

Motivation and Control

ASSIGNMENT 10: MOTIVATING PEOPLE

Read this assignment. Then study Chapter 10 on pages 274–299 in your textbook.

Motivating Employees

Humans are motivated to action by needs, such as attaining and maintaining social identity through the acceptance or approval of others, emotional affiliation through intimacy, meeting biological needs that sustain the body, and others. All of these needs may influence the attitudes and behaviors of people in the workplace. Social identity needs can be fulfilled by the status of work positions. Intimacy needs are met to some extent through informal social affiliation. Sustenance needs are fulfilled by way of paychecks.

From a managerial perspective, motivation is mainly about optimal levels of production. In that context, uncertainties exist as to precise relationships between worker satisfaction and productivity. However, it is agreed that trust in management is a prerequisite for effectively motivating employees.

The bulk of Chapter 10 focuses on a number of theories that have been proposed to help managers understand how to motivate employees.

Equity Approach

Equity theory was developed specifically to deal with employee motivation within organizations. The theory proposes that people want to be treated fairly—that is, equitably. If an employee believes that his or her *inputs* (education, intelligence, experience, training, skills, and effort) aren't equal to the rewards received (pay, benefits, status, and other rewards), she or he will experience job-related *inequity*. Equity theory suggests that an employee who perceives



workplace inequity will be motivated to reduce the tension produced by the perceived inequity through such things as increasing inputs (working harder), decreasing inputs (slacking off), quitting the job, and demanding increased rewards. The term *perceived* is central to the model in that inequity may be actual and measurable or it may simply be a product of misperception.

Hierarchy of Needs

The *hierarchy of needs* developed by psychologist Abraham Maslow applies to inherent human motivation in any natural, social, and psychological situation. Maslow proposed a needs hierarchy because he maintained that the highest need—*self-actualization*—can be attained only after the four lower-order needs are met. For example, when a person experiences hunger (one of the physiological needs at the bottom of the pyramid), he or she won't be concerned about any of the needs higher in the pyramid. In other words, the physiological needs take precedence over all other needs. In the same sense, the quest for social acceptance (belonging) must be fulfilled before a person gives much attention to recognition and prestige (esteem) or to self-actualization. Maslow's hierarchy of needs is illustrated in Figure 10.2 on page 279.

Your textbook helps you think about the relative validity of Maslow's model. For example, the need for self-actualization may remain unconscious when lower-order needs are unmet. Further, the sequence of the hierarchy may vary according to an individual's unique experience and the peculiarities of his or her culture.

Achievement-Power-Affiliation Approach

David C. McClelland's work focused on people's needs (drives) for achievement, power, and affiliation. In this context, *achievement* refers to striving to attain goals related to self-esteem, *power* refers to a drive to have control over others, and *affiliation* refers to the desire to be liked and accepted by others. According to McClelland, each person has a different

level of each of these needs. Managers must be able to identify these levels and act accordingly to motivate employees. Figure 10.3 on page 282 summarizes McClelland's three needs.

Motivation-Hygiene Approach

Frederick Herzberg's *motivation-hygiene approach*, like equity theory, was developed for applications in business organizations. He derived his ideas from extensive interviews with engineers and accountants in 11 different industries. His focus was on factors related to high or low levels of job satisfaction and motivation. For many students, Herzberg's peculiar use of the term *hygiene* is a bit confusing. He wasn't referring to physical cleanliness. For Herzberg, *hygiene factors* included workplace conditions, supervisor attitudes, personal problems, and pay. When employees considered any of these factors to be deficient, morale and motivation tended to be low. By contrast, motivator factors were found to be stronger when employees considered hygiene factors as satisfactory. In short, hygiene factors were found to be necessary but not sufficient to high levels of motivation.

Because hygiene factors haven't completely motivated employees, job enrichment programs have been developed to solve this problem. These strategies include *job enlargement*, *job rotation*, and *job enrichment*. Learn the meaning of each of these strategies, and study Figure 10.4 on page 283 to help you distinguish between hygiene and motivator factors. Also, Figure 10.5 on page 284 presents a fascinating comparison between the Herzberg model and Maslow's needs hierarchy.

Expectancy Approach

The *expectancy approach*, developed by Victor Vroom, proposed that an employee's level of motivation comes from an employee's beliefs about the interaction of three variables—effort, performance, and outcomes. Vroom describes three basic beliefs that employees hold. *Expectancy* refers to the employees' belief that their efforts will lead to desired levels of performance. (Here, *desired* means “desired by management.”) *Instrumentality* is the employees' belief that

the desired levels of performance will lead to specified rewards (pay, prestige). Finally, *valence* refers to the employees' perception of the value of these rewards.

On page 285, your textbook provides a good example to illustrate the expectancy approach. From reading this information, you can conclude that a low valence will dampen the significance of both expectancy and instrumentality. In addition, you should be aware that each of these variables is strongly influenced by management policies and practices. Study Figure 10.6 on page 285 to see how the expectancy approach works.

Reinforcement Approach

The *reinforcement approach* to motivation is derived from the operant conditioning school of behavioral psychology developed by B. F. Skinner. Simply put, Skinner says that people will repeat behavior that leads to positive results and avoid behavior that leads to negative results. In other words, if people get what they want, they'll repeat the behavior that produced that result. The result, or consequence, of an individual's behavior is called *reinforcement*. In a workplace setting, if my approach to a task gets me recognition or a bonus, my approach to the task is reinforced. The reinforcers are praise and money.

Of course, it's not quite that simple. Skinner identified four types of reinforcement: *positive reinforcement*, *avoidance*, *extinction*, and *punishment*. Learn the meaning of each of these terms and study Figure 10.7 on page 286 to discover how Skinner approached the topic of motivation.

Job Satisfaction

Job satisfaction refers to how people think and feel about a job. It comes from a wide variety of factors (page 288). *Organizational morale*, on the other hand, has to do with how well people identify with their organization and feel that they're part of it. Recognizing that these two factors interact in complex ways, you can better understand the controversy over the relationship between satisfaction and performance in

the workplace. Spend some time with Figure 10.9 on page 291 and think about determinants of job satisfaction and dissatisfaction.

Ethics Check

Study the “Ethical Management” feature on page 289. The feature describes a highly productive incentive plan for employees, which is keyed to employee bonuses. The plan works beautifully, but in the last quarter, a competitor stole key company clients, thus reducing the cost effectiveness of the incentive plan. Management decides to cancel the incentive plan and pay no bonuses. Consider the three questions presented at the end of the feature. Respond to each one in a few sentences. You’ll find that there are no simple answers.

ASSIGNMENT 11: MANAGEMENT CONTROL

Read this assignment. Then study Chapter 11 on pages 300–334 in your textbook.

Why Practice Management Control?

This assignment focuses on techniques and procedures for the controlling management function. *Control* can be defined as preventive monitoring. To coordinate operations and make sure things run smoothly, managers must keep an eye on potential problems to prevent or avoid them. Overall, the purposes of management control are crisis prevention, standardizing outputs, appraisal of employee performance, updating plans, and protecting the organization’s assets.

Tip: A key to mastering this chapter is making sure you understand the new terms and concepts.

A *control pyramid* categorizes five different levels of control from the simplest to the most complex. The base of the pyramid—represented by simple day-to-day tasks and procedures—consists of *foolproof controls*. Procedures like turning the power on and off and sorting product parts into

bins are examples of foolproof controls. The next level consists of *automatic controls* based on feedback loops. For example, thermostats automatically raise and lower temperatures in buildings. In the next level, *operator controls*, actual people must take control to do things like count work orders, submit shipping orders, and process clock-in cards for payroll. *Supervisory controls* involve supervisors, like department heads, who make sure everything is working right the three lower levels. Finally, *informational controls* have to do with top managers' gathering all of the information from the lower levels to appraise operations and make necessary adjustments. The concept of the control pyramid is illustrated in Figure 11.1 on page 303 of your text.

Traditionally the control pyramid symbolized top-down management. The top does sophisticated statistical analysis; the bottom adds 2 and 2 to get 4. However, the concept of the *learning organization* has recently supplanted the strictly hierarchical view. Increasingly, it's being found that empowering people at all levels of an organization to understand and participate in controlling benefits workers, mid-level managers, and the organization's bottom line.

Types of Control

As you can imagine, all areas of an organization should be governed by some type of control. In this section, you'll examine a number of different types of control.

- Since money is the lifeblood of a formal organization, *budgetary controls* are vital to effective and efficient operations. Study Figure 11.2 on page 305 to understand a bit about different kinds of budgets.
- *Zero-base budgeting* is intended as a corrective measure. It requires managers to avoid carelessly projecting a future budget based on past budgets. The idea here is that managers must start from scratch each fiscal year, being prepared to defend each budget item based on ranking expenditures by priority.

- *Financial controls* provide a monetary profile of a company's performance, quarter by quarter. In particular, financial ratio analysis can provide a wealth of financial information that managers can use in the function of controlling. Several of these ratios are explained on page 307 of your textbook. Take plenty of time to study Figure 11.3 on page 308 to better understand financial ratio calculations.

The *Sarbanes-Oxley Act of 2002*, which you studied in Chapter 1, is reintroduced mainly to point out the concerns with the high cost of compliance with the act. Major points of the act are summarized in Figure 11.4 on page 309.

Pages 308–311 in your textbook present a potpourri of control methods and concepts. Here's a summary of that material:

- *Direct observation* is often the only way for a manager to actually understand what's happening in an organization. The problem is that people sometimes change their behavior if they know they're being observed. Surprise visits to departments or divisions may be the way to go.
- *Written reports* can be *informational* (they present just the facts) or *analytical* (they present facts and recommendations for action).
- *Electronic monitors* include such control devices as video cameras, software for monitoring employees' computers, and programmed cash registers.
- A *balanced scorecard system (BSC)* is a bit like management by objectives. Operational managers develop scorecards for every level of the organization. The aim is to see how well job performance and productivity are contributing to the organization's higher-level objectives.
- *Management information systems (MISs)* are mainly computerized systems for processing information usable for managing operations. (See Chapter 4 if you need a review of management information systems.)

- *Audits* may be external or internal. External financial audits are usually conducted by outside accounting firms to assure that an organization's financial reporting is accurate, fair, and consistent with regulatory stipulations. *Management audits*, both internal and external, are aimed at evaluating the overall effectiveness of management practices and policies.
- *Break-even charts* graphically depict the relationship of the monetarily measured volume of operations to profit. The break-even point happens when total revenues equals total costs. See Figure 11.5 on page 311 for a graph that illustrates a break-even chart.

Appraising Performance

A *performance appraisal* compares an employee's performance in terms of determinants like *effort* due to motivation, *abilities*, and *role perception* (how an employee views his or her job). The performance appraisal process involves evaluating employees' performance and letting them know how they're doing in terms of the evaluative criteria. The appraisals also help managers predict future performance to some degree. To be effective, appraisals should be supported by accurate documentation and when at all possible, serve to encourage employees, not berate them.

Performance Appraisal Methods

Your textbook covers the following performance appraisal methods:

- *Management by objectives (MBO)* was discussed in Chapter 5. This method can also serve well in appraising employee performance. The objectives established through MBO can be used as a benchmark for comparing employee performance against established objectives.
- *Production standards approaches* work best when employees are engaged in making a physical product. The idea here is to encourage optimal performance through setting fair work standards based on the

output of the average worker. Study Figure 11.7 on page 316 to see frequently used methods for setting production standards.

- An *essay appraisal* requires a manager to write an employee appraisal based on typical guidelines. For example, the appraisal may say, “In your own words, describe the employee’s work habits.” Written appraisals can tend to be long. Also, subjective evaluations of an appraiser may be interpreted differently by different upper-level managers.
- A *critical-incident appraisal* requires a manager to keep track of *critical incidents*—that is, events that illustrate both satisfactory and unsatisfactory employee performance. The problem with this method is that it takes time to keep track of such incidents.
- *Graphic rating scales* depend on quantitative data, such as units produced, hours worked, and so on. But such scales also quantify things like dependability on numerical scales. Thus, the drawback for graphic rating scales is that one manager’s “4” may be another manager’s “2” and a third manager’s “3.” Figure 11.8 on page 318 illustrates a graphic rating scale. These scales are called “graphic” because the numerical values can be plotted on graphs.
- The *checklist method* requires an appraiser to respond with “yes” or “no” to sets of questions, usually developed by human resources people. Each item is weighted numerically as to its significance in profiling an employee. Appraisers won’t be informed of these weightings, but they’ll see the negative and positive connotations of items and may feel inclined to express their biases in either direction. Figure 11.9 on page 318 illustrates some sample checklist items.

Ranking methods are aimed at comparing the performance of two or more employees. They include *alternation ranking*, *paired comparison ranking*, *forced distribution*, and *multirater assessment*. Each of these methods is clearly explained on pages 319–320. The forced distribution approach makes sense only when a manager is comparing a large number of

employees, because only a population greater than 30 tends to follow the so-called *bell curve* (normal distribution of a population) with respect to some performance trait. Study Figure 11.10 to get some understanding of how a bell curve is displayed in this technique.

The remainder of Chapter 11 presents criteria for selecting a performance method, avoiding errors in performance appraisals, and getting the most out of the appraisal process. With respect to avoiding errors, make sure you understand the three concepts introduced on page 322—leniency, central tendency, and recency.

Ethics Check

Study the “Ethical Management” feature on page 322. Would you like to be carrying around an employee ID tag that tells whoever is monitoring you just where you are? In this exercise, think about ethical issues surrounding radio frequency identification (RFID). In a sentence or two, answer each of the three questions, focusing particularly on the question about an RFID tag as an invasion of personal privacy.

ASSIGNMENT 12: OPERATIONS CONTROL

Read this assignment. Then study Chapter 12 on pages 336–364 in your textbook.

Tip: To get off to a good start in this assignment, give some attention to “The World of Work” feature at the beginning of the chapter.

Chapter 12 deals with issues related to controlling operations. In the context of business, the term *operations* refers to all of the activities of an organization. Any kind of operation should be designed to employ people, tools or equipment, and procedures in ways that are maximally efficient and effective. Any operational design should result in some kind of *system*, an arrangement of tasks and procedures intended to turn inputs into outputs. The different aspects of operations control include controlling costs, quality, and inventory.

Controlling Operations Costs

Controlling costs is one of the main responsibilities of any manager. In turn, the responsibility means having a complete understanding of the organization's accounting and budgeting system. In controlling costs, managers must pay attention to *variable overhead expenses*, such as labor and materials, and *fixed overhead expenses*, such as rent, leasing fees, and equipment maintenance. A manager's cost-control activities generally involve

- Creating a budget for a period of time (like a month)
- Monitoring actual costs against budget allocations
- Figuring out what's gone wrong if actual costs exceed a budget item
- Doing what it takes to set things right

Figure 12.1 on page 338 displays types of costs and their typical components.

Quality Management

Quality management means different things from different perspectives. Customers view quality by way of how well a product or service works and lasts. Production managers view quality issues in terms of what's needed to assure quality. In both cases, the elements of performance, features, and durability are involved. Figure 12.2 on page 339 identifies six such dimensions for your consideration. The impact of quality in regard to things like costs, productivity, liability, and loss of business are discussed on page 340.

Pages 340–351 in your textbook explore a number of perspectives on quality management. The following material highlights that information:

- *Quality assurance* was traditionally under the purview of a quality control department. The goal was catching product and service defects before they reached the customer. However, little or no attention was paid to dealing effectively with suppliers or to the actual designs of products and services. Then, along came W. Edwards Deming. Read about his 14 points on page 341.

- *Total quality management (TQM)* emphasizes managing the whole organization to excel on all dimensions of a product or service that are of interest to the customer. Five points relevant to focusing on the customer are summarized on page 342. Ten points related to implementing TQM are offered on page 343. Notice the tenth point. The main *internal challenge* for implementing TQM is creating a quality-oriented culture. The main *external challenge* is a productive and proactive relationship with suppliers and customers.

Special Approaches for Improving Quality

- *Continuous improvement* focuses on steadily and relentlessly improving every aspect of production.
- *Kaizen*, a Japanese concept meaning “good change,” is a variant of the continuous improvement philosophy. Others would say it’s distinctive in viewing the supreme importance of the employee and the process of taking small steps toward ever-higher levels of productivity and quality.
- *Quality at the source* focuses on making each employee responsible for the quality of his or her work.
- *Six sigma*, as pioneered by Motorola, might be called statistical hyperbole or a rallying cry, like “Remember the Alamo.” In statistics, sigma (σ) stands for standard deviation. On a bell curve, the highest IQ is three standard deviations from the mean. Six sigma would be translated as “over the top”!
- *Lean manufacturing* focuses on eliminating waste and cutting out activities that don’t add value.

Other Quality Standards

Still more approaches and standards to and for quality exist.

- *Reengineering* means the complete, radical redesign of a production system.

- *ISO 9000* standards were established by the International Organization for Standardization (ISO) in Geneva, Switzerland. As of 2000, new ISO standards are intended to address international organizations and to focus on continuous improvement and customer satisfaction.
- *ISO 14000* is a series of voluntary standards for environmental management. It doesn't establish environmental policies—these policies vary from country to country. ISO 14000 simply aims at providing standards for establishing those policies.
- *Zero-defects programs* are a bit like six sigma approaches to quality. In the real world, there's no such thing as a system that produces zero errors. The limit of product quality is reached when the cost of further system improvements exceeds the value added to the products. This condition is called the *law of diminishing returns*. Zero defects is actually a proactive approach to fostering a quality-oriented organizational culture.

The final information on quality control deals with the different types available.

Product quality control takes place after a product or batch of products has been produced. *Process quality control*, on the other hand, takes samples of products during actual production to assure that quality standards are being met. If not, the production process shuts down until the problem is fixed.

Acceptance sampling is a method for predicting the quality of a batch or a large group of products by studying a sample taken from a batch. The effectiveness of acceptance sampling depends on taking a random sample that permits statistical analysis. In this way, the proportion of substandard to acceptable products can determine whether to (1) dump or recycle the whole batch or (2) accept a batch given the probability (risk) that some determined proportion of the batch will be defective.

Finally, a *process control chart* uses a graphic display to illustrate whether or not a machine or process is producing output at the expected quality level. Most often the *parameters* (points of measurement) of such charts are a predetermined

upper and lower range of acceptable quality. When an upper and lower limit range is established, a *mean* (average) quality value can also be established. The best way to understand this sort of chart is with a careful study of Figure 12.5 on page 351.

Inventory Control

To more quickly grasp ideas about inventory control, think about the manufacturing of a DC drive motor. The *raw materials inventory* consists of cast metal motor housings, parts for making electromagnets, winding shafts, copper wire, and circuit leads that connect the motor to some application. If the motors are manufactured in stages, an *in process inventory* can keep track of motors at different stages of completion. Finally, a *finished goods inventory* determines the number of motors completed.

Just-in-time (JIT) inventory control aims to have the right items arrive and leave as they're needed—that is, just in time. JIT is sometimes referred to as a *demand pull system* because inventories are produced or ordered to accommodate customer demand. Four advantages of JIT are summed up in Figure 12.6 on page 354. However, it should be added here that, under current federal and state tax laws, JIT systems are designed to reduce costs by reducing taxes on assets. Inventories are reckoned as assets. Lower inventories mean lower tax expense.

Before the advent of computers, bar codes, and digital bar-code scanners, *tracking inventory* was a tedious and time-consuming business. Items had to be counted by hand and matched against sales. Mistakes were common, and inventory planning for mom and pop grocery or hardware stores was often a bit messy—not to mention inaccurate.

Here's an overview of some important inventory terms and concepts:

- *Independent demand items* are finished goods that are sold or shipped as purchased.

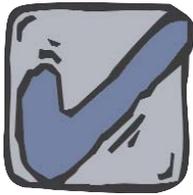
- *Dependent demand items* are generally subsystems, parts, or components needed to make a finished project. Parts supplied to a manufacturer are an example. The demand for these items is a function of the number of products being produced, which in turn is a function of the demand for the product.

The *ABC classification system* divides inventories based on the total values of their usage per unit of time. For example, in an auto service enterprise, gasoline would probably be part of group A—if it accounts for the highest dollar value in inventory with the highest frequency of purchases. Group B might include tires and batteries. Finally, group C might include things like motor oil, air filters, and wiper blades. These items don't tie up much money, but they're needed to conduct the business. The frequency and accuracy of inventories for items in group A would be greatest. The frequency and accuracy of items in group C inventories would be less than those for group B items. Study Figure 12.7 on page 357 to better understand the ABC system.

Many businesses keep *safety stocks* on hand to accommodate unexpected changes in demand. Determining the quantity to order often depends on the size of a business. Small businesses may have no choice but to order a few items at a time. Larger businesses can order larger lots of items to reduce shipping costs and receive price breaks. Managers use the *economic order quantity (EOQ)* to determine the optimal number of units to order. To estimate the EOQ, managers calculate the point at which *ordering costs* are equal to *carrying costs*, or the sum of these two variables is as low as they can hope for. Ordering costs include the expense of placing the order, shipping costs, and setup costs (say, for a marketing display). Carrying costs include storage, obsolescence, taxes, and insurance.

Ethics Check

Study the “Ethical Management” feature on page 355. In this situation, you’ll take the perspective of a manufacturer dealing with an agent representing a supplier—the XYZ company. The supplier makes a component for your major product. You must try to weigh motives as well as cost considerations. Do you think you’re getting hustled by this XYZ agent? Do you have all of the facts you need? Briefly respond to all four questions in a sentence or two.

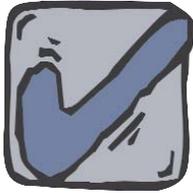


Self-Check 4

Questions 1–9: Match the definitions in the left-hand column to the terms they describe in the right-hand column.

- | | |
|--------------------------------------|---|
| _____ 1. Determinants of performance | a. An evaluation tool that uses input from managers, peers, customers, suppliers, and colleagues |
| _____ 2. Six sigma | b. The process of monitoring for substandard products during assembly |
| _____ 3. Hierarchy of needs | c. A tool used to prevent a production problem before it occurs |
| _____ 4. Dependent demand items | d. The addition of motivators to a job |
| _____ 5. Job enrichment | e. Components used for manufacturing finished goods |
| _____ 6. Preliminary control | f. A motivational theory that divides needs into levels |
| _____ 7. Process quality control | g. Statistical tools used for continuous improvement |
| _____ 8. 360-degree feedback | h. An approach to motivation that asserts that people want to be treated fairly in relationship to others |
| _____ 9. Equity theory | i. A category that includes effort, abilities, and role perceptions |

(Continued)



Self-Check 4

Questions 10–15: Select the one best answer for each question.

10. To prevent managers from basing projected budget items on past budgets items, top management may establish a policy of
 - a. concurrent control.
 - b. ratio analysis.
 - c. production budgeting.
 - d. zero-based budgeting.
11. According to Frederick Herzberg’s theory, which one of the following factors is considered as a motivator?
 - a. Working conditions
 - b. Job status
 - c. Increased responsibility
 - d. Wages
12. A manager for Nova, Inc. tells us her company manages inventories on the basis of total usage value per unit of time. What type of inventory system is Nova, Inc. using?
 - a. ABC classification system
 - b. Physical inventory system
 - c. Safety stock system
 - d. Dependent demand system
13. The _____ approach to motivation includes avoidance, extinction, and punishment.
 - a. job enrichment
 - b. reinforcement
 - c. expectancy
 - d. needs hierarchy
14. The Linden Candy Company predicts the quality of its candy canes by inspecting samples from each batch. What type of quality control is the Linden Company using?
 - a. Acceptance sampling
 - b. Process control charting
 - c. Batch process checking
 - d. Acceptance control
15. In the context of an employee performance appraisal, manager Spock writes down observations on a regular basis over a period of time. Mr. Spock is *most* likely using the _____ method.
 - a. checklist
 - b. critical-incident appraisal
 - c. graphic rating scale
 - d. essay appraisal

Check your answers with those on page 112.
