Defining Planning

Of the five management functions — planning, organizing, staffing, leading and controlling — planning is the most fundamental. All other functions stem from planning. However, planning doesn't always get the attention that it deserves; when it does, many managers discover that the planning process isn't as easy as they thought it would be — or that even the best-laid plans can go awry.

Before a manager can tackle any of the other functions, he or she must first devise a plan. A **plan** is a blueprint for goal achievement that specifies the necessary resource allocations, schedules, tasks, and other actions.

A *goal* is a desired future state that the organization attempts to realize. Goals are important because an organization exists for a purpose, and goals define and state that purpose. Goals specify future ends; plans specify today's means.

The word **planning** incorporates both ideas: It means determining the organization's goals and defining the means for achieving them. Planning allows managers the opportunity to adjust to the environment instead of merely reacting to it. Planning increases the possibility of survival in business by actively anticipating and managing the risks that may occur in the future.

In short, planning is preparing for tomorrow, today. It's the activity that allows managers to determine what they want and how they will achieve it.

Not only does planning provide direction and a unity of purpose for organizations, it also answers six basic questions in regard to any activity:

- What needs to be accomplished?
- When is the deadline?
- Where will this be done?
- Who will be responsible for it?
- How will it get done?
- How much time, energy, and resources are required to accomplish this goal?

Advantages of Planning

The military saying, “If you fail to plan, you plan to fail,” is very true. Without a plan, managers are set up to encounter errors, waste, and delays. A plan, on the other hand, helps a manager organize resources and activities efficiently and effectively to achieve goals.

The advantages of planning are numerous. Planning fulfills the following objectives:

- **Gives an organization a sense of direction.** Without plans and goals, organizations merely react to daily occurrences without considering what will happen in the long run. For example, the solution that makes sense in the short term doesn't always make sense in the long term. Plans avoid this drift situation and ensure that short-range efforts will support and harmonize with future goals.
- **Focuses attention on objectives and results.** Plans keep the people who carry them out focused on the anticipated results. In addition, keeping sight of the goal also motivates employees.
- **Establishes a basis for teamwork.** Diverse groups cannot effectively cooperate in joint projects without an integrated plan. Examples are numerous: Plumbers, carpenters, and electricians cannot build a house without blueprints. In addition, military activities require the coordination of Army, Navy, and Air Force units.
- **Helps anticipate problems and cope with change.** When management plans, it can help forecast future problems and make any necessary changes up front to avoid them. Of course, surprises — such as the 1973 quadrupling of oil prices — can always catch an organization short, but many changes are easier to forecast. Planning for these potential problems helps to minimize mistakes and reduce the “surprises” that inevitably occur.
- **Provides guidelines for decision making.** Decisions are future-oriented. If management doesn't have any plans for the future, they will have few guidelines for making current decisions. If a company knows that it wants to introduce a new product three years in the future, its management must be mindful of the decisions they make now. Plans help both managers and employees keep their eyes on the big picture.
- **Serves as a prerequisite to employing all other management functions.** Planning is primary, because without knowing what an organization wants to

accomplish, management can't intelligently undertake any of the other basic managerial activities: organizing, staffing, leading, and/or controlling.

Types of Plans

Plans commit individuals, departments, organizations, and the resources of each to specific actions for the future. Effectively designed organizational goals fit into a hierarchy so that the achievement of goals at low levels permits the attainment of high-level goals. This process is called a **means-ends chain** because low-level goals lead to accomplishment of high-level goals.

Three major types of plans can help managers achieve their organization's goals: strategic, tactical, and operational. Operational plans lead to the achievement of tactical plans, which in turn lead to the attainment of strategic plans. In addition to these three types of plans, managers should also develop a contingency plan in case their original plans fail.

Operational plans

The specific results expected from departments, work groups, and individuals are the **operational goals.** These goals are precise and measurable. "Process 150 sales applications each week" or "Publish 20 books this quarter" are examples of operational goals.

An **operational plan** is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders, and facilitators develop operational plans to support tactical plans (see the next section). Operational plans can be a single-use plan or an ongoing plan.

- **Single-use plans** apply to activities that do not recur or repeat. A one-time occurrence, such as a special sales program, is a single-use plan because it deals with the who, what, where, how, and how much of an activity. A budget is also a single-use plan because it predicts sources and amounts of income and how much they are used for a specific project.
- **Continuing or ongoing plans** are usually made once and retain their value over a period of years while undergoing periodic revisions and updates. The following are examples of ongoing plans:

- A **policy** provides a broad guideline for managers to follow when dealing with important areas of decision making. Policies are general statements that explain how a manager should attempt to handle routine management responsibilities. Typical human resources policies, for example, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.
- A **procedure** is a set of step-by-step directions that explains how activities or tasks are to be carried out. Most organizations have procedures for purchasing supplies and equipment, for example. This procedure usually begins with a supervisor completing a purchasing requisition. The requisition is then sent to the next level of management for approval. The approved requisition is forwarded to the purchasing department. Depending on the amount of the request, the purchasing department may place an order, or they may need to secure quotations and/or bids for several vendors before placing the order. By defining the steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.
- A **rule** is an explicit statement that tells an employee what he or she can and cannot do. Rules are “do” and “don't” statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For example, rules about tardiness and absenteeism permit supervisors to make discipline decisions rapidly and with a high degree of fairness.

Tactical plans

A **tactical plan** is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work.

Tactical plans are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one year or less because they are considered short-term goals. Long-term goals, on the other hand, can take several years or more to accomplish. Normally, it is the middle manager's responsibility to take the broad strategic plan and identify specific tactical actions.

Strategic plans

A **strategic plan** is an outline of steps designed with the goals of the entire organization as a whole in mind, rather than with the goals of specific divisions or departments. Strategic planning begins with an organization's mission.

Strategic plans look ahead over the next two, three, five, or even more years to move the organization from where it currently is to where it wants to be. Requiring multilevel involvement, these plans demand harmony among all levels of management within the organization. Top-level management develops the directional objectives for the entire organization, while lower levels of management develop compatible objectives and plans to achieve them. Top management's strategic plan for the entire organization becomes the framework and sets dimensions for the lower level planning.

Contingency plans

Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility, and mastery of changing conditions. Strong management requires a "keeping all options open" approach at all times — that's where contingency planning comes in.

Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances.

Keep in mind that events beyond a manager's control may cause even the most carefully prepared alternative future scenarios to go awry. Unexpected problems and events frequently occur. When they do, managers may need to change their plans. Anticipating change during the planning process is best in case things don't go as expected. Management can then develop alternatives to the existing plan and ready them for use when and if circumstances make these alternatives appropriate.

Going from Planning to Organizing

The second function of management is organizing. After a manager has a plan in place, she can structure her teams and resources. This important step can profoundly affect an organization's success.

Not only does a business's organizational structure help determine how well its employees make decisions, but it also reflects how well they respond to problems. These responses, over time, can make or break an organization. In addition, the organizational structure influences employees' attitudes toward their work. A suitable organizational structure can minimize a business's costs, as well as maximize its efficiency, which increases its ability to compete in a global economy. For these reasons, many businesses have tinkered with their organizational structures in recent years in efforts to enhance their profits and competitive edge.

Once managers have their plans in place, they need to organize the necessary resources to accomplish their goals. **Organizing,** the second of the universal management functions, is the process of establishing the orderly use of resources by assigning and coordinating tasks. The organizing process transforms plans into reality through the purposeful deployment of people and resources within a decision-making framework known as the organizational structure.

The organizational structure is defined as

- The set of formal tasks assigned to individuals and departments
- The formal reporting relationships, including lines of authority, decision responsibility, number of hierarchical levels, and span of managerial control
- The design of systems to ensure effective coordination of employees across departments

The organizational structure provides a framework for the hierarchy, or *vertical structure,* of the organization. An **organizational chart** is the visual representation of this vertical structure.

The Organizational Process

Organizing, like planning, must be a carefully worked out and applied process. This process involves determining what work is needed to accomplish the goal, assigning those tasks to individuals, and arranging those individuals in a decision-making framework (organizational structure). The end result of the organizing process is an **organization** — a whole consisting of unified parts acting in harmony to execute tasks to achieve goals, both effectively and efficiently.

A properly implemented organizing process should result in a work environment where all team members are aware of their responsibilities. If the organizing process is not conducted well, the results may yield confusion, frustration, loss of efficiency, and limited effectiveness.

In general, the organizational process consists of five steps (a flowchart of these steps is shown in Figure 1):

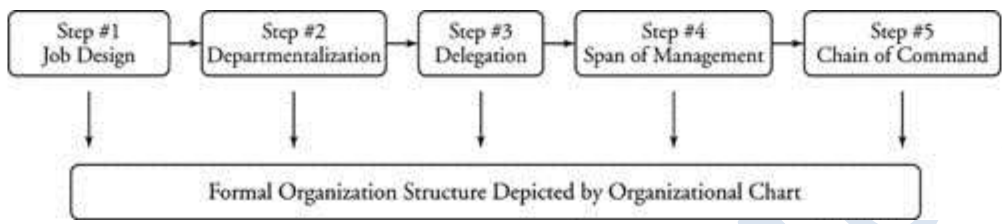

Figure 1 The organizational process.

1. **Review plans and objectives.**

   Objectives are the specific activities that must be completed to achieve goals. Plans shape the activities needed to reach those goals. Managers must examine plans initially and continue to do so as plans change and new goals are developed.

2. **Determine the work activities necessary to accomplish objectives.**

   Although this task may seem overwhelming to some managers, it doesn't need to be. Managers simply list and analyze all the tasks that need to be accomplished in order to reach organizational goals.

3. **Classify and group the necessary work activities into manageable units.**

   A manager can group activities based on four models of departmentalization: functional, geographical, product, and customer.

4. **Assign activities and delegate authority.**

   Managers assign the defined work activities to specific individuals. Also, they give each individual the authority (right) to carry out the assigned tasks.

5. **Design a hierarchy of relationships.**

   A manager should determine the vertical (decision-making) and horizontal (coordinating) relationships of the organization as a whole. Next, using the organizational chart, a manager should diagram the relationships.

Concepts of Organizing

The working relationships — vertical and horizontal associations between individuals and groups — that exist within an organization affect how its activities are accomplished and coordinated. Effective organizing depends on the mastery of several important concepts: work specialization, chain of command, authority, delegation, span of control, and centralization versus decentralization. Many of these concepts are based on the principles developed by Henri Fayol.

Work specialization

One popular organizational concept is based on the fundamental principle that employees can work more efficiently if they're allowed to specialize. **Work specialization,** sometimes called division of labor, is the degree to which organizational tasks are divided into separate jobs. Employees within each department perform only the tasks related to their specialized function.

When specialization is extensive, employees specialize in a single task, such as running a particular machine in a factory assembly line. Jobs tend to be small, but workers can perform them efficiently. By contrast, if a single factory employee built an entire automobile or performed a large number of unrelated jobs in a bottling plant, the results would be inefficient.

Despite the apparent advantages of specialization, many organizations are moving away from this principle. With too much specialization, employees are isolated and perform only small, narrow, boring tasks. In addition, if that person leaves the company, his specialized knowledge may disappear as well. Many companies are enlarging jobs to provide greater challenges and creating teams so that employees can rotate among several jobs.

Chain of command

The **chain of command** is an unbroken line of authority that links all persons in an organization and defines who reports to whom. This chain has two underlying principles: unity of command and scalar principle.

- **Unity of command:** This principle states that an employee should have one and only one supervisor to whom he or she is directly responsible. No employee should report to two or more people. Otherwise, the employee may receive conflicting demands or priorities from several supervisors at once, placing this employee in a no-win situation.

Sometimes, however, an organization deliberately breaks the chain of command, such as when a project team is created to work on a special project. In such cases, team members report to their immediate supervisor and also to a team project leader. Another example is when a sales representative reports to both an immediate district supervisor and a marketing specialist, who is coordinating the introduction of a new product, in the home office.

Nevertheless, these examples are exceptions to the rule. They happen under special circumstances and usually only within a special type of employee group. For the most part, however, when allocating tasks to individuals or grouping assignments, management should ensure that each has one boss, and only one boss, to whom he or she directly reports.

- **Scalar principle:** The scalar principle refers to a clearly defined line of authority that includes all employees in the organization. The classical school of management suggests that there should be a clear and unbroken chain of command linking every person in the organization with successively higher levels of authority up to and including the top manager. When organizations grow in size, they tend to get taller, as more and more levels of management are added. This increases overhead costs, adds more communication layers, and impacts understanding and access between top and bottom levels. It can greatly slow decision making and can lead to a loss of contact with the client or customer.

Authority

Authority is the formal and legitimate right of a manager to make decisions, issue orders, and allocate resources to achieve organizationally desired outcomes. A manager's authority is defined in his or her job description.

Organizational authority has three important underlying principles:

- Authority is based on the organizational position, and anyone in the same position has the same authority.
- Authority is accepted by subordinates. Subordinates comply because they believe that managers have a legitimate right to issue orders.

- Authority flows down the vertical hierarchy. Positions at the top of the hierarchy are vested with more formal authority than are positions at the bottom.

In addition, authority comes in three types:

- **Line authority** gives a manager the right to direct the work of his or her employees and make many decisions without consulting others. Line managers are always in charge of essential activities such as sales, and they are authorized to issue orders to subordinates down the chain of command.
- **Staff authority** supports line authority by advising, servicing, and assisting, but this type of authority is typically limited. For example, the assistant to the department head has staff authority because he or she acts as an extension of that authority. These assistants can give advice and suggestions, but they don't have to be obeyed. The department head may also give the assistant the authority to act, such as the right to sign off on expense reports or memos. In such cases, the directives are given under the line authority of the boss.
- **Functional authority** is authority delegated to an individual or department over specific activities undertaken by personnel in other departments. Staff managers may have functional authority, meaning that they can issue orders down the chain of command within the very narrow limits of their authority. For example, supervisors in a manufacturing plant may find that their immediate bosses have line authority over them, but that someone in corporate headquarters may also have line authority over some of their activities or decisions.

  Why would an organization create positions of functional authority? After all, this authority breaks the unity of command principle by having individuals report to two bosses. The answer is that functional authority allows specialization of skills and improved coordination. This concept was originally suggested by Frederick Taylor. He separated "planning" from "doing" by establishing a special department to relieve the laborer and the foreman from the work of planning. The role of the foreman became one of making sure that planned operations were carried out. The major problem of functional authority is overlapping relationships, which can be resolved by clearly designating to individuals which activities their immediate bosses have authority over and which activities are under the direction of someone else.

Delegation

A concept related to authority is **delegation.** Delegation is the downward transfer of authority from a manager to a subordinate. Most organizations today encourage managers to delegate authority in order to provide maximum flexibility in meeting customer needs. In addition, delegation leads to empowerment, in that people have the freedom to contribute ideas and do their jobs in the best possible ways. This involvement can increase job satisfaction for the individual and frequently results in better job performance. Without delegation, managers do all the work themselves and underutilize their workers. The ability to delegate is crucial to managerial success. Managers need to take four steps if they want to successfully delegate responsibilities to their teams.

1. **Specifically assign tasks to individual team members.**

   The manager needs to make sure that employees know that they are ultimately responsible for carrying out specific assignments.

2. **Give team members the correct amount of authority to accomplish assignments.**

   Typically, an employee is assigned authority commensurate with the task. A classical principle of organization warns managers not to delegate without giving the subordinate the authority to perform to delegated task. When an employee has responsibility for the task outcome but little authority, accomplishing the job is possible but difficult. The subordinate without authority must rely on persuasion and luck to meet performance expectations. When an employee has authority exceeding responsibility, he or she may become a tyrant, using authority toward frivolous outcomes.

3. **Make sure that team members accept responsibility.**

   Responsibility is the flip side of the authority coin. Responsibility is the duty to perform the task or activity an employee has been assigned. An important distinction between authority and responsibility is that the supervisor delegates authority, but the responsibility is shared. Delegation of authority gives a subordinate the right to make commitments, use resources, and take actions in relation to duties assigned. However, in making this delegation, the obligation created is not shifted from the supervisor to the subordinate — it is shared. A supervisor always retains some responsibility for work performed by lower-level units or individuals.

4. **Create accountability.**

Team members need to know that they are accountable for their projects. **Accountability** means answering for one's actions and accepting the consequences. Team members may need to report and justify task outcomes to their superiors. Managers can build accountability into their organizational structures by monitoring performances and rewarding successful outcomes. Although managers are encouraged to delegate authority, they often find accomplishing this step difficult for the following reasons:

- Delegation requires planning, and planning takes time. A manager may say, "By the time I explain this task to someone, I could do it myself." This manager is overlooking the fact that the initial time spent up front training someone to do a task may save much more time in the long run. Once an employee has learned how to do a task, the manager will not have to take the time to show that employee how to do it again. This improves the flow of the process from that point forward.
- Managers may simply lack confidence in the abilities of their subordinates. Such a situation fosters the attitude, "If you want it done well, do it yourself." If managers feel that their subordinates lack abilities, they need to provide appropriate training so that all are comfortable performing their duties.
- Managers experience dual accountability. Managers are accountable for their own actions and the actions of their subordinates. If a subordinate fails to perform a certain task or does so poorly, the manager is ultimately responsible for the subordinate's failure. But by the same token, if a subordinate succeeds, the manager shares in that success as well, and the department can be even more productive.
- Finally, managers may refrain from delegating because they are insecure about their value to the organization. However, managers need to realize that they become more valuable as their teams become more productive and talented.

Despite the perceived disadvantages of delegation, the reality is that a manager can improve the performance of his or her work groups by empowering subordinates through effective delegation. Few managers are successful in the long term without learning to delegate effectively.

So, how do managers learn to delegate effectively? The following additional principles may be helpful for managers who've tried to delegate in the past and failed:

- **Principle 1: Match the employee to the task.** Managers should carefully consider the employees to whom they delegate tasks. The individual selected should possess the skills and capabilities needed to complete the task. Perhaps even more important is to delegate to an individual who is not only able to complete the task but also willing to complete the task. Therefore, managers should delegate to employees who will view their accomplishments as personal benefits.
- **Principle 2: Be organized and communicate clearly.** The manager must have a clear understanding of what needs to be done, what deadlines exist, and what special skills are required. Furthermore, managers must be capable of communicating their instructions effectively if their subordinates are to perform up to their expectations.
- **Principle 3: Transfer authority and accountability with the task.** The delegation process is doomed to failure if the individual to whom the task is delegated is not given the authority to succeed at accomplishing the task and is not held accountable for the results as well. Managers must expect employees to carry the ball and then let them do so. This means providing the employees with the necessary resources and power to succeed, giving them timely feedback on their progress, and holding them fully accountable for the results of their efforts. Managers also should be available to answer questions as needed.
- **Principle 4: Choose the level of delegation carefully.** Delegation does not mean that the manager can walk away from the task or the person to whom the task is delegated. The manager must maintain some control of both the process and the results of the delegated activities. Depending upon the confidence the manager has in the subordinate and the importance of the task, the manager can choose to delegate at several levels.

Span of control

Span of control (sometimes called span of management) refers to the number of workers who report to one manager. For hundreds of years, theorists have searched for an ideal span of control. When no perfect number of subordinates for a manager to supervise became apparent, they turned their attention to the more general issue of whether the span should be wide or narrow.

A wide span of management exists when a manager has a large number of subordinates. Generally, the span of control may be wide when

- The manager and the subordinates are very competent.
- The organization has a well-established set of standard operating procedures.
- Few new problems are anticipated.

A narrow span of management exists when the manager has only a few subordinates. The span should be narrow when

- Workers are located far from one another physically.
- The manager has a lot of work to do in addition to supervising workers.
- A great deal of interaction is required between supervisor and workers.
- New problems arise frequently.

Keep in mind that the span of management may change from one department to another within the same organization.

Centralization versus decentralization

The general pattern of authority throughout an organization determines the extent to which that organization is centralized or decentralized.

A **centralized organization** systematically works to concentrate authority at the upper levels. In a **decentralized organization,** management consciously attempts to spread authority to the lower organization levels.

A variety of factors can influence the extent to which a firm is centralized or decentralized. The following is a list of possible determinants:

- **The external environment in which the firm operates.** The more complex and unpredictable this environment, the more likely it is that top management will let low-level managers make important decisions. After all, low-level managers are closer to the problems because they are more likely to have direct contact with customers and workers. Therefore, they are in a better position to determine problems and concerns.

- **The nature of the decision itself.** The riskier or the more important the decision, the greater the tendency to centralize decision making.
- **The abilities of low-level managers.** If these managers do not have strong decision-making skills, top managers will be reluctant to decentralize. Strong low-level decision-making skills encourage decentralization.
- **The organization's tradition of management.** An organization that has traditionally practiced centralization or decentralization is likely to maintain that posture in the future.

In principle, neither philosophy is right or wrong. What works for one organization may or may not work for another. Kmart Corporation and McDonald's have both been very successful — both practice centralization. By the same token, decentralization has worked very well for General Electric and Sears. Every organization must assess its own situation and then choose the level of centralization or decentralization that works best.

Staffing as a Management Function

After an organization's structural design is in place, it needs people with the right skills, knowledge, and abilities to fill in that structure. People are an organization's most important resource, because people either create or undermine an organization's reputation for quality in both products and service.

In addition, an organization must respond to change effectively in order to remain competitive. The right staff can carry an organization through a period of change and ensure its future success. Because of the importance of hiring and maintaining a committed and competent staff, effective human resource management is crucial to the success of all organizations.

Human resource management (HRM), or *staffing,* is the management function devoted to acquiring, training, appraising, and compensating employees. In effect, all managers are human resource managers, although human resource specialists may perform some of these activities in large organizations. Solid HRM practices can mold a company's workforce into a motivated and committed team capable of managing change effectively and achieving the organizational objectives.

Understanding the fundamentals of HRM can help any manager lead more effectively. Every manager should understand the following three principles:

- All managers are human resource managers.
- Employees are much more important assets than buildings or equipment; good employees give a company the competitive edge.
- Human resource management is a matching process; it must match the needs of the organization with the needs of the employee.

Determining Human Resource Needs

Staffing is an ongoing process that begins with finding the right people through proper planning, recruiting, and selecting. But staffing doesn't end once employees are hired; management must keep and nurture its people via training, appraising, compensating, and implementing employment decisions that determine such things as promotions, transfers, and layoffs.

Human resource planning

The first step in the staffing process involves human resource planning. Human resource planning begins with a **job analysis** in which descriptions of all jobs (tasks) and the qualifications needed for each position are developed. A **job description** is a written statement of what a jobholder does, how it's done, and why it's done. It typically portrays job content, environment, and conditions of employment. The job specification states the minimum acceptable qualifications an incumbent must possess to perform a given job successfully. It identifies the knowledge, skills, and abilities needed to do the job effectively.

Job analysis is then followed by a human resource inventory, which catalogs qualifications and interests. Next, a human resource forecast is developed to predict the organization's future needs for jobs and people based on its strategic plans and normal attrition. The forecast is then compared to the inventory to determine whether the organization's staffing needs will be met with existing personnel or whether managers will have to recruit new employees or terminate existing ones.

Recruiting strategies

Recruitment includes all the activities an organization may use to attract a pool of viable candidates. Effective recruiting is increasingly important today for several reasons:

- The U.S. employment rate has generally declined each year through the 1990s. Experts refer to the current recruiting situation as one of "evaporated employee resources."
- Many experts believe that today's Generation X employees (those born between 1963 and 1981) are less inclined to build long-term employment relationships than were their predecessors. Therefore, finding the right inducements for attracting, hiring, and retaining qualified personnel may be more complicated than in previous years.

Keep in mind that recruiting strategies differ among organizations. Although one may instantly think of campus recruiting as a typical recruiting activity, many organizations use internal recruiting, or promote-from-within policies, to fill their high-level positions. Open positions are posted, and current employees are given preferences when these positions become available. Internal recruitment is less costly than an external search. It also generates higher employee commitment, development, and satisfaction because it offers opportunities for career advancement to employees rather than outsiders.

If internal sources do not produce an acceptable candidate, many external recruiting strategies are available, including the following:

- Newspaper advertising
- Employment agencies (private, public, or temporary agencies)
- Executive recruiters (sometimes called headhunters)
- Unions
- Employee referrals
- Internship programs
- Internet employment sites

But there's more to recruiting than just attracting employees; managers need to be able to weed out the top candidates. Once a manger has a pool of applicants, the selection process can begin.

Selecting the Best Person for the Job

Having the right people on staff is crucial to the success of an organization. Various selection devices help employers predict which applicants will be successful if hired. These devices aim to be not only valid, but also reliable. *Validity* is proof that the relationship between the selection device and some relevant job criterion exists. *Reliability* is an indicator that the device measures the same thing consistently. For example, it would be appropriate to give a keyboarding test to a candidate applying for a job as an administrative assistant. However, it would not be valid to give a keyboarding test to a candidate for a job as a physical education teacher. If a keyboarding test is given to the same individual on two separate occasions, the results should be similar. To be effective predictors, a selection device must possess an acceptable level of consistency.

Application forms

For most employers, the application form is the first step in the selection process. Application forms provide a record of salient information about applicants for positions, and also furnish data for personnel research. Interviewers may use responses from the application for follow-up questions during an interview.

These forms range from requests for basic information, such as names, addresses, and telephone numbers, to comprehensive personal history profiles detailing applicants' education, job experience skills, and accomplishments.

According to the Uniform Selection Guidelines of the EEOC, which establish standards that employers must meet to prevent disparate or unequal treatment, any employment requirement is a test, even a job application. As a result, EEOC considerations and application forms are interrelated, and managers should make sure that their application forms do not ask questions that are irrelevant to job success, or these questions may create an adverse impact on protected groups.

For example, employers should not ask whether an applicant rents or owns his or her own home, because an applicant's response may adversely affect his or her chances at the job. Minorities and women may be less likely to own a home, and home ownership is probably unrelated to job performance.

On the other hand, asking about the CPA exam for an accounting position is appropriate, even if only one-half of all female or minority applicants have taken the exam versus nine-tenths of male applicants.

A quick test for disparate impact suggested by the Uniform Selection Guidelines is the **four-fifths rules.** Generally, a disparate impact is assumed when the proportions of protected class applicants who are actually hired is less that 80 percent (four-fifths) of the proportion of the majority group applicants selected. For example, assume that an employer has 100 white male applicants for an entry-level job and hires one-half of them, for a selection ratio of 1:2, or 50 percent (50/100). The four-fifths rule does not mean that the employers must hire four-fifths, or 40 protected class members. Instead, the rule means that the employer's selection ratio of protected class-applicants should be at least four-fifths of that of the majority groups.

Testing

Testing is another method of selecting competent future employees. Although testing use has ebbed and flowed during the past two decades, recent studies reveal that more than 80 percent of employers use testing as part of their selection process.

Again, these tests must be valid and reliable, or serious EEO questions may be raised about the use of them. As a result, a manager needs to make sure that the test measures only job-relevant dimensions of applicants.

Most tests focus on specific job-related aptitudes and skills, such as math or motor skills. Typical types of exams include the following:

- **Integrity tests** measure factors such as dependability, carefulness, responsibility, and honesty. These tests are used to learn about the attitudes of applicants toward a variety of job-related subjects. Since the passage of the Employee Polygraph Protection Act in 1988, polygraph (lie detector) tests have been effectively banned in employment situations. In their place, attitude tests are being used to assess attitudes about honesty and, presumably, on-the-job behaviors.
- **Personality tests** measure personality or temperament. These tests are among the least reliable. Personality tests are problematic and not very valid, because little or no relationship exists between personality and performance.

- **Knowledge tests** are more reliable than personality tests because they measure an applicant's comprehension or knowledge of a subject. A math test for an accountant and a weather test for a pilot are examples. Human relations specialists must be able to demonstrate that the test reflects the knowledge needed to perform the job. For example, a teacher hired to teach math should not be given a keyboarding test.
- **Performance simulation tests** are increasing in popularity. Based on job analysis data, they more easily meet the requirement of job relatedness than written tests. Performance simulation tests are made up of actual job behaviors. The best-known performance simulation test is known as work sampling, and other credible similation processes are performed at assessment centers.
- An *assessment* is a selection technique that examines candidates' handling of simulated job situations and evaluates a candidate's potential by observing his or her performance in experiential activities designed to simulate daily work.
    - **Assessment centers,** where work sampling is often completed, utilize line executives, supervisors, or trained psychologists to evaluate candidates as they go through exercises that simulate real problems that these candidates would confront on their jobs. Activities may include interviews, problem-solving exercises, group discussions, and business-decision games. Assessment centers have consistently demonstrated results that accurately predict later job performance in managerial positions.
    - **Work sampling** is an effort to create a miniature replica of a job, giving applicants the chance to demonstrate that they possess the necessary talents by actually doing the tasks.

Interviews

Another widely used selection technique is the *interview,* a formal, in-depth conversation conducted to evaluate an applicant's acceptability. In general, the interviewer seeks to answer three broad questions:

1. Can the applicant do the job?
2. Will the applicant do the job?
3. How does the applicant compare with others who are being considered for the job?

Interviews are popular because of their flexibility. They can be adapted to unskilled, skilled, managerial, and staff employees. They also allow a two-way exchange of information where interviewers can learn about the applicant and the applicant can learn about the employer.

Interviews do have some shortcomings, however. The most noticeable flaws are in the areas of reliability and validity. Good reliability means that the interpretation of the interview results does not vary from interviewer to interviewer. Reliability is improved when identical questions are asked. The validity of interviews is often questionable because few departments use standardized questions.

Managers can boost the reliability and validity of selection interviews by planning the interviews, establishing rapport, closing the interview with time for questions, and reviewing the interview as soon as possible after its conclusion.

Other selection techniques

Reference checking and health exams are two other important selection techniques that help in the staffing decision.

- **Reference checking** allows employers to verify information supplied by the candidate. However, obtaining information about potential candidates is often difficult because of privacy laws and employer concerns about defamation lawsuits.
- **Health exams** identify health problems that increase absenteeism and accidents, as well as detecting diseases that may be unknown to the applicant.

Evaluating Employee Performance

Employee performance should be evaluated regularly. Employees want feedback—they want to know what their supervisors think about their work. Regular performance evaluations not only provide feedback to employees, but also provide employees with an opportunity to correct deficiencies. Evaluations or reviews also help in making key personnel decisions, such as the following:

- Justifying promotions, transfers, and terminations
- Identifying training needs
- Providing feedback to employees on their performance

- Determining necessary pay adjustments

Most organizations utilize employee evaluation systems; one such system is known as a **performance appraisal.** A performance appraisal is a formal, structured system designed to measure the actual job performance of an employee against designated performance standards. Although performance appraisals systems vary by organizations, all employee evaluations should have the following three components:

- Specific, job-related criteria against which performance can be compared
- A rating scale that lets employees know how well they're meeting the criteria
- Objective methods, forms, and procedures to determine the rating

Traditionally, an employee's immediate boss conducts his or her performance appraisal. However, some organizations use other devices, such as peer evaluations, self-appraisals, and even customer evaluations, for conducting this important task.

The latest approach to performance evaluation is the use of 360-degree feedback. The *360-degree feedback appraisal* provides performance feedback from the full circle of daily contacts that an employee may have. This method of performance appraisal fits well into organizations that have introduced teams, employee involvement, and TQM programs.

Organizational Control Objectives

Simply put, *organizational control* is the process of assigning, evaluating, and regulating resources on an ongoing basis to accomplish an organization's goals. To successfully control an organization, managers need to not only know what the performance standards are, but also figure out how to share that information with employees.

Control can be defined narrowly as the process a manager takes to assure that actual performance conforms to the organization's plan, or more broadly as anything that regulates the process or activity of an organization. The following content follows the general interpretation by defining *managerial control* as monitoring performance against a plan and then making adjustments either in the plan or in operations as necessary.

The six major purposes of controls are as follows:

- **Controls make plans effective.** Managers need to measure progress, offer feedback, and direct their teams if they want to succeed.

- **Controls make sure that organizational activities are consistent.** Policies and procedures help ensure that efforts are integrated.
- **Controls make organizations effective.** Organizations need controls in place if they want to achieve and accomplish their objectives.
- **Controls make organizations efficient.** Efficiency probably depends more on controls than any other management function.
- **Controls provide feedback on project status.** Not only do they measure progress, but controls also provide feedback to participants as well. Feedback influences behavior and is an essential ingredient in the control process.
- **Controls aid in decision making.** The ultimate purpose of controls is to help managers make better decisions. Controls make managers aware of problems and give them information that is necessary for decision making.

Many people assert that as the nature of organizations has changed, so must the nature of management controls. New forms of organizations, such as self-organizing organizations, self-managed teams, and network organizations, allow organizations to be more responsive and adaptable in today's rapidly changing world. These forms also cultivate empowerment among employees, much more so than the hierarchical organizations of the past.

Some people even claim that management shouldn't exercise any form of control whatsoever, and should only support employee efforts to be fully productive members of organizations and communities. Along those same lines, some experts even use the word “coordinating” in place of “controlling” to avoid sounding coercive. However, some forms of controls must exist for an organization to exist. For an organization to exist, it needs some goal or purpose, or it isn't an organization at all. Individual behaviors, group behaviors, and all organizational performance must be in line with the strategic focus of the organization.

The Organizational Control Process

The control process involves carefully collecting information about a system, process, person, or group of people in order to make necessary decisions about each. Managers set up control systems that consist of four key steps:

1. **Establish standards to measure performance.** Within an organization's overall strategic plan, managers define goals for organizational departments in specific, operational terms that include standards of performance to compare with organizational activities.
2. **Measure actual performance.** Most organizations prepare formal reports of performance measurements that managers review regularly. These measurements should be related to the standards set in the first step of the control process. For example, if sales growth is a target, the organization should have a means of gathering and reporting sales data.
3. **Compare performance with the standards.** This step compares actual activities to performance standards. When managers read computer reports or walk through their plants, they identify whether actual performance meets, exceeds, or falls short of standards. Typically, performance reports simplify such comparison by placing the performance standards for the reporting period alongside the actual performance for the same period and by computing the variance—that is, the difference between each actual amount and the associated standard.
4. **Take corrective actions.** When performance deviates from standards, managers must determine what changes, if any, are necessary and how to apply them. In the productivity and quality-centered environment, workers and managers are often empowered to evaluate their own work. After the evaluator determines the cause or causes of deviation, he or she can take the fourth step—corrective action. The most effective course may be prescribed by policies or may be best left up to employees' judgment and initiative.

These steps must be repeated periodically until the organizational goal is achieved.

Organizational Control Techniques

Control techniques provide managers with the type and amount of information they need to measure and monitor performance. The information from various controls must be tailored to a specific management level, department, unit, or operation.

To ensure complete and consistent information, organizations often use standardized documents such as financial, status, and project reports. Each area within an organization, however, uses its own specific control techniques, described in the following sections.

Financial controls

After the organization has strategies in place to reach its goals, funds are set aside for the necessary resources and labor. As money is spent, statements are updated to reflect how much was spent, how it was spent, and what it obtained. Managers use these financial statements, such as an income statement or balance sheet, to monitor the progress of programs and plans. **Financial statements** provide management with information to monitor financial resources and activities. The **income statement** shows the results of the organization's operations over a period of time, such as revenues, expenses, and profit or loss. The *balance sheet* shows what the organization is worth (assets) at a single point in time, and the extent to which those assets were financed through debt (liabilities) or owner's investment (equity).

Financial audits, or formal investigations, are regularly conducted to ensure that financial management practices follow generally accepted procedures, policies, laws, and ethical guidelines. Audits may be conducted internally or externally. **Financial ratio analysis** examines the relationship between specific figures on the financial statements and helps explain the significance of those figures:

- **Liquidity ratios** measure an organization's ability to generate cash.
- **Profitability ratios** measure an organization's ability to generate profits.
- **Debt ratios** measure an organization's ability to pay its debts.
- **Activity ratios** measure an organization's efficiency in operations and use of assets.

In addition, *financial responsibility centers* require managers to account for a unit's progress toward financial goals within the scope of their influences. A manager's goals and responsibilities may focus on unit profits, costs, revenues, or investments.

Budget controls

A budget depicts how much an organization expects to spend (expenses) and earn (revenues) over a time period. Amounts are categorized according to the type of business activity or account, such as telephone costs or sales of catalogs. Budgets not only help managers plan their finances, but also help them keep track of their overall spending.

A budget, in reality, is both a planning tool and a control mechanism. Budget development processes vary among organizations according to who does the budgeting and how the financial resources are allocated. Some budget development methods are as follows:

- **Top-down budgeting.** Managers prepare the budget and send it to subordinates.
- **Bottom-up budgeting.** Figures come from the lower levels and are adjusted and coordinated as they move up the hierarchy.
- **Zero-based budgeting.** Managers develop each new budget by justifying the projected allocation against its contribution to departmental or organizational goals.
- **Flexible budgeting.** Any budget exercise can incorporate flexible budgets, which set "meet or beat" standards that can be compared to expenditures.

Marketing controls

Marketing controls help monitor progress toward goals for customer satisfaction with products and services, prices, and delivery. The following are examples of controls used to evaluate an organization's marketing functions:

- **Market research** gathers data to assess customer needs—information critical to an organization's success. Ongoing market research reflects how well an organization is meeting customers' expectations and helps anticipate customer needs. It also helps identify competitors.
- **Test marketing** is small-scale product marketing to assess customer acceptance. Using surveys and focus groups, test marketing goes beyond identifying general requirements and looks at what (or who) actually influences buying decisions.
- **Marketing statistics** measure performance by compiling data and analyzing results. In most cases, competency with a computer spreadsheet program is all a manager needs. Managers look at *marketing ratios,* which measure profitability, activity, and market shares, as well as *sales quotas,* which measure progress toward sales goals and assist with inventory controls.

Unfortunately, scheduling a regular evaluation of an organization's marketing program is easier to recommend than to execute. Usually, only a crisis, such as increased competition or a sales drop, forces a company to take a closer look at its marketing program. However, more regular evaluations help minimize the number of marketing problems.

Human resource controls

Human resource controls help managers regulate the quality of newly hired personnel, as well as monitor current employees' developments and daily performances.

On a daily basis, managers can go a long way in helping to control workers' behaviors in organizations. They can help direct workers' performances toward goals by making sure that goals are clearly set and understood. Managers can also institute policies and procedures to help guide workers' actions. Finally, they can consider past experiences when developing future strategies, objectives, policies, and procedures.

Common control types include performance appraisals, disciplinary programs, observations, and training and development assessments. Because the quality of a firm's personnel, to a large degree, determines the firm's overall effectiveness, controlling this area is very crucial.

Computers and information controls

Almost all organizations have confidential and sensitive information that they don't want to become general knowledge. Controlling access to computer databases is the key to this area.

Increasingly, computers are being used to collect and store information for control purposes. Many organizations privately monitor each employee's computer usage to measure employee performance, among other things. Some people question the appropriateness of computer monitoring. Managers must carefully weigh the benefits against the costs—both human and financial—before investing in and implementing computerized control techniques.

Although computers and information systems provide enormous benefits, such as improved productivity and information management, organizations should remember the following limitations of the use of information technology:

- **Performance limitations.** Although management information systems have the potential to increase overall performance, replacing long-time organizational employees with information systems technology may result in the loss of expert knowledge that these individuals hold. Additionally, computerized information systems are expensive and difficult to develop. After the system has been purchased, coordinating it—possibly with existing equipment—may be more difficult than expected. Consequently, a company may cut corners or install the system carelessly to the detriment of the system's performance and utility. And like other sophisticated electronic equipment, information systems do not work all the time, resulting in costly downtime.

- **Behavioral limitations.** Information technology allows managers to access more information than ever before. But too much information can overwhelm employees, cause stress, and even slow decision making. Thus, managing the quality and amount of information available to avoid information overload is important.
- **Health risks.** Potentially serious health-related issues associated with the use of computers and other information technology have been raised in recent years. An example is carpal tunnel syndrome, a painful disorder in the hands and wrists caused by repetitive movements (such as those made on a keyboard).

Regardless of the control processes used, an effective system determines whether employees and various parts of an organization are on target in achieving organizational objectives.