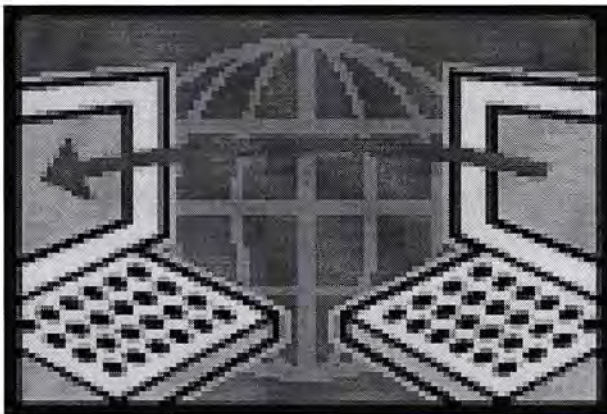


HANDOUT PENGANTAR MANAJEMEN



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(REVISI) SEMESTER GENAP 2009/2010**

DESKRIPSI SINGKAT MATA KULIAH:

Lingkung bisnis yang harus dihadapi oleh para pebisnis dapat dikatakan semakin *uncontrollable* dan *unpredictable* sehingga baik secara langsung maupun tidak langsung para pengelola perusahaan harus mampu mengimplementasikan manajemen sedemikian rupa sehingga dalam setiap pengambilan keputusan yang dibuat oleh manager dapat terpenuhi secara benar asas efektivitas dan efisiensi. Implementasi fungsi-fungsi manajemen dan pengambilan putusan dalam kaitannya dengan situasi ketidakpastian membutuhkan kompetensi yang tinggi dalam menjalankan perusahaan. Guna dapat mengambil keputusan dengan baik dan benar serta mengimplementasikan fungsi-fungsi manajemen dengan hasil yang efektif dan efisien maka setiap manager dalam kapasitas dan posisi hirarki managerial wajib memahami benar tentang konsep manajemen dan fungsi-fungsinya, yaitu perencanaan (*planning*), pengorganisasian (*organizing*), penggerakan (*leading*) dan pengendalian (*controlling*). Dengan tidak melupakan peran informasi dan teknologi yang dipakai banyak perusahaan. Mata kuliah ini membahas secara spesifik dan meliputi upaya pemahaman tentang manajemen dan keempat fungsi yang terintegrasi tersebut dan mata kuliah ini juga berperan sebagai pembekalan dasar bagi mata kuliah-matakuliah di aras yang lebih tinggi sehingga pada akhirnya menjadi landasan yang kokoh bagi terkonstruksinya pengelolaan manajemen dalam perusahaan yang mampu menghasilkan kinerja yang efektif dan efisien.

TUJUAN INSTRUKSIONAL UMUM:

Setelah mempelajari matakuliah ini mahasiswa diharapkan mampu mengaplikasikan (*comprehension*) konsep dasar tentang manajemen, konsep dasar fungsi-fungsi manajemen, peran informasi dan teknologi dalam pengambilan keputusan yang harus dilakukan para manager. **Selain aspek kognitif, mahasiswa juga diharapkan memiliki sikap *receiving* (penerimaan) dan *responding* (merespons) serta terampil melakukan *perception* (mempersepsi).**

1.MATAKULIAH PRASYARAT: Tidak ada

BUKU TEKS WAJIB DAN BACAAN LAINNYA:

1. Robbins Stephen and Mary Coulter, **Management**, Ninth Edition, 2009
2. Schermerhorn, John R, **Management**, John Wiley & Sons, Inc., New York, 2009
3. Johny Rusdiyanto dan Elsy Tandelilin, **Handout Pengantar Manajemen**, 2010

METODE PENCAPAIAN TUJUAN:

Metode pengajaran yang dipilih untuk matakuliah ini adalah metode ceramah dan Tanya jawab serta pendalaman. Dengan metode ini diharapkan mahasiswa aktif belajar baik secara mandiri dan kelompok sehingga proses pembelajaran lebih berorientasi pada pemahaman konsep. Oleh karena itu, mahasiswa diberikan soal atau kuis baik yang bersifat individu maupun kelompok agar dapat memahami materi yang disampaikan. Mahasiswa diharapkan aktif melakukan diskusi / tanya jawab selama proses perkuliahan,

PENILAIAN

1. UTS / UAS = 70 %
2. Penugasan Individu/ kelompok = 30 %

KETENTUAN PERKULIAHAN

Untuk Mahasiswa (i)

1. Perkuliahan akan berlangsung sesuai dengan jadwal dan toleransi keterlambatan maksimal 20 menit. Oleh karena itu mohon dengan hormat bagi mahasiswa yang terlambat lebih dari ketentuan tersebut untuk **SECARA SADAR TIDAK MASUK KELAS**.
2. Selama mengikuti perkuliahan harus berpakaian rapi dan bersepatu sesuai dengan ketentuan fakultas.
3. Handout **PENGANTAR MANAJEMEN** wajib di bawa dalam setiap mengikuti kuliah. Mahasiswa(i) yang **LUPA MEMBAWA HANDOUT** maka tidak diperkenankan mengikuti perkuliahan.
4. Pada dasarnya, penilaian diupayakan secara **OBJEKTIF**. Oleh karena itu semua berkas tugas dan ujian akan dikembalikan kepada mahasiswa(i). Kesalahan pemberian nilai baik ujian maupun tugas oleh Dosen akan diproses melalui PJMK dan untuk itu mahasiswa ybs wajib menginformasikan ke PJMK dalam jangka waktu 7 hari setelah diumumkan untuk dilakukan perbaikan nilai.
5. Mahasiswa(i) yang karena sesuatu hal dengan surat ijin tidak bisa mengikuti **PENDALAMAN** di kelas yang diikuti maka akan diberi kesempatan untuk mengikutinya di kelas lain dengan sepengetahuan PJMK/ Dosen pengasuh.
6. Mahasiswa yang ingin bertanya tentang materi perkuliahan di luar jam kuliah akan dilayani dengan memperhatikan **ketersediaan waktu** dari dosen pengasuh.
7. **Tidak melayani permintaan tugas** untuk menambah nilai setelah perkuliahan berjalan. Kesempatan permintaan tugas **hanya dilayani pada minggu pertama** dari jadwal kuliah dan harus menemui PJMK

TOPIK 1

OVERVIEW ON MANAGEMENT AND MANAGER

MINDSET AND MANAGEMENT MINDSET

- **MINDSET** is the way of thinking or thinking pattern. So, **MANAGEMENT MINDSET** is someone's thinking pattern about how does management be implemented in an organization. It could be so difficult, so hard, confusing work, or an easy thing, etc. It's very dependable!

SOME OF MANAGEMENT MINDSETS

- You can't reach organization success without realizing **good** management implementation.
- There's no bad management but it's arise because having **poor manager** and **non-competent employees**
- Management is not just a science but also an **art**.
- Successful organization is created by contribution from **all individual** (managers and subordinates) within organization

WHAT IS MANAGEMENT?

- **MANAGEMENT** Is the process of coordinating and overseeing work activities of others so that their activities are completed **efficiently** and **effectively**.
- **MANAGEMENT** is a process of implementing these **PLANNING, ORGANIZING, LEADING** and **CONTROLLING** functions to all organization's resources for realizing it's organization goals

THE CONCEPT OF EFFECTIVENESS AND EFFICIENCY

– Efficiency

- “Doing things right”

- Getting the most output from the least amount of inputs

– Effectiveness

- “Doing the right things”

- Completing activities so that organizational goals are achieved

EFFECTIVENESS AND EFFICIENCY IN MANAGEMENT

Efficiency (Means)

Resource
Usage

Effectiveness (Ends)

Goal
Attainment

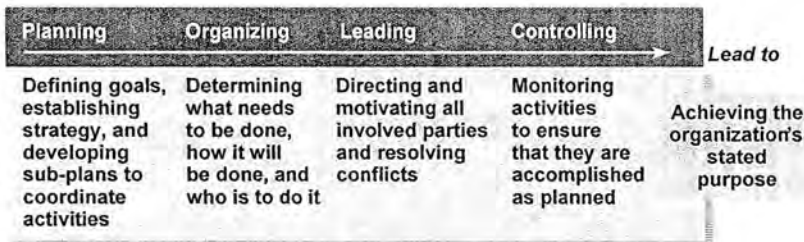


Management Strives for:
Low Resource Waste (high efficiency)
High Goal Attainment (high effectiveness)

MANAGEMENT FUNCTIONS

- **Planning** is the process used by managers to identify and select goals and courses of action for the organization
- **Organizing** is the process of arranging subordinates and resources to work toward goals and creating an organization structure.
- **Leading** is the process of inspiring subordinates to work hard to accomplish organization goals
- **Controlling** is the process of measuring performance and taking action to ensure desired results. Its purpose is to make sure that actual performance meets or matches with organization goals.

MANAGEMENT FUNCTIONS



Defining the MANAGER

- **Manager** is someone who implement management in an organization
- **Managers:**
 - Coordinate work activities to achieve organizational goals.
 - Their ability to act is affected by both the internal culture of the organization and the constraints of the external environment – including the global environment.

LEVELS OF MANAGERS

- **First-line Managers**
 - Managers at the lowest level manage the work of non-managerial employees directly or indirectly involved with the production or creation of the organization's products.
- **Middle Managers**
 - Managers between the first-line level and the top level of the organization who manage the work of first-line managers
- **Top Managers**
 - Managers at or near the top level are responsible for making organization-wide decisions and establishing plans and goals affecting the entire organization

MANAGERIAL LEVELS



TYPES OF MANAGERS

- 1. LINE MANAGERS** ; directly contribute to the productions of the organization's basic goods or services, for ex: the president, retail manager, department supervisors, etc
- 2. STAFF MANAGER** ; use special technical expertise to advise and support line workers
- 3. FUNCTIONAL MANAGER** ; are responsible for one area of activity, such as finance, marketing, production, personnel, accounting or sales
- 4. GENERAL MANAGER** ; are responsible for complex organizational units that include many areas of functional activity

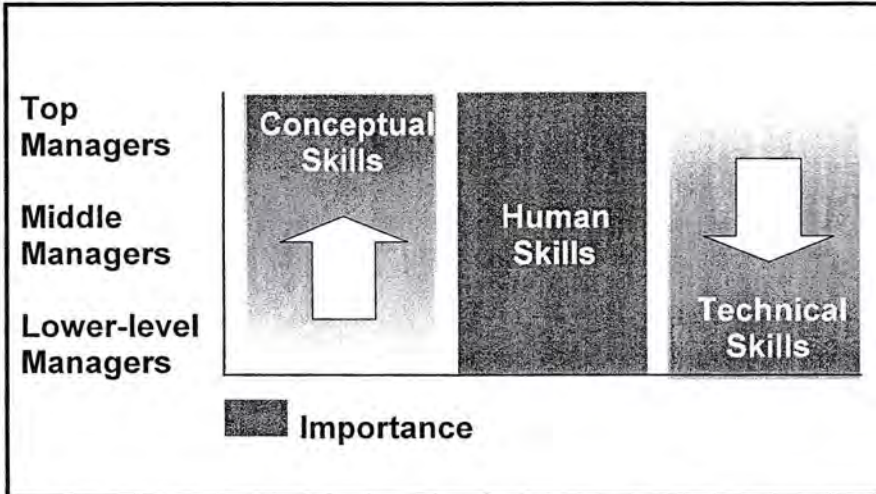
MANAGER'S ROLES

- 1. INTERPERSONAL ROLES** ; how a manager interacts with other people. Includes :
figurehead, leader and liaison
- 2. INFORMATIONAL ROLES** ; how a manager exchanges and processes information. Includes :
monitor , disseminator and spokesperson
- 3. DECISIONAL ROLES** ; how a manager uses information in decision making. Includes :
entrepreneur, disturbance handler, resource allocator and negotiator

MANAGERIAL SKILLS

- **Technical skills**
 - Knowledge and proficiency in a specific field
- **Human skills**
 - The ability to work well with other people
- **Conceptual skills**
 - The ability to think and conceptualize about abstract and complex situations concerning the organization

FIGURE OF MANAGERIAL SKILLS



CHALLENGES TO MANAGING

1. Ethics
2. Workforce Diversity
3. Globalization
4. E-Business World
5. Customers Preferences
6. Innovation
7. Knowledge management
8. Learning Organization

TOPIK 2

EVOLUTION OF MANAGEMENT VIEWS

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HISTORICAL VIEWS ON MANAGEMENT

- 1. Classical Management Approaches**
- 2. Behavioral Management Approaches**
- 3. Modern Management Foundations**

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I. CLASSICAL MANAGEMENT APPROACH

(Assumption: people are rational)

1. SCIENTIFIC MANAGEMENT

(Frederick Winslow Taylor and Lillian Gilberth)

2. ADMINISTRATIVE PRINCIPLES

(Henry Fayol and mary Parker Follet)

3. BUREAUCRATIC ORGANIZATIONS (Max Weber)

SCIENTIFIC MANAGEMENT

According to:

1. TIME AND MOTION STUDY

2. TAYLOR'S FOUR PRINCIPLES OF SCIENTIFIC MANAGEMENT

TAYLOR called the "*father of scientific management*".

Taylor's goal was to improve the productivity of people at work. He use the concept of "**time and motion study**" in any job and to develop the most efficient ways to perform them

TAYLOR'S FOUR PRINCIPLES OF SCIENTIFIC MANAGEMENT

1. Develop a science for every job, including rules of motion, standardized work implements and proper working conditions
2. Carefully select workers with the right competencies for the job
3. Carefully train these workers to do the job and give them proper incentives to cooperate with the job science
4. Support these workers by planning their work and by smoothing the way as they go about their jobs

ADMINISTRATIVE PRINCIPLE

(Published by HENRY FAYOL and MARY PARKER FOLLET)

FAYOL'S FIVE RULES OF MANAGEMENT:

1. **FORESIGHT** ; to complete a plan of action for the future
2. **ORGANIZATION** ; to provide and mobilize resources to implement the plan
3. **COMMAND** ; to lead, select and evaluate workers to get the best work toward the plan.
4. **COORDINATION** ; to fit subunit efforts together and ensure information is shared and problems solved
5. **CONTROL** ; to make sure things happen according to plan, and to take necessary corrective action.

BUREAUCRATIC ORGANIZATION

(Published by MAX WEBER)

- **A bureaucracy** is a rational and efficient form of organization founded on logic, order and legitimate authority

THE BUREAUCRACY CHARACTERISTICS:

- 1. Clear division of labor** : Jobs are well defined & workers become highly skilled at performing them
- 2. Clear hierarchy of authority**; authority & responsibility are well defined for each position and each position reports to a higher-level one

BUREAUCRATIC ORGANIZATION

(Published by MAX WEBER)

- 3. Formal rules and procedures**; written guidelines direct behavior and decisions in jobs & written files are kept for historical record
- 4. Impersonality; rules & procedures** ; impartially & uniformly applied with no one receiving preferential treatment
- 5. Career based on merit** ; workers are selected and promoted on ability & performance and manager are career employees of the organization

II. BEHAVIORAL MANAGEMENT APPROACH

- 1. Follet study on Organization as communities**
- 2. The Hawthorne Studies**
- 3. Maslow's Theory of Human Needs**
- 4. McGregor Theory X and Y**
- 5. Argyris Theory on Personality**

Follet study on Organization as communities

- Follet views organizations as “communities” in which managers and workers should labor in harmony, without one party dominating the other and with the freedom to talk over and truly reconcile conflicts and differences.
- Group were mechanisms through which diverse individuals could combine their talents for a greater good
- The manager's job to help people in organizations cooperate with one another and achieve an integration of interests.

The Hawthorne Studies

(Supported by Elton Mayo Study)

1. This study determine how economic incentives and the physical conditions of the workplace affected the output of workers.
2. The role of psychological factors on productivity and the effect of worker fatigue on output
3. showed that people would restrict their output in order to avoid the displeasure of the group. Groups can have strong negative ,as well as positive, influences on individual productivity

Maslow's Theory of Human Needs

HIERARCHY OF NEEDS

Self-Actualization

Morality
Creativity
Spontaneity
Problem Solving
Lack of Prejudice
Acceptance of facts

Esteem

Self Esteem and Confidence
Achievement, respect of others
Respect by others

Love/Belonging

Friendship, family, sexual intimacy

Safety

Security of body, Employment, Resources,
Morality, the family, health, property

Physiological

Breathing, food, water, sleep, sex, homeowner

Principles of Maslow's Theory

1. People try to satisfy the five needs in sequence (from the lowest to the highest)
2. Needs create tensions that can influence a person's work attitudes and behaviors
3. Deficit principle ; a satisfied need is not a motivator of behavior, but people act to satisfy :deprived: needs
4. Progression principle ; a need at any level is only achieved when the next-lower-level need is satisfied

McGregor Theory X and Y

THEORY X , the characteristics are :

1. Dislike work
2. Lack ambition
3. Irresponsible
4. Resistance to change
5. Prefer to be led rather than to lead

THEORY Y, the characteristics are :

1. Willing to work
2. Capable of self control
3. Willing to accept responsibility
4. Imaginative and creative
5. Capable of self direction

Argyris Theory on Personality

- Treat people positively and as responsible adults will achieve the highest productivity, such as expand job responsibilities, allow more task variety and adjust supervisory styles to allow more participation and promote better human relations.
- The common problems of employee absenteeism, turnover, apathy, alienation and low morale may be signs of a mismatch between management practices and mature adult personalities

III. MODERN MANAGEMENT FOUNDATIONS

- The foundation of these analytical decision sciences approaches is the assumption that mathematical techniques can be used for better decision making
- Today this applications are increasingly supported and driven by computer technology and software programs
- The term management science & operations research are often used interchangeably to describe the scientific applications of mathematical techniques to management problems

TOPIK 3

FOUNDATION OF PLANNING

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What Is Planning?

• Planning

- **Planning** is the process used by managers to identify and select goals and courses of action for the organization.
- **A primary managerial activity that involves:**
 - Defining the organization's goals
 - Establishing an overall strategy for achieving those goals
 - Developing plans for organizational work activities.
- **Types of planning**
 - **Informal:** not written down, short-term focus; specific to an organizational unit.
 - **Formal:** written, specific, and long-term focus, involves shared goals for the organization.

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Why Do Managers Plan?

- **Purposes of Planning**

- **Provides direction** --- Planning sets goals and strategies for all managers. Managers can coordinate their activities, cooperate with each other to accomplish those goals. Without planning they might work at cross purposes in achieving its goals.
- **Reduces uncertainty** --- by forcing managers to look ahead, anticipate change and develop appropriate responses.

Why Do Managers Plan? (cont'd)

- **Purposes of Planning**

- **Minimizes waste and redundancy** --- When work are coordinated around plans, inefficiencies become obvious and can be corrected or eliminated
- **Sets the standards for controlling** ---- When managers plan, they develop goals and actions. When they control, they see whether the plans/actions have been carried out and the goals met. Without planning, there would be no goals against which to measure or evaluate work effort.

Planning and Performance

• The Relationship Between Planning And Performance

- Formal planning is **associated with**:
 - Higher profits and returns on assets.
 - Positive financial results.
- **The quality of planning** and implementation **affects performance** more than the extent of planning.
- The external environment **can reduce the impact of planning** on performance,
- Formal planning **must be used for several years** before planning begins to affect performance.

How Do Managers Plan?

• Elements of Planning

- **Goals (also Objectives)**
 - Desired outcomes for individuals, groups, or entire organizations
 - Provide direction and evaluation performance criteria
- **Plans**
 - Documents that outline how goals are to be accomplished
 - Describe how resources are to be allocated and establish activity schedules

Types of Goals

- **Financial Goals**
 - Are related to the expected internal financial performance of the organization.
- **Strategic Goals**
 - Are related to the performance of the firm relative to factors in its external environment (e.g., competitors).
- **Stated Goals versus Real Goals**
 - Broadly-worded official statements of the organization (intended for public consumption) that may be irrelevant to its real goals (what actually goes on in the organization).

An example: Stated Goals of Large Global Companies

Execute strategic roadmap—"Plan to Win."
Grow the business profitably.
Identify and develop diverse talent.
Promote balanced, active lifestyles.
(McDonald's Corporation)

Continue to win market share globally.
Focus on higher-value products.
Reduce production costs.
Lower purchasing costs.
Integrate diversity.
Gain ISO 14001 certification for all factories.
(L'Oreal)

Respect the environment.
Respect and support family unity and national traditions.
Promote community welfare.
Continue implementing quality systems.
Continue to be a strong cash generator.
(Grupo Bimbo)

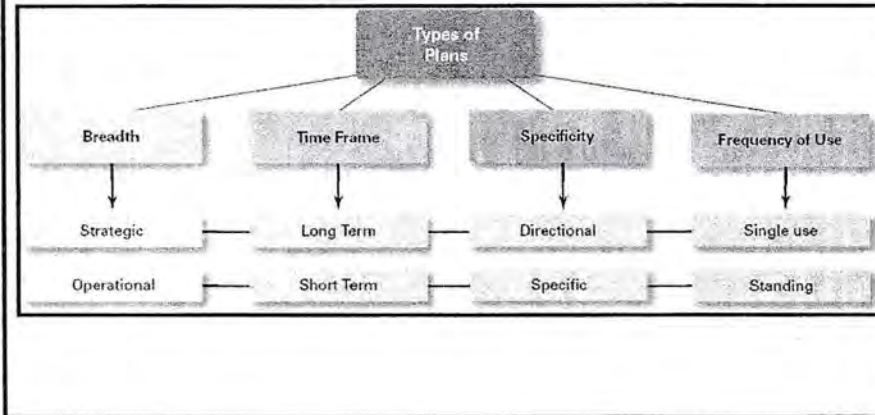
Control inventory.
Maintain industry's lowest inventory shrinkage rate.
Open 25–30 new locations in fiscal 2006.
Live by the code of ethics every day.
(Costco)

Expand selection of competitively priced products.
Manage inventory carefully.
Continue to improve store format every few years.
Operate 2,000 stores by the end of the decade.
Continue gaining market share.
(Target)

Roll out newly-designed environmentally friendly cup in 2006.
Open approximately 1,800 new stores globally in 2006.
Attain net revenue growth of approximately 20 percent in 2006.
Attain annual EPS growth of between 20 percent to 25 percent for the next 3 to 5 years.
(Starbucks)

Source: Information from company's Annual Reports, 2004–2005.

Types of Plans



Types of Plans

• Strategic Plans

- Apply to the entire organization.
- Establish the organization's overall goals.
- Seek to position the organization in terms of its environment.
- Cover extended periods of time.

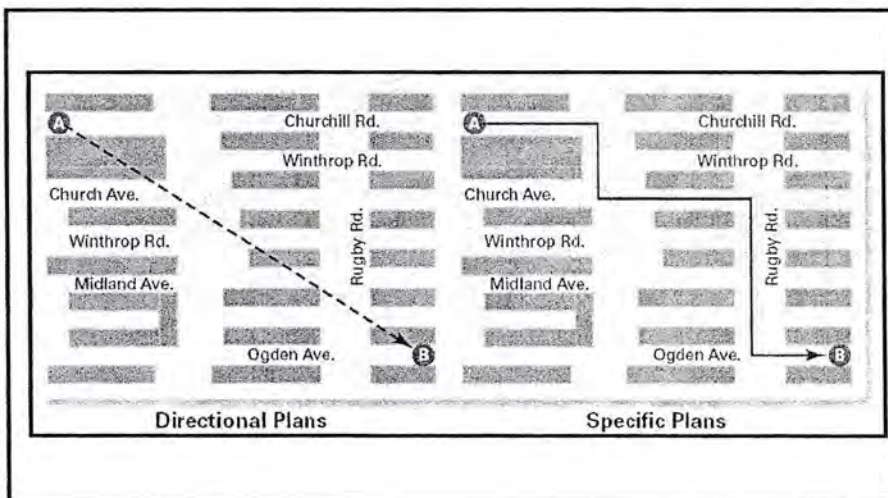
• Operational Plans

- Specify the details of how the overall goals are to be achieved.
- Cover short time period.

Types of Plans (cont'd)

- **Long-Term Plans**
 - Plans with time frames extending beyond three years
- **Short-Term Plans**
 - Plans with time frames on one year or less
- **Specific Plans**
 - Plans that are clearly defined and leave no room for interpretation
- **Directional Plans**
 - Flexible plans that set out general guidelines, provide focus, yet allow discretion in implementation.

Specific Versus Directional Plans



Types of Plans (cont'd)

- **Single-Use Plan**

- A one-time plan specifically designed to meet the need of a unique situation.

- **Standing Plans**

- Ongoing plans that provide guidance for activities performed repeatedly.

Establishing Goals and Developing Plans

- **Traditional Goal Setting**

- Broad goals are set at the top of the organization.
 - Goals are then broken into subgoals for each organizational level.
 - Assumes that top management knows best because they can see the “big picture.”
 - Goals are intended to direct, guide, and constrain from above.
 - Goals lose clarity and focus as lower-level managers attempt to interpret and define the goals for their areas of responsibility.

The Downside of Traditional Goal Setting



Establishing Goals and Developing Plans (cont'd)

- **Maintaining the Hierarchy of Goals**
 - **Means–Ends Chain**
 - The integrated network of goals that results from establishing a clearly-defined hierarchy of organizational goals.
 - Achievement of lower-level goals is the means by which to reach higher-level goals (ends).

Establishing Goals and Developing Plans (cont'd)

• Management By Objectives (MBO)

- Specific performance goals are jointly determined by employees and managers.
- Progress toward accomplishing goals is periodically reviewed.
- Rewards are allocated on the basis of progress towards the goals.
- Key elements of MBO:
 - Goal specificity, participative decision making, an explicit performance/evaluation period, feedback

Steps in a Typical MBO Program

1. The organization's *overall objectives and strategies* are formulated.
2. Major objectives are allocated among *divisional and departmental units*.
3. Unit managers *collaboratively set specific objectives* for their units with their managers.
4. Specific objectives are collaboratively set with *all department members*.
5. *Action plans*, defining how objectives are to be achieved, are specified and agreed upon by managers and employees.
6. The action plans are *implemented*.
7. Progress toward objectives is *periodically reviewed*, and *feedback* is provided.
8. Successful achievement of objectives is reinforced by *performance-based rewards*.

Does MBO Work?

- **Reason for MBO Success**
 - Top management commitment and involvement
- **Potential Problems with MBO Programs**
 - Not as effective in dynamic environments that require constant resetting of goals.
 - Overemphasis on individual accomplishment may create problems with teamwork.
 - Allowing the MBO program to become an annual paperwork shuffle.

Characteristics of Well-Designed Goals

- | | |
|--|---|
| <ul style="list-style-type: none">• Written in terms of outcomes, not actions<ul style="list-style-type: none">– Focuses on the ends, not the means.• Measurable and quantifiable<ul style="list-style-type: none">– Specifically defines how the outcome is to be measured and how much is expected.• Clear as to time frame<ul style="list-style-type: none">– How long before measuring accomplishment. | <ul style="list-style-type: none">• Challenging yet attainable<ul style="list-style-type: none">– Low goals do not motivate.– High goals motivate if they can be achieved.• Written down<ul style="list-style-type: none">– Focuses, defines, and makes goals visible.• Communicated to all necessary organizational members<ul style="list-style-type: none">– Puts everybody "on the same page." |
|--|---|

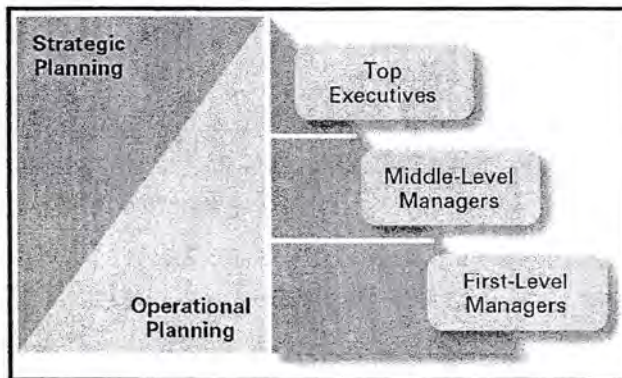
Steps in Goal Setting

1. Review the organization's mission statement.
 - Do goals reflect the mission?
2. Evaluate available resources.
 - Are resources sufficient to accomplish the mission?
3. Determine goals individually or with others.
 - Are goals specific, measurable, and timely?
4. Write down the goals and communicate them.
 - Is everybody on the same page?
5. Review results and whether goals are being met.
 - What changes are needed in mission, resources, or goals?

Developing Plans

- **Contingency Factors in A Manager's Planning**
 - **Manager's level in the organization**
 - Strategic plans at higher levels
 - Operational plans at lower levels
 - **Degree of environmental uncertainty**
 - Stable environment: specific plans
 - Dynamic environment: specific but flexible plans
 - **Length of future commitments**
 - **Commitment Concept:** current plans affecting future commitments must be sufficiently long-term to meet those commitments.

Planning in the Hierarchy of Organizations



Approaches to Planning

- **Establishing a formal planning department**
 - A group of planning specialists who *help* managers write organizational plans.
 - Planning is a function of management; it should never become the sole responsibility of planners.
- **Involving organizational members in the process**
 - Plans are developed by members of organizational units at various levels and then coordinated with other units across the organization.

Contemporary Issues in Planning

• Criticisms of Planning

- Planning may create rigidity.
- Plans cannot be developed for dynamic environments.
- Formal plans cannot replace intuition and creativity.
- Planning focuses managers' attention on today's competition not tomorrow's survival.
- Formal planning reinforces today's success, which may lead to tomorrow's failure.

Contemporary Issues in Planning (cont'd)

• Effective Planning in Dynamic Environments

- Develop plans that are specific but flexible.
- Understand that planning is an ongoing process.
- Change plans when conditions warrant.
- Persistence in planning eventually pay off.
- Flatten the organizational hierarchy to foster the development of planning skills at all organizational levels.

TOPIK 4

FOUNDATION OF ORGANIZING

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DEFINITION AND PURPOSES

- **Organizing** is the process of arranging subordinates and resources to work toward goals and creating an organization structure.
- The activities consist of: **DEVIDE UP THE WORK, ARRANGE RESOURCES and COORDINATE ACTIVITIES**
- It identifies who is to do what, who is in charge of whom, and how different people and parts of the organization relate to and work with one another ---- Structure & Chart

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ORGANIZATION STRUCTURE AND CHART (Formal Structure)

- **ORGANIZATION STRUCTURE** is a system of tasks, reporting relationships and communication channels that links together the work of diverse individuals and groups
- **ORGANIZATION CHART** is a diagram that describes the arrangement of work positions through lines of authority and communication within an organization

LEARN FROM AN ORGANIZATION CHART

1. **Division of Work** : Positions and titles show work responsibilities
2. **Supervisory Relationships** : Lines show who reports to whom
3. **Communication Channels** : Lines show formal communication flows
4. **Major Subunits** : Positions reporting to a common manager are shown
5. **Levels of Management** : Vertical layers of management are shown.

INFORMAL STRUCTURE WITHIN ORGANIZATION

- **INFORMAL STRUCTURE** is the set of unofficial relationships among an organization's members.
- Behind every formal structure typically lies an informal structure. This is a 'shadow' organization made up of the unofficial, but often critical, working relationships between organizational members

ADVANTAGES OF INFORMAL STRUCTURE

1. Helpful in getting work accomplished
2. The emergent and spontaneous relationships in formal structure so that they make contacts with others who can help them get things done when necessary.
3. Helpful in giving people access to emotional support & friendship that satisfy important social needs

DISADVANTAGES OF INFORMAL STRUCTURE

1. Because they exist outside the formal authority system, informal structures can sometimes work against the best interests of the organization as a whole.
2. They can be susceptible to rumor
3. They can carry inaccurate information
4. They can breed resistance to change and even divert work efforts from important objectives.

GLOSSARY IN ORGANIZATION STRUCTURE

1. **LINE MANAGERS** are responsible for the essential activities of the organization, including production and sales. Line managers have the authority to issue orders to those in the chain of command
2. **STAFF MANAGERS** have advisory authority, and cannot issue orders to those in the chain of command (except those in their own department)
3. **SPAN OF CONTROL** is the number of employees who can be effectively and efficiently supervised by a manager

GLOSSARY IN ORGANIZATION STRUCTURE

4. **AUTHORITY** is The rights inherent in a managerial position to tell people what to do and to expect them to do it
5. **CENTRALIZATION** is the degree to which decision making is concentrated at a single point in the organization
6. **DECENTRALIZATION** is the degree to which lower-level employees provide input or actually autonomy to make decisions
7. **FORMALIZATION** is the degree to which jobs within the organization are standardized and the extent to which employee behavior is guided by rules and procedures

ORGANIZATIONAL STRUCTURE APPROACHES

1. **TRADITIONAL / CONVENTIONAL APPROACHES**
 - a. Functional Structure
 - b. Divisional Structure
 - c. Matrix Structure
2. **NEWER / CONTEMPORARY APPROACHES**
 - a. Team Structure
 - b. Network Structure
 - c. Boundaryless Organization Structure

TRADITIONAL / CONVENTIONAL APPROACHES

1. **Functional Structure**
2. **Divisional Structure**
3. **Matrix Structure**

FUNCTIONAL STRUCTURE

1. is a structure that people **with similar skills and performing similar tasks** are grouped together into formal work units.
2. Members of functional departments share **technical expertise, interests & responsibilities**.
3. This structure common in business firms, with top management arranged by the functions of **marketing, finance, pro-duction, human resource, etc.**

FUNCTIONAL STRUCTURE CHART



- +Efficiencies from putting together similar specialties and people with common skills, knowledge, and orientations
- + Coordination within functional area
- + In-depth specialization
- Poor communication across functional areas
- Limited view of organizational goals

ADVANTAGES OF FUNCTIONAL STRUCTURE

1. Economies of scale with efficient use of resources
2. Task assignments consistent with expertise and training
3. High-quality technical problem solving
4. In-depth training and skill development within functions
5. Clear career paths within functions.

DISADVANTAGES OF FUNCTIONAL STRUCTURE

1. Difficult in pinpointing responsible for things like cost containment, product or service quality, timeliness and innovation in response to environment changes.
2. Such problems with functional structures become magnified as organizations grow in size and environments begin to change
3. Lack of communication , coordination and problem solving Because the functions become formalized not only on an organization chart but also in the mindsets of people, the sense of cooperation and common purpose breaks down

DIVISIONAL STRUCTURE

- is a structure that group of peoples work **on the same product or process**, serve **similar customers**, and/or are **located in the same area or geographical region**.
- The types of Divisional Structure:
 1. **By Product / Market Structure**
 2. **By Customer Structure**
 3. **By Geographical Structure**
 4. **By Process Structure**

Division Structure by Product/Market: An Example Chart

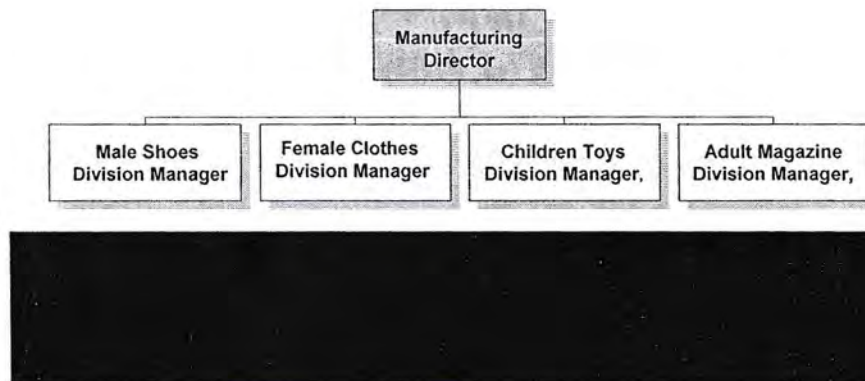


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Division Structure by Customer: An Example Chart



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ADVANTAGES OF DIVISIONAL STRUCTURE

1. More flexibility in responding to environmental changes
2. Improved coordination across functional department
3. Clear point of responsibility for product or service delivery
4. Expertise focused on specific customers, products and regions
5. Greater ease in changing size by adding or deleting divisions

DISADVANTAGES OF DIVISIONAL STRUCTURE

1. Reduce economies of scale
2. Increase costs through the duplication of resource and efforts across divisions
3. Create unhealthy rivalries as divisions compete for resources and top management attention and as they emphasize division needs and goals to the detriment of the goals of the organization as a whole

MATRIX STRUCTURE

- is combines functional and divisional approaches to emphasize project or program team.
- In effect, it is an attempt to gain the advantages and minimize the disadvantages of each
- This is accomplished by using the permanent cross-functional teams to support specific products, projects or programs.

ADVANTAGES OF MATRIX STRUCTURE

1. Better cooperation across functions
2. Increased flexibility in adding, removing and/or changing operations to meet changing demands.
3. Better customer service, since there is always a program, product or project manager informed and available to answer questions
4. Better performance accountability through the program, product or project managers
5. Improved decision making as problem solving takes place at the team level, where the best information is available
6. Improved strategic management, since to managers are freed from unnecessary problem solving to focus time on strategic issues

DISADVANTAGES OF MATRIX STRUCTURE

- 1. The two-boss system is susceptible to power struggles. It can create task confusion and conflicts in work priorities.**
- 2. Time consuming**
- 3. Teams may develop “groupthink” or strong team loyalties that cause a loss of focus on larger organizational goals.**
- 4. The requirements of adding the team leaders to a matrix structure can result in increased costs**

NEWER / CONTEMPORARY APPROACHES

- 1. TEAM STRUCTURE**
- 2. NETWORK STRUCTURE**
- 3. BOUNDARYLESS ORGANIZATION**
- 4. REMOVING ORGANIZATION**

TEAM STRUCTURE

Uses permanent and temporary cross functional teams to improve lateral relations and solve problems throughout an organization. Team structure involves :

- a. A Cross-Functional Team ; brings together members from different functional departments
- b. Project Teams ; are convened for a particular task or project and disband once it is completed

NETWORK STRUCTURE

- A small core organization that outsources its major business functions (e.g., manufacturing) in order to concentrate on what it does best
- This structure is uses IT to link with networks of outside suppliers and service contractors

BOUNDARY-LESS ORGANIZATION

- **A flexible and an unstructured organizational design that is intended to break down external barriers between the organization and its customers and suppliers**
- **Removes internal (horizontal) boundaries:**
 - **Eliminates the chain of command**
 - **Has limitless spans of control**
 - **Uses empowered teams rather than departments**
- **Eliminates external boundaries:**
 - **Uses virtual, network, and modular organizational structures to get closer to stakeholders**

REMOVING ORGANIZATION

- **Virtual Organization**
An organization that consists of a small core of full-time employees and that temporarily hires specialists to work on opportunities that arise
- **Modular Organization**
A manufacturing organization that uses outside suppliers to provide product components for its final assembly operations

TRENDS IN ORGANIZATION STRUCTURE

- 1. Fewer level of management**
- 2. More delegation and empowerment**
- 3. Decentralization with centralization**
- 4. Reduced use of staff**
- 5. Outsourcing decision**
- 6. More Flat than Tall Structure**

TOPIK 5

FOUNDATION OF LEADING

DEFINITION AND ACTIVITIES

- **Leading is the process of inspiring subordinates to work hard to accomplish organization goals**
- **The leading activities are : inspiring others to work hard and directing efforts toward a common purpose**
- **Leading builds the commitment and enthusiasm for people to apply their talents to help accomplish plans**

POWER IN LEADING

- **To implement this leading function, managers helped by a **power** beside his/her **leadership** in daily activities to sub-ordinates**
- **POWER** is the capacity to get someone else to do something you want done or to make things happen the way you want. It's clarify to:
 - 1. POSITION POWER**
 - 2. PERSONAL POWER**

POSITION POWER

Consist of:

1. **REWARD POWER** is the capacity to offer something of value – a positive outcome – as a means of influencing other people, such as pay, bonuses, promotions, special assignment, etc
2. **COERCIVE POWER** is the capacity to punish or withhold positive outcomes as a means of influencing other people, such as pay penalties, verbal reprimands
3. **LEGITIMATE POWER** is the capacity to influence other people by virtue of formal authority or the right of office.

PERSONAL POWER

Consist of:

1. **EXPERT POWER** is the capacity to influence other people because of specialized knowledge
2. **REFERENT POWER** is the capacity to influence other people because their desires to identify personally with you

LEADERSHIP

- **LEADERSHIP** is an ability to influence others to do things that managers wants and desires.
- **Leadership** become **more important** because managers formally must interact with subordinates such as give orders, ask report, give consultation, evaluate their performance, etc.

TYPES OF LEADERSHIP

1. **Visionary leadership** is a leadership who brings to the situation a clear and compelling sense of the future as well as an understanding of how to get there.
2. ***Servant Leadership*** is follower-centered and committed to helping others in their work. This leadership based on a commitment to serving others, to helping people use their talents to full potential while working together for organizations that benefit society

TYPES OF LEADERSHIP

3. **CHARISMATIC LEADERSHIP** is a leadership who develops special leader follower relationships and inspires followers in extraordinary ways
4. **TRANSFORMATIONAL LEADERSHIP** is inspirational leadership that gets people to do more in achieving high performance
5. **TRANSACTIONAL LEADERSHIP** is leadership that directs the efforts of others through tasks, reward and structure

CLASSIC LEADERSHIP STYLES

1. **AUTOCRATIC STYLE**: emphasis task over people , keeps authority and information to himself /herself and acts in a unilateral command and control fashion
2. **HUMAN RELATIONS STYLE**: emphasis people over task
3. **LAISSEZ FAIRE STYLE**: show little concern for task , letting the group make decisions and acting with a "do the best you can and don't bother me" attitude
4. **DEMOCRATIC STYLE** ; committed to both task & people, trying to get things done while sharing information, encouraging participation to decision making and otherwise helping others develop their skills and capabilities.

Early Leadership Theories

- **Trait Theories (1920s–30s)**
 - Research that focused on identifying personal characteristics that differentiated leaders from non-leaders was unsuccessful
 - Later research on the leadership process identified seven traits associated with successful leadership:
 - Drive, the desire to lead, honesty and integrity, self-confidence, intelligence, job-relevant knowledge, and extraversion

Seven Traits Associated with Leadership

- Drive
- Desire to lead
- Honesty and integrity
- Self-confidence
- Intelligence
- Job-relevant knowledge
- Extraversion

Behavioral Theories

1. University of Iowa Studies (Kurt Lewin)

- **Identified three leadership styles:**
 - **Autocratic style:** centralized authority, low participation
 - **Democratic style:** involvement, high participation, feedback
 - **Laissez-faire style:** hands-off management
- **Research findings:** mixed results
 - **No specific style was consistently better for producing better performance**
 - **Employees were more satisfied under a democratic leader than an autocratic leader**

Behavioral Theories

2. Ohio State Studies

- **Identified two dimensions of leader behavior**
 - **Initiating structure:** the role of the leader in defining his or her role and the roles of group members
 - **Consideration:** the leader's mutual trust and respect for group members' ideas and feelings
- **Research findings:** mixed results
 - High-high leaders generally, but not always, achieved high group task performance and satisfaction
 - Evidence indicated that situational factors appeared to strongly influence leadership effectiveness

Behavioral Theories

3. University of Michigan Studies

– Identified two dimensions of leader behaviour

- **Employee oriented:** emphasizing personal relationships
- **Production oriented:** emphasizing task accomplishment

– **Research findings:**

- Leaders who are employee oriented are strongly associated with high group productivity and high job satisfaction

CHARACTERISTICS OF A LEADER IN HIGH INITIATING STRUCTURE / PRODUCTION ORIENTED / TASK ORIENTED / CONCERN FOR TASK

- Plans and defines work to be done
- Assigns task responsibilities
- Sets clear work standards
- Urges task completion
- Monitors performance results

**CHARACTERISTICS OF A LEADER IN HIGH
CONSIDERATION / PEOPLE ORIENTED / EMPLOYEE
ORIENTED / CONCERN FOR PEOPLE**

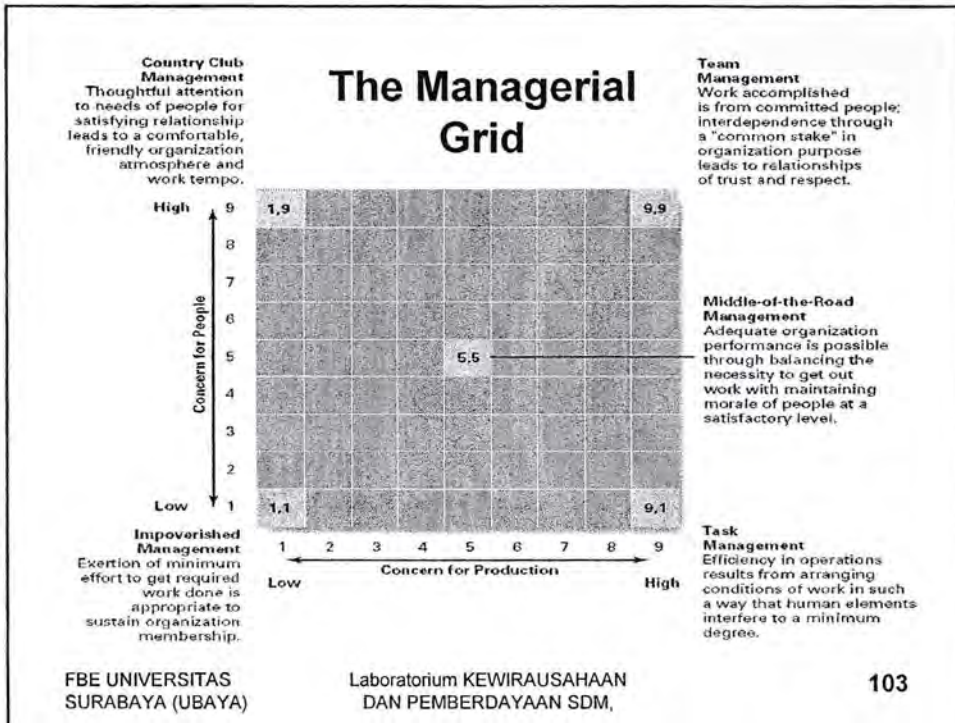
- Acts warm and supportive toward followers
- Develops social rapport with followers
- Respects the feelings of followers
- Sensitive to followers' needs
- Shows trust in followers

Behavioral Theories

4. THE MANAGERIAL GRID

(Robert Blake and Jane's Mutton)

- Appraises leadership styles using two dimensions:
 - **CONCERN FOR PEOPLE**
 - **CONCERN FOR TASK / PRODUCTION**



Contingency Theories of Leadership

1. The Fiedler Model

- Effective group performance depends upon the match between the leader's style of interacting with followers and the degree to which the situation allows the leader to control and influence
- **Assumptions:**
 - Different situations require different leadership styles
 - Leaders do not readily change leadership styles
 - Matching the leader to the situation or changing the situation to make it favorable to the leader is required

UNDERSTANDING FIEDLER MODEL

1. Understanding Leadership Style

Leadership style is measured on what Fiedler calls **THE LEAST-PREFERRED COWORKER SCALE (LPC)**.

Developed by FRED FIEDLER on the promise that good leadership depends on a match between leadership style and situational demands. Fiedler believes that leadership style is part of one's personality, therefore, it is relatively enduring and difficult to change. Fiedler suggests that the key to leadership success is putting the existing styles to work in situations for which they are good 'fits'.

UNDERSTANDING FIEDLER MODEL

2. Understanding Leadership Situations

In Fiedler's model, the amount of control a situation allows the leader is a critical issue in determining the correct style-situation fit.

The three contingency variables are used to diagnose situational control are the **QUALITY OF LEADER-MEMBER RELATIONS** (good or poor), measures the degree to which the group supports the leader. The **DEGREE OF TASK STRUCTURE** (high or low) measures the extent to which task goals, procedures and guideline are clearly spelled out. The **AMOUNT OF POSITION POWER** (strong or weak) measures the degree to which the position gives the leader power to reward and punish subordinates.

UNDERSTANDING FIEDLER MODEL

3. Matching Leadership Style and Situation

- a. Fiedler believes that leadership success depends on a good match between style and situation.
- b. Each style seems to work best when used in the right situation

FIEDLER MODEL

- **Least-preferred co-worker (LPC) questionnaire**
 - Determines leadership style by measuring responses to 18 pairs of contrasting adjectives
 - High score: a relationship-oriented leadership style
 - Low score: a task-oriented leadership style
 - Situational factors in matching leader to the situation:
 - **Leader-member relations**
 - **Task structure**
 - **Position power**

Fiedler's Least-Preferred Co-worker Questionnaire

Instructions: Think of the person with whom you can work least well. He/she may be someone you work with now, or he/she may be someone you knew in the past.

He/she does not have to be the person you like least well, but should be the person with whom you had the most difficulty in getting a job done. Describe this person as he/she appears to you.

Pleasant	8	7	6	5	4	3	2	1	Unpleasant
Friendly	8	7	6	5	4	3	2	1	Unfriendly
Rejecting	1	2	3	4	5	6	7	8	Accepting
Helpful	8	7	6	5	4	3	2	1	Frustrating
Unenthusiastic	1	2	3	4	5	6	7	8	Enthusiastic
Tense	1	2	3	4	5	6	7	8	Relaxed
Distant	1	2	3	4	5	6	7	8	Close
Cold	1	2	3	4	5	6	7	8	Warm
Cooperative	8	7	6	5	4	3	2	1	Uncooperative
Supportive	8	7	6	5	4	3	2	1	Hostile
Boring	1	2	3	4	5	6	7	8	Interesting
Quarrelsome	1	2	3	4	5	6	7	8	Harmonious
Self-assured	8	7	6	5	4	3	2	1	Hesitant
Efficient	8	7	6	5	4	3	2	1	Inefficient
Gloomy	1	2	3	4	5	6	7	8	Cheerful
Open	8	7	6	5	4	3	2	1	Guarded

Scoring: Add up all the circled responses for an overall score. High LPC leaders have scores of 64 or more. Low LPC leaders have scores of 35 or less.

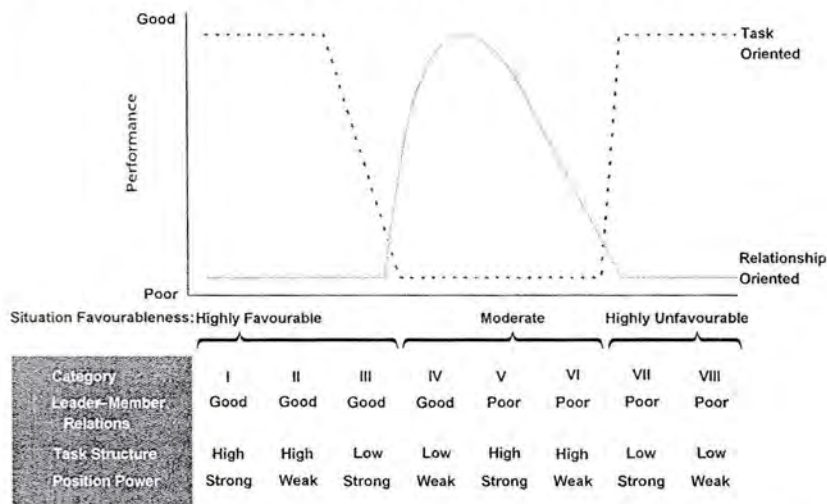
Source: F. E. Fiedler and M. M. Chemers, *Improving Leadership Effectiveness: The Leader-Match Concept*, 2nd ed. (New York: John Wiley and Sons, 1984).

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Findings of the Fiedler Model



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Contingency Theories...

2. Hersey and Blanchard's Situational Leadership Theory (SLT)

- Successful leadership is achieved by selecting a leadership style that matches the level of the followers' readiness
 - **Acceptance:** do followers accept or reject a leader?
 - **Readiness:** do followers have the ability and willingness to accomplish a specific task?
- Leaders must give up control as followers become more competent

Contingency Theories...

- Creates four specific leadership styles incorporating Fiedler's two leadership dimensions:
 - **Telling:** high task–low relationship leadership
 - **Selling:** high task–high relationship leadership
 - **Participating:** low task–high relationship leadership
 - **Delegating:** low task–low relationship leadership

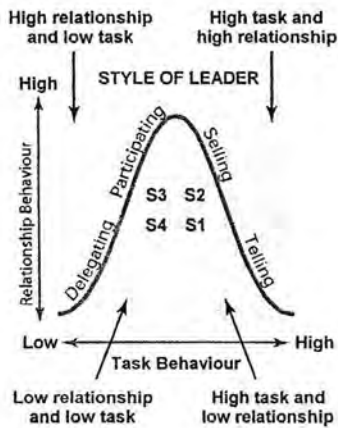
Telling, Selling, Participating, Delegating

1. **TELLING** giving specific task directions and closely supervising work ; a high-task and low-relationship styles.
2. **SELLING** explaining task directions in a supportive and persuasive way ; high-task and high-relationship styles
3. **PARTICIPATING** emphasizing shared ideas and participative decisions on task directions ; a low-task and high-relationship styles
4. **DELEGATING** allowing the group to make and take responsibility for task decisions ; a low-task and a low-relationship style.

Contingency Theories...

- **Hersey and Blanchard's Situational Leadership Theory (SLT)**
- Identifies four stages of follower readiness:
 - **R1:** followers are unable and unwilling
 - **R2:** followers are unable but willing
 - **R3:** followers are able but unwilling
 - **R4:** followers are able and willing

Hersey and Blanchard's Situational Leadership Model



High		Moderate		Low	
R4	R3	R2	R1		
Able and willing	Able and unwilling	Unable and willing	Unable and unwilling		
Follower Readiness					

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Contingency Theories...

3. Leader Participation Model (Vroom –Jago/Yetton)

- Leader behavior must be adjusted to reflect the task structure
- Suggests appropriate participation level in decision making

Designed to help a leader choose for any problem situation the best decision making method.

3 methods of Vroom-Jago

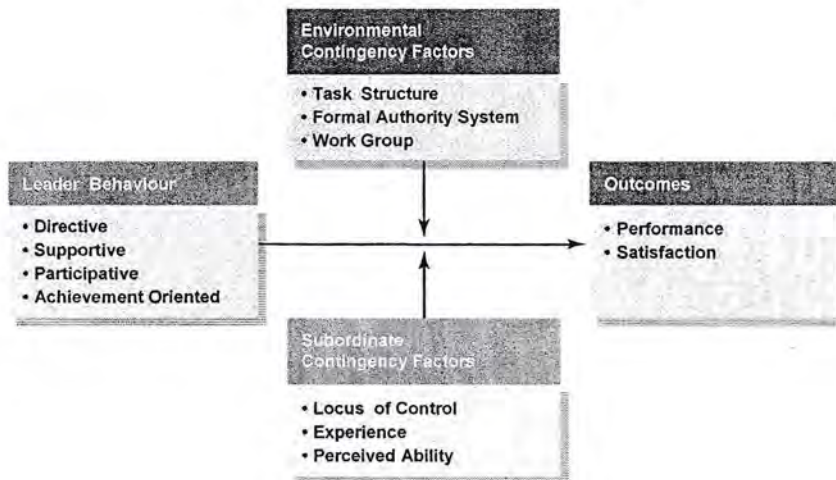
1. **AN AUTHORITY DECISION** is a decision made by the leader and then communicated to the group. No input is asked of group members other than to provide specific
2. **A CONSULTATIVE DECISION** is made by a leader after receiving information, advice or opinion from group members
3. **A GROUP DECISION** is made by group members themselves (with the full participation of all group members)

Contingency Theories...

4. Path-Goal Model (Robert House)

- Leader's job is to assist his or her followers in achieving organizational goals
- Leader's style depends on the situation:
 - Directive
 - Supportive
 - Participative
 - Achievement-oriented

Path-Goal Theory



LEADERSHIP RESEARCH RESULT ON GENDER

1. The evidence clearly supports that both women and men can be effective leaders.
2. Some emerging results are now indicating that women may be more prone to behaviors typically considered democratic and participative
3. Men, by contrast, may be more transactional in their leadership tendencies – acting more directive and assertive

TOPIK 6

FOUNDATION OF CONTROLLING

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What Is Controlling?

- **Controlling**
 - The process of monitoring activities to ensure that they are being accomplished as planned and of correcting any significant deviations
- **The Purpose of Control**
 - To ensure that activities are completed in ways that lead to accomplishment of organizational goals

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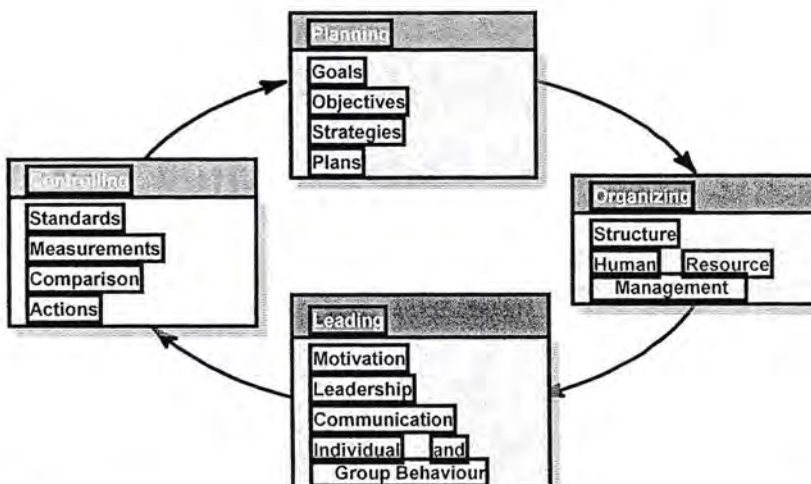
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Why Is Control Important?

- **The final link in management functions:**
 - **Planning**
 - Controls let managers know whether their goals and plans are on target and what future actions to take
 - **Empowering employees**
 - Control systems provide managers with information and feedback on employee performance
 - **Protecting the workplace**
 - Controls enhance physical security and help minimize workplace disruptions

The Planning–Controlling Link



The Control Process

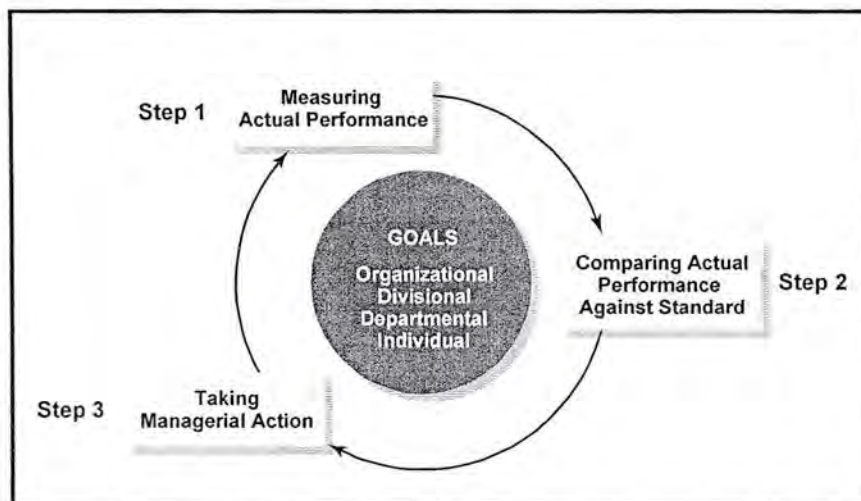
- **The Process of Control**

STEP 1 : MEASURING ; measuring actual performance

STEP 2 : COMPARING ; comparing actual performance against a standard

STEP 3 : TAKING MANAGERIAL ACTION
; taking action to correct deviations or inadequate standards

The Control Process



How and What We Measure

• How: Sources of Information

- Personal observations
- Statistical reports
- Oral reports
- Written reports

• What: Control Criteria

- Employees
 - Satisfaction
 - Turnover
 - Absenteeism
- Budgets
 - Costs
 - Output
 - Sales

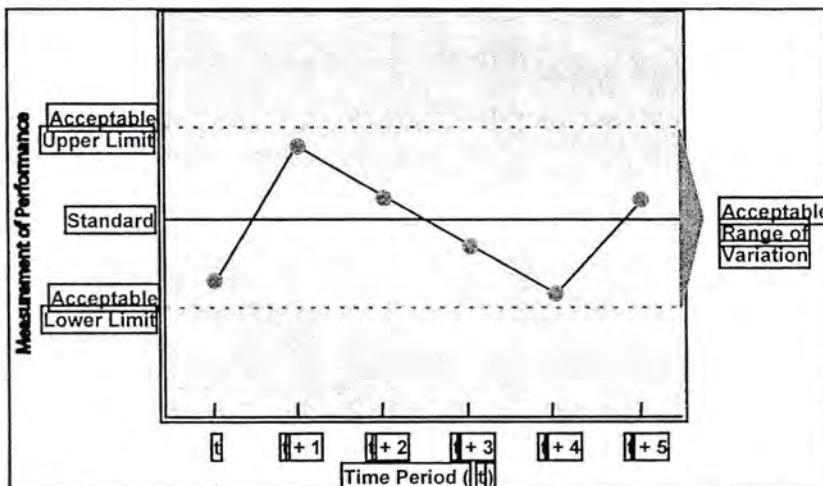
Common Sources of Information for Measuring Performance

	Advantages	Drawbacks
Personal Observations	<ul style="list-style-type: none"> • Get firsthand knowledge • Information isn't filtered • Intensive coverage of work activities 	<ul style="list-style-type: none"> • Subject to personal biases • Time-consuming • Obtrusive
Statistical Reports	<ul style="list-style-type: none"> • Easy to visualize • Effective for showing relationships 	<ul style="list-style-type: none"> • Provide limited information • Ignore subjective factors
Oral Reports	<ul style="list-style-type: none"> • Fast way to get information • Allow for verbal and nonverbal feedback 	<ul style="list-style-type: none"> • Information is filtered • Information can't be documented
Written Reports	<ul style="list-style-type: none"> • Comprehensive • Formal • Easy to file and retrieve 	<ul style="list-style-type: none"> • Take more time to prepare

Comparing

- Determining the degree of variation between **actual performance** and the **standard**
 - Significance of variation is determined by:
 - The acceptable range of variation from the standard (forecast or budget)
 - The size (large or small) and direction (over or under) of the variation from the standard

Defining the Acceptable Range of Variation



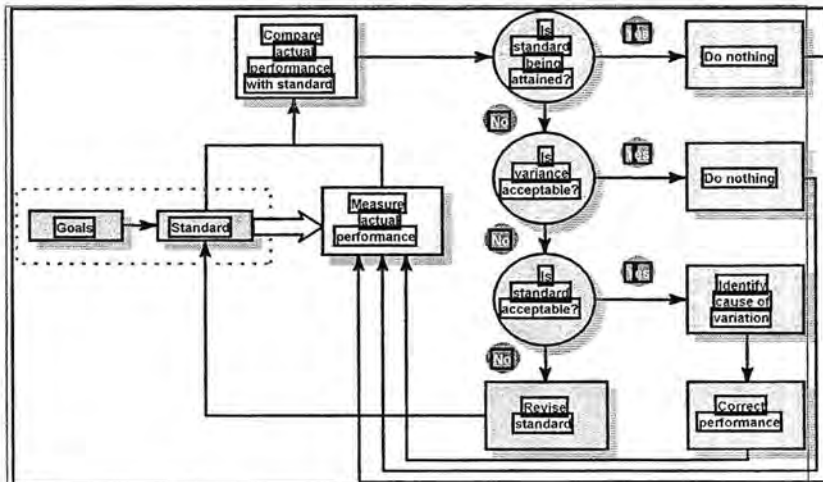
Sales Performance Figures for July, Beer Unlimited

Brand	Standard	(hundreds of cases) Actual	Over (Under)
Heineken	1075	913	(162)
Irish Amber	800	912	112
Victoria Bitter	620	622	2
Corona	160	140	(20)
Amstel Light	225	220	(5)
Dos Equis	80	65	(15)
Tecate	170	286	116
Total cases	3130	3158	28

Taking Managerial Action

- **Courses of Action**
 - **“Doing nothing”**
 - Only if deviation is insignificant
 - **Correcting actual (current) performance**
 - Immediate or basic corrective action
 - **Revising the standard**
 - Determine whether the standard is realistic, fair, and achievable

Managerial Decisions in the Control Process



Controlling for Organizational Performance

- **What Is Performance?**
 - The end result of an activity
- **What Is Organizational Performance?**
 - The accumulated end results of all of the organization's work processes and activities
 - Designing strategies, work processes, and work activities
 - Coordinating the work of employees

Organizational Performance Measures

- **Organizational Productivity**
 - The overall output of goods and/or services divided by the inputs needed to generate that output
 - Ultimately, a measure of how efficiently employees do their work

Organizational Performance Measures

- **Organizational Effectiveness:**
Measuring how appropriate organizational goals are and how well the organization is achieving its goals
 - **Systems resource model:** Is organization efficient in acquiring scarce and valued resources?
 - **The process model:** Is organization efficient in converting inputs to outputs?
 - **The multiple constituencies model:** Is organization effective in meeting each constituencies' needs?

Organizational Performance Measures

- **Industry Rankings**
 - Many different lists exist to rank organizations. Some examples:
 - *Report on Business Magazine's* Top 1000; Canada's Power Book
 - *Report on Business Magazine's* 50 Best Companies To Work For in Canada
 - *Profit's* 100: Canada's Fastest Growing Companies

Tools for Controlling Organizational Performance

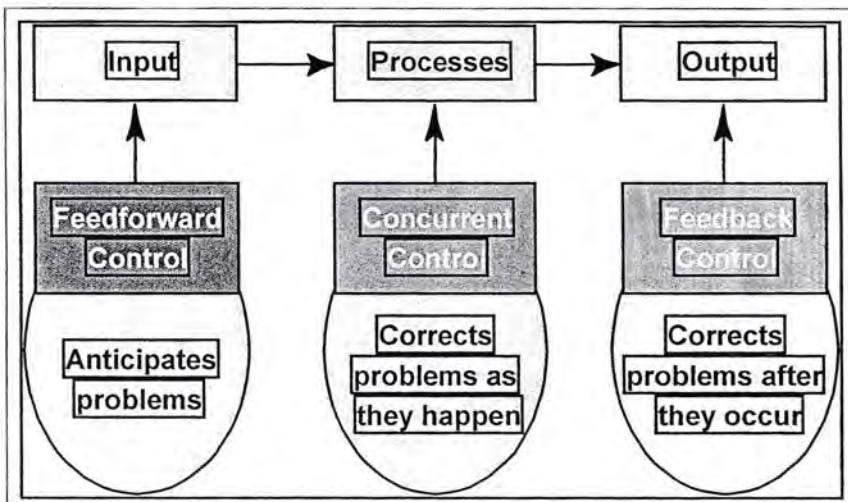
- **Feed-forward Control**
 - Prevents anticipated problems before they occur
 - Building in quality through design
 - Requiring suppliers conform to ISO 9002
- **Concurrent Control**
 - Monitoring while activity is in progress
 - Direct supervision: management by walking around

Tools for Controlling Organizational Performance

- **Feedback Control**

- Takes place after an activity is done
 - Corrective action is after-the-fact, when the problem has already occurred
- Advantages
 - Feedback provides managers with information on the effectiveness of their planning efforts
 - Feedback enhances employee motivation by providing them with information on how well they are doing

Types of Control



CONTROL APPROACHES

1. INTERNAL CONTROL

Occurs through self-discipline and self-control. It allows motivated individuals and group to exercise self-discipline in fulfilling job expectations. Managers can take direct action to control the behavior of others

2. EXTERNAL CONTROL

Occurs through direct supervision or administrative systems such as rules and procedures

Tools for Controlling Organizational Performance: Financial Controls

• Traditional Controls

– Ratio analysis

- Liquidity
- Leverage
- Activity
- Profitability

– Budget analysis

- Quantitative standards
- Deviations

• Other Measures

- Economic value added (EVA)
- Market value added (MVA)

Popular Financial Ratios

Objective	Ratio	Calculation	Meaning
Liquidity	Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	Tests the organization's ability to meet short-term obligations
	Acid test	$\frac{\text{Current assets less inventories}}{\text{Current liabilities}}$	Tests liquidity more accurately when inventories turn over slowly or are difficult to sell
Leverage	Debt to assets	$\frac{\text{Total debt}}{\text{Total assets}}$	The higher the ratio, the more leveraged the organization
	Times interest earned	$\frac{\text{Profits before interest and taxes}}{\text{Total interest charges}}$	Measures how far profits can decline before the organization is unable to meet its interest expenses

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Popular Financial Ratios

Objective	Ratio	Calculation	Meaning
Activity	Inventory turnover	$\frac{\text{Sales}}{\text{Inventory}}$	The higher the ratio, the more efficiently inventory assets are being used.
	Total asset turnover	$\frac{\text{Sales}}{\text{Total assets}}$	The fewer assets used to achieve a given level of sales, the more efficiently management is using the organization's total assets
Profitability	Profit margin on sales	$\frac{\text{Net profit after taxes}}{\text{Total sales}}$	Identifies the profits that various products are generating
	Return on investment	$\frac{\text{Net profit after taxes}}{\text{Total assets}}$	Measures the efficiency of assets to generate profits

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Controlling Organizational Performance

Balanced Scorecard

- A measurement tool that uses goals set by managers in four areas to measure a company's performance:
 - Financial
 - Customer
 - Internal processes
 - People/innovation/growth assets

Information Controls

- Management Information Systems (MIS)
 - A system used to provide management with needed information on a regular basis
 - **Data:** an unorganized collection of raw, unanalyzed facts (e.g., unsorted list of customer names)
 - **Information:** data that has been analyzed and organized such that it has value and relevance to managers

Contemporary Issues in Control

- **Cross-cultural Issues**

- The use of technology to increase direct corporate control of local operations
- Legal constraints on corrective actions in foreign countries
- Difficulty with the comparability of data collected from operations in different countries

Contemporary Issues in Control

- **Workplace Concerns**

- **Privacy versus monitoring:**
 - E-mail, telephone, computer, and Internet usage can all be monitored
- **Employee theft**
 - The unauthorized taking of company property by employees for their personal use
- **Violence**
 - Anger, rage, and violence in the workplace is affecting employee productivity

Types of Employee done and Monitoring by Employers

Internet use	54.7%
Telephone use	44.0%
Email messages	38.1%
Computer files	30.8%
Job performance using video cameras	14.6%
Phone conversations	11.5%
Voice-mail messages	6.8%

Source: Based on S. McElvoy, "E-Mail and Internet Monitoring and the Workplace: Do Employees Have a Right to Privacy?" *Communications and the Law*, June 2002, p. 69.

Control Measures for Employee Theft or Fraud

Feedforward	Concurrent	Feedback
Careful pre-hiring screening.	Treat employees with respect and dignity.	Make sure employees know when theft or fraud has occurred—not naming names but letting people know this is not acceptable.
Establish specific policies defining theft and fraud and discipline procedures.	Openly communicate the costs of stealing.	Use the services of professional investigators.
Involve employees in writing policies.	Let employees know on a regular basis about their successes in preventing theft and fraud.	Redesign control measures.
Educate and train employees about the policies.	Use video surveillance equipment if conditions warrant.	Evaluate your organization's culture and the relationships of managers and employees.
Have professionals review your internal security controls.	Install "lock-out" options on computers, telephones, and email.	
	Use corporate hot lines for reporting incidences.	
	Set a good example.	

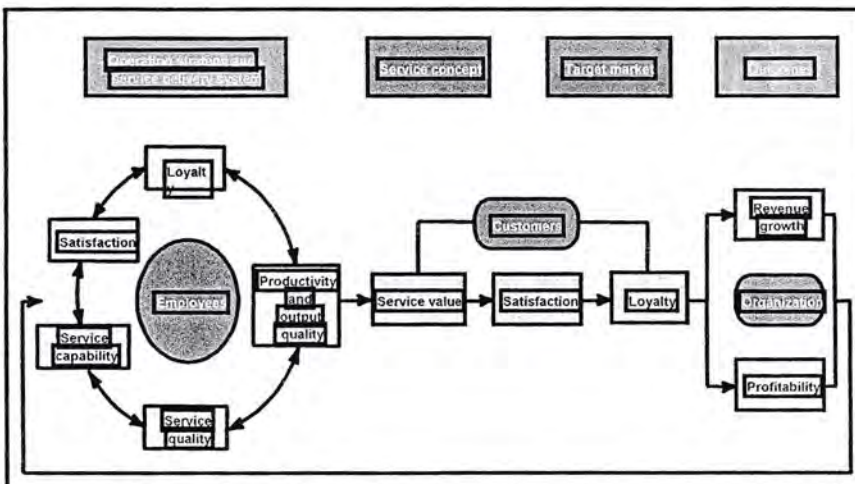
Sources: Based on A. H. Bell and D. M. Smith, "Protecting the Company Against Theft and Fraud," *Workforce Online* (www.workforce.com), December 3, 2000; J. D. Hansen, "To Catch a Thief," *Journal of Accountancy*, March 2000, pp. 43-46; and J. Greensberg, "The Cognitive Geometry of Employee Theft," in *Dysfunctional Behavior in Organizations: Nonviolent and Deviant Behavior*, eds. S. B. Bacharach, A. O'Leary-Kelly, J. M. Collins, and R. W. Griffin (Stamford, CT: JAI Press, 1998), pp. 147-193.

Contemporary Issues in Control

- **Customer Interactions**
 - Service profit chain
 - The service sequence from employees to customers to profit

- Service capability → service value → customer satisfaction → customer loyalty → repeat business (profit)

The Service Profit Chain



Contemporary Issues in Control

- **Corporate Governance**
 - The system used to govern a corporation so that the interests of the corporate owners are protected
 - Changes in the role of boards of directors
 - Increased scrutiny of financial reporting

TOPIK 7

INFORMATION TECHNOLOGY (IT) AND DECISION MAKING

INFORMATION TECHNOLOGY & MANAGEMENT

- **Peter Drucker** said that IT driven economy “**the productivity of knowledge and knowledge worker**” is the decisive competitive factor. It is depend on two “**must have**” competencies :
 1. **COMPUTER COMPETENCY** is the ability to understand computers & to use them to their best advantage and
 2. **INFORMATION COMPETENCY** is the ability to utilize technology to locate, retrieve, evaluate, organize and analyze information for decision making.

How IT Affects Organizations

- Removes the constraints of time and distance
 - Allows widely dispersed employees to work together
- Provides for the sharing of information
 - Increases effectiveness and efficiency
- Integrates decision making and work
 - Provides more complete information and participation for better decisions
- Creates problems of constant accessibility to employees - Blurs the line between work and personal lives

Networked Computer Systems

– Linking individual computers to create an organizational network for communication and information sharing

- **Email**
- **Instant messaging**
- **Voice-mail and fax**
- **Electronic data exchange (EDI)**
- **Teleconferencing and videoconferencing**
- **Intranets and extranets**
- **Wireless capabilities**

ROLES OF MANAGERS AS INFORMATION PROCESSORS

Data are raw facts and observations

Information is data made useful for decision making

Information that is truly useful meets the test of these five criteria :

1. **Timely**
2. **High Quality**
3. **Complete**
4. **Relevant**
5. **Understandable**

A DECISION AND PROBLEM SOLVING

- **A DECISION** is a choice among possible alternative courses of action
- **PROBLEM SOLVING** is the process of identifying a discrepancy between an actual an desired state of affairs and then taking action to resolve the deficiency or take advantage of the opportunity.

TYPES OF PROBLEMS

- STRUCTURED PROBLEM** is familiar, straightforward and clear in its information needs.
 - UNSTRUCRURED PROBLEM** have ambiguities and information deficiencies
- Crisis** is unexpected problem that can lead to disaster if not resolved quickly and appropriately

TYPES OF DECISIONS & CRISIS

a. PROGRAMMED DECISIONS

applies a solution from past experience to the problem at hand.

b. NONPROGRAMMED DECISION

applies a specific solution crafted for a unique problem

DECISION ENVIRONMENTS

1. **Certain Environment** ; offers complete information on possible action alternatives and their consequences
2. **Risk Environment** ; lacks complete information but offer "probabilities" of the likely outcomes for possible action alternatives
3. **Uncertain environment** ; lacks of much information that it is difficult to assign probabilities to the likely outcomes of alternatives. This is the most difficult decision condition.

PROBLEMS SOLVING STYLES

- 1. PROBLEM AVOIDERS** who ignore information that would otherwise signal the presence of an opportunity or performance deficiency. They are passive in information gathering, not wanting to make decisions and deal with problems.
- 2. PROBLEM SOLVER** are willing to make decisions and try to solve problems but only when forced to by the situations. They reactive in gathering information & responding to problems after they occur.
- 3. PROBLEM SEEKERS** actively process information and constantly look for problems to solve or opportunities to explore. They are proactive & forward thinking.

TYPES OF MANAGERS THINKING

- 1. SYSTEMATIC THINKING**
Approaches problems in a rational and analytical fashion, such as breaking a complex problem in to smaller components and then addressing them in logical and integrated fashion.
- 2. INTUITIVE THINKING**
Approaches problems in a flexible and spontaneous fashion. Use imagination to a problem based on a quick and broad over-view. Work best in situations of high uncertainty
- 3. MULTIDIMENSIONAL THINKING** : ability to view many problem at once in relationship to one another & across both long & short time horizons

STEPS IN DECISION MAKING

1. IDENTIFY AND DEFINING THE PROBLEM
2. GENERATE AND EVALUATE ALTERNATIVE COURSES OF ACTION (POSSIBLE SOLUTIONS)
3. DECIDE ON A PREFERRED COURSE OF ACTION / SOLUTION
4. IMPLEMENT THE COURSE OF ACTION / SOLUTION
5. EVALUATE RESULTS

STEP 1 : IDENTIFY AND DEFINE PROBLEM

- This is a stage of information gathering, information processing and deliberation.
- It is important to clarify goals by identifying exactly what a decision should accomplish.
- The way the problem is defined have a major impact on how it is resolved

COMMON MISTAKES IN DEFINING PROBLEMS

1. Defining the problem too broadly or too narrowly
2. Focusing on symptoms instead of causes
3. Choosing the wrong problem to deal with

STEP 2 : GENERATE & EVALUATE ALTERNATIVE COURCES OF ACTION

- The process of evaluating alternatives often benefits from a stakeholder analysis.
- Key stakeholders in the problem should be **identified and the effects** of possible courses of action on each of them should be considered.
- Another useful approach for the evaluation of alternatives is a cost-benefits analysis

COST BENEFIT ANALYSIS

CRITERIA FOR ANALYZING ALTERNATIVES

1. BENEFITS
2. COSTS
3. TIMELINESS
4. ACCEPTABILITY
5. ETHICAL SOUNDNESS

STEP 3 : DECIDE ON A PREFERRED COURSE OF ACTION

1. **Classical Decision Model** ; describes decision making with complete information. (structured problem, clearly defined, certain environment, complete information, and all alternatives and consequences known) **THE RESULTS IS OPTIMIZING DECISION** – chooses the alternative giving the absolute best solution to a problem

STEP 3 : DECIDE ON A PREFERRED COURSE OF ACTION

2. **Behavioral Decision Model** ; describes decision making with limited information and bounded rationality (unstructured problem, not clearly defined, uncertain environment, incomplete information and not all alternatives & consequences known. **THE RESULT IS A SATISFYING DECISION** – chooses the first satisfactory alternative that comes to one's attention

STEP 4 : IMPLEMENT THE DECISION

Once a preferred solution is chosen, actions must be taken to fully implement it. **Nothing new can or will happen unless action is taken** to actually solve the problem. Managers not only need the determination and creativity to arrive at a decision, they also need **the ability & willingness** to implement it

STEP 5 : EVALUATE THE RESULT

- The decision making process **is not complete until results are evaluated.**
- If the desired results are not achieved and/or if undesired side effects occur, **corrective action should be taken.**
- A form of managerial control is involves gathering data **to measure performance results against goals & consider both the positive & negative outcomes**
 - Both positive and negative consequences of the chosen course of action **should be examined**
 - If the original solution appears inadequate, **create new solution or modified the solution**

DECISION – MAKING ERRORS & TRAPS

Faced with **limited information, time & energy, people** often use simplifying strategies for decision making. These strategies known as **Heuristics**, can cause decision making errors.

HEURISTICS STRATEGY

- a. **Availability heuristic:** occurs when people use information “readily available” from memory as a basis for assessing a current event or situation
- b. **Representative Heuristic:** Occurs when people assess the likelihood of something occurring based on its similarity to a stereotyped set of occurrences
- c. **Authority & Adjustment heuristics ;** involves making decisions based on adjustments to a previously existing value or starting point

INDIVIDUAL DECISIONS WORK BEST WHEN :

- They personally have **the expertise** needed to solve the problem
- They are **confident and capable** of acting alone
- Others are **likely to accept** they decision they make
- Little or no time is **available** for discussion

GROUP DECISIONS WORK BEST WHEN :

- They **lack** sufficient information solve a problem by themselves
- The problem is **unclear** and help is needed to clarify the situation
- Acceptance of the decision by others **is necessary** for its implementation
- Adequate time is **available** to allow for true participation

BENEFITS OF GROUP DECISIONS

- **Greater sum** of knowledge and information
- **Better understanding** of the final decision
- **Increased acceptance** of the final decision

ETHICAL DECISION MAKING

Gerald Cavanaugh suggest the following criteria :

- **Utility** – does the decision satisfy all constituents or stakeholder?
- **Right** – does the decision respect the rights & duties of everyone?
- **Justice** – is the decision consistent with the canons of justice?
- **Caring** – is the decision consistent with may responsibilities to care?