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DIRECTING AND CONTROLLING

The former President of India, Dr A.P.J. Abdul Kalam, demonstrated rare leadership acumen in guiding India's space programme.

Learning Objectives

After reading this chapter, you will be able to answer the following questions:

- What is leadership?
- How to motivate people?
- What is the importance of communication in management?
- What is coordination and how to coordinate?
- How to exercise control in management?

■ ■ MEANING AND NATURE OF DIRECTING

Directing means taking actions to motivate people and help them see that contributing to group objectives is in their own interest. The value of directing and leading is aptly brought about in this short prayer in Sanskrit:

> *Asato ma sad gamaya*
> *Tamso ma jyotir gamaya*
> *Mritorma-amritam gamaya*

English translation:

> *From untruth, lead me to truth*
> *From darkness, lead me to light*
> *From death, lead me to immortality*

The most compelling example of directing is from the *Bhagavad Gita*, in which Lord Krishna motivates Arjuna on the battlefield before the start of the Kurukshetra war. Responding to Arjuna's confusion and moral dilemma, Lord Krishna explains to Arjuna his duties as a warrior and prince and elaborates on different Yogic and Vedantic philosophies, with examples and analogies. In this section, we will study the various aspects of directing.

Principles of Direction

Creation of synergy of individual efforts. We know that organizations comprise of numerous individuals with diverse set of personal objectives, beliefs and values. An effective direction would align their personal objectives towards the organizational objectives so that individuals start behaving like a coherent team, thus resulting in synergy of individual efforts.

Unity of command. People tend to get confused when they get direction and orders from more than one superior. Some of these orders may be completely divergent to each other, thus adding to the misery of the subordinates who are supposed to follow them. Therefore, unity of command and direction is a useful principle.

Close interaction with subordinates. It is important for the bosses to have close interaction with their subordinates to guide them, mentor them and empathize with them. The human contact creates a unique sense of direction, which at times is difficult to achieve by other modes of communication in this networked world.

Feedback and suggestions for improvement. Occasional feedbacks on performance, particularly the positive feedbacks from superiors to subordinates are encouraging for them. Negative feedbacks should be inter-ensconced with constructive suggestions for improvement so as to minimize the hurt-feeling on part of the subordinates.

Motivate, enthuse and enthrall. Motivation lies at the heart of direction. People should be directed in such a way that they feel motivated, enthused and fascinated to follow the directions given to them whole-heartedly.

Lead by example. It is the principle which says "preach what you practice". Thus, followers understand the directions of their leader much better, when the leader follows herself what she preaches. For example, a boss who is very strict about the timely arrival of employees to office, need to be punctual himself.

■ Leadership Styles

Leadership is defined as influence, that is, the art or process of influencing people so that they will strive willingly and enthusiastically toward achievement of group goals (Weihrich & Koontz, 1993). There are various leadership styles as shown in Figure 4.1.
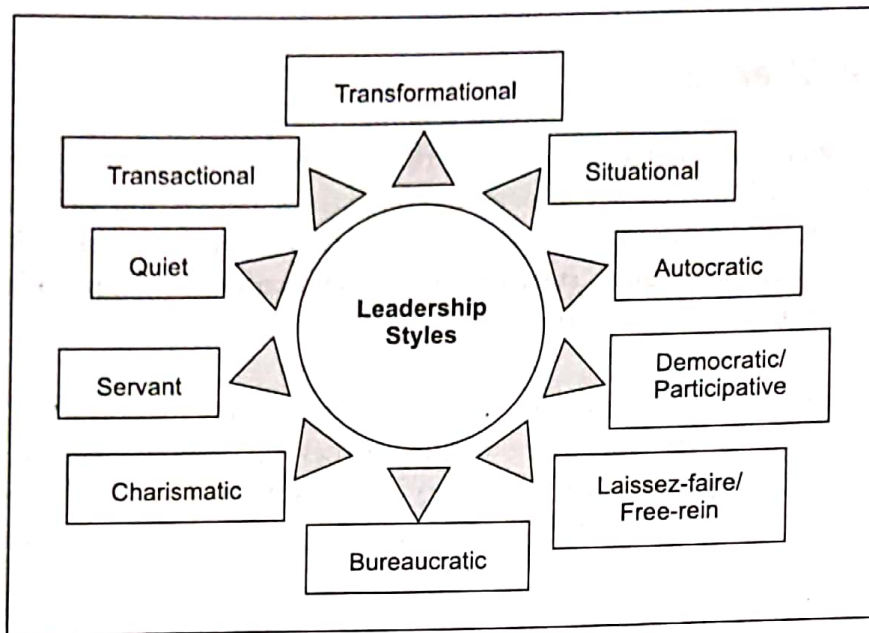

Figure 4.1
Leadership Styles

There are several instances in which each of these styles have proved to be effective. Let us discuss these leadership styles:

Autocratic leadership

In the autocratic style of leadership, the leader takes the decisions on his own without consulting his subordinates. He expects the subordinates to simply follow the diktat and the commands given by him. There is no scope for team decision-making and it may result in loss of creativity and freedom of expression on part of the subordinates/followers.

There is a lot of stigma attached to this style of leadership due to its non-participative approach. However, the style is effective when the leader enjoys considerable authority and power in the form of discretion to reward and punish the subordinates for compliance/non-compliance of orders. This style is also effective when the leader commands a lot of respect due to past achievements, e.g. being the founder of the organization.

The adjoining caselet on Matsushita Electric Company aptly illustrates the autocratic style of leadership adopted by Konosuke Matsushita, its former Chairman, to address a price reduction request from one of their customers.

MATSUSHITA ELECTRIC COMPANY

Matsushita Electric Industries' Car Radio Division received a demand from one of its customers for a 10 percent price reduction. The division manager and his staff put their heads together to try to meet this request but, after much discussion, reached the conclusion that they would be unable to achieve such a large price cut even by implementing all the cost reductions they could think of. They therefore decided that there was nothing to be done but to tell the customer that they were sorry and could not meet the demand.

The company's chairman, Konosuke Matsushita, happened to be visiting the division at that time on other business, and the situation was explained to him. After hearing the explanation, he said, "Whenever we receive a demand for a price reduction from our customers, it is our practice at Matsushita to work out how we can achieve an even greater cost reduction—in this case 15 percent. Please think about this again."

After receiving this instruction from their company's founder, everyone involved started investigating the possibility of reducing costs even more thoroughly and eventually succeeded in cutting them by 13 percent. When this success was announced to him, Matsushita reportedly made a personal visit to the automobile company that had requested the price reduction and said, "Thanks to your request for a 10 percent price reduction, my company has succeeded in reducing its costs by 13 percent. We are extremely grateful to you" (Kondo, 1998).

Discussion question

In which kind of situations do you think the autocratic leadership style would be most effective?

Democratic/participative leadership

As the name of this leadership style implies, the democratic/participative leader involves the subordinates, peers, superiors, and other stakeholders in the decision-making process rather than taking the decision on his own. This style is helpful in winning the confidence of the people who would later be involved into the implementation of the decision.

This style leverages the collective wisdom of a group and hence, has a better likelihood of taking different perspectives into consideration before a decision is made. The people involved in decision-making have the opportunity to express their opinions freely for influencing the leader. Therefore, the people can exploit their creative skills and feel motivated for being part of the decision-making process. Many times, they start "owning" the decision and make sure that it achieves its objectives during implementation.

There are a couple of negatives in this style though—this style by virtue of involving many people is time consuming and requires maturity and skills on part of the leader to ensure that the discussion on the issue does not go haywire and the meeting time is utilized efficiently to arrive at well thought of decisions. The adjoining caselet on Bando Chemical Company illustrates this leadership style followed by its factory manager.

BANDO CHEMICAL COMPANY, JAPAN

Bando Chemical Company owned the Nankai factory that specialized in making V-belts. For a long time, this factory had been implementing the top-down type of planning, in which production was carried out in accordance with targets set by the factory manager. The factory's monthly cumulative total production used to drop further and further below target in the first part of each month and then gaining momentum to approach the target from the middle of the month. It always ended the month a few percent below the target.

After much investigation and deliberation, the factory decided to change its system for setting the monthly production quotas. Under the new system, the factory manager would first propose the draft monthly production target and explain carefully why it was necessary to achieve that target. The proposal would then be thoroughly discussed by the people in the workplace. When this system was first implemented and the individual values determined as a result of the discussion were collated, the final value turned out to be a little less than that originally proposed by the factory manager.

When such a discrepancy exists, we often try to eliminate it by forcing the people in

the workplace to raise the targets they have come up with, in order to meet the originally proposed value. But Bando Chemical Company took a different approach. Since the people on the shop floor had taken such trouble to discuss the proposals, it was decided to trust their commitment and enthusiasm and leave the total arrived at as the official monthly production target.

A curious thing happened when the setting of targets was changed from top-down to bottom-up in this way. The sag in the monthly cumulative total production graph occurring at the beginning and middle of the month disappeared, and the production proceeded more or less in accordance with the target line. Also, the monthly target was consistently achieved.

Another interesting thing was that, although the target value established as a result of discussion in individual workplaces in this way started out slightly under the factory manager's proposed draft target, it increased month by month and at the end of six months, was approximately 20 percent higher than the factory manager's proposal, a result originally thought to be out of the question (Kondo, 1998).

Discussion question

1. The democratic/participative leadership style demonstrated in this case is time consuming and cumbersome to implement. Discuss.

Laissez-faire or free-rein leadership

The French phrase *Laissez-faire* means *leave it be* and is used to describe a leader who leaves his colleagues to get on with their work. Intentionally, little control (as the term *free-rein* implies) is exercised by the free-rein leader over his subordinates to allow them a high degree of freedom.

This style is preferred when the leader is fully confident about the capabilities of his subordinates in setting their own goals and achieving the same. However, the leader communicates regularly with his subordinates to provide them advices and resources as and when needed.

The caselet entitled JRD's Decentralization and Ratan's Centralization for the Tata Empire in Chapter 3 vividly depicted the free-rein leadership style of J.R.D. Tata, who provided all the freedom to his chieftains like Darbari Seth (Tata Chemicals), Russy Mody (Tata Steel), and Ajit Kerkar (Taj Group of Hotels).

Bureaucratic leadership

Bureaucratic leaders work "by the book" and expect their subordinates to follow the procedures strictly. This style of leadership is prevalent in the public sector units (PSUs) whereby there are rules and regulations prescribed by the governmental regulators like the Comptroller and Auditor General (CAG) and the Central Vigilance Commission (CVC).

This leadership style is thus laced with heavy controls, which may be demotivating for the employees, but is deemed helpful in the standardization of processes and in reducing corruption. Despite the negative connotations attached to the terms like bureaucracy, red-tapism, etc., the bureaucratic leadership has been successfully demonstrated in Indian scenario by the likes of E. Sreedharan (see the caselet on *E. Sreedharan and Delhi Metro Rail Corporation* in Chapter 2).

Charismatic leadership

Charismatic leaders have the charisma and the charm to induce their followers to follow them whole-heartedly. Musser (1987) notes that charismatic leaders seek to instill both commitment to ideological goals and also devotion to themselves. The extent to which either of these two goals is dominant depends on the underlying motivations and needs of the leader. Conger & Kanungo (1998) describe five behavioural attributes of charismatic leaders:

- Vision and articulation
- Sensitivity to the environment
- Sensitivity to member needs
- Personal risk taking
- Performing unconventional behaviour

Charismatic leaders become synonymous with the organization and often, corporate identities and brands are built around them. In the eyes of their followers, success is tied up with the presence of the charismatic leader.

Charismatic leaders carry a lot of responsibility for the future of the organization, as their untimely exit from the organization may risk its very existence.

Dr Vijay Mallya of the UB Group (having companies like Kingfisher Airlines) can be categorized into the category of charismatic leaders. He has a distinct flamboyant personality which is heavily associated with the brand equity of his organization. The adjoining caselet would throw more light on his persona which closely reflects the catch line of one of his brands—The King of Good Times.

VIJAY MALLYA—THE KING OF GOOD TIMES

A collection of 42 homes scattered across the world; 250 vintage cars; a customized Boeing 727 and two other corporate jets; and three yachts–including the *Kalizma*, a 165-footer once owned by actor Richard Burton, and a 311-footer, the *Indian Empress*–all of them make Vijay Mallya "The (undisputed) King of Good Times."

He has a larger-than-life personality and owns a slew of businesses, from breweries (his Kingfisher beer is a staple beverage of Indian restaurants from Kolkata to Cleveland) to Kingfisher Airlines, a leading Indian carrier. UB Group is the world's No. 3 spirits conglomerate, after Diageo PLC and Pernod Ricard. Mallya's empire also spans engineering, fertilizers, and petrochemicals.

No essay on Mallya is complete without reference to his contribution to the Indian Derby. His fascination for the animal began way back in 1975 when he used to lease horses from the Tollygunj Club of Kolkata, before he left the country. When he returned to the sport in 1985, it was with a complete professional attitude, hiring the best trainers, the best jockeys and the best breed of animals. Today, he owns some of the best-bred horses in the country. Mallya has won every big race in the country. His horses have triumphed in 100 Classics in 10 years and are fast approaching the 200 mark. He is the only owner in the history of Indian racing to win the Indian Derby more than four times. That

his interest in the sport runs far deeper than winning the races, is evidenced in the time the tycoon spends at his stud farm in Kunigal, about 60 kms from Bangalore.

Mallya holds a Bachelor of Commerce degree from the University of Calcutta and an honorary Doctorate in Business Administration from California Southern University, Santa Ana. Mallya started out working for the American Hoechst Corporation (now Aventis) in the US and in the UK. This was before he joined his father, Vittal Mallya at United Breweries in 1980, where he started out in the brewing and spirits divisions. In 1983, on his father's demise, Vijay Mallya was made the Chairman of UB group, an empire with annual revenues of $100 million. He was only 28 years old, at that time.

United Breweries has a history dating back to 1857. The company came into existence as UB in 1915 with the merger of five small breweries. The Kingfisher brand was launched in the year 1980 (the exact year of the birth of Kingfisher is not known, 80s marked the real life of this brand).

The brand was the brainchild of the current Chairman of UB group, Vijay Mallya. It is said that Mallya went to work in Calcutta as a part of a mentoring program under H.P. Bhagat. At that time, the brands that were popular from UB stable was Kalyani Black Label, Doctor's Brandy, etc. Mallya wanted to create an

exciting brand and none of the existing brands impressed him. He went back to Bangalore, searched archives and stumbled upon an old label with a Kingfisher in it. That marked the birth of the Iconic Kingfisher brand.

The major factor behind the success of Kingfisher brand is the Passion that Mallya has on the brand. When marketing theorists say that Marketing is a serious business, Mallya will tell you that Marketing is CEO's business. When the CEO takes interest in the brand and virtually promotes the brand in every occasion, there is so much equity generated on the brand. Like Virgin's legendary Richard Branson, Mallya also showed that the primary task for any CEO is to be passionate about the brand. While in most cases CEO comes into picture to deliver the annual shareholder's meet, Mallya takes the brand with him everywhere.

Despite his lavish lifestyle, Mallya remains quintessentially Indian. He refrains from negotiating during *Rahukalam*, the hours during the day that some Hindu faithful believe are unlucky. And he has his planes blessed at Tirupati, a Hindu temple in southern India, before putting them into service.

Discussion question

Is it fair to lead a lavish lifestyle by an industrialist in a country like India, where a majority of people starve for basic necessities? Discuss.

Servant leadership

Robert Greenleaf (1977) is recognized as the father of servant leadership. He described servant leadership in this manner: "It begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead...The difference manifests itself in the care taken by the servant-first to make sure that other people's highest priority needs are being served. The best test, and difficult to administer, is: do those served grow as persons, do they grow while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants?"

However, the concept is thousands of years older than this. *Chanakya* or *Kautilya*, the famous strategic thinker from ancient India, wrote about servant leadership in his 4th century B.C. book *Arthashastra*:

The king [leader] shall consider as good, not what pleases himself but what pleases his subjects [followers].

The king [leader] is a paid servant and enjoys the resources of the state together with the people.

It is clear that unlike leadership approaches with a top-down hierarchical style, servant leadership instead emphasizes collaboration, trust, empathy, and the ethical use of power. At heart, the individual is a servant first, making the conscious decision to lead in order to better serve others, not to increase their own power. The objective is to enhance the growth of individuals in the organization and increase teamwork and personal involvement.

N.R. Narayana Murthy of Infosys is a leader belonging to this leadership style. The caselets in Chapter 3 entitled Ethos of Employment at Infosys and another one in Chapter 7 would help you in understanding his servant leadership style. His humble demeanour coupled with his passion to mentor colleagues within the organization makes him a unique leader.

Quiet leadership

The approach of quiet leaders is the antithesis of the classic charismatic leaders in that they base their success not on ego and force of character but on their thoughts and actions.

In the words of the Harvard Business School Professor Joseph L. Badaracco (2002), "You end up defining quiet leaders almost through a series of negatives. They're not making high-stakes decisions. They're often not at the top of organizations. They don't have the spotlight and publicity on them. They think of themselves modestly; they often don't even think of themselves as leaders. But they are acting quietly, effectively, with political astuteness, to basically make things somewhat better, sometimes much better than they would otherwise be."

The caselet on Azim Hasham Premji, Chairman of Wipro Corporation, enlightens us as to why he comes closest to this style of leadership.

AZIM HASHAM PREMJI—THE QUIET LEADER

In a world where integrity purportedly counts for naught, Azim Hasham Premji symbolizes just that. The 63-year-old Wipro chairman made international waves in the year 2000 ever since his group became a Rs 3,500-crore empire with a market capitalization exceeding Rs 500,000 million!

If any stargazer had been foolish enough to predict in 1966 that a 21-year-old Indian at Stanford University would one day achieve all this, he'd have been laughed out of business. At that juncture, Premji was forced to discontinue his engineering studies in the States due to the untimely death of his father. Returning to India to take charge of a cooking oil company, the youth infused new life into the family's traditional mindset and trade.

Over the years, Premji diversified into sectors like computer hardware/software and lighting, disregarding marketing laws that extolled the virtues of core competence and frowned on brand extensions into unrelated segments. Despite all the success, the media-shy Premji maintained a low profile, letting his work do all the talking. Until early 2000 the media broke the story that Azim Premji had become the second-richest man in the world...In spite of his billions, however, he still travels economy class and stays in budget hotels.

When the man was honoured with the Businessman of the Year 2000 award, he attributed his stupendous success to the 12,000 people who work for Wipro Corporation.

The great man then shared some tips for success:

- Have the courage to think big.
- Never compromise on fundamental values, no matter what the situation.
- Build up self-confidence, always look ahead.
- Always have the best around you, even if they are better than you are.
- Have an obsessive commitment to quality.
- Play to win.
- Leave the rest to the force beyond.

Premji, the businessman, practices what he preaches. When it comes to upholding personal values, there's no margin for error. Wipro managers speak in awe of the time they received a terse message that their chairman was flying down to Bangalore for a meeting. It was clear that something major was in the offing. Premji came straight to the point. A senior general manager of the company had been given marching orders, because he'd inflated a travel bill. The man's contribution to the company was significant; the bill's amount was not. Yet he had to go for this solitary lapse. It was, Premji stressed, a matter of principles.

Wipro's code of conduct for employees says it all: Don't do anything that you're unwilling to have published in tomorrow's newspaper with your photograph next to it. It's that kind of integrity that has catapulted Premji and Wipro to unprecedented heights (Sawhney, 2001).

Discussion question

Do you think that the quiet leaders like Azim Hasham Premji lack the mass appeal to enthuse and inspire others? Discuss.

Transactional leadership

The transactional leader's focus is to get the "transaction" done smoothly and efficiently. The transaction here is the job assigned to the subordinates, which may be a project on hand. The subordinates are expected to obey the leader's orders about accomplishment of the task. If the task is accomplished successfully, the leader may reward the concerned subordinates with incentives and in case the performance is below expectations, an unannounced punishment may be in store.

The transactional leader tends to follow the management by exception approach whereby the subordinate's performance is critically examined only when there is a major deviation (positive or negative) in the expected outcomes of the job assigned. In case of no major deviation, the leader saves time and effort of scrutinizing the performance of the concerned subordinates. This leadership style is popular in many industries, but has its limitations in the knowledge-based or creative organizations.

MUKESH DHIRUBHAI AMBANI—THE TRANSACTIONAL LEADER

Mukesh Dhirubhai Ambani secured the No. 5 slot in the 2008 world's billionaires list (Forbes, 2008). Asia's richest resident, Mukesh heads petrochemicals giant Reliance Industries, India's most valuable company by market cap. His fortune is up $22.9 billion since last year, making him the world's second biggest gainer in terms of dollars. Although his father Dhirubhai Ambani followed a highly visible and high-profile existence, Mukesh Ambani's leadership style is not that of an attention-seeker. To many, he is shy, almost a recluse, a strict vegetarian who abstains from drinking alcohol.

In his own words, India does not need a tie-wearing, golf-playing leader. You don't need leaders who say we will motivate you, but leaders—and by leaders I am not talking of chief executive officers but leaders at all levels—who can drive your company as strong knowledge-based achievers (Basu, 2007).

At Reliance, we tried to create an open environment. In today's language, we created SOPs and SOCs (*standard operating procedures, standard operating conditions*) so that everybody was on the same page. We wanted an organization where everybody contributes, but the business is not dependent on a few individuals (Dalal & Basu, 2007).

Leadership is the pivot for performance. If great market opportunities provide a context, compelling strategies provide a framework, and competitiveness provides life, then leadership provides inspiration. In this regard, I have had the fortune to look up to my father; Shri Dhirubhai Ambani. For us, he was an extraordinary leader. He measured our performance by two simple tests: Are we able to earn more from one rupee of investment as compared to others in the field? Can we execute a business plan in less time than anywhere else in the world? I try to emulate these traits when I am called upon to provide leadership to any project.

Subscribing to an unfailing commitment to excellence and demanding the same from others is the kernel of this leadership style. This is ensured by continuous attention to development of skills, by setting exacting performance targets and by investing a humane outlook in the entire operation (Goliath, 2002).

You see, all the right things are written in books and research papers. The trick is to ensure that there is no gap between what is written in the books and your vision; from what is happening on the shop-floor and what is going on in the marketplace. That is execution. That is what makes the difference.

Discussion question

It is always good for a corporation to have a transactional leader like Mukesh Ambani as a successor to a transformational leader like Dhirubhai Ambani. Discuss.

Transformational leadership

Transformational leaders have the capability to "transform" or radically change organizations and individuals for their betterment. They are visionaries who inspire others and successfully "sell" their vision to the followers, thus

requiring great communication skills. Their enthusiasm is contagious and they create a shared vision for the future. However, they need to be supported by the "detail people" who could take care of the nitty-gritty of implementation. Transformational leaders may not necessarily lead from the front and tend to delegate responsibility to the teams of their followers. Paradoxically, the same enthusiasm and passion that attracts the followers to the transformational leader may at times result into the followers getting overwhelmed and feeling worn out. Also, one of the traps of this leadership style may be that the passion and confidence of such a leader may be taken as equivalent to the truth and reality, which may not always be the case.

As the adjoining caselet shows, the former President of India, Dr A.P.J. Adbul Kalam is a transformational leader who not only successfully guided India's space programme as a scientist, but also created a shared vision for his countrymen to transform India into a developed nation.

Dr A.P.J. ABDUL KALAM—THE TRANSFORMATIONAL LEADER

Dr A.P.J. Abdul Kalam served the country as the 11th President of India from 2002 to 2007. He was awarded the highest civilian honour "Bharat Ratna" in 1997 for his exemplary contributions to the India's space programme.

Dr Kalam shared his views about leadership at Wharton India Economic forum, Philadelphia, on 22 March 2008, when a question was put before him: Could you give an example, from your own experience, of how leaders should manage failure? What follows below is an inspirational anecdote as an answer to this question in his own words and a couple of other speeches made by him at various forums, in which he shared his vision for India and the milestones of his career:

Let me tell you about my experience. In 1973, I became the project director of India's satellite launch vehicle program, commonly called the SLV3. Our goal was to put India's "Rohini" satellite into orbit by 1980. I was given funds and human resources—but was told clearly that by 1980, we had to launch the satellite into space. Thousands of people worked together in scientific and technical teams towards that goal.

By 1979—I think the month was August— we thought we were ready. As the project director, I went to the control center for the launch. At four minutes before the satellite launch, the computer began to go through the checklist of items that needed to be checked. One minute later, the computer program put the launch on hold; the display showed that some control components were not in order. My experts—I had four or five of them with me—told me not to worry; they had done their calculations and there was enough reserve fuel. So I bypassed the computer, switched to manual mode, and launched the rocket. In the first stage, everything worked fine. In the second stage, a problem developed. Instead of the satellite going into orbit, the whole rocket system plunged into the Bay of Bengal. It was a big failure.

That day, the chairman of the Indian Space Research Organization (ISRO), Prof. Satish Dhawan, had called a press conference. The launch was at 7:00 am, and the press

conference—where journalists from around the world were present—was at 7:45 am at ISRO's satellite launch range in Sriharikota (in Andhra Pradesh in southern India). Prof. Dhawan, the leader of the organization, conducted the press conference himself. He took responsibility for the failure—he said that the team had worked very hard, but that it needed more technological support. He assured the media that in another year, the team would definitely succeed. Now, I was the project director, and it was my failure, but instead, he took responsibility for the failure as chairman of the organization.

The next year, in July 1980, we tried again to launch the satellite—and this time we succeeded. The whole nation was jubilant. Again, there was a press conference. Prof. Dhawan called me aside and told me, "You conduct the press conference today." I learned a very important lesson that day. When failure occurred, the leader of the organization owned that failure. When success came, he gave it to his team. The best management lesson I have learned did not come to me from reading a book; it came from that experience.

I have three visions for India. In 3,000 years of our history, people from all over the world have come and invaded us, captured our lands, conquered our minds. From Alexander onwards, the Greeks, the Turks, the Moguls, the Portuguese, the British, the French, the Dutch, all of them came and looted us, took over what was ours. Yet we have not done this to any other nation. We have not conquered anyone. We have not grabbed their land, their culture, their history and tried to enforce our way of life on them. Why? Because we respect the freedom of others. That is why my first vision is that of freedom. I believe that India got its first vision of this in 1857, when we started the war of independence. It is this freedom that we must protect and nurture and build on. If we are not free, no one will respect us.

My second vision for India is **development**. For fifty years, we have been a developing nation. It is time we see ourselves as a developed nation. We are among top 5 nations of the world in terms of GDP. We have 10 percent growth rate in most areas. Our poverty levels are falling. Our achievements are being globally recognized today. Yet we lack the self-confidence to see ourselves as a developed nation, self-reliant and self-assured. Isn't this incorrect?

I have a third vision. **India must stand up to the world.** Because I believe that, unless India stands up to the world, no one will respect us. Only strength respects strength. We must be strong, not only as a military power but also as an economic power. Both must go hand-in-hand. My fortune was to have worked with three great minds: Dr Vikram Sarabhai of the Department of Space, Professor Satish Dhawan, who succeeded him, and Dr Brahm Prakash, the father of nuclear material. I was lucky to have worked with all three of them closely and consider this the great opportunity of my life.

I see four milestones in my career:

1. I have spent twenty years in ISRO. I was given the opportunity to be the project director for India's first satellite launch vehicle, SLV3, the one that launched Rohini. These years played a very important role in my life of a Scientist.

2. After my ISRO years, I joined DRDO and got a chance to be the part of India's guided missile program. It was my second bliss when Agni met its mission requirements in 1994.

3. The Department of Atomic Energy and DRDO had this tremendous partnership in the recent nuclear tests, on May 11 and 13. This was the third bliss. The joy of participating with my team in these nuclear tests and proving to the world that India can make it, that we are no longer a developing nation but one of them. It made me feel proud as an Indian the fact that we have now developed for Agni a re-entry structure, for which we have developed this new material, a very light material called *carbon-carbon*.

4. One day an orthopedic surgeon from Nizam Institute of Medical Sciences visited my laboratory. He lifted the material and found it so light that he took me to his hospital and showed me his patients. There were these little girls and boys with heavy metallic calipers weighing over three kilogram each, dragging their feet around. He said to me: Please remove the pain of my patients. In three weeks, we made these Floor Reaction Orthosis 300 gram callipers and took them to the orthopedic centre. The children didn't believe their eyes. From dragging around a three kilogram load on their legs, they could now move around! Their parents had tears in their eyes. That was my fourth bliss!

Why is the media so negative? Why are we in India so embarrassed to recognize our own strengths, our achievements? We are such a great nation. We have so many amazing success stories, but we refuse to acknowledge them. Why?

- We are the first in Milk production.
- We are number one in Remote Sensing Satellites.
- We are the second largest producer of wheat.
- We are the second largest producer of rice.

There are millions of such achievements, but our media is only obsessed in the bad news and failures and disasters.

I was in Tel Aviv once and I was reading the Israeli newspaper. It was the day after a lot of attacks and bombardments and deaths had taken place. The Hamas had struck. But the front page of the newspaper had the picture of a Jewish gentleman who in five years had transformed his desert land into an orchid and a granary. It was this inspiring picture that everyone woke up to. The gory details of killings, bombardments, deaths, were inside in the newspaper, buried among other news. In India, we only read about death, sickness, terrorism, crime. Why are we so negative?

Another question: Why are we, as a nation, so obsessed with foreign things? We want foreign TVs, we want foreign shirts. We want foreign technology. Why this obsession with everything imported. Do we not realize that self-respect comes with self-reliance?

I was in Hyderabad giving this lecture, when a 14-year-old girl asked me for my autograph. I asked her what her goal in life is. She replied: I want to live in a developed India. For her, you and I will have to build this developed India. You must proclaim India is not an underdeveloped nation; it is a highly developed nation.

The precision with which India's moon mission Chandrayaan-I was executed is unprecedented. Chadrayaan-I could not only orbit around the moon, but also touched its surface without a single flaw in its 3,86,000 km journey. Chandrayaan-I Project Director, M. Annadurai, credits India's newfound status in the Moon club to former President of India, Kalam, for his interjection which made the Moon touchdown a reality and the mission's fillip to science. In the words of Annadurai, "Six months into the project, Kalam told me India must touch the Moon and not just orbit around it. Our hearts skipped a beat because all plans had to be changed. That's when the Moon impact probe was initiated. We took it as a challenge and did it. Today when I look back, it feels wonderful" (Seethalakshmi, 2009).

Discussion question

Which aspect of Dr Kalam's persona as a transformational leader inspires you most and why? Discuss.

Situational leadership

The situational leadership theory is based upon the premise that no single leadership style suits every possible situation. The leader has to adapt his style to best suit the requirements of the situation on hand.

A leader may prefer the bureaucratic style to train a group of new workers for operating on a machine, while the same leader may follow the democratic/participative style to seek improvement ideas for a process from a group of workers having past experience with that process.

Keeping in view the variability in the leadership style, Tannenbaum and Schmidt (1958) identified three forces that led to the leader's action: the forces in the situation, the forces in the follower and also, forces in the leader.

Maier (1963) noted that leaders not only consider the likelihood of a follower accepting a suggestion, but also the overall importance of getting things done. Thus in critical situations, a leader is more likely to be autocratic in style simply because of the implications of failure.

■ Motivation Theories

Robbins (1993) defined motivation as the "willingness to exert high levels of effort towards organizational goals, conditioned by the effort's ability to satisfy some individual need."

Maslow's need hierarchy theory

Abraham Maslow (1908–1970) was an American psychologist. He is noted for his conceptualization of a five-tiered *hierarchy of human needs*, and is considered the father of humanistic psychology. *Needs* are defined as internal states which make certain outcomes appear attractive. According to Maslow, the genesis of motivation takes place through needs. Motivation was defined as the willingness to exert high levels of effort to achieve certain goals. Maslow saw human beings' needs arranged like a ladder (Figure 4.2).

The most basic needs, at the bottom, were physical (Biological and Physiological)—air, water, food, sleep, etc. Then came safety needs—security, stability, etc. —followed by psychological or social needs—belonging, love, and acceptance. The penultimate step in the ladder is made by the esteem needs—achievement, reputation, status, and responsibility. At the top of it all are the self-actualizing needs—the need to fulfill oneself, to become all that one is capable of becoming. The self-actualizing needs comprise of personal growth and fulfillment, creativity, problem-solving, morality, ethics, and lack of prejudice. Maslow felt that unfulfilled needs lower on the ladder would inhibit the person from climbing to the next step. Someone dying of thirst quickly forgets their thirst when they have no oxygen, as he pointed out. Therefore, Maslow recommended that lower level physiological needs should be fulfilled for individuals to get motivated for self-actualization (Maslow, 1943).

As shown in Figure 4.2, organizations can pragmatically use Maslow's hierarchy of needs pyramid to motivate their employees and ultimately reach the highest level of self-actualization. For example, the biological need of food and water can be fulfilled by installing tea, coffee, snacks, and soft-drinks vending machines in the office premises (which many contemporary organizations are doing now). Similarly, appropriate working hours would allow the employees to devote ample time with family and in resting. In the same way, more such ways of motivating the employees are suggested in Figure 4.2.
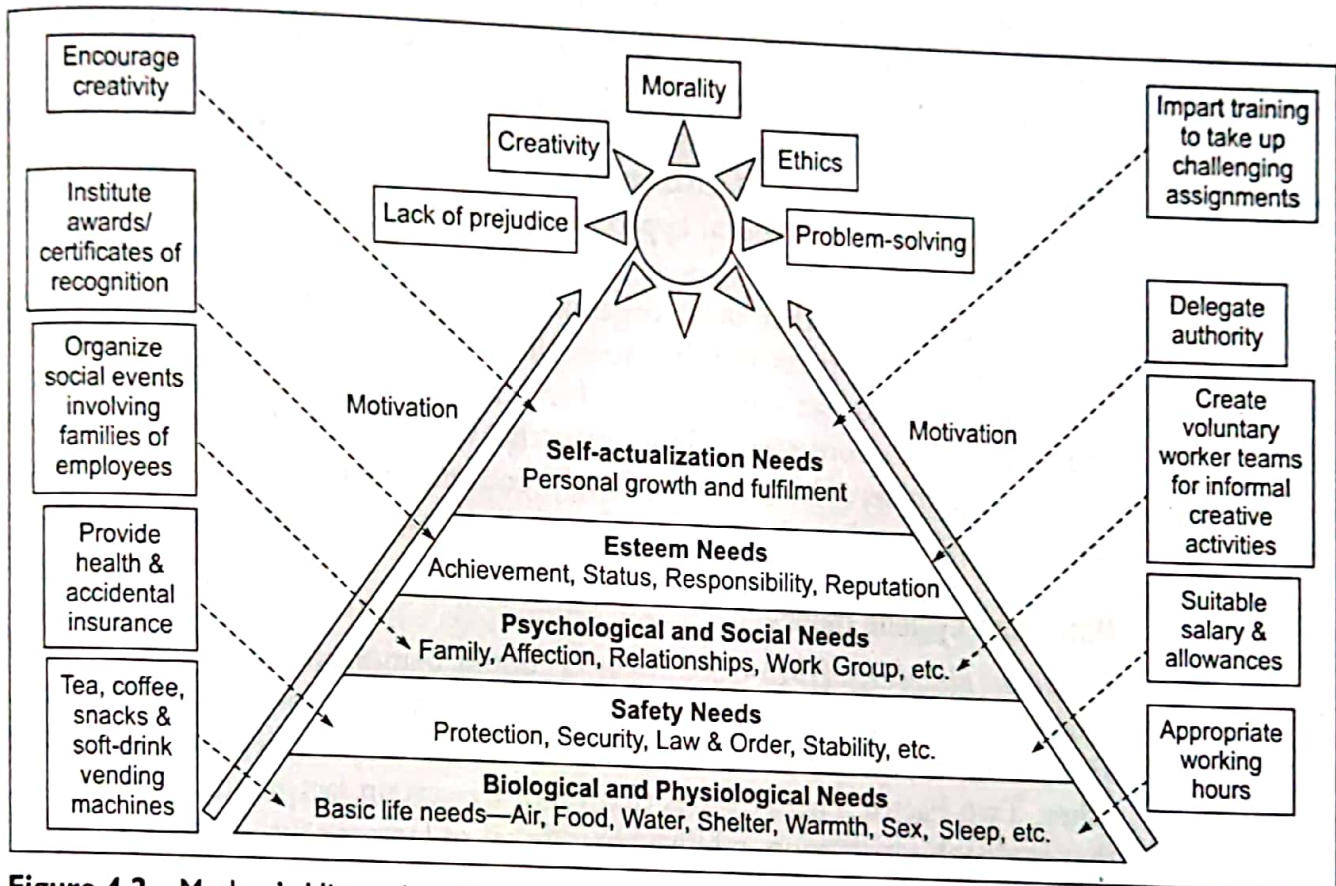

Figure 4.2 Maslow's Hierarchy of Needs Pyramid

McClelland's need theory

David McClelland (1917–1998) was an American psychological theorist, who argued that all types of needs may not be uniformly applicable to all individuals (as suggested by Maslow), as some needs are acquired through interaction with the environment, i.e. are learned or socially acquired. These are the need for achievement, need for power, and need for affiliation.

The need for achievement was defined as the drive to excel, to achieve in relation to a set of standards, to strive to succeed. The need for power was defined as the need to make others behave in a way that they would not have behaved otherwise. The need for affiliation was defined as the desire for friendly and close interpersonal relationships (McClelland, 1961).

Because effective managers must positively influence others, McClelland proposes that top managers should have a high need for power coupled with a low need for affiliation (Kreitner & Kinicki, 1998).

Theory X and Theory Y

Douglas McGregor (1906–1964) was a professor at the MIT Sloan School of Management, who believed that managers use either of the two theories, namely Theory X and Theory Y, to motivate their employees.

Theory X has a negative connotation in the sense that it is based upon the traditional approach of direction and control whereby managers place orders on their subordinates and place control mechanisms to keep an eye on the progress made by them. Thus, according to this theory, employees get motivated to work due to coercion, fear factor and force. On the contrary, Theory Y is based upon the modern behavioural approach which treats the employees as capable, responsible, and mature.

McGregor argued that most organizations at that time were fulfilling the basic needs of employees and therefore, the workplace needs to be re-organized in order to provide an environment for achieving higher-level social, esteem, and self-actualization needs. This way, the work would be more enjoyable for the employees who would willingly commit themselves to sharing more responsibility for the achievement of organizational goals (McGregor, 1960).

Motivation-hygiene theory

Frederick Herzberg (1923–2000) was a noted American psychologist, who proposed the Two-Factor Theory (also known as Motivation-Hygiene Theory). He found that job satisfaction and job dissatisfaction acted independently of each other. Two-Factor Theory states that there are certain factors in the workplace that cause job satisfaction, while a separate set of factors cause dissatisfaction.

It distinguishes between: *motivators* (e.g. challenging work, recognition, responsibility) which give positive satisfaction, arising from intrinsic conditions of the job itself, such as recognition, achievement, or personal growth; and *hygiene factors* (e.g. status, job security, salary, and fringe benefits) which do not give positive satisfaction, although dissatisfaction results from their absence.

Essentially, hygiene factors are needed to ensure an employee is not dissatisfied, and motivation factors are needed in order to motivate an employee to higher performance (Herzberg, 1966).

Equity theory

Equity theory of motivation was developed by *John Stacey Adams* in 1962. According to Adams, employees make comparisons of their job inputs and outcomes relative to others, and inequities influence the degree of effort which employees exert. Equity refers to the perception by workers that they are being treated fairly.

Employee perceptions have a major impact on performance. External equity exists when employees performing jobs within a firm are paid at a level comparable with those paid for similar jobs in other firms. Internal equity exists when employees are paid according to the relative value of their jobs within their organization (Griffin, 1990).

Expectancy theory

Expectancy theory was developed by *Victor Vroom*, who proposed that an individual is motivated to perform a task on the basis of three linkages signified by the three questions below (Robbins, 1994):

1. How hard do I have to work to achieve a certain level of performance and can I actually achieve that level? (*Effort-performance linkage*)
2. What reward will performing at that level get me? (*Performance-reward linkage*)
3. How attractive is this reward to me and does it help achieve my goals? (*Attractiveness*)

■ Communication: Meaning and Importance

Communication is the transfer of information from a sender to a receiver, with the information being understood by the receiver (Weihrich & Koontz, 1993). The importance of communication in management has been stressed upon by Chester Barnard (1938) in his classic—*The Functions of the Executive*, in which he states, "The first executive function is to develop and maintain a system of communication." Figure 4.3 captures the various aspects of the importance of communication in management.
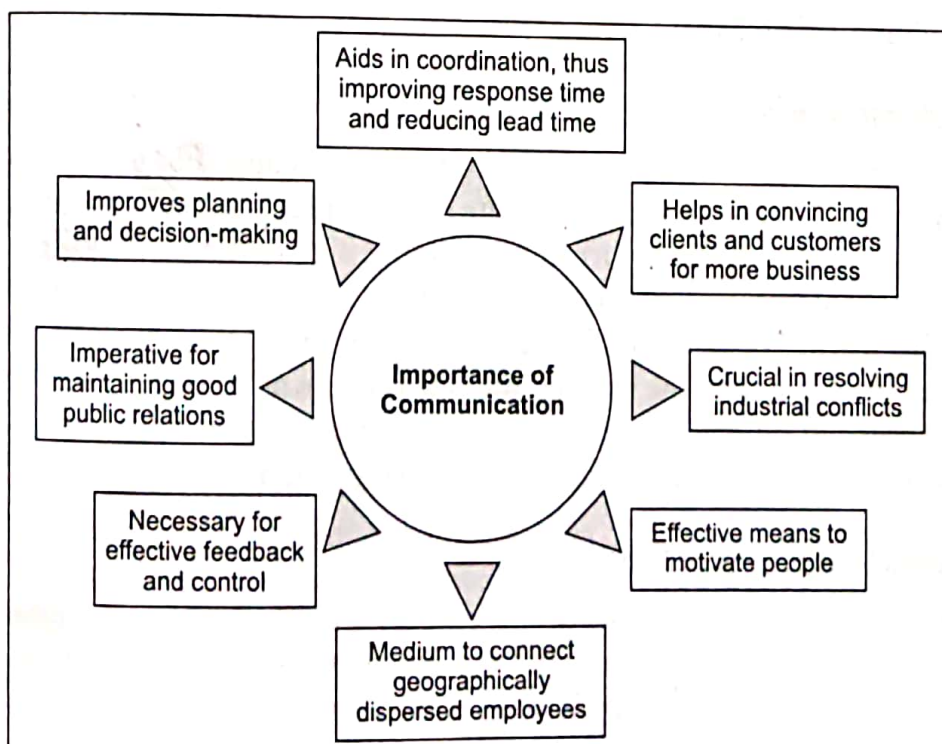

Figure 4.3 Importance of Communication

Coordination of activities

Communication is a very important aid in coordination of activities between various departments. One can imagine that without proper communication channels, the response time of various actions expected out of individuals in different departments would increase, thus increasing the lead time to perform the activities. Hence, communication is imperative in improving the response time and in reducing the lead time of activities requiring inter-departmental coordination.

Expanding customer base

Organizations always strive hard to increase their client and customer base by aggressive brand communication and sales effort. It is unthinkable to win clients without appropriate communication of the sales force of the organization with the potential clients/customers. Communication is required even to win more business from the existing clients/customers. It would not be exaggeration to say that communication is the life-line of the marketing strategy of organizations.

Resolving industrial conflicts

Communication plays a major role in avoiding industrial conflicts in the first place. Despite such efforts, if such conflicts happen, it immensely helps in resolving them. At times, the top management and trade unions in organizations may have contradictory viewpoints on certain issues, resulting in conflicts. For example, workers may be demanding pay hike, while management may be concerned about the corresponding hike in cost of production and competitive disadvantage in the market place if the workers' pay is increased. It is important for managers to communicate with the trade union leaders to bring about harmony and mutually settle the areas of dispute.

Means to motivate people

Communication serves as an effective means to motivate people. For example, a worker may be responsible for high defect rate of items processed by him on his machine and may be feeling highly frustrated because of a multitude of reasons. His supervisor would need to converse with him and try to motivate him by reminding this worker of his exemplary performances in the past. If there are some personal issues faced by the worker, the supervisor would need to provide necessary advices and support to raise the morale of the worker. This personal touch through intimate communication goes a long way in motivating people.

Connect geographically dispersed employees

Information technology has opened up new and diverse set of communication channels to connect geographically dispersed employees of an organization. The Internet, Emails, Wikis, Blogs, Mobile Telephony, Video Conferencing,

etc. have become a part of our routine lives. Thus, gone are the days when individuals used to work in silos. It has become commonplace in organizations to create virtual teams whose members may not be in close physical proximity, but still communicate with each other seamlessly on activities and projects.

Effective feedback and control

Communication is necessary for effective feedback and control of various processes in the organization. In the absence of communication, the gap between expected and actual performance will never be known. Therefore, the data pertaining to the actual performance of a process has to be continually fed back to the input stage so that corrective action can be taken to bridge the gap between the expected and actual performance.

Maintaining good PR

Communication is imperative for maintaining good public relations (PR). Organizations today strive hard to create a positive image about them before the public at large. The PR department has to continually communicate with the media on various issues relating to the organization. This is done in the form of press releases, press conferences, and open houses.

For example, a company is about to launch a new breakthrough product and it has generated a lot of curiosity in the public about the unique features of the innovative product. A good PR would cash in on this opportunity by promptly giving appropriate details about the product to the media so that a lot of buzz is created before the formal launch of the product, thus saving a hefty amount in creating formal marketing campaigns for the product. It is unthinkable to do all this without suitable channels of communication and a proper interface with the media.

Improves planning and decision-making

Communication improves planning and decision-making, especially when the opinion of many experts is required to arrive at a consensus. In the lack of communication, a good plan or a decision may not bring the expected outcomes. Therefore, even after the plan or the decision has been finalized, it has to be communicated to all the stakeholders and implementers for its successful execution.

■ Coordination: Meaning and Importance

Coordination is defined as the integration of different parts of the organization in order to achieve a common goal (Lawrence and Lorsch, 1967). The different parts here may be the departments, groups, individuals, and other resources within the organization. Coordination is at the heart of any organization for creating a synergy of individual efforts combined together in an orchestrated

manner. In contemporary organizations, the role of coordination stretches beyond the boundaries of the organization to vendors, customers, clients, and other stakeholders. Figure 4.4 captures the importance of coordination.
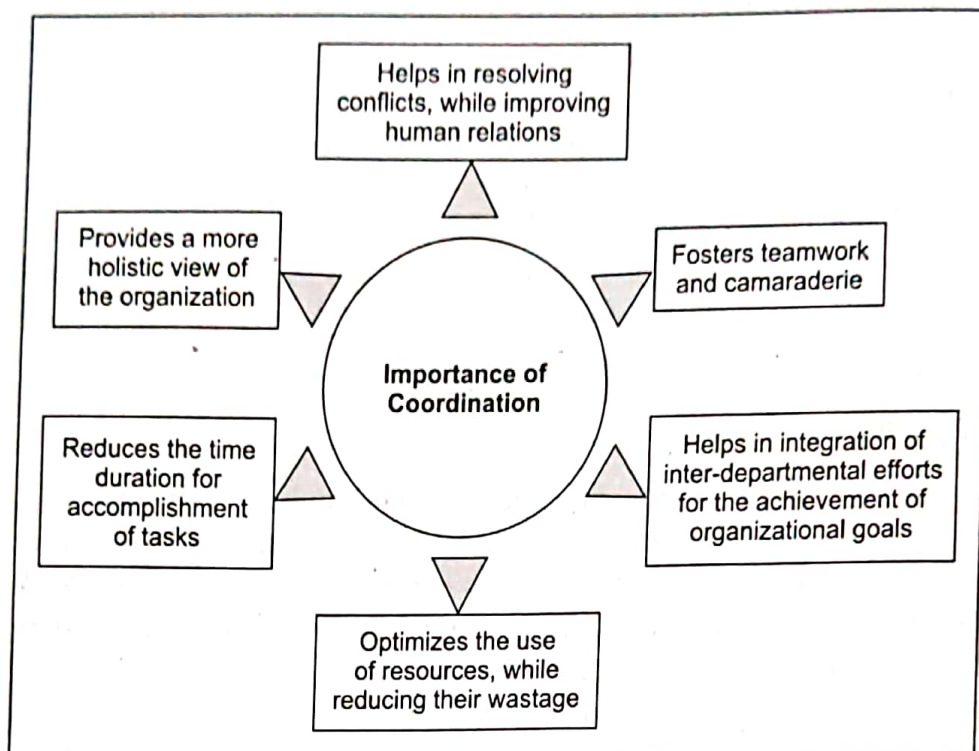

Figure 4.4 Importance of Coordination

Coordination is a useful mechanism to *foster teamwork and camaraderie* in organizations. Activities requiring the involvement of many individuals from diverse departments provide an opportunity for them to mingle with each other. In this process, they acquire a better understanding of the operations and challenges prevalent in each other's departments and become more tolerant during times of a crisis.

The specialization of labour (also called *division of labour*) results into departmentalization and coordination serves as a *common thread to link all these diverse departments in integrating their activities for the achievement of organizational goals*. Without coordination, the departments may become silos hampering the flow of activities pertaining to one another.

Coordination *optimizes the use of various resources, while reducing their wastage*. This is highly likely that in the execution of a job involving processing in various departments, there may be some overlapping activities. In the lack of proper coordination between the concerned departments, it may result into duplication of work and even worse, wastage of other material resources.

Coordination *reduces the time duration for accomplishment of the tasks*. This happens because during proper coordination of efforts, departments and individuals are in regular communication and respond quickly to each other's requests. The potential delays are thus eliminated at various points in the execution of the task, resulting in lesser processing time.

By virtue of interfacing with other individuals/departments, coordination *helps the employees in having a more holistic view of the organization* and understanding the value-addition done by them and their departments in the overall transformation process of inputs into outputs of desired end products/ services. It also gives them a bird's eye view of the contributions made by other individuals and departments within the organization. It instills a sense of pride in them and boosts up their morale, while developing respect for other's contributions.

Coordination *helps in resolving conflicts*, while improving human relations within the organization. It is natural that certain conflicts may arise between individuals within the same or different departments at some point in time. Coordination is helpful under such situations to diffuse the tension between individuals at strife with each other. Activities requiring coordinated efforts bring such individuals closer to act in a synchronized manner to achieve the end objectives. Other team members working on the same activities together with these individuals in conflict also help in alleviating the ill-feelings between them. Thus, coordination often becomes a means to achieve better human relations within the organizations.

■ Coordination Techniques

As shown in Figure 4.5, Martinez & Jarillo (1989) categorized various coordination techniques or mechanisms into two broad categories—*structural and formal* and *informal and subtle* techniques. This categorization is similar to that of Barnard (1938), i.e. formal and informal organization.

Structural and formal techniques

Departmentalization. It means grouping of similar activities into organizational units on the basis of the principles of division of labour. It provides a formal structure to the organization so that everybody knows whom to contact for a particular type of activity. This clarity is conducive to coordination.

Centralization/decentralization. It determines whether the locus of decision-making authority lies with the higher or lower levels of the organizational hierarchy. Therefore, it aids in coordination when people are aware of the actual decision-makers and would like to contact them directly rather than wasting time elsewhere.

Formalization and standardization. It is the extent to which policies, rules, job descriptions, etc. have been written down in manuals, and procedures have been established through standard routines. The structure provided by these policies, rules, job descriptions, and procedures guide people in the organization to coordinate as per these guidelines.
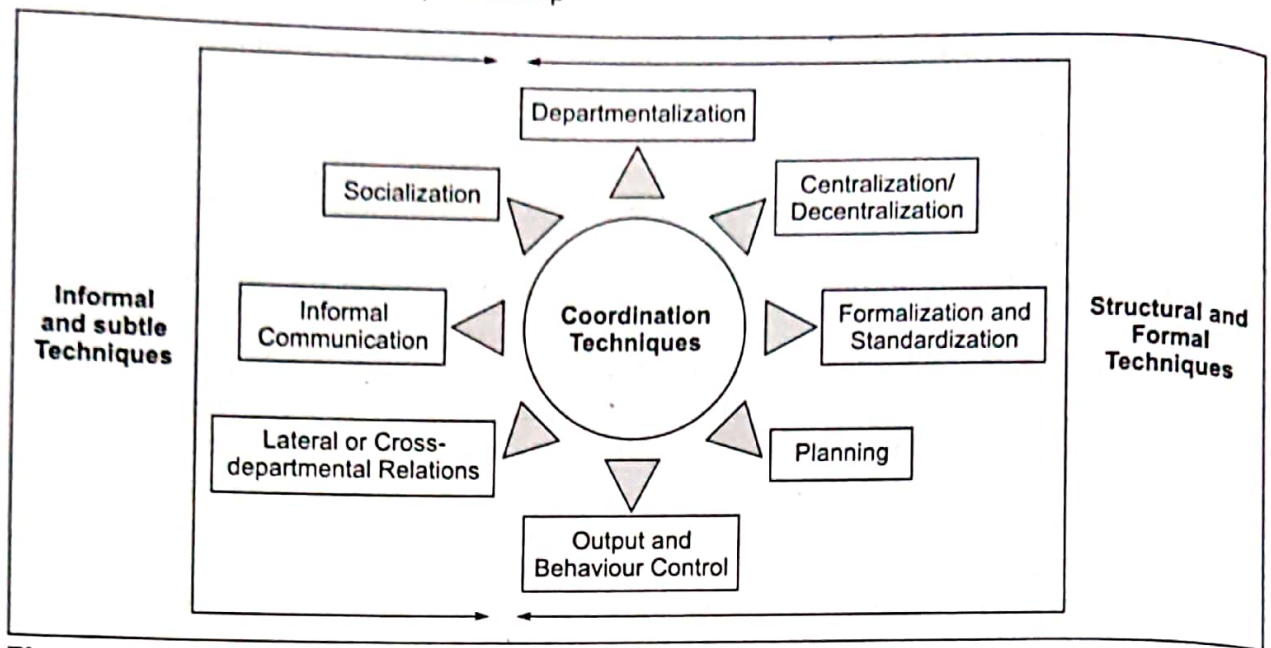
Figure 4.5 Coordination Techniques

Planning. It refers to systems and processes like strategic planning, budgeting, establishment of schedules, goal setting, etc., which intend to guide and channel the activities and actions of independent units. Thus, planning provides a framework for coordination, whereby the plans made would identify the need for collaboration and interfacing between various departments and individuals within and outside the organization.

Output and behavioural control. It refers to coordination mechanisms required at the controlling activities of the managers. Output control is based upon the evaluation of files, records, and reports submitted by the organizational units (say departments) to the corporate (say top) management. Behavioural control, on the other hand, is based upon direct personal surveillance of subordinates by the manager. Here, in place of monitoring performance through reports, the supervisor or the manager himself is involved in observing and checking the behaviour of subordinates.

Informal and subtle techniques

Lateral or cross-departmental relations. It cuts across the formal structure, which includes direct contact among managers of different departments that share a problem, temporary or permanent task forces, teams, committees, integrating roles, integrative departments, etc.

Informal communication. It supplements the formal communication between managers who form a network of personal and informal contacts among managers

across different departments of the organization, through corporate meetings and conferences, management trips, personal visits, transfers of managers, etc.

Socialization. It helps in creation of an organizational culture of known and shared strategic objectives and values by communicating to individuals about the ways of doing things, the decision-making style, training, transfer of managers, career path management, measurement and reward systems, etc. In this way, a *system of ideology* is *internalized* by the executives throughout the organization, generating identification and loyalties, and ultimately, *institutionalizing* the firm.

According to Galbraith & Kazanjian (1986), informal and subtle techniques of coordination are added to, and not substituted for formal and structural techniques depending upon the complexity of the strategy being pursued. Complex strategies (those resulting from interrelated, multi-plant, multi-market policies) need an enormous coordination effort, and so are implemented through both types of techniques: structural and formal, plus informal and subtle.

Points to Ponder

- The most compelling example of directing is from the *Bhagavad Gita*, in which Lord Krishna motivates Arjuna on the battlefield before the start of the Kurukshetra war.
- *"The king [leader] is a paid servant and enjoys the resources of the state together with the people"*—Kautilya in *Arthashastra*.
- The transactional leader tends to follow the management by exception approach whereby the subordinate's performance is critically examined only when there is a major deviation (positive or negative) in the expected outcomes of the job assigned.

- Lower level physiological needs should be fulfilled for individuals to get motivated for self-actualization.
- The first executive function is to develop and maintain a system of communication
- Complex strategies (those resulting from interrelated, multi-plant, multi-market policies) need an enormous coordination effort, and so are implemented through both types of techniques: structural and formal, plus informal and subtle.

■■ CONTROLLING

Controlling is defined as measuring and correcting activities of people to ensure that plans are being realized. Thus, there is a clear-cut relationship between planning and controlling. The planning process sets out the objectives and standards (desired or expected performance) to be achieved. The controlling process involves a feedback mechanism whereby the actual performance of a process is compared with the expected performance to identify any gaps therein. Efforts are then made to minimize the gap, by making corrections in the inputs or the variables of the process.

■ Steps in Controlling

Figure 4.6 shows the steps in controlling. As mentioned earlier, there is a strong relationship between planning and controlling. The steps in controlling shown in Figure 4.6 therefore are preceded by two important steps of planning. Setting of objectives for managers, units and departments is necessary to provide them clarity on the expectations from them. On the basis of the objectives, standards
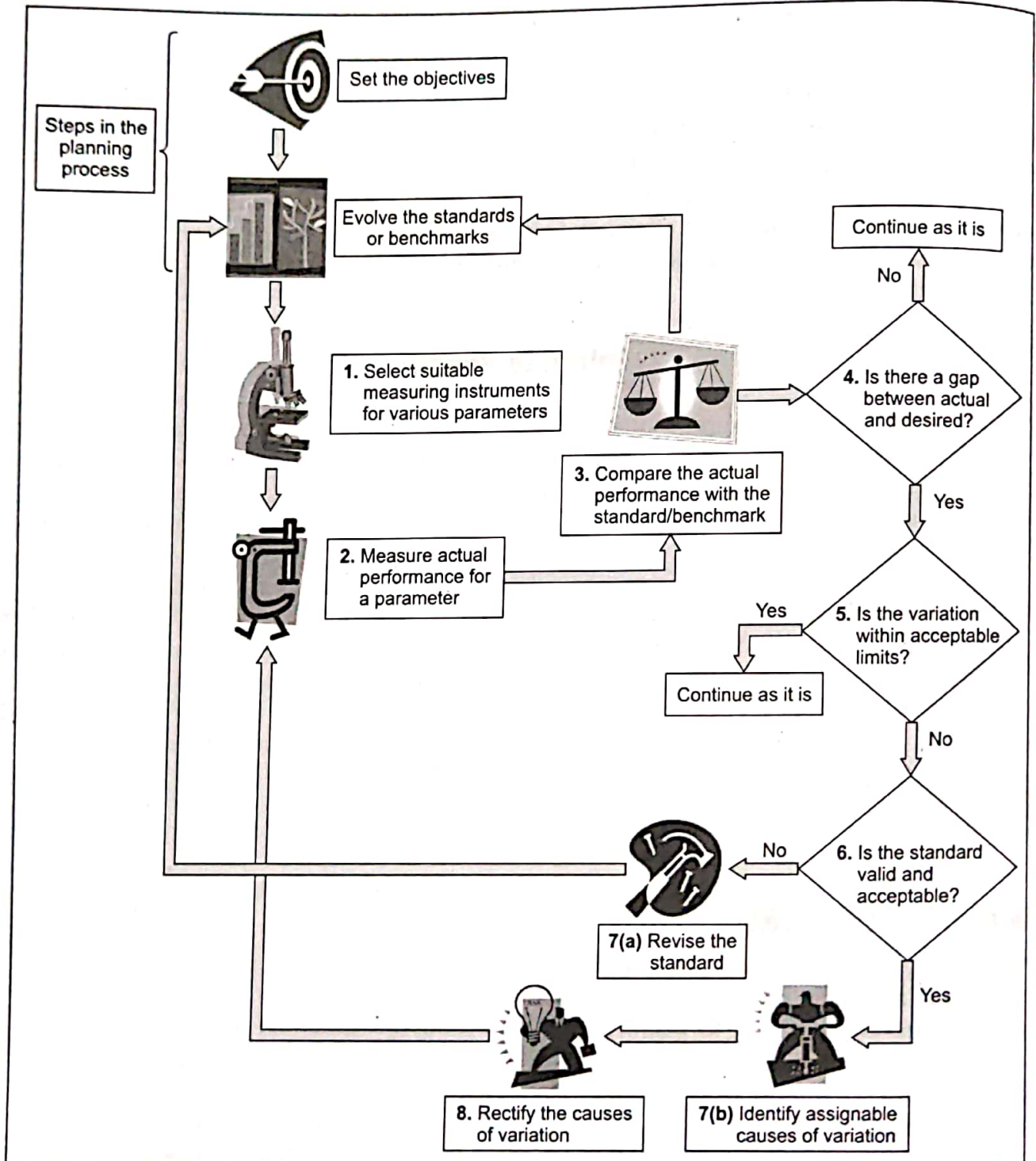

Figure 4.6   Steps in Controlling

or benchmarks are identified during the planning process. These standards are the specific objectives against which progress can be measured for various parameters.

Having established the standards, we proceed with the steps of controlling:

Select suitable measuring instruments for various parameters. Measuring instruments have to be selected keeping in view the characteristic of a parameter in the standard to be measured. For example, if we are trying to measure the customer satisfaction level, a survey instrument may have to be designed with appropriate questions in the questionnaire. If we are gauging the number of defective integrated circuits (ICs) being produced by a production process, we would need suitable electronic instruments to test the ICs coming out of the production process. In addition, we would need to decide if we would like to test each and every IC being produced or only a select few (a suitable sample) to assess if the process is working fine.

Measure actual performance for a parameter. Using the measuring instrument selected earlier, measurement of the parameter is done. Care is taken to ensure that each and every time the measurement is done with accuracy for authenticity of the measurement data.

Compare actual performance with the benchmark. In this step, the data pertaining to the measurements of actual performance of a parameter is compared with the desired levels of performance specified in the standard/benchmark established earlier.

Is there a gap between actual and desired? This step is a decision point where it is determined if a gap exists between the actual and the desired performance of the parameter in the process. If no gap exists, the process is continued as it is.

Is the variation within acceptable limits? If a gap or variation does exist between the actual and the desired performance, it is ascertained if this gap is within acceptable limits of variation. This is because some variation is natural due to inherent characteristics of the process. For example, if the specification of the diameter of a shaft has been prescribed as 3 cm ± 0.002 cm, any variation in the actual measurement of the diameter between 2.998 cm and 3.002 cm would be acceptable. However, a value of the measurement exceeding these limits (less than 2.998 cm or more than 3.002 cm) would indicate that the production process is out of control. However, when the variation is between the prescribed limits, the process is continued as it is.

Is the standard valid and acceptable? Before taking any action on the variation detected, it is important to verify if the standard established earlier is still valid and acceptable or not. This is because the expectations from the process may increase by the passing time, and the top management may like to set higher performance standards. For example, the client who sources shafts from a manu-

facturer may come up with a more stringent specification for its diameter as 3 cm ± 0.001 cm.

(a) **Revise the standard.** If it is clear that the earlier standard is not valid or acceptable anymore, it should be revised. In our example of the shaft, it should be revised as per the client's request to 3 cm ± 0.001 cm.

(b) **Identify assignable causes of variation.** However, if the earlier standard is still valid and acceptable, the assignable causes of variation are looked into. The assignable causes of variation may be due to wear and tear of the tools on the machine producing the item, lack of proper skills on part of the worker operating the machine, or worker fatigue, etc.

Rectify the causes of variation. Once the assignable causes of variation have been identified, corrective action is taken to bring the process back in control. In our example, if it has been found that the variation was due to lack of skills on part of the worker operating the machine, the rectification would involve the proper training of the worker to improve his skills, especially in relation to the mistakes committed by him.

After the cause for variation has been rectified, the control loop continues at step 2, i.e. measurement of the actual performance of the parameter, followed by further steps in the control loop.

■ Essentials of a Sound Control System

Figure 4.7 shows the essentials of a sound control system. Let us discuss about these essentials:
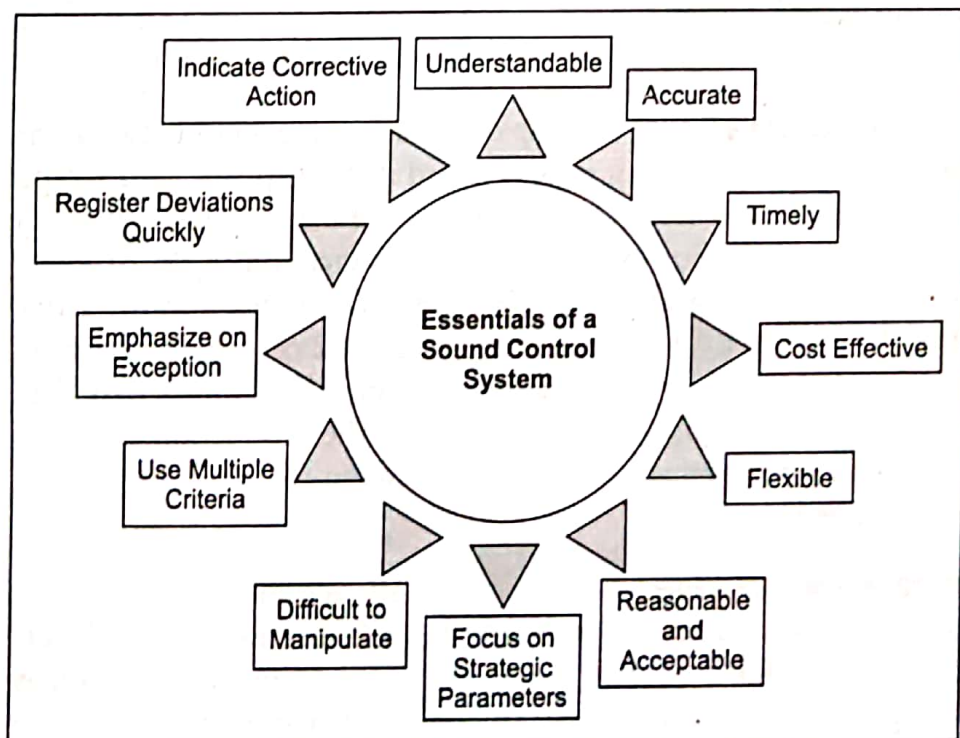

Figure 4.7 Essentials of a Sound Control System

Understandable. A sound control system should be easily understandable by one and all. If it is very complicated to understand in the first place, its implementation would obviously be flawed.

Accurate. A control system needs to have acceptable levels of accuracy. It should accurately determine the gap or variation existing between the desired and actual performance of a parameter. If its accuracy is questionable, the whole control mechanism may collapse during implementation.

Timely. The control system should be implemented in a timely manner. For example, all organizations are required to conduct an external financial audit at the end of a financial year. The government prescribes time deadlines for submission of the audited results of the financial year. If these deadlines are not met, severe penalties are imposed by the government. Therefore, it is imperative for organizations to conduct the financial audits well within the prescribed time deadlines.

Cost effective. The process of control involves a lot of cost and effort. It is therefore important that it yields benefits which surpass the costs involved. For example, many organizations invest huge amounts of money in training all their employees in quality management techniques while implementing Six Sigma, which often serves as a cost effective control mechanism and yields staggering returns in the form of elimination of wastes.

Flexible. Organizations today operate in a highly dynamic environment which keeps on changing. This warrants the control mechanisms to be flexible enough so that they can be modified easily to accommodate changes in the business environment. For example, if a firm is starting its operations in a foreign country, it would be helpful if its financial audit procedures are flexible enough to be easily modified to fulfill the accounting standards of that country.

Reasonable and acceptable. The control mechanisms should not set standards which are too difficult to achieve. Otherwise, the people being subjected to such controls would feel threatened and try to resort to illegal/unethical means to justify the achievement of such stiff standards. They will also feel de-motivated and disheartened if standards remain elusive to them. Therefore, control systems should be such that they push the employees to stretch themselves for achievement of attainable targets, still keeping them motivated and interested.

Focus on strategic parameters. Good control systems should not try to measure every possible parameter related to a process, as it may be very expensive in terms of time, cost, and effort with little benefits. It is always a good idea to be selective in approach and focus only upon those parameters which are most important. For example, in Six Sigma organizations, the focus is upon Critical to Quality (CTQ) characteristics, which are determined by surveying the customers in the first step of Six Sigma implementation.

Difficult to manipulate. A sound control system should be designed in such a manner that it becomes almost impossible for anybody to play around with it. Appropriate checkpoints should be incorporated in the control system to verify any wrongdoings on part of any person involved in the process being monitored.

Use multiple criteria. If a single criterion is used to measure the performance of a process or person, then the people concerned would attempt to "look good" on that criteria. However, if more than one criterion is used to assess the performance, it is more likely that the assessment would be more objective and difficult to manipulate. For example, the performance of a sales executive should be gauged, not only by the monetary amount of cash orders secured in a quarter, but also how many such orders have resulted into actual cash inflow for the organization. Such dual criteria would motivate the sales executive, not only to secure orders, but also to ensure that the orders are fulfilled and payments are obtained from the clients.

Emphasize on exception. A lot of effort and cost in controlling can be saved if the control systems are based upon the approach of Management by Exception (MBE). In this approach, managers avoid getting overwhelmed by excessive data generated by control mechanisms deployed everywhere in the organization. Instead, the emphasis is to bring only those exceptions to the notice of the manager in which the performance is exceedingly above or below the desired level. This way, the manager can focus upon those processes/people requiring rectifications urgently rather than wasting effort on processes which are more or less under control. For example, a manager can specify that it should be brought to his attention if the allocated expense budget exceeds by more than 5%.

Register deviations quickly. Control systems should register deviations in the actual performance of a process/person quickly. This will allow for prompt action to correct the causes of deviation. A significant delay in registering the deviation by a control system will obviously lead to unnecessary costs of wastages. For example, if a control system deployed to control quality of a product registers a significant deviation in a parameter after one hour of its occurrence, all the units produced during that hour would be defective and may involve the cost of rework or may have to be scrapped.

Indicate corrective action. A sound control system should not only capture the deviations, but should also provide guidance to corrective action to eliminate such deviations. The guidelines can be in the form of the *if-then format*, e.g. *if* an employee remains absent from duty for more than two consecutive days without informing his reporting manager, *then* a warning letter should be issued.

■ Methods of Establishing Control

The methods of establishing control can be categorized on the basis of functional areas, namely *financial controls, marketing controls, operations control,* and *human resources controls* as shown in Figure 4.8. Let us briefly discuss these methods.
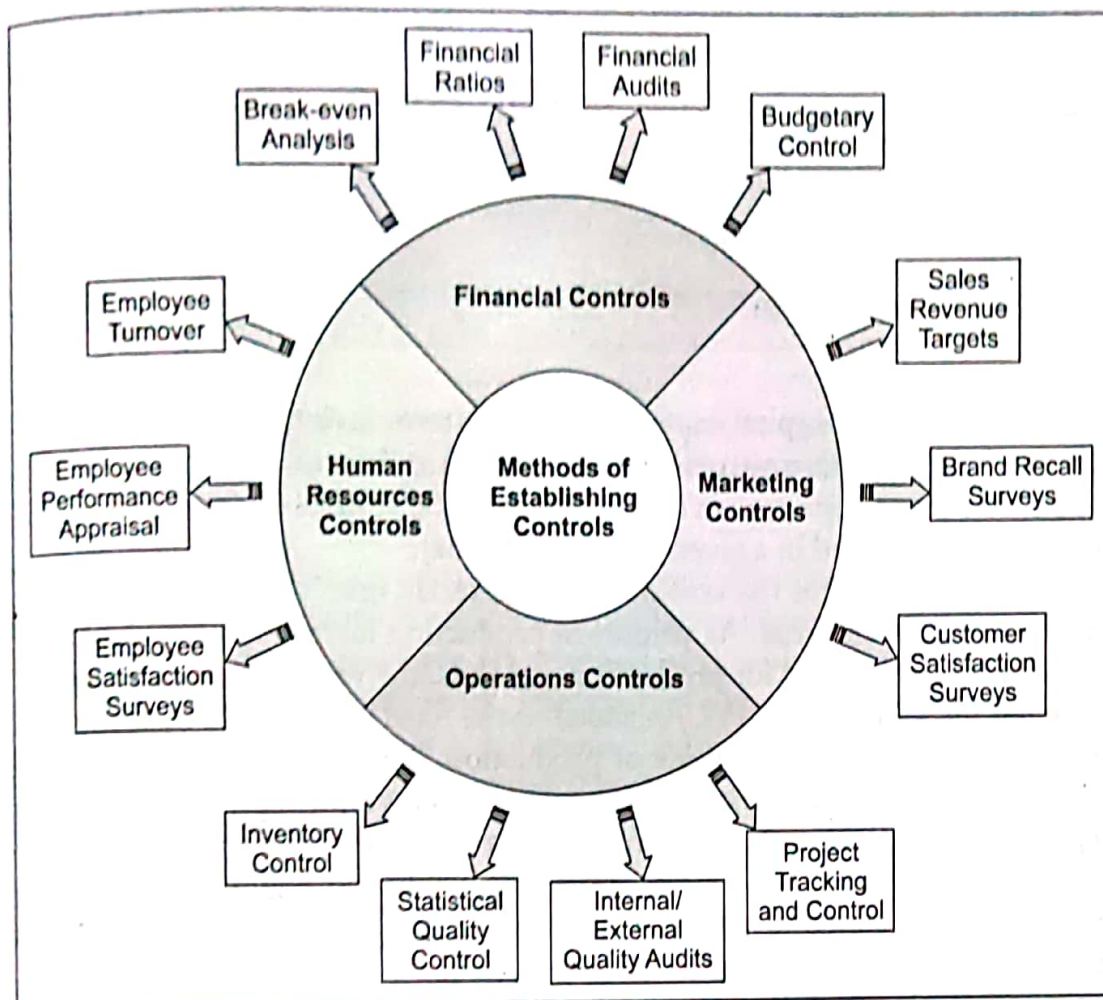

Figure 4.8   Methods of Establishing Controls

Financial controls

Break-even analysis. It helps in establishing controls by comparing the total costs with total revenues associated with an organization and by ascertaining the volume of production (called *break-even volume*) which would result in total revenues completely offsetting the total costs incurred. Thus, the break-even volume is the number of units of a product to be produced (service rendered) such that the revenue generated recovers all the investments made. A graph as shown in Figure 4.9 is made to find the break-even point where the total revenue curve crosses the total cost curve.
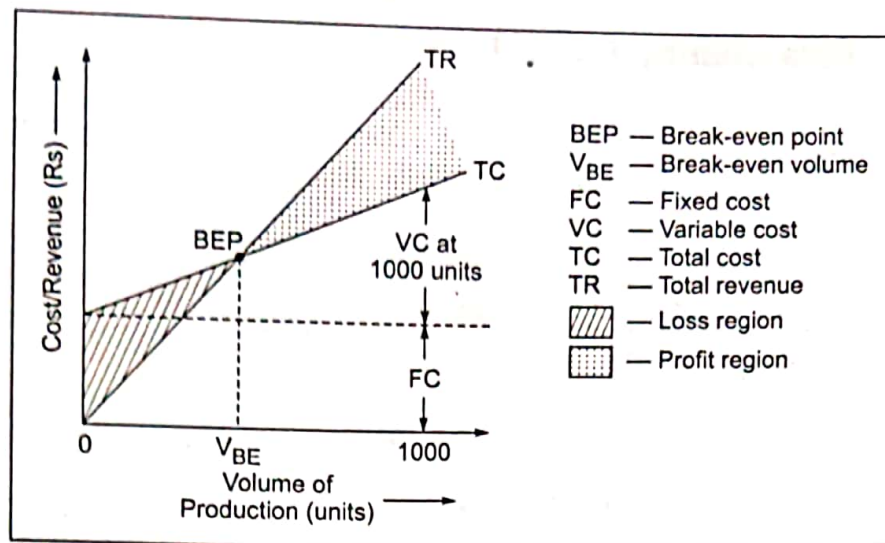
Figure 4.9
Break-even Analysis

Fixed costs are the capital expenditures (long-term investment in fixed assets), e.g. purchase of land, construction of building, purchase of machines and equipments, etc. These costs remain constant despite the volume of production (number of units produced in a given duration of time).

Variable cost (VC) is the cost of labour (directly involved in the production process) and raw material. As volume of production increases, more labour and raw material is required for production and thus, the variable cost increases.

When the variable cost (VC) is added to the fixed cost (FC), we get the total cost (TC) at a particular volume of production. The region between the total revenue (TR) and TC curves on the right in the graph represents the profit region (as the organization generated more revenues compared to the costs incurred), while the region on the left represents the loss region. Thus, how far is the current volume of production from the break-even volume, provides a good control mechanism for the managers.

Financial ratios. Financial ratios are a popular means of establishing controls in organizations. Business enterprises have to be controlled to ensure that they are maximizing the wealth of the shareholders. Some commonly used financial ratios are:

$$\text{Return on investment} = \frac{\text{Net profit after taxes}}{\text{Total assets}}$$

$$\text{Debt-to-equity ratio} = \frac{\text{Total debt}}{\text{Net worth}}$$

Financial audits. As per the government regulations, all organizations have to get their financial accounts audited through an external auditor within a prescribed time frame. These financial audits serve as useful control mechanisms to ensure that all the financial transactions are done by the firm in a legal and ethical manner. However, as the caselet entitled "True Lies in Satyam" in this chapter demonstrates, in India, there is a need to further strengthen the control mechanisms on this front to encourage and ensure fair accounting practices.

Budgetary control. We discussed earlier in Chapter 2 that budgets are financial plans for a given period of time. The same financial plans also serve as control mechanisms during the later stages. During the planning stages, amounts of money to be spent as expenses by departments/individuals are allocated as budgets. During the control phase, it is determined if any department/individual has exceeded the budgets allocated earlier for the designated time period. Budgetary control can also be exercised in the interim period to know if the objectives achieved (say the sales targets) till that time are proportionate to the expenses incurred (out of the allocated budget) or not.

Marketing controls

Sales revenue targets. It is customary to assign sales revenue targets for a given period (say a quarter) to all the sales executives in an organization. These targets become efficient control mechanisms in gauging their performance in the given period. At any point in time during the given period, an assessment can be made if the sales revenue achieved by the sales person till that time is in line with the target for the period or not.

Brand recall surveys. Many companies spend staggering amounts of money year after year in promoting their brand by way of advertizing through various media and means. In order to gauge the effectiveness of these advertizing campaigns, brand recall surveys are conducted. These surveys are excellent control tools, which ask the respondents by way of various questions in the survey instrument if they remember the company's brand. The data so collected is utilized to re-align the branding strategy of the company for future.

Customer satisfaction surveys. Keeping an eye over the pulse of the customer is a key to the success of organizations in today's competitive world. Customer satisfaction surveys help the companies in knowing the ever-changing needs and preferences of the customers. The data so collected is analysed to bring about the necessary changes in the features of the company's products/services.

Operations controls

Inventory control. Inventory is the stock of idle resources in a firm for some future use. In organizations, inventories can be of various types. For manufacturing organizations, typically, there are inventories of raw materials, components, sub-assemblies, tools and equipments, semi-finished goods, finished goods, etc. For service organizations like banks, financial institutions, hospitals, etc., the inventory consists of various items to be used in various service operations. For example, in hospitals, there are inventories of medical equipments like syringes, glucose bottles (drip), etc. and other accessories like bandages, cotton, spirit, etc. in addition to various types of medicines. In banks, there are inventories of various types of forms (for various banking operations), brochures and pamphlets (for details of various banking instruments), etc. Banks also have inventory of currency notes and coins.

Low level of inventory may result in shortages or stock-outs. High level of inventory has its own disadvantages. High level of inventory involves more capital tied up, for which probably the interest has to be paid to the bank. Even if the capital employed here is out of the reserves of the company, the opportunity cost of the capital is equivalent to the interest payment (the same capital could be put in a bank to earn interest). Therefore, the inventory of an item should neither be too high nor too less. It should be just optional, i.e. best possible level for an item. Various types of control mechanisms are employed by organizations for inventory control, e.g. periodic checks, the economic order quantity (EOQ) model, just-in-time (JIT) replenishment, etc.

Statistical quality control. The ultimate aim of every organization is to deliver quality products (and services) to its customers. For achieving this objective, quality is to be monitored at every stage—from input to the output (Figure 4.10). *Acceptance sampling* is a procedure of ensuring that the inputs like raw materials, parts, components, labour skills, etc. are all of the desired quality levels. It is also used for the outgoing inspection of the finished goods before distribution to the customers.
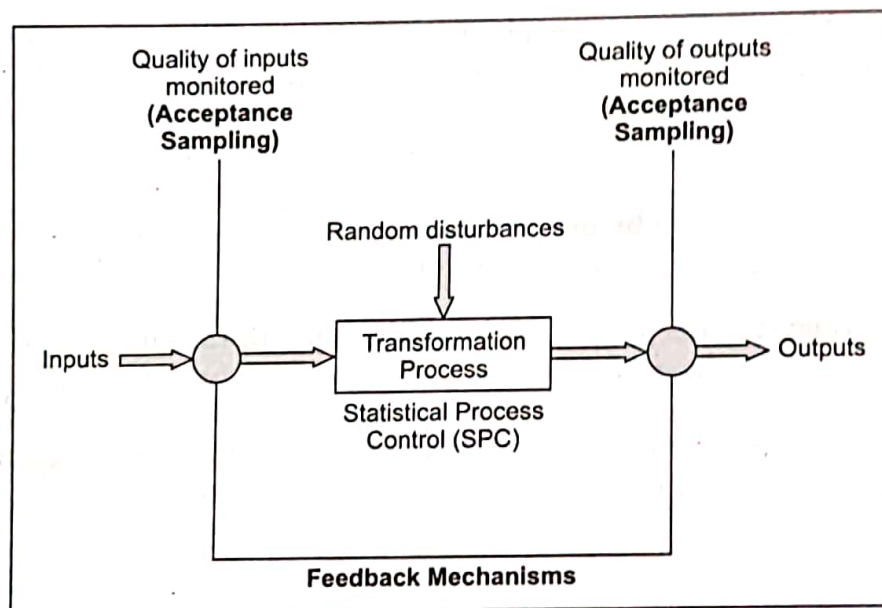

Figure 4.10 Statistical Quality Control

Acceptance sampling is applied at the output stage of the transformation process. If a defect arises during the production of a batch or lot of items, all the items of the lot will have to be rejected as scrap. This will be of immense loss to the company. Thus, in addition to acceptance sampling at the input and output stages, quality of items has to be monitored during the transformation process. Thus, samples of items produced are inspected for quality at regular intervals of time. If variations are found from the previously fixed standards, reasons for such variation are found (e.g. wear and tear of a tool due to continued use, change in the concentration of a chemical, etc.), and then rectified. This procedure of ensuring quality during the transformation process is called *statistical*

process control (SPC). Quality control mechanisms like SPC, acceptance sampling, and many more techniques using statistics to monitor and improve quality are jointly termed as *statistical quality control* (SQC).

Internal/external quality audit. The quality audit has been defined in ISO 10011 as: "An audit is a systematic and independent examination to determine whether quality activities and related results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve objectives." A quality system audit involves the concept of conformance, particularly as a precisely measurable factor. The audit's objective is to check firstly, whether the quality system in the organization is in compliance with the documented standard (like ISO 9000) or not. Secondly, and more importantly, whether the operation of the system is in compliance with the documented procedures (procedure manual, which is a part of the quality system). The organization is required to establish a Quality Management System (QMS), which is the basis of control for the critical activities of an organization which demand a systematic approach, i.e. quality management.

For an organization going for, say, ISO 9000 certification for the first time, an external audit is conducted by ISO 9000 registrars like BVQI, DNV, etc. The quality system of the organization is audited against the 5 clauses of the standard. If no non-conformances are found, certification is granted to the company, which is valid for 3 years' duration. After this duration, for renewing the certification, again an external audit by the auditors of the certification bodies is required to be performed.

Internal quality audits have to be conducted by the organization from time to time in order to ensure that the quality system is maintained in the future. The internal quality audits can be performed by the trained employees of the organization, who must have received formal training in conducting the quality audit. In case the organization does not have trained employees for conducting the internal quality audit, external auditors may be hired. Thus, internal/external audits are useful mechanisms to control quality in an organization.

Project tracking and control. A project can be considered to be the achievement of a specific objective, which involves a series of activities and tasks which consume resources (Munns & Bjeirmi, 1996). In construction projects, the project managers can tell up to great accuracy as to how much time a particular activity will take based upon past experience with similar projects.

The projects in which the time duration of various activities can be determined up to great accuracy are the ones which can be planned with the help of a technique called the *critical path method* (CPM). *Programme evaluation and review technique* (PERT) is applied in projects where the time durations of various activities are not known. This is especially suitable for research and development (R&D) projects, whereby researchers are usually not sure as to how much time a particular research activity will take.

Both CPM and PERT make use of network diagrams in which activities in a project are arranged as per their precedence requirements and represented by

arrows. CPM and PERT serve as planning tools during the planning phase of a project and then later, become tools for tracking the progress of projects and for controlling them. Microsoft Project and Primavera are the popular software used for project planning, tracking, and control.

Human resources controls

Employee turnover. Employee turnover is the ratio of the number of workers that had to be replaced in a given time period to the average number of workers. This simple ratio is a good control indicator about the working environment of the organization and its employee retention capability. No organization desires to have a high employee turnover ratio, however, certain types of industries (like information technology) have traditionally had a higher employee turnover than other industries.

Employee performance appraisal. Performance appraisal of employees is used to control their performance vis-à-vis the annual objectives assigned to them. The performance appraisal should be conducted at regular intervals to ascertain if the employees are on the right track to achieve their objectives or not. For example, most organizations conduct half-yearly and annual performance appraisals of their employees. At the beginning of the year, annual objective/target-setting is done by the employee for herself in consultation with her reporting manager. During the midst of the year, a review is done by the reporting manager to track the progress made by the employee. At the end of the year, the final appraisal results in the determination of the incentives, bonus, increments, etc. on the basis of how close the annual objectives were met, not met, or exceeded by the employee.

Employee satisfaction surveys. Good organizations conduct employee satisfaction surveys regularly to find out the grievances of their employees and to know if they are happy with the work culture, environment, and their career prospects within the organization. The feedback thus received provides invaluable insights about issues faced by them. Thus, this control mechanism helps in providing a better work life to the employees for their retention and suitable career development in the organization.

Points to Ponder

- There is a clear-cut relationship between planning and controlling.
- Fixed costs remain constant despite the volume of production (number of units produced in a given duration of time).
- As volume of production increases, more labour and raw material is required for production and thus, the variable cost increases.
- The inventory of an item should neither be too high nor too less. It should be just optional, i.e. best possible level for an item.
- In addition to acceptance sampling at the input and output stages, quality of items has to be monitored during the transformation process.

TRUE LIES IN SATYAM

"Satyam" in Sanskrit means "The Truth." Unfortunately, it proved to be a misnomer in 2008 with its founder and Chairman, Ramalinga Raju, landing it into a 1.5 billion dollar financial scam. He described a fraud that started as an effort to smooth over a minor accounting irregularity by inflating profits, but which adopted a life of its own.

Raju even suggested that he had come within a whisker of pulling the whole thing off and that he might have covered his tracks, had he been allowed to sell Satyam to struggling property businesses he largely owned for $1.6 billion and then played around with the deal payments.

His frankness in describing his misdeeds was disarming. The revelation of the scandal—quickly christened "India's Enron"—marked an ignominious end for one of India's entrepreneurial champions (Blakely, 2009).

In his resignation letter submitted to the board of directors, Raju said the company's balance sheet carries:

- Inflated bank and cash balances that are non-existent,
- Non-existent accrued interest,
- Understated liabilities, and
- Overstated credit amounts owed to the company.

In Raju's own words, "What started as a marginal gap between actual operating profit and the one reflected in the books of accounts continued to grow over the years. It has attained unmanageable proportions as the size of the company operations grew significantly. The differential in the real profits and the one reflected in the books was further accentuated by the fact that the company had to carry additional resources and assets to justify higher level of operations, thereby significantly increasing the costs. Every attempt made to eliminate the gap failed. As the promoters held a small percentage of equity, the concern was—poor performance would result in a takeover, thereby exposing the gap. It was like riding a tiger, not knowing how to get off without being eaten."

It was Price Waterhouse, the sister concern of PricewaterhouseCoopers (PwC), that audited the books of accounts of India's fourth largest IT behemoth called Satyam. Fingers have been pointed towards the auditors as to how they could not detect the anomalies in Satyam's books of accounts. Price Waterhouse, which has been Satyam's auditor since 1991, blindly certified its account-books to be correct and accurate without verifying their authenticity. It failed to detect huge transfers of funds, of the order of over one billion dollars, according to Raju's own confession. It is likely that there was collusion between Satyam and its auditor. According to Deepak Parekh, the chairman of a reputed private bank who was appointed to the Satyam board after the scandal broke out, these documents were "obvious forgeries" and would have been visible as such to anyone (Bidwai, 2009a).

Ironically, earlier the Income Tax department as well as the Service Tax department had detected tax evasions by Price Waterhouse, the audit firm. PwC had to settle the cases with both the departments after it admitted to making the mistake and paid the dues—with interest and penalty. The question is not the amount of evasion, but the fact that a top accounting firm, which provides tax advisory and audits the accounts, was involved in tax evasion is a matter of concern for many (Sahu, 2009).

One of the biggest sources of defalcation at Satyam was the inflation of the number of employees. Raju claimed that the company has 53,000 people on its payroll. But according to the Criminal Investigation Department of the Andhra Pradesh police, the real number was just over 40,000. This closely matches the number of Satyam employees registered for provident fund payments, a little over 43,000. The fictitious number could be conjured up only because payment to the remaining 10,000 employees was faked year after year—an operation that evidently involved the creation of bogus companies with a large number of employees. Yet, no one detected this massive fraud (Bidwai, 2009a).

Another dimension to the story is about the role of the independent directors in the Board of Satyam when the scam broke out. Satyam Board then had revered figures including academics from ace institutions. Satyam's independent directors asked no questions about the accounts. When the board met in December 2008 to approve the scandalous proposal to invest $1.6 billion in Maytas (Satyam spelt backwards), it didn't even refer to the conflict of interest in buying a company in a completely unrelated business (real estate), floated by the promoter. It only went into technicalities of conformity with SEBI guidelines, and valuation of assets. Indeed, one of the independent directors, Krishna Palepu of Harvard Business School, waxed eloquent on the merits of real estate investment. These directors collect fat annual fees ranging from Rs 13 to 92 lakhs just for attending a few meetings, but clearly lack independence, if not competence and integrity too. Many independent directors in India see board memberships as sinecures or lucrative pastimes unrelated to corporate governance and public responsibilities. Even worse was SEBI's (Securities and Exchange Board of India) failure to investigate Satyam and refuse to approve its patently foul transactions including the Maytas deal, which was aborted by investor protests (Bidwai, 2009b).

Discussion questions

1. Discuss how control mechanisms and corporate governance in India should be improved so as to banish scams like that of Satyam.

2. Was the timing and motive of Raju to divulge his wrongdoings correct in your opinion?

SUMMARY

- Directing and leading lies at the heart of management, as managers are expected to get the work done through the people.

- It is necessary to influence the people and provide them support and guidance so that they may execute the work assigned to them wholeheartedly.

- There are various leadership styles which are effective in different types of scenarios.

- Motivation, communication, and coordination are the key facets of directing and leading.

- The controlling process involves a feedback mechanism, whereby the actual performance of a process is compared with the expected performance to identify any gaps therein. Efforts are then made to minimize the gap, by making corrections in the inputs or the variables of the process.

KEYWORDS

Acceptance sampling is a procedure of ensuring that the inputs like raw materials, parts, components, labour skills, etc. and outputs of finished goods are of the desired quality levels.

Autocratic leaders take decisions without consulting their subordinates.

Break-even volume is the number of units of a product to be produced (service rendered) such that the revenue generated recovers all the investments made.

Bureaucratic leaders work "by the book" and expect their subordinates to follow the procedures strictly.

Charismatic leaders have the charisma and the charm to induce their subordinates to follow them wholeheartedly.

Communication is the transfer of information from a sender to a receiver, with the information being understood by the receiver.

Controlling is defined as measuring and correcting activities of people to ensure that plans are being realized.

Coordination is defined as the integration of different parts of the organization in order to achieve a common goal.

Democratic leaders involve the subordinates, peers, superiors, and other stakeholders in the decision-making process rather than taking the decision on their own.

Directing means taking actions to motivate people and help them see that contributing to group objectives is in their own interest.

Employee turnover is the ratio of the number of workers that had to be replaced in a given time period to the average number of workers.

Fixed costs are the capital expenditures (long-term investment in fixed assets), e.g. purchase of land, construction of building, purchase of machines and equipments, etc.

Formalization and standardization is the extent to which policies, rules, job descriptions, etc. have been written down in manuals, and procedures have been established through standard routines.

Inventory is the stock of idle resources in a firm for some future use.

Laissez-faire, a French phrase, means "leave it be" and is used to describe a leader who leaves his colleagues to get on with their work.

Leadership is defined as influence, that is, the art or process of influencing people so that they will strive willingly and enthusiastically towards achievement of group goals.

Motivation is defined as the willingness to exert high levels of effort to achieve certain goals.

Needs are defined as internal states which make certain outcomes appear attractive.

Project can be considered to be the achievement of a specific objective, which involves a series of activities and tasks which consume resources.

Quality audit is a systematic and independent examination to determine whether quality activities and related results comply with planned arrangements and whether these arrangements are implemented effectively and are suitable to achieve objectives.

Quiet leaders base their success, not on ego and force of character but on their thoughts and actions.

Servant leadership begins with the natural feeling that one wants to serve, to serve first.

Situational leadership theory is based upon the premise that no single leadership style suits every possible situation.

Statistical process control is the procedure of ensuring quality during the transformation process. Quality control mechanisms like statistical process control, acceptance sampling, and many more techniques using statistics to monitor and improve quality are jointly termed as *Statistical Quality Control*.

Transactional leaders try to get the "transaction" done smoothly and efficiently.

Transformational leaders have the capability to "transform" or radically change organizations and individuals for their betterment.

Variable cost is the cost of labour (directly involved in the production process) and raw material.

REVIEW QUESTIONS

1. Define directing. Give an example of directing in the Indian context. Enumerate and brifly explain the general principles of direction.

2. What is leadership? Enumerate different leadership styles.

3. What is the autocratic style of leadership? How is it different from the democratic leadership style? Explain with suitable examples.

4. What is the Laissez-faire leadership style? How is it different from the bureaucratic leadership style? Explain with suitable examples.

5. Briefly explain the charismatic, servant, quiet, transactional, and transformational leadership styles with suitable examples.

6. Explain Maslow's need hierarchy theory with a schematic diagram.

7. How is McClelland's need theory different from Maslow's need hierarchy theory?

8. Which theory, X or Y, is more effective in your view in the present context? Explain with suitable rationale.

9. Explain motivation-hygiene theory and its relevance in the present context.

10. Compare equity theory of motivation with the expectancy theory. Do these two theories complement each other?

11. What is communication? How is it important in managing businesses in today's world?

12. Define coordination and justify its importance in management.

13. Discuss the various techniques of coordination.

14. What is controlling? Explain the various steps in controlling with the help of a schematic diagram.

15. Enumerate and explain briefly the essentials of a sound control system.

16. Briefly explain the methods of establishing control in the various functions of management.

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