



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF BUSINESS AND HUMAN RESOURCE MANAGEMENT

COURSE CODE: MBA 714

COURSE TITLE: CORPORATE GOVERNANCE: THORIES AND ISSUES

COURSE DEVELOPMENT

MBA 714

CORPORATE GOVERNANCE: THORIES AND ISSUES

COURSE GUIDE

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1.0 INTRODUCTION

MBA 714: Corporate Governance: Theories and Issues is a first semester year one, two credit and 700 level core course. It will be available for all students offering MBA in Corporate Governance, Human Resources Management, Master in Public Administration (MPA).

This course will expose you to understanding of many of the concepts and theories in Corporate Governance as they affect business organisations in Nigeria. It will assist you to be able to apply these concepts and theories to the task and roles that you perform as an entrepreneur, business manager, top management executive in the corporate business setting.

The course will consist of 15 units, which includes course guide, definition, philosophy and nature, theories and related issues on corporate governance, organisational goals, concepts, stakeholders in corporate governance, development versus corporate governance, law and corporate governance, mechanisms and controls in corporate governance, whistle blowers on the board and their rights, corporate governance and environment, management roles and functions in corporate governance, role of accountant in corporate governance, different views on corporate governance, Anglo-American corporate governance model, Non-Anglo American corporate governance model and corporate governance in Nigeria.

This course guide tells you briefly what the course is about, what course materials you will be using and how you can work your way through these materials. It suggests some general guidelines for the amount of time you are likely to spend on each unit of the course in order to complete it successfully.

It also gives you some guidance on your tutor-marked assignments, which will be made available in the assignment files. There are regular tutorial classes that are linked to the course. You are advised to attend these sessions.

2.0 WHAT YOU WILL LEARN IN THIS COURSE

MBA 714: Corporate Governance: Theories and Issues are to introduce you to various techniques, guides, principles, practices, etc. relating to corporate governance in business organisations.

It makes comparative analysis of the corporate governance in Nigeria with those around the world for better understanding of the practices and principles of governing business organisations.

3.0 COURSE AIMS

The aim of the course can be summarised as follows:

This course aims to give you an understanding of the meaning of corporate governance, theories and issues what they are and how they can be applied in everyday business activities. It also aims to help you develop skills in the corporate business management. You can also apply the

principles to your job as business managers, top management of corporate organisations in both the private and public enterprises. All these will be achieved by aiming to:

introduce you to definition,;

- Introduce you to definition, philosophy and nature of corporate governance;
- Theories and issues related to corporate governance in Nigeria;
- Organisational goals, concepts, stakeholders in corporate governance;
- Development versus corporate governance, law, mechanisms and controls in corporate governance;
- Whistles blowers on the board on board and their rights as well as management roles and functions and other top functionaries in corporate governance;
- different views on corporate governance, Anglo-American corporate governance model, Non-Anglo American corporate governance model and corporate governance in Nigeria.

4.0 COURSE OBJECTIVES

To achieve the aims set out, the course sets overall objectives. Each unit also has specific objectives. The unit objectives are always included at the beginning of a unit; you should read them before you start working through the unit. You may want to refer to them during your study of the unit to check on your progress.

You should always look at the unit objectives after completing a unit. In doing so, you will be sure that you have followed the instructions in the unit.

Below are the wider objectives of the course as a whole. By meeting these objectives, you should have achieved the aims of the course as a whole. On successful completion of the course, you should be able to:

- (1) Definition, philosophy and nature, theories and related issues on corporate governance,
- (2) Theories and related issues on corporate governance,
- (3) Organisational goals, concepts,
- (4) Stakeholders in corporate governance,
- (5) Development versus corporate governance,
- (6) Law and corporate governance,
- (7) Mechanisms and controls in corporate governance,
- (8) Whistle blowers on the board and their rights,
- (9) Corporate governance and environment,
- (10) Managerial roles and functions in corporate governance,
- (11) Role of accountant in corporate governance,
- (12) Different views on corporate governance,
- (13) Anglo-American corporate governance model,
- (14) Non-Anglo American corporate governance model and
- (15) Corporate governance in Nigeria.
- (16) The Concept of Strategic Management

- (17) Understanding Groups and Teams as part of Corporate Governance Issues
- (18) Organisational Planning
- (19) Organisational Development
- (20) Managerial Decision Making
- (21) Control as an important issue in Corporate Governance

5.0 WORKING THROUGH THIS COURSE

To complete this course, you are required to read the study units, read set books and read other materials provided by the National Open University of Nigeria (NOUN). Each unit contains self-assessment exercises, and at a point in the course, you are required to submit assignments for assessment purposes. At the end of the course, is a final examination. The course should take you about 16 – 17 weeks in total to complete.

Below you will find listed all the components of the course, what you have to do, and how you should allocate your time to each unit in order to complete the course successfully on time.

Below are the lists of all the components of the course:

6.0 COURSE MATERIALS

Major components of the course are:

- Course Guide
- Study Units
- References
- Assignment
- Presentation Schedule

7.0 STUDY UNITS

The study units in this course are as follows:

- Unit 1: Definition, philosophy and nature, theories and related issues on corporate governance,
- Unit 2: Theories and related issues on corporate governance,
- Unit 3: Organisational goals, concepts,
- Unit 4: Stakeholders in corporate governance,
- Unit 5: Development versus corporate governance,
- Unit 6: Law and corporate governance,
- Unit 7: Mechanisms and controls in corporate governance,
- Unit 8: Whistle blowers on the board and their rights,
- Unit 9: Corporate governance and environment,
- Unit 10: Managerial roles and functions in corporate governance,
- Unit 11: Role of accountant in corporate governance,
- Unit 12: Different views on corporate governance,

Unit 13:	Anglo-American corporate governance model,
Unit 14:	Non-Anglo American corporate governance model and
Unit 15:	Corporate governance in Nigeria.
Unit 16	he Concept of Strategic Management
Unit 17	Understanding Groups and Teams as part of Corporate Governance Issues
Unit 18	Organisational Planning
Unit 19	Organisational Development
Unit 20	Managerial Decision Making
Unit 21	Control as an important issue in Corporate Governance

The first two units explain the important terms, concepts and meanings, theories and related issues, organisation goals in corporate governance. The next three units give insight on stakeholders in corporate governance, law and corporate governance, development versus corporate governance, mechanisms and controls in corporate governance.

The next unit explains the whistle blowers on the board and their rights, corporate governance and environment managerial roles and functions and the role of accountants in corporate governance.

This is followed with four other units, which tend to describe the different views on corporate governance, Anglo-American model and non-Anglo American model of corporate governance and corporate governance in Nigeria.

8.0 ASSIGNMENT FILES

There are fifteen assignments in this course. The fifteen-course assignment which cover all the topics in the course material are there to guide you to have proper understanding and grasp of the course.

9.0 PRESENTATION SCHEDULE

The presentation schedule included in your course materials gives you the important dates for this year for the completion of tutor-marked assignments and attending tutorials. Remember, you are required to submit all your assignments by the due date. You should guard against falling behind in your work.

10.0 ASSESSMENT

There are three aspects to the assessment of the course: first are self-assessment exercises, second, are the tutor-marked assignments; and third, there is a written examination.

In tackling the assignments, you are advised to be sincere in attempting the exercises; you are expected to apply information, knowledge and techniques gathered during the course. The assignments must be submitted to your tutor for formal assessment in accordance with the deadlines stated in the *Presentation Schedule* and the *Assignment File*. The work you submit to your tutor for assessment will count for 50% of your total Course mark.

At the end of the course, you will need to sit for a final written examination of ‘three hours’ duration. This examination will also count for 50% of your total course mark.

11.0 TUTOR-MARKED ASSIGNMENT (TMAs)

There are nine tutor-marked assignments in this course. You only need to submit five of the eight assignments. You are encouraged, however, to submit all eight assignments in which case the highest five of the eight marks will be counted. Each assignment counts 10% towards your total course mark.

Assignment questions for the units in this course are contained in the *Assignment File*. You will be able to complete your assignment from the information and materials contained in your reading, references and study units. However, it is desirable in all degree level education to demonstrate that you have read and researched more widely than the required minimum. Using other references will give you a broader viewpoint and may provide a deeper understanding of the subject.

When you have completed each assignment, send it together with a TMA (tutor marked assignment) form, to your tutor. Make sure that each assignment reaches your tutor on or before the deadline given in the *Presentation Schedule* and *Assignment File*. If for any reason, you cannot complete your work on time, contact your tutor before the assignment is due to discuss the possibility of an extension. Extensions will not be granted after the due date unless there are exceptional circumstances.

12.0 FINAL EXAMINATION AND GRADING

The final examination for MBA 714 will be of three hours’ duration and have a value of 50% of the total course grade. The examination will consist of questions, which reflect the types of self-testing, practice exercise and tutor-marked problems you have previously encountered. All areas of the course will be assessed.

Use the time between finishing the last unit and sitting for the examination to revise the entire course. You might find it useful to review your self-tests, tutor-marked assignments and comments on them before the examination. The final examination covers information from all parts of the course.

13.0 COURSE MARKING SCHEME

Total Course Marking Scheme

ASSESSMENT	MARKS
Assignment 1 – 9	Nine assignments, best five marks of the nine count @ 10% each = 50% of course marks
Final Examination	50% of overall course marks
Total	100% of course marks

14.0 COURSE OVERVIEW

This table brings together the units, the number of weeks you should take to complete them and the assignment that follow them.

Unit	Title of work	Weeks activity	Assessment (end of unit)
1	Definition, philosophy and nature, theories and related issues on corporate governance	1	Assignment 1
2	Theories and related issues on corporate governance	1	Assignment 2
3	Organisational goals, concepts	1	
4	Stakeholders in corporate governance	1	Assignment 3
5	Development versus corporate governance	1	Assignment 4
6	Law and corporate governance	1	
7	Mechanisms and controls in corporate governance	1	
8	Whistle blowers on the board and their rights,	1	Assignment 5
9	Corporate governance and environment	1	
10	Managerial roles and functions in corporate governance	1	Assignment 6
11	Role of accountant in corporate governance	1	
12	Different views on corporate governance	1	Assignment 7
13	Anglo-American corporate governance model	1	Assignment 8
14	Non-Anglo American corporate governance model	1	
15	Corporate governance in Nigeria	1	Assignment 9
16	The Concept of Strategic Management	1	
17	Understanding Groups and Teams as part of Corporate Governance Issues	1	
18	Organisational Planning	1	Assignment 10
19	Organisational Development	1	
20	Managerial Decision Making	1	
21	Control as an important issue in Corporate Governance	1	Assignment 11
	Revision		
	Total	11	

15.0 HOW TO GET THE MOST FROM THIS COURSE

In distance learning, the study units replace the university lecturer. This is one of the great advantages of distance learning. You can read and work through specially designed study materials at your own pace, and at a time and place that suits you best. Think of it as reading the lecture that a lecturer might set you some reading to do, the study unit will tell you when to read

your other materials. Just as a lecturer might give you an in-class exercise, your study units provide exercises for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit, and how a particular unit is integrated with the other units and the course as a whole.

Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the unit, you must go back and check whether you have achieved the objectives. If you make a habit of doing this, you will significantly improve your chances of passing the course.

The main body of the unit guides you through the required reading from other sources. This will usually be either from a *Reading Section* of some other sources.

Self-tests are interspersed throughout the end of units. Working through these tests will help you to achieve the objectives of the unit and prepare you for the assignments and the examination. You should do each self-test as you come to it in the study unit. There will also be numerous examples given in the study units, work through these when you come to them too.

The following is a practical strategy for working through the course. If you run into any trouble, telephone your tutor. Remember that your tutor's job is to help you. When you need help, don't hesitate to call and ask your tutor to provide it.

- (1) Read this course guide thoroughly.
- (2) Organise a study schedule. Refer to the course overview for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Important information e.g. details of your tutorials, and the date of the first day of the semester will be made available. You need to gather all this information in one place, such as your diary or a wall calendar. Whatever method you choose to use, you should decide on and write in your own dates for working on each unit.
- (3) Once you have created your own study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind with their coursework. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.
- (4) Turn to unit 1 and read the introduction and the objectives for the unit.
- (5) Assemble the study materials. Information about what you need for a unit is given in the 'Overview' at the beginning of each unit. You will always need both the study unit you are working on and one of your references, on your desk at the same time.

- (6) Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the units, you will be instructed to read sections from your other sources. Use the unit to guide your reading.
- (7) Well before the relevant due date, check your Assignment File and make sure you attend to the next required assignment. Keep in mind that you will learn a lot by doing the assignments carefully. They have been designed to help you meet the objectives of the course and, therefore, will help you pass the exam. Submit all assignments not later than the due date.
- (8) Review of the objectives for each study unit confirms that you have achieved them. If you feel unsure about any of the objectives, review the study material or consult your tutor.
- (9) When you are confident that you have achieved a unit's objectives, you can then start on the next unit. Proceed unit by unit through the course and try to face your study so that you keep yourself on schedule.
- (10) When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments, both on the tutor-marked assignment form and also written on the assignment. Consult your tutor as soon as possible if you have any questions or problems.
- (11) After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in the Course Guide).

16.0 TUTORS AND TUTORIALS

There are 17 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the names and phone numbers of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignments, keep a close watch on your progress and on any difficulties you might encounter and provide assistance to you during the course. You must mail your tutor-marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following might be circumstances in which you would find help necessary.

Contact your tutor if:

- You do not understand any part of the study units or the assigned readings.
- You have difficulty with the self-test or exercise.
- You have a question or problem with an assignment with your tutor's comment on an assignment or with the grading of an assignment.

You should try your best to attend the tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a question list before attending them. You will learn a lot from participating in discussions actively.

17.0 SUMMARY

As earlier stated above this course MBA 714: Corporate Governance: Theories and Issues are to introduce you to various techniques, guides, principles, practices, etc. relating to corporate governance in business organisations.

It makes comparative analysis of the corporate governance in Nigeria with those around the world for better understanding of the practices and principles of governing business organisations.

We hope you enjoy your acquaintances with the National Open University of Nigeria (NOUN). We wish you every success in the future.

COURSE DEVELOPMENT

MBA 714

CORPORATE GOVERNANCE: THORIES AND ISSUES

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Unit 1 Definition, Philosophy and Nature of Corporate Governance, Theories and related Issues

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1.0 INTRODUCTION

The main concern of in this unit is to provide you with general background information about the course; in which case the definition, philosophy, nature of corporate governance theories and their relevance as well as salient issues involved in corporate governance will be introduced to you. The dire needs for effective corporate governance to engender the much cried about peak performance to meet the aspiration of the stakeholders cannot by all means be overemphasised. Hence, authorities, scholars and practitioners and/or stakeholders have, in recent times, been trying to provide various theories as well as explanations for the ways, forms and manners corporate governance should be, and be handled together with the issues involved. There is no doubt that, the existence and the well-being by business corporations play vital roles in terms of production of goods and services to the people and hence the concern for and society's focus on it.

2.0 OBJECTIVES

At the end of this unit, you are should be able to:

- (i) define the phrase corporate governance;
- (ii) describe what is meant by the word theory in relation to corporate governance;
- (iii) identify and itemize relevant theories of corporate governance;
- (iv) give explanation of salient issues in corporate governance;
- (v) articulare the relevance of theories in corporate governance.

3.0 MAIN CONTENT

3.1 Definitions of Corporate Governance

The concept corporate governance can be defined as the whole spectrum of the culture of an organisation which include its line of accountability, business, global operational network, decision making processes, leadership style, authority, power and approach/strategy to

accomplishment of tasks. The domain of corporate governance covers the setting up overall direction for the enterprise through adequate supervision and control of actions of its executives to facilitate satisfaction of stakeholders. The main import of corporate governance is to ensure corporate stability and viability, the choice, quality and mix of persons to perform corporate functions profitably to the satisfaction of the stakeholders in the organisation concerned and the larger society through its social behaviour and or social responsibility.

Corporate governance is also defined as a system of structuring, operating and controlling a company to achieve strategic goals to satisfy stakeholders and to comply with the legal and regulatory requirements and to meet the environmental and community needs.

3.2 Definition of Theories

Theories are sets of concepts and generalizations arranged to explain and predict possible and probable relationships among phenomena. They are also formulations and principles of behaviour through which knowledge about human interactions can be increased. They are found on observation and analysis.

3.3 Purpose of Theories

The intent or purpose of theories is to explain the connection between and among occurrences in human interaction. The essence of theories includes good understanding and accumulation of knowledge, current situations are explained and predictions are made possible. This in turn helps ability about future situations and occurrences. The purpose of theories in the context of corporate governance is, among other things, to facilitate useful ways of explaining the relationships among the interacting individuals as stakeholders. Theories, as forms of explanation increases knowledge about what are happening in and around the corporate organisation and its governance. The business activities including operations of corporations could be predicted. The possibility of such prediction enhances effective corporate governance planning based on informed forecast by the top management, the managers and more importantly, the chief executive officers and the board are better enhanced for the overall well being of the organisation to meet the purpose for which it has been established.

Self Assessment Exercise

What do you understand by the word theories?

4.0 CONCLUSION

Theories are of relevance to processes of corporate governance of corporations as a network of relationships. They serve as connecting rods to explain and give good understanding of the organisational behaviours. The actions, attitudes and diverse interests of the interacting stakeholders within business corporations require explanations. Hence, the existence of good theories is a welcome phenomenon which enables those in charge of policy formulation in the running of the corporation to make necessary prediction towards forecasting and planning for the future health of the firm.

5.0 SUMMARY

In this unit, we have been able to give some definitions of corporate governance and what is meant by theories. The purpose of theories has been dealt with particularly in relation to corporate governance.

6.0 TUTOR MARKED ASSIGNMENT

In your own word, how would you define the concept 'corporate governance'?

7.0 REFERENCES AND FURTHER READINGS

Shann, Turnbull. Corporate Governance: Its Scope, Concerns and Theories. Graduate School of Management, Macquarie University, Sydney, N.S.W. Australia.

Perry, John & Erna (1976). The Social Web: An Introduction to Sociology. San Francisco, Canfield Press.

Unit 2 Organisational Goals and Corporate Governance

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1.0 INTRODUCTION

Organisational goals form one of the most important elements in the overall corporate governance and its processes. The issues of importance and relevance of goals in organisational management are paramount especially in the planning process. Literatures written on organisation have for several years stressed the importance of goals in enhancing organisational efficiency and effectiveness which are the hallmarks of corporate governance.

Goals serve as standard towards which all other activities of corporations are geared. They are the measuring rods, hence their setting must be given adequate attention for efficiency and effective realization of the overall interests of the organisations.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) define what goals are;
- (ii) state the benefits of goals;
- (iii) identify different types of goals.

3.0 MAIN CONTENT

3.1 Definition of Organisational Goals

Goal simply means what is hoped to be achieved, that is, being aimed or targeted at achieving. Organisational goal is the direction to which corporation is moving towards; its is what the organisation is aiming at which gives rise to some other organisational processes such as

planning, motivation principles, philosophy, needs, actions to be taken, etc. There are individual goals and corporate goals which needs to be harmonized for satisfaction.

3.2 Benefits of Goals

Going by the definition of the word 'goal', the benefits derivable from goals set for an organisation can neither be overemphasised nor far-fetched. Their advantages are as many as their types as they exist in the organisation under reference. Such benefits as found in the literature and research works show that goals:

- can increase performance of individual and the employing organisation;
- help to clarify expectations, through goal setting organisation members are more likely to have a clear idea of the major outcomes they are expected to achieve;
- usually provide directions to prevent wastages in terms of efforts and resources;
- facilitate controlling functions by providing benchmarks to assess progress and initiate corrective actions. Thus goals assist individual actors to gauge their progress;
- assist managers in maintain control over organisational activities;
- increase motivation as added motivation develops from meeting goals;
- give rise to aims and objectives;
- determine the types and nature of organisation structure and forms of communication and types of relationships;
- influence the setting of mission and vision of organisations;
- can affect and be affected by organisational behaviour and culture.

3.3 Levels and Types of Goals

Organisations usually have three major levels or types of goals, namely: strategic, tactical and operational goals.

(a) Strategic Goals

These are broadly defined targets or future end-results set by top management. They typically address issues relating to the whole organisation often formally stated by top management in fairly general terms and described as official goals. Such strategic goals cover areas as marketing standing, innovation, human, financial and physical resources, productivity, profit requirement and social responsibility.

(b) Tactical Goals

They are targets or future end-results to be achieved, usually set by middle management for specific departments or units as outlined. Tactical goals tend to be stated in more measurable terms than is sometimes true of strategic goals.

(c) Operational Goals

These are targets or future end-results set by the lower management that address specific, measurable outcomes required from the lower levels such as product quality, on-time delivery, manufacturing units within divisions aiming at achieving zero defects.

3.4 Hierarchy of Goals

The three levels of goals represent the hierarchy of goals. With a hierarchy, goals at each level need to be synchronized so that efforts at the various levels are channeled towards achieving the major goals of the organisation. These levels of goals form a means – end chain in which the operational goals (means) must be achieved in order to reach the goals at the tactical level (end). Likewise, tactical goals (as means) must be reached to achieve the strategic goals at strategic level (ends).

3.5 Goal Content

Goals that are effective in channeling effort toward achievement at strategic, tactical and operational levels have a content that reflects the following five major characteristics of being: challenging, attainable, specific and measurable, time-limited and relevant.

Challenging:

Writing reasonable limits, challenging, difficult goals lead to higher performance as people try harder when faced with a challenge.

Attainable:

Although goals need to be challenging, they usually work best when they are attainable, and almost impossible goals tend to discourage. Difficult, but attainable goals engender sustained performance over a period of time.

Specific and Measurable:

To be effective, goals need to be specific and measurable to make what is expected to be clear and when the goal has been achieved. Goals should be stated quantitatively for ease of verification.

Time-limited:

Goals need to be time-limited, that is, there should be a defined period of time within which the goals must be accomplished for it to be meaningful.

Relevant:

Support for goals are engendered when they are relevant to the major work of the organisation and its various units.

3.6 Goal Commitment

This is the organisational attachment to, or determination to reach a goal. A critical element in using goals effectively is getting individuals and/or work groups to be committed to the goals.

The required commitment is achieved/influenced through five major factors of supervisory authority, peer and group pressure, public display expectation of success, incentives and rewards, participation, work behaviour, direction, effort, persistence and planning.

Self Assessment Exercise

What are the major factors that may influence the level of commitment towards achievement of goals?

4.0 CONCLUSION

The contents of this unit have shown the relevance of corporate goals and indicated that goals and their setting represent serious challenges in the processes involved in corporate governance. There are meeting points for goals and corporate governance going by the benefits derivable from goals, their characteristics, types and levels, hierarchies, contents and commitment. For effective corporate governance, the ultimate of which is the attainment of goals to be achieved, goals and their setting are necessary conditions. More so, it is the goals that provide direction, basis for assessment of roles, policy formulation and implementation of corporate body including planning, controlling, organising, directing, motivation and leading etc.

5.0 SUMMARY

This unit's discussion has taken us through such topics as goal definition, goals benefits, levels and types of goals, hierarchy of goals, goal contents and commitment.

6.0 TUTOR MARKED ASSIGNMENT

Define goals in relation to a corporate body while you enumerate with explanation the various ways in which goals are relevant to business firms and corporate governance.

7.0 REFERENCES AND FURTHER READING

Bartol, K.M. and Martin, D. Management. New York: McGraw-Hill Inc.

Robbins, S.P. and Coulter, M. (1996). Management. New Jersey: Prentice-Hall.

Unit 3 Concepts in Corporate Governance

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1.0 INTRODUCTION

As words are the tools of thinking, they need to be identified, listed and clearly defined/described or explained, as may be deemed necessary, to provide basis for clear communication, analysis and understanding of any discourse on hand.

2.0 OBJECTIVES

At the end of the unit, you should be able to:

- (i) identify and enlist some key concepts relevant to corporate governance;
- (ii) make a good explanation of some of these terms.

3.0 MAIN CONTENT

3.1 Key Concepts

These words are however not listed in order of preference and learners should take note of this observation to avoid misinformation. The concepts include the following among others: control, regulate, agency, corporations, culture, cybernetics, directors, board, governance, information theory, institutions, ownership, political power, regulation, self-regulation, self-governance, shareholders, stakeholders, stewardship, transaction costs, theory of the firm, corporate citizenship, business environment, employee benefits, pluralism, commitment, authority, leadership, willingness, ability, responsibility, responsibility, proactive, reactive, social obligations, social responsibility, customs, competitors, community, corporate philosophy, corporate culture.

3.2 Explanation of Some Concepts

Control – any process in which a person or group of persons or organisation of persons determines what another person or group or organisation will do.

Self-governance – means a system of control or regulation in which the governed appoint the controllers.

Stakeholders – those groups without whose support the organisation would cease to exist – they are strategic stakeholders.

Firms – they are established social institutions engaged in the production and sales of goods and services. They are described as companies, organisations, corporations, business outfits, etc. in form of partnership, joint ventures, limited liability, cooperatives, and associations.

Organisational Culture – a system of shared values within an organisation that determines how managers act or behave. It has bearing with the organisation’s philosophy, strategy, vision and mission – and shows the organisational personality as distinct from that of others.

Ability – shows whether a company is able to act or respond to situations including social responsibility.

Willingness – equally relevant is the concept willingness which means organisation’s will to carry out expected acts based on its ability.

Shareholders – are those whose financial involvement determines the capital strengths of the organisation.

Self Assessment Exercise

Present a concise description of at least ten concepts other than the ones already explained in this unit.

4.0 CONCLUSION

Itemization of terms is the focus of this unit. Various concepts itemized while few of them have been explained. The essence is to familiarize you with them and be able to understand their usefulness as regards corporate governance and corporate responsibility. In addition, the efforts in this unit will reduce any ambiguities.

5.0 SUMMARY

In this unit, we have made a panorama of the terminologies of the phenomenon of corporate governance and its other processes through the listing of the various terms or words. This is to facilitate your easy understanding of the interrelatedness among and between these concepts in relation to corporate governance.

6.0 TUTOR MARKED ASSIGNMENT

Identify at least five concepts you would like to describe as important and explain elaborately how relevant they are to corporate governance.

7.0 REFERENCES AND FURTHER READING

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Unit 4 Stakeholders in Corporate Governance

Table of Contents

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Stakeholders in Corporate Governance
3.2	Role of Individual Stakeholders in Corporate Governance
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Readings

1.0 INTRODUCTION

The main purpose of corporate governance is to ensure corporate stability and viability. To achieve this, a good understanding, cooperation and commitments of all the parties who have takes in the organisation is required.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) have good understand of what is meant by stakeholders;
- (ii) be able to identify stakeholders in a business outfit;
- (iii) understand the role of each party and the interrelatedness thereof.

3.0 MAIN CONTENT

3.1 Parties or Stakeholders in Corporate Governance

The parties in corporate governance otherwise described as stakeholders include: managers/management/board, share/stockholders, employees, suppliers, consumers, distributors, government, the community and the workers' organisation. Their examination is important and relevant to our discourse more so that governance as a concept is being described and qualified by the word corporate which is a network of relationship.

It is indeed a group deal in which each of the stakeholders has definite role to play to engender organisational functionality to bring about the necessary corporate stability and viability.

3.2 Role of Individual Stakeholders in Corporate Governance

Although the parts being played by stakeholders are towards the common corporate goal achievement, there are some variations which reflect the differences associated with their contents of the environment. The multinational corporations however try to maintain uniform

corporate culture which affects their governance and the role of the stakeholders irrespective of their different countries of operation all over the globe.

To further emphasise the differences, there are other ways of describing the stakeholders already mentioned in the earlier section of this unit. Among such descriptions include: directors, the board, client, owner, entrepreneurs, creditors, owners, managing directors, chairman, chief executive officer (CEO) among others.

The Board of Directors, with good skills and understanding will ably handle various issues to review and challenge management performance. The board should be equipped enough to roll out policies on all aspects of the organisation's governance, evolve good strategies and culture that will facilitate the fulfillment of objectives and goals of the organisation.

The Managers/Management members are to ensure that the policies as handed down are properly implemented. This is through such actions and processes of planning, organising, directing, controlling, recruiting, staffing, budgeting, motivating, delegating, and communicating.

Both board and management (including individual managers) are to provide leadership expected to ensure the overall well being of the firm as far as its governance is concerned.

The other partners within the company take their bearings from the culture, principle, mission, vision and philosophy of such organisation as may have been spelt out in its memorandum of association and dictated by situations and environment.

Self Assessment Exercise

Give a comprehensive account of the various stakeholders in the management of a business organisation in an economy.

4.0 CONCLUSION

Corporate governance is a team work based on the social network nature and structure of Business Corporation, be it private or public, with stakeholders' activities or functions to be properly geared towards the efficient and effective achievement of aims and objectives. Such functions are essentially tailored towards the organisation's responsiveness, social responsibility, accountability, ethical behaviours, to ensure good corporate governance with a view to realizing required dosage of stability and viability to fulfill its economic and social responsibilities with measurable competitive advantages. Hence, all stakeholders must have clear-cut roles to play while the structure of such corporation must be designed to enhance good intra and interrelationships with adequate cognizance of the internal climate and external environmental factors.

5.0 SUMMARY

In this unit, we have perused the various stakeholders, mentioned their functions in connection with the aims and objectives of business corporations. It has been emphasised in this unit the

network, nature of business firms and the need for the various parties to be up and doing in their roles for stability and viability to engender the concepts of ability and willingness to be economically responsive and socially responsible for effective and efficient competitiveness.

6.0 TUTOR MARKED ASSIGNMENT

How best would you like to describe the parts being played or expected to be played by the actors in the governance of a business corporate body? Of what relevance are these roles to the overall progress and development of the organisation in question?

7.0 REFERENCES AND FURTHER READING

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Unit 5 Development Versus Corporate Governance

Table of Contents

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Definition of Development
3.2	Organisational Development
3.3	The Concept of Management Development
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Reading

1.0 INTRODUCTION

In this unit, development and growth are taken to mean one and the same thing and thus used interchangeably in the discourse of its contents. The word development or growth is an ubiquitous concept permeating almost all the aspects and stages of human activities, be they of personal (individual), group or corporate (private and public). In view of the nature and relevance, the concept “development” deserves attention in the discussion of corporate organisations and their governance. This segment is to make you become familiar with the meaning and forms of development as an operative concept in organisational study and governance.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) understand the concept of development as regards business outfit;
- (ii) know the various forms of development;
- (iii) identify strategies for achieving corporate development among others.

3.0 MAIN CONTENT

3.1 Definition of Development

Development and/or growth is an effort to provide individuals and organs within the organisation as stakeholders with the abilities or capabilities that the organisation will need in future. The focus is on both the current and future long-term needs of the entire organisation. The goals also embrace the overall enrichment of the organisation’s human and material resources by preparing stakeholders for future company’s demands.

Development is a process by which a continuous increase in a system’s efficiency produces the conditions which result in general upliftment. Such upliftment covers human and material

resources both in quality and quantitative terms such as: skills, knowledge, attitudes and psychological etc. There are no quantifiable spheres to development but they have to do with general improvement, in this case, of organisation's operations conditions. This will be positioned to facilitate the physical, psychological, skills, political, social, economic (business) and technological elements of development mutually reinforcing one another in the process of general upliftment tantamount to and indispensable to development of organisational growth.

In specific terms, development as expressed above is related and relevance to corporate governance and corporate social responsibility. This is because the development with the above scope will invariably lead to required repositioning of the individual's to be sufficiently equipped to fulfill their roles as stakeholders. This will in turn lead to the organisation's ability and willingness to meet corporate obligations and enjoy statutory, socio-political rights, participations/cooperation from stakeholders, supportive response from the community and good patronage from customers for the much needed organisational gains of survival and stability.

3.2 Organisational Development

Organisational development is one way by which they can increase their long-term prospects. Organisational development (OD) is a changed effort that is:

- (i) planned;
- (ii) focused on an entire organisation or a large subsystem;
- (iii) managed from the top;
- (iv) aimed at enhancing organisational health and effectiveness; and
- (v) based on planned interventions made with the help of a change agent or third parties who is well versed in the behavioural sciences or verse in the study of complex organisations.

An elaborate definition of this term (which you must do as a learner) will be helpful in understanding the major characteristics of organisational development. Its scope covers the entire or large parts of the organisation in terms of the planned change, managing from the top, proactiveness, engender collaboration of all members at all levels, increased short and long-term effectiveness. Organisational Development involves the use of intervention as a strategy for good corporate governance that embraces innovation from consultant or change agents though with its relative advantages and demerits.

3.3 The Concept of Management Development

The traditional schools of thought perceive management development as a means of bringing managers up to speed on fundamental management skills like the basics of finance and marketing and techniques for supervising employees. But today's thinking is all about executive education focusing more on intangible aspects of leadership and spurring organisational change such as transforming organisational culture, continuous improvement and total quality management (TQM). Ways of achieving such management development programmes include:

- (1) Company Training Centres or Schools

- (2) University-based programmes involving case study method(s)
- (3) Management training involving role playing and Management games.

Apart from the above two areas, development processes and strategies also cover products, policies, reward and salary systems, performance appraisal, manpower system, organisational design and structure and a host of others.

4.0 CONCLUSION

The phenomenon of development has been touched as regards its relevance, nature and contents to facilitate understanding concerning corporate governance. Its definition elicits the way, form and manner of its necessity to the well-being of business entity.

5.0 SUMMARY

Our discussion under this unit has taken us through developmental areas of corporations such as the general concept of development, organisational and management as well as other aspects of corporate processes and activities. This is aimed at keeping you well informed about what organisations stand to gain if it embraces and put into practice the spirit and letter of development. Ways of achieving appropriate development have equally been mentioned for your good understanding of the concept.

6.0 TUTOR MARKED ASSIGNMENT

What are the major different areas vividly observable between the twin-concepts of organisational development and management development?

7.0 REFERENCES AND FURTHER READING

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Unit 6 Law and Corporate Governance

Table of Contents

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Need for Government Provision of Legal Framework
3.2	Types of Legal Framework and Corporate Governance
3.3	Other Sources of Regulatory Elements in Corporate Governance
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Reading

1.0 INTRODUCTION

Corporate organisations do not exist and operate in absolute or partial isolation of either the larger economy or the society at large which in this regard is the state or government as the manager of all other substructures of the nation including the business companies. There has also not been absolute freedom of operation for corporation, be it private or public, in any part of the world. The nation's governments have always provided necessary terrains for operations, not only in terms of infrastructures, but also the rules of the game as a legal framework to guide the activities of the internal actors and other stakeholders and the general public. The guidelines or rules of the game is the law as handed down by the government of the day and derived principally from the nation's constitutional provisions regarding the national economic activities in all ramifications.

2.0 OBJECTIVES

At the end of the unit, you should be able to:

- (i) explain the concept of law in relation to corporate governance;
- (ii) state sources of law concerning business organisations;
- (iii) make a distinction between law and other rules or regulations;
- (iv) understand the concept of principle of law governing businesses.

3.0 MAIN CONTENT

3.1 The Need for Government Provision of Legal Framework

The need for government bureaucracies to intercede as corporate regulators usually arise because those adversely affected by a firm may not have the information, power and will to correct the problem. Stakeholders' participation are not sufficiently wide to reflect the concern of the host society, some government interventions will still be required. Stakeholders' participation may also be required in government bureaucracies to allow policies to be mediated to suit local

conditions and performance standards established and evaluated by those affected. Laws differ from nation to nation, but all have laws on industrial spying, restraint of trade, working conditions, payment of bribes, the rights of workers, and so forth. Even the incorporation of business organisations is through the statutory regulations as enacted by government. Such incorporation spells out in the articles of association or registration, name, address, ownership, composition of stakeholders and their roles, span of activities including relationships thereof including financial matters and a host of others.

3.2 Types of Legal Framework and Corporate Governance

As earlier mentioned, the internal regulations and governance of business corporation take bearings principally from the operating statutes of the larger society as symbolized by the state's constitution and all other such laws that may be enacted by the parliament, the judiciary and the regulatory policies emanating from the executive arms of government (in case of Nigeria the state and the federal governments).

Using Nigeria to illustrate our discussion will suffice in this case. There is an existing corporate laws as advanced in the Nigeria's Companies and Allied Matters Decree No. 1 of 1990 as has been amended from time to time in response to socio-political and economic trends of the nation. The law established the corporate affairs commission with its membership composition cutting across socio-political and economic spheres of the country so that various interest groups will be represented (you may go into details on this).

The functions of the commission are spelt out in subsection 1 of section 7 of the law, which include:

- (1) the regulation and supervision of the formation, incorporation, registration, management and winding up of companies;
- (2) maintenance of companies registers;
- (3) arrange or conduct an investigation into the affairs of any company where the interests of the shareholders and the public so demand (our mind should go to corporation social responsibility and responsiveness).

There is also a law establishing the Securities and Exchange Commission (SEC) whose activities also have implications for corporate governance. While the labour law (employment law) under the 1974 Decree and the various Trade Unions Statutes have been put in place to guide the relationships arising from employment situations. There are laws relating to compensation, employment contracts, master-servant's or employers-employees' duties including principle of various liability, dispute resolution processes and structure, disciplinary procedure and determination of contract. Corporate governance is also affected by the common law as obtained in the law courts.

3.3 Other Sources of Regulatory Elements in Corporate Governance

It should be noted that the situations described are equally complemented in the governance of corporations by such sources as company's internal employees handbooks, circulars from

management, board policies, collective agreements arising out of collective bargaining on terms and conditions of employment. The industrial or employee relations and/or human resources of corporate organisations readily come to mind in this regard.

4.0 CONCLUSION

There are principles bordering on rights and equitable treatment of shareholders, interests of shareholders, role and responsibilities of the board, integrity and ethical behaviour and disclosure and transparency. All these guide the nature of corporate governance. The totalities of issues relating to corporate governance including organisational behaviours are principally embedded in the legal framework as so exists in an economy as has been elicited in our highlights in this unit. What have been discussed here are markedly different from what obtains in other economies of the world. The concepts and descriptions may be somewhat different based on the peculiarities arising from socio-political and economic situations of the individual countries. But the overall objective is for the state to have some measures of regulation of the economy by supervising or guiding all its subsystem including the business organisations and their administration.

5.0 SUMMARY

In this unit, we have dealt with such topics relating to introductory segment with emphasis on the relevance of law, not only to the establishment of corporations, but their overall activities; the need for legal framework to enhance state control, have been mentioned. The establishment of corporate affairs commission and highlights of its functions through companies and allied matters law has been discussed. Also discussed are the other sources of regulatory elements relating to corporate governance including principles.

6.0 TUTOR MARKED ASSIGNMENT

What are the various sources from which corporate governance could be legally influenced?

7.0 REFERENCES AND FURTHER READING

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Unit 7 Corporate Governance Mechanisms and Controls

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1.0	Introduction
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3.2	Monitoring by the Board of Directors
3.3	Remuneration
3.4	External Control
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Reading

1.0 INTRODUCTION

Corporate governance mechanisms and controls are specifically designed to reduce the inefficiencies and the degrees of ineffectiveness that are likely to arise from moral hazard and adverse selection and general organisation's unethical behaviour. For example, to monitor manager's behaviour, an independent third party (like the auditor) will attest to the accuracy of information to be provided by management to investors. Also, an ideal control system is to regulate both motivation and ability.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) know and understand what is involved in corporate mechanisms and control;
- (ii) explain internal controls;
- (iii) discuss external controls.

3.0 MAIN CONTENT

3.1 Internal Control

The main idea of internal corporate governance controls are all such efforts geared towards monitoring activities and then taking corrective action to accomplish organisational goals. Examples of such controls are as shown below.

3.2 Monitoring by the Board of Directors

The board of directors, with its legal authority to hire, fire and compensate top management, safeguards investors capital in the organisation. Potential problems are identified, discussed and avoided in the regular board meetings. Policies that lead to good information management

system which in turn enhances good decision making are formulated to engender effective feedback as a control method for efficient organisational performance.

3.3 Remuneration

Performance-based remuneration is designed to relate some proportions of rewards to individual performance. These may be cash (salary) or non-cash payments (c\shares and share options, superannuation or other benefits). While it influences performance behaviours, it would be somewhat helpful to elicit myopic behaviour.

3.4 External Control

External corporate governance controls cover the controls being exercised by the external stakeholders over the organisations in conducting its affairs. These include:

- demand for and assessment of performance
- information (especially financial statements)
- debt covenants
- government regulations
- medial pressure
- takeovers
- competitions
- managerial labour market
- telephone tapping etc.

Self Assessment Exercise

In which ways does control relate to the role of the Board of Directors?

4.0 CONCLUSION

Our discussion in this unit appreciates the existence of controls as part of corporate governance processes. The relevance of monitoring the organisational behaviour especially those of top management by the Board of Directors has been emphasised.

5.0 SUMMARY

We have in this unit gone through the processes of corporate governance mechanisms and control. Also dealt with are the concepts of internal controls in its two-phase practices of board monitoring and remuneration, while the issues involved in external corporate governance controls have been itemized.

6.0 TUTOR MARKED ASSIGNMENT

Of what importance is the concept of mechanism and controls in relation to corporate governance?

7.0 REFERENCES AND FURTHER READING

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Unit 8 Whistle Blowers on the Board and their Rights

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1.0	Introduction
2.0	Objectives
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3.1	Definition of Ombudsperson
3.2	Definition of Whistle-Blower
3.3	Avoidance of Whistle-Blowing Consequences in an Organisation
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Reading

1.0 INTRODUCTION

The concept of whistle-blowing revolves around organisational ethical behaviours in relation to manager's leadership style and handling of work-related matters including communication structure and particularly manager-subordinate interaction. The fallouts from failures of poor organisational communication system may lead to subordinates unwholesome attitude of blowing unethical manager's conduct out of proportion by letting out information that leads to negative publicity and outcry for third parties outside the organisation to make moves for investigations and the likely sanctions against the business firm or its management. This should be prevented by management at all times through internal mechanisms and controls in terms of attitude, leadership styles, structure that enhances good communication, avoidance of unethical practices etc.

2.0 OBJECTIVES

At the end of the unit, you should be able to:

- (i) state what is meant by whistle-blower;
- (ii) explain what could lead to whistle-blowing;
- (iii) its effects and how to prevent same.

3.0 MAIN CONTENT

3.1 Definition of Ombudsperson

An ombudsman is usually an executive operating outside the normal chain of command in an organisation who handles issues involving hot-line communicated employee grievances and warnings about serious ethical problems. The essence of ombudsman in an organisation is to provide an extra measure of upward communication method as a strategy to avoid the ripple effects of whistle-blowers. This is because the cost of whistle-blowers activities, if not prevented, could become inimical to the organisational achievement.

3.2 Definition of Whistle-Blower

On a general note, a whistle-blower usually a person who informs people in authority or the public that the company they work for is doing something wrong or illegal. For our purpose, a whistle-blower is an employee who makes reports of real or perceived wrongdoings under the control of his or her employer to those who may be able to take appropriate/corrective action in favour of the stakeholders in an organisation. When managers allow the whistle-blower activeness, through their action or their inertia, the resultant fallouts are usually inimical to the well being of the corporation. Letting out reports by the whistle-blower to outsider such as individuals, government agencies and other organisations, unfavourable or negative publicity, legal investigations, litigations and power, community and customer relations result. The governance of such organisation is likely to be in jeopardy. This will lead to multiplier effects of negative nature.

3.3 Avoidance of Whistle-Blowing Consequences in an Organisation

Some of the strategies to be employed to contain the onslaught of whistle-blower include avoidance of unethical policies by all stakeholders in the management and control of the organisation. It is very important for managers and the Board to operate ethically in dealing with various stakeholders and with the competitors. Care must be taken in taking decisions because the indirect signals that could be sent through manager's activities may have adverse consequences. The top management must often provide ethical leadership to the rest of the organisation in areas of hiring the right people, setting standards more than rules, not letting themselves get isolated and making sure that their ethical example is impeccable at all times.

Managers should imbibe ethical guidelines which include obey the laws, tell the truth, show respect for people, safeguard their rights, stick to the golden rule, above all, do no harm practice participation, not paternalism, and always act positively and be responsive to responsibility. Managers' ethical career issues may also involve assessing their own values and protecting themselves as well as giving consideration to what actions they can take to anticipate and avoid ethical conflicts.

Self Assessment Exercise

Justify the existence of Ombudsman in an organisation.

4.0 CONCLUSION

The explanations on the idea of ombudsman in relation to whistle-blower in work organisation have shown vividly the effects which unethical organisational processes especially from the top managers could bring to bear on business organisations. While ombudsman's involvement is geared towards internal containment of problem areas in-house, the whistle-blower, on the other hand, exists to outsource solutions to internal problems of the organisation with its accompanying negative multiplier effects.

5.0 SUMMARY

In this unit, we have touched on the concepts of ombudsman and whistle-blower, their essence and impacts in relation to organisational activities and processes. Emphasis has also been laid on the various ethical issues and pathways to reduce unwholesome organisational behaviours and unbecoming management posture. What is expected from top stakeholders in the governance of a business corporate body.

6.0 TUTOR MARKED ASSIGNMENT

Distinguish between whistle-blower and ombudsman. In which ways can top management and managers contain the onslaughts that may bring about the existence of whistle-blowers and bring about desired organisational wellbeing?

7.0 REFERENCES AND FURTHER READING

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Unit 9 Corporate Governance and Environment

Table of Contents

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Organisation and its Environment
3.2	The Working Environment of the Corporation
4.0	Conclusion
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6.0	Tutor Marked Assignment
7.0	References and Further Reading

1.0 INTRODUCTION

The idea of corporate governance is synonymous with organisational management or administration upon which the success performance of its functions and consequently achieving its objectives depend all of which in turn rests on how it is managed or governed. This governance or management is, as a matter of fact, a function of its environment. Simply put, the effects (negative or positive) cannot be overstressed while considering the issues concerning the governance of a corporate body as a system.

There is no gainsaying the fact that environment impacts tremendously on business organisation in all ramifications.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) identify components of organisation's environment;
- (ii) explain how environment impacts on corporate behaviour including its governance

3.0 MAIN CONTENT

3.1 Organisation and its Environment

A very useful concept for understanding how anything including corporations work is the idea of a system. Under this cooperation is conceptualized as a set of interacting components working together to sustain themselves and achieve various goals. A business corporate body is a complex organisation with internal environmental influences and behaviours or conducts that are of necessity attracting external environmental impacts, all of which have effects on the processes involved in its governance.

Optimisation for accomplishing fulfillment of these goals requires cooperation among and between the interacting components (parts) of the organisation as a system. Left to themselves,

components may become inordinate, selfish, competitive, independent profits centre to the detriment of their immediate and distant environment (communities). There is more to organisation as a system than mere cooperative interaction. Rather corporations are open systems functioning within larger system in three main stages of:

- the input in form of materials e.g. human, ideas and technologies from larger environments;
- the transformation of the above inputs, and the release of the transformed (of above inputs) outputs back to the larger environment in form of goods and services including corporate social responsibilities.

3.2 The Working Environment of the Corporation

Most often, organisations fail to achieve target objectives within their operating environment. This failure becomes problems which are a measure of the effectiveness or otherwise of their management style, whether they are strategic enough to enhance good corporate governance for the needed goal attainment.

Thus, the board of directors, the management and/or managers must have good understanding of the environment to be able to find necessary solutions to such organisational problems bordering on environmental contingencies that may impact significant influence on the organisation. This is a very important effort that must be evolved or be evolved as part of corporate governance.

It should be noted that the concept of environment in relation to corporations and their governance efforts covers:

- (1) **Immediate task environment** – internal factors (try to enlist the details). These environmental factors interact and relate with the system (corporation) and the degree of satisfaction, sacrifice, stability and cohesion that stakeholders the board of directors and top managers are able to facilitate in terms of environment-friendly environment will determine to a large extent, the extent the goal achievement, level of the business corporate body.
- (2) **National Environment** – It must be recalled that whatever happens within the organisation is not in isolation of the general system otherwise called national environment/economy, which has many and diverse components or contents.
- (3) **International Environment** – With globalisation and in a specific globalised economy, the level of performance in any organisation is not subject not only the national or immediate task environment, but also to the international affiliatory bodies. Thus, the policies principles and manners of corporate governance of these international bodies, and their organisational and/or economies invariably affect or influence the position in nay other country as a whole as the organisation as an entity within the system. Such bodies of international influence in terms of economic development are:

- World Trade Organisation (WTO)
- General Agreement on Trade and Tariff (GATT)
- International Bank for Reconstruction and Development (World Bank) etc.

The organisational operations in each country are seriously affected by the regulations, policies, and fiscal measures of these international bodies which most often affect the performance of the organisations among other things. Hence, stakeholders involved in the governance of international corporate bodies as a system require basic strategic approach in handling these environments in order to sustain achievement of organisational goals concerning all the stakeholders and the larger economies (national and international).

Self Assessment Exercise

What do you understand by the phrase “organisational environment”?

4.0 CONCLUSION

The issue of environment and its influence on organisational tenet, achievement of goals has gained increase in the discourse relating to the study of complex organisations. The system as a concept has remained a useful tool, usually employed for understanding of the internal network of relation and interaction between organisation’s external environmental factors. All these zero in on the need for stakeholders to take into consideration while dealing with corporate governance to engender organisational goal realization.

5.0 SUMMARY

The topic under this unit has taken us through the nature of the environment in relation to input-output loops with respect to organisational behaviour, and the external factors. Mention has been made of environment as containing internal and external factors and influence on corporate governance.

6.0 TUTOR MARKED ASSIGNMENT

Identify three major types of environment and state the components and how they influence corporate organisations and the overall corporate governance.

7.0 REFERENCES AND FURTHER READING

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Unit 10 Managerial Roles/Functions in Corporate Governance

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3.0	Main Content
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3.2	Explanation of Roles/Functions
4.0	Conclusion
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7.0	References and Further Readings

1.0 INTRODUCTION

The term management is conceived first as:

- (a) The process of coordinating and integrating work activities so that they are completed efficiently and effectively with and through other people;
- (b) The process of achieving organisational goals through engaging the four major functions of planning, organising, leading and controlling; and
- (c) A group of people charged with the main organisational functions of planning, organising, leading and controlling for goals achievement.

Simply put, management means getting things done through other people. It is an organ of institutions that converts a mob into an organisation (through arrangement) and human efforts into performance.

Corporate governance on the other hand is the set of processes that affect the way a corporation or organisation is directed, administered, managed or controlled. It is also concerned with relationships among stakeholders and organisational goals realization. Thus, the involvement in and relevance of management and its functional responsibility to good corporate governance cannot be overemphasised. Hence, the examination of its (management) roles in relation to the issues of corporate governance is worthy exercise as discussed in its unit.

In these two concepts, (management and corporate governance), words like process, direction, controlling, administering, organisation, leading, relationships, goals achievement jointly feature.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) define management roles/functions;

- (ii) understand the various managerial functions;
- (iii) identify or isolate the relevance of management to corporate governance.

3.0 MAIN CONTENT

3.1 Definition of Roles/Functions

They are expected behaviour and performance results associated with particular positions. And what defines a role or function is a set of behaviour associated with it. The managerial role/function therefore consists of the behaviour expectations of a manager. Such function or roles of management/managers are to plan, organise, coordinate, direct and control. Role is the part to be or being played by individual stakeholders in an organisation including management as a team which may be top, middle and individual supervisors.

3.2 Explanation of Roles/Functions

Find below explanations on the various functions or roles of managers, which include: planning, organising, coordinating, directing, controlling, etc.

3.2.1 Planning

This involves determining in advance what the organisation should accomplish and how to accomplish it. It requires managers or management to set strategies and goals and develop courses of action for implementing the strategies towards achieving the goals in the short, medium and long terms respectively.

3.2.2 Organising

It is the logical relationships between people and other resources to successfully achieve the goals of organisations, that is, the provision of material and human resources; and building the structure to carry out the activities of the organisation; while organisation is a deliberate arrangement of people to accomplish specific purposes.

3.2.3 Coordinating

It is the adjustment of activities of independent groups to ensure harmonious actions that lead towards accomplishing organisational goals and objectives.

3.2.4 Directing

It involves influencing or affecting the behaviour of other members (by management) of organisation to work effectively together to achieve the organisation's goals.

3.2.5 Controlling

It means monitoring activities to ensure that they are being accomplished as planned and correcting any significant deviations.

3.2.6 Leading

This includes motivating subordinates, directing others, selecting the most effective communication channels and resolving conflicts.

Other definition of management as a social process entails responsibility for effective and economic planning and regulations of the operation of an enterprise, in fulfilling given purpose or tasks with such responsibility involving:

- Judgement and decision-making through the application of data to control performance and progress against plan;
- The guidance, integration, motivation and supervision of the personnel comprising the enterprise and carrying out its operations. In the process, paradigm.

Management/managers have the following to be included in their roles:

- interpersonal roles (figure-head, leader, liaison) from formal authority;
- interpersonal roles (monitor, disseminator and spokesman)
- decisional roles (entrepreneur, disturbance handler, resource allocator, negotiator).

Management, in order to achieve the success of its roles and practices, have some principles which are itemized here (you may wish to explain them in details). Division of work (labour), authority, discipline, unity of command, unity of direction, subordination of individual interest to general interest, remuneration of personnel, centralization, scalar chain, order, equity, stability of tenure, initiative (creativity) and spirit de corps (cooperation – care and support for each other).

On a general note, a number of these principles relate directly to, or are influenced by the organisation structure in which the process of management takes place. They by extension and implications link with the governance of corporations because management, as a process cannot be separated from governance, also as a process of getting things done for the realization of organisation's goals.

4.0 CONCLUSION

The import of our discussion in this unit is to emphasise the fact that management in its functions is related, relevant to, and in fact one of the major components in corporate governance of business organisations. The significant roles of management and the process of carrying out the various managerial functions are in direct connection with those of governance, the situation that requires the attention of discussants within the realm of organisational studies. There is, therefore, the need to ensure success of these roles to become functional and responsive to the

overall processes in corporate governance for actualization of objectives and goals of organisation.

5.0 SUMMARY

In this unit, we have dealt with the definition of management/managers roles and/or functions, examined the various management functions, and their relevance to the issues or processes involved in corporate governance, and discussed the relationships between the concepts of management and corporate governance. The principles involved in carrying out managerial functions were also mentioned.

6.0 TUTOR MARKED ASSIGNMENT

Critically examine the relevance of management in the concept of corporate governance as you understand it in relations to the achievement of organisation's goals.

7.0 REFERENCES AND FURTHER READINGS

Robbins, S.P. and Coulter, Mary (1999). Management, New Jersey, Prentice Hall Inc.

Akintayo, M.O. and Oghenekohwo, J.E. (2003). Corporate Strategies for Policy Formulations and planning in organisation. Ibadan: Yemi Modern Printers (Publishers).

Unit 11 Role of Accountant in Corporate Governance

Table of Contents

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Financial Report
3.2	Determining Choice of Methods
3.3	Accountant's Dual Role
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Readings

1.0 INTRODUCTION

The essence of a business organisation is all about provision of goods and services and making these goods and services available for those who need them. Those who require such goods and services obtain them through payments. Thus, the processes of buying and selling evolve; the issue of rendering financial recording and reporting comes into being. Financial investigation by way of auditing also evolved. In all these aspects of corporate governance, the most crucial person is the accountant who possesses all it takes in terms of knowledge factor to carry out the relevant processes with necessary procedures. The basic financial information needed for other aspects of corporate governance derive from the activities of the accounting personnel.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) understand the role of accountant;
- (ii) explain what is financial report;
- (iii) describe various methods of selecting accountant/auditors.

3.0 MAIN CONTENT

3.1 Financial Report

Financial reporting is a crucial element necessary for the corporate governance system to function effectively. Either the accountants and auditors or their units in an organisation are the primary providers of such relevant records and reports which become veritable information to various cognate financial and non-financial institutions, especially the capital market participants.

The experiences of the accountants and auditors are brought to bear on management's duty of preparing the financial information to the directors of company in compliance with statutory and

ethical obligations. The financial information as may be generated by the accountants and auditors has great role in other functional areas such as planning, budgeting and forecast.

Financial reports usually show how the organisation has fared over times, thereby pointing stakeholders to areas requiring improvements in the activities of the organisation. It is part of the main professional duty of the accountants and auditors to give useful expert advice towards corporate governance of a firm which enhances appropriate guidelines.

3.2 Determining Choice of Methods

Contemporary accounting practice allows a degree of choice of methods in determining the method of measurement, criteria for recognition and even the definition of accounting entity. The choice is a necessity for improving performance and is otherwise described as creative accounting.

3.3 Accountant's Dual Role

One area of concern is on the accountant's possible dual role and the danger thereof. There are situations where an accounting firm dualises its roles of being both the company independent auditor and management consultant to the firm. This may bring about a conflict of interest which will negatively affect the services of such accounting firm as there may be pressure on them to impress management which may in turn affect the quality of the outcome of its reports.

This situation may lead to doubt in the integrity of financial reports. If the role is concentrated in the hand of a single management consulting firm whose appointment is initiated and can be terminated through the power of the corporate client, then the independent status of the auditing firm is no more relevant. The concept of role conflict has set in due to conflict of interests. To prevent this unwholesome practices, and contracting influences which may raise questions and doubts on financial reports, the services of auditing and management consulting should be separated and handled by different professional firms. The corporate power to initiate, select and dismiss accounting firms is highly intimidating.

Self Assessment Exercise

Justify as much as you can the concept of integrity in relation to financial reports.

4.0 CONCLUSION

The role of accounting firms as played by their professional accountants is fundamental to the well-being of organisation. The financial information usually contained in their reports provide vital basis for important activities of corporate governance. Efforts should be made at all times to avoid accounting firms playing dual role of being auditing firm and at the same time rendering management consulting services. This is to remove the effects that may result from the intimidating power of the corporate client and the contraction that all of which will erode the concept of an independent auditor.

This integrity of financial reports must be enhanced always to facilitate good decision making process. There is the need for good financial reporting which the users must be able to process to give it the status of being sufficient to engender the effectiveness of corporate governance thereby reducing or removing most of the systemic problems that may affect corporate governance as a tool for corporate goal attainment.

5.0 SUMMARY

This unit has taken us through topics which border on the need for the services being rendered by accountants to business organisations. The likely conflict that may arise from role concentration in an accounting firm and the intimidating power of a corporate client to initiate, select and dismiss management consultant seeking services and the erosion of the concept of independent auditor. The effects of all these on the integrity of the emerging financial reports have also been highlighted. Under this unit, the concept of creative accounting has also been discussed.

6.0 TUTOR MARKED ASSIGNMENT

How would you like to justify the role of accountant in a business outfit?

7.0 REFERENCES AND FURTHER READING

Holton, Glynn A. (2006). Investor Suffrage Movement, *Financial Analysts; Journal*, 62 (6), 15 – 20.

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Unit 12 Different Views on Corporate Governance

Table of Contents

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Different view points
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Readings

1.0 INTRODUCTION

One important reason why diverse views or opinions exist in the discourse pertaining to corporate governance is that different scholars and researchers investigate firms from different points of view. Such viewpoints are reflective of their experiences and backgrounds. It is very essential to show this as a way of further enhancing our good understanding of what the whole idea of corporate governance and to facilitate proper discussions of the theories and other related issues.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) know the reasons for the different shade of opinions;
- (ii) become familiar with the various viewpoints and how definitions have come into being.

3.0 MAIN CONTENT

3.1 Different Viewpoints

The viewpoints of corporate governance are derived from the mirage of investigations conducted by scholars on business firms. These viewpoints are paraphrased below as advanced by scholars and investors such as Adam Smith (1937), Donaldson and Preston (1995), Tomblan (1995 & 1996), Montis & Minow (1995), Porter (1992) and Sternberg (1996). The Marxist economists among others state that a firm is an organisation which obtains resources from investors, employees and suppliers to produce goods and services for its customers

A firm could be viewed from the perspective of organisation that obtains resources from its employees and suppliers, with cashflows contributed by its customers to service its owners. In other words, firms are to service their owners rather than their customers, employees and suppliers.

Another viewpoints come from the stakeholders who hold the believe in the contributions of all the parties mentioned above, and how they equally benefit from the firm. The stakeholders' point of view recognises the involvement of other parties such as the unions, trade associations, government and even political groups.

The various views on corporate governance is also related to different cultural contexts, intellectual backgrounds and interests of scholars. Some scholars believe in relationship based system of corporate governance as the structure where manager at the organisational apex are controlled through the board of directors, its associated structures, executive incentives, debt financiers, analysts, auditors and corporate relators. Yet others see corporate governance as based on relationships, a process by which good relationship with the board of investee companies as owners.

There is another opinion favouring the need to involve strategic stakeholders such as employees, customers, suppliers and members of the host community in the ownership and control of corporations to make them internationally competitive.

Self Assessment Exercise

What are the factors responsible for the types of opinions scholars have or generate in their description of firms?

4.0 CONCLUSION

The need to examine and/or discuss what must have led to divergent viewpoints in the conceptualization of business firms or corporations and their governance cannot be overemphasised. The various definitions of both the business firms and their governance are due to the varieties in the experiences and backgrounds of the contributing scholars and investors in the field of organisational study. It is therefore the duty of the contemporary contributors to put up efforts aimed at harmonizing opinions or viewpoints with a view to evolving a general framework that will provide a more integrative conceptualization of corporate governance. This will go a long way in solving the definitional problems ranging in the discourse.

5.0 SUMMARY

Under this unit, we have dealt with the reasons responsible for the existing diversity in conceptualizing business firms and their governance. Some of the diverse viewpoints have also been mentioned for your understanding of the root causes of the divergent chains of opinions.

6.0 TUTOR MARKED ASSIGNMENT

Articulate the various shades of opinions with regard to business organisations and their governance as corporate entities.

7.0 REFERENCES AND FURTHER READINGS

Alchian, A. and Demsetz, H. (1972). Production, Information Costs, and Economic Organisation: *American Economic Review* Vo. 62, pp. 777 – 795.

Unit 13 Anglo-American Corporate Governance Models: Around the World Angle

Table of Contents

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Anglo-American Model
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Readings

1.0 INTRODUCTION

Just as the world is politically zoned into blocks of the continents of East, West, Developing and under-developed nations using various political systems, the business world is also zoned for ease of reference. This is done in order to evolve a basis for comparison and analysis of relationships with regard to the corporate governance of these different economies of the world. The development has given rise to different shades of opinions resulting to the two major models on the corporate governance of business firms. For our purpose in this unit, the Anglo-American model will be examined for illustration.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

- (i) understand the liberal and coordinate models as one of the world views on corporate governance;
- (ii) understand these models on corporate governance;
- (iii) explain the principles of the two Anglo-American model;
- (iv) make good comparison of different corporate governance on each of the divides.

3.0 MAIN CONTENT

3.1 Anglo-American Model

There are many different models of corporate governance around the world. These models differ according to the variety of capitalism in which they are embedded. There is the liberal model that is common in Anglo-American countries of the world which model tends to give priority to the interests of shareholders.

While the interest of stakeholders such as the workers, managers, suppliers, customers and the community are well recognised by the coordinated model being used in continental Europe and Japan, the liberal Anglo-American model of corporate governance encourages radical innovation and cost competition which gives room for pragmatic management. The coordinated model used

in the continental Europe and Japan facilitates incremental innovation and quality competition. The two models have distinct competitive advantages but in different ways. Recent developments have shown that there are important differences between the United States and the United Kingdom in terms of their approaches to corporate governance issues.

In the U.S.A., for example, a corporation is governed by a board of directors which has power to choose the chief executive officer (CEO). This CEO is given broad power to manage the business firm on daily basis, though needs board approval on major actions such as hiring his/her immediate subordinates, raising money, acquiring another company, major capital expansion or other expensive projects. Under this liberal model, the board is responsible for policy formulation; decision making, monitoring managers/management performance or corporate control. The adoption of the model under reference is such that the board of director is nominally selected by, and responsible to the shareholders. However, the bye-laws of many companies allow only the largest shareholders to influence over the board and not just all the shareholders. Individuals cannot choose board nominees, but to rubber-stamp nominees chosen by the sitting board.

In the U.K. the operating model of regulation of corporate governance is the “comply or explain” code of governance. With the use of this principle based model, which introduces among others the separation of CEO and Board Chairman, time limit for CEO’s contacts minimum number of non-executive directors and independent directors, designation of a senior non-executive director, formation and composition of remuneration, audit and nomination committees. Publicly quoted or listed companies in the U.K. for example, have to either apply those principles or if not, they are to explain in a designated part of their annual reports why they have decided not to do so to the shareholders. That is, if they have good reasons for not complying with the existing codes or model, they must convincingly explain to their shareholders. Thus, the import of this Anglo-American model is the supreme influence of the shareholders on corporate governance.

Self Assessment Exercise

What do you understand by the phrase “Anglo-American model”?

4.0 CONCLUSION

We have found that system of governance, the structure of governing body, authority and power relations in the business corporations rest on or take bearings from the nature of the models in use. The liberal and coordinated models give room for innovation and interests of shareholders. The board of directors is responsible to the shareholders who are in full control of the corporate governance even though the CEO is charged with the daily management of the corporations. There is great need to comply with the policy and codes or principles as formulated by the boards failing which they must explain to the shareholders.

5.0 SUMMARY

In this unit, the content and tenet of the Anglo-American model of corporate governance have been examined. We have seen how well the interest, power and influence of the shareholders as represented by the shareholders-nominated sitting board of directors. There has been emphasis on the recent U.K. flexible model of the regulation of corporate governance, otherwise called “comply or explain” code of governance.

6.0 TUTOR MARKED ASSIGNMENT

Carefully explain the import of the Anglo-American corporate governance model as you understand it.

7.0 REFERENCES AND FURTHER READINGS

New York Society of Securities Analysis, Corporate Governance Handbook.

OECD (1999, 2004). Principles of Corporate Governance Paris OECD all pulled from <http://en.wikipedia.org/wiki/corporategovernance>.

Unit 14 Non-Anglo American Corporate Governance Model

Table of Contents

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Family Cross-holdings Model
3.2	Insider Family System
3.3	The Corporate Governance Model for Developing Countries
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Readings

1.0 INTRODUCTION

The type of corporate governance is a derivative of the socio-political experience and economic circumstances of any economy or nation. Thus, the type of model or principle of such governing of its economic structures or institutions, especially the business firms is essentially fashioned from and in response to these factors and circumstances. Hence, there is the need for models and principles that could be used to describe, explain and to serve as basis for the type of corporate governance of corporations.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) identify what constitute Non-Anglo American Model;
- (ii) explain the main substance of the models;
- (iii) articulate the relevance of the model in relation to the developing economies.

3.0 MAIN CONTENT

3.1 Family Cross-Holdings Model

The operating model in the East Asian and Latin and South American countries is such that gives recognition to the domination of family ownership of companies. In the countries belonging to this economic bloc, over 50 percent of publicly owned corporations are family-controlled through the system of family cross-holdings model which dominate the capital markets.

3.2 Insider (Family) System

Europe and Asia are typical examples of the insider (family) system: shareholder and stakeholder. This is the model that is based on the following principles:

- a small number of listed companies;
- non-frequent trading ownership and control type of capital market (i.e. illiquidity capital market);
- concentration of shareholding in the hands of corporations, institutions, families or groups;
- the insider model uses a system of interlocking networks and committees.

3.3 The Corporate Governance proposed Model for Developing Countries

It has become apparent that establishing good corporate governance model that will lead to better practices is essential to sustaining long-term development and growth as these developing economies move from closed, market-unfriendly, undemocratic systems towards open, market-friendly, democratic systems. This will conform to their current process of economic growth and transformation, their experiencing a revolution in the business and political relationships that characterize their private and public sectors. Following this model of corporate governance will attract some advantages accruable to good governance. Such advantages will allow organisations to realize their maximum productivity and efficiency, minimize corruptions and abuse of power, and provide a system of managerial accountability.

These goals are equally important for both the private corporations and governmental bodies. Establishing good governance at national level in the developing countries is a necessity because of the link between private interest and the larger government. More so that the judiciary and regulatory bodies including the legislatures play a vital role in corporate management and oversight.

Four main priority areas are to be concentrated on while experimenting with new forms of corporate and public governance, thus:

- focus on improving the quality of information and speed of its creation and distribution to the public;
- good communication to enhance organisation's functions;
- granting more autonomy and maintaining or increasing accountability;
- create needs for countervailing power to fill some roles that may have been created by the accompanying hierarchy;
- new comers with new ideas must be well received.

Self Assessment Exercise

What are the four areas of priority for good corporate governance that may engender better economic growth of the developing economies?

4.0 CONCLUSION

Non-Anglo American system in which the corporate governance is modelled is in response to their own circumstances and experience. Their family-cross-holding system places ownership and control in the hands of families, corporations, institutions or government. The insider model

is such that uses a system of interlocking networks and committees. Four major areas to be given priorities have been highlighted as panacea for good governance and overall economic well being of the Non-Anglo American nations, especially the developing countries of the world.

5.0 SUMMARY

We have been able to give highlights of subtopics under the Non-Anglo American model. These highlights touch the situations in the East Asian nations, the family-owned companies dominated model of corporate governance. The insider system (shareholders and stakeholders), the need for establishing good governance of corporations of the developing economies will meet their expected economic goals. The four areas of priorities have also been mentioned as panacea for sustainable economic growth and recommendations for review of government and its officers' improvement in corporate governance, as well as allowing new comers with new ideas to replace outdated models.

6.0 TUTOR MARKED ASSIGNMENT

State and discuss the relevance of the Non-Anglo American Model to corporate governance in the developing countries.

7.0 REFERENCES AND FURTHER READINGS

Corporate Governance – as pulled from <http://en.wikipedia.org/wiki/corporategovernance> on 27th July, 2008.

Unit 15 Corporate Governance in Nigeria

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1.0	Introduction
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3.2	Some Contending Issues in Corporate Governance in Nigeria
3.3	Problems of Corporate Governance in Nigeria
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Readings

1.0 INTRODUCTION

There is no doubt that the Companies and Allied Matters Decree of 1990 (CAMD) highlights, establishes and spells out the whole business of corporate governance with respect to the Nigerian economy for both the private and public sectors. The Decree stipulates the formation, operations, functions and ownership structure of companies and organs such as the board, status of directors, management structure, position of other stakeholders such as the shareholders, customers, suppliers, employees, roles of auditors (external and internal), procedures of governance including the annual general meetings (AGMs), annual reports (financial and audit), the position and power of the Chairman, Chief Executive Officers, Company Secretary etc. In spite of the legal backing and clearly written procedures and processes of governance as contained in the Decree and other statutory guidelines, the issue of environmental factors remain problematic to the ideals of corporate governance in Nigeria; thereby making it a child of circumstances.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) what is meant by corporate governance in Nigeria;
- (ii) the effects of environment on corporate governance;
- (iii) the organs of corporate governance and their roles/functions.

3.0 MAIN CONTENT

3.1 Composition of the Board and the Accompany Issues

The Nigeria Companies and Allied Matters Decree (1990) (CAMD) places enormous responsibilities of governance in the hands of board members of companies as may be exercised by these members in the two main sectors – private and public. Using private sector as example here for our immediate discussion, the core issue in corporate governance is the composition of

boards, the activities of members and the use of independent nominal directors. In Nigeria, companies are assigned the status of legal entity with statutory rights and responsibilities separate from the ownership and the executives. There is usually a difference between the private and public liability organisation on the issue of corporate governance in Nigeria. The private joint stock limited liability company is known for its simplicity and effective management, facilitating the provision of capital, encouraging business growth, securing employment, including innovation in industry/commerce and creating wealth.

The public liability corporation, on the other hand, is fraught with lethargy, non-challance and lack of personal touch due to the legal separation of ownership from management. It is often asserted that ownership is the basis of power exercised through annual general meetings of public liability companies, where the shareholders wine and dine, nominate and elect their directors who reciprocate that confidence through accountability as mirrored in their regular reports and audited financial statements. In Nigeria, the individual shareholders are hardly able to exercise any significant influence unless they have sufficient and dominant shareholdings. Thus, the concept of shareholder democracy and the conventional wisdom and influence, corporate direction through the exercise of their statutory rights and power are not truly so in the practice as far as Nigeria is concerned.

It seems that it is only the institutional and relationship investors that appear to have some influence on boards. Though some other boards, few in number, carry their stakeholders along through publications and communication channels and meetings, which enable them to question the directors and to give support where applicable, the stock prices are positively influenced which affects the funds and capacity building.

3.2 Some Contending Issues in Corporate Governance in Nigeria

(1) The Board and the Chairman / Chief Executive officer issue

There is the problem of board's composition and its roles vis-à-vis the appointment of the Chairman / Chief Executive officer. In the Nigerian context, the board is the ultimate governing body responsible for the growth of the organisation. It is therefore expected that it should consist of people with required pre-requisites to enable it perform to the required levels. It must have a team of knowledgeable workers and being the oversight body, it needs some critical factors to succeed in Nigeria in this millennium.

Good knowledge of forecast on strategies for growth is required to have successful habits of visionary corporations in the Nigerian environment. For a board to provide good corporate governance, it needs an effective direction through the visionary leadership of the Chairman/Chief Executive Officer. Thus, the following prerequisites, among others are required:

- (i) **Knowledge:** The combined knowledge and experience of board members (executive and non-executive) must be broad based and deep enough to match the demands pacing the corporate body in question; through the assemblage of

directors with diverse and complementary backgrounds, knowledge and experience.

- (ii) Strong and Knowledge Management comprising effective advisers and officers with needed prerequisites. The board must provide support and space for these entrepreneurial managers, as enabling environment to magnetise together the corporate eclectic talents and material resources. Such managers constitute or should constitute encyclopaedia of the corporate cultures, values and beliefs, steering the ship of the organisations, they provide the inner compass for guiding the board members, the CEO, by providing complete and up-to-date information.
- (iii) Power: The board needs authority to act, make key decisions, drive senior and top management to accept and implement its decisions. There should be balance and separation of powers between organs within the corporation's governing structure. This is by separating the chairmanship from chief executive officer's position. The process of selection of board membership must be transparent and not political to enhance healthy balance of power between the executive and nominal directors.
- (iv) Independence and Transparency of Auditors: Auditors roles, especially the external auditors are crucial for the health of a corporate body. Unlike the internal auditor who is responsible to the chief executive officer, and audit committee, the external auditors are independent and have their origin from relevant statutory laws or regulations of Nigeria. They must be engaged by corporate bodies. They must be transparent enough in their duties to support effective corporate governance through their analytical reporting system and independence.
- (v) Motivation: The right incentives and perks must be in place to align directors' interests with those of the stakeholders they represent – shareholders, employees, customers or the community at large. The reward serves to influence the motivation and performance of directors.
- (vi) Time: To make impact through effective decisions, board members need sufficient and well-organised tenure while evaluation of how time/tenure is used is necessary on frequency and conduct of meetings. Meeting times must be spent on substantive discussions on the right issues and taking well-informed decisions through discussions under conducive environment where members could have a thorough perspective of the organisation.

3.3 Problems of Corporate Governance in Nigeria

As earlier mentioned, the belief system, values, politics, cultural norms of any society, among others will to a large extent influence the direction, practice and quality of its corporate governance. This assertion is very true and tenable in the Nigerian context. Thus, the principles

practice and success or failure of corporate governance in Nigeria has been greatly affected by the socio-political and environmental factors. Hence, its corporate governance have been facing such problems that border on environmental pressure, quality of directors/board members, sourcing of directors and their contract/tenure, etc.

4.0 CONCLUSION

The discussion here has highlighted the relevant input of the Companies and Allied Matters Decree (CAMD) of 1990 to the issues of corporate governance in Nigeria. The important roles of the board, the chairman, the chief executive officer and the auditors have been emphasised to show their significance in matters of governance of corporate bodies in Nigeria.

5.0 SUMMARY

In this unit, we have taken you through the lists of the main stakeholders in corporate governance, their roles, and needed prerequisites for them to function effectively particularly the board membership, and the auditors (external auditors).

6.0 TUTOR MARKED ASSIGNMENT

With your good knowledge of Board in the context of business organisations, demonstrate your full understanding of the powers and roles/functions of the board members in corporate governance in Nigeria.

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UNIT 16 THE CONCEPT OF STRATEGIC MANAGEMENT

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3.2	The Process of Strategic Management
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3.4.2	Business Level Strategy
3.4.3	Functional Level Strategy
3.4.4	Coordinating Levels of Strategy
3.5	Promoting Innovation through Modes of Strategic Management
3.5.1	Entrepreneurial Mode
3.5.2	Adaptive Approach
3.5.3	Planning Mode
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References and Further Readings

1.0 INTRODUCTION

Usually, strategic management is oriented toward reaching long term goals and it is a means of weighing important environmental elements and giving consideration to major internal characteristics of corporate organisations as well as developing specific strategies. Thus, strategic management process encompasses a major part of the planning process of business organisations. Such major components of the overall planning process connected to strategic management include corporate mission, goals and plans of the organisation. the mission being a signal about values and future directions while the goals is a future target or end result that the organisation wishes to achieve; and the plan is a means devised for attempting to reach the goal. All these components as parts of strategic management process, its relevance in corporate governance cannot be overemphasised hence its consideration becomes imperative in this discourse.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) explain the phrase strategic management;
- (ii) outline and discuss the process of strategic management;
- (iii) explain the relevance of strategic management;
- (iv) identify and describe the various levels of strategic management.

3.0 MAIN CONTENT

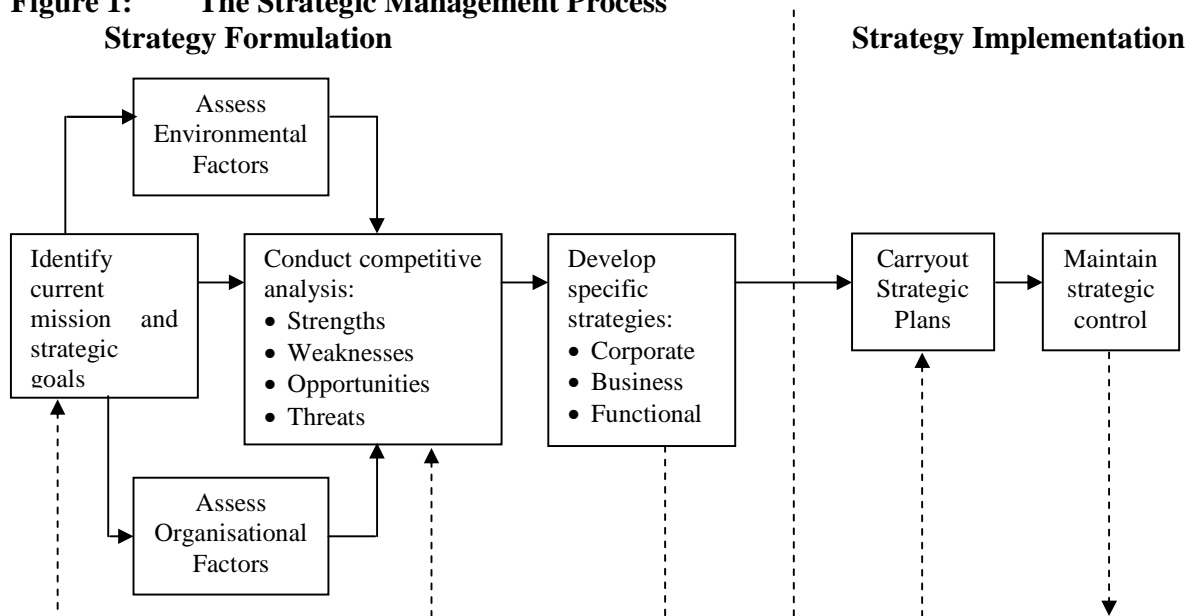
3.1 Definition of Strategic Management

Strategic management draws from the term strategy, which is the large-scale action plans for interacting with the environment in order to achieve long-term goals. A comprehensive statement of an organisation's strategies, along with its mission and goals constitutes an organisation's strategic plan. To learn and get familiar with where such strategies originate and how they are put into action, there is the need to examine carefully an aspect of the planning function called strategic management. By definition, strategic management is "a process through which managers formulate and implement strategies being geared to optimizing strategic goal achievement, given available environmental and internal conditions.

3.2 The Process of Strategic Management

The strategic management process is made up of several major components, as shown in figure 1 below. The process begins with identifying the organisation's mission and strategic goals, concepts that have been earlier mentioned. The process includes analysing the competitive situation, taking into consideration both the external and relevant organisational factors. Once the analysis is done carefully, managers can begin to develop or formulate various strategies that can be used to reach strategic goals. The part of the strategic management process that includes identifying the mission and strategic goals, conducting competitive analysis, and developing specific strategies is often referred to as strategic formulation. In contrast, the part of the strategic management process that focuses on carrying out strategic plans and maintaining control over how those plans are carried out is known as strategy implementation. Strategy implementation is increasingly highlighted as a distinct part of the strategic management process because even the most brilliantly formulated strategies must be implemented effectively in order to reach strategic goals.

Figure 1: The Strategic Management Process
Strategy Formulation



Source: Adapted from: Kathryn M. Bartol and David C. Martins (2.....) Management. New York: McGraw-Hills, Inc.

3.3 Importance of Strategic Management

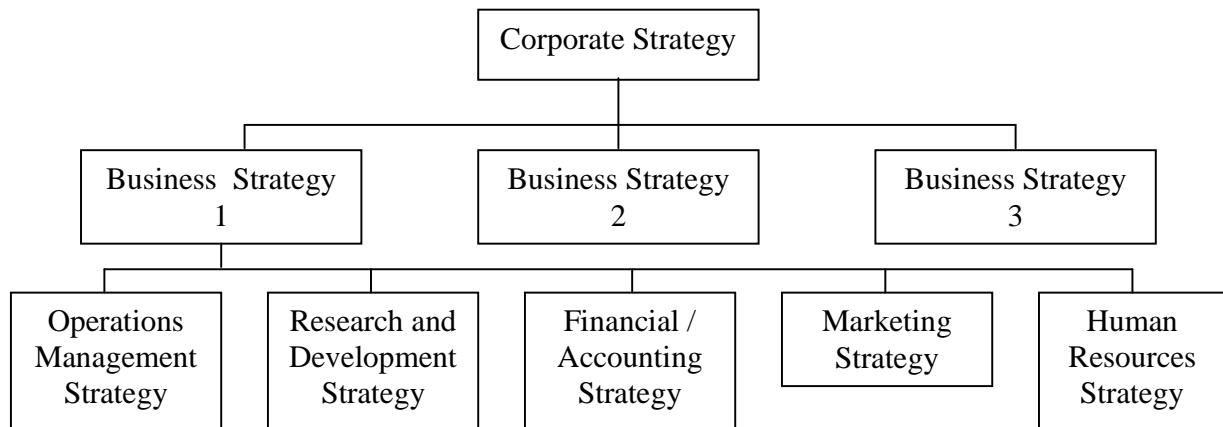
Strategic management is important to corporate organisations for several reasons, among which are:

- the process helps organisations to identify and develop a competitive advantage which is a significant edge over the competition in dealing with competitive forces;
- the process provides a sense of direction so that organisation members know where to expend their efforts. Without a strategic plan, managers throughout the organisation may concentrate on day-to-day activities only to find that a competitor has maneuvered itself into a favourable competitive position by taking a more comprehensive long term view of strategic directions;
- it can help highlight the need for innovation and provide an organised approach for encouraging new ideas related to strategies;
- it enhances the existence of a link between strategic management and organisational financial performance. For instance, assessment of strategic managements should also consider other important outcomes such as the satisfaction of the various organisational stakeholders and the extent to which the organisation adequately deals with relevant factors in the environment. The stakeholders include the shareholders, employees, customers, the community and the general society. The groups are considered social stakeholders because they can be affected for better or worse by the business activities of corporations.

3.4 Levels of Strategy

Many organisations develop strategies at three different levels thus: corporate, business and functional. The three levels are diagrammatically shown below:

Figure 2: Levels of Strategy



Source: Adapted from: Kathryn M. Bartol and David Martins: Management, New York, McGraw-Hill, Inc.

3.4.1 Corporate Level Strategy

This addresses what businesses the organisation will operate, how the strategies of those businesses will be coordinated to strengthen the organisation's competitive position, and how resources will be allocated among the businesses. Strategy at this level is typically developed by top management, others with the assistance of strategic planning personnel, at least, in large organisation. The board of directors also is involved in developing corporate-level strategy, although the degree of board participation varies. The three areas in which boards of directors can typically be most helpful within the strategic management process are advising on new directions for growth, suggesting which major changes are needed in strategy, and providing inputs on the timing of major investments.

Degree of involvement in strategic management by Board of Directors or top management:

Degree of Involvement	Board Actions
Low	Approves mission, strategic goals and strategies, conducts limited competitive analysis
Moderate	Helps develop mission and strategic goals, conducts limited analysis of competitive situations; approves strategies.
High	Helps develop mission and strategic goals, conducts executive analysis of competitive situations, as well as proposed strategies.

3.4.2 Business Level Strategy

Business-level strategy concentrates on the best means of competing within a particular business while at the same time supporting the corporate-level strategy. Strategies at this level are aimed at deciding the type of competitive advantage to build, determining responses to changing environmental and competitive conditions, allocating resources within the business unit and coordinating functional-level strategies. Business-level strategies are usually established for each strategic business unit. A strategic business unit (SBU) is a distinct business, with its own set of competitors, that can be managed reasonably and independently of other businesses within the organisation. Most often, the heads of the respective business units develop business strategies, although such strategies are typically subject to the approval of top management. When an organisation comprises of a single business, corporate-level and business-level strategies essentially are the same. Thus, the corporate-level and business-level strategies distinction applies only to organisations with separate divisions that compete in different industries.

3.4.3 Functional Level Strategy

Coordinating strategies across the three levels is basically critical in maximizing strategic impact. The strength of the business-level strategy is enhanced when functional-level strategies

support its basic thrust. Similarly, the corporate level strategy is likely to have greater impact when business-level strategies complement one another in bolstering the corporate-level strategy. Thus, the three levels must be closely coordinated as part of the strategic management process.

3.5 Promoting Innovation through Modes of Strategic Management

Modes of strategic management are the actual kinds of approaches taken by managers in formulating and implementing strategies. They address the issues of who has the major influence in the strategic management process and how the process is carried out. The mode selected is likely to influence the degree of innovation that occurs within the organisation. Such modes are entrepreneurial mode, adaptive mode and planning mode.

3.5.1 Entrepreneurial Mode

It is an approach in which strategy is formulated mainly by a strong visionary chief executive who actively searches for new opportunities, is heavily oriented towards growth, and is willing to make bold decisions or to shift strategies rapidly when deemed desirable. The entrepreneurial mode is mostly likely to be found in organisations that are young or small, have a strong leader or are in such serious trouble that bold moves are their only hope. The extent to which the strategic management process encourages innovation depends largely on the orientation of the top leaders. Conversely, strong leaders also are in a position to thwart innovative activities should they be so inclined.

3.5.2 Adaptive Approach

The adaptive mode of strategy formulation, which is mainly a “muddling through” approach, emphasises small incremental steps, reacting to problems rather than seeking opportunities and attempting to satisfy a number of organisational power groups. This mode is likely to be used by managers in established organisations that face a rapidly changing environment and yet have several coalitions, or power blocks that make it difficult to obtain agreement on clear goals and associated long term plans. With the adaptive approach, the degree of innovation fostered by the strategic management process is likely to depend on the ability of managers to agree on at least some major goals and basic strategies that set essential directions.

Also, lower-level managers must have some flexibility in carrying out the basic strategy rather than being given extremely detailed plans to follow; this approach becomes effective in a more stable environment or one in which agreement among coalitions is easy to obtain. There should be some agreement among high-level managers on major goals and directions for the adaptive mode may be effective in moving the organisation in viable strategic direction.

3.5.3 Planning Mode

It is an approach to strategy formulation that involves systematic, comprehensive analysis, along with integration of various decisions and strategies. With the planning mode, executives often utilise planning specialists to help with the strategic management process. The essence of this approach is to understand the environment well enough to influence it and is used in large

organisations with sufficient resources to go about it. Strategies should explicitly articulate needs for product and service innovation and when top-level managers help to integrate efforts in the direction of encouraging innovation.

Self Assessment Exercise

List and discuss the various modes of strategic management.

4.0 CONCLUSION

The foregoing analysis and discussions could be appreciated by understanding the concept of strategic management, its levels and modes of approaches to its processes. Each mode can be relatively successful to the extent that it is matched to an appropriate situation. It is possible to use different modes within the same organisation. In carrying out the process, once the mission and strategic goals are determined, managers engage in competitive analysis employing the SWOT formula as a tool of analysis.

5.0 SUMMARY

This unit has taken us through sub-topics under the main subject matter such as the definition of strategic management, the processes involved, its importance and the various levels of strategic management processes of entrepreneurial, adaptive and planning have been discussed for your understanding.

6.0 TUTOR MARKED ASSIGNMENT

Itemise and analyse the various levels of strategic management.

7.0 REFERENCES AND FURTHER READINGS

Kathryn, M. Bartol and David, C. Martins (). Management, New York: Mc-Graw-Hill, Inc.

Robins, S.P. and Coulter, M. (). Management, Sixth Edition.

UNIT 17 UNDERSTANDING GROUPS AND TEAMS AS PART OF CORPORATE GOVERNANCE ISSUES

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1.0 INTRODUCTION

Corporate organisations as a social entity with network of relationships essentially contain individuals, organised or arranged into groups or teams with specific assigned jobs or tasks to perform in line with the purpose, or goals of such corporate body. Specifically, organisation (corporate organisation) is a deliberate arrangement of people to accomplish some specific purpose; that is, corporate entity contain people in group and are purposive group and team, formation is one of the organisational behaviours and issues of relevance in corporate governance. Hence, it is important to have a look at the concept of group, its nature, formation, need for groups and functionality.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) understand the term 'group';

- (ii) explain types of groups (formal and informal);
- (iii) describe some basic group concepts.

3.0 MAIN CONTENT

3.1 Definition of Group – What is a Group?

An answer to this question is provided by a concise definition of the word ‘group’. A group is simply defined as two or more interacting and interdependent individuals who come together to achieve particular objects or set of goals. Group can be either formal or informal. Formal groups are work groups established by the organisation that have designated work assignment and specific tasks. In formal groups, appropriate behaviours are stipulated by and directed towards organisational goals. In contrast, informal groups are of a social nature. These groups occur naturally in the work environment in response to the need for social contact. Informal groups tend to form around friendships and common interests. The existence of these groups has implications for governance thus making their understanding to be imperative for managers and all other stakeholders involved in the management of business corporations.

3.2 Types of Formal Groups

Commanding Groups – These are the basic, traditional work groups determined by formal authority relationships and depicted on the organisational chart. They typically include managers and those subordinates who report directly to them.

Cross Functional Teams – These bring together the knowledge and skills of individuals from various work areas in order to come up with solutions to operational problems.

Self Managed Teams – These are essentially independent groups that, in addition to doing their operating jobs, take on traditional management responsibilities such as hiring, planning and scheduling, and performance evaluations.

Task Forces – These are temporary groups created to accomplish a specific task. Once the task is complete, the group is disbanded.

3.3 Group Development

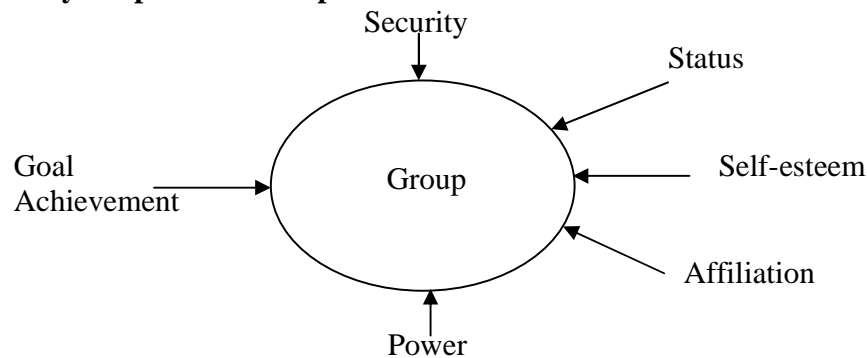
Group development is a dynamic process within an organisation. Most groups are in a continual state of change. Although may probably never reach complete stability; there is a general pattern that describes how most groups evolve. It has been shown that groups pass through a standard sequence of five stages as follows:

3.3.1 Forming Stage

The forming stage is the first, in group development during which people join the group and then define the group’s purpose, structure and leadership, characterized by uncertainty. This first stage in group development has two aspects. In the first aspect, people are joining the group,

either because of a work assignment, in the case of a formal group, or because of some other benefit desired in the case of an informal group. With members in place, the second part of the forming stage begins as members start to determine which behaviour is acceptable and begin to think of themselves as part of a group. This stage is characterized by a great deal of uncertainty – as members are “testing the waters”.

Figure 3: Why People Join Groups



3.3.2 Storming Stage

The forming stage is one of intragroup conflict. Members do accept the existence of the group, but may or will resist the control that the group imposes on individuality. Such intragroup conflict may centre on who will control the group. With the completion of this stage of group development, there will be a relatively clear hierarchy of leadership within the group and agreement on the group’s direction.

3.3.3 The Norming Stage

This norming stage is the third stage in which close relationships develop, and the group demonstrates cohesiveness, strong sense of group identity and camaraderie. The stage is complete when the group structure solidifies and the group has assimilated a common set of expectations of what defines correct member behaviour.

3.3.4 The Performing Stage

At this point, the group structure is fully functional and accepted. Group energy or resources have moved from getting to know and understand each other to that of performing the task at hand. This stage is the last stage in the development of permanent work groups.

3.3.5 The Adjourning Stage

This represent the stage that has to do with temporary groups such as committees, task forces, teams and similar groups that have a limited task to perform. In this stage, the group prepares to disband. High levels of task performance are no longer the group’s priority. Rather, attention is directed toward wrapping up or winding up activities. Responses of group members vary at this

stage. Some are upbeat, basking in the group's accomplishments. Others may be saddened by the loss of camaraderie and friendships gained during the work group's life.

3.4 Basic Group Concepts

Under this section, several concepts relating to groups and which have to do with organisational behaviour as aspects of issues in the governance of corporation are introduced. Their introduction is to enhance understanding of group behaviour which will in turn aid managers' activities in relation to handling employee relations and organisational matters. Such concepts which will be discussed one after the other are roles, norms, conformity, status systems, group size, group cohesiveness, conflict management and formal communication.

3.4.1 Roles

By way of explanation, manager's role has, earlier in this course, been discussed. It should be noted that it is not only managers that have roles to play in an organisation; the concept of role applies to all employees in organisations and to their life outside the organisation as well. By definition, a role simply refers to a set of expected behaviour patterns attributed to someone who occupies a given position in a social unit such as a business organisation or institution. Individuals play multiple roles, adjusting their roles to the group to which they belong at the time. In an organisation, employees attempt to determine what behaviours are expected of them. They read their job descriptions, get suggestions from their boss, and watch what their co-workers do. An individual who is confronted by divergent role expectations experiences role conflicts. Employees in corporations often face role conflicts due to a number of reasons or factors which managers must take into consideration as same have implications for the governance of such organisations.

3.4.2 Norms

All groups have established norms, or acceptable standards that are shared by the group's members. Norms dictate things such as output levels, absenteeism rates, promptness and the amount of socialising allowed on the job. The norms of the groups within an organisation derived from or are fashioned after the main organisation's norms. Thus, even though each will have its own unique set of norms, there are common classes of norms that appear in most organisations. These focus on efforts and performance, dress and loyalty; but those norms relating to levels of efforts and performance appear to be the most widespread. Workgroups usually provide their members with explicit cues on how hard to work, what level of output to have, when to look busy, when it's acceptable to goof off and the like. Norms are extremely powerful in affecting an individual employee's performance. Group and organisational norms are so powerful that performance predictions that are based solely on an employee's ability and level of personal motivation often prove to be wrong.

3.4.3 Conformity

In participating comfortably and effectively in the operation of the employing organisation, individual employees desire acceptance by their groups to which they belong. They are therefore

susceptible to conformity pressures. Such group pressures bring about conformity and impact on individual member's judgement and attitudes. There are group norms that usually press people in organisation toward conformity. Employees desire to be one of the group and to avoid being visibly different or non-conformist. Thus, it can be hypothesized that when an individual's opinion of objective data differs significantly from that of others in the group, he or she feels extensive pressure to align his or her opinion to conform with the opinions of others.

3.4.4 Status Systems

Status is a prestige grading, position, or rank within a group and organisational structure or hierarchy. Status hierarchy is as old as the traces and existence of human group and advent of organisational hierarchies. Status systems constitute an important factor in understanding organisational behaviour in general and that of individual employees in particular. Status is a significant motivator and has behavioural consequences when individuals see a disparity between what which they perceive their status to be and what others perceive it to be.

Status may be informally conferred by characteristics such as education, age, skill, or experience. Anything can have status or value if others in the group evaluate it that way. In placing people into status, members simply determine and agree who has high status, low status or middle ranking status. What is important is for the employee to believe that the organisation's formal status system is congruent. This means that there should be equity between the perceived ranking of an individual and the status symbols he or she is given by and in the organisation. For example, status incongruence occurs when a supervisor is earning less than his or her subordinates, or desirable office is occupied by a person in a low ranking position, or paid country club membership provided by the company division managers but not for deputy chief executive officer. When there is no congruency, employees are likely to reject the authority of their supervisors. In addition, the motivational potential of promotion decreases and the general pattern of order and consistency in the organisation is disturbed.

3.4.5 Group Size

If a question is asked whether a group's size affects the group's overall behaviour, the answer will be a definite yes, though this depends on which type of outcomes that are being focused on. It has been revealed that small groups are faster at completing tasks and easier to manage or govern than the larger ones. If specifically, problem-solving is the focus, large groups are better in that regard than the smaller ones because diverse inputs help a lot. For doing something productive with facts on ground or produce by larger groups, smaller groups are better.

One basic fact about group size is that as groups get incrementally larger, the contribution of individual members often tends to decrease. Thus, the idea of concept of the "free-ride tendency" syndrome comes in. The depression of responsibility within group encourages individuals to slack off. In other words, there will be a reduction in efficiency where individuals think that their contributions cannot be measured. The lesson from this is that when managers use work teams, they should also provide means for identifying individual efforts.

3.4.6 Group Cohesiveness

By intuition, it makes sense that groups in which there is a lot of internal discontent or disagreement and lack of cooperation are less effective in performing and completing their organisational tasks. Group cohesion implies the degree to which members are attracted to one another and share the group's and/or organisational goals. The more the members are positively attracted to one another and the more the group's and organisational goals align with their individual goals, the greater the group's cohesiveness, as well as the overall organisational well being.

A key moderating on the relationship between cohesiveness and effectiveness is the degree to which the group's attitude aligns with its formal goals or with those of the larger corporate body of which the groups and individual in it is a party. The cohesive group is, the more its members will follow its goals. If the goals are desirable (for instance, high output, quality work, cooperation with individuals outside the group), a cohesive group is more productive than a less cohesive group. If cohesiveness is high and attitudes are unfavourable, productivity decreases and vice-versa. When cohesiveness is low but goals are supported, productivity increases; but not as much as when both cohesiveness and support are high. When cohesiveness is low and goals are not supported, cohesiveness has no significant effect on productivity. This is illustrated in the figure below:

Figure 4: The Relationship between Cohesiveness and Productivity

		Cohesiveness	
		High	Low
Alignment of Group and organisational Goals	High	Strong increase in productivity	Moderate increase in productivity
	Low	Decreases in productivity	No significant effect on productivity

3.4.7 Conflict Management

Conflict here refers to perceived incompatible differences resulting in some form of interference or opposition. Conflict is inevitable in group interaction or tasks performance. If people in a group within a corporation perceive that differences exist, then a conflict state exists. The term conflict includes the extremes, from subtle, indirect, and highly controlled forms of interference to overt acts such as strikes, riots, and wars.

There are three views on conflict. These are the traditional, human relation and interactionist views. The traditional view canvasses that all conflict is bad and must be avoided while the human relations school argues that conflict is a natural and inevitable outcome in any human group. But the interactionist views conflict in two way: the functional conflict as that which supports a group goals thus resulting to effectiveness and high productivity while the dysfunctional conflicts prevent a group from achieving its goals.

There are five basic conflict resolution or conflict management tools employable by managers in pursuance of their corporate governance business. These are:

- avoidance i.e. withdrawal from or suppression of conflict;
- accommodation – resolving conflicts by placing another’s needs and concerns above one’s (manager’s/management’s) own;
- forcing – satisfying one’s own needs at the expense of another’s;
- compromise – provide solutions in which each party gives up something of value;
- collaboration – seeking solutions that are advantageous to all parties.

3.4.8 Formal Communication

Although there are formal communication channels that groups may use, many times informal communication i.e. communication that exists outside the organisation’s formally authorised communication channels is preferred. This type serves two main purposes for groups (1) Employees can satisfy their needs for social interaction, and (2) Group performance can be improved through these alternative and frequently faster and more efficient communication channels.

The informal communication is better known as grapevine which is very active in almost every organisation. Managers/management derives useful information from it on work related matters as it serves as fillers and feedback mechanism.

Self Assessment Exercise

Compare and contrast formal and informal groups. What are some of the types of formal groups in organisation?

4.0 CONCLUSION

The examination of groups, their development, and relevance with the accompanying implications for managers and management are important issues that cannot be overemphasised in corporate governance. Hence, this unit has been dedicated to some discussions on group touching on the various aspects group development in this unit. A corporation is a network of relationships between and among the social partners operating it, on the one hand and between the organisation and its environment on the other. Group understanding and knowledge of their relationships and behaviour help managers in their management functions of planning, organising, controlling, leading, motivating and communicating.

5.0 SUMMARY

The discussion here has taken us round to cover such issues relating to the meaning, type, development and stages of groups. Focus has also been made on some relevant basic concepts of group.

6.0 TUTOR MARKED ASSIGNMENT

Describe the relationship between group cohesiveness and productivity in a business organisation. What is the influence of role on group behaviour?

7.0 REFERENCES AND FURTHER READINGS

Robbins, S.P. and Coulter, M. (1999). Management, New Jersey: Prentice-Hall.

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UNIT 18 ORGANISATIONAL PLANNING

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1.0 INTRODUCTION

On and in matters concerning the management and the overall governance of business corporations, the concern for planning has always been an all-important issue. Its processes have received more than average attention. Planning is considered as the first and perhaps the most important function of management (Nwachukwu, 1988), starting from the large governmental bodies, up to the boards of directors of big multinational and national through to medium and small scale business undertakings including one-man business.

The essence of planning is to prepare for and predict future events. Planning goes beyond attempting to attain stated organisational objectives. It involves the development of strategy and procedure required for effective realisation of the entire plan. It entails determination of control; direction and methods of accomplishing the overall organisational objective. Planning according to Steward Thompson (1962) involves the establishment of objectives, strategies to achieve the objectives and a step-by-step determinator of the activities and resources necessary to achieve them.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) explain the meaning and essence of planning;
- (ii) state the need for planning in an organisation;
- (iii) identify types of planning and planning processes;
- (iv) explain the areas covered by organisational planning.

3.0 MAIN CONTENT

3.1 Planning Explained

According to Chandan (2004), planning has been defined as one of the five major functions of management. However, since planning is a bridge between the present and the future, it has been called the primary corporate function. It is particularly important because of scarce resources and uncertain environment with a fierce competition for these resources. Planning is a decision making activity requiring the process of ascertaining objectives and deciding on activities to attain objectives. It is also a process of preparing for change and coping with uncertainty by formulating future courses of action. The basic purpose of planning is to reduce the risk of uncertainties and to initiate coordinated efforts within organisation for the purpose of organisational success.

The view of Peter Drucker, a pioneer of modern management needs to be noted in the definition of planning which he regards as a base for other management processes and decisions. He has defined planning as the continuous process of making present entrepreneurial decisions systematically and with best possible knowledge of their futurity, organising systematically the efforts needed to carryout these decisions and measuring the results of these decisions includes the element of feedback that would ascertain the quality of decisions and the accuracy of planning.

3.2 Definition of Planning

- (1) Hudson (1970) defines planning the following terms in a comprehensive sense:

To plan is to produce a scheme for future action; to bring about specified results at specified cost, in a prescribed period of time. It is a deliberate attempt to influence, exploit, bring about and control the nature, direction, extent, speed, and effects of change. It may even attempt deliberately to create change remembering always that that change (likely decision) in any one sector will in some way affect other sectors incorporating system with at least two major elements which are the future and the relationship between ends and means – between goals and ways of achieving those goals.

- (2) It is the primary managerial functions as earlier expressed in this unit, which logically precedes all other functions since, without planning; a manager would not have activities

to organise, would not require a staff, would have no one to direct, and would have no need to control (Akanbi, 1987).

3.2.1 Characteristics of Planning

Going by the various definitions so far advanced, it has become discernable that planning process has three basic characteristics thus:

- Planning is anticipatory in nature. A decision must be made now as to what to do and how, before it is actually done.
- Planning is a system of decisions. It involves a process of making decisions which will define what is to be achieved in the future and the formulation of action plans for achievement of goals.
- It is usually focused on desired future results. Planning is a means of ensuring that the important organisational objectives are accomplished as and when desired.

3.2.2 The Six P's of Planning

The six P's formula or scheme for planning is meant to further elicit those areas or requirements to be considered when planning exercise is to be embarked upon. The contents of the scheme are as stated below:

- Purpose: An effective planning system requires a clear understanding of the organisation's purpose or objective. What are the reasons for the corporation's existence? Is it to increase profit or market shares or to generate more employment or introduce more products, etc? This purpose must be clear and elaborate.
- Philosophy: Philosophy incorporates the fundamental beliefs as to how the corporate body's purpose is to be achieved. For long term survival and growth, a philosophy of ethical conduct must be adopted. For example, a company's philosophy may be based upon profitability through quality, service, and ethical behaviour, or to elevate the level of salesman to an executive etc.
- Premise: This involves the strengths and weaknesses of the organisation and its knowledge and assumptions about its environment. By forecasting and other methods, the management can make some conclusions about the environment and by knowing its own strengths and weaknesses it can deal with the changing environment in a more intelligent way.
- Policies: Policies are general guidelines or constraints that aid in managerial thinking and action. In a typical organisation, there are policies for production, finance, accounting, marketing, personnel, security etc. These policies are more specific than the philosophy and form a basis for planning and necessary operational actions.
- Plans: Plans represent specific objectives and action statements. Objectives are the goals to be met and the action statements are the means to achieve these ends. Such plans

guide the step-by-step as to how to reach the objectives and also at what stage the progress is at a given time.

- **Priorities:** A particular organisational goal must be given a particular priority. Limited resources of time, finances, materials, machine, methods, personnel etc. must be proportionally allotted to goals of priority. The priorities will determine an appropriate allocation of resources. A goal of higher priority would receive more attention and more resources. The priorities of goals would be established on the basis of philosophy and premises of the organisation as well as social, political, and economic measures and value conflicts. In any case, such priorities would affect the planning process.

3.3 Reasons for Planning – Its Contributions and Benefits

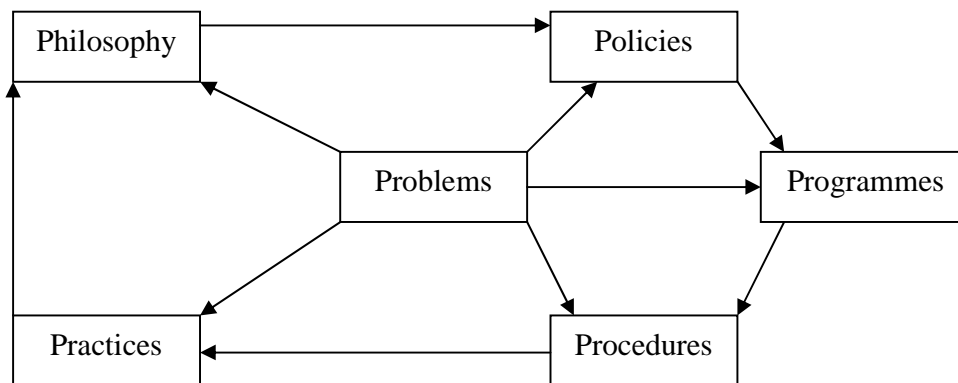
Planning occupies a uniquely relevant position in the scheme of activities when it comes to issue of corporate governance; hence its contributions and benefits, which constitute the reasons why all segments or levels of management of corporations embark on its (planning), exercise. The planning has to be and is done because:

- it helps to avoid waste of scarce resources;
- it enhances detailed and thorough exercise which enables easy identification of the sources of raw materials, required equipment, determine delivery dates, working capital;
- planning gives rise to efficiency, effectiveness and direction;
- it makes the business to constantly put off fire instead of preventing its occurrence;
- it identifies what the business or corporation plans to do in terms of growth, developing its shares of the market, operation, marketing and sales plans and strategies and performance goals;
- it serves as a precondition for better results, and minimizes the uncertainty of results as it enables management to take a calculate risk;
- planning is by nature pervasive and primarily its pervasiveness originate from its necessity for performing other functions of organising, directing, staffing, controlling, motivating, leading and communicating i.e. planning is done to do all these. Planning is even done to plan;
- it is primary because it is expected to be the first activity to be embarked upon by all levels of management to lead others for successful performance of the individuals and the organisation as a body;
- planning helps to identify the organisation's objectives philosophy, policies, programmes, procedures, practices and problems;
- it is during planning as a thought and decision activity that important questions such as who, what, when, where, why and how much (reasons) are to be used, are answered intelligently;
- planning also help to put a focus on objectives as the effectiveness of formal planning is primarily based upon clarity and satisfaction of objectives which in turn provides direction towards achievement of such corporate objectives through maximum utility of managerial time and efforts;
- planning anticipates problems and helps the smooth flow of operations, thus avoiding wrong decisions as it forecasts the future in terms of corporate activities;

- it helps to avoid deviation from the expected performance;
- planning provides quantitative data for comparing efforts or inputs with actual performance;
- it helps managers in their daily activities as objectives, plans, policies, schedules, etc. are clearly laid down in the planning exercise.

The above relevance of planning which has been stated in terms of its contribution and benefits or reasons for it is also illustrated in its circular form as shown below:

Figure 5



Planning Circle in an Organisation

3.4 Levels of Planning

According to Chandan (2004), there are three basic levels of planning associated with different managerial levels in any corporate governance. These levels are:

- Strategic Planning
- Intermediate Planning
- Operational Planning

Strategic Planning:

The strategic planning is conducted by the top management which includes chief executive officer, president or chairman, vice president, general managers, directors etc. and is the process of determining overall objectives of the organisations and the policies and strategies adopted to achieve those objectives.

It is a long range planning and may cover a time period of up to 10 years. It deals basically with the total assessment of the organisation's capabilities, its strengths and weaknesses and an objective evaluation of the dynamic environment. The planning also determines the direction the company will be taking in achieving these goals.

Intermediate Planning:

This planning type covers a timeframe of about 6 months to 2 years and is contemplated by middle management who includes functional managers, departmental heads and product-line managers. They also have the task of polishing the top management's strategic plans. The middle management will have a critical look at the resources available and they will determine the most effective and efficient mix of human, financial, and managerial factors. They refine the broad strategic plans into more workable and realistic plans.

Operational Planning:

These plans are the responsibility of lower management and are conducted by unit supervisors, foremen, etc. These are short range plans covering a time span from one week to one year. They are more specific and they determine how specific job is to be completed in the best possible way. They cover production, finance, marketing, personnel, etc.

For example, the production plans would require an analysis and decision covering inventory levels of raw materials as well as finished products; flexibility of current production facilities, how to cope with changing technology; etc. They are relatively stable and linked with the planning objectives of the middle management levels and the top management levels.

3.5 Steps in Formal Planning

Planning can, by its nature, be considered as a series of consequential steps that are in phases of goal setting, planning premises, converting and coordinating, influencing and follow-up.

- Step (1): Establish and define the central and overall objectives of the organisation. A well defined objective can make the difference between success and failure of an enterprise. It clearly defines the product or service as well as the purpose and mission of the company. The objectives setting must be covered by the planning exercise under this phase or step as argued by Peter Drucker are in the seven areas of market standing, innovation, profits, social responsibilities, input-output analysis, executive development and employee development.
- Step (2): Determine the current position relative to the objectives. Making an assessment of the strengths and weaknesses. This will show the distance the company has to cover before reaching its goals. The analysis of current strengths and weaknesses would determine whether the goals are realistic and achievable and whether they need to be re-evaluated and modified.
- Step (3): Develop forecasts and future conditions. In order to effectively plan, it is important and necessary to forecast as accurately as possible, the future trends that will affect the company's standing and operations. The factors of forecast will include general economic condition, changes in consumer attitudes, new technological and product developments, possible competitive strategies and any adverse legal developments.

- Step (4): Preparation of derivative plans. Once an overall plan has been adopted, it is necessary to develop other derivative plans for each segment of the company to support the formal plan. Derivative or sectional plans are developed in each area of the business but within the framework of the primary plans in order to coordinate and integrate programmes and policies of all sections of the enterprise.
- Step (5): Implement the plan and evaluate its results. The success of the plan would depend upon how effectively the plan has been implemented. This implementation is going to require a combination of all skills and coordination of all factors. Also in this ever-changing (dynamic) environment, it is necessary to keep the plan open to evaluation and modification. The plan should be periodically re-evaluated to measure its progress and effectiveness so that any deviations can be corrected and any adjustment can be made.

Figure 6:

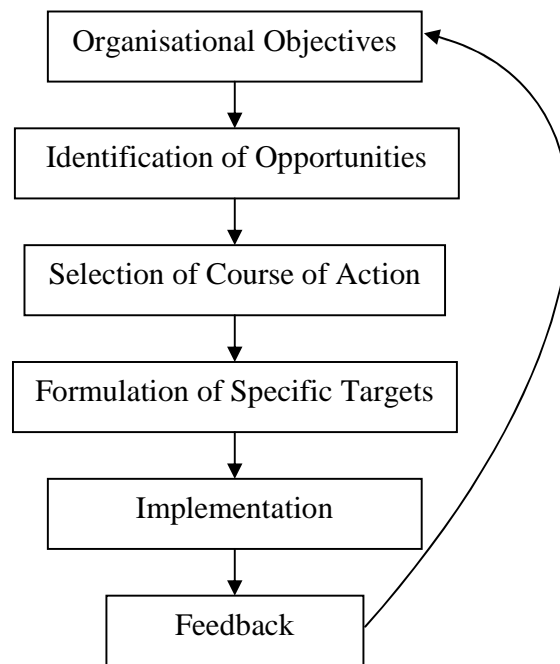


Figure showing the Six Steps in the Planning Process

3.6 Types of Planning

3.6.1 Classification of Plans

The essence of a plan is to reduce business risks. In planning, concentration is on the five M's of planning thus: men, money, machine, material and methods. The details of such planning are carried out in the form of time, business function, breadth and scope. According to Thompson, three kinds of business plans are described as follows:

- Plans for doing current things – those done for day-to-day operations;
- Plans for continuing in business – those dealing with changes;
- Plans for business development and growth – those for product continuity, exploiting new market opportunities, and new products and services introduction.

3.6.2 Classification by Terms

- Short range or operating plans from six to one year planning;
- Long range plans – over five years usually employed by large business corporations and institutions.

3.6.3 Classification by Functional Areas

Planning is classified in functional areas of production, sales promotion, finance and personnel, i.e. planning centred around the 5 M's.

3.6.4 Classification by Scope

This takes into consideration company strategies, policies, programmes, procedures and public relations strategy, helps a company determine its future plans to exploit environment through detailed analysis of strengths and weaknesses and various factors. Planning policies is very useful for consistent decision making while procedure planning helps a lot in the way organisations go about to achieve their objectives.

3.6.5 Characteristics of a Good Plan

Certain features distinguish a good plan from a bad one. Some of the distinguishing features include the fact that good plans:

- are realistic and implementable;
- have clearly defined objective – in its scope, accuracy, clarity and definitiveness
- must be comprehensive – to cover the needs and circumstances of the company;
- are flexible enough to take care of company's dynamic environment; and
- have economic effectiveness and efficiency – must be feasible.

3.7 Business Forecasts

Mention must be made of the essence of forecast as it is involved in all business activities from inception to winding up. Forecasting helps in future planning which requires information or assumption about the future. Forecasting makes it necessary to seek systematically, information on key areas of production information, human resources information, accounting and sales information. This helps to promote teamwork and accountability in execution of actual results of areas mentioned above including advertising, manpower needs of organisations and their management.

3.8 Barriers to Effective Planning

There are situations in which sometimes even well-designed plans fail to bring the desired results. There are some established reasons why plans fail according to Ringbakk (1970) and Akanni (1987) and they are stated here:

- corporate planning not being integrated into the total management system – i.e. planning not in line with organisational mission;
- lack of the different steps of the planning process;
- management not properly contributing to planning activities;
- planning based on poor information and other inputs;
- unwieldy planning activities being taken up all at once;
- management unwillingness towards planning success;
- management ignoring plan contents in their operations;
- resistance to change and innovations by members of organisations;
- lack of contingency plans or planning activity.

3.9 Some Hints for making Plans Work

- (i) Define central concept of the enterprise;
- (ii) Forecasts;
- (iii) Define problem carefully;
- (iv) Develop alternatives;
- (v) Evaluating resources;
- (vi) Analyse the alternatives;
- (vii) Careful in decision making on planning;
- (viii) Fitting planning to the situation;
- (ix) Plans must be remembered, implemented and monitored.

Self Assessment Exercise

What is planning and what are the basic characteristics of a good plan?

4.0 CONCLUSION

Planning is very relevant and advantageous to corporations and their governance; it is a tool in the hands of all levels of management, its essence is to decide what is to be done in the future of organisation in all ramifications. It must be kept in mind that “non” planners sometimes do better than “planners” while some “planners” are dramatically unsuccessful. A lot of factors are considered in planning activities and the success of planning which must be cared for by all those involved in and stand to benefit from planning. It is a method of guiding managers so that their decision and action affect the future of the organisation in a consistent and rational manner and in a way desired by top management.

5.0 SUMMARY

The discussion under this unit has touched on the meaning, characteristics, the six P's, the reasons, levels, steps, types, classification, business forecasts, barriers and hints or solution to such barriers.

6.0 TUTOR MARKED ASSIGNMENT

1. Why is planning particularly very important in developing countries' business corporations? Illustrate your answer with concrete examples.
2. What is business forecasting?

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UNIT 19 ORGANISATIONAL DEVELOPMENT

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1.0 INTRODUCTION

One of the issues in the management of corporate undertakings is that of organisational development. Organisational development occupies a significant space in organisational studies and discourse because without development, the possibility of organisational growth to facilitate the required or desired advancement, strength and satisfaction of the stakeholders will be difficult. Hence, it is always considered pertinent to touch on the concept of organisational development as one of the various high points in corporate governance. In fact, the whole essence of corporate governance is geared towards achieving development of business corporations. Development simply means growth in a gradual manner, here, of the organisation. It is an effort to provide all abilities and capabilities that the organisation requires and will need in future. It has long term effect and relates to individuals, group and the whole organisation.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- a. define the term organisational development;
- b. explain the concept of organisational development;
- c. describe the various approaches to organisational development;
- d. state the characteristics of the approaches to organisational development.

3.0 MAIN CONTENT

3.1 Organisational Development Explained

Organisational development (OD) is concerned with the planning and implementation of programmes designed to enhance the effectiveness with which an organisation functions and responds to change. The overall aim is to adopt a planned and coherent approach to improving

organisational effectiveness and efficiency. And an effective organisation is broadly perceived / conceived as one that achieves its purpose by meeting the wants and needs of its stakeholders, matching its resources to opportunities, adapting flexibly to environmental changes and creating a culture that promotes commitment, creativity, shared values and mutual trust.

Organisational development is concerned with process not structure or systems, but with the way things are done rather than what is done. Process here, refers to the ways in which people act and interact. It is about the roles they play on a continuing basis to deal with events and situations involving other people and to adapt to changing circumstances. It is an all-embracing term for the approaches to changing processes, culture and behaviour in the organisation. The change may take place within the framework of an overall programme of organisation development (OD).

3.2 Approaches to Organisational Development

The business of organisational development is of a very wide nature as it covers a lot of grounds concerning corporate governance. Such approaches are itemised thus:

- organisation development;
- changing management;
- team building;
- culture change or management;
- total quality management;
- continuous improvement;
- business process re-engineering;
- performance management;
- organisational transformation.

3.2.1 Organisational Development (OD)

According to French and Bell (1990), organisational development (OD) is a systematic process in which applied behavioural science principles and practices are introduced into an ongoing organisation towards the goals of effecting organisational improvement, greater organisational competence and greater organisational effectiveness. The main focus is on organisations and their improvements or to put it in another way, total systems change. The orientation is on action – achieving desired results as a result of planned activities.

The classic approach to OD, according to Bennis (1960), is that organisational development (OD) is a response to change, complex educational strategy intended to change the beliefs, attitudes, values and structure of organisations so that they can better adapt to new technologies, markets, environment, and challenges as well as dizzying rate of change itself.

3.2.2 Basic Assumptions for Organisational Development

- Most individuals are driven by the need for personal growth and development so long their environment is both supportive and challenging;

- The work team, especially at the informal level, has a great significance for feelings of satisfaction and the dynamic of such teams have a powerful effect on the behaviour of their members;
- OD programmes aimed to improve the quality of working life of all members of the organisation;
- Organisations can be more effective if they learn to diagnose their own strengths and weaknesses;
- Most managers do not often know what is wrong and need special help in diagnosing problems, although the outside process consultant ensures that decision making remains in the hands of the client.

3.2.3 Features of OD Programmes

- Its programmes are usually managed or strongly supported by top management, though third party may be used as change agents to diagnose, problems and manage change using various methods of intervention;
- Plans for OD are based on systematic analysis and diagnosis of the circumstances, the need change and problems affecting it;
- Scientific knowledge are used to improve how the corporation copes in times of change through the method of interaction, communications participation planning and conflict.

3.2.4 Activities Covered by OD Programmes

These activities include the following:

- action research
- survey feedback
- intervention
- process consultation
- team building
- intergroup conflict interventions, and
- personal interventions.

3.3 Change Management

3.3.1 The Change Process

The change process is started with an awareness of the need for change. An analysis of this situation or circumstance and the factors that have created it leads to a diagnosis of their distinctive characteristics and an indication of the direction in which action needs to be taken. Possible courses of action can then be identified and evaluated and a choice made of the preferred action. It is necessary to decide how to get there from here. This is a transition stage where the change is introduced and how the change is to be managed.

A lot of problems such as resistance, low stability, stress, misdirected energy conflict and loss of momentum are experienced. The installation of change is not as simple like going from A to B.

The implementation of change is an iterative, cumulative and transformation-in-use process. To manage change, it is first necessary to understand the types of change and why people resist change. The ends and means of change need to be understood and various models of change are to be employed to accommodate all interests.

3.3.2 Types of Change

There are two basic types of change. They are the strategic and operational types of change.

3.3.2.1 Strategic Change

It is concerned with organisational transformation and deals with broad, long-term and organisation-wide issues. It is all about moving to the future state defined in terms of strategic vision and scope; covering the purpose and mission of the corporation, its philosophy on growth, quality, innovation, values, the customer needs, the technologies employed and its internal and external environmental factors. Strategic change covers goals, the supporting policies on marketing, sales, manufacturing, product finance and human resource management, process development etc.

3.3.2.2 Operational Change

Operational change relates to new systems, procedures, structures or technology which will have an immediate effect on working arrangements within a part of the organisation. But their impact on people can be more significant than broader strategic change and they have to be handled just as carefully as the strategic change.

3.3.3 Resistance to Change

3.3.3.1 Why People Resist Change

The main reasons for resistance to change include:

- the shock of the new system;
- economic fears;
- inconvenience;
- uncertainty;
- symbolic fears;
- threat to interpersonal relationships;
- threat to status or skills;
- competence fears.

3.3.3.2 Overcoming Resistance to Change

Resistance to change can be difficult to overcome but there are ways out. Such ways include:

- analysing the likely impact of change on people, on their jobs;

- identifying the resultant effects, and thinking of all possible resistance reasons;
- understanding the likely feelings and fears to relieve unnecessary worries and ambiguities and suspicions;
- facilitating people's involvement to elicit cooperation to imbibe the concept of 'our' instead of 'their' in the ownership of the change activities or process.

Good communications and change models should be employed.

3.3.3.3 Guidelines for Change

The guidelines for change are as follows:

- strong commitment and visionary leadership from the top;
- understanding the culture of the organisation and the corresponding mechanisms for change;
- good temperament and leadership skills attuned to organisational circumstances and its change strategies;
- conducive environment that could assist change – developing the corporation as a learning organisation;
- allowing those to be affected to participate in the change process;
- the reward system and recognition should be made to encourage innovation;
- failure must be expected to serve as source of experience;
- good decision on how to satisfy upcoming change and its challenges;
- conscious efforts toward attitudinal change and change of culture;
- willing individuals should be chosen as change agents;
- prevention of inept management of change is necessary;
- adequate explanation on the need for change, and how such change will affect individuals;
- the interests of those affected by change must be well protected.

3.4 Organisational Transformation

3.4.1 Its Definition

In general, transformation means a change in the shape, structure, nature of something; while organisation is the process of ensuring that an organisation can develop and implement major change programmes that will ensure that it responds strategically to new demands and continues to function effectively in the dynamic environment in which it operates.

Organisational transformation activities touch areas such as the structure, culture and processes of the organisation i.e. the way it looks at the world and wishes the world to look at it. The transformation may be in response to competitive pressures, mergers, acquisitions, investments, disinvestments, changes in technology, product lines, markets, cost reduction exercises and decision to downsize, or outsource work. It may be forced on an organisation by investors or government policies or initiated by new executive and top management team with a remit to turnaround the business.

Transformational change means that significant and far-reaching developments are planned and implemented in corporate structures and organisation-wide processes. Organisational transformations programmes are business-led-all efforts are on how the business performs to add value for its owners and achieve competitive advantage. Such organisational transformation (OT) programmes concern with building strategic capabilities and improving the ways the business reaches its goals. That is considering what needs to be done to make people work and interact well. It is not led by behavioural science concepts as it obtains in the traditional organisational development.

3.4.2 Types of Transformation Change

According to Beckhard (1989), there are four types of transformational change; and they are:

- a change in what drives the organisation – for example, from production-driven to market-driven;
- a fundamental change in the relationships between or among organisational parts – for example, decentralization;
- a major change in the ways of doing work e.g. introducing new technology like computer-integrated manufacturing;
- a basic cultural change in norms, values or research systems e.g. developing a customer-focused culture.

3.4.3 Transformation through Leadership

Transformation programmes are usually led from the top within the organisation. They do not rely on external change agents as in the traditional organisational development (OD) interventions, though external adviser can be made use of for strategic planning, re-organisation or developing new reward processes.

Good leadership is a prerequisite for successful transformation programmes. According to Burns (1978), such leader is he who motivates others to strive for higher order goals rather than merely short-term interest, must be highly visionary, charismatic enough to take organisational issues to the next levels in all organisational undertakings, behaviours or processes. Where transactional leader focuses on here-and-now problems, transformational leader provide the vision required to transform the future.

3.4.4 Managing the Transition

Transformation of organisation from where it is to where it wants to be is a critical part of a transformation programme. It is during the period of moving from 'here' to 'there' that change takes place. This involves a definition of the future state, diagnosing the present, state what to do, to achieve transformation. This means taking decisions on processes, systems, procedures, structures, products, markets, reward system, etc. to be developed.

Come next is definition of programmes, and the resources needed for execution (people, money, equipment and time). People should be involve din the process, let them be well informed about the whole activities of transition to enlist their commitment and support.

3.4.5 Transformation Programme

The eight steps required to effectively transform an organisation have been summarised by Kotler (1995) as follows:

- Establishing a sense of urgency;
- Forming a powerful guiding coalition;
- Creating a vision;
- Communication the vision;
- Empowering others to act on the vision;
- Planning for and creating short-term wins;
- Consolidating improvements and producing still more change;
- Institutionalising new approaches.

3.5 Development and Change Process

3.5.1 Team Building

Team-building activities, as part of corporate governance processes, are directed tat developing and improving the effectiveness of a group of people who work together either permanently or temporarily. The improvement may be in terms of outputs, e.g. the speed and quality of decisions and actions produced by such team. It could be as in connection with relationships or greater cooperation. “Such activities in team building programmes have a lot of advantages (which you are to read up).

3.5.2 Total Quality Management

It is an intensive, long-term effort directed at the creation and maintenance of the high standards of product quality and services expected by customers. It is a major influence in developing the culture and processes of the organisation. It is to increase the awareness of all employees that quality is vital to the organisation’s success and their future, as it must transform into delivering value to customers by satisfying their needs.

3.5.3 Continuous Improvement

A management philosophy that says things can always be done better and a company-wide-all-time process of focused and continuous incremental innovation sustained over a period of time.

3.5.4 Business Process Re-engineering

It examines processes in organisations to establish how such processes can be integrated more effectively and streamlined. Re-engineering exercises can provide overall approach to developing an organisation

3.5.4 Performance Management

It is a holistic-all-embracing-process for managing performance throughout an organisation. It is one of the most commonly used instruments for improving organisational effectiveness.

Self Assessment Exercise

Give a comprehensive explanation on the concept of organisational development with good illustrations.

4.0 CONCLUSION

Going by the contents of this unit, it must have been clearer to you the relevance of development in a corporate business body. The various aspects of organisational development are very much germane to the overall well being of the organisation, hence, it deserves attention in the discussion of and continued to a successful corporate governance processes.

5.0 SUMMARY

We have so far in this unit made a panoramic discourse of what organisational development is all about, the meaning and processes of organisational development (OD), approaches to organisational development. Other sub-topics touched include: change and change management, transformation, development and change processes.

6.0 TUTOR MARKED ASSIGNMENT

1. What are the distinguishing variables between organisational development and organisation development?
2. What are the factors that favour transformation in an organisation?

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UNIT 20 MANAGERIAL DECISION-MAKING

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1.0 INTRODUCTION

The extent of relevance (importance and significance) of decision making to all activities and parties in all corporate bodies or institutions; and in fact, all human groups activities or social systems – has ascribed to its concept, adoption and process, a central position in organisational studies and corporate governance.

Almost all organisational and management concepts, theories and discussions are in essence linked to decision making activities. Decision making is one of the most crucial activities of management and/or corporate governance. The necessity to decide is the everyday pre-occupation of management in all types of organisations whether small enterprises or multinational corporations (Nwachukwu, 1988). The decisions that managers of corporate

organisations take are sometimes simple and in other instances complex and overwhelming. Such a decision may to increase production, employ more labour, increase in plant capacity, acquisition of more equipment, borrowing of money and the mastering of new technological know-how etc. The decision could affect the entire economic climate resulting in full employment, with its multiplier effects and consequences – increase in money circulation and inflation.

In business, there are absolutely no right or wrong decisions but intelligent choices. What is considered as a right decision in a particular time frame may turn out to be unintelligent decision if the circumstances change. At all times, and on all issues, in all cases, decisions and their making processes are very relevant – they are a necessity to the well being of business outfits and any other human institution hence our concern in this unit's discussion.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) give good definition of terms 'decision' and 'decision-making';
- (ii) explain the process of decision making;
- (iii) identify and describe the steps involved in decision-making;
- (iv) explain the various areas covered by decision-making;
- (v) state clearly the importance of decision-making in organisations.

3.0 MAIN CONTENT

3.1 Concepts of Decision and Decision-making and Its Nature

Decision:

A decision presupposes making a choice, out of two or more alternatives, that gives the best outcome or best result or value. Decision is by nature and practice a problem-solving activity. This is more so that a problem has to exist and a decision is made to solve that problem. Decision-making results in resolving the disparities between the desired performance and the performance that is actually obtained. Critical questions need to be asked concerning the underlying factors about the problem on ground while making decision so that the solution will be well situated to stand the test of time and to give the expected result or value.

Decision-making:

Decision-making is the process through which managers identify organisational problems and attempt to resolve them. Individuals at all levels and in all areas of organisations, as earlier mentioned, make decision. That is, they make choices from two or more alternatives. Decision simply means the selection of action believed by the decision maker to yield the best result under the circumstances. The final selection is usually influenced by the decision-makers or managers' past experience, his value judgement, the logical process that has been established and the outline of the organisation as well as the organisational mission and mission.

The idea of selection from alternatives has direct link with the existence of criteria for measuring or comparing the desirability of the alternatives in relation to the purpose.

3.2 Classification of Decision-making

Decision-making can be classified into three major groups:

3.2.1 Decision making under Certainty

Here, a decision is made with full knowledge of the occurrence of an event or problem. The decision maker knows what the stated value of the pay-off, for example, is expected to be.

3.2.2 Decision-making under Uncertainty

The consequence of each choice cannot be defined by a correspondence relationship even within a probabilistic framework. Uncertainty does not assume complete knowledge of alternatives or to incorporate uncertainty structure or forecasts some solutions to this include reference to authority for guidance, control of the environment, hedging, flexible investments, diversification of organisation's interest, acquisition of additional information and modification of goals.

3.2.3 Decision-making under Risk

It is assumed, under this category, that accurate knowledge about the probability distribution of the consequences of each alternative exists. The decision maker under these conditions of risk is able to establish a probability distribution of the pay-offs for each strategy, either by deduction or by empirical measurement. Risk, according to Akanni (1987), is the quantitative measurement of an outcome, such as a loss or a gain, in a manner such that the probability of the outcome can be predicted.

3.3 Types of Managerial DEcisions

Basically, there are two categories of managerial decisions. These are:

3.3.1 Programmed Decisions

These are generally routine, repetitive and applicable to known problems. These decisions generally handle well-structured problems which are familiar, complete and easily defined and analyzed. For example, if one buys some merchandise and it turns out to be defective, it can be taken back for a refund. The management has already established a set of rules, policies and procedures to deal with such a situation like refunding on defective merchandise. This decision of refunding would be a programmed decision.

3.3.2 Non-Programmed Decisions

These types of decisions are unique and becoming necessary due to certain unexpected and unprecedented situations. For example, introducing a new product and deciding about its marketing strategy would be a non-programmed decision. These are generally “one-shot” occurrences, for which standard responses are not available and hence require a creative process of problem solving which is specifically tailored to meet the requirements of the situations at hand. Others include buying a new company, starting new business, laying off workers, closing company or plant during recession or depression etc. These decisions are not as simple and are generally necessary when confronting ill-structured problems and carry with them consequences of diverse ramifications.

3.4 Itemisation of Some Factors Affecting Decision-makers

Studies about the problems, uncertainties, information requirements for problem solving, and the characteristics of the decision maker have shown that the biggest unknown and most mysterious factor is the decision-maker. How and why an individual acts in a certain way is still mystery. Efforts have been made to see if there is any correlation or relationship between certain characteristics of the decision maker such as age, intelligence, experience in a given area, motivation etc. and such variables like decision accuracy, confidence in the decision, time spent in studying the problem and reaching the decision etc. Let others have focus on time and other constraints and how these influence the decision-making process. However, some of the factors and diversions that have an impact on the decision-maker can be isolated and to include: information inputs, prejudice, cognitive constraints, attitude about risk and uncertainty, intelligence of the decision maker, the expectation of the decision-maker, time constraints, personal habits, cultural and social influences etc.

3.5 Group Decision-making

There are many situations which suddenly come up as ill-structured problems confronting a manager requiring him to devise unique solutions. He can make decision himself or he may employ a taskforce or a group to objectively carryout the responsibility to come up with a solution. This is because only few individuals can have all it takes to resolve complex problems.

Groups such as taskforce, committees, quality circle, panels, etc. can be employed to embark on problem-solving exercise of decision-making to take advantage of harvest of ideas towards solving problems in organisations in a way that can have enduring positive effects on organisational overall well being. Group decision making has its advantages as well as disadvantages, but its choice is a function of circumstance, time and events or problems at hand.

3.6 Steps or Stage in Decision-making Process

Every decision making process has some basic elements in order to be effective. Such elements constitute the steps or stages that are usually followed step-by-step in a logical manner to facilitate effective decision making in an organisation. These are:

- (i) goals formulation;
- (ii) acquiring knowledge of the problem;
- (iii) analysis of the situation to determine alternative;

- (iv) selecting action to be taken; and
- (v) implementation.

3.6.1 Goal Formulation

For a manager to make a decision, he must have goals he expects to achieve. The goal to be achieved may be determined by the organisation and could aim at minimizing cost or maximizing profits. For production manager, the decision at that level could be to reduce rejects by certain percentage or increase average output by certain percentage.

3.6.2 Acquire Knowledge

A rational decision requires the decision maker to acquire a thorough understanding of the problem in order to make an intelligent choice. This demands that the decision maker saturates himself with facts about the situation having identified the problems as the first step in this connection. Vital information is sought and made use of, to provide urgent and lasting solution to prevent the organisation from the disadvantage position especially in the face of competitions. Brainstorming is necessarily required. Costly and hasty decisions are avoided through this step.

3.6.3 Analysis to determine Alternatives

The essence of analysis at this stage is to determine possible courses of action – the search for alternatives. The number of alternative ways of solving the problem that could be thought out depends on the efforts expended by the decision maker in the search for alternatives. This is one of the crucial steps in rational decision making. It involves the utilisation of vital information gathered through the process of defining the problem. Brain of experts can be tapped and engage them in creative logical reasoning. This will help to achieve the objective with cost-effectiveness in mind once there are several alternatives, they have to be evaluated. Should the organisation buy a house or rent it? Should the organisation produce more products A or B? The evaluation of the pros and cons of such alternatives is the point of the analysing alternative step in decision-making. Some analyses techniques are operational research; capital budgeting, and break-even analysis.

3.6.4 Selection of Decision

Decision is the selection of the course of action believed by the decision-maker to yield the best result under the circumstances. It has to be pointed out that the selected solution may not necessarily be the most satisfactory solution but the most intelligent decision under the circumstances. An entrepreneur may decide in the circumstance to select the alternative that minimizes his risk or involves “minimum regrets”. There is a tendency for an average Nigerian entrepreneur to seek short-run instead of long-run growth.

3.6.5 Implementation Stage

A decision process is not completed until it is properly implemented. The essence of any decision is to secure action. If this stage is not properly carried out, the entire process is a waste

of time and resources. For some important decision to be implemented effectively, the decision maker has to seek and obtain the willing cooperation of all involved. He has to “sell” the decision to them. Factors involved in securing acceptance include: effective communication, motivating the employees into accepting the decision and pointing out the advantages to be achieved, effective control of the process for the implementation of the decision, and proper timing of events to aid coordination.

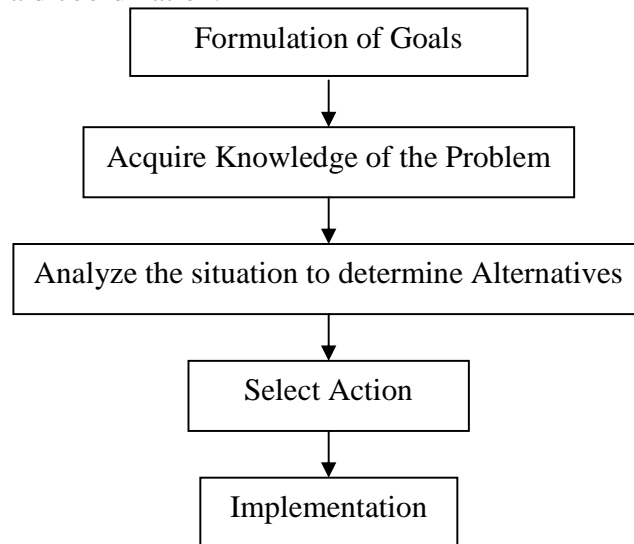


Figure 7

Source: Adapted from Nwachukwu, G.C. (1988) Management Theory and Practice, Africana-FEP Publishers Limited.

3.7 Creativity in Decision-making

It is commonplace reasoning the spectrum of corporate governance has much to do with decision making, and a good one at that. Good decision making could only come from a well-thought out ideas or principles and processes which is otherwise called creative thinking. Without deep, wide and reasoned thinking, decision if made at all, may hardly fulfill the need for which it is to satisfy. Hence, effort is made to tie decision-making to creative thinking.

Creativity is one of the highly sought after talents in management. It could be done through committee system in which the committee comes up with new ideas, new approaches, new ways of doing old things, doing a common thing in an uncommon way, a new product, or new application or a combination of an existing knowledge. A creative manager seeks original solutions to existing problem posed by its competitors and the total environment. Many organisations have some individuals in their midst with great inventiveness and unusual ability to create new ideas. It is the realisation that some people are more creative than others that committees or work special groups are often used in the solution of some vital organisational problems.

As a means evolved in corporate governance to solve problems, creative thinking has the following five steps to be followed as explained below:

3.7.1 Problem some individuals in Identification

The first step in creative thinking is the perception that a problem exists. This could be in production, sales, customer relations or advertising. The discovery of this problem launches the creative individual immediately to seek for suitable solution.

3.7.2 Investigation

Investigating is the second step in creative thinking. In this step, the individual examines the problem, analyses old ways of performing the task. This could call for intensive research into existing knowledge on the subject. There could be an exploration into all the possible avenues that will lead to the discovery of such things as the interrelationships, and associations. This step involves accumulation of facts and figures that bear on the subject. This process helps individual manager to arm himself with facts and figures or data thereby helping to develop creative solutions to problems.

3.7.3 Incubation

This is a very important stage in the process of creative thinking. The entire mind reflects on the problem. Sometimes a creative solution is not easily available and the individual leaves the subject for more reflection. Creative thinking is not a choice of alternatives as in decision making. It is a process of mulling the problem over. It may involve the use of the unconscious mind. The creative person is at this time in a special state of mental stress, and detaches himself from things around. He could go around and even leave the problem to avoid mental fatigue. This period can lead to frustration and helplessness. It is referred to as the gestation period. Rest is recommended here to facilitate refreshment of mind.

3.7.4 Illumination

This is a crucial stage. The creative thinker – manager could now shout “Eureka” (I have found it) while resting or sitting like Archimedes in his bath. It is important to write down the solution as soon as it comes to mind.

3.7.5 Verification

This is a period of refinement. The first solution may not necessarily be the ideal solution. It could require changes arrived at by a trial-and-error process. In an invention of whatever types, the period of verification is an important stage. It is a period of undergoing the process of experimentation, modification and improvement for effectiveness. When the final polish is put to it, the ideal product or system emerges. It is important for management to encourage creative ideas by financial rewards, job title, recognition or citation.

Self Assessment Exercise

Discuss the concept of decision making in business.

4.0 CONCLUSION

So far, the pervasiveness of decision-making is not in any way in doubt, going by its significance or relevance with particular reference to business organisation management. Everyone in organisations, at all levels, makes decisions, but decision making is particularly, important in every aspect of a manager's job. Decision making is part of all four managerial functions. That is why managers – when they plan, organise, lead and control – are frequently called in as decision makers. In fact, it is correct to say that decision making is synonymous with managing and governance in corporations.

5.0 SUMMARY

The analysis of the concept of decision-making in this unit has served as an avenue for you to understand the various aspects of the subject. These include the meaning, the nature, the process and types of decision making as a vital aspect of managerial functions. Some factors that may affect the viability of decision and its making have been highlighted. Also explained is the concept of creative thinking as a necessity in the decision making process.

6.0 TUTOR MARKED ASSIGNMENT

1. What is creative decision making? Of what relevance is it to the quality of decision and the overall organisational wellbeing?

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UNIT 21 CONTROL AS AN IMPORTANT ISSUE IN CORPORATE GOVERNANCE

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1.0 INTRODUCTION

Going by the dictionary meaning of the word ‘governance’, it simply means the activity of governing or controlling a country or a company or an organisation; the way in which an organisation or institution is controlled. While the word control itself connotes the power to make decisions about how a company or an organisation, a country, an area etc. is run or governed or managed, it is the ability to do something that is desired.

It could be inferred from the above that control or controlling is almost synonymous with governance. Hence, our attention towards its examination under this unit is very germane to situating students’ better understanding of the concept of an the issues involved in organisational management and the whole spectrum of governance. Control is very important, both in in organised living and “living” organisation (Chandan, 2004). Control has very broad applications, both in the personal as well as the industrial world. Controls are there to ensure that events turn out the way they are intended. Control is a powerful force, if applied properly. Controlled air, controlled water, controlled oil and controlled people on how to run machines,

industries and/or organisations. Control is universal in nature. Human activities have always made use of control, consciously or unconsciously. The last function of management is closely related to the planning, organising and leading functions towards goal realisation. Planning is concerned with goal setting, and organising deals with arrangements to meet the goals while leading involves guiding employees so that goals will be reached.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- (i) define and explain the words control and managerial control;
- (ii) explain the significance of the control process;
- (iii) Itemise the various types of control;
- (iv) Discuss the qualities of effective control system;
- (v) Describe the steps of control and their levels.

3.0 MAIN CONTENT

3.1 Conceptualising the term ‘Control’

Fundamentally, control is any process that guides activity toward some predetermined goal. Controlling function involves judging the success of meeting the goals and then taking corrective action when goal achievement is threatened or feared threatened. Managerial control is a dynamic process requiring deliberate and purposeful actions in order to ensure compliance with the plans and policies previously developed. One of the best known definitions of management control is given by Anthony. According to him:

“it is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organisation’s objectives”.

Controlling, according to Kastand Roseuzoveia (1970) is that phase of the management process which maintains organisation activity within allowable limits as measured from expectations which may be implicitly or explicitly stated in terms of objectives, plans, procedures or rules and regulations. It is also defined as the monitoring and modification of organisational activity and resource utilisation to ensure that predetermined standards are met and plans are arrived at. In Fayol’s words, controlling an undertaking consists of seeing that everything is carried out in accordance with plan which has been adopted, the orders which have been given and the principles which have been laid down. Its objective is to point mistakes in order that they may be rectified and prevented from occurring again. In controlling, management deals with performance, standard, evaluation, deviation and exception in relation to the original plan to know the appropriate corrective action(s) that could be taken to bring productivity to expected standard. Bartol and Martin () have described control as the management process of regulating organisational activities so that actual performance conforms to expected organisational standards and goals. Robbins and Coutler (), control is the process of monitoring activities to ensure that they are being accomplished as planned and or correcting any

significant deviation. All managers should be involved in the control function even if their individual units are performing as planned. The real issue is the overall corporate functioning.

All the above definitions point to the fact that there is a close link between control and plan, and the two as issues in corporate governance have to do with the compliance and realisation of organisational predetermined objectives and goals.

3.2 Types of Organisational Control System

There are three suggested approaches to designing control systems. These include market control bureaucratic control and clan control. More explanations on these are given below:

3.2.1 Market Control

This is an approach to control that emphasises the use of external market mechanisms such as price competition and relative market share, to establish the standards used in the control system. This approach is used by organisations in which the firm's products or services are clearly specified and distinct and where there is considerable market place competition. Under these conditions, the divisions of a company are turned into profit centres and are evaluated by the percentage of total corporate profits each generates. On the basis of these measures, corporate managers make decisions about future resource allocation, strategic changes, and other work activities that may need attention.

3.2.2 Bureaucratic Control

Another approach to a control system is bureaucratic control, which emphasises organisational authority and relies on administrative rules, regulations, procedures and policies. This type of control depends on standardization of activities, well defined job descriptions, and other administrative mechanisms, such as budgets, to ensure that employees exhibit appropriate behaviours and meet performance standards. Managers are allowed considerable autonomy and freedom to run their units as they deem fit, they are expected to adhere closely to their budgets and stay within corporate guidelines.

3.2.3 Clan Control

Under clan control, employee behaviours are regulated or controlled by the shared values, norms, traditions, rituals beliefs, and other aspects of organisation's culture. For example, corporate rituals such as annual employee performance award winners or holiday bonuses play a significant part in establishing control. Whereas bureaucratic control is based strictly on organisational hierarchical mechanisms, clan control is dependent upon the individual and the group (or clan) to identify appropriate and expected behaviour and performance measures. Because clan controls arise from the shared values and norms of the group, this type of control system is often found in organisations in which teams are commonly used for work activities and where technologies are changing often. Most organisations do not rely totally on just one of these approaches to designing an appropriate system. Rather, the organisation may choose to

emphasise either bureaucratic or clan control system that helps the organisation effectively and efficiently to reach its goals.

3.3 Importance or Significance of Control

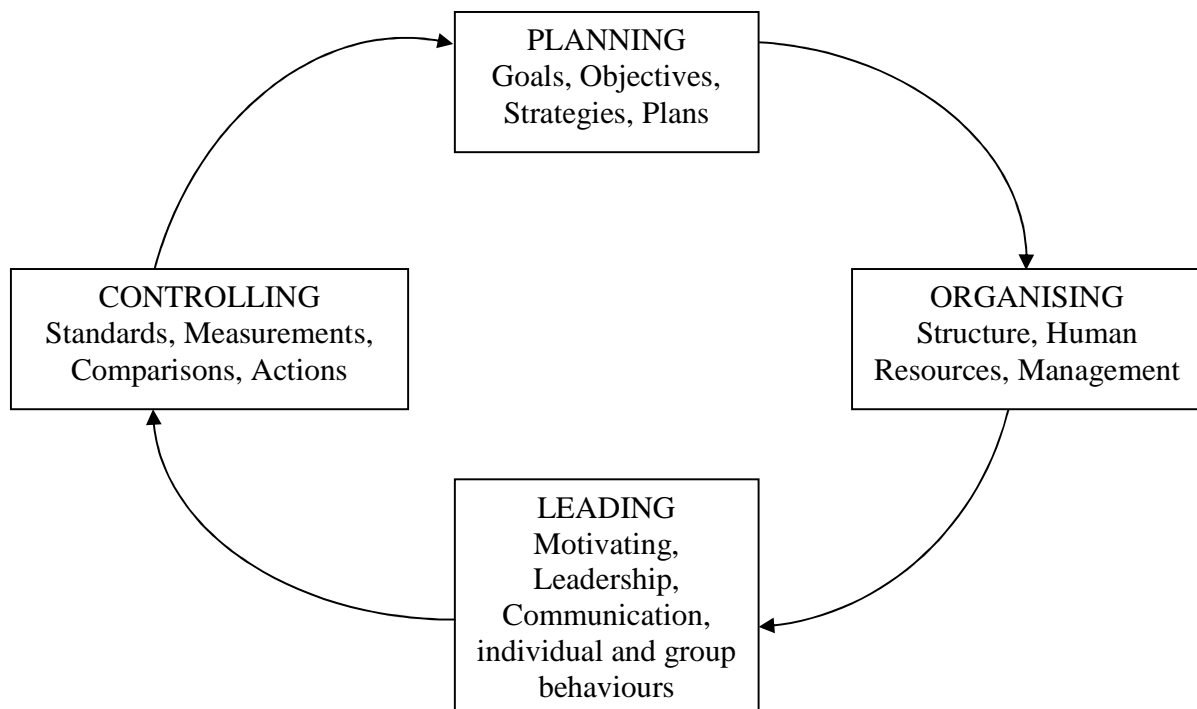
Why is control so important? Planning can be done, an organisational structure can be created to efficiently facilitate the achievement of objectives, and employees can be directed and motivated. Still, there is no assurance that activities are going as planned and that the managers are seeking to ensure that objectives are being attained. Control is important therefore because it is the final link in the functional chain of management activities. It is the only way managers know whether organisational goals are being met and why they are or are not. Control value also lies in its relation to planning and delegating activities. The effective manager needs to follow up (control) to ensure that what others are supposed to do is, in fact, being done and that their objectives are in fact being achieved. In reality, management is an ongoing process, and controlling activities provide the critical link back to planning. Control function enables managers to know whether or not their objectives and plans are on target and which future actions to be taken.

Controlling is important for delegation as one of the corporate governance processes. Managers' fear and reluctance to delegate can be reduced if they develop an effective control system which can provide information and feedback mechanism on the performance of subordinates to whom they have delegated authority.

More specifically, controls play important roles in assisting managers with five particular challenges, coping with uncertainty, irregularities, identifying opportunities, handling complex situations and decentralizing authority.

Figure 1: The Planning – Controlling Link

Source: Robbins, S.P. and Coutler, M. () Management, New Jersey, Prentice-Hall.



3.4 Types of Control Implementation Process

Managers can implement controls before an activity begins, while the activity is going on, or after the activity has been completed. The first type is called feed forward control, the second is concurrent control, and the third is feedback control as shown in Figure 2.

3.4.1 Feed Forward Control

The most desirable type of control – feed forward control – prevents anticipated problems. It is called feed forward control because it takes place in advance of the actual activity. It is future directed.

The key to feed forward controls is taking management action before a problem occurs. Feed forward controls are desirable because they allow management to prevent problems rather than having to cure them later. But unfortunately, these controls require timely and accurate information that often is difficult to develop. As a result, managers frequently have to rely on the other two types of controls.

3.4.2 Concurrent Control

Concurrent control, as its name implies, takes place while an activity is in progress. When control is enacted the work is being performed, management can correct problems (mistakes) before they become costly or getting out of hands. Its best known form is direct supervision. That is where the manager can concurrently monitor the employee's actions and correct problems as they occur. Many organisational quality programmes rely on concurrent controls to inform workers if their performance, output and levels are of sufficient quality and to know that quality standards are being met.

3.4.3 Feedback Control

The most popular type of control relies on feedback. The control usually takes place after the activity is done. The major drawback of this type of control is that by the time the manager has the information, the damage is already done. It is analogous to “closing the barn door after the horse has been stolen” but for many activities, feedback is the only viable type of control available. For instance, financial statements are an example of feedback controls. If for example the income statement shows that sales revenues are declining, the decline has already occurred. At this point, the manager's only option is to try to determine why sales fall and to correct the situation.

3.4.4 Management by Walking Around

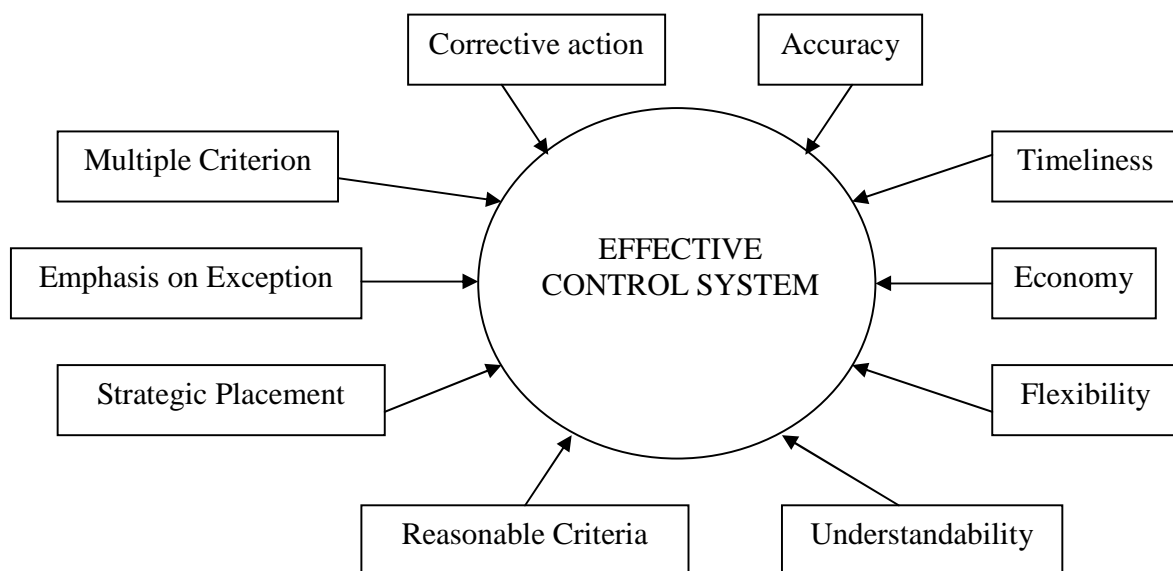
It is a control technique in which an entrepreneur or manager is out in the work area, interacting directly with employees and exchanging information about what is going on. Through this, entrepreneurs can find out what is happening in their workplace by talking directly and informally with their employees. The information of the MBWA-process often reveals a richness of information that employees might not be willing to explain in a formal or written

way. Its simple nature reveals employee’s thinking and the problems they are facing – as the manager or entrepreneur is out of his offices “wondering around” and seeing for himself what is happening. It can be useful to an entrepreneur or even an manager of a single department within a large, hierarchical organisation.

The advantages of feedback over feed forward and concurrent controls include provision of meaningful information on how effective planning efforts were and enhancement of employee motivation. People who want information on how well they performed could find feedback control useful.

3.5 Qualities of an Effective Control System

Effective control systems tend to have certain characteristics in common. The importance of these qualities vary with situations, but it can be generalized that the following characteristics should make a control system effective, accuracy, timeliness, economy (being economical), flexibility, understandability, reasonable criteria, strategic placement, emphasis on the exception, multiple criteria and corrective actions depicted in the figure shown below:



3.6 Levels of Control

Just as planning responsibilities differ by managerial levels, there are parallel control responsibilities at each level. Strategic, tactical and operational levels of control increase the probabilities of realizing plans at respective levels.

3.6.1 Strategic Control

Strategic control involves monitoring critical environmental factors that could affect the viability of strategic plans, assessing the effects of organisational strategic actions and ensuring that strategic plans are implemented as intended. Control at this level is mainly the domain of top-level managers, who generally take an organisation-wide perspective. For strategic control, managers often concentrate on relatively long time frames, such as quarterly, semi-annual, and annual reporting cycles. In the case of a somewhat unstable environment and keen competition, managers may use shorter reporting cycles for strategic control.

3.6.2 Tactical Control

This focuses on assessing the implementation of tactical plans at departmental levels, monitoring associated periodic results, and taking corrective action as necessary. Control at the tactical level involves mainly middle managers, who are concerned with department-level objectives, programmes, and budgets and who concentrate on periodic or middle-term time frames and often use weekly and monthly reporting cycles. They also test how the environment reacts to the tactical initiatives of their departments. Though mainly concerned with the tactical control, middle managers are likely to engage in some strategic control in the sense of providing information to upper-level managers on strategic issues. They are also involved in some operational control to check on some of the more critical aspects of operating plans implementation.

3.6.3 Operational Control

Operational control involves overseeing the implementation of operating plans, monitoring day-to-day results and taking corrective action when required. This is largely the responsibility of lower-level managers, who deal with schedules, budgets, rules and specific outputs normally associated with particular individuals. It provides feedback about what is happening in the very near term to achieve both the short-term and long-term goals of the organisation.

3.7 Steps in the Control Process

The basic process used in controlling has several major steps which include the following:

- Determining areas to control – determining the major areas to control. Managers must make choice because it is expensive and difficult to control all aspects of an organisation's activities.
- Establish standards – establishing standard to spell out specific criteria for evaluating performance and related employee behaviour.
- Measure performance – managers deciding both how to measure actual performance and how often to do so. Management by objectives is a good choice in this regard.
- Compare performance against standards – comparing performance in step 3 with standard established in step 2, information is needed for this to be possible and effective principle of management by exception. This is control principle which suggests that managers

should be informed of a situation only if control data show a significant deviation from standards.

- If standards are met or exceeded, recognise performance – as no correction is necessary.
- If standards are not met, take corrective action as necessary.
- Adjust standards and measures as necessary.

Self Assessment Exercise

What is the role of control in managing business corporations? Contrast market, bureaucratic and clan controls.

4.0 CONCLUSION

Basically, the definitions advanced for the controlling function of management stresses that the function of control is to accomplish organisational goals by implementing previously determined strategic and policies so that whatever needs to be done, is properly done. In other words, controlling maintains equilibrium between means and ends or between efforts and output. It makes sure that the actual performance is in conformity with the intended and planned performance leading towards achievement of objectives.

5.0 SUMMARY

So far, in this unit, sub-topics relating to the controlling function of management which include: conceptualizing the term control, types of control, importance and role of control, processes involved in control implementation and qualities of control, levels of control and control steps.

6.0 TUTOR MARKED ASSIGNMENT

1. What is meant by organisational control?
2. Why is feed forward the most desirable type of control?
3. What qualities will an effective control system have?

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