

Models for Managers

Samuel A. Malone



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MANAGERS**

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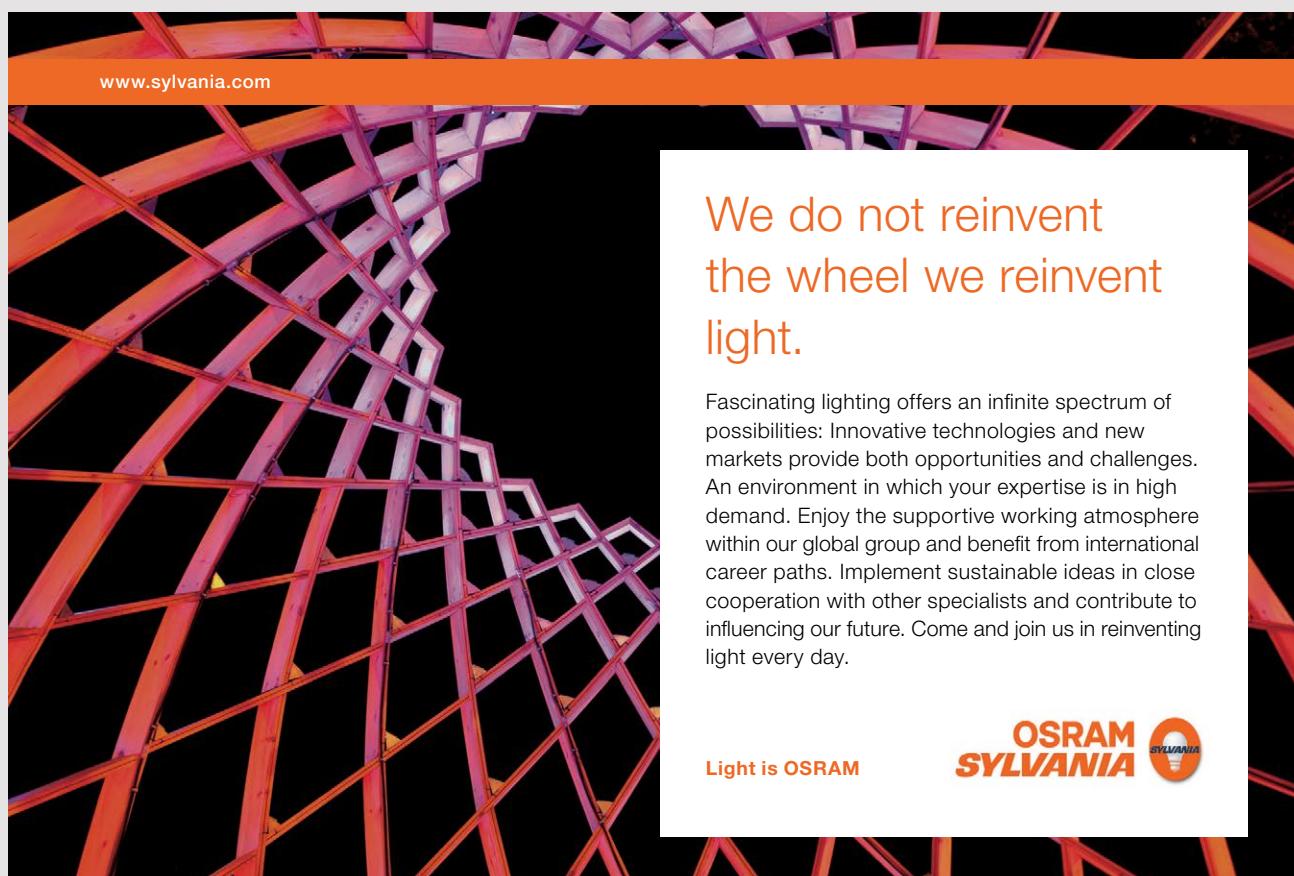
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INTRODUCTION

This is an A to Z guide and resource book of the best management models currently available. Line managers interested in the further development of their staff will find the book of particular interest when helping them reach their full potential. In fact, anybody interested in the exciting and intriguing world of learning will find the book a fascinating collection of management models, and a source of information to be dipped into as the urge or need arises. You don't have to spend years delving into texts about behavioural psychology to acquire the information to meet your needs as a manager. It's all in this book in an easily accessible and understandable form. In fact, this book required a major effort, though a labour of love, on the author's part, requiring thousands of hours of dedicated study, research, reading, and writing. It is also a reflection of the author's experience over many years lecturing, training and coaching in industry and academic colleges.

A total of 22 models are covered. The models range from the Birkinshaw's 4 Dimensions of Management Model to Vrooms Expectancy Model. In between you will encounter many other models, some of which are critical to a good understanding of modern management. The topics covered include leadership, motivation, delegation and marketing models.

The models will enable line managers to improve their coaching, training and teaching sessions by capturing and engaging the imagination of learners. The models cover a huge range of topics – all of which have relevance for the various types of professionals in management and those interested in self-development. The models will help learners grasp some seemingly daunting and esoteric topics.

Mnemonics in the form of acronyms have been used throughout the text as a memory aid to make some of the models more memorable. The SLEPT Environmental Analysis Model is a case in point.

Most of the models, including the leadership, motivation and delegation models, will be of interest to OD consultants and line managers interested in the development of their staff. Each model is accompanied by an illustrative diagram and appropriate quotation. The diagrams will help users to grasp the key concepts behind the model quickly and easily. A conclusion is reached on each model showing its strengths and weaknesses and relevance to learning. Each model is discussed in a user-friendly manner making them more accessible to line managers and students alike. Detailed references are provided to enable users to research the topics in more depth if they wish.

Good luck in your quest for excellence in the learning, training and development, coaching, mentoring and teaching areas.

Samuel A Malone

November 2018

1 BIRKINSHAW'S 4 DIMENSIONS OF MANAGEMENT



Fig. 1. Birkinshaw's 4 Dimensions of Management model

"Management is doing things right; leadership is doing the right things."

– Peter F Drucker

A management model is simply the set of choices made by executives about how they carry out the tasks of management – how they define objectives, motivate employees, coordinate and control activities, and allocate resources in an efficient, timely and effective manner. Julian Birkinshaw, a professor of strategy and entrepreneurship at the London Business School, produced the four dimensions of management model in his 2010 book 'Reinventing Management.' He outlined four key management processes.

The four dimensions of management occur in every organisation and play a leading role in any strategy. These were, managing across activities – managing according to bureaucratic rules, managing down decisions – day to day decisions taken by managers, managing objectives – the setting and pursuit of goals, and managing individual motivation – relates to the driving forces that motivate people.

Each dimension can be broken down into two opposing principles which he called traditional and alternative. Traditional practices are ones that have been used for a long time and are usually regarded as working well. Each has negative and positive characteristics but generally organisations tend to prefer the more traditional ones. Alternative practices are newer and more controversial. He believed that far too many organizational processes were dictated by the status quo and weren't being effectively aligned to overall strategy.

The four dimensions of management are:

1. ***Managing across activities.*** There are two dimensions to this – traditional and alternative. Traditional practice is the conventional way of managing with an emphasis on bureaucracy, form, systems and structure. Organisations are run according to roles, rules, procedures, policies and guidelines. These are determined by the organisation rather than by the individual manager. The manager adheres to them just like anybody else within the company. Many successful organisations use the traditional model with great effect especially large corporations, multi-nationals and public bodies. This is a safe way of managing but may result in poor productivity and creativity. On the other hand, we have the alternative practice which gives people choice and empowers them to use their initiative and do things their own way.
2. ***Managing down decisions.*** There are two dimensions to this – traditional and alternative. The traditional approach is based on seniority with the most important decisions taken at the top and the least important ones taken nearer the bottom of the hierarchy. The alternative is to rely on the collective wisdom of employees, and give everybody a democratic opportunity to contribute to decision making. This will probably result in better and more acceptable decisions being made, as it doesn't necessarily follow that people at the top have a monopoly on wisdom, judgement and intelligence.
3. ***Managing objectives.*** There are two dimensions to this – traditional and alternative. Traditional objectives are specific with an emphasis on performance and results. These can be controlled, monitored and measured. The alternative is allowing people to design their own path so that they can exercise their discretion and creativity when arriving at objectives. This gives people more scope for initiative and creativity, but also more scope for error.

4. ***Managing individual motivation.*** There are two dimensions to this - traditional and alternative. The traditional method of motivation is extrinsic through pay and monetary rewards. This may not always be effective as studies show that job satisfaction, an intrinsic form, is a more enduring source of motivation. Thus the best alternative is intrinsic through recognition, job satisfaction, the contribution people make to society, and enjoyment of the work.

Conclusion

By adopting a judicious mix of traditional and alternative strategies there is an opportunity for a company to increase its efficiency, effectiveness and achieve an overall improvement in performance. The model enables companies to give some thought to the choices they are making when pursuing approaches to management.

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2 BLAKE'S MANAGERIAL GRID

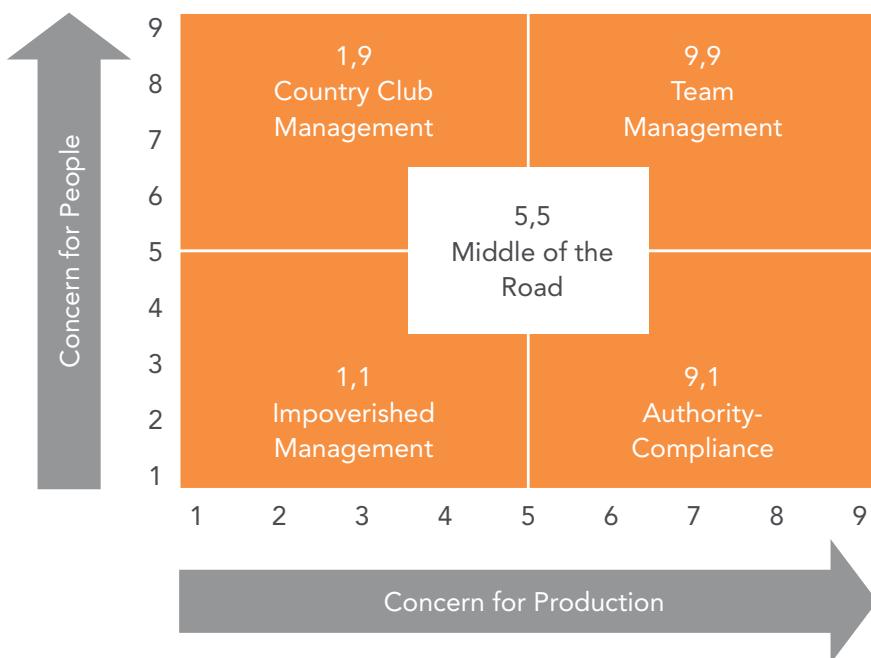


Fig. 2. Blake & Mouton's Managerial Grid. (1978)

"It's not about money. It's about the people you have, and how you've led."

– Steve Jobs

The grid was designed by Robert Blake and Jane Mouton in the 1960s. It classifies managerial style as a position on scales of nine points. Using a three-dimensional model, their goal was to help people see themselves and those they work with more clearly, to understand their interactions, and to identify the sources and disruptions, delays, resistance and conflicts. More importantly if managers could identify their existing style they would then be in a position to improve it by adopting and learning a more appropriate style such as the team manager.

On the vertical or y axis is concern for people. On the horizontal or x axis is concern for production. Their favoured style was the point 9.9, that is, a style high on both concern for people and concern for production. This is known as the team manager. 1.9 is known as the country club type. It is very strong on relationships but forgets about getting the job done. 1.1 is known as the impoverished manager, neither good at getting the job done nor good at relating to people. 9.1 is the task manager (authority-compliance) who is very good at getting the job done but forgets about relationships with people. 5.5 is known as the middle of the road manager who is reasonably competent at both task and relationships.

Country Club Management. This reflects a great concern for people but virtually none for productivity. This is the ‘hail fellow, well met’ style of management. Such a manager is so concerned with getting along with other people that he forgets about getting the job done and the need for efficiency and productivity. People are encouraged and supported, and their mistakes may be overlooked because they are doing their best. Direct disagreement or criticism of one another must be avoided and, as a consequence, production problems are not followed up. Although innovation may be encouraged, country club managers tend to reject good ideas if likely to cause difficulties among staff.

Team Management. This reflects a high concern for both production and people. Blake and Mouton claim that this is the soundest and best way to manage to achieve excellence. Team management is now the desired approach to management. It is well known that higher levels of job satisfaction and productivity are achieved by those who practice this style of management. This style of management also facilitates empowerment, participation and lifelong learning. It facilitates problem solving and decision making. We know that learning from on-the-job experience is the best way to learn.

Impoverished Management. This is indicative of leaders who have essentially dropped out, although they can still physically be present on the job. They are neither good at relating to people or getting the job done. They have retired on the job. They are unsuccessful incompetent managers. They should be moved sideways or encouraged to retire as they are blocking promotional opportunities for up and coming managers.

Authority-Compliance. This reflects a great concern for output but very little for people who create it, regardless of their feelings or views. The manager is very technically competent but is deficient in people skills. This type of manager is very autocratic, has strict work rules, policies and procedures, and can view punishment as an effective way of motivating employees. This style is highly geared to high productivity and organizational efficiency. Good results are achieved at first but eventually low morale and motivation will follow affecting employee's performance. The manager makes the decisions and the employee carries them out passively without question. This is a very autocratic or dictatorial style of management. It is the style of management frequently found in a bureaucracy. If staff challenges an instruction or standard procedure they are likely to be viewed as difficult to deal with and uncooperative. Traditionally, shop floor conditions in the motor industry were considered to be a good example of 9.1 leadership. It is conceivable that the polarization of management and employees, resulting in the ‘them’ and ‘us’ attitude is at the root cause of many industrial relations problems. The results of a 9.1 style of leadership are disorganization, dissatisfaction and disharmony.

The middle of the road manager. This manager is reasonably good at getting the task done and at relating to other people. It is a cautious compromised approach to management. Such managers do everything in moderation and never stick their necks out too far. These types of managers are very political, diplomatic and cute, playing their cards close to their chests, keeping their noses clean, not rocking the boat, and are thus often afraid to make unpopular decisions. Under this style teams are likely to deliver only mediocre performance.

The grid is based on the following human behaviour principles as set out in Hampton's book on management:

- Participation creates job satisfaction and is the motivation that gives character to human activity and supports productivity, efficiency and empowerment.
- Open communication is essential for successful leadership.
- Accepting others as capable of reaching standards of excellence promotes trust, respect and responsibility.
- Conflicts are solved by direct confrontation of their causes, with understanding, agreement and negotiation as the basis of cooperative effort.
- Winning mutual agreement is the strongest basis for leadership.
- Effective interpersonal relationships between manager and employees enhance synergy.
- Management is by objectives as advocated by Drucker.
- Organisation members who cooperate are interdependent in giving mutual support.
- Learning from work experience is through critique and feedback.

Conclusion

The grid represents a matrix of potential management styles of leadership, and was first devised as an aid to management development. It is used extensively in organisation development and is part of the OD consultant's kit. As a management development device, the grid has proved very useful. Using the grid managers can identify their current style of leadership, and if appropriate, learn what to do to achieve a better style of leadership such as the team management approach. Learning is achieved by way of structured questionnaires and a combination of group discussion and practical exercises.

Many academics are critical and sceptical about the managerial grid approach to leadership. They cite evidence which they believe does not support the notion that the best leaders in all situations tend toward intense concern for both people and production. The most fundamental criticism related to leadership style is the 9.9 team manager. Blake and Mouton make the assertion that this type of manager will always be the most effective regardless of the situation, but evidence from situational leadership would challenge that assertion.

One critic considers the arguments in the grid are broad generalizations not supported by empirical evidence and they make the point that Blake and Mouton don't provide clear guidance on how to implement the principle. While the grid is a helpful model the latest thinking on leadership has shifted towards the 'transformational leader.'

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3 DIFFUSION OF INNOVATION CURVE

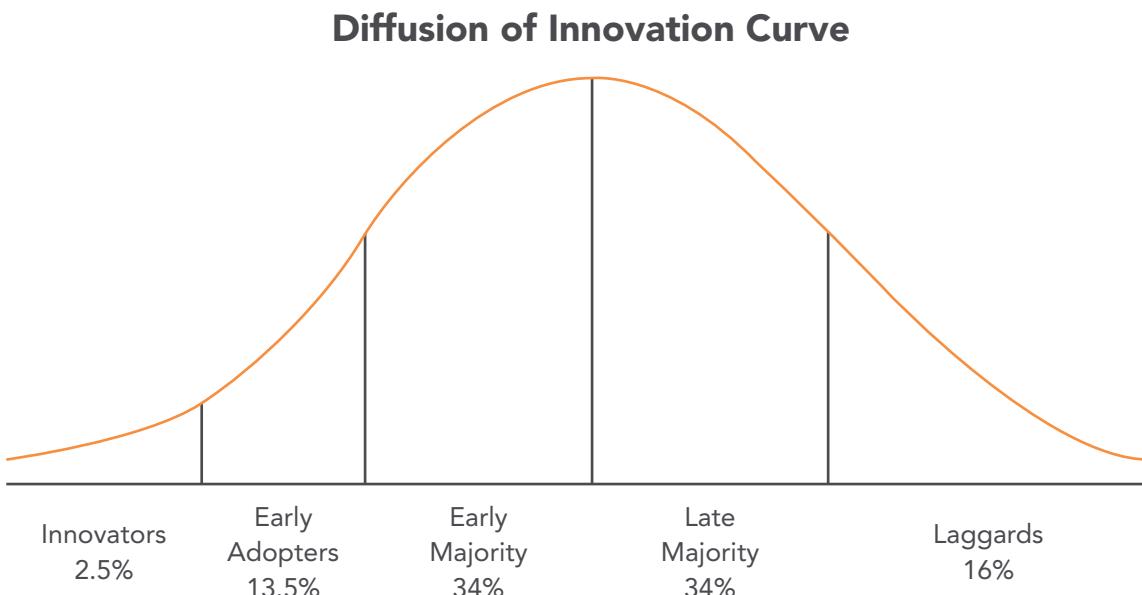


Fig. 3. Diffusion of Innovation Curve – Rogers (1995)

"The individuals in a system who most need the benefits of a new idea (the less educated, less wealthy, and the like) are generally the last to adopt an innovation."

– Rogers

Rogers (1995) defines diffusion (the rate of adoption) as the process by which an innovation is communicated through certain channels over time among the members of a group. Consumers can be grouped according to how quickly they accept and adopt a new product. Obviously, marketing people can use this as a way of segmenting the market, while others can use it as a rough guide when introducing change. In marketing, the product diffusion curve is a useful model to help target people at different stages of the life cycle of a product. It can help pinpoint the most influential customers to target such as the trend setters and opinion leaders at the start of the marketing campaign.

Some consumers adopt a product as soon as it becomes available particularly if they see economic, social, satisfaction or simplicity of use advantages of doing so. The greater the perceived relative advantage over previous incarnations of a new product or innovation to the potential user, the more rapid the rate of adoption is likely to be. In addition, the potential of the product or new technology for reinvention or adaptation is a factor in adoption.

A product or innovation that is incompatible with the values, norms, culture or practices of the potential user or in conflict with a company's culture will not be adopted as rapidly as one that is compatible and meets their needs. New products and technology that are easy to use and understand are adopted quicker than those that are difficult to grasp. In addition, people like to be given a chance to try out new products and technology before they finally make up their minds to purchase. The rate of diffusion is faster in organisations which encourage innovation in their employees rather than organisations that discourage change.

Some consumers known as the late majority and laggards are among the last to purchase a new product. The new product adoption process can be modelled in the form of a bell-shaped diffusion curve as shown above in Fig. 3. This curve is somewhat similar to the product life cycle. This diffusion curve shows that 2.5 per cent of people are innovators, 13.5 per cent are early adopters, 34 per cent are the early majority, 34 per cent are the late majority and 16 per cent are laggards.

These product adoption groups can be defined as follows:



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- *Innovators.* These are well-informed risk-takers who are not afraid to try a new unproven product or new technology. Nevertheless, innovations that are less risky are more likely to be taken up as the perceived potential loss from failure is less. Innovators may have a pressing need, think the innovation's possible benefits are too good to pass over, or are rich enough not to worry too much if the product doesn't work or the technology fails. They are likely to have a high level of education, be socially mobile, be knowledgeable and self-confident, and may be people that others respect and look up to. They are venturesome with the ability to apply complex technical knowledge and enjoy being on the cutting edge. They are not opinion leaders but are more mavericks or unconventional. They act as gatekeepers to the flow of new products, ideas and inventions by introducing ideas from outside. Innovators represent the first 2.5 per cent to adopt the product.
- *Early adopters.* These do not buy until they get positive feedback from innovators. They will check out the product with the innovator. Early adopters tend to be educated and technically competent opinion leaders who are prepared to try out new ideas but in a careful way. They love getting an advantage over their peers. They are respected by peers and serve as role models and sources of advice for other people. They decrease uncertainty about a new product by experimenting with it, adopting it and sometimes adapting it. The critical mass (the size of a viable sustainable market) is achieved through the influence of innovators and early adaptors. They represent about 13.5 per cent of consumers.
- *Early majority.* These are careful consumers who tend to avoid risk. They adopt the product once it has been proven by the early adopters and they have solid proof of benefits. They rely on recommendations or endorsements from people they know well who have experienced the product. They may be influenced by mainstream fashions, but at the same time are wary of fads. They are cautious, careful, thoughtful people who are prepared to accept change more quickly than the average consumer. The early majority are the largest category representing about one third of the total. The early majority represents about 34 per cent of consumers.
- *Late majority.* These are sceptical and cautious consumers who acquire a product only after it has been widely accepted and used successfully by others. They are conservative pragmatists who hate taking risks and are uncomfortable adopting new ideas. Pressure from peers and proven trends in industry persuades them and provides the motivation for them to adopt. Late majority buyers are more likely to welcome simplicity and reliability rather than hi-tech gadgetry and complexity. Like the early majority the late majority represent about one third of the total making them also a significant category. They are driven to buy through economic necessity. The late majority represents about 34 per cent of consumers.

- *Laggards.* These consumers avoid change and do not trust new inventions. They are conservative and set in their ways, attached to tradition and stick to the old ways of doing things. They find it very difficult to move out of their comfort zone, and worry a lot about what could go wrong with new products and new technology. Their financial resources tend to be limited making them cautious and thoughtful spenders. They may not adopt a new product until traditional alternatives are no longer available and are assured by others of the success and reliability of the new product. It takes much longer than average for laggards to adopt a new innovation. Laggards represent about 16 per cent of consumers.

Roger breaks the adoption process into five stages. The five stages are:

1. Knowledge or awareness. In the awareness stage “the individual is exposed to the innovation but lacks complete information about it”. The individual is not yet motivated to find out more about it.
2. Persuasion or interest. At the interest or information stage “the individual becomes interested in the new idea and seeks additional information about it”.
3. Decision or evaluation. At the evaluation stage “the individual mentally applies the innovation to his present and anticipated future situation, and then decides whether or not to try it”.
4. Implementation or trial. During the trial stage “the individual makes full use of the innovation”. During this stage the individual determines how useful the innovation is and may seek out further information about it.
5. Confirmation or adoption. At the adoption stage “the individual decides to continue the full use of the innovation”.

Why some products are successful and others are not, depends on many factors, including:

- Perceived benefits over alternative products (relative advantage).
- The speed and efficiency with which the product benefits were communicated to potential buyers.
- Price and maintenance costs.
- Lack of complexity and ease of use. In fact, innovations may be changed and modified during the adoption process.
- Extent of sales promotion. If people are unaware of a product they cannot buy it. However, person to person communication may be the ultimate and most significant influencer for people to buy.
- Good distribution – vital if you want access to a product.
- Perceived risk of taking up the product – most people are risk averse! They are suspicious of anything new and unfamiliar.
- Compatibility with existing standards and values.
- The extent to which the product can be tested to see if it's reliable and satisfactory.

Conclusion

With any new product or technology such as the internet, businesses face the challenge of convincing potential consumers of the benefits of buying their products, technology and services. The same challenges apply to those who want to persuade others to take up information technology or e-learning opportunities via the internet. The diffusion curve is a good reminder to marketers, technologists, persuaders and change agents that trying to quickly convince the mass of people about the benefits of taking up a new product or new technology can be counterproductive. It makes sense in these circumstances to try and convince innovators and early adopters first who act as opinion leaders and trail blazers for the rest of us to follow. The research supporting the diffusion curve is descriptive and observational rather than experimental but nevertheless is a useful guide for people interested in adopting new products and new technology.

For example, if you're introducing a radically different new product, you may want to create excitement among journalists and readers of specialist magazines, promoting it as the latest piece of expensive hi-tech equipment. These are the innovators you need to win over if you want to sell to later groups. Nevertheless, it is conversations and recommendations of trusted peers and their example that play a significant role in spreading adoption. In fact, people are more influenced in the adoption process by the advice and evaluations of their friends, colleagues, relatives and neighbours than by scientific research by experts. The percentages of take up of the innovation curve can be used as a rough guide for the marketing plan for a new product, or the introduction of technology into an organisation.

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4 GROWTH SHARE MATRIX

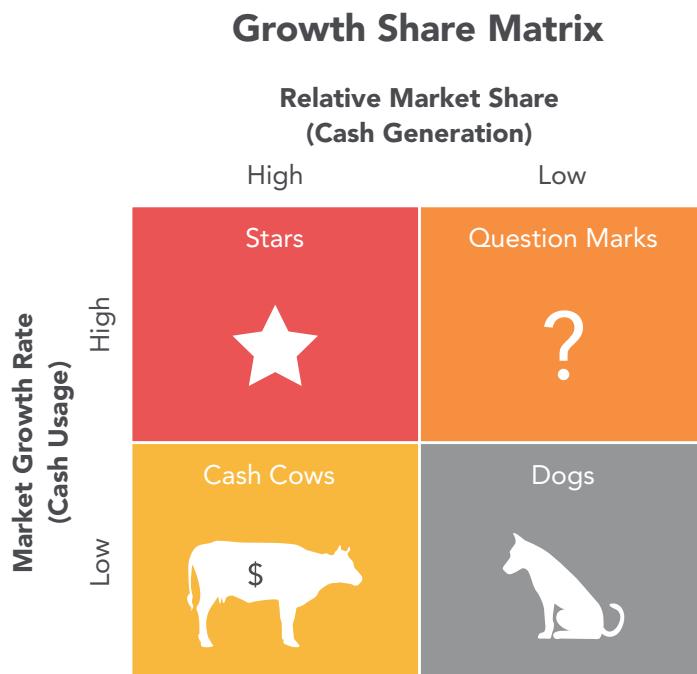


Fig. 4. Growth Share Matrix (BCG Matrix)

A framework to help companies think about the priority (and resources) that they should give to their different businesses.

– The Economist

This was first proposed by the Boston consulting group and is also known as the BCG matrix. It is a useful framework for portfolio analysis. Products are classified in line with their ability to generate or consume cash. It has four positions:

1. *Stars*. These are products or strategic business units (SBUs) which are growing rapidly, need large amount of cash to maintain their position, and are leaders in their business and generate large amounts of cash. Cash inflows and outflows will be roughly in balance and represent the best opportunities for expansion. Stars of today may become cash cows of the future.
2. *Cash cows*. These are low growth, high market share products or divisions. Because of their market share, they have low costs, generate plenty of cash and have high profit margins. Since growth is slow, reinvestment costs are low. Cash cows provide funds for overhead, dividends, and investment for the rest of the firm. They are the foundation of the firm, and provide stability.

3. *Dogs.* These are products or divisions with low growth and a low market share generating a loss or low profits. They typically take up more management time than warranted. They may need cash to survive. The dogs should be minimised by means of divestment or liquidation as otherwise they will bring down the whole company. In rare circumstances they may be strategically justified if they make a significant contribution to overheads.
4. *Question marks or problem children.* These are high growth, low market share products or divisions. Their conditions are the worst, for their cash needs are high, but cash generation is low. Difficult decisions need to be taken with question marks. They may become stars with the right investment. On the other hand, they could become dogs and lose you money. These, if left in the cell become 'cash traps'. Since growth is high, market share should be easier to get for them than for dogs. Management must choose between further speculative investment and even withdrawal, depending on the prospects of the question marks in their target market.

Managers need to categorise their products and business units into the four types of the Growth Share Matrix. Hard decisions may then need to be taken to optimise the overall profitability of the business. The Growth Share Matrix is illustrated above in Fig.4.

Conclusions

It assumes that all of a company's products and business units work in an interconnected life cycle. In this life cycle, the mature and profitable products or business units support the new and growing products or business units while the old fail and eventually die. Marketing practitioners find it difficult to delineate and define what a 'market' is. They are thus unable to measure precisely market share. In practice it can be difficult to determine 'dogs' and to know precisely when to withdraw products or divest businesses. It does not consider technological changes that can alter an entire market within a short space of time.

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5 HANDY'S MOTIVATION CALCULUS



Fig. 5. Handy's Motivation Calculus

Motivation differs for each person and changes depending on circumstances and over time.

Handy put forward this theory in his book *Understanding Organisations*. He suggests that for any individual decision there is a conscious or unconscious 'motivation calculus' which assesses three factors:

1. The person's own needs.
2. The desired results – what the person is expected to do in his job.
3. 'E' factors – Handy suggests that motivational theories have been too preoccupied with 'effort.' He concludes there seems to be a set of words, coincidentally beginning with 'e' which might be more helpful. As well as effort, there is energy, excitement in achieving desired results, enthusiasm, emotion, and expenditure of time, money and so on.

The strength of motivation will depend on the person's judgement of:

1. The strength of his needs
2. The expectancy that 'effort' will lead to the desired result.
3. How far the results will be instrumental in meeting his needs.

Handy suggests that several factors are necessary for the person to complete the calculus, and to be motivated.

1. Intended results should be clearly stated. This means that the person can complete his calculation, and know what is expected of him, what will be rewarded and how much' it will take.
2. Without knowledge of actual results, there is no check that the 'E' expenditure was justified. Feedback on performance is essential.

Handy's calculus helps to explain various phenomena of a person's behaviour at work.

1. People are committed to specific goals – particularly those they have been involved in setting themselves.
2. If people are rewarded according to performance tied to standards, however, the person may well set lower standards: the 'instrumentality' part of the calculus is greater if the standard is lower, so less expense of 'E' is indicated.

Conclusion

The theory shows a clear relationship between needs, expectancies and results. Handy's motivation calculus attempts to cater for the complexities and variations in people's circumstances. This means that our motivation is driven by a more complex series of needs than 'needs' alone, that is, our own interpretations and assessments form additional layers determined by our response to our own needs and the effects of those responses.

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6 HERZBERG'S TWO-FACTOR THEORY

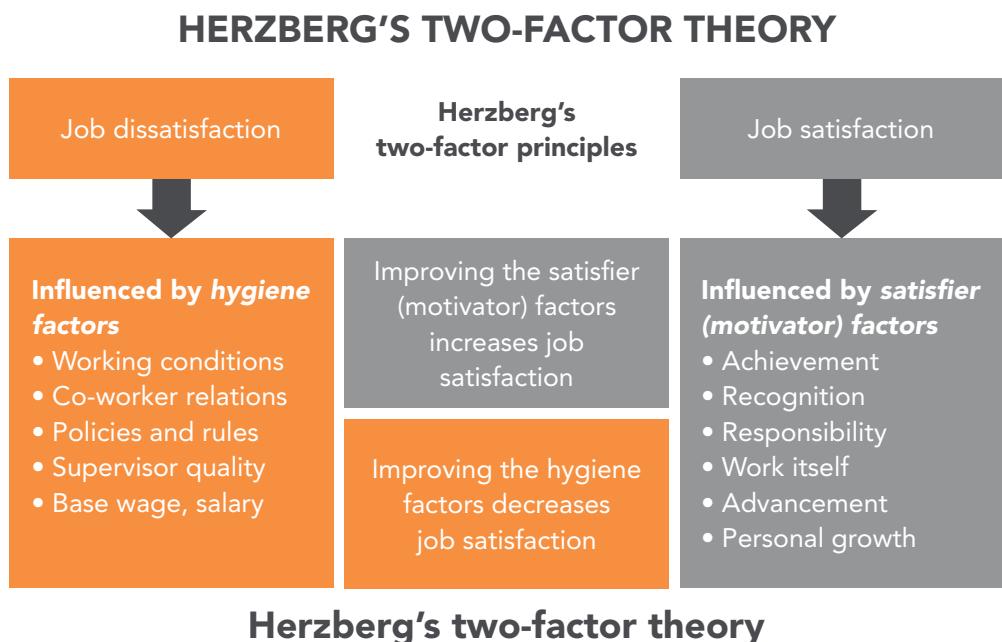


Fig. 6. Herzberg's Two-Factor Theory

"True motivation comes from achievement, personal development, job satisfaction, and recognition."

– Frederick Herzberg

Frederick Herzberg in his book, *Work and the Nature of Man* introduced the two-factor theory of motivation. This identified the elements causing job satisfaction and job dissatisfaction. He called these hygiene or maintenance factors, and motivator factors. The hygiene factors minimise dissatisfaction but do not give satisfaction. For example, we know that good sanitation minimises threats to health but does not provide good health. Satisfaction with hygiene factors varies over time and is short-term.

The hygiene factors are:

- ◆ company policy and administration
- ◆ salary
- ◆ supervision
- ◆ interpersonal relationships
- ◆ working conditions and
- ◆ job security.

The motivators are:

- ◆ status
- ◆ advancement or promotion
- ◆ recognition
- ◆ responsibility
- ◆ challenging work
- ◆ achievement and
- ◆ opportunities for growth

A lack of motivators will concentrate employee's minds on the hygiene factors such as pay and working conditions. However, this is less likely to happen if the work is challenging, interesting and offers scope for advancement. Herzberg recommended that managers should concentrate on the motivators to improve motivation. Therefore, it is better to make the job more challenging than improving working conditions.

Conclusion

Herzberg's conclusions are very influential and still form the bedrock of good motivational practice nearly half a century after he came up with them. The conclusion he drew is that job satisfaction and job dissatisfaction are not opposites:

- The opposite of Satisfaction is No satisfaction.
- The opposite of Dissatisfaction is No Dissatisfaction.

Curing the causes of dissatisfaction will not create satisfaction. Also, adding the factors of job satisfaction will not eliminate job dissatisfaction. Giving someone promotion in a toxic work environment will not necessarily make them satisfied. On the other hand, creating a healthy work environment minus the satisfaction factors will not be satisfying. Herzberg maintained that the factors leading to job satisfaction are 'separate and distinct from those that lead to job dissatisfaction.' Therefore, if you go about eliminating dissatisfying job factors you may create peace but not necessarily enhance performance. This placates your workforce instead of actually motivating them to improve performance.

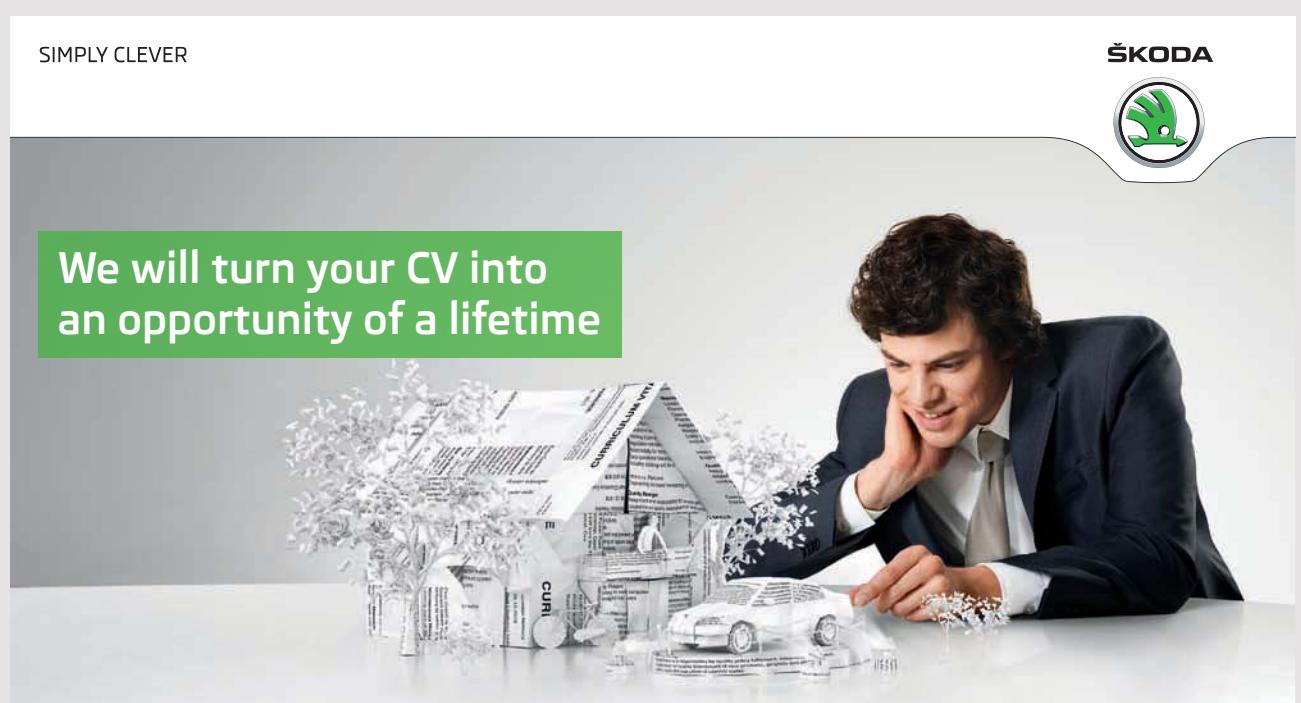
The characteristics associated with job dissatisfaction are known as hygiene factors. When hygiene factors have been addressed, people will not be dissatisfied nor will they be satisfied. To motivate your team, you must concentrate on satisfaction factors like achievement, recognition and responsibility. Give your people opportunities to grow and develop and praise their achievement wherever you find it.

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7 LEADER-MEMBER EXCHANGE MODEL

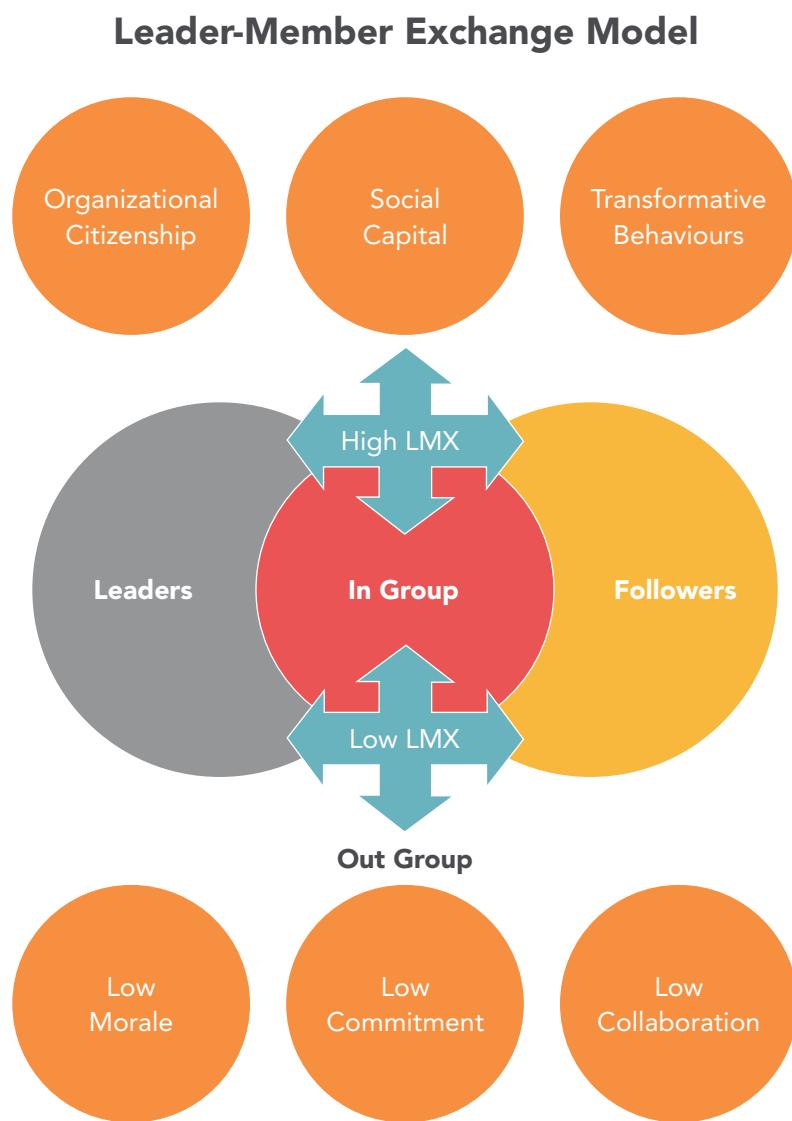


Fig. 7. Leader-Member Exchange Model (LMX)

"A good objective of leadership is to help those who are doing poorly to do well and to help those doing well to do even better."

– Jim Rohn

Another name for the model is the ‘Vertical Dyad Linkage Theory’. Dyad means two and this refers to the two-way relationship between the leader and member. This means that leaders tend to have different relationships with different members. Dyadic relationships and work roles are developed and negotiated over time through a series of exchanges between leader and member. The relationships are based on the principle of reciprocity – you scratch my back and I’ll scratch yours. In other words, when one person treats another well, the norm of reciprocity obliges the return of favourable treatment. According to this model leaders categorise their followers into two groups – an in-group and an out-group.

The in-group members are trusted and are given more rewards, recognition, information, promotions, support, responsibilities, and are empowered to take part in decision making – they have greater scope to use their initiative and express their creativity. They are more likely to get positive performance evaluations, more emotional support and challenging work assignments. Leaders will adopt a more favourable consultative and participative style of management with them and delegate better quality assignments to them. Consequently, in-group members have good productivity, more job satisfaction and their morale and motivation are high. This is reflected in low levels of turnover, tardiness, absenteeism and intentions to quit. It is likely that people in the in-group have a similar mind-set, personality and work-ethic to their leader.

On the other hand, the members of the out-group are not trusted and are not within the leader’s inner circles. Consequently, because they get less attention, support and rewards their morale, loyalty, motivation, commitment and collaboration is low. Their interaction with the leader is contractual, formal and task oriented - they are tightly supervised and subject to strict rules and regulations, adversely affecting their productivity, commitment, initiative and creativity. This is reflected in high levels of turnover. It is likely that people in the out-group have different personalities and values to their leader.

There is a self-fulfilling prophecy at work here – if you are treated favorably as one of the chosen few you will respond in kind as a loyal, trusted and productive employee. In addition, as a member of the in-group you are more likely to be given opportunities for special assignments, training and development and advancement ensuring that the cycle of favourable treatment continues. On the other hand, if you are treated unfavorably you will behave as expected often in a surly and uncooperative manner. Out-group members will only do what they are required to do and won’t go beyond that. In addition, they are unlikely to be given further opportunities for training and development and advancement. This ensures that the status quo will continue into the future.

Three relationships have been identified in the LMX process:

1. **Role taking.** When the member joins the team, the leader will assess their abilities, competencies, skills, talents and level of commitment. Based on this assessment the leader will give them a job with responsibilities and opportunities to match or even stretch their capabilities.
2. **Role making.** The role is created and if the member proves to be satisfactory and competent he will be rewarded for his hard work, dedication and loyalty. Trust is an important aspect of the relationship at this stage and if the leader feels a member is untrustworthy it may result in them being reallocated to the out-group and thus consigned to being stuck in a rut. A member who is trustworthy, hard-working, productive and committed is more likely to win the approval of the leader. It is during the role making stage that members are classified into one of two groups: in-group and out-group.
3. **Routinisation.** Here the leader has made up his mind as regards expectations about the member. Those in the in-group are likely to remain in their position even if their actual performance doesn't warrant it. Those in the out-group will become stereotyped and find it difficult to break out of this routine and win the approval of the leader.

Leaders often form first impressions and opinions of followers, made on a subconscious level, early on in the followers' careers to their advantage or disadvantage. Like all people leaders have their likes and dislikes, foibles and biases, but the problem is that these early attitudes will hinder the promotion and career prospects of the employee. This means that they may be stereotyped early in their careers, often unfairly so, based on one isolated incidence and henceforth they are not given opportunities for growth and development. To avoid this from happening, management objectivity is essential based on actual performance and ability, recognizing effort and attainment. This can be achieved through periodic reviews.

Members who are out of favour with their leaders can do something about it. The following actions are proposed:

- Members should stay focused on their work unit goals and remain positive about their ability to achieve them. An unsupportive boss is just another obstacle to be overcome.
- Do not be consumed by feelings of powerlessness, and empower yourself to get things done. Try to see things from the leader's perspective, and make sure you live up to the leader's expectations for your job. Seek feedback regarding leader's role expectations and find out to what extent you are meeting them.
- Focus on what is within your control and avoid dwelling on what you have no control over. Be willing to work overtime and take on new responsibilities if called upon to do so. As a good corporate citizen, you should be cooperative and willing to help co-workers if necessary.

- Examine your interpersonal relationship with your manager with a view to improving it. Social exchanges such as interaction with your boss that is not work related can have a positive effect on LMX as it helps in building empathy, mutual regard and confidence. In addition, you can improve trust by showing your commitment, loyalty and support for your leader.
- Use a constructive problem-solving approach when you have disagreement with your manager. Avoid aggression, sarcasm and an egocentric view. Instead adopt a friendly, respectful but assertive communication approach to resolving differences with your boss. When leader and member have the same approach to problem solving it is known as cognitive similarity and research has shown that it leads to high LMX. In addition, members who have a positive view of themselves, tend to adopt a positive behaviour and attitude towards their leader consistent with their self-image.

Conclusion

The basic belief that people should be rewarded for loyalty is not new and goes back to political philosophies from classical Greek times. The leader-member exchange model categorizes followers or members into two categories – an in-group and an out-group. The in-group is given greater responsibilities, more rewards, more respect, and more attention. They are therefore more likely to be highly committed to the vision, mission and objectives of the work unit. Consequently, the in-group members have higher productivity, job satisfaction and motivation than the out-group members. The downside of this is that in-group members may be more prone to stress and burnout than others.

The out-group is outside the leader's inner circle and given fewer rewards and managed tightly according to strict rules and regulations. The out-group is likely to resent their status and inferior treatment and may see this as a type of unfair segregation. There is an inherent danger that the model will encourage old boy networks, favoritism, cronyism and corruption.

Therefore, there is a strong case to be made that leaders should develop high quality relationships with as many employees as possible and so their out-group should be as large as their in-group. In fact, high quality exchange relationships are more likely to occur when leaders are trustworthy, ethical, truthful, honest, fair, and genuinely concerned about the well-being and welfare of their members. Leaders who are trustworthy and reliable keep their promises and do what they say they will do – something politicians consistently fail to do as they routinely renege on election promises.

Members who feel important and valued by their leaders usually engage in harmonious relationships and avoid interpersonal conflicts. It should be borne in mind that other factors also affect the quality of the LMX relationship such as the charisma of the leader, the culture of the company and the context in which transactions take place. Leaders must be mindful of the fact that they are human beings and are prone to the same temptations and biases as everybody else.

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8 MARGIN OF POWER MODEL

Margin of Power Model



Fig. 8. McClusky's Margin of Power Model

"Load is the demand made on a person by self and society, and power is the resources a person has to cope with the load."

– Howard McClusky

Howard McClusky was an educational psychologist and professor at the University of Michigan from 1924 until his death in 1982. As he grew older he took a keen interest in adult education and the problems adults experienced when learning. In the last decade of his life he took a particular interest in older adult learners. He came up with the Margin of Power Model in the early 1960s. This can be expressed in the formula Load (L) – Power (P) = Margin (M). Load is the demands placed on an individual while Power is the individual's capacity and resources to handle it.

Margin is the capacity gap - either a surplus or a deficit that load has in relation to power. Margin can be increased by reducing load or increasing power. Alternatively, it can be reduced by increasing load or reducing power. The load power ratio changes throughout life. As people get older they take on more roles and responsibilities in life, and at the same time they need to develop the resources to deal effectively with them. The more margin one has, the greater the ability one has to deal with sources of load. The less margin one has, the lower the capacity one has to deal with sources of load. It is margin that gives people a range of options to invest in their personal growth, learning and training and development, and to take on extra roles and responsibilities.

Where load is less than power, the individual has surplus power to cope with the load and can take on extra roles and responsibilities, or use the resources and time for growth and self-development. Education in the form of acquiring learning to learn skills, computer skills, time management or memory enhancement techniques can lighten load and increase power. On the other hand, where load is greater than power the individual has a deficit in capacity to deal with it. This results in stress and makes the individual susceptible to a nervous breakdown unless action is taken to rectify the problem.

Load can be categorized into two – external and internal. External refers to the external burdens you experience due to the demands of family, work and community responsibilities. Internal load is the strengths and weaknesses you have in the form of self-esteem, goals, aspirations, expectations and desires. If you have strengths in these areas it will lighten your load. On the other hand, if you have weaknesses in these areas it will increase it.

There are also sources of load generated by the academic community. Day and James at the University of Wyoming found numerous examples of instructor-generated load that they categorized into four areas: attitude, behaviour, task and environment as follows:

Attitude

- Learner treated as an inferior.
- Learner's opinions and view ignored.
- Instructor too impatient.
- Instructor too dictatorial and rigid.

Behaviour

- Instructor's distracting mannerisms.
- Instructor's mumbling and being unclear.
- Instructor's disorganization and poor time management.
- Instructor's lack of eye contact and inappropriate body language.

Task

- Inappropriate or poorly thought out assignments.
- Guidelines for grades and general evaluation criteria unclear.
- Overburdening learners with work.
- Too little time to do the assigned work.

Environment

- Meeting room too hot or too cold.
- Poor lighting and inadequate heating.
- Desks and chairs not comfortable.
- Noise from classrooms coming from next door.

All of these, place an extra load on learners, sapping their energy levels, distracting their attention and causing them unnecessary stress. With a little thought on the part of teachers and trainers these problems could be mostly avoided.

Power can also be categorized into two – external and internal. External power is augmented by the support from family, friends and employers, economic and material resources you possess, your status in the community and your ability to persuade and influence others. Internal resources include resiliency, positive attitude, persistence, personality, coping skills, stamina and personal skills such as the ability to think logically, to get on with others, and to manage your time effectively. The more developed your internal resources of power, such as resiliency and persistence, the greater your ability to deal with the trials and tribulations of life.

McClusky identified the sources of power as follows:

1. Physical power in the form of strength, stamina, energy and health.
2. Social power in the form of interpersonal relationship skills, social status and the ability to persuade and influence others.
3. Psychological power in the form of being able to think logically and solve problems effectively. This power also includes confidence, self-esteem, resilience, persistence and coping skills.
4. Economic power in the form of money, resources, possessions, position, and influence.
5. Skill power in the form of competence and abilities to do certain tasks and perform certain roles.

Conclusion

The Margin of Power Model is a practical, easy to understand model of the load/power dilemma. It quickly shows if students have the resources and capacity to deal with the load they are burdened with, and if they have the ability to persist in the face of difficulties. For adults generally, it is an excellent model to understand the demands and stresses that they have to cope with as they progress through life, where they continually have to juggle with numerous roles and responsibilities. Most don't realise that they will experience load/

power imbalances during their lives and that they will have to have strategies in place to deal effectively with them. Teachers, trainers and learning facilitators should be careful not to increase the load factor on learners through their style of instructing and lack of consideration for the needs of learners.

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9 MARKETING MIX MODEL

Marketing Mix Model



Fig. 9. Marketing Mix Model

"You can't just ask customers what they want and then try to give that to them. By the time you get it build, they'll want something new."

— Steve Jobs

The marketing mix was described by McCarthy (1964) as the four P's. This is the traditional marketing mix and consists of product, price, promotion and place. The product or service is designed for maximum customer benefit. It is priced in relation to the buyer's ability to buy the product. It is made available to the customer through the appropriate place and promoted so that potential buyers know as much as required about the product or service on offer. Booms and Bitner (1981) extended the 4P's framework to include process, physical evidence and people. These cater for the particular characteristics of services. Over the years the importance of the service sector has grown and it now accounts for most of the economic activity in a modern economy. A customer-oriented service is now more important than ever before. The 7P's framework has now wide acceptance. It is seen as more comprehensive than the 4P's model, providing a broader perspective which includes relationship marketing.

1. *Product.* This relates to the product range and life-cycle, product quality, features, styling, safety and convenience in use, after-sales service, guarantees, optimal size of production volumes, customer needs, packaging, branding, product design and development programmes and so on. It includes intangible benefits as well as tangible benefits that customers evaluate when buying a product. A business can differentiate its products from those of its competitors and make it stand out from others by highlighting distinguishing characteristics. A product can be a physical object or service. Physical objects include electronic goods, cosmetics, groceries and machine tools. Services include hospital care, management consultancy, financial services and holidays. For example, for a bank the product would be the account and what the customer can do with it such as overdraft facilities, direct debit payments and so on. The range of products offered by an organisation is called the product mix. Companies are in business to sell products and services. To counteract increased competition and falling market share, Kellogg's have introduced a range of cereal snack bars aimed at the convenience food market
2. *Price.* Factors concerning price include not only the level of price, but also credit terms, bulk purchase discounts, discounts for early payments, trade-in-allowances and so on. Price is important because it is the only element of the marketing mix that produces revenue; the other factors represent cost. Services such as banks charge

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prices in the form of interest on loans and overdrawn accounts. The right price will ensure optimum profits, growth in sales or market share and the optimum use of production capacity. Accountants may be involved in the formulation of prices. It is wrong to base pricing policy on cost factors alone, without considering the dynamics of the market. Depending on supply and demand and the nature of competition, a product may be successful at a certain price but not at another. Price policy should consider factors such as price elasticity of demand, competition, discounts offered, breakeven analysis, government policy, customer expectations, strategic objectives and disposable income of customer. Different pricing strategies will operate at different stages of the product life cycle. Different pricing strategies will also operate in different markets. For example, BIC the manufacturer of razors, pens and lighters seeks to provide the world's markets with products at affordable prices. A firm's pricing strategy may be aimed at a particular market segment. For example, if it wants to sell at the top end of the market it will charge a high price, at the bottom a low price, and so on. In the long-term prices must be set to recover all costs and make a profit. Pricing in the international environment is more complicated than in the domestic market, because of factors such as government influence, foreign exchange rates and additional costs such as transport.

3. *Promotion.* Sales promotion includes the work of the sales team, personal selling, advertising, merchandising, publicity and public relations are used to attract the attention of customers to the company's products and services. For example, a bank may make attractive offers to students who open bank account such as an interest free loan, or money back to buy books. Market research may be used beforehand to identify likely customers. The objective is to induce customers to buy in order to increase sales, market share and profits. Promotion is defined as an attempt by marketing people to persuade customers to buy from them. Factors to consider in sales promotion are the balance between direct selling, advertising, sponsorship, special offers, discounts, branding, packaging and the selling expertise of sales staff. It is the marketing department that promotes goods and services. It would be impossible to sell a product if potential buyers were unaware that it exists. Hence the importance of advertising.
4. *Place* refers to the market in which products are sold. Approximately one fifth of the cost of a product is spent getting it to the customer. Of course, the actual figure varies widely from product to product but generally distribution is a very important element in the marketing mix. Different companies use different approaches and different channels to reach their customers. For example, McDonald's uses a franchising system enabling it to operate in a wide variety of geographical locations throughout the world. A bank may use a branch or online or over the telephone. Place factors here include the location of sales outlets and the number and type of sales outlets (shop, supermarkets, etc), the location of service departments, stock

levels, warehousing, distribution channels, and transportation and delivery services. One of the key functions of marketing is getting the product or service to the final consumer. Convenience stores are located locally within walking distance of customers and stay open longer than other shops.

5. *People*. This refers to the customer service people who actually deliver the service through direct contact with the customer. Customers are loyal to those organisations who serve them well. They expect face-to-face enquiries and telephone calls to be handled with friendliness, courtesy and care. Call centre staff and customer interfacing personnel are the front-line troops of any organisation and they need to be trained in good customer care practice. The image and reputation of the company depends on the way they deal with customers. The customer service people play a key role in influencing customer perceptions about quality and ultimately in making the purchase. Whether it is on a one-to-one basis, over the phone, or via the Internet, the professionalism, politeness, manners, creditability and empathy of people is critical. People require training in personal selling, customer relations and problem-solving skills. Lack of training and commitment may result in variable performance which can lead to variable service quality. McDonald's has a hamburger university in Illinois, USA. The main course is in advanced operations, designed for managers, assistant managers and prospective franchisees. There are additional training centres in such cities as Munich, Tokyo, Sydney and London. The centres teach managers such details as the temperature at which hamburgers should be cooked and how to inspect restaurant facilities to ensure that quality standards are met. Managers are also trained in how to give performance appraisal reviews and how to listen to staff.
6. *Physical evidence*. This relates to how physical facilities such as buildings and stores are designed and managed. For example, the design of the interior and exterior of a supermarket is critical to a customer, such as the location and display of products, the appearance and hygiene of staff, parking facilities and general aesthetics. Air passengers expect comfortable and attractive departure lounges with shops, restaurants and other facilities. People visiting hair dressing saloons now expect attractive waiting areas with reading materials and tea/coffee making facilities. In the case of services, the more intangible a service is the greater the need to make the service tangible. For example, credit cards give tangible evidence of credit facilities by banks and credit card companies. Some banks are differentiating their credit cards by customising them with pictures of the customer. McDonald's aim is for a consistent delivery of quality, service and cleanliness in their restaurants. The traditional US value of 'service with a smile' is embodied in the staff at McDonald's throughout the world. Physical layout is not only relevant to stores and restaurants but also to the layout of virtual stores and websites.

7. *Process or procedure.* This refers to the efficiency and effectiveness of the service provided in delivering the product/service mix. Procedures need to be developed for handling customer complaints, handling orders, issuing invoices and despatching goods. Customers expect these to run smoothly. Most successful service providers develop detailed standards of performance for the service process including staffing, check-out facilities and equipment. McDonald's have brought standardisation to a fine art. The procedure for making the food is identical everywhere. This epitomises globalisation as McDonald's standards have to be met the world over. For example, one out of two fries must measure 75mm, meat for a Big Mac weighs 45g and is 20 per cent fat, and buns are 9.5-9.8cm in diameter and 6cm high. The process of getting a meal at a self-service, fast-food outlet, is clearly different from that of a quality restaurant. In a self-service situation people are likely to have to queue. However, queuing and delivery times must be acceptable to customers. For example, in McDonald's corporate goals include the filling of walk-in orders within 90 seconds and a guarantee that customers will never have to wait more than three and a half minutes at drive-through windows. Company representatives monitor performance by making surprise visits to McDonald's outlets every quarter.

Conclusion

Getting the mix of the seven elements right enables a company to meet its marketing obligation and to satisfy the needs of their customers. The 7Ps comprise the modern approach to the marketing mix. It is particularly relevant to the service industry, but is also relevant to any business where customer service is of a high priority. To create the right marketing mix, marketers must:

- Have a product with the right features.
- The price must be right.
- The goods must be in the right place at the right time.
- The target group must be aware of the existence and availability of the product through advertising and sales promotion.

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10 MASLOW'S HIERARCHY OF NEEDS

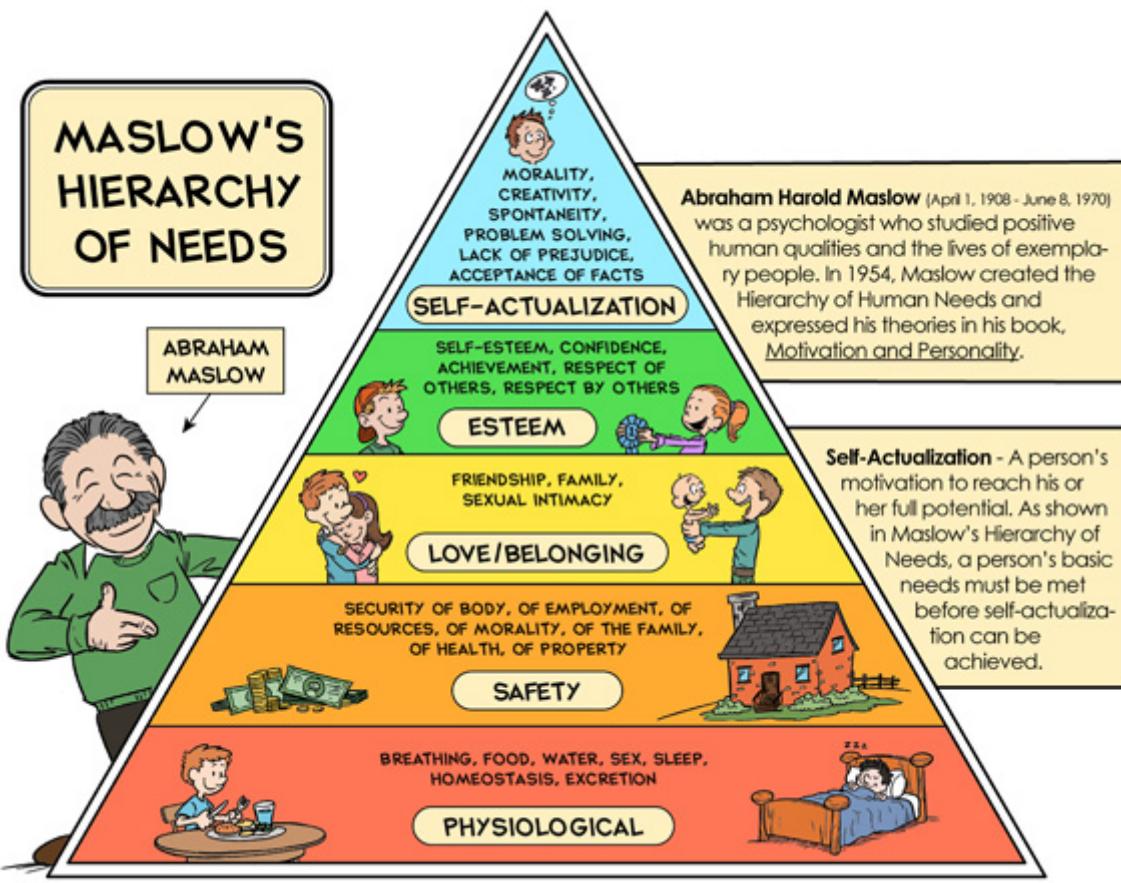


Fig. 10. Maslow's Hierarchy of Needs.

"Self-actualization refers to the person's desire for self-fulfilment, namely, to the tendency to become actualized in what he is potentially. The specific form that these needs will take will of course vary greatly from person to person. In one individual it may take the form of the desire to be an ideal mother, in another it may be expressed athletically, and in still another it may be expressed in painting pictures or in inventions."

– Maslow, 1943

Abraham Maslow (1908-1970) was keenly interested in human potential and how people become self-actualised. Certain needs are more basic than others, and these must be satisfied first before the higher needs are met. The basic needs are physiological and safety while the higher needs are love, esteem, and self-actualization. Lower needs must be satisfied before higher level needs can be reached. Although the levels are usually illustrated in a hierarchy, life

experiences, including divorce and loss of employment may cause an individual to fluctuate between levels of the hierarchy. Therefore, not everyone will move through the hierarchy in a linear smooth manner, but may move back and forth between the different types of needs. The following is a brief explanation of Maslow's hierarchy of needs as illustrated in Fig.10.

1. **Physiological needs.** Our most basic need is for physical survival aided, abetted and sustained by air, food, sex, sleep, shelter, colour, heating and clothing. These needs are easily met in developed countries, but often are a challenge in third world countries where resources are scarce, incomes low and the need for food and shelter may dominate every minute of people's lives. Physiological needs are the only needs which can be completely satisfied or indeed over satisfied, as in Western countries where obesity is a serious health issue. They are recurring so that we need to satisfy them on an ongoing basis if we want to stay healthy and alive. In the context of learning, a stimulating, engaging, secure, supportive and safe environment must be provided for learning. Appropriate equipment and resources must be made available to facilitate learning. The learner must have opportunities to practice the new behaviours. Learner's ability to concentrate is enhanced if they have had a good night's sleep the night before they engage in the learning task.
2. **Safety needs.** This is the need to feel safe and secure and to be protected from violence, fear and harm. Countries provide this through good social welfare systems, protection against cybercrime, health and safety legislation, policing and the army. Organisations provide this through secure employment, health insurance and pension schemes. Safety needs can never be completely satisfied. If children's safety needs are not met they become anxious and may develop into neurotic adults. This may be caused by bullying or a teacher who threatens them and undermines their confidence. On the other hand, predictable routines such as procedures, schedules and timetables will help learners feel comfortable and safe. In stable peaceful societies safety needs are easily met and taken for granted. However, in politically unstable societies they may be continually under threat through violent protest, civil disobedience, insurrection and sabotage. Safety needs become a priority during natural disasters such as floods, extreme wintry conditions, hurricanes and earthquakes and when fires, accidents and other life-threatening events arise. When our basic needs are met we can then move on and concentrate on meeting our higher needs.
3. **Love and belonging needs.** This is the level that most of us stay at. People desire friendships, partners and to be part of a family. People who feel they belong, feel engaged and important are happier both mentally and physically. A child who has experienced love and closeness will grow up to be a well-adjusted, mentally healthy adult, who will be able to handle the normal ups and downs of life, and not feel devastated by the occasional setback or rejection. When people satisfy their need for relationships then they can progress to the next level. In the context of learning

the environment in which the learning takes place must be free from threats so that learners feel friendship and are given recognition, respect, acceptance and a sense of belonging in a collaborative rather than a competitive learning setting. In an organisation love and belonging needs are met by being part of a group, or identifying with a company.

4. ***Esteem needs.*** This is the need for self-respect, self-belief, confidence, competence, mastery, and the respect of others. The reputation a person holds amongst their peers will influence their sense of self-esteem and feelings of self-worth, uniqueness and importance. In the corporate world recognition and promotion brings feelings of status and enhanced self-esteem, and thus acts as a strong motivator and incentive to work hard in the hope that it will be recognized and rewarded. Esteem needs are met when learner's knowledge, skills, experience, expertise and wisdom is acknowledged, shared and celebrated. When esteem needs are met people are then ready to progress to the highest level of needs, namely self-actualization.
5. ***Self-actualization needs.*** This is reaching your full potential by achieving long-term goals, or becoming what you are capable of being. It is sometimes linked with flow or positive psychology and finding ways for self-expression. Maslow maintained that only people who reach this level are 'fully human' and he estimated that only about 2 per cent of the general population reaches this stage. People who arrive at this level have adopted values such as truth, goodness, justice, fairness, humour and autonomy. Without these values you are unlikely to become self-actualised. The process of trying to become self-actualised may be the ultimate motivation and driving force for most people rather than actually attaining it. At the self-actualization level, the learning must be meaningful, provide a sense of purpose and be a vehicle for self-expression, self-fulfilment and self-development. The learner may be looking for professional advancement, promotion or higher status. The learner should try and discover their true calling in life. They are unlikely to be truly happy until they find their true vocation, and their core values align with those of the organisation. Maslow believed that 95 per cent of people are capable of self-actualization in their older years, but that only about 2 per cent ever achieves it. Self-actualization needs can be met by lifelong learning, being creative and problem centred, and through the practice of good ethics, morality, spirituality and continuous self-improvement.

Conclusion

Maslow's hierarchy of needs is called a content theory of motivation, which means it studies the things, rather than the processes, that motivate people. His theory has two major premises: (1) that human beings, by nature, want things and are motivated to acquire things that they do not have, and (2) that once one set of needs are satisfied, those needs are no longer a motivator.

Maslow's model of motivation, though not empirically proven and though criticized by many experts, is hugely popular and widely accepted as being reasonable, comprehensive, logical and intuitively appealing. In fact, Maslow based his theory on a biographical analysis of a biased sample of self-actualized individuals, limited to prominent highly educated white males such as Thomas Jefferson, Abraham Lincoln, Albert Einstein, William James, Aldous Huxley, Gandhi and Beethoven. This would suggest that Maslow's hierarchy of needs may not have universal application.

Nevertheless, the theory is intuitively appealing and makes sense to many people. It is probably the most quoted motivation theory in existence and is still popular in educational, training and corporate circles. It takes a holistic approach to education and learning, taking in the entire physical, emotional, social and intellectual qualities of an individual and how they impact on learning.

Meaningful learning is more likely to occur when learners engage with the subject for its own sake, rather than to satisfy an extrinsic demand. Learners learn best in a safe, non-threatening environment. Ultimately, learning should be driven by a search for meaning and purpose. For Maslow, a person is always 'becoming' and never remains static (supporting the idea of lifelong learning and continuous improvement). In self-actualization a person comes to find a meaning to life that is appropriate to him.

It is important to note that Maslow's hierarchy of needs has been expanded by him to include cognitive, aesthetic and transcendence needs. Cognitive needs are knowledge and understanding, curiosity, exploration and the need for meaning and predictability. Aesthetic needs are appreciation and search for beauty, balance, form and order. Transcendence needs are helping others to achieve personal growth, peak experience and self-actualization. However, Maslow's classical five levels hierarchy of needs remains the definitive representation of human motivation.

According to Maslow becoming self-actualized is the strongest source of motivation. Self-actualization means different things to different people with different drivers, although many people who are self-actualized are innovators and pioneers in their fields. Self-actualised people come from all walks of life. Some are politicians, philosophers, writers, artists, visionaries, social reformers, humanitarians and activists for human rights who often led unconventional lives but left a lasting legacy for mankind.

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11 MCQUELLAND'S THEORY OF MOTIVATION

He maintained that three things motivated managers:

1. The need for achievement
2. The need for power
3. The need for affiliation.

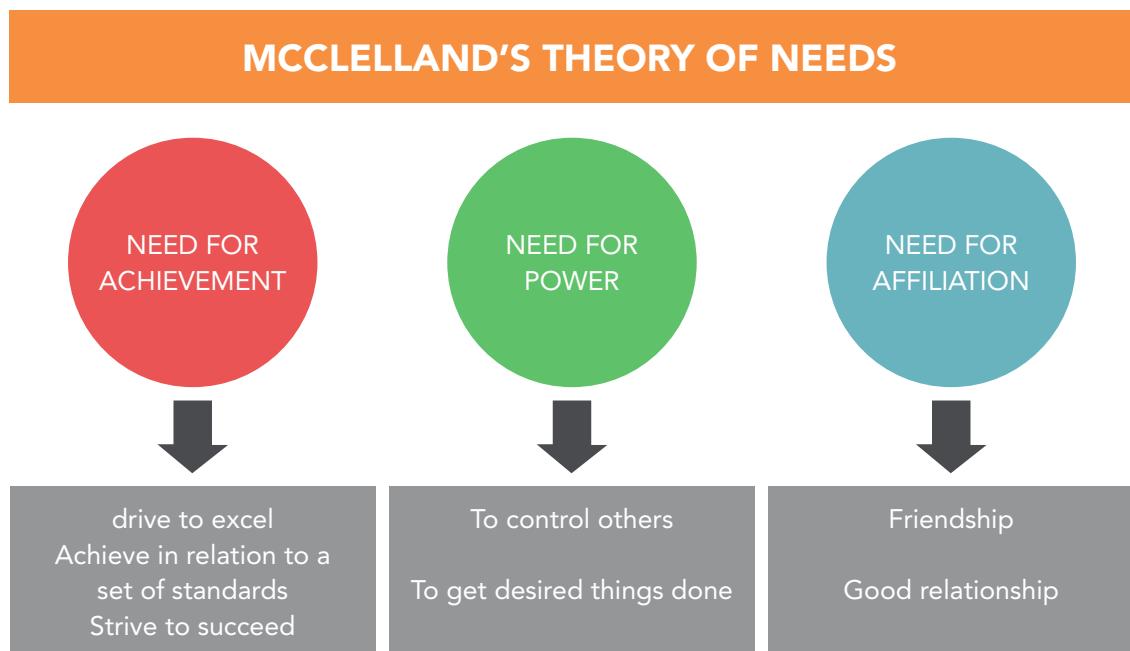


Fig. 11. McClelland's Theory of Needs

"Understanding human motivation ought to be a good thing. It should help us to find out what we really want so that we can avoid chasing rainbows that are not for us. It should open up opportunities for self-development if we apply motivational principles to pursuing our goals in life."

– David C. McClelland

He felt that managers were more motivated by achievement and power rather than affiliation. Power has been described as the greatest aphrodisiac. Managers like to be challenged and to exercise personal responsibility. The major concern with high achievers is that they are task-orientated rather than relationship orientated. This is a major disadvantage in team-based organisations where the ability to get along with others is of prime importance.

Conclusion

The need for achievement is the wish to achieve a task or goal more effectively than in the past. The need for power is the wish to control the resources in one's environment. The need for affiliation is the inherent human need for companionship. McClelland's Theory of Needs is a practical way of considering motivation, is intuitively appealing and easy to remember. Because of this it is popular with managers.

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12 ORGANISATION DEVELOPMENT (OD) PROCESS

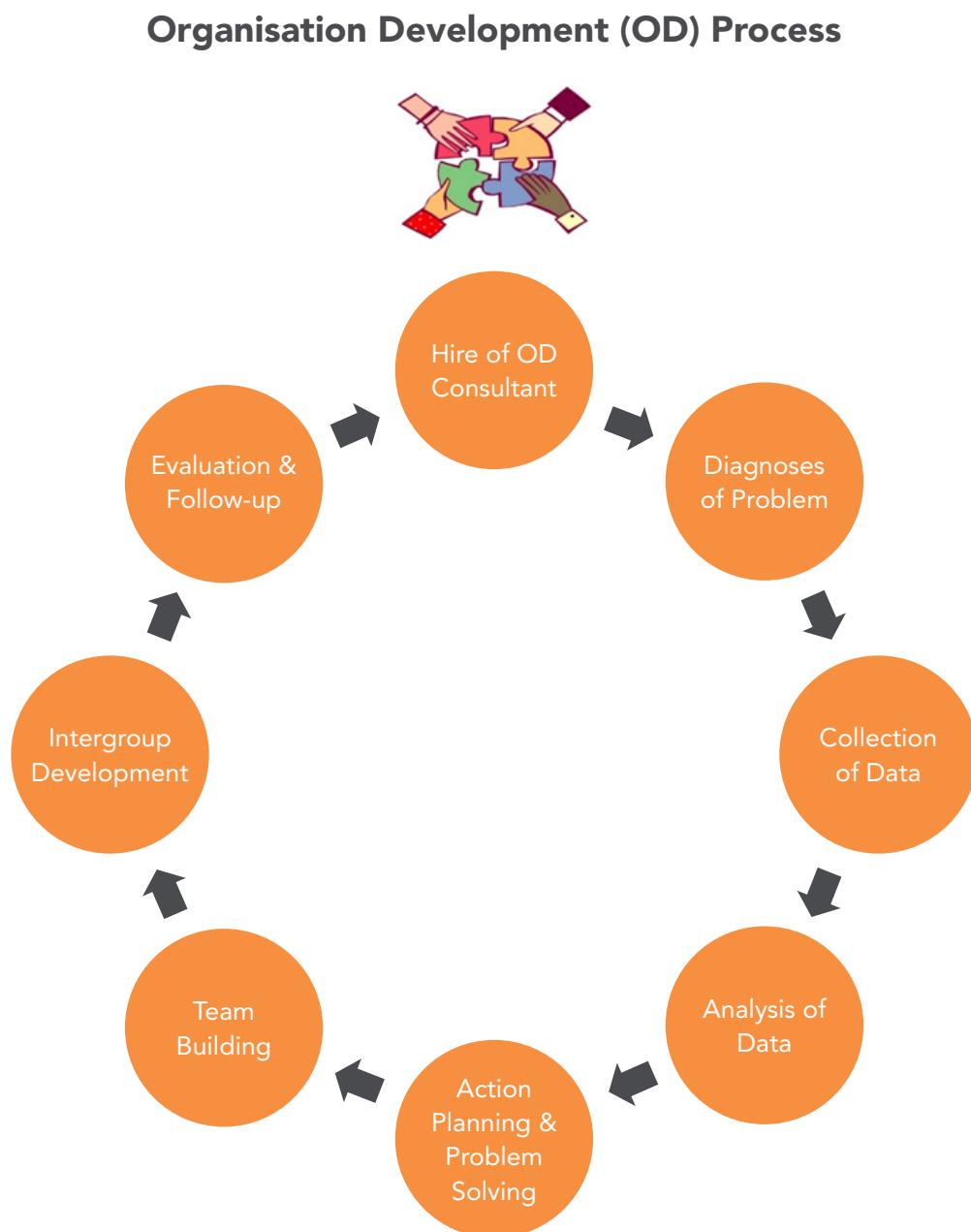


Fig. 12. OD Process

"There is nothing more difficult to execute, nor more dubious of success, nor more dangerous to administer than to introduce a new system of things: for he who introduced it has all those who profit from the old system as his enemies, and he has only lukewarm allies in all those who might profit from the new system."

– Machiavelli, 1513

OD is the theory and practice of bringing planned change to organisations using behavioural science-based theories. The aim is to improve organisation productivity and profitability through enhanced employee on-the-job performance. The OD process consists of the following:

- Hire of OD Consultant. The OD consultant needs to be suitably qualified for the job. He may be sourced from inside or outside the company – outside is probably the preferred option because of objectivity, independence of thought, expertise and wider experience. On the other hand, insiders may have a more intimate knowledge of organisation issues, corporate culture and concerns. He must be discreet, have excellent communication, negotiation and interpersonal relationship skills, and have the credibility to gain and maintain the trust of employees. He must also have diagnostic and problem-solving skills, excellent presentation, facilitation, empathy and persuasion skills. He must be seen as genuine and have the interests of the organisation and employees at heart to win the trust of employees. He should be able to maintain confidentiality and have a high standard of ethics.
- Diagnosis of problem. The OD consultant needs to identify the real problem in conjunction with senior management and develop approaches that are likely to be successful. Some of these approaches might include strategic planning, new leadership styles, new flexible structures, new training and development initiatives, new systems and procedures and new remuneration packages.
- Collection of data. Employee opinion surveys may be drawn up to determine the nature of the problem. All staff may be surveyed using an objective random sample. A computer-based system such as email may be used to collect the data. Alternatively, the OD consultant may meet with representative groups and interview them throughout the organisation. He may also observe employees in their natural work setting. This is done to determine the culture of the organisation and the nature of any behavioural problems that exist.
- Analysis and interpretation of data. Work groups will be appointed to review the data collected, to establish points of agreement and disagreement, and to determine priorities for change. It will also identify the barriers to change, such as organisation and personal barriers, so that they can be dealt with to the satisfaction of management and employees. In particular you may want to find out if the goals and values of the organisation and staff are compatible. In addition, you may want to know if the staff has the skills and abilities to perform the task allotted to them. Are staff emotional needs met by the informal organisation?
- Action planning and problem solving. Groups will use the data collected to determine the state of the organisation and specific recommendations for change. Problems that need to be addressed will be discussed. Plans should be drawn up to solve the problems and people appointed to be responsible for taking action within deadlines on them.

- Team building. The OD should encourage the various teams to examine how they work together. The consultant will ensure that good communication operates within each group and that trust is established between group members. Increased interaction and communication allow employees to test their views about organizational norms and proper standards of behaviour. Dysfunctional norms may have to be changed to more appropriate norms needed for more successful organizational behaviour.
- Intergroup development. It is important that all the teams, both large and small, are coordinated and cooperate with each other.
- Evaluation, follow-up and implement through action plans. The OD consultant will help top management to monitor and evaluate the results and make sure everything possible is done to make sure they are implemented expeditiously and successfully. Additional programmes, such as training, coaching and the growth and development of employees, may need to be drawn up to help the process along. There must be a good fit between the recommendations of the consultant and the specific needs of the organisation – a template borrowed from another organisation may not work.

Conclusion

Successful OD interventions require consideration of a number of factors. First the intervenor must be a role model of appropriate behaviours, win the trust of management and staff, and have an up-to-date knowledge of current trends in organisation development. Interventions are more likely to be successful if organizational members are open to change and management empowers the workers to become involved in the change process.

Relevant training and development must be provided to help the process along. Education may be needed to update knowledge, outdated beliefs and skills. Leaders have a key role to play in intervention, making sure that the workers are prepared for change, and also ensuring the stability of the organisation's future. There is growing evidence that OD interventions work and that it has a positive impact on attitudes.

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13 PARETO PRINCIPLE – 80/20 RULE

Pareto Principle – 80/20 Rule

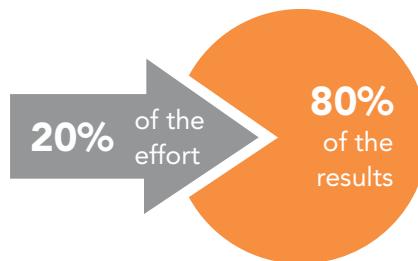


Fig. 12. Eighty/Twenty Rule – The Pareto Principle

"Doing less is not feeling lazy. Don't give in to a culture that values personal sacrifice over personal productivity."

– Timothy Ferriss

The Pareto Principle is commonly known as the law of the vital few and the trivial many. Vilfredo Pareto (1848-1923), an Italian economist; found that 20 per cent of the population of Italy owned 80 per cent of the wealth. He found this applied in other countries as well. It has also become known as the 80/20 rule. This concept of disproportion has been found to operate in many situations. The values of 20 and 80 are not significant; they could actually be 10 per cent and 60 per cent. The important point is that there is considerable disproportion.

Pareto analysis involves discovering the factors causing a result, arranging them in the order of their impact and isolating the top 20 per cent for further analysis and action. The Pareto diagram is usually shown in the form of a histogram or bar chart for visual interpretation and action.

The rule has been found to operate in a wide spectrum of life and business situations. For example, 20 per cent of a company's stock may account for 80 per cent of the value. It is obviously worthwhile to pay more attention to the high value items, as although few in number they make up most of the value of the stock. In sales, it may be found that 20 per cent of the customers account for 80 per cent of the turnovers' value and 80 per cent of your profits are derived from 20 per cent of your customers. In a restaurant 80 per cent of the turnover may come from 20 per cent of the menu.

On a personal basis time management offers good opportunities for the application of the Pareto principle. Instead of spending a lot of time on trivial issues focusing on the important activities will bring better rewards. In a business 20 per cent of your products may account for 80 per cent of your sales revenue. When Steve Jobs returned to Apple he reduced the

huge product mix they had to the critical 20 per cent, realizing the rest was noise and a great distraction to becoming a great company. It has been found that at board level, the board of directors will often spend a disproportionate amount of their time on the trivial many rather than concentrating on the significant few.

It will benefit the business substantially if you focus on the needs of the 20 per cent of your customers. In customer service a small minority of customers may account for most of the complaints made. Eighty per cent of sales are produced by 20 per cent of your sales team. Health and Safety professionals have found that the Pareto principle applies to safety hazards. This translates into the phenomenon that 20 per cent of the hazards account for 80 per cent of the injuries and these can be targeted to provide a safer work environment.

In a factory 80 per cent of the mistakes may be caused by 20 per cent of the employees. In an organisation 20 per cent of the employees may cause 80 per cent of the problems. 80 per cent of work absences may be due to 20 per cent of the staff. In an analysis of mistakes, it may be found that most mistakes are trivial while a few are significant. Controls should be put in place to prevent the significant mistakes from happening. 80 per cent of your goals can be achieved by concentrating on the critical 20 per cent. It is not just okay to do things right but also to do the right things! In an everyday context 80 per cent of the news may be contained in 20 per cent of the article. Criminology studies have found that 80 per cent of crimes are committed by 20 per cent of criminals. Police work concentration on this element will reduce crime significantly.

Conclusion

Identifying the vital few is critical if a programme of improvement is to succeed. Improving your business becomes a case of identifying and focusing on the critical 20 per cent in each area. The importance of the vital few lies in the fact that nothing of significance can happen unless it happens to the vital few.

Poor quality effects are usually heavily concentrated in a few major mistakes or causes. If these are rectified the quality problem is solved. The effective executive doesn't make many decisions, but instead concentrates on getting the significant few right. In quality control, manufacturing, marketing and other business contexts the Pareto principle works.

The Pareto principle has become a very useful rule of thumb. In any given situation the precise ratio may be different from 80/20 per cent, but the principle of disproportion applies nevertheless, and in many cases the actual rate may not differ greatly from the 80/20 general rule.

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14 PORTER'S FIVE COMPETITIVE FORCES MODEL

The Five Forces of Industry Competition



Fig. 13. Porter's Five Forces Model

"Strategy is about making choices, trade-offs; it's about deliberately choosing to be different."

– Michael Porter

Porter's (1980: 1985) five competitive forces model suggests that the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitutes and the jockeying for position among current industry players determines industry competitiveness and is another way of expressing attractiveness criteria.

- The threat of new entrants. Both potential and existing competitors influence average industry profitability. The key concept in analysing the threat of new entrants is the entry barriers. They can take different forms and are used to prevent an influx of firms into an industry where profits are attractive. Also, entry barriers exist whenever it is difficult or not economically possible for an outsider to replicate the position of companies already in the market. The most common forms of entry barriers, except intrinsic physical or legal obstacles, are usually the scale and the investment required to enter an industry as an efficient competitor.
- The bargaining power of customers or buyers. The most important determinants of buyer power are the size and the concentration of customers. Other factors are the extent to which the buyers are informed about the market and the concentration or differentiation of the competitors. It is often useful to distinguish potential buyer power from the buyer's willingness to use that power. Buyers are strong if they are concentrated in a given market with a significant market share. They are strong if they purchase a significant proportion of the supplier's output, particularly standard products, enabling them easily to switch suppliers if they need to. Buyers are weak if there are significant buyer switching costs, for example, products are not standardised and the buyer cannot easily switch to another product. They are weak if fragmented rather than organised so that no one buyer can influence products or prices.
- The bargaining power of suppliers. Supplier power is the mirror image of buyer power. As a result, the analysis of supplier power typically focuses first on the relative size and concentration of suppliers relative to other suppliers and second on the degree of differentiation of the goods they supply. Suppliers have the ability to charge customers different prices in line with differences in the value added created. This usually indicates that the market is characterised by high supplier power and at the same time by low buyer power. Where buyer power is high bulk discounts can be negotiated by the buyer. Suppliers are powerful if they are big and there is a significant cost to switching suppliers. Suppliers are weak if there are many competitive suppliers and the product is standardised. They are also in a weak bargaining position if buyers are big and concentrated.
- The threat of substitutes. A close substitute product constrains the ability of firms in an industry to raise prices. The threat that substitutes products pose to an industry's profitability depends on the perceived value of different types of products or services to which customers can switch to satisfy the same basic need. The threat of substitution is also affected by switching costs – that is, the costs in areas such as retraining, retooling and redesigning that are incurred when a customer switches to a different type of product or service. The substitution process follows an S-shape curve. It starts slowly as a few trend setters risk experimenting with the substitute and picks up steam if other customers follow suit. It finally levels off when nearly all of the economical substitution possibilities have been exhausted. Developments

in technology have given rise to substitution in the telecommunications industry. For example, the transmission of television signals was once done in a single way: from local transmission stations by airwaves via an aerial to a TV receiver. Now there are substitute alternatives: transmission via cable, satellite, and even high-capacity telephone lines. The new technologies available and the changing structure of the entertainment media are contributing to competition among these substitute means of connecting the home to entertainment.

- Competitive rivalry. The intensity of rivalry is the most obvious of the five forces in an industry. This helps determine the extent to which the value created by an industry will be dissipated through fierce competition. The most valuable contribution of Porter's five forces framework is its suggestion that rivalry, while important, is only one of several forces that determine industry attractiveness. Firms can engage in competitive strategies by raising or lowering prices, differentiating its products, creatively using channels of distribution, and exploiting its relationship with suppliers.

Conclusion

The model shows that a company should consider five competitive forces rather than one and adjust a strategic competitive approach on this basis. The competitive balance between the five forces should be considered when designing an approach to handle competition. One drawback of the model is that it does not consider the behavioural implications of competitive strategy. It assumes that competitors will behave rationally with a profit motive and understand the dynamics of the market and the consequences of their strategies.

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15 POWER – HANDY'S 6 SOURCES OF POWER

Charles Handy in his book *Understanding Organisations* identified six types of power from different sources. These can be recalled by the acronym **PROPER**

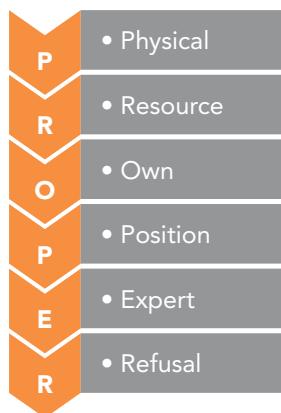


Fig. 15. PROPER Sources of Power Model

"Whereas authority is the right to do something, power is the ability to do it."

– Charles Handy

- ◆ **Physical or coercive power.** This is the power to punish or withhold reward used to coerce others to do something and is based on fear and intimidation. It's rare in most modern organisations but still comes to light in the form of bullying, harassment and threatening behaviour. Traditionally it was the type of power resorted to in the armed forces and prison service. Managers sometimes resort to intimation and emotional blackmail to prevent industrial strikes from taking place and may use threats to discourage strikes. Also riot police have been used to break up unofficial picket lines in trade disputes. In certain circumstances, managers in all organisations have the right to take disciplinary action against wayward employees.
- ◆ **Resource or reward power.** This is the responsibility for and control managers may have over resources. Senior managers may have the right to grant pay increases or award bonuses or recommend employees for promotion. Unions have resource power to take their members out on strike, and paralyze the operations of the company.

- ◆ Own or personal power. This is charismatic power or the power of personality. A popular leader may have influence over his followers because of the magnetic power of his personality. Such leaders exude a personal magnetism that draws people towards them, and an air of confidence and a strong self-belief that others find irresistible. The leader senses the needs of people and promises success in meeting them. Well-known historical examples are St. Joan of Arc in France, Mahatma Gandhi in India, President J.F Kennedy in the USA, and Nelson Mandela in South Africa.
- ◆ Position power. This is legitimate power being associated with the position in the management hierarchy. The higher up the greater the potential for position power. This might include access to information or contact with board members or the chief executive. Some managers may have the power to determine conditions of employment or make other major decisions.
- ◆ Expert power. This is a power a manager has because of his expertise or know-how. Specialist managers in organisations such as information technologists, engineers, accountants and lawyers may have this power provided they are recognised as experts in their field. It depends on education, training, and experience, and is an important source of power in a company. The holder must be seen as convincing, trustworthy, honest and relevant. They rely on their expertise to influence senior management.
- ◆ Refusal or negative power. This is the power not to do something and delay or disrupt operations. A manager may deliberately provide misinformation or delay information in order to undermine another manager or sabotage a decision. Negative power is destructive and potentially very damaging to a company's efficiency. Even ordinary employees have considerable negative power.

Conclusion

PROPER is a useful memory jogger to recall Handy's 6 sources of power. The sources of power are physical, resource, own or personal, position power, expert and refusal or negative power. Power can be exercised through force, through rules and procedures, through bargaining and negotiation and through persuasion. The most successful and effective application of power is through persuasion.

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16 PRODUCT LIFE CYCLE MODEL

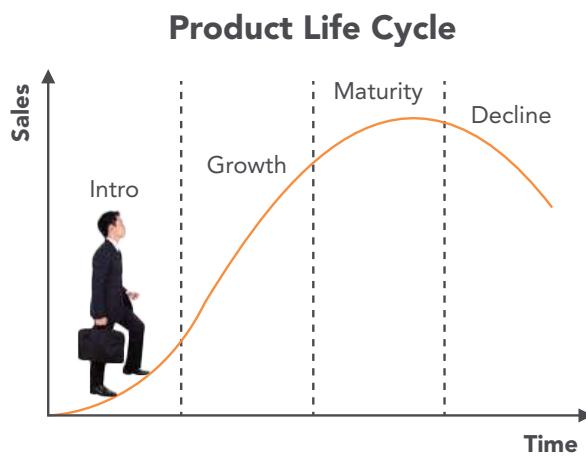


Fig. 16. Product Life Cycle Model

"Watch the product life cycle; but more important, watch the market life cycle."

– Philip Kotler

The analogy of a product life cycle is found in the biological sciences. Living organisms pass through an inevitable cycle, from conception through gestation, to growth, leading to maturity and decline. The human biological lifecycle goes from conception, birth, infancy, early adulthood, maturity, decline and death. Likewise, the conventional product has a life cycle. It's difficult to gauge the potential life of a product because it is not always possible to read the mood of the market. Most products introduced to the market, grow to maturity and eventually decline. The life cycle can be as short as a few weeks or months for fashion items or as long as years for more durable products such as cars like the Mini and VW Beetle.

The assessment of a product's life is one of conjecture because sales may be boosted by additional sales promotion in the short term. A company should strive to have products that sell themselves such as branded chocolates, soap powder, margarine, and breakfast cereals and so on. This is essential to avoid excessive sales promotion expenditure on a declining product. It is important for a business to know when to discontinue a product and when to introduce new or modified products. The replacement of a product should ideally take place just as it has reached its peak, because it can only decline from that point. If a product, which has reached its peak, is replaced by an equally profitable product then the level of profit will be maintained, otherwise, it will decline. Some consumer products have a very long life, e.g. some breakfast cereals, some tinned foods and some soft drinks such as Coca Cola and Pepsi Cola. At each stage in the product life cycle there is a close relationship between sales and profits so that, as organisations or brands go into decline, their profitability decreases.

The length of the product life cycle can be influenced by sales promotion strategies. However, heavy advertising does not always guarantee success. For example, Guinness Light was introduced after heavy advertising and sales promotion and went straight into decline. Other products seem to stay at the mature stage for a very long time e.g. Bovril, Persil and so on. So, the model isn't predictive unlike the biological life cycle which we will all go through (i.e. assuming we live long enough). However, it is a useful reminder to a business that all products have a finite lifetime even if they last for a very long time. This reminds the business to invest in research and development for new products to replace those that seem to have gone into decline. It may also prompt the business to invest in further sales promotion to revive the fortunes of a product.

The main stages of the product life cycle are as follows:

1. *Introduction.* A new product takes time to become established and accepted by potential customers. There are only a few suppliers in the market so that competition is low or even non-existent. Unit costs are high because of low sales and high advertising and sales promotion costs. There may be teething problems with new technology and prices may be high to cover research and development and market research costs. Digital high definition flat screen televisions were very expensive when first introduced to the market but are now reducing in price as demand increases.
2. *Growth.* As the product becomes accepted in the market sales will rise and the product will start to make a profit. As sales and production increases unit costs will fall as the business reaps the economies of scale. The high demand will ensure stable prices for some time. However, the making of potential profits will attract competitors or new entrants into the market. With the increase in competition, manufacturers will have to spend more money on improvements, sales promotion and distribution to maintain a strong position in the market.
3. *Maturity.* Sales growth slows down as the product reaches maturity. This may be a long stage of the product life cycle. The market may become saturated due to the large number of competing brands. Competition is now intense. Prices may have to be lowered. The law of the fittest operates, with the strongest surviving and the weakest going to the wall. Profits can be high for those who survive. The business will try to stay at the mature stage for as long as possible and thus avoid the decline stage. To do this they may need to invest further in product improvement by continually updating their product.
4. *Decline.* Most products reach this stage sooner or later. They may go out of fashion or be superseded by more technologically advanced items. As sales decline there will be over capacity in the industry. Many producers leave the market. Those remaining will try to prolong their stay by modifying the product and seeking new market segments. If producers remain too long in the market profits will fall and losses will be incurred. This is known as the 'senile' stage. If the company has been developing new products they will replace those in decline.

Conclusions

The life cycle concept does explain the influence of uncontrollable external factors such as technology, economic conditions, competitors' position and strategies and the overall capacity of the industry in relation to demand. Conditions of short supply affect sales patterns and can reflect artificial turning points in the sales trends. It is unclear how far a firm can affect the shape of the life cycle by its marketing strategies and at which stages there is potential for greatest influence. The length of the stages varies within and between markets. For most products the duration of the entire product life cycle is becoming shorter because of technological change and the fast introduction of new products.

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17 PRODUCT MARKET STRATEGIES



Fig. 17. Product Market Strategies Model by H.Igor Ansoff

“The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself.”

– Peter Drucker

This model was developed in 1965 by H. Igor Ansoff in his book *Corporate Strategy*. Product market strategies combine the strategic marketing objective of the firm with the product element of the marketing mix.

There are four fundamental product market strategies open to the firm as follows:

1. *Market penetration.* This strategy is used by a firm seeking to extend the market share of an existing product in an existing market. It is considered the lowest risk strategy. It may do this through competitive pricing, more aggressive marketing and sales campaigns, advertising, sales promotion, spending more on distribution or direct selling and so on. It could result from more intensive customer research and focused action such as targeted mailing of customers with relevant offers. Alternatively, it could be achieved through aggressive market share building, i.e. winning customers from competitors in the existing market. Market penetration is commonly the strategy for established brands.

2. *Product development.* This strategy involves the introduction of new products into an existing market. This normally requires heavy investment because of the cost involved in producing and marketing a new product. It may involve the development of products based on new and untried technologies. The product might be (a) completely new such as HD (high definition) TV, iPod, flat screen TV, (b) a different quality version of an existing product such as luxury ice cream, (c) an extension to an existing product range such as Mars ice cream bars, or (d) a modification to an existing product such as a new car model. The introduction of new brands of stout into the drinks market is another example.
3. *Market development.* This strategy refers to the introduction of existing products into new markets. This is a higher risk strategy. This strategy seeks out new underdeveloped market sectors, or which are less price-conscious than the existing market. This may involve the development of new distribution channels or new retail outlets. It may also involve new geographic markets for the existing products, for example, through licensing, agent or distributor arrangements. The marketing of Ballygowan in the UK would be an example of this strategy where previously this product was only sold in Ireland.
4. *Diversification.* This is the introduction of wholly new or unrelated products into new markets, or the purchase of new firms in unrelated areas of business (e.g. Tesco's entering the Home Insurance market). This is regarded as the highest risk. It will take the company into markets and product development cycles in which it is inexperienced. It may also lead the company into making acquisitions or merging with other companies in order to gain either additional markets or more products.

Conclusion

Ansoff proposes market penetration, product development, market development and diversification strategies to close the gap between the desired level of sales and the actual level of sales. The strategic and relevant options will depend upon the size of the gap and the firm's competitive position and its markets. The principal limitation to gap analysis is the lack of information in the form of accurate market and product forecast to enable the technique to be used with any reliability.

The planning gap and product-market growth concepts though a simplification of the issues involved are a good starting point for identifying the strategic analysis task and providing broad indicators for marketing strategies. It can indicate widely different growth or profit expectations from those that are realistic and therefore highlight problems to be addressed by management.

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18 SLEPT ENVIRONMENTAL ANALYSIS MODEL

SLEPT Environmental Analysis Model

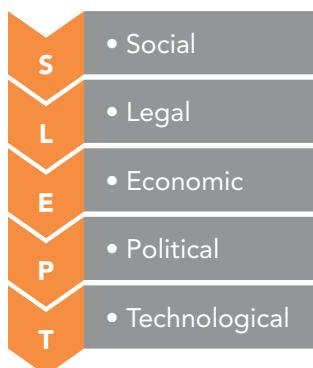


Fig. 18. SLEPT Environmental Analysis Model

"We won't have a society if we destroy the environment."

– Margaret Mead

An acronym SLEPT is a useful way of remembering the key environmental factors. This stands for Social, Legal, Economic, Political and Technological. These and more are explained below.

- **Social.** Social factors relate to patterns of behaviour, tastes, and lifestyles. . It involves changes in the nature, attitudes and habits of society. A major component of this is a change in consumer behaviour resulting from changes in fashion and styles. A rising standard of living may result in wider ownership of cars, automatic dishwashers, microwave ovens, compact disk players, DVDs, flat screen HD TVs, sailing boats and holiday homes. The increased popularity of foreign travel facilitated by cheap flights has led to a boom in demand for air travel. Ryan Air has pioneered and led the competition in this field. However, this trend has been adversely affected by international terrorism and the rising price of oil. The later has caused some airline and travel agents to collapse in 2008. Rising educational levels have increased peoples' expectations. Many people now aspire to foreign holidays a few times a year. All of these changes have implications for travel, electrical, furniture, hardware, sports, leisure, and holiday industries. There has been an increase in white collar jobs and a decline in blue collar jobs with increased employment in the service sector. The

number of women in employment in Ireland is approaching that of men. Women have now a choice of whether to go out to work or stay at home to rear children. This has resulted in more awareness of gender and equality issues which has been reflected in legislation. An understanding of social change gives business a better chance to anticipate future market demand.

- *Legal.* Organisations operate within a framework of laws, which are very broad in scope. Examples include Company Law, Employment Law, Environmental Protection Law, Consumer Protection Law, Criminal Law, Law of Contract, Health and Safety Legislation and EU Directives. Breaking the law can have dire business consequences. Ignorance of the law is no defence. Consider the effect that the no smoking ban and drink/driving legalisation has had on the pub and restaurant trade in Ireland since its introduction in January 2004. There has been a noticeable fall in the pub business. Many country pubs have closed. There are increasingly tight rules about the materials that need to go into aircraft construction to make them safer and more resistant to fire hazards. This has had an impact on costs. On the other hand, modern aircraft are safer and more economic to run than previously making air travel more affordable. Similarly, energy conservation has meant more legislation about insulation standards in houses. This too will have an impact on the construction cost of houses.
- *Economic.* Economic issues relate to taxation, inflation, interest rates, exchange rates, incomes levels, economic stagnation or rates of economic growth or decline and so on. Economic changes are closely related to social ones. The economy goes through a series of fluctuations and economic cycles associated with general booms and slumps in commercial activity. In a boom nearly, all businesses benefit and, in a slump, most lose trade. Businesses will be more inclined to expand and take risks when economic conditions are right: when demand is increasing and interest rates and inflation are low. Lower interest rates mean people have more disposable money to spend on luxuries. Consider the current recession in Ireland after the boom years of the Celtic Tiger. The world is going through a major banking crisis caused by subprime lending in the USA, and Ireland has been adversely affected as well. The interbank money market dried up. Banks were not prepared to lend to other banks because of a lack of confidence and trust generally in the banking world. Emergency legislation was brought in to save the banking system in Ireland from collapse in Sept 2008. Other European countries have taken similar measures to protect their banking systems. Increases in interest rates have adverse effects on the financial position of a company. For example, a company with a high debt to equity ratio will experience extra operational costs if interest rates go up. This might make the company less profitable and competitive and affect its ability to exist successfully. In 2008 some airlines have gone out of business because of rising and excessive oil costs.

- **Political.** Political changes are closely tied up with legal changes because it is the politicians who bring in new laws. In recent years these changes have been particularly significant because as members of the European Union, Ireland had to adopt directives and legislation created by the EU which became part of Irish law. These directives have affected all areas of commercial life. Some political changes cannot easily be planned for. Perhaps the most vulnerable are tour operators, airlines and travel agents. Most airlines were adversely affected by the Gulf War which decimated demand for business and tourist travel for a number of years. Similarly, the bombing of the twin towers in New York in September 2001 resulted in a downturn in tourism from the USA for a few years which affected the tourist industry in Ireland post September 11. Government policies such as deregulation and privatisation also affect business. In the past the Irish telecommunications company, Telecom Eireann has been privatised becoming Eircom. More recently the Irish airline, Aer Lingus has followed the same route. Consider the effects of deregulation on the airline and taxi industry in Ireland. More taxis and more airlines such as Ryan Air has resulted in greater competition and reduced prices. The development of freedom of movement of people and trade means there is more competition in the EU coupled with the increased migration of people.
- **Technological.** This refers to new developments in products/services and production processes. It includes the revolution in telecommunications with the arrival of the Internet, the worldwide web, iPods, laptops and the mobile phone. We have gone from an agricultural revolution, to an industrial revolution, to information and communications revolution. PCs, automation, robotics and digital high definition TV are just some of the technological changes that have happened in the last 20 years. The creation of databases and electronic communications have enabled vast quantities of information to be shared and quickly distributed in a modern company facilitating cost reductions and improvements in service to customers and suppliers. Organisations need to be aware of the latest relevant technologies for their business to exploit opportunities and keep up with the competition.

Conclusion

SLEPT is a useful acronym for remembering the factors to be considered when doing an environmental analysis. Other factors which could be considered include demographic, cultural and ethical.

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19 THE SYSTEMATIC APPROACH TO DELEGATION

THE SYSTEMATIC APPROACH TO DELEGATION



Fig. 19. Systematic Delegation Model

"The first rule of management is delegation. Don't try and do everything yourself because you can't."

– Anthea Turner

- ◆ What to delegate? Tasks that can be better performed by staff because they have superior skills, experience and knowledge to do it. If you keep an activity log for a few weeks it will help you identify the routine jobs that you could delegate. Make a list and determine how long it takes to do them. Obviously, routine tasks are prime targets for delegation. Work that a manager finds routine may offer development, task variety and challenge to someone who has never done it before. However, there are always tasks that should not be delegated.
- ◆ To whom should you delegate? Match the needs of the task with the competencies of the employee. Employees must have the time and be willing and reliable to do the work. Inexperienced staff will need coaching and training from you to bring them up to the standard needed to do the delegated tasks. Initially these people will require close supervision, but it will be worthwhile in the long-term as it will free you up to do the managerial tasks, such as to thinking and planning, implementing policy, and improving operations.

- ◆ How do I delegate? Give staff the right degree of authority to do the work delegated. Prepare staff for the work by briefing or coaching and explain the purpose of the job and your expectations regarding standards of performance. The exact method of how they do the job should be left to the employee's discretion. Make sure you provide the necessary resources including training for the employee to do the job.
- ◆ When? Employees are motivated by time deadlines. Install controls to review and evaluate the work done. If there are various tasks involved indicate the priorities, and agree a time schedule with dates for the completion of interim stages. Praise a job well done.
- ◆ Why? or the purpose of delegation. Explain to the staff member why the job or responsibility is being delegated and why that person was chosen to do the delegated task – the person is known to have special experience and abilities to do the tasks delegated. Indicate the importance of the job and how it fits into the overall scheme of things.

Conclusion

Delegation is a very important skills of managers. Delegation frees the manager from routine tasks and while at the same time providing challenging opportunities for staff development. The manager can concentrate on the important issues for management while the staff can avail of opportunities for training and development in tasks that they otherwise would not get a chance to do. Therefore, delegation is a win-win situation.

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20 THEORY X AND Y

MCGREGOR'S THEORY X & Y

Theory X	Theory Y
Work avoiding	Work is natural
Need to control	Capable of self-direction
Avoid responsibility	Seek responsibility
Workers seek security	Can make good decisions

Fig. 20. McGregor's Theory X & Y

"Management cannot provide a man with self-respect or with the respect of his fellows or with the satisfaction of needs for self-fulfilment. It can create conditions such that he is encouraged and enabled to seek such satisfactions for himself, or it can thwart him by failing to create these conditions."

– Douglas McGregor

This theory was enunciated in Douglas McGregor's book the *Human Side of Enterprise*. This is a theory about how managers perceive employees. It has two extremes called Theory X and Theory Y. In practice managers can be a bit of both and even adopt different attitudes to employees in different contexts.

- ◆ *Theory X*. This assumes that people are lazy, dislike work, and will avoid it if they can. This is a scientific management philosophy with its emphasis on controls and external rewards. If managers adopt this attitude they will not trust employees to do their work. Consequently, they will adopt a very autocratic style of leadership, and will direct and control employees. Managers will be reluctant to delegate because they don't trust their employees and feel nobody can do the work as good as they can.
- ◆ *Theory Y*. This assumes the opposite. People are naturally energetic and they like work and will use their initiative to achieve their work objectives. Therefore, employees can be trusted to perform efficiently and effectively. In such circumstance's managers will not hesitate to delegate work as they have complete faith in the capabilities of their staff.

Conclusion

McGregor concluded that 'Theory Y' is an invitation to innovation and creativity. In general, however, lip service is often paid to Theory Y while practice is based on Theory X. A manager who adopts a theory x attitude will closely direct, supervise and control workers and will operate through specific instructions and detailed orders. On the other hand, a manager with a theory y attitude will empower and delegate to staff and encourage them to take on more responsibility and tackle more challenging and demanding work.

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21 TRUST CONTROL DILEMMA

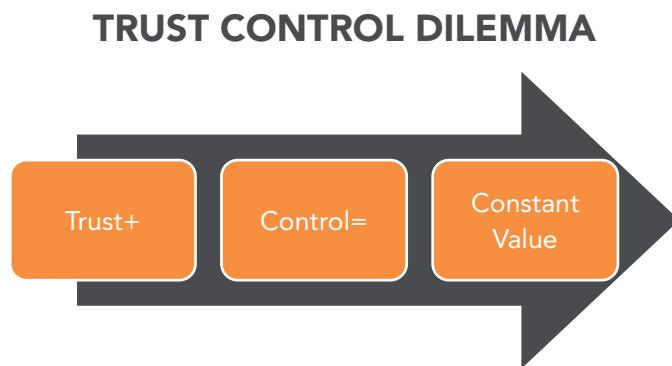


Fig. 21. Trust Control Dilemma

"If you really want to grow as an entrepreneur, you've got to learn to delegate."

– Anthea Turner

Handy (1985) advanced the $T + C = Y$ formula called the trust control dilemma, where T equals trust; C equals control, and Y is a constant unchanging value. The more managers trust their staff, the more they will delegate and the less control they will exercise. In other words, the more experienced and reliable the employee is, the more freedom you can give. The less managers trust their staff, the less they will delegate and the more control they will exercise. In other words, the less experienced and reliable the employee is, the less freedom you are inclined to give. The more critical the task the less cautious you will be in allowing a lot of freedom especially if your reputation is on the line. This is the dilemma that faces management.

Conclusion

The more you trust someone the more inclined you are to delegate; the less you trust someone the less inclined you are to delegate.

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22 VROOMS EXPECTANCY THEORY

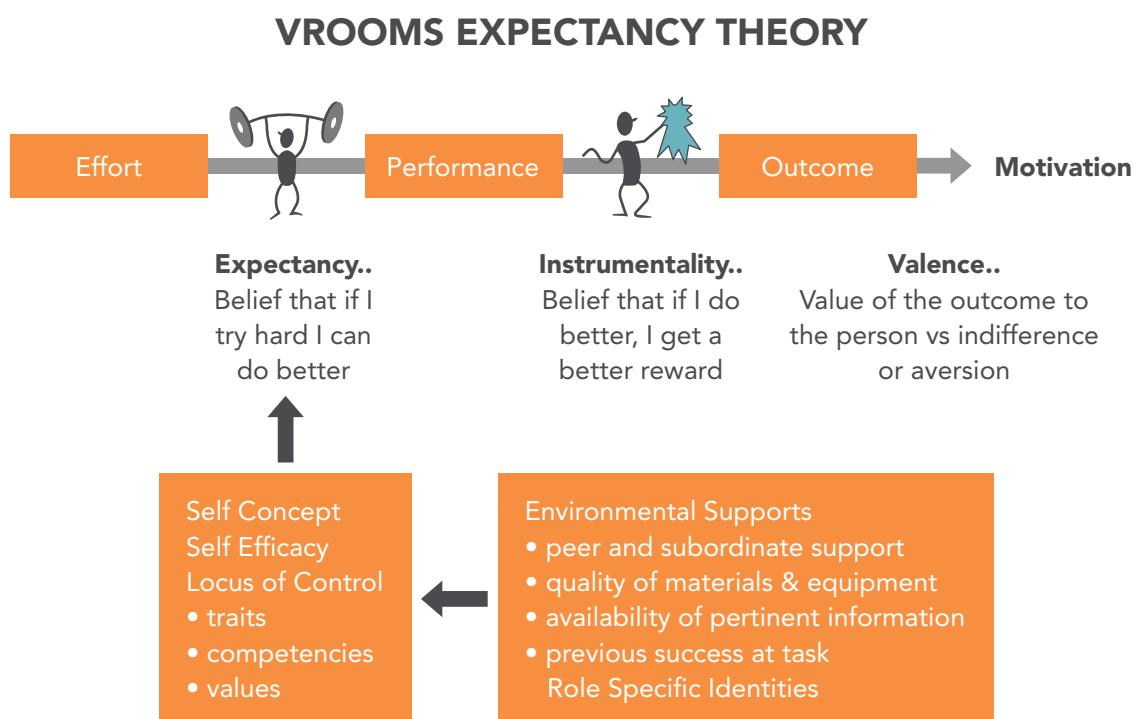


Fig. 22. Vrooms VIE Expectancy Model

"Motivation depends on how much we want something and how likely we think we are to get it."

– Victor Vroom

This is a contingency theory of motivation which means that it recognises that the strength of motivation will vary from person to person. Expectancy theory states that the strength of a person's motivation will depend on the extent to which he expects the results of his efforts to meet his expectations. In other words, expectancy theory states that people will decide how much effort they are going to put into their work in line with the:

- The value they place on this outcome whether the positive value of a reward or the negative value of a punishment which Vroom called 'Valence' and
- The strength of their expectations that behaving in a certain way will bring out the desired outcome (Expectancy).

Conclusion

This model attempts to determine how individuals choose among alternative behaviours. The basic premise of expectancy theory is that motivation depends on how much we want something and how likely we think we are to get it. The model's basic components are effort, performance, and outcomes. The model emphasises the linkages between these elements, which are described in terms of expectancies and valences.

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The author's latest books have been published online by bookboon.com in 2018 namely:

- The Role of the Brain in Learning
- How Adults Learn
- Learning Models and Styles
- Experiential Learning
- Learning with Technology
- The Ultimate Success Factor
- Series of Books on People Skills for Managers
- Series of Books on Creativity Skills for Managers.