****

CORPORATE RESEARCH POLICY

**DEVELOPING AND SUSTAINING
ORGANISATION – THE HUMAN FACTOR
A CASE STUDY OF A LIQUIDATED FINANCIAL
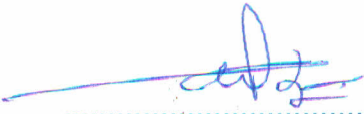INSTITUTION**

BY

GRETA AKPOKLI

DECEMBER 2002

****

A RESEARCH PAPER PRESENTED TO THE INSTITUTE OF COMMERCIAL

MANAGEMENT (ICM), LONDON, IN PARTIAL FULFILMENT OF THE

REQUIREMENT FOR THE AWARD OF GRADUATE DIPLOMA IN MANAGEMENT

STUDIES.

THIS PROJECT WORK IS SUBMITTED THROUGH

THE DIRECTOR OF STUDIES TO THE INSTITUTE

OF COMMERCIAL MANAGEMENT (ICM), LONDON

....

GRETA   AKPOKLI

INVESTIGATOR

ii

DEVELOPING AND SUSTAINING ORGANISATION – THE

HUMAN FACTOR.

A CASE STUDY OF A LIQUIDATED FINANCIAL

INSTITUTION

ABSTRACT

Corporate bankruptcy is no new news. This issues cut across all spectrum of human organizations being national governments, multi-national and national companies as well. News divulged about this phenomenon are often naive when resources available to such distressed companies were compared with resources of like companies that continued operating.

Much have been done by researchers in providing theoretical backgrounds for managing organizations. These have been currently found adequate in the administration of human endeavours.

With regard to expertise, it is worng to value one above another, hence all are needed in their respective specialization to move the organization forward.

This paper examined the human factor as one of the crucial facets that needs an intensed attention in developing and sustaining organization in all aspects. In order to achieve desired goal, the paper focused on utilizing fully the lay-down procedures on staffing organization, and also applying all forms of motivations. It also touched on a vibrant control system that reveals the slightest sign of distress.

For the purpose, undisclosed name of a financial company which has been liquidated is used in measuring the causes that often prage companies leading then to liquidation.

ACKNOWLEDGEMENT

ACKNOWLEDGEMENT

My sincere thanks go to the Director, Dr. W.A. Plahar; Mrs. E. Atta-Sonno, Head of Administration; and Mr. J.F. Asigbey, Chief Admin. Assistant - my immediate boss - all of Food Research Institute, for my sponsorship.

I am also indebted to Fordhan Institute, the Director, Mr. Joe Akomeah, the Secretary, Miss. Agnes Obeng, the academic staff, my fellow students for discussions made on matters of interest and the administration staff for the numerous helps received from them to bring this programme to a success.

I am also grateful to my supervisor Mr. John Atsu of Fordham Institute.

Thanks are also due to the following bodies: the Statistical Service for their records; the British Library and the Ghana Library Board for their valuable literature the staff of the financial institution used in measuring the causes and those past customers interview during the time of investigations.

Also not forgetting the authors of the literature books used in my study.

CONTENTS

PART I

1.0 **INTRODUCTION**

Although developing and sustaining organization calls for spectrum of resources, all these are depended on personnel activities.

Personnel activities are the objectives of the Human Resources Management. This has route in all activities of the human endeavours, ranging from government to business, in the fields of research, engineering and the sciences. The reflections of this is what permeates in the roles play by specific groups created in the organization structure; the departments of accounts, marketing, production, sales, organization and methods and research, for example.

Although a lot of research work have been done on management which have seen through modern business and government improvements, there are still faces of business malpractices as a forerunner to liquidating both small and multi-national corporations world wide as well as bad governance that are often experienced by citizenry of such countries.

This paper examines development in a financial entity (name withheld).

1.1 **RATIONALE**

When think of organization, personnel has become the dominant focal point. Taken from the point of the shareholders through the board of directors and the chief executive officer to the managers in the organization and down to the shop-floor, each level demands involvement of human factor.

Researchers like Likert, Robert Anthony, Henri Fayol, G.W. Maslow, Max Weber, and many others have explained the importance of personnel placement in the structures of the organization which must be identified according to the rising needs. Looking at any other contributors to a smooth running of organization, human initiation remains the fundamental key. That is why much emphasis is placed on staffing organizations. Many researchers provide guidelines on staffing organization. They include the following:

(i)   Recruitment and selection

(ii)   placement

(iii) training and development

(iv)   motivation

(v)   evaluation

The above are not exhaustive but are used illustratively.

1.1.1 **Recruitment and selection**

Watson defines recruitment and selection as: the process by which organizations solicit, contact and interest potential appointees, and then establish whether it would be appropriate to appoint any of them.

Therefore, recruitment and selection play an important part in the organisation's strategy, inextricably linked with the organizational goals and objectives.

1.1.2 **Placement**

The right person at the right place at right the time. This is very crucial in moving the organization forward by making good policies and have the required skill in the discharge of specific task.

1.1.3 **Training and development**

These are manipulated to achieve the following results:

(a)   to develop the abilities of the individual and to satisfy the

current and future manpower needs of the organization;

(b)   higher quality staff, with greater commitment to the organization

and improved customer service; and

(c)   the benefits to the individual of effective training and development

are increased motivation, developed abilities, talents and skills.

1.1.4 **Motivation**

Motivation is a process that arouses, sustains and regulates Behaviour toward a specific goal or end.

The variables that influence motivation are: values, beliefs, attitudes,needs and goals.

1.1.4.1   Values - can influence motivation in two particular ways:

(i) They affect the types of activity that people will be appealing.

(ii) They influence people's motivation towards specific

outcomes such as money, power and prestige.

1.1.4.2   Beliefs - there are two ways in which beliefs are particularly

important to motivation:

(i)   People must believe that what is required of them is possible

to achieve.

(ii)   They need to believe that, by performing well, they will

personally benefit from their efforts.

1.1.4.3   Attitudes – are important to motivation. A person with a positive

attitude towards the organization will be more likely to come to

work regularly and stay with the company even if offered a job in

another organization.

1.1.4.4   Needs – are seen as varying from basic needs such as food and

shelter to more complex needs such as the needs for friendship,

self-esteem and self-realisation. Motivation is said to relate to

need in that a person with a particular need will be motivated to

engage in behaviour that will lead to gratification or satisfaction of

that need.

1.1.4.5   Goals – there are two ways in which goals influence motivation:

(i)   a goal provides a target to aim at, something to aspire to.

(ii)   goals provide a standard of performance.

Staffing organization and the accompanied results should be perpetual

operational aim for the organization's life span.

1.2   THE OBJECTIVES

Whether the foregoing analyses have any impact on organization, the internal relationship that exists amongst the personnel, cutting across length and breadth of the organization's structure in one hand, and the external relationship that is expressed towards their external stakeholders such as: suppliers, customers, government officials, communities, competitors, and other managers on the other hand, will show how personnel absorbs the rationale of the Human Factor in Developing and Sustaining Organisation.

Additionally, the objectives could be applied effectively to existing and enterprises in the offing. The system could be used to save falling enterprises and guide the new ones that would be joining the competition. The system has substantial benefits such as reaping good profits, always improving on its market share, and proving tough to its competitions. The objectives are not exhaustive to fiscal gains.

The model company in the case study (name withheld) had a proven record from the start, achieving substantial growth records before decline into liquidation.

1.3   BACKGROUND STATEMENT

With all other resources available to organization, these would entirely become inactive if the human factor is not given adequate attention.

Lord Sieff, for example, maintains that – leadership is vitally important at all levels within the organization, from main board to the shop floor.

Actually there are two main categories of staff, and to make any meaningful growth in developing and sustaining organization, attention should be paid to the following unexhaustive list when think of human factor in organization:

(i)   management development

(ii)   subordinate staff

(iii)   diversity management.

The task is to identify the influences the above have on good management.

1.3.1 Management development

Planning for succession is one part of ensuring the successful future of the organization. The board must think in terms of planned recruitment of managers involving particular selection methods, such as headhunting or training entrants direct from tertiary institution.

Thus, to establish a management development programme the following steps should be taken:

(i)   assess the strengths, weakness and training needs of existing managers and future managers.

(ii)   chart the planned growth of the organization over the next five or ten years

(iii)   match the potential strengths to future posts

(iv)　develop potential strengths to meet future posts.

1.3.2 **Subordinate staff**

This group has its unique role to play if managers have basic skills as well as specific skills such as coaching and teaching. The following are some of the basic skills that managers must acquire in order to cope with the training and development of subordinates:

(i)　Planning:- preparing schemes or schedules for achieving the targets that have been set by either themselves or the management.

(ii)　Organising - allocating tasks, delegating and arranging the work and resources in such a way as to enable the realizations of the plan.

(iii)　Controlling - ensuring that the workers' performance in terms of cost, quality and quantity of output matches the plan, if necessary by correcting deviations.

(iv)　Communication – keeping all concerned adequately informed, while keeping in touching with the training progress.

(v)　Problem - solving/decision-taking - handling day-to-day difficulties and problems and deciding what needs to be done to ensure the effective performance of the supervised.

(vi)　Motivating/maintaining discipline - encouraging people to give their best within the rules that govern their employment.

1.3.2.1 **<u>Coaching</u>**

Effective coaches will develop the strengths and potential of subordinates and help them overcome their weaknesses.

This can be achieved by means of:

(i)   on-the-job training

(ii)   training must be done in a climate of confidence and trust between superior and subordinate.

(iii)   Wisdom and patience are required.

(iv)   Managers must be able to delegate authority and give recognition and praise for jobs well done.

1.3.2.2 **<u>Teaching</u>**

Teaching a skill requires the manager to:

(i)   know what the training objectives are

(ii)   analyse and breakdown the job into separate elements

(iii)   demonstrate the skill to the trainee

(iv)   allow the trainee to try the skill making adjustments where errors are spotted.

1.3.3 **<u>Diversity management</u>**

Any organization that closes its eyes to managing diversity is bound to collapsing when think narrowly in staffing the organization.

Organisations need to create cultures in which all employees can develop their potential and flourish, regardless of sex, race culture, age, religion, disability, sexual orientation and ethnicity.

An organisation's workforce is representative when it reflects or exceeds the demographic composition of the external workforce. Managing diversity, thus have its ogre face of late due to outcries from organized groups such as women and youths who want representations in top positions in both enterprises and government.

1.4 RESEARCH OBJECTIVES

The ultimate objective of this study is to investigate the extent of the model company which was a financial institution (name withheld) has performed against the background of the Human Factor in developing and Sustaining Organisations. This would unearth reasons why some organizations are liquidated due to bad corporate management.

Immediate objectives of the study are:

(i) to identify how recruitment and selection were done in the organisation

(ii) to scruitinise the company's internal and external relationships towards stakeholders

(iii) to analytically gain information regarding expenses and revenue management

(iv) to assess management's weaknesses and strengths in the face of stiff competitions with regard to maintaining company's market share.

1.4.1 **Rationale**

This financial institution was liquidated in 1998 because of the company's poor performance concurrently for three years.

This had caused a great financial loss not to the company alone, but to the stakeholders at large.

Since the company was liquidated, the study would focus on identifying areas which led to the collapse of the enterprise and report on these as a guide for existing companies and the future ones to take a lesson from.

The unexhaustive are:

(i)   Performance records

(ii)   Assets

(iii)   Staff

(iv)   Polices

(v)   Structure

1.4.1.1.   **Performance records**

This bar chart indicates a period of seven years performance records. Four years showing ascending growth, while the last three years show a very steep descent.

☐ ¢'000

```
                    170500
          155000 ┌─┐ 157200
                 │ │
            ┌─┐  │ │  ┌─┐
            │ │  │ │  │ │
            │ │  │ │  │ │
    92110   │ │  │ │  │ │
            │ │  │ │  │ │
      ┌─┐   │ │  │ │  │ │        65110
      │ │   │ │  │ │  │ │        ┌─┐
 45420│ │   │ │  │ │  │ │        │ │
 ┌─┐  │ │   │ │  │ │  │ │        │ │      5310
 │ │  │ │   │ │  │ │  │ │        │ │      ┌─┐
 1992 1993 1994 1995 1996 1997 1998
```
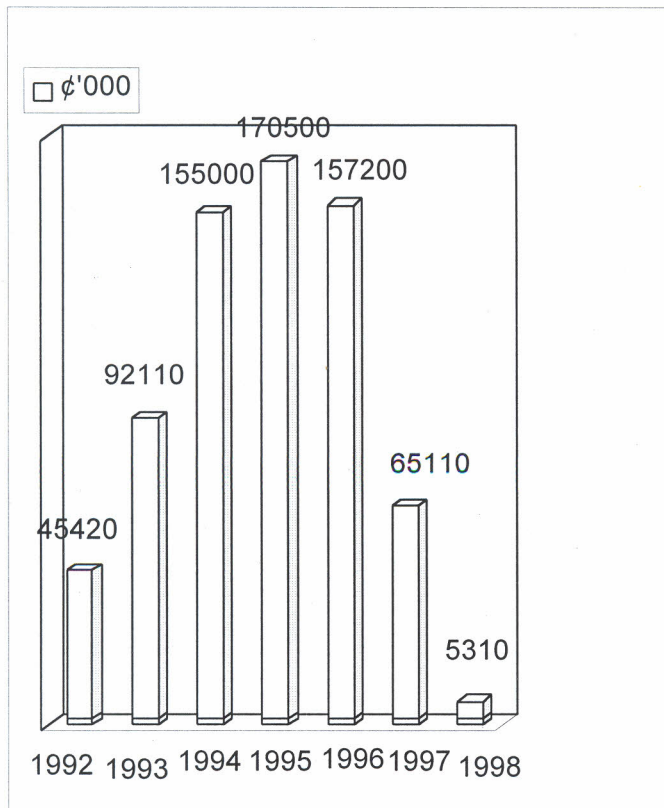
Years

1.4.1.2 **Assets**

The company averagely had good assets in terms of physical structures and equipments. These composes buildings (good offices), modern technology of computers and accessories. It also had good number of vehicles.

However liquid asset reflects weak position.

1.4.1.3 **Staff**

Staff were composed of both sexes. Male representation form 52% of the total workforce, while females constitute 48%. Majority of the workforce in both sex groups were between the ages of 20 to 35 years.

Academic background of staff ranges from middle school leaving certificate to university degree and professional status.

Staffing the organization, especially from the middle level managers down to operatives were not advertised.

1.4.1.4 **Polices**

The company adopted a centralized system of making policies. And this centralized system did not create room for lower ranks participation.

Communication line within the company was vertical and horizontal.

Channel of communication from bottom-up was via the immediate boss.

1.4.1.5 **Structure**

The organization had a Tall structure, and some of its sub-systems were:

(i)   Corporate Finance Department

(ii) Human Resource Department

        (iii)   Accounts Department

        (iv)   Branch Operations Department

        (v)   Marketing Department

        (vi)   Public Relations Department

        (vii)   Organisations and Methods Department

        (viii)   Foreign Operations Department

1.5   PROBLEM DEFINITIONS

Like any other liquidated enterprise, this financial institution took off well; progressively increasing in assets and profits.

According to problem definition, the company at a time trying to capture big business had lost control over financial prudence. Individualism cropped up with the organization as each individual was looking for personal gains from their customers. Hence some of the unscrupulous customers took the advantage to deplete the company's cash flow management.

By this practice, the company could not control its inventory position and the consequent result was the downtrend performance. But, why should this be so if a company tried to widen its markets?

One cause of problem identified to the solution is the human factor. The company's problems stem from the following:

- appointment of newly grandaunts from the tertiary institutions
  to positions of trust,

16

- policies on its clientele were not diversely considered,

- poor performance of few managers led to withdrawal of certain powers from most managers instead of removing such few bad ones from position.

1.5.1   **Human factor**

The wise saying of Lord Sieff, who says, 'leadership is vitally important at all levels within the company, from main board to the shop floor.'

Scanning Lord Sieff's wisdom, one can conclude that the problem the said company faced was human expertise.

The solution of the problem should come from paying heed to the following:

- Recruitment and selection

- succession development

- Training of all categories of staff

- achieving industrial democracy

- avoidance of halow effect

- diversity management

- openness of communication

It should also be noted that there is no single discipline that out-weighs others in corporate governance, that alone when applied could achieve

the desired goal of the company. All disciplines employed in a company should have adequate attention.

1.6 **HYPOTHESIS STATEMENT**

It is a case study and the following questions are designed to guide the collection of data.

(i)   What procedures were used in discharging services?

(ii)   What policies did management adopt to unearth talents in its employees?

(iii)   Since competitions are inevitable, what measures were available to the company to carry on effective competition?

(iv)   How were all levels of staff viewed by management in the company?

(v)   How were issues handled in the organization?

1.7 **PURPOSE/SIGNIFICANCE OF STUDY**

The purpose of the study is to identify the causes that led to the bankruptcy of the financial institution in question. And how the findings and solutions could be applied to forestall such occurrences in administration of present and future organizations.

1.8 **DIFINITIONS**

Definition of concepts to be used in the study.

(i)   Products:- Services that were available in the company

to its customers.

(ii)   Performance - service delivery by staff whether proactive in

line with standard set by management.

(iii)   Competitions - Stakeholders in same field vying for greater

market share

(iv)   Equal opportunity – equal chance to all employees.

Avoidance of   consideration on the part of person's sex, age,

racial or ethinic origin, disability or marital status.

(v)   Conflict resolution - It reflects the ways management

handles matters of urgency, and whether covers wrong-doings

and victimized innocents.

The dependent (outcome) variables for the study will be the good

corporate citizen displayed.

The independent (background) variables will include:

(i)   management of delegated powers

(ii)   using accounting ratios to determine good investment

policies.

(iii)   setting control system that regulate immediate feedback.

(iv)   Category and loyalty of clientel.

It should be noted that the variables mentioned above are

not exhaustive; they are illustrative of those to be collected in the

survey.

PART II

2.0   <u>**LITERATURE REVIEW**</u>

It is amazing to hear that multi-national corporations and well established national organizations folded-up; or to hear that because of stiff competition, such companies are performing below average while their rich resources make them even more advantageous over their competitors.

In this vein 'Human Factor' is the dominant of all the resources that could be allocated to organization.

Exploring Corporate strategy, Gerry Johnson and Kevan Scholes (Fourth Edition: 424) reviewed the studies that identifying the appropriate resources and competences to support strategy implementation is important, but it will not result in successful implememtation unless the organization is also able to allocate resources and control performance in line with the strategy such as administrative control, through systems, rules and procedures, social control, through the impact of culture on the behavior of individuals and groups; and self-control, which people exert over their own behavior.

G.A. Cole in Management, Theory and Practice (Faith Edition: 155), "a firm may be unable to pursue its expansion plans in a new market because it is unable to find enough suitable trained personnel to carry

them through ... which may cause other business plans to be cancelled or amended".

Setting examples must be a thing to watch in corporate ethics. Ronald M. Green evaluate how influences are strong across the spectrum of human beings in the book entitled: The Ethical Manager (380-381) sayings:

"In organizations, peer pressure and peer modeling have a very real bearing on the creation of ethical or unethical conduct. Examples set by top management and other influential actors in the organization play a major role in forming the operative, as opposed to the espoused values of the group. ... that cutting ethical comers will be over looked so long as you 'hit your numbers' ".

2.1   THEORETICAL FRAMEWORK

From the literature review two areas are identified to the Human factor viz. good corporate citizen (operating within business NORMS) and competences (ability to deliver).

Based on the two areas of human factor, five variants can be identified.

(i)   Staffing the organization by use of formal procedures

(ii)   Diversity management must be given priority

(iii)   Job satisfaction with good remumerations.

(iv)   Customer relationship should reflect corporate policies

(v)   Creating channel of innovation among staff to toughen the organization against competitions.

For the variants to achieve their legitimat targets, they are depended on:

(i)   expertise, elegible to deliver the goods

(ii)   good training tailored to company loyalty and individual career development

(iii)   specification of jobs that promotes division of labour for greater efficiency

(iv)   bribery and corruption severely punished at all levels of staff, from the top hierarchy to the shop floor

(v)   the importance of management-worker communication

(vi)   company products and services are designed in a competitive way, suitable to all customer types.

This study considers only the influence of human factor to the developing and sustaining organization in the definable characteristics, whose interaction with approaches to resources allocation and control is diagrammatically presented as follows:

THE PROCESS OF BEHAVIOUR

| CAUSE (stimulus) | → | THE PERSON'S NEED WANT, TENSION OR DISCOMFORT | Behavior → ▼ | GOAL |
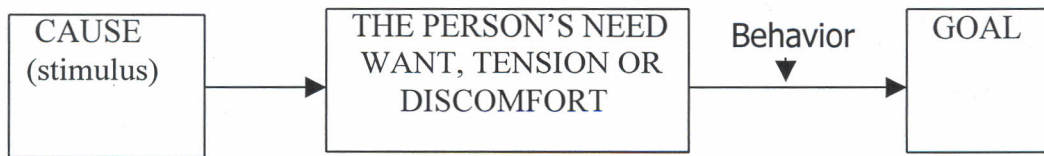
SOURCE: LITERATURE REVIEWD

PART III

3   METHODOLOGY

3.1   SUMMARY OF METHODOLOGY

The study would use primary data generated through a survey by the investigator. A structured questionnaire would be used as the research instrument. No sampling would be carried as this is a case study.

3.1.1   Research Instrument

A questionnaire was designed as the research instrument.

Presented below is the structured questionnaire.

3.1.2   Questionnaire

For the internal structures data collection.

	HIGH	LOW
A. Physical structures		

B. Staffing the Organisation	TOP HIERARCHY		MIDDLE LEVEL		OPERATIVES	
	HIGH	LOW	HIGH	LOW	HIGH	LOW
(i) Recruitment						
(ii) Expertise						
(iii) Placements						
(iv) Succession management						
(v) Diversity Management						

24

(vi) Remuneration					
(vii) Loyalty					

C.   Control System

	HIGH	LOW
(i) Communication level between management and workforce		
(ii) Reporting – regularity/timing of submission.		
(iii) Outcome of attitude change rewards/ (rewards/punishments)		
(iv) Centralise/decentralized administration		
(v) Inventory management		

D.   For the external structures data collection

	PLC,s	PRIVATE LTD CO	OTHERS
(i) Customber types			

	HIGH	LOW
(ii) Customer loyalty		
(iii) Patronage of products/services		
(iv) Threat from competitors		
(v) Quality of products/services measured against competitors'		

3.1.3 **Research staff**

A. The principal investigator is the compiler of this report who wanted to know what usually happens though, a well-established company endowed with rich resources should be liquidated.

B. i) The respondents would be the spectrum of all levels of staff, examination of past activities for at least 5 years and, not more than 10 years. This would also include customers of the organization as well as its competitions.

ii) Data gathering from these sources would easily reveal the problems that the organization faced before its liquidation.

3.1.4 **Expected problems**

One major problem that might be encountered in the field is movement of the principal investigator. There would be need for transport expenses in reaching respondents, use of stationery and computers to er·er the database of the company.

PART IV

4.0 **FINDINGS/ANALYSIS**

Data coding and processing would be carried out by the investigator.

Analysis of the results will involve measures of central tendencies and independent variables related to other variables.

The list of table below indicate how the variables relate to each other. The list is not exahaustive.

4.1 **Tables**

(i) The ratio of products/services of the company to that of its competitions.

(ii) The ratio of expertise to the staff population of the company.

(iii) The ratio of inventory collection to total investment.

(iv) The ratio of newly emerged competitors during the time of distress of the company to the old competitors.

(v) The ratio of staff rewarded on innovative contributions to punishments awarded on floating corporate polices.

PART V

5. **DISCUSSION**

Bankrupt companies are faced with variable difficulties. This includes unethical behavior of employees and unscrupulous customers who manipulate weak administration practices to dupe the shareholders' investment to their own advantages.

In order to develop and sustain organizations, immediately an organization starts to show signs of distress, all the variables that serves as engine of growth must critically be examined, and the chief facet of these is the human factor.

5.1 **Limitation**

When observing human factor in organization no attempt should be made to limit the observation to any particular type of expertise. The reason is that no section of experts can claim superiority in managing or salvaging an organization for growth or from distress, hence a total usage of the entire workforce from boardroom through the operatives.

The following guides although not exhaustive would help when dealing with human factors:

i)   development of a staffing programme.

ii)   ignorance of the way in which the job and the skill needed to carry it out have altered.

iii)   the condition under which the work is carried out.

iv)   the extensity of external stakeholders checks could reveal early signs of distress or malpractices.

v)   ethical display among the top hierarchy that permeates all levels of staff.

5.2   **Investigators**

Both external consultants and internal inspectors should be used to conduct separate investigations. This would bring to the fore any attempt to suppress information .

The external consultant should come from the external stakeholders who serve as a check on the organization.

BIBLIOGRAPHY

Laurie Mullions J (Fourth Edition) -   Management and Organizational Behavior

Kotle P.   -   Marketing Management

Gerry Johnson and Kevan Schoels (Fourth Edition) Exploring Corporate

                                          Strategy

Kenneth Laudon C. and Jane Laudon P. (Second Edition) Essentials of Management

                                          Information Systems

Ronald Green M.   -   The Ethical Manager

Charles Brennan D. Jr.   -   Proactive Customer Service

Stephen A. Ross,   -   (Fourth Edition) Fundamentals of

Randolph W. Wethersfield,   corporate Finance

and Brand D. Jordan.

Cole G.A.   -   (Fifth Edition) Management

                                          Theory and Practice

                                    -      ACCA Paper 1.3 – Managing People

                                          (Dec. 2002 – June 2003)

                                    -      Annual Reports of the liquidated Company for

                                          1992 – 1998.