THE BASICS OF

MANAGEMENT

(Planning, Organising, Leading, Controlling)

Presented by

Geoff Rutter

Management Consultant

rutter@mweb.co.za

Phone (011) 465-8729

© 2003

CONTENTS

PLANNING

Planning is the work a manager performs in order to affect the future of the business as much as possible.

While no one can perfectly forecast what lies ahead, planning is essential in order to get the future to tend to what we want it to be. If we know where we want to go, we are much more likely to get there. *The probability of a specific future occurring increases with the amount of effort expended towards its realisation.*

Perhaps the biggest barrier to planning is that many of us prefer to *do* things rather than *think* about them first. The more time we spend fighting fires, the less time we have to develop plans that would prevent the fires. The time invested in planning results in handsome dividends down the track as we see more time saved than was spent in planning.

An enterprise is affected by a complex web of social, political, economic & financial factors, & a multi-faceted approach is needed to unravel this web of cross-impacts. And situations change rapidly, requiring new problem definitions & solutions. Hence we can regard the planning function as comprising several aspects:

1   LONG TERM

In order to ensure survival in modern business, the senior manager must have the ability to identify interdependencies between the resources of the organisation (human, financial, physical, technological) & its environment (sociological, political, economic, legislative) & how they impact the vision & goals of the enterprise. We call this **strategic thinking**.

A major contribution of the military to modern business is strategy formulation & implementation. In the military, "**strategy** involves plans for conducting war in its widest sense, including diplomatic, political & economic considerations as well as those of a purely military nature". In turn, strategy leads to "**tactics**, which are detailed operational methods to implement specific aspects of the strategy", for example how to cut enemy supply lines. In sport, strategy is the "game plan" agreed beforehand, while tactics are the actual moves that take place on the field. Most times (not all), strategy is concerned with the "what" & tactics with the "how".

While strategy for business has been defined as "a carefully designed plot to murder the competition", it involves all facets of the articulation of the organisation's long-term goals & objectives, broad allocation of resources & the adoption of appropriate courses of action to exploit that organisation's competitive advantage.

Michael Porter has identified three generic approaches to competition:
  1   **Overall cost leadership** – through efficiencies, cost reductions, control of overheads, etc

  2   **Differentiation** – creating something that is perceived as being unique, eg through design, brand image, technology, customer service, branch infrastructure, etc

  3   **Focus** – target a particular buyer group, geographic market or niche, and serve that target group exceptionally well

He has also identified "**Five Forces**" that affect any industry's markets:

  1   The threat of substitutes (eg through reverse engineering; eg generic vs. proprietary medicines)

  2   The threat of new entrants

  3   The bargaining power of suppliers

4   The bargaining power of buyers

5   Intensity of competition

Two tools to use in developing strategy

1   Gap analysis

Managers determine where the organisation is today, where they want it to be in the future, & how they intend to get there. Invariably the analysis reveals a "planning gap", or a gap between what under normal growth conditions can be achieved (momentum gap) & where they wish to be (potential line). Effort is then devoted to closing this "planning gap" through:

- Improving operating efficiencies
- Developing new products
- Diversification
- Creating new markets
- Mergers, strategic alliances, etc

2   SWOT Analysis

While we will return to this later, note the following for now:

a   The analysis can/should be performed in every KRA of the business, eg management, finance, production, marketing, HR, technology, etc

b   It is essential to be objective in drawing up the analysis, using as many concrete/factual inputs as possible

A basic Strategic Planning process

The "flow" of the planning process is:

Vision ➜ Mission ➜ KRA's ➜ Analysis ➜ Objectives ➜ Action Plans

Refer the following definitions & guidelines:

STEP	DEFINITION	GUIDELINES
Vision	What we can become	1 Expresses a desired future state, better than what presently exists 2 Deliberately not concrete or measurable 3 Dream, but be realistic & credible 4 One or two paragraphs
Mission	Why do we exist/what is our business?	1 A present tense statement (Vision = future tense) 2 Avoid jargon & fashionable yet meaningless phrases (eg "strive") 3 Not concrete or measurable 4 Places a boundary around all activity 5 Provides focus for objectives 6 One or two sentences
KRA's	Those areas of the business where it is vital that we produce results	Examples: Leadership, Production, Marketing, HR, Finance, Social responsibility
Analysis (SWOT)	The current state of the business	S & W = internal O & T = external

Objectives	Where do we want to go?	1 Describe clear, measurable results in a specific time, not activities 2 Base on SWOT & KRA's & stay within Mission 3 Achievable/realistic yet stretching 4 Easily communicated 5 Must sit in judgement on all activity & busy-ness
Action Plans	Who will do what by when so that objectives get accomplished	1 Assigns specific responsibilities for action 2 Represent commitments by team members 3 The "what" is more important than the "how" 4 A plan is only as good as the person who will carry it out 5 Instrument for individual performance appraisal

---

NOTE

Everything flows from the organisation's **Vision**, so that a key question for leadership to ask on a regular basis is:

"***Is what we are doing contributing to the attainment of our Vision***?"

EXERCISE   Write a Mission Statement for SAA in one sentence

SPECIAL NOTE:

Planning assumes **greater** importance in a time of rapid change. *We must use it to identify which actions will make the most difference.* We cannot sit back & wait for things to happen – we have to be proactive & *make* things happen. Our competitors are in the same boat & just as shell shocked as we are. We just need to be more creative & flexible than before.

Four further implications of change:

1   Plans need to be reviewed regularly – they should not be regarded as cast in concrete, as new circumstances may surprise us & necessitate revision.

2   We may need to shorten the life cycles (S curves) eg of our products – instead of one big bet on a future we can't see, lay several small bets to ensure some certainty, minimise losses & give a taste of what will work in future. Don't wait as long as previously before making changes – reinvent your organisation to fit the emerging environments, both through radical change & continuous improvement. **BUT** don't change for the sake of it – there must be a good business case for it.

3   Take care with fashionable ideas, eg flat structures (hierarchies *are* necessary); "everyone is a leader"; self-directed teams (a recipe for anarchy because there is usually no clear definition of who is accountable).

4   Even the definition of a "manager" is being revisited. Not long ago it used to be "one who achieves results through supervising the work of others". Now a "manager" can be said to be "one who is responsible for the application & performance of knowledge".

FURTHER NOTE:

The "3-D" Theory of organisational performance:

Payback to stakeholders = f(Strategic Management, Performance Management & Corporate Governance)

2   MEDIUM TERM

We must acknowledge that differences in terminology exist in Planning (as in all management functions), but for present purposes we regard "Business Plans" as pertaining to the medium term. Such plans usually forecast sales volumes, margins, costs of sales, admin costs, profit levels, marketing projects, production improvements, stock turnover, R & D focus, headcounts, recruitment plans, cash flow, payroll costs, etc.

A possible link between the various phases of planning is:

Focus	Type of plan	Time frame	Outputs
Strategy	Strategic	5 years plus	Vision Direction Objectives
Medium	Business	1-3 years	(See above)
Operations	Annual	1 year	Budgets Targets Timetables Changes Responsibilities Controls

3 SHORT TERM

A Action Plans

Refer the table above. An Action Plan should be the output of any meeting where duties & responsibilities are assigned. It can even take the place of Minutes!! In front of his colleagues, a manager makes a commitment to take a certain action by a specific date – if he does not make good on his promise, he lets the whole team down.

A simple format is to have just three columns – the action to be taken, who will do it, & by when.

NOTE: Good managers will focus on delegating responsibility for the "what" (i.e. the objective being accomplished), & leave the "how" to the subordinate.

Group exercise

Simulate an actual situation or project you are facing & come up with an Action Plan.

B   Scheduling (eg Gantt chart)

Such a chart, used in project management to indicate progress, shows *time dependencies & how events in the project are interrelated*. One phase of the project cannot begin until a previous one has been completed, eg manufacture cannot begin until parts have been procured & taken into stock.

Related tools are the PERT chart & Critical Path Analysis.

4   PEOPLE ("Manpower") PLANNING

This is the process by which management prepares to have the needed types & numbers of people in the right places at the right times, so as to fulfil the company's objectives.

It is difficult to divorce this function from the total HR system of the organisation (see 'Model' for example), because key HR practices such as recruitment, training & development have to integrate with the headcount forecast. Also, it has to be regarded as essential an input to the Business Plan as sales projections, financial plans, facilities optimisation, etc – to be effective, all these must integrate together into an overall company plan. Benefits include being able to see where skills shortages are likely to arise, & also where an over-supply is likely, leading to reduction in headcount.

The Manpower Plan is influenced by at least the following inputs:

1   Inventory of present people assets, eg in terms of skills
2   Labour turnover (historical per skill level, & whether it is likely to change in the future)
3   Pending retirements
4   Legislative requirements (EEA, BCEA, SDA, LRA !!)
5   Company objectives (eg expand, contract, reorganise, diversify)

5   SUCCESSION PLANNING

See the "Key Succession Plan" (next page). Note the distinction between a 'backup' (one who can step into a manager's shoes in a holding/temporary capacity) & a 'successor' (one who will move into that position permanently).

A **recommended** strategy in planning for succession is to continually & scientifically identify those with potential, & through a programmed approach

prepare such employees for their future with you. Care should be taken not to make any promises nor to disclose too much to them, as swollen heads may result.

A strategy that is **not recommended** is to ask managers to nominate those whom they feel should be put into the Succession Plan. This could result in favourites (or the opposite, viz. those seen as posing the least threat to a manager's position!) being punted.

Special problem case

It has been my experience that some people (probably having strong motivation to "advance/get ahead" or "gain status") create major headaches for HR Managers in that they push without letup for frequent promotion. They collect course certificates because they equate training with the automatic right to advance to the next highest job, and/or with an expectation of a pay increase. They confuse 'development' with 'upward mobility'. They may gain the support of a line manager who in turn puts pressure on the HR department to support the person's promotion.

Four very important observations here:

1   People deserve promotion when they demonstrate the **competence** required for that next position

2   As one progresses up the normal 'pyramid shape' structure, so the number of promotion opportunities *decreases*.   This means that inevitably some people are going to be disappointed (& may leave) as competition for a limited number of vacancies intensifies

3   The **Peter Principle** (by Peter & Hull, Souvenir Press 1969) is by now well accepted:

> "***In a hierarchy every employee tends to rise to his level of incompetence"***

An important corollary of this is that each person has a **ceiling**, & the sharp HR Manager will assist the organisation by trying to determine what this is in each individual case - the problem, though, is that most individuals do not want to accept this but believe they can "go higher".

4   It is dangerous for a manager to ask an employee, during a development or appraisal interview: "Where do you want to go in this organisation?" This can create unrealistic expectations, be regarded as a "promise" to be used as later ammunition, or even threaten the manager's own job. A weak system may then have to open a special promotion slot for the "pusher", with consequent increased payroll costs & probable jealousy from other employees.

6 BUDGETING

Budgets allocate company resources as necessary for its objectives to be accomplished.

Not only is a budget a planning tool, it is also a control mechanism, eg by enabling management to spot variances which indicate which costs are being exceeded.

A manager should be held accountable for the budget for his sphere of operations, since he is closest to the action of his department. And managers are not allowed to spend resources belonging to another department.

7 POLICIES & PROCEDURES

A policy may be defined as a "standing decision that applies to repetitive questions and problems of concern to the enterprise as a whole in achieving its objectives" (Louis Allen).

Without adequate and up-to-date policies, the effect will be one of crippling decision-making so that even trivial issues have to move up the chain of authority instead of being part of a routine. Further, decisions are then based on *ad hoc* criteria and there are no unifying principles to guide the organisation as a whole. The result is a lack of uniformity leading to comparisons and consequent unhappiness.

Policies (kept in a manual) should provide the necessary guidelines on issues to all employees and free a manager from the need to decide each case on its merits. All employees, from the top down, should abide by the policies & violation should be a disciplinary issue.

The manual should never be taken out of the office nor should its contents be copied without proper authorisation. Employees are of course entitled to read the policies at any time, & in fact should be urged to do so before signing their Letter of Appointment.

The HR department is normally responsible for the issue & maintenance of the Staff Policy Manual which covers all conceivable issues that are likely to

arise in the employment relationship. Policies may be written by line where appropriate.

Some issues on which policies are normally required are:

Leave	Study loans
Exit interviews	Farewell parties & collections
Company vehicles	Long service awards
Parking	Entertainment of customers
Religious holidays	Use of company laptops
Personal loans & financial assistance	Office dress & decorum
Use of company stationery	Personal phone calls
Relocation costs	Security
Recruitment procedures (eg do we advertise ourselves or use an agency)	
AIDS	

ORGANISING

Organising is the work a manager performs to arrange & relate work so that it can be performed effectively by people, i.e. contribute to the company accomplishing its objectives.

8   STRUCTURE

Some principles of structuring an organisation are:

1   Structure follows strategy

The structure of any enterprise must serve & flow from its Vision, Mission & Objectives. The key question is "how can we organise ourselves so as to get where we want to go?"

Identify key functions & tasks to be performed, & key types of decisions to be made, then assign responsibility & authority to selected people in those functions. Ideally, an **organisation chart (**"organogram") should be compiled, showing lines of authority & accountability in a "hierarchy of supervision".

2   Unity of Command

Frequently violated in the ostensible interests of costs saving (by having a "lean" structure), this states that no member of an organisation should report to more than one superior for any one function. Napoleon: "One bad general is better than two good ones". Most often, this results in conflicting instructions being received by the subordinate & the development of greater loyalty for & affection towards one boss than the other.

A corollary is that no manager may delegate work to another manager's subordinate without permission.

One modern form of structure is the "matrix", whereby an individual reports to his boss for normal work but to another for a particular project (hence often used in project management). This *can* be made to work provided:

  a   The resulting conflict can be managed (& time devoted to it)
  b   There is frequent & intensive communication between all parties
  c   *Command* responsibility remains with the former, while *task/functional* responsibility vests with the project co-ordinator

FURTHER CAUTION: This author has never seen "split accountability" work, i.e. where one person performs two distinct roles (again, probably in the interests of keeping expenses down). He will invariably veer toward that which gives him greater intrinsic satisfaction & his performance in the other will suffer. I have seen this where highly idealistic Board members with little management experience persuaded the organisation that this was the way to go.

3   Span of Control

The number of people directly supervised by a manager. While in the past the tendency was to prescribe this number at anything from 3 to 8 (more, the lower down the structure one was), modern thought is to stretch managers to supervise many more people in the interests of a flat structure, especially if one's competitors have got lean by retrenching some of the layers in their hierarchies!

Factors influencing the SOC include:

  a   Management competence (eg in delegating)
  b   Motivation levels of subordinates (in accepting more delegated responsibility)
  c   Free communication flow & access to information

d	The nature of the jobs, eg routine functions require less close supervision

4   Line & staff

In a military context, *line* commanders issue orders after *staff* officers have drawn up & presented battle plans to them. In business, line managers are those with final decision-making authority in a function & who are directly responsible for bottom-line results (eg Sales, Manufacturing), & staff managers are accountable for the quality of service & advice they provide to line (eg Finance, HR, R & D). Note that a Finance Manager is *line* to his department & *staff* to all other divisions in the company. A PA/secretary is *staff* to her boss, while being in the *line* of his direct supervision of her work. In an operating theatre, the surgeon is line & the anaesthetist is staff.

Staff people need to have the ability to win the confidence of *line* people, & to make intelligent & reasoned recommendations for a particular course of action. In turn, the wise *line* manager will not be averse to asking *staff* people for advice, eg in an individual performance issue.

5   Decentralisation

In a *geographical* context, this may refer to a company having identical business units in various parts of the country. As an *organisational* idea, it refers to pushing down decisions as low in the structure as possible, on the basis that those closest to the job know best what needs to be done. It is closely related to delegation & carries virtually the same advantages & risks.

One form is that of the 'federal' model, where a small & lean Head Office supplies the "why" (Vision) & "what" (Objectives) & leaves the units to be responsible for the "how", under a principle of co-ordination without losing the advantages of decentralisation. It follows that the Head Office needs to have minimal desire to control – unit managers are given well-defined sets of responsibilities, clear accountability, & maximum degrees of freedom to execute.

6   Review constantly

In a rapidly changing world & business environment, it is imperative that management frequently reviews its organisation's structure, particularly in the light of the necessity that structure serves the strategy of the organisation.

"One job that always needs to be organised as a distinct activity is the economic analysis of the business, its dimensions & tasks, & the programme for performance. It is distinct work. It is crucially important work. It is a great deal of work. Someone must therefore be assigned to it & be responsible for it. And except in the smallest business he will have a fulltime job on his hands" (Peter Drucker).

How strategy, structure & culture relate together: See next page

A profound observation: The number of relationships increases out of proportion to the increase in the number of employees in an organisation………

9 DELEGATION

Did James Boren have only half tongue in cheek when he wrote in his "Guidelines for Bureaucrats"….

1 When in charge, ponder
2 When in trouble, delegate
3 When in doubt, mumble…….?

Delegation is "Assigning work to others with commensurate authority & responsibility".

ADVANTAGES:

1 It frees you for more important & worthy-of-your-value tasks

2 It involves, motivates & develops others

DISADVANTAGE:

There is only one – no one will ever do it as well as you can. Often reluctance to delegate results from a fear of being threatened by a subordinate's superior performance. That is a short-sighted attitude for a manager to have, as failing to delegate means our subordinates miss unique opportunities to be involved, motivated and developed, and they will be quite likely to leave our team in frustration.

There is a large body of management experience that believes developing one's subordinates is a manager's most important job - & delegation is one means of accomplishing this.

**PRINCIPLES of DELEGATION**

1   Make a list of the things only **you** can do, & delegate the rest (especially routine)

2   Choose the right person (this assumes you know their capabilities)

3   Require completed work (unfinished work = upward delegation). There is only one direction in which delegation can flow

4   Unfortunately you cannot delegate ultimate accountability. _**This is undoubtedly the greatest risk associated with delegation.**_ A graphic illustration of this occurred in late 1993. A ferry sank off the coast of South Korea, resulting in the loss of more than 200 lives. The person held accountable was not the pilot nor the owner but the Minister of Transport in the South Korean government, who was fired. If something goes wrong, the person at the top "carries the can". This may be a particularly Eastern cultural requirement, and scholars such as Elliott Jaques believe that accountability _can_ and should be delegated as far down the hierarchy as possible.

It is worth distinguishing between

RESPONSIBILITY – "get this job done"

AUTHORITY – the power or right to make decisions & take action

ACCOUNTABILITY – being held ultimately to account for its success or failure

5   Secure understanding & acceptance (even in writing). Ensuring that the delegatee clearly understands what you want is as much a function of your communication skills as it is of his IQ.

6   Observe the "Unity of Command" principle (you cannot delegate to someone else's subordinate without permission).

7   Hold the reins lightly. When riding a horse, pulling on the reins makes the horse stop. Don't look over your employee's shoulders every few minutes to check on progress. Of course, there are people who _need_ to be mothered, but this comes back to that most vital principle - _get yourself the right people!_ **_Good managers prescribe the WHAT_** (i.e. the results they want) **_but not the HOW_** - that's a function of the delegatee's initiative and creativity. If you are considered to be a "hands on" manager, that's usually an indication that you may want to do most things yourself and if you _do_ happen to delegate, you want things done your way. "Hands off" managers are usually better developers of their people.

8   Give recognition for a job well done ("positive reinforcement"). This does not need to be financial but liberal doses of "thank you", expressed in verbal or written form, reinforce the good job done and motivate the person to do it again.

In their book "The One Minute Manager", Ken Blanchard and Spencer Johnson identify the need to "catch people doing things right". When we do and we recognise that behaviour, it provides a spur and an encouragement to them to do it again - for *behaviour that is rewarded will tend to be repeated.*

Here is a tip worth its weight in gold: **Commend in public, criticise in private**. *However*, "public" commendation can be overdone, leading to pride, perceptions of favouritism, and possibly victimisation of the "boss's pet" by colleagues.

BARRIERS TO DELEGATION

1   A reluctance on the part of the person at the top to let go

2   A desire for the perceived prestige that comes with retaining control

3   Lack of confidence in your staff

4   You doubt your ability to train people to do it your way

5   You simply have never had any help in learning how to delegate

DEGREES OF AUTHORITY

There are (is?) a number of possible degrees of authority that you can delegate. These are listed here in descending order of degree of "hands off". Ideally, don't choose one and adhere to it rigidly, but vary your style according to the competence of the subordinate concerned:

a   Do it and you don't need to report back. Let me know only if something goes

        wrong ("management by exception")

b   Do it and report back at our next routinely scheduled meeting

c   Do it and report back immediately

d   Give me some recommendations and we'll decide together

e   Gather information for me and I'll decide

Exercise: Delegation styles

ACTION TIME

1 List all the tasks that currently require your attention. Which could you give away, & to whom?

2 What is the distinction between delegation & abdication?

10 TEAMWORK

Every employee is a member of a work team – while he/she may not have reporting subordinates, certainly he/she is a member of the team whose members report to their manager. Even a CEO is part of a team, viz. the Board, as well as team with all his reports. In addition, people may be drafted onto special task force teams for the duration of a project.

So it's a key reality that people in organisations function not so much as lone *individuals* but as *members of teams or groups*. For an *individual* to function effectively, therefore, requires that the *team* must function effectively.

It's also a reality that interpersonal conflict occurs as a norm in any organisation – we vie with each other for greater power, prestige, recognition & personal autonomy. Under these conditions, "team efforts" are difficult & the accomplishment of group objectives is hindered. Thus the team leader may need to call the team into problem-solving/teambuilding session on a frequent basis. Team meetings are also necessary for solving work problems in a participative manner.

* A team is a group of **interdependent people** who co-operate in order to achieve exceptional results

* **Co-operation is a gift** from one team member to another, because of the other's character and competence

* **6 necessary ingredients for a team to be successful**:

  1 Common purpose

  2 Appropriate and agreed roles

  3 Accepted leadership [it may be necessary to distinguish between position & person]

  4 Effective methods and plans

  5 Solid relationships & mutual respect

  6 Excellent communication

LEADING

Leading is that function of management which directs & channels the skills of people towards the achievement of the organisation's objectives.

11   DECISION - MAKING

EXERCISE 1   a   Describe a recent decision you made that didn't work out too well.

b   ***Why*** do you think it wasn't a good decision?

DANGERS WHEN MAKING DECISIONS

18

1   Using "gut feel", intuition, "flying by the seat of your pants"

2   Not getting all the facts; making assumptions

3   Bias or favouritism towards one option, not being objective; allowing past experience to influence you too positively or negatively; allowing emotions to influence you

4   Not checking the consequences of your proposed action

5   Time pressure leads to panic and not thinking

EXERCISE 2   Return to the decision you described in Exercise 1. Which of the "dangers" we have just looked at caught you?

ALL GOOD DECISION-MAKING SHOULD INVOLVE FOLLOWING A SET PROCEDURE (structure or framework)**:**

1   ***Clarify the issue***   Start with a clear statement of the situation and what you want to accomplish, i.e. the results you want to get out of it.

2   ***Get all the facts***   Take the initiative, ask questions, dig. Be careful that they *are* facts (concrete evidences, realities, statistics, trends, costs, etc.) and not your own opinions.

   *   What can you do about facts you don't have?

3   ***Analyse and evaluate the facts***

   *   What do they say to you? What are their implications?

   *   Are there some facts that are more important than others, and should influence your decision accordingly?

   *   There may be some "overriding" facts, i.e. they make the decision very clear, taking it out of your hands.

4   ***Choose the best option***   Use the appropriate technique (see below). Avoid bias, be objective. Check the consequences and assess the risks (what could go wrong). Think long-term.

MOST COMMON DECISION SITUATIONS	TECHNIQUE TO USE *AFTER* GETTING AND ANALYSING ALL THE FACTS
1. Should I ....?	Pro (in favour of) and Con (against)
2. Which one to buy?	Define what you **must** have (vs. what you **want** to have) in the product you propose to purchase & eliminate all options that do not meet these "must" requirements. If the "wants" are present, that's a bonus.

NB   Often no.1 leads into no.2

     eg "Should I buy a new laptop?" If YES, then:

        "Which one?"

EXERCISE 3   List some (eg 3) of the decisions (work & personal) you are facing at present

EXERCISE 4   Choose one of the above & get some way down the track towards decision by applying the Procedure

EXERCISE 5   Draw up a list of your "must" requirements for a "Which one" decision situation facing you (e.g. a supplier, purchase of a laptop, etc.) and use it as a "shopping list" when the time comes

PROBLEM-SOLVING

DANGERS IN PROBLEM-SOLVING

1   Jumping to conclusions about the cause, and so wasting time and money on the wrong corrective actions

2   Taking action too quickly, eg when under pressure to fight a fire

EXAMPLES: Your car won't start

         The light in a room doesn't work

USE A SET PROCEDURE OR STRUCTURE:

1   Start with a clear understanding of the problem that requires a solution.
What is it, and what is it not?

2   Get *all* the facts

3   List all the possible causes

4   Choose the most likely cause:

a   The one that best explains the facts

b   If it is removed, will the problem be solved forever?

5   Take corrective action to remove the cause

➔   **HANDOUT – Problem-solving Case Study**

EXERCISE 6   Use the Procedure to move towards a solution for a work-related problem you are facing at present. Take your time – you can complete the exercise later, eg when you have accessed more facts

12   MOTIVATING

A   Class discussion on the **theories of Maslow & Herzberg**

➡   **HANDOUTS** Notes on Maslow's & Herzberg's theories

         NOTE: Maslow's is a theory of *human* motivation

                        Herzberg's is a theory of *work* motivation

         SPECIAL FOCUS: The role of money in motivation

B   Class discussion on the hypothesis that performance is a function of an
         individual's ability as well as his/her motivation:

                    Performance = f (ability x motivation)

         Hence if either one of the two factors is low, performance will suffer.   Other
         implications are:

              a   Selection should focus on both factors
              b   If both are low, skills training will not have much impact
              c   Performance would improve if high-ability people were helped to
                       become more motivated
              d   Performance would improve if training were focused more on
                       highly motivated people

C   The measurement of **Labour Turnover** (the % of employees resigning per year)
         is often a good indicator of motivation levels within an organisation. *In general*,
         LTO in excess of 15% reflects an unhappy group (some opinions are that even
         10% is too high).
         Also, bear in mind the **cost** of high LTO - a general rule of thumb is that the cost
         to an organisation of an employee leaving is around one year's pay (taking into
         account recruitment costs, training, loss of productivity, loss of customers, etc).

D   The **style** of the leader or manager has a profound impact on staff motivation.
         For example, one who is rude to his people, often criticising them in front of their
         peers, is not likely to inspire loyalty. Conversely, one who invites participation in
         planning & decision-making, who encourages staff when they do something
         well, yet retains the necessary authority & respect, will have a loyal team who
         enjoy working with him.
EXERCISE

PEOPLE I HAVE KNOWN

Think of people you have worked with. Think of the one whom you feel was *most effective* in handling interactions & relationships with others. Specifically, what did he or she **do**, and what were their **attitudes**, during their people management that made him/her effective? List these things (using one to three words for each point) in the left-hand column below.

Now think of the one whom you feel was *least effective.* List what he/she did and the attitudes involved in the right-hand column.

MOST EFFECTIVE   LEAST EFFECTIVE

The **style** of a good leader or manager may be likened to that of a **COACH**.

In the space below write down some one-word things (verbs) a coach does to get the best out of his team (besides shouting from the bench!):

A sports coach has a broader objective than just to win games - *he must develop a team of consistently good players*. The general process involves:

1   Clarifying each player's role & expected standards of performance

2   Provide an atmosphere of encouragement & confidence, & a climate where everyone is able to improve

3   Remove obstacles to effective performance

4   Consistent & fair review of progress & problems

E   Former Harvard professor Tom Bonoma has a very brief yet powerful secret to effective human performance:

1   **Pick the team**

2   **Point the team**

3   **Challenge the team & help them to excel**

F   **Rewards/compensation/incentives systems & policies**

In general, compensation programmes seek to accomplish four goals:

1   To recruit people to the firm

2   To budget properly & to control "headcount" costs (no manager should pay an employee above the company pay scales)

3   To reduce LTO & to minimise pay grievances

4   To reward people for superior performance

Some general principles & observations:

a   RATES OF PAY should be market-related (there are some specialist consultancies who annually publish market rates for several kinds of jobs). If a company cannot afford to pay at these rates, then they cannot expect to attract & retain the right talent. If, on the other hand, they can pay above these rates, they will develop a reputation for this & be able to choose their employees from a bigger pool

In some sectors or functions, the normal laws of economics in terms of supply & demand apply, & companies are obliged to pay a premium above market rate (eg IT)

b   MERIT compensation is far preferable to "notch" increases (based eg on length of service). In my view, pay should be distributed twice annually - salary increases say mid-year (based on individual performance) & bonuses at year end (based on individual *and* company performance). The widespread practice of "13th cheque" merely says to poor performers that "your poor performance doesn't matter, you get the same as star performers", & *vice versa*

c   Negotiated PRODUCTIVITY BONUSES are becoming common in eg the mining industry. Workers are promised basic pay plus a bonus per unit of production exceeded

d   INCENTIVES are standard practice in the sales profession, where targets are set & achievement or exceeding of them is rewarded proportionately. It is thus possible for talented salespeople to earn large amounts of money (eg commissions earned in the insurance industry)

e   PROFIT SHARING, or OWNING SHARES in the business is common practice for management level employees

➜   **Handout: "Block" diagram re different types of increases**

13   SELECTION

In my view there is no more significant strategic contribution to be made by the HR department than to **ensure that the right people are in the right jobs**. Consider the following:

Walter Wriston: "I believe personnel is the only game in town - if you have the wrong person in the job, there is no management system known to man that can save you"

Lee Iacocca: "I've seen too many cases where somebody was in the wrong job for years. More often than not, there was no way for management to find that out until it was too late"

Peter Drucker: Once expressed amazement to Alfred P Sloan (GM Chairman) that an executive team spent 4 hours discussing whether a master mechanic was the right man for the job.   Sloan's response: "If we didn't, we might have to spend 400 hours cleaning up our mistakes".   Sloan believed people decisions were the most important decisions executives had to make.

Common mistakes in interviewing

1   Asking questions requiring "yes" or "no" answers (leading or directive questions) could result in faked answers for the sake of impression

2   Asking theoretical questions ("what would you do if...") results in theoretical answers. Examples: "What are your strengths?"   "Are you an organised person?"

3   The halo effect - allowing one outstanding characteristic to influence you unduly and obscure your objectivity. First impressions are important but can mislead

4   Allowing vague, theoretical future-orientated statements and opinions, instead of facts and past examples

5   Disclosing what you are testing or helping them give the correct response

6   Equating experience or education/qualifications with competence

7   "Nice guy" reputation and image, or being deceived by physical appearance

8   Failure to discern a "ladder mentality", a desire to move up continually. BEWARE A JOB HOPPER
9   Assuming that training can correct skill deficiencies

10   Deadline pressure ("we must have the vacancy filled by...") leads to lowering of selection standards

11   Candidate is a friend of a high-up person or has "contacts" or is a member of the "Old Boys Club"

12   **Special tip**: Beware the candidate who raises issues of compensation ("how much does this job pay?") up front in the recruitment/interview process. This is best left for last, as part of the final negotiations, once the "chemistry" between the two parties has been established

---

A BETTER SYSTEM: look into the candidate's PAST for situations/tasks resembling those you envisage for the job, & ascertain what actions he/she took & what the outcomes were

The past is the most reliable (though not perfect) way of predicting future behaviour. Hence:

1   Identify the "dimensions" - categories of behaviour, or skill areas - of the job. We want to know about the candidate's *previous* actions or reactions under specific circumstances **likely to occur on the job**.

NOTE: a   They vary from one job/position to another
              b   They can & should be stated in one or two words
              c   It follows that we must have a job description, or at least a good idea of what the job entails, before we can identify the dimensions in which we want to ask questions
              d   See this list of possible dimensions & questions to ask:

INNOVATION   "Give examples of your ideas which have been adopted by the organisation for which you currently work…what was the outcome in each case?"

INITIATIVE   "Give me an example of a time when nothing was happening but it was imperative that the ball started rolling - what was your role in the events that followed?"

ORGANISING   "Give me an example of a time when you were made responsible for arranging an event from start to finish. Describe it and how details were co-ordinated. What was your role? What was the outcome?"

2   Target the interview towards these dimensions. Ask *past-tense* questions designed to pin down behaviour & roles in each dimension. Use "give me an example…..of the action you took when…..and what were the results?"

➔   *Get accustomed to prefacing every question with "give me an example…"*

WHAT IF....   The candidate can *not* provide examples in one or more dimensions, and/or persists in giving theoretical answers?

                          Do not disqualify on the basis of *one* (or two) poor answers, but begin to have your doubts. The key is to **form an overall impression based on all the answers**.

SUGGESTED GROUP WORK:

*   3 groups - those most interested in/concerned with recruiting managers; office staff; technical staff
*   First agree dimensions
*   Design at least two questions per dimension
*   Report back

14   TRAINING & DEVELOPMENT

It will be helpful to begin this section by trying to distinguish between three synonymous terms:

<u>EDUCATION</u> refers to the foundational acquisition of knowledge necessary for entry into the world of employment

<u>TRAINING</u> seeks to impart knowledge, skills & attitudes necessary for particular jobs. Its purpose is improved job performance

<u>DEVELOPMENT</u> refers to the lateral growth of an individual, the "bringing out" of his skills & knowledge towards his potential. Usually we speak of *management* development

NOTE: There is a researched correlation between training expenditure & company performance, i.e. companies who spend little on training cannot expect to be really competitive, whereas good companies have large T & D budgets (some 15 years ago, when IBM was regarded as one of the world's best, it was spending 11% of payroll on *management* training alone)

A   **Philosophies of T & D**

It is important for the T & D function in an organisation to be clear as to why it exists, to establish sound operating principles, & to communicate all these to the rest of the organisation. Examples:

1   "Our purpose is to enhance the attainment of XYZ's mission, vision & goals through solving performance problems & developing people. We will do this by

a   Conducting effective training courses
b   Designing training strategies that meet the needs of the organisation
c   Developing managers of people
d   Promoting professional growth in each staff member"

2   A management trainer's "platform" (foundational principles & philosophy of T & D):

a   "Development" is not to be equated with advancement or upward mobility, but rather with equipment for *lateral* growth, which should result in improved performance in the current job

b   Development is a shared responsibility between an individual & his/her manager

c   Experience does not necessarily equal competence, nor does qualification equal competence

d   Experiencing training does not entitle an individual to an increase in remuneration

e   The involvement & support of line management is vital

f   Training must flow from an organisation's objectives, i.e. it must contribute to the organisation accomplishing its Strategic Plan

g   Training is not a universal solution to performance problems

h   Making the right selection/appointment decisions in the first place is critical, i.e. training the right people
i   Training must meet clearly identified needs

j   The role of the trainer is threefold:

1   A learning specialist - instructor, curriculum developer, methods & materials developer
2   An administrator - arranger of facilities & events, relationship builder, evaluator

29

3 An internal consultant - change agent, advocate, thinking stimulator

Here are some good reasons why line management is really responsible for training:

1 They are normally held accountable for achievement of objectives

2 They are in the best position to diagnose training needs by noting performance problems

3 They are the best placed to minimise "re-entry" problems

4 An individual's line manager is the most important person in that individual's development. Most training occurs not in the classroom but **on the job** (the "Primary Learning Process")

B **How adults learn**

We must not think that adults can be "taught" in the same way as schoolchildren. Rather, certain principles of "learning" apply:

1 Learning is the responsibility of the learner. The trainer acts as a "facilitator of learning", i.e. a skill in *motivating* others to learn is required

2 The learning environment is critical. It doesn't just happen - it has to be designed. Even the angle of the screen is important!

3 Discussion & participation are more effective than reading & listening, i.e. active involvement vs. passive non-activity

4 Training sessions should be a maximum of two hours in length, with adequate breaks in between

5 Individuals learn at different speeds & using different styles

6 Learning is enhanced when a variety of techniques is used, eg lectures should be supplemented by case studies, audio-visuals, games, discussion, group assignments, etc

7 Indications of progress are important, hence the use of "training by objectives"

8 Training must enhance skills, knowledge & attitudes

C   **Needs analysis**

It is vital that training is not conducted for the sake of having it, or because everyone else is doing it, or to meet the facilitator's own needs for an ego boost, but to *meet clearly identified needs* within the organisation.   There should be three sources for determining needs:

1   Those perceived by employees themselves (usually gathered by means of a questionnaire)
2   The needs of the organisation as perceived by its line managers & leaders
3   Needs perceived by the training department

Once these needs have been identified, the challenge moves to:

D   **Training by objectives ('CBT')**

It is now widely accepted that CBT is the most effective form of training, because it enables immediate feedback as to what results have been achieved through the training. Normally the objective is expressed as "at the end of this session/course the learner will be able to…".   EXAMPLE: "…deliver a 20 minute speech with a maximum er/um count of five" !!

As with the concept of a "goal" or "target", so objectives must be clear & measurable. The measurement could be by means of test at the end of the course, or after a week back on the job, etc.

The opposite of a "clear" objective (eg "write the procedure for approving a loan in our bank" or "sew a straight seam on a garment") is a "fuzzy" (eg "develop an appreciation of music"). A key tip to remember when writing objectives is to write them in terms of *doing* rather than in terms of *being* - obviously, the correct use of **verbs** is vital.

EXERCISE   Write one objective for a course intended to help managers improve their public speaking skills

E   **Evaluation of training**

The greatest challenge facing training in any place & at any time is: **how to transfer the new learning to the workplace**. The golden rule is "*use it or lose it*", i.e. trainees must be given immediate opportunities to use the new knowledge & skills they have gained through training.

One estimate is that 90% of training fails to make any difference to performance. Charles Handy (in *Beyond Certainty*, p 193) believes *"courses can help people to think more clearly, but they cannot change their behaviour or their personalities or most of their values"*. And training can be expensive! SO - if it's not going to have any impact, ***don't do it.***

Many companies adopt a "menu" approach ("these courses are available - which would you like to go on this year?") without any thought given to *why* or whether the individual's performance will benefit.

Some common reasons for failure:

1   Programmes are not linked specifically to strategies, challenges or problems in the organisation

2   Programmes are designed to create awareness & understanding but not competence

3   Participants attend courses for reasons other than personal or organisational need

Here (in ascending order of difficulty) are four ways of **evaluating how effective training has been:**

a   Simple post-course evaluation, eg written response to questions on paper ("happiness index")

b   Did it achieve the objectives? The use of a post-course test could provide the answer, eg sewing the seam on a garment

c   Did they use the new skills on the job? Ask their line managers to provide examples of their on-the-job performance after one month

d   Impact on their organisation, measured eg in terms of LTO, number of customer complaints, higher productivity, etc

F   **Induction training**

Because first impressions are lasting impressions, do all you can to avoid these all too common mistakes with new employees:

1   He arrives on his first day only to find that no preparations have been made, and/or nobody is aware that a new recruit is starting that day
2   His immediate manager/boss has not been involved in the decision to hire him & consequently is not interested

3   He is escorted from one office to the next & introduced to a variety of strangers whose names he will not remember
4   He is left alone in some office with a pile of company manuals to read
5   He has to attend a welcoming speech during which the founding fathers of the organisation are eulogised & he is assured that "people are our most valuable asset", "your welfare is our concern", etc
6   He is exposed to poorly planned & executed training

Rather, he should be assigned to an experienced mentor who does nothing else for the first month but teaches the new recruit everything he knows about the organisation through a carefully planned programme.

G   **Management development**

As with training, it is important to state one's philosophy of management development. Here is General Electric's, first published in 1975, & which in my view is difficult to beat:

1   Ensuring development of managerial excellence in the company is the Chief Executive's most important responsibility
2   Managers at all levels must be similarly responsible & must "own" the development system
3   Promotion from within - for its motivational value - will be the rule, not the exception
4   A key step in planning the development of managers is the performance review process
5   Managerial abilities are learned primarily by managing [i.e. on the job]. Other activities are valuable adjuncts [eg training]
6   Control of the selection process is essential in order to use openings developmentally
7   The company can tolerate & needs a variety of managerial styles, traits & abilities
8   Several different managerial streams & development planning systems are needed to accommodate the company's size, diversity & decentralisation
9   Occasionally, it may be necessary to distort otherwise sound compensation practice &/or to change organisation structure to achieve developmental results
10   Staff people must add value in these processes, but their roles are secondary to the [line] managerial roles

Some **avenues for development** that can be used by the company:

1	Adding responsibilities to jobs ("job enrichment")
2	Creating special jobs for talented people
3	Internal & external courses (including university short courses)
4	Rotation & transfers between functions
5	Mentoring & coaching on the job
6	Frequent feedback & appraisal
7	Encouraging self-development
8	Task force assignments
9	Outdoor stress & teambuilding experiences

15 COMMUNICATION

A ITS IMPORTANCE

- Communication is the cement that holds all parts of an organisation, including a marriage, together

- We devote most of our working day to it - speaking (face-to-face or on the phone), writing, listening, in meetings - with customers, staff, family, etc

- It has been called the most overworked *word* yet the least performed *act* in all of business

B DEFINITION

> **THE TRANSFER OF INFORMATION *AND UNDERSTANDING* FROM ONE PERSON TO ANOTHER**
>
> i.e. the ***creation of understanding*** between people

It's not what you **say,** not even what you **mean**, but what they **hear**

Effective communication happens when the sender gets the **response** he wants

C THE COMMUNICATION PROCESS

A **sender** transmits a **message** to a **receiver** through a **channel,** which may be subject to **noise.** The sender should preferably receive **feedback** on his transmission

NB The sender cannot pass the buck (eg blame the receiver for being stupid or not listening) if something goes wrong in a communication – he/she bears ultimate responsibility for its success….

⎩ Singhalese proverb: "There is no such thing as a misunderstanding – there is only a failure to communicate"

D   COMMUNICATION IN ORGANISATIONS

1   It must flow four ways

DISCUSS: how it should flow from the top (i.e. methods of)

2   One way is through Briefing Groups or "Team Briefing"

3   The organisation must have a clear structure and lines of reporting

4   There must be agreement on goals, plans and expectations

5   Its internal distribution systems (eg messages, mail) must be efficient

6   DISCUSS: the "grapevine"

7   Watch out for insulating layers

⎩ **HANDOUT**   Survey – "What communicated to me"

SOME BARRIERS TO EFFECTIVE COMMUNICATION

1   Culture/language

2   Jargon ("code")

3   Wordiness/verbosity

4   Semantics (the meaning of words)

5   Hidden agendas, prejudice, paradigms

6   Thoughts run faster than spoken words

7   Line loss ("broken telephone") - **handout**

8   Emotions affect understanding

9   No feedback/closing the loop

10   Sheltering behind the written instead of face to face

CONTROLLING

This is the essential management function of asking & answering the question: "How are we doing compared to what we said we would do?" There is a large sense in which Controlling "seeks to compel events to conform to plans".

First, managers plan; then plans become the standards by which desired actions (to achieve the plans) are measured.

It is based on the principle that "what we don't measure we can't manage", so that **measurement** is the key process in Controlling. Some performances & outputs that need to be measured are those of individuals, systems, manufacturing processes, inventory, sales, quality, cash flow, costs, income & expenditure, R & D, etc.

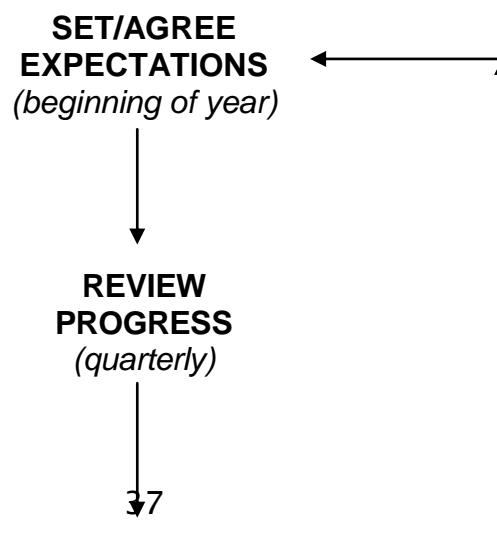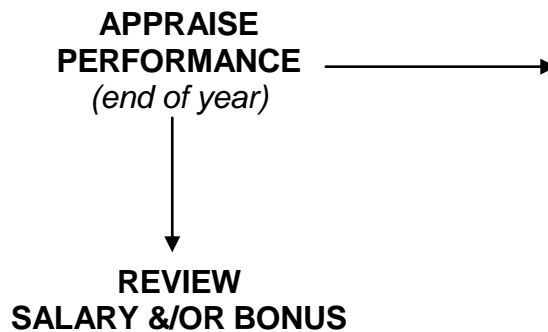An illustration of a closed-loop system based on how an air-conditioner cools a room may help:

| Factor to be controlled |

| Sensor & corrector |

| Energy source |
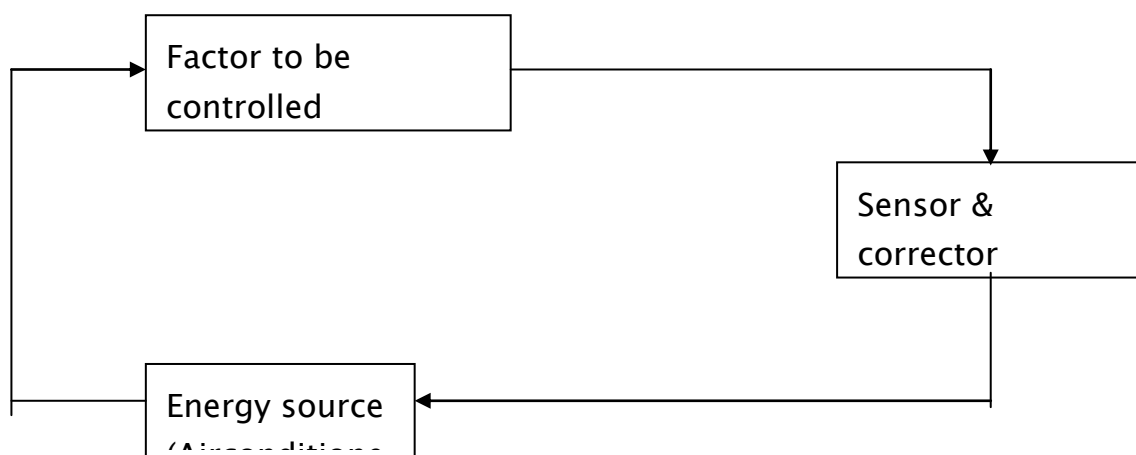
NB At the start of our notes we represented management as a **process**. It is also possible to represent it as a **cycle**:

MISSION

↓

PLANNING

CONTROLLING   **ORGANISING**

LEADING
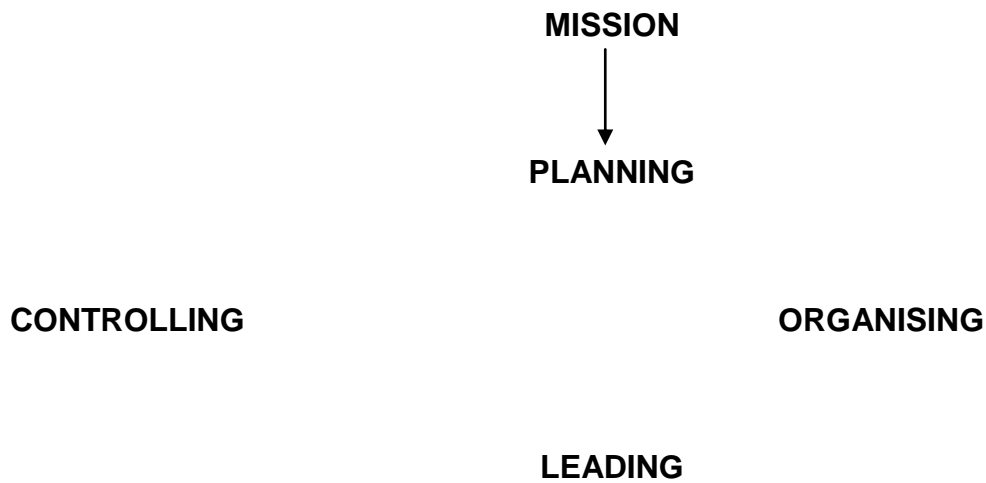
16   MANAGING INDIVIDUAL PERFORMANCE

Again, a cycle forms a good model for describing how an ideal Performance Management System should operate:

**SET/AGREE
EXPECTATIONS**
(beginning of year)

↓

**REVIEW
PROGRESS**
(quarterly)

**APPRAISE
PERFORMANCE** ————————————➤
(end of year)

│
▼

**REVIEW
SALARY &/OR BONUS**

GENERAL PRINCIPLES

1   Performance management/appraisal should be an ongoing **process**, never a one-off event or an "annual shock"

2   There is no such thing as a perfect appraisal system or way of managing individuals' performance

3   Keep it simple!

4   Once installed, don't keep changing it, i.e. get it right first time

5   Appraisal (the word means "measurement") is of **work performance**, not personality, character, etc.

6   There should be no delay in reinforcing good performance or correcting poor performance, e.g. by waiting until the time of quarterly review then checking the individual's file

7   *Top management must lead by example*, i.e. be seen to be the first to implement the system on their subordinates

8   Recognise the natural tendency for commitment to the system to wane over time. It requires regular "feeding" and promotion by top management

9   Much more will be gained by a participative, rather than a top-down, approach

10   Promises made by managers must be followed through, especially if training is seen as a means to improve performance

11   There is very little a consultant can do after installation - the onus is on company leadership to make it work. It may require the appointment of an internal "champion"

12   Every company has its pushy employees, who either equate length of time in one position with deserving more pay or a promotion, or the "certificate accumulators" who equate going on training courses with the right to promotion. And in a normal pyramid structure the number of vacancies decreases the further up the structure you go……so the only basis for upward mobility is *demonstrated competence.*

ADVANTAGES OF A GOOD PMS

1   Yields ideas for and ways of improving individual performance

2   Input to selection/promotion process

3   Yields fairer inputs to salary review process than might otherwise be possible

4   Identifies training and development needs

5   Opportunity for participation and communication

STEP 1   *Set/agree performance expectations*

This is the first phase of the process and should be completed as early in the calendar year or FY as possible. The emphasis is on a discussion that results in mutual agreement between boss and subordinate as to what is expected of the employee in the job. The result should be a clear understanding of how performance will be evaluated. The manager's role includes that of providing all necessary resources for the staff member to meet these expectations. Another way of looking at this phase is that it results in a "***performance agreement***".

PRINCIPLE   **The more measurable the expectations, the easier it is to give a fair, unbiased, objective appraisal**

The following are recommended: all **outputs**, eg results, goals/objectives, standards

The following are **not** recommended: all **inputs**, eg activities, processes, busy-ness, character traits, job knowledge, etc

EXAMPLES   *   Quality/DIRFT - number of times work has to be returned because of errors

                  *   Customer service (internal and external customers) - number of complaints, written and verbal

                  *   Innovation - number of new ideas or better procedures submitted/accepted

* Code of Conduct - number of observed or reported non-compliances

* Number of new customers/amount of new business brought in

* Accounts regularly produced by 7th of each month

* Reduce average debtor days to ...... by ......

* Number of training days provided to subordinates

* Managers to complete each Progress Review by end of first week in quarter

NB   *The lower down the structure one goes, the more employees grapple with the concept of measurement as applied to work outputs*

THE FOLLOWING WOULD ASSIST IN CLARIFYING EXPECTATIONS :

* List of Key Result Areas for position
* Job description
* Mission statement for job/position/function (i.e. a one sentence reason why it exists)
* Limits of authority, e.g. spending against budget

STEP 2   *Review progress*

This is the second phase of the process and should occur every three months throughout the year. The emphasis is on a checkup on progress towards objectives and in key performance areas as agreed in the Expectations phase. It is important to reinforce good performance (noting it on the form) and to plan together for any corrective action that needs to be taken to get back on track.

If reviews are held regularly it means that the final phase, the formal Performance Appraisal, does not constitute an annual shock to the employee and the potential for argument is reduced. *The Appraisal phase thus becomes largely a summary of discussions that have been held between manager and staff member throughout the year.*

Reviews are initiated by the manager, diarised well in advance and conducted in an open, constructive manner. A good role analogy to use is that of a **coach** - urging,

encouraging, motivating, correcting, directing. Perhaps a meeting away from the office would help towards informality.

Evidence of positive or negative performance should not wait until Review time to be mentioned by a manager - the shorter the interval, the better.

STEP 3   *Appraisal & recording*

The final phase is the formal, written summary of all the Reviews that have been held during the year. Managers are required to make an objective assessment of each subordinate's performance throughout the year, based on the original agreed Performance Expectations and on the regular Progress Reviews. It should be held towards the end of the year, before the current year's bonus or next year's salaries are determined.

The suggested form requires a manager to give an overall rating in *one of four categories* (four have been stipulated to avoid the "central tendency", viz. a 2 rating in the case of 3 categories, a 3 in the case of 5, etc):

CATEGORY 4 - UNACCEPTABLE

Performance bears evidence of unacceptable levels of competence and rate of work output.   *The agreed expectations are not met*.   Frequent & close supervision is required. Much of the work has to be redone.

It is suggested that a Category 4 rating should be followed by a warning under the company's Disciplinary Procedure, i.e. that performance should improve measurably by the next Review in three months. Managers should not shrink from sending a tough message to an employee when necessary.

CATEGORY 3 - SATISFACTORY

Performance bears evidence of average levels of competence and rate of work output, *which partially meet, or come close to meeting, the agreed expectations*. For more complex, creative or pressurised tasks, a lot of management direction and attention are frequently required. Overall, while he/she displays satisfactory performance in the job, there is room for improvement.

CATEGORY 2 - COMMENDABLE

Performance bears evidence of above average levels of competence, rate of work output, energy and innovation that *result in the agreed expectations being met & often*

being exceeded. Overall, he/she will operate at a quick pace, require limited management supervision and learn quickly from mistakes.

CATEGORY 1 - OUTSTANDING

Only in exceptional cases will this rating apply (make it difficult to walk on water).

Performance bears evidence of exceptional levels of competence, with high levels of rate of work output, and abundant energy and initiative *which far exceed the agreed expectations*. Overall, he/she will accomplish the job with ease and excellence, require little management direction, consistently produce work of outstanding quality, have his/her proficiency widely recognised by colleagues, and add considerable value to the company. Objectives are substantially exceeded in both quality and quantity. The employee deserves promotion at the first available opportunity.

STEP 4   *Salary/bonus review*

The Appraisal forms a natural basis for and link into the annual compensation review process.

ASSUMPTIONS

1   The company is committed to a merit-based reward system (which includes the concept of penalty for poor performance)

2   Any salary recommendation by a manager is invalid if he/she has not completed the Expectations/Review/Appraisal process

3   No department/subsidiary may exceed its overall salary budget

4   Training in the implementation of this system will be provided for managers, who (not the consultant) will then be expected to educate their staff on its workings. *This will provide for immediate ownership and responsibility on the part of managers*

17   MEASURING

In addition to the comments made earlier about this important task, let us consider some examples of measurement:

FUNCTION   **MEASUREMENT**

Production	No. widgets per hour Weight of scrap per day
Finance cost/revenue	Ratios, eg ROI, ROA, eps, Budget variances
Marketing	Sales volumes, market share
HR	No. training days per employee p.a.
Quality	No. returns by customers PONC (Price of non-conformance = all costs involved in not DIRFT)

NB

1   *Visible* displays of what you are measuring can be a very powerful tool in influencing performance. Individuals could consider displaying charts of:

- No. of customer complaints (verbal & written)
- No. times my secretary can't find me
- No. times I'm late for a meeting
- No. unprocessed paper items at end of each day

2   The existence of clear targets/goals/objectives [these are synonyms, for our purposes] which are formulated in the Planning stage is imperative for the conduct of intelligent reviews & measurements. Without them, we are trying to control in a vacuum.

No organisation should mislead itself into saying "we are doing OK" WHEN THEY HAVE NOTHING IN PLACE TO MEASURE THEMSELVES AGAINST.

18   CORRECTIVE ACTIONS

When the Measurement function reveals a problem, management must take corrective action – the sooner the better. *The goal must be to eliminate the problem forever*. Some forms are:

- People changes
- Training
- Motivation
- Job reassignments

- Process changes/simplification/standardisation
- Revisit targets/plans ("navigational change")
- Marketing/promotional campaign
- Introduction of new technology
- Supplier quality management
- Cost cutting
- Additional sales staff