**UNESCO-NIGERIA TECHNICAL &
VOCATIONAL EDUCATION
REVITALISATION PROJECT-PHASE II**

NATIONAL DIPLOMA IN QUANTITY SURVEYING

PRINCIPLES OF MANAGEMENT

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THEORY

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WEEK 1:

1.0   ROLES AND PRINCIPLES OF MANAGEMENT I

1.1   The meaning of Management

Throughout this document, the notes will refer to 'management' but what does this term mean, well for the sake of this lesson, we will use the definition prepared by Calvert et al (1999) "management is the philosophy or practice of organised human activity".   Within this context Calvert et al (ibid) defines the manager as "the person responsible for the conduct and control of such an undertaking".

Management is really a social exercise which can be seen as partially scientific and partially an art. Management involves the organisation of a number of individuals in order to achieve a common purpose. The manager is therefore concerned with the ways and means of getting a job done; therefore management entails the responsibility for:

- Planning and regulating the enterprise by installing and operating proper procedures
- Ensuring the co-operation of personnel by providing the will to work and guiding and supervising their activities.

The field of management can be divided up into several general and specialist functions, which are broadly common to all industries. These functions are listed below (with the emphasis on construction):

- **Corporate management** – responsible for the formulation of policy, the discharge of legal responsilbities, overall direction and co-ordination of specialist functions, organisation charts and manuals, standard procedures, management ratios and control figures.

- **Financial Management –** Covering the capital and revenue resources, accounting, insurance and costing, budgetary control, cost analysis and cost control.

- **Design Management** – traditionally the responsibility of the architect in the construction industry but increasingly the management of design is seen as a function for the project manager.

- **Development** – Including experimental work and research into both processes and materials.

- **Marketing** – Generally concerned with external relations, tendering and securing work.

- **Production Management** – Covering the complete process of planning and co-ordinating the work of construction which includes planning, programming, progressing, materials control, work study, quality control, safe working practices etc.

- **Personal Management** – Concerned with the employment of labour, manpower planning, recruitment and selection of staff, equal opportunities etc.

- **Purchasing Management** – Involved in the procurement of materials, services, equipment etc.

1.2   The Management Processes

One of the founding management guru's was a leading French entrepreneur named Henri Fayol. Fayol, whilst working as the chief executive of a large Iron and steel firm, in 1908

wrote a paper within which he identified and discussed the management activities he undertook on a daily basis which he proceeded to grouped under the following headings:

1. Forecasting
2. Planning
3. Organising
4. Commanding
5. Co-ordinating
6. Controlling

These six general areas which Fayol devised have been become known as the process of management, which we still use and refer to today, for example the CIOB Professional Development Programme uses these headings and the main competences for membership. Although, we can further breakdown the six stages, into two definable groups

Group One:	**Group Two:**
Planning functions:	**Executive Functions:**
Forecasting	Commanding (motivating)
Planning	Controlling
Organising	Co-ordinating

Based on the list of management processes, above, we will now examine each of these specific management tasks:

I. **Forecasting**

Forecasting is to look ahead into the future and predict possible trends or occurrences which are likely to influence the working situation. Forecasting, for a construction firm, at least, can be carried out at two levels:

1. *Senior Management*: the firm's directors will forecast at a macro level, looking at future trends in the industry over the next 5 -10 years.

2. *Middle / lower management* - Forecasting will be carried out at both macro level, forecasting the company's workload over the next year, and also in a project specific sense, which is often related to, cash flow, material deliveries, construction techniques, the weather or the availability of particular skills or plant etc.

II. Planning

All managers, at all levels in the organisation, plan, in essence, planning, is the formulation of a campaign of action designed to achieve the company's specific objectives, which will have been devised during the previous forecasting stage. Organisations, often plan over varying time scales, the company's planning documentation will include:

- **Strategic planning** long term in very broad detail, undertaken by the organisations senior management team, who will usually plan 5 -10 years in advance, looking at various trends in the sector, and aligning the organisation to meet these trends.
- **Management planning** is more medium term, with a greater degree of detail, and carried out by middle management.
- **Operational or tactical planning**, which is short term, more detailed and carried out at a supervisory level.

The above planning documents are based around the company's future development; all organisations will produce regardless of the industry in which they are based. In construction, in addition to planning documents relating to the organisation, planning documents relating to individual projects will also be produced. These documents will focus on planning the sequence of works, and financial planning (we will look in more detail at project specific planning later in the module).

In most organisations, the process of forecasting and planning, will be merged together and undertaken as one management task. To summarise and explain why these activities are often linked we can say that forecasting is the process of looking at into the future whilst planning is the process of making decisions based on the forecast.

III. Organising

Organising can be defended as the process by which the plans created are moved closer to realisation. This process will usually involve deciding how to allocate time and effort within the organisation. The process of organising will include:

- Organising structure of the company
- Organising individual functions
- Organising structure of projects
- Defining roles and responsibilities within the organisation

- Providing Job descriptions for individual staff.

IV. Motivating

Motivating has also been referred to as controlling in the management process; however, managers have realised that the use of motivation rather than control is a far more effective strategy. In terms of motivation, managers are tasked with creating the right sort of environment within which their subordinates will give their best to the work situation. Calvert et al (1999) highlights the problems control rather than motivation could create highlighting that

> Without the willing co-operation or will to work of the workers, their desire to give their best and enthusiasm for the aims of the venture, the brightest ideas of the directors and cleverest schemes of planners and organizers, will be doomed to frustration and failure.

V. Co-Ordinating

The integration of various individual and group activities which are undertaken within the organisation, to ensure all functions are working harmoniously towards the organisations aims and common objectives.

VI. Controlling

Planning both at managerial and operational level, looks to the future and lays down what has to be achieved. Controlling checks whether these plans are being realised, in the event of deviations or short falls, managers can at this stage put corrective measures in place to remedy the situation.

It is now the norm for control to be exercised over every aspect of an organisation, including management performance. Effective control is an essential task for all levels of management within the organisation.

WEEK 2: ROLES AND PRINCIPLES OF MANAGEMENT (cont'd)

1.3   Stages in management control

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┌─────────────────────────┐
│   Set targets or standards
│      of performance       │
└─────────────────────────┘
            │
            ▼
┌─────────────────────────┐
│     Measure actual        │
│      performance          │
└─────────────────────────┘
            │
            ▼
┌─────────────────────────┐
│    Compare with target    │
└─────────────────────────┘
            │
            ▼
┌─────────────────────────┐
│  Take remedial action as  │
│        necessary          │
└─────────────────────────┘
            │
            ▼
┌─────────────────────────┐
│      Revise target if     │
│        necessary          │
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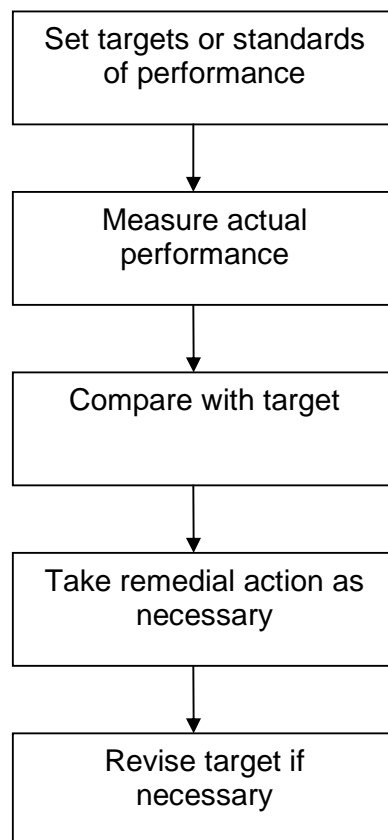
Viii.   Communication

The last, and possibly the most important stage in the management process, is communication. The information, developed, used or both developed and used at each stage in the management process must be either accumulated or disseminated through communication.

Communication is essential to ensure that everyone within the organisation is kept fully and properly informed. This process will involve the dissemination or **transmission** of information both verbally and in written form ensuring that such information is:

- Relevant to the situation
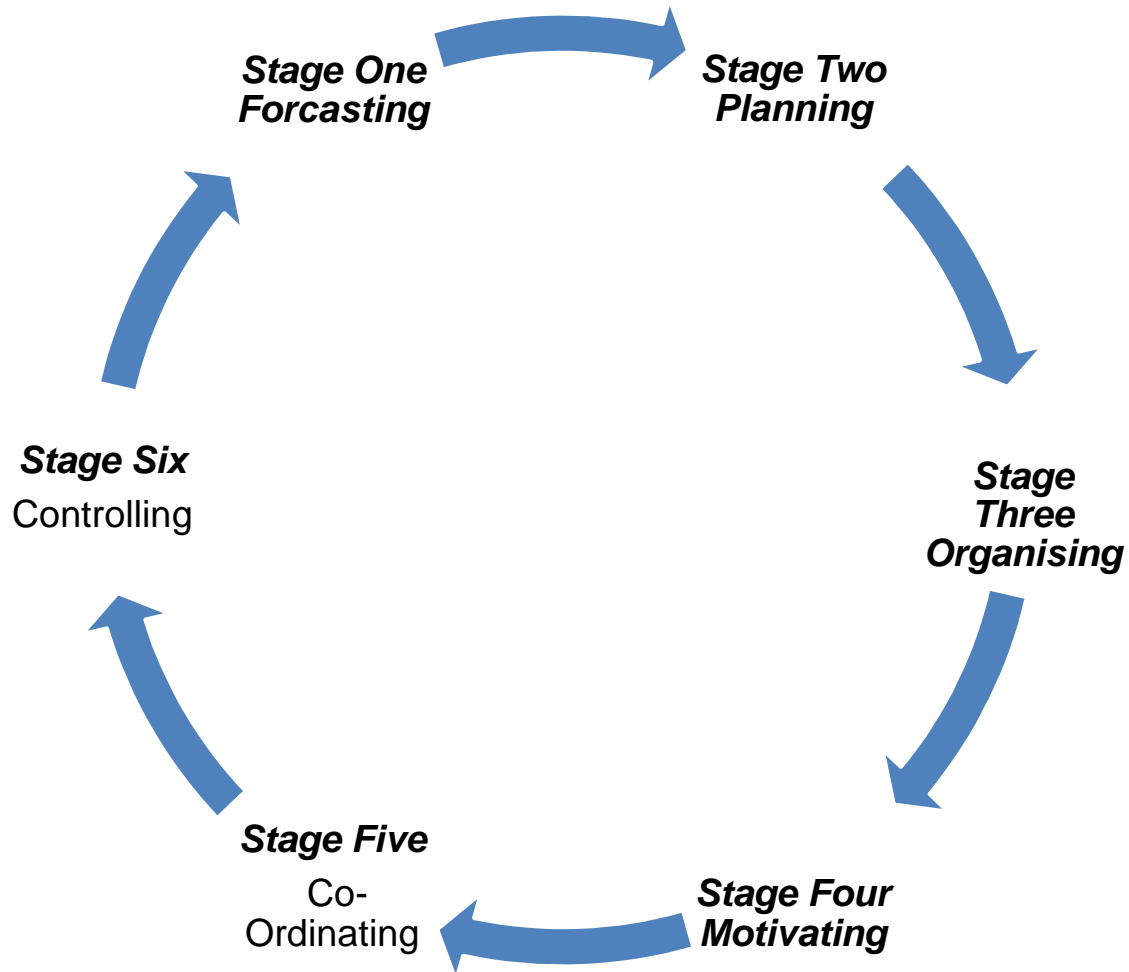- Clear to all concerned
- Concise
- Fully understood

This then ensures the right action is taken in the right place and at the right time.

The above functions have all evolved, since Fayol's initial paper on management and are now generally considered to the essential processes of management and supervision.

We can therefore define management as

> ***The process of forcasting, planning, organising, motivating, co-ordinating and controlling the use of resources within an organisation.***

Up to this point, we have view this process, as a list, implying that the process is either linear or vertical in nature, where by you work through each stage until you get to the end. Actually the management process is a cyclical process, as demonstrated on the next page.

Stage One
Forcasting

Stage Two
Planning

Stage Three
Organising

Stage Four
Motivating

Stage Five
Co-Ordinating

Stage Six
Controlling

In the above chart, you should notice that communication is absent, why? Communication, is an essential component and would therefore be relevant at each stage each and every stage in the process.

In conclusion to this introduction to management, I feel it relevant to demonstrate how these management processes are intertwined to support the eventual system of management. This is effectively demonstrated in the management pyramid shown below.

Management Pyramid
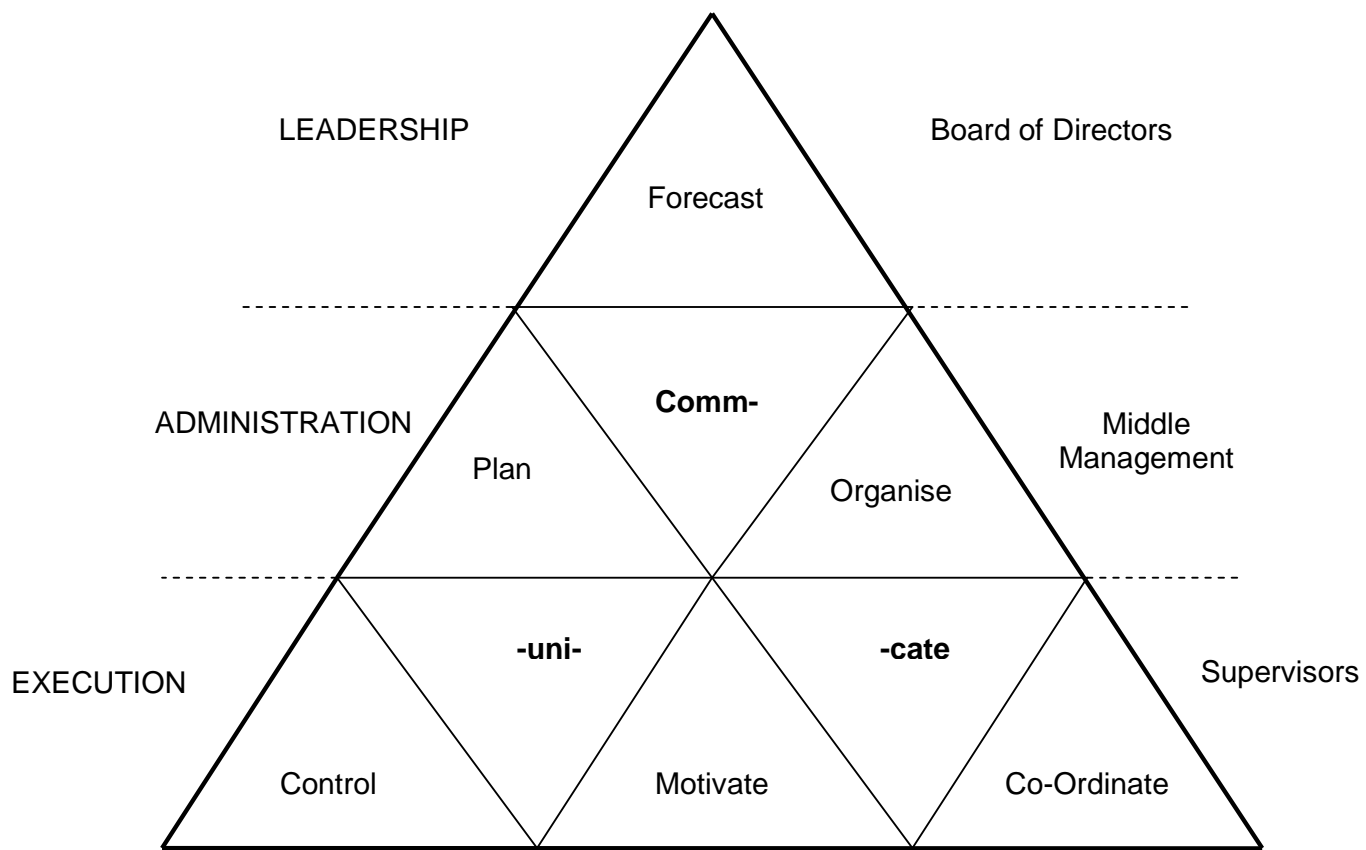
Source: Calvert *Et al* (1999)

Now we have considered the theory behind the management processes, how do the various aspects of the process slot into a typical construction firm?

To answer, this question, the table on the next page, extracted from Calvert *Et al* (1999) demonstrates how "each management process is interwoven in the complete fabric of managerial responsibility and affect the working of all fields of industrial activity"

1.4   Fayol's Principles of management

In addition to the management process, Fayol also devised the *principles of management,* these principles where in reality a list of precepts which Fayol applied most frequently during his working life. From this Fayol listed fourteen management principles which are listed below:

1. Division of Work – Reduces the span of attention or effort for any one person or group. Develops practice and familiarity.

2. Authority – The right to give orders. Should not be considered without reference to responsibility

3. Discipline – Outward mark of respect in accordance with formal or informal agreements between a firm and its employees.

4. Unity of Command – One man is superior

5. Unity of Direction – One head and one plan for a group of activities with the same objective

6. Subordination of individual interests to the general interest – The interest of one individual or one group should not prevail over the general good. This is a difficult area of management.

7. Remuneration – Pay should be fair to both the employee and the firm

8. Centralisation – It is always present to a greater or lesser extent, depending on the size of the company and the quality of its managers.

9. Scalar chain – The line of authority from top to bottom of the organisation

10. Order – A place for everything and everything in its place; the right man in the right place

11. Equity – A combination of kindliness and justice towards employees

12. Stability of tenure or personnel – Employees need to be given time to settle into their jobs, even though this may be a lengthy period in case of managers

13. Initiative – Without limits of authority and discipline, all levels of staff should be encouraged to show initiative.

14. Esprit de corps – Harmony is a great strength to an organisation; teamwork should be encouraged

Although these are Fayol's fourteen principles of management, we have to also remember they date back to the start of the 20th century, as with everything, management theory has since evolved and developed, which has resulted in some of fayol's principles not truly aligned with modern day theory. Indeed Cole (1999 p. 13) makes several general comments on Fayol's principles which include:

- The references to division of work, scalar chain, unity of command and centralisation, are descriptive of a hierarchical formal organisation which we would now call bureaucracy and as such try to reduce.

- Issues such as individual versus general interests, remuneration and equity are considered for a paternalistic management point of view, whereas today questions relating to fairness or conflicts of interests are discussed and worked out jointly between management and employees sometimes with the assistance of external parties.

- Although the emphasis of the principles is towards the business, fayol does also consider the needs of employees, these where seen in the context of a rational organisational structure, whereas today, they would be seen in the sense of   adapting structures and changing peoples behaviour to achieve the best fit within the structure.

- Although Fayol's principles of management is the first genuine theory of management, which is still used in organisations today, managers are now of the opinion that such principles are not suited to modern management

conditions (rapid change, flatter structures and increased employee participation in decision making processes)

WEEK 3:

2.0   MOTIVATION I

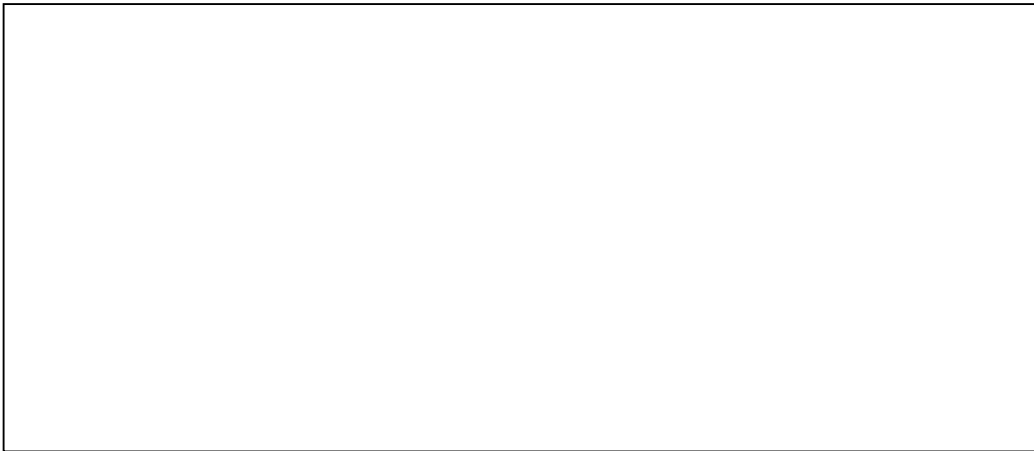## 2.1   Introduction to Motivation

For organisations operating within the construction industry, people are easily their biggest asset. For any organisation to succeed everyone working within it must perform well. To achieve this people must be motivated to work efficiently. At the end of the day, if our industry is going to deliver, what our clients desire, successfully, we need a motivated workforce.

As professionals working within and managing some aspect of the construction process, our ability to motive our subordinates is essential in meeting this goal.

Motivation is one of the most written about, discussed and researched topics in management literature. As a result of this large quantity of research and discussion within literature, a number of motivational theories have been devised to help managers understand how to motivate their subordinates.

2.2   What is motivation?

In the box below, write down, what you understand by the term, 'motivation'

2.3   Why is motivation important to managers?

As managers we try to find a reliable link between our operative's personal goals and the effective performance we require to meet the needs of the organisation.

For example, A Joiners personal goal, maybe monetary reward, whilst the goal of the organisation is the completion of a project on time, so effective performance, here would be the required output level to finish the project on time.

At the end of the day, as a manager, we try to create the environment within which personal and organisational goals can be harmonised.

2.4   Cole's model of motivation

To put it simply, motivation can be described as behaviour caused by a stimulus which is then directed towards a desired outcome. This process is demonstrated by the model below.

Before we can adequately motivate our subordinates we must understand what motivates us.

In the box below write down your top five motivators.

2.5   How Managers and staff see worker motivation

Do you think a manager and a member of staff will see motivation in the same way?

Workings in groups, and basing your response on your own perceptions, rank the following motivators in order of their motivational importance:

> Interesting work
>
> Good salary
>
> Social support
>
> Recognition
>
> Loyalty
>
> Security
>
> In the know
>
> Discretion
>
> Personal Development
>
> Working Condition

Before moving on to look at some of the theories of motivation, we must acknowledge that individuals do not operate in isolation, when attempting to motivate someone we must operate within the constraints of the organisation.

For managers, effective motivation means achieving the desired results. This can be created using a number of techniques including the stick and the carrot. To decide how managers can motivate their subordinates, managers must make certain assumptions about what motivates people.

2.6   Assumptions about people

In the context of assumptions about people, there are two motivational theories we will look at:

- McGregor's Theory X and Theory Y
- Schein's Classification

1. McGregor's theory.

In 1960 Douglas McGregor published 'the human side of Enterprise", in which he identified that the use of traditional management techniques might not be the only way to motivate our employees. Instead, he advocated a new and different approach, which he claimed would at least achieve the same if not more motivation.

McGregor's theory is called 'Theory X / Theory Y. where by:
- Theory X uses a very traditional approach to management, using techniques based on direction and control.
- Where as Theory Y is based around the integration of personal and organisational goals.

In the box below draw a table containing the key assumptions from McGregor's Theory X and Theory Y.

manager is a dying breed (although it has to be said he's not yet extinct), and Theory Y lies behind most modern approaches to motivation. Nowadays the terminology is used as a polite way of referring to the old command-and-control approach to management: the trouble is the diehard Theory X manager won't pick up the subtle criticism!

<u>Schein's Theory</u>

The second theory, relating to the managers assumptions of people, is Schein's classification theory, devised by Edgar Schein in the 1970s the theory identifies four main assumptions that are made about people in terms of motivation.

Rational Economic Man
 Rooted in the theories of Adam Smith, this assumption suggests that people are motivated by self-interest and the maximisation of gain. Ultimately, Schein follows McGregor's Theory X arguing human beings can be placed into two categories:

      a. The untrustworthy – money-motivated, calculative masses.
      b. The trustworthy – more broadly motivated, moral elite, who's task is to motivate and manage the masses.

Therefore the task of the manager to motivate the workforce here is to ensure the workforce is receiving the appropriate wage to secure their effort and performance.

Social Man
People are motivated primarily by their social needs. The desire the feeling of 'belonging'
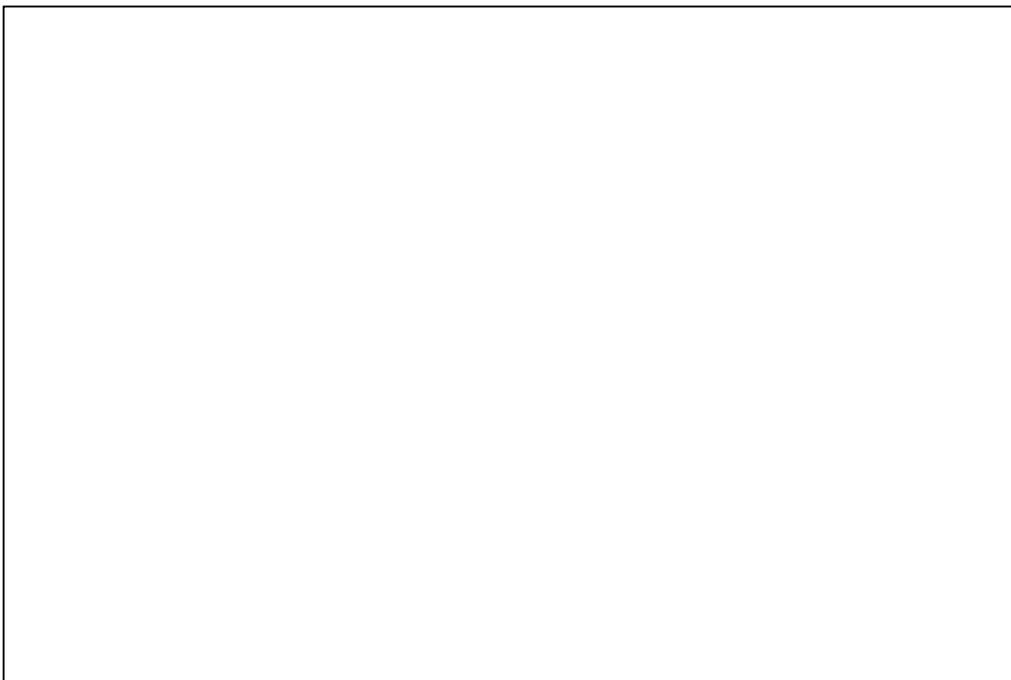
Self Actualising man
People are motivated more by self-fulfilment needs than by any others. Self actualising man needs to be challenged, responsibility given to them, a sense of pride in their work. (McGregor's Theory Y and Maslow support or adopt this view)
     To motivate – need to provide interesting work.

Complex man

This motivational theory accepts that people are complex and variable. People respond to a variety of management strategies and are affected by different tasks and different work-groups. Motivation here is in the form of 'psychological contact' based on the expectations that the respective parties have of each other and the extent to which these are fulfilled. This approach encompasses the earlier three in its view point!!

Thinking about yourself, in the box below, try to categorise your self into one of Schein's assumptions and write a couple of sentences explaining why you have placed yourself in that category.

At the start of this session, we looked at what motivation is, during this discussion we mentioned the individuals or organisations needs, and how meeting needs is important to motivation. Within the literature discussing motivation, a great deal has been written, and several theories have been formed around this concept of needs. In the main, the theories have been derived from the discipline of social psychology, however, they as relevant to the study of management as they are to sociology and psychology.

The main theories relating to needs in terms of motivation are:

- Hierarchy of needs
- Continuum Theory
- Two factor Theory
- Achievement Theory

WEEK 4: MOTIVATION II

2.7   Maslow's Hierarchy of needs.

This well known concept originates from work undertaken by Maslow in the 1950s suggested that human needs operate at a number of different levels, from basic physiological needs such as hunger to higher level needs such as self-development and self-fulfilment.
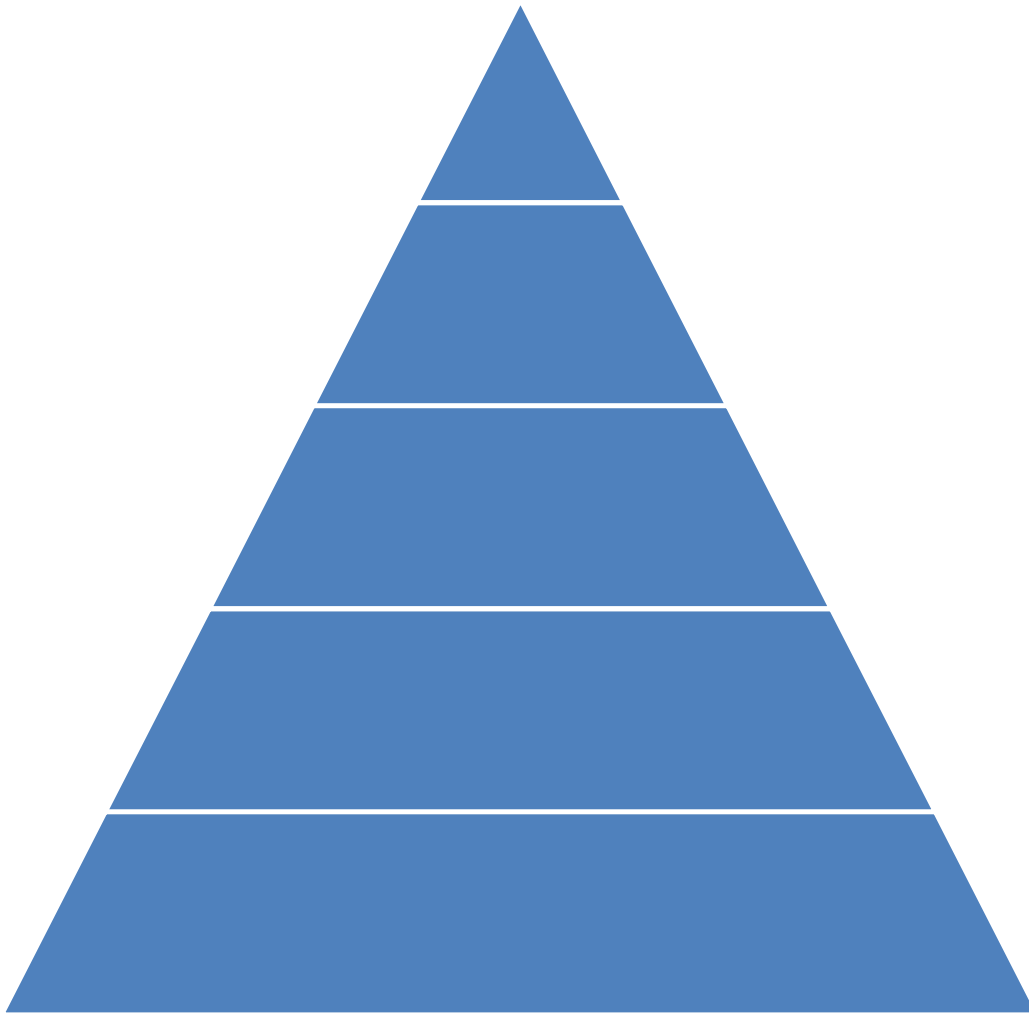
Maslow's general theory was that, other things being equal, people tend to satisfy their lowest level of need before moving on to the higher levels within the hierarchy.

Discussion Question

So how can we apply this model to the realities of personnel motivation?

2.8   Alderfer's continuum theory.

The next theory to be considered is Alderfer's theory.

Clayton Alderfer followed on from Maslow's hierarchy of needs with some studies which lead him to propose a new motivational model, called the ERG theory of motivation.

The theory suggests that people's needs are arranged along a continuum, rather than a hierarchy. In addition Alderfer reduced the number of 'needs' to three.

1. Existence – psychological and safety needs
2. Relatedness – social and external esteem
3. Growth – Internal esteem and self actualisation

In contrast to Maslow, whose theory, really worked like a ladder, where you must satisfy one need before moving to the next, Alderfers theory, has no steps.

Alderfers theory, argues that people have multiple needs, which must be satisfied simultaneously, according to the ERG theory, if I was to focus on only one need, this would not necessarily motivate that person.

The theory also acknowledges that if a higher level of need remains unfulfilled, the person may regress to lower level needs that appear easier to satisfy; this is known as frustration regression. This impact's on workplace motivation.

Model of Alderfers Theory

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              ┌─────────────────┐
 - - - - - - →│   Relatedness   │← - - - - - -
 ╷      ┌─────→│     Needs      │←─────┐       ╷
 ╷      │      └─────────────────┘      │       ╷
 ╷      │                               │       ╷
 ╷      │                               │       ╷
 ↓      │                               │       ↓
┌──────────────┐                  ┌──────────────┐
│Existence Needs│                  │ Growth Needs │
│              │                  │              │
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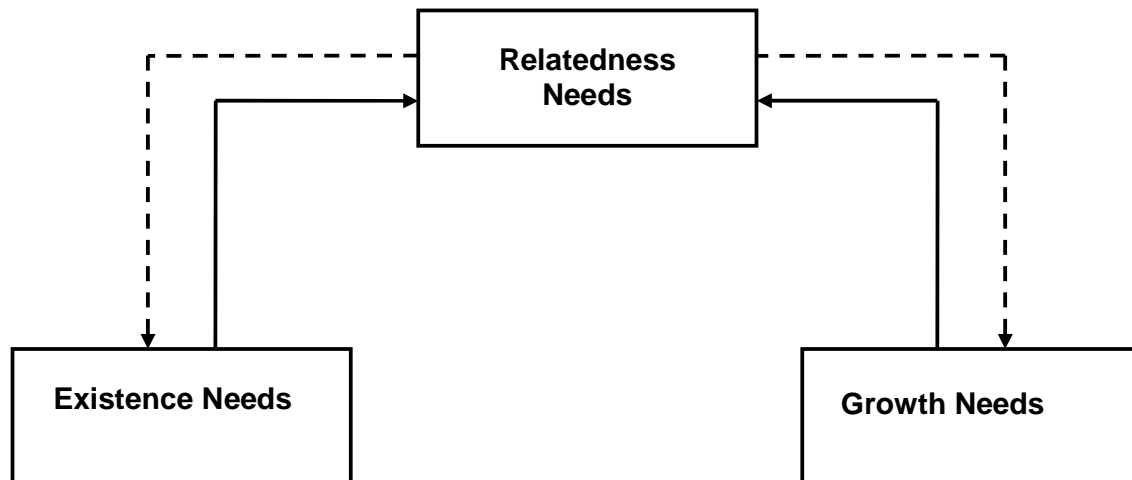
2.9   Herzberg's two factor (motivation-hygiene) theory.

Frederick Hertzberg took the view that people live at two levels, the physical and the psychological. He originally looked at two hundred accounts and engineers good and bad experiences at work. Asking them to recall times they had felt exceptionally good about their jobs and the times they had negative feelings. Based on his interpretation of the results, he developed the motivation-hygiene or two factor theory of motivation.   He discovered that some factors always led to satisfaction whilst other always to dissatisfaction. So he coded them, the positive factors, are the motivators, whilst the negative factors are the hygiene factors. Interestingly, the positive factors, always related to the job, whilst the negative factors the environment. Motivator factors, always appeared to motivate the employee, whilst hygiene factors either dis-satisfied them or produced a nil response.

Incidentally the term hygiene is used as they are maintenance factors.

So what does this mean for us as managers, well, if the theory is to be believed, we must provided hygiene factors, to reduce dissatisfaction, and the associated effects, whilst also adding motivators to motivate our employees.

Hertzberg's Model.

Hygiene Factors	Motivators

Also note: The hygiene factors can have their positives, ie good relationship with peers. Whilst also, the motivators can have dis-satisfaction i.e. lack of achievement.

These hygiene, factors are often also referred to as KITA factors where KITA stands for Kick in the A**e. the process of providing incentives or threats to get someone to do something.

2.10   Achievement Motivation theory

Often, not at our level, but when recruiting senior management organisations are said to use Psychometric testing, within the recruitment process, often prior to any interview, to reduce to the field of applicants. Anyone heard of such testing?

This testing, is linked, to achievement motivation, created by McClelland at Harvard University, McClelland discovered three particular needs:
1. *The need for achievement*
   Often seen as positive, especially when the individuals needs match those of the organisation, those with high achievement need will be good at taking responsibility, and carrying tasks through. However, is this to high, the individual will be unable to operate effectively as a team member or with compliance with strict organisational goals.
2. *The need for affiliation*

Most people have some need for affiliation, where this predominates, these people are less likely to be strong decision makers, because they wish to secure consensus rather than get the job done.

3. *The need for power*

The need of power, is one some people can't manage without, however this will not apply to those who desire management roles. Managers need power, but where this need dominates, the manager will be authoritarian, which is often felt to be ineffective and better when combined with a strong need for achievement.

Student task – Discuss and apply some of the motivational theories discussed above to the following scenario:

You're currently employed as the contracts manager, working for a regional shopfitting company, based in Bolton. You currently have a five partnering agreement with an international burger chain, for the renovation of their restaurants. To retain the partnership programme, your firm has been set targets to achieve, including, maximum project delay time of 24hrs.

On one project, in South Shields, you have realised that the project is currently 7 days behind, with only 21 days left to run.

a) How does your managing director motivate you to achieve the deadline?

b) How will you achieve this deadline, using only motivational techniques, without impacting on project profitability?

WEEK 5:

3.0 HOW MANAGEMENT SHAPES COMMUNICATION PROCESSES FOR EFFECTIVE PERFORMANACE

3.1 Introduction to communication

As discussed in management principles, we agreed that the purpose of management is to 'get things done', therefore, to 'get things done' managers must be effective

communicators. As the lack of communation or indeed inadequate communication will always lead to problems. Unfortunately, for the construction industry the latter is the norm, due to the adversarial and fluid nature of our industry all to often communication fails, and after several influential government reports, the two most recent being the Latham(1994) and Egan (1998) reports, both of which highlighted severe failings in the construction industries ability to communicate at all levels.

The theory of communication

The seven stages of communication

Figure One – The lateral communication process

Interference (Barriers to Communication)

Sender

Receiver

| Think | Encode | Transmit | Receive | Decode | Understand | Act |

Feedback – Through the same stages
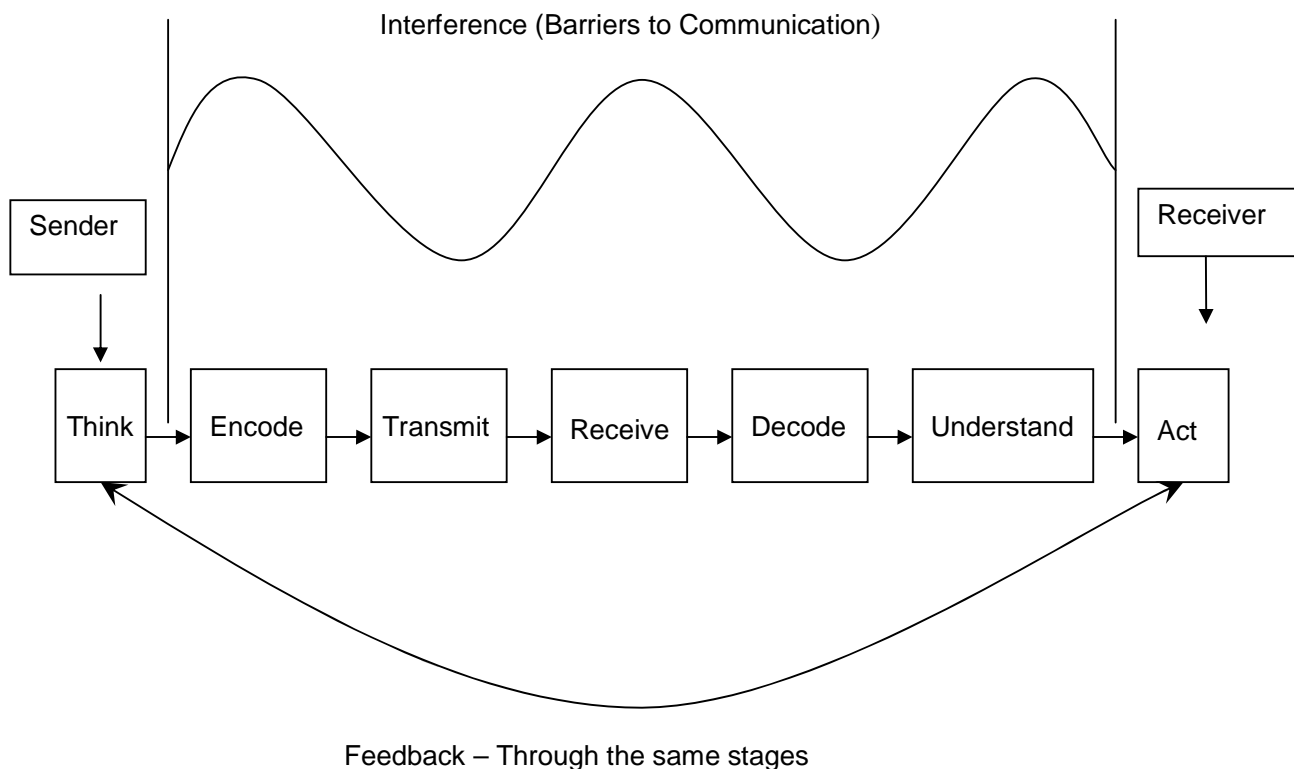
Adapted from: Calvert *et al* (1999) & Boddy (2002)

The diagram above identifies the seven stages of the communication process, the senders thoughts are converted into a message, which is then transmitted to the required person who receives the message, decodes and ideally understands it.

Over the next few pages, we will break down and examine each stage in the communication process.

Stage One – The sender's thoughts

It is the sender's thoughts which will kick start the communication process. The objective must be the communication of thought to the understanding of the receiver. It has been said that effective communication is a meeting of minds. So thoughts are really quite simple, for example "the lorry needs off loading". Others however are more complex such as "I must convince him that I am sincere". The simpler the message, the simpler the communication.

Stage Two – Encoding

In order to transmit the sender's thoughts, the thoughts have to be converted into a suitable language for transmission. The language usually adopted is words, but illustration, body movements, figures and demonstration can and will also be used. The language we use in the communication process is also referred to as the medium or media. The correct choice of medium is essential to the success or failure of the communication process.

Stage Three – Transmission

Having converted the thought into a message using a particular medium it must now be transmitted to the receiver. The method of transmission is called the channel. It is possible that a particular medium can only be transmitted in one way for example divers' use various hand signals to communicate. Although alternative methods are usually available, for example, a lorry driver and banksman will usually communicate using hand signals, based on the assumption that they can see each other; however, another possibility is a two way radio. We must not forget that we can also use different channels to transmit one medium of communication, for example words can be channelled either verbally or in written form. From this we can see that, encoding

and transmission are inter-linked, decisions taken and facilities available, in one part of the process, will affect the other.

Stage Four – Reception

Using the analogy of television to initially explain this aspect of the process, the air around us is filled with television and radio signals, but if no one turns on a television or radio the information being transmitted will not be received. In addition, in some areas, when the television is turned on the signal will not fully be received due to interference, preventing the listener or viewer receiving the message. In all forms of communication, the same problems can occur, messages may not be received or they may be distorted due to physical problems or a lack of attention on the part of the receiver.

Stage five – Decoding

Decoding is the opposite of the encoding process, to be successful decoding requires the sender and receiver to use the same language. Should anyone decide to learn to scuba dive, you will be taught a standard set of hand signals, which no matter, who you dive with these signals will be clearly understood and the receiver will carry out the desired actions.

Stage Six – Understanding

The message in the mind of the receiver must, at the end of the communication process, be the same as the one in the mind of the sender. The communication process as we have seen creates barriers. The more complex the process the more barriers there are to be overcome. Sometimes the barriers lead to the message not be received but mostly they create distortion so that the message received was not the message transmitted.

Stage Seven – Action

The action undertaken by the receiver as the result of a communication may be considered by some to be a separate factor of, for example, motivation. It is necessary to recognise, however, that in business if the objective is that a wall should be built, the communication process is not complete until the wall is properly built in the correct place and at the correct time, using the appropriate materials.

The diagram in figure one above showed a very simplistic communication process, a more accurate diagram, indicating the complexity of the process has been proposed by Baguley (1994) which is shown in figure two below. The diagram portrays communication as a two way rather than linier process. In this process, it can be seen that both the sender and receiver are communicating simultaneously, in different media and via different channels. In essence the receiver will be receiving feedback continuously, throughout the transmission of their communication.

Baguley's communication model
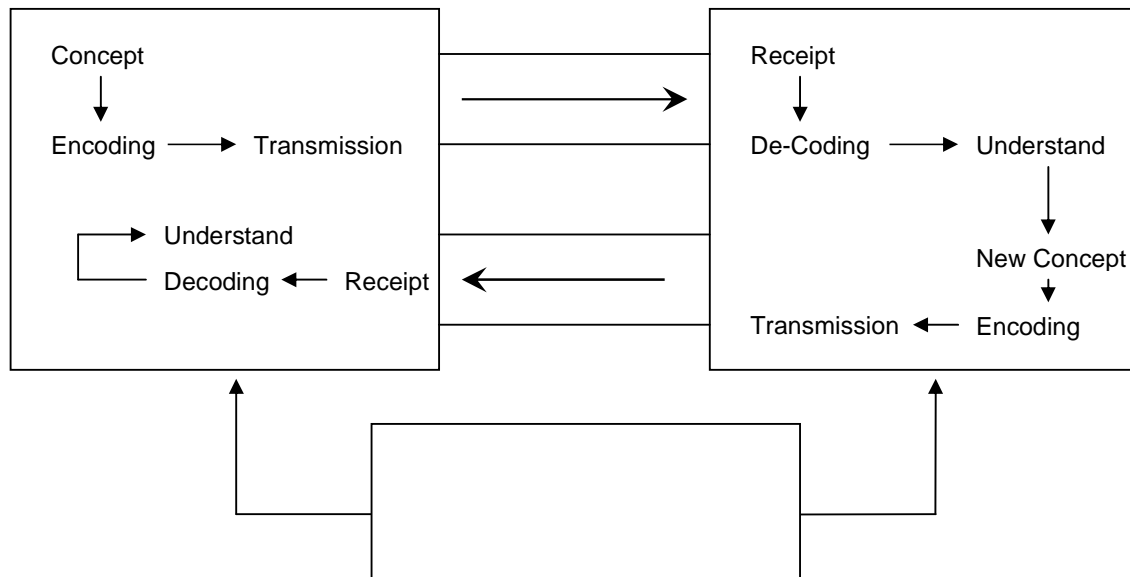
In this model, rather than just a simple yes or no, in terms of feedback, as would have been expected with the linear model proposed by both Calvert *et al* and Boddy, Baguley's more complex model assumes that the feedback received will be as detailed as the initial message. For example, if an architect issues the contractor with an instruction for some additional works, lets say, an additional wall to divide a

room, then the feedback from the contractor, will be equally detailed, possibly relaying the impact on the programme and project completion date.

3.2   Barriers to communication

In the two models of communication proposed and discussed above, we can see that between the sender and receiver of the communication, there is 'interference'. This interference is in fact a communication barrier. This interference, or as some texts call it 'noise' can often prevent accurate communication.

Q: Thinking about the construction industry, what possible barriers to communication exist?

3.3   Optimising communication

Given the extent to which communication, especially within our industry is affected by communication barriers, how can we ensure we communicate in an effective manor?

Well according to Skyttner (1998) the critical conditions which must be met for communication to be effective are:

- The information source must provide adequate and distinct information
- The message must be correct and completely coded into a transmittable signal.
- Received signals must be translated in a way that corresponds with the coding.
- The receiver must be able to convert the message into the desired response.

Which in English, means that the communicator must ensure that they use the most appropriate media, take account of noise and distraction and consider the perspective of the receiver.

So how can be ensure we meet the above guidance, well, I would advise that you consider the following points:

1. You must remember that the receiver my not interoperate the information in the same way as you do. So make sure the message is clear. For example, the use of technical works should be minimised as these can have different means to different people. (Refer to table 1 for examples)
2. Select the most suitable communication channel for the information you wish to send. Different channels have different capacities in terms of their ability to convey information (refer to box one below for more information)
3. The last point to consider, is the information, is it routine, for example, asking a joiner to hang a door is a routine activity of them, so the communication of this task is straightforward. On the other hand something non-routine .for example, the joiner is hanging the door in a nursery and so to keep the

children in the lock and handles on the door must be fitted at the top, would need to be communicated in a better fashion to ensure the communication was not lost in noise.

WEEK 6:

HOW MANAGEMENT SHAPES COMMUNICATION PROCESSES FOR EFFECTIVE PERFORMANACE

3.4   Forms of communication media

There are several ways in which we can communicate the main methods are discussed below:

Verbal communication
The spoken word could be described as the most direct form of communication. Many conversations involve an exchange of information. These tend to be in response to questions either open or closed. Our conversations can range from formal to informal and from long to short or between individuals or groups depending on their nature. Verbal communication is a fantastic tool in making people feel involved or consulted and for receiving instant feedback

Non-Verbal communication
Non-verbal communication is normally present during some other form of communication process, usually implying some form of meaning to what is being said. Non-verbal communication can be both intentional and un-intentional in nature.

Written Communication
Written communication is usually, in-direct, official and formal in nature.

Audiovisual communication
This is normally graphical or audio based media designed to convey a message more efficiently.

Electronic communication

This medium is becoming an increasingly popular method of communication

Task

Complete the exercise on the separate sheet, group each of the types of communication under the correct heading from above.

3.5   Types of communication

Telephone conversation

Drawing

Report

Interview

Talking

Memorandum

E-mail

Chat room

Forum

Meeting

Lecture at university

Bar chart programme

Budget

Cashflow forecast

Essay

Text message

Television programme

Seminar

Book

Video conferencing

DVD

CD

Instruction manual

Code of conduct

CPD

Application form

3.6   Communication types and techniques

When looking at communication, types of communication can be effectively grouped into two main categories, which are:

- Interpersonal Communication
- Organisational Communication

Interpersonal Communication

The first form of communication, as one which is common place within the construction industry is communication between individuals.

Interpersonal communication generally refers to the process of communication between two or more people. An interpersonal channel is one which involves a face to face exchange between a source and a receiver. Effective interpersonal communication, at all levels within a construction organisation is essential.

Organisational Communication

Communication is an essential part of any functioning organisation. The effective flow of information within the organisation between the various teams and groups is to a degree, controlled by the hierarchical structure the organisation has in place.

Within the organisation, there are two main types of communication:

1. Formal Communication – Matters relating to the organisation its self including, information such as complaints, newsletters, e-mails.
2. In-formal Communication – general interpersonal and written communication between employees which is not necessarily related to the organisation it's self, for example discussions about last nights football etc.

Continuing, looking at the formal communication, there are three main ways information is passed around within the organisation. Which are usually dictated by the organisational structure.

Downward Communication

Management uses downward communication to send messages to the people below them in the hierarchy. Management normally use this form of communication to issue instructions to their subordinates.

Q. list four possible types of communication management could issue.

Upward Communication

Upward communication refers to systematic methods of helping employees to pass on their views and ideas to management, usually managers refer to this as employee feedback, although other forms of upward communication would include things like

- Project progress reports
- Budget requests

Horizontal communication

Horizontal communication is usually cross departmental requests for either resources or information, this form of communication would normally connect people who work within the organisation at a similar level. For example, as a Quantity Surveyor, I could have horizontal communications with an Estimator.

Task

In the boxes below, write in them the types of communication you think would be:

- Horizontal

- Downward
- Upward.
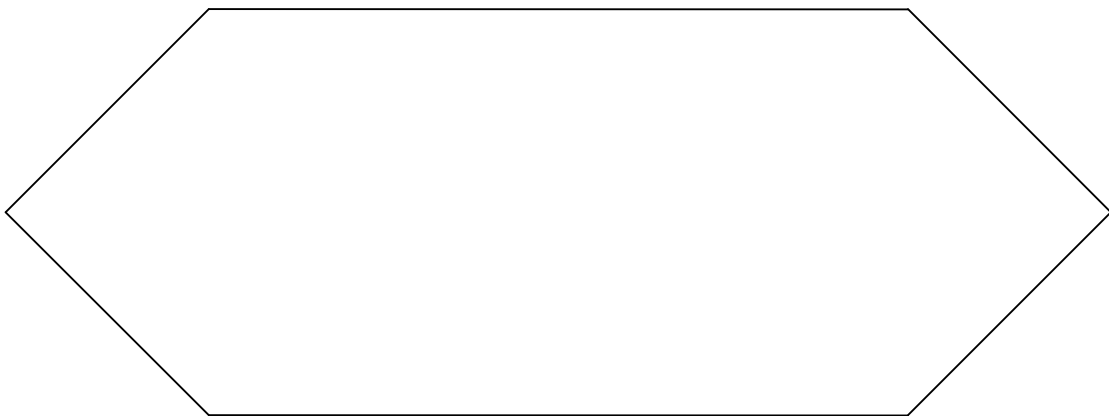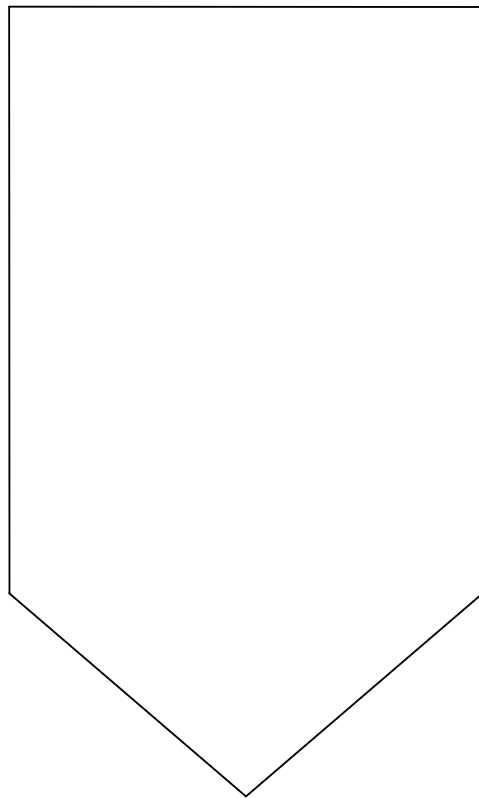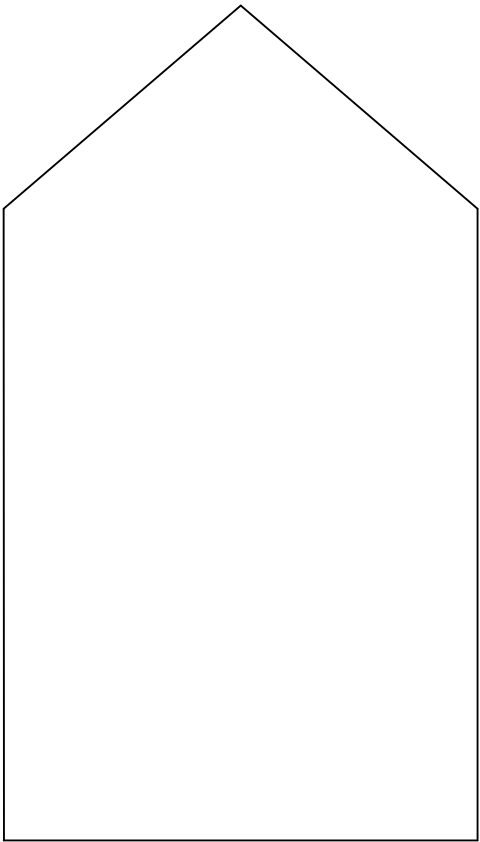
3.7   Barriers to effective communication

- ***The individual's frame of reference*** – people interpret meaning in communication in ways which are shaped by their own frame of reference. For example cultural differences.

- *Stereotyping* – people have a tendency to stereotype other according to their socially constructed views. For example, rather than listening to what the person is saying, they will hear what the person should say based on their socio-economic background.

- *Cognitive dissonance* – if someone receives information which conflicts with their established beliefs then they will often have difficulty in understanding or responding positively to it. Rather, they will dis-believe or challenge it as a way of dealing with inherent discomfort or dissonance.

- *Halo or horns effect* – If someone is trusted by another individual they may be predisposed to agree with what they say. Conversely, if someone is distrusted then what they say may be ignored or treated with caution. This is related to stereotyping, but is more closely related to an individual's perception of the other person.

- *Semantics/Jargon* – This infers difficulties in transferring the meaning of information from one person to another. The meanings behind any piece of information are attributed to the receivers and not embodied within the words themselves. If jargonised words are used then the receiver may have no idea as to the intended meaning of the communication.

- *Not paying attention* – being distracted by the other noise going on around a particular communication is a primary cause of communication difficulties, as is simply forgetting information soon after it has been communicated. A multitude of factors can impact on this phenomenon, such as occupational stress and burnout, which can adversely affect concentration and hence the performance of individual employees.

In addition to the above barriers, there are also barriers to communication at an organisational level. These are:

- *Power Differences* – employees distort upward communication and believe that supervisors have a limited understanding of subordinate's needs.
- *Gender Differences* – Men tend to talk more whereas women tend to listen and reflect.
- **Physical surroundings** – Issues such as room layout, noisy equipment and physical proximity affect communication effectiveness.
- *Language* – Variations in language and dialect can affect communication.

- *Cultural Diversity* – Different cultures harbour dissimilar expectations as regards formal and informal expectations.

We must also not forget, that barriers to communication can be created as much by the receiver as the environment or the communicator. Typical barriers to communication from the listener's perspective include:

- *Selective perception* – the listener only hearing those messages that support their model of the world and filtering out others.
- *Making assumptions* – The listener assuming what the sender means or feels rather than listening to what they say.
- *Being judgemental* – The listener being critical of another person's point of view in a way that distances them from the transmitter's point of view.
- *Acting defensively* – the listener defending a position rather than listening to the position of another person.
- *Failing to understand cultural differences* – Subtle but significant differences in language or pronunciation often lead to miscommunication. For example, sciences have distinct meanings and require specific etiquette in some cultures that must be respected for effective communication to take place.

Box One
In the box below, draw the media selection framework.
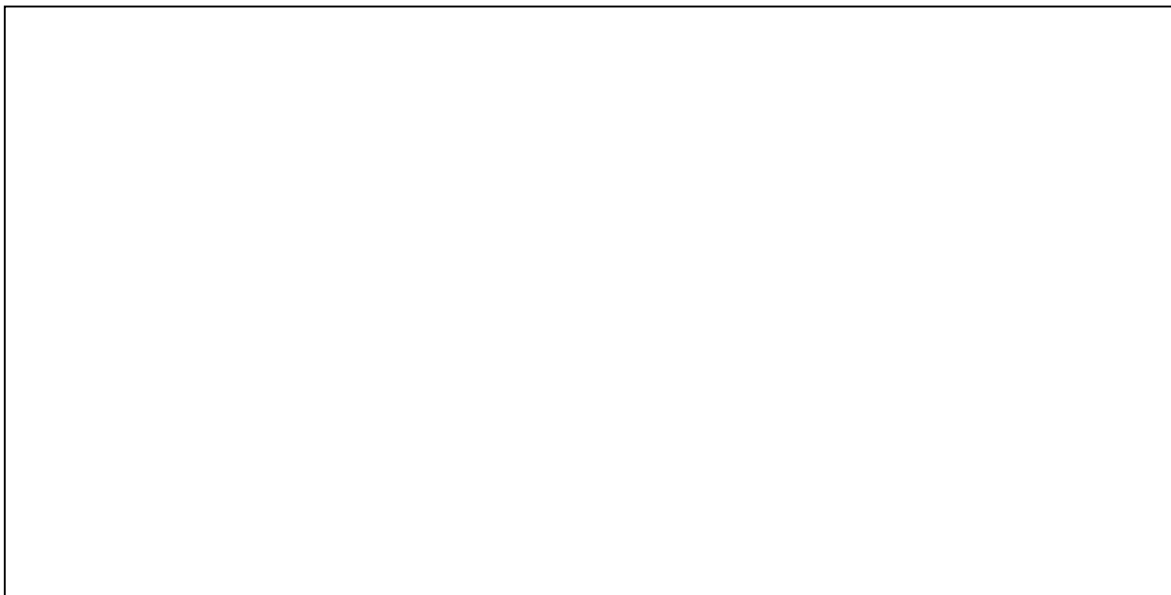
Table one

Term	To an architect	To an M&E engineer
Air-Conditioning	Any cooling system – Probably comfort cooling	One particular system that is cooled, heated, humidity controlled and ducted. Not comfort cooling.
Contractor	Builder	Plumber or Electrician
Duct	Anything needed for hidden services	A galvanised steel air-distribution system to HVAC publication

		DW142
Low energy structure	Wooden-framed, lightweight structure with turfed roof	Concrete structure with exterior insulation and heat exchanger
Natural Ventilation	Windows	The passive passage of air through grilles, chimneys, stacks and exposed mass
Pipe size	The actual size of the pipe with everything else included such as insulation	The mean diameter of the pipe itself – excluding insulation thickness.

Source: Dadji (1988)

WEEK 7:

4.0   LEADERSHIP

4.1   The manager as a leader

Management implies leadership, and in fact the success or failure of a manager can be judged on their leadership qualities. If the manager's role is to achieve organisational goals, then these are reached by using a variety of resources including labour. To ensure the workforce work towards the same goal or target, there must be someone to show them the way forward whilst also finding solutions and overcoming obstacles along the way. In this sense leadership has become an important attribute of management, and one which, we must understand.

4.2   What is leadership?

Leadership is a concept that many people have written about but few have actually produced a definition of. Although Cole (1991) has suggested the following:

> Leadership is a dynamic process at work in a group whereby one individual over a particular period of time, and in a particular organisational context, influences the other group members to commit themselves freely to the achievement of group tasks or goals

So let's examine this definition of leadership to develop our understanding of the concept.

'*Leadership is a dynamic process*' this would suggest that the leaders 'style' of leadership is forever changing to suit either, the task, the group or the individual members. From this, we can now say that there is no single best way of leading, leaders, must be able to exercise a variety of behaviours selecting the most appropriate for a given task.

'*Leadership is not necessarily confined to one person*' this would imply that anyone within the group could take up the role of leader, the role maybe shared around within the group. This implies that although someone is appointed as a manger, they may not be the leader in practice, some leaders are merely figure heads.(the Queen for example) however, others have argued that the role of leader is a *bona fide* management role.

'*The leader's role is to influence the group towards the achievement of group goals*' in formal groups the goals are set by senior management and passed down to the group, in in-formal groups, the goals are agreed by consensus, however, the group needs to be steered towards the attainment of such goals.

4.3   Formal and Informal Leaders

Every work group has an appointed leader – its supervisor or manager. If there is not one a leader will almost always emerge, because groups need task and social leadership.

<u>The formal leader</u>

Organisations expect one person – the formal leader or manager – to perform both roles. The manager has to allocate work, show people what to do and make sure they do it properly, in addition to dealing with human problems and ensuring that

group members work together as a team. The successful formal leader does both things well, achieving high productivity and group satisfaction.

<u>The Informal Leader</u>

They may or may not be present in a group with a formal leader, although, informal leaders will be present in social groups for example.   The informal leader is the person who the group will turn to with their social and emotional problems and personal worries.

4.4   Leadership Theories and Leadership styles

4.4.1 Trait theories of leadership

The trait theories of leadership are centred on the concept that great leaders are born and not made. The theory stated that effective leaders are born with innate qualities and are destined to lead. To select these leaders, they would look or test for certain 'traits' and 'skills' which are shown in the table below:

Traits	Skills
Adaptable to situations	Clever (intelligent)
Alert to social environment	Conceptually minded
Ambitious and achievement-orientated	Creative
Assertive	Diplomatic and Tactful
Cooperative	Fluent in speaking
Decisive	Knowledgeable about group task
Dependable	Organised (administrative ability)
Dominant (desire to influence others)	Persuasive

Energetic	Socially skilled
Persistent	
Self-Confident	
Tolerant of stress	
Willing to assume responsibility	

(Source: Stogdill 1974)

Further research by McCall and Lombardo, 1983 narrowed down the tails of an effective leader to four primary traits:

- *Emotional Stability and Composure:* Calm, confident and predictable, particularly when under stress.
- *Admitting error:* Owning up to mistakes, rather than putting energy into covering up.
- *Good interpersonal skills* – Able to communicate and persuade others without resort to negative or coercive tactics
- *Intellectual breadth* - Able to understand a wide range of areas, rather than having a narrow (and narrow – minded) area of expertise.

4.4.2 Behavioural Leadership style (Managers attitude theory)

As studies into leadership developed, it was discovered, that although, looking for traits in effective and great leaders works, how do you measure them in others? Further research, namely that of Douglas McGregor, proposed that leadership abilities are influenced by the managers perception of human behaviour. To demonstrate this McGregor (1960) developed the Theory X – Theory Y model (the same model as we studied in motivational techniques) which showed two opposing sets of assumptions that managers might hold about their subordinates.

Task

In the box on the next page explain the principles of McGregor's Theory X and Theory Y.

In essence the behavioural leadership theories, separated leaders into two categories, the autocratic leader and the democratic leader.(see figure one below). Hannagan (1995) argues that both categories or styles of leadership have their place in current leadership situations, summarising that professionals will be more responsive to a theory Y leadership approach, whilst lower level, unskilled workers tend to respond better, when, they are subjected to continuous supervision (Theory X leadership).

Figure One

AUTOCRATIC	One who commands Expects everyone to comply Dogmatic – Arrogant, assertive Positive – Clear cut, decisive Often rules by threat or reward
DEMOCRATIC	Manages by consultation with subordinates Encourages participation Develops team approach Sees the good in people around them
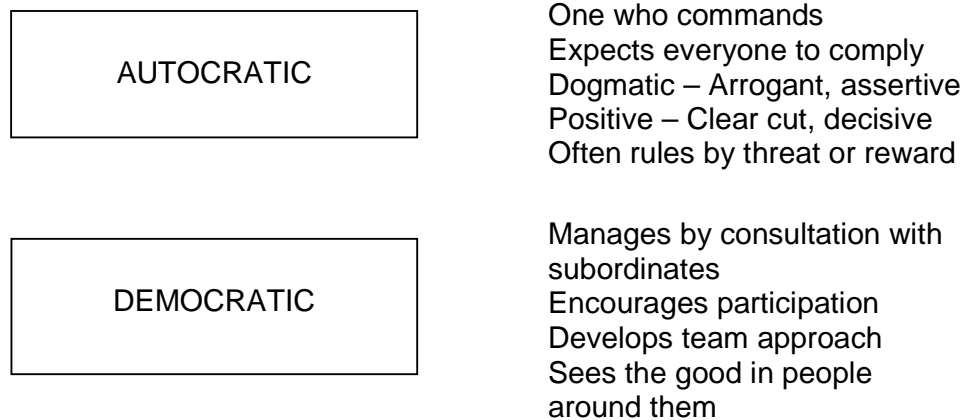
4.4.3 Employee centred leadership style (democratic)

Likert identified four main styles of leadership, which particularly centred around the concept of decision-making. More specifically Likert's theory focused on the degree to which people are involved in the decision making process.

- *Exploitive authoritative*

In this style, the leader has a low concern for people and uses threats and other fear-based methods to achieve conformance. Communication is almost entirely downwards and the psychologically distant concerns of people are ignored.

- *Benevolent authoritative*

When the leader adds concern for people to an authoritative position, a 'benevolent dictatorship' is formed. The leader now uses rewards to encourage appropriate performance and listens more to concerns lower down the organisation, although what they hear is often rose-tinted, being limited to what their subordinates think the boss wants to hear. Although there may be some delegation of decisions, almost all major decisions are still made centrally.

- *Consultative*

The upward flow of information here is still cautious and rose-tinted to some degree, although the leader is making genuine efforts to listen carefully to ideas. Nevertheless, major decisions are still largely centrally made.

- *Participative*

At this level, the leader makes maximum use of participative methods, engaging people lower down the organization in decision-making. People across the organization are psychologically closer together and work well together at all levels.

WEEK 8:

LEADERSHIP

4.4.4 Situational Leadership - (leadership style based on situation)

Research into leadership has concluded that no one leadership style would suit all leadership situations. Instead situational leadership models where developed to indicate leadership style is dependant on four factors:

- The Task
- The Leader
- The subordinates
- The setting

It was discovered that, there is no single all purpose leadership style; successful leaders instead are those who can adapt their behaviour to their own unique situation.

It was suggested that leadership is a response to the interplay between tasks and relationship, which brings about four types of leadership (shown in figure two below)

Figure two: Four basic leadership styles

Relationship Behaviour

COLLABORATION

Low Task

High Relationship

INFLUENCE

High task

High Relationship

Task
Behaviour

DELEGATION

Low Task

Low Relationship

DIRECTION

High Task
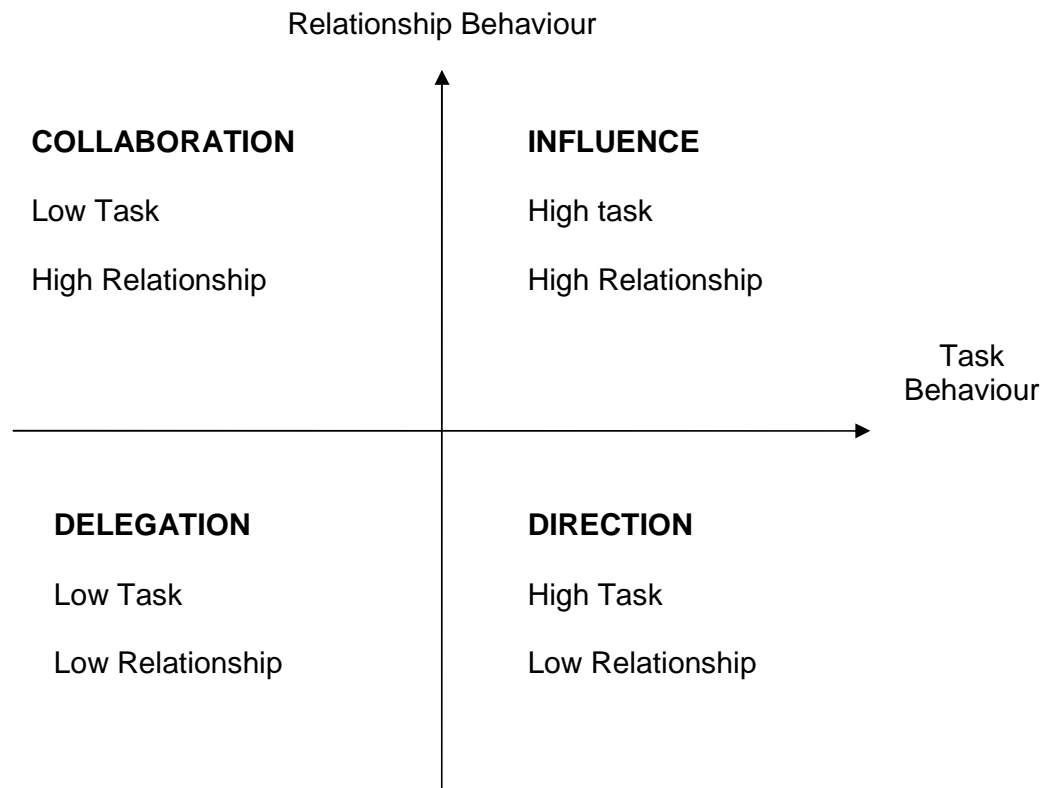
Low Relationship

Although how these leadership methods are selected is based on the maturity of the leader's subordinates. As demonstrated below

Figure Three: Style of Leader

Collaboration

Influence

Relationship
Behaviour

Delegation

Direction

← Task Behaviour →

| HIGH | MODERATE | LOW |

Mature   MATURITY OF SUBORDINATES   Immature
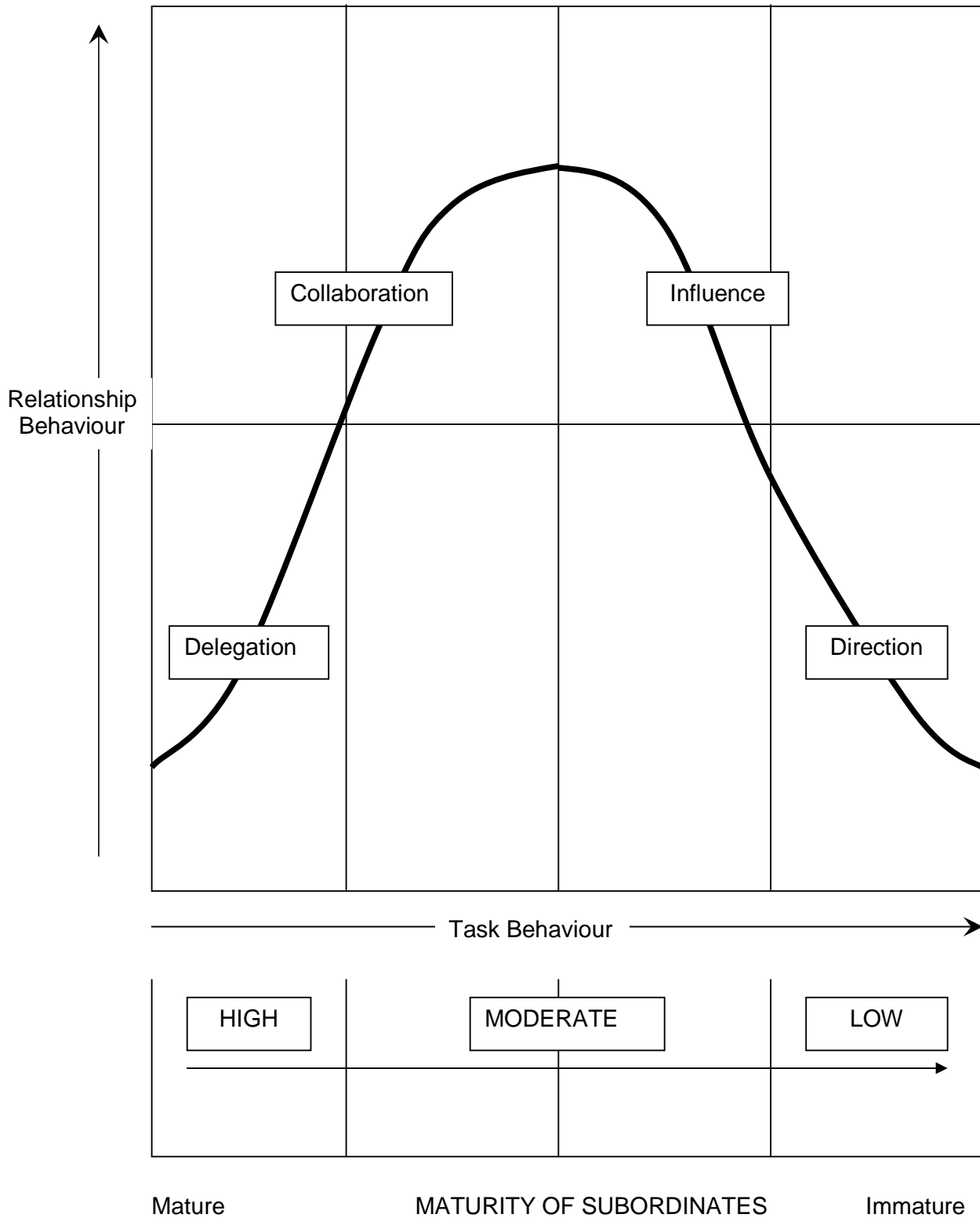
Definitions:

Relationship – Two way communication by providing socio-emotional support.

Task – Extent to which the leader engages in one-way communication – when how task is to be completed.

Maturity - the capacity to set high but attainable goals, willingness and ability to take responsibility, maturity verities according to task, function or objective.

Good leaders will use all four styles, with one of them normally dominating; however, bad leaders will only tend to stick with one style in all situations.

A good leader uses all three styles, depending on what forces are involved between the subordinates, the leader, and the situation.

4.4.5 Functional Leadership

The last leadership theory to look at is the functional leadership theory, the main theorist in this category is John Adair who devised the action centred or functional

leadership model, shown in figure four below. The theory identifies that an effective leader is one who gets the job done through the work team and relationships with fellow managers and staff. Adair argues that an effective action centred leader must:

- Direct the job to be done (task structuring)
- Support and review the individual people doing it
- Coordinate and foster the work team as a whole

Figure Four: Adair's functional leadership model

TASK

GROUP   INDIVIDUAL

TOTAL
SITUATION
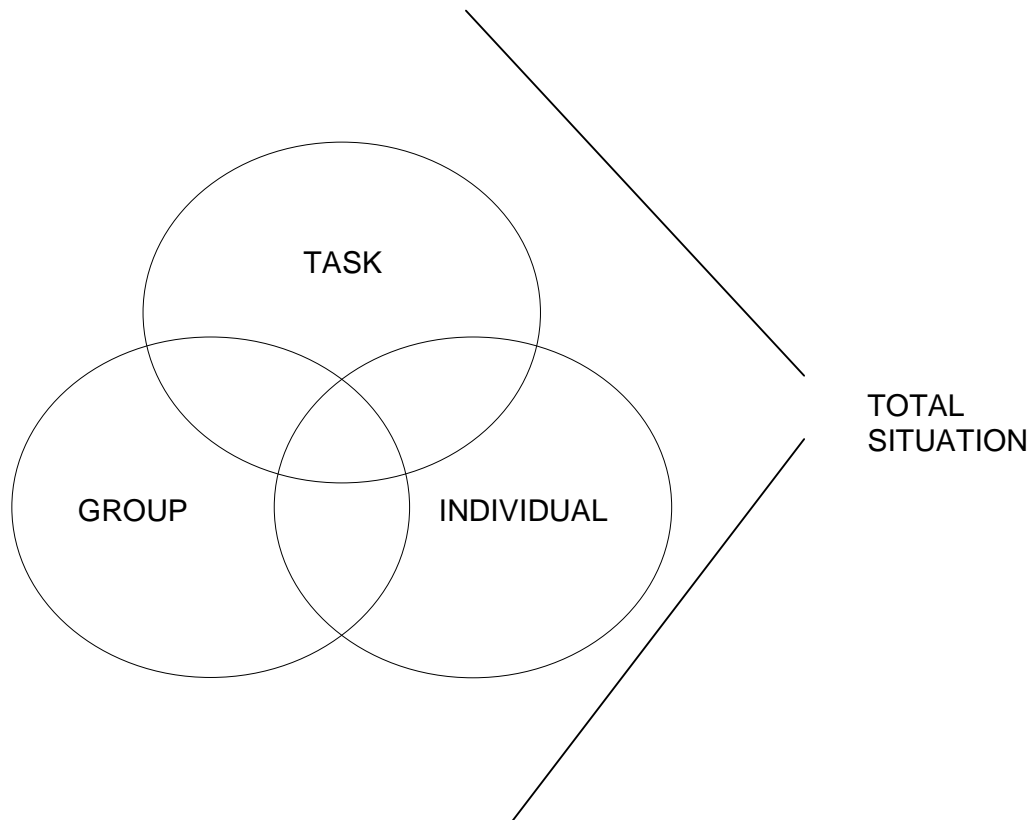
The effective leader / manager carries out the functions and exhibits the behaviours depicted by the three circles. depending on the circumstances of the particular situation, the leader will have to respond in various ways, which will involve giving more emphasis to the different aspects of the model, so imagine that, depending on the situation, one or two of the circles will increase in size, and the leader/manager place more emphasis on it, whist the remaining circle or circles will reduce. The challenge to the leader/manager is to manage all sectors of the diagram.

The table below highlights the general issues the leader / manager will have to manage within each sector.

Task	- Define the task - Make the plan - Allocate work and resources - Control quantity and rate of work - Check performance against plan - Adjust plan
Team	- Maintain Discipline - Build team spirit - Encourage, motive, give sense of purpose - Appoint sub-leaders - Ensure communication within group - Develop the group
Individual	- Attend to personal problems - Praise individuals - Give status - Recognise and use individual abilities - Develop the individual

4.5   Selection of leadership style

As leaders the style of leadership we adopt for various situations will more than likely be influenced by several forces including:

- The amount of time available
- Are relationships within the team based on respect and trust or disrespect?
- Who has the information needed to complete the task, you, your subordinates or both

- How well are your subordinates trained, and how well do you know the task?
- Are there any internal conflicts?
- What are your and your subordinates stress levels
- Type of the task to be completed, is it structured, un-structured, complex or simple?
- Are there any laws or established procedures which are relevant to the task?

Task:

What style of leadership would you adopt given the following situations?

1. You are a chief estimator working for a large national contractor, running a team of approximately 15 estimators and 3 administrators; you have recently employed a new assistant estimator, who is just beginning to learn the job.

2. You are currently producing an estimate for a large project, which unusually for your organisation is in the educational sector, obviously you are familiar with estimating and construction, however, you are un-familiar with some of the specific details required, although three of your estimators have worked in the educational sector in the past.

3. A project manager, working on a large project in central London, has recently returned to work, after five week absence, due to illness. The next day after you return to work, the client contacts you asking about the project generally and specifically how far the works have progressed in a certain area; they have asked if you could prepare a report, for there meeting tomorrow discussing all their current projects in the south east of England. Although you know the job well, you are not up to date with progress in that section, what do you do?

Concluding comments

We should now know enough about leadership to understanding that it is not as straightforward choice between this or that style. It is principally a question of balancing a number of key factors, such as the nature of the task, the composition of the group, the degree of authority available, and the personal attributes of the leader. This balancing act is achieved in the context of living organisations containing ordinary people, and will be shaped by their dominant values. I will leave you with this quote to think about "All leaders can be managers, but not all managers can be leaders"

WEEK 9:

5.0   ORGANISATION STRUCTURE

5.1   What is an organisation?

The word "organisation" can have several meanings, but we are only really
concerned with the words meaning in a business and management sense. In this
way we can define an organisation as "a social entity formed by a group of people to
fulfil a task or achieve a goal." Cole (1999)

5.2   The Key Organisational Variables

When considering or discussing the creation of an organisational structure, there are
several key variables which must be considered and will determine the eventual
structure. These Seven variables or factors are:

- Purpose or Goal – *the fundamental aims of the firm or group*

- People – *those who make up the organisation*

- Tasks – *the basic activities to be undertaken to achieve the main goal*

- Technology – *the technical aspects of the internal environment*

- Culture – *the dominant values guiding the organisation*

- External Environment – *the external market, the social conditions which impact on the organisations activates.*

- Structure – *Hierarchical or flat*

Figure One: Cole's Model of an organisation

Purpose and Goals

Technology

Tasks

External
Environment

Organisation
Structure

External
Environment

People

Culture
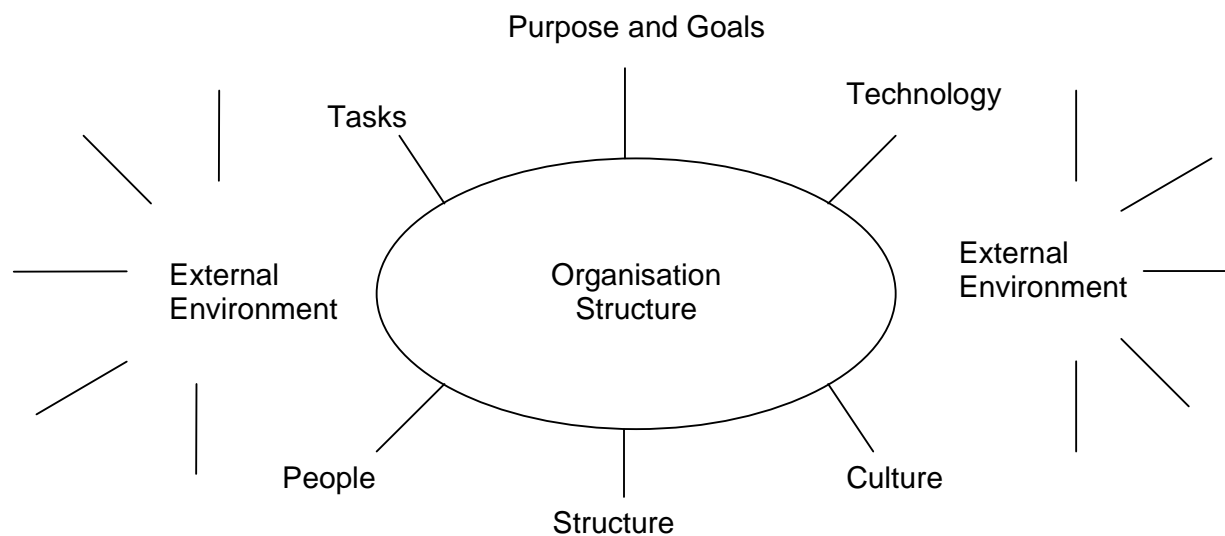
Structure

Within any organisation these seven variables are all interrelated and all must be considered when designing a new or amending an existing organisational structure.

5.3   Using the seven variables to design an organisational structure

The design of a suitable organisational structure for any enterprise is a crucial activity, as this structure will more often than not impact on the future success or

failure of the business. When designing the structure we must consider the seven

variables in detail, some key considerations are given in table one on the next page.

Table One: Based on the diagram in Figure One

Feature	Key Questions/ Considerations	Choices	Implications for
Purpose			
External Environment			
Tasks			
People			

Structure			
Culture			
Technology			

In this session, we are only concerned with the structure aspect of an organisation, which we will explore in detail.

5.4   The need for a structure.

Before we study organisational structures in detail, we must first provide an answer to the following two questions:

       1. Do all organisations have structures?

       2. Why do organisations have structures?

To answer the initial question, not all organisations have a formal structure; you will often find that small organisations such as sole traders will not have any formal rigid structures, as there is only one line of command.

The response to the second question is that although smaller organisations do not have a formal structure. Has these organisations develop and grow, however, the need for a formal structure soon becomes apparent, with an increasing number of employees, no doubt with varying levels of responsibility, the line of command becomes obscured.

In this context, we can now revise our earlier definition of an organisation to one which is more suited to medium and large organisations. The new definition provided by Fryer (2004) states that "An organisation can be seen as a set of rules or positions created to achieve a goal" rather than Cole (1991) how described an organisation as "a social entity formed by a group of people to fulfil a task or achieve a goal" which does not really express the formal nature of the organisation, which structures create.

We can say that organisational structures are really created to ensure that the organisation allocates work rationally and avoids the possible repetition of some or all of its activities.

5.5   Designing Organisational Structures

Child (1998) writing about organisational structures comments:

> The design of its organisation is one of management's major priorities. This entails creating a structure which suits the need of the particular enterprise or institution, achieving consistency between the various aspects of the structure, and adopting it over time to changing circumstances.

From Child's comments on the design of organisational structures, we can pick out several interesting points, the first being, that the structure is designed by managers, this implies that the eventual structure will reflect the manager's intentions and values, rather than those of employees and other stakeholders. The second interesting point is that Child identifies that structures are created to promote "corporate interests" rather then those of individual or sub-groups and finally, that no

structure is set in concrete, arguing instead that they must be easily adaptable to organisational or external changes.

So before setting about designing an organisational structure, managers must ask themselves, some basic questions:

Student Task

In the box below, write down, the questions you think a manager should ask.

5.6   Types of Hierarchical organisational structures

We now know why organisations have organisational structures and who designs them. What we have not looked at yet is the most common formats organisational structures often take.

There are five common forms of organisational structure that most organisations will often use, these are as follows:

5.6.2 Divided Functions (Functional Organisational Structure)

The first type of organisational structure to be discussed is the functional structure. In this structure responsibilities have been divided up in the most logical manor, with the responsibilities divided into specialist operations. As the firm grows, each of these separate functions will again be sub-divided into their main functions.

Example of a Divided functions structure

```
                        ┌─────────────────┐
                        │ Chief Executive │
                        └────────┬────────┘
        ┌────────────────┬───────┴──────┬────────────────┐
        ▼                ▼              ▼                ▼
  ┌──────────┐     ┌──────────┐  ┌────────────┐   ┌──────────┐
  │ Finance  │     │  Design  │  │ Production │   │ Marketing│
  └──────────┘     └──────────┘  └─────┬──────┘   └──────────┘
                          ┌────────────┼──────────────┐
                          ▼            ▼              ▼
                   ┌────────────┐ ┌────────────┐ ┌────────────┐
                   │ Purchasing │ │Construction│ │   Plant    │
                   │  Manager   │ │  Manager   │ │  Manager   │
                   └────────────┘ └────────────┘ └────────────┘
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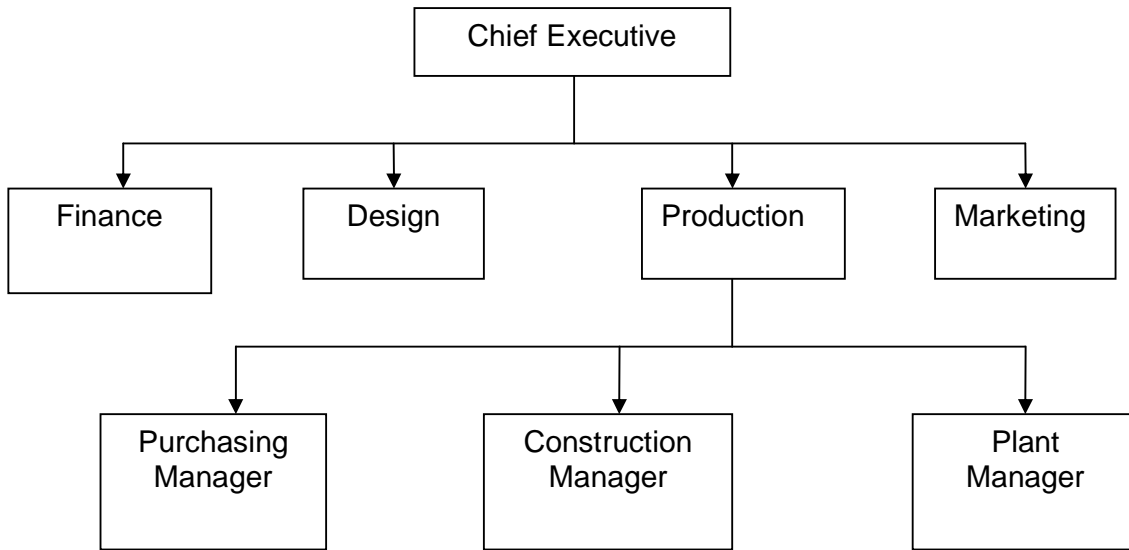
5.6.2   Division by Products (Product based structure)

In larger organisations, the use of a functional structure may not be suitable. The size of the organisation may require a product based structure, where each product, then develops its own functional structure as in the example below:

Example of a product based structure

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                    ┌─────────────────────────┐
                    │  Chief Executive Officer │
                    └─────────────────────────┘
                                 │
        ┌────────────────────────┼────────────────────────┐
        ▼                        ▼                        ▼
┌──────────────────┐   ┌──────────────────┐   ┌──────────────────┐
│ Civil Engineering│   │   Construction   │   │  House Building  │
└──────────────────┘   └──────────────────┘   └──────────────────┘
- - - - - - - - - - - - - - - - -│- - - - - - - - - - - - - - - - - -
        ┌──────────────┬─────────┼──────────────┐
        ▼              ▼         ▼              ▼
   ┌─────────┐   ┌─────────┐  ┌────────────┐  ┌───────────┐
   │ Finance │   │ Design  │  │ Production │  │ Marketing │
   └─────────┘   └─────────┘  └────────────┘  └───────────┘
                                   │
        ┌──────────────────────────┼──────────────────────────┐
        ▼                          ▼                          ▼
 ┌──────────────┐        ┌──────────────────┐        ┌──────────────┐
 │  Purchasing  │        │   Construction   │        │    Plant     │
 │   Manager    │        │     Manager      │        │   Manager    │
 └──────────────┘        └──────────────────┘        └──────────────┘
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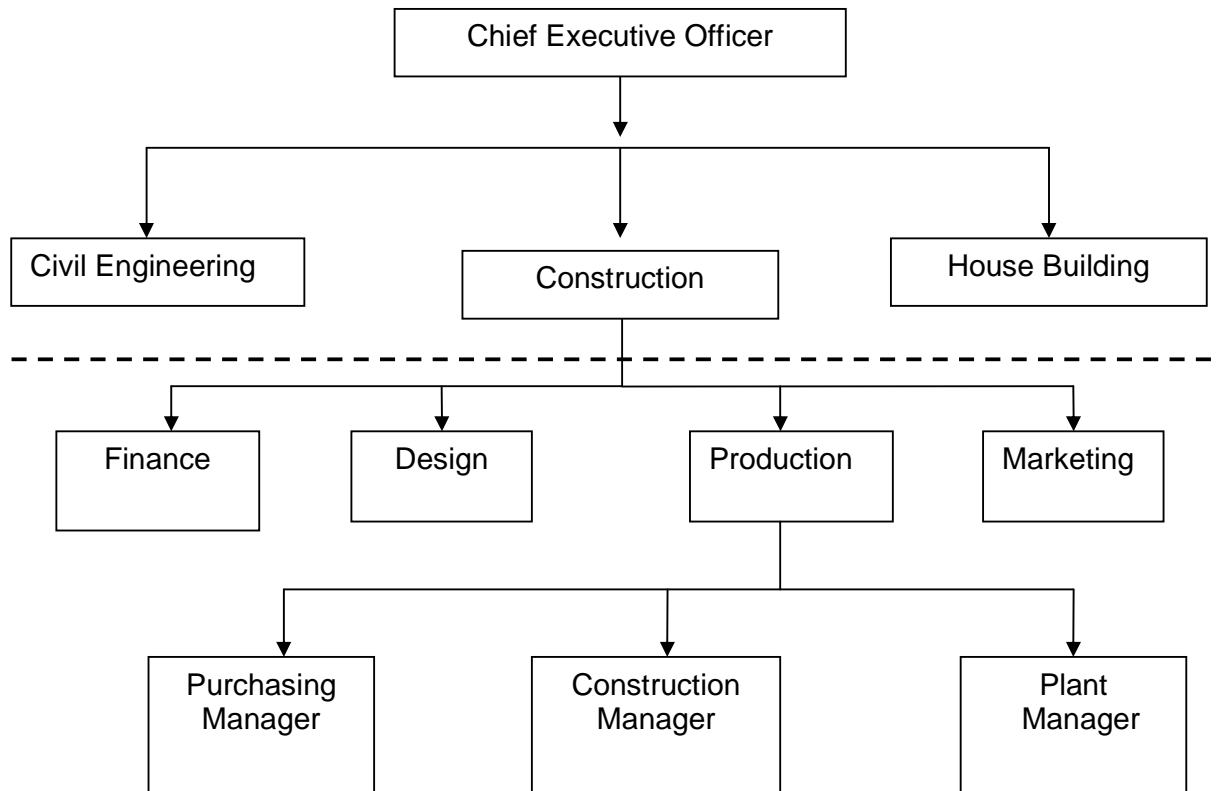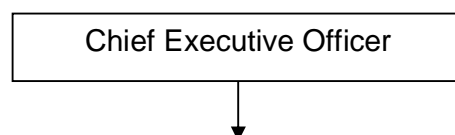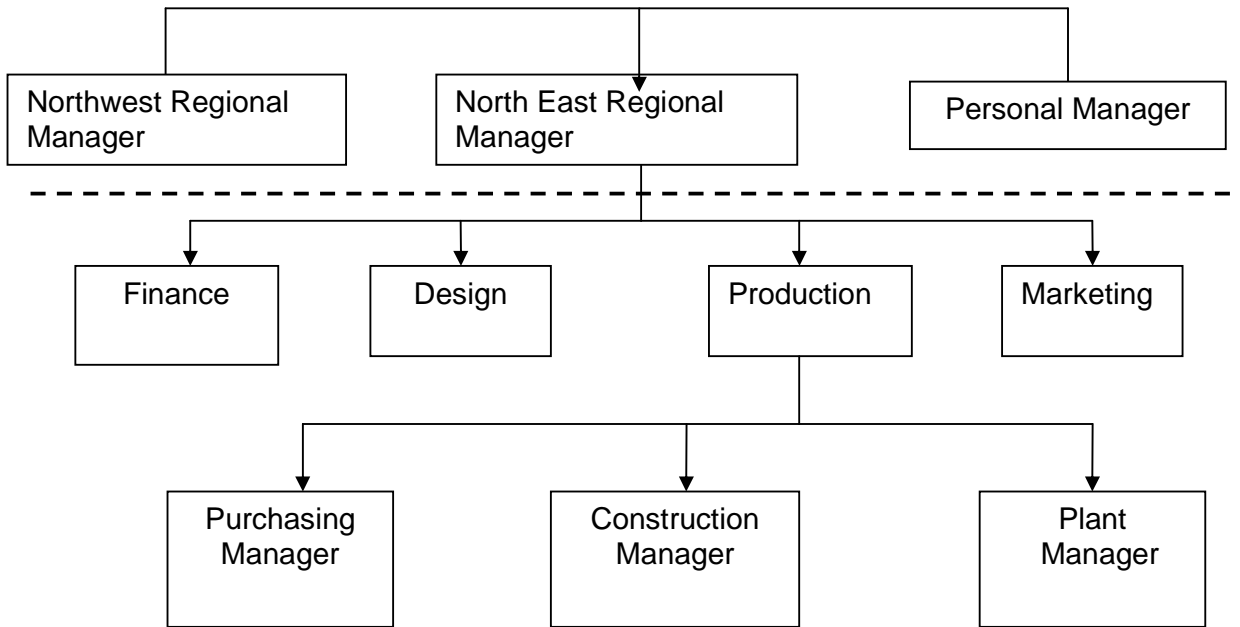
5.6.3   Division by areas (Geographically based structure)

In some larger organisations, especially those working in construction, for example firms such as Balfour Beatty, AMEC etc. Where often they are working in both the national and international arena, such firms, may develop a geographically based structure, with the organisation sub-divided, into national and regional divisions, before being further sub-divided into various products or functions.

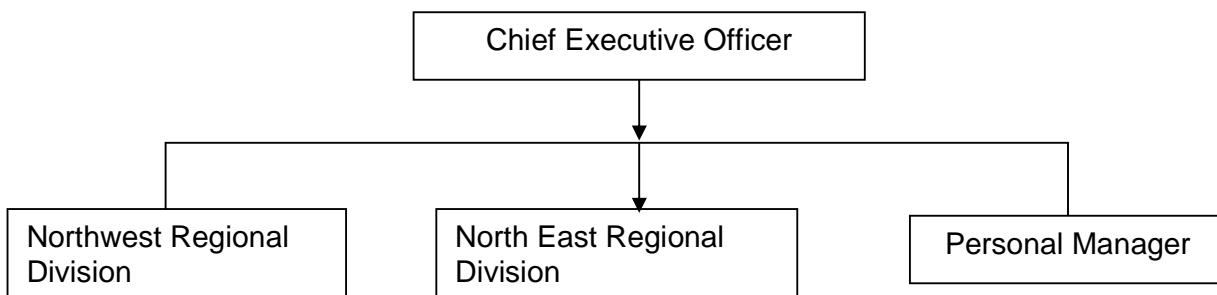**Example of geographically based structure**

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                    ┌─────────────────────────┐
                    │  Chief Executive Officer │
                    └─────────────────────────┘
                                 │
                                 ▼
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┌─────────────────┐      ┌─────────────────┐      ┌─────────────────┐
│ Northwest Regional│    │ North East Regional│   │ Personal Manager │
│ Manager           │    │ Manager           │    │                  │
└─────────────────┘      └─────────────────┘      └─────────────────┘

      ┌─────────┐   ┌─────────┐   ┌─────────┐   ┌─────────┐
      │ Finance │   │ Design  │   │Production│  │Marketing│
      └─────────┘   └─────────┘   └─────────┘   └─────────┘

      ┌─────────┐      ┌─────────┐      ┌─────────┐
      │Purchasing│     │Construction│   │  Plant  │
      │ Manager  │     │ Manager   │    │ Manager │
      └─────────┘      └─────────┘      └─────────┘
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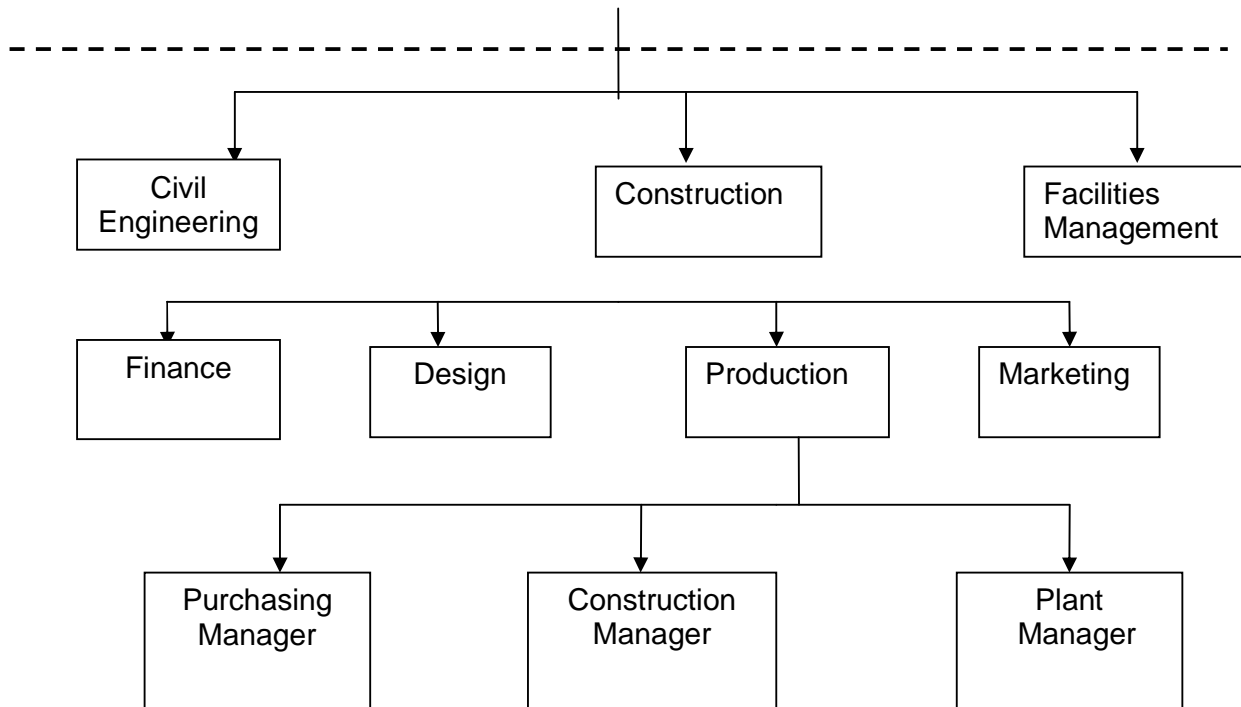
5.6.4   Devisionalised structure

The devisionalised structure is really another way of describing the two earlier

structures (product based and geographical) although, sometimes the devisionalised

structure will be both geographical and produce based as in the example below.

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              ┌─────────────────────────┐
              │ Chief Executive Officer  │
              └─────────────────────────┘

┌─────────────────┐   ┌─────────────────┐   ┌─────────────────┐
│ Northwest Regional│ │ North East Regional│ │ Personal Manager │
│ Division          │ │ Division          │ │                  │
└─────────────────┘   └─────────────────┘   └─────────────────┘
```

```
                                    |
- - - - - - - - - - - - - - - - - - ┼ - - - - - - - - - - - - - - - - - - -
            ┌───────────┐      ┌──────────────┐      ┌──────────────┐
            │   Civil   │      │ Construction │      │  Facilities  │
            │Engineering│      │              │      │ Management   │
            └───────────┘      └──────────────┘      └──────────────┘

    ┌──────────┐   ┌──────────┐   ┌──────────────┐   ┌──────────────┐
    │ Finance  │   │  Design  │   │  Production  │   │  Marketing   │
    └──────────┘   └──────────┘   └──────────────┘   └──────────────┘

      ┌──────────────┐      ┌──────────────┐      ┌──────────────┐
      │  Purchasing  │      │ Construction │      │    Plant     │
      │   Manager    │      │   Manager    │      │   Manager    │
      └──────────────┘      └──────────────┘      └──────────────┘
```

WEEK 10:

ORGANISATION STRUCTURE

5.6.5 Matrix Structure.

The matrix structure uses a less traditional management style, whilst the hierarchical
and most common structure used a chain of command, with various types of
relationship operating within the structure, the matrix structure, used a network of
lateral and vertical role relationships allowing greater use of teamwork and
integration. This form is ideally suited to companies operating within sectors such as
construction, which are "project-driven". The diagram below shows a typical Matrix
organisational structure.

Within this structure, managers of certain specialisms will report both vertically to
their managers, as in the hierarchical structure, and also laterally to a project

manager. Such a structure separates out the role of managing people and managing tasks. So employees will have both a functional boss, and a project boss.

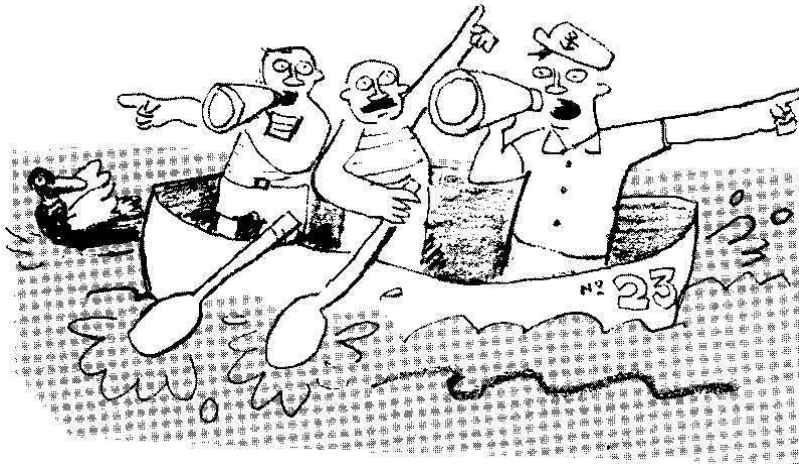**Example of a Matrix Organisational structure.**
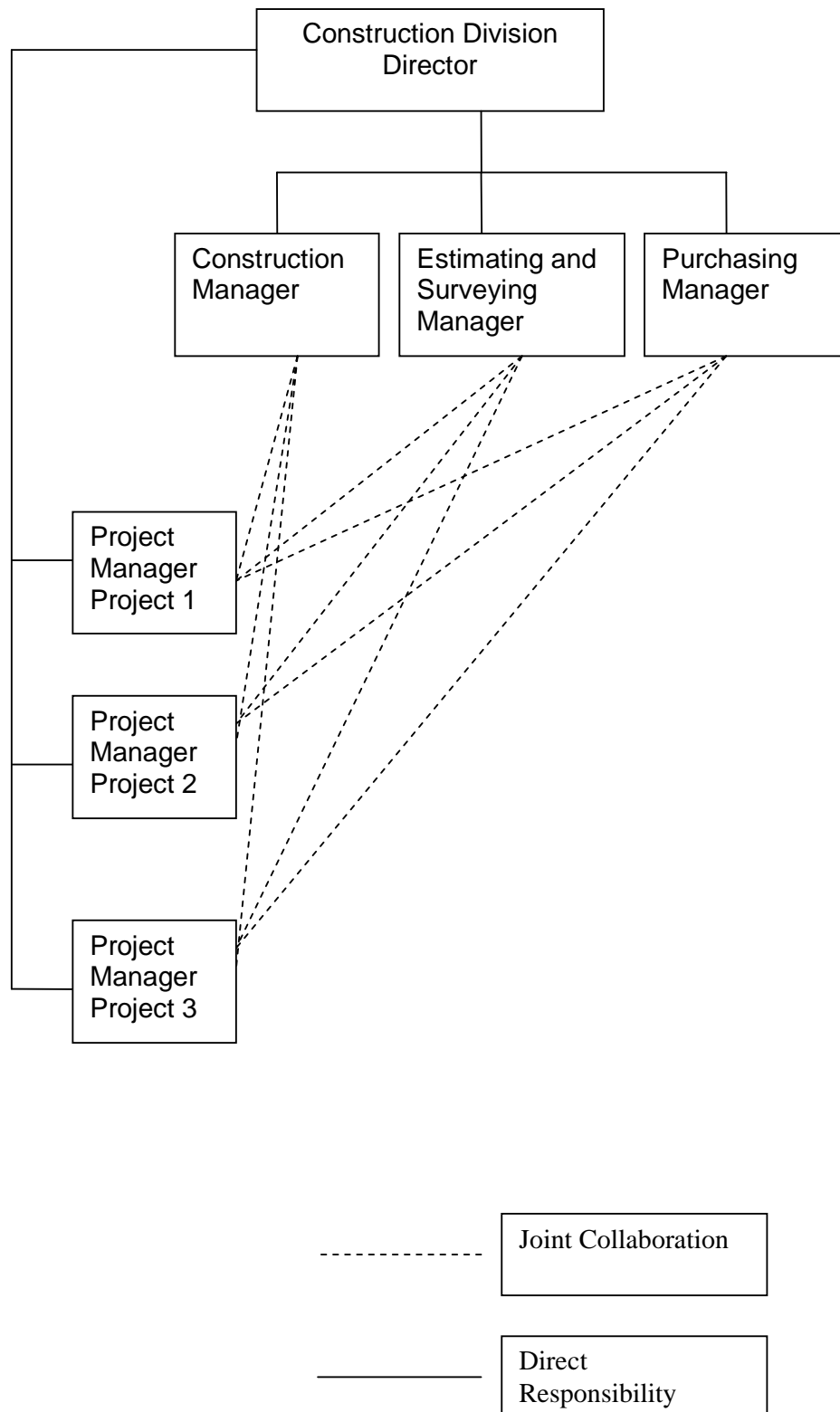
This management methodology is said to be ideal for construction, although it does have problems, these problems, are nicely annotated in the drawings taken from Wood (2001)

**Conventional Organisational Structure**

Matrix Organisational Structure

Task

You have recently been asked by the MD of a large national construction and house building contractor to devise a new organisational structure, for the company.

Working in pairs spend the next 10 – 15 minutes devising a new structure for the firm detailed above.

5.7   Formal Relationships within the structure

So far we have explored the various ways in which organisational structures can be broken down, and developed. We now need to consider the various formal relationships which will operate between individual employees within these organisational structures. There are four main types of relationship commonly recognised within organisational structures, these are:
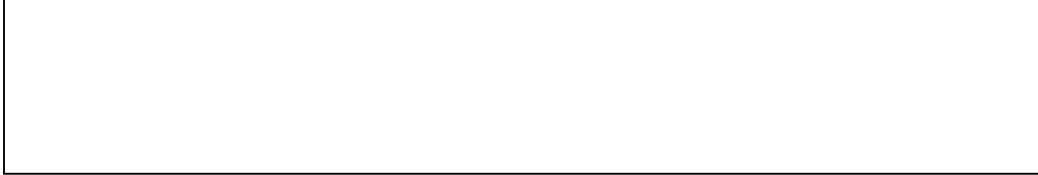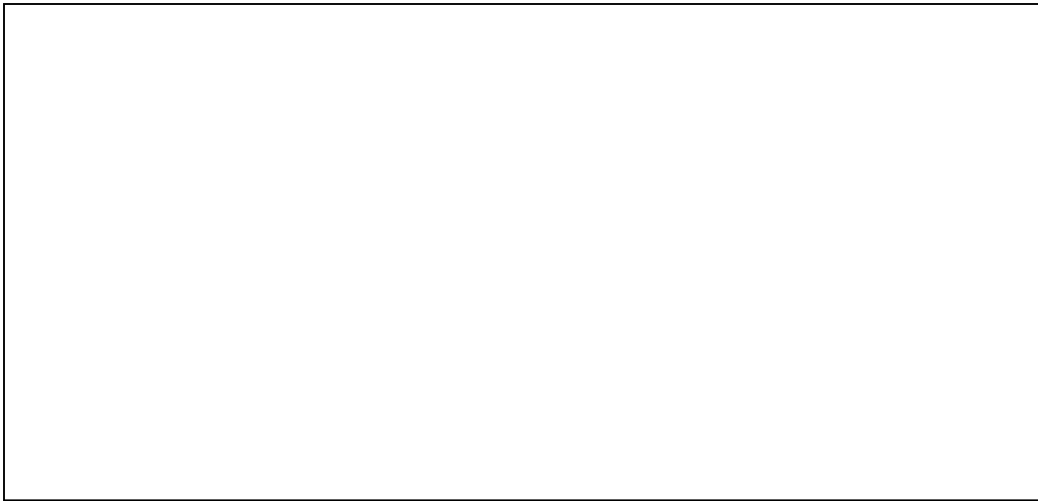
- Direct
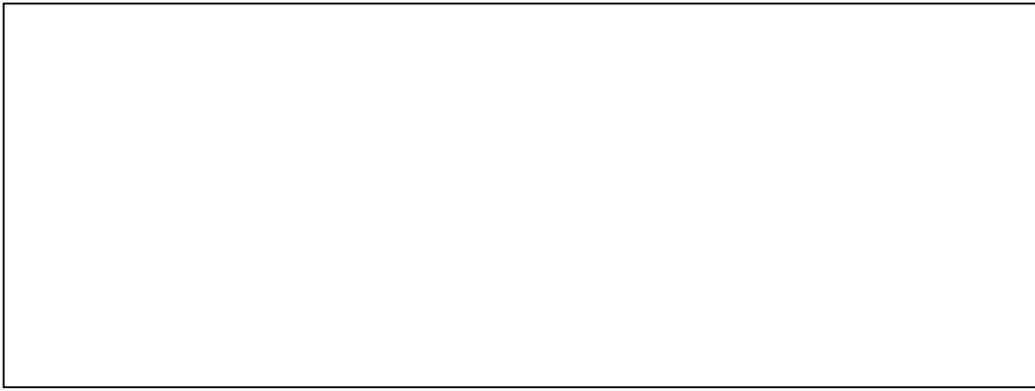
- Functional
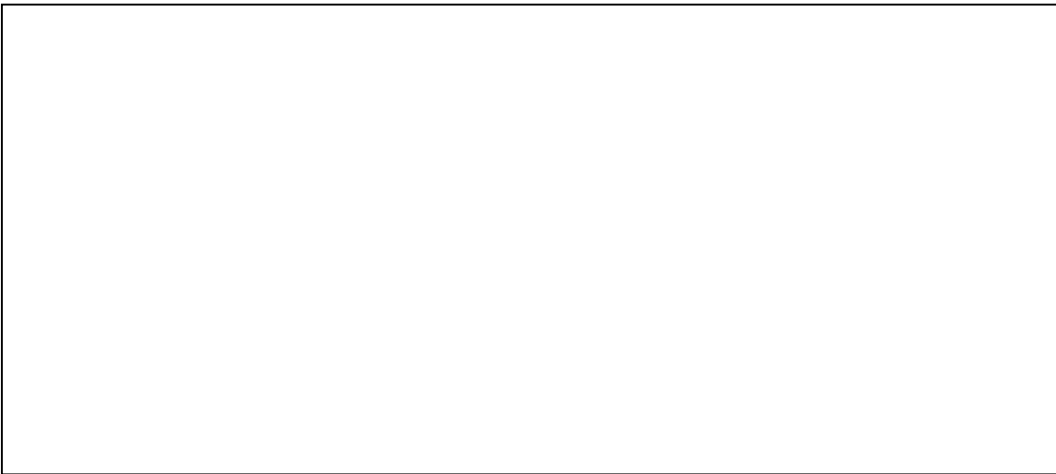
- Lateral

- Staff

Replace this page with a landscape hieratical management structure based on p. 43 of the practice of construction management from Fryer and/or the structure from Rogers's handout.

WEEK 11:

6.0   THE PLANNING PROCESS

6.1   Introduction

Without some form of planning it would be difficult to envisage or achieve the successful completion of any construction project or the effective control of time, money or resources. Planning is also essential in order to deal with construction risks and devise safe working methods.   This is true throughout all stages of the process from inception through design, tendering, construction and commissioning.

6.2   So why do we plan?

In the box below, write down four or five main reasons for planning in construction.

6.3 When do we plan?

As stated in the introductory paragraph, planning in construction is an ongoing process, undertaken at all stages of the construction project and beyond into the life of a building. The table below shows the stages of the building and the planning taking place:

Planning Stage	Type of programme
Design stage	Project master schedule
Tender	Pre-tender programme
Pre-Contract	Master programme
	Target Programme
	Subcontractors programme
	Procurement programme
Contract	Stage programme
	Short term programme
	As-built programme

6.4   Programming techniques

Within the construction sector, there are a large number of planning techniques available to either the client's project manager or the contractor's construction manager or planner. The main techniques encountered within the industry are:

- Bar chart programmes
- Linked Bar chart programmes
- Arrow diagram's
- Precedence diagrams
- Line of balance
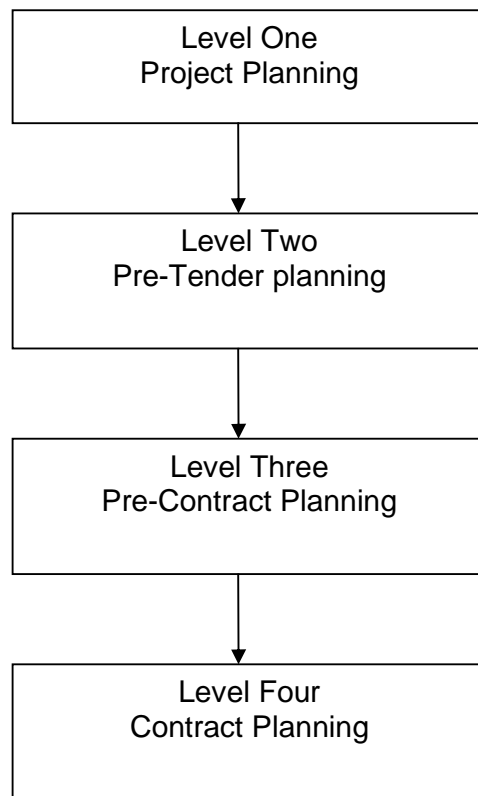- Time-Chainage diagrams

The planning technique adopted in a particular case will be largely down to personal preference, although, when selecting a planning technique, the size and complexity of the project must be considered, as an over complex technique can be more of a hindrance than a help whilst also being a barrier to effective project based communication.

6.5   The planning Process

There is more to planning a project than meets the eye and a great deal more is involved than simply producing a programme. Both the client's representative and the contractor will have many issues to think about if the project is to be successfully completed.

As we discovered in week one of the module, planning is one of fayol's six functions of management, and it starts right at the conception of the construction project. As the flow chart in figure one shows, there are several levels of planning within a construction project.

Figure One: levels of planning

```
┌─────────────────────────┐
│       Level One         │
│    Project Planning     │
└─────────────────────────┘
             │
             ▼
┌─────────────────────────┐
│       Level Two         │
│    Pre-Tender planning  │
└─────────────────────────┘
             │
             ▼
┌─────────────────────────┐
│      Level Three        │
│   Pre-Contract Planning  │
└─────────────────────────┘
             │
             ▼
┌─────────────────────────┐
│       Level Four        │
│    Contract Planning    │
│                         │
└─────────────────────────┘
```

6.6   Level One – Project Planning

Project planning starts with the client team or organisation when a programme will be prepared by the client's agent, representative or project manager. The plan will set out the broad framework for the project, which will normally include:

- Key dates for the commencement and completion of the project
- Key dates for design, tender and construction
- Overall programming and phasing
- Designing and tendering periods
- Key dates for commencement and completion of the construction phase
- Stage or phased handover dates

Reasons for project planning

- To establish a realistic project master schedule or programme on which to base appointments of consultants and contractors and commission the occupancy phase of the scheme
- To identify key dates or gateways at critical stages of the project
- To facilitate control of the design and tendering process

- To identify potential risks to progress and avoid possible delays to project completion or revenue generation
- To facilitate the arrangement and draw down of client cash funding in order to pay design and other professional services, and payments to the contractor
- To establish a realistic time period for the construction stage
- To monitor actual progress and take corrective action

6.7   Level Two – Pre-Tender planning

At the tender stage, a pretender programme is usually prepared by the contractor as an aid in the tendering process. The pre-tender programme will assist the estimator to price key method-related items in the bill of quantities and also contract preliminaries which comprise largely of time-related costs. Pre-tender planning may be defined as the contractors planning considerations during the preparation of an estimate and its conversion into a commercial bid. The pre-tender planning stage for the contractor will include significant decisions which will include:

- The decision to tender
- Pre-tender arrangements
- Site visit reports
- Enquiries to sub-contractors and suppliers
- Tender method statements
- Building up the estimate
- Pre-tender programme
- Building up preliminaries
- Heath and safety considerations
- Tender risk assessments
- Analysis of tender performance

6.7.1 Reasons for pre-tender planning

- To establish a realistic contract period on which to tender maybe based
- To identify construction methods
- To assess method related items which will impact price
- To aid the build up of contract preliminaries and plant expenditure
- To aid the tendering process

6.8   Pre-Contract Planning

Pre-contract planning tends to take place during the period between the contact award and commencement on site. (This is the case for a project based on the traditional procurement process but may vary for other procurement strategies) Before any work commences on-site, the contractor will develop the pre-tender programme into the contract master programme showing the main construction operations to be carried out. Copies of this programme will be presented to the client's representative who will use it as a tool to monitor the contractors progress during the works. This programme with be further developed by the contractors to organise site activities at an operational level.

Reasons for pre-contract planning

- To provide an outline plan or stratergy for the project
- Legal obligation
- To establish a construction sequence on which the master programme may be based
- To identify key project dates
- To highlight key information requirements
- To enable the assessment of contract budgets and cumulative value forecasts
- To schedule key dates which respect to key material and subcontractor requirements

6.9   Contact planning

During the contract stage, the master programme will be further developed for instance, a stage programme might be prepared showing part of the master programme in more detail. Alternatively, the contractor might produce a series of short-term programmes at weekly or fortnightly intervals so as to plan day to day work in detail.

Contract planning is done by the main contractor in order to maintain control and ensure that the project is completed on time and within the cost limits established at the tender stage. Subcontractors contribute to the process either by submitting their work programme for approval or through discussions.

As the contract progresses invariably the programme changes from its original form, Delays occur work is disrupted due to design changes and unforeseen events take place such as the discovery of bad ground or contamination. These cause delays to the programme which the contractor has to accommodate. These changes should

be recorded on a revised programme which should be constantly updated throughout the project as work proceeds and as other problems arise. These programmes are often referred to as the as-built programme or alternatively, the programme of the day and they are a vital tool to enable the contractor to justify his entitlement to extensions of time and or additional payment for loss and expense.

Reasons for contract planning

- To monitor the master programme – monthly, weekly and daily
- To plan site operations in detail in the short term
- To optimise and review resources
- To keep the project under review and report on variances.

WEEK 12: THE PLANNING PROCESS

6.10   Planning a Project

When preparing any programme for a project it is essential to follow a logical thought process in order to develop a realistic and workable programme. A working knowledge of the development ad construction process is essential. The level of detail shown in the programme should be commensurate with the project stage under consideration and, where possible, activity durations should be used for speed, for considering 'what if options' and for high quantity professional presentation.

The planning of a project requires a logical approach involving various steps or thought processes:

- Get a feel for the project
- Establish key project Dates
- Establish key activities or events

- Assess how long the activities will take
- Establish the sequence
- Decide on programming technique.

6.10.1 Step one – Get a feel for the project

It is important for the planner or project manager to get a feel for the project because a clear appreciation of the scale and complexity of the scheme helps trigger the natural human instincts of when things look right or wrong. These instincts will not simply be based on a hunch, but also on experience and familiarity with the construction process.

To get a feel for the project consider:
- Study the contract documents – drawings, specifications, bills etc
- Visit the site
- Assess the scale and scope of the project
- Assess the approximate value
- Consider the rate of spend

6.10.2 Step two – Establish key dates

The overall parameters of the project will be determined by establishing the key dates. Some of these will be established by the client and his advisors and conveyed to the contractor in the tender documentation, and others will be common sense. They include:
- Project start and finish dates
- Sectional or phased completions
- Holiday periods
- Commissioning and handover

6.10.3 Step three – Establish key activities or events

The next step is to determine the key activities or tasks to be carried out, together with any important events which should be included in the programme.

Activities are tasks or jobs to be done which have a time value. Obtaining planning permission is an activity because it can take several months or even years to compete.

Events are points in time by which things must happen and have no time value. For example the start of construction work is an event which triggers a series of activities which do have a time value.

The activities on the programme will vary according to the stage of the project; some suggestions are listed below for the construction stage:

- Set up site establishment
- Groundwork's and substructure
- Frame/external envelope
- Floors
- Roof structure and cladding
- Building watertight
- Mechanical, electrical and ventilation installations
- Finishes
- External work and drainage
- Practical completion
- Clear site.

6.10.4 Step Four – Assessing how long the activity will take

For information on assessing project duration please refer to information contained within separate handout.

6.10.5 Step Five – Establishing the sequence

This is best done on a separate sheet of paper because that makes it easier to see the big picture. If using an electronic system, it is best to type up a list of activities and then cut and paste them into the programme in the correct sequence.

Process
1. Prepare a list of all the operations/activities
2. assess durations in days and weeks
3. Consider the order of the work and overlap between related operations. This can be established by asking:
    i. What must precede this activity?
    ii. What must follow this activity?
    iii. What can happen at the same time?
4. Ensure the project is realistic and achievable.

6.10.6 How do we calculate how long an activity will take?

Step One

We need to find out how long the activity will take (the rate of production). To find this information we use the following formula:

$$\frac{\text{Quantity}}{\text{Output per hour}} = \textbf{Hours}$$

Quantity = the quantity of the item, for example 10 doors

Output per hour = the amount of door a tradesman can fix

Hours = the total amount of time it will take to hang ten doors.

Based on this information we can then calculate the number of days the activity will take by inputting the answer into the following formula:

$$\frac{\text{Total Hours}}{\text{Nr of Hours Per day}} = \textbf{Total days}$$

This will tell us how many days the activity will take on our programme.

Worked Example:

Calculate the time it would take a joiner to hang 26 single leaf doors, all doors are 30min fire rated.

Say it will take a joiner 45minuites to hang a door.

Stage one

We need to turn the minutes into hours. To do this we divide by 60 as there are sixty minutes in one hour.

So 45 mins / 60 = 0.75hrs = One door takes 0.75hrs to install, therefore, we can install, 1.34 doors per hour. (1.0/0.75 = 1.34)

Stage two

Put the numbers in the formula

$$\frac{\underline{Quantity}}{Output\ per\ Hr} = \textbf{Hours}$$

So:

$$\frac{\underline{26\ Doors}}{1.34\ Doors\ /\ hr} = 19.40hrs.$$

Stage Three

From the calculation we have discovered It will take 19.40hrs to install our doors, so we add this into the following formula

$$\frac{\underline{Total\ Hours}}{Nr\ of\ Hours\ Per\ day} = \textbf{Total days}$$

Activity duration: 19.40hrs

Typical working day: 8.0hrs (40 hr weeks)

Putting the information into the formula gives us:

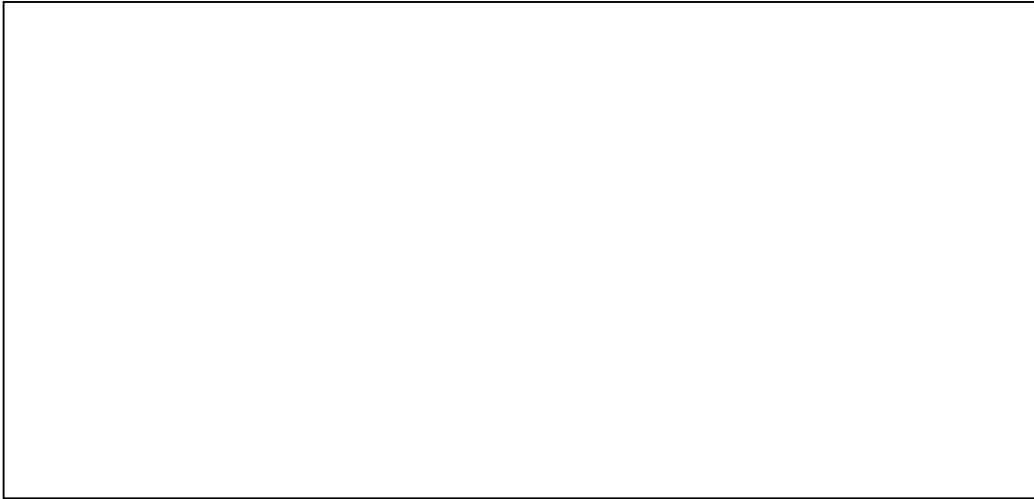$$\frac{19.40\text{hrs}}{8 \text{ hrs per day}} = \textbf{2.43 days}$$

Looking at our programme, we can only realistically record to the full day, so we would enter the above task, as taking 3 consecutive days.

7.1 Introduction to Teamwork and Group Behaviour

Construction, by its very nature, is a team based industry, as professionals and managers working in construction, we must understand initially what affects an individual's behaviour, and subsequently, how that individual will perform as part of a team.
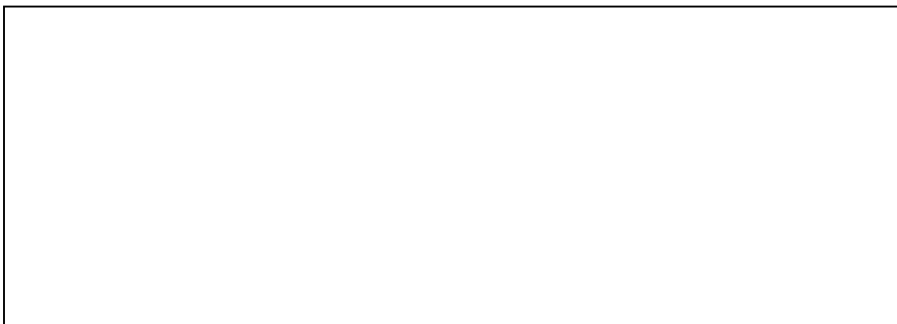
7.1.1 What is a group?

In the box below, write down a definition for a group.

7.1.2 Groups

Before we explore the various types of group and the various theories which are associated with groups we must first explore and understand why people feel the need to be in a group.

Why do people want to join a group?

Types of Groups

The first distinction to be made in the understanding of groups is the division of groups into either 'formal' or 'informal' groups.

Formal Groups – these are groups set up by the management of an organisation to undertake duties in the pursuit of organisational goals.

Informal Groups – these are groups which have developed with the aim of fulfilling a need for example employees who enjoy the same sport may form a group to undertake that sport.

Generally the main differences between the two types of groups are:

Formal Groups	Informal Groups
- Structured	- No structure
- Have a set of rules	- No rules

| - Have a goal or goals | - No goals |
| - Have a set of specific objectives | - No objectives |

Within these two general types of group, there are three categories of sub-groups, these are:

1. Primary Groups – These are small, personal groups normally families

2. Secondary Groups – These are more formal either friendship groups or larger groups.

3. Reference Groups – These are the groups of people you would refer to for approval. Reference groups are extremely important for shaping the behaviour of individuals for example peer groups.

Attributes of groups

All groups will generally have the same main attributes, these attributes are:

1. Norms of Behaviour – Members of the group will all conform to a given pattern of behaviour.

2. Identity – The group with give the members of it a specific identify which will also be clear to people outside the group.

3. Hierarchy – The group will have some form of pecking order, this may be agreed by the group or imposed on the group.

4. Exclusivity – The group will have the power to allow new members to join or have the power to remove members.

5. Solidarity – Members of the group will abide by the groups methods and norms. Although there maybe argument or disagreement within the group, groups will always present a united front externally.

6. Capacity for Change – Groups are created to achieve either a specific goal or maybe formed to achieve several goals which maybe long term or short term. So groups will generally change depending on the duration of the group, the group may disintegrate or reform as the groups goals are revised or amended. All groups need to be able to adopt or it will implode.

7.2   Group Development

Groups have been at the centre of many research studies to aid in and develop our understanding of groups. One of the main contributors to this research was Bruce Tuckman (1965), an educational psychologist, identified that groups pass through several key stages during their development, operation and eventual demise.

The model developed by Tuckman, although highly theoretical, does have relevance, indeed Henderson and Foster (1991) have highlighted that having an understanding of how groups develop helps group leaders plan sessions appropriate to each stage of a group, and to recognise difficulties which characteristically arise at each stage.

The various stages on the Tuckman group development model are detailed below:

7.3   The Tuckman Model of Group Development

Stage One – Forming

At this stage in the development of a new group the members will spend time finding out about the task the group have been formed to achieve. At this stage the individuals will come together and attempt to get to know each other, agree clear boundaries and basic ground-rules. At this stage the group will now begin to operate like a group although the groups output towards to the achievement of the goal will be minimal.

New group members may:

- Preserve their sense of safety by silence, intermittent contributions, or a low level of risk-taking
- Worry whether they will be included or excluded
- Be cautious how far to trust the leader and other members with their real reactions.
- Feel concern about whether or not they will be liked
- Be more dependant on the group leader for guidance
- Make choices about the closeness they wish to tolerate by either approach or avoidance of other members and the leader
- Stick with safe topics
- Address the group leader rather than the other members.

Stage Two – Storming

At this stage within the group's development internal conflicts will have started to develop as important issues the group will be facing are thrashed out. Also at this stage the groups members will start to jockey for position.

At this stage in the development of the group, different members may:

- Be concerned with issues of power, rebellion and boundaries
- Express discontent with what is on offer, or with the leader
- Vie for leadership
- Dread that a strong member will be allowed to take over
- Be particularly inhabited if the atmosphere gets heated
- Feel anxious that if they don't take over the task may not get done.

Stage Three – Norming

At the norming stage any conflicts within the group should have been settled. Group members will have by now started to gel together and hopefully start to listen to each others ideas and also provide support fellow group members. At is normal, that at this stage, the group should have started to develop 'norms' these norms will be general, common standards of behaviour which will be expected from the members of the group. At this stage, members may now:

- Establish and rely on familiar norms for working together
- Develop a pecking order and a series of relationships and alliances
- Explore and test out ways to achieve group tasks, and deal with behaviour that is a problem to the group
- Express and share feelings
- Initiate activity to solve problems.

Stage Four – Performing

Unfortunately not every group formed reaches this stage, although those that do with have now started to actually produce a visible output. The team will have now started to achieve team working, roles within the group will have become flexible allowing solutions to be discovered and implemented.

At this stage, members of the group may:

- Feel free to get on with problem solving, accommodating each other's characteristic style.
- Develop an atmosphere of cohesion and trust
- Establish an appropriate level of participation for each member which reflects their personal style and capacity to contribute to the task in hand.

Stage Five – Adjourning Stage

This is the final stage in the group's development, by now the group will have worked towards and achieved its purpose or goal and so disperses. The group will possibility reflect on its performance and evaluate the overall success or failure to influence future group activities. The group may at this stage go back and re-form, either as it was or with some new members and work through the development stages again.

At this stage members of the group may:

- Become preoccupied with ending issues, which will vary depending on the group purpose and whether the previous ending experiences of participants where positive or negative.
- Feel insecure because the regularity of meeting will end
- Be anxious about losing the support of the group
- Mourn for the loss of intimacy as the group ends
- Express disappointment because the group has not come up to expectations
- Try to deny the ending by arranging informal meetings
- Celebrate the successful accomplishment of the task
- Evaluate the outcomes systematically

7.4   Group effectiveness

Based on Tuckman's research, all groups will progress through the above stages in group development, this does not unfortunately guarantee that the group will be effective or achieve its propose.

When considering group effectiveness, we must accept that even an in-effective group may achieve its end goal or purpose. Group effectiveness must be considered in, at the minimum two dimensions:

1. The achievement of the goals
2. The satisfaction of the various members within the group

McGregor (1960) referred to within Cole (1999) details the important features connected with either an effective or in-effective group.

Effective Groups	In-Effective Groups
1. Informal, Relaxed atmosphere	1. Bored or tense atmosphere
2. Much relevant discussion with high degree of participation	2. Discussion dominated by one or two people, and often irrelevant
3. Group task clearly understood and commitment to it obtained	3. No clear common objectives
4. Members listen to each other	4. Member tend not to listen to each other
5. Conflict is not avoided, but brought into the open and dealt with constructively.	5. Conflict is either avoided or is allowed to develop into open warfare.
6. Most decisions are reached by general consensus with a minimum of formal voting	6. Simple majorities are seen as sufficient basis for group decisions, which the minority have to accept.
7. Ideas are expressed freely and openly	7. Personal feelings are kept hidden and criticism is embarrassing
8. Leadership is not always with the chairman, but tends to be shared as appropriate	8. Leadership is provided by chairman
9. The group examines its own progress and behaviour	9. The group avoids any discussion about its own behaviour

7.5   Group Cohesiveness

The last area to be discussed in relation to groups, is group cohesiveness. Group cohesiveness refers to the ability of the group's members to stick together. It also applies to the ability of a group to attract new members. A very cohesive group will demonstrate strong loyalty to its individual members and strong adherence to its established norms. Individuals who cannot accept these norms are cast out from the protection of the group. The sending of individuals 'to coventry' as a result of some

dispute within the group is an example of this behaviour. As Tuckman's anaylsis shows, cohesiveness develops over time. A newly-formed group has little cohesiveness.

There are several factors which can help cohesiveness to develop in a group. These include:

- Similarity of work
- Physical proximity in the workplace
- The work-flow system
- Structure of tasks
- Group size (smaller rather than larger)
- Threats from outside
- The prospective of rewards
- Leadership style of the manager
- Common social factors (age, race, social status etc)

In general the reasons why people develop into closely knit groups are threefold:

- Because of those things they have in common
- Because of pressures from outside the group
- Because of their need to fulfil their social and affiliation needs

In general a cohesive group will achieve:

- Higher levels of social interation between members
- Less absentism
- Less leavers from the group
- Increased productivity

Although unfortunately it also leads to:

- Increasing following of the norms
- Battleing between group members
- Not meeting the main aims of the group
- Hostility towards other group members

In conclusion groups can have significant impact on both organisations and individuals as outlined below:

Impact on organisations

- Accomplish tasks not possible alone
- Mobilises a variety of skills and abilities towards the tasks
- Desison making based on multiple view points
- Basis for organisational control
- Facilitates change in organisational policies and rules
- Enhances stability by transisting shared believies to new employees

Impact on individuals

- Aids learning about the organisation and environment
- Aids learning about yourself
- Helps gain new skills and knowledge
- Obtains valued rewards not available when working alone
- Satisfies important personal needs – Affiliation, acceptance and belonging.

7.6   Guidance for effective Group work

1. Get organised

2. Let everyone have a say

3. Learn to listen

4. Be positive

5. Build on strengths, deal with weaknesses

6. Expect different roles

7. Expect to learn new skills as you become more experienced

8. Prepare for action

Week 14

8.0   FORMS OF BUSINESS ORGANISATION

8.1   Introduction

The different forms of business organisations may be classified under the headings: the single proprietorship, the partnership, the joint stock company, the public corporation and the co-operative society.

8.2   The Single Proprietorship

This is the one-man business. In this form of business, a single man puts up all the capital, takes the decisions, shoulders the entire responsibility for the management and operation and assumes all the risks. He is solely responsible foe the success or failure of the business. If the business is successful, he alone reaps the rewards in the form of profits and if it fails he alone bears any losses which may accrue. Thus, ownership and control are vested in one person, the proprietor who enjoys all fruits of success and pains of failure of the business.

Advantages of Single Proprietorship

1. Since the proprietor alone puts up the capital and receives any profit realised, he will make efficiency the 'watchword' of his enterprise. He will cut down or prevent waste because of the profit motive.

2. As he is on his own, he can take decision rather quickly as he does not need to refer matters of policy issues or changes affecting the operations of the business to any one else. The proprietor will devote much of his time and energy to ensure that h y operated.

3. Another advantage is that customers and employees receive the proprietor's personal attention. He can quickly and effectively cater for the individual tastes and requests of his customers and since these customers are personally known to him, he can assess their credit worthiness and thereby reduce the incidence of bad credits.

Disadvantages of single proprietorship

1. The sole proprietorship from of business is beset with problem of unlimited liability. This means that the owner of the business alone is liable for all the debts incurred by the enterprise if and when the business becomes insolvent.

2. A second drawback is that the capital resources needed to set up, expand and finance the operations of the business are usually limited to what the proprietor can raise from (a) his personal resources, (b) profit realized and which is ploughed back into the business and (c) whatever amount he can borrow form such outside Sources as relatives, friend or the bank on the weight of this own personal credit worthiness. The major effect of this drawbacks is that the smallness of capital realizable from these sources of funds opened to the proprietor can limit the scope and hinder the expansion of the business. This often makes it difficult, if not impossible, for the enterprise to grow large enough to, reap any benefits of scale economics which can accrue through the bulk-purchasing or large –scale production of a big enterprise.

3. As corollary of the preceding drawback, only choice of goods and services can be made available to customers by the sole proprietorship from of business.

4. Another disadvantage is the uncertainty which surround this form of business organizing. The success or failure of the one-man business depends largely on the personal abilities and fortunes of its proprietor. It is therefore, a type of business organization which can collapse any time through (a) insolvency or liquidation or (b) the death or retirement of the owner (proprietor).

The one man business is the simplest, the oldest and numerous from of business organization in Nigeria. It is found in farming retail trade such as those of shopkeepers, service trade such as those of tailors, mechanical carpenters heiresses and in the profession such as those of the medical or native doctors, surveyors or architects.

One reason why the sole proprietorship from of business is common in west Africa is the smallness of capital needed for its formation and sustained operation. Because of the compound or mutually reinforcing effects of low income and marginal propensity to save individual and family savings, which are potent sources of investment fund for the proprietor are low in terms of employment, the one man business is a small employer of labour in most cases, t5he proprietor employs his close relatives if and when the need for addition human effort beyond own arise.

8.3　　　　The partnership

Partnership is type business organisation in which two or more individuals (not exceeding twenty) make a legal agreement to own and operate a business unit which a view to make

profit. These individuals who voluntarily come together to from the business are called partners: they often, share in the responsibility of running the business as in the fortunes, in terms of profits, and reverses. In terms of incurred losses of the business. The types of responsibility needed to run a partnership concern include provision of capital funds, skills, devotion, etc. The partners pool their resources together in these areas for efficient and smooth operation of the partnership venture.

There are principally two type partners. There is the dormant, inactive or sleeping partner, who usually limits his interest and involvement in the partnership to the provision of capital and sharing of profits or losses of the enterprise. The dormant partner plays no (significant) role in the running and management of the enterprise and his liability is only limited to the amount of his capital participation in the venture, the active partner, on the other hand contributes to the supply of capital funds shares in the fortunes and misfortunes of the enterprise and takes part in the running and management of the partnership venture.

In partnership, there is what is called the deed of partnership which is a sort of written accord where the nature of the business the method and criteria of admission of new partiers, the amount of capital resources to be contributed by each partner, the sharing of business responsibility gains and losses, etc are explicitly stated. The deed of partnership should be sufficiently detailed and explicit to regulate every matter affecting the partners likely to are during the continuation of the partnership or on its dissolution.

Advantages of partnership

the individuals in the partnership are able to pool there capital resources together to make more capital available for the venture. It is easier in partnership business to raise capital through the financial market such as the back than more capital, they facilitate the inflow of various talents and special skills into the partnership business. All things being equal, if a production crowd and differences in their talents, skills, etc are the essential ingredients of the division of labour, then the partnership is a business venture which allows division of labour in its entrepreneurial or management functions. For instance, a partner can be in charge of production, another in charge of sales on marketing while yet another may be responsible for the venture's purchases, etc. Such a limited division of labour can be vital source of efficiency, greater output and more profits.

3.   A partnership has a longer life span than a one-man business. This is because the success or failure, continuity or extinction, survival or collapse of the partnership is not dependent on the personal abilities or life of a man but of many men. As such, the death or

ineptitude one or few members in the partnership may not ruin the business. As a matter of fact, the partnership can be given a new lease of life through a conscious effort to admit individuals with special skills or talents as partnership whenever the need for such an admission arises. The need to admit new partners may arise if a stale partner quits the partnership through either death or voluntary withdrawal or if more capital funds are needed which the old partners cannot provide.

4.   A partnership business makes it easier to spread the misfortunes and risks of business among so many partners in the business.

Disadvantages of Partnership

1.   If the resources of the partners constitute the source of capital to the partnership, then the amount of capital that can be sunk into the partnership may be limited and insufficient.

2.   Insolvency or liquidation of the partnership can bring complete misfortune and total ruin to the active partners who have unlimited liability towards all the debts and obligations of the business. These partners may have to forfeit all their possessions in assets or properties and money in order to meet outstanding obligations to their creditors. Insolvency of the partnership can be brought about through the financial mismanagements and bad organization. The partnership can even be dissolved rather prematurely if there is distrust among members.

3.   The process of taking or arriving at decision on business matters may be unduly long because of the need to consult with every partner.

Partnerships are common in such professions as law, accountancy, architecture, engineering, medicine and occasionally in the retail trade. This form of business is not very popular in West Africa. Perhaps the main reason is that there exists a lack of joint dedication in the joint dedication in the people in matters of business organization. Such an attribute of the people might have arisen from a general feeling of distrust because it is rather difficult for people to trust themselves with money in recent years when avarice, dishonest practices and other such human vices are on the increase.

8.4   The Joint Stock Company

The joint stock company is an association of people who joint pool capital resources together for the purpose of owning productive assets and engaging in profitable business. This type of business organization represents a logical development from the partnership business in that it developed from the needs for large capital resources (e.g. money, expertise, talents, etc) necessary to set up modern industry than a few partners could possibly provide and the minimization of risks and liabilities of the subscribing financial members, called shareholders, in the (unwanted) event of any business liquidation. Such a company is

regarded in law as a legal entity. This means that it has legal existence and the activities of owning property, employing labour, buying the raw materials producing and stocking output, selling the product, incurring obligations, entering into contractual agreements, etc are conducted in the name of the company rather than in the names of its owners. Also, the company, as separate from its individual owners, can sue when its rights are infringed upon or be sued if it tramps on the rights of others.

There are two types of joint stock companies, the private company and the public company. The notable differences between the two types of company relate to (1) size, (2) methods of raising capital and (3) the transferability of shares.

The Private Company

This is a small joint stock company formed when as few as two people but not more than fifty join together to invest capital resources into a business with a view to making profit, private company can raise capital through the financial contributions or shares of its owners. Liabilities of these shareholders are limited to the extent of the nominal values of their investment in the company and the distributed profits of the company and assets upon dissolution are split up in proportion to the value of the shares of each member.

In a private company it is not allowed for any shareholder to transfer his shares to some other shareholder(s) without the approval or consent of all the other shareholders in the business. Also, the company cannot directly invite members of the public to buy its shares.

The Public Company

A public company is a joint stock company whose ownership is effectuated through the purchase of shares which can be subscribed to by any member of the general public. Such areas are sold and bought on the Stock Exchange and their daily prices are quoted or published in the newspapers. Theoretically, the number of its shares shareholders can be limitless. Legally, it must not be less than seven.

A shareholder in the public company is free to transfer his shares to other members of the public through the stock Exchange without seeking the approval of the other shareholders in the company.

Week 15

8.4.1　Formation of Joint Stock Company

Joint Stock Companies are formed and organized under some regulations which are supposed to serve as legal safeguards and insurance against the abuses and fraud by persons wishing to establish such companies.

The persons wishing to establish a joint stock company are called the promoters. They are required by the company law of each country to prepare and submit the following documents to the Registrar of Companies in order to register their companies. These documents:

    (a) Memorandum of Association, and

    (b) Articles of Association

    (c) A list of members who accept to be directors

The Memorandum of Association is a document which furnishes such particulars of the company as: its name, its location, the type of business to be undertaken, the nature of liability of its shareholders, the amount and type of its share capital.

The Articles of Association lays out the internal working or constitution of the company. This includes such things as the type of company meetings and when they are to be held, the voting and other rights of the shareholders, powers and duties of directors, etc.

The Registrar of companies scrutinizes these documents upon submission and if they are alright, he registers the company through the issuance of the certificate of incorporation. It is at this stage in the establishment of the company that it becomes incorporated and acquires a legal existence. The company then must prepare a prospectus which is used to appeal to the public to buy its shares and must secure the certificate of trading from the Registrar. The Certificate of trading authorizes the company to start business.

8.4.2　Line of Control of Joint Stock Company

It was mentioned earlier that the ownership of a company is vested in the shareholders who can be as many as possible. In many instances, these shareholders can run into several thousands. And in practical situations, such large numbers make it wieldy, inadvisable and impossible for all the shareholders to effectively participate in the day-to-day management of the company.

The shareholders therefore elect a board of paid directors who set broad issues of policy and the directional guidelines to be followed by the company. In addition, the board of directors appoints a paid manager whose responsibility will be to:

    (i)   Translate the board lines of policy laid down by the directors into a series of detailed decisions for execution.

(ii)   Manage the company well on a day-to-day basis to ensure the achievement of the set-out profit-making objective of the business.

The manager can be appointed from the board of the directors in which case he is called the managing director, or from the public on the basis of proven ability, scholarship, talent and honesty. In a colloquial language, the manager should be someone who can deliver the goods.

This line of control merely makes the shareholders of the company responsible for the risk-bearing and the provision of capital, the board of directors for the policy decisions and the manager for the running of the business. In this way, it separates the ownership of the business from its management.

8.4.3   Essential characteristics of the Joint Stock Company

1.   A Joint Stock Company is a limited liability company, in which case the liabilities of the shareholders are only limited to the nominal value of their investment in the business. This means that no shareholder of the company can forfeit his personal assets, in property and or money apart from investment in the business in order to meet the obligations of the business.

2.   The limited liability company is able to raise very large sums of capital from many shareholders thus facilitating the provision of huge capital resources for the undertaking of modern industry. It can easily raise money from the financial sources because of its large assets which can constitute a formidable source of collateral security.

3.   The size of the business organization is very large in terms of shareholders composition and this means that each shareholder is but a tiny part of the organization and he may not be able to exert much influence as in the sole proprietorship and partnership forms of business. The fact that the ownership of the company is separated from the control or management further weakens the influence of the shareholder. Therefore, if the majority of the shareholders or the board of directors decides that the profits of the company should not be distributed in any year, the individual shareholder cannot reverse or rescind such a decision.

4.   The Joint Stock Company has the prospect for a much longer lease of life than either the one-man business or the partnership. This is because the events in the lives of individual shareholders do not affect the company. If a shareholder dies his shares will be passed on to his relatives or heirs and if he voluntarily withdraws his membership of the company he can sell his shares in the open market (stock exchange) without affecting the company. Also, this

prospect for continuity makes it possible for the company to undertake policies of long-term investment.

5.   Shares in the company can easily be transferred. A shareholder can, for whatever reasons, freely dispose of his shares in the open market without having to seek for any green light from the congregation of the other shareholders. All other things being equal, this means that the company can continue to carry on its business without interruptions.

6.   The company is a type of organization which gives wide scope to different types of investment. These types of investment such as preference shares, ordinary shares, debentures are described below.

8.4   Financing the Company

There are quite a number of sources from which the company can raise money capital to finance its operation. These can be broadly divided into two, internal and external source.

The Internal source of Finance

This is the source of own money capital, and in many instances its importance stems from the fact that it is the most reliable way of raising funds, particularly the initial sums, for the operation of any business internal finance is obtainable from:

(i)   The money the owners of the company are able to contribute from their personal resources in the form of shares, stocks or equities.

(ii)   Undistributed profits of the company which are re-invested or ploughed back into the business.

(iii)   Depreciation funds which have been put aside for the replacement of worn out equipment used for production.

The External Source of Finance

The sources of external finance available to a company include (a) borrowing from the banks or other financial institutions and (b) borrowing by the sales of shares, bonds or debentures.

8.5   Borrowing from Financial Institutions

A company can raise money from the bank or other financial institutions to carry on its business. Money raised in this way can take the form of loans and overdrafts from the commercial banks and they are usually on short-term finance which involves the borrowing of money repayable over a much longer period than money loaned under short-term finance arrangements.   Non-commercial bank financial institutions, investment banks, finance corporations, etc are good sources of long-term finance. A concrete example is the Nigerian Industrial Development Bank (NDB).

Borrowing by Sales of Stock, bonds or debentures

The issuance of stocks, bonds or debentures for sale is another way a company that is legally constituted can raise funds externally to finance its operations.

Types of Stocks

The stocks in a company can broadly be either preferred or ordinary and their owners are entitled to some claims in the fortunes, such as assets and profits, of the company.

Preferred Stocks

This is another name for preference shares. The owners of preferred stocks are entitled to their shares of the profits of the company before the owners of ordinary stocks, after all other obligations of the company must have been met. Preferred Stocks carry a fixed rate of returns. This means that if an individual invests in 200 preferred stocks valued at N1 each and carrying a 5% fixed interest charge, he will be entitled to a sum of N10 dividend annually from the profits of the company. In lean years of not-too-impressive performance on the part of the company, profits may not be sufficient to enable the company meet its preferred stock holders' dividend obligations, fully or in part. The company is not liable to any repayment of such dividends if and when its profit position improves as these dividends are deemed to have lapsed with the lean years that gave rise to them except if the stocks are cumulative preferred stocks, in which case, the arrears are carried forward each year until the company is able to pay them off. The company may issue redeemable preferred stocks. These are stocks which the company may issue to raise funds in times of dire financial need and redeem or purchase back when the company is in the financial position to do so. There is also the participating preferred stocks which entitle their owners to further dividends if exceptionally high profits are made.

Ordinary Stocks

Those who hold ordinary stocks in the company bear the essential risks of the business and the returns on their stocks depend on the size of and the company's policy decision on any realized profits. The returns on ordinary stocks are high if the distributed profits are high and vice versa. And if no profits are realized and or distributed, the returns or ordinary stocks are zero.

The holders of both preferred and ordinary stocks have the rights to vote on issues of election in the company's annual general meetings.

Bonds or Debentures:

The sale of bonds or debentures is another method which a company can use to borrow money externally. Unlike a stock, a bond or debenture is not a share but a debt. As such, its holder is a creditor and not an owner of the company. Debenture holders merely lend their

money to the company in return for a promise to pay a stated sum of money annually by way of interest on the loan and also to repay the entire loan at some stated future date. Such a promise to pay becomes a contractual obligation on the company's part irrespective of whether profits are made. Debentures can be tied. Those tied to the fixed assets of a company are called mortgage debentures and those not so tied are called floating debentures.