A. DELEGATION

When an organisation structures its work into jobs which are undertaken by employees it formally assigns **responsibility** and delegates **authority**. The job holder is **accountable** for his or her actions and his or her results.

Sisk defines the **delegation of authority** as "an organisational process that permits the transfer of authority from superior to subordinate". Thus whilst managers can delegate authority (so subordinates can work with **derived authority**) they must assign responsibility.

Responsibility, authority and accountability

There are three generally agreed steps to the process of delegation, but note that there is considerable variation in the terms used by management theorists to describe each of the three steps. The three aspects of delegation, as used by Sisk, are:

- The assignment of responsibility
- The delegation of authority
- The creation of accountability

It is essential that delegation be carried out effectively, and we shall return to this in a moment.

(a) Responsibility

Koontz defines responsibility as "the obligation to accomplish assignments". "Responsibility" in management terms refers only to duties, or work, that is specifically assigned.

Once a person accepts responsibility for a task, or range of tasks, it is totally for him or her to achieve the task(s) in the way that appears most effective and efficient. (Given compliance with organisational policy and the law of the land.) It follows that responsibility should only be assigned to trusted members of staff, in line with their proven or believed capabilities. It is axiomatic that responsibility without authority is of no value since the "responsible" person will have no ability to initiate the actions necessary for task achievement.

(b) Authority

When a manager delegates authority to a person, he or she empowers that person to act for the delegator. In other words, to work with derived authority. It is therefore essential to ensure that those to whom one delegates have a clear understanding of what they are required to do, to achieve, and the limits of the authority that is delegated to them. If a manager does not, or cannot, delegate sufficient authority for the subordinate to carry through the task then accountability for the level of success rests with the delegator, not with the subordinate.

(c) Accountability

Accountability is created immediately responsibility and the necessary authority have been accepted. Acceptance of responsibility (assigned) and authority (delegated) means that an obligation is incurred. Thus no subordinate should accept responsibility without sufficient delegated authority.

The principles are quite clear, but the practice is not.

- It is unfortunately an everyday fact of real management life that responsibility is assigned, and subordinates held accountable, whilst the manager holds back the necessary authority. This is particularly true within Theory X organisations, and is normally a sign of a manager's lack of self-confidence. Certainly it indicates a lack of trust in the subordinates, which will be noticed by them and which will affect their behaviour.

- It is not easy for a subordinate to insist on the delegation of sufficient authority, especially in the face of a direct order, and therefore many subordinates are frustrated, and many managers overworked.
- It can be extremely difficult to create and maintain a climate of trust within an organisation, yet without such a climate effective delegation is unlikely to take place.

Conditions for Effective Delegation

Virtually all organisations delegate, but not all delegate **effectively**. It is extremely difficult to achieve effective delegation – Sisk establishes three conditions that must be met:

- Parity of authority and responsibility
- Absoluteness of accountability
- Unity of command

(a) Parity of Authority and Responsibility

For effective delegation the authority granted to a subordinate must equal the assigned responsibility. Too little, and the subordinate must consult the manager too often, and in some cases a decision cannot be implemented until the manager signs the necessary authority. If a manager has several subordinates, all suffering from a lack of authority, he or she may find each day occupied by a queue of staff, all needing to secure the manager's approval. This can be very ego-satisfying, and a certain type of person will feel very secure in the knowledge that without him or her the place "would grind to a halt". They are also likely to use the phrases such as: "If I'm not there to hold their hands nothing gets done."

Robert Townsend, in "Up the Organisation", gives an example of how to delegate effectively. An important contract with a supplier is coming up for renewal. This is Townsend's recommendation:

"1. Find the person in your organisation to whom a good contract will mean the most. (Can't be more than two levels below you – there's that organisation chart getting in the way.)

2. Take the pains to write on one sheet of paper the optimum and the minimum that you expect from each area of the contract.

3. Give your organisation (including Jean – the person you've picked to negotiate) a couple of days to discuss your outline, edit, subtract, add and modify. Then rewrite it, call Jean into the office (with her boss if there is one between you and her – I assume he's in favour of this, or forget it).

4. With Jean on an extension phone, with the top person involved at each supplier, you say: "This is Jean. I've asked her to negotiate the contract. Whatever she recommends we'll do. There is no appeal over her head. I want a signed contract in 30 days."

   Now, I know that 99 out of 100 managers won't take the risk. But is it a risk? Jean is closer to the point of use. She will be most affected by a bad contract. She knows how much the company gains or loses by a concession in each area (and they know that she knows). And she'll spend full time on it for the next 30 days. Would you? I maintain the company will get a more favourable contract every time.

Note that you've given maximum authority and accountability to Jean. And you've been fair to (and put great pressure on) your suppliers by telling them the rules in advance."

Note the following points about this example.

- Nothing can be learned unless a junior is allowed to work alone. Not unaided, but without overt interference. Managers make mistakes, every one of them. They have to because they are working into an uncertain future, without perfect information. So it becomes a question of how many mistakes are reasonable, of what magnitude, and how fast the manager notices **and responds** with a revised decision.

  In Townsend's example the situation was carefully prepared for the manager, and she would feel she could turn to her boss if she was in need of advice. She would not feel that she could shift the accountability off to somebody else. In taking the assignment she accepted the accountability. But she had been carefully chosen as the most suitable, and would be unlikely to fail. Townsend was taking a risk – but a carefully calculated one. When all goes well he gets a good contract and, more importantly, a high-motivated manager. The worst scenario would be a contract at minimum terms (Jean was not empowered to authorise except at minimum or above), and perhaps a manager who would require some TLC (tender-loving care) but who had learned a valuable lesson.

- Although full authority may be granted, it is not always possible for a manager to achieve the specified task(s). It is only reasonable to hold someone accountable for matters that are within his or her control. If interest rates are forced up by government, for example, a property developer is unlikely to be able to achieve the targets set whilst interest rates were low and forecast to remain so. (Witness Canary Wharf in London's Docklands, which is one of the biggest and most publicised developments – yet it came to a halt during the period of the UK recession of the early 1990s.)

(b) Absoluteness of Accountability

Although responsibility may be assigned to subordinates and authority may be delegated to them, accountability to a superior can neither be assigned nor delegated.

Within a typical organisation will be divisions, departments, sections, each dealing with matters that are successively more tactical. Nevertheless the chief executive is accountable to the shareholders for every action the organisation takes. Whilst he or she will assign responsibility for each function to a director, who will assign responsibility for parts of the function to managers, and whilst full authority will be delegated commensurate with responsibility, it is still a fact that the paint shop manager is accountable to the factory manager who is accountable to the production manager who is accountable to the production director, who is accountable to the chief executive, who is accountable to the shareholders. (And every shareholder will be accountable to someone for their choice of the organisation as an investment.)

(c) Unity of Command

Each subordinate should be accountable to one, and only one, superior. We all know that nobody can serve two masters well; and the converse is that each of two managers cannot take responsibility for half a subordinate. A clever junior, who wants an easy life, can easily play two bosses off against each other so that both think the junior is working hard for the other!

Of course there is need for flexibility – as within a matrix organisation – but flexibility should never be allowed to disguise or diminish the clear line of accountability for day-to-day activity that must be to one, defined, superior.

What is it that Superiors Delegate?

We have given a general definition of delegation within an organisational structure, where a superior delegates certain activities to a subordinate, but we need to look in closer detail at just what it is that is being delegated. We can identify three types of delegation:

- **Entrusting tasks to subordinates** – when a superior allocates a job they normally undertake themselves to a person at a lower level in the organisational structure. Such jobs will usually be of some importance as they have formed part of the superior's duties.
- **Allocating authority to issue orders** – trusting a subordinate to issue orders to those who would previously have received such orders directly from top management.
- **Allocating decision-making in defined areas** – a superior delegates decisions which previously she/he had made.

The Process of Delegation

The key steps in delegation are:

(a) Planning

There are number of aspects to this.

- deciding on the tasks and functions which could usefully be delegated;
- specifying the type of delegation – task, issuing orders and/or decision-making – and then making it more specific by listing the exact requirements and standards expected from the delegatee;
- selecting suitable delegatees by an assessment and appraisal of their competence in the light of what is expected. Skill(s), experience, attitude, workload, all have to be taken into account.

As a general rule a superior should delegate whenever a subordinate shows the ability and enthusiasm to undertake a function being carried out by the superior. In practice delegation may be a "drip process", i.e. the superior gives increments of authority to a subordinate. Once the subordinate shows him/herself capable of one part of a task or function, another part is fed to him/her. This incremental delegation allows potential to be developed in the delegatee.

(b) Action

Assign the duties and delegate commensurate authority. The delegatee will be informed of the above decisions and given exact details of objectives and standards expected, in writing. The process of accountability will also be explained.

The delegator must be ready to answer any queries and should stress his/her confidence in the delegatee.

(c) Control

Establish the necessary controls – delegation is not synonymous with abdication. It is essential that the delegator retains the right to recall responsibility and authority, and that periodic reports on progress are made by the junior.

The delegator does not wash his/her hands of the function when it is delegated (accountability demands that the delegator is him/herself accountable to superiors). However, the delegator does not want to give such close control that it undermines the confidence of the delegatee. A careful balance must be drawn between control, and freedom to get on with the job.

Well-constructed and thoughtful controls give assurance to the delegator that the job is being done properly and confidence to the delegatee that there is a fail-safe mechanism to prevent too much of a disaster if things go wrong.

(d) Feedback

The degree of success of delegation should be kept under review. The yardstick should be **results**. Has the delegatee achieved the objectives and standards set by the delegator? Not all delegation will be successful; if it fails, delegation should be rescinded.

Barriers to Effective Delegation

Problems can arise both in delegators and delegatees. Some managers may:

- Be reluctant to delegate – they may lack confidence in the subordinates or just wish to do everything themselves.
- Worry that subordinates may fail and that this will rebound onto them as they hold ultimate responsibility.
- Fear that subordinates will do the job better than they were doing it themselves, so showing them up in a bad light.

In the case of delegatees, they may find their new authority a cause for stress and worry. Delegated authority can sometimes cause confusion and bad feeling in the organisation.

Techniques of Delegation

There are a number of techniques which can be deployed to help achieve effective delegation. Important among these are:

(a) Coaching

The delegator helping and guiding the delegatee with the delegated function. Coaching can be intensive when the function is new and then gradually reduced as the delegatee grasps the situation.

(b) Management by exception

This technique aims to avoid an overload of functions on top management. MBE acts as a sieve; the manager establishes standards of performance and levels of decision-making and it is only when standards are **not** reached or decisions are of greater importance that the manager swings into action. So long as things are going along well and the decisions required are not of major importance, these functions are delegated to subordinates.

Computers can assist MBE by taking over many routine matters. The advantage of MBE is that it divides functions into the less important, which are delegated, and the more important, which have the attention of top management. The result is a smooth-running organisation. However, MBE requires careful planning and sensitive operation.

(c) Cost/benefit analysis of delegation

In order to decide on the level of delegation to be deployed, it is useful to analyse the costs, e.g. possible lowering of performance, against the benefits or advantages, which may include the following:

- Delegation allows top managers to be more productive because they can get subordinates to assist them in achieving the objectives of the organisation.

- The time gained by managers allows them to improve the quality of their work.
- Delegation and particularly MBE filters out the more trivial issues that arise in the organisation.
- Delegation develops potential, skills and abilities in subordinates and increases their morale by making their work more challenging.

Advantages and Disadvantages of Delegation

(a) Advantages

- Those who delegate well regard it as an opportunity to plan work systematically, at the same time as developing the team and individuals within it. Delegation helps each team member to realise his or her potential by gaining knowledge and developing skills. It is an essential part of the training process.
- Delegation provides the most significant test of manager versus leader. The traditional manager retains a high degree of control, requires the subordinate to report back on matters of detail. The leader maintains sufficient control for a particular subordinate at a particular time in order to help him or her through any difficulties. A leader does **not** take back control; he or she helps the subordinate and, between them, they solve the problem.
- As we saw in the study unit on motivation, building more responsibility into a job or giving employees greater autonomy or control of their work can be a powerful motivator, increasing both productivity and quality. People feel more involved in the job if they are given responsibility. Delegation helps to increase job satisfaction.
- By considering the nature of what is delegated, you can see that delegation develops the spread of authority in an organisation. Such a diffusion of task performance or issuing of orders and decision-making may be called for as an organisation decentralises.
- By delegating work it is possible to make use of individual and specialist skills that team members possess.
- Delegation is essential if managers are to be freed up to manage. Their time should be taken up by managerial responsibilities – planning, forecasting, controlling, organising and so on.

(b) Disadvantages

- It is sometimes tempting to retain those jobs which are varied and interesting, and to delegate those jobs which are less desirable.
- Delegation involves people, and all people are different. They respond differently when placed in positions of responsibility.
- To delegate properly, it is necessary to communicate clearly, but not always desirable to state exactly how the task has to be carried out. People need space to function.
- Delegation involves risk. The person asked to carry out the task will not normally be as technically proficient as the manager, so the standard of work may drop, or the work may take longer. The person carrying out the task may also have to refer back frequently for instructions, disrupting other tasks.

- Delegation creates fear that the job may not be completed properly. It can sometimes cause the manager to fear the subordinate as a "rising star". This can cause substantial problems if the organisation is restructuring or delayering.

In conclusion, we can say that delegation helps a manager or supervisor to do the job in a better, more efficient and often more effective way. It also helps others to fulfil their potential.

The success of a manager's work can often be measured in terms of work performed for him by others. Delegation enables the manager to multiply himself, divide his load and share his responsibilities. Delegation involves entrusting the care of management to another.

B. EMPOWERMENT

Empowerment can offer an approach to organisations that will enable them to succeed, **and** treat themselves, their staff and their customers well.

Empowerment offers a way of treating people with respect and honesty, which must be the signs of a civilised society. It offers *modus operandi* for organisations that want to be successful in the climate of constant change in which we now live. Empowerment offers a way to deal with the situations where we don't know the questions yet.

Definition

Consider the following two explanations of what empowerment means in practice:

> "*The purpose of empowerment is to free someone from rigorous control by instructions and orders and give them freedom to take responsibility for their own ideas and actions, to release hidden resources which would otherwise remain inaccessible*." (**Jan Carlson**)
>
> "*When managers are truly empowered, the burden of proof should be on head office to tell them why they can't, rather than on them to prove why they should*." (**Valerie Stewart**)

Empowerment is the concept of giving people more responsibility about how they do their own jobs. It is about giving more involvement in decision-making and more encouragement to investigate their ideas fully. Empowerment is a process to increase efficiency and make greater use of each individual's contribution. It implies synergy; the whole can be greater than the sum of the parts.

Empowerment can be broken down into three distinct areas:

- Ownership
- Teams and leaders
- Structure and culture

We shall look at each of these in turn.

Ownership

Empowerment is about **ownership**. It is a way of involving people in the operations of the organisation, so that they feel personal responsibility for their actions. If people feel that they **own** their actions or decisions, then they are likely to be better actions or decisions.

We can consider this in the context of the stakeholder model we have met before. First, though, we should look at the opposite model.

(a) The Stockholder Model

The traditional view of organisations is the stockholder model. The organisation is in existence to make profit for the shareholders (or stockholders).

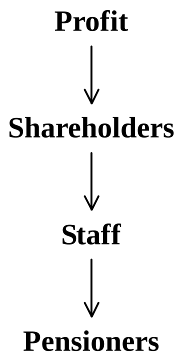

Figure 5.1: Stockholder Model

If the objective of the organisation is solely to make a profit, then of course it can engage in ecologically unsound practices or, if the management believes that it will lead to profit, Theory X management practices. With this approach, no other factors need to be taken into account.

(b) The Stakeholder Model

The stakeholder model is a different approach, and one that seems much more pertinent to the new millennium. It is an approach that can take into account the external environment and interact with it. The model in its basic form looks like this:

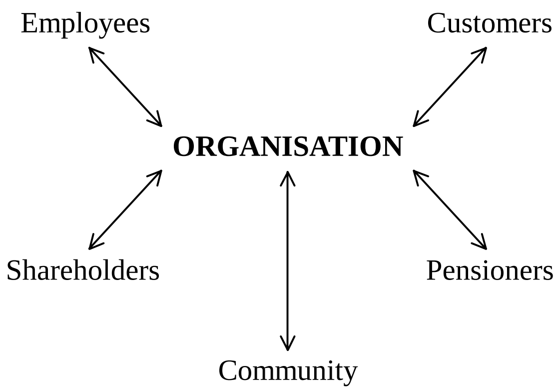

Figure 5.2: Stakeholder Model

- ***Employees***

  The employees achieve reward and recognition, as both staff and management have an input in decision-making.

- ***Community***

  The organisation has a commitment to the local community in terms of job opportunities and disposable income. It may provide facilities for outside use (such as sports grounds). At the macro community level there is a responsibility to be environmentally aware. This may be in terms of avoiding pollution or in building aesthetically pleasing offices.

- ***Customers***

  The customers are looking for reliability and value for money. They are also concerned with the wider implications, as shown, for example, by a campaign to boycott the goods of a Swiss-based confectionery manufacturer which was pushing the use of powdered milk for babies in the Third World. The campaign was based on the idea that they were doing this to make a fat profit rather than acting in the interests of the mothers and babies.

- ***Pensioners***

  Those with an interest in the success of the organisation, such as pensioners and sub-contractors, are involved and kept informed.

- ***Shareholders***

  The organisation still needs to perpetuate itself and there needs to be a return on investment, but what is also important in the financial market place is confidence and positive image.

Teams and Leaders

Successfully empowered organisations are based on teams that are working well and co-operatively. A lot of work on organisational change concentrates on teams because they are the building blocks of organisations.

Some of the activities that will be developed may include **multi-skilling** or, in other words, learning each other's jobs. The advantages will be in giving staff more skills, and providing the organisation with more flexibility. Staff can be moved around in times of crises to do other work. In Japanese companies, where lifetime employment has been guaranteed, staff are expected to do whatever the organisation requires them to do. By giving staff more skills, their ability to do their job and their satisfaction levels can both be raised.

A second important area for teams is encouraging them to contribute ideas on work methods. This process may be achieved through systems such as quality circles or regular, formalised meetings. The team may be encouraged to agree among its members how the work should best be organised and distributed to achieve the team targets and the organisational goals. Bonus or performance pay schemes may be introduced that reward the team rather than the individual.

The whole approach requires managers to **lead** their people and get the most out of them. Organisations need to operate as inverted pyramids (see Figure 5.3). The frontline workforce are the face of the organisation; they are the ones who interact with the customers. The role of management is to manage that process and ensure that it works successfully. In this model, the board is the fulcrum on which the organisation can change direction.

So, the managers are leaders, they constitute a resource and they need to lead in a way that will encourage empowerment. They will need to act in strong participation and involvement mode. The job of empowered managers is becoming harder. In the slimmer team, they will have to manage poor performers and either train them or move them out. There is no room for slack: the other members of the team deserve to be protected. Also, the leader will have to manage the appraisal process better. If staff are to be left to "get on with it", then the "it" needs to be very carefully agreed and worked out. How will the manager measure the performance and how often?

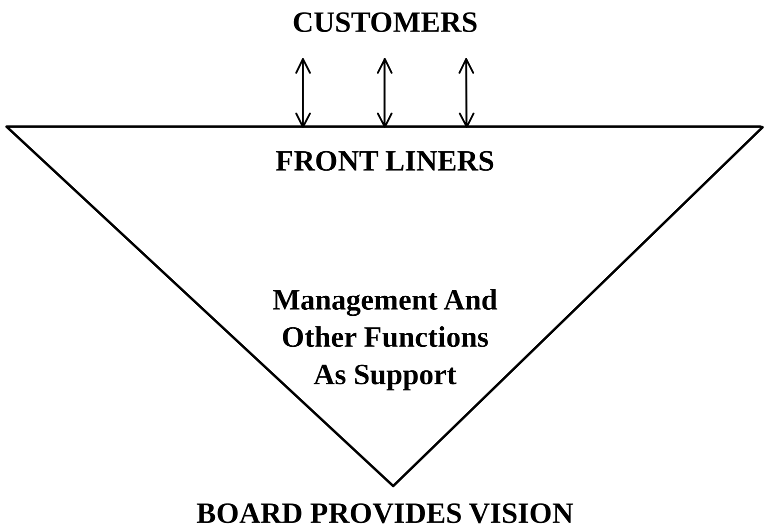

Figure 5.3: Inverted Pyramid Model

Some of the outcomes of empowerment for individuals and teams will be that jobs become more interesting as individuals have more responsibility and the ability to influence events. This will lead to increased motivation of the individual and improved morale for the team.

Structure and Culture

The organisation will need a culture that is open and responsive to change. The Japanese word "*Kaizen*" means continuous improvement. When you learn a new skill you make tremendous improvements in the early days but as you get more proficient the improvement gets smaller and smaller.

For culture change to happen, there has to be clear commitment from senior management and involvement and participation of all staff. Management will need to change from issuing directives and acting in the way of the traditional pyramid (Figure 5.4). The new way will be to provide the overall direction and vision, and then set targets, questions and challenges.

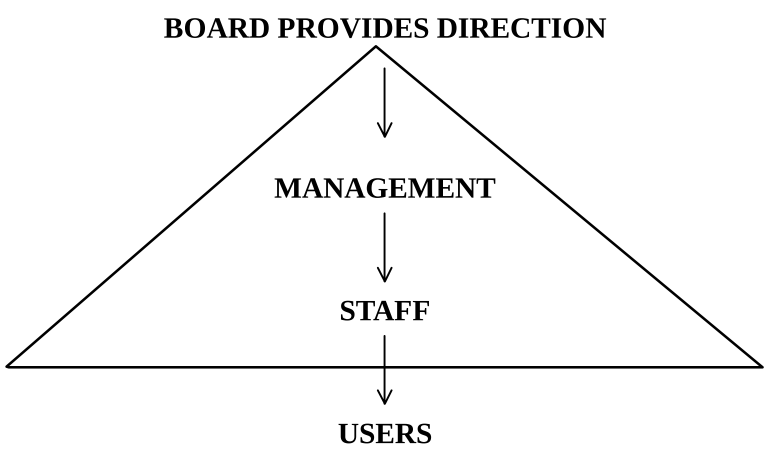

Figure 5.4: Traditional Pyramid Model

Empowerment and Training

A key change process in creating and maintaining an empowerment culture will be training and development. Training needs to be used with top management to help them work through and plan the changes required. Training can facilitate their "visioning". Another key area is the training of middle management. There will be a lot of uncertainty and fear about whether they will still have jobs. Some managers will have to adopt a whole new way of managing their staff. Finally, the staff will need influencing and assertiveness skills. After years of being told what to do they will need help to change their approach. Assertiveness training is a good way to reach and change attitudes. Some degree of influencing or communication skills will be useful, too, so that the empowered staff can communicate with each other. One of the outcomes of empowerment is that there will be many staff on the same level, who will be required to interact with each other. Influencing and assertiveness skills can help to make these exchanges more successful.

Evaluating Empowerment

How will you know that the empowerment exercise has been worthwhile? Some of the obvious ways of checking the success of the programme will be by random interviews at different levels to see how jobs have changed. Do the job-holders have more responsibility? Are their departments being more successful? There may be statistical evidence to show increased performance, decreased costs and even decreased sick absence – an indicator of staff motivation.

Another well-used method would be the use of attitude surveys. These can be used before any changes and then subsequently. Information can be gained on general satisfaction or involvement in decision-making.

Empowerment in Action (A Case Study)

The subject of this case study is Harvester Restaurants, then a division of Forte's, and in particular the Dulwich restaurant. It was described by **Jane Pickard** in "*Personnel Management*" magazine (November 1993).

The Harvester empowerment plan was highly structured and linked to delayering. Because of this it was seen as highly threatening by many staff. The structure now is that a branch manager works with a "coach", who handles all training and some personnel issues. Everyone else is a team member of some description.

In the first six months after empowerment was introduced staff turnover rose as those who did not want to change, left. Many people lost status. One employee who had been taken on as an assistant manager became a waitress. However, as she had some special skills she became a "team expert". (Having mastered special responsibilities or "accountabilities" makes one an expert.) A team can be made up completely of experts. The experts are now elected by the team.

Accountabilities include recruitment, drawing up rotas or keeping track of sales targets. The accountabilities were to replace traditional upwards promotion which was no longer available under the flatter structure. The teams look after their own recruitment and promotion and the coach is available for training. The changes have meant that waitresses and chefs are now accountable for ordering their own stock, carrying out their own hygiene checks, dealing with customer complaints or cashing up. Four people are empowered as "appointed people" to open up in the mornings and lock up at night.

Each team on each shift has a co-ordinator. All members of the team take it in turns to take on this role. It is a recognition that someone needs to make instant decisions. The staff are empowered to do virtually anything except decide whether they will be empowered. They also have tight targets to meet. Every waitress in the Dulwich branch is expected to sell a side order to every table. If they don't do this the team wants to know what went wrong.

Every restaurant in the chain is run in the same way, but there can still be local flexibility. A good example of team decision-making is that one restaurant in a tourist area was so seasonal that staff decided to give up summer holidays altogether and take them in the winter.

C. CENTRALISATION/DECENTRALISATION

No organisation can be totally centralised or totally decentralised. With complete centralisation no-one, other than a small group of senior managers, could make any decisions – the result would be that the organisation would be paralysed and unable to function. At the other extreme, complete decentralisation would deprive an organisation of the overall planning, decision-making, co-ordination and control that are the functions of top management – the organisation would fall apart.

There thus has to be an equilibrium between centralisation and decentralisation that allows both centralised and decentralised authority to perform useful functions for the organisation.

Functions of Centralisation

(a) Integration

A strong central authority serves to hold together various parts of the organisation; it serves as a figurehead to which all departments, divisions, etc. of the organisation can relate. Senior management can be seen as the leaders ensuring that the various parts of the organisation perform as a team. In the event of disputes between departments or divisions, central authority takes on the role of a referee by making the decisions which resolve such conflicts.

(b) Making Informed Decisions

Top management can make important decisions because they have access to the whole range of information generated and collected by the organisation. At lower levels information is often partial so decision-making would be flawed.

(c) Standardising Procedures

If an organisation requires all its parts to behave in a similar way then it needs a strong centralised structure, so centralisation encourages a unity of style and purpose when this is desirable.

(d) Economies of Scale

Centralisation can endow a firm with economic benefits by drawing together certain of its activities, e.g. centralised buying can enable a firm to obtain higher discounts, or centralised administration may cut some costs.

(e) Crisis Management

When organisations face sudden serious emergencies, strong central authority can take swift, decisive action which will be effective throughout the organisation.

(f) Establishing New Ventures

At the outset of a new firm or a new venture, strong centralised authority can provide the leadership and vision required for success in getting established.

Functions of Decentralisation

(a) Reducing Pressure on Top Management

Running a highly centralised organisation places heavy burdens on top managers. If some authority can be allocated to subordinates, this will ease pressures on senior management. The reduction of stress may result in more effective and efficient performances by top managers.

(b) Encouraging Growth and Diversification

Just as centralisation is functional for a new enterprise, so decentralisation may be useful for a growing or diversifying organisation because new products or different markets may present a variety of problems which are better coped with by the decentralisation of authority levels.

(c) Developing Specialised Groups

Some organisations require small groups of people sharing particular expertise who need authority to make certain decisions themselves.

Advantages of Decentralisation

Current management thinking approaches the centralisation/decentralisation debate by analysing the potential advantages and disadvantages of decentralisation and then asking how they would apply to a given organisation at a given time. The advantages of decentralisation include:

- Decentralised decision-making avoids the delay involved in having to refer problems to higher authority, so **swift decisions** can be made.
- **Initiative** is encouraged, in that people who are given responsibilities have to solve problems and make decisions for themselves.
- By allowing staff at lower levels of the organisation to make decisions, their **jobs become more stimulating**.
- When we break down an organisation into various parts and levels and give them authority, it is easier to **assess** how well these levels and parts are performing.
- When decisions are taken by those who have an intimate knowledge of a particular work situation and are well acquainted with the sorts of problems that can arise, the decisions made are more likely to be **acceptable** to the workers in that situation.
- When decision-making is allocated to lower levels in an organisation, employees learn the problems which are encountered when making decisions and are thus **prepared for promotion**.
- Wider allocation of authority **improves morale**, and workers feel they are being involved in the organisation.

Disadvantages of Decentralisation

- When authority is allocated to lower levels of an organisation there is a tendency for **top management to lose touch** with various parts of the organisation.
- A decentralised organisation needs a **more talented management** because more people are taking management decisions.
- Decentralisation requires lower levels of an organisation to take on authority, which they may feel to be properly the work of top management.
- Top management feel their importance diminished by allocating authority downwards.

Factors Influencing Centralisation/Decentralisation

The decision on where to strike a balance between centralisation and decentralisation in a given organisation will depend on a number of factors. It is crucially important that an organisation selects the optimum equilibrium point, because research shows the clear link between organisational structure and performance.

(a) Importance of the Decision

What determines the importance of a decision will vary from one organisation to another, but in every organisation there is an area of decision-making that is seen as vital to its well-being. This key area of decision-making is usually reserved for the top people, and only the less important decisions are allocated to lower levels. Normally importance is related to cost, i.e. how much would it cost the organisation (in money or prestige or efficiency) if an unwise decision were made? High potential-cost decisions are not usually allocated downwards.

(b) Size of the Organisation

As organisations grow in size they tend to make greater use of delegation. The proprietor of a small firm may take all the major decisions himself. However, as the firm grows he has to delegate authority because he just does not have the time to make considered decisions on every issue. In large organisations we find different types of decision being taken at different levels of authority; these range from high potential-cost decisions taken by top people, to less important decisions taken by middle and lower levels of control.

(c) Willingness of Top People to Delegate

The amount of decentralisation in an organisation will also depend on the willingness of senior people to allocate authority to those below them. Some top managements are autocratic and wish to give all the orders themselves – they believe in tight control over their subordinates. On the other hand, some high level managements are democratic and believe in spreading decision-making as widely as possible throughout the organisation.

(d) Willingness of Employees to Accept Responsibility

Not only does authority have to be **allocated** by those above, but it also has to be **accepted** by those below if decentralised decision-making is to come into being. This calls for a spirit of co-operation within the organisation.

(e) Availability of Management Talent

It is not enough for employees to be willing to take decisions; they must also be capable of using this authority wisely. This calls for well-trained and experienced employees at the lower levels and in the various divisions of an organisation.

(f) Rate of Growth

Where organisations are growing rapidly we are likely to find decentralisation and rapid promotion through the levels of management. In a growing organisation, new divisions, departments and levels of management spring up and the existing top management becomes overloaded with decision-making problems; hence they are likely to allocate authority downwards.

In contrast, a static or slow-growing organisation will continue to centralise its decisions at the top. There are no new areas calling for attention, so the existing management is unlikely to allocate any further authority to lower levels.

We can compare organisations with differing degrees of centralisation in Table 5.1.

Table 1.1: Characteristics of centralised and decentralised organisations

High Degree of Decentralisation	Low Degree of Centralisation
Large organisation	Small organisation
Top people willing to delegate authority	Top people unwilling to delegate authority
Employees willing to accept responsibility	Employees unwilling to accept responsibility
Large number of divisions and departments	Few divisions or departments
High availability of management talent	Low availability of management talent
Fast-growing organisation	Slow-growing or static organisation

Federal Decentralisation

In an effort to maximise the benefits of both centralisation and decentralisation, management experts have put forward the concept of federal decentralisation.

The federal approach is described by **Peter Drucker** as an organisation which has **both strong parts and a strong centre**. The federal idea takes account of the way in which many modern organisations are expanding and divisionalising by products, customers or geographic areas. If these divisions are to operate effectively they must have a degree of autonomy.

Federalism argues that each division should be seen as a **profit centre** and have its own **functional departments** – this is what is meant by strong parts. In federal decentralisation each division is responsible for the day-to-day running of its own affairs, thus maximising the advantages of decentralisation. However, the strong centre of the organisation has its part to play. Drucker describes it thus: "*strong guidance from the centre through the setting of clear, meaningful and high objectives for the whole*". The strong centre is also ultimately responsible for seeing that each division achieves the objectives set for it – **how** these objectives are achieved is a matter for the divisions themselves.

In a federally decentralisation organisation the functions of head office (the strong centre) are as follows:

- To issue policies and set organisational objectives.
- To approve objectives suggested by the next-lower level.
- To undertake long-term planning, in particular any closures and major capital spending.
- To make senior appointments at the next-lower level.
- To provide those technical services where the advantages of scale and centralisation are clear (e.g. computers, legal advice, research).
- To develop the company image and ethos so that employees in all divisions feel they are valued members of the company.

Management theorists like **Levitt and Whistler** argue that even within federally decentralised organisations there are pressures towards greater centralisation – these arise from the increasingly important role of computers. Computers encourage centralisation because information flows to the centre of organisations to be processed and analysed. However, this should not be allowed to change the federal principles of which decisions should be taken at the centre and which should be taken in the divisions.

In his book "*The Age of Unreason*", **Charles Handy** describes the trend towards federalism which has developed in recent years and is expected by him to continue.

Organisations have tended traditionally to control the constituent parts of the business from the centre. Handy sees **greater devolution of authority** and a much greater degree of autonomy for the various parts of each organisation's business. He suggests that in a federal structure greater freedom of action is permitted for each part of the business, relegating the core chief office function to the provision of shared management services. As a consequence, central administration offices are inevitably going to get smaller as each strategic business unit becomes more accountable for its own destiny.

Handy's views have been borne out to a large degree in those organisations which have sought to radically decentralise, and others (including British Gas, ICI and Hanson) which have demerged or propose to do so.

New Types of Decentralisation

A new twist to the decentralisation debate has been introduced by management experts like **Peters**. The thrust of their arguments is that it is not only the **degree** of decentralisation and delegation that is important, but also the **type** of decentralisation.

The generally accepted form of decentralisation has been characterised by hierarchical delegation, i.e. authority and decision-making has been passed down from higher to lower levels. In contrast, Peters sees an organisation as a **network of tasks** that are best tackled by **teams or task forces**. Task forces and work groups set up to achieve specific objectives are made up of individuals with specialist skills, so professional and operative staff are drawn together into a co-ordinated team with shared goals.

Peters argues that teams or task forces are important building blocks in effective organisations. Task forces have relatively few members (Peters suggests ten or less); they can be made up of members drawn from high or lower levels of staff depending on the importance of the task being tackled.

Project teams or task forces are flexible – they come into being to tackle a given task and disband when the task is finished – but the team spirit lives on ready for new task forces to be formed as needed. Teamwork is more likely to be effective when team members are volunteers and not subject to heavy bureaucratic controls.

Handy sees delegation as a way of developing new role cultures. Managers should not merely delegate downward but should rather create vision for others to follow.

Peters argues that highly structured forms of organisation are not suitable for the changing conditions of modern society – they either fail to integrate effectively or they integrate tasks at too high a cost (economic and social) so they are inefficient.

In place of traditional structures Peters puts forward the **simultaneous loose-tight concept**. The tight integrating element is shared values, e.g. quality and service to the customer. The loose element is the coming into being of task forces with considerable autonomy on how to tackle tasks so long as the task is completed and the core values are respected. Task disciplines arises from the values, e.g. there should be no short-cuts on quality or service.

Peters argues that the links of authority should be few but crucial; the whole structure should be lean and flexible. The essence of modern decentralisation is that decisions of all levels of importance should be made where they are most effective.

Recentralisation of Authority

The way in which authority is distributed in an organisation should not be seen as fixed. There will be times when the organisation will be decentralising and other times when recentralisation is appropriate.

Koontz et al define recentralisation as: "*to centralise authority once decentralised*." Certain functions which have been decentralised may need to be brought back into the centre. Recentralisation may arise when emergencies or sudden changes of conditions call for crisis measures to be controlled from the centre, e.g. the need to make across-the-board economies.

Recentralisation may be temporary – when the crisis is past, the functions are returned to the divisions. However, certain changes in the organisational environment may call for a permanent recentralisation of functions, e.g. a constant control of costs undertaken by the centre to make the whole organisation more competitive.

Creating a Culture to Assist Decentralisation and Delegation

R J Cordiner argues that a culture conducive to decentralisation and delegation can be created by following **ten** key principles:

(a) Decentralisation should place decision-making as close as possible to where actions take place.

(b) Decentralisation calls for a full spread of relevant information to decision-makers.

(c) The authority delegated should be real, not just nominal.

(d) Decentralisation requires confidence that associates in decentralised positions will have the capacity to make sound decisions in the majority of cases, and such confidence starts at the executive level. Unless the chairman and all other directors/managers have a deep personal conviction and an active desire to decentralise full decision-making responsibilities and authority, actual decentralisation will never take place. The managers must set an example in the art of full delegation.

(e) Decentralisation requires understanding that the main role of staff or services is the rendering of assistance and advice to line operators through a relatively few experienced people, so that those making decisions can themselves make them properly.

(f) Decentralisation requires realisation that the natural aggregate of many individually sound decisions will be better for the business and for the public than centrally planned and controlled decisions.

(g) Decentralisation rests on the need to have general business objectives, organisation structure, relationships, policies, and measurements known, understood, and followed; but definition of policies does not necessarily mean uniformity of methods of executing such policies in decentralised operations.

(h) Decentralisation can be achieved only when higher executives realise that authority genuinely delegated to lower echelons cannot, in fact, also be retained by themselves.

(i) Decentralisation will work only if responsibility commensurate with decision-making authority is truly accepted and exercised at all levels.

(j) Decentralisation requires personnel policies based on measured performance, enforced standards, rewards for good performance, and removal for incapacity or poor performance.

D. GAINING COMMITMENT TO ORGANISATIONAL OBJECTIVES

An effective organisation will always seek to synchronise its own objectives with those of work teams and constituent individuals within them. When we considered motivation, we briefly explored psychological contracts – those factors which bind organisations and the employees. There is a whole range of factors which can influence this – some people will work just for the money, whilst others may have a high degree of commitment to the organisation's goals as these can help advance their careers.

The corporate plan will have as an integral feature a mission statement and objectives which evolve from it. These will be concerned with the achievement of key targets, ensuring that the profit motive (or other motive as determined by the board) can be met. In order for this to be done, it is necessary to get as much productivity out of employees and other resources as possible. A highly committed workforce will assist immensely in this, whilst one which is ambivalent about the organisation's welfare will almost invariably perform less well.

The human resource plan should consider more than just supply and demand conditions for labour. It should have built into it methodologies for developing staff so that they feel a valued part of the organisation. All managers should be made aware of this crucial element of the organisation's plan and encouraged to act upon it. As well as being a centralised and specialist role, developing people is a responsibility of **all** who manage or supervise staff.

Methods of Gaining Commitment

There are many tried and tested methods of gaining commitment to corporate objectives:

(a) Clarification of Objectives

This should be carried out on a "top down" basis. Some techniques such as team briefing can play a major part here. If the company operates a Management by Objectives system, there should be a direct link between strategic goals, tactical plans and operational targets.

(b) On-going Review of Achievements

Managers and supervisors at all levels should be made responsible for monitoring progress and matching this against overall business performance. The focus should be on strengths and what has gone well. In this way, each team can build on its successes.

(c) Target Setting

In the absence of targets, it is impossible to understand what has been achieved. Targets are therefore essential. As well as production targets there should also be others, such as quality management and even people management targets (such as reducing absenteeism, professional education and so on).

(d) Good Quality Communication

Organisations which communicate well as a whole are likely to be able to get employees committed to objectives. Communication should be direct, with a focus on quality, not quantity.

(e) Participation and Involvement

MacGregor's Theory Y model suggests that a substantial proportion of people working in an enterprise want to get involved and if permitted to do so can channel their creativity to the benefit of the organisation.

(f) Walking the Job

Peters and Waterman tell us that effective managers stay close to the "front line" to keep aware of issues and problems facing their teams. Further, in functions related to delivering products and services, managers should adopt an "up front" stance to ensure that customers are getting what they want.

(g) Appropriate Reward Systems

By rewarding effective performance in a monetary or some other way, employees reap direct rewards from their endeavours. Rewards need not just be bonuses – they can be:

- Simple recognition – the pat on the back
- Competitions – sales team of the year, etc.
- Advancement, personal development and growth, etc.

We shall consider reward systems later.

The Work of Martin and Nicholls

Martin and Nicholls built their theory of gaining employee commitment on the work of empirical management writers such as **Peters and Waterman**, whose "*In Search of Excellence*" highlights successful practices of US companies and equivalent work in the UK and Japan. The theory is set out in detail, with illustrative case studies, in "*Creating a Committed Workforce*" (1987).

The model proposed by Martin and Nicholls has three components, or "pillars":

A sense of belonging to the organisation

A sense of excitement in the job

Confidence in management leadership

(a) Sense of Belonging to the Organisation

Here the organisation has to build personal relationships across the whole organisation by ensuring that the workforce is:

- Informed,
- Involved, and
- Sharing in success.

Each of these can be promoted by specific actions of management. For example, keeping people informed requires good communications in all directions. Techniques such as team briefing and team building can enhance this process. Much pioneering work has been done here by the Industrial Society consultancy and training organisation, which specialises, *inter alia*, in leadership and team briefing programmes.

Getting workers involved implies that management takes a consultative approach (see the work of **Tannenbaum and Schmidt**, and also the **Blake and Mouton** managerial grid) to leadership and seeks the views of workers to gain consensus on work issues and problems. Another management writer, **John Garnett**, stresses the need to differentiate between mere "participation", or getting people's views on work issues, and genuine "involvement", whereby workers see very vividly their vital role in the entire work process.

Sharing in success can involve a wide range of practices, both financial and non-financial, e.g. workers can share in success through share ownership schemes or through the recognition gained from belonging to a winning team.

(b) Sense of Excitement in the Job

This leads to motivation of the individual, a long-established factor confirmed by the work of **Frederick Herzberg** and others in the 1960s and 1970s. Martin and Nicholls argue that this sense of excitement can be gained from establishing:

- Pride,
- Trust, and
- Accountability for results.

A person who has pride in his work and operates in an environment of mutual trust should readily be prepared to accept accountability. Pride in one's work is a major driving force of outstanding performance. An extreme example of this is Aston Martin Lagonda, the luxury sports car manufacturer, where every activity involved in car assembly has incredibly high performance standards laid down. So obsessed is the company with quality that for many years it was prepared to sacrifice any profit at all in favour of producing only the best. Bankrolled by various different industrialists through the 20th century, Aston Martin Lagonda had the luxury of knowing that it could survive even without making money – something which few, if any, private sector enterprises can do today.

Trust can only arise from breaking down traditional barriers between white collar (office) workers and blue collar (manual) workers, unions and management and so on. The UK's disastrous track record here contrasts vividly with that of other Western European countries such as Germany and Sweden. Nevertheless Martin and Nicholls report significant progress in organisations such as Pilkington, glass manufacturers, and Jaguar Cars.

Accountability for results can be put in place through actions and techniques such as decentralisation and empowerment, Management by Objectives and quality circles. All of these have an implicit danger of having a "fad" image in the UK, introduced as a "quick fix". Martin and Nicholls report impressive results in companies such as Toyota in Japan and the Royal Bank of Scotland in the UK.

(c) Confidence in Management Leadership

Martin and Nicholls contend that confidence in management will be built by attention to:

- Authority,
- Dedication, and
- Competence.

Managers have to assert their authority as decision-takers in the organisation. In the UK, this was seriously eroded during the 1960s and 1970s, as the manager/worker relationship deteriorated and the trades unions became more powerful. Changes in legislation as well as fundamental movements in attitudes by workers in a harsher and more unstable employment environment have contributed to improving the ability of managers to reassert themselves. Authority can be used positively or negatively – Martin and Nicholls state that this should not be an exercise in managerial "machismo" but rather "*part of a joint campaign to maintain standards and achieve competitive results*".

The model also requires managers to be dedicated in their role as leaders, taking account of not only work demands but also responsibilities to teams and individual workers. Sometimes structural change in the organisation can accelerate this process, such as making tall organisations flatter, or "delayering". Generally, a more open and trusting style can only come from managers themselves.

Competence is concerned with doing the job better and maintaining high standards. Thus if the quality of output is out of line, or even totally uncompetitive, either the product or service should be dropped or drastic steps be taken to remedy the situation. In Central and Eastern Europe, many of the outside firms which have taken over former state-owned enterprises have had serious decisions to take in this respect. Examples include Daewoo's acquisition of FSO Polonez in Poland and Volkswagen's purchase of the Skoda car producer in the Czech Republic.

Targets

It is accepted by most modern managers that targets of achievement are essential so that success or otherwise can be measured. Yet targets are often seen as intimidating and in extreme circumstances can cause anxiety about job security. There is good reason for this in those high pressure environments which demand constantly exceptional performance, though some would argue that employees are made perfectly aware of this when they join the organisation concerned.

Many organisations use the acronym SMART in relation to targets. In order to be an effective spur to better performance, targets should be:

S	=	specific
M	=	measurable
A	=	achievable
R	=	relevant
T	=	trackable

There are many schools of thought on how best to apply targets. It is generally accepted that the most effective use of targets is when they are mutually agreed and reviewed on an on-going basis rather than imposed from above and used as a threat.

Targets can be used as a barometer of progress. If an individual is doing exceptionally well, his success might have valuable lessons for others. Conversely, if a person is failing to meet targets, it may be that successful practices of others can be adopted by him to improve the situation.

E. JOBS

Job Satisfaction

Job satisfaction and its opposite, job dissatisfaction, refer to the attitudes and feelings job holders have towards their work. Morale can be viewed as a state of mind dependent on the degree of job satisfaction experienced by an individual or group.

Factors which influence the level of job satisfaction which a job holder experiences fall into two broad categories: **intrinsic** and **extrinsic**.

- **Intrinsic influences** refer to factors arising from the performance of the job itself. These include: whether the job has variety; whether it is challenging; whether it allows the job holder to use a wide range of talents or skills; whether the job holder has control over the work situation; and whether his/her views influence decisions affecting the job.
- **Extrinsic influences** refer to factors which fall outside of the doing of the job. These influences include: the pay or salary earned for doing the job; fringe benefits that accrue to the job holder; how well the individual integrates into the work group (the work of **Mayo** is important in this context) the nature of management and supervision (**Mayo** and **McGregor** stress this aspect). Success and recognition by superiors contribute to high job satisfaction.

(a) Job satisfaction and motivation

Mayo argued that by increasing job satisfaction the performance and productivity of workers could be increased. Other theorists have questioned this direct link, but where job satisfaction links with motivation (**Herzberg**) then performance improves. **Vroom** puts it thus:

$$\text{Performance} = \text{Ability} \times \text{Motivation}$$

There is general agreement among experts that job **dissatisfaction** can have harmful effects on both job holders and the organisation. Research has associated job dissatisfaction/low morale with: high labour turnover; skills wastage; absenteeism; high accident rates; poor timekeeping; a lack of commitment to quality.

The individual in a low job satisfaction situation may suffer frustration and stress. Although stress may arise from many quarters, it is the inability to deal with and manage stress that afflicts the individual who suffers job dissatisfaction.

(b) Increasing Job Satisfaction

Job satisfaction will be increased by careful job design which includes job enrichment, and a thoughtful consideration of the intrinsic and extrinsic factors. Experts argue as follows:

- **Decentralisation and delegation** should take place in organisations where there are "*too close controls*". This would give employees a degree of freedom to direct their own activities and assume new responsibilities.
- **Participation and consultative management** should be used to encourage people to direct their creative energies towards organisational objectives and to give employees some voice in decisions that affect them.

The management expert, **W Ouchi**, argues that participation is the crucial motivator and contributes greatly to job satisfaction. Employees will be motivated to higher levels of performance if they are involved in meaningful participation in decision-making in their organisation. Employees should participate in groups and decisions should take account of the views of people actually doing the job.

(c) Quality of Working Life (QWL) Approach

The QWL technique draws together the ideas of job design, job satisfaction and performance appraisal and operationalises these. The starting point of QWL is the measurement of job satisfaction, so that areas for improvement can be identified. This is done by the use of questionnaires, with numerical scores allocated to the answers. Respondents are asked to rank features of work in order of importance. Free-expression interviews may also be undertaken, to allow employees to give their views on the job. However, critics argue that job satisfaction is better revealed by factors such as absenteeism, sickness rates and labour turnover.

QWL tries to involve employees in identifying problems and suggesting solutions; the workers themselves say what is important to them, and management acts upon these ideas.

Research reveals that job satisfaction can be increased if individuals are properly trained for the jobs they are expected to perform.

Job Design

The management expert, **L E Davis**, defines job design as:

> "*The specification of the contents, methods and relationships of jobs in order to satisfy technological and organisational requirements as well as the social and personal requirements of the job holder*."

(a) Scientific Management Approach

As we have seen, prior to the Hawthorne experiments and the work of **Maslow** and **Herzberg**, management's approach to worker motivation followed the scientific management approach of **F W Taylor**. He, along with **Gilbreth**, is regarded as the founder of what was originally termed **Time and Motion Study** and which has evolved into the modern discipline of **Work Study**.

The primary objective of Taylor and Gilbreth was to determine the most efficient method of working, using what can be termed an "engineering approach".

Employees were regarded as just another production resource that could be organised to work efficiently in a predetermined way. The characteristics of this approach were as follows:

- Jobs were broken down into small, repetitive components so as to reduce skill requirements. (The car assembly line is, perhaps, the classic example.) This passed control to management and away from previously "skilled workers".
- Employee motivation was based on a "*carrot and stick*" approach – the stick being the threat of such "punishments" as suspension or dismissal, and the carrot being such **extrinsic** rewards as pay and job security.

Realisation gradually dawned, however, that in many cases the scientific management approach did not produce the expected results in terms of increased efficiency. Although a production line might be highly efficient in work study or engineering terms, the lack of job satisfaction resulted in a fall in motivation. This adversely affected overall performance, increased absenteeism and labour turnover, and caused a deterioration in industrial relations.

You will note that the extrinsic rewards referred to in (b) above relate to Maslow's lower level needs and to Herzberg maintenance factors. In order, therefore, to improve motivation, attention was directed towards Maslow's higher level needs and Herzberg's motivational factors. This resulted in the so-called **intrinsic** rewards – the restructuring or redesign of jobs to provide greater scope for an employee to use his/her abilities and skills and to give him/her greater control over the way he/she carries out his/her work.

(b) Current Approach

We can identify the two key strands of job design as:

- The achievement of organisational goals through efficient job performance; and
- Meeting the needs of the job holders for satisfaction from their work.

There is a potential for conflict between all-out organisational efficiency and the human needs of employees, e.g. extreme division of labour can be efficient but the work may be so boring as to destroy the job satisfaction of the job holders.

The tasks required of job holders will vary with different types of organisation and with the sorts of technology displayed, but every job will have its duties, responsibilities, methods and relationships between the job holder and other people working in the organisation. In the final analysis, these functions must be performed in a satisfactory way for the employee to retain his/her job. However, human needs for job satisfaction must also be respected and workers must be motivated to perform well. There are a number of ways in which this may be achieved. Here we develop the ideas of Herzberg which we described in the previous study unit.

Remember though, that practical job design is based on motivation theory and the work characteristics which have been identified as increasing motivation, with the objective of trying to increase both work satisfaction **and** performance. However, any job design study must also consider factors which may **limit** the way the job can be redesigned – the technology involved; the cost of any additional equipment required for the "redesigned" job; the attitude of any trade unions involved and the employees themselves; management values and styles, etc.

Job Rotation

Job rotation is the simplest form of job restructuring or design and refers to moving workers from one job to another – even though these jobs are of similar level of skills, they do at least afford a change from boring routine.

The employee is given a greater variety of tasks, and for some this may give the opportunity to move from a standing task to one which involves sitting down, thus avoiding physical strain. The advantages for management are that job rotation rarely leads to a need for additional machinery and tools, and employees become more flexible in their abilities and can cover holiday and sickness absences more easily.

There are, however, a number of problems that are associated with job rotation:

- If job rotation is imposed by management it may be resisted by employees if it interferes with the development and functioning of the work group.
- Some individuals may prefer to be excellent at **one** task, rather than good at **several** tasks.
- The training required is likely to be more complex and extensive and therefore more expensive.
- The changeover situation may cause problems, e.g. if a workstation is left in a mess, or if a task is left unfinished.

According to **Torrington and Hall** (*Personnel Management, A New Approach*) the amount of change for the employees concerned may be very limited. **Birchall** (1975) claimed that workers soon became familiar with each type of work and the actual work done was still repetitive, although he did report that Volvo workers in Sweden expressed themselves in a positive way about job rotation.

Job Enlargement

Job enlargement refers to ways of making a job less boring by introducing more variety, e.g. increasing the number of different tasks the worker has to perform.

This usually involves widening a job from a central task to include one or more related tasks, usually of the same type as the original task. This means that as the member of staff is doing a wider range of tasks he/she is less dependent on colleagues and can work at his/her own pace. It is argued that the gains in performance by the worker with higher morale outweigh any loss of production from making the work less specialised.

Job enlargement is often criticised on the basis that the enlarged job tends to consist of multiples of the original task and nothing of any significance is added that will improve job satisfaction or motivation. For management job enlargement may lead to requirements for additional equipment, space and training; staff may quickly become familiar with the additional tasks and the motivational effects may wear off.

An example of job enlargement was reported at the Endicott plant of IBM. The jobs of the operators were redesigned to include the tasks (previously done by other groups) of machine set-up and output inspection. In this case, benefits were reported to include improved quality, reduction in waste, less idle time (operative and machine) and huge cost reductions in set-up and inspection.

However, **Torrington and Hall** point out that research evidence relating to worker behaviour and attitudes to repetitive tasks is conflicting:

- Some workers seem to prefer repetitive jobs as they give a sense of security, and it may be this that gives the individual satisfaction.
- Enlarging a repetitive job may alter an employee's job in such a way that he/she can no longer socialise or daydream, and it may be this part of the job that the individual finds attractive!

Results of research into job enlargement indicate inconsistent findings:

- **Hackman and Lawler** (1971) reported that workers in varied jobs were generally more satisfied and performed better than those with less variety.
- **Kilbridge** (1960) found that after enlargement of some industrial jobs workers preferred the **pre-enlarged** jobs.

Job Enrichment

This is a more ambitious technique which incorporates the ideas of job enlargement but goes much further in changing the nature of jobs. Job enrichment supporters argue that a job may be enriched by introducing more variety, but this can go far beyond giving the employee more tasks to do or job rotation. The worker is given a greater opportunity for achievement and recognition and job enrichment aims to increase the worker's involvement in the organisation and/or the job. Job enrichment ideas include:

- Job freedom, e.g. letting workers decide their own methods and pace of work so long as the job is done well.
- Participation, e.g. consultation on possible changes, more direct communication instead of going through formal channels.

- Delegated "control", i.e. the operative performs his/her own inspection function on what he/she makes.
- Allocation of natural, meaningful modules of work, if not to the individual, at least to a work group; e.g. bench work rather than assembly-line work.
- Allowing employees to feel responsible for their own work performance. Ideally workers should have regular feedback direct to themselves on the quality and quantity of their performance at work.

In general, the worker is allowed to complete a whole or much larger part of a job, and the added tasks are often of a **different nature to the ones already performed** – this is the difference between job enrichment and job enlargement. Job enrichment may well expand the job to include supervisory or managerial functions and elements of decision-making.

Lawler, Hackman and Kaufman implemented an early job enrichment programme in 1973, redesigning the jobs of female telephone operators. Essentially the changes involved added initiative and a relaxation of the control mechanisms of the company. For example, operators were allowed to reply to customer requests in their own words, rather than in scripted phrases. They did not have to obtain the supervisor's permission to leave their posts to check records or go to the toilet. They were given discretion to handle lengthy or complicated enquiries as they thought best, and to help out operators engaged on other tasks during busy periods if they wished.

When organisations decide to make use of the job enrichment technique, they face certain problems and limitations:

- Technology – Some forms of technology are strongly associated with boring repetitive jobs. Herzberg admits there are some jobs which simply cannot be enriched: he calls them "*Mickey Mouse jobs, for Mickey Mouse men*". The only remedy here is automation.
- Cost – Some firms argue that, much as they would like to enrich the jobs of their employees, the cost of doing so would be so high it would make the firm uncompetitive, as they would have to raise prices to consumers.
- Trade unions – Sometimes trade unions oppose changes in jobs, e.g. unions can react against ideas which dilute strict trade and demarcation lines between jobs.
- Workers themselves – Some workers prefer stability in their jobs and may feel threatened by ideas of making their jobs more interesting.

Despite these problems, there are many positive views emerging on job design and enrichment. These include the following:

- In the absence of technological breakthrough, real increases in productivity can only come from the more efficient use of the workforce.
- High labour costs have led to the need for the better use of people; some form of job design can often achieve this result.
- Today's worker is often better educated than his/her predecessor and consequently expects more from his/her job. If he/she is not satisfied at work, he/she may express this by poor workmanship, absenteeism and high labour turnover.
- Behavioural scientists like **Herzberg**, **McGregor**, **Likert**, **Porter** and **Lawler**, etc., have led to examples being tried out, which in turn have provided evidence to indicate that individuals' needs should be taken into account if any form of organisation improvement is to be made.

- The international publicity given to such experiments as those taking place in Volvo, Philips, Fiat, etc., prompted other work groups to ask for such "experiments".

Principles of Job Design

The experiences of a number of behavioural scientists and industrial organisations have led to the development of certain "principles" of job design. A number of **psychological requirements** have been identified that exist for the large majority of persons at all levels of employment. These are:

(a) The need for the content of the job to be reasonably demanding in terms of other than sheer endurance, and yet provide variety.

(b) The need to be able to learn on the job and to go on learning, and have some measure of freedom in the way in which a person carries out his or her work.

(c) The need for an area of decision-making where the individual can exercise his or her discretion.

(d) The need for social support and recognition in the workplace.

(e) The value of work groups given a high degree of autonomy over the work situation, i.e. to a large extent self-managing groups. These groups allocate tasks and ensure members have variety of work and the satisfaction of contributing to the team performance.

(f) The value of multi-skilling, i.e. breaking down the old demarcation lines between types of job and the constant updating of skills.

(g) Sufficient challenge in the job to lead to a sense of satisfaction when the task is completed satisfactorily.

(h) The opportunity to have social interaction when doing the job and at other times.

(j) The establishment of agreed targets/goals and appropriate feedback of results.

F. REWARDS

Motivation and Pay

Many people associate motivation with pay. They see it as a direct link between increasing or maintaining their standard of living, buying goods to satisfy their wants and desires, and being able to afford holidays in order to alleviate role stress. When talking about motivation and pay, we need to ask ourselves a simple question that may provide an answer to whether pay is a motivator. This question is "*Do we live to work, or work to live*?" We can take both parts of the question and answer them separately.

(a) Do we live to work?

Many people see pay as a motivator because it enables them to buy the things they want, live in the area they want and buy the car that they want. **Maslow** said that "*humans are wanting beings; they always want more and what they want depends on what they already have*". This suggests that motivation is strongly linked to pay because, in many cases, the harder we work (such as overtime), the more reward we get (in terms of money), the more we have available to spend (disposable income).

However, **Herzberg** stated that money is not a motivator, but a hygiene factor. This means that it is a dissatisfier rather than a motivator, and that when people get a certain level of salary, once they are used to it they become dissatisfied with it and want more.

(b) Do we work to live?

Many see work as a means to an end – providing just enough pay to "*keep them alive and keep a roof over their heads*". People in this category are often motivated by intrinsic rewards, such as praise and recognition, rather than extrinsic rewards, such as pay and other associated benefits.

Payment Systems

Put very simply, a payment system is a method by which the salary or wage of an employee is calculated. However, it has a significance to the organisation which goes far beyond this.

(a) The aims of payment systems

There are a variety of types of payment system, as we shall consider below. What they have in common, though, is that they all allow for different employees to be paid at different rates. The rates at which individuals, or groups of, employees are paid – and the "differentials" or "relativities" between individuals and groups – are important issues for an organisation (and, indeed, for an economy as a whole). They need to be addressed as part of the holistic design of a system.

The establishment of a payment system clearly involves balancing the organisation's interests with those of its employees. For the system to be effective, it needs to meet the following three criteria:

- take account of the needs of the organisation and of its employees;
- have the commitment of all sections and levels of management in the organisation; and
- have been developed, installed and maintained with the participation of employee representatives.

To the organisation, the payment system must support the cost-effective achievement of its goals. Labour is often one of its highest costs, particularly in the service sector, and the overall cost needs to be balanced against other aims. These general aims are that the payment system should:

- be an integral part of the business strategy;
- be linked to human resource planning;
- facilitate change and development within the organisation;
- ensure that suitable staff may be recruited into the organisation;
- facilitate the deployment of staff to ensure maximum productivity; and
- relate to the continued attainment of high performance.

In influencing recruitment, deployment and performance levels, the payment system is clearly linked to human resource management. From this perspective, payment systems need to:

- attract staff of the right calibre into the organisation, at all levels and in all types of job (including facilitating the payment of enhanced rates to attract staff in skills shortage areas and for short term contracts, where appropriate);
- encourage staff to make full use of their capabilities and develop their potential in striving to achieve the objectives set by the organisation;
- reward staff in accordance with their contribution;

- prevent any loss of morale through dissatisfaction with pay – as per Herzberg's notion of pay as a hygiene factor;
- encourage staff to stay with the organisation, if that is an objective;
- be seen to achieve these aims at least cost to the organisation.

(b) Types of payment system

There are two basic types of payment system:

- time, or flat rate, systems – in which pay is expressed as an hourly, weekly or annual rate; and
- performance related systems – where pay is linked to performance, with higher levels of performance leading to increased pay.

The two systems are not mutually exclusive and are often combined in some way.

Time, or flat rate, systems

Virtually all organisations use flat rate systems to some extent.

The basis of such systems is a rate of pay attached to particular jobs. Jobs will be graded to differentiate between them on the basis of such factors as the difficulty of tasks, skills required, level of responsibility, etc. (The way in which jobs are graded and differentiated, one against another, is considered in the next section on job evaluation.) Pay rates will then be expressed as an hourly, weekly or annual rate for the performance of the duties and responsibilities of the job.

Part time employees will be paid a proportion of any weekly or annual rate in respect of the hours/days worked.

Such systems have a number of advantages, including that:

- they are relatively easy to administer once the overall rate and differentials have been agreed and established;
- they are easily understood by employees and are not likely to lead to disputes, other than over basic rates;
- they help the forecasting of labour costs since salaries are a known factor and do not change, other than across the board in respect of, say, cost of living increases; and
- employees find it easy to check to see that they had been paid correctly.

Flat rate systems do not, however, provide for incentives to improve productivity. Everyone is paid the same for the job, regardless of performance.

Such systems are most appropriate in the following conditions:

- where the volume of work is difficult to measure;
- where work flow over a period is uneven;
- where the volume or pace of work is outside the control of the employee; and
- where considerations other than output are of more importance (although this is very unlikely).

Incremental scales

Many organisations, rather than having one pay rate attached to a job, have scales of pay related to them. An individual job-holder may qualify for a higher position on the scale, and thus a higher rate of pay for the job, according to various factors:

- performance – receiving additional increments on the scale may be linked to assessment of performance;
- length of service – with increments being awarded annually, thus rewarding staff who stay with the organisation;
- experience – recognising an (assumed) greater level of skill acquired through experience in the same or very similar work in the past;
- qualification – again recognising an (assumed) greater level of skill, as evidenced by the holding of relevant qualifications.

Incremental scales tend to be associated with large organisations, particularly in the public sector, with fixed rates applying throughout the organisation or even to whole occupational groups, such as teaching or nursing. The details of pay rates attached to particular groups, and the conditions for receiving incremental increases, are agreed by a process of collective bargaining between employers and employees representatives. There are any number of advantages to collective bargaining in that it involves employees (through their trade unions) in the process and thereby gains their commitment, it produces nationally binding agreements and also takes the process of determining pay rates away from individual managers. However, it also tends to produce very inflexible schemes which do not allow for individual circumstances to influence pay rates, particularly in respect of the (local) market for skills and labour in general.

Performance related pay systems

Performance related pay has been an accepted payment system in many occupations for a long time – for example, salespersons earning commission on sales or manual workers being paid according to output (”piece-work”). Generally, such pay does not form the whole of the job-holder’s pay, but the proportion may vary from forming the largest part of his/her earnings to being only a minor addition to flat rate play.

There has been a significant growth in performance related pay in all sectors of the economy in recent years as organisations have sought to find rewards systems which are linked more closely with performance. (This is related to the growing acceptance of the expectancy theory of motivation.)

The traditional basis for this type of payment system has been the performance of the individual, but increasingly pay may be related to team performance or the performance of the organisation as a whole.

- **Individual-based systems**

  This relates directly to performance levels against agreed, measurable standards. It provides a strong incentive to meet such performance targets, but can be expensive to maintain (through the need to consistently measure performance and calculate consequent payments) and may lead to disputes about the standards themselves or the ability of individuals to meet them.

- **Team-based systems**

  This has a number of benefits in improving team performance through encouraging co-operation, flexible working and multi-skilling, and the development of increased autonomy (and, hence, reduced supervision). In addition, it may be a lever for organisational change, through an emphasis on team working.

  On the other hand, it diminishes the role of the individual, compelling conformity and stifling creativity, and possibly having a negative effect on expectancy theory.

- **Organisation-based systems**

  These types of bonus schemes are based on the performance of the organisation in meeting its objectives, as measured by a variety of indices such as profit, share price, etc. They may be applied to the whole workforce or to particular sections of it (and are often confined to senior management levels).

  The basis of such systems are that employees have a direct stake in the overall performance of the organisation. This is enhanced where the bonus is paid as a distribution of shares, rather than as monetary bonuses, thus tying the value of the award to the continuing success of the organisation (remembering that share values may go down as well as up). For the organisation, such schemes are attractive in that they are only paid out of profits, and do not represent a permanent, on-going cost.

(c) Non-pay rewards

The benefits of employment are not solely confined to pay, although this is likely to be the most important aspect to both employers and employees. Most organisations provide a package of benefits beyond pay to attract and retain staff, including both monetary and non-financial rewards.

Examples of such a non-pay rewards include:

Financial benefits	**Non-financial benefits**
Sickness pay	Leave entitlement
Superannuation scheme	Flexible working hours
Season ticket loan	Career breaks
Removal expenses	Additional maternity/paternity leave
Provision of a car	Crèche
Clothing allowances	Education facilities and study leave
Private medical insurance	Sports and social club facilities

In addition, certain organisations provide incentive schemes linked to non-monetary rewards, such as additional leave for long service.

Contemporary Developments in Reward Systems

Until comparatively recently, there have been only a few variations in how pay is administered:

- Flat rate for the job – here the gross (pre-tax) wage or salary is expressed in weekly, monthly or annual terms, with stated rates for overtime

- Piece rates – this is where the worker is paid for what is produced – no output, no money
- Flat rate plus commission or sales-related element

The recent past has seen a considerable move towards **performance-related reward**. Whilst most would accept that greater productivity should be rewarded accordingly, it is easier said than done to have an entirely fair system – for example:

- Those who sell products or services which are in high demand will achieve good results, irrespective of their skill or diligence, but a very able sales person may achieve bad results because the product or service is inherently poor.
- It is difficult to quantify the value of output of many workers, such as those in management support functions and service industries.
- The economics of the business may not support a fair reward system, e.g. nearly everyone agrees that doctors and nurses are worth more in financial terms than they are paid, but the system cannot reward them appropriately without breaking the national budget.
- With an increasingly global market, a fair pay structure in one part of the business may be completely out of line with that in the same company's overseas subsidiaries.

There are many ways of implementing performance-related reward systems. Ideally, they should have a scientific basis, so that there is some measurement of the value of the work in terms of economic contribution to the enterprise. This can be done through various techniques such as standard setting and appraisal systems (which we consider in detail in the next unit).

Some of the methods of implementing performance-related rewards are as follows:

- **Profit Centres**

  Here the system is based on the contribution of each part of the business to overall performance. This is quite easy in an organisation with dispersed outlets, such as retail shops and financial institutions. A balance sheet and profit and loss account can be produced for each unit and rewards apportioned to individuals accordingly.

  It is more difficult, and sometimes impossible, to implement a reward system on this basis where employees are in a management services or support role. This inevitably creates conflict in businesses where sales performance is rewarded directly on results achieved but where support staff are remunerated on a flat salary basis. A computer operative, for example, might reasonably argue that his indirect contribution is as valuable, if not more so, in terms of sales database management than the front line salesman.

- **Points Systems**

  Points systems tend to be more flexible. The employee is set targets of achievement which result in points being awarded on an incremental basis. These can be tied in to annual performance review and appraisal systems. Also, as the focus of the business changes, the points awarded may be changed to reflect different priorities.

- **Totally Results/Commission Driven**

  In some sectors it is common to reward people entirely on results attained. Examples include some life assurance companies and double-glazing salesmen. There may or may not be some flat salary, but this is often a very small element of the remuneration package.

This system rewards consistently high-performers well, but has many disadvantages:

(i) A downturn in the market for the product or service can create hardship and (in **Maslow's** parlance) anxiety about basic physiological and safety needs.

(ii) Again it is difficult to reward those in service and support functions fairly.

(iii) Turnover of personnel tends to be high due to the low level of long-term security afforded by the system.

- **Sub-contracting**

  Charles Handy highlights this feature of modern business in his "Shamrock organisation" model, which demonstrate show the core workforce is decreasing in importance as part-time workers and outside contractors become more important.

  Full-time employees are expensive in the long term and usually the highest cost resource. Conversely, when work is sub-contracted out, the business pays only for what it gets. Further, large businesses can often enjoy significant economies of scale when buying in by demanding substantial fee discounts for larger contracts. The more competitive the business of the external provider, the greater the leverage of the company buying in.

  The consequence of this is that businesses which can contract work out to external providers can reduce their full-time staff complement significantly, resulting in the now-common delayering and down-sizing seen in many businesses.

- **Non-financial Rewards**

  Some businesses which suffer cost pressures are able to remunerate in non-financial terms. The chairman of a health authority, Stephen Bragg, introduced a system whereby older, more expensive consultants would be expected to put less time in as they got older. They could then use this time as they wished, either to generate external fee income or take more leisure time.

  This model fits well with **Vroom's** expectancy model, through which we learn that if more money is the preferred outcome, the consultant will generate outside work, whereas if the consultant's preferred outcome is more time with the family, this will provide the motivating spur.

  In addition to rewarding through more time off, businesses can provide other non-financial incentives, such as payments-in-kind.

- **Equity/Profit Share**

  It is common practice in some organisations to reward employees through giving them equity in the business (free shares) or a stated share of the profits earned each year.

  Whichever method is used here, the consequence is that the worker obtains a direct reward from the overall earnings of the enterprise. Supporters of such systems stress the greater sense of "ownership" of the business, which should, theoretically at least, result in more money for better results and hence greater overall commitment to goals.

  Several privatised utilities have introduced these systems in the last 15 years.

- **Subjective Awards**

  Many of the more traditional businesses reward effort based on the subjective judgement of executives or managers. The person responsible for the individual or team decides what **he/she** thinks the person is worth in terms of additional remuneration each year.

Many such systems work remarkably well despite the inevitable criticisms which can be levelled. The main problem is that some managers are more naturally grudging or demanding than others. Remember the **Black and Mouton** managerial grid? A "country club" manager is going to be much more benevolent in such a system than the "task leader", resulting in unavoidable discrepancies between what is given and what is actually deserved.

These systems also depend on being able to decide the overall size of the financial payment to be set aside for reward. Once decided, it is almost certain that some managers will fight harder for their people than others.

Competition for knowledge and skills within individual sectors is a major determinant of remuneration. There are highly important issues here, especially for businesses where "intellectual property" is a critical determinant of competitive edge:

(a) Long v. Short-term Focus

Some organisations have moved away from addressing long-term education and training needs in favour of shorter-term competencies – otherwise, what is to stop a person on whom many thousands of pounds have been spent going off to a competitor?

(b) Golden Handcuffs

This term refers to elements of the employment package specifically designed to tie the individual to the organisation. A financial or non-financial disincentive is built into the employee's contract which is invoked if the person decides to leave.

(c) Ownership

Some businesses give the employee a stake in the product, either through equity participation or patent rights. One major bank, for example, permits an individual employee to retain patent rights over a smart card product so that both the individual and the organisation can benefit in the future.

This type of action can appeal to the person whom **Peter Drucker** refers to as the "intrapreneur" – the ideas person who invents the future. It is also fairer, of course, to give a person who will be responsible for generating millions of pounds of future income a direct stake in the product or service instead of expecting him to be satisfied with a flat salary. If a person comes up with a genuinely revolutionary concept, no performance-related reward system can provide adequate return – there has to be an additional and more direct incentive.

(d) Package Approach

The package approach shifts the focus away from salary alone and towards the entire remuneration package. This also creates the effect of not letting competitors know exactly what is offered.

The most common manifestation of this approach is seen in the appointments pages regularly when a package is offered on an "OTE" (on target earnings) basis, plus benefits "*commensurate with the position*".