

SECTION

2

**FUNCTIONS OF
MANAGEMENT**



Business Management

The Nature of Business and Managing Businesses

INTRODUCTION

In this section, we will dive into the basics of managing a business. It explores how businesses work, and the skills needed to make them run well. The main focus is on the four basic functions of planning, organising, leadership, and controlling. By the end of this section, you will understand the core ideas of business management. This includes knowing how to plan, organise, and lead a team, as well as the differences between centralisation and decentralisation, their advantages and disadvantages.

At the end of the section, you will be able to

- Explain management in business.
- Explain planning, its tools, processes, benefits and limitations.
- Explain the concept of organising, its principles and organisational structures.
- Differentiate between centralisation and decentralisation and examine their advantages and disadvantages.
- Explain leadership, its various forms, sources of power in leadership and the importance of effective leadership.
- Explain controlling, its processes, tools and importance.

Key Ideas

- Managing a business requires that some key functions are performed. This section will cover each of these sections in turn, but in summary, they are:
- **Planning:** setting clear goals and objectives and developing strategies to achieve them.
- **Organising:** allocating resources, assigning tasks, and structuring teams to work effectively.
- **Leadership:** inspiring, motivating, and influencing others to work towards a common goal.
- **Controlling:** monitoring, evaluating, and adjusting plans to ensure progress and success of the business.

THE CONCEPT OF MANAGEMENT, DEFINITION OF PLANNING AND ITS TOOLS.

Management

Management refers to **planning, organising, directing, and controlling** resources to achieve organisational goals and objectives. It involves coordinating and overseeing various organisational activities, tasks, and people to ensure efficient and effective operations. Management plays a crucial role in ensuring the efficient and effective use of resources, such as human capital, financial assets, technology, and materials, to achieve desired outcomes.

There are many theories and models of management. You can explore them in your own time. However, one example is Henri Fayol's administrative model, which defines management as "to manage is to forecast and plan, to organise, to command, to coordinate, and to control." Other models of management include Max Weber's bureaucratic theory and Elton Mayo's human relations theory. Models of management are constantly evolving, so it is useful to understand different theories and how they may work together rather than seeing one theory or system as the right or wrong approach.

Basic Functions or Processes of Management

Management functions are activities managers perform daily to ensure the effective running of their operations.

The four basic management functions are:

1. Planning.
2. Organising.
3. Leading.
4. Controlling.

These functions can be applied to daily life as well as business.

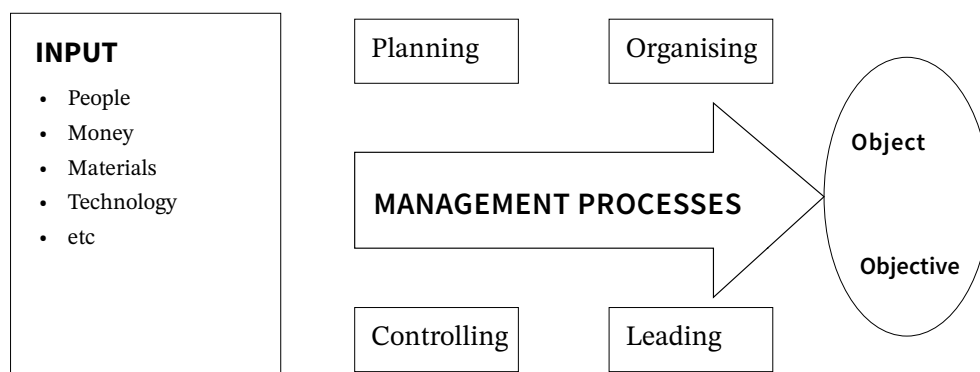


Fig. 2.1: Functions of management

Planning

Planning is the first basic function of management, which involves defining and setting goals, establishing strategy, and developing plans to coordinate activities. Planning entails mapping out the process of achieving a set target or goal. It helps managers to look ahead and prepare for the future.

Planning Tools or Instruments

The planning process can be supported by various methods and tools. These resources assist managers and organisations in analysing information, making informed decisions, and developing effective plans.

Some examples of frequently used planning tools are listed below.

1. Forecasting or Projecting

Forecasting involves the application of mathematical rules to analyse a series of past data with the aim of predicting future values. The process is crucial for businesses to anticipate trends, market demands, and potential challenges.



HLP Manufacturing INC
Sales forecast
Confidential

Opportunity name	Sales agent	Sales region	Sales category	Forecast amount	Sales phase	Probability of sale	Forecast close	Weighted forecast
Adatum Corporation	Rosaleen Murphy	US - Northeast	Consulting	\$120000	Formal approval	80%	January 2024	\$120000
Adventure Works	Michelle Kojima	US - Southeast	Products	\$140200	Opportunity	10%	February 2024	\$14020
Alpine Ski House	Corey Thomas	US - North-Central	Training	\$167000	Identified need	20%	March 2024	\$32100
Baldwin Museum of Science	Ellis Turner	US - South-Central	Mixtures	\$147000	Sponsorship	30%	April 2024	\$44100
Blue Yonder Airlines	Luna Kim	US - Northwest	Prof. services	\$148000	Budget validated	40%	May 2024	\$59200
City Power & Light	Rosaleen Murphy	US - Southwest	Support	\$170000	Needs analysis	10%	June 2024	\$17000
Colo Maynard	Corey Thomas	Canada - East	Mixtures	\$149000	Solution proposed	40%	July 2024	\$59600
Colo Maynard	Luna Kim	Canada - West	Training	\$140000	Written proposal	20%	August 2024	\$28000
Compass E&E	Corey Thomas	EMEA - France	Mixtures	\$120000	Verbal approval	80%	October 2024	\$152300
Continous Pharmaceuticals	Ellis Turner	EMEA - Germany	Products	\$160000	Sponsorship	20%	November 2024	\$32000
Consolidated Messenger	Luna Kim	EMEA - Italy	Products	\$150000	Formal approval	100%	December 2024	\$150000
Fabulous, Inc.	Ellis Turner	EMEA - Other	Consulting	\$180000	Opportunity	10%	January 2024	\$18000
Fourth Coffee	Corey Thomas	APSA - Asia	Training	\$160000	Budget validated	20%	March 2024	\$32000
Gigamon Design Institute	Michelle Kojima	APSA - Pacific	Services	\$140000	Solution proposed	40%	May 2024	\$56000
Humongous Insurance	Rosaleen Murphy	APSA - Mexico	Support	\$150000	Sponsorship	30%	June 2024	\$45000
Lithere, Inc.	Michelle Kojima	APSA - Australia	Prof. services	\$170000	Needs analysis	10%	October 2024	\$17000
Luxorine Publishing	Luna Kim	APSA - Other	Services	\$146000	Solution proposed	40%	December 2024	\$58400
Morgan's Travel	Ellis Turner	US - Northeast	Support	\$116700	Written proposal	70%	November 2024	\$109710
Northeastern Traders	Corey Thomas	US - South-Central	Prof. Services	\$160000	Verbal approval	90%	February 2024	\$144000
Procewars, Inc.	Ellis Turner	Canada - East	Mixtures	\$170000	Formal approval	100%	March 2024	\$170000
School of Fine Art	Michelle Kojima	EMEA - France	Services	\$170000	Budget validated	40%	April 2024	\$68000
Southridge Utilities	Luna Kim	EMEA - UK	Mixtures	\$170000	Needs analysis	10%	August 2024	\$17000
Taligent Toys	Rosaleen Murphy	APSA - Australia	Products	\$180000	Solution proposed	60%	September 2024	\$108000

Fig. 2.2: An example of a sales forecast

2. Budgeting or Budgetary Planning

Budgeting is the process of allocating resources, typically financial, to specific activities based on organisational priorities and objectives. They help organisations to set financial goals, control spending, and allocate resources efficiently to achieve organisational goals and objectives.

PERSONAL MONTHLY BUDGET

PROJECTED MONTHLY INCOME	Income 1	\$4,300.00	PROJECTED BALANCE	\$3,405.00
	Extra income	\$300.00	(Projected income minus expenses)	
	Total monthly income	\$4,600.00	ACTUAL BALANCE	\$3,094.00
			(Actual income minus expenses)	
ACTUAL MONTHLY INCOME	Income 1	\$4,000.00	DIFFERENCE	(\$341.00)
	Extra income	\$300.00	(Actual minus projected)	
	Total monthly income	\$4,300.00		

INCOMES	Projected Cost	Actual Cost	Difference	ENTERTAINMENT	Projected Cost	Actual Cost	Difference
Mortgage or rent	\$1,000.00	\$1,000.00	\$0.00	Video/DVD			\$0.00
Phone	\$34.00	\$100.00	-\$66.00	CDs			\$0.00
Electricity	\$44.00	\$56.00	-\$12.00	Movies			\$0.00
Gas	\$22.00	\$28.00	-\$6.00	Concerts			\$0.00
Water and sewer	\$8.00	\$8.00	\$0.00	Sporting events			\$0.00
Cable	\$34.00	\$34.00	\$0.00	Live theater			\$0.00
Waste removal	\$10.00	\$10.00	\$0.00	Other			\$0.00
Maintenance or repairs	\$23.00	\$0.00	\$23.00	Other			\$0.00
Supplies	\$0.00	\$0.00	\$0.00	Other			\$0.00
Other	\$0.00	\$0.00	\$0.00	Subtotal			\$0.00
Subtotal			-\$41.00				

TRANSPORTATION	Projected Cost	Actual Cost	Difference	LOANS	Projected Cost	Actual Cost	Difference
Vehicle payment			\$0.00	Personal			\$0.00
Bus/train fare			\$0.00	Student			\$0.00
Insurance			\$0.00	Credit card			\$0.00
Leasing			\$0.00	Credit card			\$0.00
Fuel			\$0.00	Other			\$0.00
Maintenance			\$0.00	Subtotal			\$0.00
Other			\$0.00				
Subtotal			\$0.00				

FOOD	Projected Cost	Actual Cost	Difference	SAVINGS OR INVESTMENTS	Projected Cost	Actual Cost	Difference
Groceries			\$0.00	Retirement account			\$0.00
Dining out			\$0.00	Investment account			\$0.00
Other			\$0.00	Other			\$0.00
Subtotal			\$0.00	Subtotal			\$0.00

Fig. 2.3: An example of personal monthly budget

3. Scheduling

Scheduling is the systematic planning of time to achieve specific objectives. It involves creating timelines, assigning tasks to team members, and coordinating activities to meet deadlines.

Weekly Schedule Planner							
Week of							
Monday, October 23	Tuesday, October 24	Wednesday, October 25	Thursday, October 26	Friday, October 27	Saturday, October 28	Sunday, October 29	
<input checked="" type="checkbox"/> This is a holiday <input checked="" type="checkbox"/> This is a holiday <input checked="" type="checkbox"/> This is a holiday							
Time slots: 8:00 AM, 9:00 AM, 10:00 AM, 11:00 AM, 12:00 PM, 1:00 PM, 2:00 PM, 3:00 PM, 4:00 PM, 5:00 PM, 6:00 PM, 7:00 PM, 8:00 PM, 9:00 PM							

Fig. 2.4: An example of a weekly schedule planner

4. Decision Trees

These are graphical depictions of the procedures involved in making decisions. At each decision point, they illustrate different potential options and outcomes, using branching diagrams. Decision trees are useful for analysing difficult decisions, comparing possible courses of action, and estimating the benefits and drawbacks of various options.

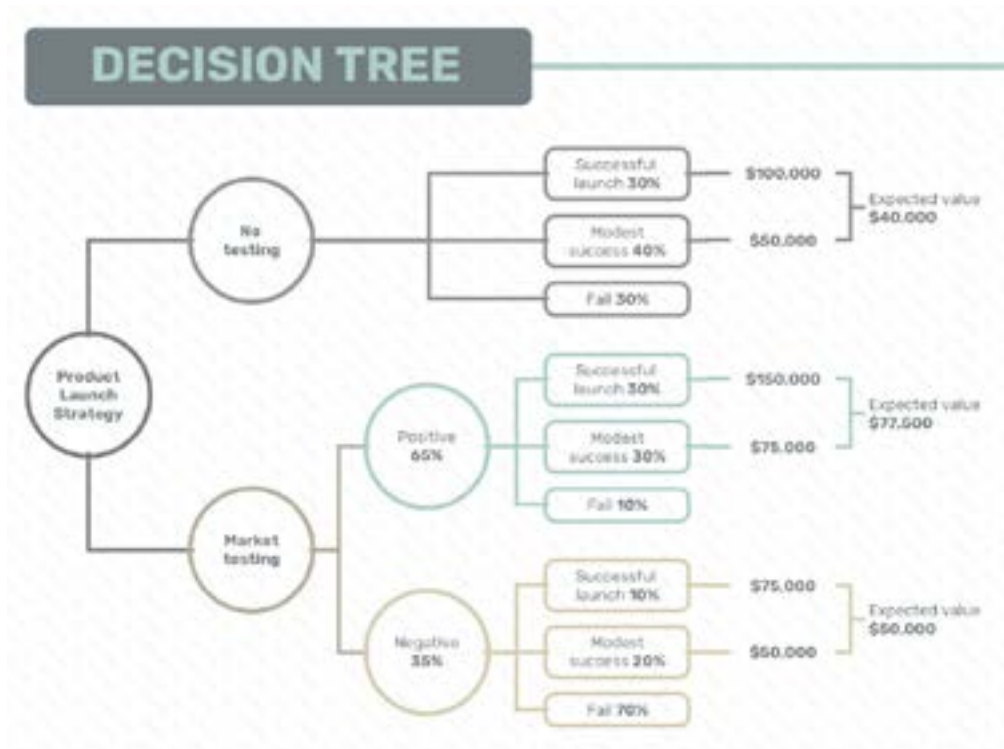


Fig. 2.5: An example of a product decision tree

5. Gantt Charts

These are visual aids that show tasks or activities in timeline format, including the start and end dates, durations, and dependencies. They are useful for managing resources, scheduling and monitoring project activities, and identifying possible delays or bottlenecks.

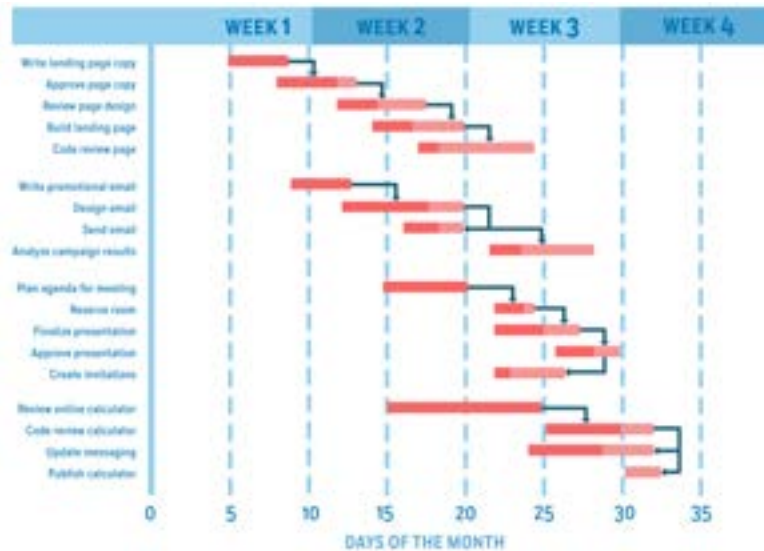


Fig. 2.6: An example of a Gantt chart

NOTE: The choice of tools relies on the particular needs, context, and complexity of the planning process. These are just a few examples of planning tools that can be utilised in business.

Activity 2.1

Form groups of five. Read the case study below, answer the questions that follow and complete the tasks that follows.

Case study

Afi and her classmates were given a group project to complete in two weeks. Her team consists of five members with different skills, but they initially struggled to work together effectively. Afi, noticing the confusion, decided to take charge by creating a plan. She assigned each team member specific tasks according to their strengths, set deadlines, and scheduled regular check-ins to monitor progress.

By the end of the two weeks, the group had successfully completed the project on time. Afi's planning helped the group stay focused and work more efficiently.

Questions:

1. How did Afi apply the concept of planning to ensure the project was completed on time?
2. What tools or strategies could Afi have used to manage the group project effectively?
3. What are the benefits of assigning specific tasks when working in a group?
4. What challenges might Afi have faced in leading the group, and how could planning help overcome those challenges?

Now, imagine you are to plan and organise a school event such as a cultural day, sports event, or talent show. Follow the instructions below to complete the task.

- a. Assign specific tasks to each group member e.g. venue, budgeting, etc.
- b. Create a detailed event schedule and assign roles.
- c. Design posters, flyers, or digital invitations.
- d. Present the event plan to the class with timelines and budget. In your presentation, explain why you allocated tasks the way you did and how you intend to manage the project timeline.

Activity 2.2

You have been tasked with organising a birthday party for your class teacher.

1. Consider the tools you will use to assist with planning the event.
2. Provide reasons for your choice of these tools.
3. Create an outline of your plan, using one of the recognised planning tools discussed in the lesson.

The tools I will use to plan the event are:

Why?

Plan to support my organisation of the birthday party

Activity 2.3

Perform the following tasks to complete the activity.

1. In pairs, share and discuss your personal management styles, such as how you plan your tasks, set goals, or organise your time.
2. Listen to your partner's management style and note any similarities or differences.

3. Write down key concepts from your discussion about personal management styles (e.g., time management, goal setting, prioritisation).
4. Research to identify how these concepts apply to managing a business.
5. Use a tool for creating a concept map, such as paper and pen, or digital tools like Microsoft Word, Google Drawings, or a concept map app.

Instructions for creating the concept map

- In the centre of your concept map, write “Personal Management vs. Business Management.”
 - Draw branches from the central idea to represent key concepts from personal management (e.g., *Time Management*, *Goal Setting*, etc.).
 - From each personal management branch, draw lines to corresponding business management concepts (e.g., *Time Management* might link to *Project Scheduling*).
 - For each connection, add brief notes or examples showing how personal management concepts relate to business management.
6. Review your concept map to ensure it clearly shows the connections between personal management styles and business management.
 7. Make any necessary adjustments for clarity.
 8. Share your concept map with your class or group, explaining the connections and similarities you identified.

The Planning Process

The planning process in management involves a series of steps that organisations follow to develop effective plans and achieve their goals. While the exact steps may vary depending on the organisation and the nature of the planning effort, the following is a generalised overview of the planning process:

1. **Determining the objective or goal:** Planning is always done with the intention of reaching specific, well-defined goals. Business goals can be determined by looking at revenue, output, profit, or reputation in the marketplace. Both qualitative and quantitative definitions are acceptable for objectives.
2. **Analysing the environment:** At this planning stage, data is gathered, examined, and interpreted to assess the internal and external factors that affect the organisation.
3. **Identify alternatives:** During planning, various strategies or plans are formulated that can be applied to a variety of situations or meet differing demands. Developing more than one potential planning strategy provides flexibility and enables you to adapt to changing circumstances.
4. **Evaluating Alternatives:** Planners can use techniques like cost-benefit analysis and scenario planning to evaluate the viability, risks, rewards, and alignment of their plans against objectives.

5. **Deciding and selecting a course of action:** The planner chooses an appropriate option for real implementation after analysing the business environment and the available alternative plans.
6. **Developing the Plan:** Creating a detailed, actionable plan to show actions, timelines, resource allocations, and responsibilities, including contingency plans.
7. **Implement the plan:** In this phase, the plan is put into action by allocating resources, assigning responsibilities, and executing activities with effective coordination.
8. **Evaluating and Reviewing:** To support ongoing development and future planning initiatives, progress should be regularly monitored, measuring achievement against objectives and reviewing effectiveness to inform continuous improvement and future planning efforts.

It's important to note that the plans may need to be adjusted and revised based on changing circumstances, new information, or shifts in organisational priorities. Continuous monitoring and feedback loops help ensure that plans remain relevant and effective.

Benefits of Planning

Planning, as a management process, offers several benefits to organisations. However, it also has some limitations. Let's explore both the benefits and limitations of planning:

1. **Goal Setting:** A business organisation can achieve its aims and objectives by setting clear, specific goals. These goals provide direction, focus efforts, and serve as benchmarks for measuring progress and success. Setting goals ensures that everyone working on the project, in the department, or within the organisation is aligned with common objectives, fostering unity of purpose.
2. **Decision-making:** Planning provides a methodical structure for weighing options, calculating risks, and arriving at well-informed decisions. It assists managers in gathering data, weighing possibilities, and taking into consideration a variety of criteria before allocating resources, reducing uncertainty, and improving the accuracy of decisions.
3. **Resource Allocation:** Planning involves assessing resource requirements and allocating them effectively. This includes human resources, financial resources, materials and technology. By understanding resource needs in advance, planning enables efficient allocation, minimises waste, and optimises resource utilisation.
4. **Risk management:** Planning helps identify potential risks and develop strategies to mitigate them. By considering potential challenges and uncertainties in advance, planning allows organisations to anticipate and prepare for potential disruptions. It enables proactive risk management and helps minimise negative impacts on operations and outcomes.
5. **Collaboration and Coordination:** Good planning makes it possible for the various sections or departments in the business organisation to collaborate with

one another. It facilitates efficient communication, promotes a unified approach to work, and assists in directing the efforts of teams and people toward shared objectives. Planning also facilitates the integration of different functions and activities, enhancing overall organisational performance.

6. **Performance Measurement:** Planning provides a basis for performance measurement and evaluation. Planning makes it possible to track and evaluate how well those goals are being achieved by establishing specific goals and objectives. It aids in pinpointing areas in need of development, gauging successes, and making the required corrections to continue to be on the right path.

Overall, planning as a form of management in business provides a structured approach to achieve desired outcomes. It enhances decision-making, resource allocation, coordination, and risk management. Effective planning supports organisational success by providing a roadmap for action and ensuring that efforts are directed towards the achievement of goals.

Challenges of Planning

1. **Lack of expertise:** Insufficient experience or knowledge may prevent planners from making sound plans. Consequently, in the absence of a planning strategy, plans may be created that are insufficient in content to support managers in their work.
2. **It consumes time and effort:** Planning requires time, effort, and resources to gather information, analyse data, and develop detailed plans. Organisations need to strike a balance between planning activities and the actual execution of plans to ensure effectiveness.
3. **Uncertainty and Change:** The business environment is dynamic and plans may become outdated due to unforeseen circumstances or changes in market conditions. Organisations need to be flexible and adaptable to adjust their plans accordingly to adapt to changing circumstances.
4. **Inaccurate information:** Planning relies on the availability and accuracy of information. However, in some cases, relevant data may be incomplete, unavailable, or subject to biases. This can impact the quality and effectiveness of the planning process.
5. **False sense of security:** Organisations may develop well-thought-out plans, but external factors beyond their control can still impact outcomes. Relying solely on planning without agility and responsiveness can create a false sense of security.
6. **Resistance to Change:** Concerns about adjustments to roles, responsibilities, or current procedures may cause certain people or departments within an organisation to oppose planning activities. This reluctance may make alignment and implementation less successful.

Activity 2.4

Reflect on the steps involved in planning your weekly activities. Think about what tasks need to be done, when they should be completed, and how you can organise them. Use a flow chart to illustrate your plan.

Instructions:

1. Reflect on the steps you take when planning your weekly activities, such as studying, chores, or hobbies. And note your points down in your notebook.
2. Using the points, create a simple flow chart showing the steps of your weekly planning process. Think of each activity as a stage in the planning.
3. Present your flow chart to the class and explain the planning process.

Activity 2.5

Scenario

A group of students is organising a charity event at their school to raise money for a local orphanage. They plan to hold a sports tournament, bake sale, and raffle. While they are excited, they quickly realise that planning such an event involves many tasks—finding volunteers, securing sponsorships, and promoting the event. They decide to divide the tasks among themselves but struggle to keep track of everything. They are unsure which planning method would help them stay organised and meet their deadline.

Questions:

1. How can the students use planning methods to ensure the event runs smoothly?
2. What are the benefits of dividing the tasks among team members and planning ahead?
3. What are the challenges the students might face if they don't stick to their plan?
4. Which planning method would be most useful for this charity event, and why?

Instructions:

1. As a group, discuss how planning will help the students allocate tasks, manage time, and coordinate the charity event. Consider the risks of poor planning.
2. Select a planning method and explain why it is best suited for organising this event.
3. Develop a plan for the event using your chosen planning method, outlining key tasks, deadlines, and team roles.
4. Present your plan, responses to the questions above, and findings or conclusions from your group discussion to the class for feedback.

THE MEANING OF ORGANISING, ITS PRINCIPLES AND ORGANISATIONAL STRUCTURES.

Organising

In the previous lesson, we looked at the concept of management in business, focusing on its functions. We began by examining planning, discussing the tools, processes, benefits, and limitations involved. In this lesson, we will shift our focus to another key function of management: organising.

Definition of Organising

Organising is the process of arranging and coordinating activities, resources, and people in order to achieve specific goals or objectives. It involves creating a framework that defines roles, responsibilities and relationships and establishes a logical workflow. Organising aims to optimise the allocation of resources, facilitate communication and collaboration and promote the smooth functioning of the organisation.

The Principles of Organising

The following principles offer managers a set of rules for arranging tasks, individuals, and resources in a way that promotes effectiveness, efficiency, and productivity.

1. **Principle of Specialisation:** This principle emphasises the division of labour and specialisation of tasks. It suggests that work should be divided into specific tasks and assigned to individuals or groups based on their skills, knowledge and expertise. Specialisation allows individuals to develop expertise in their areas, leading to increased efficiency and productivity.
2. **Principle of Departmentalisation:** Departmentalisation involves grouping similar activities or functions into departments or units. This principle recognises that organising work based on functions, products, geography, or customers can facilitate coordination and effective management of resources. The choice of departmentalisation depends on the organisation's goals, size and complexity.
3. **Principle of span of control:** The principle of span of control refers to the number of employees that a manager can effectively supervise and manage. It suggests that a manager's span of control should be balanced to ensure effective supervision, communication, and decision-making. A narrow span of control means fewer employees per manager, allowing for closer supervision, while a wider span of control means more employees per manager, promoting greater autonomy and decentralisation.
4. **Principle of Unity of Command:** The principle of unity of command states that each employee should have a single supervisor or manager to whom they directly report. This principle helps avoid confusion, conflicting instructions,

and divided loyalty. It ensures clear lines of authority, accountability and responsibility within the organisation.

5. **Principle of Coordination:** Coordination is a crucial principle of organising. It involves integrating and harmonising the activities of different individuals, departments, or units towards common goals. Effective coordination ensures that tasks are performed in a synchronised manner, promotes collaboration, and minimises conflicts or duplication of efforts. It requires establishing communication channels, sharing information and aligning activities to achieve organisational objectives.
6. **Principle of flexibility:** The principle of flexibility recognises that organisations need to adapt to changes in the internal and external environment. It suggests that organisations should allow for flexibility and responsiveness to emerging opportunities, challenges, and market dynamics. Flexible structures, processes, and roles enable organisations to adjust quickly and effectively to evolving circumstances.
7. **Principle of Scalar Chain:** The principle of scalar chain emphasises the hierarchical structure and the flow of authority and communication within an organisation. It suggests that there should be a clear and unbroken line of authority from top management to lower-level employees. This principle ensures effective communication, proper decision-making, and timely execution of tasks.
8. **Principle of Balance:** The principle of balance suggests that organising should strike a balance between centralisation and decentralisation, standardisation and autonomy and specialisation and generalisation. It recognises that an optimal balance between these factors can enhance efficiency, flexibility, and adaptability within the organisation.

Applying these principles helps to create a well-structured organisation that can effectively pursue its goals and achieve desired outcomes.

Organisational Structures

Organisational structures refer to how an organisation is arranged and structured to define roles, responsibilities, authority relationships, and communication channels. There are several common types of organisational structures, including:

Functional Structure: In a functional structure, the organisation is divided into departments based on specific functions such as marketing, finance, operations, human resources, and so on. This structure allows for specialisation and expertise within each functional area.

Functional Organization Chart Template



Fig. 2.7: Example of functional organisational structure

Divisional Structure: A divisional structure is implemented when an organisation operates in various product lines, geographic regions, or client groups. It involves grouping activities and resources based on divisions, each responsible for a specific product line, region, or customer group. Each division operates relatively autonomously with its own functional departments, allowing for focused attention on specific areas.

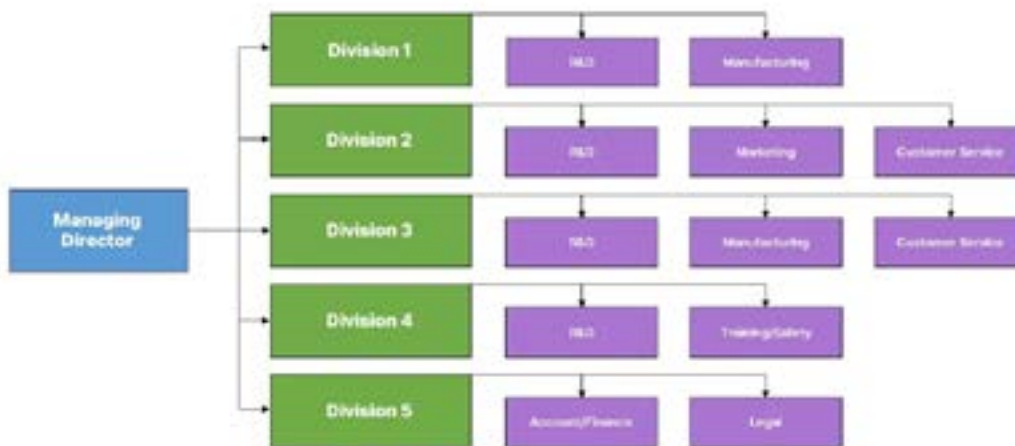


Fig. 2.8: Example of divisional organisational structure

Matrix Structure: The matrix structure is a combination of functional and divisional structures. It involves creating dual lines of authority, where employees report to both functional managers and project or divisional managers. This structure is commonly used in project-based organisations or organisations that require cross-functional collaboration. It allows for flexibility and efficient resource allocation.



Fig. 2.9: Example of matrix organisational structure

Image source: <https://slidebazaar.com/items/matrix-organizational-structure-powerpoint-template/>

Flat Structure: A flat structure is characterised by a minimal number of hierarchical levels. In this structure, there are fewer layers of management and decision-making authority is decentralised. It promotes open communication, quick decision-making, and a more collaborative work environment. Flat structures are often found in small organisations or start-ups.

Flat Structure

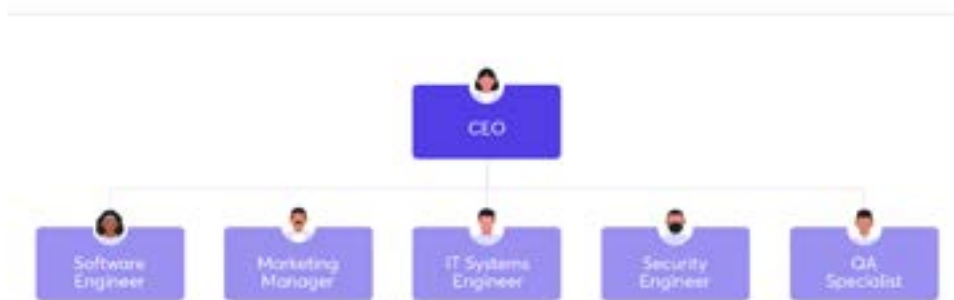


Fig. 2.10: Example of flat organisational structure

Hierarchical Structure: A hierarchical structure is a traditional organisational structure with multiple levels of management and clear lines of authority. Decision-making authority flows from top to bottom, with each level of management overseeing and directing the level below. This structure provides a clear chain of command and a well-defined reporting structure.

Hierarchical Structure

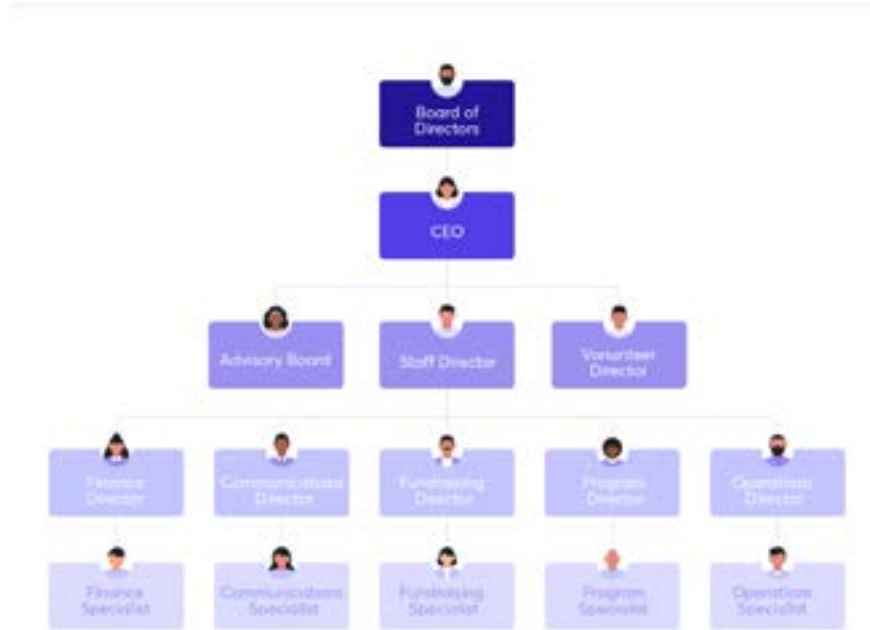


Fig. 2.11: Example of hierarchical organisational structure

Network Structure: A network structure is a flexible, decentralised form of organisation, where the company extensively depends on external partnerships, alliances, and outsourcing to achieve its objectives. It involves connecting various entities, such as suppliers, distributors, contractors, and collaborators, to achieve specific goals or deliver products or services. The network structure allows organisations to leverage external expertise and resources while maintaining a lean internal structure.

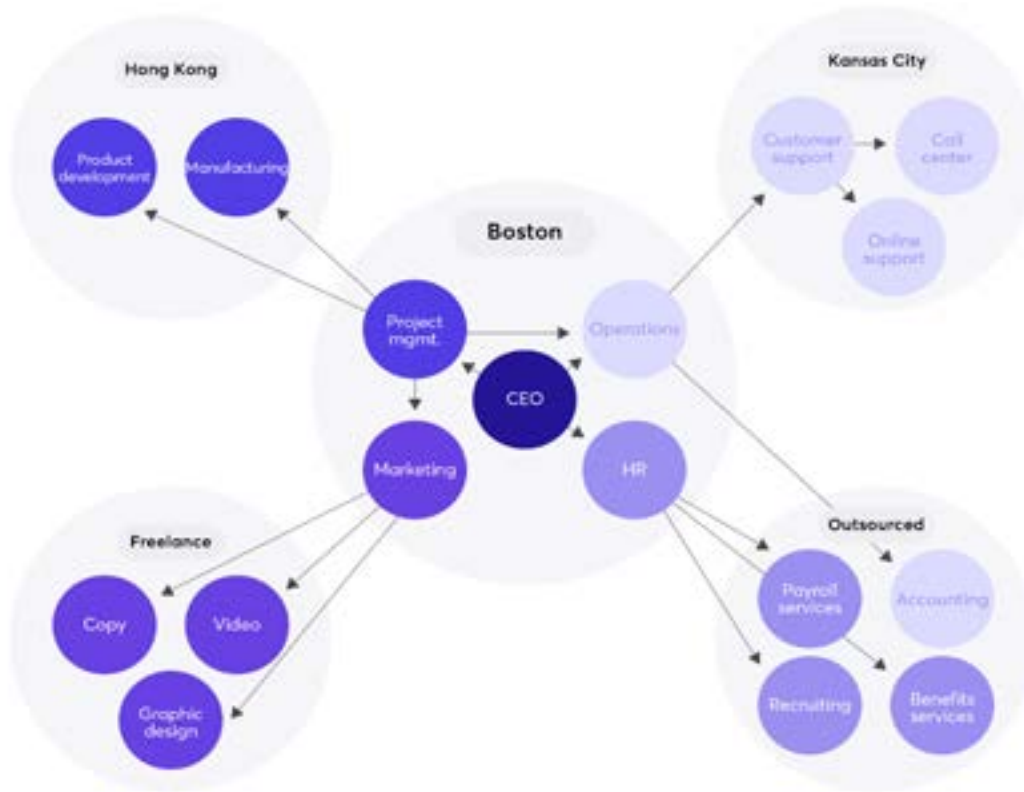


Fig. 2.12: Example of network organisational structure

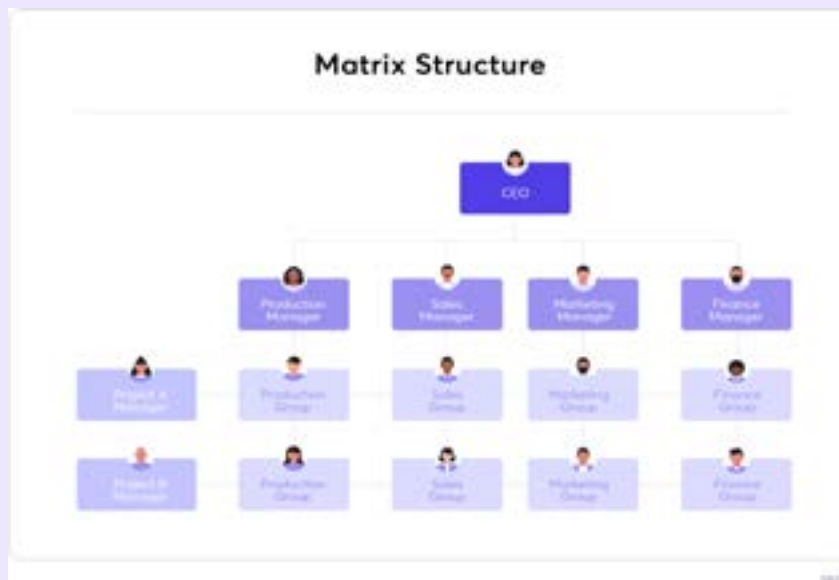
Team-Based Structure: A team-based structure emphasises organising work around self-managing or cross-functional teams, allowing greater collaboration and flexibility in achieving organisational goals. Each team is responsible for a specific project or goal and has decision-making authority within its scope. This structure fosters collaboration, innovation, and employee empowerment.



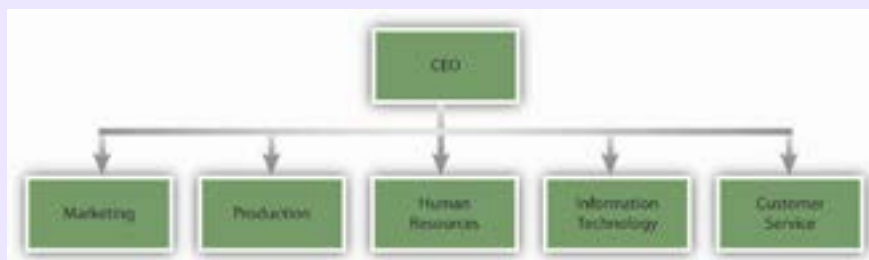
Fig. 2.13: Example of team-based organisational structure

Activity 2.6

Each of the organograms in the table below represents an organisational structure.



Flat structure



1. Look at all three organisational charts above. Identify the positions and the lines that show who reports to whom.

2. Based on the charts provided, explain how decisions are made in the organisation. Who makes the key decisions, and who carries out those decisions?
3. Think about how this structure helps the organisation run smoothly.
4. Which organisational chart do you think is most effective and why?
5. Write down your thoughts and responses in your notebook.

Activity 2.7

Imagine you are setting up a business, and you need to organise your team and design an organisational structure for the business.

Instructions:

1. Identify the kind of business you are setting up.
2. Create an organogram for your business, showing who will be in charge and who will report to them.
3. In your organogram, include at least three levels of authority (e.g., CEO, managers, employees).
4. Explain in writing (in the form of a report), why you have chosen this structure and how it will help the business you chose to achieve its goals.

CENTRALISATION AND DECENTRALISATION: THEIR ADVANTAGES AND DISADVANTAGES.

Definition of Centralisation

Centralisation is the act of combining power, decision-making, and control at the higher levels of management of an organisation. In a centralised organisational structure, higher-level managers hold most of the decision-making power, while lower-level employees have little control and limited authority.

Advantages of Centralisation

1. Centralisation facilitates consistent decision-making and implementation of policies and processes throughout an organisation. It ensures that activities and operations are aligned with the organisation's overall objectives and plans.
2. Centralisation facilitates efficient resource allocation by granting the central authority better control and coordination over resources, such as cash, personnel, and equipment. It can result in a more effective distribution and utilisation of resources, avoiding duplication and wastage.

3. Centralisation ensures a transparent chain of command and decision-making hierarchy. It streamlines decision-making processes as higher-level managers have the authority to make key decisions, reducing the risk of confusion and uncertainty.
4. Through centralisation, senior executives have greater authority and oversight of an organisation's activities. They can monitor performance, ensure compliance, and address issues more effectively.
5. Centralisation facilitates the consolidation of specialised expertise at the central level. It ensures that important decisions are made by experienced and knowledgeable individuals who have a broader view of the organisation.

Disadvantages of Centralisation

1. Centralisation can slow down the decision-making process since all decisions must pass through a restricted number of top-level decision-makers. This can result in delays in responding to market changes or customer needs.
2. In a centralised system, individuals at lower levels may have limited decision-making authority and autonomy. This might hinder employee empowerment, motivation, and creativity and lead to them feeling disengaged or undervalued.
3. Centralisation may overlook or ignore the specific needs, preferences, and details of local units or departments. Decisions made at the central level may not fully consider the local market conditions, customer demands, or operational realities.
4. Communication challenges arise in a centralised system where it is essential to have an effective flow of information from top to bottom and vice versa. Breakdowns in communication or delays can hinder organisational responsiveness and coordination.
5. In a centralised structure, there is a heavy reliance on top-level managers for decision-making and problem-solving. This can lead to a bottleneck and increase the workload and stress for these individuals. A bottleneck is a point in a process where things slow down or get stuck, causing delays and reducing overall efficiency.

It is important to note that the benefits and drawbacks of centralisation might differ based on factors such as the organisation's scale, sector, culture, and strategic objectives. Organisations need to carefully assess their specific needs and circumstances to determine the appropriate degree of centralisation that best aligns with their objectives and fosters optimal organisational performance.

Meaning of Decentralisation

Decentralisation refers to the distribution of authority, decision-making ability, and responsibility across several levels and units within an organisation. It enables the delegation of decision-making to various levels or places within the company.

Advantages of Decentralisation

1. Decentralisation facilitates the distribution of authority, decision-making power, and responsibility throughout various levels and units of an organisation.
2. Decentralisation allows decision-making authority to be spread throughout the organisation, enabling quicker response times to emerging opportunities or difficulties. This is because lower-level managers and staff possess the autonomy to make choices independently, without the need for approval from higher levels of management.
3. Decentralisation harnesses the knowledge and experience of employees at different levels and locations within the company. Local units or departments often possess valuable insight into local market conditions, customer preferences, and operational realities, enabling more informed decision-making.
4. Decentralisation empowers lower-level managers and employees by granting them decision-making authority and autonomy. This empowerment fosters a sense of ownership, motivation, and job satisfaction, as employees feel trusted and valued within their roles.
5. Decentralised businesses have a greater capacity to adjust and respond to shifting circumstances and market conditions. Local units or departments have the autonomy to make autonomous decisions and adaptations according to their own requirements and conditions, enabling enhanced flexibility and responsiveness.
6. Decentralisation encourages innovation and creativity within a company. Lower-level managers and staff are closer to the daily operations and have more customer contact, providing them with direct insights that can result in the creation of inventive solutions and new ideas.

Disadvantages of Decentralisation

1. Decentralisation might lead to inconsistencies between divisions or departments in terms of policies, procedures, and practices. Coordination challenges may emerge when there is insufficient communication and alignment across decentralised units, leading to duplication of effort or conflicting decisions.
2. Decentralised organisations face the risk of duplicating resources or operations. In the absence of adequate coordination and supervision, several groups or departments may independently invest in similar resources or engage in redundant activities, resulting in inefficiencies.
3. Decentralisation involves a loss of centralised control and supervision over certain decisions and actions. The lack of control can create challenges for senior management in terms of maintaining consistency, ensuring compliance, and managing organisational risks.
4. The implementation of decentralisation requires capable and empowered managers at lower levels who possess the ability to efficiently exercise decision-making power. Managers must have the requisite skills, knowledge, and

leadership ability to make well-informed decisions and enhance the performance of their respective units.

5. Decentralisation increases the need for effective communication channels and systems to ensure that information flows smoothly across the organisation. Poor communication can result in misunderstandings, lack of coordination, and decreased organisational efficiency.

Organisations should carefully assess the advantages and disadvantages of decentralisation, based on their unique circumstances, organisational culture, and strategic objectives. The ideal level of decentralisation should be identified to achieve a balance between local autonomy and centralised coordination to enhance organisational performance.

Activity 2.8

Create a visual representation (flowchart) of how decisions are made in centralised and decentralised organisations.

Instructions:

1. Think of a centralised organisation (e.g., the government) and a decentralised one (e.g., a school where students are part of the decision-making process).
2. Design a flowchart that shows how decisions flow from top to bottom in centralisation and compare this with how decisions move in a decentralised system.

Activity 2.9

In groups of five, read the case study, answer the questions that follow and complete the tasks.

Case Study

The Ghanaian government has historically maintained a centralised approach to the delivery of key services such as health, education, and infrastructure development. However, with increasing calls for decentralisation to improve governance efficiency and local empowerment, there have been recent reforms aimed at devolving more power to local authorities. These reforms are intended to ensure faster decision-making, improve resource distribution, and enhance community participation in development projects. However, challenges such as resource management, corruption, and lack of coordination still persist.

The Ministry of Health, for example, continues to operate largely under a centralised structure. This has led to delays in healthcare resource allocation, affecting the quality of service delivery in rural areas. The government has recently

proposed further decentralisation to regional health offices, allowing local health officials to make decisions that are specific to their regions' needs.

Discussion Questions:

1. What are the primary advantages of the current centralised system for delivering healthcare services in Ghana?
2. Identify the major challenges rural communities face due to centralised healthcare decision-making. How could decentralisation improve this situation?
3. Discuss the risks involved in decentralising government services like healthcare. What measures should be put in place to mitigate these risks?
4. From the case study, how does the centralised system impact the decision-making speed and resource distribution? Would decentralisation always lead to better results?
5. Evaluate the possible outcomes if the Ghanaian government were to fully decentralise its healthcare services. What long-term impacts could this have on rural and urban areas?

Group Task

Analyse the current centralised approach of the Ghanaian government in delivering healthcare services and develop a proposal for a decentralised system. Your proposal should include:

- a. A list of services that should be decentralised and why.
- b. How local authorities can manage resources effectively.
- c. Strategies for ensuring accountability in the decentralised system.

Each group will present their findings and recommendations to the class for further discussion.

Activity 2.10

1. With your knowledge of centralisation and decentralisation, research any two of the following groups in your area to identify the system they use.
 - a. The Traditional Council
 - b. The District Assembly
 - c. Any Orthodox Church
 - d. Your school administration
2. Share your findings with the class or colleagues.

Activity 2.11

In pairs, read the case study below and answer the questions that follows.

Case Study

SmarTech divides its workforce into specialised departments based on functions such as research and development (R&D), marketing, sales, customer support, and human resources. Each department focuses on its core activities, enhancing efficiency and expertise. Within the R&D department, teams are further divided based on project types like software development, hardware engineering, and product design. This approach allows focused attention on specific areas, fostering innovation and enhancing detailed project management.

SmarTech establishes a clear chain of command, ensuring that employees know their direct supervisors. For instance, software developers report to their team leaders, who in turn report to the R&D manager. This clarity facilitates smooth communication and accountability. The company carefully defines the span of control to ensure effective supervision. Team leaders typically oversee 5–7 developers, allowing them to provide sufficient support and guidance without becoming overwhelmed.

SmarTech balances centralisation and decentralisation. Strategic decisions, such as entering new markets, are centralised and made by top management. However, day-to-day operational decisions, like project management and client interactions, are decentralised to empower lower-level managers and employees. The organisation maintains formal procedures and policies, documented in an employee handbook. These include standard operating procedures, code of conduct, and performance evaluation criteria. Formalisation ensures consistency and fairness in operations.

To ensure effective coordination, SmarTech conducts regular inter-departmental meetings and project status updates. Cross-functional teams are also created for special projects, involving members from different departments like R&D, marketing, and sales, ensuring diverse input and collaboration.

1. Analyse how the principles of organising are used within SmarTech in the case study above.
2. Discuss whether you think these principles would be effective for SmarTech.
3. Design an organisational structure that you think would support operational efficiency within SmarTech. Justify your choice.
4. Present your answers to the class for review.

EXTENDED READING

- Read on types of decentralisation from the book titled *Introduction to Business* by Marfo Yiadom, E, or any Business Management Book.
- Click on the link below to read more on organisational structures in business.
<https://www.businessnewsdaily.com/15798-types-of-organizational-structures.html>

THE MEANING OF LEADING AND THE VARIOUS FORMS OF LEADERSHIP

Hello, in the previous lesson, you studied organising, its principles and organisational structures. The week also delved into the concepts of centralisation and decentralisation and their advantages and disadvantages. In this lesson, you will study leading as a function of management, considering leadership forms/styles, sources of power in leadership and the importance of effective leadership. As a teaser to the lesson, here are some pictures of leaders in Ghana. Do you know their names?



Fig. 2.16: Chief Justice as of 2024



Fig. 2.15: Speaker of Parliament as of 2024



Fig. 2.16: Chief Justice as of 2024

Now to understand the concept of leadership, its styles or forms, the sources of power and the importance of effective leadership, let us take time to read the information below.

The Meaning of Leading

Leading, as a form of management, refers to the ability to guide, inspire and influence others towards achieving common goals and objectives. It involves the development of

skills, behaviours and qualities that enable individuals to effectively lead and direct a team, department, or organisation.

Forms or Styles of Leadership

There are different forms or styles of leadership, each characterised by different approaches, behaviours and emphasis. The main forms of leadership include:

1. **Autocratic Leadership:** In this form of leadership, the leader holds full authority and makes decisions without seeking input or involvement from team members. The leader has complete control over the decision-making process and will often provide specific instructions and closely supervises tasks.
2. **Democratic Leadership:** Also known as participative leadership, this style encourages team members to be involved in the decision-making process. The leader encourages input, suggestions and ideas from team members and takes their perspectives into account when making decisions. This style emphasises collaboration, engagement and shared ownership.
3. **Transformational Leadership:** Transformational leaders inspire and motivate their team members to achieve exceptional performance and personal growth. They are able to create a compelling vision, communicate it effectively and empower their team members to reach their full potential. Transformational leaders are often charismatic, innovative and capable of inspiring others to achieve shared goals.
4. **Transactional Leadership:** Transactional leaders focus on setting clear expectations, providing rewards and reprimands based on performance and ensuring that tasks are completed according to established standards. They value order and structure and use conditional rewards and corrective actions to motivate and manage their team members.
5. **Servant Leadership:** Servant leaders prioritise the needs and well-being of their team members. They lead by serving others and supporting their growth and development. They actively listen, empathise and provide guidance and support to help individuals succeed.
6. **Laissez-Faire Leadership:** Laissez-faire leaders adopt a hands-off approach, providing minimal guidance or direction to their team members. They delegate decision-making authority and responsibilities to the team, allowing them to work independently and make their own choices. This style requires a high level of trust and self-motivation among team members.
7. **Charismatic Leadership:** Charismatic leaders tend to possess a magnetic personality and inspire others through their charm, confidence and persuasive communication. They have a compelling vision and are able to rally others around it, often using their personal charisma to motivate and influence.

It's important to note that leaders may exhibit a combination of different leadership styles based on the situation, organisational context and their own personal preferences.

Effective leaders are often flexible and adaptable, employing different styles as needed to achieve the best outcomes for their teams and organisations.

Activity 2.12

1. Carefully read and study the case below

The Hunting Partners

A group of lifelong friends – Avagah, Sakina, Adjetey, and Serwaa – have a passion for hunting and decided to turn their hobby into a business. They formed a partnership firm that specialises in sustainable hunting and the sale of high-quality game meat. Their business has grown rapidly, and they now have a diverse team of employees including hunters, processors, and marketers.

Avagah is an experienced hunter with a deep understanding of wildlife and sustainability practices. He is the visionary who originally proposed the business idea. He inspires the team with his vision of sustainable hunting and ethical business practices. He encourages team members to take initiative and innovate. He is known for focusing on the long-term success and impact of the business on the environment and society. Sakina, who is a former marketing executive, uses her skills to brand and promote their products. She is also an avid hunter. Sakina's charisma energises the team, especially during challenging times. Her passion for the brand's image drives her to connect deeply with customers and employees. She has a flair for building strong, personal relationships within the team. Adjetey is a logistics expert, responsible for ensuring smooth operations from field to customer. He is known for his problem-solving abilities. Adjetey excels at establishing clear roles, responsibilities, and performance expectations. He uses a system of rewards for meeting goals and corrective actions for underperformance. He loves to focus on the efficiency of operations, ensuring that processes run smoothly and deadlines are met. Serwaa, is a wildlife biologist who ensures all hunting practices are sustainable and ethical. She also handles regulatory compliance. Serwaa prioritises the well-being of wildlife and ethical hunting practices. She always emphasises the importance of community and stakeholder engagement. She also provides support and resources to team members, helping them grow and succeed.

The partnership plan to expand its operations to new territories, which requires careful planning and team coordination. Consequently, various roles were assigned to each member of the team based on their individual abilities and skills. Avagah was given the role to develop the vision for expansion and communicate it, to inspire the team to embrace new opportunities. Sakina was required to leverage her marketing skills to build brand recognition in new markets and to win over new customers. Adjetey was tasked to ensure that logistical operations were scaled efficiently, maintaining quality and meeting increased demand. Serwaa was required to conduct environmental

impact assessments and ensure that new hunting practices adhered to ethical standards.

2. For each member of the partnership:
 - a. Identify their character traits as a leader in the business
 - b. Identify their leadership style based on these traits

	NAME OF PARTNER	TRAITS	LEADERSHIP STYLE
1	Avagah		
2	Sakina		
3	Adjetey		
4	Serwaa		

3. Share your results with a colleague and discuss how the individual leadership styles support the success of the organisation.

Activity 2.13

1. Identify seven leaders in your community and write down their positions
2. Identify the leadership style you think they exhibit and give your reasons. You could record your answers in a table as shown for the example below.

	LEADER	STYLE OF LEADERSHIP	WHY
	<i>District Chief Executive</i>	<i>Democratic</i>	<i>She accepts suggestions and factors them into her decisions</i>
1.			
2.			
3.			
4.			
5.			
6.			
7.			

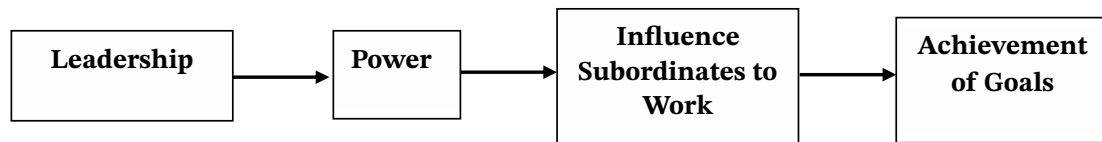
Sources of Power in Leadership

When considering leadership, power refers to the ability to influence others and achieve desired outcomes. There are various sources of power that leaders can use to effectively lead and influence their team members. These include:

1. **Legitimate Power:** Legitimate power is derived from a leader's formal position or authority within the organisation. It is based on the hierarchical structure and the rights and responsibilities associated with the leader's role. Team members are expected to comply with the leader's directives and decisions because of their position of authority.
2. **Expert Power:** Expert power is derived from a leader's knowledge, skills and expertise in a particular area. When leaders possess specialised knowledge or expertise, they gain influence and respect from their team members. Others recognise and value their expertise and are more likely to follow their guidance and suggestions.
3. **Referent Power:** Referent power is based on the personal characteristics and charisma of a leader. It stems from the admiration, respect and trust they inspire in others through their personality, behaviour and values and they are often seen as role models.
4. **Reward Power:** Reward power is based on a leader's ability to provide rewards or incentives to their team members such as promotions, salary increases, bonuses, or recognition. Leaders who have control over rewards can motivate their team members by offering incentives for desired performance or behaviour.

5. **Coercive Power:** Coercive power is based on a leader's ability to impose sanctions or negative consequences for non-compliance or poor performance. Leaders with coercive power have the authority to take disciplinary actions, withhold rewards, or use other forms of discipline. This power source relies on fear or the perceived negative consequences of not complying with the leader's directives.
6. **Informational Power:** Informational power is derived from a leader's access to, and control over, valuable information. Leaders who have unique or critical information can influence others by selectively sharing or withholding information. They are seen as important sources of knowledge and insights and their input is sought after in decision-making processes.

Leaders need to understand the sources of power available to them and how they can effectively use them to lead and influence others. A combination of different sources of power used appropriately and ethically can help leaders build strong relationships, motivate their team members and achieve organisational goals.



Activity 2.14

1. Copy the chart below in your exercise book
2. Match the scenarios to the appropriate source of power
3. Compare your answer with a colleague student and discuss the similarities and differences in your answers.

A student is punished for breaking school rules	Informational Power
A student receives an award during speech day	Expert Power
The headteacher assigns a task to the head of department to perform	Coercive Power
A teacher is respected for the delivery of their subject content.	Reward Power
The dining hall prefect easily brings orderliness in the dining hall due to their influence	Legitimate Power
The headteacher has the ability to mention names of individual students and at random describe their attitude or behaviour	Referent Power

Importance of Effective Leadership

Effective leadership plays a crucial role in the success and growth of organisations. Here are some key reasons why effective leadership is important:

1. **Goal Achievement:** Effective leaders provide a clear vision and direction for an organisation. They set strategic goals, communicate them to the team and align everyone's efforts towards achieving them. Through effective leadership, teams stay focused, motivated and committed to accomplishing shared objectives.
2. **Employee Engagement and Motivation:** Leaders who are skilled at engaging and motivating their team members create a positive work environment. They inspire and empower employees, making them feel valued, appreciated and connected to the organisation's purpose. Engaged and motivated employees are

more likely to contribute their best efforts, leading to higher productivity and job satisfaction.

3. **Talent Development and Retention:** Effective leaders understand the importance of developing their team members' skills and abilities. They provide guidance, support and opportunities for growth, fostering a culture of continuous learning. Such leadership encourages talented individuals to stay with an organisation, as they feel supported in their professional development.
4. **Decision-making and Problem-solving:** Effective leaders possess strong decision-making skills, considering various perspectives and analysing available information. They encourage collaboration and seek input from team members, leading to more informed and effective decision-making.
5. **Building and Managing Relationships:** Effective leaders excel in communication, active listening and building trust. They create an inclusive and supportive work culture, fostering teamwork, collaboration and effective collaboration to build strong relationships with colleagues, partners and stakeholders.
6. **Change Management:** Leadership is crucial for navigating and managing change. Leaders help employees embrace and adapt to change, communicate the need for change and address any concerns or resistance that may arise. They provide guidance and support to ensure a smooth transition and successful implementation of new initiatives.
7. **Organisational Culture and Values:** Effective leaders embody and promote the desired culture and values of an organisation, creating a positive and ethical work environment that attracts and retains top talent.
8. **Innovation and Creativity:** Effective leaders encourage and foster innovation within an organisation. They create a culture that supports experimentation, risk-taking and the generation of new ideas. By promoting an environment that values innovation, leaders drive continuous improvement and help organisations stay competitive.

Activity 2.15

1. Discuss the importance of effective leadership and sources of power with a partner.
2. Make notes on the key points from your discussion
3. Swap your notes with another group and compare each other's findings.
4. What were the similarities and differences in your results?
5. As a whole group, feedback on what you have discussed and learned from reviewing others' ideas.

Extension task

a) Interview leaders in your local community to find out about their experience of leadership.

Plan questions to ask them, such as:

- How do they view their own style of leadership?
- What sources of power or influence do they use?
- Why is effective leadership important in their position?

b) Summarise the outcomes of your interview (for example in a table such as the one below)

Share your findings in class

RESPONDENT	LEADERSHIP STYLE	MAIN SOURCE OF POWER	IMPORTANCE OF THEIR LEADERSHIP
1.			
2.			
3.			
4.			
5.			

CONTROLLING AND ITS PROCESSES

At the beginning of the section, we started with the definition of management, looking at leadership and now we will focus on the meaning of control in the context of management. We will look at its processes, tools and importance.

Definition of Controlling

Controlling involves monitoring, evaluating and regulating organisational activities to ensure that they align with plans and objectives. It involves comparing actual performance with planned objectives, identifying any deviations or variances and taking corrective actions when necessary. The main aim of controlling is to ensure that organisational resources are used effectively and that the organisation is on track to achieve its desired outcomes.

The Process of Controlling Typically Involves the Following Steps:

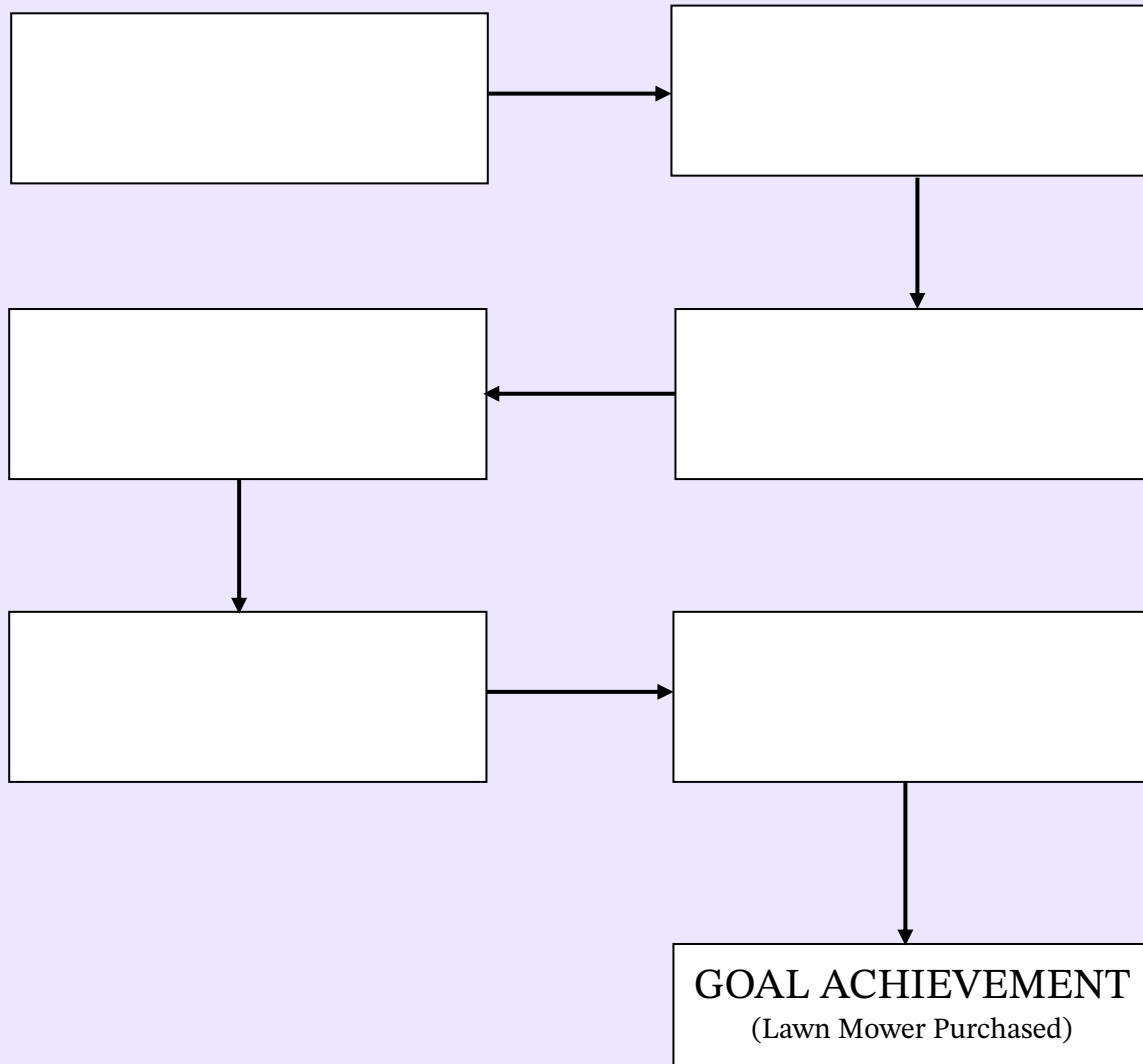
1. **Establishing Standards:** Controlling begins with setting clear and measurable standards or benchmarks against which performance can be evaluated. These standards can include quantitative targets, quality specifications, timelines, cost limits, or any other relevant criteria that reflect the desired outcomes.
2. **Measurement and Monitoring:** Once the standards are established, the next step is to collect relevant data and information to assess actual performance. This can involve monitoring key performance indicators (KPIs), conducting inspections, using feedback mechanisms, analysing financial statements, or utilising other tools and techniques to gather performance-related data.
3. **Comparing Actual Performance with Standards:** The collected data is then compared with the established standards to identify any deviations or variations. This comparison helps determine whether the organisation is meeting, exceeding, or falling short of its desired targets. It provides insights into the effectiveness and efficiency of organisational processes.
4. **Analysing Deviations:** When discrepancies between actual performance and standards are identified, the next step is to analyse the causes and reasons behind those deviations. This analysis helps in understanding the root causes, identifying areas for improvement and determining the appropriate corrective actions.
5. **Taking Corrective Actions:** Based on the analysis of deviations, corrective actions are implemented to address any issues or problems. These actions can involve adjusting processes, realigning resources, providing additional training, revising plans, or making other necessary changes to bring performance back in line with the established standards.
6. **Feedback and Evaluation:** Controlling also involves providing feedback to individuals and teams regarding their performance. This feedback can be in the form of performance appraisals, performance reviews, or regular communication channels. It helps employees understand their strengths and areas for improvement, align their efforts with organisational goals and motivate them to enhance their performance.

Activity 2.16

As the Student Representative Council President, you have been given the responsibility of raising funds to buy a lawn mower for your school.

1. Identify and write in your book the control processes you would use to ensure that you achieve this goal.

2. Prepare a flow chart like the one below with a brief description of the controlling activity you will undertake at each stage, leading to the achievement of your goal
3. Present your proposed process to your classmates for feedback.



Extension task

Case Study

A manufacturing company in Ghana is facing many challenges revolving around quality control and production efficiency. Despite its efforts to maintain high standards, the company encounters recurring issues such as inconsistent product quality, delays in production schedules and inefficiencies in resource utilisation. These challenges not only undermine customer satisfaction and market competitiveness but also strain internal operations and profitability. The company recognises the urgent need to address these issues to safeguard its reputation, optimise operational performance and sustain long-term growth in

Ghana's competitive manufacturing landscape. The company's management is seeking to implement a control process to monitor production processes geared towards enhancing the overall performance of the organisation.

Question

Identify the control processes that will help the company to enhance its overall performance.

THE TOOLS AND IMPORTANCE OF CONTROLLING

Tools of Controlling

There are tools and techniques that are commonly used in the controlling process, examples of which are listed below:

1. **Key Performance Indicators (KPIs):** KPIs are quantitative or qualitative measures that help track and evaluate performance against specific goals or targets. They provide a clear and measurable way to assess progress and identify areas that require attention or improvement. Examples of KPIs include sales revenue, customer satisfaction ratings, employee productivity, or project completion rates.
2. **Performance Dashboards:** Performance dashboards are visual representations of key performance metrics and indicators. They provide a concise and real-time snapshot of performance data, allowing managers to quickly assess the status and trends of various aspects of the organisation. Dashboards can be customised to display relevant KPIs and enable effective decision-making.
3. **Management Information Systems (MIS):** MIS involves the use of technology and software systems to collect, process and present relevant data and information for decision-making and control purposes. These systems provide timely and accurate reports, analysis and forecasts, helping managers monitor performance, identify trends and make informed decisions.
4. **Budgets:** Budgets are financial plans that outline expected revenues, expenses and resource allocations over a specified period. They serve as control tools by comparing actual financial performance with the planned budget. Variances between the actual and budgeted figures can indicate deviations and help in identifying areas where corrective actions are required.
5. **Performance Appraisals:** Performance appraisals are systematic evaluations of individual or team performance. They provide feedback on performance against predetermined objectives, identify strengths and areas for improvement, guide development and reward decisions. Performance appraisals help in aligning individual efforts with organisational goals and promoting accountability.

6. **Quality Control Tools:** Quality control tools, such as Pareto charts, control charts, or cause-and-effect diagrams, are used to monitor and improve product or service quality. These tools enable managers to identify quality issues, track performance trends, analyse root causes and implement corrective measures to maintain or enhance quality standards.
7. **Audits:** Audits involve independent assessments of processes, systems, or financial records to ensure compliance, accuracy and efficiency. Internal or external auditors review and evaluate controls, procedures and financial statements to identify any non-compliance, irregularities, or inefficiencies. Audit findings help in taking corrective actions and improving control mechanisms.

These tools provide managers with information and insights to monitor performance, detect deviations and take corrective actions. The tools chosen will depend on the nature of the organisation, its goals and the specific areas that require monitoring and control.

Activity 2.17

1. With a partner or in a group, discuss the importance of control within an organisation.
2. Make notes of your discussion and be prepared to share your ideas with your class.

Extension task

You have been given Two Hundred Ghana Cedis (GH¢200) for your school needs for a week,

Identify the appropriate controlling tool and show how you will use it to ensure that you stay within the boundaries of your expenditure plan.

Importance of Controlling

Controlling, as a form of management, plays a crucial role in the success and effectiveness of an organisation. Here are some key reasons why controlling is important:

1. **Achievement of Goals:** Controlling helps ensure that organisational goals and objectives are achieved. By monitoring performance, comparing it with planned targets and taking corrective actions, controlling keeps an organisation on track and helps align activities with desired outcomes.
2. **Performance Evaluation:** Controlling provides a mechanism for evaluating performance at various levels of the organisation. It allows managers to assess

how well individuals, teams and departments are performing in relation to predetermined standards and benchmarks. Performance evaluation helps identify areas of strength and areas that require improvement.

3. **Resource Utilisation:** Controlling helps optimise resource allocation and utilisation. By monitoring resource usage and costs, controlling helps identify inefficiencies, waste, or excessive resource consumption. It enables managers to take corrective actions, reallocate resources and ensure that resources are utilised effectively and efficiently.
4. **Problem Identification and Corrective Action:** Controlling helps to identify problems, deviations, or gaps in performance. It provides feedback on areas where actual performance deviates from planned targets or standards.

This feedback can help managers to take timely corrective actions, address issues and prevent them from escalating into larger problems.

5. **Decision-making:** Controlling provides managers with information and data to make informed decisions. By monitoring and evaluating performance, controlling provides insights into the effectiveness and efficiency of various processes, projects, or initiatives. This information helps managers in making strategic decisions, allocating resources and adjusting plans as needed.
6. **Continuous Improvement:** Controlling is closely linked to the concept of continuous improvement. By monitoring performance, identifying areas for improvement and taking corrective actions, controlling contributes to ongoing process enhancement and organisational learning. It facilitates a culture of continuous improvement and helps organisations adapt to changing market conditions and challenges.
7. **Accountability and Compliance:** Controlling promotes accountability within an organisation and means that individuals and teams are held responsible for their performance and outcomes. Controlling also helps ensure compliance with regulations, policies and procedures, reducing the risk of legal and ethical violations.
8. **Communication and Feedback:** Controlling involves regular communication and feedback on performance. It provides an opportunity for managers to provide constructive feedback, recognise achievements and guide employees towards better performance. Effective communication through controlling promotes transparency, clarity and alignment within the organisation.

Activity 2.18

1. Identify three reasons why controlling is an important function of management in organisations.

2. Share your ideas as part of a whole class discussion.

a.	
b.	
c.	

Activity 2.19

Your teacher will present you with an example of a tool used to support the control process, for example a budget sheet or part of a performance dashboard.

1. In groups, analyse the examples you have been given and consider the following questions:
 - a. Where does the source material indicate that controls are required?
 - b. What trends can you see from the presented data?
 - c. Does the information suggest any areas for improvement?
2. Share your answers as part of a whole class discussion.

Extension task

Case Study

Two fruit farming companies, Tisungtaaba Limited and Mɔfiaamɔ Company Limited sell watermelons. They both had plans to sell GH¢5,000 worth of watermelons at the end of the month of June and July. The records of Tisungtaaba Limited showed that they achieved their set goal but Mɔfiaamɔ Company Limited could not.

An analysis of the structure of the two organisations found that Tisungtaaba company had a department dedicated to monitoring and controlling their operations whereas Mɔfiaamɔ Company Limited did not.

Question

How would you convince the managers of Mɔfiaamɔ Company limited of the need to establish a department to control their operations?

EXTENDED READING

- Read on the theories of leadership from Robbins, S.P. & DeCenzo D.A. (2008) *Fundamentals of Management: Essential concepts and applications*, (Sixth Edition), Pearson, Prentice Hall: Upper Saddle River, NJ. (**Read Chapter 11 pages 130-151**)
- Any Business Management book approved by NaCCA

Review Questions 2.1

1. How would you describe the meaning and essence of management to one of your peers?
2. Describe the term centralisation and analyse at least three of its advantages and disadvantages.
3. Provide an overview of the meaning of decentralisation and analyse at least three of its advantages and disadvantages.

Review Questions 2.2

1. Why do you think parents are leaders?
2. Explain the importance of effective leadership
3. For the past two semesters, students in your school report late after reopening. For each source of power listed below, give examples of how school leaders could apply this to address the trend in lateness.
 - Legitimate
 - Expert
 - Referent
 - Reward
 - Coercive
 - Informational
4. Evaluate three potential impacts of implementing an effective control process in a manufacturing company

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GLOSSARY OF KEY TERMS

Centralisation	The act of consolidating power, decision-making, and control at the higher levels of management of an organisation
Decentralisation	The distribution of authority, decision-making ability, and responsibility across several levels and units within an organisation
Planning	The first basic function of management which involves a process that includes defining and setting goals, establishing strategy, and developing plans to coordinate activities
Organising	The process of arranging and coordinating activities, resources, and people in order to achieve specific goals or objectives.
Leadership	is a key function of managing a business. It is the action of leading a group of people or an organisation.
Leadership style	defines a leader's method, characteristics and behaviours when managing their teams.
Power	is the ability or capacity to act in a particular manner.
Sources of power	refer to the various means by which leaders can exert influence and control over others.
Controlling	involves monitoring, evaluating and regulating organisational activities to ensure they align with their plans and objectives

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