and legal forms of enterprises that operate in Ukraine: the concept, structure of management and organization of the decision-making process.
2. Build an organization chart of the management apparatus of your private university or private business organization.

The role of motivation in management

One of the most important objectives of management is to develop a mechanism for putting into operation all units of the organization structure, which would coordinate the activities of employees and encourage them to perform qualitatively their functional duties in accordance with the defined goals and objectives. This mechanism of influence is motivation that forces a person to act and strive to achieve the goals of the organization. But in fact, all human activity is driven by the personal needs and people seek to either achieve or avoid something. Therefore, successful management is based on combining the values and attitudes, expectations and needs of the employee with the goals of the organization. A person, who shares goals and realizes the values of his organization, is capable of high-performance work, self-control. And the manager has to reveal the motivational spectrum of his subordinates when answering the question, "Where and how is it most efficient to encourage employees to take action?" Having identified the reasons of the subordinates' motives, a manager is able to set goals and tasks so that these motives will work for the common benefit: firstly, to meet individual needs, and secondly, to contribute to the achievement of organizational goals.

The main reason of fulfilling functional duties by the employee is his desire to meet individual needs

Motivation is the process of stimulating employees to actions aimed at to achieving the goals of the organization by meeting their own needs. The main levers of motivation are the needs, incentives and motives (Figure 6.1).

The motives (social, ethical, creative) that a person is guided by in his activities affect his attitude to work and the end result. The motive is formed "inside" a person and is conditioned by many factors. The same motives of different people can lead to different actions and vice versa similar actions can be caused by different motives.

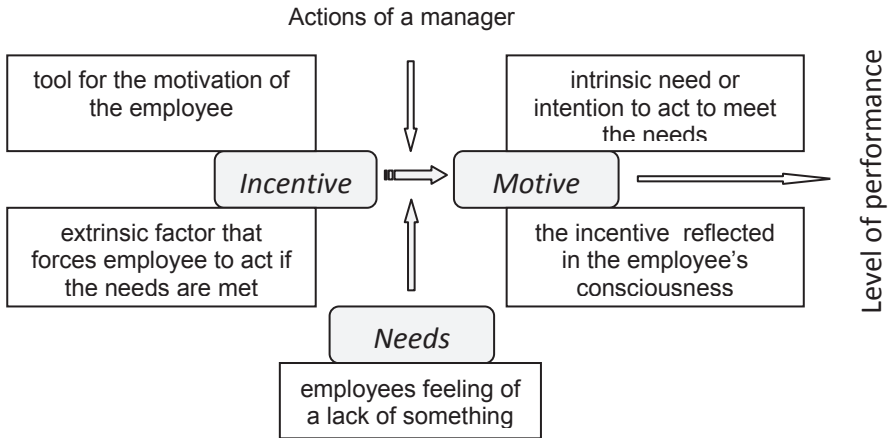


Figure 6.1. Levers of motivation

A motivated employee may be characterized by the following external features:

- 1. *diligence* in fulfilling their role in the organization, since employees may make different efforts while doing the same work: show indifference to the quality of work or strive for it in the best way with full dedication; choose solutions that are simpler or more complex, but more effective, while seeking to improve the skills;
- 2. *perseverance* to continue and develop the business started. As a result of the lack of persistence, employees may reduce their efforts and will be less diligent fulfilling their role at a much lower level compared to their capabilities and potential;
- 3. *good faith* when doing work taking into account all the necessary requirements and regulations;
- 4. *dedication* to achieving certain goals, accomplishment of tasks.

In this context, *motivation* is a set of techniques that motivate employees to fulfil functional responsibilities by making efforts at a certain level (diligence, good faith, and perseverance).

An employee is considered to be highly-motivated if he is willing to make great efforts to accomplish the goals of the organization and meet individual needs

However, a manager should remember that in addition to the desire to

perform work, the employee must have relevant skills and resources; only under such conditions a high level of performance will be achieved.

Mechanism of stimulation

Stimulation is a mechanism of using a variety of stimuli for staff motivation. A stimulus can be individual items, other people's actions, promises, bearers of opportunity, etc. that can be offered to a person as compensation for his actions or for what he would like to receive as a result of certain actions. But the manager should remember that there are no universal stimuli to encourage any employee to work well. People respond differently to different stimuli, and even their response to the same stimuli is not always straightforward. That is why they need to be creative in their use.

In addition, stimulation is performed at two levels. The first one is individual stimulation of the employee and the second one is stimulation of the whole team. Managers need to determine what stimuli at some point will provide motivation.

Basic groups of motivational tools of influence

Motivational tools are external factors (stimuli) that form or enhance a person's motivation to take active actions. There are the following groups of stimuli or incentives (Figure 6.2):

- 1. *material incentives*: monetary (basic and additional wages, material assistance) and non-monetary (social package);
- 2. *moral incentives*: giving the right to autonomy in the choice of work style, involvement of employees in decision-making process, "professional freedom of communication" between subordinates and management, indirect consultation, general recognition of the results achieved, gratitude, awards, flexible work schedule, prospects of promotion and even constructive criticism;
- 3. *incentives for coercion*: dismissal or demotion, reduction of wages, deprivation of privileges, condemnation, reprimands, penalties. However, a manager should make sure that these incentives do not cause *demotivation*, i.e. employee's negative attitude to work. They should only be used when previous groups of incentives do not ensure the expected motivation results.

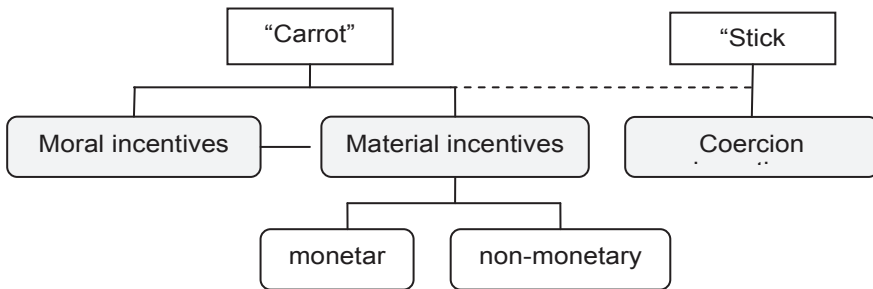


Figure 6.2. Groups of motivational tools of influence

In fact, a motivational goal of managers is aimed to provide conditions in which the potential of employees could be maximally revealed and they would have a steady desire to increase their effectiveness and performance. Therefore, a manager should harmoniously combine moral and material incentives, as well as wisely apply the “carrot and stick policy”, if necessary.

Instruction does much, but encouragement is everything.
 Encouragement after condemnation is like having the sun after the rain
 Johann Wolfgang von Goethe

Principles of stimulation

If employees do not respond to incentives adequately, they are considered to be ineffective. To ensure a maximum effect of incentives, it is advisable to follow certain principles:

- 1. every incentive should *be accessible* to all employees, and conditions of stimulation should be democratic and understandable;
- 2. *ensure a balance* between incentives, since prolonged preference of, for example, only moral incentives harming material ones can cause dissatisfaction, or neglect by the managers of moral incentives can lead to treating material incentives as compulsory pay rise;
- 3. an employee should *feel the value* of the reward received, since there is a certain threshold for the incentive effectiveness: some people may consider 300 UAH to be a good incentive, while others need 1,000 UAH

as a reward;

- ↳ a *gradual increase* in the amount of reward, since a single sharply overestimated remuneration will affect future motivation of employees due to the expectation of higher material reward and emergence of a new incentive limit that would suit employees in a particular situation;
- ↳ *abuse of coercive incentives* by the manager depresses people, but for some people they appear to be more effective than the others.

Stimulation of responsibility

The willingness of management to extend the responsibility of subordinates should be accompanied by the appropriate reward for performing additional duties by the employees. Employees are for sure less motivated if they believe that they give the organization more than they receive. As a result, lack of positive incentives to take additional responsibility may block managers' reasonable efforts to allocate authority. The need for rewards is justified by the fact that the subordinate comprehends a clear link between taking additional responsibility and meeting personal needs. It is equally important for senior management to introduce a system of stimulation of managers for successful delegation of additional duties in accordance with the organization's goals.

Managers should also constantly ensure that stimulation of the subordinates' initiative always holds one of the main positions in the management activity, if possible becomes the trump card. Every manager should take personal responsibility for creating a microclimate where innovation is encouraged.

Substantive theories of motivation

Substantive theories of motivation are, first and foremost, an attempt to identify the needs that determine human behaviour. Modern concepts of motivation are based on the theories developed by A. Maslow, D. McClelland, F. Herzberg, D. McGregor.

Maslow's Hierarchy of Needs

In his book "Motivation and Personality" (1954), the American psychologist Abraham Maslow argued that each person has five groups of

basic needs united in a hierarchical system of priority or dominance:

- 1. *physiological needs* – needs for food, water, shelter, sleep;
- 2. *safety needs* – a sense of protection from physical and psychological potential dangers and the confidence that physiological needs will be met in the future. Organizational components are as follows: an adequate level of remuneration, guarantees of maintaining the workplace or receiving compensatory benefits, safe working conditions, health care, property insurance, etc.;
- 3. *needs for belonging* – the desire of a person to be accepted by the immediate surroundings, to be an active member of the group, to feel sympathy and support from the peers. Organizational components are as follows: the desire to feel oneself a part of the team, to establish relationships with colleagues on the basis of mutual assistance and loyalty, etc.;
- 4. *esteem needs* – the desire of a person to have a positive self-evaluation, need for respect and appreciation. Organizational components are as follows: the desire to feel esteem for the decision made or work done, the desire to share information and experience, the desire to be a highly qualified employee, etc.;
- 5. *self-actualization needs* – a person's desire to fulfil himself, to achieve his full potential. Organizational components are as follows: the desire to take responsibility for the tasks that require creativity, the desire to improve the competence and be involved in managerial decision-making, etc.

According to Maslow's theory, the needs of the lower levels must first be met and only then more advanced needs will be activated. Thus, satisfaction of human needs occurs consistently: first physiological, then security needs, then social needs, etc. If a person needs physical security, he will direct all his efforts to create a suitable environment without feeling the need for self-esteem and self-expression. Once the need is met, it recedes to the background and the need of a higher level is activated. If a trade union manages to provide high pay and good conditions for its members, thereby meeting their basic needs, employees develop a need for belonging, a need for self-actualization. But it should be noted that a clear five-point hierarchical structure of needs simply does not exist (A. Maslow also acknowledged that subsequently). Meeting of any need does not automatically leads to the needs of the next level as a factor of motivation of human activity. In addition, as a rule, a person tends to satisfy

several needs simultaneously, regardless of their hierarchical level.

In order to motivate a particular employee, the manager has to ensure that his most important needs are met through actions that would help to achieve the goals of the organization. In this context, the task of the manager is to periodically determine basic needs of his subordinates and to develop an appropriate mechanism of labour stimulation. Let's consider possible ways of meeting the needs of employees in the process of their labour activity (Figure 6.3).

Material incentives are the main way of *meeting physiological needs*, while *meeting of safety needs* is possible by providing employees with social assistance and adequate working conditions.

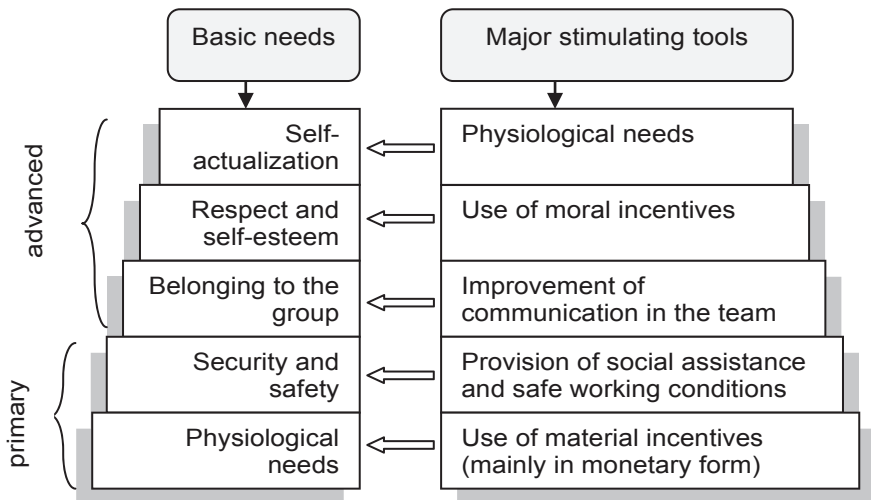


Figure 6.3. Ways of meeting the needs of employees

The ways of *meeting the needs for belonging*, are mostly focused on improving communication in the team:

- developing a team spirit in workplaces;
- holding informative meetings with subordinates;
- display of loyalty to informal groups, if they do not harm management activities;
- periodic corporate events;
- providing conditions for social activity of employees.

The ways of *meeting esteem needs* are mostly associated with the

use of moral incentives:

- rewarding the success of employees with gratitude, general recognition, appraisal;
- periodic delegation to subordinates of additional tasks, the fulfillment of which requires their professional skills;
- creating an atmosphere of “professional freedom of communication” between the management and subordinates.

The ways of *meeting self-actualization needs* for are mostly aimed at promoting the career development of employees:

- giving opportunities for training and retraining of employees in order to improve their skills;
- involvement of employees in decision-making;
- delegation of additional authority and rights to subordinates;
- fulfilling employees’ potential and developing a sense of responsibility for their functional responsibilities, e.g. through coaching.

When dealing with people, keep their interests in mind.

Dale Carnegie

McClelland’s Theory of Needs

David McClelland, an American psychologist, in his book “Human Motivation” argued that human needs are shaped throughout person’s life and influenced by the experience. These ideas are the basis of his theory of needs. In addition to physiological needs, the satisfaction of which conditions human survival, McClelland identified three other types of motivational needs:

- 1. *the need for achievement* – the desire to succeed and achieve the goal set, the desire to achieve the best solution to complex problems;
- 2. *the need for power* – the desire to influence the actions of others, to enjoy respect, to be a leader;
- 3. *the need for affiliation* (from the English word “affiliation” – connection, communication) – the desire to be in the company of other people, the desire to create warm relationships that are emotionally important for a certain person.

According to McClelland, most people have all motivating drivers, but some are strongly influenced by one of the needs. The predominance of

one or the other need defines different types of workers. For example, employees *motivated by affiliation* are well-suited for teamwork because they are able to establish normal relationships within the team, resolve conflicts, and so they will be interested in work that will provide them with great opportunities for social communication. Employees *motivated by the need for power* appear to be active and energetic, able to defend their beliefs and not afraid of constructive conflict, they are good speakers and need to attract the attention of others. Employees *motivated by the need for achievement* are more active when fulfilling the tasks that let them be initiative, since such people have an inherent desire to perform difficult tasks and achieve high standards of the quality of work.

Herzberg's Two-Factor Theory

Frederick Herzberg, an American psychologist, in his publication "One More Time: How Do You Motivate Employees?" (1968), argued that factors influencing a person's motivation and enjoyment from doing their work differ from those that lead to dissatisfaction. Therefore, managers who seek to eliminate the factors that generate dissatisfaction of the subordinates with their work may achieve some harmony within the team, but do not necessarily motivate them to work more effectively. He made such conclusions on the basis of a sociological survey among the general public of engineering and technical personnel. It was suggested to answer the question, "When (in what situations) did you feel very well and vice versa after completing your professional duties?" The systemized results were presented in the form of a theory according to which people are influenced by two groups of factors (needs), the so-called motivators and hygienic factors (Figure 6.4).

Hygienic factors are primarily related to external conditions regarding the ability to perform certain duties. They include the administrative policy of the organization, working conditions of the employee, level of salary, relations with management and colleagues, the extent and forms of control over his activities, sense of security. Their availability leads only to reducing dissatisfaction of the employees with work and does not motivate them. When there is a sufficient degree of hygienic factors in the organization, employees do not feel dissatisfied with work, but they are not fully satisfied with it.

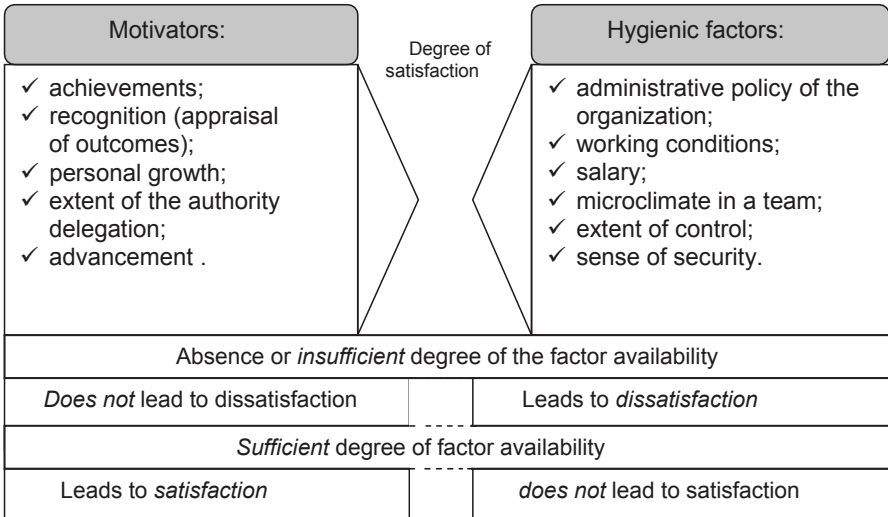


Figure 6.4. Herzberg's Two Factor Theory

Motivators are first and foremost related to the content of work and the person's internal need for self-expression. They are able to increase a person's satisfaction with work motivating him to work effectively. Having sufficient motivation, employees increase their productivity, together with a sense of satisfaction with their work.

According to Herzberg's theory, the absence or lack of hygienic factors leads to dissatisfaction of the employees with their work, while their full availability does not motivate them to take necessary actions. Lack of motivators does not reduce satisfaction of employees with their work, but their availability causes satisfaction and motivates employees to increase the efficiency of their activities. And since, according to Herzberg's theory, the presence of hygienic factors in the labour environment does not motivate employees, but simply does not allow them to feel dissatisfied with work, the manager must also ensure the presence of motivators, set goals that enable them to achieve, grow and be recognized.

McGregor's X-Y Theory of Management and Theory Z of Ouchi

Douglas McGregor, an American social psychologist, argued in his book "The Human Side of Enterprise" that there are two human natures, X and Y. Theory X reflects a negative perception of a person who dislikes work, has little ambition, tends to avoid responsibility and effectively works only under strict supervision. Theory Y reflects a positive idea of a person who applies a creative approach, is ambitious enough, capable of self-organization, ready to take responsibility and perceive work naturally as a rest or a game.

In order to motivate employees of type X and Y, it is necessary to correlate it with Maslow's hierarchy of needs: according to Theory X the needs of the lower level dominate in a person, and the needs of person Y refer to a higher level. McGregor considered Theory Y to be more viable than Theory X. Thus, he argued that participation in the decision-making process, involvement in responsible and interesting work as well as good relationships in the team can maximize motivation of employees to work effectively.

McGregor also started to develop Theory Z that would join individual interests of the employee with the interests of the organization; unfortunately, his life ended before he could complete it. This work was continued by his student William Ouchi. Theory Z describes a diligent employee who prefers to work in a group, and his success is based on a belief in common goals. Reliable relationships and mutual support, complete coherence of actions are considered to be important incentives.

Procedural theories of motivation

Procedural theories of motivation are first and foremost an attempt to describe how a person chooses a particular model of behaviour.

Modern concepts of motivation are based on the theories by Victor Vroom, Stacey Adams, Lyman Porter and Edward Lawler.

Vroom's Expectancy Theory

American scientist Victor Vroom presented Expectations Theory in his book 'Work and Motivation' (1964), according to which the active need is not the only condition for motivating people to achieve certain goals, they should also hope that the chosen type of behaviour will really result in the expected reward. In other words, motivation of the employee will depend on how attractive (valuable) to him the rewards are.

Vroom's expectancy theory is based on the correlation of human efforts, the level of task accomplishment, and the desirability of results when working hard (Figure 6.5).



Figure 6.5. Influence of Vroom's expectancy theory on motivation

Therefore, three variables influence the degree of employee motivation in a particular work situation:

- ④ ratio "*effort / outcome*" – belief that the effort of the employee will result in the expected outcomes. In order for the expectations to be met, the employee must have the appropriate skills and capabilities to perform the work, otherwise, he will probably not seek a high level of performance;
- ④ ratio "*performance / reward*" – a person's belief that the appropriate intensity of work will contribute to receiving the expected reward. For example, an employee wishes to receive some work-related reward. To ensure that, he has to achieve a certain level of job performance. If this expectation is high, the employee will actively work, but if he is convinced that even work until exhaustion does not allow him to earn the desired reward, motivation is not experienced;

④ *valence* – the predicted extent of relative satisfaction or dissatisfaction resulting from receiving a reward for the outcome. If the reward that can be obtained due to high performance and considerable efforts is uninteresting for the employee, his motivation will be low. And vice versa, a valuable reward strengthens motivation of a person.

In order to increase motivation, the manager has to identify the needs of the employee, be sure that he has appropriate skills, abilities and resources to complete the tasks.

Adam's Equity Theory

In 1963, American psychologist Stacey Adams developed the Equity Theory of employee motivation. An important supplement to the above-mentioned theories was the factor of comparing oneself with people in a similar situation. Hence, the employee evaluates his reward measuring the ratio between the results obtained and the efforts made at work, and then compares this ratio with those of his colleagues. If the employee considers his actions to be the same as those of other employees, he considers this assessment to be fair. If in the course of such a comparison it is found that they are treated differently, the employee has a feeling of unequal attitude (Figure 6.6), which will result in a decrease in the level of motivation and, therefore, the level of efforts made and quality of work.

Comparison of employee's measuring of equity of the reward obtained depending on the ratio of inputs and outputs	Measuring of equity
$\frac{\text{Result of person A}}{\text{Effort of person A}} < \frac{\text{Result of person B}}{\text{Effort of person B}}$	<p style="text-align: center;">Inequity (under-rewarded)</p>
$\frac{\text{Result of person A}}{\text{Effort of person A}} = \frac{\text{Result of person B}}{\text{Effort of person B}}$	<p style="text-align: center;">Equity</p>
$\frac{\text{Result of person A}}{\text{Effort of person A}} > \frac{\text{Result of person B}}{\text{Effort of person B}}$	<p style="text-align: center;">Inequity (over-rewarded)</p>

Person A – employee who measures the equity of the reward obtained;
 Person B – another employee having similar tasks;
 “<” – lower reward; “=” – equal reward; “>” – higher reward.

Figure 6.6. Influence of Adam's Equity Theory of motivation

Understanding of the Equity Theory, especially its main aspect – comparison of the rewards received – will help managers understand that changes in the reward of one employee may be perceived by the others as injustice and inequality. Managers need to remember that people perceive themselves within a group and organizations, so they have to be managed based on this.

Porter and Lawler's Model of Motivation

In 1968, Lyman Porter and Edward Lawler developed a model of motivation that incorporates elements of expectancy theory and justice theory. In this model, there are some variables (Table 6.1) that in the complex affect employees' motivation.

One of the most important findings by L. Porter and E. Lawler is that a sense of performance accomplishment leads to satisfaction, which motivates the employee (Figure 6.7).

Table 6.1.

Characteristics of the elements of Porter and Lawler’s model of motivation

Elements of the model		Description of elements
1.	Value of reward	The extent of importance of the reward promised for accomplishing the tasks assigned for the employee
2.	Reward probability	To what extent the employee evaluates the likelihood of the benefits promised
3.	Efforts	The intensity, interest and diligence displayed by the employee while performing work. The strength of efforts to complete the task depends on the value and credibility of the reward
4.	Role perception	The nature and complexity of the tasks and understanding of the tools and resources required to do the job
5.	Employee's abilities	Mastering of relevant skills and certain personal traits influences the ability to show good results when completing the task
6.	Performance accomplishment	Quality, rate and completeness of the actual accomplishment of the task
7a.	Intrinsic rewards	Sense of achievement, satisfaction with the result obtained, sense of importance to the organization
7b.	Extrinsic rewards	Pay and career opportunities
8.	Perceived equitable reward	Subjective (personal) assessment by the employee of the quality of the tasks completed, which is expressed in the expected level of material and moral stimulation
9.	Satisfaction	A sense of satisfaction as a result of sharing management’s assessment of the quality of the job done

The results achieved depend on the efforts made, the abilities and traits, as well as the employee’s awareness of his role. The level of efforts made will be determined by the value of the reward and the degree of confidence that this level of efforts will really lead to the expected reward. In addition, the theory establishes a correlation between the actual result and reward, i.e. a person satisfies his needs through receiving a reward for the results achieved. Performance achievement leads to obtaining both extrinsic and intrinsic rewards. The degree of employee satisfaction is influenced by a personal assessment of the quality of his work. The higher this estimation is, the more motivated the employee will be.

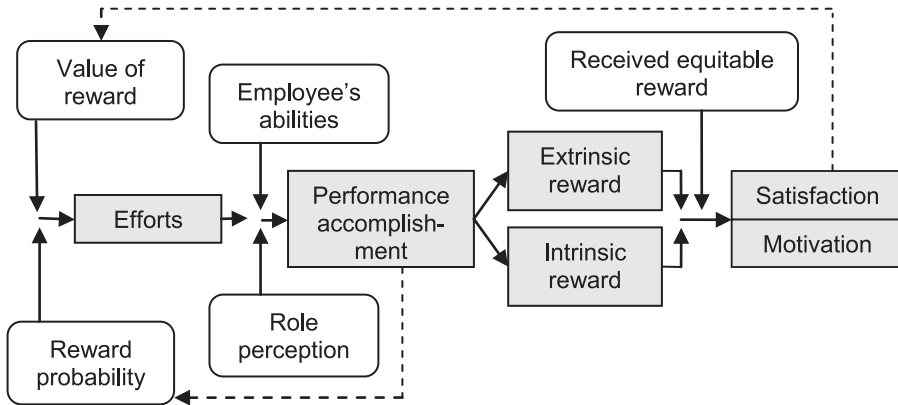


Figure 6.7. Porter and Lawler's model of motivation

Questions and tasks to consolidate the knowledge acquired

1. What is motivation? What is the difference between the need, stimulus and motive?
2. What is the role of motivation in the manager's activity? What are the external features of a highly-motivated employee?
3. What is stimulation? Characterize the main groups of motivational tools of influence.
4. What is the essence of the principles of stimulation?
5. Why is it important to stimulate the responsibility of employees?
6. Maslow's Hierarchy of Needs.
7. Ways of meeting primary and advanced needs of employees.
8. McClelland's Theory of Needs.
9. McGregor's X-Y Theory of Management.
10. Herzberg's Two-Factor Theory.
11. Vroom's Expectancy Theory.
12. Adam's Equity Theory.
13. Porter and Lawler's Model of Motivation.

Extending of the acquired knowledge

1. The main motives of manager's activity.
2. Non-standard methods of staff motivation.
3. Salary as a motivational tool: mechanism of accrual.
4. Why does labour enthusiasm disappear and how can it be restored?
5. Types of temperament and its motivators.

Chapter 7 CONTROL IN MANAGER'S ACTIVITY

The essence and necessity of control

The word “controlling” often causes a negative reaction. Many people treat it as restriction, coercion, obedience, in other words, all phenomena that are contrary to the concept of personal freedom. If you ask an average manager what control means to him, you can hear, “This is what keeps employees within limits”. In some cases, it is really so since one of the aspects of controlling the activity is to ensure subordination. However, setting limits of control by the actions targeted at restraining negative behaviour means to neglect the primary purpose of this management function, i.e. to ensure the achievement of the goals by the organization.

Controlling is a precondition for the success of the organization. Neither planning nor organizational structure nor motivation can be considered separately from control, since it is focused on assessing the feasibility, effectiveness of each management function and determining the state of achievement of goals and objectives of the organization. However, when controlling, it is important to remember that it can have both a positive (functional) and a negative (dysfunctional) influence on employees. Functional influence is as follows: conditions are created to evoke employees' desire to avoid mistakes in their work; dysfunctional influence involves the formation of behaviour that is focused on control, not result. Unreasonable control can often cause such behaviour of employees so that they will spend most of their time doing solely those types of work that are strictly controlled by the managers or work actively and productively while being controlled without any concern about the quality and efficiency.

Functional control is a necessary component of the manager's activity for the following reasons:

- ① uncertainty disappears: no planning, even the most careful one, can take into account all possible difficulties and circumstances, and communication between managers and subordinates during control helps to determine whether work is being performed properly, whether any changes are needed;
- ② *crisis can be predicted*: the number of minor mistakes and errors can exceed a certain “critical mass”. Of course, this happens if they are not resolved. And it is control that ensures that errors are fixed and

corrected before their effects lead to a crisis;

④ *both destructive and constructive phenomena are revealed*: control allows to identify effective solutions, to determine promising directions of activity.

The objective need for control is imposed by the fact that the managers of the organization and the objects managed by them are constantly influenced by the factors of the internal and external environment. There is a need for wide awareness of adequate response to new situations, problems and possibly errors in work. In addition, control is performed to achieve consistency and synchronization of employees' efforts, optimal use of organization's resources, maintaining executive discipline as well as moral and psychological climate in the team.

The synonym to the word "control" is the word "direction"

Peter Drucker

As a function of management, *controlling* is the process of keeping the organization in the chosen trajectory of development by comparing the actual state of the management object with the defined standards and, if necessary, taking necessary steps to eliminate deviations.

The reasons for the detected deviations can be numerous and varied, e.g. errors of the manager in choosing the methods of solving the problem, delegation of tasks, motivation; poor guidance performed by the manager, which has led to mistakes and wasted time; careless performing of functional duties by employees; lack of relevant information or competency of the executors during plan implementation; changes in the influence of environmental factors, etc.

When controlling, a manager will be able to answer the following questions:

- What level was achieved, what knowledge was gained?
- What should be done differently next time?
- What is the reason of deviations from the planned development trajectory?
- What influence did controlling have on the decisions made?
- Was the impact of controlling positive or negative?
- What conclusions should be made to set new goals?

Effective management controlling requires a system, which could, first of all, notify the need for preventive corrective actions. However, if there is

no opportunity to prevent problems and deviations, controlling becomes effective only when measures based on the information obtained are taken to eliminate the deficiencies and causes that give rise to undesirable phenomena. And even if a good moment has been lost and it is no longer possible to make any changes, consideration of the past events and the right conclusions will be useful in the future.

Controlling performed by a wise manager teaches employees to correct their mistakes so that failures will be compensated by the future success.

Types, forms and approaches of control in management

Managerial control is the process by means of which managers provide effective and productive utilization of resources for the achievement of goals of the organization

M. Mescon, M. Albert, F. Kherdouri

One of the most important features of management control, which should first of all be taken into account, is that it must be comprehensive. Control cannot be the sole responsibility of top managers. Every leader, regardless of his rank, has to perform control (as an integral part of his job responsibilities), even if he has not been charged to do that.

There are three main types of control: preliminary, screening and post action. They have a lot in common because they are aimed at bringing actual results closer to the desired ones. They differ in application time (Figure 7.1).

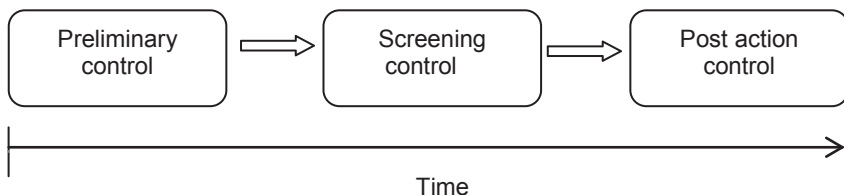


Figure 7.1. Time of application of the main types of control

Preliminary control is aimed to check the readiness of the organization

to start operating. It is used in three main areas:

- staff: assessment of professional skills necessary for the accomplishment of assigned tasks and formation of advanced training programs (practical training) based on this;
- material resources: verification of suppliers and compliance of raw materials with the defined quality standards, assessment of the level of supply of materials to ensure continuity of task execution;
- financial resources: assessment of supply of the organization and structural subdivisions with necessary funds in accordance with the content of the tasks performed and the planned budget.

Screening control, also known as *concurrent control*, focuses on inspection of work in the course of its execution by the “control points”. The longer the period of plant implementation is, the more important the interim results and the appropriate control are. This form of control is typically based on the measurement of actual results after performing a particular assignment (task), so that it is sometimes called “task control”. In most cases, it is used to control the activities of their direct manager. Regular inspection of work and discussion of problems that arise will enable to detect deviations timely at the early stage and take appropriate measures to overcome them.

Screening control consists of the following blocks:

- information: list of parameters that are liable to control;
- evaluation: collection and evaluation of information on internal and external events, determining the nature of their impact on the implementation of the plan;
- mechanism of correcting.

Post action control focuses on summarizing outcomes of the organization. Although it is performed too late to respond to problems at the time of their occurrence, post action control is important because:

- provides managers with the information necessary to evaluate the effectiveness of the activities they are responsible for and suggest future plans;
- its results form a basis for evaluation and remuneration of staff, as well as further activation of managers' work.

In order to ensure achieving goals by the organization due to control, a feedback in the management system is required, which in this case implies an appropriate manager's response to the obtained data on the outcomes. A simple example: having noticed an error, a manager clearly

informs his subordinates that they are wrong about. *Feedback control* contributes to the formation of the managed impacts to change the elements of “input” of the organization in order to achieve the desired characteristics at the “output”. Due to evaluation of the feedback information, the manager influences the management process by reviewing the standards and rules, changing the approaches and the mechanism of achieving goals in the current or future periods.

There are also various forms of control within the organization: external, internal, and self-control. *External control* is a process that is periodically carried out by external stakeholders of the organization (e.g. investors, the public, insurance companies, government agencies). The purpose of external control is to form an opinion of the stakeholders on the compliance of the organization with the laws, standards, its financial status and efficiency. It is often referred to as external audit because it uses the services of relevant specialists (auditors).

Internal control is a process that is carried out in the interests of the organization by its management (owners, managers) in a systematic manner. This control should evaluate performance of the units and the organization as a whole, effectiveness of the use of resources, labour productivity, staff qualification, identify “weaknesses” and wrong decisions.

From a psychological point of view, internal control is based on the assumption that employees perform their duties better when they have clear material incentives and all activity is constantly supervised by the management. This form of control really helps to accomplish some of the tasks, e.g. periodically challenge employees to stimulate the majority and leaving no chance for the lazy; associate findings of control with the mechanism of stimulation and performance of each employee.

Self-control is a process based on the self-regulation by the subordinates of their own actions, so that it involves the comparison of results of performing functional duties with the standards and, in case of slight deviations, the implementation of appropriate self-regulatory actions. Self-control is based on a fundamental idea that every employee can and must see in his work not only a source of subsistence, but also a way to recognition, means of self-assertion and recognition of authority. An employee capable of self-control can make informed decisions and put them into practice. In addition, the internal control process will be much more effective, since the control of employees motivated to self-control and self-regulation will be carried out on the basis of feedback, which reveals

problems, usually at their initial stage, which greatly facilitates the mechanism of generating corresponding corrective actions.

Control is the process of ensuring the achievement of the goals set by the organization

Controlling in the organization can be performed in different directions: financial, environmental, social, technical, energy, marketing, etc. For example, *financial control (audit)* is aimed at checking the financial and economic activity of the organization. Possible areas of internal financial control are as follows: efficiency of use of fixed assets, equity and debt, management of accounts payable and receivables, fulfillment of contracts, remuneration system, supply of inventory, pricing mechanism. External audit is carried out by those who have financial interests in cooperation with the organization, e.g. investors, creditors, suppliers, business partners. Based on the public financial statements, they draw conclusions about potential profitability and liquidity of the company, whether it is worth investing in it, whether it is able to pay interest, and pay its debt in a timely manner. *Environmental control* involves determining the level of compliance by the organization with the legal requirements in the field of environmental protection during economic activities, assessment of the environmental safety of used raw materials, equipment and technologies, effectiveness of the current environmental management system, identification of the problem areas and development of measures for their overcoming, development of guidelines concerning environmental activities. *Social control* is aimed at auditing the compliance of the professional qualities of employees with their functional responsibilities, wages with labour legislation, working conditions with safety standards and environmental conditions, etc.

Basic stages of controlling process in the organization

Controlling performed in the organization is targeting at coordinating the process of the management object functioning through certain actions:

- evaluation of the validity, effectiveness of management decisions made and the results of their implementation;
- detection of deviations in the functioning of the object from the decisions

- made, as well as from the established rules and regulations;
- development of measures aimed to correct the detected deviations or to adjust the management process in order to prevent destructive deviations;
- elimination of the obstacles for optimal functioning of the object.

Control helps to reveal and eliminate the problems as well as assists managers in identifying the scope of changes and time of their implementation

There are three clearly defined steps of controlling: establishing criteria of control (standards), comparing results with them, and, if necessary, taking corrective actions. Let's consider the general block diagram of the management control algorithm (Figure 7.2).

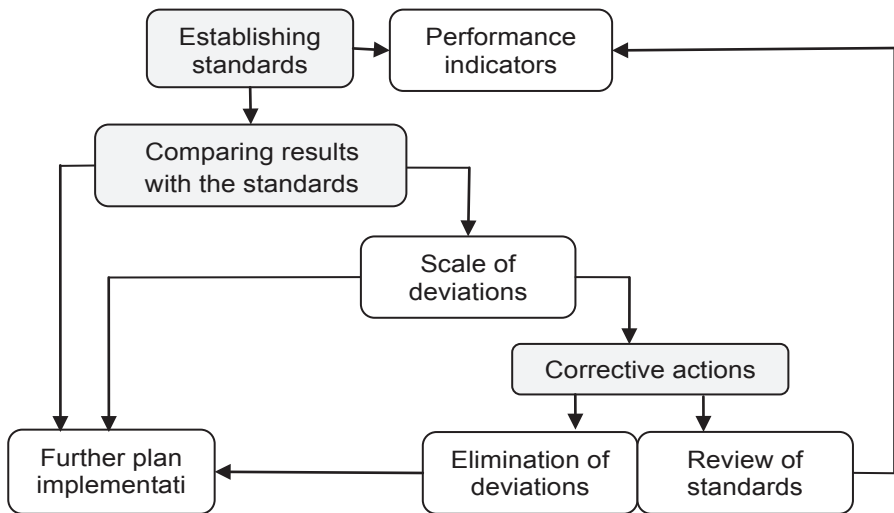


Figure 7.2. General algorithm of the management control

Step 1. Control managers should start with *identifying standards* (criteria, performance indicators). Standards should have time limits within which work will be performed and the criteria used for its evaluation. It is quite easy to set performance indicators for quantity-and-measure values: profit, sales, cost of materials. But there are important organizational goals that cannot be measured quantitatively, e.g. establishment of socially

responsible and ethical standards of behaviour, improvement of the microclimate in the organization, increase in the level of employee motivation. In this case, it is necessary to determine their immediate manifestation by evaluating the manifestation of standards through other indicators. For example, a low staff turnover rate may indicate a high level of employee satisfaction with the job; therefore, it can be used as an indicator of performance when defining appropriate standards, in particular, the management sets a goal to reduce staff turnover from 11% to 7% next year. But the risk of using indirect indicators instead of direct estimates is that they may be affected by other variables. For example, a low staff turnover rate may reflect unsatisfactory state of the economy as a whole instead of a high level of employee motivation. In other words, employees do not resign not because their needs are met, but because they cannot find another job. That is why managers need to be able to distinguish symptoms from the true causes and remember that the results of any management activity are influenced by many factors.

Without a particular performance indicator, a manager will not be able to perform a controlling function effectively. Even a subjective indicator, if one remembers its limitations, is better than the lack of it.

M. Meskon, M. Albert, F. Khedouri

When defining the standards of work in the organization, it is necessary to take into account generally accepted approaches, according to which at least seven criteria (indicators) of evaluation are distinguished:

- efficiency – the degree of achieving the goals set by the system. To measure it, the expected results are compared with the actual ones (the resources used are not taken into account if they have not been listed as the targets). The most common method of measurement is to calculate performance indicators showing the degree of the goal achievement in one period compared to another;
- economy – the degree of using the “required” resources by the system. It is determined by comparing the resources that were expected to be spent to achieve certain goals and perform specific work with the resources that were actually used;
- quality – the degree of compliance of the system with the requirements, specificity and expectations of customers;
- profitability – the ratio between profit and total expenses. Its specific

indicators are as follows: the level of profit referring to sales volume; the ratio of profit and total assets; the ratio of return to equity, etc;

- productivity – the ratio of the amount of work (services) and the cost of its implementation;
- quality of working conditions – prestige of work, sense of security, confidence, satisfaction of employees of the organization. Measurement methods are aimed at determining the degree of correspondence of employees' personal perceptions and the actual status;
- introduction of innovations – real use of new achievements in the field of modern technology and management in the organization to achieve the goals set.

Step 2. The most notable aspect of management control is the *comparison of actual results with standards*. At this point, managers should ask themselves, "Are we successfully moving towards our goals?" If it is so, the plan is further implemented. If it is not, the second question arises, "How significant or relatively safe are the deviations from the standards?" Estimation of the scope of deviations is very important, because if the deviations from the standard are too great, problems can lead to a crisis situation.

Managers typically use four sources of information to measure actual performance: personal observation, statistics, oral and written reports.

Step 3. Depending on the scope of deviations detected, managers take corrective actions choosing one of two lines of behaviour:

- elimination of deviations due to understanding of their causes and further plan implementation. However, before taking any corrective actions, managers need to consider all the internal variables that are relevant to the problem and the relationship between them, because any major change will affect all aspects of the organization. Manager's goal at this stage of control is to eliminate obstacles to achieving goals, not to create new troubles;
- review of standards. If it becomes clear during controlling that it is practically impossible to achieve the intended results under the influence of certain factors of the internal or external environment, managers should change the form of standards or lower them; but sometimes it turns out that the plan is too pessimistic and the standards should be made higher.

Thus, on the one hand, controlling means setting of standards, monitoring of the progress of implementation of managerial decisions, and

on the other hand, establishing the need for corrective actions on the basis of the scale of the deviations detected. If the decision made is not effective enough or wrong, a well-established control system can help to identify and change the organization's activities in a timely manner.

Characteristics of effective control

Control is not a matter of having confidence in employees or not, it is a necessary part of the manager's activities. But to ensure effective functioning of the management system, it is necessary to consider some requirements for control:

- ④ *strategic orientation.* Control should reflect and support the organization's priorities. However, actions that are not of strategic importance should not be measured very often, and the results should not necessarily be communicated to senior management and, if necessary, "local changes" should be made independently;
- ④ *orientation towards the results.* The ultimate goal of control is not to gather information, set standards and identify problems, but to solve current organizational tasks. Measuring and announcing the results is important only as a tool for achieving this. Managers need to be vigilant to ensure that controlling has not become more important than the true goals of the organization. In addition, obtaining a significant amount of accurate information about the magnitude of deviations is also inappropriate, if not used for corrective actions;
- ④ *timeliness.* Control is not associated with the speed or frequency of its implementation, but the time interval between measurements or evaluations that adequately correspond to the phenomenon or process being monitored. Determination of the most successful time interval should be based on the time limits of the master plan, the speed of changes, and the cost of measuring and disseminating the results obtained;
- ④ *objectivity.* The control results should reflect the situation as accurately as possible, the conclusions made by controllers should be substantiated and be based on reliable information. In addition, control should not depend on the personal likes or dislikes of the manager concerning his subordinates;
- ④ *simplicity and openness.* As a rule, the most effective control is a simple control in terms of the purposes it is intended for. In addition, the

subordinates wish to know in what form and by what means the control is performed, what results can be provided by its implementation. The simplest methods of control require less efforts and they are more economical; its excess complexity leads to disorder, which can be called loss of control of the situation;

④ *economy*. Managers should not forget that all organizational expenses should lead to increased benefits and revenues, bring the organization closer to its goals. In general, the control can waste a lot of unnecessary time and resources that could be used to solve other tasks.

Balance of control: effective control is the golden mean between total control and lack of any control

Recommendations for improving the effectiveness of behavioural control

Employees are an integral element of control in the organization as well as all aspects of management, therefore, a human (behavioural) factor must take into account when implementing control. Consequently, control should not be dictated by suspicion and blind wish of authority. Control should be determined by predictability and care, considering the fact that mistakes are inherent in people and most workers achieve good results in case of a wise approach. Supervision should also highlight progress in work that, unfortunately, is often left unnoticed.

As a rule, the purpose of control is not “to catch”, to expose”, “to accuse” (though such goals are set in the process of control when one can assume that the desired is not consciously achieved). Control as a management tool should *stimulate the performance and progress of employees*. If you take this approach to control, the “fears” of the controlled employees will disappear because it is for the benefit of employees to be interested in the results of their work. Therefore, control is a service that the manager provides to his subordinates in order to satisfy the employee’s desire to contact the management, do his job confidently and without errors, the desire to be perceived as a responsible person.

Control is a professional service that a manager has to provide to his employees

Werner Siegert

To avoid the dysfunctional effect of the control system, managers are advised to follow common rules:

1. *control should not be limited to incidents.* Screening control is mostly applied when the employee has not met deadlines, made a mistake, received comments, etc. This is how an employee's "dossier" is formed having accumulated long-term "negative" and much rarely gratitude for good work, since psychologically we are more willing to register bad things. Effective control is a regular process that is not unexpected for employees;
2. *control should not be total in order not to cause negligence.* There are managers who believe that anything that has not gone through their hands and has not been thoroughly checked is likely to have errors. A manager who decides to control "everything and everything" absolves employees of responsibility instead of its increase; they will know that errors will be detected by the manager in any case. Total control makes employees dependent and careless, generates such feelings as constant fear, irritation, and this does not contribute to high quality performance of functional duties;
3. *control should not be hidden, otherwise it will cause irritation.* Hidden control is most often performed through "informants", so that a particular person informs the manager of all events in detail giving his own interpretation: what kind of work is done and whom by, what employees talk about, how the roles are distributed. When subordinates begin to suspect that, a moral atmosphere in the team gets deteriorated for a long time and hidden control will bring nothing but insult, irritation and tension in the relationships. This means that people will fail to achieve the results that could have achieved in case of employee's satisfaction with the work done;
4. *do not control only your "favourite" areas of work.* Some managers choose to control only those issues that they know best. You will not object to this until the areas under control are too narrow. The danger is that performers quickly find out what is being verified and what is not; their work will be directed in the appropriate direction;
5. *controlling is not a proform.* Managers sometimes control superficially creating only visibility because they feel uncertain about controlling conversations and criticism. Surface control is, for example, the control of an employee's workplace rather than the control of work results. Of course, it is necessary, but if the whole process of controlling is reduced

to a minor fixation of external actions (time of coming to work, etc.), there will be no significant benefit from it;

- ④ *do not control because of mistrust.* Some managers “are searching” for mistakes while controlling until they find them assuming that the performer always does something wrong. Suspicion indicates self-doubt. That is why such a manager has a feeling of being under a threat of other people, even if it really does not exist. Such control begins to perform the function of a “short chain” and it sometimes helps, but such a manager deprives employees of their sense of joy and never respects them;
- ④ *do not make your conclusions hidden.* The results of control should be notified to the subordinates, because, firstly, the control process will be fruitless if the negative is not discussed and the ways out are not found, and secondly, the success of employees that has been revealed and appreciated due to controlling will significantly increase their performance;
- ④ *control should not depend on the personal feelings of the manager towards his subordinates.* Any part of work in the organization has to be controlled, regardless of a person who performs it; conversations about the results of controlling should be constructive, inoffensive, and motivate employees to perceive critical remarks adequately and to be ready to correct the shortcomings or errors in their work.

Controlling should be perceived
not as a manager’s influence on the subordinate
but as a kind of interaction needed by both of them

Responsibilities of managers during controlling

Some managers mistakenly believe that only those who do the work need to be controlled. But the truth is that each performer is responsible for the professional level of his actions, and each manager is in charge of the results of lots of people. Managerial responsibility (within functional responsibilities) is the duty of all managers and it is non-delegable.

German scientists Werner Siegert and Lucia Lang suggested the managers to apply a “Management Five” approach (Figure 7.3) during controlling, which would significantly increase their managerial responsibility.

Any manager wishing to accuse his subordinates of anything before making a verdict must first analyze his actions in the context of this approach. The index finger indicates a person who the manager wants to blame and the three fingers – back to the accuser. Thus, a manager should ask himself three questions: who assigned the employee to perform the task performed unsatisfactorily? Who instructed him and how was it done? Was his work adequately controlled?

Therefore, a bad result, as a rule, does not happen under qualified management. Only having received objective answers to the above-mentioned questions one can bend the “accusatory” finger. However, the thumb, which can strongly press on top of all other fingers, reminds that excess pressure makes the success of the organization impossible at all, because new answers to the question cannot be found as a result of excessive pressure; other “fingers” will have disagreeable feeling.



Figure 7.3. “Management Five” by W. Siegert and L. Lang

It does take a bit to tactfully interfere with others’ work and cause annoyance, but an employee who is constantly criticized will no longer do what he has to do. In order to turn control into a tool of motivation, the manager must first control himself and avoid mistakes. He must analyze his own behaviour in order to find and overcome the shortcomings in the process of controlling.

The manager controls employees who have the right to make an error as well as he does. Controlling can be carried out in any form under one condition: it has to be fair (open) and humiliate neither a manager nor a subordinate.

Questions and tasks to consolidate the knowledge acquired

1. What is the essence of controlling? What is the essence of the functional and dysfunctional influence of control on the employees.
2. Substantiate the necessity of functional control in manager's activity.
3. Disclose the essence and purpose of the preliminary, screening and post action control.
4. What does control with feedback mean?
5. What is the essence and purpose of the internal and external forms of control in the organization? What is self-control?
6. What are the approaches of controlling in the organization? Describe them?
7. Characterize the main stages of control in the organization.
8. What are the main characteristics of effective control?
9. What rules should be followed by the managers to avoid a dysfunctional effect of the control system?
10. What are the managers responsible for during controlling? Describe the essence of a "Management Five" approach by W. Siegert and L. Lang.

Extending of the acquired knowledge

1. Management control techniques: break-even point, Gantt chart, critical path (CPN), analysis of financial ratios, etc.
2. Controlling as a factor of success.

Part III. Technology of decision making and implementing

Chapter 8

MANAGEMENT METHODS

The essence of management methods

The manager can apply various methods of controlled influence on the object of management being a person who aims to ensure the achievement of the defined goals of the organization using its resources in the most efficient way. And while the functions show what a manager has to do to successfully develop the organization or unit, the management methods answer the question, “How should he do that?”

Method is the order and sequence of actions that lead to the expected outcome

Rene Descartes

Management methods are the ways of controlled influence on the employees in order to achieve the goals of the organization. Their main purpose is to ensure the performance, coherence among employees and harmonization of individual, collective and social interests.

Three groups of management methods are applied in management: economic, administrative and socio-psychological (Figure 8.1).

It is important to avoid the “one-sidedness” of using management methods. For example, a manager’s excessive commitment to administrative influences can be detrimental to the organization because its employees will become accustomed to being passive or otherwise uncomfortable with others’ instructions. Therefore, administrative methods should be combined with both economic and socio-psychological ones targeting subordinates at blind task completion (which is detailed not only in terms but also in the sequence of actions) as well as the final results of effective actions.

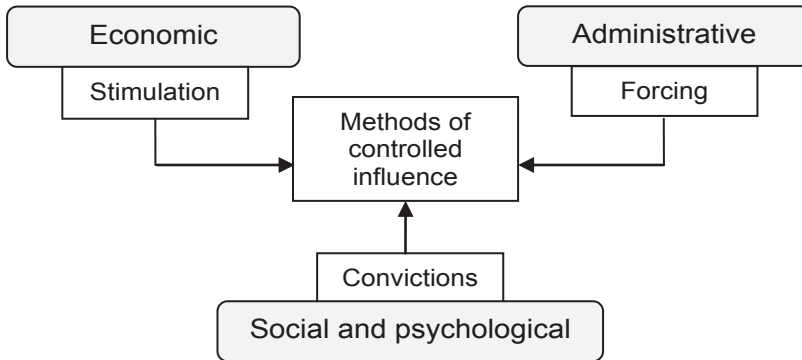


Figure 8.1. Classification of management methods

Management methods are as diverse as the interests of people and the nature of their work

In addition, management methods complement and enhance effective influence of each other. For example, any regulatory act, except for administrative and legal ones, solves both social and economic issues, and successful implementation of the regulatory act, in turn, requires knowledge about moral and psychological characteristics of employees. However, the results of economic management are most often reflected or recorded in administrative documents.

Economic management methods

Economic management methods are techniques of indirect influence on the economic interests of employees and the organization as a whole. Influence is performed through the financial stimulation of employees of the organization, and sometimes material penalties in the form of fines.

The main tools of financial stimulation of employees to perform their functional responsibilities qualitatively are the following:

- basic salary – remuneration for the work performed in accordance with established labour standards (standards of time, production, servicing, job responsibilities);
- additional wages — remuneration for the work above established standards, for labour success, ingenuity (for example,

bonuses for production results or saving of specific types of material resources, interest allowances for the length of service, surcharges for work at weekends and overtime, annual basic and additional holiday pay, monetary compensation for unused holiday);

- financial assistance – payment as an incentive or compensation for health improvement, sick pay, payment related to family circumstances, etc.;
- social package – additional benefits and bonuses for comfortable work that the organization offers to employees to stimulate them (for example, accident insurance while on duty, paying for training or seminars, reimbursement for travel to and from work, eligibility to free or reduced-price meals at the workplace, discounts on the products and services manufactured by the employer's company, paying for sanatoriums and playing sports, preferential loans for the purchase of housing, reimbursement of expenses for mobile phone calls, full or partial payment for kindergarten if the employee has a single mother/father).

Economic management methods also involve provision of the material basis in the organization that would let the employees be maximally interested in improving the quality of their work and increasing the profits of the organization. For example, it may involve allocating resources to the units if they are necessary for their successful production activities and empowering managers to make their own decisions concerning their allocation; giving affiliated companies the right to use the part of the profits previously discussed for their further development, etc.

In addition, there are some economic regulators of the organization's production activities, e.g. credit conditions, pricing and taxation mechanisms, subsidies, tariff rates, economic benefits and more.

Administrative management methods

Administrative management methods are the techniques of direct influence on the quality of performing functional duties by the employees. This impact is achieved through organizational, administrative and disciplinary techniques. In this case, a manager performs a role of the administrator who has the right to use his authority. However, administrative methods should not be equated with rigid management, which is based on coercive methods of influence, imposing decisions of top management to lower officials, issuing orders to perform certain kinds of

work without any logical justification or based on subjective decisions.

Organizational influence of managers is fulfilled through organizational and legal documentation aimed at establishing the basic rules that regulate the activity of the organization, its structural units and officials, assigning their long-term functions, duties and authority. They are developed by the owners or the body authorized by them considering the requirements of the current legislation, and they are in force until being repealed or approved. In other words, the techniques of organizational influence create appropriate conditions for the operation of the organization (its “skeleton”, design) and ensure standardization of employees’ behaviour. They are as follows:

- regulation – a method of organizational influence through setting basic rules that regulate the establishment and operation of the organization, specify the order of its management. It is implemented through some documents including the statute and some regulations (for example, regulations on structural units, rewards and bonuses);
- standardization – a method of organizational influence through setting standards that act as benchmarks and determine the degree of use of organization’s resources, e.g. technical and technological standards (standards of technological preparation of production, sanitary norms and rules, standards of raw material consumption, norms of emissions of harmful substances); labour standards (standards of time, production, service, number); financial and economic standards (the procedure for charging and paying taxes (fees), conditions for obtaining loans, rates of depreciation, the procedure for the formation and use of the reserve fund);
- instruction – a method of organizational influence of informative nature, which provides explanations, familiarization with the conditions, rules of work, procedure of their fulfilment, tasks and duties of employees, expected difficulties and ways of overcoming them, etc. The main normative documents are instructions and rules (for example, instructions for the operation of equipment or disposal of industrial waste, safety, inventory procedures; internal labour rules, job descriptions).

The *directing influence* of managers ensures the administrative clarity and order of work in accordance with the established organizational rules, elimination of failures and obstacles that arise. Management tools include:

- resolution – a written decision made by the collegial governing body

(shareholder meetings, board) to address strategically important development goals of the organization;

- order – a written form of decision on a specific issue with a list of ways, terms of implementation, responsible employees and forms of control; it is issued by the head of the organization or structural unit of undivided authority and within his competence;
- instruction – manager's written or oral direction to perform operational tasks;
- resolution – an inscription on the document made by the manager that contains instructions on the nature, form and period of execution of works.

The *disciplinary influence* of the manager should maintain organizational relationships applying to constructive criticism and disciplinary responsibility of subordinate employees.

Typical labour discipline violations occur when employees do not cope with their functional responsibilities, ignore manager's instructions or perform them with poor quality, untimely. If there are minor shortcomings in work, the manager can only advance some remarks; in case of more serious repeated violations the employee takes responsibility, which is expressed through imposing organizational penalties. They are distinguished by the following types:

- material (compensation of damages caused);
- administrative (warning, fine, community service);
- disciplinary (reprimand, dismissal).

Punishments assigned in anger do not achieve their goal

Immanuel Kant

When determining the type of punishment for violation of labour discipline, the manager is obliged to consider various factors, e.g. severity and circumstances of the violation, attitude of the employee to performance of the functional duties in the past, the degree of recognition of the fault for mistakes. In any case, the issue of labour discipline should be addressed ethically, using cautionary techniques, explanations, justification, and advice, wherever possible.

Socio-psychological methods of management

Socio-psychological methods of management are the techniques of psychological influence on employees' minds and motives of their behaviour, personal relations and relationships that arise in the work teams. Influence is performed through social and administrative techniques. In this case, the manager relies on his authority.

Social influence of managers is based on consideration of the peculiarities of interaction of people, forms of communication, organizational culture, which makes it possible to manage the team. The tools of social influence include:

- moral encouragement of employees;
- proper working conditions;
- authoritative image of a manager;
- discussion of moral and ethical standards of the organization;
- round table discussions;
- creation and support of a positive microclimate in the team;
- improvement of communications, etc.

Psychological influence is based on the patterns of functioning of the human psyche, which makes it possible to control the behaviour of the individual in the team and interpersonal relationships. The tools of psychological influence include:

- consideration of psychological compatibility when forming work groups;
- delegation of authority in accordance with the individual abilities and temperament of employees;
- elimination of monotony and increase of creative content of work;
- consideration of the individual or religious values of employees, their physical capabilities;
- selection of the appropriate management style by the manager, etc.

The main purpose of socio-psychological methods is to encourage employees to do something, to encourage them to work, and to turn administrative instructions into a conscious duty dictated by a person's internal desire. However, these methods will be successful only under certain conditions: the manager behaves frankly, he is a leader who tries to use an individual approach, recognizes and values the strengths of employees, considers their needs.

People will be indifferent to you
until you do not show concern about them

Harvey Mackay

The art of disciplinary influence

Discipline in the organization is a certain order of behaviour of employees in accordance with internal work regulations, organizational values and proper fulfillment of their functional duties.

Discipline is a precondition for successful collective activity, because it makes people's behaviour well-organized. Therefore, it is the responsibility of the managers to keep order and discipline. But problem solving should be organized carefully, diplomatically and fairly, keeping in mind the purpose of arriving at the truth and preventing such situations in the future.

There are three ways to solve disciplinary problems:

④ *remarks on the spot* – elimination of the violation at the moment of its detection. If the manager neglects even minor actions, they will eventually become more serious and cause greater harm to the team.

The following rules must be followed:

- find out the reason;
- give an opportunity to explain the situation;
- accept apologies sympathetically, if any;
- show respect for the violator's feelings and do not hold a public sentence;
- allow to correct the error;

④ *unofficial conversation* – face-to-face conversation in case of regular but minor disruptions. If the manager has already made the remarks to the violator but did not receive the result, a more serious measure of disciplinary influence is required. Conversation should be conducted according to the following rules:

- rely on reliable, proven facts only;
- give the violator the opportunity to speak out, because the reasons can be much more complicated than they may seem to be, and the person can admit his guilt without undue reminders;
- focus on the problem, not the violator's personality – it is necessary to change the behaviour of the employee, not criticize his production biography;

- end the conversation on an upbeat note no matter what you think about the person and the problem;

④ *consideration of a personal case* – an official procedure used in case of a clear violation of the organization’s policy, i.e. documented requirements and “unwritten” rules. In this case, it is advisable to warn the violator in advance about the appointed conversation. But you should also follow some rules:

- invite the violator’s colleague, immediate manager or trade union representative to consider the violator’s case;
- keep confidential – do not disclose the content of the conversation; if it is necessary to record a reprimand in an employee’s personal file, it must be objective (note only the facts and the measures taken);
- do not use threats and emotional blackmail.

Dissatisfied executives often exaggerate problems and contribute to misunderstanding losing objectivity, and then it is difficult to know the root causes of the problem. When anger rules, small problems turn into large-scale disasters that can undermine the organization
Alexander Strok

Constructive criticism is one of the ways to support labour discipline and prevent problems in an organization. It is a fair, business, and inoffensive remark. In order to make the criticism fruitful, i.e. the one that leads to changes in the behaviour of the employee, it is advisable to follow certain rules:

- ④ never criticize a person in the presence of colleagues, as this undermines his morale, increases the degree of humiliation, even if the employee is ready to understand the objection;
- ④ solve problems immediately, do not allow them to spread (it is best to make critical remarks when they are needed);
- ④ respect employee’s point of view without denying it immediately, even if it seems absurd; give an opportunity to speak up and try to find out the factors;
- ④ show a person the consequences of his actions (emphasize that you work as a team and if someone does not do his part of work or thoughtlessly treats personal functional duties, he spoils the “picture” as a whole);

- 1. try to make critical remarks in a polite, firm but calm voice; just talk about business, don't get personal; criticize the actions, not the person;
- 2. it is desirable to supplement the criticism with praise and thus the manager will show a fair attitude. If the employee makes a mistake, he must listen to the remarks and correct shortcomings, and when the work is done properly, this should be noted as well.

The suggested recommendations on disciplinary influence and constructive criticism will only be effective if the manager is an example of discipline and responsibility.

He who categorically expresses his opinion regarding the actions of others is obliged to act better as well

Vissarion Belinsky

Microclimate in the team

The success of joint activity, satisfaction with the process and results of labour are largely determined by the working conditions, social and psychological relationships in the team. The manager should remember that the performance can be increased or decreased depending on the mood, employee's desire to work, level of psychological compatibility, trust and mutual support in the team.

In one climate the flower may bloom and wither in another. The same can be said about the microclimate in the team: in some conditions the team successfully functions and its member are able to maximize their potential, while in others people feel uncomfortable, tend to leave the group, spend less time in it, their personal development slows down

A *favourable microclimate* in the team is the motivational environment that enhances social activity of each employee including initiative, creativity, self-discipline. This atmosphere is characterized by optimism, joy and open communication, trust, sense of security and comfort, mutual support, warmth and attention in relationships, confidence, cheerfulness, an opportunity to think and create freely, contribute to the development of the organization. In turn, unfavourable microclimate is characterized by

pessimism, irritability, boredom, high tension and hostility in relationships, uncertainty, fear of making a mistake or bad impression, suspicion, distrust, unwillingness to make efforts for the development of the organization.

A favourable microclimate in the team is the key to synergistic effect

There are several factors that determine the quality of the social and psychological atmosphere in the team:

- 1. global macro-environment – the situation in society, the totality of economic, cultural, political and other conditions;
- 2. local macro-environment – the size of organization, status-role structure, degree of centralization of authority, participation of employees in planning and distribution of resources, composition of structural units (gender-age, professional, ethnic), etc.;
- 3. physical microclimate – temperature regime, humidity, light, room space, availability of comfortable workplaces. Convenient workplace, favourable sanitary and hygienic working conditions increase job satisfaction and vice versa heat, constant noise can become a source of increased irritation and affect psychological atmosphere in the group;
- 4. job satisfaction – how interesting, diverse or appropriate for a person the job is, whether the employee can realize creative potential and have professional advancement. Attractiveness of work is increased by the satisfaction with the salary, social security, vacation leave, regime and working conditions, information support, career prospects, an opportunity to increase the level of individual professionalism and competence of colleagues, the nature of business and personal relationships in the team both vertically and horizontally, etc.;
- 5. nature of the work performed – a factor that indirectly but still influences the social and psychological climate, namely, monotonous activity, possible risk to health and life, stress factors, high responsibility for results, etc.;
- 6. psychological compatibility – the ability to be engaged in joint, complementary activities that are based on the optimum combination of personal qualities of participants in the team. The condition and result of compatibility are interpersonal sympathy, affection for one another, hard work; on the other hand, forced communication with a nasty person can become a source of unpleasant emotions;

- 1. nature of communication – information support of the organization. The ability to express their own point of view clearly and accurately, mastering of constructive criticism techniques, active listening skills create conditions for satisfactory communication in the team and vice versa lack of complete and accurate information on the issue that is important for the employee creates a favourable ground for the emergence and spread of rumours or gossips, increased tension in interpersonal relationships, misunderstanding of each other, distrust and even intrigues;
- 2. style of the manager's behaviour. If the manager is positive when making decisions, takes into account the interests of employees, substantiates his choice and actions, in other words, pays attention to the establishment of strong and close professional relationships, then the nature of interpersonal relationships in the work team, the attitude to joint activity, satisfaction with the conditions and results of work will be favourable. The situation will change dramatically if the manager makes excessive demands, publicly criticizes employees, often punishes and rarely encourages, does not value contribution of employees to joint activity, threatens, tries to intimidate dismissal, deprives of premium, behaves in accordance with the slogan "the leader is always right", does not listen to the opinions of subordinates, is inattentive to their interests and needs, therefore, he creates unhealthy atmosphere. Lack of mutual respect and trust force people to take a defensive position, defend themselves from one another, reduce frequency of contacts, cause communicative barriers, destructive conflicts, a desire to leave the organization and, as a result, a decrease in performance and quality of work performed. Fear of punishment causes a desire to avoid responsibility for wrongdoing, to shift blame to others, to look for the "extreme". What is most paradoxical is that this role is usually chosen by a person (group of people) who is not guilty, but for some reasons cannot defend personal interests and becomes the object of attack, hostility, unjustified accusations.

Questions and tasks to consolidate the knowledge acquired

1. Explain the purpose of management methods.
2. What are the economic management methods? What is the

- essence of the main techniques of economic influence?
3. What are the administrative management methods? Disclose the essence of the main techniques of the organizational, directing and disciplinary influence.
 4. What are the social and psychological management methods? What are the main tools of social and psychological influence?
 5. What is the discipline in the organization? What are the ways of solving disciplinary problems?
 6. What are the basic rules of constructive criticism?
 7. What is a favourable microclimate in the organization? What factors influence the quality of the social and psychological atmosphere in the team?

Extending of the acquired knowledge

1. Find out the peculiarities of registration of the following organizational and legal documents of the enterprise: the charter, the provisions of the structural unit (e.g., the logistics department), job description (e.g., PR-manager's), rules of internal labour regulations, provisions on labour payment and bonuses.
2. Methods of establishing and maintaining discipline in the organization.
3. Application of disciplinary sanctions: the legal aspect.
4. Ways of creating a favourable microclimate in the organization.
5. Give the examples of the relationship between management functions and methods.
6. How does the self-improvement of managers affect the success of a particular organization?

The essence and importance of organizational decisions

All people get involved in decision-making process throughout their lives. Each of us makes dozens of them during the day and thousands over the course of life. Some of them are simple, others are more complex and require careful reasoning. The decision making as well as its implementation is more complex in management than in everyday life, it is a systematic and responsible process that takes into account the interests of the whole organization, not only one person. To make a decision means to answer the question: what should be done in a particular situation to make the result the most successful for the organization, and the time, effort and resources required minimal?

The decision is a direct result of the managers' activity, as it is the decision that let them have a managerial influence on the organization and employees forcing them to act in a certain way. That is why an *organizational decision* is a choice that a manager has to make in order to fulfill the responsibilities associated with a particular position. Of course, the nature of the manager's work depends on the scope of his activity, the level of management, but as noted by Henry Mintzberg, to some extent, every manager fulfils four decision-making roles: entrepreneurs, disturbance handler, resource allocator, and negotiator.

A manager is not the one sitting at the big table.
It is the person who makes organizational decisions
and implements them through other people

M. Mescon, M. Albert, F. Khedouri

Organizational decision making (ODM) is an integral part of any management function that is refers to everything a manager does: from setting goals to ensuring their accomplishment. The need to make decisions in the organization is caused by certain circumstances that occur in a particular management situation. Organizational decisions are the

specific response to internal and external factors aimed at solving problems, resolving urgent issues and thus accomplishing organizational goals (Figure 9.1).

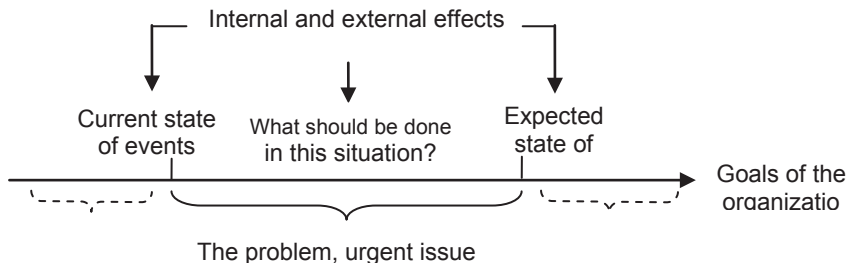


Figure 9.1. Objective need for organizational decisions

When making an organizational decision, the manager answers the questions of five groups: Who? What? Where? When? How? For example:

- Who will make a decision and will be responsible for the results?
- What is needed and what can be resolved at the moment?
- Where can the facts and missing information be found?
- When should a decision be made?
- How to get support, attract appropriate specialists?

The decision-making process is a creative and at the same time directive act, which involves person's mind, will, competence, social maturity, imagination, organizational skills and the degree of manager's willingness to take responsibility for the possible consequences of individual actions. An *organizational decision* is a deliberate result of formation or choice of the alternative that is made by the manager to solve certain problems or to provide the desired development of events.

Types of problems and decisions of managers

When performing their duties, managers deal with numerous types of problems that impede the achievement of the goals set, which, in turn, requires appropriate organizational decisions.

A *structured problem* is a simple or familiar one and there is clear and complete information about it. To solve it, a *programmable decision* that

can be made by the template, common method is applied. Decisions appear to be programmable when they become repetitive and habitual, so a specific decision making approach is developed. Programmable decision making is a relatively simple process and it is mainly based on the previous cases of a similar problem. Imagine, for example, that a waiter at a restaurant has poured a drink on a visitor's jacket and the manager needs to deal with a frustrated client. What should he do? If this has already happened, there is probably a standard approach to solving this problem. For example, if the waiter is mistaken, the losses are significant and the client requires compensation, the manager may ask him to clean his jacket at the expense of the restaurant. In many cases, programmable decisions are made on a case-by-case basis: managers simply do what they or others have done in similar situations before. But most situations in the organization are unpredictable. Hence, an *unstructured problem* is a complex or new one and the information about it is ambiguous and incomplete. When a manager solves such a problem, there is no ready-made decision; therefore, it requires a unique, non-standard response that enables to make an unprogrammed decision. Thus, structured problems are solved by programmable decision, and unstructured ones require unprogrammed decisions (Figure 9.2).

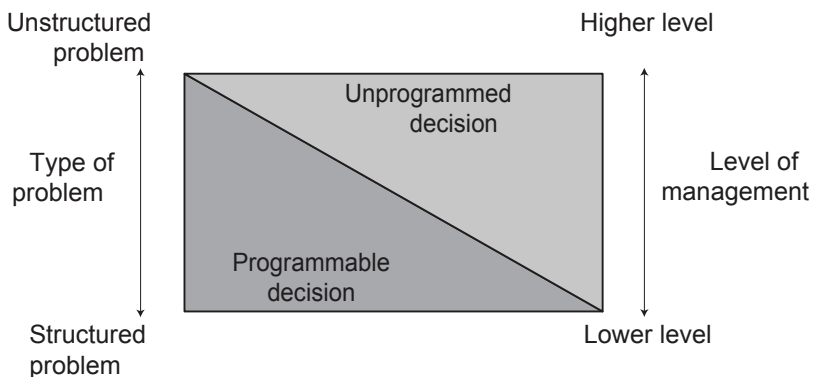


Figure 9.2. Relationship between the types of problems and the appropriate decisions made by the managers at different hierarchical levels

The decision-making approaches

Every organizational decision is made under certain conditions, namely, certainty, risk or uncertainty. A manager needs to evaluate them to choose the right approach. *Certainty* is a situation when a specific outcome for each alternative is known in advance. *Risk* is a situation when the outcome of the decision is unknown, but its possible alternative consequences are known. *Uncertainty* is a situation when the likelihood of obtaining results from the choice of the alternative is unknown due to the lack of complete or reliable information.

When considering the decision-making process, there are two things to remember. Firstly, it is easy enough to choose any course of actions; it is harder to make the right decision. Secondly, this process is a psychological one, because a person is not always guided solely by logic, sometimes choices and actions can be spontaneous, emotional. In addition, the type of temperament as well as person's attitude to the conditions of risk and uncertainty has a significant influence on the choice of alternative.

When choosing the "right" option from a number of alternatives, managers are usually guided by three approaches that base on the relevant elements: intuition, judgment, and logic. They form the so-called "decision making triangle", which transforms depending on certain factors, e.g. managerial situation, leadership style, personal qualities of the manager, level of team cohesion (Figure 9.3).

Intuitive approach is a choice based solely on what the person considers to be right. This is what is called the "sixth sense". A person cannot often explain why exactly this decision has been made. This approach is sometimes called creative. But in a complex organizational situation, there are many choices. Relying solely on intuition, the manager acts only under the influence of the moment, so the chances of making the right decision without using other elements are insufficient.

Judgment-based approach is a choice based on knowledge and experience. Sometimes such decisions seem to be intuitive because their logic is not apparent at once. A person uses knowledge of what has happened to him/her in similar situations before to predict the result of different alternatives in the current circumstances. Based on common sense, a person chooses the option that has been successful in the past. This approach to making organizational decisions is very useful because the situations in organizations tend to be repeated. If the situation is similar,

the decision may work again (this is the main advantage of all programmable decisions). However, the decision cannot be based on the judgment if the situation is completely new for the organization (for example, the need to promote a new range of products in the market, to introduce a new technology, etc.), since in this case a manager does not have the experience to justify the alternatives chosen.

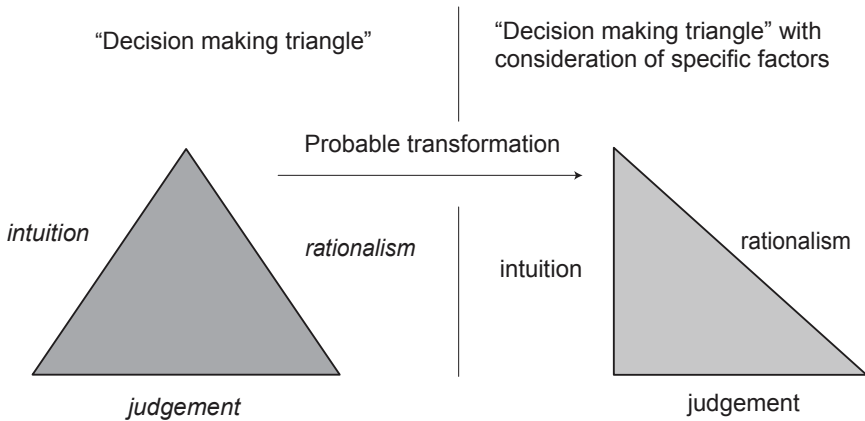


Figure 9.3. Elements that are basis for decision making

Rational approach – a choice based on the logical course of reasoning, analysis of the management situation. It is based on a sequential process consisting of several basic steps: problem diagnosis, identification of constraints and criteria, approval of the solution, implementation of the decision and evaluation of results (Figure 9.4).

Diagnosing the problem. On the one hand, the situation is considered to be problematic when the goals set are unattainable. However, managers often search for the ways to improve the effectiveness of a particular unit of the organization, even if things are going well. In this case, the manager will realize the problem if he understands: something can be done either to improve the situation or to benefit from the opportunity. Diagnosing each problem, recognizing it and identifying difficulties or obvious opportunities - identifying such signs helps to identify the problem as a whole.

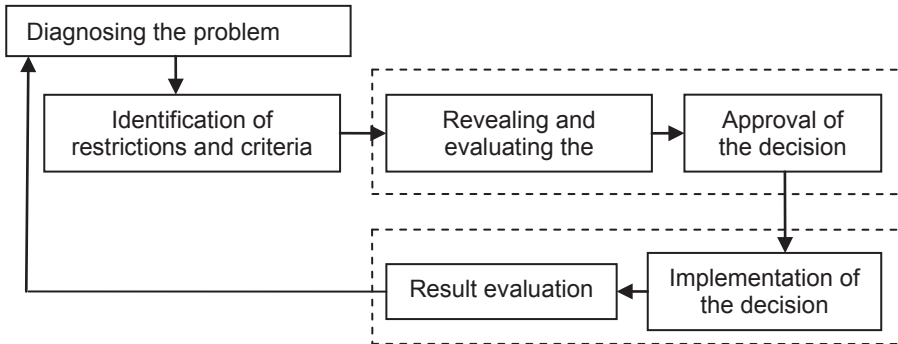


Figure 9.4. General algorithm of the rational approach to decision making

In order to find out the root causes of the problem, it is necessary to collect and analyze necessary internal and external information, which can be obtained through the formal and informal methods. It is important to understand the differences between relevant and irrelevant information and to be able to separate it. Relevant information is data related only to the specific problem, person, purpose and time period. This is a basis for the decision, so it is advisable to achieve maximum accuracy and relevance to the problem.

Identifying constraints and criteria that affect the decision made. When a manager diagnoses a problem, he must be aware of what can be done to solve it. Some of the possible solutions to the organization's problem will not be realistic, as the manager or organization does not have enough resources to implement the decision made. In addition, "forces" located outside the organization (for example, legislative restrictions, public opinion) may be the cause of the problem, which will diminish the ability to implement a particular decision. Some other general limitations include insufficient number of employees with the required qualifications and experience, inability to purchase resources at reasonable prices, need for technology that is too expensive, fierce competition, ethical considerations, etc.

The manager also needs to set standards (decision-making criteria), according to which alternative choices should be evaluated. They are kind of recommendations for evaluating decisions.

Identifying, evaluating alternatives and approving solutions. At this

stage, it is recommended to identify all possible actions that would eliminate the causes of the problem and, therefore, enable the organization to achieve its goals. But when evaluating alternatives, the manager identifies the positive aspects and disadvantages of each one, possible overall consequences and the likelihood of each alternative being implemented according to the intention. Then a manager selects an alternative with the most favourable general consequences and approves the decision made, specifying the terms of implementation of its individual parts and delegating powers.

Implementing the decision and evaluating the results. A simple choice of the course of actions has little value for the organization. In order to solve the problem or to benefit from the opportunities available, the decision must be implemented. In addition, the results obtained are evaluated at this stage and the actual results are compared with those planned. Incoming of data on what has happened before and after implementation of the decision, i.e. feedback, allows the manager to adjust it in accordance with the circumstances. In other words, evaluation of the results of the decision made is the implementation of the control function.

A decision-making process is the art of using intuition, judgements and logic by the manager

Principles and styles of organizational decision making

The ability of the organization's managers to make the right decisions is a crucial part of its success. The decision is considered to be effective if it provides the highest contribution to achieving the goals of the organization after its actual implementation. The organizational decision making process is based on the following universal principles:

④ *dynamism.* Environmental instability and competition require the organization to be prepared for the most adequate changes. This is possible if managers are able to make forecasts for each dynamic line of the organization's development: economic policy, competitiveness, material and technical base, information resources, costs, profit, etc. But the decision-making process should take into account not only the dynamics of development, i.e. past experience, but also the organization's ability to adapt, to change as well as possible

consequences of the decisions made. Managers' abilities to make accurate forecasts and prepare the organization for possible changes depend to a large extent on monitoring – control and analysis of information about the changes. Decision-making according to the principle of dynamism enables the organization to adapt to changes, thereby maintaining its own vitality;

- ↳ *strategic planning*. Planning is not applied as an endorsed text, but as a criterion of effectiveness, which follows from the idea of what the organization should become in a certain time. It is the responsibility of the manager to bring the purpose of the organization to his or her team, which should join employees encouraging them to contribute to the common cause. Awareness of long-term prospects makes it possible to take a more practical approach to accomplishing current tasks and to avoid a large number of mistakes that lead to undesirable consequences;
- ↳ *selection of the main problem*. Some managers may be involved in solving a number of small issues without focusing on a major problem though its solving could eliminate current shortcomings in the work of the team. An unqualified manager is the one who begins to solve minor matter spending his energies, while the key issues affecting the success are left without attention;
- ↳ *realism*. Only reliance on adequate perceptions of reality, constant monitoring of factors of the organization's internal and external environment ensure objectivity of the decision-making process. The manager can rely on desirable, abstract forecasts concerning the organization development or on specific processes occurring in the market. He can make decisions based on his own ideal vision of the situation or take into account the overall points of view of the team. Of course, the results will be diametrically opposite. In general, every problem a manager deals with reflects an ignorance of management principles and lack of respect for the human factor. In addition, the principle of realism involves the application of tactics of maximum simplicity and comprehensibility of the logic of action when implementing of the decision made, since any complication leads to an increase in the material, human and time costs;
- ↳ *flexibility*. The organization must be ready for a variety of challenges and expectations, and flexibility must be present in both external and internal relations, which will make it possible to manage available resources

effectively. But the manager's flexibility in decision making must vary within certain limits: on the one hand, they must give the opportunity for sufficient variability in problem-solving, search for original solutions, and on the other hand, be on the verge of reasonable risk that does not entail such significant changes that would lead to the "death of the organization's organism". This bottom margin preserves its potential, traditions and values that have been developed over the previous period, and the top margin sets the unique line of the organization development;

- 1. *competence*. Decision-making is a practical application of manager's knowledge and skills in accordance with the conditions and features of the particular situation. But the essence of this principle is that the manager should not make decisions that are within the competence of his subordinates and thus do not exceed his authority in this process, because, when making a decision instead of a subordinate, the manager reduces subordinate's responsibility for the final results, the consequences of work;
- 2. *timeliness*. The dynamic nature of events in an organization's real life leads to the emergence of new problems, in addition, they are not always noticeable and it is difficult to determine how they are important and interrelated with other unresolved issues. Experienced managers "feel" the emergence of the problem and its possible consequences, manage to pay attention of specialists in a timely manner, make and implement appropriate decisions.

"The right decision is the wrong decision if it's made too late"

Lee Iacocca

Market requirements define the decision making rule that can be called "70/30 rule". If the manager is sure in the success of business by 70%, then a positive decision must be made. And the remaining 30% goes for consideration of measures that should be taken in case of failure. This rule is defined as reasonable risk.

Psychologists believe that people differ by two criteria that determine the decision-making style. The first one is *individual way of thinking*. There are people who seek to be as logical as possible, rational, and before making a decision, they ponder the situation for a long time, carefully

analyze it to be sure in the choice among the alternatives they have made. People with the opposite way of thinking strive for creativity and to a large extent rely on the intuition and judgment, avoiding a rational approach wherever it is possible. The second criterion is *uncertainty tolerance*. There are people who hate uncertainty, so they strive for a consistent and accurate structure of information that minimizes uncertainty. On the other hand, some people treat high level of uncertainty to be normal and they can deal with numerous ideas simultaneously. If these criteria are presented in the figure, it can be seen that there are four basic decision-making styles: directive, analytical, conceptual and behavioural (Figure 9.5).

Managers who use a *directive style* are characterized by a low level of uncertainty tolerance and rational thinking. They make decisions quickly and efficiently because they are guided by a minimal amount of information and having only a few alternatives. This style is best used by managers at the lower level of the organization, where situations or problems are more structured.

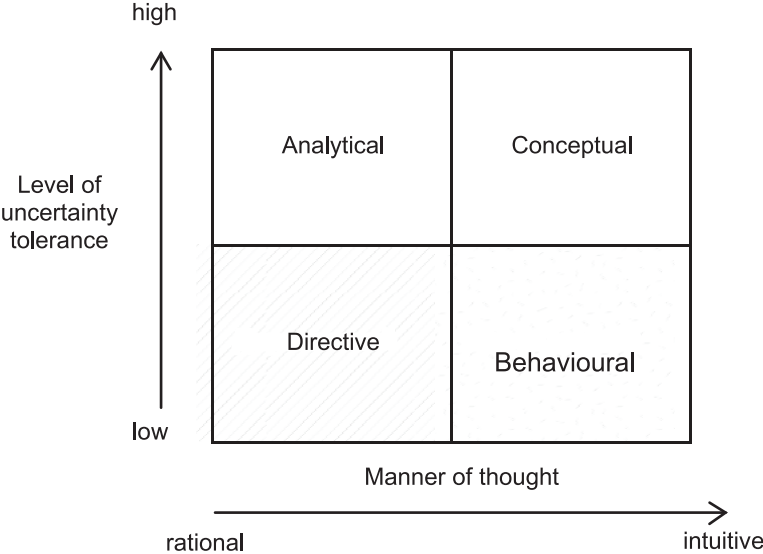


Figure 9.5. Decision making styles

Managers who use an *analytical style* are characterized by a high level of uncertainty tolerance and a rational way of thinking. They try to get as much information as they need to make a decision and consider a significant number of alternatives, analyzing each of them by the level of risk and effectiveness. Such managers make decisions carefully, but are able to adapt to unusual situations and successfully solve management problems.

You do not need to do anything supernatural:
Just find the facts, consider them, try to get advice,
follow your intuition and make a decision

Richard Templar

Managers who use a *conceptual style* are characterized by a high level of uncertainty tolerance and intuitive way of thinking. They want to get enough information, analyze all the options, however, they apply a creative approach in choosing an acceptable alternative without fear of risk.

Managers who use a *behavioural style* are characterized by a low level of uncertainty tolerance and intuitive way of thinking. They cooperate with colleagues quite successfully. They are interested in different points of view and positively accept the offers of employees. Such managers often organize different meetings to share information, while carefully trying to avoid dysfunctional conflicts, as it is important for them to obtain the support from other people for their actions.

But despite a clear theoretical differentiation of these decision-making styles, in real life, a particular manager is not limited to just one of them, but changes them depending on the situation; though the dominant style is still obvious. The objective question is, "What style is better than others?" The answer is evident: adaptive.

The techniques of organizational decision making

When choosing the most appropriate alternative from a number of possible, managers should use specific methods that directly or indirectly contribute to this process. They can be divided into groups: quantitative and qualitative, individual and collective (or group).

Quantitative methods are used when the factors that influence the

choice of an alternative can be quantified and evaluated. And on the contrary, qualitative methods are used when factors cannot be quantified.

Individual decision-making techniques have a higher level of responsiveness as well as much higher risk of error. This is due to the fact that the problems of the organization become more complex and require a multidimensional consideration, i.e. diverse, specialized knowledge. One kind of individual decisions is a heuristic one that depends on intuition, experience of the manager, his analytical abilities.

However, many decisions are made collectively in the organization, so group methods have some advantages over individual ones. Firstly, the ability to get more information that gives decision-makers a variety of experiences and points of view. Secondly, there is a greater likelihood of active actions targeted at implementing the decision made by the employees of the organization. But along with this, group decisions have some drawbacks: higher time costs, group pressure, or the possible influence of the power minority. That is why managers should be careful in choosing the group method of decision-making, taking into account situational and other factors. It should also be remembered that the effectiveness of the group decision-making process is influenced by the size of the group: the larger the group is, the more diverse the opinions are. On the other hand, a large group needs more coordination and more time to allow all its members to express their views. Therefore, groups should not be too large: 5-7 people (note that five and seven are odd numbers, which eliminates deadlock when voting). Groups of this size are large enough, so their members can change roles or refuse to perform undesirable duties, but they are small enough even for the most humble team members to take an active part in the discussions.

“It doesn’t make sense to hire smart people and tell them what to do; we hire smart people so they can tell us what to do

Steve Jobs

Let’s consider some specific decision-making techniques.

The payoff matrix is one of the tools of the statistical game theory. It specifies the cost of different alternatives depending on the likelihood of certain consequences or events occurring. Probability is the possibility that a particular event will or will not occur (expressed as a percentage or

decimal). Having a belief that a specific event will occur in 75 cases out of 100, it can be assumed that its probability is 75%, or 0.75. The probability ranges from 0 (no chance of an event) to 1.00 (full probability or 100%). In the business world, there are few probabilities of 0 or 1.00. Most probabilities that managers use are based on subjective reasoning, intuition, and prior data.

When using the payoff matrix, a decision is made based on the expected cost of the alternative, i.e. the sum of all possible estimates of consequences obtained from the alternative (specific event), multiplied by the corresponding probability (Fig. 9.6).

	Probability of event 1 (C_i^1)	Probability of event 2 (C_i^2)	
Alternative A	V_A^1	V_A^2	$V_A^1 \times C_i^1 + V_A^2 \times C_i^2$
Alternative C	V_C^1	V_C^2	$V_C^1 \times C_i^1 + V_C^2 \times C_i^2$

Expected cost of the alternative

C_i^1, C_i^2 – coefficient of probability of the corresponding unforeseen events
 $(K_i^1 + K_i^2 = 1)$

$V_A^1, V_A^2, V_C^1, V_C^2$ – expected benefits (consequences of certain unforeseen events)

Figure 9.6. The payoff matrix

The payoff matrix helps to determine the expected cost consequences of different alternatives. This method will only be effective if the manager can assure that the probability estimate is accurate enough.

The “*decision tree*” technique is similar to the payoff matrix because it also involves consideration of probability of the event occurring and estimation of the expected cost of certain alternatives. However, it is more appropriate to use it when there are a number of decisions that need to be made consistently, so that the outcome of a decision affects the following ones. The “*decision tree*” is a schematic representation of different variants of action that can be taken to solve a problem or to use the opportunities of

the organization development (Figure 9.7).

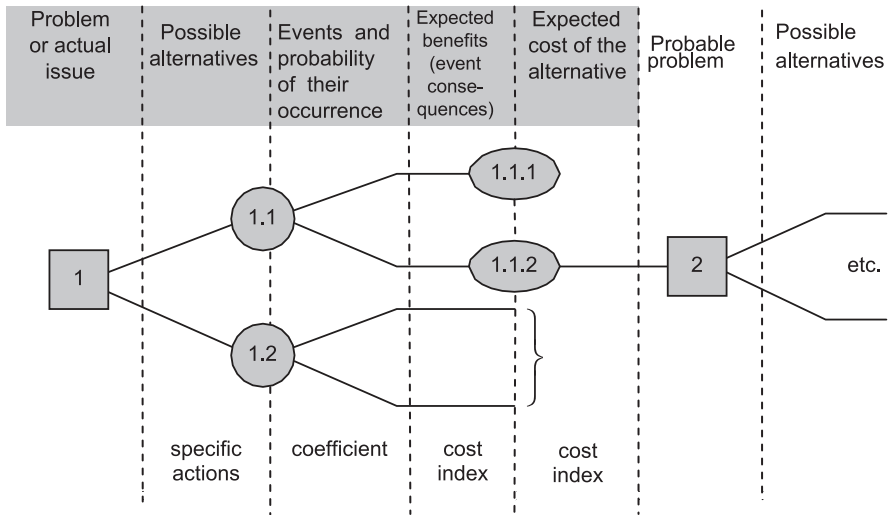


Figure 9.7. The “decision tree” technique

Brainstorming was initially developed as a technique of group decision-making, but it also appeared to be useful for the individual work. It aims to encourage employees to come up with incredible and fantastic ideas, as its primary purpose is to give as many alternatives as possible. In the process of brainstorming, the interaction organized in a specific way leads to cross-stimulation and complementation of ideas in such a way that the alternative, which itself could be rejected due to the seeming impracticality, is refined and improved becoming more suitable. But when using it, it is recommended to follow the basic rule – the process of generating ideas cannot be stopped by their premature subjective evaluation: if the ideas put forward immediately are judged, the “analytical paralysis” occurs leading to a sharp decline in the flow of proposals. That is why evaluation of ideas suggested is only allowed to be expressed at the discussion stage, after all possible solutions have been proposed.

Implementation of brainstorming technique can be organized in the following way: the participants get the description of the procedure of this method with the appropriate rules (they are presented below); they get an assignment that includes primary (extended) conditions that are to be met by the decision (it is better to write the assignment on a flipchart or a sheet

of paper); recorded ideas are discussed following the criterion of their compliance with the primary conditions and decision making.

The following rules must be observed during brainstorming:

- freedom of association. There should be no restrictions on ideas;
- no criticism during the generation of ideas. It is inadmissible not only to make evaluative statements, but also to demonstrate critical attitude to the expressed idea in a non-verbal way: lowering of shoulders, raising of eyebrows, hemming, etc.;
- encouraging all ideas at the stage of their promotion. Emphasis should be made on the quantity of ideas, not their quality, and the promotion of each new idea;
- equality of participants. Each participant should feel that his idea is worth considering. One of the ways for preventing the dominance of one participant over the other is to establish the possibility of alternate expression of opinions in the order of “hierarchical growth of participants”;
- recording all ideas in the author’s sentence without editing and in the forefront (such as a flip chart).

The Delphi technique or the method of expert evaluations is used for decision making as well as for the purpose of forecasting future events in any field. It does not require the physical presence of group members in one place and face-to-face interaction. This eliminates their personal influence on each other. This procedure begins with the selection of a certain number of experts and application of the official management of the organization to them to find out independent views on a particular problem. Previously, a written appeal was used, now electronic one is usually applied. As a rule, it is a carefully developed series of questions. Then each of the experts answering the questions offers his own solution to the problem and sometimes some recommendations. Experts’ anonymous answers are gathered together and made known to each of them. When everyone has fully acquainted with the opinions, it is not surprising that they wish to comment these points of view and again come up with a solution to the problem. The manager compares the proposed solutions and tries to find consensus. If he succeeds, the decision may be considered to be approved, but there is sometimes no consensus. In such cases, exchanging of ideas continues: it may take a long time for the experts to come to a single decision. Thus, although the use of the Delphi technique results in a multiple-reasoned decision, this procedure is not suitable for

rapid response in crisis and extreme situations.

The value of any group activity is, first and foremost, based on the interaction with each other; participants are given the opportunity to see the problem that is being discussed from different points of view and, on this basis, to enrich their own approach. This usually helps to solve problems, but sometimes there are cases when interaction between people is not really necessary and therefore there arises a need to limit it. Then it is recommended to apply to the nominal group technique.

The nominal group technique (NGT) is the result of a kind of combining the brainstorming and the Delphi method. The nominal group is a set of people who act together but do not interact, i.e. work together on the same task, but do not talk to each other and do not share information in any way. NGT implementation can be organized in the following way: the nominal group listens to the manager who comes up with the questions that requires a decision to be made. The members of the nominal group silently write down their proposals on the paper (this job only takes about 15 minutes), and then read it and they all are registered in a certain way. All ideas put forward are discussed by the group members one by one, and at the last stage a secret vote is held to determine the rating of each one. The final decision of the group is the idea that has received the biggest support.

Questions and tasks to consolidate the knowledge acquired

1. What is an organizational decision? Why do the managers have to make them?
2. What are the programmable and unprogrammed decisions?
3. What conditions are required to make a decision? What is the “decision-making triangle?”
4. Describe the main approaches to decision-making.
5. Describe the steps of the rational decision-making.
6. What are the principles of the organizational decision-making process? Describe them.
7. What criteria influence the choice of the decision-making style? Describe these styles.
8. What is the advantage of group methods of organizational decision-making over individual ones? What decisions are considered to be heuristic?

9. Describe the essence of the following decision making techniques: the pay-off matrix, the decision tree, brainstorming, the Delphi technique, the nominal group technique.

Extending of the acquired knowledge

1. How do manager's personal qualities influence the organizational decision-making process?
2. The effect of facilitation. How does it work in decision making?
3. Game theory: decision making under uncertainty.
4. The "ringi" method as the Eastern approach to group decision-making.

Information as the basis of communication

The basis for making managerial decisions and organizing their implementation is *information*, i.e. data presented in the form that has a semantic load (facts, idea, point of view, emotions). From a cybernetic point of view, information is all that enters into the system in order to manage it. That is why it must meet certain qualitative (value) characteristics:

- reliability – a real and reliable reflection of reality, probability of no errors;
- timeliness – incoming at a convenient or scheduled time. The time lag of the information received does not allow influence on the management process in proper time and makes it actually unnecessary;
- completeness – detailed reporting about the reality, semantic completeness;
- relevancy – essentiality, lack of excess data.

He who owns the information owns the world

Relevant information is important for decision making, as it contains the data that should be taken into account. Irrelevant information includes insufficient, redundant data that can lead to negative consequences, e.g. making a wrong decision due to distortion of the information describing the problem situation that needs to be solved; reduction of the efficiency and complexity of the decision-making process, i.e. the distortion of information does not occur, but the manager receives unnecessary data, which complicate thinking about the situation and increase time to resolve it.

The importance of information can be judged on the basis of whether it can be used for circulation and synthesis: circulation – the speed of information flow among interested people in order to interact with the information of another plan, which helps to find ways to solve a problem or find an answer to a difficult question; synthesis – a combination of disparate information to reproduce a complete picture of a process.

The process of using information begins with the selection of facts, their evaluation, some interpretation, construction on their basis of a

hypothesis, which let us make a clear idea of the phenomenon under the study and interconnections of its individual elements. Next, an attempt is made to confirm the hypothesis through the techniques of circulation and synthesis. At this stage It is important to listen to the opinions of different people from different positions; this reduces the likelihood of an error. The success of a manager's job depends on his ability to work with people and how he works with information. The only way to get accurate, complete, relevant information in a timely manner is to establish an organization-wide communication process.

The essence of communication in management

It is impossible to overestimate the importance of communication in management. Almost everything that managers do to ensure implementation of the goals of the organization requires effective communication. If people cannot exchange information, they cannot work together.

Communication (from the Latin word "communication" – to share) is a process of information exchange where both parties play an active role. For example, if a manager tells a subordinate about the changes in his assignment, it is only the beginning of the exchange process. In order for communication to occur, the interlocutor must demonstrate the understanding of his task and the results that are expected to be achieved by him. In other words, communication is effective only if one party offers the information and the other party correctly perceives it. That is why this process requires special attention of the manager.

Everyone only hears what he understands

Johann Wolfgang von Goethe

Forms of communication

Management communications cover both *interpersonal communications* (i.e. communication between two or more people) and *organizational communications* (communication models that exist within an organization).

There are the following forms of communication:

1. *oral communication* (personal communication, telephone conversations,

meetings, presentations, voicemail);

↳ *written communication* (documents, e-mail);

↳ *non-verbal communication* – the exchange of information without the use of words, but with the help of gestures (facial expressions and body movements that convey certain feelings) and verbal intonation (emphasis on certain words and phrases that transmit the main content of the message). The main purpose of non-verbal communication is to supplement or replace language, display emotional state, etc. A nonverbal component often has even greater impact on the recipient of the information than the verbal one. According to successful speakers, “It matters not what you say but how you say”. People respond not only to what the speaker says, but also to the way he speaks. When communicating with employees, managers should be aware of this.

There can also be distinguished:

↳ *formal communication* – communication within a certain structure of empowered relationships. For example, if a manager asks an employee to perform an organizational task, this is an example of formal communication, as well as in situations where the employee draws his manager’s attention to a particular work problem;

↳ *informal communication* – communication between employees that is independent of the organizational hierarchy of the organization. When employees interact with each other in the dining room, corridors, and corporate recreational activities, these are the examples of informal communication. Workers often make friends with each other and communicate with each other informally. The system of informal communication in the organization serves two important purposes: it let the employees satisfy their need for social interaction; it is able to increase the performance of the organization, create alternative, sometimes faster and more effective channels of communication flows.

Communication flows in the organization

Communication flows are the flows of information aimed to ensure the interconnection of all units of the organization. There are two main types:

↳ *vertical communication flows* that occur between employees at different hierarchical levels, for example, between the manager and immediate subordinates. From the point of view of their communicative effectiveness, the situation looks like this: the more chains the

information passes, the more it is lost and changed. The paradox is that the information received is not hidden or distorted by anyone; but the completeness of transmission impedes communication barriers, so the so-called effect of "spoiled phone" is observed. Vertical communication flows, in turn, are divided into:

- downward flow (top-down) – from the management to immediate subordinates (used to inform, coordinate and evaluate employee activity). It helps to transmit information about current tasks, recommended procedures, etc. to subordinates;
- upstream (bottom-up) flow – from the subordinates to direct managers (used to get information from employees, such as the course of goal achieving task accomplishment, or current organizational problems). Its activity is highly dependent on the organizational culture: if managers are able to create the atmosphere of trust and respect, if they involve employees in decision making, then this flow will be much more effective.

⑥ *horizontal communication flows* that occur between the employees of the organization who have equal official position and status, for example, between managers of the departments. They are considered to be the most reliable from a communicative point of view: the loss of information during transmission in this way is minimal, since it is psychologically easier for people who are at the same level of the service hierarchy to understand each other, because they solve the same tasks and face similar problems.

The informal channel of information dissemination is the so-called rumour channel. There are rumours in any organization, but the information obtained this way must be interpreted properly and used wisely. On the one hand, it helps managers to identify what issues and events employees consider most important and what concerns them; on the other hand, rumours often cause biased information, form a biased opinion of people, and cause dysfunctional conflicts. Therefore, managers should minimize the negative effects of such rumours by limiting their range and impact. How can it be done? Communicate openly and actively with your subordinates, especially when they do not like certain decisions and actions of managers.

In addition, the organization may have *external communication flows* that provide information from the outside or vice versa – outwards. But they almost cannot be consciously regulated and the only way to manage them

is to use them to create an “image of the organization”, its image in the “eyes” of public opinion. If the company is large, it is advisable to hire a public relations manager, but in any case, you should not neglect the organization’s media coverage.

Basic elements and stages of the communication process

The exchange of information covers different parts of the organization, but in any case it occurs between people, e.g. personal communication or communication in groups, at meetings, talking on the phone or other technical means, correspondence, registration and transmission of the documents or reports.

The main purpose of communication is to reach mutual understanding when transmitting a message. It depends on the qualitative features and mechanism of action of any of the elements of the communication process (Figure 10.1).

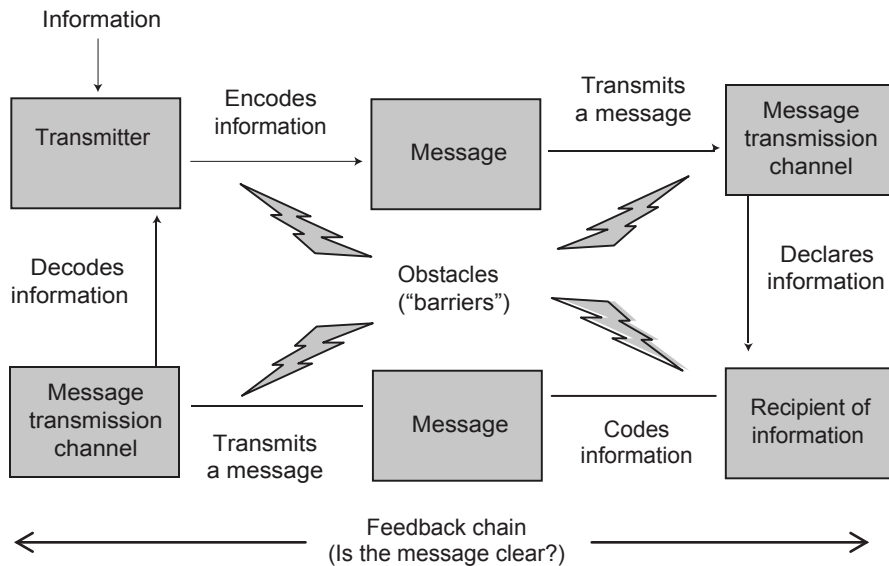


Figure 10.1. General scheme of the communication process

The communication process begins when one person (transmitter, initiator) wants to transmit a fact, idea, or other information to someone else (recipient). This information is important for the transmitter, whether it is simple and specific, or complex and abstract. The next step is to encode the information into specific characters and formats that are appropriate for the situation: words, numbers, facial expressions, gestures, etc. Once the information is encoded, the message is transmitted through appropriate channels (means of dissemination): oral language, written communication, various information and communication technologies that supplement one another. Having received a message, the recipient decodes it, i.e. translates the transmitter's characters into certain thoughts, giving the message its own interpretation. However, the communication process does not end there, as the initiator must be sure that the information sent by him is objectively perceived, because the recipient may treat the message in a way that differs from the transmitter's content. For this purpose, there should be a feedback, i.e. a situation when participants change communicative roles: the recipient becomes a transmitter and goes through all stages of the communication process, communicating his response to the information received. In addition, feedback greatly enhances the effectiveness of the communication process allowing both parties to overcome communication obstacles (barriers), i.e. something that distorts the content or blocks the efforts to share information.

Feedback with interlocutor

Oral communication is bi-directional: each of its participants becomes either the initiator of communication (the one who speaks) or the recipient (the one who perceives). The effectiveness of such communication is largely determined by fact how the participants have understood each other during communication, how they have responded to interlocutor's words and behaviour, what actions have confirmed the perception of information.

Feedback is important for managers. Firstly, it improves relationships with employees: thanks to a constantly functioning feedback mechanism, any "invitation" for management is perceived not as a "call on the carpet" but as a pretext for constructive dialogue. Secondly, it provides an opportunity to get more information about the activities of the organization or a separate structural unit and to understand the results of work. Thirdly,

the feedback procedure also involves further planning of how to achieve the maximum level of fulfilment of the set objectives and accomplishment of goals. In addition, feedback is also important to subordinates: employees (especially new ones) get information on what actions have contributed to achieving a satisfactory level of performance, study the nuances of organizational standards and learn.

To get the feedback, a person needs:

- attention to the interlocutor: to understand not only his words, but the behaviour during communication as well (facial expressions, look, gesture, intonation, etc.
- constant self-control, the need to help the interlocutor to understand you using your language and verbal behaviour.

Having no feedback, one can mistakenly assume that the interlocutor has understood exactly what has been said, although in reality the effect would be quite different. In such a situation, proper guidelines for everyone to transmit-receive specific information that is revealed in the listening skill should help. Depending on the communication goals and behaviour of each communicator, the feedback can be unbiased and positive, or aggressive and somewhat negative.

As a listener's response to the message, feedback comes in many forms:

- active listening (empathy);
- listening-advice (giving of advice);
- listening-question (formulation of relevant questions to control the speaker's knowledge or obtain additional information);
- listening-criticism (attempts of the listener to adjust the content of the message in case of differences in views). Only those who are absolutely confident in their position and knowledge can afford such a response in disputes, negotiations, discussions.

Nature has gifted everybody two ears and one tongue
to speak less than listen

Plutarch

The quality of the information can be improved due to certain psychological characteristics of the participants of the communication process and their level of communicative competence. Thus, a person having a better intuition, the ability to distinguish the main information from what is heard, summarize and rank conclusions, can establish more

effective feedback (which is manifested in the answers to questions, requests for information, individual judgments, generalization of elements of subject content, non-verbal reactive behaviour, etc.).

Feedback is facilitated by clarifying the questions that the recipient asks in the process of perceiving information, "What exactly? Exactly when? Why?" The initiator of communication should answer the questions of the listener; to ignore them is to provoke misunderstanding of your own words. In response to such questions, it is not necessary to repeat in detail a great information block, it can be limited to repetition of the fact, numbers, concept. The micro-situation of clarification should be continued by the control of perception: the recipient expresses a complete understanding by the replies ("now it is clear", "yes", etc.).

Obstacles to effective communication

Almost every person wants to understand and be better understood. But during the process of communication there are constant obstacles to communication, which are kind of barriers to the perception of information, messages. The main ones are as follows:

- 1. *lack of understanding of the importance of communication.* Some senior executives believe that employees and even low and middle-level managers do not have to be aware of the situation in the organization as a whole, and they should only do what they are told without asking unnecessary questions. The same position is sometimes taken by middle-level managers with respect to their immediate subordinates. However, the research has shown that employees of organizations of rank the knowledge about the overall state of affairs second or third in the list of ten most important moral factors that are associated with work, while their leaders rank these factors as the last ones. A person's consciousness is constituted in such a way that it does not like it when it does not get answers to the questions. If the direct manager possesses necessary information but does not provide it to his subordinates, it will be natural for the person to seek other sources of information, which may lead to getting inaccurate information;
- 2. *information overload* - a situation when the amount of information a person needs to work with is greater than a person can process. In these situations, employees begin to select, ignore, neglect, or forget it. And if a person does not have the skills to select relevant information,

he may lose valuable information;

- 1. information filtering – intentional message manipulation or distortion in the course of their movement within the organization. For example, an employee tells the manager only what he expects to hear or hide from him unwanted facts. And those who filter information are guided by their own interests based on their own perception of what they consider to be the most important;
- 2. misunderstanding of the message. There are three such barriers:
 - phonetic (phoneme – sound): fast or obscure manner of speaking;
 - semantic (semantics – notional meaning of the words): use of special terminology without explanations or words with several meanings;
 - stylistic (stylistics – style of presentation): inconsistency of the form of information presentation with its content;
- 3. emotions, since the recipient's feelings during message perception have a great influence on the results of its interpretation. A person may interpret the same message differently depending on whether he is in high or low spirits. In such situations, people often forget logic and objectivity being instead guided by emotional judgments;
- 4. poor relationships, because it is mutual respect between the recipient and the sender of the message that is the key to achieving mutual understanding, finding ways to solve problems;
- 5. lack of active listening skills as communication requires from the person to be focused both on both sending and receiving the message. For this purpose, you need to be able to listen.

Establishing of communication process in the organization

A well-established communication process in the organization and timely receipt of reliable, complete, relevant information significantly increase the performance and effectiveness of the management system.

But it is natural that the greatest distortion of information occurs when it is transmitted from the “bottom up”, since the management pays the least attention to it. However, a well-established process of getting ideas from subordinates will greatly contribute to the sustainable development of the organization. This can be facilitated by:

- 1. “open-door policy” – readiness of a manager of any rank to listen to the

suggestions of ordinary employees;

- ④ “take control outside the office” – bypassing of jobs – a good way to get to know directly what the real situation is like.

In addition, it is advisable to:

- ④ restrain emotions;
- ④ avoid the influence of stereotypes and preconceived notions;
- ④ follow non-verbal tips.

Managers should also pay attention to the organizational aspects of this process. The main ways of improving organizational communication include:

- ④ regulation of communication flows. Managers of all levels need to know both their communication needs and the needs of their subordinates and colleagues and learn how to evaluate these needs qualitatively and quantitatively. To do this, short business meetings should be systematically held to exchange information and experience on the basis of collective knowledge, to inform employees about the orders and instructions, to find the optimal solution to a particular problem;
- ④ improvement of the structure of the organization, because, firstly, the more hierarchical levels of management are, the more likely it is to distort information (it can be changed and filtered at each level), secondly, inadequately formed working groups and distributed tasks can lead to dysfunctional conflicts between the departments of the organization, which will also adversely affect communication;
- ④ adjustment of the feedback, as it allows you to determine whether the recipient has understood the content of the message sent;
- ④ use of modern information and communication technologies (e-mail and voice mail, presentations, video meetings, etc.);
- ④ creation of a favourable microclimate in the organization, because it is the key to achieving mutual understanding.

An important organizational aspect is the improvement of written and oral communication, and this can be done through the use of the “Five C’s” checklist suggested by Robert Falmer. If the message meets each of the following criteria, it will successfully transfer ideas from the sender to the recipient:

- clarity. If we apply the Murphy law to the communication process (“If something can go wrong, then it will go wrong”), it will sound something like this, “If something in the message can be misunderstood, it will be perceived in a wrong way”. The message should be as definite and

logical as possible;

- completeness. Trying to simplify a situation or message, one can fall into the trap of incompleteness;
- conciseness. A few well-chosen words are much better than long-worded statements with poorly selected words. When generating long messages, the problem is rarely related to the width of the topic, most often the problem is based on the communicator's inability to compose a specific message that he wants to convey;
- concreteness. Communicators often use abstractions and generalizations when they are not quite sure of the facts. The terminology should be selected depending on the situation;
- correctness. A skillful use of different methods of transmitting information will be completely unnecessary if the message is incorrect, i.e. distorted or unsubstantiated.

Improvement of the effectiveness of interpersonal communication

Due to the fact that interpersonal communication largely determines the objectivity of the receipt and perception of information, the employees of the organization need to know how to improve the effectiveness of interpersonal communication.

Let's consider some of Dale Carnegie's recommendations:

- 1. be a good listener. A lot of people believe that the best way to persuade a person is to start stubbornly and thoroughly presenting their point of view and arguments in their favour, but in most cases such behaviour only impedes mutual understanding. To attract the other person to you, first of all, you need to become a careful and grateful listener yourself;
- 2. genuine interest is the key to success. Express interest in the interlocutor, ask questions that he will respond with pleasure, listen to his story about himself and important things for him. When the person speaks, try to direct the conversation in the desired direction, while staying within the interests of the interlocutor;
- 3. don't be keen on criticizing. If the interlocutor's opinion contradicts yours, do not hurry up to criticize it and insist on your own view. Try to be diplomatic, talk more about your points of view. Ask a few questions that the respondent will have to answer in the affirmative – this will make it easier to reach an agreement during further conversation. If you

still have to focus on the interlocutor's error, then soften the criticism with an appropriate and sincere acknowledgment of the opponent's superiority. Do not focus on the weak points of his position, remind of them briefly;

- ④ do not let differences turn into a dispute. In case of disagreements, do not immediately take a defensive position and do not take everything said by the interlocutor in a biased manner, remain calm. Remember, "When two partners always agree, one of them is unnecessary". It is natural to have different views. Having listened to different opinions, you will understand what aspects of the issue have not been considered, which will allow you to adjust and supplement your own point of view. Respect the opinion of other people and do not hurry up to tell a person that he/she is wrong, while being unable to admit your own mistakes;
- ④ let the interlocutor think that the idea belongs to him. As a rule, people tend to trust their own ideas more than others. So, do not try to convey your opinion in any way, but simply mention it unobtrusively so that the interlocutor can come to it himself. In the future, considering this idea to be his, he will treat it with greater enthusiasm than if you had expressed it from the beginning to the end;

A person is much more willing to act considering his own interests than obeying somebody's will.

Dale Carnegie

- ④ try to consider the problem from interlocutor's point of view. It will be easier for you to influence your interlocutor if you are trying to understand his motives. Ask yourself, "What would I feel and do if I were him?" – a side view will help you to save both time and nerves;
- ④ encourage people to take action, make them want it. It is usually not a question of threats or power-based methods. Promote interlocutor's desire to achieve something and make it clear that the easiest way to do it is through certain actions;
- ④ ask questions instead of giving orders. Asking a question is a more effective way of solving a problem than a direct order. The question encourages creative searching, enables to avoid the feeling of offence and preserves the ambition of the interlocutor, it will be easier for him to deal with the problem if he has participated in its development;
- ④ let people feel their importance. Are you a manager and do you need

your subordinate to do the job perfectly? Talk to him about the importance of his work for the entire organization and explain that he is simply irreplaceable in his position, but do it sincerely, without hypocrisy. Everyone is pleased to hear something about him and after such a conversation the employee will probably do his work more diligently. Self-esteem and self-importance can serve as a great incentive to work;

☞ smile. The actions are more expressive than words, and the smile says, “I am glad to see you”. Meet people with joy if you want them to be happy to meet you;

☞ present your ideas clearly and visually. For example, if you have developed a method for improving the organization’s performance, make a short and well-considered presentation on the results of your calculations for the management instead of a dry reporting. An interesting presentation of the material will certainly not leave the audience indifferent and will draw attention to your idea.

In addition, the manager must be communicative and sociable. *Communicativeness* is the ability to perceive, understand, assimilate, use and transmit information, and *sociability* is the ability of a person to communicate, fruitfully interact with others and establish close social contacts.

The attitude of the manager to the subordinate influences the whole nature of business communication and largely determines its moral and psychological climate. In addition, the communication culture is generally based on the accepted moral requirements for communication (politeness, reasonableness, tact, modesty, accuracy, courtesy), which are inseparably linked with the recognition of the uniqueness, value of each person.

Questions and tasks to consolidate the knowledge acquired

1. Why is information the basis of the communication process? Specify qualitative characteristics of information.
2. What is communication? List their main types.
3. What is the importance of non-verbal communication?
4. Describe communication flows in the organization.
5. Describe the communication process (its elements and stages).
6. What is the impact of the “rumor channel” on the communication process?

7. What is interlocutor's feedback? Indicate its basic forms.
8. What are the obstacles to the effectiveness of communication?
9. Identify the ways of improving organizational communication.
10. What are the criteria for a verbal or written communication to satisfy objectivity of the perception?
11. What are the ways for increasing the effectiveness of interpersonal communication offered by Dale Carnegie?

Extending of the acquired knowledge

1. Communicative competence of the manager.
2. Development of communication skills and confident communication.
3. Effective ways of argumentation and conviction of the interlocutor.
4. Algorithm of organizing a successful business meeting.
5. Communication without words: smile and facial expressions.
6. Dale Carnegie: how to become self-confident and influence people by public speaking.
7. Modern information and communication technologies as the means of creation, storage, transfer, processing and management of information.

Part IV. Ethical leadership

Chapter 11 BEHAVIOUR OF MANAGERS IN CONFLICT AND STRESSFUL SITUATIONS

The essence of the organizational conflict

Real life of organizations is a complex intertwining of productive, organizational, interpersonal and other relationships and there is never complete mutual consistency between employees. No organization, even the most successful, operates as a perfectly tuned clock mechanism. In the organization, the driving forces and sources of vital energy are people with inherent virtues and shortcomings, passions and interests. The organization only provides this energy with a certain “design”, but it cannot completely eliminate the contradictions of human nature and interpersonal relationships.

Conflict (from the Latin word “conflictus” – collision) is a situation when:

- a clash between opposite parties, forces or views occurs;
- there is a lack of agreement between two or more people;
- one person experiences internal discomfort.

The conflict will only occur if there are parties to the conflict, the object of the conflict and the incident playing the role of catalyst (Figure 11.1).

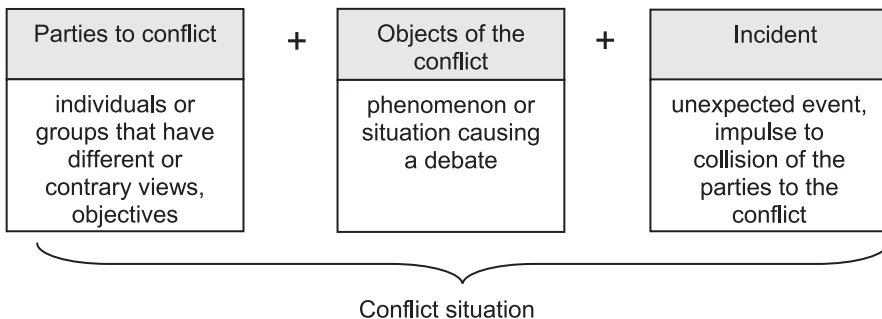


Figure 11.1. Basic elements of the conflict situation

Depending on the features of the conflict situation, the following stages can be distinguished:

- *emergence*: the conflict has a hidden nature, it is manifested as dissatisfaction expressed in verbal form, isolation or malicious behaviour (reserve, distrust, gossips, etc.);
- *formation*: the parties to the conflict are consolidating and presenting demands to the opponent;
- *prime*: the parties take active actions defending their individual interests or position;
- *extinction*: complete or partial resolution of a conflict that results from the exhaustion of resources by one or both parties, or the agreement between them, or “elimination” of one of the parties.

Causes of conflicts in the organization

Conflicts are generally caused by three factors: interdependence or incompatibility of the parties' goals, recognition of this and the desire of each party to achieve its goals at the expense of the opponent. The causes of conflicts largely determine the nature of their consequences. And in real life, conflicts are often caused not by one but several causes, and each of them, in its turn, changes depending on the particular situation.

The most common causes of conflicts in the organization are the following:

- ① resource allocation. People tend to strive to maximize resources and overestimate the value of their work. The resources of almost any organization are limited, so the goal of the management is to rationally distribute materials, money between different units, and to prevent the conflict that may occur on this basis;
- ② differences in goals. The possibility of conflict in the organization increases in the course of growth of specialization and separation of structural units that begin to form their own goals and can pay more attention to their individual goals than to the overall goals of the organization;
- ③ interdependence of tasks. The conflict is possible everywhere, when one person (group) depends on another person (group) during the performance of duties. Considering the fact that any organization is a system that consists of a number of elements, i.e. units or people,

interdependence of the tasks can cause conflict in case of inadequate work of one of them or inconsistency of their activities;

- ↳ a dramatic change in events or conditions. This situation requires extraordinary agility, intuition and forward thinking. Changing priorities, unexpected circumstances create confusion and chaos. The goal of managers is to quickly analyze the situation and determine the factors that have caused it, at the same time wrong judgments and wrongly chosen type of behaviour, which may be natural in such a situation, often generate conflict;
- ↳ poor communication. Distorted, incomplete or missing information is often the cause of conflict because it prevents employees from the adequate understanding of the situation or views of others. If management cannot make its decisions known to its subordinates, convince them of their necessity, it may provoke a conflict between the administration and the staff or between the employees;
- ↳ working conditions and nature of work. Harmful or unsafe working conditions, poor team relationships, dissatisfaction with the content of work provide favourable conditions for conflict;
- ↳ personal causes (“personal friction”), e.g. individual traits, sympathies and dislikes, psychological and ideological incompatibilities, differences in education and life experience. For example, as a rule, almost every organization has people who are aggressive, hostile, and willing to argue. They create an atmosphere of conflict around them. In addition, different perceptions, interests and desires affect people’s assessment of the situation, and in this regard, people sometimes consider only those alternatives that they consider to be positive for the group and for themselves;
- ↳ inadequate management system due to lack of managerial competence. The most common disadvantages are as follows:
 - *breach of the hierarchy of communications*, which is manifested in the inconsistency of the instructions and orders coming from senior management. As a result, they may be contradictory, but categorical. The one who has received such instructions begins to rank them in order of importance or hastens to comply with the orders of those who can make most of the troubles, not because the instruction is constructive and fair. Therefore, conflicts arise between managers as well as between the manager and the executor;
 - *indefinitely defined responsibilities*, the rights of some managers and

executives, which quickly leads to the fact that everyone begins to do what he likes or what is profitable while neglecting the responsibilities that require high labour costs. This causes confusion enhanced by intense competition, activation of informal leaders who influence the processes of interaction but are not responsible for anything. Of course, conflicts will be inevitable;

- *desire to concentrate all management functions in one's hands*". This is a characteristic of young and under-experienced managers who overestimate their capabilities and try to manage everything at once. Ambition does not let a person to admit the mistakes, which leads to unjustified punishments of subordinates, chaotic leadership style and, as a result, conflict situations.

Types of conflicts

In the organizations the conflict is always manifested in specific behaviour or actions of people. It can be manifested in the form of cooperation, competition, open or hidden struggle. However, as a rule, there are two types of organizational conflicts, i.e. business conflicts caused by objective factors of interaction of the elements of external and internal environment of the organization and emotional conflicts caused by human relations in the team.

In addition, there are other types of conflicts in the organization that may be based on both business and emotional causes:

- 1. *personal conflict* is a person's internal discomfort for certain reasons, e.g. receiving conflicting demands referring to various functional managers to whom the employee simultaneously subordinates; the situation when the manufacturing or professional requirements do not meet the needs or values of the contractor; imbalance of duties and powers of the employee; work overload or underload;
- 2. *interpersonal conflict* occurs, as a rule, during distribution of responsibilities, powers, resources, rewards as well as due to the dissimilarity of characters, knowledge, requests, qualifications, opportunities, outlook, interests, attitudes to work and psychological compatibility of people working together;
- 3. *conflict between a person and a group* can arise, for example, when there is an imbalance between the norms of group behaviour and individual actions, attitudes or habits of the individual; in case of non-

fulfillment or over-fulfillment of obligations; if the person does not comply with the internal rules, ethics of relationships;

② *conflict between groups*. Organizations consist of formal and informal groups. Conflicts between them periodically arise even when with a management system is properly formed, because the groups experience constant dynamic development, their goals and tasks change. This type of conflict most often occurs between representatives of functional units. For example, the marketing department and the production department cannot coexist peacefully because the marketing department is oriented towards the needs of consumers and seeks constant modernization, extension of the range and assortment, differentiation of production, perfect design, and in its turn, this can increase the cost of products or services. The production department aims to achieve the ratio of costs and outputs, tries to reduce costs, make production as cheap as possible.

Positive and negative effects of the conflict

Till recently there was a dominant view that a conflict in the organization is an undesirable phenomenon because it reduces the effectiveness of its activities due to all sorts of problems, disputes and aggression.

They should be avoided, and if they arise, they should be resolved in the early stage as soon as possible to prevent their further development.

Negative effects of conflicts are as follows:

- destabilization of the organization (generation of chaotic and anarchic processes, reduction of controllability);
- distraction of the parties to the conflict from the real problems and goals of the organization (shifting these goals towards the group's selfish interests and inefficient waste of energy, resources and time to "fight" with each other);
- growth of emotionality, irrationality, aggressive behaviour, distrust to the management and surrounding people;
- dissatisfaction of the parties to the conflict with their membership in the organization, increased frustration, depression, stress and, as a consequence, reduced performance, increased staff turnover;
- lower opportunities for communication and cooperation with the opponents in the future.

However, a modern school of management has come to the

conclusion that despite its negativism the conflict plays a positive role as well, since it promotes the development of the organization and determines the factors that hinder this process. Conflicts can be considered as a source of creative energy of a certain group, which should be directed in the desired direction.

Positive effects of conflicts can be as follows:

- signaling the need for changes as conflicts make it possible to identify objective contradictions in achieving the organization's goals and to resolve them to a real deviation from the planned result;

- overcoming the traditions of group thinking, conformism, "obedience syndrome" and development of creativity and individuality of employees. As a result, the staff's ability to develop original ideas and to find optimal ways to solve organizational problems increases;

- stimulating more deliberate and well-grounded actions in order to prove one's point;

- identifying informal groups and their leaders that can be used by the authorities to improve management performance;

- developing the ability of the parties to the conflict to cooperate in the future when the conflict is resolved as a result of mutual interaction. Honest rivalry, which leads to consensus, increases the mutual respect and trust needed for further cooperation;

- formation in the parties to the conflict of the sense of their involvement in decision making, which facilitates its implementation;

- increased cohesion in the case of intergroup conflicts. According to the social psychology, the easiest way to form a group is to find a common "enemy, competitor". External conflict can resolve internal disputes, the causes of which disappear with time, lose relevance, severity and become forgotten.

To avoid criticism, do nothing, say nothing, be no one

Elbert Hubbard

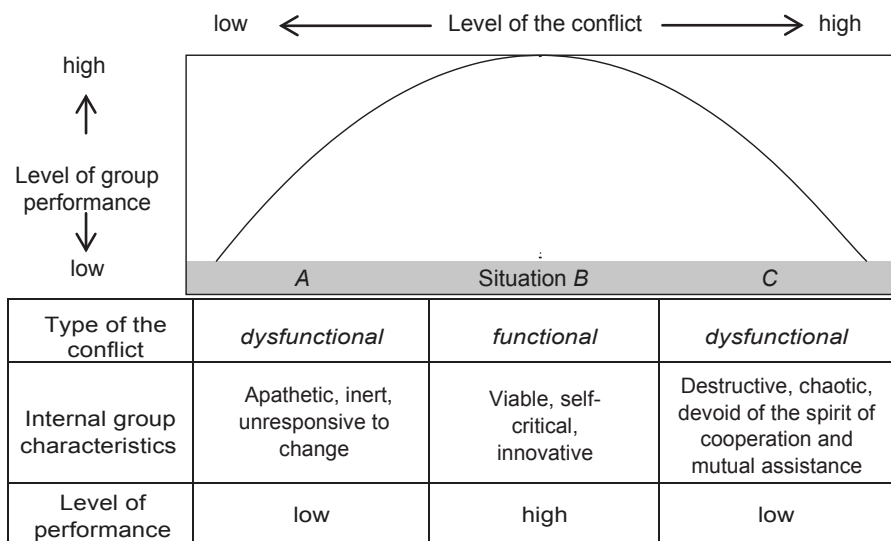


Figure 11.2. Dependence of the group performance on the level of proneness to conflict

Of course, both the negative and the positive effects of conflicts (Figure 11.2) cannot be absolutized or viewed outside of the conflict situation. Actual correlation of the functional and dysfunctional consequences of a conflict depends directly on their causes as well as on the ability of managers to control them.

In terms of organizational development there can be distinguished:

- ④ *functional conflict* that enhances group performance and helps to achieve goals through the identification and clash of different ideas. This happens when employees are not mindless executors of the will and orders of another person, but have an individual point of view and are ready for fruitful cooperation;
- ④ *dysfunctional conflict* that reduces group performance and impedes achievement of goals through the reduction of individuals' satisfaction and effectiveness of group collaboration in the organization.

In a conflict situation, the practices concerned strive to defend and achieve their goals, objectives, and points of view, and at the same time give the argues in their favour, prevent the opponent from doing the same, use all appropriate methods and forms of influence in the given situation,

and try to overcome the other party's resistance. That is why the key goal of a manager in this context is to learn how to manage conflicts, to know their patterns and ways of resolving, to gain knowledge in the field of psychology of the personality and human relations.

Conflict management in the organization

Typical destructive methods of influencing a partner in a conflict situation are the use of threats, "emotional stress" (humiliation, insult), references to authority (or, conversely, its denial), evasion from the debates on the problem, flattery, etc. Constructive behaviour of the parties to the conflict situation is characterized by assertiveness, i.e. defence of one's point of view without humiliation, violation of another person's moral rights. The results of a constructive dispute are as follows: obtaining of new information, disappearing of anger and tension in relationships, maintaining of dignity, eliminating of the problem and, if necessary, apologizing for non-constructive behaviour towards the opponent.

In order to manage any conflict, firstly, managers must know and monitor the stages of the conflict. Secondly, they should know constructive methods of conflict prevention and resolution, and thirdly, respond in a timely manner to conflict or pre-conflict situations (Figure 11.3).

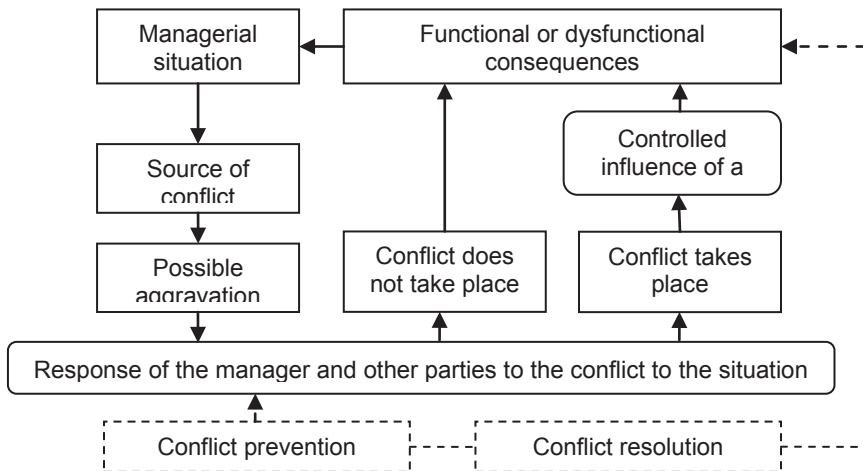


Figure 11.3. General algorithm of the course of conflict and its management

The course of the conflict situation depends mainly on the manager, his competence, authority, knowledge of the psychology of relationships and the desire to prevent dysfunctional consequences, e.g. apathy, inertia in the organization or other extremes like manifestation of dysfunctional consequences of the conflict.

There are different ways to manage conflicts. Conditionally they can be divided into structural and interpersonal.

Structural methods of conflict prevention

Structural methods are based on the use of formal levers for prevention of the organizational dysfunctional conflict situations. They include:

- clarification of the requirements for the content of work, as each employee of the organization must clearly understand what is required, what results and methods of work will satisfy the management, and they must also be provided with necessary information to perform the functional duties. This method is implemented through the provisions on the organizational units of the organization, job descriptions and other organizational and managerial tools of managers;
- use of the principle of hierarchy of powers (appeal to management) in case of contradictory situations. The hierarchy defines the order of engagement and subordination, regulates information flows and indicates who is responsible for a particular decision. If there is a divergence of perceptions of the employees on any issue, the conflict exacerbation can be avoided by applying to the management with a proposal to make a necessary decision. The situation is greatly facilitated if hierarchical relationships within the organization are based on the principle of unity;
- subordination of the goals of units to the general organizational goals and directing the efforts of all hierarchical units, formal and informal groups and individuals to their achievement;
- the use of a system of remuneration, since fair remuneration has a positive effect on the human behaviour.

Interpersonal methods of conflict resolution

Interpersonal methods are based on certain types of manager's behaviour when resolving dysfunctional conflicts or directing them into a functional ones. They include avoiding, competing, accommodating, compromising, collaborating.

Avoiding is a method according to which a person avoids further development of a conflict situation having no desire to aggravate relationships. It is advisable to use this behaviour in the following cases:

- existence of the commonplace problems that have caused the conflict or lack of long-term prospects;
- desire to apply other “forces” to resolve the conflict;
- the need to obtain additional time to gather necessary information and to avoid making an immediate decision;
- lack of individual resources needed for conflict actions and an opponent's overbalance.

Avoiding can be quite justified in the context of interpersonal conflict the causes of which are of subjective, emotional nature. This method is most commonly used by people who adequately assess the strengths and weaknesses of the parties to the conflict or the opponent. Even in critical situations, they do not hurry up to take on the challenge of exacerbating a collision, understanding that the only way to become a winner in an interpersonal dispute is to avoid participating in it. It is another matter if the conflict arose for objective reasons. In such a situation, avoidance and neutrality can be ineffective, since the problem retains its significance, and, moreover, its causes will not disappear by themselves, and will be exacerbated.

Competing is a forceful method of “quick resolution” when a person using power or authority settles a conflict situation by rejecting the demands of one or both opponents. However, as a rule, this method does not eliminate the source of the conflict, though it forces the weaker to temporarily surrender; after a while, the conflict may resume. In addition, violent subordination is often external, formal; the defeated person can resist covertly, “accumulate strength” and wait for the right occasion. This style can ensure the expected outcome in the following cases:

- when a quick, decisive decision is needed due to time constraints or circumstances;

- if the conflict situation does not substantially interfere with the interests of the parties to the conflict and does not require carefully worked out and agreed solutions;
- forced adoption of “unpopular” decisions (reduction of wages, introduction of disciplinary restrictions, etc.);
- the subject of the conflict is convinced that the proposed solution to the problem is the best in this situation and, at the same time, having a higher rank, insists on making a decision;
- when it is necessary to take measures to control groups (people) with a destructive type of behaviour.

Competing does not mean the use of “severe force”, on the contrary, everything must happen in an intelligent form. It should be remembered that the desire to be always right is the wrong style of behaviour in most interpersonal conflicts and it is not the best way to maintain a favourable microclimate in the organization. In addition, competing can cause frustration of the subordinates, and the desire to be initiative and active will disappear.

Accommodating is a method according to which a person adapts to the situation or is willing to take into account the interests of another party, sacrificing his/hers for the benefit of the opponent. This type of behaviour is most commonly used when:

- the party of the conflict is not very concerned with the problem that has arisen, does not consider it to be sufficiently significant;
- the party shows its wrongness;
- a desperate situation has arisen, requiring weakening of “passions”, preservation of peace in relations and prevention of confrontational actions;
- one of the parties to the conflict has a sincere desire to support his opponent and to feel fully satisfied with his kindness.

Accommodating can be applied to any type of conflict and it is most commonly used by people who value mutual understanding, friendly relationships, or subordinates in conflicts with the management. However, if the adaptation of one of the opponents is accompanied by the awareness of one’s own wrongdoing in the dispute, then it has no negative organizational consequences. And if the adaptation appears to be forced and there remains an internal disagreement with the “winner”, then it has the same negative consequences as in the case of the compulsory behaviour of one of the parties to the conflict.

Compromising is a way of partial (within certain limits) concession to the opponent due to reduction of one's own demands with the expectation of similar actions of the party to the conflict and the hope to avoid aggravation of the conflict, which causes greater losses than individual concessions. When using compromising, a temporary or neutral solution of the problem is provided, which conditionally satisfies all parties to the conflict. It is recommended to use this method in several cases:

- the opponent feels that the benefits are clearly on the other side;
- cost minimization is required and both sides of the conflict believe that their goals can be better achieved through negotiations;
- parties to the conflict that are similar by their rank and have mutually exclusive interests are aware of the necessity to reconcile with the real situation and make a compromise decision;
- having assessed the situation in detail, the opponents adjust their goals considering the changes that have taken place during the conflict.

The ability to compromise is a sign of realism and high culture of communication. This is the quality that is particularly valued in management practice. However, it should not be abused in this way, as it has some drawbacks: it can block the source of the conflict, prevent a thorough analysis of the essence of the problem and find the best ways to solve them; it "conserves" confrontation and mutual dissatisfaction, since it means forced concessions of each side and, as a result, opponents may remain a negative attitude towards each other or the situation.

Collaborating is a way of searching for a conflict solution that is mutually acceptable to opponents. It is used in the following cases:

- there is sufficient time to find alternatives that will satisfy the interests of both parties;
- a problem that has caused differences or different points of view is important for the conflicting parties;
- there is a desire to identify the causes of dysfunctional conflict in order to prevent them in the future.

Collaborating is only possible if the parties to the conflict are ready to discuss the issues on an equal basis. In addition, it requires time and patience, wisdom and a friendly attitude, the ability to demonstrate and argue your position, listen carefully to your opponent, work out alternatives and agree on a mutually agreed solution. The reward for the common effort is a constructive result, jointly found optimized conflict resolution and enhanced partnerships.

Each of the ways of conflict resolution will only be effective under certain conditions, and the best one (except for co-operation) cannot be distinguished. Any manager should be able to use each of the five methods wisely, deliberately making one or the other choice, taking into account specific circumstances as well as individual and psychological characteristics of the conflicting parties, the opponent.

Recommendations for managing dysfunctional conflicts depending on the behaviour of the parties to the conflict

The behaviour chosen by the parties to the conflict is crucial for its continuation, and most often for the final result of the collision process. A rather figurative classification of the various initiators and instigators of dysfunctional conflict is provided by English conflictologist Richard Bramson. He divides these people into five types, namely, aggressive, “complainants”, “indecisive”, “anxious personalities” and “know-all”.

An *aggressive person* is an active party to a conflict. Depending on the style of behaviour, there are three subtypes:

- “tank” is a self-confident person having a loud voice and inattentive attitude to others. He is absolutely confident in his competence and believes that he is well aware of the interests and views of colleagues. It is hard to deal with such people, but you can still get along. To do this, you need to look directly in their eyes, say his name and surname, and when expressing disagreement, it is necessary to use more often such expressions as “in my opinion”, “to my mind”, etc. In order to reach a certain success in a dispute with him, he should be given the opportunity to “release steam”;
- “sniper” – a person acting in a thread. He is mean, insulting other people, thereby “sowing” distrust between group members, disorganizing collective actions. In order to neutralize the “sniper”, one must ask him to explain his stinging remarks and then be sure to ask for a constructive proposal. After that he usually behaves more modestly;
- “blast” – a person who is able to suddenly fill the room with screams, to attack opponents with swearing. He often loses his temper so artistically that it seems as if he has really been offended or attacked. In order to neutralize the conflict potential of such a person, it is necessary to give him an opportunity to expel the accumulated emotions. In such cases,

in a while (in five or ten minutes), he get dramatically kinder and sometimes even apologizes.

- “complainant” – a typical provocateur of conflicts. He tends to see personal insults in everything and complains about it in all instances. He usually describes his misfortunes so expressively that it may seem that he is right. The complainant cannot be agreed with or proved to be wrong. It is best to ask such a person to write down everything and make it clear that his emotions have been noticed.
- “indecisive person” does not directly generate a conflict, but creates a favourable ground for it and provokes others to conflict. His indecision causes irritation of others, so it can disrupt the work rhythm. But, being too careful, such an employee is diligent as well and he usually bypasses those who exert pressure. He needs to set the tasks clearly, determine the deadline for their completion. There are two subtypes of the such people:
 - “analyst” – a person who is afraid of making the smallest mistake, so he always plays safe;
 - “kind” – a person who never openly opposes because of fears of making enemies.

“*Anxious person*” is a suspicious person. Anxiety does not result in avoiding conflicts, but it causes aggression. This person is best influenced by a friendly attitude, and if he feels it, his behaviour gradually normalizes.

“*Know-it-all*” (“erudite”) tries to make an impression that he knows everything and at the same time he constantly interferes with other’s business. There are two subtypes of such employees:

- real erudite – a person whose judgments in most cases are professionally substantiated. He is a valuable worker, but his impudent behaviour often causes irritation and feelings of inferiority. If he brags too much, he can be neutralized by concrete questions, by asking for his own constructive proposal. But it should be considered that the erudite seldom admits his mistakes;
- “faked” erudite – a person who tries to prove his professionalism in word only. Such an employee can easily be “put in place” if showing his pretension and professional inability.

Conflict management requires identification of the type of employee and use of appropriate tactics to influence his behaviour in a constructive way.

In addition, in order to prevent dysfunctional conflict or to obtain functional consequences from a conflict situation, parties to the conflict

must possess the following personal traits:

- ↳ ability to distinguish the main from the minor – the attempt to understand the situation, motives of behaviour, what is really urgent and what is just ambition, learning to reject the insignificant;
- ↳ emotional maturity and resilience – the ability and willingness to perform worthy actions in any life situations. A wise man's mind controls emotions and he behaves diplomatically; it is important to maintain normal relations, even if the conflict is "not won";

A gentle answer turns away wrath, but a harsh word stirs up anger
Bible Gateway Proverbs 15:1

- ↳ inner peace – a principle of attitude towards life when self-control is not lost even in critical moments; it is a kind of defensive reaction against unpleasant or unexpected situations;
- ↳ knowledge of the measure of influence on events – the ability to stop oneself and not to "press" and vice versa to speed up events in order to control the situation and be able to respond to it adequately;
- ↳ ability to approach a problem from different perspectives - to evaluate various events differently. For example, if you consider the conflict from the position of your individual "I", there will be one particular assessment, and if you try to consider the same situation from the position of your opponent, it may seem different. Therefore, it is important to be able to evaluate, compare, and combine different perspectives;
- ↳ perception of reality as it is, not as one would like to see it, be prepared for any surprises;
- ↳ the desire to move beyond the problem situation. As a rule, all "unsolvable" situations are so only within the bounds of circumstances set from the beginning. If one understands them only as part of global problems, it will help to find a way out of the problem. There are no hopeless situations;
- ↳ observance – the ability to evaluate others, their actions and, what is most important, themselves. Much of the unnecessary emotions and actions will be lost if a person learns to observe impartially. If an individual is able to evaluate his desires objectively, as if from the outside, he will find it much easier to manage his behaviour, especially in critical situations;

- ↳ farsightedness – the ability not only to understand internal logic of events, but to see the prospect of their development as well. Knowledge of “what it will lead to” protects against mistakes and wrong behaviour, prevents dysfunctional consequences of the conflict;
- ↳ desire to understand others – ability to put oneself in the place of others, the ability to understand (even without accepting) the opposite point of view. This helps to predict the behaviour of people in a particular situation and to avoid many misunderstandings;
- ↳ ability to gain experience from what is happening, i.e. to learn by mistakes”, and not only by one’s own. The ability to take into account the causes of past mistakes and failures helps not to make new ones.

“There are no bad people in the world, but there are unpleasant circumstances that you can fight with, and you should not spoil the life and mood of those around you because of them”

Dale Carnegie

The essence and sources of organizational stress

Stress (from an English word “stress” meaning pressure) is the emotional state of a person that arises in unexpected and tense situations; it is a physiological response that is expressed in the mobilization of the organism’s reserve capacity.

If the employee is talking about a loss of strength, it is necessary to identify the source of stress. Only then you can identify the ways to manage organizational stress and increase productivity. There are various sources of organizational stress. They are as follows:

- peculiarities of the work process (work till late due to high volume of work, constant flow of visitors and fatigue from on-going communication, technical problems, poor working conditions, lack of necessary breaks, constant business trips, loss of interest in work);
- the position of the individual in the organization (too much responsibility, prestigious work and inability to realize oneself, inconsistency of corporate goals with personal values, dissatisfaction with wages);
- poor microclimate in the team (lack of support or assistance from colleagues, poor relationships with management);
- difficulties in reconciling work and family relationships, inability to give

up work, lack of support from the family.

Therefore, the following types of organizational stress can be identified:

- 1. physiological stress caused by overworking of employees, unsatisfactory working conditions;
- 2. psychological stress caused by uneasy relationships with other people, psychological incompatibility, uncertainty about “roles”;
- 3. informational stress caused by insufficient or unsystematic receipt of relevant information;
- 4. managerial stress caused by high responsibility for the decisions made, especially in times of shortage;
- 5. emotional stress manifested in the situations of threat, danger or unexpected joy.

Stress is also a necessary condition of human life. A renowned Canadian physiologist Hans Selye, who first described stress, believes that stress-free life is impossible. It is not the stress that has negative consequences, but the distress associated with the expressed negative emotions, which has a negative effect on human health. Psychological manifestations of distress are irritability, loss of appetite, depression and reduced interest in interpersonal relationships, physiological such as ulcer, migraine, hypertension, heart pain, asthma, arthritis. At that time, euphoric stress means health, pleasure.

Individual methods for stress prevention and management

Stress resistance is the person's ability to counteract the effects of stress: either actively transforming the situation in which it manifests itself, or adapting to it. Resources of person's stress resistance are the individual properties and abilities that cause psychological resilience in stressful situations.

Physical exercises are commonly used to prevent stress. People who do physical exercises regularly are less overstressed and less likely to be imposed to stress; they are self-confident and optimistic; better physical condition increases their ability to withstand diseases. At the same time, people who do not do physical exercises regularly are more prone to stress and depression; they are more likely to become ill due to their poor physical condition.

Another way of stress management is *relaxation*. It enables people to

adapt and helps deal with stress more effectively. It is possible to have a rest in different forms, and annual holiday is one of them. Recent research shows that people's attitude toward numerous work-related things changes dramatically during holidays. You can also have a rest at work as well, e.g. one can take regular several-minute breaks during the work day.

Time management is also effective to prevent stress. The essence of this approach is as follows: the burden of daily tasks can be weakened if a person plans his work daily and allocates time effectively, does not postpone things "for tomorrow", delegates authority. For example, in order not to accumulate cases, it is advisable to divide large and complex tasks into small tasks; make a list of tasks that need to be solved quickly and those that can be delayed for a while; plan one's work day trying to mix routine tasks with enjoyable activity.

Another way to manage stress is to have a *positive psychological attitude*, i.e. to produce a certain cheerful mood, a positive attitude to the outside world, and to perceive situations whatever they may be. It is advisable to master the skills of self-suggestion of the pleasure from the work performed. A person should not treat himself as a victim of circumstances as it reduces the organism's adaptive capacity.

God, grant me the serenity to accept the things I cannot change,
courage to change the things I can, and wisdom to know the difference

People can overcome their stress with the help of *support groups*, e.g. *family* or *friends* whom they enjoy to spend their free time with and get rid of stress, which they have experienced during the work day. For example, if the employee has not been promoted though he has worked hard for many months for the sake of it, then he needs a friend to talk about the problems or ask for advice. Special formal support groups also have to be set up by local clubs or churches, e.g., for people who have recently experienced a divorce, death of the beloved people, or some other grief.

Effective way to solve problems without unnecessary emotional experience is to "Stop worrying and act":
ask yourself about the worst thing that can happen in this situation; be prepared to accept it if needed;
then work quietly to improve the situation.

Willis Carrier

The issue of stress prevention in the workplace requires a careful approach from both the employee and his manager. Reduction and prevention of distress will increase the performance and motivation of the organization's staff.

Questions and tasks to consolidate the knowledge acquired

1. What is the essence of the organizational conflict? What are the main elements of the conflict situation?
2. Characterize the stages of the conflict situation.
3. Substantiate the main reason of conflicts in the organization.
4. What are the types of conflicts in the organization?
5. How does the level of proneness to conflict affect the performance of the group? What are the negative and positive effects of the conflict?
6. What is the essence of the functional and dysfunctional conflicts?
7. Describe a general algorithm of the course of conflict and its management.
8. What are the structural ways of conflict prevention?
9. Describe interpersonal ways of resolving conflicts and give examples of cases when it is appropriate to apply them.
10. Give an exemplary typology of the initiators and instigators of the conflict. Outline tactical steps to guide their behaviour.
11. What qualities should the parties to the conflict have in order to prevent its functional consequences?
12. What is the essence of organizational stress? What is distress and euphoric stress?
13. What can cause stress of the organization's employees?
14. What are the types of organizational stress?
15. What is stress resistance? List individual ways to prevent and manage stress.

Extending of the acquired knowledge

1. Assertive behaviour in conflicts.
2. "Bear", "fox", "owl", "turtle", "shark": figurative styles of behaviour in conflict situations.
3. Self-analysis as a source of conflict management.
4. Code of Conduct in Conflict Situations: Rules for Constructive Dispute.
5. Hans Salier: stress without distress.

The essence and nature of leadership

A *leader* is a person who possesses knowledge and skills necessary to manage a team in which all its members achieve their goals willingly, without additional compulsion. One of the characteristics of a real leader is assistance to the employees in the implementation of their ideas. This process is not entirely altruistic, as leaders are always persistent in achieving the best for themselves, their organization, and their employees. The teams formed by them work with enthusiasm, not just complete the duties.

Leadership occurs where there is a need for action. Therefore, there arises a question, "What is the difference between a manager and a leader, management and leadership?" The divergence of these concepts is connected with the existence of two types of relations, namely, formal and informal, in any organization.

Managers are appointed and they have legal authority to reward subordinates and apply disciplinary measures to them, as determined by their position. Instead, the leaders are chosen spontaneously, sometimes even at the level of semi-conscious psychological preferences.

Leaders can influence others and encourage them to do certain things that go beyond the actions within formal authority, as well as meet the specific needs of people, find the way out of seemingly hopeless situations. True leaders are always inclined to cooperate and support each other.

A person who claims to be a leader must have a clear vision of the future and ways of achieving it. In a group, the leader can serve as coordinator, controller, expert, arbitrator, bearer of group responsibility or blame. He is mostly a source of values and norms that form a group outlook.

In addition, leadership differs by the power of influence on the group members: one leader is implicitly perceived by people, while advice or instructions of another are followed as long as they do not conflict with their own interests and attitudes.

However, in management there is a notion of a destructive leader, i.e. a person or employee of the organization who, for example, is an antagonist of innovations, a swindler, a brawler, but due to some of his individual traits, he is able to incite employees against the formal

leadership and satisfy personal ambitious, selfish, mercantile interests. In such cases, it is necessary to eliminate such a “grief leader” immediately through, for example, administrative measures (job uploading, transfer to a more psychologically stable group, dismissal), or “undermining” his reputation (emphasizing low professional competence, questioning his moral qualities, danger of the actions to which he induces).

Thus, the manager realizes his legal power and status authority to solve organizational tasks, while the leader uses the power of personal influence on his subordinates. Therefore, a manager-leader has more opportunities for successful management than just a manager or an informal leader who has no status authority (Figure 12.1).

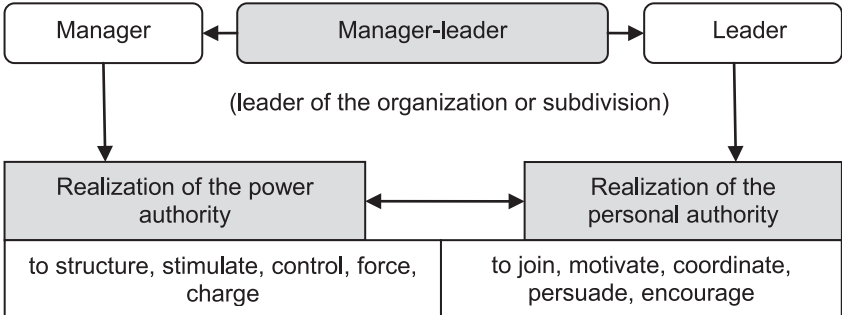


Figure 12.1. Leverage of manager-leader’s influence

Therefore, *management* is a deliberate influence of a manager on the subordinates through the use of authority (the right to punish, reward, make decisions, demand their execution, allocate resources, etc.), and leadership is the ability to influence employees to focus their efforts on achieving certain goals. It is clear that management and leadership are the concepts that do not exclude one another. In fact, leadership is the highest form and part of management.

It is optimal for the manager to combine the qualities of a formal and informal leader, since full-fledged leadership enables to manage people without their resistance and dissatisfaction, tight control, fear and punishment.

There arises an objective question, “Can every manager become a leader?” The answer to it is ambiguous because, on the one hand, leaders

are “born”, but at the same time a person becomes a leader as a result of training, hard work, great practical experience and acquired skills. With this in mind, almost every competent manager can become a true leader, but it depends on him.

A well-known American researcher Stephen Covey argues that leaders can be found at all levels of business activity, not just the highest one. Top leaders usually adhere to a common set of values, which includes justice, equality, impartiality, honesty, trust. But Stephen Covey emphasizes that there are eight distinctive traits of leadership:

- constant self-improvement (read a lot, attend trainings, ask questions, be interested in other points of view, expand the range of interests, increase competence);

If a manager does not improve himself, he will not be able and will even have no right to demand it from others.

- orientation towards serving others (perceive life not as a career but as a mission, be interested in the problems and needs of others);
- be full of positive energy (be enthusiastic, neutralize destructive energy and be optimistic);
- belief in people (ability to see the value, kindness and potential of others);
- life balance (rational distribution of time and effort between work, personal life and society);
- perception of life as an adventure (show initiative, creativity, willpower, courage, perseverance against fear of making mistakes);
- synergy (try to increase the strengths to compensate the weaknesses by the benefits of other people);
- orientation to self-recovery (take care of mental, emotional, physical and intellectual health).

Qualities of a manager-leader

Personal qualities are stable internal features of a person. In order to be a true leader in the team, a manager must have certain qualities, such as:

- 1. *purposefulness* – persistence and focus on success despite obstacles and setbacks;

- ↳ *wisdom* – ability to predict particular consequences of certain situations, willingness to sacrifice immediate benefits for the sake of greater benefit in the future;
- ↳ *commitment* – kindness, ability to cooperate;
- ↳ *assertiveness* – ability of a person to defend his/her point of view without violating the dignity, moral rights of another person;
- ↳ *tactfulness* – ability to behave decently, respecting others, a sense of harmony in behaviour and actions;
- ↳ *artistry* – ability to control one’s own emotions and impulses, a sensible attitude to a specific situation;
- ↳ *decency* – reliability of a person that is manifested in his/her responsibility for his/her actions, honesty, fairness and integrity;
- ↳ *openness* – willingness to share information and ideas freely;
- ↳ *loyalty* – willingness to protect and preserve a person’s reputation;
- ↳ *altruism* – willingness to yield to one’s own interests for the benefit of others;
- ↳ *empathy* – the ability to feel the feelings of others;
- ↳ *untouchiness* – objective perceiving of criticism and a sense of humor;
- ↳ *creativity* – the ability to go beyond the formal, traditional, habitual;
- ↳ *diplomatism* – establishing of close business relationships outside the organization and skillful use of the organization’s potential.

But to keep leadership positions, managers must cultivate and enhance the appropriate qualities and skills.

The best ones are usually those who have a desire
to use God-given talents and maximize their potential
than those who are more talented

Bruce Wilkinson

The power of a manager

Successful work requires harmonization of the actions of all members. This unity cannot arise at a sudden: it must be organized, activated and maintained. The main “forces” and ways of successful work are as follows: influence, power and authority.

Influence is the use of specific tools that enable one person to change the behaviour of another. In order to possess the influence, it is

necessary to be able to control individually what is relevant to the performer, what forms his dependence on the manager and forces him to act as the manager orders. These are the needs, so a real influence of the manager is based on addressing the active, basic needs of the performer. But the ability to influence also depends on the particular situation, manager's skills and the person affected. In addition, the manager also depends on his immediate supervisor, subordinates, colleagues. Therefore, without the assistance of the people who are a part of the manager's environment, he cannot influence and perform his functions. The manager should influence employees in the ways that will encourage them to take action to the extent that is necessary to achieve the goals of the organization. In order to make the impact effective, the manager must be aware of the company's interests and his role capabilities, show willpower and use power.

Power is a real capability and ability to influence the behaviour of other people changing it in the specific direction. The manager's power is realized in the following forms:

- 1. *coercive power* - influence through the manager's ability to use the tools to "punish" subordinates, which will damage their needs or cause some troubles. Performers, in their turn, recognize this and are forced to obey. This form is sometimes called the "power of fear", i.e. manager's influence through the fear of subordinates: fear of losing their job, getting on the "black list", losing bonuses, losing attachment, getting reprimand. However, influence through fear works only if a person violates regulated behaviour;
- 2. *reward power* – the manager's influence through positive reinforcement of the employees' results of work, since he possesses basic possibilities for distributing incentives. This power is directly proportional to the extent to which the incentives available to the manager are truly valuable to the performers;
- 3. *legitimate power* – the influence through the manager's right to give instructions and to demand their fulfillment, which is specified in his status and duties. This form of government is based on the principle of subordination and the performer understands that his duty is to obey the manager's orders;
- 4. *expert power* – the manager's influence through his own professional competence, talent. Employees having a reasonable trust to the manager, i.e. confidence in the correctness and accuracy of his orders,

both trust and obey him, because this will ultimately be the key to achieving their professional and personal goals as well as meeting their needs. The degree of such power increases when the management system becomes more complicated as well as the tasks set and when the manager has high qualifications.

④ *referent power* – the manager’s influence through his own charisma. It is not based on the logic, but on the power of the leader’s personal qualities and abilities that people perceive as a special gift. Having an effort to acquire them, subordinates willingly follow manager’s instructions and orders. Typical qualities of a charismatic personality are the ability to charge others with their energy, good oratorical and rhetorical abilities, independence of character, decent and confident behaviour.

What is the key factor that unites the leader’s traits – intelligence, communication skills, charisma and energy?

The answer is simple: this factor is the vital force, the inner core, the power of the individual

All these forms of power are usually combined in the manager’s activities, but he must “dose” them depending on the situation and concerning whom they are used, since there is no absolute power. For example, a manager needs the employee’s information and recommendations and, at least temporarily, the subordinate may have more power than his immediate supervisor. It is possible that the manager himself in the first stages of work in this position will be influenced by the reasonable belief of power of certain specialists.

Of course, the manager mostly has power over the employees because of their dependence on him, but in some cases, the subordinates also have power over the manager due to his dependence on certain issues (Figure 12.2).

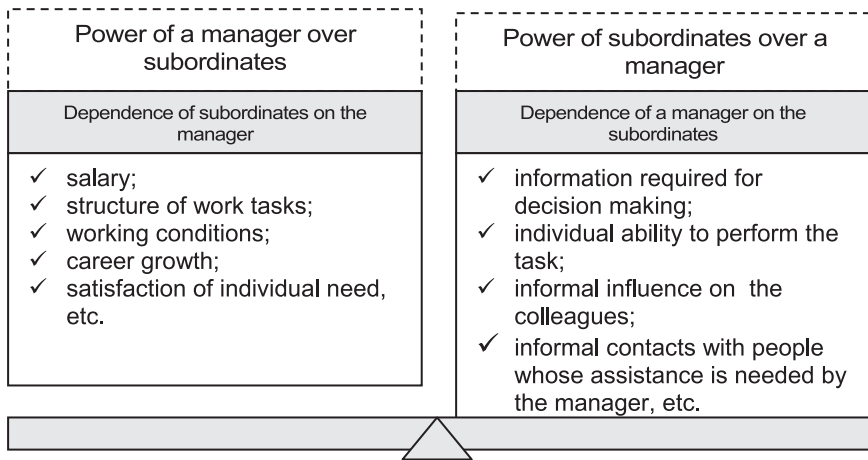


Figure 12.2. Balance of the power of a manager and employees

Therefore, a wise manager maintains a balance of power that is sufficient to achieve the set goals and not to violate the principle of subordination. The faster the balance of power is established, the more the organization is likely to operate successfully. And for this purpose it is necessary to be a reputable manager.

Authority is a positive assessment of the manager's merits and conviction of the subordinates in the correctness and accuracy of the decisions made by him. The authoritative manager is respected by the subordinates and, therefore, works without application of threats or persuasions. The authority can be scientific (quality of scholarship), moral (high moral and ethical values), status (respect for the position), etc. As for the business organizational sphere, the following types of authority can be distinguished:

- *official (formal) authority* is based on the organizational norms and structures, respect for governing bodies and positions, recognition of the right of their representatives to execute instructions, belief in the need to maintain the order and obey the management;
- *business authority* implies a high professional competence of the manager (or any other employee), his ability to solve organizational tasks better than others and to reach success;
- *personal authority* is formed on the basis of high individual qualities, not

related to job responsibilities. This can be, for example, honesty, sociability, concern for others, modesty of lifestyle, breadth of vision.

The manager's authority among the employees is the key to successful achievement of the set goals, since the motivation of subordination is based much more on the trust in the manager and his personal importance for his subordinates than on the belief in the manager's possession of significant external resources or means.

The secret of successful management is hidden in people,
so you should not abuse power and oppress employees
Lee Iacocca

Leadership styles

Every manager is very individual, but the whole variety of traits can be limited by certain leadership styles. *Leadership style* is a set of techniques of manager's influence on the subordinates in order to fulfill their duties and achieve their goals successfully. Style is formed under the influence of natural qualities of the person, practical experience, training, self-education. Some features of the leadership style are inherent in the character while others are acquired throughout labour activity.

Classical leadership styles

A German psychologist Kurt Lewin has identified three classical leadership styles that base on the degree of duty delegation by a manager when making organizational decisions. They are as follows: authoritarian, democratic, and liberal.

These styles define the range of the manager's use of his power and freedom given to his subordinates (Figure 12.3).

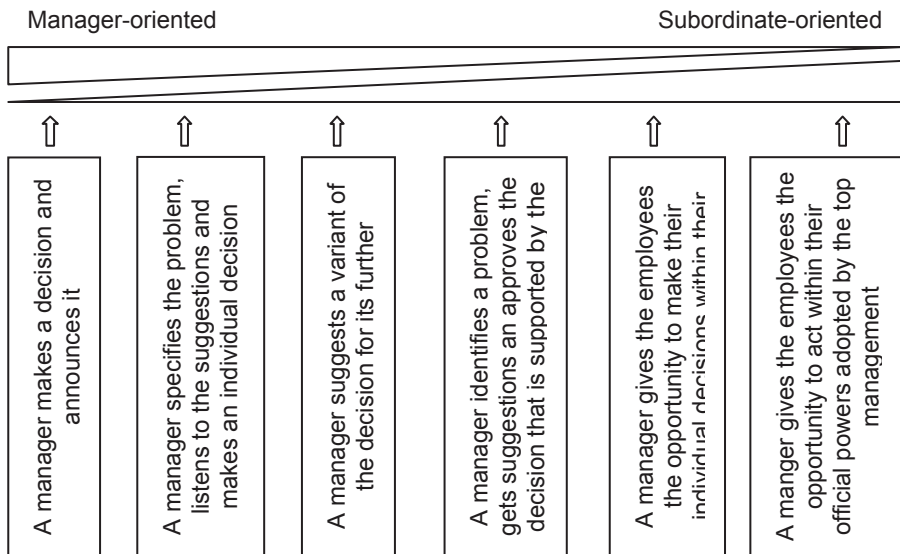


Figure 12.3. The range of changes in the management style by the manager

Authoritarian style is applied by the manager who tends to centralize power, dictate working methods, make individual decisions, and restrict involvement of subordinates in the process. There are two types of the authoritarian leadership style: “exploitative” and “benevolent”. In “exploitative” style, the manager solves all the issues individually and gives employees only orders on what, how and when to do; he is not interested in the opinion of employees, at best he will explain to them incomprehensible moments. In the “benevolent” type of authoritarian style, the manager treats his subordinates condescendingly, paternally, while making decisions he is interested in their opinions, though he reserves the right to make final decisions.

Democratic style (from the Greek word “*democratic*” – government of the people) characterizes managers who tend to decentralize authority by delegating powers, consulting with his subordinates and involving them in the decision-making process, stimulating employees to choose their own methods of work, etc. A democratic manager never imposes his will to the

employees. The democratic leadership style has two type: consultative and participative. According to the consultative style, the manager seeks the support of his own point of view from the subordinates and seeks to use all the best ideas they offer. When applying a participative style, the manager views the employees as co-participants of the organization management and their relationships are based on the partnership. The manager fully trusts his subordinates, always listens and constructively uses their opinion, organizes a comprehensive exchange of information, attracts employees to goal setting and motivates them to be creative and responsible.

Liberal style is characterized by minimal involvement of managers in the management process. Employees have the freedom to make organizational decisions within the framework of their functional responsibilities. This leadership style is based on high professionalism, awareness, dedication to the common cause and creative initiative of the performer. The liberal form assumes that the manager acts like a communication link ensuring timely receipt of relevant information and as an “arbitrator” in case of some disagreements between employees. At the same time, this form of management can easily be transformed into anarchic one, when the line manager stands aside the affairs having transferred them to so-called “protégés”, who manage the team on his behalf, applying more authoritarian methods. He merely pretends to be a manager, however, in fact, he became dependent on his “voluntary assistants”.

The Blake Mouton “Managerial Grid”

American researchers Robert Blake and Jane Mouton have concluded that any managerial result is achieved in the so-called “force field” between production issues and employee concerns. They conventionally mapped the nine-graded “force field” and developed the “Managerial grid” according to which R. Blake and D. Mouton identified five main specific types of managerial behaviour (Figure 12.4).

Middle-of-the-Road Management or Organizational Style (5:5) – a manager achieves the required level of performance by balancing the need to accomplish the goals set, maintaining the moral spirit of employees and comfortable working rhythm. His motto is, “Don't grab stars from the sky”.

Produce-or-Perish Management or Command Style (9:1) – a manager is concerned about the efficiency of work, but the human factor is of little importance to him. Such managers are often called dictators. Their motto is, “The result is everything!” Work in such conditions, as a rule, does not satisfy team members, they try to get out of the manager-dictator's pressure, who in turn enhances total control, which in the long-term prospect leads to explicit or hidden destructive conflicts.

Team Management (9:9) – a manager encourages the employees to achieve the goals of the organization through a high degree of concern for them, focuses their attention on the need for effective work. Such managers are often called extroverts, i.e. initiative, energetic. They are able to organize the work in the way that let employees see the possibility of self-realization and confirmation of self-importance. Efficiency in work is conditioned by people's dedication to the common cause, prevailing atmosphere of trust and mutual respect.

In the course of time, when describing leadership styles, scholars began to pay attention not only to the manager's traits or personal behaviour, but the managerial situation that developed at some point in time as well; this is how situational models or theories of leadership emerged.

Fiedler's Contingency Leadership Model

American psychologist Fred Fiedler considering the leadership issues came to the conclusion that every single situation requires a leader of specific type and, therefore, different leadership styles will be most effective under different conditions.

Fiedler's model is based on the fact that team performance largely depends on how every individual situation allows the manager to control the subordinates and influence their work. He argued that there are task-oriented leaders or relationship-oriented leaders. To determine the leadership style of each particular manager, Fred Fiedler developed a scale of the Least Preferred Coworker (LPC). The LPC characterizes the degree of benevolence of the manager to the employee whom he

professionally values the least. This scale includes 16 pairs of so-called bipolar epithet definitions (e.g., polite, responsible or lazy, uninitiated). When filling in the scale, respondents should think about each employee and then describe exactly whom they least prefer working with (employees are evaluated by 8-grade scale). If a manager describes LPC using mostly affirmative statements, he is interested in favourable relationships with subordinates and, hence, belongs to the category of managers who follow a relationship-oriented leadership style. On the other hand, if the LPC is judged by the manager mainly with the use of negative epithets, it will mean that his priority is labour productivity, timing and quality of work. This state of affairs means that he belongs to the category of task-oriented managers. At the same time, Fred Fiedler did not exclude the possibility of a small number of people who hold an intermediate position between two extremes described above and cannot be precisely referred to any of the leadership styles.

When the leadership style has been determined, it is necessary to assess the significance of situations and to determine their impact. Fred Fiedler identified three situational variables that affect manager's performance:

- quality of relationships (“good-bad”) – the level of subordinates' loyalty, trust, respect, support to the manager;
- structure of the task (“structured-unstructured”) – the quality of formulation and the degree of structuredness of the task assigned to the team (for example, a structured task can be as follows: it is known in what sequence the task should be executed, who will solve it, when it should be completed, what results are expected to be achieved, etc., and unstructured task is vice versa);
- power officials (“strong-weak”) that reflect the level of the manager's official authority and his real ability to motivate employees to achieve their goals.

According to Fiedler's model, all management-related situations should be evaluated using these three variables. Due to their combining, there are eight basic situations that any manager may deal with (Figure 12.5). These situations are classified as: 1, 2, and 3 – very favourable; 4, 5 and 6 – intermediately favourable; 7 and 8 – very unfavourable to the manager.

Fred Fiedler compared the results of applying each leadership style in each situational category. As a result, he found that task-oriented

managers are more effective in very favourable and very unfavourable situations, and relationship-oriented managers are most effective in moderately favourable situations.

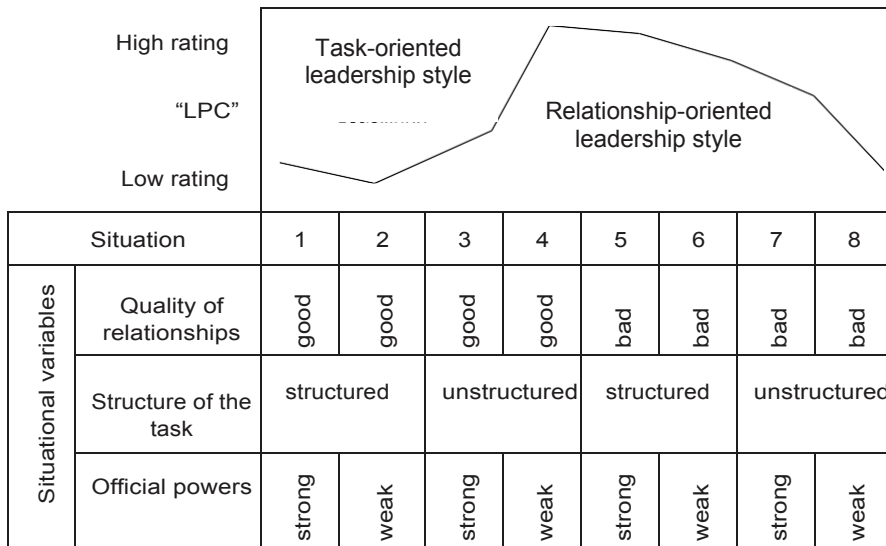


Figure 12.5. Fiedler's contingency model of leadership

Hersey-Blanchard Life-Cycle Leadership Theory

The US management experts Paul Hersey and Ken Blanchard have developed a model of situational leadership called "life cycle theory". According to their theory, the choice of leadership style depends on how mature the employees are. There are two main criteria based on which an employee can be attributed to one or another level of maturity concerning the task – professionalism and motivation:

- unable and unwilling (M4). Professionalism: only basic knowledge and skills; motivation: unmotivated by some reasons (for example, got a lot of difficult tasks to do, stopped idealizing the profession, the work did not meet expectations);
- unable and willing (M3). Professionalism: only basic knowledge and skills; motivation: high, lots of enthusiasm;
- able and unwilling (M2). Professionalism: a lot of knowledge and skills;

motivation: not permanent, because enthusiasm for work appears from time to time, but can also quickly fade away (for example, in case of a certain failure or if the manager did not respond to ideas or needs);

- able and willing (M1). Professionalism: highly skilled; motivation: high because of self-confidence, ability to share experience and develop other employees.

It should be noted that the main point here is that the maturity of employees is related to tasks assigned only: the same person may be at different stages of maturity in relation to different tasks: some are already easy, and others still seem to be difficult. On this basis, the manager must change individual tactics towards it or the team.

According to the Hersey-Blanchard model, there are four leadership styles: telling, selling, participative and delegating (Figure 12.6).

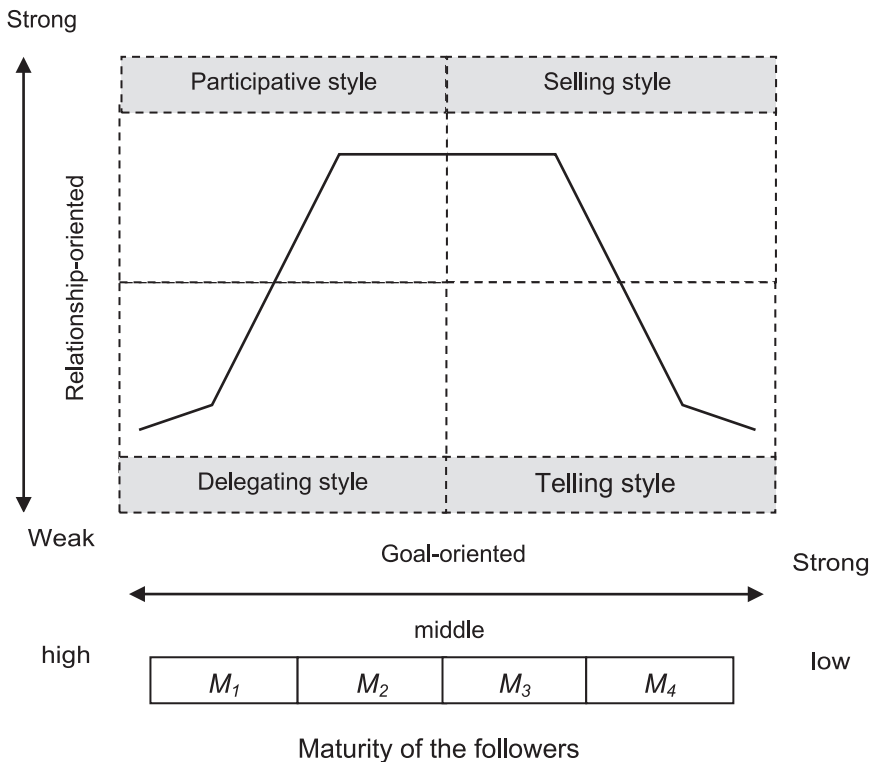


Figure 12.6. The Hersey-Blanchard life cycle theory

Telling style involves managing through specific instructions. Thus, the manager should perform his activities mainly focusing on the task, while harmonious relationships should be side-lined. Of course, this can be applied to those subordinates who have a low level of maturity. The presented tactics of the manager's behaviour is justified by the fact that the executives may not want to be responsible for the specific task, or may simply be unable to meet the requirements to them. For this reason the manager must develop and provide appropriate instructions and strictly control the process of implementation of the tasks set.

Selling style is leadership through "selling ideas". It is adapted mainly for the employees having moderate level of maturity. Therefore, the tactics of the manager's actions should be equally oriented both to the fulfilment of the tasks set and to harmonious relationships with the employees. In this situation, a moderate level of maturity of the followers indicates that they wish to take responsibility for the specific task, but cannot do that because of the lack of competence concerning this issue and lack of relevant experience. As a result, the manager must choose the behaviour that will oriented at providing concrete and clear instructions for the employees. At the same time, he has to support the enthusiasm of his subordinates and their desire to accomplish the goals set and take responsibility.

Participative style is management through involvement in organizing the workflow. It is intended to those followers whose maturity level is moderately high, so that the subordinates already have all the necessary knowledge and skills to accomplish the task properly, but they do not want to do it. In such a situation, the manager should be oriented at harmonious human relationships, and a little less attention should be paid to the tasks. The best tactic will be to motivate employees to participate in decision making. But it is important to understand that subordinates should, among other things, want to be involved in the decision-making of management's tasks, as well as be aware of this involvement. Motivation and involvement of subordinates can be greatly enhanced by the manager if they are not only given the opportunity to participate in the responsible process but are also given substantial support in the work, which, in its turn, should exclude imposing of any instructions.

Delegating style is management through the delegation of particular tasks. It is applied at the qualitatively different level, i.e. it is suitable for the followers whose maturity level ranks the highest. This means that

employees are, firstly, competent enough to perform their functions, secondly, fully aware of their involvement in the work performed and, thirdly, willing and ready to take responsibility for achieving the result required. This implies that the manager can be less task-oriented and relationship-oriented than in other situations, because he can easily delegate his functional responsibility and allow the subordinates to make decisions and implement them independently.

The Hersey-Blanchard model has become popular with the managers due to its practicality and simplicity. When selecting the management style that best suits the level of maturity of the employee, the manager should strive to obtain the expected outcome, e.g. optimal solution of a work problem, free time, psychologically comfortable interaction, professional development of the subordinate.

The Vroom-Yetton-Yago model of decision-making

One of the most advanced theories of situational leadership is the model developed by the American scientists Victor Vroom and Philip Yetton and then refined by Arthur Yago.

The Vroom-Yetton-Yago model of decision-making involves determination of the most effective leadership style that can be used by a manager on the particular circumstances of each situation. The main difference between the Vroom-Yetton-Yago model of decision-making is that it focuses mainly on one aspect of the leader's behaviour: the involvement of employees in decision-making. On this basis, the leader should focus his attention on the problem to be solved and the situation that caused the problem.

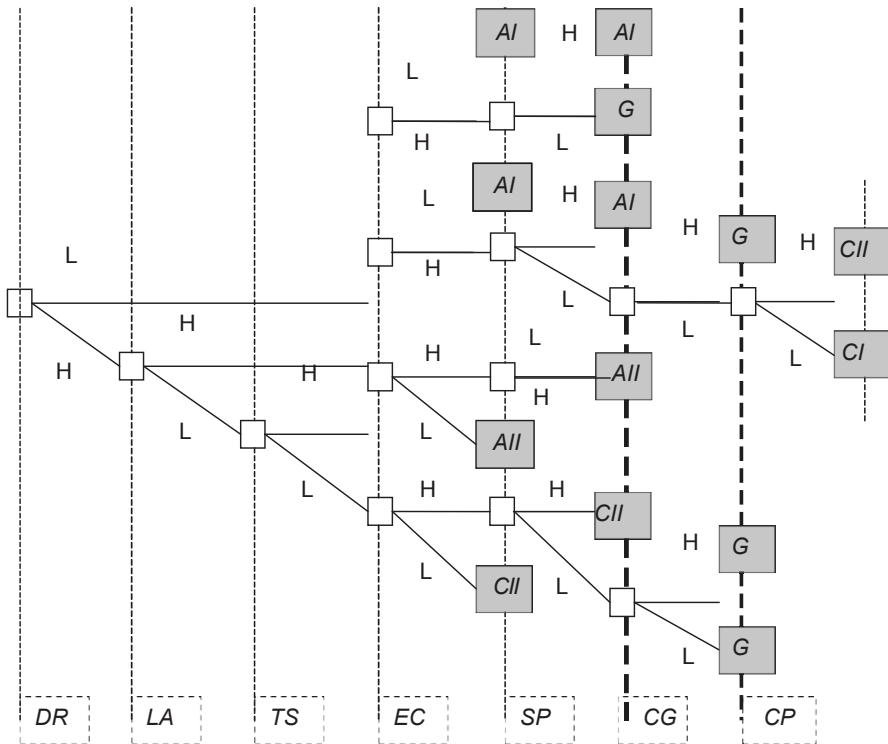


Figure 12.7. The Vroom-Yetton-Yago decision tree

Assessment of the situation is carried out according to certain criteria in the form of questions that the manager may ask himself:

- requirements (*DR*): What is the level of quality requirements that make one decision more rational than the other?
- leader awareness (*LA*): How sufficiently does the manager keep informed to make quality decisions on his own?
- task structuring (*TS*): What is the level of task structuring?
- executives' consent (*EC*): What is the degree of importance of the subordinates' consent to the decision made for its successful implementation?
- subordinated probability (*SP*): How is it likely that the subordinates can be expected to take commitments to execute individual (autocratic) decisions?

- community of goals (CG): How well do subordinates agree that problem solving will promote the interests of the group or the whole organization? Are the subordinates highly motivated to accomplish their tasks?
- conflict probability (CP): How much are the conflicts likely to arise between the subordinates in case of making certain decisions?

For each of the criteria, the following answer is selected: high level/high degree (H) or low level/low degree (L). It is these answers that allow the manager to assess the situation and, therefore, the decision-making style that best suits it (Figure 12.7).

According to the model, the manager can use five leadership styles depending on the extent of the subordinate involvement in the decision-making process:

- 1. *autocratic I (AI)* – the decision is made by the manager on his own and for this purpose he uses the information he currently possesses;
- 2. *autocratic II (AII)* – the manager gets necessary information from his subordinates and then makes his own decisions;
- 3. *consultative I (CI)* – the manager individually shares his concerns about the problem with those employees who are directly involved in it in order to get ideas and suggestions from them. The manager makes the decision independently taking into account or not taking into account the opinion of his subordinates;
- 4. *consultative II (CII)* – the manager organizes the process of discussing the problem with the subordinates, during which he collects ideas and suggestions. Then the manager makes a decision that reflects or does not reflect the opinions of the majority;
- 5. *group style (G)* – the manager announces the problem that has arisen and then together with his subordinates finds and evaluates options in an attempt to reach consensus. During the discussion, the manager plays the role of the head of the meeting, who coordinates the process (focuses on the task and considers all possible nuances and alternatives). The leader does not try to impose his or her own point of view and is ready to approve any decision supported by the group.

Describing these decision-making styles, the authors of the model emphasize that the manager always keeps on holding the official powers as well as the responsibility for the decisions made.

There is no one best way to management,
but it all depends on the situation

Henry Mintzberg

Adaptive leadership

A manager who strives to be successful and gain synergies from teamwork cannot afford to apply only one leadership style throughout his or her career. He must be flexible: learn to possess different forms of authority, leadership styles and be able to choose the one that best suits the situation. As for the best style, adaptive style that is focused on the reality can be considered to be the best one.

To manage means to be able to change the style

Erich Remark

A successful manager is the one who may behave differently depending on the requirements of reality, therefore, the choice of a leadership style depends on the management situation, which is formed under the influence of certain factors: qualification maturity and personal qualities of employees, individual traits of the manager, the nature of tasks, requirements and influences of the environment of the organization, the level of trust in the team, etc.

Any entrepreneur or a manager should be flexible in the changing environment and use these changes to get the benefits.

The objective question is how to become an adaptive leader?

Firstly, *study the business environment*. An adaptive leader must accept the uncertainty and adapt to new circumstances through other, contemporary approaches. In order to succeed in this dimension, it is advisable to:

- seek support at all levels of management, find common ground with people, otherwise they will resist changes;
- to share a leadership role, to delegate affairs to other people and to force them to show their leadership skills;

- ask questions to the “outside world” that helps you to be well informed, train your brain, think about important things, and at the same time perceive the information objectively.

Secondly, *learn how to influence people*. This requires:

- viewing the world from different perspectives, and even if you consider yourself right, consider other points of view;
- finding common ground with your team, go deep into their emotions, values, hopes, because a leader without a team is worthless;
- creating a sense of global purpose because people mainly seek to feel their commitment to something more important than simply making money;
- encouraging employees to be enthusiastic and creative;
- building a trusting relationship, since in this case the team will work perfectly without additional requests

Thirdly, *do not be afraid of experiments*. Of course, there will be mistakes, but a real leader is able to hold the punch and treat failure as an opportunity to learn something.

The one who does nothing is never wrong.
But it is wrong to do nothing.

Emile Short

An adaptive leader learns to “read” each situation and perceive it adequately, he transforms from a commander into a consultant and mentor; he not only makes decisions, but explains values and gives an example, but in the confrontational dialogue he prefers empathetic one.

Outstanding leaders are able to create and maintain a positive emotional mood of the employees, even in difficult times.

Coaching as a leadership style

Coaching (from the English word “to coach” - to train, to inspire) is a way of helping another person in searching for her own decisions or “way out” from a difficult situation. In management, *coaching* is a purposeful process of disclosing and developing the potential of employees, which helps to maximize their personal productivity and

successful activity of the organization as a whole.

The coaching manager does not give “valuable advice”, does not solve the problem instead of the employee, but helps him to finding his own solution for specific tasks that are optimal for him/her and the company. The purpose of coaching is not to teach something, but to create conditions for self-training so that the employee will learn to acquire necessary knowledge and skills while working.

The coaching manager does not indicate what exactly the employee should do in a particular situation, but instead he asks certain questions that inspire him/her to produce his/her own solution.

The right answers are given as result of the right questions

The content and order of the questions asked by the manager to dialog with the subordinate are usually different depending on the field of activity, the level of qualification of the employee, but they must aimed at “pushing” the employee to produce alternatives. For example, the following questions may be asked:

- What is happening now?
- What is further development of events dependent on at the moment?
- What exactly can be done and what are the possible obstacles?
- What conditions would be ideal to obtain the expected outcome and what conditions would be absolutely unacceptable? What items from this list can be provided, what can be prevented, strengthened or weakened?
- Who does the implementation of the most valuable alternatives depend on?
- As we have discussed these issues rather deeply, could we clarify the following issues...?
- This idea is interesting enough, but have you paid attention to...?

You can learn to swim only by jumping into the water,
first getting the idea of what to do to avoid drowning in the first minute
– this is the essence of coaching

With the help of coaching, the manager will be able to build strong relationships with subordinates, get creatively active employees, because this leadership style allows employees to feel that they are valuable in the

organization and are really taken care of. High quality of communication and awareness of perception contributes to the formation of flexible, synergistic teams, which members work well at their own will.

The term “coaching manager” is used to refer to the manager who practices coaching in his professional activities. He treats his subordinates as creative, holistic individuals who have necessary professional skills and are able to display them completely if the adequate conditions are provided.

The credo of a coaching manager is as follows: “Give a man a fish and he will not be angry. Teach a man to fish and he will not know what hunger is”

The main benefits of coaching are as follows:

- ↳ subordinates’ awareness of their actions and, as a result, improvement of their performance;
- ↳ on-going staff development;
- ↳ improvement of the relationships in the team;
- ↳ the staff take responsibility, they do not need to be “hurried” and they do not need to be constantly controlled, which frees up manager’s time to perform more important functions;
- ↳ disclosure of previously unrevealed talents of the team members;
- ↳ quick and effective response in critical situations, because if people are appreciated, they are ready to “pull the boat out before they are called to do it”;
- ↳ higher flexibility and adaptability to changes.

Modern management in the form of coaching involves treating of the organization’s staff like grains, each of which already has its creative potential. As a rule, employees are able to solve many problems independently, take initiative, make choices. A coaching manager inspires employees to take responsibility for the delegated authority.

Unrealized potential of the staff is the lost benefit of the entire organization

In addition to coaching, the manager must possess other methods of influence, e.g. training, mentoring and counselling, because coaching is a kind of “cocktail”: it can include the elements of all these methods. But a

cocktail that contains milk, strawberries, ice cream is no longer the first, the second or the third element separately, it is a new product. Since coaching is a distinct style with its own philosophy, technology and rules, its adequate use gives a new quality of activity to the manager, which can be provided by other methods and styles.

There objectively rises a number of questions, “What is the difference between training, professional consulting, mentoring, coaching?”, “When is it best to use each of them?”

If the employee lacks a specific skill to achieve the expected outcomes, the *training* will help him to acquire it. Training differs from traditional forms of learning with a minimal number of theories and maximum practice: “working out” of specific skills. The only problem is the need to transfer skills from “virtual reality” training to the “harsh days” of daily professional activity. This process is very complicated; however, if the training is adequately organized and conducted and the conditions within the organization make it possible for the participant to put the knowledge into practice, the training gives the results. The main limitation of training as a method of improving performance is that it is impossible to make the decisions and “work them out” for everyone without any exception. In certain circumstances, the employee must learn to produce entirely new methods and approaches to solving problems.

Professional consulting helps to solve problems that are in a certain “area of expertise”, and the organization lacks resources to solve them. To do this, they apply to a specialist in a particular field (such as a lawyer, auditor) and “buy” the information or decisions they need. But there is almost no improvement in the competence of the employee responsible for solving the problem, so this procedure will be repeated periodically.

Tutorship or mentoring helps to solve the problems through the exchange of experience when the organization has employees who are competent in solving certain issues. However, mentors mainly rely on their already acquired knowledge or available professional skills; in other words, they teach only what they know themselves. The advantage of this method is the possibility of mentoring in the workplace, and the employee who is in the role of a student, does not need to think about the way of transferring knowledge from the format of “auditorium” into practice.

As mentioned above, *coaching* enables to solve problems through the promotion of employees’ autonomy and responsibility. The approach “do as I say” or “do in accordance with the procedure” is rarely responsible for

taking responsibility for the outcomes and inhibits creativity. In the case of routine work, this may be acceptable, but if the manager expects that his subordinate will give “Olympic” results but the tasks are new and ambitious, a coaching approach is needed.

Questions and tasks to consolidate the knowledge acquired

1. What is the definitions of a “leader” What are the characteristics of a leader?
2. What is the difference between a manager and a leader, between the management and leadership?
3. What qualities should a manager-leader have?
4. What are the forms of authority? Describe each of them.
5. Is there absolute manager’s authority over subordinates? Justify the answer.
6. What is the authority of the manager?
7. What are the characteristics of the authoritarian, democratic and liberal leadership styles.
8. Describe leadership styles according to Blake-Mutton’s Management Grid.
9. Disclose the essence of Fiedler’s situational leadership model.
10. What is the essence of leadership in the opinion of P. Hersey and K. Blanchard?
11. Describe the Vroom-Yetton-Yago model of decision-making?
12. What factors influence the choice of leadership style? Justify the answer.
13. What is the essence of adaptive leadership? What should the manager pay attention to in order to acquire the qualities of an adaptive leader?
14. What is the essence and meaning of coaching?
15. What is the difference between training, professional consulting, mentoring and coaching? In what cases each of them is the most appropriate to be used?

Extending of the acquired knowledge

1. Formation of employee's sense of responsibility.
2. Dependence of management leadership style on the type of temperament.
3. Gender approach in management.
4. Describe your own image of a successful manager.

The essence of corporate social responsibility

Social responsibility in terms of sustainable development is an integral part of the modern management system, as it demonstrates active social position of the organization, which involves harmonious coexistence, interaction and on-going dialogue with stakeholders, participation in solving the most acute social and environmental problems. In other words, corporate social responsibility is the responsibility of business decision-makers for those who are affected by these decisions.

The development of corporate social responsibility is usually associated with the names of Andrew Carnegie, John Rockefeller (junior) and other entrepreneurs who took an active philanthropic position. They argued that thriving organizations are obliged to donate a part of their funds to the benefit of society. For example, John Rockefeller set up a charity fund and spent over \$ 537 million to help the needy; Andrew Carnegie helped the poor, funded the construction of libraries and the Peace Palace in Hague having spent more than \$ 450 million.

Business responsibility is based on implementing the decision-making policy or following a strategy that would be desirable from the standpoint of both the goals and values of society

Howard Bowen

Views on the essence of business commitments

The issue of corporate social responsibility became especially relevant in the second half of the XX century, when two opposing views on the essence of business commitments emerged. According to the first one formulated by Nobel Prize winner Milton Friedman, business should serve the material interests of their owners, provided that it does not violate the “rules of the game”. However, while pursuing even only financial and economic goals and adhering to the laws and norms of state regulation, the enterprises satisfy consumer demand in goods and services, provide jobs, pay taxes, ensure a certain level of profitability, create new social wealth

and values.

According to another view adhered by the Committee for Economic Development in the USA, business organizations should make the maximum contribution to solving social problems, improving the quality of life of the population and protecting the environment. Hence, business is considered to be socially responsible if it takes substantial steps towards the achievement of social and environmental goals of society, rather than simply complies with the legal rules.

Any company should be based on the fundamental idea of operation for the welfare to others, and profit will take care of itself
Richard Branson

However, in the course of time, the debates on the issue of business commitments have led to the emergence of the so-called “golden mean” (Figure 13.1), which is the basis of the modern understanding of the essence of social responsibility of a business.

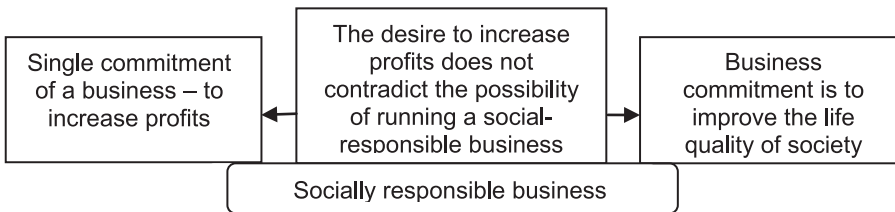


Figure 13.1. Views on the essence of business commitments

Social responsibility is the responsibility of a business for its influence on society. This impact can be environmental, social and economic. Its value is very high because it helps businesses to demonstrate that they do not exist and operate separately from society. In addition, pragmatists argue that the desire to increase profits does not contradict the possibility of being socially beneficial, since funding of certain socially responsible events enables businesses to reduce their current profits, but in the long run it creates a favourable social environment and, finally, sustainable opportunities for economic development.

The “effect of publicity” is the main motive of the activities of socially responsible organizations

Social responsibility, unlike legal responsibility, involves a certain level of voluntary response of organizations to social problems. This response is related to what goes beyond the legal requirements or certain regulatory norms. For example, organizations, which according to the standard must employ 4% of disabled people (if they are able to perform) and actually achieve this level, can be considered legally responsible, since the management has only complied with the legal requirements; if the number of employees with disabilities in the organization exceeds the legal standard, it is considered socially responsible, but only if other legislative regulations are not violated. Therefore, legal liability is only the first step towards socially responsible business activities. In addition, business transparency, the truthfulness of advertising, pricing, etc., require manifestation of human qualities through the management ethics. A minimal moral commitment of the business is not to harm the environment, the individual and society in general.

The basic principle of social responsibility is the voluntariness, so nobody can be obliged or forced to do something. There must be an inner desire of people concerning such matters

Corporate Social Responsibility is a voluntary response of a business to the social needs of society and operation in an efficient, ethical and environmentally safe way in order to achieve sustainable community development.

Conceptual approaches of socially responsible business

Since socially responsible business takes into account economic, environmental and social aspects in production activities on the principles of voluntariness and partnership, it is the management of the organization that must determine the trajectory of its socially responsible behaviour based on the conceptual approaches outlined below.

The concept of profit maximization in the context of sustainable

development declares the company’s commitment to maximize profits from production activity, but under the condition of compliance with the “game rules” and finding a balance between the needs of the present generation in economic well-being and a favourable environment without harming similar needs of future generations. The “game rules” involve free competition without deceit, fraud and other illegal and unethical actions of business representatives.

The concept of establishing partnership relations with stakeholders is aimed at fulfilling the commitments that the organization has to its business partners and other stakeholders: consumers, employees, owners and investors, suppliers, competitors. It is a kind of “thank you” to those who “helps” the company to achieve its goals and sustainable development. Under these conditions, the principles of establishing partnership relations with stakeholders will be fixed in business circles (Table 13.1).

Table 13.1. Principles of business partnership with stakeholders

Group of stakeholders	Basic principles
Consumers	Respect the consumer’s right to: <ul style="list-style-type: none"> 1. be provided with goods and services of the highest quality in accordance with their requirements, to support and improve the health of consumers as well as the environment; 2. honest behaviour and a high level of service; 3. guaranteed respect for human dignity in products offered, marketing and advertising; 4. respect of the integrity of the client’s culture.
Employees	Have serious attitude to the interests of employees: <ul style="list-style-type: none"> 1. to give workers work and wages that increase their standard of living; 2. to provide working conditions for employees that do not harm their health and human dignity; 3. be honest in communication with employees and provide open access to information limited only by the law and the conditions of competition; 4. to participate in open negotiations with employees in case of conflict; 5. to avoid discriminatory policies and guarantee employees’ equal rights regardless of gender, age, race, or religion; 6. to assist employees in developing necessary skills and knowledge.

Investors / owners	<p>Great importance should be attached to investor's confidence:</p> <ul style="list-style-type: none"> 1. to provide professional management to guarantee fair and competitive return on invested capital; 1. to protect and increase the assets of owners and investors; 1. to pay attention to the requirements, proposals, complaints and official resolutions of the owners and investors.
Suppliers	<p>Relationships with suppliers should be based on mutual trust:</p> <ul style="list-style-type: none"> 1. to strive for fair and honest relations with them in all actions, including pricing, licensing and trade rights; 1. guarantee their freedom from coercion and unnecessary legal action; 1. to promote long-term and sustainable relationships with suppliers in response to the value, quality, competitiveness and reliability of the business; 1. to pay suppliers on time in accordance with the terms of the trade agreement; 1. to give preference to those relationships with suppliers that respect human dignity.
Competitors	<p>Sound economic competition is one of the conditions for improving the well-being of countries and, ultimately, fair distribution of goods and services, that is why business is obliged to:</p> <ul style="list-style-type: none"> 1. facilitate the development of open markets for trade and investment; 1. promote such competitive behaviour that is socially and economically beneficial and involves respect between competitors.

The concept of "greening business" is aimed at promoting the rational use of resources and reducing a negative anthropogenic impact of companies' activities on the environment. The conventional approach states that any activity should be based on the "3Rs": Reduce, Reuse, Recycle. This concept can be implemented in two directions: "green business" and "eco-office" ("green office"). "*Green business*" is a type of activity aimed to make profits from the sale of environmental goods and services, the production of which involves application of methods and technologies that minimize the integral eco-destructive impact on the environment, and their use serves to create maximally environmentally friendly living conditions and leads to the formation of environmental consciousness of society. In its turn, "*eco-office*" is not just a work space that uses a lot of greenery in the décor, but the philosophy of wise management of the company's resources. In order to implement

environmental rationality in the office, attention must be paid to the following important aspects: saving of heat, electricity through the introduction of energy-saving technologies, rational selection and use of paper, etc.

If your business does not improve lives of others, does not bring something useful and valuable, you should not do business. Companies are responsible for improving our world, quality of life and the environment. It is the responsibility to the community, company staff, customers and each individual

Richard Branson

The concept of philanthropy focuses on the feasibility of donating money and time to charity within the capabilities of organizations using such activities as charity, sponsorship, volunteering. *Charity* is a targeted financial assistance, providing benefits and services at the expense of the benefactor. It can be performed in the form of various promotions, programs, permanent patronage, or charitable foundations. *Sponsorship* is mostly the material support for charitable, cultural, sport, educational and environmental initiatives. But, unlike charity, the sponsor expects a significant return on the money spent in the form of advertising benefit. *Volunteering* is a free activity for the benefit of those who find themselves in difficult life situations.

Global initiatives on corporate social responsibility

Establishment of partnership relations with society and the environment is one of the important conditions for sustainable business development. If the interests of society and the ecosystem are ignored, they will become “aggressive” factors of business opposition. And if even at a certain stage, business owners and managers do not realize this kind of dependency but seek an egocentric position in the business environment, sooner or later it will be reflected in the results of their productive activities in the form of financial inefficiency, eco-obstacles, dissatisfied stakeholders and loss of competitive position. This will result in frustration, fear, helplessness or aggression. And to reduce the likelihood of such negative effects, the international community has produced a number of global

initiatives, such as:

- 1.6 *the Paris Agreement* is an international legal treaty, according to which each party of the UN Framework Convention will take certain steps to respond to climate change according to its capabilities in terms of different national circumstances;
- 1.6 *Declaration of Business Principles* includes key principles of partnership relations with stakeholders that were offered by the leading US, Japanese and Western business people in Swiss in 1994. It is a kind of the effort to initiate the basis of a process in which values that are shared by everyone are manifested and the ways of understanding are found contributing to the formation of a single view of business behaviour acceptable to everyone. The international principles stated in the declaration (some of them are presented in Table 13.1) are based on the core ethical ideals: “kyosei” and human dignity. The Japanese concept of “kyosei” means living and working together for mutually beneficial co-operation and prosperity in a healthy and fair competition. In this regard, human dignity is treated as a sacred inviolability or value of the individual, and not simply as a means of achieving other people’s goals;
- 1.6 *the UN Global Compact* is a voluntary initiative aimed at promoting corporate social responsibility and supporting the resolution of the issues of globalization and sustainable development by the business community. The initiative promotes the principles of corporate social responsibility for achieving the UN’s goals in four main areas: human rights, labour relations, the environment and control of corruption;
- 1.6 *Voluntary Certification Standards*: ISO 14001:2004 – Environmental Management System Standard, ISO 22000:2005 HACCP, FSSC 22000: 2013 – Food Safety Management System Standards, ISO 9001:2008 – Quality Management System Standards, ISO 50001:2011 – Energy Management System Standard, OHSAS 18001: 2007 – Occupational Health and Safety Management System Standard, ISO 26000:2010 – Social Responsibility Standard;
- 1.6 *Global Sustainable Development Goals 2016-2030* is the agenda for socio-economic development, competitiveness of countries, environmental and energy security, global partnership. The initiative promotes seventeen goals, including control of poverty, control of famine, good health, high quality education, gender equality, pure water

and proper sanitation, renewable energy, decent work and economic growth, innovations and infrastructure, reduction of inequality, sustainable urban and community development, responsible consumption, climate change, conservation of marine ecosystems, conservation of land, peace and justice, partnership for the sake of sustainable development.

Organizations focused on doing socially responsible business will strive to form an integrated management system based on the basic concepts and using global initiatives.

Pros and cons of social responsibility

The supporters of the principle of “maximizing profits” advance a number of arguments against corporate social responsibility:

- 1. implementation of social activities reduces profitability of the organization, therefore, the costs on social responsibility programs are transferred to consumers in the form of the price increase;
- 2. social responsibility can result in the form of wage cuts, reduced dividends, reduced investment in innovative projects, upgrading and improvement of production facilities, reduced payables, etc.;
- 3. taking of social responsibility may misinform employees about the main goals of the organization;
- 4. social problems should be solved due to the competence of the state and municipal bodies and organizations, not owners and managers of business companies;
- 5. the organization that pursues high social responsibility can lose in competition;
- 6. the effect of social events cannot be determined as the results of such actions are difficult to be reported to stakeholders and the general public.

At the same time, pursuing only financial and economic goals and adhering to the laws, rules of state regulation, the organization satisfies consumer demand for goods and services, creates jobs, pays taxes, provides a certain level of return on capital (in the form of dividends), creates new social wealth and values.

Supporters of the integrated management system outline a number of the advantages of social responsibility:

- 1. social activity of the organization corresponds its interests, since it creates a better society and environment for doing business;
- 2. social responsibility programs are a means of creating and maintaining a positive public image;
- 3. the general public expects the ethical behaviour of organizations and their management and failure to meet these expectations can lead to negative consequences;
- 4. internal moral obligation to behave socially responsibly only confirms the fact that the owners, managers and employees of the organization are active members of society and they consider it natural to follow its moral standards;
- 5. social problems that the organization may cause, e.g. environmental pollution, must be addressed at its own expense;
- 6. attracting and retaining of highly qualified specialists, raising the ethical level of the organization's employees.

The essence of management ethics

In order to act in the interests of society, the business management must be able to distinguish “what is good and what is bad”, thus creating a high-moral business atmosphere.

Management ethics is a set of moral values and principles that managers are guided by when adopting organizational decisions and employees are required to comply with.

“Now that we have learned to fly the air like birds, swim under water like fish, we lack one thing – to learn to live on earth as human beings.”

George Bernard Shaw

Ethical principles of management

When dealing with ethical choices, managers tend to consider regulatory perspectives, i.e. certain values and norms. Several ethical principles used when making decisions are distinguished in management: utilitarianism, moral principle and justice.

The principle of utilitarianism is the pursuit of good for most people. When making a decision, managers should consider the impact of each

alternative on all stakeholders and choose the one that will benefit the most. In fact, it is a matter of finding the best solution. For example, before approving a merger project, managers will evaluate not only the financial benefits of the operation, but also how it will affect jobs.

The moral principle is a voluntary commitment to protect human rights. An ethically sound decision is the manager's decision that does not violate the rights of the organization's stakeholders. For example, a manager will not force a subordinate to act against his/her religious beliefs or discriminate such a person, will treat disabled employees morally and maintain assertive behaviour towards dissenters.

In general, the following moral rights can be taken into account in decision-making:

- the right to freedom of consent. Influence on another person is permissible only if he permits it voluntarily;
- the right to privacy. When a person is off work, he/she can behave in the way he/she wishes and has the right to control all information relating to his/her personal life;
- the right to freedom of conscience. A person has the right not to obey any order that contradicts his/her moral and religious values;
- the right to freedom of speech. A person can reasonably criticize the ethics and legitimacy of other people's actions;
- the right to be properly treated. A person has the right to be heard without prejudice and the right to be treated fairly;
- the right to life and safety. A person has the right to the protection of life, health and safety.

The principle of justice aims to ensure equal rights for everybody. An ethically sound decision should be based on the honesty, dignity, impartiality of the manager. In terms of management, there are three types of justice:

- *distributive justice* implies a manager's attitude toward subordinates based on objective criteria. Thus, if the decision refers to similar individuals, it must equally refer to both of them. For example, if a man and a woman do the same job, they will receive approximately equal pay (wages, bonuses, promotion, etc.); however, if there are significant differences between employees in terms of work skills and responsibilities, the distribution of benefits is carried out in accordance with their level of competence or persistence. The manager's attitude to the subordinates should be clearly related to the goals and objectives of

- the organization and not to other sources;
- *procedural justice* requires fair administration of the actions of subordinates. The rules should be clear, understandable, constantly implemented without any prejudice;
 - *compensatory justice* obliges the responsible party (the owners of the organization, managers) to compensate people's damage. Moreover, employees should not take responsibility for the events beyond their functional duties or control.

The "golden" rule of ethical management is as follows,
"Treat people the way you want them to treat you"
Matthew 7:12 (Bible)

Factors that determined the ethics of employee behaviour

Ethicality or unethicity of actions and decisions of employees of the organization depends on certain factors. For example, it is natural to bring into work the manager's traits, patterns of behaviour, individual needs, religious beliefs, and family values. However, the choice of decision is influenced not only by the individual's desire; ethical or immoral management practices are also a form of expressing a system of values, attitudes, beliefs and patterns of behaviours acceptable in the organizational culture. Therefore, ethical problems of management are not only personal but organizational as well.

Let's consider some key factors that influence management ethics: level of moral development, individual traits, and organizational culture.

Level of moral development characterizes the degree of receptivity of moral principles of the individual concerning the external influence (Figure 13.2).

| Level 3: fundamental (with stable convictions)

Following individual principles of the good and justice; respect to other people; support of absolute values; independence of the majority opinion.

Level 2: generally accepted

Choice of the pattern of behaviour depends on the expectations of the people around; support of generally accepted rules through the execution of some commitments; compliance with the law.

Level 1: the one that precedes a generally-accepted level

Compliance with the rules in order to avoid punishment; actions are targeted at satisfying individual needs; work for one's own sake.

Figure 13.2. Levels of the individual moral development of a person

At the first level there are people who respond to the concept “correctly” or “wrongly” only if there are possible personal consequences, such as punishment, reward or exchange of services. Judgment of a person at a generally accepted level reflects moral values, which are based on the goal of maintaining a certain conventional order and meeting the expectations of others. Individuals who are at a fundamental level of development (i.e. have stable moral convictions) make considerable efforts to isolate their moral principles from the influence of the groups to which they belong or from society as a whole. For example, a manager who is on the second level of moral development is likely to make a decision that will be approved by colleagues and will act in an effort to follow exactly all the rules and procedures adopted in his organization. In his turn, under certain conditions, a third-level manager, is able to challenge traditional practices adopted by the organization if he considers them to be incorrect.

Individual characteristics are a set of personal values that develop from an early age under the influence of parents, teachers, friends and other surrounding people. These values reflect the individual's basic concepts of “what is good and what is bad”. That is why managers of the same organization often have absolutely different individual values.

It is enough that we do our best;
sometimes we must do what is required.

Winston Churchill

According to their person's ideas about right or wrong actions, his/her behaviour is influenced by two individual factors:

- *the power of "ego"* that reflects individual conviction of the person. People with a high power of ego, i.e. more self-sufficient ones, are more likely to be less susceptible to external influence than those who have a low level of this factor. In other words, self-sufficient individuals will mostly behave in the way they consider to be right. Modern managers are expected to have a high degree of self-confidence, since such quality is necessary to ensure maximum consistency between moral values and the ethics of one's actions;
- *degree of self-control* that measures the individual's ability to control his emotions, thoughts and behaviour. It is based on the will of the person, i.e. his or her ability to make informed decisions and put them into practice. Managers are expected to have a high degree of self-control because it is an important element in the person's ability to achieve his goals without neglecting moral and ethical values.

It is impossible to set the right goals without the right values

Organizational culture is a set of internal values shared by the members of the organization that largely determine the evaluation of their actions. If the culture is strong and maintains high ethical standards, it can have a powerful positive impact on the behaviour of the organization's employees. High ethical standards are most likely in organizations where they recognize the value of each employee and stimulate their development, where there is mutual trust, honesty and openness, where managers are willing to take risks and are prone to innovation, where uncontrolled competition is not encouraged, where there is low or average degree of aggressiveness; such organizational culture focuses both on the results and means of achieving them.

When I was young and free and my imagination had no limits, I dreamed of changing the world. As I grew and became more prudent, I realized that the world would not change. Then I decided to change at least my country, but it also appeared to be impossible.

When I had lived a good half of my life, I desperately wished to change at least my family, my nearest and dearest ones. But none of them wanted to change. And at the end of my life I realized, perhaps for the first time in my life, that if I had changed myself at first, I would have influenced my family by my example and having their support I would have tried to improve my country, who knows...

Maybe I would have changed the whole world.

Catholic priest, 5th century

The concepts of organizational culture are conveyed to employees in various ways, but most often the following attributes are used for this purpose:

- *stories* – usually stories about significant events or people, e.g. founders of the organization, scandalous violations of the set rules and regulations, rapid career ups, reactions to mistakes in the past and successes. Organizational stories connect the present and the past, clarify basic tasks, demonstrate working methods, and illustrate what is of special importance to the organization;
- *traditions* – a repetitive sequence of actions that express and reinforce core values of the organization and emphasize what goals and people are important to it;
- *material symbols* – verbal and non-verbal communication of the organization's employees, dress-code, office design, perks or fringe benefits for employees, availability of rest rooms, etc. All symbols are intended to demonstrate the attitude of senior management to the principles of equality and to specify what behaviour styles (e.g. conservatism, authoritarianism, interest, egocentrism, sociability) are most desirable and most relevant to the "spirit" of the organization.

Ways of raising moral and ethical standards in the organization and the level of responsibility of employees

If top managers are really interested in developing an ethical management system, raising moral and ethical standards and the level of responsibility of their employees, they can take the appropriate measures, for example:

- 1. try to hire people having rather high moral standards, as they are less likely (or not likely at all) to come under unethical external influence and they will behave in the way they consider to be right and in accordance with their conscience;
- 2. develop a “code of ethics”, i.e. principles that describe ethical standards of professional conduct and responsibility that should serve as a model guide for all employees of the organization in their relationships with business partners, clients, colleagues. In other words, this is what the employees expect from the organization in moral and ethical terms;
- 3. organize seminars, trainings or other events on ethics, culture of conduct in order to promote employees’ understanding of their moral responsibility for the consequences of their actions;
- 4. reward employees for ethical acts and punish them for unethical ones, create opportunities for unhindered discussion of immoral problems in the organization;
- 5. serve as a role model for subordinates, since it is the highly moral behaviour of managers that almost always inspires employees to follow ethical standards. And vice versa, if a manager, for example, uses company’s resources for personal purposes, “artificially inflates” spending bills, assists to friends or relatives, implements unfair policy on the remuneration system, it can hardly be expected that employees of the organizations will perform their functional duties honestly and responsibly.

Questions and tasks to consolidate the knowledge acquired

1. What are the views on the essence of business commitments?
2. What is Corporate Social Responsibility? How does it differ from legal liability?

3. Disclose the essence of the conceptual approaches of the socially responsible business.
4. Outline the basic principles of the business partnership with stakeholders.
5. What are the global CSR initiatives?
6. Specify the pros and cons of social responsibility.
7. What is management ethics? Describe the ethical principles of management.
8. What factors determine ethical behaviour of the organization's employees? Describe them.
9. What are the ways to increasing the moral and ethical standards in the organization and the level of employees' responsibility?

Extending of the acquired knowledge

1. Non-financial reporting: the instrument of socially responsible business.
2. Strategies of corporate social responsibility.
3. Employment of the disabled people: a socially responsible step or obligation?
4. Socially responsible activity of the business aimed to develop the territories of its availability.
5. The influence of organizational culture on the management practice.
6. Code of Ethics: PR event or strategic step?
7. Suggest your own model of the "ideal" organization.

Glossary of terms

Abilities – individual human qualities required to succeed in various activities.

Alternative – an available or limited choice between several possibilities that exclude one another.

Art – a holistic vision in many scattered fragments that create representation of that vision; displaying of order in chaos.

Authority – the official right to act in a specified way delegated to a person.

Concept – a system of views, interpretations of a particular process or phenomenon.

Conformism – passive, adaptive adoption of ready standards in behaviour, complete submission to authority, ignoring the uniqueness of the views of individuals, etc.

Conservative – a supporter of conservative views, an opponent of progress and transformation.

Duty – a totality of tasks or action that a person is required to perform as part of one's job.

Ethics – norms of behaviour, a set of moral rules of a certain social or professional group.

Frustration – the state of hopelessness and lack of prospects that leads to disorganization of human consciousness and activity.

Function – the activity, role of someone or something within a system.

Goal – a predetermined work that must be completed in a predetermined manner within a specified time.

Group – a number of people united by common activities.

Management chain – a separate body or employee having specific duties and responsibilities to perform management functions.

Method – a specific procedure that enables to accomplish or achieve something.

Method – a systematic set of steps that one needs to take to fulfil a task or achieve a specific goal.

Morality – a system of actions, norms and assessments that regulate person's behaviour in society.

Object – a person or thing to which a specified action or feeling is directed; the subject of cognition and practical influence performed by a man (subject).

Official – a person performing organizational-and-managerial or administrative-and-economic functions.

Organigram – a schematic representation of the organization's structure, relationships between the departments or management positions.

Pragmatism – an approach that evaluates theories or beliefs in terms of the success of their practical application.

Precedent – a case or event that has occurred in the past and has become an example or basis for similar actions in the present.

Prejudiced thought – a false thought that is made about somebody or something without familiarization and the attitude related to it.

Preentiousness – a desire to reveal one's originality in something, to emphasize one's extraordinary nature.

Principle – an assertion that is perceived as essential, important, or desirable; the rule that underlies the activities of any organization.

Problem – a complex theoretical or practical issue that needs to be solved.

Reactive behaviour – a person's reaction to external factors, response to any stimulus.

Science – the development of systematic knowledge through research.

Skills – capabilities acquired through experience or exercises; practical knowledge.

Stereotype – a steady attitude to events formed on the basis of their comparison with certain "ideals".

Style – a set of characteristics and features that are peculiar to someone or something.

Subject – a person or organization as the bearer of certain rights and obligations.

Synergy – a combined effect, which is provided by the interaction of two or more agents to produce a cumulative effect that is greater than the sum of their separate effects.

Task is a problematic situation with a precise goal, i.e. what should be done.

Team is a union of people sharing similar ideas who are driven by a common purpose.

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“Ideas for all times”: postulates of successful management

Peter Drucker

- 1. About *leadership*. Never think and say “I” but vice versa “we”. A successful leader knows that his authority is the trust of his employees. He understands that the needs and capabilities of the organization are higher than his own needs.
- 1. About *the manager*. The role of the manager is to convey to others his vision and ability to accomplish tasks. As a result, the vision and ethical responsibility are of the greatest importance for the managers.
- 1. About *the talent*. Employment of talented specialists is the main task of management. And they should be treated like volunteers, not just employees. They are interested in personal achievements and personal responsibility; they need professional growth and improvement; they seek respect and authority. Give that to them.
- 1. About *work*. Focus on the possibilities, not the problems: in the first case you will be successful and in the second you will simply avoid losses. Don't be afraid of changes and treat them as a new chance.
- 1. About *decision making*. Any solution is risky: it is the use of resources though the result is unknown. The risk can be minimized when you understand that a solution is needed, know how to clearly identify the problem and that finally you will have to compromise. A decision is not made until you have an idea how to implement it.
- 1. About *the organization*. A man is likely not to think about others. But successful organizations exist to satisfy their customers, not you. Managers have to organize their work so that employees would constantly achieve new objectives trying to meet current challenges.

Li Iacocca

- 1. Management is nothing more than motivating other people.
- 1. When the product is right, you don't have to be a great marketer.
- 1. The ability to make contacts is everything.
- 1. The ability to concentrate and to use your time well is everything if you want to succeed in business – or almost anywhere else, for that matter.
- 1. If you wish to become an expert in achieving some business goals, then learn to establish priorities.
- 1. As a human being, you have certain advantages – common sense, the ability to reason and make choices (the horse is stronger and the dog is friendlier). Use your human benefits.

- 1. Mistakes are a part of life; you can't avoid them. All you can hope is that they won't be too expensive and that you don't make the same mistake twice.
- 2. We are continually faced by great opportunities brilliantly disguised as insoluble problems.
- 3. If you truly believe in what you are doing, you should strive hard for yourself, even despite the obstacles you have to deal with.

4. *Stephen Covey*

7 habits of highly effective people:

Genius is 1% talent and 99% hard work

Thomas Edison

- 1. *Be proactive.* It's not enough just to be initiative, but responsible for your life as well. A proactive person is aware of his/her values, goals, and behaves in accordance with his/her life principles without complaining of the conditions and circumstances, instead he/she forms or changes them.
- 2. *Begin with the End in mind.* Start with a clear understanding of the final result. This skill involves imagining what a person wants to achieve.
- 3. *Put first things first.* Instead of focusing on what should be done, a person must acquire the skill of time management comparing actions and goals. Important things facilitate execution of goals, and urgent things must be done immediately.
- 4. *Think "Win-win"* (in other words, "Your victory is my victory"). It is a special mood of the heart and mind aimed at the constant search for mutual benefit in all interactions of people with each other. Cooperation between people is needed for the success of the organization.
- 5. *Seek first to understand, than to be understood.* . It is a habit of developing empathetic listening, i.e. a desire to understand a person.
- 6. *Synergize.* Take advantages of teamwork. The best chances of reaching synergies belongs to those people who have different views on the same phenomena, but who are able to benefit from these differences, finding new opportunities for themselves and the team.
- 7. *"Sharpen the saw".* Work on yourself within 4 dimensions of human nature– physical, spiritual, mental and social/emotional. It will support your performance and success.

One day a woman came up to Pablo Picasso in a café and asked him to draw something on a napkin.

- \$10,000, Picasso said.
- For 5 minutes and a few strokes? she wondered.
- For 50 years of hard work that let me become Pablo Picasso, he replied.



That is the answer of the manager who has reached success. The best managers choose themselves who to work with and what “price” to set for their efforts. But at first a person should work hard presenting proving to be a highly qualified specialist.

Develop your problem-solving skills rather delegating responsibilities



A note on the President's tables, “You cannot get lost”

One day a farmer was riding a donkey, and his grandson was walking briskly next to him running forward and then a little behind. A passerby, whom they met on their way, said to the farmer with reproach, “It is not good. You are riding while the boy is walking, a little boy is much weaker than you”. The farmer was ashamed. He hastily got off the donkey and put his grandson on it, and he walked beside him, leading the donkey on a leash. Then they met another passerby who also decided to express his opinion about what he saw, “Look at this selfish boy who does not respect his old grandfather and is riding a donkey”. The farmer and the boy were embarrassed. Then they both got on the donkey. In a while they met a passerby who he said, “What heartless people. Both of them are riding a weak animal”. Then they both decided to go on foot, but the next passer-by said, “Look at these stupid people! You have a donkey! Wouldn't it be better for at least one of you to ride it?” What did they have to do? The farmer tied the donkey's front legs, the boy' tied hind legs, pulled a strong stick between his legs and carried the poor animal home on a pole.
Such incidents may happen if you try to please everyone.



Nobody has managed to please everybody. There will always be people dissatisfied with everything people. A manager should be assertive – justify his own point of view and at the same time be tolerant to the opinion of other people.

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**Herasymenko Yuliia Volodymyrivna
Pidvalna Oksana Gryhorivna**

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