Organisational structure and leadership essay

Art & Culture, Music

I. ORGANISATIONAL STRUCTURE: Functional, Divisional and Matrix. Focus on the Classical theory of Henry Fayols 14 management principles. Remember at least five. If writing about unity of command, mention about unity of direction.

(Show how they are different). Organisational structure refers to the plan representing the relationships between the jobs and departments in an organisation. There are three main types of organizational structure: functional structure, Divisional structure and Matrix structure. Functional structure: The employees are working in departments based on what they are doing, for example, finance department, research department. This structure enhances the experience of each function. This structure saves us money because of the economies of scale. This structure makes the coordination between different departments more difficult than other structures.

It also does not allow for flexibility because of the centralization. •Divisional structure: It divides the employees based on the product/customer segment/geographical location. Each division is responsible for certain product and has its own resources such as finance, marketing, etc. Accordingly, this structure is a decentralized structure and thus allows for flexibility and quick response to changes. It also enhances innovation. It does not support the exchange of knowledge between people working in the same profession because a part of them are working in one division and the others are working in other divisions. •Matrix structure: It combines both structures. For example, we can have a functional structure and then assign a manager for each product.

Some employees will have two managers: functional manager and product manager. This type of structure tries to get the benefits of functional structure and also of divisional structure; however, it is not easy to implement because of the dual authority. This structure is very useful for multinational companies. Henry Fayols 14 Management Principles:

•Subordination of individual interest to general interest (#6): Organisation is superior to individual or groups. Organisational interests must always be given importance over individual interests. Promotion of individual interests at the cost of organisational interests must not be allowed at any cost. Superiors must serve common interests and not the individual or personal interests.

They should set good examples and stay firm in their decisions.

•Remuneration (#7): Remuneration payable to workers must be fair, reasonable and satisfactory to the employers and the employees. It must not only motivate higher productivity but also provide satisfaction to the concerned people. Wages, bonus, share in the profits would constitute a remuneration plan. It should be based on the expected normal standard of living, productivity of the concerned employees and capacity of the firm to pay. •Centralisation (#8): Centralisation refers to concentration of authority at one place or at one level of organisation. On the other hand, decentralisation refers to dispersal of authority to lower levels of organisation. Management has to decide to what extent the decision making authority is to be centralised or decentralised.

Balance should be maintained between the centralisation and decentralisation of authority and power. Scalar Chain/Line of Authority (#9): It refers to the hierarchy of command linking all members of the organisation from top to bottom. According to this principle, the authority flows from the top to lower level in a vertical manner. It is not just a chain of authority, but also a chain of communication from both top executive to the lowest executive and vice versa. This structure implies superior-subordinate relationship.

It should not be over-stretched and should not consist of too many levels. •Order (#10): It relates to the management of things and people. Fayol believed that material order and system order alone can create a sound organisation and efficient management. Material order minimizes lost time and useless handling of materials.

Social order is achieved through organisation and selection. •Initiative (#13): Employees at all levels must be encouraged to think about and execute the organised tasks in a better way. Employees get satisfaction when they are allowed to take initiative.

Initiative on their part can be a great service of organisation strength. It may involve a sacrifice of " personal vanity" on the part of managers. II. MANAGERIALDecentralisation of authority, decentralisation in decision making. Focus on advantages and disadvantages of decentralisation. (4 each). DECENTRALISATION OF AUTHORITY: It can be defined as the situation in which the ultimate authority to command is localised as far down as the

management permits. Authority and responsibility have to go simultaneously to subordinates.

Authority should also be equal to the responsibility. The degree of decentralisation is determined by the kind of authority to be delegated, to the level to which it has to be delegated and its possible effects on the organisation. DECENTRALISATION IN DECISION MAKING: It is a process where the decision making authority is distributed throughout a larger group. It also implies that quite a higher authority is given to lower level managers.

The decisions arising from a process of decentralized decision making are the result of group work. III. LEADERSHIP RENSIS LIKERT, Michigan and Iowa studies, Path goal theory, Hershey and Blanchard situational leadership, Tannenbaum and Schmidt leadership. [Asked differences between two leadership theories, e. g.

path goal and situational, Likert and Tannenbaum, Michigan & Iowa studies with Likerts' theory] RENSIS LIKERT LEADERSHIP THEORY: •Exploitative – authoritarian system: Decisions are imposed on subordinates and motivation is characterised by threats. Management is by fear and force and communication is nearly null. •Benevolent – authoritarian system: Leadership is by an arrogant form of master-servant trust and motivation is mainly by rewards.

Management is by motivation rather than by suppression. But subordinates are still in control of the top level managers. Consultative – group system: Leadership is by superiors who have complete confidence in their

subordinates. Motivation is present in the organisation along with a substantially low amount of suppression. There is less communication.

•Participative: It is the one where management provides economic rewards and is concerned to get employees involved in groups capable of making decisions. Likert claims that managers with good performance are those who are " employee centred". Their chief task is building an effective work group that in turn yields high achievement. MICHIGAN AND IOWA STUDIES: Autocratic (directive): Leaders make unilateral decision. They guide the lower managerial members what task to do, when to do the task, why to do the task and how to do the task, this way they dictate the work methods to them. The followers do what they are told to do and sometimes the leader gives feedback that is corrective. (leader tells " what, when, why & how" of the task, followers do what they are told) •Democratic (participative): The leader seeks input about the task from the group and involves them to determine the work methods, make overall goals known, and use feedback as an opportunity for helpful coaching. Laissez- faire (delegative): Leaders let the followers make all the decisions.

They are given complete freedom, provided with necessary materials. Leaders participate only to answer questions and avoid giving feedback. PATH GOAL THEORY: Path goal theory of leadership is a contingency theory of leadership that focuses on the leaders' role in increasing the subordinates satisfaction and effort by increasing personal payoffs for goal attainment and making the path to these payoffs easier. Path goal theory contains two

groups of contingency variables – i. Characteristics of followers, for e. g. , focus of control, need for achievement, etc. ii.

Environmental factors such as employees task and the authority influence These characteristics determine two basic types of leader behaviour: supportive leadership (people oriented) and directive leadership (task oriented) and participative leadership it also determines the appropriateness of achievement of leaders behaviours. This leads to the increased performance of the followers and attainment of the goals. HERSEY AND BLANCHARD LEADERSHIP MODEL (SITUATIONAL LEADERSHIP THEORY): This model put forwards that leaders' need to change their behaviours depending upon the readiness of the followers', since this factor determines which leadership styles are most appropriate. •Task behaviour: Leaders tell the followers about the " what, how, when, where and who" of the tasks. There exists only one-way communication. The roles of the followers are spelled out by the leaders. Leaders also keep a close supervision on the performance of the followers.

•Relationship behaviour: There is a two-way communication between the leaders and the followers. The leader facilitates interaction and encourages follower in decision making. TANNENBAUM AND SCHMIDTs' LEADERSHIP CONTINUUM: The Tannenbaum and Schmidt's leadership continuum was an important precursor to modern situational approaches to leadership. The continuum identifies seven levels of leadership that range between extremes of boss-centred and subordinate – centred leadership.

A number of parameters go into choosing the managerial style: manager's competence, subordinate's developmental level, the situation. Based on the above parameters, level of delegation takes any one of the seven levels. •Manager takes decision and announces it: Only manager plays the decision-making role; no team involvement. •Manager decides and then " Sells" his decision to the team – no change in decision; but team may raise some concerns. Manager presents decision with background ideas for the decision and invite questions – team knows what options manager considered for his decision; more team involvement •Manager suggests provisional decision & invites discussion regarding the decision – team can have a say on manager's decision; it can be changed based on discussion •Manager presents the problem or situation, get suggestions, then decides – team is free to come up with options; manager decides on those options •Manager explains the situation or problem, defines the parameters and asks team to decide on the solution – manager delegated whole thing to the team; but still manager is accountable for the outcome •Manager allows team to develop options and decide on the action, within the manager's received limit – complete freedom level; team does all the work almost as what the manager does at level 1. The main advantage of this theory: for leaders/managers – it defines the criteria for involvement and delegation & range of choices for the involvement. IV. BUSINESS ENVIRONMENT: Micro and macro environment, need to show how the elements within the business environment affect the business operation of organisation, DO NOT JUST DESCRIBE THE ELEMENT.

Micro: customers, suppliers, employers, distributors, competitors, etc. (choose 5 elements to explain)…Macro: Focus on 2 of PEST, give 2 examples,

need to show it how affects the business organisation. PEST [EXTERNAL-MACRO ENVIRONMENT]: •Economic factor: It refers to the overall health and strength of the economic system in which the organisation operates. Important economic factors for the business are general economic growth, inflation, interest rates, unemployment, etc.

Economic strengths can differ in different ways. For instance, an organisation planning to launch a product when there is an increase in the economic activity. Also, for example, considering McDonalds, low unemployment means that more people can eat out; this means that McDonalds will need to have more workers to serve customers. So to attract more employees McDonalds will need to pay higher wages. Socio-cultural factor: It refers to the customs, values, morals and demographic characteristics of the society in which the organisation functions. These factors are important since they determine the products, services, and standards of conduct that the society is likely to value. For example, the trend towards a healthy life style has benefitted health clubs, athletic apparel manufacturers and retailers, and health-food producers.

Also, McDonalds now provides its customers with information regarding the nutrient contents in its products . Conversely it has had a negative effect on cigarette producers. EXTERNAL- MICRO ENVIRONMENT: Competitors: An organisations competitor is another organisation that competes with it for resources.

Most organisations compete for the most obvious resource- customer dollars. Businesses may also compete for quality labour, technological breakthrough

and patents, and scarce raw materials. An organisation should also know the weaknesses of their competitors; it may represent opportunities for an organisation, which can be exploited. Customers: Customers are anyone who pays money to acquire an organisations products and service.

New products and services, methods of marketing, lower brand loyalty have added uncertainty to businesses relating to their customers. For example, McDonalds had launched " Arch Deluxe" which was to attract the adult customers. The product had failed because customers preferred " Quarter Pounder" from the existing menu.

Suppliers: Suppliers are organisations that provide resources to other organisations. For example, McDonalds buys soft-drink products from Coca-Cola, ketchup from Heinz; and napkins, sacks and wrappers from packaging manufacturers. On the other side, an organisation my get into loss if it depends on a supplier, for a certain resource, if the supplier goes out of business or if faced by a strike.

Substitutes: Substitutes are organisations that provide alternative products or services which can substitute the existing products or services. It involves opting for another alternative. For example, going to a restaurant instead of the grocery store when hungry.

But if one has no choice but to the grocery store for food, then the grocery stores will make more money. The fewer are the available substitutes, the greater will be the profit. Regulators: Regulators are units that have the potential to control, legislate, or influence the organisations policies and

practices. These are created by government to protect the organisations from one another.

For example, the FDA (Food and Drug Administration), ensures that the food we eat is free from contaminants and thus is an important regulator for McDonalds. V. ORGANISATIONAL CULTUREDefine culture, organisational culture- national culture, organisation culture, corporate culture, sub culture Rituals and ceremonies, stories, languages, leadership, policies, decision making, artefacts i.

Shared values, espoused values, core values. Need to know the meaning of visible and invisible culture. VI. DIFFERENT TYPES OF DECISION MAKING: Refer to Ansoff, Strategic decisions, operating decisions and operative decisions (differences between these, need to know the characteristics) VII. MOTIVATIONAL THEORIES: Maslows hierarchy of needs, Herzbergs theory, what is self-actualisation? MASLOWS HEIRARCHY OF NEEDS: Abraham Maslow developed a theory of personality that has influenced a number of different fields, including business organisations. The hierarchic theory is often represented as a pyramid, with the larger, lower levels epresenting the lower needs, and the upper point representing the need for self-actualization. •Physiological Needs: These are biological needs. They consist of needs for oxygen, food, water, and a constant body temperature.

They are the strongest needs because if a person were deprived of all needs, the physiological ones would come first in the person's search for satisfaction. •Safety Needs: When all physiological needs are satisfied, the needs for security can become active. Adults have little awareness of their

security needs except in times of emergency or periods of disorganization in the social structure (such as widespread rioting). Children often display the signs of insecurity and the need to be safe. •Social needs: When the needs for safety and for physiological well-being are satisfied, the next class of needs for love, affection and belongingness can emerge.

Maslow states that people seek to overcome feelings of loneliness and alienation. This involves both giving and receiving love, affection and the sense of belonging. •Self- esteem needs: When the first three classes of needs are satisfied, the needs for esteem can become dominant. These involve needs for both self-esteem and for the esteem a person gets from others. Humans have a need for a stable, high level of self-respect, and respect from others. When these needs are satisfied, the person feels self-confident and valued as a person in the world. When these needs are frustrated, the person feels inferior, weak, and helpless.

•Self-Actualization needs: When all of the foregoing needs are satisfied, then and only then are the needs for self-actualization activated. Maslow describes self-actualization as a person's need to be and do that which the person was " born to do. " " A musician must make music, an artist must paint, and a poet must write. " These needs make themselves felt by signs of restlessness. It is not always clear what a person wants when there is a need for self-actualization. The person feels tensed and restless. If a person is hungry, unsafe, not loved or accepted, or lacking self-esteem, it is very easy to know what the person is restless about. SELF-ACTUALISATION: Maslow explicitly defines self-actualization to be " the desire for self-fulfilment, the

tendency for the individual to become actualized in what he is potentially strong in.

This tendency might be phrased as the desire to become more and more what one is, to become everything that one is capable of becoming. A basic definition from a typical college text book defines self-actualization according to Maslow simply as " the full realization of one's potential. It emphasizes the fact that self-actualization cannot normally be reached until other lower order necessities of Maslow's hierarchy of needs are satisfied. Maslow uses the term to describe personal growth that takes place once lower order needs have been met. People that have reached self-actualization are characterized by certain behaviours. Common traits amongst people that have reached self-actualization are as follows: •They embrace reality and facts rather than denying truth. •They are spontaneous. •They are interested in solving problems.

•They are accepting of themselves and others and lack prejudice. HERZBERGS TWO FACTOR THEORY or HERZBERGS MOTIVATOR- HYGIENE THEORY: According to this theory people are influenced by two factors. Satisfaction and psychological growth are a result of motivation factors and dissatisfaction is a result of hygiene factors. •Hygiene factors are needed to ensure that an employee does not become dissatisfied. They do not cause higher levels of motivation, but without them there is dissatisfaction or no dissatisfaction. These includes as workings conditions, quality of supervision, salary, status, safety, company, job, etc.

•Motivation factor are needed in order to motivate an employee into higher performance. These factors result from internal generators in employees. These factors include achievement, recognition for achievement, contentment with job, responsibility for task, advancements to higher level tasks and growth. VIII. LEADERS AND MANAGERS: It is useful to distinguish between managers and leaders; managers have legitimate or positional power as a result of their post. However, for leaders the source of their ability to influence others comes from their expertise or from their personality. It is possible to be a leader without being a manager, and possible to be a manager with no leadership skills.

On the other hand, the best managers are also leaders. John Adair claimed that people can be trained for leadership as a transferable skill and that leadership is not a matter of inborn aptitude. The central skills are decision making, communication, and the ability to manage time. In his action-centred learning model he argues that working groups share three areas of common needs: the need to accomplish a common task, the need to be maintained as a cohesive social unit or team, and the sum of the group's individual needs. The functions of leadership are: planning and initiating, controlling and supporting, informing and evaluating.

Warren Bennis argues that whereas managers do things right, leaders do the right thing. Leadership can be taught and learned. The best leaders are ' ideas people, conceptualists'. The most impressive and memorable quality of a leader is the way he responds to failure. Leaders don't think in terms of failure.