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Human Resource Aspects of Value Creation

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Strategic Management & Leadership (SML)

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Human Resource Aspects of Value Creation

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Human Resource Aspects of Value Creation

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INTRODUCTION

Human Resource Management (HRM) is one of the key functions of the organization to be concentrated and paid a higher level of corporate focus and attention in terms of the value creation it does throughout the general value creation process of the organization. Simply success of an organization is mainly fueled by the fact that they have attracted talented suitable people, while developing their skills and motivating them to pursue behind achieving corporate goals.

This chapter outlines the core concept of HRM and the related core concepts around which creates value to the overall business entity.

1. Human Resources Management & Value Creation

The success of most organizations depends on the skills, experience and effort of the people working for it. Although many operations are automated, people are active in all parts of the value chain, and contribute to the creation of value through following means;

a)   All value creation activities are performed by people in the organization.

b)   Having trained, quality people is a threshold requirement for performance.

c)   In some of the areas of business, people themselves will become the competitive

       Advantage for the organization.

d)   Productivity will be improved by people.

e)   Cost will be minimized by people involved.

f)   Delivering quality output with minimum mistakes.

g)   Human touch and emotional bonding with stakeholders

Some employees have the potential to create more value than others based on their personal and operational capacities coupled with self-attitude.

2. Human Resources Planning

HR planning is the process of estimating future requirements for employees, analyzed according to the work or jobs they will do and their level or position in the organization structure.

In other words the ongoing process of systematic planning to achieve optimum use of an organization's most valuable asset - its human resources can be defined as HR planning. The objective of human resource (HR) planning is to ensure the best fit between employees and jobs, while avoiding manpower shortages or surpluses.

The three key elements of the HR planning process are;

a) Forecasting Human Resource demand
b) Analyzing present human Resource supply
c) Balancing projected Human Resource demand and supply.
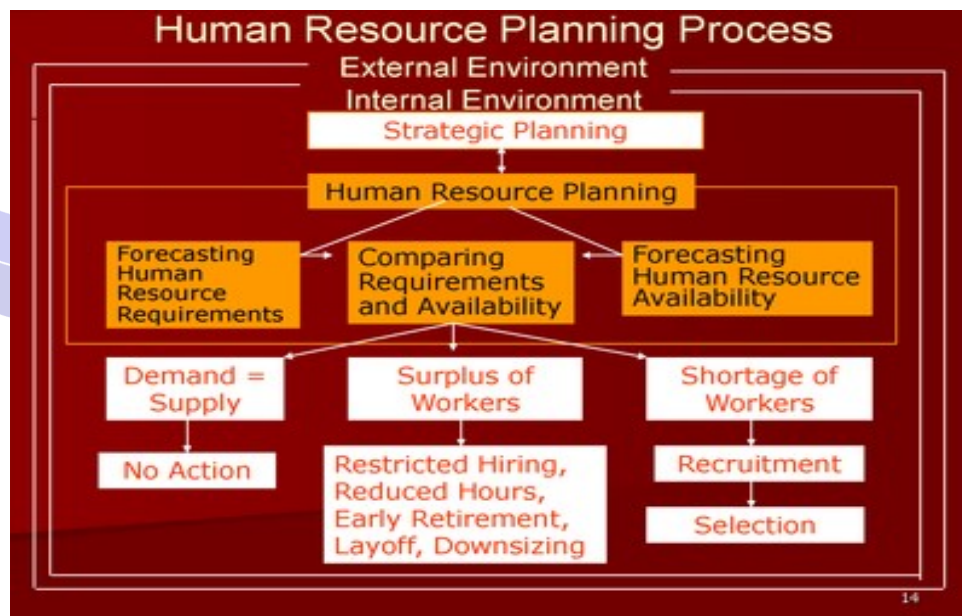
2.1 Talent Management

This refers to methods used by an organization to acquire, develop and keep talented individuals.

Talent management is the systematic attraction, identification, development, engagement, retention and deployment of those individuals who are of particular value to an organization, either in view of their 'high potential' for the future or because they are fulfilling critically important roles in the organization.

These definitions emphasize that it is not sufficient simply to attract talented individuals with high potential. It is equally important to develop, manage and retain these individuals as part of a planned strategy.

Following are the main aspects of talent management;

a)   Sourcing Talent (Recruitment & Selection)

b)   Alignment & Engagement (Orientation & Adaption)

c)   Learning & Development

d)   Retention

3. Recruitment & Selection Process

Recruitment starts when a job vacancy is identified. It is the process of obtaining a supply of suitable possible candidates to fill the vacancy.

Selection is the process of appointing the most suitable candidate to a job vacancy, by choosing the best individual from the candidates available.

Recruitment	*Selection*
a) Identify the need b) Identify the required profile c) Obtain Applications	a) Selection for interviews b) Selection Interview c) Selection of the person

4. Recruitment

Recruitment is the Systematic Process of identifying a pool of candidates for a specific vacant job position in the company with the belief that the candidate has got the minimum needed profile to perform in the respective job.

4.1 Planning the Recruitment Process

Recruitment should be properly planned. The main aspects of recruitment are as follows:

a) Job Analysis
b) Job Description
c) Person Specification

4.2 Job Analysis, Job Description & Person Specification

Job analysis is the systematic process of collecting data & making certain judgments of all the important information related to the nature of a specific job.

Job description describes the purpose of the job & the main tasks that must be carried out in performing the job.

Person Specification is a statement of the minimum acceptable human quality required to perform a job properly.

4.3 Advertising the Vacancy

Jobs must be brought to the attention of individuals who might want to apply for them.
A job vacancy might be 'advertised';

• Within the organization (internally) to existing employees
• Externally, to people outside the organization
• Both internally and externally

Advantages of Internal Promotions	Advantages of External Recruitments
Improving Moral & Motivation of Internal Staff	Company may not be having skilled staff internally.
Provides Carrier Development opportunities for Internal Staff	"Fresh Thinking" will be infused to the company.
Existing Performance records of internal Staff	Better talented Individuals can be identified with more work exposure.
Knowledge and Awareness of Internal People on Corporate Culture & Individuals	This will make the recruitment process easy as only one position to be filled.
Low Cost of Recruitment.	Competitor Intelligence and Know how's can be extracted.

4.4 Methods of Advertising the Vacancy

Methods of Advertising Vacancies – Internal Recruitments

- Internet / Intranet
- In-house Publications
- Performance Appraisals

Methods of Advertising Vacancies – External Recruitments

- Media
- Internet
- Recruitment Agencies

4.5 Job Application Form

Applicants for a job are often asked to fill a job application form, which may be either a paper document or an electronic document downloaded from the employer's website. This is usually a standard application form, used by an organization for all its job vacancies and following basic information will be gathered;

- Personal Details
- Educational Details
- Work Experience
- Interests
- Referees

4.6 References

On a job application form, applicants for a job are often asked to provide the name and address of one or two 'referees'. The preferred referees are typically:

(a) A former employer, senior manager or supervisor that the applicant has worked for in the past, or the applicant's current employer or boss.

(b) If the applicant has not had a job before, a senior teacher or course tutor who has taught the individual.

(c) An eminent person who knows the applicant socially, such as a religious leader, a solicitor, a doctor or an accountant.

4.7 Reasons for Ineffective Recruitment

The reasons for a failure to attract a sufficient number of suitable applicants for a job may be any of the following.

(a) The requirements of the job are not properly considered before the job is advertised.

(b) Failure to communicate minimum job requirements.

(c) The job itself is not attractive enough, or the pay is too low etc.

(d) The job vacancies are advertised in an unsuitable way, so that the vacancy does not come to the attention of people who might apply if they knew about it.

4.8 Evaluating the Recruitment Process

Methods of monitoring the effectiveness of recruitment are to:

• Monitor the number of applicants for each job vacancy

• Monitor the number of applicants for each job vacancy who are *suitable for interview* (in other words, monitor the quality of applications)

• Monitor the costs of employee recruitment

• Recruitment Time Cycle.

5. Selection

Selection is systematic procedure of identifying and choosing the most potential / most suited candidate from the identified recruitment pool.

5.1 Selection Methods

The most common methods of selection are:

• Application forms or online tests

• Interviews

• Tests

• Group section methods

5.2 Interviews

Applicants who get through the first screening process may be invited to a selection interview.

A selection interview is a face-to-face interview at which the applicant is asked a number of questions, and is assessed by the quality of their answers.

Face-to-face interviews can take different forms:

(a) The applicants may be interviewed by one person, such as the manager or supervisor with authority over the work group where the vacancy exists.

(b) The applicants may be interviewed by an 'interview panel' of two or more people.

(c) The applicants might go through a succession of face-to-face interviews, each with a different person.

There are different ways of conducting selection interviews;

- **Formal & Informal Interviews**
  Selection interviews may be held in a formal setting or it can even be informal in nature based on the size of the business operation.

- **Stress Interviews**
  Interviewers deliberately put the applicant under stress, for example by asking questions in an aggressive manner and criticizing the applicant's answers.
  Stress interviews may be used to interview applicants for a senior management position, in the belief that it will show how well each applicant stands up to stress, aggression and criticism.

- **Problem Solving Interviews**
  The applicant for the job is given a hypothetical problem by the interviewer and asked to solve it.

5.3 Tests

An employer may require applicants for a job to take a test or series of tests as part of the selection process, in addition to an interview.

The purpose of tests is to learn something about the applicants for the job. The type of test that is used depends on the type of information the employer is looking for & There are four main types of selection test;

- **Intelligence Tests**

  These are tests (such as a general IQ test) to establish the general level of intelligence of the job applicants.

- **Aptitude Tests**

  These are tests designed to establish a particular aptitude or ability of the job applicants.

- **Competence Tests**

  Is a test to establish whether the candidate has reached a certain level of competence in a specific area. It tests what the candidates have learned in the past. (Ex: Language Skills)

- **Personality Tests**

  There are tests designed to analyze personality and character. A test is commonly in the form of a series of multiple choice questions. Candidates are asked in each question about their likes and dislikes, what they would do in a particular situation, their preferences and attitudes, and so on. The purpose of a personality test is to identify candidates who have a suitable personality for the job.

5.4 Group Selection Methods

In a group selection process, a number of people from the organization observe a number of applicants for a job as they go through a series of specially-designed activities. The activities may include role play, where each applicant is required to perform a particular role in a work-related scenario.

The candidates are observed, and compared with each other in terms of their;

- Verbal skills
- Leadership behavior
- Ability to mediate successfully in disputes & conflicts

5.5 Reasons for Ineffective Selection

The reasons for poor selection could be any of the following.

(a) The application form for the vacancy is badly-designed, and applicants do not provide enough relevant information about themselves.
(b) There are weaknesses in the interview process.
(c) The effectiveness of the selection process is not monitored and reviewed regularly.

5.6 Weaknesses in the Interview Process

Following are the common issues that can occur in an interview process;

- **Scope**

  An interview is too **brief** to 'get to know' candidates in the kind of depth required to make an accurate prediction of work performance.

- **Artificial Situation**

  An interview is an artificial situation. Candidates may be on their best behaviour and not show their true personality.

- **Halo Effect**

  There may be a tendency for the interviewers to make an initial general judgement about a person based on a single obvious attribute, such as being neatly dressed or well-spoken.

- **Bias**

  The interviewer may change the behaviour of the applicant by unintended **suggestion**. The applicant might be led by the wording of questions, or non-verbal cues from the interviewer, to change what they are doing or saying in response.

- **Incorrect Assessment**

  Qualitative factors such as motivation, honesty or integrity are very difficult to define and assess objectively in an interview.

- **Inexperienced Interviewers**

  If interviewers lack experience with selection interviews, they may fail to reach a good decision about which applicant to select for the job.

5.7 Evaluating the Selection Process

(a) Staff turnover should be monitored.

(b) Staff development should also be monitored.

(c) How often does the selection process result in a failure.

6. Induction / Socialization / Employee Orientation

Induction / Socialization / Employee Orientation is a process of getting a new employee to become more familiar with the organization, its culture, practices and people to feel comfortable and to behave and perform as usual or normal.

This can be important, because if a new employee is uncomfortable and unsettled in his new job, they:

• Will not be as productive or as committed to the work as they should be
• May decide to resign

Following are the major stages in the Socialization Process;

- **Before joining the Organization**

Employers use the selection process, especially selection interviews, to inform the individual about the organisation and what will be expected from them.

- **First Date of Joining**

On first joining the organisation, the new employee will have ideas about what to expect. Reality may match these expectations, or the job may not be what the individual was expecting.

- **Familiarization**

After the employee has joined the organisation, the socialisation process should begin. The process ends only when the new employee:
• Is comfortable in the organisation and in their work team
• Has internalised the 'norms' of the organisation and their fellow workers

- Feels accepted and valued
- Understands the job, and also the rules, procedures and informal practices of the organisation
- Knows what is expected of them in the job

Following Parties are Responsible for the Socialization Process;

- HR Department

- Immediate Supervisor

- Co-Workers

- Organizational Culture

7. Employee Motivation

Motivation can be defined as a hidden / unseen force that will change the behavior of an individual in a task with his / her willingness.

In business, the key issues with employee motivation are:
• What motivates an individual to do their job and perform in the way that they do?
• What would motivate an individual to do their job better?

7.1 Theories of Motivation

Employee motivational theories can be basically divided in to two categories;

a) Content Theories
   These theories ask the question: '**What** are the things that motivate people?'
   Maslow's hierarchy of needs and Herzberg's two-factor theory are examples of
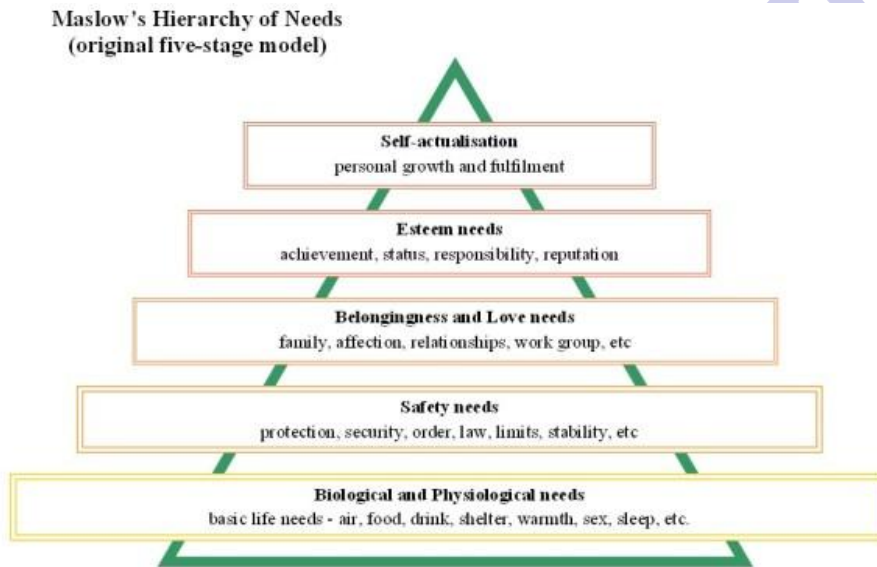
content theory.

b) Process Theories
These theories ask the question: '**How** can people be motivated?'

Abraham Maslow's Hierarch of Need Theory

Abraham Maslow identified 5 different motivation level based on employee / individual status. According to Maslow they are;

1) Basic needs / Physiological needs
2) Security needs
3) Social needs
4) Esteem needs
5) Self-actualization

Maslow's Hierarchy of Needs
(original five-stage model)

Self-actualisation
personal growth and fulfilment

Esteem needs
achievement, status, responsibility, reputation

Belongingness and Love needs
family, affection, relationships, work group, etc

Safety needs
protection, security, order, law, limits, stability, etc

Biological and Physiological needs
basic life needs - air, food, drink, shelter, warmth, sex, sleep, etc.

Basic Needs

These are the basic requirement is particular individual needs to have

Security Needs

This is the secured feeling a particular individual would like to have.

Social Needs

These are social factors a particular individual would like to achieve after being satisfied with previous needs.

Esteem Need

These are egoistic need.

Self-Actualization

This is the final level a particular individual would like to achieve.

Two Factor Theory

Herzberg identified two factors related to employ motivation.

1.   Hygiene factors
2.   Motivators

Hygiene Factors

Availability of these factors will not motivate people but will keep individuals away from demotivation. In other words if organization is not capable in providing these factors employees will get demotivated.

Ex: salary, working environment, relationship

Motivators

According to Herzberg availability of these factors will motivation employees while non-availability will make the employee motivation neutral.
Ex: Recognition, responsibility, feeling of achievement, prestige

Vroom's expectancy theory

Expectancy theory states that the strength of an individual's motivation to do something will depend on the extent to which they expect the results of their efforts to contribute to their personal needs or goals.

Victor Vroom stated a formula by which human motivation could be assessed and measured. He suggested that the strength of an individual's motivation is the product of two factors.

(1) The strength of their **preference** for a certain outcome.
(2) Their **expectation** that the outcome will in fact result from a certain behavior.

Equity Theory

Equity theory was developed in the 1960s by John Adams. Adams argued that employees seek to maintain equity (fairness) in the relationship between:

• The inputs they bring to their job and the outputs they receive from doing the job
• The perceived inputs that work colleagues put into their job and the outputs that they
  Receive

He argued that people at work value fair treatment, and they are:
• Motivated to maintain fairness
• De-motivated if they believe that there is a lack of fairness

Inputs typically include:

• Time put into the job
• Effort put into the job
• Loyalty
• Hard work
• Ability and skill
• Enthusiasm
• Drive and ambition

Outputs typically include:

• Monetary compensation/remuneration
• Other non-monetary benefits
• Flexible working arrangements
• Recognition
• Responsibility
• Praise and thanks

Job / Job Design as a Motivator

- Job Enrichment

Making the job more challenging and more fulfilling. Herzberg suggested that this would provide motivation for individuals.
Ex : More work Authority
    Decision Making Ability

- Job Enlargement

Adding more responsibilities to the job. However, adding more tasks that do not provide a challenge will not be sufficient to motivate individuals to perform better.
Ex : Assigning more work load

- Job Rotation

Moving individuals from one job to another within the organisation or department. Job rotation can reduce the monotony of performing non-challenging work, but will not provide motivation.

Employee participation in job related decision making will act as an invisible motivational factor for employees.

<u>Participation in Decision Making as a Motivator</u>

Participation in decision making will be a key motivator for staff provided they possess with following conditions (5 C's)

1. Certainty
Participation should be genuine. Employees should not be encouraged to make suggestions, only for these to be ignored.

2. Consistency
Efforts to establish participation should be made consistently over a long period.

3. Clarity
The purpose of participation is made quite clear. What are employees being asked to do – advise or make the actual decision

4. Capacity
Employees should have the ability and should be provided with information to participate effectively.

5. Commitment
The manager in charge of the decision-making group should believe in and genuinely support participation.

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8. Pay & Reward Systems as Motivators

Pay is determined based on number of ways;

- Job evaluation

- Fairness

- Negotiated Pay Scales

- Market Rates

- Individual Performance in the Job

The pay structure for employees will depend on their position in the organization.
A remuneration structure may contain the following elements.

- Basic Pay

- Overtime Payment

- Benefits in other kinds (Company maintained vehicles. Accommodation etc..)

- Annual bonus

- Long-term Incentives (Gratuity, Share Options etc..)

Performance Related Pay

Performance related pay (PRP) is an incentive system, awarding extra pay for extra output or performance.
Ex : Bonus Pay

Rewarding a Team

Various forms of group rewards can be used as an incentive to co-operative performance;

- Offering bonuses to a whole team may be appropriate for tasks where individual contributions cannot deliver the expected outcome.
- Group bonuses may enhance team-spirit and co-operation

- However, there needs to be a fair way of sharing a group bonus between the individual members of the group.

Profit Sharing Schemes

Profit-sharing schemes offer employees or selected groups bonuses that are directly related to profits or value added.

9. Performance Management

Performance management is a means of getting better results by managing performance within an agreed framework of goals, standards and competence requirements.

Key Features of Performance Management

- Agreed framework of goals

- Performance management is a process

- Shared understanding

- An approach to managing and developing people

- Achievement

Process of Performance Management

- Identify requirements and competences

- Performance agreement

- Performance and development plan

- Manage performance continually throughout the year

- Annual formal Performance appraisal

Main Components of Performance Appraisal

- Reward Review

- Performance Review

- Potential Review

Specific Objectives of Performance Appraisals

a)

b)

c)

d)

e)

Following are the three key benefits of Performance Appraisals;
- Individuals will be confident that their performance is properly assessed.
- It will facilitate the goal setting process for individuals.
- This will provide effective feedback for individuals.

Performance Appraisals Techniques

- Performance is judged by achievement of predetermined objectives

- Graphical rating scales

- BARS
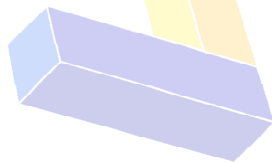
- 360 degree appraisal

10. Human Resource Development

Human resource development is concerned with developing employees for future roles in the organization. For the most talented employees, it is the process of grooming individuals to be the future leaders of the organization. Training is a part of the process of development.

Education

Education is the process of acquiring basic academic skills that are taught in schools, colleges and universities, such as reading, writing and arithmetic.

Training

A training course should have a specific objective, to teach the individual some theoretical or practical knowledge, or to give the individual a new insight into an aspect of their current work.

Development

HR development is concerned with ensuring that the organization has the right number of employees with the right amount of skills and experience, and in the right jobs, to meet the needs of the organization. The required skills of the workforce will change over time to suite the possible future requirements.

Methods of Training & Development

- Job Related Training

- Cross-Functional Training

- Leadership Training

- On-the-Job Training

- Off-the-Job Training

- Formal Coaching

- Assigning Projects

- Job Rotation

ROI on Training

Training can be expensive. Employee development is more difficult to cost, but this too can be expensive. The HR department should be responsible for ensuring that training initiatives provide benefits that justify the costs. This principle is at the core of attempts to measure the return on investment from training and similar HR initiatives.

In theory, it should be possible to assess the return on training expenditure as a whole, but in practice it is difficult. In particular, measuring the benefits from training is difficult. For this reason, attempts to measure the return on investment (ROI) in HR may be restricted to a small number of training initiatives.

ROI in HR management can be defined as the benefits obtained from an HR activity, converted into a money-equivalent value, expressed as a percentage of the cost of the activity.

11. Knowledge Management

Knowledge comes from a combination of information, experience and sharing experiences

with other people. Knowledge management is a relatively new concept in business theory. It is connected with the theory of the learning organization and is based on the idea that knowledge is a major source of competitive advantage in business.

The aim of knowledge management is to capture, organize and make widely available all the knowledge that the organization possesses. Knowledge is both explicit (in recorded form Knowledge that is recorded in documents or files, and available to everyone) and tacit (Information that is not recorded, but is in people's heads Not available to others unless the individual shares it).

Data Workers & Knowledge Workers

- **Data workers**, who are involved in processing data and providing information to management from processed data.
- **Knowledge workers**, who are involved in developing knowledge within an organization.

Organizational Learning

Organisational learning refers to the way in which an organization acquires knowledge (and learns from it), by:

• Using its existing knowledge
• Acquiring new knowledge, and using this new knowledge

An aim of knowledge management should be to obtain tacit knowledge from individuals and record it, converting it into explicit information.
Nonaka and Takeuchi describe four ways in which knowledge is transferred.

- Socialization

- Externalization

- Internalization

- Combination
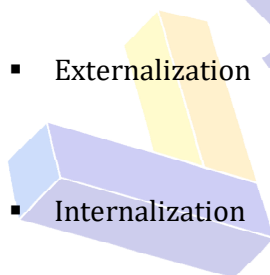
Knowledge management can be described as the process with five elements.

A) Knowledge Creation

B) Knowledge Validation

C) Knowledge Presentation

D) Knowledge Distribution

E) Knowledge Application

Knowledge Management Systems (KM System)

Organizations can store information in many different ways using IT systems and Databases. Examples of knowledge management using IT systems are:

• Expert systems
• Data mining

An **expert system** is a computer program that captures human expertise in a specific area of knowledge.

Forexample, many banks now use expert systems to process simple loan applications. The banker enters certain information about the applicant for the loan, such as name and most recent addresses, income and monthly outgoings, and details of other loans.

The Expert System will then process automatically with the preparation of the credit proposal, calculations etc..

Data mining software discovers previously unknown relationships and provides insights that cannot be obtained through ordinary summary reports.

These hidden patterns and relationships constitute **knowledge**, as defined above, and can be used to guide decision making and to predict future behavior. Data mining is thus a contribution to knowledge and organizational learning.

<u>**Learning Organization**</u>

A **learning organization** has been defined as one 'where people continually expand their capacity to create the results they truly desire and need to achieve. Following are the Features of a Learning Organization;

- Learning approach to Strategy Development

- Participation in policy making

- Information

- Environment

- Learning Culture

12. Organizational Culture

The values and behaviors that contribute to the unique social and psychological environment of an organization can be defined as the "Organizational Culture"

Organizational culture is the 'basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic taken-for-granted fashion an organization's view of itself and its environment'

Organizational culture relates to ways of acting, talking, thinking and evaluating issues and problems. It can include shared values beliefs and assumptions. Culture may also include a

set of shared ethical beliefs about what is right and wrong, and how people in the organization ought to behave.

Culture is a mixture of the following;

- Behaviors

- Accepted Assumptions

- Beliefs

Charles Handy, a writer on management theory, suggested that there are four broad types of organizational culture.

a) Power Culture

b) Role Culture

c) Task Culture

d) Person Culture
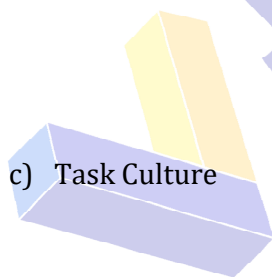
The Cultural Web – Johnson & Scholes

Johnson and Scholes suggested that within any organization, there is something that they called a cultural web. This affects the way in which the employees understand the organization in which they work. This understanding of their organization called their 'paradigm' of the organization. Employees find it difficult to think and act outside this paradigm.

A **cultural web** is the combination of many different factors that together make up the culture of an organization.

The cultural web consists of six inter-related elements of culture that together create the paradigm.
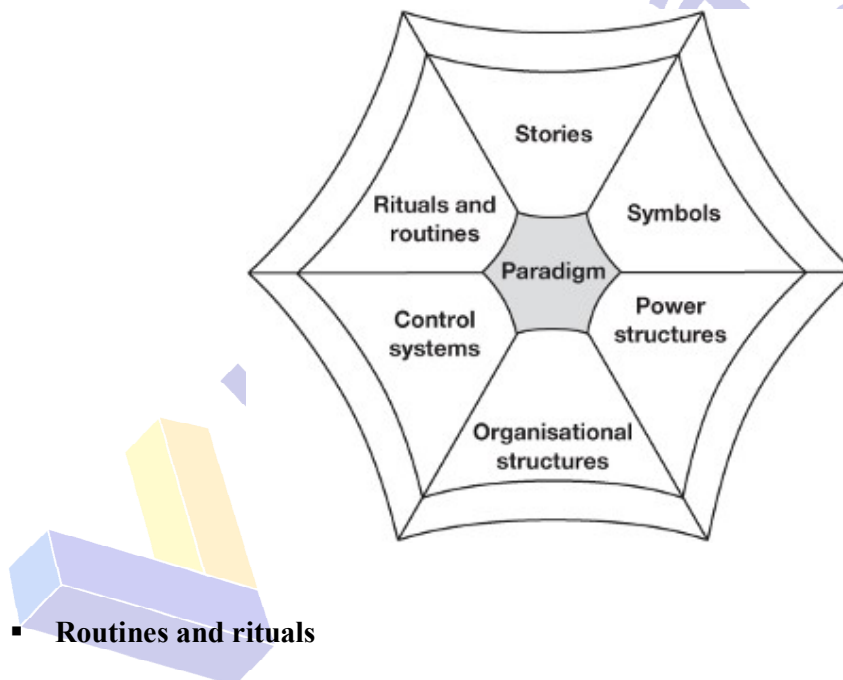
- **Routines and rituals**

- **Stories and myths**

- **Symbols**

- **Power structure**

- **Organization structures**

- **Controls and control systems**

Three Levels of Culture – Edgar Schein

Schein had similar views about corporate culture. He argued that organization culture is strong because it is regarded as something that helps the company to succeed. An organization culture is a set of assumptions that a group of people working together have invented or discovered, by learning how to deal with problems that the organization faces.

These assumptions work well enough to be considered valid; they are therefore 'taught' to individuals who join the organization. New entrants therefore learn the culture of the organization and become a part of that culture.

According to Schein, there are three levels of culture that members of an organization acquire.

- Outer Skin
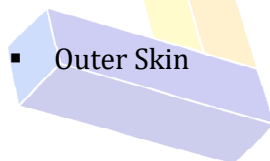
- Inner Layer

- The Heart

13. Change & Change Management

Business organizations operate in a rapidly-changing environment and marketplace. To remain successful, they must adapt by responding to the changes and taking advantages of any strategic opportunities that may arise.

However when major changes are required, there will often by strong resistance from employees and the existing culture of the organization. To overcome resistance to change may require skilled 'change managers' as well as effective leadership from the top of the organization.

Three Step Model for Change Management – Kurt Lewin

Kurt Lewin, a psychologist, developed a model for change management in the 1940s. He suggested that in any situation where change may happen, there are two opposing forces namely;
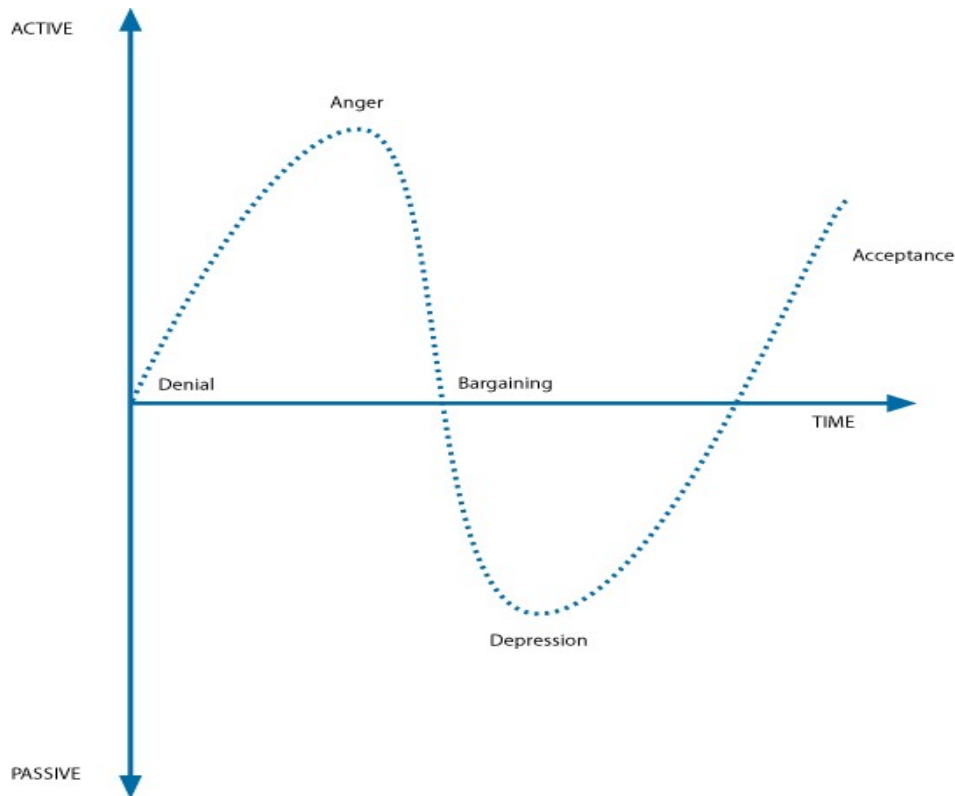
- Driving Forces

- Restraining Forces

Lewin described successful change as a three-stage process.
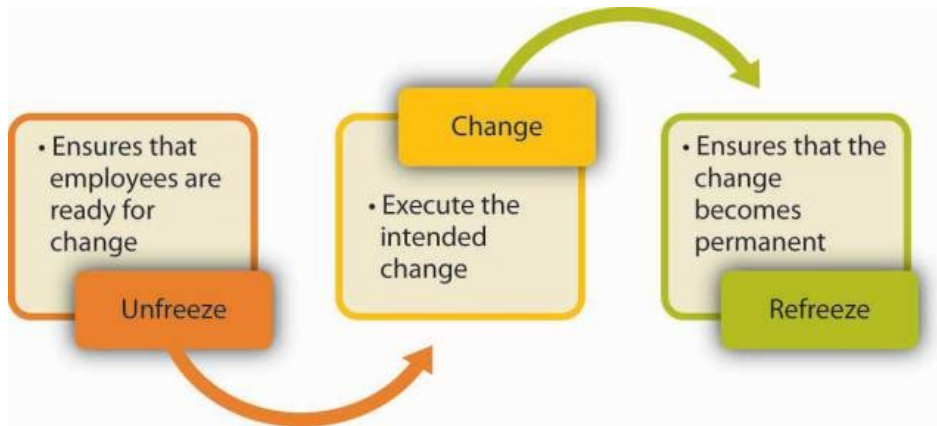
Eight Step Model for Change Management – Kotter
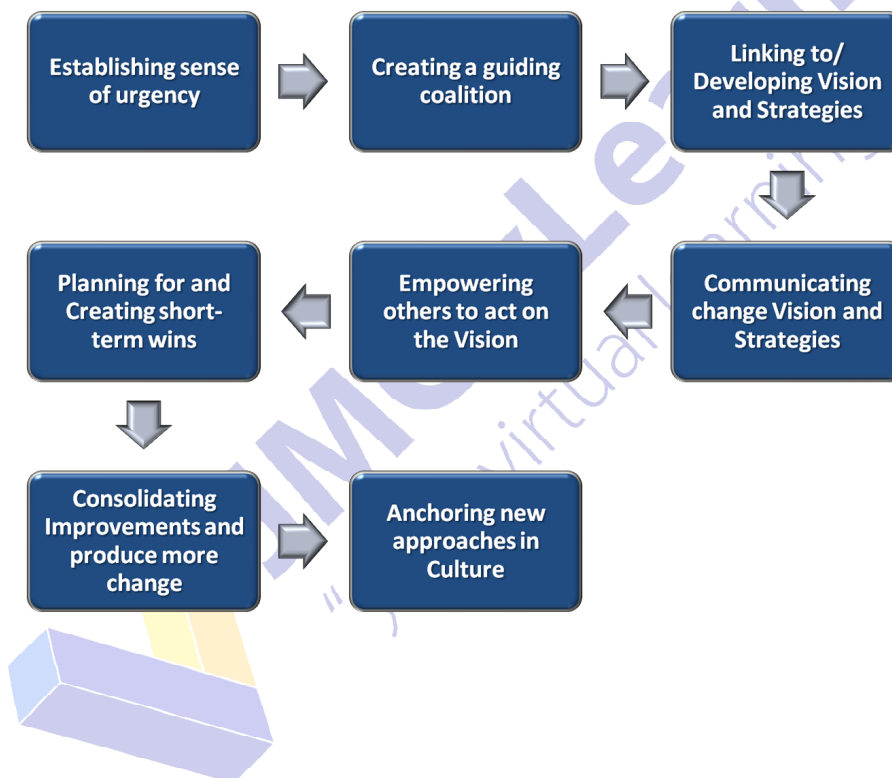
Kubler – Ross Model (Five Stages of Grief

Change Agent

Change is often difficult to implement in a business organization. The forces opposed to change can be very strong.

When senior management in an organization wants to implement a major change, they may appoint an individual as the person who is responsible for implementing the change. This individual is called a 'change agent' or 'change champion'.

The change agent may be a senior manager within the organization, or may be appointed externally – such as a management consultancy expert.

The role of the change agent is to ensure that the change is implemented successfully, and to deal with problems and resistance.
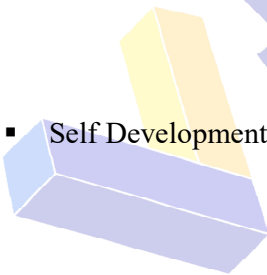
14. Leadership

Effective leadership is critically important for the success of an organization and the creation of value. Leadership has been defined as: 'the activity of influencing people to strive willingly for group objectives'

Key Leadership Skills

- Entrepreneurship

- Interpersonal Skills

- Decision Skills

- Self Development Skills

Theories of Leadership

- **Trait Theory**

- **Behavioral Theories / Style Theories**

They are mainly relate to the extent to which the leader is focused primarily on task/performance (directive behavior) or relationships/ people (supportive behavior).
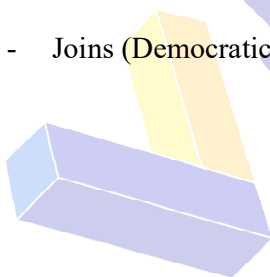
<u>The Ashridge Model</u>

The Research Unit at Ashridge Management College identified four different management styles.

- Tells (Autocratic)

- Sells (Persuasive)

- Consults

- Joins (Democratic)

The Ashridge studies found that:

(a) In an ideal world, subordinates preferred the 'consults' style of leadership.

(b) People led by a 'consults' manager had the most favourable attitude to their work.

(c) Most subordinates feel they are being led by a 'tells' or 'sells' manager.

(d) In practice, consistency was far more important to subordinates than any particular style.

Blake and Mouton's Managerial Grid

Robert Blake and Jane Mouton carried out research (The Ohio State Leadership Studies) into managerial behavior, and observed two basic dimensions of leadership: concern for production (or task performance) and concern for people.
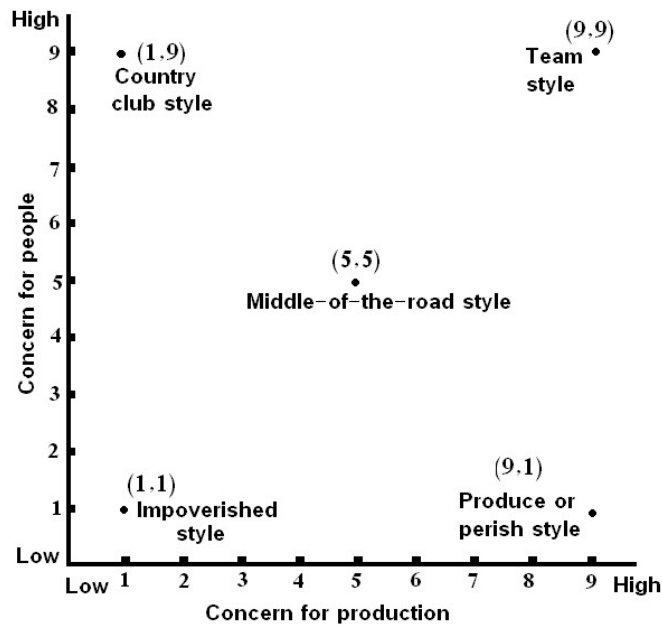
1.1 impoverished: the manager is lazy, showing little interest in either staff or work.
1.9 country club: the manager is attentive to staff needs and has developed satisfying
    relationships. However, there is little attention paid to achieving results.
9.1 task management: almost total concentration on achieving results. People's needs are
    virtually ignored.
5.5 middle of the road or the dampened pendulum: adequate performance through
    balancing (or switching between) the necessity to get out work with team
    morale.
9.9 team: high work accomplishment through 'leading' committed people.

Transformational leadership

According to this theory, there are two types of leader: transformational leaders and transactional leaders.

Transformational leaders are the leaders who are capable of seeing a need for strategic change, and leading the organization through the change. They are capable of 'transforming' organizations, individuals and groups.

Transactional leaders are leaders who are more capable at dealing with operational and transactional problems in the business.

- **Situational Theories**

Situational approaches to leadership theory propose that the most effective approach to leadership depends on the work situation. There is no one right way to lead that will fit all situations. The ability of a manager to be an effective leader depends on the particular situation (which can vary) and the leadership style that they use.

Fiedler's contingency theory of leadership

Fiedler suggested that:
- (a) A structured (or psychologically distant) style works best when the situation is either very favorable, or very unfavorable to the leader.
- (b) A supportive (or psychologically close) style works best when the situation is Moderately favorable to the leader.
- (c) 'Group performance will be contingent upon the appropriate matching of leadership Styles and the degree of favorableness of the group situation for the leader' (Fiedler).

Fiedler's Contingency Model
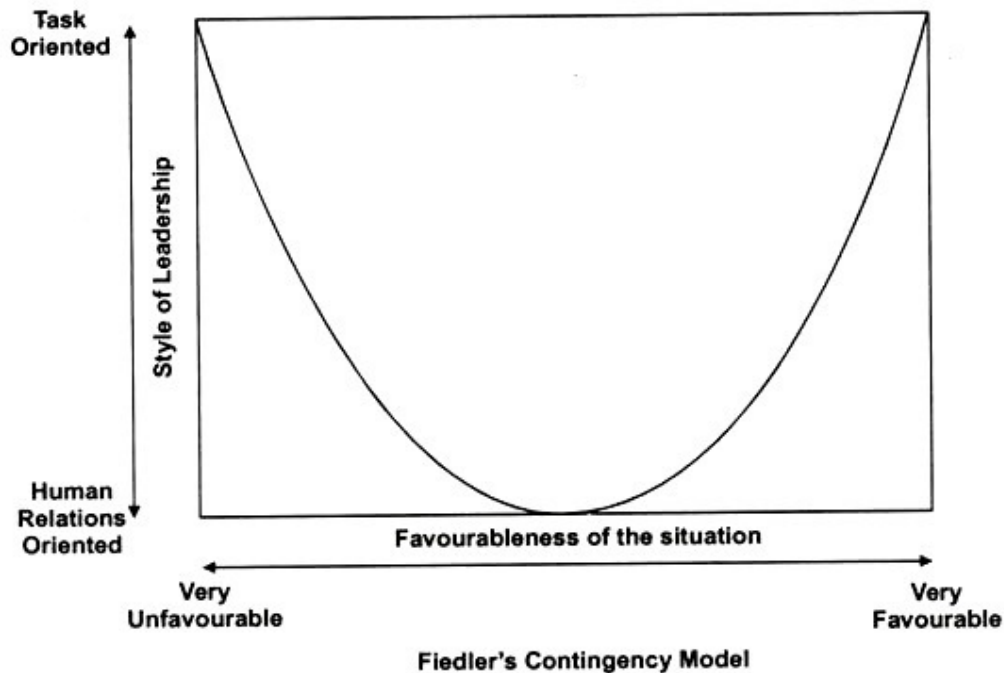
Adair: action-centered leadership

Leadership process in a context made up of three interrelated variables:

• Task needs
• The individual needs of group members
• The needs of the group as a whole

The priority that a leader should give to each of these needs depends on the work situation, and priority should be given to different needs according to the situation. Effective leadership is a process of identifying and acting on that priority, exercising a relevant cluster of roles to meet the various needs.

Hersey and Blanchard: situational leadership theory

A leader should adjust their leadership style to meet the requirements of the work situation. Leaders must be able to use any leadership style, and should switch from one style to another as circumstances require.

Subordinates or team members are at different levels of personal development. Some are more mature psychologically, and more experienced and skilled in the job than others. The appropriate leadership style depends on the extent to which the subordinates are mature.

Diagram 1- Situational Leadership Styles
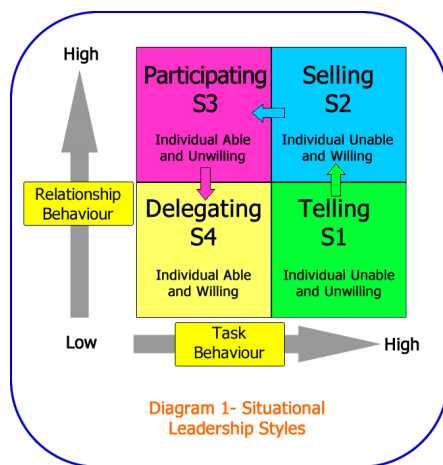
S1	Telling	Leader defines the roles of the individual or group and provides the what, how, why, when and where to do the task
S2	Selling	While the leader is still providing the direction, he or she is now using two-way communication and providing the socio-emotional support to "sell" their message to get people on board.
S3	Participating	Leader shares decision-making about aspects of how the task is accomplished and the leader is providing less task behaviors while maintaining high relationship behavior
S4	Delegating	Leader is still involved in decisions; however, the process and responsibility has been passed to the individual or group. The leader stays involved to monitor progress