

### 15.4.6 Compensation and Benefits

The bulk of your employee's earnings should come from a base salary competitive with the pay offered by other similar local firms. It may be possible to supplement the base salary with some form of incentive, such as a small commission or quote bonus plan. Try to relate the incentive to both your goals of your employees. Whatever plan you use, be sure each employee understands it completely.

### 15.4.7 Employee Assistance

Each employee is unique in character, personality, expectation and temperament. By and large each one of them faces problems every day. Some are personal some are official. In either case he remains worried such worries must be removed to make him more productive and happy. Counseling is one such step.

### 15.4.8 Union/Labour Relations

This is very important for enhancing the productivity in an organization. This is one of the important areas of personnel management.

### 15.4.9 Personnel Research and Information Systems

This areas is concerned with, a systematic inquiry into any aspect of the broad question of how to make more effective an organization's personnel programmes recruitment, selection, development, utilization off, and accommodation to, human resources. Procedures and policies and findings submitted to the top executive. Data relating to quality, wages, productivity, grievances absenteeism, labour turnover, strikes, lock-outs, accidents, etc. which are collected and supplied to the top management so that it may review, alter or improve existing personnel policies, programmes and procedures. Morale and Attitude surveys.

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## 15.5 OBJECTIVS OF PERSONNEL MANAGEMENT

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The following are the objectives of personnel management:

1. Study the requirement of occupation.
2. Development of recruitment procedure.
3. Développement of Management Information Systems (MIS)
4. Forecasting of future requirement, recruitment, training.
5. Periodical appraisals by means of questionnaires, interviews, seminars contests, etc. to insure the most complete development and most efficient use of individual's ability.

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6. Development and use of tests and other refined techniques in the specific placement of workers and executives.
7. Formulation of best methods of human energy.
8. Determination of optimal conditions of work with clear cut job description.
9. Analysis of characteristics of individual organizations for the determination of the type or types that is best adaptive to serve both the economic, social and broadly human objectives of individual organization.
10. Examination and control of motivating forces in the case of both workers and executive which influence the harmonious relations in the industrial situations.

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## **15.6 TRAINING—INTRODUCTION**

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Training makes the employees more effective and productive on their present jobs. Also it provides opportunities to employees in acquiring appropriate attitudes and in developing skills which will enable them to occupy higher places in the organization. An employee's success at a given job largely depends upon his positive response to training and his willingness to accept instruction and gain the techniques and skills required performing the job at an acceptable level of efficiency.

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## **15.7 NEED FOR TRAINING**

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The need for training in part depends upon the company's selection and promotion policies. Companies that attempt to employ only people who already have the needed skills, place less emphasis on training. On the other hand, firms that stress promotion from within may have to take special steps to ensure that employee develop the skills which will be needed. Three trends have contributed, in recent years, to more attention to the development of skill. One, fewer and fewer skills are now regarded 'born' that cannot be taught. It is hoped that one can learn almost all aspects of a job by reading. That is why we find nowadays almost all technical details of a job written out in the instruction manuals. Two, the accelerated rate of technological change in the plant, office, and market place—is making many skills obsolete. Workers have to be retrained to do new tasks. Three globalization is making it increasingly essential for workers and executives to be aware of diverse gaffes, lifestyles and attitudes of people in other countries. They need to learn many things such as how to introduce oneself before a foreign client, converse and negotiate, talk on telephone, use body language and so on.

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## 15.8 OBJECTIVES OF TRAINING

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The major objectives of training are as follows:

- (a) To train the employee in the company culture pattern.
- (b) To train the employee to increase his quantity and quality of output.
- (c) To train the employee for promotion to higher jobs.
- (d) To train the employee to avoid social mistakes.
- (e) To train the employee toward better job adjustment and high morale.
- (f) To reduce supervision, wastages and accidents.

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## 15.9 IMPORTANCE OF TRAINING

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Training and development programmes, help to remove performance deficiencies in employees. This is particularly true when,

1. the deficiency is caused by a lack of ability rather than a lack of motivation to perform.
2. The individual(s) involved have the aptitude and motivation needed to learn to do the job better, and
3. Supervisors and peers are supportive of the desired behaviours.

There is greater stability, flexibility and capacity growth in an organization. Training contributes to employee stability in a least two ways. Employees become efficient after undergoing training. Efficient employees contribute to the growth of the organization. Growth reader's stability to the work force. Further trained employees tend to stay with the organization. They seldom leave the company training makes the employees versatile in operations. Flexibility is, therefore, ensured. Growth indicates prosperity, which is reflected in increased profits from year to year. Accidents, scrap and damage to machinery and equipment can be avoided or minimized through training. Further needs of employees will be met through training and development programmes?

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## 15.10 RESPONSIBILITY FOR TRAINING

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Training is the responsibility of four main groups.

1. The top management, which frames the training policy.
2. The personnel management department, which plans, establishes and evaluates instructional programmes.
3. Supervisors, who implement and apply developmental procedure, and
4. Employees, who provide feedback, revision and suggestions for corporate educational endeavors.

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## 15.11 PRINCIPLES OF TRAINING

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1. Top management should give high priority and take personal interest and decide upon the training policy based on organizational objective.
2. Managerial and supervisory personnel must be made to involve and should be impressed upon regarding the benefits of training.
3. Training programme must be need-oriented and be accepted to all concerned.
4. Selection of trainees must be made on the basis of interest in the learning and acquiring skill process.
5. Duration must be short enough to spare the employees without hampering regular/normal work.
6. The number of participants limited to 15 or 20 in order that they can interact and take active part in the programme.
7. As far as possible supervisor officers of the trainees should not be present in the training area to enable the trainees to express their ideas and opinion freely.
8. Training must be arranged outside the industry and the participants freed mentally and physically from the routine duties.
9. Regular follow-up procedure to evaluate the usefulness of the course as well as trainees programme.

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## 15.12 TRAINING METHODS

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As a result of research in the field of training, a number of programmes are available. Some of these are new methods, while others are improvements over the traditional methods. The training programmes commonly used to train operative and supervisory personnel are discussed below. These programmes are classified into on-the job and off-the job training programmes.

### 15.12.1 On-The-Job-Training Methods

This type of training, also known as job instruction training, is the most commonly used methods. Under this method, the individual is placed on a regular job and taught the skills necessary to perform that job. The trainee learns under the supervision and guidance of a qualified worker or instructor. On-the-job training has the advantage of offering first hand knowledge and experience under the actual working conditions. On-the-job training methods include job rotation, coaching, job instruction or training through step-by-step and committee assignments.

#### 15.12.1.1 Job Rotation

This type of training involves the movement of the trainee from one job to another. The trainee receives job knowledge and gains experience

from his supervisor or trainer in each of the different jobs assignment. Though this type of training is common in training, managers for general management positions, trainees can also be rotated from job-to-job in workshop jobs. This method gives an opportunity to the trainee to understand the problems of employee on other jobs and respect them.

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### **15.12.1.2 Coaching**

The trainee is placed under a particular supervisor who functions as a 'coach' in training the individual. The supervisor provides feedback to the trainee on his performance and offers him some suggestions for improvement. Often the trainee shares some of the duties and responsibilities of the coach and relieves him of his burden. A limitation of this method of training is that the trainee may not have the freedom or opportunity to express his own ideas.

### **15.12.1.3 Job Instruction**

This method is also known as training through step by step. Under this method, trainer explains the trainee the way of doing the jobs, job knowledge and skills and allows him to do the job.

### **15.12.1.4 Committee Assignments**

Under the committee assignment, group of trainees are given and asked to solve an actual organizational problem. The trainees solve the problem jointly. It develops team work.

## **15.12.2 Off-The-Job-Training Methods**

Under this method of training, trainee is separated from the job situation and his attention is focused upon learning the material related to his future job performance. Since the trainee is not distracted by job requirements, he can place his entire concentration on learning the job rather than spending his time in performing it. There is an opportunity for freedom of expression for the trainees. Off-the-job training methods are as follows:

### **15.12.2.1 Vestibule Training**

In this method, actual work conditions are simulated in a classroom. Material, files and equipment, those are used in actual jobs performance are also used in training. This type of training is commonly used for training personnel for clerical and semi-skilled jobs. The duration of this training ranges from a few days to a few weeks. Theory can be related to practise in this method.

### **15.12.2.2 Role Playing**

It is defined as a method of human interaction that involves realistic behaviour in imaginary situations. This method of training involves

action, doing and practice. This method is mostly used for developing interpersonal interactions and relations.

### **15.12.2.3 Lecture Method**

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The lecture is a traditional and direct method of instruction. The instructor organizes the material and gives it to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees. The major limitation of the lecture method is does not provide for transfer of training effectively.

### **15.12.2.4 Conference or Discussion**

It is a method in training the clerical, professional and supervisory personnel. This method involves a group of people who pose ideas, examine and share facts, ideas and data, test assumptions, and draw conclusions, all of which contribute to the improvement of job performance. Discussion has the distinct advantage over the lecture method in that the discussion involves two-way communication and hence, feed back is provided. The participants feel free to speak in small groups. The success of this method depends on the leadership qualities of the person, who leads the group.

### **15.12.2.5 Programmed Instruction**

In recent years, this method has become popular. The subject matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instruction. The trainee goes through these units by answering questions or filling the blanks. This method is expensive and time consuming.

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## **15.13 STEPS IN TRAINING PROGRAMMES**

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Training programmes are a costly affair, and a time consuming process. Therefore, they need to be drafted very carefully. Usually in the organization of training programmes, the following steps are considered necessary.

1. Discovering or identifying the training needs
2. Getting ready for the job
3. Preparation of the learner
4. Presentation of operation and knowledge
5. Performance try-out
6. Follow-up and Evaluation of the programme

### **15.13.1 Discovering or Identifying Training Needs**

A training programme should be established only when it is felt that it would assist in the solution of specific operational problems. The most

important step, in the first place, is to make a thorough analysis of the entire organization, its operations and manpower resources available in order to find out "the trouble spots" where training may be needed.

Identification of training needs must contain three types of analyses are organizational analysis, operations analysis and man analysis.

Organizational analysis centre primarily upon the determination of the organizations goals, its resources, and the allocation of the resources as they relate to the organizational goals. The analysis of the organizational goals establishes the framework in which, training needs can be defined more clearly.

Operational analysis focuses on the task or job regardless of the employee doing the job. This analysis includes the determination of the worker must do the specific worker behaviour required, if the job is to be performed effectively.

Man analysis reviews the knowledge, attitudes and skills of the incumbent in each position and determines what knowledge, attitudes or skills he must acquire and what alterations in his behaviours he must make if he is to contribute satisfactorily to the attainment of organizational objectives.

### **15.13.2 Getting Ready for the Job**

Under this step, it is to be decided who is to be trained, the newcomer or the older employee, or the supervisory staff, or all of them selected from different departments. The trainer has to be prepared for the job, for he is the key figure in the entire programme.

### **15.13.3 Preparation of the Learner**

Following are the steps involved in the preparation of the learner:

- (a) in putting the learners at ease.
- (b) in stating the importance and ingredients of the job, and its relationship to work flow.
- (c) in explaining why he is being taught.
- (d) in creating interest and encouraging questions, finding out what the learner already knows about his job or other jobs.
- (e) in explaining the 'why' of the whole job and relating it to some job the worker already knows.
- (f) in placing the learners as close to his normal working position as possible.
- (g) in familiarizing him with the equipment, materials, tools and trade terms.

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### **15.13.4 Presentation of Operation and Knowledge**

This is the most important step in a training programme. The trainer should clearly tell show, illustrate and question in order to put over the new knowledge and operations. The learner should be told of the sequence of the entire job, and why each step in its performance necessary. Instructions should be given clearly, completely and patiently; there should be an emphasis on key points and one point should be explained at a time. For this purpose, the trainer should demonstrate or make use of audio-visual aids and should ask the trainee to repeat the operations. He should also be encouraged to ask questions in order to indicate that he really knows and understands the job.

### **15.13.5 Performance Try Out**

Under this, the trainee is asked to go through the job several times slowly, explaining him each step. Mistakes are corrected, and if necessary, some complicated steps are done for the trainee the first time. The trainee is asked to do the job, gradually building up skill and speed. As soon as the trainee demonstrates that he can do the job in a right way, he is put on his own, but not abandoned.

### **15.13.6 Follow-up**

This step is undertaken with a view to testing the effectiveness of training efforts. This consists in:

- (a) Putting a trainee "on his own"
- (b) Checking frequently to be sure that he has followed instructions, and
- (c) Tapering off extra supervision and close follow-up until he is qualified to work with normal supervision. It is worth remembering that if the learner hasn't learnt, the teacher hasn't taught.

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## **15.14 IMPLEMENTATION OF THE TRAINING PROGRAMME**

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Once the training programme has been designed, it needs to be implemented. Implementation is beset with certain problems. In the first place, most managers are action-oriented and frequently say they are too busy to engage in training efforts. Secondly, availability of trainers is a problem. In addition to possessing communication skills, the trainers must know the company's philosophy; its objectives, its formal and informal organization, and the goals of training programme. Training and development requires a higher degree of creativity than, perhaps, any other personnel specialty.



Programme implementation involves action on the following lines:

- (a) Deciding the location and organizing training and other facilities
- (b) Scheduling the training programme
- (c) Conducting the programme.
- (d) Monitoring the progress of trainees

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## 15.15 EVALUATION OF TRAINING PROGRAMME

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Evaluation is an essential feature of all programmes for the training of employees. The concept of evaluation is most commonly interpreted in determining the effectiveness of a programme in relation to its objectives.

Evaluation can be done for various purposes. The evaluator should be clear about why he has been asked to evaluate training. Evaluation of training programme may be done.

1. To increase effectiveness of the training programme while it is going on.
2. To increase the effectiveness of the programmes to be held next time.
3. To help participants to get the feedback for their improvement and efficient.
4. To find out to what extent the training objectives are achieved.

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## 15.16 EFFECTIVE MANAGEMENT

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The basic objective of management functions and techniques is to make one an effective manager. The organizations require effective managers because these bears cost for employing them. However, the basic question is: who is an effective manager? From, this point of view, one must identify the various characteristics of effective managers so that attempts are made to correlate the various functions of management for achieving effectiveness.

Truly speaking, the concept and criteria of effectiveness are quite debatable points in management. Effectiveness is not one-dimensional concept that can be measured and predicted from a set of clear-cut criteria. However, managerial effectiveness can be defined mostly in terms of organizational goal-achieving behaviour.

### 15.16.1 Effectiveness and Efficiency

Often a confusion arises between effectiveness and efficiency as both these terms are used quite closely and, sometimes, interchangeably,

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though both these denote different states of affairs. For example, **Barnard** has viewed that:

*“Organization effectiveness is the degree to which operative goals have been attained while the concept of efficiency represents the cost/benefit rate incurred in the pursuit of these goals”.*

Thus, effectiveness is related to goals which is externally focused. Efficiency is used in engineering way and it refers to the relationship between input and output. This denotes how much inputs have been used to produce certain amount of outputs. It is not necessary that both go together always. For example, **Barnard** says that, *“When unsought consequences are trivial, or insignificant, effective action is efficient: when unsought consequences are not trivial, effective action may be inefficient”.* These may be three types of situations:

1. An organization may be efficient but may not be effective.
2. An organization may be effective but may not be effective.
3. An organization may both efficient and effective.

In the first situation, the organization may be efficient but it may not be effective because efficiency refers to internal conversion processes whereas effectiveness reflects external phenomenon.

In the second situation, an organization may be effective at a point of time without being efficient. It may not be efficient but because of the external environment, it may earn profit and show effectiveness.

In the third situation, an organization may be efficient and effective both at the same time. Many types of organizations may fall under this category, and this is the situation which is required for the long-term survival of organization. It is in this situation that people tend to use efficiency and effectiveness interchangeably.

### 15.16.2 Effectiveness Manager

An effective manager is one who is positive in his personality, that is, what type of person he is, his managerial process, and results of his managerial process, although all these are interdependent.

1. **The Person:** The Basic question in this context is what types of persons are most likely to become effective managers, and what types fail? There are various such studies to suggest the possible personal qualities of a successful manager.
2. **The Process:** Managerial effectiveness depends upon the managerial process involved in managing the affairs of the organization. In this category, there is a long list, because it is not just possible to specify here the behaviour of a manager as related to his various functions. However; the following are some of the important behaviours of effective managers.

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- (i) They manage people instead of work.
- (ii) They plan and organize effectively.
- (iii) They set goal realistically.
- (iv) They derive decision by group consensus but accept responsibility for them.
- (v) They delegate frequently and effectively.
- (vi) They rely on others for help in solving problems.
- (vii) They communicate effectively.
- (viii) They are stimulus to action.
- (ix) They coordinate effectively.
- (x) They cooperate with others.
- (xi) They show consistent and dependable behaviour.
- (xii) They win gracefully.
- (xiii) They express hostility tactfully.

3. **The Results:** Effective managers and effective managing will lead inevitably to good things, that is, the achievement of goals for which they are working in the organization. Thus, what will be the outcome depends upon the type of organizations they are working for. There may be some conflict about the organizational goals and their measurement criteria, but here it is sufficient to say that managerial actions and behaviours must contribute to the realization of organizational goals.

### SUMMARY

- Training and development programmes, help to remove performance deficiencies in employees.
- On-the-job training methods include job rotation, coaching, job instruction or training through step-by-step and committee assignments.
- A training programme should be established only when it is felt that it would assist in the solution of specific operational problems.
- Evaluation is an essential feature of all programmes for the training of employees. The concept of evaluation is most commonly interpreted in determining the effectiveness of a programme in relation to its objectives.
- An effective manager is one who is positive in his personality, that is, what type of person he is, his managerial process, and results of his managerial process, although all these are interdependent.

- Managerial effectiveness depends upon the managerial process involved in managing the affairs of the organization.

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**REVIEW QUESTIONS**

1. Are management and administration different? How will you resolve their terminological conflict?
2. What is the nature of management principles? How do they contribute in effective managing? What precautions will you take while applying management principles in practice?
3. What is effective management? How does effectiveness differ from efficiency?
4. Discuss the main characteristics of an effective manager.

**★ STRUCTURE ★**

- 16.1 Introduction
- 16.2 Direction Defined
- 16.3 Features
- 16.4 Importance of Direction
- 16.5 Principles of Direction
- 16.6 Elements of Direction
- 16.7 Managing and the Human Factor
- 16.8 Creativity and Innovation
- 16.9 Harmonizing Objectives: The Key to Leading
  - Summary
  - Review Questions

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**16.1 INTRODUCTION**

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Direction represents one of the essential functions of management because it deals with human relations. Direction is also, frequently and by some, labeled as 'actuating'. Once the organizational plans have been laid down, the structure being designed, and competent people brought in to fill various positions in organization, direction starts. Direction is the managerial function of guiding, motivating, leading, and supervising the subordinates to accomplish desired objectives. Acquiring physical and human assets and suitably placing them will not suffice; what is more important is that people must be directed toward organizational goals. Without proper direction and supervision employees become inactive, dull and inefficient and consequently the physical assets like machinery and plant will be put to ineffective use.

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**16.2 DIRECTION DEFINED**

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Direction is the essence of all operations in an organization. It is defined as the process of instructing, counseling, guiding, motivating and leading the human factor to achieve organizational goals effectively.

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1. Direction consists of the process and techniques utilizing in issuing instructing and making certain that operations are carried out as originally planned. (Haimann).
2. Direction is a complex function that includes all those activities which are designed to encourage subordinates to work effectively and efficiently in both the short and long run. [Koontz and O'Donnell].
3. Direction is telling people what to do and seeing that they do it to the best of their ability. (Date).

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### **16.3 FEATURES**

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The basic features of 'direction'—as revealed by the above definitions — may be stated thus:

1. Direction is an indispensable managerial function because it deals with human resources and human relations.
2. Direction is aimed at maintaining harmony among employees and groups in an organization.
3. Direction is the process around which all other management function evolve. Direction, therefore, represents the 'nucleus' of an organization.
4. Direction is necessary to integrate the individual and organizational goals.
5. Direction consists of four elements, viz., communication, motivation, leadership, and supervision.
6. Direction is universal and all-pervading function in the sense managers perform this function at all levels in an organization.
7. Direction is a continuous function. It is ongoing process; not just one-shot deal.
8. Direction provides link between different functions in an organization.

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### **16.4 IMPORTANCE OF DIRECTION**

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Direction is both complex and important. It is complex because it deals exclusively with people. While dealing with people a manager quite often than not performs a tight-rope walk. It is not a simple feat for the manager to direct people at work. Direction is important because in its absence subordinates may not perceive the organizational goals. Subordinates must be communicated what the organizational goals are, what the employees should do to achieve them, how they should do their jobs etc. Direction is important because of the following reasons:

1. Directing bridges the gap between managerial decisions and actual execution by people.

2. Direction is the 'make-happen' phase of management.
3. Direction is an integrating function of management as it effectively integrates the individual goals with organizational objectives. In the absence of integration the individual goals may be incongruent with the fundamental organizational objectives. As Koontz and O'Donnell contend " ...People are not primarily interested in enterprise objectives; they have objectives of their own." In order to manage effectively a manager should integrate the individual goals with the organizational objectives.
4. Direction facilitates the introduction of changes in an organization. People have a tendency of resisting change in organization; they need direction to accept and implement changes in the right direction for the betterment of an organization.

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## 16.5 PRINCIPLES OF DIRECTION

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- (a) **Harmony of Objectives:** Direction function must first of all resolve the conflict between individual goals and organizational objectives. A manager must try to bring harmony and fusion between individual employees, groups and organization. A manager should foster the sense of belonging to the organization among the individuals so that they can identify themselves with the company. When both the interests are integrated contribution of subordinates to the company will be maximum. It leads to efficiency and effectiveness.
- (b) **Utility of Direction:** A sound principle of direction is that the subordinates should receive orders from one and only one superior. That means to say there should not be dual subordination. Dual subordination brings disorder confusion, chaos and undermines authority superior. Any violation of this principles may be catastrophic to the organization.
- (c) **Direct Supervision:** Since direction involves motivation the employees toward work, it is almost essential for the manager concerned to have a personal touch with the subordinates and involve in face-to-face communication regarding the work-related matters. He would also develop informal relationships with the employees. Direct supervision makes the subordinates happy and boosts their morale. Since the employee will have direct access to the boss he would like to be participative. Direct supervision also ensures quick feedback of necessary information.
- (d) **Appropriate Leadership Style:** Leadership is a process of influencing the employees in the work environment. A manager should exhibit appropriate leadership style. Leadership style is a function of characteristics of leader, characteristics of subordinates,

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and the situation. Long back it was held that leadership is the ability to recognize and exploit the drama of the moment, hold or steal the floor, and move events in a direction that allows people to achieve their preordained destiny (great man theory). History of an organization is but the curriculum vitae of great men. Human relations-oriented executives have, however, an obsessive interest in informal leadership, i.e. particular style. But the recent contingency theories of leadership have highlighted the view that the leadership is largely situational. In some situations, the autocratic or hard-nosed leadership style is better and in some others the soft-hearted or participative style of leadership will yield fruitful results.

- (e) **Use of Motivation Techniques:** A manager should know how to motivate and inspire the employees. A manager should develop selective motivation techniques such as money, pay, status, job enrichment, etc. so that the productivity and the quality of the commodity produced increases. Motivation almost always leads to higher job satisfaction. To direct properly and motivate the employees an executive must have insight into how his personality works, how employees perceive the work environment, the attitudes of employees, etc. Understanding others and self are important for this. Understanding self is important for understanding others; understanding other is necessary for motivating them effectively.
- (f) **Follow-up:** Successful direction is a never-ending activity. It involves constant and continuous supervision, coaching, advice, counseling and helping the employees in their respective activities. Direction is also concerned with ensuring that people do what they are told to do. This requires continuous feedback. Feedback is essential to turn or stop or adjust the wheel of management-in-action.

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## 16.6 ELEMENTS OF DIRECTION

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Direction is one of the essential functions in administration. Direction is a part of supervision, as Newman pointed out, and supervision refers to the day-to-day relationship between an executive and his immediate assistant. Direction is commonly used to cover the training, direction, motivation, coordination, maintenance of discipline, etc. Direction involves the following elements:

- (a) good instructions,
- (b) follow-up of instructions,
- (c) standard practice and indoctrination,
- (d) explanations,
- (e) consultative direction.



- (a) **Good Instructions:** As William Newman has rightly pointed out every instruction given by the manager in the process of directing the employees must be reasonable, complete and clear. The instructions must be in written. Written instructions are desirable when several individuals are subject to or directly affected by instructions, and execution of the instructions will extend over a considerable period of time and the matter is of such importance that special steps to avoid the possibility of misunderstanding are needed.
- (b) **Follow-up of Instructions:** Another well-recognized principle is that once the orders are issued, they should be followed up to see whether they are executed properly or the instructions should be countermanded. If the executive is indifferent in follow-up, it will lead to administration lax, time schedules become insignificant and will result in inefficiency. Insistence on execution of instructions is essential to ensure efficiency in direction.
- (c) **Standard Practice and Introduction:** The use of standard operating procedures and customary ways of doing things is an essential part of direction. Standard practice simplifies the instruction to be given by a manager. Unfortunately, a large part of inadequate direction can be traced to misunderstanding about standard practice. Another associated aspect of standard practice is the indoctrination. Indoctrination means instilling in subordinates a set of beliefs and attitudes so that they look upon an operating situation in a desirable fashion.
- (d) **Explanations:** While issuing instructions, the manager should explain why the order is given.
- (e) **Consultative Direction:** Before an order is issued, the people responsible for executing it will be consulted about its feasibility, workability and the better ways of accomplishing the results.

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## 16.7 MANAGING AND THE HUMAN FACTOR

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By managing, here, we mean the directing function of management. Understanding the human factor is important for an excellent performance of the directing function; as selection of motivational techniques and adoption of an appropriate leadership style—will all depend on—how the manager—direction views the human nature.

The discussion about the above stated caption centres around two factors:

- (a) General considerations to be borne in mind by managers, while directing people; and
- (b) Certain important models of human beings.

Let us comment on both of the above two categories of factors.

### 16.7.1 General Considerations

While directing subordinates, managers must keep in mind the following fundamental facts about people they are directing, leading, motivating or communicating with:

#### NOTES

- (i) **People play a multiplicity of roles in society:** Individuals working in an organization are not merely a productive factor, they are also members of families, schools, trade association, political parties, etc. In fact, the behaviour of people is a complex outcome of the multiplicity of roles, they play in society; and this complex behaviour is a matter of concern for managers, while performing the directing function.
- (ii) **There is no average person:** Organizations develop rules, procedures, position description, etc. on the implicit assumption that all people are alike. However, it is true that each individual is unique in respect of needs, ambitions, attitudes, knowledge, desire for responsibility. Unless and until this complexity and individuality of people is understood; there is all the danger that motivational techniques, leadership styles and communication systems may be misapplied, producing hopeless results.
- (iii) **Personal dignity is important:** Whatever be the position of an individual in the organization (from the chief executive to first line superior and worker); the concept of individual dignity must be observed which implies that all persons must be treated with respect. In fact, each person contributes to the objectives of the enterprise in a unique manner; and hence deserves respect.
- (iv) **The 'Whole Person' must be considered:** An individual is a total (or whole) person influenced by inputs received from external factors such as family, friends, neighbours, political links, etc. People cannot divest themselves of the impact of these forces, when they come to work. In fact, the manager must view an individual's behaviour and personality from a system's perspective; and prepare himself to deal with people accordingly.

### 16.7.2 Models of Human Beings

In order to understand people, many models have been developed; some important of which have been described:

#### (i) *Edger H. Schein's Model*

Schein has developed four conceptions about people:

- (a) **Rational Economic Man:** This model is based on the assumption that people are primarily motivated by economic incentives. They

are essentially passive and are motivated and controlled by the organization.

- (b) **Social man:** This model is based on the idea that, basically, people are motivated by social needs; and social forces of peer group are more important than controls exercised by the management.
- (c) **Self-actualizing man:** This model is based on Maslow's need hierarchy concept; according to which human needs fall into five classes in a hierarchy ranging from basic needs to needs for self-realisation (or self-actualisation). Self-actualisation requires the maximum use of a person's potential. According to this model, then, it can be inferred that people are self-motivated.
- (d) **Complex-man model:** This model presents Schein's own view of people. It is based on the idea that people are complex and variable and have many motives which combine into a complex motive pattern. As such, people respond to managerial strategies in different and unique ways.

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(ii) **Lyman W. Porter's (and his colleagues) Model**

Lyman W. Porter, Edward E. Lawler, III and J. Richard Hackman have identified six models of human behaviour classified into three contrasting categories, as described below:

- (a) **Rational or Emotional Model:** According to rational view, people behave rationally and make decisions based on an objective analysis of different alternatives. A manager having this view of people, will interact and deal with them on a rational basis; but ignoring the human side of their personalities.

According to emotional view, people are primarily ruled by their emotions; some of which are uncontrollable. A manager holding this view of people would always try to unearth (or discover) the underlying psychological causes of people's behaviour.

- (b) **Behaviouristic or Phenomenological Model:** According to behaviouristic view, people's behaviour is controlled by their environment. Managers holding this view of people would suggest and try to change the environment of the organization to get desired behaviour from subordinates.

The phenomenological view is just the opposite. It suggests that people are unpredictable, unique, subjective and relative; but have potential. A manager holding this view of people would probably try to understand the complex functioning of the brain of subordinates, from where their behaviour originates - something which is not possible.

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- (c) **Economic or Self-Actualizing Model:** According to economic view, people get satisfaction from monetary rewards, and money is the most important motivator to be applied to get maximum contribution from people. According to self-actualising view, people want to increase their competence and strive to use their potential. A manager holding this view of people should establish an environment which helps people to realise their full potential and reach upto the highest level of progress.

(iii) **Douglas Mc Gregor's Theory X and Theory Y**

McGregor has given two sets of assumptions about human behaviour contained in Theory X and Theory Y.

(Please refer to chapter on motivation, for a detailed account of these theories):

(iv) **Raymod E. Miles' Model**

Miles has given a theory of management which is called 'dual-model theory'.

Miles has suggested three models of people

- traditional model
- human relations model
- human resources model

In fact, managers believe in two models at the same time; one for their subordinates (*i.e.*, the way they manage subordinates) and the other for themselves (*i.e.*, the way they believe they should be managed by their superiors). Hence, Miles's theory of management is called a dual model theory.

Following is a brief account of the three models of people, as suggested by Miles:

- (1) **Traditional Model:** According to this model, for people work is distasteful and less important; and money which they earn by doing work is more important. Hence, managers must closely supervise and control subordinates. In fact, people can tolerate work, if the pay is decent and the boss is fair.
- (2) **Human Relations Model:** According to this model, social needs of people are more important than money, in motivating them to work. Satisfying social needs will improve morale and reduce resistance to formal authority on the part of subordinates.
- (3) **Human Resources Model:** According to this model, people want to contribute to meaningful goals; which they have established for themselves. They desire to exercise self-direction and self control. Manager's basic task is to make use of 'untapped' human resources; by creating an environment in which people may contribute to the limits of their ability.

## 16.8 CREATIVITY AND INNOVATION

An important factor in managing people is creativity. A distinction can be made between creativity and innovation. The term creativity usually refers to the ability and power to develop new ideas. Innovation, on the other hand, usually means the use of these ideas. In an organization, this can mean a new product, a new service, or a new way of doing things. Although this discussion centers on the creative process, it is implied that organizations not only generate new ideas but also translate them into practical applications.

### NOTES

### 16.8.1 The Creative Process

The creative process is seldom simple and linear. Instead, it generally consists of four overlapping and interacting phases: (1) unconscious scanning, (2) intuition, (3) insight, and (4) logical formulation.

The first phase, unconscious scanning, is difficult to explain because it is beyond consciousness. This scanning usually requires an absorption in the problem which may be vague in the mind. Yet managers working under time constraints often make decisions prematurely rather than dealing thoroughly with ambiguous, ill-defined problems.

The second phase, intuition, connects the unconscious with the conscious. This stage may involve a combination of factors that may seem contradictory at first. For example, in the 1920s Donaldson Brown and Alfred Sloan of General Motors conceived the idea of a decentralized division structure with centralized control—concepts which seem to contradict each other. Yet the idea makes sense when one recognizes the underlying principles of

- (1) giving responsibility for the operations to the general manager of each division, and
- (2) maintaining centralized control in headquarters over certain functions. It took the intuition of two great corporate leaders to see that these two principles could interact in the managerial process.

Institution needs time to work. It requires that people find new combinations and integrate diverse concepts and ideas. Thus, one must think through the problem. Intuitive thinking is promoted by several techniques such as brainstorming and synectics, which will be discussed shortly.

Insight, the third phase of the creative process, is mostly the result of hard work. For example, many ideas are needed in the development of a usable product, a new service, or a new process. Interestingly, insight may come at times when the thoughts are not directly focused on the problem at hand. Moreover, new insights may last for only a few minutes, and effective managers may benefit from having paper and pencil ready to make notes of their creative ideas.

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The last phase in the creative process, is logical formulation or verification. Insight needs to be tested through logic or experiment. This may be accomplished by continuing to work on an idea or by inviting critiques from others. Brown and Sloan's idea of decentralization, for example, needed to be tested against organizational reality.

### **16.8.2 Techniques to Enhance Creativity**

Creativity can be taught. Creative thoughts are often the fruits of extensive efforts, and several techniques are available to nurture those kinds of thoughts, especially in the decision-making process. Some techniques focus on group interactions; others focus on individual actions. As illustrative of the various techniques, two popular ones are brainstorming and synectics.

**Brainstorming:** One of the best-known techniques for facilitating creativity has been developed by Alex F. Osborn, who has been called "the father of brain storming." The purpose of this approach is to improve problem solving by finding new and unusual solutions. In the brainstorming session, a multiplication of ideas is sought. The rules are as follows:

1. No ideas are ever criticized.
2. The more radical the ideas are, the better.
3. The quantity of idea production is stressed.
4. The improvement of ideas by others is encouraged.

Brainstorming, which emphasizes group thinking, was widely accepted after its introduction. However, the enthusiasm was dampened by research which showed that individuals could develop better ideas, working by themselves than they could working in groups. Additional research, however, showed that in some situations the group approach may work well. This may be the case when the information is distributed among various people or when a poorer group decision is more acceptable than a better individual decision which, for example, may be opposed by those who have to implement it. Also, the acceptance of new ideas is usually greater when the decision is made by the group charged with its implementation.

**Synectics:** Originally known as the Gordon technique (named after its creator, William J. Gordon), this system was further modified and became known as synectics. In this approach, the members of the synectics team are carefully selected for their suitability to deal with the problem, a problem which may involve the entire organization.

The leader of the group plays a vital role in this approach. In fact, only the leader knows the specific nature of the problem. This person narrows and carefully leads the discussion without revealing the actual problem itself. The main reason for this approach is to prevent the group from reaching a premature solution to the problem. The system involves a complex set of interactions from which a solution emerges - frequently the invention of a new product.

### 16.8.3 Limitations of Traditional Group Discussion

Although the techniques of brainstorming and synectics may result in creative ideas, it would be incorrect to assume that creativity flourishes only in groups. Indeed, the usual group discussion can inhibit creativity. For example, group members may pursue an idea to the exclusion of other alternatives. Experts on a topic may not be willing to express their ideas in a group for fear of being ridiculed. Also, lower-level managers may be inhibited in expressing their views in a group with higher-level managers. Pressures to conform can discourage the expression of deviant opinions. The need for getting along with others can be stronger than the need for exploring creative but unpopular alternatives to the solution of a problem. Finally, because they need to arrive at a decision, groups may not make the effort of searching for data relevant to a decision.

#### NOTES

### 16.8.4 The Creative Manager

All too often it is assumed that most people are non-creative and have little ability to develop new ideas. This assumption, unfortunately, can be detrimental to the organization, for in the appropriate environment virtually all people are capable of being creative, even though the degree of creativity varies considerably among individuals.

Generally speaking, creative people are inquisitive and come up with many new and unusual ideas; they are seldom satisfied with the status quo.

Although intelligent, they not only rely on the rational process but also involve the emotional aspects of their personality in problem solving. They appear to be excited about solving a problem, even to the point of tenacity. Creative individuals are aware of themselves and capable of independent judgement. They object to conformity and see themselves as being different.

Unquestionably, creative people can make great contributions to an enterprise. At the same time, however, they may also cause difficulties in organizations. Change—as may manager knows—is not always popular. Moreover, change frequently has undesirable and unexpected side effects. Similarly, unusual ideas, pursued stubbornly, may frustrate others and inhibit the smooth functioning of an organization. Finally, creative individuals may be disruptive by ignoring established policies, rules, and regulations.

As a result, the creativity of most individuals is probably underutilized in many cases, despite the fact that unusual innovations can be of great benefit to the firm. However, individual and group techniques can be effectively used to nurture creativity, especially in the area of planning. But creativity is not a substitute for managerial judgement. It is the manager who must determine and weigh the risks involved in pursuing unusual ideas and translating them into innovative practices.

### **16.8.5 Innovation and Entrepreneurship**

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Recently, innovation and entrepreneurship have received considerable attention. When hearing these terms, one thinks immediately of the success stories of people such as Steven Jobs of Apple Computers and Ross Perot of Electronic Data Processing (acquired by General Motors). It may be an appealing thought to get rich and get rich quick, often by establishing new companies.

Peter Drucker suggests that innovation applies not only to high-tech companies but equally to low-tech, established businesses. Worthwhile innovation is not a matter of sheer luck; it requires systematic and rational work, well organized and managed for results.

What does entrepreneurship imply? It suggests dissatisfaction with how things are and awareness of a need to do things differently. Innovation comes about because of some of the following situations.

1. The unexpected event, failure, or success
2. The incongruous—what is assumed and what really is
3. The process or task that needed improvement
4. Changes in the market or industry structure
5. Changes in demographics
6. Changes in meaning or in the way things are perceived
7. Innovation based on knowledge.

Innovations based solely on bright ideas may be very risky and are, at times, not successful. General Electric's ambitious plans for the "factory of the future" may have been a costly mistake. These plans may have been based on unrealistic forecasts and GE's unrealistic expectations to automate industry. The concept of the new factory expressed the wish of the chairperson, who wanted to promote entrepreneurship in an organization that was known to be highly structured.

The most successful innovations are often the mundane ones. Take the Japanese, who make minor innovations (providing, for example, little conveniences that customers like) in their cars or in their electronic equipment. James Brain Quinn found in his research that successful large companies are listening carefully to the needs of their customers. They establish teams that search for creative alternatives to serve their customers - but within a limiting framework and with clear goals in mind.

Innovation is not only relevant to high-tech firms but also crucial for old line, traditional companies which may not survive without the infusion of innovation. Managers in those companies must create an environment that fosters entrepreneurial spirit and actions.



## 16.9 HARMONIZING OBJECTIVES: THE KEY TO LEADING

Understanding the human factor in enterprises is important for the managerial function of leading. How a manager views human nature influences the selection of motivational and leadership approaches. A number of models presenting various conceptions of the nature of people have been proposed; however, no single view is sufficient to understand the whole person. Therefore, an elective view of the nature of people is suggested.

People do not work in isolation; rather, they work to a great extent in groups toward the achievement of personal and enterprise objectives. Unfortunately, these objectives are not always harmonious. Likewise, the goals of subordinates are not always the same as those of the superior. Therefore, one of the most important activities of managers is to harmonize the needs of individuals with the demands of the enterprise.

Leading bridges the gap between, on the one hand, logical and well considered plans, carefully designed organization structures, good programmes of staffing, and efficient control techniques, and, on the other hand, the need for people to understand, to be motivated, and to contribute all they are capable of to enterprise and department goals. There is no way that a manager can utilize the desires and goals of individuals to achieve enterprise objectives without knowing what these individuals want. Even then, managers must be able to design an environment that will take advantage of these individual drives. Managers must know how to communicate with and guide their subordinates so that they will see how they serve their own interests by working creatively for an organization.

### SUMMARY

- Direction is the essence of all operations in an organization. It is defined as the process of instructing, counseling, guiding, motivating and leading the human factor to achieve organizational goals effectively.
- Motivation almost always leads to higher job satisfaction.
- According to emotional view, people are primarily ruled by their emotions; some of which are uncontrollable. A manager holding this view of people would always try to unearth (or discover) the underlying psychological causes of people's behaviour.

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- The term creativity refers to the ability and power to develop new ideas. Innovation, on the other hand, usually means the use of these ideas.
- Managers must know how to communicate with and guide their subordinates so that they will see how they serve their own interests by working creatively for an organization.

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### **REVIEW QUESTIONS**

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1. Define Direction.
2. Explain the Principles involved in Direction.
3. List out the elements of direction.
4. Write short notes on human factor.
5. Define the term managing.
6. Differentiate creativity and innovation.
7. Write briefly about the term Harmonizing objective.

## ★ STRUCTURE ★

## NOTES

- 17.1 Meaning
- 17.2 Nature of Leadership
- 17.3 Need for Leadership
- 17.4 Distinction Between Leadership and Headship or Domination
- 17.5 Leadership Theories
- 17.6 Importance of Leadership in Management
- 17.7 Functions of Leadership
- 17.8 Types of Leaders
- 17.9 Qualities of Leadership
  - Summary
  - Review Questions

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### 17.1 MEANING

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Leadership is too complex a term to be defined in a simple and straight manner. There are many factors involved in successful leadership and it is not possible to identify or measure all of them. The presence of successful leadership can only be felt in terms of the results of group working i.e., profits, quality of output, employee morale, consumer satisfaction, enterprise image, and so on.

The following definitions refer to different aspects of leadership be,

**Chester Barnard:** Leadership is the "ability of a superior to influence the behaviour of his subordinates and persuade them to follow a particular course of action".

**Koontz and O' Dannel:** "Leadership is the ability of a manager to induce subordinates to work with confidence and zeal".

**Alien:** "Leader is one who guides and directs other people. He must give effective direction and purpose".

**George R. Terry:** "Leadership is the activity of influencing people to strive willingly for mutual objectives".

**Robert C. Appleby:** Leadership is "a means of direction is the ability of management to induce subordinates to work towards group ideas with confidence and keenness".

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## 17.2 NATURE OF LEADERSHIP

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Leadership may be viewed variously as (a) a status group; (b) a focal person; (c) a functions; and (d) process.

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- (a) **Leadership as a Status Group:** It refers to a situation whereas person acquires leadership by reason of his heredity (as when he is a descendant of a royal family), or election, or appointment to a position.
- (b) **Leadership as a Focal Person:** According to this view, leadership vests the in people who are traditionally regarded as leaders by virtue of managerial positions held by them, such as in the case of directors, executives, administrators, managers, chiefs, etc.
- (c) **Leadership as a Function:** The leadership function consists in facilitating the achievement of group goals. The person who performs this function is regarded as the leader. As a result, while there are several people involved in working towards accomplishment of group goals and many complex factors, including a sheer luck, which may affect the outcome, the credit of discredit for success or failure of the collective endeavor is attributed to the leader of the group.
- (d) **Leadership as a Process:** According to this view, leadership is an interactive process in which leadership and followers exchange influence, i.e., the leaders influence the followers by his ideas, direction and support, and the followers influence the leader by their contribution to the achievement of group goals. And because there is positive balance of influence in favour of the leader, the followers accept his power in the case of an informal group; and his authority in the case of a formal group. In this sense, a person can be an effective leader only so long as his followers accept his power of authority.

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## 17.2 NEED FOR LEADERSHIP

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An organization needs leadership on a continuous basis. The following reasons highlight the need for leadership.

1. **Imperfect Organization Structure:** It is not possible for any organization structure to provide to all kinds of relationships. This explains the existence of informal group within the framework of a formal organization. With effective leadership, imperfection of a formal organization structure may be corrected and the formal and informal groups may be made to work in unison.
2. **Technological, Economic and Social Changes:** In the face of rapid technological economic and social changes, the organization

is required to effect suitable changes in its operations and style. For example, in the event of a fall in demand, it may discontinue production of certain goods and services, or take up production of alternative goods and services. Only an effective leadership can enable it to meet the challenges posed by environmental factors.

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3. **Internal Imbalances Inspired by Growth:** As an organization grows in size and complexity, it may develop certain imbalances. For example, increase in organizational activities may lead to increase in the levels of management, thus adding to complexity of the organization structure, and problems of command, co-ordination and control of work at all levels. Only an effective leadership can steer the organization through such situations.
4. **Nature of Human Memberships:** Persons working in an enterprise come from different backgrounds and have different interests, values, beliefs and intellectual and temperaments make-up.

Again, each member is a part of different social groups, e.g., the family, neighbourhood group, etc. which are external to the organization and beyond its control. The influence of these groups on the attitudes and behaviour of the individual members may at times create a conflict between individual goals and group interest.

An effective leadership can create a suitable motivational framework which provides for satisfaction of different needs and motives of the organization members as also resolution of individual - group conflicts.

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## 17.4 DISTINCTION BETWEEN LEADERSHIP AND HEADSHIP OR DOMINATION

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Leadership is different from headship or domination. Headship refers to people who are placed in their positions by virtue of official authority or historical accident, with little control over circumstances. For example, the head of a family or educational or military organization may exercise authority, but may not necessarily be the leader of his subordinates because he may not be in position to significantly influence their activities.

Leadership is essentially an influence process, and the leader may be defined as the one who significantly influences the activities of a group toward achievement of stated goals. While it is true that in a group, every member exercises some influence over the others in the group, the influence exercised by the leader is quite significant and the group quite willingly allows him this authority, as it sees him as an effective instrument for fulfilment of its own goals. Thus, it may be said that a group only accepts a person's leadership on its own terms.

To conclude, it may be said that while headship refers to the exercise of legal and formal authority at all levels in the organization, leadership is concerned with the use of non-formal authority at the emotional – motivational level.

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## 17.5 LEADERSHIP THEORIES

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Many of the research studies, particularly by behavioural scientists, have been carried on to find out the answer to the question: what makes leader effective? Is his success due to his personality, or his behaviour, or the types of followers he has, or the situation in which he works, or a combination of all these? These researchers, however, could not give a satisfactory answer of the question. Instead these researches have resulted in various theories or approaches on leadership, the prominent among these being trait theory, behavioural theory, and situational theory. Each theory has its own contributions, limitations, assumptions, and frame work of analysis. The understanding of the various theories of leadership will provide a guideline to judge as how a leader emerges.

### 17.5.1 Trait Approach

Trait is defined as relatively enduring quality of an individual. The trait approach seeks to determine 'what makes a successful leader' from the leader's own personal characteristics. From the very beginning, people have emphasized that a particular individual was successful leader because of his certain qualities or characteristics. Trait approach leadership studies were quite popular between 1930 and 1950. The method of study was to select leaders of eminence and their characteristics were studied. It has the hypothesis that the persons having certain traits could become successful leaders. Various research studies have given intelligence, attitudes, personality, and biological factors. A review of various research studies has been presented by Stodgily. According to him, various trait theories have suggested these traits in successful leaders: (i) Physical and constitutional factors (height, weight, physique, energy, health, appearance), (ii) Intelligence, (iii) Self-confidence, (iv) sociability, (v) will (initiative, persistence, ambition), (vi) dominance, and (vii) surgency (talkative, cheerfulness, geniality, enthusiasm, expressiveness, alertness, and originality). In a later study, Gislis has found supervisory ability, achievement motivation, self-actualizing, intelligence, self-assurance, and decisiveness as the qualities related with leadership success. One summary of leadership research found intelligence in ten studies, initiative in six, extroversion and sense of humor in five, and enthusiasm, fairness, sympathy, and self-confidence in four. The various studies show wide variations in leadership traits. The various traits can be classified into innate and acquirable traits, on the basis of their source.

Innate qualities are those which are possessed by various individuals since their birth. These qualities are natural and often known and God-gifted. On the basis of such qualities, it is said that 'leaders are born and not made'. These qualities cannot be acquired by the individuals.

Acquirable qualities of leadership are those which can be acquired and increased through various processes. In fact, when child is born, he learns many of the behavioural patterns through socialization and identification processes. Such behaviours patterns are developed among the child as various traits over a period of time. Many of these traits can be increased through training programmes.

### **Critical Analysis**

The trait theory is very simple. However, this fails to produce clear-cut results. It does not consider the whole environment of the leadership, of which trait may be only one factor. Moreover, no generalization can be drawn about various traits for leadership as these were considerable variations in traits established by various researches. Jennings has concluded, "Fifty years of study has failed to produce a one-personality trait or set of qualities that can be used to discriminated leaders and non-leaders". In brief, this approach presents the following problems:

1. There cannot be generalization of traits for a successful leaders. This was evident by various researches conducted on leadership traits.
2. No evidence has been given about the degree of the various traits because people have various traits with different degrees.
3. There is a problem of measuring the traits. Though there are various tests to measure the personality traits, however, no definite conclusion can be drawn.
4. There have been many people with the traits specified for leaders, but they were not good leaders.

This approach, however, gives indication that leader should have certain personal characteristics. This helps management to develop such qualities through training and development programmes.

### **17.5.2 Behavioural Approach**

This approach emphasizes that strong leadership is the result of effective role behaviour. Leadership is shown by a person's acts more than by his traits. Though traits influence acts, these are also affected by followers, goals, and the environment in which these occur. Thus, there are four basic elements—leaders, followers, goals and environment—which affect each other in determining suitable behaviour. Leadership acts may be viewed in two ways. Some acts are functional (favourable) to leadership and some are dysfunctional (unfavourable). The dysfunctional acts are also important in leadership because they demotivate employees to

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work together. As such a leader will not act in this way. The dysfunctional acts are inability to accept subordinates' ideas, display of emotional immaturity, poor human relations, and poor communication.

A leader uses these skills—technical, human, and conceptual—to lead his followers. Technical skill refers to a person's knowledge and proficiency in any type of process or technique. Human skills are the ability to interact effectively with people and to build team work. Conceptual skill deals with ideas and enables a manager to deal successfully with abstractions, to set up models and devise plans. Behaviour of a manager in a particular direction will make him a good leader while opposite of this would discard him as a leader. Setting goals, motivating employees for achieving goals, raising the level of morale, building team spirit, effective communication, etc. are the functional behaviour for a successful leader.

### **Critical Analysis**

The basic difference between trait approach and behavioural approach is that former emphasizes some particular trait to the leader while latter emphasizes particular behaviour by him. It is true that favourable behaviour provides greater satisfaction to the followers and the person can be recognized as a leader. However, this approach suffers from one weakness, that is, a particular behaviour at a time may be effective, while at other times may not be effective. This means the time factor becomes a vital element which has not been considered here.

### **17.5.3 Situational Approach**

The prime attention in this approach is given to the situation in which leadership is exercised. Since 1945, much emphasis in leadership research is being given to the situations that surround the exercise of leadership. The contention is that in one situation leadership may be successful while in others it may not.

For the first time, this approach was applied in 1920 in armed forces of Germany with the objective to get good generals under different situations. Winston Churchill was treated to be the most efficient Prime Minister during the Second World War. However, he was a flop afterwards when situation changed. Ohio State University research has given four situations a variable that affect the performance of leadership.

These are:

- (i) The cultural environment
- (ii) Differences between individuals
- (iii) Differences between jobs
- (iv) Differences between organizations.



- (i) **The Cultural Environment:** Culture is a man-made social system of belief, faith and value. Many aspects of life have a significant influence upon behaviour and any understanding of employee's behaviour requires the understanding of culture in which he lives. Culture may interfere with rational production efficiency by requiring actions unnecessary or unrealistic from a national point of view, but necessary from the cultural point of view. Thus, leadership should be directed to influence behaviour of followed in the context of the culture.
- (ii) **Differences between Individuals:** Human behaviour is caused by some combination of antecedent factors. Besides for any given aspect of behaviour, there may be many contributing factors, not causative in nature. There are a variety of such factors which affect behaviour in different ways such as aptitudes, personality characteristics, physical characteristics, interests and motivation, age, sex, education; experience, etc. Within this framework, individuals in the leadership process may be classified as (a) leaders, and (b) follower. The individual's characteristics affect the leadership process. Thus, some persons may perceive a particular leadership style suitable while others may have a different perception. For example, followers with authoritarian personality tend generally to be more comfortable where influence is being exercised.
- (iii) **Differences between Jobs:** People in the organization perform different types of jobs. The importance of placing individuals in jobs which they can perform at a satisfactory levels stems from four different considerations—economics, legal, personal and social. Different job conditions influence leadership behaviour differently. It is because of the fact that demands of job almost inevitably force a leader into certain kinds of activities. Such requirements do much to set the framework within which the leader must operate. It means the number of leadership options available to the individual is thereby reduced.
- (iv) **Differences between Organizations:** Various organizations differ on the basis of their size, age, ownership pattern, objective, complexity, managerial pattern, cultural environment, etc. In different types of organizations, leadership process tends to differ. For example, in military or government administration, leadership behaviour will be different as compared to business organization.

### Critical Analysis

The situational theory of leadership gives the analysis how leadership behaviour differs with situational variables. Thus, the questions, why a manager in a particular situation is successful while in the other

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situation is unsuccessful, is answered by this theory. However, this approach is not free certain limitations which are as follows:

- (i) This theory emphasizes leadership ability of an individual in a given situation. Thus, it measures his present leadership potentialities. Whether this individual will fit in another situation is not answered by this theory.
- (ii) Organizational factors become helpful or constraints to a great extent to an individual leaders in exercising the leadership. Thus, it is difficult to measure his personal abilities as a good leader.
- (iii) The theory does not emphasis the process by which good leaders can be made in the organization. Thus, it puts a constraint over leadership development process.

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## 17.6 IMPORTANCE OF LEADERSHIP IN MANAGEMENT

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By analyzing the functions of leadership, the importance of leadership in management can be stated under the following five heads:

1. **Motive Power to Group Efforts:** Managements, for getting the work done by others, is to supply leadership in the organization. As group efforts and teamwork are essential for realizing organizational goals, leadership, becomes vital for the execution of work. Through the exercise of leadership, managers can influence any group of human work accomplishment. Leadership pulls up the group to a higher level of performance through its work on human relations.
2. **Aid to Authority:** Managers exercise authority in managing people of the organization and their task becomes easy wherever they are aided by leadership. There are serious limits to the use of authority and power in obtaining high performance. Authority alone can never generate the initiative and resourcefulness required in many jobs. But leadership can obtain tangible and improved results of human efforts because of its main reliance on influence. Leadership contains all the essential ingredients of direction for inspiring people and providing the will-to-do for successful work accomplishments.
3. **Emphasis on Human Performance:** Effective leadership is needed at different levels of management from top management down process through its leadership action. It is the social skill of leadership that accomplishes objectives by mobilization and utilization of people. The best of the plans can be founded and the ideal organization structure can be shelved by the deliberate restriction of human efforts at the operating level. High performance of working people is the focal point in managerial work. And this high performance can be secured by leadership of supervisory management.

4. **Integration of Formal with Informal Organizations:** If management fails to provide competent leadership, informal leadership will prevail over management in controlling and regulating the behaviour of employees. Being confronted with such a situation, management fails to influence workers, to improve their performance and to stop employee unrest. Leadership is the natural accompaniment of all associations of human beings. For their personal and social contentment, workers are performed to rely mostly on informal leadership if management cannot provide effective leadership. Competent leadership can, however, integrate informal organizations with formal organization and utilize them constructively for achieving company objectives.
5. **Basis for Cooperation:** Leadership provides the basis for cooperation in several ways. Good two-way communication, man-to-man personal relationship, use of participation and creation of opportunity for need satisfaction are meant for increasing understanding between the leader and his subordinates of their mutual viewpoints. This increased understanding obtained through the interactions of individual personalities promotes favourable feelings and attitudes among them.

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## 17.7 FUNCTIONS OF LEADERSHIP

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1. **Motivating and Guiding Personal:** Leadership provides the vital spark to motivation of human beings. Motivation has its roots in human relations which, in turn, can be fostered and toned up by leadership. Whenever a group of human beings desires to accomplish a common objective, the situation calls for the assistance of leadership. It is the leadership that guides, inspires and directs group members for achieving a unity of purpose and effort. Leadership alone can elevate men's visions to higher thinking and raise their capacity to a higher standard of performance. It infuses such will-to-do into the group working as to secure the best contribution of human energy. Without leadership, a group disintegrates, destroys its team spirit and fritters away its energy.
2. **Influencing and Shaping the Social System:** Leadership is the concomitant of all human associations in our society. Leadership emerges as a natural process in any grouping of human beings. If there is a lack of formal and recognized leadership in the group, informal leadership is bound to develop from the rank and file members of the group. After its emergence leadership persuades the group to have an identity of interest, outlook and action. Leadership provides imagination, foresight, enthusiasm and initiative to the group. It exhibits an imitable code of conduct

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and responsibility, prescribes a high standard of performance and stresses the importance of respect for the individual. Unsatisfactory human performance in any organization can be primarily attributed to poor leadership.

3. **Understanding Followers and Securing Their Cooperation:** Not only the leader influences his followers, but he also is influenced by their problems and feelings. On the basis of information, response and operational facts secured from followers, leader's behaviour and action are modified and made ready for their voluntary cooperation. To grasp followers' problem and feelings properly, however, leadership requires a skill of sympathetic contact, careful listening, correct diagnosing and winning their confidence. A true spirit of cooperation grows principally out of the manner in which the leader deals with his followers.
4. **Creating a Climate for Performance:** For enabling the followers to apply their full capabilities for work accomplishment and to extend their unselfish support, the leader is required to create a climate for performance. With this end in view, the leader must know what motivates his followers and how these motivators operate. The more thoroughly the leader understands the process of motivation, the more effective he is likely to be in getting the work successfully done by his followers.

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## 17.8 TYPES OF LEADERS

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Leadership cannot exist without followers. The characteristics of the followers and the conditions, under which they follow, are materials to the exercise of leadership. The maturity levels of the followers, namely their ability (job maturity) and willingness or motivation (psychological maturity) with to a great extent determine the behaviour of the leader vis-à-vis his followers. Thus, in respect of the followers with low maturity who are neither able nor willing to perform, the leader will have to adopt task behaviour, *i.e.* he will have to tell them what how, when and where the given task is to be performed. Similarly, the leader will have suitably to adjust his behaviour with followers who are but not willing, or willing but not able, or both able and willing.

Based on the types of leader behaviour, leaders may be classified as follows:

1. Autocratic Leader
2. Laissez Faire or Free Rein Leader
3. Democratic Leader
4. Intellectual or Functional Leader
5. Institutional Leader
6. Paternalistic Leader

### 17.8.1 Autocratic Leader

An autocratic leader is one who tends to run the show all by him. He specifies the goals which he requires his followers to perform, organizes the work situation, sets the timeframe within which the task is to be accomplished, provides specific directions and requires the followers to keep him regularly posted with the progress of the task.

The autocratic leader views his followers as having little or no maturity as regards skills or willingness with which the job is to be accomplished. As such, he will neither have any discussion with them as to any aspect of job accomplishment, nor delegate to them any authority. To extract the required performance from his follower, he exercises close supervision and control and uses his reward and coercive power to that end. Thus, if the followers comply with the leader's expectations as regards performance, he rewards them. If they are lacking in performance, he uses coercive power to induce performance and holds out the threat of punishment by way of inconvenient work assignments, fines, or dismissal.

An autocratic leader believes in the "X" theory of motivation and firmly believes that without close supervision, control and fear of punishment, followers will not work since they are inherently lazy, unambitious, and averse to accept responsibility, or take any initiative.

An autocratic leader is in fact no leader. He is merely the formal head of his organization. Workers under him feel harassed and disturbed; and prepare themselves sooner or later to offer resistance. With the emergence of indiscipline among his staff, the autocratic leader fails to obtain unquestioned compliance from his workers because they begin to assert themselves, and the result is that they gradually stop obeying his orders. After a time, there is total loss of his authority to demand compliance.

### 17.8.2 Laissez Faire or Free Rein Leader

A Laissez faire or free rein leader permits his followers to do whatever they want to do. He does not formulate any policies or procedures and does not lay down guidelines within which the followers could accomplish their jobs. Thus, his followers are left to fend for themselves.

Since in a Laissez faire setup, there is no attempt on the part of anyone to influence anyone else, there is a vast scope and opportunity for an extensive range of behaviour, though it may often be at cross-purposes. There is a near total abdication of formal leadership according to the needs of each situation.

Obviously, Laissez faire leadership can be successful only where the followers have a high degree of maturity, i.e., they are both able and willing to perform. In the case of followers with less than high maturity, such leadership is not likely to succeed because, in the absence of suitable task behaviour on the part of the leader, they would merely

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grope in the dark, not knowing that, how, when and where to perform. Besides, deprivation of socio-emotional support from the leader may make them feel insecure and vulnerable.

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### **17.8.3 Democratic Leader**

Democratic style of leadership is based on the assumption that the leader derives his power by consent of the followers whom he is to lead and that, give proper motivational environment; they can direct themselves and be creative on their respective jobs. In other words, while the followers have the requisite ability to perform the jobs, they are lacking in willingness to do so.

The democratic leaders encourage his followers to participate in decision-making and implementation. However, decisions are made only within the limits established by the policies and procedures which, again, are formulated after elaborate group discussion. Of course, the leader is present all along to guide and control the discussion but the followers are allowed to express their points of view without any let or hindrance. The decisions formulated during these discussions represent the consensus of all participants.

Democratic leadership seeks to evolve a self-regulating and self-disciplining mechanism. If any member of the group does anything which is in any manner opposed to the interests of the group, he is promptly checked and controlled by the other members of the group, and this is done by means of a system of rewards and punishment devised by the group.

Participation, consultation and agreement of the group members are important features of a democratic leadership. Democratic functioning can at times be dilatory and subject to various pulls and pressure from different groups, or individuals, representing opposite viewpoints. Moreover, participative leadership is based on the assumption that the followers are all able, though not willing to perform the tasks assigned to them. In the even, it poses the problem of working out a system of proper motivational support that would be equally acceptable to all.

### **17.8.4. Expert or Functional Leader**

An expert or functional leader does not command; any formal authority in the literal sense of the term. He only stands out because of his special qualifications for the job handled by him. Which is also the main reason why followers look up to him for guidance and control?

The expert leader is essentially task-oriented, and most of his time is spent thinking about doing things faster and better. He has his eyes firmly fixed on what he intends to achieve and pursues his goal single-mindedly. However, since his success depends not only on his own work, but also on the activities of his followers, he may not be as effective as he plans. If his followers are not as serious and painstaking as he is, he may behave in a demanding fashion,

in the process relying more and more on the "X" theory of motivation. In the event, his followers may feel frustrated as they are prevented from maximizing their own potential. Over time the situation may get from bad to worse, because the expert leader is by definition quite poor on the human relations front.

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### 17.8.5 Institutional Leader

The institutional leader is one who wields power over his followers due to the position of office occupied by him in the organizational hierarchy. At times, he may also derive power from his personality and behaviours. By virtue of such positional and personal power, he manipulates and controls the activities of others to accomplish the group objectives.

The institutional leadership may or may not be an expert in his field of activity. When he lacks the expertise, he may suffer from a sense of inadequacy, leading to an inferiority complex, and to compensate for it, he may exert to an exceptional extent to achieve his objectives. In the process, he may engage more and more in task behaviour and less and less in relationship behaviour, such that the followers may develop a feeling of frustration and alienation.

### 17.8.6 Paternalistic Leader

A paternalistic leadership is characterized primarily by loyalty of followers in a warm and cohesive setting. The leader is much concerned with the well being of his followers and comes to their rescue ever so often. Since a paternalistic leader is concerned more with relationship behaviour, it can be successful only in cases where the followers possess job maturity and are only lacking in psychological maturity. In any other case, such leader may only produce an atmosphere of a country club which may display social warmth and cohesion but can do little way of a accomplishment of tasks. Even otherwise, under a paternalistic leader the followers, particularly the competent and achievement-oriented among them, feel frustrated due to lack of opportunity for showing initiative. This is because while the leader, like a banyan tree, gives protection to all, the unwittingly creates conditions under which no follower can grow and be able to realize his potential.

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## 17.9 QUALITIES OF LEADERSHIP

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To be able to prove effective leadership to his subordinates, a leader needs to have certain qualities. According to **Orway Tead**, a leader must possess, *physical and nervous energy, a sense of purpose and direction, enthusiasm, friendliness and affection, integrity, technical*

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mastery, decisiveness, intelligence, teaching skills, and faith". According to Henry Fayol the qualities that a leader must possess are:

- (a) health and physical fitness
- (b) mental vigor and energy
- (c) courage to accept responsibility
- (d) steady, persistent, thoughtful determination
- (e) sound general education, and
- (f) management ability embracing foresight and art of handling men.

The more important qualities of a leader may be summarized as follows:

1. **Physical and Mental Vigor:** The leader has to put in hard mental and physical work, which requires tremendous stamina and vigor to sustain long and irregular hours of work.
2. **Emotional Stability:** The leader should not be unduly moved by emotion or sentiment. He should be able rationally and logically to analyze the various problems before him and reach a decision without any fear or favour. He should not lose his temper or show indecision even in the face of heavy odds.
3. **Sense of Judgements:** The leader should be a master of human psychology. He should possess deep understanding of human behaviour, emotions, sentiments, needs, motives, etc. This would enable him to anticipate the response to his decision and actions.
4. **Balance:** The leader should be rational and objective in his approach. He should be free from bias, prejudice and preconceived notions. Only then he would be able to decide issues on their merits.
5. **Understanding or Empathy:** The leaders should show understanding for others viewpoints. If he tends to have his own way in all matters, he might lose their goodwill.
6. **Motivation:** Only a person who is himself well motivated can motivate others. The desire to lead people should come from within. If a person is forced to do his job under fear of punishment, he would behave more like a follower than a leader.
7. **Communicating Skills:** The leader should be good at communicating ideas, feelings, decisions, orders, etc. He should be good and effective speaker and writer. Then alone he would be able to persuade, inform, stimulate and direct his subordinates.
8. **Agility to Guide:** The leader should help his subordinates to learn. Both by word and deed, he should demonstrate to them the best ways of accomplishing the jobs.
9. **Sociability:** The leader should show keen interest in his subordinates. He should try to meet them often and encourage them to discuss their problems and difficulties with him. He should be friendly, helpful and easily accessible to all his subordinates.



10. **Technical Competence:** The leader should possess a thorough knowledge of the theory and practice of his job. Besides, he should be quite familiar with the jobs done at different work points in his department.
11. **Other Personal Abilities:** The leader should have an attractive and pleasing personality. He should possess optimistic and cheerful outlook. He should have sound physical and mental health. His subordinates will accept his leadership only when they find him full of youthful vigor, energy, vitality, endurance and creativity. Besides, he should be honest, sincere, fair and reasonable in his dealings with his subordinates. If he is a man of integrity and behaves with his subordinates in a dignified manner, his leadership will be cheerfully and enthusiastically accepted by one and all.

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### SUMMARY

- Leadership is "a means of direction is the ability of management to induce subordinates to work towards group ideas with confidence and keenness".
- An effective leadership can create a suitable motivational framework which provides for satisfaction of different needs and motives of the organization members as also resolution of individual group conflicts.
- Democratic leadership seeks to evolve a self-regulating and self-disciplining mechanism. If any member of the group does anything which is in any manner opposed to the interests of the group, he is promptly checked and controlled by the other members of the group, and this is done by means of a system of rewards and punishment devised by the group.
- Participation, consultation and agreement of the group members are important features of a democratic leadership.

### REVIEW QUESTIONS

1. What is meant by leadership?
2. How is leadership different from headship?
3. Discuss the reasons that make leadership necessary.
4. Describe the various approaches to the study of leadership.
5. What are the various functions of a leader?
6. Describe the types of leaders.
7. Write a note on the qualities of a leader.

## UNIT 18 MOTIVATION

### NOTES

#### ★ STRUCTURE ★

- 18.1 Introduction
- 18.2 Definitions
- 18.3 Importance of Motivation
- 18.4 Process of Motivation
- 18.5 Elements of Motivation
- 18.6 Nature or Characteristics of Motivation
- 18.7 Theories of Motivation
- Summary
- Review Questions

### 18.1 INTRODUCTION

A worker is basically a human being. He is a person first and then only a worker. Every manager has to understand that a worker cannot be considered a mechanical system. A worker has to be inspired and actuated: accomplish the objectives of an organization, To accept an order and to execute it with interest and vigour requires an element of actuating or motivating.

As management is the art of getting things done by the workers, this art of getting work done will depend mainly on whether a person has been motivated properly or not. Motivation creates a sense of responsibility and special interest in the work. It increases the desire to work; it is enthusiasm to work.

To motivate means to provide a motive; to impel people to action; and to create incentives to work. Motivation inspires people to work efficiently and effectively. Technically speaking, motivation is an energizer of human behaviour; It is a special urge to move in a particular direction. Motives are also the expression of the needs of a person. With motivation, a person can be made to work willing with zeal and enthusiasm.

A manager has a job not with the products, but with people. He can handle them only when he can understand their motives and motivate them to take the desired actions. So the skill of motivation is vital for successful management in an organization. A manager has to bring the ability of the workers to expression.

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## 18.2 DEFINITIONS

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**MICHAEL, J. JULIUS:** Motivation is the act of stimulating someone or oneself to get the desired course of action.

**KOONTZ AND O'DONNELL:** Motivation is a general terms applying to the entire class of drives, desires, needs, wishes, and similar forces.

**DUBIN:** Motivation refers to the complex of forces starting and keeping a person at work in an organization. To put it, generally, motivation starts and maintains an activity along a prescribed line. Motivation is something that moves the person to action and continues him in the course of action already initiated.

**MARCH AND SIMON:** Motivation is the process or the reaction which takes places in the memory of individuals. It refers to the combination of forces or motives maintaining human activity.

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## 18.3 IMPORTANCE OF MOTIVATION

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Motivation results in creating a favourable work environment within an organization. It adds the will to work along with the ability to work for a worker. Motivation will act as an activator and energizer by directing the behaviour of persons towards the accomplishment of goals. Understanding of motives and motivation theories provides a great deal of insight into the reasons why different individuals exhibit different behavioural patterns. It also helps in understanding why the same person exhibits different reactions to the same stimulus at different times.

Motivation helps in securing voluntary cooperation from workers. It creates the will to work, and confidence in the workforce. Motivation helps to satisfy the needs of workers, naturally there will be a sense of belongingness and total involvement on the part of the workers in the achievement of organizational goals. The knowledge and skill of the workers can be used to the best advantage of the organization and there will be increased efficiency.

All this will result in increased productivity and quality of work. Motivated people are the most satisfied people. They will function with a sense of responsibility and commitment to the organization. Naturally, it results in a low rate of labour turnover and absenteeism. A properly motivated team will not have unnecessary friction with the management and with its fellow workers. This will help in maintaining very good industrial relations.

Motivation is the drive to satisfy a want or goal, and satisfaction is experienced when the outcome has been achieved. A person might have high job satisfaction, but a low level of motivation for the job, or the reverse.

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### 18.4 PROCESS OF MOTIVATION

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In management parlance, motive and need are used interchangeably. In fact, need is a good point to begin discussion on motivation. A need represents the lack, or absence, or deficit of something within the system or organism. When an individual experiences lack or deficit of something, he looks around his work environment to see if there are any incentives or reward for performance of a task which would lead to satisfaction of that need. Thus, a need is personal or internal to a person, while incentives are external. He acts or behaves in a particular manner. But it is not a random act or unguided behaviour. His behaviour is motivated or caused. It is directed towards a goal, i.e., satisfaction of his need, or achievement of what he is lacking. With the satisfaction of his need, or achievement of what he is lacking, the mechanism of motivation is complete. Satisfaction of a need restores the balance or equilibrium in the organism, which remains upset and disturbed until the need is unsatisfied.

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### 18.5 ELEMENTS OF MOTIVATION

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In any motivational system, there are three elements, namely: (1) the individual who is being motivated; (2) the job; and (3) the work situation.

1. **The Individual:** Every individual, whether a top ranking manager or a lower-level worker, is a unique being. Workers may differ from one another in several respects, such as, age, sex, education, intelligence, personality, physical characteristics, experience, heredity, and social and cultural background. These differences will determine the needs attitudes of workers. They will also determine how each worker will react to motivational devices such as monetary and non-monetary incentives.
2. **The Job:** Every job within the setup of an organization prescribes different requirements and holds a different level of attractiveness for each worker. Routine jobs are not liked by many because of the monotony and dullness involved in doing them. But sometimes even challenging jobs may not hold attraction for some people. This means there will rarely be a job which is regarded as a source of enjoyment and pride by one and all.
3. **The Work Situation:** The environment within which work is to be performed also creates motivation. This includes: (a) organizational goals and values which help to identify desired outcomes or results;

and the nature of behaviour that will help to achieve them, (b) the type of technology, (c) leadership style in terms of participation in decision-making, and (d) the rewards such as salary, perquisites, benefits, promotional prospects, status, etc.

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## 18.6 NATURE OR CHARACTERISTICS OF MOTIVATION

It is difficult to describe the nature of motivation. However, the following points about it deserve to be noted:

1. **A Psychological Concept:** Motivation deals with workers on the psychological plane. Even workers with extraordinary abilities will not be able to perform as desired until they are effectively motivated.

Effective performance on the part of workers can be said to be the result of their abilities backed by proper motivation.

Thus,  $\text{Performance} = \text{Abilities} \times \text{Opportunity} \times \text{Motivation}$ .

While motivation has the capacity to secure desired performance from workers, it can be effective only upon an accurate analysis of workers needs for the satisfaction of which they may be induced to work in the desired manner.

2. **Motivation is Total, not Piecemeal:** A worker cannot be motivated in parts. For successful motivation, he should be treated as an indivisible unit, taking into account all his urges and aspirations.

A motivational device which promises fulfilment of some needs of workers and not others will fall short of its objective of evoking total commitment of workers.

3. **Motivation is Determined by Human Needs:** A worker will perform the desired activity only so long as he sees his action as a means of continued fulfilment of his strongly-felt needs. Once a particular need is satisfied for good, he may lose interest in the activity that provides him satisfaction of the said need. In such a case, he will have to be provided awareness of satisfaction of his other needs so that he continues to be inclined to pursue the said activity.

4. **Motivation may be Financial or Non-financial:** Motivation may be provided in several ways depending upon the needs, emotions and sentiments of workers. But broadly speaking, it may be classified as financial and non-financial.

Financial motivation seeks to satisfy physiological and security needs and it is by way of wages, allowances, bonus, prizes and

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other perquisites. On the other hand, non-financial motivation which seeks to satisfy social, recognition and creative needs may be way of appreciation for the work done, higher status and greater responsibility, or increased participation in decision-making.

5. **Motivation is a Constant Process:** Human needs are infinite. No sooner a person has satisfied one need than he seeks to satisfy another. As very aptly put by **McGregor**, "*Man is a wanting animal— as soon as one of his needs is satisfied, another appears in its place. This process is unending....*"

Motivation cannot be a time-bound process. Nor can it be a touch-and-go affair. To keep the workers continuously engaged in the planned activities, they must be kept in a state of continued animated tension by means of unfolding before them ever new avenues for the satisfaction of their limitless needs.

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## 18.7 THEORIES OF MOTIVATION

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Workers should be persuaded, inspired and motivated for contributing their best efforts in achieving the objectives of the organization. To motivate people effectively, managers should prepare certain plans. There are various plans, strategies or theories of motivation. All of them are grouped under two categories: (a) Traditional theories of motivation, (b) Modern theories of motivation.

### 18.7.1 Traditional Theories

(i) **"Be strong" theory or "fear and punishment" theory:** The Philosophy of might is right, characterized the thinking of aggressive and authoritarian managers. Managers developed a strategy of forcing people to work by threatening to punish or dismiss them or to cut their rewards if they did not work well. This theory is based on the military principle, "Neither make reply nor question why but do nor die", and the assumption is that people would work efficiently and with interest if they were driven by fear and punishment. There was tight control and rigid supervision over workers. This strategy was successful in the early days of the Industrial Revolution. But in the present circumstances, this theory is not practicable. It is resisted and condemned by workers as it is authoritarian.

(ii) **Efforts and rewards theory:** This strategy or approach tried to establish a direct relationship between efforts and rewards. **F.W. Taylor** conceived this idea in his piece-rate system of wages. Management thought that people could perform and contribute better to the extent they were rewarded. To practise this theory, managers should establish the standards or performance, monitor the behaviour of employees and decide about the rewards and penalties based on the degree of performance.

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(iii) **Monastic theory:** This is almost like the efforts and rewards theory. Here, the management assumes that people work for money only. This theory seeks a single cause of behaviour. It assumes that all the activities of men are directed only towards earning money. More effective will provide more wages, which will further encourage the workers to more effort. This is also known as the "Effort-Reward—Effort Theory". But this theory is criticized on the basis that rewards can serve as motivator's up to a particular point only, and not beyond that.

(iv) **Carrot and stick theory:** This theory suggests a judicious combination of both rewards and penalties for motivation. This theory is based on the strategy of putting a carrot in front of a donkey and hitting it with a stick from behind so that it has to run. The carrot refers to incentives like money and other inducements, and the stick refers to penalties, fear of dismissal, demotion, etc.

(v) **Be good or paternalistic theory:** After experiencing the 'Be strong' theory and its limitations, some managers implemented a new strategy. They were kind, generous and had the interests of the employees at heart. They functioned much as parents towards their children. But they expected loyalty, demanded respect and provided their employees what they thought were good for them. They were fair but firm. Employees in many cases responded to this strategy favourably. As a result, the paternalistic theory was successful in its approach and effectively competed with the "Be strong" and "fear and punishment" theories. High wages, job security, good facilities for education, health, recreation and good work environments were provided to gain loyalty and increase efficiency and productivity. But this theory was disliked by some people on the ground that they had to depend on the employers for everything, as children on their parents.

### 18.7.2 Modern Theories

(i) **McGregor's theory:** Douglas Murray McGregor classified the basis assumptions on human behaviour into two parts and called these sets of propositions Theory X and Theory Y.

(ii) **McGregor's theory X:** This theory was indirectly conceived and applied by F.W. Taylor. But it was McGregor who stated Theory X in very clear terms. In his own words, Theory X states, that:

*Management is responsible for organizing the elements of productive enterprise—money, materials, and equipment's people in the interest of economic ends.*

With respect of people, this is a process of directing their efforts, motivating them, controlling their action; modifying their behaviour to fit the needs of the organization.

Without the active intervention by management, people would be passive even resistant—to organizational needs. They must, therefore, be persuaded,

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rewarded, punished, and controlled. Their activities must be directed. This is management's task. We often sum it up by saying that management consists of getting things done through people.

The average man is by nature lazy and he works as little as possible. He lacks ambition and dislikes responsibility.

He is inherently self-centered, indifferent to organizational needs.

He is by nature resistant to change and he is not very bright.

So this theory assumes that authority should be clear and flow directly from the superiors to subordinates without any reservation. It implies that management should be hard and strong. Close supervision and tight control over individual behaviour has to be introduced as work by nature is distasteful and people will try to shirk work and responsibility. But if the management believes in this theory, it will result in a lot of problems.

(iii) **McGregor's theory Y:** In view of the above misleading assumptions and practical difficulties, McGregor declares, "We require a different theory of the task of managing people based on more adequate assumptions about human nature and human motivation. I am going to be so bold as to suggest the broad dimension of such a theory. Call it Theory Y if you will". His observations on Theory Y are as follows:

- Management is responsible for organizing the elements of productive enterprise—money, materials, equipment, and people—in the interest of economic ends.
- People are not by nature passive or resistant to organizational needs: They have become so as a result of experience in organization.
- Motivation, the potential for development, the capacity for assuming responsibility, the readiness to direct behaviour toward organizational goals, are all present in people. Management does not put them there. It is the responsibility of management to make it possible for people to recognize and develop these human characteristics for themselves.
- The essential task of management is to arrange organizational conditions and methods of operation so that people can achieve their own goals best by directing their own efforts towards organizational objectives.

Theory Y is basically a process of creating opportunities, releasing potential, removing obstacles, encouraging growth and providing guidance. It also provides for two-way communication, participate management, decentralization and delegation of authority, emphasis on self-control, self-responsibility and self-discipline, emphasis on satisfaction of higher-level needs and maximum scope for management development programmes. Theory Y



also assumes that work is as natural as play, provided the conditions are favourable.

(iv) **Ouchi's theory Z:** William Ouchi proposed Theory Z as an alternative theory of organizational behaviour. Theory Z organizational culture comprises three major characteristics: (a) Trust, (b) Subtlety, and (c) Intimacy.

Theory Z outlines a complete transformation of the motivational principles underlying high-performance organizations and implies a revolutionary change in management practices. The main characteristic features of the theory are as follows.

- Long-term employment
- Emphasis on training
- Seniority-based rewards
- The Ringi System of collective decision-making.
- Emphasis on self-discipline
- Holistic concern for employees and their families

(v) **Maslow's theory:** Human needs can be classified into: (a) basic physiological needs or primary needs and (b) social and psychological needs or secondary needs. Abraham Maslow states that individuals have these and they are motivated to satisfy these unsatisfied needs. If they are satisfied, they do not motivate individual behaviour. Needs are arranged according to a hierarchy of importance from the basic physiological to the complex self-actualization needs. The need at any level of the hierarchy will emerge only when the lower level needs is full satisfied.

Maslow states that individual needs arranged in a hierarchy from the lower-level physiological needs to the higher needs for self-actualization.

Basic physiological needs are the primary needs of an individual. The survival of an individual depends upon the satisfaction of these needs, namely, food, clothing, shelter, sex, air, water and other necessities of life. The organization helps an individual to satisfy their basic needs by providing reasonably good salaries, benefits and working conditions. Once these needs are satisfied, the individual will get an idea—about the higher-level needs.

Safety and security needs are considered immediately after satisfying the psychological needs of individuals. These needs can be satisfied from job security, income, provision for old age, insurance, and safer working conditions.

Social needs are also called belonging needs. When basic needs and safety needs are satisfied, social needs become important. Social affiliation will make the job interesting. These needs are: love and affection, friendship, and so on.

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Esteem needs or ego needs or status needs develop a concern for getting recognition, status, importance and respect from others. These needs are independence, achievements, competence, skills, knowledge, initiative and success. A very good organizational climate and more opportunity for development, responsibility, praise and promotion can play a vital role in satisfying esteem needs.

After the satisfaction of the esteem needs, the highest level of needs, self-actualization, will become an important needs. It involves realizing one's potentialities, capabilities for continued self-development and self-fulfilment. It is a personal achievement. Such challenges and achievements provide more satisfaction to a person.

The above hierarchy of needs stated by Maslow proves the fact that the second and subsequent needs do not dominate until the first and the previous needs are reasonably satisfied. Wants are continuous in nature and there cannot be an end satisfaction. The speciality of Maslow's theory is that the needs arise in a certain order of preference.

Even though Maslow's theory of hierarchy of needs has become popular, it is still subjected to a lot of criticism. The experience in continental European countries and Japan has shown that this theory does not apply effectively to their executives. Most of the American workers do not very much bother about their esteem needs are better satisfied than their security and social needs. Money can be a good motivator only for physiological and social needs, but not for satisfying higher-level needs. Some people may remain contented with the satisfaction of physiological needs only, without developing any further needs.

(i) **Herzberg's hygiene-motivation theory:** Frederick Herzberg and his associates conducted research based on the interview of 200 engineers and accountants working in 11 different firms in the Pittsburg area. Herzberg developed a theory with two factors. They are hygiene factors and motivational factors. The dissatisfiers are known as hygiene factors because they support the mental health of the workers. Another set of job conditions operates primarily to build strong motivation and high job satisfaction. They are called as motivational factors.

Hygiene factors as stated by Herzberg are related to the work environment and are external to the job. They include wages, fringe benefits, status, job security, working conditions, company policy, administration, and interpersonal relations. The presence of these factors at a satisfactory level prevents job dissatisfaction, but they do not provide motivation to the workers. Even though they are not motivators, they will prevent the individual from becoming dissatisfied. Motivational factors are the motivators which are essential to increase the productivity of the employees. They are also known as satisfiers and they are concerned with job itself rather

than the environment. These factors are recognition, feeling of achievement, responsibility, advancement, opportunity for growth, and so on.

Herzberg stated that it is also necessary to pay special attention to the motivational factors of satisfiers rather than concentrating on the traditional hygienic factors.

(ii) **McClelland's three need theory:** David C. McClelland developed further needs namely, the need for achievement, the need for power, and the need for affiliation. His observation is that businessmen and particularly the entrepreneur managers, have more achievement motivation than other groups in society. Such people are goal-oriented, seek a challenge and desire perfect feedback in the performance. People with high affiliation needs value interpersonal relationships and are sensitive to other people's feelings. They want to be liked by others. They seek company by joining clubs and associations. On the other hand, people with a strong power need seek to dominate, influence, and control others. Such power may be positive or negative. McClelland concludes that the need for achievement is one of the key factors of economic growth.

(iii) **Vroom's expectancy theory:** Vroom, while attacking Herzberg's two factor theory, offered an expectancy approach to the understanding of motivation. His theory explains three concepts of valence, instrumentality, and expectancy. Valence represents the value or significance of an outcome for a person, e.g., increased salaries, promotion. Instrumentality refers to the person's perception of the relationship between first-level outcomes. It is the extent to which a person will feel that performance is instrumental in getting him increased salaries or promotion. Expectancy refers to the extent to which such efforts will lead to the first-level outcome. Vroom's theory explains how the goals of individuals influence their efforts and that the behaviour individuals select depends upon their assessment of the probability that behaviour will take with success towards the goal. To conclude, Vroom emphasized the significance of individual perceptions and assessments of organizational behaviour.

## SUMMARY

- Motivation creates a sense of responsibility and special interest in the work. It increases the desire to work; it is enthusiasm to work:
- Effective performance on the part of workers can be said to be the result of their abilities backed by proper motivation. Thus,  
Performance = Abilities × Opportunity × Motivation.

## NOTES

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- Safety and security needs are considered immediately after satisfying the psychological needs of individuals. These needs can be satisfied from job security, income, provision for old age, insurance, and safer working conditions.

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### **REVIEW QUESTIONS**

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1. Define motivation. Bring out the importance of motivation.
2. What are the traditional theories of motivation? ..
3. Discuss Theory X and Theory Y.
4. Explain Maslow's Hierarchy of Needs theory.
5. Discuss Herzberg's theory of motivation.
6. Explain Theory Z of management.

**★ STRUCTURE ★**

## NOTES

- 19.1 Introduction
- 19.2 Definitions
- 19.3 Importance of Communication
- 19.4 Process of Communication
- 19.5 Principles of Communication
- 19.6 Communication Methods
- 19.7 Essentials of Good Communication
- 19.8 Barriers to Communication
- 19.9 Methods of Overcoming Communication Barriers
- 19.10 Effective Communication
- 19.11 Ten Commandments of Good Communication: AMA (1961)
- 19.12 Electronic Media in Communication
  - Summary
  - Review Questions

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**19.1 INTRODUCTION**

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Communication is essential to minimize conflict, confusion and chaos. It eliminates friction, frustration, and helps in motivating people. Communication is a vital link, a process of linking executives to workmen and workers to superiors. It is a dynamic interactive process of connecting people to people. As Raymond V. Lesikar states in his *Business Communication*, 70 per cent of our active hours are spent in communicating verbally, listening, speaking, reading and writing in that order.

The term communication is derived from the original Latin word *conmunize*, which means "common". It involves the act of imparting a common idea or understanding to another person and covers any behaviour that affects an exchange of meaning. Communication basically refers to the meaningful transmission of ideas to others, either orally or in writing. It can also take the form of symbols, codes, electronic impulses or even silence. Communication has become a very significant subject today not only for management experts, but also for technicians, engineers, psychologists, sociologists and organizational theorists.

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## 19.2 DEFINITIONS

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**CYRIL L. HUDSON:** Communication in its simplest form is conveying of information from one person to another.

**LOUIS A. ALLEN:** Communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding.

**THEO HAIMANN:** Communication is the process of passing information and understanding from one person to another..... It is the process of imparting ideas and making oneself understood by others.

**CHARLES E. REDFIELD:** Communication is the broad field of human understanding and interchange of facts and opinions and not the technologies of telephone, telegraph, radio and the like.

**KOONTZ AND O'DONNELL:** Communication is an exchange of facts, ideas, opinions or emotions by two or more people.

**KEITH DAYIS:** Communication is the process of passing information and understanding from one person to another. It is essentially a bridge of meaning between people. By using this bridge of meaning, a person can safely cross the river of misunderstanding that separates all people.

**NEWMAN AND SUMMER:** Communication is an exchange of facts, ideas, opinions or emotions by two or more persons.

Careful scrutiny of the above definitions will reveal that communication essentially involves at least two people; only one person cannot communicate. Communication is both information and understanding. It includes all possible means by which matter is conveyed from person to person. Communication is directed towards a response.

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## 19.3 IMPORTANCE OF COMMUNICATION

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Importance of communication could be brought into limelight, through the following points:

- (i) **Communication is the basis of organizational functioning:** It is only when necessary communications are made to subordinates and operators; about their jobs that action on their part is possible. In fact, communication is the petrol which drives the vehicle of the organization.
- (ii) **Communication as an aid to planning:** Communication is an aid to the process of decision-making in general; and planning, in particular. Any type of decision-making (including planning decisions) requires, among other things, basic information about the enterprise

resources and limitations, and the external environmental factors; which must be supplied *i.e.*, communicated to the management by suitable agencies. In fact, much of the accuracy of planning would very much depend on the accuracy of information communicated to the management, in this regard.

## NOTES

- (iii) **Communication as an aid to leadership:** Communication is very basic to the process of exercising interpersonal influence, through leadership. A leader communicates the objectives, policies, rules and procedures of the enterprise to followers and also communicates the necessary work-orders, instructions and guidance to them, for the proper execution of the intended jobs, to be performed by the group. The members of the group *i.e.*, followers would communicate their problems, needs and performance to the leader. The better is the communication system existing between the leader and his followers; the better are likely to be the results, produced by the group, during the process of exercising leadership.
- (iv) **Communication as an aid to coordination:** Coordination is greatly facilitated when persons doing similar work or related aspects of work, are in perfect mutual understanding with one another—as to the manner and approach to work-performance. Such mutual understanding among people interest, is largely an outcome of free communication allowed to exist among them; through which they can reconcile their differences and agree on a common approach to work performance. Hence, communication is a good and great aid to achieving coordination of individual efforts.
- (v) **Communication helps overcoming resistance to changes and ensures their implementation:** People, in general, resist to changes when changes are either not properly communicated to them or the purpose behind introducing such changes is not explained to them. Through communication, the management can convince people of the desirability of introducing organizational changes, overcome resistance to them and prepare a base for their implementation.
- (vi) **Communication as the basis of good human relations:** Communication promotes good human relations, in the organizational life. Apparently communications is transfer messages; while intrinsically it is transmission of understanding among the sender and the recipients of messages. A free flow of communication, through facilitating transmission of understanding, paves the way for the development of good human relations in the organization.

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In particular, communication helps to resolve differences; helps in redressal of grievances and becomes the basis for

- Sound manager subordinate relations
- Sound labour management relations

- (vii) **Communication helps building good public relations:** Good public relations comprise relations of the enterprise with outside agencies, particularly consumers and the public at large. Many business enterprises, now-a-days, maintain a separate public relations department; which basically entertains problems; complaints of the public and assures them of their solution. What process the public relations department follows in building good public relations, is largely a process of entering into communication with the public-communicating to the public and being communicated by it.
- (viii) **Communication as an aid to controlling:** The essence of controlling is the remedial action initiated by management to correct deviations in actual performance, as against the planned standards. Such remedial action is possible, only when the actual performance of people and the deviations from standards are communicated to management, for controlling purposes.
- (ix) **Communication facilitates delegation of authority:** Delegation of authority is entirely based on the process of communication. A superior communicates the job assignment, necessary instructions, etc. to the subordinate; and the latter, in turn, communicates his problems, difficulties and progress of work to the former. Maintaining open lines of communication between the superior and the subordinate, is a prerequisite for successful delegation of authority.
- (x) **Communication as pervading all walks of organizational life:** Communication is needed in personnel matters, like recruitment, selection, training, orientation, and placement, etc. of employees. It is needed for purposes of motivating subordinates. Enforcement of discipline, in the organization, requires communication of the rules of organization to all members of the organization. As a matter of fact, communication pervades all walks of organizational life.

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## 19.4 PROCESS OF COMMUNICATION

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The process of communication consists of the following steps or stages:



- (i) **Message:** This is the background step to the process of communication, which, by forming the subject matter of communication necessitates the start of a communication process. The message might be a fact or an idea, or a request or a suggestion, or an order or a grievance.
- (ii) **Sender:** The actual process of communication is initiated at the hands of the sender; who takes steps to send the message to the recipient.
- (iii) **Encoding:** Encoding means giving a form and meaning to the message through expressing in into—words, symbols, gestures, graph, drawings, etc.
- (iv) **Medium:** It refers to the method or channel, through which the message is to be conveyed to the recipient. For example, an oral communication might be made through a peon or over the telephone, etc; while a written communication might be routed through a letter or a notice displayed on the notice-board, etc.
- (v) **Recipient (or the Receiver):** Technically, a communication is complete, only when it comes to the knowledge of the intended person *i.e.*, the recipient or the receiver.
- (vi) **Decoding:** Decoding means the interpretation of the message by the recipient; with a view to getting the meaning of the message, as per the intentions of the sender. It is at this stage in the communication process, that communication is philosophically defined as, 'the transmission of understanding'.
- (vii) **Feedback:** To complete the communication process, sending feedback to communication, by the recipient to the sender is imperative. 'Feedback' implies the reaction or response of the recipient to the message, comprised in the communication.

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## 19.5 PRINCIPLES OF COMMUNICATION

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In order to be effective and meaningful, the managerial function of communication must be guided by the following principles:

- (i) **Principle of Understanding:** Communication must be such, as transmits understanding of the communication message to the recipient; as per the intentions of the sender.

A-practical application of this principle requires that the message must be clearly expressed—whether made orally or in writing. Further, the message must be complete—leaving no scope for any doubts likely to confuse the recipient and compel him towards a misinterpretation of the message.

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(ii) **Principle of Attention:** Communication must be made in such a manner; that it invites the attention of the recipient to it. For a practical application of this principle, it is imperative that not only must the message be expressed in a pleasant and sound manner; but also the purpose of the sender in making communication, must be absolutely clarified.

(iii) **Principle of Brevity:** The message to be communicated must be brief; as usually the recipient, specially an executive, would not have much time to devote to a single piece of communication. However, brevity of the message must not be sought at the cost of clarity or completeness of the message. The sender must strike a balance among these three forces—brevity, clarity and completeness.

(iv) **The Principle of Timeliness:** The communication must be timely i.e., must be made at the high time, when needed to be communicated to the recipient. An advance communication carries with it the danger of 'forgetting', on the part of the recipient, while a delayed communication loses its purpose and charm, and becomes meaningless, when the right time for action on it has expired.

(v) **The Principle of Appropriateness (or Rationality):** The communication must be appropriate or rational, in the context of the realization of organizational objectives.

Communication must be neither impracticable to act upon; nor irrational, making no contribution to common objectives.

(vi) **Principle of Feedback:** Communication must be a two-way process. The feedback (or reaction or response) of the recipient to the message, must be as easily transferable to the sender, as the original communicable made by the sender.

The idea behind emphasizing on the feedback aspect of communication is that it helps the sender to modify his subsequent communications in view of the reactions of the recipient—making for better and improved human relations.

(vii) **Principle of the Constructive and Strategic Use of Informal Groups:** The management must not hesitate in making a constructive and strategic use of informal groups; for ensuring and facilitating speedier communications in emergency situations. Such as a use of informal groups would also help develop good human relations—by upgrading the status of informal groups and their leaders.

However, management must assure itself that rumors are not spread by informal groups. And for this, a guard over the manner of functioning of informal groups, while transmitting a formal communication, is but imperative.

## 19.6 COMMUNICATION METHODS

There are three important methods of communication: (a) Verbal Communication, (b) Written Communication and (c) Gesticulation.

### NOTES

- (a) **Verbal Communication:** It is a face-to-face type of communication involving conversation. Conversation is a natural human activity, and a more effective method of communication. It provides clarity, accuracy, certainty and nearness for communication. Verbal communication can also be made through mechanical devices like telephones, intercoms, dictating machines, etc. In organizations, verbal communication is popular both for downward and upward communication. Instructions, lectures, orders and counseling are done through verbal communication. It helps in getting quick responses and good feedback. It develops a friendly environment, cooperation and team spirit. In emergency situations, it is the best method of communication. But the problem is distance or misunderstanding. It creates legal difficulties also as there will not be any documentary evidence.
- (b) **Written Communication:** It is the most important medium of communication. Orders, instructions, circulars, manuals, handbooks, etc. are provided only through written communication. It can be transmitted simultaneously to numerous persons. Workers can also give their suggestions and grievances in writing. Written communication serves as a permanent reference; it is official and more effective; it should be drafted clearly, correctly, completely and convincingly to make it effective.
- (c) **Gesticulation:** Gesticulation is a method supplementary to verbal communication. A handshake, a pat on the back, can be effective gesticulation, communicating appreciation or praise.

## 19.7 ESSENTIALS OF GOOD COMMUNICATION

1. **Have Clarity of Thought:** The idea to be communicated should be clear and complete without any conflict or confusion; Employee communication in particular should be specific, meaningful and clear, without any abstract ideas and vagueness. The language spoken should be common and understandable.
2. **Communication should be Functional:** A superior who states that he will trust the workers and then proceeds to make unnecessary or too many checks on the workers will fail in communication. He must say what he means, and he must mean what he says. A manager who insists on the punctuality of workers can make the communication functional, and when he is punctual. This is

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essential because it is human psychology to discount a message when the attitude and actions behind it contradict it.

3. **Develop Participation:** Communication cannot be a one-way traffic. Both the communication channels should be kept open. Workers are not mere listeners; they also will have something to say. Managers should encourage participative communication so as to have an objective and perfect understanding of situations.
4. **Plan the Transmission:** A communicator has to plan carefully about what to communicate. One has to plan about the media and channels to make the communication most effective. A harmonious blend of both formal and informal channels will make the communication more effective.
5. **Develop Listening Systems:** Listening plays a vital role in the perfect understanding of a communication. It is an art which can be developed by continuous practice. There is a tendency on the part of managers not to listen to workers with real interest, which should be avoided. Good listening is good understanding.
6. **Maintain Cordial Superior—Subordinate Relationship:** Effective communication is possible only when the employer-employee relationship is cordial. There must be mutual trust, faith and perfect understanding on both sides. Coordination on the part of managers and cooperation on the part of workers will help in making the communication more effective.
7. **Regulate the Flow of Information:** Communication flow should be optimum without any shortage or overloading. Communication should not create a gap because of shortages, or be a burden because of overloading. Top management need not go through all the incoming messages. Only exceptionally important messages can be handed over to the top management and the remaining routine matters can be decided at the lower level itself.
8. **Use Feedback Effectively:** Feedback will give a suitable response to the sender of the communication. Immediate and prompt feedback will make the communication very clear.

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## 19.8 BARRIERS TO COMMUNICATION

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There are various barriers to good and effective communication. But the main barrier is the fact that many organizations really do not provide or encourage two-way communication. There are other barriers causing breakdowns, distortion or rumours. If these barriers are removed, a considerable degree of effectiveness and accuracy can be achieved in communication. The following are the important barriers to communication.

## NOTES

1. **Barriers in Organizational Structure:** A rigid and ultra-formal organizational structure creates problems of re-communication. Ulrich and Booz have stated that good communication exists where anyone in the organization is free to contact whoever can help him with his problems. Long lines of communication, great distance of subordinates from superiors, lack of proper and regular instructions, and overloading of work at certain levels of authority may also create barriers of communication.
2. **Semantic Barriers:** Semantics is the science of meaning. The receiver of the message should perceive and understand the message in the same sense in which the sender has communicated it. As words will have different meanings, they may be understood in different senses by different people.
3. **Difference in Status or Rank:** Difference in rank and status is always a source of misunderstanding. The placing of persons in superior and subordinate relationships may inhibit a free flow of information, ideas, suggestions and questions. What the superior sees in his position as responsibility, the subordinate sees as power. Sometimes, mild criticism or a small piece of advice given by a superior to help a subordinate may be taken as a strong reprimand. The greater the rank difference, the greater will be the distortion. Factors which increase the rank barriers are unavailability at short notice, special executive chambers, elaborate offices, etc. The superior with his status may feel that he cannot fully admit to his subordinates those problems, conditions or results which may reflect adversely on his ability and judgement.
4. **Badly Expresses Messages:** Messages which are vague, abstract, lack coherence, have poor sentence formation, and repetitive, etc. may affect the quality of the communication.
5. **Faulty Translation:** Language is an important barrier. Every type of information has to be translated into understandable pieces of information.
6. **Loss by Transmission and Retention:** In oral communication, 30 per cent of the information is lost in each transmission. Even in written communication, there may be poor retention.
7. **Distrust of the Communicator:** If a superior has no trust and confidence in his employees, he will tend to listen to them in a prejudiced or biased manner. Ultimately, this may result in inaccurate responses and ineffective communication.
8. **Faulty Listening:** Telling will be meaning unless someone is listening to it. Listening requires thinking, processing and understanding the message. One must have patience, interest and active participation in listening.

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9. **Emotional Approach:** When a communication is packed with emotion, there will not be any objectivity in it.
10. **Resistance to Change:** When new ideas are introduced, they may not be welcomed by employees as they may prefer to maintain status quo. Change in timing or methodology may not be received immediately and accepted well.
11. **Overloading of Communication:** Overloading of communication channels may create a traffic jam in the channels resulting in noise and irrelevant messages, as happens often in telephones.

One can overcome all such barriers by planning the communication system properly, and by recognizing the human elements involved in it. Messages must be direct and simple; the language should be understandable; provision for a good feedback system has to be made; listening should be proper and effective; and there must be coherence, clarity and consistency in communication.

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### 19.9 METHODS OF OVERCOMING COMMUNICATION BARRIERS

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- Each and every employee in an organization should take responsibility for sending message.
- For communicating a particular message, the management has to follow the upward, downward or horizontal systems.
- The management has to inform all employees about the need for communication.
- The message should be sent in a simple and clear language.
- A good information system should be established.
- If necessary, communication should be sent informally.
- Employees must send correct information.

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### 19.10 EFFECTIVE COMMUNICATION

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For effective communication, the American Management Association (AMA) has identified the following points:

- A clear message
- Advantage of communication
- Understanding the physical and human environments
- Consultation with other experts in preparing the information
- Discussion on important aspects of communication
- The Values of the receiver
- Importance of the communication

- Follow-up action
- Completing the job as per the communication
- Possessing good listening skills

## NOTES

## 19.11 TEN COMMANDMENTS OF GOOD COMMUNICATION: AMA (1961)

1. **Seek to clarify your ideas before communicating:** The more systematically we analyze the problem or idea to be communicated, the clearer it becomes. This is the first step towards effective communication. Many communications fail because of inadequate planning. Good planning must consider the goals and attitude of those who will receive the communication and those who will be affected by it.
2. **Examine the true purpose of each communication:** Before you communicate, ask yourself what you really want to accomplish with your message—to obtain information, to initiate action, to change another person's attitude or behaviour. Identify your most important goal and then adapt your language, tone and total approach to serve that specific objective. Don't try to accomplish too much with each communication. The sharper the focus of your message, the greater its chances of success.
3. **Consider the total physical and human setting whenever you communicate:** Meaning and intent are conveyed by more than words alone. Many other factors influence the overall impact of a communication and you must be sensitive to the total setting in which you communicate. Consider, for example, your sense of timing *i.e.*, the circumstances under which you make an announcement or render a decision; the physical setting – whether you communicate in private, for example, or otherwise; the social climate that pervades work relationships within the company or a department and sets the tone of its communications; custom and past practice—the degree to which your communication conforms to, or departs from the expectations of your audience.  
Be constantly aware of the total setting in which you communicate. It is essential that communication adapts to its environment.
4. **Consult with others, where appropriate, in planning communications:** Frequently, it is desirable to see the participation of others in planning a communication or developing the facts on which to base it. Such consultation often helps to lend additional insight and objectivity to your message. Moreover, those who have helped you plan your communication; will give it their active support.

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5. **Be mindful, while you communicate, of the overtones as well as the basic content of your message:** Your tone of voice, your expression, your apparent receptiveness to the responses of others—all have tremendous impact on those you wish to reach. Frequently overlooked, these subtleties of communication often affect a listener's reaction to a message even more than its basic content. Similarly, your choice of language—particularly your awareness of the fine shades of meaning and emotion in the words you use—predetermines in large part—the reactions of your listeners.
6. **Take the opportunity, when it arises, to convey something of help or value to the receiver:** Consideration of the other person's interests and needs—the ability to look at things from his point of view will frequently create opportunities to convey something of immediate benefit or long-range value to him. People on the job are the most responsive to the managers whose messages take their own interests into account. This is called empathy in communication.
7. **Follow-up your communication:** Our best efforts at communication may be wasted, and we may never know whether we have succeeded in expressing our true meaning and intent, if we do not follow up to see how well we have put our message across.  
This you can do by asking questions, by encouraging the receiver to express his reactions, by follow-up contacts, by subsequent review of the performance. Make certain that every important communication has a feedback so that complete understanding and appropriate action result.
8. **Communicate for tomorrow as well as today:** While communications may be aimed primarily at meeting the demands of an immediate situation, they must be planned with the past in mind, if they are to maintain consistency in the receiver's view; but, most important of all, they must be consistent with long-range interests and goals. For example, it is not easy to communicate frankly on such matters as poor performance or the shortcoming of a loyal subordinate but postponing disagreeable communications makes them more difficult in the long run and is actually unfair to your subordinates and your company.
9. **Be sure your actions support your communications:** In the final analysis, the most persuasive kind of communication is not what you say but what you do. When a man's actions or attitudes contradict his words, we tend to discount what he has said. For every manager, this means that good supervisory practices—clear assignment of responsibility and authority, fair rewards for effort, and sound policy enforcement—serve to communicate more than all gifts of oratory.



10. **Seek not only to be understood but to understand: be a good listener:** When we start talking, we often cease to listen—in that larger sense of being attuned to the other person's unspoken reactions and attitudes. Even more serious is the fact that we are all guilty, at times, of inattentiveness when others are attempting to communicate with us. Listening is one of the most important, most difficult and most neglected skills in communication. It demands that we concentrate not only on the explicit meanings another person is expressing but on the implicit meanings, unspoken words and undertones that may be far more significant. Thus, we must learn to listen with the inner ear, if we are to know the inner man.

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## 19.12 ELECTRONIC MEDIA IN COMMUNICATION

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Managers have studied and are gradually adopting various electronic devices that improve communication. Electronic equipment includes mainframe computers, mini computers, personal computers, electronic mail systems, and electronic typewriters, as well as cellular telephones for making telephone calls from cars and beepers for keeping in contact with the office. Let us first look at telecommunication in general and at the increasing use of teleconferencing in particular.

### Telecommunication

Although telecommunication is just emerging, a number of companies have already effectively utilized the new technology in a variety of ways, as shown by the following examples.

1. A large bank supplies hardware and software to its customers so that they can easily transfer funds to their suppliers.
2. Several banks now make bank-by-phone services available even to individuals.
3. Facsimile mail service ensures delivery of a document across the country within hours.
4. The computerized airline reservation system facilitating making travel arrangements.
5. One large medical supply company gained a competitive edge by providing hospital purchasing agents with opportunity to enter supply orders directly at the computer terminal.
6. Many firms now have detailed personnel information—including performance appraisals and career development plans—in a data bank.

As you can see, there are many applications of telecommunication. But to make telecommunication systems effective, the technical experts

must make every effort to identify the real needs of managers and customers and to design systems that are useful. Let us now turn to a specific application of the new technology: teleconferencing.

### **Teleconferencing**

For sometime now companies such as IBM, Bank of America, and Hughes have used teleconferencing. However, due to the wide variety of systems, including audio systems, audio systems with snapshots displayed on the video monitor and live video systems, the term "teleconferencing" is difficult to define. In general, most people think of a teleconference as a group of people interacting with each other by means of audio and video media with moving or still pictures.

Full-motivation video is frequently used to hold meetings among managers. Not only do they hear each other, but they can also see each others expressions or discuss some visual display. This kind of communication is, of course, rather expensive, and audio in combination with still video may be used instead. This method of communicating may be useful for showing charts or illustrations during a technical discussion.

### **Advantages**

Some of the potential advantages of teleconferencing include savings in travel expenses and travel time. Also, conferences can be held wherever necessary, since there is no need to make travel plans long in advance. Because meetings can be held more frequently, communication is improved between, for example, headquarters and geographically scattered diverts.

### **Disadvantages**

There are also drawbacks to teleconferencing. Because of the easier arranging meetings in this manner, they may be held more often than necessary. Moreover, since this approach uses rather new technology, the equipment is subject to breakdowns. Most important, perhaps, teleconferencing is a poor substitute for meeting with other persons face-to-face. Despite these limitations, an increased use of teleconferencing is likely in the future.

## **SUMMARY**

- Communication is essential to minimize conflict, confusion and chaos. It eliminates friction, frustration and helps in motivating people.
- Communication is the sum of all the things one person does when he wants to create understanding in the mind of another. It is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding.

### **NOTES**

- A leader communicates the objectives, policies, rules and procedures of the enterprise to followers and also communicates the necessary work-orders, instructions and guidance to them, for the proper execution of the intended jobs, to be performed by the group.
- Delegation of authority is entirely based on the process of communication. A superior communicates the job assignment, necessary instructions, etc. to the subordinate; and the latter, in turn, communicates his problems, difficulties and progress of work to the former. Maintaining open lines of communication between the superior and the subordinate, is a prerequisite for successful delegation of authority.
- Decoding means the interpretation of the message by the recipient; with a view to getting the meaning of the message, as per the intentions of the sender. It is at this stage in the communication process, that communication is philosophically defined as, 'the transmission of understanding'.

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### REVIEW QUESTIONS

1. Explain the importance of communication.
2. What are the modes of communication?
3. What are the types of communication?
4. What are the various barriers to communication?
5. How can one overcome the communication by barriers?
6. Explain the essentials of good communication.
7. What is the role of electronic media in communication?
8. Write down the advantages and disadvantages of teleconferencing?

## UNIT 20 CONTROL PROCESS

### ★ STRUCTURE ★

- 20.1 Introduction
- 20.2 Definitions
- 20.3 Control Versus Controls
- 20.4 Importance of Control
- 20.5 Limitations of Control
- 20.6 Characteristics of Control
- 20.7 Elements of Control
- 20.8 Essentials of A Good Control System
- 20.9 Types of Control
- 20.10 The Control Process
  - Summary
  - Review Questions

### 20.1 INTRODUCTION

Control is a fundamental managerial function or process which measures current performance and guides it towards some predetermined objectives. The essence of control lies in checking progress against plans, setting up individual and organizational performance standards, and seeing that they are achieved as per the plan. **Henry Fayol** states that in an undertaking, control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued and the principles established. Its object is to point out weaknesses and errors in order to rectify them and prevent their recurrence. It operates on everything: things, people and actions.

The process of control also involves assessment of present or recent operations to identify desirable changes when performance is found to be unsatisfactory. The essence of control is action, which adjusts operations to predetermined standards, and its basis is information in the hands of managers. There are various possibilities like confusion, mistakes, delay, loss of effort and friction which may result in deviation from the original plans and programmes. So mere planning may not be adequate. Control highlights all such deviations as soon as they appear between fee performance and the standards prescribed.

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## 20.2 DEFINITIONS

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**KOONTZ AND O'DONNELL:** Control is measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and plans devised to attain them are being accomplished.

**ERNEST DALE:** Control is a system which not only provides a historical record of what has happened to the business as a whole, but also pinpoints the reasons why it has happened and provides the data that enable the chief executive or the departmental head to take corrective steps if he is on the wrong track.

**GEORGE R. TERRY:** Control is determining what is being accomplished, that is, evaluating the performance, and if necessary, applying corrective measures so that the performance takes place according to plans.

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## 20.3 CONTROL VERSUS CONTROLS

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In the normal course, controls are conceived as plural of control. But this is a misconception. As 'rent' in economics has a different meaning, so is the term 'controls' having a surprisingly different meaning in management and organizational behaviour literature. In management, controls means measurements, whereas controlling is a process of gathering and feeding back information about performance so that decision makers can compare actual results with planned results and decide what to do about any apparent discrepancies or problems.

**Peter F. Druker**, a well-known authority on management, brings out the distinction between the term 'control' and 'controls', in the following fashion:

- (i) Controls refer to measurement and information whereas control is related to 'direction'.
- (ii) Controls pertain to means and control pertains to an end.
- (iii) Controls deal with facts and with the events of the past; control on the other hand, deals with expectations, i.e. with future.
- (iv) Controls are analytical and concerned with what was and what is, Control is normative and concerned with ought to be.

Thus, controls are means to an end, 'end' being control.

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## 20.4 IMPORTANCE OF CONTROL

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Control encourages top management for more and more delegation and decentralization. It spots the areas of weaknesses and the range of deviations from the original plans. It stimulates action which will

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gear up all the departments. McFarland says that "Control is vital to the strength and morale of company employees" — workers will never like a situation to go out of control. Control will help in taking correct and clear-cut decisions. It can make planning effective and meaningful.

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## 20.5 LIMITATIONS OF CONTROL

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1. It is very difficult to establish standards for intangible activities.
2. Control cannot be effectively exercised over external factors which are basically uncontrollable.
3. Intensive control measures may be resisted by employees.
4. Control may not function effectively with untrained and unqualified subordinates.
5. Control may be resisted on the ground that it interferes with freedom of individual thinking and action.

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## 20.6 CHARACTERISTICS OF CONTROL

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Control and planning are inseparable. No business can exist without these twin concepts in some form or other. Control cannot exist without planning and therefore, the planning has to be designed to fit the specification of control. A standard is a type of plan which guides in evaluating performance.

Control is a continuous process. Control is a process of constant revision and analysis of standards, and understanding of the variation between the plans and the performance.

Control is forward looking. One cannot exercise any control over the past. One can only review the past events. Control is possible only of future performance.

Control is all-pervasive. Even though the scope of control varies, control as such functions at all levels of responsibility to execute plans.

Control has a positive approach. Control can never be negative, and it is not an obstacle or a bottleneck; it is a managerial necessity, and will help the management in getting positive and successful results.

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## 20.7 ELEMENTS OF CONTROL

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There are six elements in control system. An executive exercising control has to understand each element in the context of its necessity. These elements are:

1. Authority
2. Knowledge
3. Guidance
4. Direction
5. Constraint
6. Restraint

All these elements are absolutely essential to exercise an effective control.

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## 20.8 ESSENTIALS OF A GOOD CONTROL SYSTEM

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The following are broad considerations which are essential to have an effective control system:

1. **Suitability:** The nature and need of the activity will help in determining a good system of control. Controls in a production department will be different from those used in marketing departments. Control for the production manager will be different from control for a supervisor.
2. **Prompt Reporting:** If there are any deviations from the plans and standards, they must be reported promptly and immediately.
3. **Forward-looking:** A good control system should avoid the possibility of getting similar deviations in future. All potential deviations should be corrected.
4. **Focus on Strategic Points:** A good system of control not only points out the deviations or exceptions but also pinpoints where they are vital or strategic.
5. **Flexible:** A good control system should remain workable even when the plans are changed or standards are altered.
6. **Objective:** To have effective control, there should be objective, precise and suitable standards. They should be definite and determinable.
7. **Economical:** The cost of installation and operation of a control system should be justified by its benefits.
8. **Understandable:** A control system should be clear and easily understandable to the people who will use it, so that control becomes easy, smooth and meaningful.
9. **Remedial Action:** A good control system not only detects deviation, but also suggests practical corrective action. Koontz and O'Donnell state that an adequate system of control should disclose where failures are occurring, who is responsible for them and what should be done about them.

- 10. Human Factor:** A good control system should be worker-centred rather than work-centered. Accountability for major deviations and assistance for improvement should be organized.

To conclude: planning is the basis of control, action is essence, delegation is the key; and information is the guide.

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## **20.9 TYPES OF CONTROL**

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Depending on the 'time' at which control is applied, controls are of three types—historical (feedback), concurrent, and predictive (feed-forward).

### **1. Historical Control**

Traditionally, control was viewed as historical. It is because most of the control methods measure results after the performance. Control provides information as to how the goals of organization are met or not met. Income statements and position statements are examples of this type of control. Here, control is seen as a postmortem of events the purpose of which is to improve in the future.

Another name for historical controls is the feedback controls. Feedback control (or post-action control) is largely historical. In other words, the measured activity has already occurred, and it is impossible to go back and correct performance to bring it up to the standard. Instead, correction must occur after the fact. Examples of feedback controls are disciplinary action, performance appraisal interviews, financial and budgetary results and final inspections.

### **2. Concurrent Control**

It is also called 'real time' control. Concurrent control techniques immediately consider any problem and analyze it to take necessary and corrective steps before any major damage is done. Control chart is an example of this control.

Concurrent controls are also known by another name 'steering controls' and occur while an activity is taking place. The navigator of an aircraft who adjusts the aircraft's movements is an example of concurrent control. When you ride a bicycle, you must adjust your steering constantly, depending on the turns in the road, obstacles, and changes in the terrain to keep your vehicle upright and move toward your destination.

### **3. Predictive Control**

Here, the control system anticipates problems the management encounters in future. Cash budget is an example of this type where the finance manager is in a position to estimate the next year's flow of cash. If there is a shortage of funds in a particular month, he can arrange for bank loan or some other alternative. Predictive control is also frequently termed



as 'feed forward control'. Predictive control attempts to anticipate problems or deviations from the standard in advance of their occurrence. It is, thus, a more aggressive, active approach to control, allowing corrective action to be taken in advance of the problem. One notable characteristic of feed forward control is that it anticipates problems and permits action to be taken before a problem occurs.

Feed forward and concurrent controls are sufficiently timely to allow management to take corrective changes and still achieve objectives. But there are several other factors to be considered such as:

- (i) Despite their appeal, they are costly.
- (ii) Many activities do not lend themselves to frequent and continuous monitoring.
- (iii) At some point, excessive control becomes counter-productive.

## NOTES

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## 20.10 THE CONTROL PROCESS

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**K. Boulding** states that the barest essential of any organization is a control mechanism. Control is the key factor. If the control mechanism fails, plans and programmes will also fail. A control mechanism or control process has five basic elements. They are as follows.

- Establishment of standards of performance
- Measurement of actual performance
- Comparison of actual performance with the original standards
- Taking corrective action
- Feedback

1. **Establishment of Standards of Performance:** A standard is a criterion against which future results can be measured. Such standards may be tangible or intangible. A standard should be tangible, for better evaluation. It should be clear and meaningful. Performance standards are expressed in terms of cost, quality, quantity and time. Standards like employee morale, discipline, public relations, image of the concern, etc. cannot be easily quantified, as they are intangible. Quantitative standards can be determined by statistical methods such as sampling.
2. **Measurement of Actual Performance:** The very purpose of control is to check or measure the actual performance. If the standards prescribed are tangible, it is easy to measure the performance in similar units. If the standards are intangible, it is difficult to measure the performance. Work, operations and turnout should be observed, measured and facts collected. Statistical data, reports, opinions, accounting information, etc. will help in measuring the actual performance.

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3. **Comparison of Actual Performance with the Original Standards:** After measuring the actual performance, it has to be compared with the original standards. The comparison may disclose either agreements or deviations from the standards established. But the manager has to be very clear about the concept of deviation: minor or negligible deviations may be ignored, but major and significant deviations should be correctly understood. For this, the manager must have his own range of tolerance, which he can fix with his knowledge and experience.
4. **Taking Corrective Action:** As soon as deviations are reported, the concerned manager should take steps to correct the action. This is essential because measurement of performance should not become just a ritual or postmortem of past events. If the deviation is significant, then the original standard itself has to be rechecked. Corrective action should be taken immediately, without any loss of time. Corrective action may be improving the methodology, techniques, organizational structure, proper selection, training and remuneration of workers, or even effective communication and successful motivation. Corrective action may be either to cure or to prevent such deviations. Wherever possible, automatic, self-regulating mechanisms should be introduced to bring back performance in line with the original plan.
5. **Feedback:** Feedback is an important element in the control process. It ties together all the elements of the control mechanism. The controller will receive feedback information regarding actual performance in comparison with the original standards. If the feedback is positive and reveals accomplishment, the manager must encourage and appreciate the subordinates. If the feedback brings negative results, the manager has to take corrective action and alter the operations accordingly. Feedback will help in getting information well in time about the work performance, and it also motivates people.

### SUMMARY

- Control is a system which not only provides a historical record of what has happened to the business as a whole, but also pinpoints the reasons why it has happened and provides the data that enable the chief executive or the departmental head to take corrective steps if he is on the wrong track.
- Control encourages top management for more and more delegation and decentralization. It spots the areas of weaknesses and the range of deviations from the original plans. It stimulates action

which will gear up all the departments. **McFarland** says that "Control is vital to the strength and morale of company employees"—workers will never like a situation to go out of control. Control will help in taking correct and clear-cut decisions. It can make planning effective and meaningful.

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- Feedback is an important element in the control process. It ties together all the elements of the control mechanism. The controller will receive feedback information regarding actual performance in comparison with the original standards.

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### REVIEW QUESTIONS

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1. Define control. Explain the importance of control in a modern business enterprise.
2. Discuss the characteristics of the controlling function.
3. What is meant by a control process? Discuss its basic elements.
4. Discuss the requirements of an effective control system.
5. What are the essentials of good control system?

## UNIT 21 CONTROL TECHNIQUES

### NOTES

### ★ STRUCTURE ★

- 21.1 Traditional Techniques of Controlling
- 21.2 Modern Techniques of Controlling
  - Summary
  - Review Questions

### 21.1 TRADITIONAL TECHNIQUES OF CONTROLLING

#### 21.1.1 Budgeting (or Budgetary Control System)

##### (a) *Introductory Observations*

A budget is both—a method of planning and an instrument (or device) for controlling. It is a plan in so far as the numerical expression of the standards of performance (*i.e.*, anticipated results) is concerned. However, when the actual operational performance is judged against these standards; the budget assumes the role of a control technique. As such, a budget is properly called a budgetary control; the suffix 'control' usually being omitted.

##### (b) *The Concept of 'Budget'*

A budget might be defined as the expression of a management plan into numerical terms (financial, quantitative or time); being a statement of anticipated results expected of the working of a particular aspect of organizational operational life, for a specific future period of time, say a month, a quarter, a half year, a year or so.

##### (c) *Types of Business Budgets*

Some important types of business budgets are described below:

- (i) **Sales Budget:** One most important aspect of the revenue budgets of business enterprises is the sales budget.  
A sales budget is a statement of an expected volume of sales, flowing to a business enterprise over a specific future period of time.
- (ii) **Production Budget:** An important budget concerning the operational life of a business enterprise is the production budget.

A production budget is a statement of anticipated production to be done by an industrial enterprise during a specific future period of time; in view of the resource availability for production purposes.

Production budget might be expressed in terms of—

**Man-hours;** where most of production work is done by manual labour.

or **Machine-hours;** where production activities are mechanized.

(iii) **Production-facilities Budgets:** Based on the need and requirements of the overall production budget; budgets for various production facilities are prepared—as branches of the production budget. Some of such ancillary budgets are as follows:

(a) **Materials budgets** *i.e.*, a budget for direct material needed for the budgeted output.

(b) **Labour budget** *i.e.*, a budget for direct labour needed for the budgeted output.

(c) **Factory overheads budget** *i.e.*, a budget for factory overheads likely to be incurred, during the production process, to produce the targeted output.

(d) **Administrative (or office) overheads budget** *i.e.*, a budget for office overheads likely to be incurred, during the handling of the targeted output, at the 'office-stage'; in the industrial enterprise.

(e) **Selling and distribution overheads budget** *i.e.*, a budget for selling and distribution overheads likely to be incurred, at 'the selling and delivery stage', during the budget period.

(iv) **Cash Budget:** A cash budget is an important branch of the overall Finance Budget. This budget assumes great significance in the operational life of any business enterprises; as cash is needed for various purposes, quite off and on.

A cash budget is a statement of anticipated cash receipts and cash disbursements; occurring during a specific future period of time—to find out the likely surplus or shortage of cash, during that period.

(v) **Capital Expenditure Budgets:** A major aspect of financial budgeting concerns with designing capital expenditure budgets, for items like plants, machines, equipments, furniture, etc.

(vi) **Balance Sheet Budgets:** Balance sheet budgets are statements of forecast of capital account, liabilities and assets.

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In fact, sources of changes in Balance Sheet items are the outcome of the functioning of budgetary control system, as a whole. Hence, Balance Sheet budgets prove the accuracy of all other budgets.

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**(d) The Budget Organization**

For the best designing and functioning of the budgetary control systems, there is the need for a separate 'budget organization'.

The 'budget organization' implies the formulation of a Budget Committee extended into various sub-committees. The main task of the budget committee is to finalize and coordinate the planning and implementation of the budgetary control system.

The Budget Committee, headed by the Chief Executive, consists of various functional heads like the Production Manager, the Purchase Manager, the Finance Manager, the Marketing Manager, the Personnel Manager, the Engineer, the Accountant, the Cost Accountant and other functional experts. In this Budget Committee, there is usually a provision for a 'budget officer' who acts as the secretary of the committee; and makes preparations for arranging the meetings of the Budget Committee.

**(e) Advantages of the Budgetary Control System**

Some important advantages of the budgetary control system are as follows;

- (i) **Expression of planning in definite terms:** Since budgets are a numerical expression of business plans; the budgetary control system—built around the concept of budgeting—expresses plans in definite terms. This way, it is easier for managers to communicate plans more precisely to subordinates and operators. Further, people understand plans in a better manner, and can easily take actions for the realization of plans.
- (ii) **Comprehensive managerial technique:** Budgetary control system is a comprehensive managerial technique of managing an enterprise. It is both, a method of planning and an instrument of controlling. Planning and controlling are two extremes of budgetary control; and other managerial functions viz. organizing, staffing, direction naturally fit into the budgetary control structure at their appropriate places.
- (iii) **Communication of jobs (or duties) through budgets:** The budgetary control system is the mouthpiece of management; as budgets convey to people "what jobs are assigned to them or what role they are supposed to play, in the organizational life.
- (iv) **Instrument of coordination:** Budgetary control system is an instrument of coordination. Through budgets the functioning of functional departments, management levels and actions of individuals throughout the enterprise are all endeavored to be coordinated.

- (v) **Profit-maximization attempted through cost-control:** Through emphasizing on cost minimization and expenditure control; the budgetary control system helps management to strive for the profit-maximization goals in a legitimate manner.
- (iv) **Fixation of responsibility facilitated:** Budgetary control system judges the organizational operational efficiency; by locating the spots where weaknesses are occurring. Thus, responsibility for weaknesses or shortfalls in performance can be easily fixed through the budgetary control system.

## NOTES

**(f) Limitations of the Budgetary Control System**

Budgetary control system is a rose, full of thorns. Some significant limitations of this system can be stated as follows:

- (i) **Not comprehensive:** Budgetary control system is a lop-sided managerial device; in as much as the qualitative aspects of managing cannot be fully and precisely made a part of it. In fact, despite intelligent quantification of qualitative aspects; the real intentions of these aspects cannot be incorporated into the budgetary control system.
- (ii) **Difficulty in setting rational standards:** Usually, while devising a budgetary control system, it is difficult to set rational standards of performance. Despite the adoption of the best scientific approaches to setting rational standards; prejudices, bias and personal opinions of managers enter the budgetary control system, through the back door.
- (iii) **Danger of over-budgeting:** Regulating the organizational operational life through the budgetary control system, might carry a danger of over-budgeting i.e., too much emphasis on details of minor items and light emphasis on major heads, requiring strict-control.
- (iv) **Lack of departmental cooperation and coordination:** There might be a lack of departmental cooperation and coordination, while designing and implementing the budgetary control system. In fact, some managers might not be willing to cooperate with one another into the making of the system; due to personal differences and conflicting approaches. As such, departmental coordination, which is the heart of the budgetary control system, might be unavailable or unobtainable, because of lack of cooperation among departmental managers. As a result, the budgetary control system becomes faulty or misleading, and a mere theoretical exercise in managing.

- (v) **Umbrella for inefficiency:** Budgetary control system may become an umbrella for hiding organizational inefficiency; as many people might act within budgets—though remaining highly inefficient otherwise.

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### 21.1.2 Non-Budgetary Control Techniques

Some of the non-budgetary control techniques are described below:

#### 21.1.2.1 Direct personal observation and supervision

Direct personal observation and supervision by a manager is, perhaps, the oldest techniques of controlling. In this technique, control is exercised by a manager through a face-to-face contact with employees; by directly observing their performance e.g., by taking rounds in the plant where workers are performing or in any other manner.

This technique of controlling has the obvious advantage that corrective action by the manager could be taken on the spot. Moreover, this technique of direct observation has psychological impact on workers; as they are motivated to work as per standards of performance due to the fear of the manager.

However, direct personal observation and supervision technique of controlling has certain disadvantages, like the following:

- (a) It is a time-consuming technique. The manager is left with little time for attending to his official duties.
- (b) Direct personal supervision cannot be exercised all the time over all the employees.
- (c) Due to this technique of controlling; there may be interference in the smooth flow of work of employees.
- (d) This technique has a negative impact on self-motivated and enlightened workers; and they often resist to it.

#### 21.1.2.2 Written Reports

Under this technique of controlling, each manager prepares written reports on the performance of his subordinates; and submits these to higher authorities. Lower management submits reports to middle management to top management and the top management (i.e. Board of Directors) to the body of members.

The written report method of controlling has a psychological impact on workers. In fact, the fear of likely adverse remarks in the report makes workers discharge their duties efficiently.

However, this technique of controlling has certain limitations, as described below:

- (a) This technique carries an element of subjectivity, in that a manager may deliberately favour or disfavour particular employees while drafting reports.
- (b) It is an imperfect technique of controlling, as the manager may not include all aspects of workers' performance, in his reports.



(c) Drafting of written reports is a time-consuming process.

(d) Some managers may not be competent enough to draft reports.

### 21.1.2.3 Statistical Reports and Analysis

Under this technique of controlling, a special staff of specialists prepares statistical reports and presents them in form of tables, ratios, percentages, correlation analysis, graphs, charts, etc. to higher management levels. Such reports are prepared in areas like production, sales, quality, inventory, etc. and these reports usually become the basis of managerial decision-making and action.

### NOTES

### 21.1.2.4 Break-even Analysis

Break-even analysis is a technique of Marginal costing. It is based on a classification of costs into fixed and variable categories. The key-concept in break-even analysis is that of contribution, defined as:

Contribution = Selling price per unit - Variable cost per unit

With the help of this concept of contribution the management is first interested in a full recovery of fixed costs. After recovering the fixed costs fully; the business enterprise reaches a point of break-even i.e., a point at which there is neither a profit nor losses. Break-Even Point (i.e. B.E.P.) is calculated as follows:

Suppose fixed costs	=	₹ 1,00,000
Selling price per unit	=	₹ 20
Variable cost per unit	=	₹ 12
∴ Contribution per unit	=	₹ 8. (i.e., 20 - 12)
B.E.P.	=	$\frac{\text{Fixed costs}}{\text{Contributed per unit}} = \frac{1,00,000}{8}$
	=	12,500 units

A B.E.P. of 12,500 units indicates that if that business produces and sells 12,500 units; it will recover fixed costs fully; and will have neither profits nor losses.

After reaching B.E.P., business can earn a profit of ₹ 8 per unit (i.e. equal to contribution per unit); on selling each additional unit. (as fixed costs have already been recovered).

The technique of break-even analysis is helpful in profit planning and controlling—by predicting behaviour of fixed and variable costs.

### 21.1.2.5 Ratio Analysis

Ratio-analysis is a tool of Financial Accounting and Management Accounting. Under this technique, the financial analyst analyses financial statements (i.e., the Income Statement and the Position Statement) by computing appropriate ratios.

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In fact, figures do not speak. Ratios make them speak. The useful and meaningful accounting data give important clues to management for decision-making purposes—speaking through the media of accounting ratios.

Accounting ratios are usually divided into the following categories:

- Liquidity ratios
- Solvency ratios
- Activity or performance ratios
- Profitability ratios

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## **21.2 MODERN TECHNIQUES OF CONTROLLING**

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Some popular modern techniques of controlling are described below:

### **21.2.1 Management audit**

Management audit is a modern technique of controlling, in which the aim is to examine the efficiency of the management's philosophies, policies, techniques, etc. in successfully running an enterprise.

It may be defined as follows:

Management audit is an independent, overall and scientifically critical examination of the entire management process—with a view to discovering quality of management; and judging its success and failures in running and managing an enterprise.

### ***Conducting Management Audit***

Management audit may be conducted either by an internal agency in the form of Management Audit Cell (MAC); or by an external agency such as management consultants. A growing tendency in the U.S.A. in regard to conducting management audit is to have certified management auditors for this purpose; so that a more objective view of management's efficiency could be presented.

### ***Point of Comment***

The scope of management audit is very wide. Management audit may cover areas like the following:

- an appraisal of managers
- economic functioning of the enterprise
- fulfillment of major social responsibilities
- functioning of the Board of Director
- Soundness of organizational structure
- intensity of sales promotion efforts
- emphasis on research and development, etc.

## **Evaluation of Management Audit**

Management audit, by identifying, deficiencies in management's principles and practices helps in effecting structural improvements in the entire managerial system. Moreover, the fact of conducting management audit makes management more alert and progressive in its approach.

However, the scope of management audit is ill-defined. There is a lack of well-defined principles and procedures for conducting management audit.

### NOTES

### **21.2.2 Internal Audit (or Operational Audit)**

An effective modern technique of controlling is the internal audit, now coming to be called operational audit.

The scope of internal audit is wider than external audit. It not only concerns with ensuring a true and fair recording of the accounting information but also offers comments on various operational aspects of enterprise life. Hence, called operational audit.

Internal audit (or operational audit) may be defined as follows:

Internal audit is vouching and verification of accounting information by a staff of internal auditors; and is also concerned with examining the overall operational efficiency of the enterprise.

#### ***Point of Comment***

In a way, internal audit also encompasses elements of management audit.

#### ***Scope of internal audit***

Internal audit, besides, including financial audit as the core aspect of it; includes consideration of the following:

- appraisal of financial controls
- compliance with policies and procedures
- efficiency in utilizing resources
- appraising quality of management performance, etc.

#### ***Evaluation of internal audit***

Internal audit recommends improvements in the operational life of the enterprise, and provides managerial with a perennial supply of control information. It keeps a moral check on all the members of the organization.

However, installation and operation of internal audit system is much costly and time-consuming. Moreover, internal audit people have a lop-sided approach to their work; in that they have a tendency to look at every aspect of business operations from the accounting point of view.

### **21.2.3 Social Audit**

Social audit may be defined as follows:

Social audit is concerned with the measurement of social performance of an organization in contrast to its economic performance.

#### **NOTES**

The concept of social audit was first developed by Howard R. Bowen in the USA in the fifties. The application of the concept of social audit may be attributed to an increasing awareness of social responsibilities by business enterprises.

Sometime back, the Tata Iron and Steel Company Limited conducted a social audit in its organization; though the audit report was not made available to the general public.

### **21.2.4 Responsibility Accounting**

Responsibility accounting is a technique of controlling borrowed from Management Accounting.

It is a system of controlling, whereby, the performance of managers is judged by assessing how far they have achieved the targets set for their departments or sections; for whose performance they are responsible.

Responsibility accounting may be defined as follows:

Responsibility accounting consists in dividing a business organization into responsibility centres, whereby, a distinct manager is assigned responsibility for achieving the predetermined target for his centre; and his success is judged by his ability in controlling the 'controllable costs' of his centre.

#### ***Points of Comment***

- (i) Under responsibility accounting system, costs are assigned to responsibility centres rather than to products.
- (ii) Costs incurred by a responsibility centre are divided into two categories—controllable and uncontrollable. The head of the centre is directly responsible for the control label costs of his centre.

### **21.2.5 Human Resource Accounting (HRA)**

Rensis Likert and D.E. Bowers have undertaken experiments in human resource accounting.

HRA might be defined as follows:

HRA is accounting for people in an organization which involves a measurement of costs incurred by an enterprise to recruit, select, hire and train human assets and a measurement of the economic value of people to the enterprise.

#### ***Point of Comment***

Other techniques of controlling emphasize on profits, costs, performance, etc. but ignore the value of the human asset which makes for all the difference in organizational performance.

Approach to measuring the value of human assets:

There are two approaches to measuring the value of human assets:

- Original costs of human assets *i.e.*, costs incurred in acquiring, compensating and training people.
- Replacement costs *i.e.*, the costs required to replace a specific person.

NOTES

An individual's value to an organization is the present worth of the set of future services that he/she is expected to provide during the period of his/her stay in the organization.

### ***Evaluation of HRA***

HRA helps management by providing valuable information for effective planning and managing human resources. With the help of measurement of costs of human assets, management can select persons with highest expected realizable value.

However, the biggest limitation of HRA is the basic problem involved in measuring the value of human assets—whether it should be based on original costs or replacement costs.

Many organizations, particularly, in the USA, are following HRA.

### **21.2.6 Management Information System (MIS)**

Management Information System (also known as MIS) is an integrated technique for gathering relevant information from whatever source it originates and transferring it into unusable form for the decision makers in management. It is a system of communication primarily designed to keep all levels of organizational personnel abreast of the developments in the enterprise that affect them. MIS provides working tools for all the management personnel in order to take the best possible action at the right time with respect to the operations and functions of the enterprise, for which they are largely responsible. The emphasis of MIS is on information for decision-making. MIS facilitates control from several angles:

1. **MIS performs a useful triple service function to management:** Actually MIS itself is a three stage process—data generation, data processing and information transmission. MIS enhances the management's ability to plan, measure and control performance, and taking necessary and corrective action.
2. **Facilitates total performance:** MIS provides more specialized and technical kind of information for the concerned managers. MIS provides multiple types of information for all management levels on a baffling variety of organizational matters.
3. **Takes into account several critical dimensions:** MIS takes into account—the real time requirements, frequency of requirement, accuracy requirement, data reduction requirement, storage

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requirement, etc. MIS objectively determines what information is needed by whom, and with what frequency.

4. **MIS reduces overload of information:** MIS stresses the information that is most useful to the decision-maker. Any firm, large or small, that uses a formalized approach or electronic data processing system for its daily business has foundation of MIS. But normally, the larger the organization the more likely that MIS can be used by top management in establishing company policies and plans, monitoring the company performance and adapting the company strategies in response to changing circumstances.

### 21.2.7 Network Analysis Techniques—PERT/CPM

#### (a) Introduction

PERT (Programme Evaluation and Review Technique) was developed by the special project office of the U.S. Navy in 1958. Almost at the same time, engineers at the Du Pont Company U.S.A. developed CPM (Critical Path Method). Though there are some differences between PERT and CPM; yet both these techniques utilize the same principles.

#### (b) Application in PERT/CPM

Some of special areas for the application of PERT/CPM are given below:

- (i) Building/construction projects
- (ii) Ship building
- (iii) Airport facilities building
- (iv) Installation of computer systems
- (v) Publication of books

#### (c) Steps in PERT/CPM

The application of PERT/CPM involves the following steps:

- (i) **Identification of components:** The first step towards the application of PERT/CPM is an identification of all key activities or events necessary for the completion of the project.

The term activity may be defined as an operation or a job to be carried out; which consumes time and resources. It is denoted by an arrow, in the network diagram.

The term event may be defined as the beginning or completion of an activity. It is denoted by a circle in the network diagram.

- (ii) **Sequencing of activities and events:** A network diagram is prepared to show the sequence of activities and events. It has a beginning and a terminal point for the project. It also depicts a

number of paths of activities from the beginning to the completion of the project. For sake of convenience, each event is given a serial number.

- (iii) **Determination of estimated time:** For completion of the project during the contract period; it is essential to determine the expected time required to complete each activity.

Under PERT, three time estimates for the completion of each activity are made--

- Optimistic or the shortest time
- Pessimistic or the longest time
- Normal or most likely time

- (iv) **Determination of the critical path:** At this stage, it is required to identify the sequence of those activities whose completion is critical for the timely completion of the project. Once the critical path is known; the management will be in a position to deploy resources more fruitfully; to spot troubles early and apply controls where these are most essential.

### ***Point of Comment***

There must be no delay in the completion of activities which lie on the critical path; otherwise the entire project will be delayed.

- (v) **Modification in the initial plan:** The initial plan may be modified by resequencing some activities that lie along the critical path. When this is possible, it will result in a shorter time for the completion of the project.

### ***(d) Distinction between PERT and CPM***

Though basic principles involved in PERT and CPM are the same; yet some differences between the two may be expressed as follows:

- (i) PERT is event-oriented; whereas CPM is activity oriented.
- (ii) In CPM, it is assumed that the duration of every activity is constant; and hence only one time estimate is given for each set of activities. On the other hand, PERT allows for uncertainty in the duration of activities; and hence three time estimates optimistic (or the shortest time), pessimistic (or the longest time) and normal (or the most likely time) are given.
- (iii) CPM requires some previous work experience for the completion of each activity; which is not necessary in PERT.
- (iv) CPM is used where cost is the main consideration; while PERT is, used where time is the main consideration.

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(e) **Evaluation of PERT/CPM**

**Merits**

Following are the main advantages of PERT/CPM:

- (i) PERT/CPM provides an analytical approach to the achievement of project objectives which are defined clearly. It, thus, facilitates better utilization of time, efforts and capital.
- (ii) It identifies most critical elements and pays more attention on these. It, thus, facilitates 'control by exception' and increases effectiveness in handling projects.
- (iii) PERT/CPM brings all the components of a project together in the flow chart and permits simultaneous performance of different parts of the project.
- (iv) PERT/CPM forces managers to analyze all possibilities and uncertainties. It, thus, helps to minimize time and cost overruns.
- (v) It provides a kind of feed forward control; because delay in one activity affects all succeeding activities. Management can take action in advance, by effecting modifications of future activities.

**Limitations**

Major limitations of PERT/CPM are as follows:

- (i) It is not possible to accurately estimate time and cost involved in various activities of a project. Errors in estimation can make PERT/CPM erratic and unreliable.
- (ii) PERT/CPM is time-consuming and expensive. As such, small firms cannot afford to take advantage of these techniques.
- (iii) PERT/CPM cannot be applied with regard to assembly line operations, in which scheduling of operations is more guided by the speed of machines.
- (iv) PERT/CPM lays stress on time and cost control; overlooking other aspects of the project like quality and design of the project.

(f) **Self-control**

People often resist to externally imposed control. The best controlling system is that in which people opportunity for exercising self-control has.

Situation creating conditions for exercising self-control.

Some of the situations providing opportunities for self-control may be:

**1. Management By Objectives (MBO)**

Under MBO, there is a great possibility that people will exercise self-control; because they have their own hand in setting objectives for themselves; and are more likely to be committed to those objectives.

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## 2. Delegation of Authority

Successful delegation of authority requires attitudes of mutual trust and confidence between the superior and the subordinates. A superior may not like to impose controls on a responsible and competent subordinate; and may allow him to exercise self-control as a measure to motivate him.

## 3. Assignment of Challenging Work

When some challenging nature of work is assigned to an individual; the job itself creates situations in which only self-control could be exercised by the individual on himself.

## 4. Highly Dedicated Employees

In case of highly dedicated employees, there is not much need to impose controls over them; as they could be assumed to be self-starters. They may be left to exercising self-control.

### *Points of Comment*

1. Even in situations of externally imposed controls; there is provision for exercising self-control. In fact, minute-to-minute control by a manager over subordinates' performance is never possible.
2. People must not be left entirely to exercising self-control. There must be an ideal mix of externally imposed controls and self-controlling philosophy.

## SUMMARY

- A budget might be defined as the expression of a management plan into numerical terms (financial, quantitative or time); being a statement of anticipated results expected of the working of a particular aspect of organizational operational life, for a specific future period of time, say a month, a quarter, a half year, a year or so.
- Responsibility accounting is a technique of controlling borrowed from Management Accounting.
- It is a system of controlling, whereby, the performance of managers is judged by assessing how far they have achieved the targets set for their departments or sections; for whose performance they are responsible.
- HRA helps management by providing valuable information for effective planning and managing human resources. With the help of measurement of costs of human assets, management can select persons with highest expected realizable value.

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## REVIEW QUESTIONS

### NOTES

1. "Despite the emergence of many modern techniques of controlling, the budgetary control system maintains its unique place in the word of controlling." In the light of this observation, give an overview of the process, of the budgetary control system.
2. Give an account of some popular non-budgetary control techniques, with special reference to break-even analysis and ratio analysis.
3. What is management audit? How is it conducted? How does it differ from interval audit?
4. Give a brief account of responsibility accounting and human resource accounting, as modern techniques of control.
5. "Both PERT and CPM utilize the same principles; yet, there are differences between the two." Comment. State the steps involved in designing PERT/CPM, and make a mention of the merits and limitations of PERT/CPM.
6. What is self-control? Is it the best form of controlling? What are the situations which provide opportunities for exercising self-control?
7. Write notes on:
  - (a) Social audit
  - (b) Statistical reports and analysis
  - (c) Operational audit.

# UNIT 22 INFORMATION TECHNOLOGIES IN CONTROLLING

## NOTES

### ★ STRUCTURE ★

- 22.1 Information Technology
- 22.2 The Use of Computers in Handling Information
- 22.3 Challenges Created by Information Technology
  - Summary
  - Review Questions

## 22.1 INFORMATION TECHNOLOGY

The systems model of management shows that communication is needed for carrying out the managerial functions and for linking the organization with its external environment. The management information system (MIS) provides the communication link that makes managing possible.

The term management information system has been used differently by various authors. It is defined here as a formal system of gathering, integrating, comparing, analyzing and dispersing information internal and external to the enterprise in a timely, effective, and efficient manner.

The management information system has to be tailored to specific needs and may include routine information, such as monthly reports, information that points out exceptions, especially at critical points, and information necessary to predict the future. The guidelines for designing a management information system are similar to those for designing systems and procedures and other control systems. Since they have been discussed elsewhere, they need not be elaborated here.

Electronic equipment permits fast and economical processing of huge amounts of data. The computer can, with proper programming, process data toward logical conclusions, classify them, and make them readily available for a manager's use. In fact, data do not become information until they are processed into a usable form that informs.

### 22.1.1 Expanding Basic Data

The focus of attention on management information, coupled with its improved processing, has led to the reduction of long-known limitations.

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Managers have recognized for years that traditional accounting information, aimed at the calculation of profits, has been of limited value for control. Yet in many companies this has been virtually the only regularly collected and analyzed type of data. Managers need all kinds of non-accounting information about the external environment, such as social, economic, political and technical developments. In addition, managers need non-accounting information on internal operations. The information should be qualitative as well as quantitative.

While not nearly enough progress has been made in meeting these requirements, the computer, plus operations research, has led to an enormous expansion of available managerial information. One sees this especially in relation to data on marketing, competition, production and distribution, product cost, technological change and development, labour productivity, and goal accomplishment.

### 22.1.2 Information Indigestion

Managers who have experienced the impact of better and faster data processing are justly concerned with the danger of "information indigestion". With their appetite for figures whetted, the data originators and processors are turning out material at an almost frightening rate. Managers are complaining that they are being buried under printouts, reports, projections and forecasts which they do not have time to read or cannot understand or which do not fill their particular needs.

### 22.1.3 Intelligence Services

One attempt at solving the information overload is the establishment of intelligence services and the development of a new profession of intelligence experts. The service would be provided by specialists who know (or find out) what information managers need and who know how to digest and interpret such information for managerial use. Some companies have established organizational units under such names as "administrative services" or "management analyses and services" for making information understandable and useful.

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## 22.2 THE USE OF COMPUTERS IN HANDLING INFORMATION.

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The computer can store, retrieve and process information. Often a distinction is made between kinds of computers. The mainframe is a full-scale computer, often costing millions of dollars, that is capable of handling huge amounts of data. Some of these "supercomputers" are used for engineering, simulation, and the manipulation of large data bases. The minicomputer has less memory and is smaller than the mainframe. This kind of computer is often connected with peripheral equipment. The microcomputer is even

smaller and may be a desk computer, home computer, personal computer, portable computer, or small computer for a business system. Increasingly, however, minicomputers are used by large organizations either as stand-alone computers or as parts of a network.

But the distinction between the various classes of computers is disappearing. With the introduction of the new microcomputers based on the 80386 microprocessor these computers have become very powerful. However, the full utilization of the hardware (the computers) depends to a considerable degree on the lagging development of the software programs.

Among the many business applications of the computer are material requirements planning, manufacturing resource planning, computer-aided control of manufacturing machinery, project costing, inventory control and purchasing. The computer also aids design and engineering, an application which made the U.S. space program possible. Then there are the many uses in processing financial information such as accounts receivable and accounts payable, payroll, capital budgeting and financial planning.

### **22.2.1 The Impact of Computers on Managers at Different Organizational Levels**

Information needs differ at various organizational levels. Therefore, the impact of computers will also be different.

At the supervisory level activities are usually highly programmable and repetitive. Consequently, the use of computers is widespread at this level. Scheduling, daily planning, and controlling of the operation are just a few examples.

Middle-level managers, such as department heads or plant managers, are usually responsible for administration and coordination. But much of the information important to them is now also available to top management if the company has a comprehensive information system. For this reason, some people think that the need for middle-level managers will be reduced by the computer. Others predict that their roles may be expanded and changed.

Top-level managers are responsible for the strategy and overall policy of the organization. In addition to determining the general direction of the company, they are responsible for the appropriate interaction between the enterprise and its environment. Clearly, the tasks of CEOs are not easily programmable. Yet top managers can use the computer to retrieve information from a database that facilitates the application of decision models. This enables the company to make timely responses to changes in the external environment. Still, the use of the computer will probably affect the jobs of top managers less severely than it will affect the jobs of those at lower levels.

### **NOTES**

### 22.2.2 The Application and Impacts of Microcomputers

The personal computer (PC) is becoming increasingly appealing to managers because it is flexible and relatively inexpensive and can be used more quickly than the mainframe computer. Its applications include the following:

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Budget preparation	Simulation models
Graphic presentation	Forecasting
Electronic spreadsheets	Electronic mail
Financial analyses	Tapping into databases
Word processing	Time-sharing

The implications of the increasing use of the microcomputer are manifold. There is a need for specialized staff support, education for managers and non-managers, and a redefinition of jobs. For example, the distinction between line and staff is becoming less clear. The information that was formerly gathered by staff can now be obtained with ease by other managers by accessing a common data base. On the other hand, information that was the prerogative of upper-level managers can also be made available to personnel at lower levels, possibly resulting in the shift of power to lower levels in the organization. But not all information should be accessible to all people in the company. Thus, one of the problems currently faced by many firms is maintaining the security of information.

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## 22.3 CHALLENGES CREATED BY INFORMATION TECHNOLOGY

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Eliminating the unauthorized use of information is just one of many challenges. Others include reducing resistance to the use of computers, adapting to speech recognition devices and telecommuting, and implementing computer networks.

### 22.3.1 Resistance to Computer Application

While high school students may feel comfortable using the computer, some managers fear it. One study revealed that the typical executive affected by this phobia is male, is about 50 years old, and has worked most of his life for the same company. This fear might explain why certain managers are reluctant to use the computer. They are afraid of looking unskilled if they are not able to understand the new technology or do not have the typing skills often necessary for inputting data to the computer. In the past, typing was considered the task of the secretary, not the manager.

A survey of CEOs in Fortune 500 companies showed that over 50 per cent of the respondents never used the computer and over 70 per cent of them did not have a computer in their office. On the other hand, a majority of the top executives thought that computers assist managers

in doing their jobs, which suggests that computers are considered useful below the level of the CEO. Those not favourably inclined to the use of computers made various comments, such as that their time is too valuable to be spent learning computer skills.

The application of graphics can help overcome the resistance to computers. Instead of being buried in reams of computer printouts, information is displayed as easy-to-understand graphics. Pepsi Co, for example, invested \$250,000 in decision support graphics over 3 years, generating 80,000 charts and slides. At any rate, as more sophisticated technology makes the use of the computer easier, its acceptance is likely to increase.

## NOTES

### **22.3.2 Speech Recognition Devices**

Another way to encourage the use of computers is through speech recognition devices. The aim is to input data into the computer by speaking in a normal manner, rather than by using the keyboard. Several companies are working on such devices, but it may still take several years before they can be widely applied, although simple speech recognition has been in limited use for sometime. Merely expanding the vocabulary through larger memory is not enough. Imagine the program sophistication needed to distinguish between similar sounds such as "then" and "than", and "too" and "two". Despite the complex problems, some people think that the efforts made in this area will result in products that may revolutionize office operation.

### **22.3.3 Telecommuting**

The widespread use of computers and the ease of linking them through telephone lines to a company's mainframe computer has led to telecommuting. This means that a person can work at a computer terminal at home instead of commuting to work. Some of the advantages claimed include greater flexibility in scheduling work, the avoidance of traffic congestion, and a reduced need for office space.

The futurist Alvin Toffler envisioned an "electronic cottage" with computer terminals installed at home. But John Naisbitt, in his book *Megatrends*, is skeptical of the idea and suggested that after telecommuting for some time, workers will miss the office gossip and the human interactions with coworkers. Some companies that have contracted work to telecommuters have been criticized for not providing the benefits usually given to office workers. At Pacific Bell, however, participants in the voluntary programme are considered full-time employees. Moreover, some employees go to the office at least once a week to check their mail and to mingle with coworkers.

With the increasing traffic congestion, especially in metropolitan areas, one may see a somewhat greater use of telecommuting. But it is doubtful that it will replace the office as we know it today.

### **22.3.4 Computer Networks**

#### **NOTES**

The widespread use of stand-alone computers often results in duplication of efforts. The database in the mainframe or the minicomputer, for example, may not be accessible from the desktop computer. Therefore, computer networks have been developed that link workstations with each other, with larger computers, and with peripheral equipment.

Persons at several workstations can communicate with each other as well as access other computers. Moreover, workstations can be connected to costly hardware that may be underutilized by a single user. For example, several users can share laser printers or tape backup units that ensure saving of the data files. There are many other applications of computer networks, such as electronic mail and the gathering and disseminating of industry data future trends. Although computer networking is still in its infancy, new technological developments are rapidly changing the system of information handling.

#### **SUMMARY**

- The term management information system has been used differently by various authors. It is defined here as a formal system of gathering, integrating, comparing, analyzing and dispersing information internal and external to the enterprise in a timely, effective, and efficient manner.
- Electronic equipment permits fast and economical processing of huge amounts of data.
- Managers need all kinds of non-accounting information about the external environment, such as social, economic, political and technical developments. In addition, managers need non-accounting information on internal operations. The information should be qualitative as well as quantitative.
- Top-level managers are responsible for the strategy and overall policy of the organization.

#### **REVIEW QUESTIONS**

1. What are the challenges created by IT in controlling?
2. Explain the role of computers in handling the information.



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# UNIT 23 PRODUCTIVITY AND OPERATIONS MANAGEMENT

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NOTES

## ★ STRUCTURE ★

- 23.1 Productivity
- 23.2 An Overview of Production/Operations Management
- 23.3 Techniques Employed in Planning and Controlling Operations Management
  - Summary
  - Review Questions

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## 23.1 PRODUCTIVITY

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### 23.1.1 Introductory Observations

Productivity is one of the major concerns of managers of today; and will be more of a matter of concern for managers of tomorrow all over the world. In fact, productivity is something which accounts for profitable operations of an enterprises, and provides opportunities to an enterprises for remaining competitive and successful, in an era of global competition.

### 23.1.2 Productivity Defined

In fact, there is no general agreement on a universal meaning of the term productivity. However, it may be defined as the output-inputs ratio, within a given time period and with due consideration for quality of performance.

### 23.1.3 Problems in Measuring Productivity of Knowledge Workers

Measurement of the productivity of skill workers (like brick-layers, mechanics, butchers, etc.) is easier; but it becomes more difficult to measure the productivity of knowledge workers (like managers, engineers, programmers). Skill workers mainly operate on the basis of their technical skills; whereas knowledge workers mostly use their knowledge while discharging their jobs. Technical skills of knowledge workers are subordinate to their knowledge, which is their basic asset.

Productivity of knowledge workers is more difficult to measure, because, of the following reasons;

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- (i) Knowledge workers contribute indirectly to the final product e.g., engineers.
- (ii) Knowledge workers provide assistance to other organizational units. For example, it is difficult to say how much improvement in the sales is due to the efforts of the advertising manager or how much improvement is there in labour management relations, because of the efforts of the personnel manager.
- (iii) It is difficult to measure the quality of the actions of the knowledge workers. For example, the success of a strategy formulated by the General Manager may not be known for years; as the success or failure of a strategy depends on many external factors, over which the manager has no control.

Despite the limitations of measuring productivity of knowledge workers, it is a fact that greatest scope for increasing productivity lies in the work performed by knowledge workers e.g., Managers, engineers, cost accountants, etc.

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## **23.2 AN OVERVIEW OF PRODUCTION/ OPERATIONS MANAGEMENT**

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### **23.2.1 Meaning of Operations Management**

Operations management may be defined as follows.

Operations management is the designing, operating and controlling of production systems; whereby, products/services are produced/delivered, through a process of conversion from inputs to output.

According to Johnson, Newell and Vergin, "Operations Management is the design and operations of systems".

#### ***Point of Comments***

Production of goods and services is a system; since the organizational components interact with each other as well as with outside environment. Production management is an open-adaptive system.

### **23.2.2 Significance of Operations Management**

Introduction of operations management improves organizational efficiency. According to studies conducted, the surgical unit of a hospital showed considerable improvement in operational efficiency, when the concept of operations management was introduced. The hospital under observation had surgical unit with a capacity of 5 patients and a recovery room with a capacity of 12 patients. The hospital had been using a random input

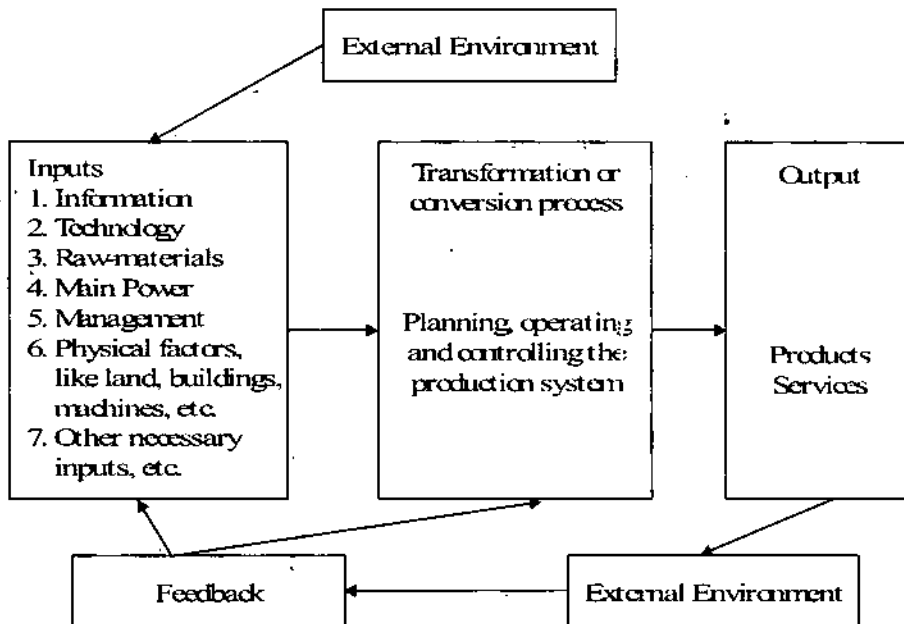
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policy of scheduling patients for surgery, without any order of priority. On the basis of computer simulation, the scheduling policy was changed; so that patients requiring the longest surgery were scheduled first. This resulted in higher utilization rates for operation rooms and recovery rooms and more timely completion of surgical and recovery schedule. Similarly, banks can use operations management techniques in expediting services to customers. Be it an industrial organizations or a service organization; operations management techniques lead to efficient utilization of space, technology, etc. and consequently better service to society and more profitability for the organization itself.

**23.2.3 Process of Operations Management**

Operations management is an open-adaptive system; and in constant interaction with external environment. The basic working of the operations management is depicted, through the following chart:

The following chart shows that the production system obtains its inputs (as described in the input box) from the external environment *i.e.*, the society which is the supra system. These inputs are transformed into output, through the conversion process, which consists of planning, operating and controlling the production system. The output (goods, services) are transferred to external environment from where the management gets a feedback *i.e.*, response or reaction. On the basis of this feedback, necessary modifications, corrections and adjustments are made in the inputs and the transformation process—to better operate the production system and to better serve the society.



## Steps involved in Operations Management

Steps involved in operations management are described below under three categories;

### NOTES

- (a) Planning the system
- (b) Operation the system
- (c) Controlling the system

### (a) *Planning the System*

The sub-steps of operations management in this category are as follows:

#### (i) **Search for and selection of the product or service:**

This step requires exploration. Exploration is the search for new ideas which may come from many sources like,

- Research and development section
- Salespersons, who are constantly in touch with consumers
- Competitors, who may be in the process of developing some substitutes

All the ideas are tested for feasibility and profitability. The selected ideas must be consistent with the objectives, strategies, programmes of the organization.

#### (ii) **Production design:**

The production design, the following steps may be recommended:

1. Prepare a preliminary design by evaluating various alternatives, taking into account reliability, quality and maintenance requirements.
2. Reach a final decision by developing, testing and simulating the processes, to see if they work.
3. Select the process for producing the product; considering the technology and methods available.

#### (iii) **Determination of production layout:**

There are several kinds of production layouts:

1. Arrange the layout, in the order in which the product is produced/assembled.
2. Lay out the production system, according to process employed.
3. In the fixed position layout, the product stands in one place for assembly (e.g., layout for printing press, ships)
4. Lay out the production system, according to nature of project (e.g., layout for building a bridge or tunnel to fit specific geographic requirements)
5. Lay out the production process to facilitate sale of products.
6. Lay out the production process to facilitate storage or movement of goods.

***(b) Operating the System***

Operating the production systems required

- Setting up an organizational structure
- Staffing positions and training people
- Supervising workers, so that they product desired goods/services
- Motivating and leading people, to get best performance out of them.

Operating involves scheduling work operations and allocating work in such a manner as to meet short-term as well as long-term levels of output, which are consistent with forecasted demand. The operational decisions require use of operational research tools to ensure optimum smooth output.

***Point of Comment***

Operating the system also involves updating, which means continuous revision of operating methods and system to meet the ever changing and dynamic social and technological environment. This revision is necessary in response to:

- changes in customer demand and preferences
- changes in technology
- changing competition scenario
- changes in organization objectives
- changes in personnel, etc.

***c. Controlling the System***

The controlling mechanism is to be developed at the same time as the designing of operating systems and most be integrated with the system.

Controlling process ensures that the operating systems are attaining the desired results. These controls are in areas of—quantity and quality of output, utilization of raw-materials and wastage, price and quality of raw-materials purchased, inventory levels of raw-materials and finished goods, etc.

Controlling operations are done with emphasis of information systems. With the development of computer hardware and software, it is now possible for virtually any measurable data to be reported as events occur. Systems are available for quick collection of data; keeping data readily available and reporting without delay, the status of any project, at any instant.

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## 23.3 TECHNIQUES EMPLOYED IN PLANNING AND CONTROLLING OPERATIONS MANAGEMENT

### NOTES

Techniques employed in planning and controlling operations management are classified into two categories:

- (a) Operations Research (OR)
- (b) Other Tools and Techniques.

Let us first take OR as planning and controlling technique for operations management.

### 23.3.1 Operations Research (OR)

#### *Meaning and Essential Characteristics*

Various quantitative techniques are integrated into a new discipline, normally known as "Operations Research" (OR)

Operations research, to a considerable extent, is a product of World War II. It involves the application of the methods of the physical scientist and the engineer to economic and commercial problems, made possible by the development of rapid computing machines.

Following is cited a simple and logical definition of OR:

OR is the application of specific methods, tools and techniques to operations of system with optimum solution to the problems.

In simple words, OR might be defined as quantitative common sense for obtaining optimum solution to business problems.

The essential characteristics of OR as applied to decision-making are as follows:

- (i) OR emphasizes on mathematical models—the logical presentation of a problem.
- (ii) It incorporates in the model those variables in a problem that appear to be most important to its solution.
- (iii) It quantifies variables to the extent possible; since only quantifiable data can be inserted into the model to yield measurable results.
- (iv) OR emphasizes on goals in a problem area and develops measures of effectiveness in determining whether a given solution shows promise of achieving those goals.

#### (b) Special Tools or Techniques of OR

Construction of mathematical models is the central tools or OR. However, OR, in itself, includes many techniques which are briefly described below.

- (i) **Linear Programming (LP):** The problem confronting any management is to decide the manner in which the limited resources

of the organization are to be allocated among different uses—so as to maximize the attainment of organizational objectives.

Linear programming is a mathematical technique used for the purpose of allocation of limited resources in an optimum manner. The word linear means that relationships handled are those which are represented by straight lines; and the word programming means making decisions systematically.

Therefore, LP is the maximization (or minimization) of a linear function of variables subject to a constraint of linear inequalities.

The technique is applicable in production planning, transportation, warehousing, location, etc., as these are problem creating areas.

## NOTES

- (ii) **Inventory Planning and Control:** The key concept in inventory planning and control is the calculation of Economic Order Quantity (EOQ) which is given by the following formula:

$$Q = \sqrt{\frac{2U \times P}{S}}$$

Where,

Q = economic order quantity

U = quantity (units) purchased, in a year

P = cost of placing on order

S = annual cost of storage of one unit

Suppose

U = 1600 units a year; p = ₹ 100;

S = ₹ 8; then

$$R = \sqrt{\frac{2 \times 1600 \times 100}{8}}$$

= 200 units

Economic order quantity refers to the size of the order, which gives maximum economy in purchasing any material.

- (iii) **Just-In-Time Inventory System (JIT):** JIT inventory method also known as zero inventory or stockless production is very popular in Japan. In this system, the supplier delivers the components and parts to the production line, Just-in-time to be assembled.

For the JIT method to work, the following requirements must be fulfilled:

1. The quality of parts must be very high; as a single defective part could hold up the assembly line.
2. There must be dependable relationships with suppliers.
3. The suppliers should be located near the company, with dependable transportation being available.

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- (iv) **Distribution Logistics:** Distribution logistics treats the entire logistics of a business—from sales forecasting to shipping finished goods—as a single system. The goal is to optimize the total costs of the system in operation; while furnishing a desired level of customer service and meeting the constraint of limited inventory levels.

By optimizing total costs in a broad area of operation, the system might show that it would be cheaper to use more expensive transportation on occasion, rather than to carry high inventories.

(Logistics means the practical organization that is needed to make a complicated plan successful, when a lot of people and equipment is involved).

**(c) Limitation of Operations Research**

Despite its utility in solving managerial problems, OR suffers from the following limitations.

- (i) OR calls for a high order of mathematics, Managers are long away from fully using the mathematics that is available.
- (ii) OR has limited usefulness in decision-making areas which involve a large number of qualitative factors.
- (iii) There is usefully lack of information which is needed to make OR useful in practice. People find that the information which they need about certain variables is not available.
- (iv) There is a gap between practicing managers and trained operations researchers. Managers lack knowledge of mathematics, operations researchers lack an understanding of managerial problems.
- (v) OR Techniques are costly and many problems are not important enough to justify this cost.

**23.3.2 Other Tools and Techniques**

Besides OR and its applications; some other techniques employed in planning and controlling operations management are described below.

**(a) PERT/CPM**

A detailed account of PERT/CPM is given in chapter 26.

**(b) Value Engineering**

A product can be improved and its cost lowered through value engineering; which consists of

- analyzing the operation of the product or service;
- estimating the value of each operation; and
- attempting to improve that operation by trying to keep cost low at each step.



**(c) Work Simplification**

Work simplification is the process of obtaining the participation of workers, in simplifying their work. Training sessions are conducted to teach concepts and principles of techniques such as time and motion studies, work-flow analyses, and the layout of the work situation.

**(d) Quality Circles**

The concept of quality control circles or quality circles was developed in Japan during early 1960 and widely used in the USA during later 1970 and early 1980.

A quality circle is a small group of employee (say five to ten) belonging to the same work unit; who meet frequently with their supervisor (known as quality circle leader) to identify, discuss and solve work related problems of their work unit.

**Point of Comments**

There may be a number of quality circles in an organization; with a coordinator to coordinate the working of various quality circles.

Quality circles provide opportunities for interaction among people. People given suggestions for effective improvements in their work-unit performance. The excellent work-performed by quality circles is also rewarded.

**(e) CAD/CAM and MAP**

Product design and manufacturing have changed greatly in recent years because of the application of computer technology.

CAD (Computer Aided Design) and CAM (Computer Aided Manufacturing) help engineers to design products much more quickly than they could do with the traditional paper and pencil approach.

Automobile companies have developed what is called MAP (Manufacturing Automation Protocol), which is a network of machines and various office devices hooked together.

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**SUMMARY**

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- Operations management is the designing, operating and controlling of production systems; whereby, products/services are produced/delivered, through a process of conversion from inputs to output.
- Linear programming is a mathematical technique used for the purpose of allocation of limited resources in an optimum manner.
- Work simplification is the process of obtaining the participation of workers, in simplifying their work. Training sessions are conducted to teach concepts and principles of techniques such as time and

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motion studies, work-flow analyses, and the layout of the work situation.

- Quality circles provide opportunities for interaction among people.

**NOTES**

**REVIEW QUESTIONS**

1. "Productivity is one of the major concerns of managers today, everywhere in the world". Comment. Define productivity and identify the problems involved in measuring productivity knowledge workers.
2. "Operations management is an open-adaptive system. In the light of this statement, define operations management and state the basic steps involved in operations management system.
3. "OR might be defined as quantitative common senses". Comment. What are the special tools of OR relevant for operations management?
4. What is JIT inventory? What are the requirements for successful implementation of JIT method?
5. Write notes on:
  - a. Limitations of OR
  - a. Quality circles
  - c. Economic order quantity

# UNIT 24 OVERALL AND PREVENTIVE CONTROL

Overall and  
Preventive Control

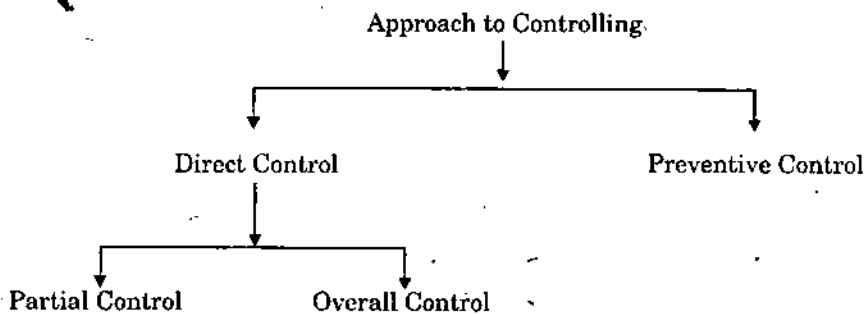
NOTES

## ★ STRUCTURE ★

- 24.1 Introductory Observations
- 24.2 An Overview of Overall Direct Control Techniques
- 24.3 Assumption Underlying Direct Control System
- 24.4 Principle of Preventive Control System
- 24.5 Assumptions Underlying Preventive Control System
- 24.6 Advantages of Preventive Control
- 24.7 Developing Excellent Managers—The Key to Preventive Control
  - Summary
  - Review Questions

## 24.1 INTRODUCTORY OBSERVATIONS

From the viewpoint of approach to controlling; controlling techniques are of two broad types—direct control and preventive control. Direct control may again be partial or overall, as depicted below:



Direct controls are based on feedback, by measuring deviations from standards analyzing the causes of deviations and taking the necessary corrective steps to bring performance on the right track.

Direct controls may be partial in nature, designed for specific things like policies, wages/salaries, cash, cost, capital expenditure, etc.

Overall controls are designed to measure the success of organization as a whole, against organizational objectives.

Preventive controls are based on the philosophy of preventing undesirable deviations from occurring, by developing and maintaining a highly qualified managerial staff.

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## 24.2 AN OVERVIEW OF OVERALL DIRECT CONTROL TECHNIQUES

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Some popular techniques of overall direct control are described below:

### (a) Budget Summaries and Reports

A budget summary is a resume (short account) of all individual budgets and reflects company's plans in terms of—sales volume, costs, profits, utilization of capital, etc. It shows to the top management as to how well the company, as a whole, is successful in achieving its objectives.

Budget summaries provide an effective means for overall control, in situations of decentralized authority. Top management has a convenient means of finding out where the deviations are occurring and can take appropriate corrective action.

Budget summaries and reports are a useful means of overall control, subject to the following considerations:

- (i) Total budgets must be an accurate and reasonably complete portrayal of the company's plans.
- (ii) Managers must ensure that comparisons of budgeted performance and actual performance show the real nature of deviations. For example, an increase in some expenditure head above the budget figure, may be due to some external factor, beyond the control of the manager.
- (iii) While comparing budgeted performance and actual performance, attention must be paid to important variations. Minor discrepancies should receive little attention.
- (iv) Many-a-times, managers must forget the budget and take special action to meet unexpected events; because budgets are servants of managers and not their masters.

### (b) Profit and Loss Control

Profit and Loss or the Income Statement for an enterprise as a whole serves important control purposes; because it is useful in determining revenues and related expired costs during a given period; which account for success or failure of a business.

Many companies use profit and loss technique for division/departmental control. In fact, when the purpose of the entire business is to make a profit; each department must contribute to this purpose.

### ***How is Profit and Loss Control Exercised?***

In profit and loss control, each major department details its revenues and expenses; including a proportionate share of the company overheads and calculates its profit/loss periodically.

However, profit and loss control is not practicable for small departments; as the paper work involved in building up profit and loss statements for smaller departments tends to be too heavy. Further, profit and loss control is not applied to control staff and service departments.

### ***Limitations of Profit and Loss Control***

Some of the limitations of profit and loss control may be stated to be as following:

- (i) There is a lot of paper work involved for recording intra-company transfer of costs and revenues. Whether intra-company transfers to be made at costs or at a figure above costs; require careful decision and appropriate, and accurate recording.
- (ii) Profit and loss control is inadequate for overall control purposes, till it is coupled with a good budgetary control system.
- (iii) When profit and loss control is carried very far in the organization; departments may come to compete with each other; which phenomenon may be dangerous for enterprise coordination.

### **(c) Return On Investment (ROI)**

ROI is one of the most successfully used overall control techniques, which measure the success of a company by the ratio of earnings to investment of capital. This approach has been an important part of the control system of the Du-Pont Company, USA, since 1919.

ROI is computed according to the following formula:

$$\text{ROI} = \frac{\text{Profits before interest, tax and dividends}}{\text{Capital employed}} \times 100$$

where capital employed refers to the total long-term investment in a company. (We may also take average capital employed *i.e.*, capital employed in the beginning + capital employed at the end ÷ 2)

Capital employed is calculated as the summation of fixed assets + net working capital (*i.e.*, current assets - current liabilities).

### ***Point of Comment***

With the help of ROI, a company can compare its present performance with its past performances and can also compare itself with other companies having similar investment and being similarly situated.

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## Evaluation of ROI

### Merits

#### NOTES

- (i) ROI gives an overall assessment of business functioning. It guides management in increasing profits through a better utilization of capital invested. It, in fact, focuses managerial attention on the central objective of the business *i.e.*, making best profits possible on capital available.
- (ii) ROI is effective; where authority is decentralized. When departmental managers are furnished with a guide to efficiency that applies to the company as a whole; they develop a keener sense of responsibility for their departments and top management can easily hold subordinate managers responsible.

### Limitations

Some limitations of ROI are as follows:

- (i) There is a problem of valuation of assets. If assets are jointly used or costs are common, what method of allocation between departments should be used? Should a manager be charged with assets at their original costs or their replacement costs or their depreciated values? Setting up of a ROI system as control device is not an easy task.
- (ii) ROI preoccupies with financial factors; and overlooks environmental factors such as social and technological. Qualitative factors which are scarce (like competent managers, good employee morale, good public relations) and equally significant or rather more significant than capital employed are totally neglected in ROI calculation.
- (iii) There is no standard ROI available for inter-firm and intra-firm comparison purposes.

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## 24.3 ASSUMPTION UNDERLYING DIRECT CONTROL SYSTEM

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Some of the assumptions of direct control system, which are often criticized, are described below:

- (i) **Assumption that performance can be measured:** Once major assumption underlying direct control system is that performance can be measured. Factors like inputs, output, cost, price, time, etc. can be measured. However, there are factors which vitally affect an organization's success but which are qualitative in nature and cannot be measured *e.g.*, potential of managers to develop, effectiveness of research, creativity of manpower, soundness of managerial decisions, etc. Hence, direct controls are lop sided in nature.

- (ii) **Assumption that personal responsibility exists for deviations:** Sometimes this assumption is valid; sometimes it fails. For example, no manager is responsible for undesirable deviations caused by uncertainties of external environment *e.g.*, increase in interest rates, scarcity of a particular fuel, obsolescence of existing technology, etc.
- (iii) **Assumption that cost of investigation in terms of time, efforts, money, etc. is justified:** It takes time and efforts to undertake an analysis of deviations. In direct control system which is based on feedback analysis; recalling facts may be difficult as time has passed. In most of the cases, the cost of investigation into causes of deviations may exceed the benefit, likely to arise, from the controlling exercise.
- (iv) **Assumption that mistakes can be discovered in time:** Discovery of deviations from plan may often come too late for effective corrective action. Much information for control purposes depends on historical data—which are available to managers quite late; and then managers take time to interpret the data. As such, true control can be applied only to future actions; not current actions.
- (v) **Assumption that the person responsible will take corrective steps:** Fixing responsibility for deviations may not lead to corrective action; when the manager involved is one of high-ups in the organization. Subordinate manager does not ask their superiors to correct themselves; to whom they report for their own performance.

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## 24.4 PRINCIPLE OF PREVENTIVE CONTROL SYSTEM

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The basic philosophy of preventive control system is that best way to correct deviations is not to let these take place at all.

The basic tool of preventive control system is to develop better managers, who will look at managing and managerial problems from a wider and intelligent perspective, so that undesirable deviations caused by poor management are eliminated. Highly qualified managers will make fewer mistakes; thus reducing (but certainly not eliminating) the need for direct controls.

The principle of preventive control, thus, is that the higher the quality and caliber of managers; the lesser will be the need for direct controls.

### Point of Comment

Under preventive control system, the responsibility for negative deviations can be fixed, by applying fundamentals of management *i.e.*, whether managers act in accordance with established principles, in carrying out their functions.

#### NOTES

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## 24.5 ASSUMPTIONS UNDERLYING PREVENTIVE CONTROL SYSTEM

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Following are the basic assumptions underlying preventive control system:

- (i) **Assumption that qualified managers makes a minimum of errors:** It appeals to logic that more qualified the managers are the lesser is the probability that they will make mistakes. In fact, qualified managers are likely to make a minimum of errors. However, while evaluating the quality of the decisions made by a manager, emphasis must be laid so much not on the quantity of errors, but on the quality of errors. A manager could be wrong in only 2% of the decisions made by him; but the quality of wrongness may be such as to seriously endanger the survival of the company.
- (ii) **Assumption that management fundamentals can be used to measure performance:** Application of managerial concepts, principles, theory, techniques (*i.e.*, fundamentals of management) is much dependent on the state of knowledge concerning managing, possessed by a manager. Fundamentals of management are useful and can be applied in measuring managerial performance *i.e.*, while analyzing negative deviations, it could be discovered whether the manager applied the established principles, techniques, etc. of management in the right way and with the right perspective.
- (iii) **Assumption that the application of management fundamentals can be evaluated:** This assumption is different from the preceding one in that here, we are interested in the measurement of the skill with which managers apply management fundamentals to their five functions of planning, organizing, staffing, directing and controlling. For instance, in a scheme of MBO, the ability to set and achieve verifiable objectives reveals some measure of a manager's performance. Such performance (as revealed *e.g.*, by MBO programmes) is a reflection on the knowledge and skill of a manager and his competence to occupy the particular managerial position.

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## 24.6 ADVANTAGES OF PREVENTIVE CONTROL

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A preventive approach to controlling, offers the following advantages to an organization.



**(a) A Basis for Managerial Training/Development**

An evaluation of manager, under the philosophy of preventive control is likely to uncover deficiencies in managers. On the basis of the results of managerial evaluation and appraisal, top management can design programmes of managerial training/development to overcome those deficiencies.

**(b) Encouragement of Self-Control**

Preventive control system encourages what may be called 'control by self-control'. This is so because managers know that their mistakes will be uncovered in their evaluation process; and owning responsibility for mistakes in their hearts, will start making voluntary corrections. In fact, a feeling of self-control turns managers into more responsible personalities.

**(c) Managerial Burden Lightened**

Preventive control lightens managerial burden caused due to efforts in correcting deviations; as a result of direct controls. Preventive control, as the name implies prevents deviations from occurring and much saves managerial time and efforts; which, otherwise, would have been wasted in correcting deviations had those occurred.

**(d) Better Superior-Subordinate Relationships**

Under preventive control system, subordinate managers know what is expected of them, understand the nature of managing; and feel a close relationship between performance and measurement. Intelligent superior managers will reciprocate this feeling by recognizing what they are expected to evaluate in subordinates and develop techniques for doing so. Anyway, superior-subordinate relationships are likely to improve under the philosophy of preventive control.

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**24.7 DEVELOPING EXCELLENT MANAGERS—THE  
KEY TO PREVENTIVE CONTROL**

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The key to preventive control lies in developing excellent managers; whose behaviour, actions and direction to subordinates will minimize the chances of the occurrence of deviations.

Discussion about developing excellent managers could be analyzed into two categories:

- (a) Efforts required on the part of managers themselves; and
- (b) Efforts required on the part of the organization.

Let us describe the major factor towards developing excellent managers comprised in both these categories.

**(a) Efforts required on the part of managers themselves**

Efforts required on the part of managers themselves towards developing excellent managers may be as follows:

**(i) Willingness to Learn**

Managers should not base too much of their learning on experience; and they must be aware of the dangers of experience as events or programmes of the past may not work in future – entirely different from the past conditions. Managers must be willing to learn new concepts, principles, theories and techniques of management to avoid what is called managerial obsolescence. In fact, there is no end to new learning in management discipline; which is growing at a very fast pace.

**(ii) Planning for Innovations and Inventions**

The idea here is two-fold-planning of innovations, and planning for inventions.

**(1) Planning for Innovation**

Managers are required to be innovative. New-product ideas, new processes of production or new marketing ideas do not just occur, by chance or luck. Managers must constantly keep themselves involved in creative thinking; which will not only help them come out with innovations for the enterprise but also help themselves in turning into excellent management personalities.

**(2) Planning for Inventions**

Managers must try to develop more managerial inventions. Some historical managerial inventions have been the Gantt chart, variable budgeting technique, PERT/CPM, etc. Managers can give rise to inventions, if they take interest in management research and devote their time, efforts, creativity and skill towards planning for better and better managerial techniques.

**(iii) Tailoring Information**

Managers usually worry over the inadequacy of data on which they are forced to act. There is then a need for tailoring information i.e., obtaining the right information, in the right form and at the right time, for which managers must have their own designs. Information design must not be confused with the clerical work of information gathering and summarizing.

**(b) Efforts required on the part of the organization**

Efforts required on the part of the organization towards developing excellent managers may be:

**(i) Acceleration of Management Development Programmes**

To avoid managerial obsolescence, it is necessary that the organization must design and implement schemes of managerial development; so as to transmit new knowledge and tools in the field of management in a simple and useful way to practicing managers.

Sending managers to attend seminars and conferences may be a useful means of managerial development in this context. Making available latest books and articles on new management knowledge to managers and motivating them to digest the same, is, yet another way to bring manager up-to-date on specific areas of new knowledge and techniques of management.

**(ii) Measuring managerial performance and rewarding it**

As a measure to motivate managers to develop into excellent personalities, the organization must design schemes for measuring managerial performance and rewarding those managers who successfully accomplish their targets. Schemes of MBO, delegation of authority for challenging works, etc. are some of the means, at the disposal of organization, in this context.

**(iii) Need for management research and development**

There is a great need to conduct more research into developing new tools and techniques of management. The level of research in the field of management is rather low; particularly because management research is complex and controlled laboratory experimentation is not possible. Further management research is expensive. However, organization must provide all facilities, funds and motivation to researchers. Perfection of analysis to include all kinds of variables in a research project must not be insisted on; as small contributions by researchers may provide building blocks for great researches, subsequently.

**(iv) Need for intellectual leadership**

There is a need not just for technically sound leadership; but intellectual leadership (based on imagination, foresight, human skills, conceptual skills, etc.) to drive the vehicle of a productive organization towards its mission and goals. The enterprise top management must help create in environment in the enterprise which may be instrumental in developing intellectual leadership in managers. Intellectual leaders will help develop intellectual followers (*i.e.*, subordinates); and a time may come when the entire organization will be full of intellectuals, in all walks of organizational life.

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## SUMMARY

### NOTES

- Direct controls are based on feedback, by measuring deviations from standards analyzing the causes of deviations and taking the necessary corrective steps to bring performance on the right track.
- The basic tool of preventive control system is to develop better managers; who will look at managing and managerial problems from a wider and intelligent perspective; so that undesirable deviations caused by poor management are eliminated. Highly qualified managers will make fewer mistakes; thus reducing (but certainly not eliminating) the need for direct controls.

## REVIEW QUESTIONS

1. What is the difference between direct control and preventive control? Which is better? Give an overview of popular overall direct control measures.
2. Compare the assumptions underlying direct control and preventive control systems.
3. What is the principle of preventive control? What are its advantages for the organization?
4. "The key to preventive control lies in developing excellent manager." In the light of this observation, suggest guidelines for developing excellent managers.
5. Write notes on:
  - (a) ROI
  - (b) Management Fundamentals
  - (c) Self-control.

# UNIT 25 QUALITY: CONCEPT AND SIGNIFICANCE

Quality: Concept and Significance

NOTES

## ★ STRUCTURE ★

- 25.1 Introduction
- 25.2 Meaning and Concept of Quality
- 25.3 Concept of Total Quality
- 25.4 Need for Quality
- 25.5 Functions of Quality
- 25.6 Developing a Quality Control System
- 25.7 Total Quality Control System vs. Total Quality Management System
- 25.8 Elements of Total Quality Control (TQC)
  - Summary
  - Review Questions

## 25.1 INTRODUCTION

For more than three decades “quality” and “quality management systems” have been leading buzzwords in the business world. Numerous consultants have built their careers around these topics, and quality issues in business have been responsible for the development of new organizations and even industries, for instance, the American Society for Quality and Six Sigma consulting. The notion of quality in business focuses on the savings and additional revenue that organizations can realize, if they eliminate errors throughout their operations and produce products and services at the optimal level of quality desired by their customers. Errors can take almost any form—for example, producing the wrong number of parts, sending bank statements to customers who have already closed their accounts or sending an incorrect bill to a client. All of these errors are very common, and the costs incurred seem minimal. But over time when mistakes are repeated the costs add up to a significant amount, so eliminating errors can result in significant increases to the bottom line of a business.

Quality management, also known as quality control, is a system used by all types of businesses all around the world. This type of management system can help any type of business provide consumers with the best product and/or service possible by coordinating its activities, which leads to an increase in its effectiveness and efficiency. There are many

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different types of quality management systems utilized by businesses. Through these types of systems, a business can monitor and measure the quality of its products and/or services being offered to consumers. An effective quality management system helps a business to increase its competitive edge, augment its organizational development highlight its customer satisfaction, and more.

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## 25.2 MEANING AND CONCEPT OF QUALITY

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In the beginning, a high-quality product was understood as one that is stronger and is, in general, more durable than other products. In some cases, this is a good definition of a quality product, but not always. A good fuse (circuit breaker), for example, is not one that lasts longer during periods of high current or voltage. So the quality of a product is the degree to which the product meets specifications. This definition of quality is also true for the service sector industry. In fact, today, quality is more visible in the service sector such as hospitals, restaurants, banks, etc. The health of organizations producing physical commodities thrives not only on manufactured products but also on the services (annual maintenance, defect replacement, product updates, etc.). In today's society, organizations like insurance companies do not produce anything physical yet they are crucial in providing security to the commodities (e.g., vehicle) acquired by an individual. Increasingly, the definitions of quality include an added emphasis on meeting these new needs of an individual. Several pioneers of quality have provided various definitions of quality. **Feigenbaum** defines quality as *"The total composite product and service characteristics of Engineering, Manufacturing, Marketing and Maintenance through which the product and service in use meet the expectation of the customer"*.

### *According to Juran*

- (i) Quality consists of those product features which meet the needs of customers and thereby provide product satisfaction.
- (ii) Quality consists of freedom from deficiencies. "Product" is the output of any process. It consists of mainly goods, software and services.

A "product feature" is a property which is possessed by a product and which is intended to meet certain customers' needs. A "customer" is someone who is impacted by the product. Customers may be external or internal. External customers are impacted by the product but are not members of the company which produces the product. External customers include clients who buy the product, government regulatory bodies, the public, etc. Internal customers are members of the company who require the product for further processing or in-house use. Some other definitions of quality quoted in the literature are as follows:

- According to ANSI/ASQC Standard A3-1987 (draft), quality means "The totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs."
- The European Organization for Quality Control Glossary (1981) defines quality as "The totality of features and characteristics of a product or service that bear on its ability to satisfy a given need. For example, with manufactured products quality is mainly determined by quality of design and quality of manufacture."
- The Soviet encyclopedia defines quality as follows: "Quality of products is the aggregate of properties of a product determining its ability to satisfy the needs it was built to satisfy."

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The concept of quality has evolved from one that is produced (product) or provided (service) by an organization to an individual or society. Quality is a demand of customer either internal or external. A product can be said to possess a good quality if it fulfills the following requirements:

***Fitness for Purpose***

The product or service fulfils the purpose for which it has been produced or provided.

***Conformance to Requirements***

The product performs satisfactorily in an application intended by the user.

***Grade***

The product possesses distinguishing features in terms of appearance, performance, durability, safety, affordability and maintainability.

***Degree of Performance***

The product scores over competitive products of equivalent grade, based on comparative test by customers.

***Degree of Excellence***

The product gains a value derived from functions performed with the product, the timeliness of a product's availability, aesthetics associated with ownership, quality of performance and its cost.

With the principle that "customer is the king", the producer or service provider strives to meet the expectations of the customer. From the producer's point of view, quality must be observed in the aspects of designing, conformance and performance. In the next sections, we shall study how quality is observed in the above three areas in the product industry. The implications of quality in the service sector shall be discussed side by side.

## 25.3 CONCEPT OF TOTAL QUALITY

### NOTES

The concept of quality has extended from physically core products into the total value delivered to customers. According to Atkinson (1993) total quality is a strategic approach to produce the best product and service possible—through constant innovation. Concentration should not be only on the production side but also on the service side of a business. General perception is that improvement in quality is possible only during production but total quality cannot be achieved without significant improvement in purchasing, marketing, after sales service and a host of other areas of business. Many companies may produce 'zero defect' products but the company's quality still is not right. There are other functions which can let the company down. The right product delivered at the wrong time can have catastrophic impact on both buyer and seller. A research report found that 95 per cent of companies deliver their products late. This late delivery can have just as bad impact upon future buying decision as can increasing the price of the product by 50 per cent.

Deming (1988) suggested that care of quality should be focused on the process rather than on the end product. After Deming proposed his ideas on quality management, people began to recognize that quality of product requires quality of "everything" in the organization. This has brought a significant change in respect of the responsibility on quality. Traditionally, the QC/QA Department was the one that bears all consequences (especially problems) resulting from quality performance of products or services delivered to customers. Today's management must realize that everybody in the organization has a contribution directly or indirectly for producing quality products or services; hence quality demands corporate responsibilities. Quality must be viewed in a total context of an organization: quality of the process, quality of the people, quality of the organizational structure and system, quality of leadership and other aspects of the organization.

Total quality is called total because it consists of 3 qualities:

- Quality of return to satisfy the needs of the shareholders,
- Quality of products and services to satisfy some specific needs of the consumer (end user) and
- Quality of life to satisfy the needs of the people in the organization.

Total quality management is defined as a continuous effort by the management as well as employees of a particular organization to ensure long-term customer loyalty and customer satisfaction. Remember, one happy and satisfied customer brings ten new customers along with him whereas one disappointed individual will spread bad word of mouth and spoil several of your existing as well as potential customers.

You need to give something extra to your customers to expect loyalty in return. Quality can be measured in terms of durability, reliability, usage and so on. Total quality management is a structured effort by employees to continuously improve the quality of their products and services through



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proper feedback and research. Ensuring superior quality of a product or service is not the responsibility of a single member. Every individual who receives his/her paycheck from the organization has to contribute equally to design foolproof processes and systems which would eventually ensure superior quality of products and services. Total quality management is indeed a joint effort of management, staff members, workforce, and suppliers in order to meet and exceed customer satisfaction level. You can't just blame one person for not adhering to quality measures. The responsibility lies on the shoulder of everyone who is even remotely associated with the organization.

W. Edwards Deming, Joseph M. Juran, and Armand V. Feigenbaum jointly developed the concept of total quality management. Total quality management originated in the manufacturing sector, but can be applied to almost all organizations.

Total quality management ensures that every single employee is working towards the improvement of work culture, processes, services, systems and so on to ensure long-term success.

Total quality management can be divided into four categories:

- Plan
- Do
- Check
- Act

### ***Planning Phase***

Planning is the most crucial phase of total quality management. In this phase employees have to come up with their problems and queries which need to be addressed. They need to come up with the various challenges they face in their day-to-day operations and also analyze the problem's root cause. Employees are required to do necessary research and collect relevant data which would help them find solutions to all the problems.

### ***Doing Phase***

In the doing phase, employees develop a solution for the problems defined in planning phase. Strategies are devised and implemented to overcome the challenges faced by employees. The effectiveness of solutions and strategies is also measured in this stage.

### ***Checking Phase***

Checking phase is the stage where people actually do a comparison analysis of before and after data to confirm the effectiveness of the processes and measure the results.

### ***Acting Phase***

In this phase employees document their results and prepare themselves to address other problems.

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### **Case Study: TQM Initiatives by Carcom**

'Carcom' is a supplier of automotive safety components employing around 700 staff which is located on two sites in Northern Ireland. The company was originally American owned but after a joint venture with the Japanese partner in the late 1980s, it was eventually bought out by the latter.

The quality initiative began in 1988-89 with a five-year plan based on the Kaizen philosophy, this concept having been picked up from the Japanese partner. This was driven by senior management in response to what they saw as increasing customer demand and operating considerations. The achievement of ISO 9001 registration in 1990 brought together processes carried out by departments which had previously been undertaken in isolation. The company is now focusing on Kaizen with the principles of improvement, customer delight, systems focus and participation. A range of quality management tools and techniques are used. A TQM steering committee is responsible for overall direction but there is also a further steering committee to oversee implementation of the Quality Improvement Teams (QITs) as well as a full time coordinator. There are teams of shop floor operators based on natural workgroups, and these tend to focus on product problems and environmental issues (such as working conditions). In contrast, Kaizen teams focus on process improvements and problem-solving workgroups are established in response to specific customer concerns (for example, warranty claims).

Senior managers stress that a long-term approach is now being taken which is in contrast to some of the programmes in the early 1980s. These former piecemeal initiatives included quality circles which had been characterized by considerable changes in personnel, with a number of champions having moved on leaving behind a flagging initiative in contrast, the company is now taking time to get the processes right and providing a central focus through quality for change. Cultural change is the aim but it is recognized that only incremental progress can be achieved and that a supportive attitude is required from management. Thus, QIT members are given extensive training and are encouraged to tackle problems which give early success and build teamwork, rather than put pressure on teams to deliver immediately on big issues.

#### **The Impact of the TQM Initiative**

While it is still early days, the initiative is already felt to have had a major impact. The management structure has been reduced by one layer, shop floor layout has been improved; and scrap rates, stock, work-in-progress and inspection times have been reduced,

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so too have the numbers of inspectors, whose role is now seen as one of analysts. Employee response to these changes has generally been positive, and the company has spent considerable effort in relating 'quality' directly to employees' work, particularly through the use of measures which are displayed adjacent to the workstation and maintained by staff themselves. The unions were assured that there would not be job losses as a result of Kaizen, although they continue to have concerns about this and also raise the issue of payment for changes in job roles—particularly in relation to SpC. The company has adopted an open information policy to foster greater trust at the workplace, and business-related issues are given greater prominence at the joint works committee meetings. Management also believes that the quality initiative has led to a reduction in union influences although this was not an original objective.

### **The Strategic Nature of the Human Resource Function**

The human resource function has emerged from a welfare to a more strategic role in recent years. This has been assisted by an MD who is regarded as a 'people's person' claiming that 'you can't divorce people from quality,' and by the appointment of a personnel director together with a new industrial relations manager. This has broadened the role of human resources and enhanced its status. The appointment of a training manager was significant, since under the previous regime little off-the-job training was conducted. Training budgets have actually increased in volume and monetary terms despite the company's recently recorded trading losses. Recruitment and selection are becoming more sophisticated as the company wishes to identify team workers.

The links between human resources and quality were made explicitly by the MD: "We cannot separate HR from TQM, and without HR the QIP (Quality Improvement Programme) will not work effectively." In addition to the issues mentioned above, the function was also seen as being important in building the people aspect into the strategic quality planning process. Addressing the problem of absenteeism, and supporting line management by helping to change employee attitudes/organizational culture. In addition, the function has provided appropriate training programmers for quality, in which there has been considerable investment in time and resources, it has counseled the mentors to the QIT, and ensured that managers communicate with staff by providing advice on the best means of doing this. Quality principles are also being developed in relation to the human resource function, with specific targets being set (for example, for absenteeism) as well as more general aims (for example, on training).

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### Questions

1. Analyze the links between TQM and HRM with reference both to this case study and more generally.
2. What does the case study demonstrate about the contribution a personnel/HRM function can make to the development of TQM in an organization?
3. How might the principles of TQM be applied to a personnel function?
4. What general implications does TQM have for industrial relation?

**Source:** <http://www.mbaknol.com/management-case-studies/case-study-tqm-initiatives-by-carcom/>

## 25.4 NEED FOR QUALITY

Business success may simply be the extent to which your organization can produce a higher quality product or service than your competitors are able to do at a competitive price. When quality is the key to a company's success, quality management systems allow organizations to keep up with and meet current quality levels, meet the consumer's requirement for quality, retain employees through competitive compensation programmes, and keep up with the latest technology.

The following are the key advantages maintain the quality:

- **Product Quality:** Quality management ensures product quality. Some primary aspects of product quality include: performance, reliability and durability. Through the use of a quality management programme, the company can produce a product that performs according to its stated promises. Use quality management programmes to improve the quality of a product and to design new products. Six sigma has a specific component called DFSS (Design for Six Sigma) which is a methodology to build Six sigma quality into a product or service.
- **Customer Satisfaction:** Quality management ensures customer satisfaction. Conduct customer satisfaction surveys to understand the qualities of the product important to the customer. Also conduct surveys with those who are not the company's customers. This will also provide insight into why these businesses use the services of the competitor. Use customer surveys to target those features of a product or service that need improvement. The quality management programme provides a methodology to use to create the type of product the customer desires.
- **Increased Revenues:** Quality products and services give the company a spotless reputation in the industry. This reputation

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allows the company to gain new customers and sell additional products and services to existing customers. A quality management programme also removes inefficient processes within the system. By removing unnecessary processes, employee productivity increases. The employee is spending less time on activities that do not contribute to the product's quality. As a result, the employee is producing more work in less time while the company has not increased the salary. Quality management programmes help recapture lost money due to inefficiencies.

- **Reduce Waste:** A quality management programme helps companies reduce waste. Companies that house inventory are paying for the storage, management and tracking of the inventory. The costs of having the inventory are built into the price of the product. Implementing a quality management programme reduces the amount of inventory that costs the company money and occupies valuable space. Quality management means that there is a systematic approach to keeping inventories at acceptable levels without incurring waste. Work closely with suppliers to manage inventory using a Just-in-Time (JIT) philosophy. In short, a JIT inventory system helps the suppliers and manufacturer remain in close communication to become more responsive to the customer.
- **Teamwork:** Quality management systems force company departments to work as a team. Different areas of the company become reliant upon one another to produce a quality product that meets and exceeds the customers' expectations. A quality system incorporates measures that affect sales, finance, operations, customer service and marketing. The balanced scorecard is a one-stop-shop for evaluating how various departments are operating against their performance expectations. Use the balanced scorecard to show how close the company is to the financial, operational, customer service and learning/growth targets.

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## 25.5 FUNCTIONS OF QUALITY

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The following are the key functions of quality:

- Through its field contacts with users and organizations determine the quality they need.
- Research and development specialists then create a product concept so as to meet these quality needs.
- Design engineers prepare the product and material specifications which embody these qualities.
- Other engineers specify the process and equipments capable of fabricating and measuring these qualities.
- Purchasing specialists buy materials and components possessing appropriate quality.

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- Shop operators are trained to use the processes and equipments to build the specified quality in the products.
- Inspectors determine whether the resulting products do in fact possess the required qualities.
- The sales force through the distribution chain urges consumers to buy the products processing these qualities.

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## 25.6 DEVELOPING A QUALITY CONTROL SYSTEM

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Quality management includes the processes required to ensure that the project will satisfy the needs for which it was undertaken. It includes "all activities of the overall management function that determine the quality policy, objectives, and responsibilities and implements them by means such as quality planning, quality control, quality assurance, and quality improvement, within the quality system".

The following are the key elements of quality management process:

- **Quality Planning:** Identifying which quality standards is relevant to the project and determining how to satisfy them.
- **Quality Assurance:** Evaluating overall project performance on a regular basis to provide confidence that the project will satisfy the relevant quality standards.
- **Quality Control:** Monitoring specific project results to determine if they comply with relevant quality standards and identifying ways to eliminate causes of unsatisfactory performance.

These processes interact with each other and with the processes in the other knowledge areas as well. Each process may involve effort from one or more individuals or groups of individuals based on the needs of the project. Each process generally occurs at least once in every project phase. Although the processes are presented here as discrete elements with well-defined interfaces, in practice they may overlap and interact in ways not detailed here. The basic approach to quality management described in this section is intended to be compatible with that of the International Organization for Standardization (ISO) as detailed in the ISO 9000 and 10000 series of standards and guidelines. This generalized approach should also be compatible with (a) proprietary approaches to quality management such as those recommended by Deming, Juran, Crosby, and others, and (b) non-proprietary approaches such as Total Quality Management (TQM), continuous improvement, and others. Project quality management must address both the management of the project and the product of the project. Failure to meet quality requirements in either dimension can have serious negative consequences for any or all of the project stakeholders.

### For example:

- Meeting customer requirements by overworking the project team may produce negative consequences in the form of increased employee turnover.
- Meeting project schedule objectives by rushing planned quality inspections may produce negative consequences when errors go undetected.

Quality is "the totality of characteristics of an entity that bear on its ability to satisfy stated or implied needs". The project management team must be careful not to confuse *quality* with *grade*. Grade is "a category or rank given to entities having the same functional use but different requirements for quality". Low quality is always a problem; low grade may not be. For example, a software product may be of high quality (no obvious bugs, readable manual) and low grade (a limited number of features), or of low quality (many bugs, poorly organized user documentation) and high grade (numerous features). Determining and delivering the required levels of both quality and grade are the responsibilities of the project manager and the project management team. The project management team should also be aware that modern quality management complements modern project management. For example, both disciplines recognize the importance of:

- **Customer satisfaction:** Understanding, managing, and influencing needs so that customer expectations are met or exceeded. This requires a combination of *conformance to specifications* (the project must produce what it said it would produce) and *fitness for use* (the product or service produced must satisfy real needs).
- **Prevention over inspection:** The cost of avoiding mistakes is always much less than the cost of correcting them.
- **Management responsibility:** Success requires the *participation* of all members of the team, but it remains the *responsibility* of management to provide the resources needed to succeed.
- **Processes within phases:** The repeated plan-do-check-act cycle described by Deming and others is highly similar to the combination of phases and processes.

In addition, quality improvement initiatives undertaken by the performing organization (e.g., TQM, Continuous Improvement, and others) can improve the quality of the project management as well as the quality of the project product. However, there is an important difference that the project management team must be acutely aware of—the temporary nature of the project means that investments in product quality improvement, especially defect prevention and appraisal, must often be borne by the performing organization since the project may not last long enough to reap the rewards.

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## **25.7 TOTAL QUALITY CONTROL SYSTEM VS. TOTAL QUALITY MANAGEMENT SYSTEM**

### **NOTES**

Total Quality Control (TQC) System for optimizing production based on ideas developed by Japanese industries from the 1950s. The system, which blends western and eastern ideas, began with the concept of quality circles, in which groups of 10-20 workers were given responsibility for the quality of the products they produced. It gradually evolved into various techniques involving both workers and managers to maximize productivity and quality, including close monitoring of staff and excellent customer service. The concept of Kaizen, the notion that improvement must involve all members of a company, is central to TQC.

Total Quality Control defined as an effective system for integrating the quality development, quality maintenance and quality improvement efforts of the various groups in an organization so as to enable production and service at the most economical level which allows for full customer satisfaction.

It may be classified as a "management tool" for many industries showing an outstanding improvement in product quality design and reduction in operating costs and losses.

Total Quality Management is defined as a continuous effort by the management as well as employees of a particular organization to ensure long-term customer loyalty and customer satisfaction. Remember, one happy and satisfied customer brings ten new customers along with him whereas one disappointed individual will spread bad word of mouth and spoil several of your existing as well as potential customers. You need to give something extra to your customers to expect loyalty in return. Total quality management systems manage quality. They have a strong philosophical base that incorporates several important concepts of TQC systems. Management efforts are oriented towards the achievement of complete customer satisfaction. Here, we find an organization-wide responsibility for quality. Time to install is three to five years. The evolution shows a culture change in the organization which achieves customer-orientation through various stages of development that progress through a system-oriented to an improvement-oriented to a prevention-oriented state.

The progress from quality control to quality assurance to total quality control to total quality management took almost a century of concerted efforts from quality gurus, such as; Walter Shewhart, W. Edwards Deming, Joseph Juran, Kaoru Ishikawa, Genichi Taguchi, Armand Feigenbaum, and Philip Crosby. The quality movement was initiated in Japan by Deming and Juran. It was later picked up by the Japanese who have made the quality movement a big success story. Around the 80s Japanese companies, on a continuous cycle of never-ending improvements, surpassed the West. They captured the markets with their consistent quality products and have now shifted their priorities onto satisfying customers with products having high quality at low price.



The following table states the differences between the TQC and TQM:

*Quality: Concept and Significance*

TQC (Total Quality Control)	TQM (Total Quality Management)
<ol style="list-style-type: none"> <li>1. Emphasis is placed on the process and continuous process improvement.</li> <li>2. Total participation is required. Employees are encouraged to generate ideas and implement them.</li> <li>3. It is flexible-processes and methods can be easily changed.</li> <li>4. The target is not absolute—good for a changing market.</li> <li>5. Sometimes the end result is very different from the original target—employees tend to lose sight of the goal because they are too focused on the process.</li> </ol>	<ol style="list-style-type: none"> <li>1. Emphasis is placed on the target and achieving the target as soon as possible.</li> <li>2. The system is simple and straight forward.</li> <li>3. Information delivery is accurate.</li> <li>4. The process is considered after the goal has been established.</li> <li>5. Employees stop actively thinking of and implementing process improvement—they don't want to risk-making a mistake or creating delays.</li> </ol>

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## 25.8 ELEMENTS OF TOTAL QUALITY CONTROL (TQC)

Though many factors are essential to the success of a system project, the following elements or programmes seem necessary to TQC implementation:

1. **Education and Training:** The first and foremost concern in QC (Quality Circles) activities is with the quality of "people." How to "build" quality into people has been the main focus of TQC. To achieve this, various training and education programmes, were developed to instill the TQC way of thinking in all employees in order to spark "awareness."
2. **Participative Management:** A successful TQC programme requires a company-wide promotion with an employee's participation. All employees from top management, managers, supervisors, and workers in functional departments such as R&D, product planning, design, preparation for production, purchasing, manufacturing, quality control, sales, and after services as well as financial, accounting, and personnel should be included. In order to encourage their employees to actively participate in problem solving, Japanese companies have long relied on QC circles and other innovations such as job rotation, job enrichment, and job enlargement.

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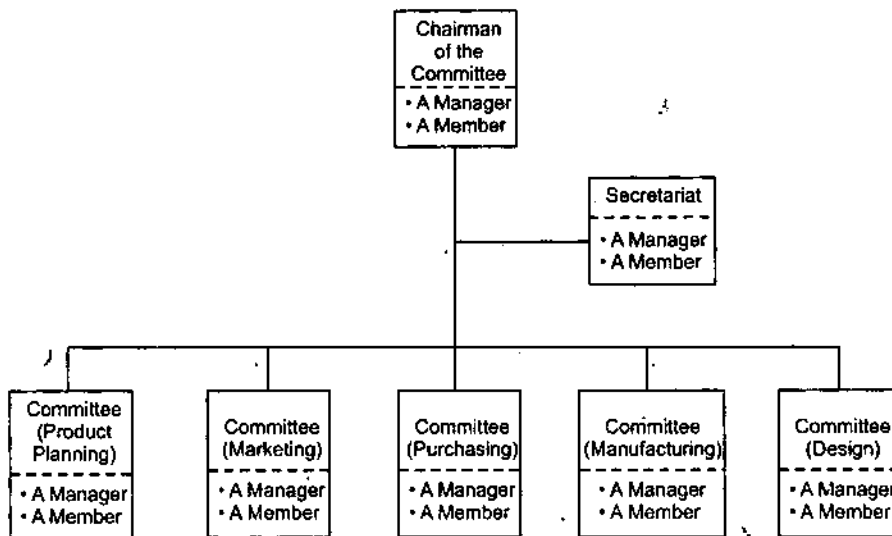
3. **Employee Suggestion Programmes:** A suggestion programme is an integral part of the TQC system. Top management must implement a well-designed suggestion plan to assure that the TQC system is dynamic. Rewards and recognition must be given to employees and the number of suggestions must be regarded as an important criterion in evaluating the performance of managers. The following are the ideas which are typically acceptable for suggestion.
  - Improvements in operating methods.
  - Improvements in working environment.
  - Improvements in machines and process.
  - Improvements in jigs and tools.
  - Improvements in product quality.
  - Improvements in customer relations.
  - Improvements in safety.
  - Savings in energy, materials, and other resources.
  - Ideas for new product development.
  - Others that lead to higher product and cost reduction.
4. **Cross-Functional Management:** Because quality problems vary from product to product and their responsibilities are with different departments, it is very hard to receive cooperation from other departments under many current functional organization structures. In Japan, the quality, cost, and delivery schedules are arranged as cross-functions and are headed by special committees that directly report to the CEO (Chief Executive Officer). Members of the TQC committee, for instance, consist of board members (managers and employees) from related functional departments with the QC or quality assurance (QA) department acting as secretariat. In addition, for the sake of receiving highest attention from departments, the cross-functional goals should be determined before the departmental goals.
5. **Quality Information Systems:** A system of data collection and evaluation is a vital part of the TQC programme. Accurate and timely data on defects, field failures, and complaints must be quickly analyzed and feedback provided to related people and departments for possible action.
6. **Basic Statistical Methods:** All employees active in TQC activities are well-trained in how to effectively use basic statistical methods for problem solving. These methods include, but are not limited to the following:
  - Pareto diagrams.
  - Cause-and-effect diagrams.
  - Histograms.

- Control charts.
- Scatter diagrams.
- Graphs:
- Check sheets.

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- Quality Cost Systems:** A good quality-cost programme should be able to pinpoint the areas where the application of QC can have the greatest monetary impact. It should also provide a critical measure of the financial health of the QC system. As such, the programme must cover the measurements and reporting of the costs incurred in ensuring product quality, reliability, and safety. It should also measure the costs incurred from the failure to do so.
- Quality System Audit:** System audits provide a mechanism to periodically review quality-related policies, to scan environmental opportunities and treats, to coordinate TQC activities, and to identify system weakness and improper practices for ultimate correction. In Japan, the quality audit is further exemplified by the Deming Prize contest and by the President's annual field audit.

Following figure shows an organization chart for TOC.



**SUMMARY**

- Quality management, also known as quality control, is a system used by all types of businesses all around the world.
- A "product feature" is a property which is possessed by a product and which is intended to meet certain customers' needs.
- Total quality is a strategic approach to produce the best product and service possible—through constant innovation.

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- Employees document their results and prepare themselves to address other problems.
- Quality is the key to a company's success, quality management systems allow organizations to keep up with and meet current quality levels, meet the consumer's requirement for quality, retain employees through competitive compensation programmes, and keep up with the latest technology.
- Quality management systems force company departments to work as a team.
- Quality is "the totality of characteristics of an entity that bear on its ability to satisfy stated or implied needs".

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### **REVIEW QUESTIONS**

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1. Define quality.
2. What is total quality?
3. Why quality is considered as a challenge?
4. Discuss the meaning and concept of quality.
5. What is the need for quality?
6. Write down the key functions of quality.
7. Differentiate between total quality control and total quality management.
8. Discuss the various elements necessary to implementation of total quality control.

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# UNIT 26 INTERNATIONAL MANAGEMENT

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NOTES

## ★ STRUCTURE ★

- 26.1 Introductory Observations
- 26.2 Tendencies Towards Developing A Unified Global Management Theory
  - Summary
  - Review Question

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### 26.1 INTRODUCTORY OBSERVATIONS

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In the present-day-management literature, one finds a large number of principles of management and a good number of management theories concerning areas like leadership, motivation, organizational theory, and organizational behaviour and so on. However, there is a need, and, of course, an urgent need to develop what we many call 'a unified global management theory' *i.e.*, a theory:

- which contains fundamental managerial concepts, principles and techniques—applicable to most of management situations; and
- which provides useful guidelines and hints to managers, all over the world, involved in practicing management, in various types of group endeavors, for better managing.

Developing a global management theory is not an easy task or an arm-chair exercise. Yet, with efforts of practitioners, scholars and researchers; it may be possible to develop such a theory; as in the present-day-times, one can notice tendencies towards developing a unified global management theory.

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### 26.2 TENDENCIES TOWARDS DEVELOPING A UNIFIED GLOBAL MANAGEMENT THEORY

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Tendencies towards developing a unified global management theory may be classified into the following three categories:

- (a) Historical tendencies.
- (b) Conceptual tendencies
- (c) Modern tendencies

Let us describe the major factors, comprised in each of the above stated three categories.

(a) **Historical Tendencies**

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Some of the tendencies which favour the development of a global management theory and which have a historical origin or background are described below:

- (i) **System's Approach to Managing:** System's approach to managing, though thought to be new, is not really new. Scholars comment that it is something like old wine in a new bottle. The core of the concept of system's approach is the recognition of the interrelationships existing among various parts of an enterprise; and the relationship of the enterprise with the environment (*i.e.*, the supra system). In fact, practitioners of management in the past also appreciated this sort of relationship and provided for it while managing their enterprises but, of course, without using the word system. Again, modern practitioners of management, the world over, manage by the system's approach; as no manager can overlook the significance of interrelationship among various parts of their organization. Certainly then, the system's approach to a managing is one of the building blocks, in developing an integrated global management theory.
- (ii) **Contingency or Situational Approach to Managing:** According to contingency or situational approach to managing, there is no universally accepted best way of managing all situations; the best system of managing depends on the realities of managerial situations. Intelligent managers in the past, always decided things, in view of the realities of the situation. Managers of today also, everywhere, appreciate and implement the contingency approach to managing; as this approach is nothing but common sense approach. Therefore, a universal belief by managers, everywhere, in the situational approach underpins the efforts involved in developing a unified global management theory.

(b) **Conceptual Tendencies**

Some of the conceptual tendencies favouring the development of unified global management theory are described below:

- (i) **Popularity and Use of Principles of Management:** There are a large number of principles of management concerning various managerial concepts and functional areas of management. Many management principles command universal recognition and implementation. Principles of management are popular and useful in that, it is easier to teach, do research and practice management; when one proceeds according to principles.

By testing the validity of existing principles, and developing new principles on the basis of empirical studies, scholars and researchers can provide a useful foundation on which to build a solid and unified global management theory. In fact, a theory of management could be built only around principles of management.

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- (ii) **Operational School of Management—Most Popular Way of Structuring Management Knowledge:** Management textbooks based on operational school (*i.e.*, analyzing managerial jobs in terms of functions of planning, organizing, staffing, directing, controlling and coordinating) are used around the world. Practicing managers, everywhere, concern themselves with functions of planning, directing, controlling, etc. while performing their managerial jobs in real life situations. Though many schools of management have grown in the present-day-times and many more are likely to emerge in future; there is no doubt that operational school will continue to retain its dominance over other school of management thought.

As such, the operational school is likely to provide the cementing force to efforts engaged in developing a unified global management theory.

- (iii) **Confluence of Leadership and Motivation Concepts:** (Confluence means the fact of two or more things becoming one). Motivation is not only the heart of management; it is also the core of the process of leadership an exercise through which the manager (acting as a leader) tries to influence the behaviour of subordinates, for an enthusiastic attainment of groups objectives. In fact, a leader is a flop till he/she is able to motivate subordinates; so that the subordinates see in the leader the means of attaining their personal objectives.

There is no controversy over the role of a manager moulded into a leader. Further, leader's main weapon is the motivational technique. Hence, the confluence of leadership and motivation, which is just conceptual (and not newly innovated); provides a useful building block in developing a unified global management theory.

### (c) Modern Tendencies

Some of the modern tendencies favouring the developing of a unified global management theory are described below:

- (i) **MNCs Management Practices:** Multi-National Corporations (MNCs) management practices, provide the modern building blocks for developing a unified global management theory. While making decisions in areas of planning, organizing, leading and controlling; managements of MNCs must deal with new and different situations characteristic of many cultural perspectives, nations, governments,

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labour unions and other factors in the global area. Hence, management concepts, principles and techniques followed by MNCs may provide useful pillars to support the building of a unified global theory of management.

(ii) **Case Study Approach to Management Education:** Case study approach to imparting management education is rather new. It seeks to bridge the gulf between theory and practice of management. In case study approach, management knowledge and experience are imparted to students, trainees and others by analyzing international management cases, of diverse natures. Distilling basics of management from analyses of leading management cases is certainly going to make useful building material available for developing a unified global management theory.

(iii) **Emphasis on Behavioural Approach to Managing:** Behavioural approach to managing is a positive contribution of the neo-classical approach to management. Now-a-days, Behavioural approach, emphasizing on interpersonal and intergroup Behavioural patterns, is being increasingly used in all functions of management *i.e.*, planning, organizing, staffing, directing and controlling.

Managers, in all leading organizations, all over the world, realize as to how difficult it is to understand and modify human behaviour, for organizational purposes. New fields of managing which are emerging in view of the recognition of the Behavioural aspects of managing are: Organizational Development (OD) and Organizational Behaviour (OB).

Fundamentals of OD and OB are likely to make meaningful contributions towards developing a unified global management theory.

(iv) **Professionalisation of Management:** Management is getting professionalized, more and more, day-by-day everywhere, in the world. There is no doubt that professional managers follow a more comprehensive and broad-minded approach to managing enterprises. Innovations by, and experience of, professional managers is likely to make positive contributions towards developing a unified global management theory.

(v) **Technological Revolution:** Technology in the world is getting so much advanced now-a-days, that experts speak of a 'technological revolution'—the commercial world is passing through. Experts, researchers, and practitioners recognize the impact of technology on organizational structure, organizational behaviour and may other aspects, having a bearing on managerial effectiveness.

Efforts of managers, in coping with new technological implications, may provide useful hints for developing managerial concepts and techniques, which might be utilized in developing a unified global management theory.



- (vi) **Environment of Global Competition:** In an environment of global competition, many cooperations feel problems of their survival, not the speak of growth. This problem applies to corporate enterprises (especially tiny enterprises) all over the world. Managements of many countries can contribute, under the circumstances, to management theory and practice, by suggesting hints for more effective planning, flexible approach to organizing, better management of human resources, etc.—as means for ensuring survival and prosperity amidst globally increasing intense competitive conditions. Such suggestions of leading managements, all over the world, can provide building material for developing a unified global management theory.
- (vii) **Glossary of Management Concepts and Terms:** (Glossary means a list of technical or special words, in a particular context, explaining their meanings. One of the greatest obstacles in developing a unified global management theory has been the problem of semantics. Management people, authors, researchers, etc. tend to use the same terms in different ways or use different terms for the same concept. Fortunately, the Fellows of the International Academy of Management (comprising management scholars and leaders, from over thirty countries) have undertaken the development of a glossary of management terms and concepts, in a number of languages. Such glossary may be a great aid in developing in unified global management theory.

## NOTES

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### SUMMARY

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- Tendencies towards developing a unified global management theory may be classified into three categories:
  - (a) Historical tendencies.
  - (b) Conceptual tendencies
  - (c) Modern tendencies
- Motivation is not only the heart of management; it is also the core of the process of leadership an exercise through which the manager (acting as a leader) tries to influence the behaviour of subordinates, for an enthusiastic attainment of groups objectives.

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### REVIEW QUESTION

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1. What do you understand by the phrase a 'unified global theory of management'? Identify and explain some of the major tendencies, favouring the development of a unified global theory of management.

