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Direction and Supervision

15

LEARNING OBJECTIVES

This chapter will enable the reader to:

- Explain the meaning of direction and requirements of effective direction
- Describe the principles to be followed in giving orders
- Discuss the meaning, nature and process of motivation
- Analyse important content, process and reinforcement in motivation theories
- Examine the systems perspective of motivation
- Relate the research on motivation in India to the Japanese model of motivation
- Understand the meaning of job satisfaction and its relationship with productivity
- Identify organisational commitment
- Understand the meaning of morale and its relationship with productivity
- Relate some morale studies in India
- Describe the functions of a first level supervisor and the guidelines to make the first-level supervision effective

Direction is a vital managerial function. For the effective implementation of any administrative decision, planning, organising and staffing are not enough. The manager must stimulate action by giving direction to his subordinates through orders and also supervise their work to ensure that the plans and policies achieve the desired actions and results. Planning, organising and staffing are concerned only with the preparation for work performance and it is the direction which alone stimulates the organisation and its staff to execute the plans. Hence it is also called *management-in-action*.

Direction means issuance of orders and leading and motivating subordinates as they go about executing orders. Without the issuance of orders, without leading and motivating subordinates, nothing, or at best very little, can be accomplished. According to Haimann, 'Directing consists of the process and techniques utilised in *issuing instructions* and making certain that operations are carried on as originally planned.'¹ According to Koontz and O'Donnell, 'Direction is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives'.² The function of direction thus breaks down into two major activities:

1. Giving orders to employees, and
2. Leading and motivating them.

REQUIREMENTS OF EFFECTIVE DIRECTION

Direction is one of the most complex functions of management which can be learned and perfected only through long experience. However, some important principles or requirements of effective direction may be outlined as under.

Harmony of Objectives

An organisation functions best when the goals of its members are in complete harmony with and complementary to the goals of the organisation. Such an ideal situation seldom exists in any organisation. Nor should a manager ever expect this situation to exist. But in directing subordinates he *must take advantage of individual motives to gain group goals*. In other words, he must direct the subordinates in such a way that they perceive their personal goals to be in harmony with enterprise objectives. Thus, for example, if employees are told to work hard so that the company's profits may increase, they probably will not. But if they are told to do so in their own interest (e.g., to receive additional bonus or promotion) they are more likely to work hard.

Unity of Command

This principle implies that the subordinates should receive orders and instructions from one superior only. The violation of this principle may lead to conflicting orders, divided loyalties and decreased personal responsibility for results. Another reason why this principle should not be violated is that the immediate boss is the only person who knows best about the nature of his subordinates and about their responses to different motivation techniques. Consequently, he alone is in the best position to select whichever directing techniques maximise productivity. No other outside interference in the supervision of subordinates should then be permitted.

Direct Supervision

Every superior must maintain face-to-face direct contact with his subordinates. Direct supervision boosts the morale of employees, increases their loyalty and provides them with immediate feedback on how well they are doing.

¹ Theo Haimann, *Professional Management* (New Delhi: Eurasia Publishing House, 1966), p. 408.

² Harold D. Koontz and Cyril J. O'Donnell, *Principles of Management—An Analysis of Management Functions* (Tokyo: McGraw-Hill Kogakusha, 5th edn.), p. 499.

Efficient Communication

Communication is an instrument of direction. It is through communication that the superior gives orders, allocates jobs, explains duties and ensures performance. Efficient communication is a two-way process. It not only enables the superior to know how his subordinates feel but also helps the subordinates to know how the company feels on a number of issues concerning them. In communication, comprehension is more important than the content. How much information is correctly understood by the subordinates is more important than what is said and how it is said. This can be ensured only if the manager makes provision for a proper feedback.

Follow-through

Direction is not only telling subordinates what they should do but also seeing that they do it in the desired way. The manager should, therefore, follow through the whole performance of his subordinates not merely to keep a check on their activities but to help them in their act, to show them where their deficiency, if any, lies and to revise their direction if it needs revision, and so on.

GIVING ORDERS

The order is a device employed by a *line* manager in directing his immediate subordinates to start an activity, stop it and modify it. A staff executive does not issue orders. To some men the matter of giving orders and having them obeyed seems a very simple affair but the fact is that it is surrounded by many difficulties. Mary Parker Follett lays down the following principles which should be followed in giving orders:

1. The attitude necessary for the carrying out of an order should be prepared in advance. People will obey an order only if it appeals to their habit patterns. Therefore, before giving orders, it should be considered how to form the habits which will ensure their execution.
2. Face-to-face suggestions are preferable to long-distance orders.
3. An order should be depersonalised and made an integral part of a given situation so that the question of someone giving and someone receiving does not come up. Thus the task of the manager is to make the subordinates perceive the need of the hour so that the situation communicates its own message to them. Identification with the results to be accomplished fosters a natural willingness to cooperate with a programme of action. This is known as the *Law of the situation*.

Chester Barnard lays down four conditions which make an order acceptable. These are:

1. Order should be clear and complete;
2. Order should be compatible with the purpose of the organisation;
3. Order should be compatible with the employee's personal interest; and
4. Order should be operationally feasible.

Orders may be communicated verbally or in writing. Written orders are appropriate when

1. the subject is important;
2. several individuals are affected;
3. many details are involved;
4. considerable time will pass before the work is completed; and
5. there is geographical distance between the order-giver and the recipient.

Follow-up on instructions is necessary to let employees learn that their manager "means what he says". A manager may follow four types of methods to ensure compliance to his orders:

1. Force,
2. Paternalism,
3. Bargain, and
4. Harmony of objectives.

The formula followed in "force" is: "Do what I say or else ...", meaning thereby that an employee will be punished if he does not follow orders. The results are frustration, restriction of output, sabotage, militant unionism, etc.

The formula followed in "paternalism" is: "Do what I say because I am good to you." The result here is that the employees develop a feeling of gratitude and indebtedness toward the manager which they do not like. Further, paternalism operates in violation of the law of effect. Instead of increased rewards following increased compliance, the paternalistic manager provides rewards first and expects the compliance to follow.

The formula followed in "bargain" is: 'You do as I say in certain respects and I do as you say in certain other respects.' The result of this method is that the manager's control is gradually reduced.

The formula followed in "harmony of objectives" is: "If we perform together each will achieve his goal". This in fact is the best formula for ensuring compliance to orders.

MOTIVATION

Technically, the term *motivation* can be traced to the Latin word *movere*, which means "to move". This meaning is evident when we remember that a manager gets work done through others. If there is any one key to "getting work done through others", it is his ability to move other people in the right direction day after day. To put it differently, regardless of how talented people are, they must be moved to action and continued in the course of action already initiated. Motivation, therefore, concerns those dynamic processes which produce a goal-directed behaviour. The process always begins with the individual feeling certain needs (also referred to as drives, instincts, wishes or motives). There is no unanimity among psychologists regarding the number and kinds of these drives. A five-fold classification which is frequently cited in management literature is that developed by A.H. Maslow.

These needs (along with incentives or inducements, if any, placed along the course of goal-directed behaviour to keep the individual on the track) give an energising thrust to the individual toward certain goals which he perceives rightly or wrongly as possible satisfiers of his needs.

So, what controls human behaviour and gives direction to it is not the goal or the incentive but the need. The goal or incentive which is external to the individual only provides him with the opportunity for satisfying his internal needs,³

We can show the motivation process by means of a diagram (Fig. 15.1).

³ Advocates of B.F. Skinner's Behaviour Modification Theory, however, refute this. They say that what controls human behaviour and gives direction to it is not the need but the incentive. By changing the incentive (positive or negative) one can change an individual's behaviour. Skinner's Behaviour Modification Theory thus avoids concern with the needs and drives of the individual. Rather, it is founded upon the observable, that is, the behaviour or the response that can be seen, measured or modified. (Read this theory ahead.)

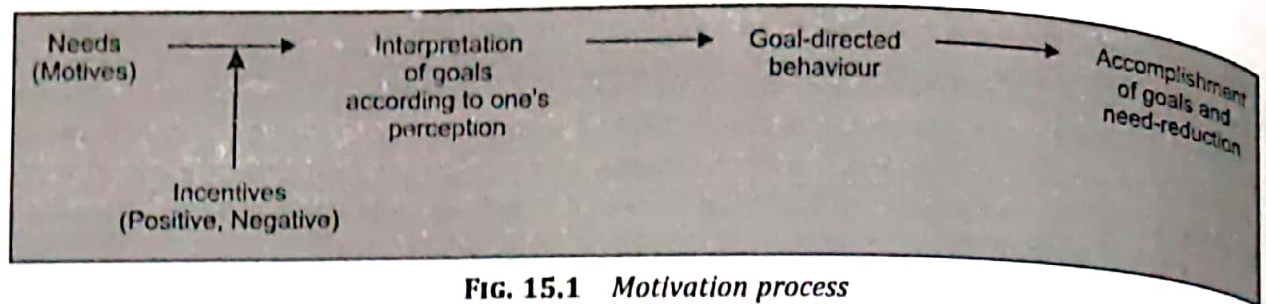


FIG. 15.1 Motivation process

Nature of Motivation

Motivation is not an easily observed phenomenon. We observe an individual's actions and then interpret his observed behaviour in terms of underlying motivation. This sometimes leaves a wide margin of error. Our interpretation does not necessarily reveal the individual's true motivation. The following points reveal the *complexities* involved in understanding true motivation:

1. **Individuals differ in their motives.** The viewpoint (called "monistic approach") that there is only one "economic drive" which determines behaviour is untenable. The goals to which individuals aspire differ and so do their motives. This is well illustrated by an oft-quoted story. There were three men cutting stones near a cathedral about three-fourths completed. A stranger came along and said to the first man, "My friend, what are you doing?" The first man replied, "Me, what am I doing? I am working for 10 shillings a day." He went to the next man and put to him the same question. The second man said, "Me, what am I doing? I am squaring this stone, see. I have to make its edge absolutely straight." The stranger walked on to the third man and repeated the same question. The third man replied, "Me, what am I doing? You see that cathedral up there. I am helping to build that. Is not it great?" In this story the major source of satisfaction to the first man was the wages he earned. The job itself contributed very little. But job itself was the outstanding source of satisfaction to the second man. The third man viewed the completion of his group goal—the building of the cathedral—as his primary source of satisfaction. This means that there is no single motive that determines how all workers will react to the same job and, therefore, there can be no single strategy that will keep motivation and productivity high for everyone everywhere. The manager has to deal with human diversity.

2. **Sometimes the individual himself is unaware of his motive.** Freud uncovered this phenomenon while analysing his critical patients. He found that in many ways man is like an iceberg. Only a small part is conscious and visible, the rest is beneath the surface. This below-the-surface concept is unconscious motive. The presence of this explains why man cannot always verbalize his motive to attain certain goals or even tell what his goals are. An example can be drawn from the famous Hawthorne experiments. One girl-worker complained to her counsellor about her foreman. Later on, it was found that the reason why she disliked her foreman was that she had a stepfather whom she feared and whose physical appearance was very much like her foreman, with the result that she had unconsciously transferred to her foreman the unfavourable characteristics of her stepfather.

3. **Motives change.** Hierarchy of motives of each individual called "structure" is not fixed. It changes from time to time. An individual's primary motive today may not be primary tomorrow, even though he may continue to behave in the same way. For example, a temporary worker may produce more in the beginning to become permanent. When made permanent he may continue to produce more—this time to gain promotion, and so on.

4. **Motives are expressed differently.** The ways in which motives are eventually translated into actions also vary considerably between one individual and another. One individual with a strong security motive may play it safe and avoid accepting responsibility for fear of failing and being fired. Another individual with the same security motive may seek out responsibility for fear of being fired for low performance. Even the same individual may express his motive differently at different times. Thus, an employee who in the beginning works hard to get promotion may, when frustrated, indulge in anti-management union activities for the same purpose. Different expressions completely mislead a manager because he does not know what the employee's true motivation is.

5. **Motives are complex.** It is difficult to explain and predict the behaviour of workers. The introduction of an apparently favourable motivational device may not necessarily achieve the desired ends if it brings opposing motives into play. In a factory, when blue-green lighting was introduced to reduce eye strain, the output of men workers increased but that of women workers decreased. On investigation it was found that the latter disliked the change in lighting because they felt that the new type of lighting had made them look 'simply ghastly'.

6. **Multiple motives make the choice of goals difficult for an individual.** Motives do not exist one at a time. This is hardly the case. The fact is that multiple motives operate simultaneously to influence an individual's behaviour. Furthermore, some of these motives are incompatible with one another. This results in the following three types of motivational conflicts which make the person's choice of goal difficult:

- (i) **Approach-approach conflict** where the person has two motives which he likes equally well, but it is possible to have only one. For example, there is the person who has the choice of either remaining at his present place of posting with the present salary, or going to a new place with a hike in salary. In such situations, choosing to work toward the satisfaction of one motive results in the other motive remaining unsatisfied.
- (ii) **Avoidance-avoidance conflict** where the person is forced to choose between two motives, both of which are considered equally undesirable by him. For example, there is the person who, being dissatisfied with his present job, wants to leave it but also wants to avoid unemployment.
- (iii) **Approach-avoidance conflict** where the person is attracted to the positive characteristics of his motive, but wants to avoid its negative characteristics. For example, a person may be motivated to work overtime for extra pay but may not like to be scolded by his wife for reaching home late. One motive (working overtime) has both positive and negative features.

Motivation Theories

There is no shortage of motivation theories. We can classify them under *three* broad heads:

1. Content theories
2. Process theories
3. Reinforcement theory

The content theories tell us *what* motivates an individual. They throw light on the various needs and incentives which cause behaviour. The process theories, on the other hand, answer the question *how* behaviour is caused. Reinforcement theory explains the *ways* in which behaviour is learned, shaped or modified.

Some important theories under each head are as under:

Content Theories

1. Maslow's Need Hierarchy Theory
2. Alderfer's ERG Theory
3. Herzberg's Two-Factor Theory
4. McClelland's Achievement Theory

Process Theories

1. Victor Vroom's Expectancy Theory
2. Adam's Equity Theory

Reinforcement Theory

1. Skinner's Behaviour Modification Theory.

Maslow's Need-Hierarchy Theory All people have a variety of needs. At any given time, some of these needs are satisfied and others are unsatisfied. An unsatisfied need is the starting point in the motivation process. It begins the chain of events leading to behaviour.

When a person has an unsatisfied need, he or she attempts to identify something that will satisfy the need. This is called a goal. Once a goal has been identified, the person takes action to reach that goal and thereby satisfy the need. According to A.H. Maslow, needs are arranged in a hierarchy or a ladder of five successive categories, as discussed earlier, is shown in Fig. 15.2. Physiological needs are at the lowest level, followed by security, social, esteem, and self-fulfilment needs.

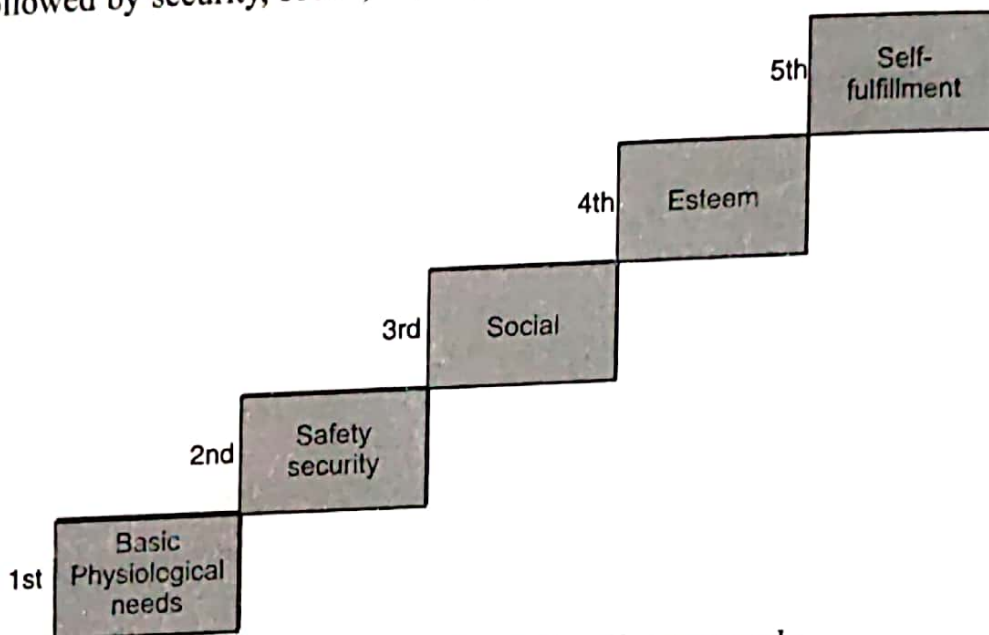


FIG. 15.2 Order of priority of human needs

Physiological needs are those which arise out of the basic physiology of life, for example, the need for food, water, air, etc. These needs must be at least partially satisfied for continued survival.

Security needs are the needs to feel both economically secure and psychologically secure. The former include protection from arbitrary lay-off and dismissal, disaster, and avoidance of the unexpected. The latter relates to a man's confidence that he will be able to deal with the problems that might confront him in future.

Social needs are needs to associate with other people and be accepted by them; to love and be loved. These needs are variously referred to as "the herd instinct", "gregariousness," "affiliation motive" and the like, but at base, they point to the fact that man finds a satisfaction in association with others and feels a real deprivation when it is not possible.

Egoistic or esteem needs are those which relate to respect and prestige. A need for dominance may be thought of as one of the egoistic needs. These are of two types: self-esteem and esteem from others. Self-esteem is an individual's need to feel inside himself that he is worthy. He has also the need that others think he is worthy.

Self-fulfilment needs are needs for realising one's potential. These include the need for realising one's capabilities to the fullest—for accomplishing what one is capable of accomplishing, for becoming what one is capable of becoming. A musician must make music, an artist must paint, a poet must write if he is to be ultimately happy. This need is also called need for *self-realisation* or *self-actualisation*. This term, first coined by Kurt Goldstein, refers to a person's motivation to transform his perception of self into reality.

According to Maslow, people attempt to satisfy their physical needs first. As long as these needs are unsatisfied, they dominate behaviour. As they become reasonably satisfied, however, they lose their motivational power and the next level of needs, security needs, becomes the dominant motivational force. This process continues up the need hierarchy. As each level of needs becomes relatively satisfied, the next higher level becomes dominant.

Characteristics of human needs: Human needs can also be classified as (a) lower order needs, and (b) higher order needs.⁴ The first two needs of Maslow's classification constitute the lower order needs. The other three are called higher order needs. Table 15.1 presents some important characteristics of these needs.

TABLE 15.1 Characteristics of Human Needs

Lower-order needs	Higher-order needs
1. Being related to the physiology of an individual, these needs are explicit and not hidden. It is, therefore, easy to understand these needs.	1. Being related to the mind and spirit of an individual, these needs are hidden and nebulous. It is, therefore, very difficult for others, even for the individual himself to understand them.
2. These needs are finite.	2. These needs are infinite.
3. These needs are universal but vary in intensity from individual to individual	3. These needs are not universal and may even exist as opposites in two persons. One person may find satisfaction in being aggressive, another in being submissive.
4. These needs are conditioned by social practice, e.g., if it is customary to eat breakfast in the morning then the body comes to respond accordingly.	4. These needs are strongly conditioned by experience, and maturity.
5. These needs are primarily satisfied through the economic behaviour, i.e., by earning more money.	5. These needs are primarily satisfied through symbolic behaviour of the psychic and social content

Maslow's theory points out a fact which is ignored in the conventional approach to the management of people, namely, a satisfied need is not a motivator of behaviour. A restructuring occurs whenever a need has been so well satisfied that it sinks into the background and all others move up a notch to replace it. The theory is, however, criticised on two main grounds:

1. *The hierarchy of basic needs is not always fixed.* The order in which the needs become stronger is not rigid. Different people may have different orders. For example, in the case of creative people like singers, painters, etc. their self-actualisation needs may become the dominant motivation

⁴ Keith Davis, *Human Relations at Work*, Tata McGraw Hill, New Delhi, 1967.

force even before their lower order needs are satisfied. Similarly, in the case of frustrated people whose attempts to satisfy needs at a higher-level have repeatedly failed, lower level needs may again become the dominant motivating force because these people may regress and redirect their efforts toward these needs. Sometimes all needs *simultaneously operate* within an individual. For example, a person may be hungry and at the same time need love and affection.

2. *It is difficult to know about the needs and motives of an individual* from the analysis of behaviour. Analysis of behaviour would be simple if a person's behaviour at a given time were the result of one motive and one alone, but this is seldom the case. Behaviour is multi-motivated. Motives of all types and intensities influence one another to accomplish a particular need and this makes the search for the motive very complex.

Alderfer's ERG Theory Alderfer modified Maslow's theory of motivation and proposed a model reducing the need categories to three:

1. Existence
2. Relatedness
3. Growth

Maslow's Safety and physiological needs are the building blocks of existence needs; Social needs are similar to relatedness needs and self-actualisation and esteem needs make up growth needs.

A major difference between these two theories is that Maslow's theory offers a *static needs hierarchy* whose pinnacle is fulfilment, whereas the ERG theory presents a flexible, three-needs system which has been better received. But it is argued that like Maslow's, its vagueness makes it difficult to verify.

Herzberg's Two-Factor Theory Maslow's hierarchy of needs provides some insights about people and their behaviour. Using this as a base, we can now look more specifically at work motivation.

Perhaps the most popular theory of work motivation is based on research started by Frederick Herzberg. In his original study also called the Pittsburgh studies, Herzberg and his associates interviewed 200 engineers and accountants. They asked them to think of times when they felt especially good and times when they felt especially bad about their jobs. The engineers and accountants were then asked to describe the factors that led to these particular feelings.

When talking about especially bad times, the engineers and accountants brought up things like unfair company policies, poor relationship with their boss and co-workers, and low pay. In contrast, when asked about good job experiences, they generally did not mention these factors. Instead, they talked about recognition they had received for a well-done job, or the opportunity their jobs gave them for personal growth and development.

Herzberg and others repeated these interviews with a variety of workers in different types of organisations. Their results were generally the same. Based on these findings, Herzberg developed the two-factor theory of work motivation.

According to Herzberg, the absence of certain job factors tends to make workers dissatisfied. However, the presence of these same factors in themselves does not produce high levels of motivation. They merely help avoid dissatisfaction and the problems it creates, such as absenteeism, turnover and grievances. Herzberg called these factors *maintenance* or *hygiene* factors since they are necessary to maintain a reasonable level of satisfaction to serve as a take-off point for motivation. He concluded that there were ten maintenance factors, namely:

1. Fair company policies and administration
2. A supervisor who knows the work
3. A good relationship with one's supervisor
4. A good relationship with one's peers.

5. A good relationship with one's subordinates
6. A fair salary
7. Job security
8. Personal life
9. Good working conditions
10. Status, i.e. relative ranking that a person holds in a group

To build high levels of motivation, a different set of factors is necessary. However, if these factors are not present, they do not in themselves lead to strong dissatisfaction. Herzberg called these the *motivators* or *satisfiers*. These are six in number:

1. Opportunity to accomplish something significant
2. Recognition for significant accomplishments
3. Chance for advancement
4. Opportunity to grow and develop on the job
5. Chance for increased responsibility
6. The job itself

As the list indicates, the motivators are job-centred; they relate directly to the content of the job itself. In contrast, maintenance factors relate more to the conditions and environment in which the work is done. These two groups of factors are respectively also known as *intrinsic* and *extrinsic* rewards. Intrinsic rewards are so called because they are internally *generated by the task itself* and are not tangible and visible to others. Extrinsic rewards are distributed by other people and are tangible and visible to others.

It is important to remember that these two types of rewards are not completely distinguishable. Many rewards have both intrinsic and extrinsic components. For example, a person who wins a sales contest receives the prize which is an extrinsic reward. At the same time, however, winning in a competitive situation may be more powerful, yet be an internal reward.

Herzberg noted that the two sets of factors are *uni-directional*, that is, their effect can be seen in one direction only. In the absence of maintenance factors, for example, workers may feel dissatisfied. There may be more absences, more quits, and more grievances in union organisations. But the presence of these factors does not motivate them. Similarly, in the presence of motivators, workers may feel motivated but their absence does not make them dissatisfied.

Herzberg admits that the potency of any of the job factors mentioned, as a motivator or dissatisfier, is not solely a function of the nature of the factor itself. It is also related to the personality of the individual who may be either a "motivation seeker" or a "maintenance seeker". A motivation seeker (*high nAch*) is motivated primarily by the nature of the task and has high tolerance for poor environmental factors. Maintenance seeker (*low nAch*), on the other hand, is motivated primarily by the nature of his environment and tends to avoid motivation opportunities. He is chronically preoccupied and dissatisfied with maintenance factors surrounding the job. He shows little interest in the kind and quality of work.

Although an individual's orientation as a motivation seeker or a maintenance seeker is fairly permanent, it can be influenced by his environment. Thus, in an environment of achievement, responsibility, growth, and recognition, a maintenance seeker tends to behave like, and acquires the values of a motivation seeker. On the other hand, the absence of motivators causes many motivation seekers to behave like maintenance seekers and to become preoccupied with the maintenance factors in their environment.

To a certain extent, Herzberg's theory also fits in with the earlier discussion of needs. As shown in Fig. 15.3 the maintenance factors mainly satisfy physiological, security, social and some esteem needs. The motivators are directed at some part of esteem, and self-fulfilment needs.

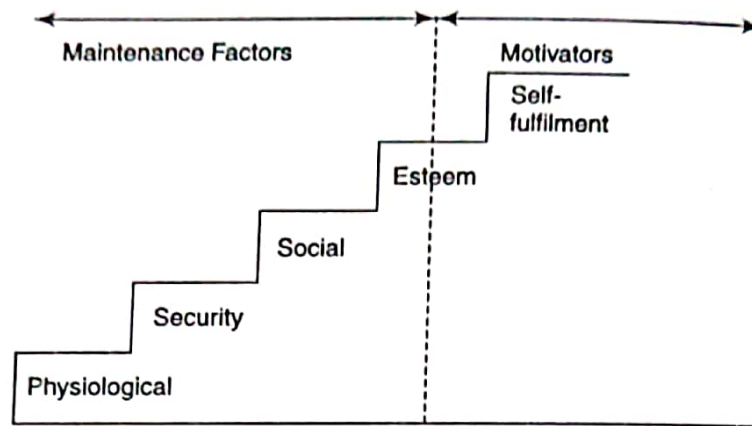


FIG. 15.3 Herzberg's theory and Maslow's theory compared

Herzberg's theory has drawn attention to the importance of intrinsic job satisfaction in work motivation. He deemphasises economic motivation and off-the-job and around-the-job need satisfactions. According to Herzberg, one important way to increase intrinsic job satisfaction is through job enrichment. By *job enrichment* is meant the deliberate upgrading of responsibility and challenge in work. Job enrichment should be distinguished from *job enlargement* in which a job is made structurally bigger by adding other tasks from the horizontal chunk. According to Herzberg, this does not motivate a worker because the mere increase in the size of his task does not make it more interesting. Job enrichment makes a job more interesting by increasing its planning and controlling contents and reducing its doing content. This can be accomplished in several ways, such as by:

- (a) eliminating a layer of supervision,
- (b) increasing worker's autonomy and authority (e.g., when to start and stop work, when to have a break, to plan work, to assign priorities, to decide work methods, to solve important problems independently, and so on),
- (c) giving worker a complete *natural unit* of work. A natural unit of work calls for a variety of skills and increases one's task identity because one can clearly see one's contribution. For instance, instead of a worker doing a specialised task, then passing it off to another worker for doing another part of the task, under natural unit, the worker would be given a complete module of work to do (*job enlargement*) and importantly, would be held responsible and accountable for it. Job enlargement would simplify coordination and would waste little time in moving work from one step to another.
- (d) giving direct feedback to the workers without the supervisors coming in between. Workers feel more happy when they receive comments from the clients directly, and
- (e) introducing new and more difficult tasks not previously handled, providing the opportunity for the worker's psychological growth.

The theory has been *criticised* for a number of reasons. These are as under:

1. The theory is based on a sample of 200 accountants and engineers. Critics ask whether this limited sample can justify generalising to other occupational groups with different technology,

- preferences and background. For example, job enrichment is difficult to truly implement where employees simply prefer an old familiar job or their current pattern of social life at work or their present higher pay to any enriched job with increased autonomy and responsibility.
2. The theory suffers from the following weaknesses inherent in the *critical incident methodology* which was used by Herzberg:
 - (i) Persons, when satisfied, attribute the causes of their feelings to themselves. When they are dissatisfied, they attribute their own failures to the causes outside themselves. Therefore, the ego defences are at work when people say they are satisfied or dissatisfied.
 - (ii) The categorisation of factors into motivators and hygies (maintenance) requires not only the respondent's accuracy and veracity of self-reports, but also the interpretation of the rater which vitiates the results.
 - (iii) The methodology has the bias of being able to recall only the most recent job conditions and feelings. Further, a currently satisfied person who responds to his retrospective feelings may have a satisfied respondent bias.
 3. Motivational and maintenance factors are not wholly uni-directional in their influence. They operate *primarily* in one direction, but also partly in the other direction. For example, in the case of blue-collar workers, maintenance factors such as pay and security may also work as motivators.

McClelland's Need for Achievement Theory According to McClelland, the three basic needs that people develop and acquire from their culture are: the need for affiliation (n Aff), the need for power (n Pow) and the need for achievement (n Ach). Each of us develops a dominant bias towards one of these needs on the basis of socialisation and past experiences. A person with a high need for affiliation is concerned about the quality of an important personal relationship. Thus, social relationships take precedence over task accomplishment for such a person. A person who has a high need for power concentrates on obtaining and exercising power and authority. The person is concerned with influencing others and winning arguments. A person who has a high need for achievement has three distinct characteristics. These are:

1. Preference for setting moderately difficult but potentially achievable goals.
2. Doing most things himself rather than getting them done by others. He wants to take personal responsibility for his success or failure and does not want to hold others or chance responsible for it.
3. Seeking situations where concrete feedback is possible.

This theory does not recognise the lower-order needs. A job with the above characteristics goes a long way to motivate an individual.

Victor Vroom's Expectancy Theory According to Vroom, under conditions of free choice, an individual is motivated towards that activity which he is most capable of rendering and which he believes has the highest probability of leading him to his most preferred goal. Following are some basic concepts of this theory.

1. **First and second-level outcomes** There can be various job-related goals before an individual, such as, promotion, increase in salary, recognition, praise, and so on. These are second-level outcomes. Each second-level outcome holds some distinct value for the individual. This is called valence. The valence of any outcome may be positive, negative or zero. It is positive for an outcome which an individual prefers to attain (for example, promotion). It is negative for an outcome which he does not want to attain and it is zero for an outcome toward which he is indifferent.

Each second-level outcome can be achieved in a number of ways. For example, one can achieve promotion either by leaving the organisation or by absenting himself as a show of dissatisfaction or by joining some pressure group or by attending a training programme or by developing intimacy with his boss or by bribing somebody or by improving his performance, and so on. These are called first-level outcomes.

2. Instrumentality All first-level outcomes do not have equal probability of leading the individual to the second-level outcome. The individual has his own subjective estimates of these probabilities ranging from -1 to +1. These are called instrumentalities. -1 indicates a belief that the second-level outcome is certain without the first-level outcome; 0 indicates a belief that the second-level outcome is impossible with the first-level outcome, and +1 indicates a belief that the second-level outcome is certain with the first-level outcome.

These instrumentalities help in determining the valence of each first-level outcome. The valence of each first-level outcome is the summation of all products arrived at by multiplying its instrumentalities with the related valences of the second-level outcomes.

3. Expectancy Expectancy like instrumentality is also a probability estimate which joins the individual's efforts to first-level outcome. The individual asks himself 'Can I do it?' and makes an estimate of the probability of making a given first-level effort. Being an effort-outcome association, expectancy values are always positive, ranging from 0 to 1.

4. Motivation Motivation is a multiplicative function of the valence for each first-level outcome (V_1) and the believed expectancy (E) that a given effort will be followed by a particular first-level outcome, i.e., $M = f(V_1 \times E)$.

The working of the above concepts can be better understood with the help of an example of a worker faced with various first- and second-level outcomes, as shown in Table 15.2.

TABLE 15.2 Working of Victor Vroom's Motivation Theory

	Expectancy	First-level outcomes and its valence	Instrumentality	Second-level outcomes	Valence
M (Motivation force to perform)	0.3	(a) More work Valence =	0.8	Getting promotion	8
		(6.4) + (10) + (0.5) = 16.9	1.0	Getting more salary	10
			0.1	Getting recognition and praise	5
	0.6	(b) Developing intimacy with the employer	0.6	Getting promotion	8
		Valence =	0.8	Getting more salary	10
		(4.8) + (8.0) + (0.5) = 13.3	0.1	Getting recognition and praise	5
	0.8	(c) Bribery	0.5	Getting promotion	8
		Valence =	0.2	Getting more salary	10
		(4) + (2) + (0) = 6	0	Getting recognition and praise	5

In the above illustration, the motivation force to put in more work is $(16.9) \times (0.3) = 5.07$, to develop intimacy with the employer is $(13.3) \times (0.6) = 7.98$ and to resort to bribery is $(6.0) \times (0.8) = 4.8$. Thus, it can be easily predicted that the worker would be motivated toward developing intimacy with his employer. His motivation will depend not only on the valence of the first-level outcome but also on the value of expectancy.

Although Vroom's theory does not directly contribute to techniques of motivating personnel in an organisation, it is of value in analysing the process of motivation. The theory tells us that what an individual does depends on a three-step thought process. First of all, he determines the relative importance of his various personal goals such as money, security, recognition, etc. These are the second-level outcomes for him. He then determines the probability of the organisational goals, i.e. the prescribed standards of output and behaviour (which are first-level outcomes) leading him to his second level outcome. This is the instrumentality of the first-level outcomes. Finally, he decides what is his ability to achieve each first-level outcome. This is expectancy. The theory thus *recognises* the differences in motives or needs of individuals and emphasises the role of individual's internal judgements. This can be said to have moved motivation research in the direction of *contingency thinking*.

This model has several important implications for a manager. It tells him that to motivate an individual, it is not enough to offer him rewards. He must also *believe* that:

1. The outcomes will be satisfying (Satisfaction)
2. The prescribed effort will lead him to those outcomes (Trust), and
3. He has the ability to put in the prescribed effort (Confidence).

The experience of one manufacturing company dramatically demonstrates the importance of people being convinced that by working they will receive rewards that are important to them. The company planned to expand its operation and the management knew that a number of new supervisors would be needed. To prepare for the expansion, the company decided to run a training programme for hourly employees to prepare them to become supervisors. The programme was open to all employees at no cost. They were required, however, to attend the programme on their own time. When the programme started, management was shocked—only three people participated. Interviews with employees who did not participate explained the poor participation. Many indicated that they would like to be promoted, but did not feel that attending the programme would help. "Promotion is based on who you know, not what you know", was a commonly expressed opinion. In other words, although promotion was an important motivation factor to many of the employees, they did not participate in the training programme because they did not believe it would help them get promoted—they had negative expectations.

This model, however, operates in those situations only where the employees are *rational and logically calculating* and have the *freedom* to make their choices among alternative courses of action or behaviour. In those situations, where these assumptions do not hold true, this model will not operate.

Adam's Equity Theory⁵ This theory is based on the thesis that a major factor in job motivation, performance, and satisfaction is *distributive justice*⁶, i.e. the individual's evaluation of the equity or

⁵ Stacy Adams, "Toward an understanding of inequity", *Journal of Abnormal and Social Psychology*, Nov. 1963.

⁶ We must remember that distributive justice is only one part of *organisational justice*. The other part is procedural justice which deals with the analysis of fairness and equally followed in reaching a decision. More recently equity theory has been applied to the analysis of procedural justice as well.

fairness of the reward he or she is receiving. In this theory, equity is defined as a ratio between the individual's job inputs (such as effort, skill, experience, education and seniority) and the job rewards (such as pay or promotion) *compared to the rewards others are receiving for similar job inputs*. The theory suggests that an individual's motivation, performance and satisfaction will depend on his or her subjective evaluation of the relationship between his or her effort/reward ratio and the effort/reward ratio of *others* in similar situations. Thus, unlike the expectancy theory, this theory is more *externally-oriented*. People compare what they are being paid for their efforts with what others in similar situations receive for theirs. When they feel that inequity exists, a state of tension develops within them. Social psychologists use the term *cognitive dissonance* to describe this situation. People try to resolve their tension by appropriately adjusting their behaviour. A worker who perceives that he or she is being underpaid, for example, may try to reduce the inequity by exerting less effort. Overpaid workers, on the other hand (also in a state of tension through perceived inequity), may work harder.

Because individuals differ, their methods of reducing inequity will also differ. Some individuals will resolve the inequity by rationalising that their efforts were greater or lesser than they originally perceived them to be, or that the rewards are more or less valuable. For example, one person failing to receive a promotion may "decide" that the previously desired job actually involved too much responsibility. Another may remove an inequity by quitting the job altogether. Still others may try to make those co-workers with whom they are comparing themselves change their behaviour. Those work team members receiving the same pay but exerting less effort, for example, may be persuaded or coerced into working harder. Alternatively, high-performance workers may be discouraged in order to "stop making the rest of us look bad". For managers, equity theory has several implications, the most important of which is that, for many individuals, *rewards must be perceived as fair in order to be motivating*. They, therefore widely use it to set pay scales for jobs.

Skinner's Behaviour Modification Theory The theory (also known as Operant⁷ Conditioning Theory) has developed out of researches done by B.F. Skinner. According to this theory, people behave the way they do because; in past circumstances, they have learned that certain behaviours are associated with pleasant outcomes and certain other behaviours are associated with unpleasant outcomes. Because people generally prefer pleasant outcomes, they are likely to repeat behaviour that they have learned will have pleasant consequences. For example, people, in an organisation are likely to obey manager's instruction because they have learned at home and at school that obedience to authority leads to praise and disobedience leads to punishment. Thus, the frequency of the various kinds of behaviour in the organisation can be seen as contingent on the immediate consequences of these behaviours.

The consequences that *increase* the frequency of a behaviour are positive reinforcement (e.g., praise or monetary reward) or negative reinforcement (i.e., escape from some aversive situation). An example of negative reinforcement might be a manager who requires all subordinates to attend an early morning staff meeting whenever performance of the organisation falls below a certain level. Subordinates would then work very hard to avoid the unpleasant early morning meetings and strive for a high level of performance. The consequences that *decrease* the frequency of a behaviour are extinction (i.e., ignoring the behaviour) and punishment (e.g., reprimand, fine, frown, etc.).

The reason why positive or negative reinforcement is more effective than punishment or extinction in increasing the frequency of a desired behaviour is that reinforcement gives the employee a great deal of

⁷ An operant can be described as a "class of responses, the subsequent likelihood of which may be modified by its consequences."

information about the desired behaviours. Under extinction or punishment the employee only knows that whatever he or she is doing is wrong. It carries no informational content about the desired behaviour.

When reward or positive reinforcement is being used to increase the frequency of a desired behaviour the first important task to be performed by the manager is to *identify* effective reinforcers through trial and error. This is unlike other motivational approaches in which what employees want—more money or enriched jobs, is taken as predetermined. As soon as effective reinforcers are identified, the *frequency* of their availability should be determined. Rewards can be administered *continuously*—every desired behaviour can be reinforced—or they can be administered on an *intermittent basis*. Normally a manager begins by reinforcing every desired behaviour. A secretary may be complemented every time he types an error-free letter. Then as the behaviour becomes permanent, the rewards are gradually tapered off to an intermittent or random basis. Instead of praising the secretary for every error-free letter, the manager may begin skipping now and then. (Also read “Process of Change” in Ch. 19.)

The above theory, unlike the other two theories does not require us to understand an individual's internal cognitive system, i.e. his needs, wants, values and expectations, to predict how he will behave in a given situation. Rather, it is founded upon the observable, that is, the behaviour or responses which can be seen, measured and modified. Dealing with the behaviour itself, rather than theorising about motivations that caused it, is both *more practical and more effective* and has led to the development of Behavioural Performance Management approach for improving employee performance in many areas.

Skinner's behaviour modification theory is criticised on two grounds. First, it is said that it overemphasises the importance of extrinsic rewards and ignores the fact that people are better motivated by intrinsic rewards. Second, it is argued that the theory is unethical because no manager has a right to manipulate and control his employee's behaviour. Replying to the second criticism Skinner says that we are constantly affecting others' behaviour whether we intend to or not. Every time we smile, frown, criticise, or praise, we are reinforcing or punishing a behaviour. If so, why not recognise and understand what we are doing and make sure we reinforce those behaviours that are desirable.⁸

Systems View of Motivation

Research on work motivation has still a long way to go. The various theories of motivation developed so far are considered by some writers⁹ more as a progress report than as a definitive statement. It is said that all content theories lead to a better understanding of job content factors although they do not adequately stress that human behaviour is multi-determined and multi-motivated. Process theories are relatively complex and difficult to translate into actual practice.

Systems view of motivation tells a manager that motivation is the result of *interplay* of the following four factors:

- The Individual
- The Organisation
- Job Characteristics
- Exogenous variables

⁸ Skinner, B.F., *Beyond Freedom and Dignity*, (N.Y.: Knopf, 1971).

⁹ Saul W. Gellerman, *Motivation and Productivity*, 1970, D.B. Taraporevala, Mumbai.

The Individual

To understand what motivates employees we must know something about their needs, interests and beliefs. Obviously people differ in these characteristics, and their motivations will also differ. Take for example, 'self-efficacy', i.e. an individual's belief in his capabilities to successfully perform a given task. The motives of any two individuals with different beliefs in their capabilities can never be the same.¹⁰

The Organisation

Different organisations emphasise different motivation patterns. Those which emphasise authority backed by the threatened use of penalties tend to produce *legal compliance* with people's performance being at the minimum level; those which use system-wide or individual rewards evoke *instrumental motivation*; those where the activities carry their own rewards evoke *internalised motivation* that needs no additional incentive, and so on.

Hawthorne experiments have shown that the *climate of the organisation* also has an important part in determining a worker's motivation. For example, a football player who may play poorly for one team but much better for another because of the change in the context. Similarly, a worker also may work poorly in one organisation but much better in another because of the change in the human resource development climate or culture of the organisation, which rests on the following eight values together called OCTAPACE values:

- Openness, i.e. willingness to share and receive information.
- Confrontation, i.e. willingness to face and solve problems.
- Trust, i.e. faith which people have for one another.
- Autonomy, i.e. degree of freedom enjoyed by the workers.
- Proactivity, i.e. the tendency to think ahead of the problem.
- Authenticity, i.e. people say what they mean and mean what they do.
- Collaboration, i.e. people's tendency to live and work together as cohesive groups.
- Experimentation, i.e. the existence of supporting environment to take risks and innovate.

Job Characteristics

Job design from the perspective of job characteristics rather than from Herzberg's motivators is another important determinant of motivation. According to Hackman and his associates¹¹, these characteristics are *skill variety, task identity, task significance, autonomy and feedback*.

Skill Variety refers to the extent to which the job requires the employee to draw from a number of different skills and abilities. **Task identity** refers to the extent to which the job is a complete module of work. **Task significance** refers to the importance of the task to the pride of the employee and to the organisation. **Autonomy** refers to employee's freedom in making decisions relating to his work schedule, choice of means to accomplish objectives, etc. **Feedback** refers to objective information about progress and performance which can come from the job itself or from superiors or an information system.

According to the authors of this work-design model the above characteristics create in the worker the following *psychological states*, which result in a self-perpetuating cycle of positive work motivation:

¹⁰ Bandura, *Self-Efficacy: The Exercise of Control*, W.H. Freeman, New York, 1997.

¹¹ Hackman J.R. and Oldham G.R., *Motivation Through the Design of Work: Test of a Theory, Organisational Behaviour and Human Performance*, 1976, pp. 250-279.

Job Characteristics

Variety of skill
 Identity of the task
 Significance of the task

Critical Psychological States

} Meaningfulness of the work
 → Responsibility for work outcomes
 → Knowledge of results from work activities

This demand for redesigning of jobs showing concern about the impact of work on workers has come to be known as Quality of Work Life (QWL).

Exogenous Variables

A worker's life is not divided into two watertight compartments, one inside the organisation and the other outside it. The two are closely bound together so that the trouble and joys of the job life cannot be put aside when reporting for work, nor can organisation matters be dropped when returning home after work. Both on-the-job and off-the-job lives play a *strong motivational* role.

Japanese Model of Motivation-Theory Z

Among those looking to the Japanese model for answers to the motivation and production problems has been William G. Ouchi, who says that the key to increased productivity lies in the various characteristics of Japanese business organisations. He names these characteristics as Theory Z. The following ten characteristics give a quick but comprehensive view of the subject:

1. **Collective Responsibility** Performance is viewed overwhelmingly as group performance and an individual's contributions are never isolated for praise or for blame because it is considered inimical to group harmony. Emphasis on group responsibility eliminates intra-group rivalry.
2. **Non-specialised Career Paths** There are no functional fiefdoms and career paths. There is the system of continuous training in all types of work. Hence every manager, though the purest of specialists in his own work, is a true generalist in his knowledge and can be moved from one department to another.
3. **Slow Promotions on the Basis of Seniority.**
4. **Down-up Decision Making Called Ringi System.**
5. **Employment of Quality Circles.**
6. **Concern for Young Workers** Seniors act as "godfathers" with almost paternalistic concern for workers' personal problems.
7. **Equality** Common uniform, canteens, parking and work places for all categories of employees and low wage ratio between the top and the bottom foster employee equality.
8. **No Industry-wide Unions** There are only company-wide unions with no outsiders. This creates harmonious relations between management and worker's.
9. **Genuine Meritocracy.**
10. **Performance-focused Lifetime (Continuous) Training**

Motivation of Workers in a Host Country

An expatriate manager who wishes to motivate workers in a host country must upgrade his knowledge of native needs and cultural idiosyncrasies. In some countries motivation may need to be interpreted in terms of money, in some others in terms of safety and security, and so on. Motivators which would be appropriate in an advanced country may not be workable in a less-developed country.

JOB SATISFACTION

In the most general sense, job satisfaction is a pleasurable or positive emotional state or feeling of an individual which occurs when he finds his various job aspects and job experiences meeting his needs and values. It is thus a specific sub-set of attitudes held by an individual and is different from work motivation that is concerned with the *behaviours* that occur on the job.

There are three major theories of job satisfaction, viz. (a) Herzberg's motivation-hygiene theory, (b) need-fulfilment theory, and (c) social reference group theory. Herzberg's theory has already been discussed in a preceding section. Under the need-fulfilment theory, it is believed that a person is satisfied if he gets what he wants and the more he wants something, or the more important it is to him, the more satisfied he is when he gets it and the more dissatisfied he is when he does not get it. The social reference-group theory is similar to the need-fulfilment theory, except that it takes into account not the desires, needs and interests of the given individual, but rather the point of view and opinions of the groups to whom the individual looks for guidance. Such groups are defined as the '*reference-groups*' for the individual in that they define the way in which he should look at the world and evaluate various phenomena in the environment (including himself). It would be predicted, according to this theory, that if a job, meets the interest, desires and requirements of a person's reference group, he will like it, and if it does not, he will not like it. A good example of this theory has been given by C.L. Hulin.¹² He measured the effects of community characteristics on job satisfaction of female clerical workers employed in 300 different catalogue order offices. He found that with job conditions held constant, job satisfaction was less among persons living in a well-to-do neighbourhood than among those whose neighbourhood was poor. Hulin thus provides strong evidence that such frames of reference for evaluation may be provided by one's social group and general social environment. However, it is obvious that the theory is an incomplete explanation, since while some people may go along with group opinions and group evaluation of organisational phenomena, many people are independent of these pressures.

In summary, the three theories reveal that

1. job satisfaction is a function of, or is positively related to, the degree to which the various motivators or satisfiers are present in the job situation;
2. job satisfaction is a function of, or is positively related to, the degree to which one's personal needs are fulfilled in the job situation; and
3. job satisfaction is a function of, or is positively related to, the degree to which the characteristics of the job meet with the approval and the desires of the groups to which the individual looks for guidance in evaluating the world and defining social reality.

¹² C.L. Hulin, "Effects of community characteristics on measures of job satisfaction", *Journal of Applied Psychology*, 1966, 50, 185-192.

Correlates of Job Satisfaction

According to Abraham A. Korman,¹³ there are two types of correlates of job satisfaction. These are: (a) environmental effects, and (b) personal variables.

Environmental Effects

1. **Occupational level** The higher the level of the job, the greater the satisfaction of the individual. This is because higher level jobs carry greater prestige and self-control. This relationship between occupational level and job satisfaction stems from the social reference-group theory in that our society values some jobs more than others. Hence, people in valued jobs will like them more than those who are in non-valued jobs. The relationship may also stem from the need-fulfilment theory. People in higher level jobs find most of their needs satisfied than when they are in lower level ones. There is less disparity between what satisfaction these people (in higher level jobs) expect and what they realise.

2. **Job content** The greater the variation in job content and the less the repetitiveness with which the tasks must be performed, the greater the satisfaction of the individuals involved. Since the job content, in terms of variety and nature of tasks called for, is a function of the occupational level, the theoretical arguments given above apply here also.

3. **Considerate leadership** People like to be treated with consideration. Hence considerate leadership results in higher job satisfaction than inconsiderate leadership.

4. **Pay and promotional opportunities** All other things being equal, these two variables are positively related to job satisfaction. An explanation for this finding lies in both the theories discussed above.

5. **Interaction and the work group** Here the question is: when is interaction and the work group a source of job satisfaction and when is it not? Interaction is most satisfying when

- (i) it results in the cognition that the other person's attitudes are similar to one's own, since this permits the ready calculability of the other's behaviour and constitutes a validation of one's self;
- (ii) it results in being accepted by others;
- (iii) it facilitates the achievement of goals.

Personal Variables

For some people, it appears that most jobs will be dissatisfying, irrespective of the organisational conditions involved, whereas for others, most jobs will be satisfying. Personal variables like age, educational level, sex, etc. are responsible for this difference.

1. **Age** Most of the evidence on the relation between age and job satisfaction, holding such factors as occupational level constant, seems to indicate that there is generally a positive relationship between the two variables up to the pre-retirement years and then there is a sharp decline. An individual aspires for better and more prestigious jobs in the later years of his life.

2. **Educational level** With occupational level held constant, there is a negative relationship between the educational level and job satisfaction. The higher the education, the higher the reference group which the individual looks to for guidance to evaluate his job rewards.

¹³ A.K. Korman, *Organisational Behaviour* (New Delhi: Prentice-Hall, 1978).

3. **Sex** There is as yet no consistent evidence as to whether women are more satisfied with their jobs than men, holding such factors as job and occupational level constant. One might predict this to be the case, considering the generally lower occupational aspiration of women.

Some other correlates of job satisfaction, which have been found in the studies relating to women workers, are as under:

- Ease of commuting to work,
- Working hours,
- Company prestige,
- Recognition,
- Autonomy, and
- Fair evaluation of work.

Relationship between Job Satisfaction and Productivity Experiments have shown that there is very little positive relationship between job satisfaction and job performance of an individual. Victor Vroom,¹⁴ in his review of literature has shown that there is a median correlation of only 0.14 between satisfaction and performance, which has little theoretical or practical importance. This is because the two are caused by different factors. Job satisfaction is closely affected by the *amount of rewards* which an individual derives from his job, while his level of performance is closely affected by the *basis for attainment of rewards*. An individual is satisfied with his job to the extent that his job provides him with what he desires, and he performs effectively in his job to the extent that effective performance leads to the attainment of what he desires. This means that instead of maximising satisfaction generally, an organisation should be more concerned about maximising the positive relationship between performance and reward. It should be ensured that the poor performers do not get more rewards than the good performers. Thus, when a better performer gets more rewards, he will naturally feel more satisfied. This approach, we must remember, is quite different from the usual human relations approach of trying to maximise satisfaction generally.

ORGANISATIONAL COMMITMENT

The term "organisational commitment" is an attitude reflecting the *employees' loyalty* to their organisation. It is measured in terms of their *desire* to stay with the organisation, their *willingness* to exert high levels of effort on behalf of the organisation and their *belief* in the needs, priorities and goals of the organisation.

The employees' organisational commitment is *determined* by a number of personal (such as age, tenure in the organisation, positive or negative disposition) and organisational (such as job design, leadership style, opportunity of career advancement) variables.

As in the case of job satisfaction, there are mixed *outcomes* of organisational commitment. Whereas some studies show that there is a positive relationship between organisational commitment and desirable outcomes, such as high performance, low turnover and low absenteeism, others do not show this relationship. *Yet, most researchers agree that in the context of present-day focus on team work, empowerment and flatter organisations, organisational commitment is a somewhat better predictor of desirable outcome variables than job satisfaction, and thus deserves management's attention.* But, in the face of many environmental forces (such as the fear of downsizing, loss of job security, overwhelming change in technology, stress due

¹⁴ V.H. Vroom, *Work and Motivation* (NY: Wiley, 1964).

to overwork, and so on) which are acting against the employees' organisational commitment, management's job to increase it, is not easy. Dessler¹⁵ suggests the following guidelines:

1. Commit to people-first values.
2. Clarify and communicate your mission and ideology.
3. Guarantee organisational justice; provide for extensive two-way communication and a comprehensive grievance procedure.
4. *Create a sense of community; emphasise team work.*
5. Support employee development; commit to actualising; provide job challenge; empower; promote from within.

People doing intrinsically rewarding activity cannot be easily lured away by other organisations since they must furnish the same type of activity or offer extrinsic rewards in overwhelming amount.

MORALE

Morale refers to the attitudes of a group of employees towards job¹⁶. It is thus a group concept although some writers use it to describe the basic feelings of an *individual* in relation to his job. It is a concept that describes the attitudes of the employees *collectively* towards all aspects of their work—the job, the company, working conditions, fellow workers, supervisors, and so on. It is *esprit de corps* or the attitudes of the collective body. In other words, it is the composite expression or summation of the attitudes of the employees making up the group. Attitude is a predisposition to respond, positively or negatively, to different aspects of the job. A greater presence of positive attitudes indicates high morale while a greater presence of negative attitudes indicates low morale. There are certain indices to *measure* the height or depth of morale. These are resignations, accidents, sickness, absenteeism, spoilage, grievances and complaints. If morale is high, these indices give low readings and the group persists in its endeavour to reach its common objective, unmindful of the obstacles which may come in its way. If morale is low, these indices give high readings and the group dissipates its energy and sees only frustration before it. No one has yet found a single formula that will generate high morale in all circumstances.

We must remember that the key measures of morale have been changing with the changes in the theories of organisational behaviour. During the earliest days of industrial life when autocracy prevailed, the measure of employees' morale was their compliance with rules and orders. Next, during paternalism (also called custodial theory) with its dependence on a host of welfare programmes job satisfaction or 'all is well if the employee is happy' (the individual pattern of happiness) became the natural measure of morale. Now, under the present supportive theory which emphasises the existence of adequate supportive climate and leadership at work, 'motivation' has become the measure of morale which is significantly different from job satisfaction under the custodial theory.

Relationship between Morale and Productivity

There is a definite relationship between morale and productivity. Low morale can never result in high production for a long period. It will manifest itself in low production, sooner or later, depending upon

¹⁵ Gary Dessler, "How to Earn Your Employees' Commitment," *Academy of Management Executive*, Vol. 13, No.2, 1999.

¹⁶ Robert Dubin, *The World of Work*, Englewood Cliffs, N.J. 1958.

the nature of work. Where the work involves the total man (for example, R&D), low morale will lead much more rapidly to decreased productivity. A scientist who feels resentment toward his organisation or his manager will rapidly become unproductive. But, where the work does not involve the total man (e.g., machine-paced work which usually employs only a part of a man's capabilities), a longer period of time will be required before the adverse effect of low morale will manifest itself in the form of norms to restrict production, increased grievances and similar developments, and finally in lower performance. High morale may or may not result in high production, depending upon the kind of high morale, as shown below.

1. **Person-oriented morale** This kind of morale represents a situation where most of the employees are spending all their time and energies in satisfying their personal objectives unrelated to the company's goals. The result is happy employees with good morale but unhappy managers with low production.
2. **Production-oriented morale** This kind of morale represents a situation where there is complete identity between the individual and the organisation goals and, therefore, both the employers and the employees work together on common production goals. The result is that both the parties are happy. There is high morale and high production.

Building Company Morale

Morale-building is not a simple process, or a set of easy, clearcut steps. There are numerous complex and contradictory causes of variations in people's attitudes. Events that evoke pleasant feelings in one employee may have just the opposite effect on the other. Thus, any morale building programme must not lose sight of the fact that policies which may have a positive effect on one person can have just the opposite effect on another, and that the same policies may affect the same person in different ways at different times or places.

Basically the following factors are essential for maintaining a high morale in a work group:

1. The members of the group must have a common goal.
2. The members must regard the goal as worthwhile.
3. The members of the group must feel that the goal can be reached.
4. Top management must be guided by good management principles. These are as under:

(a) Opportunity for employees to play their preferred roles; (b) appointment of fair, sympathetic and trustworthy persons as immediate supervisors; (c) effective two-way communication to shape the attitude of employees towards their management and to serve as adequate grievance channels; and (d) avoidance of meaningless and ambiguous controls.

Morale building techniques can be broadly classified into (a) group techniques, and (b) individual techniques. In designing a group technique, the average man is taken as the guiding factor. There is a stress on conformity. Examples of group techniques are: salary scales based on area practices, seniority rights, retirement plans, improvement of physical facilities, etc. Individual techniques are oriented to the unique feelings of each employee. These techniques are more expensive. Examples of these techniques are: job placement, job training, job rotation, personnel counselling, etc. Both the techniques are supplementary to each other and can be used simultaneously.

The typical method of securing morale information is to conduct morale survey. It makes management morale conscious and provides workers an emotional release, a chance to get things off one's chest.

FIRST-LEVEL OR FRONT-LINE SUPERVISION

The basis for supervision of a task may be the type of work, the process, the place or a group of persons. Though supervision or over-seeing the performance of subordinates may occur at any management level in an organisation, the first-level supervisor is in a unique position in being the only manager who supervises the work of *non-managers*. There are five different views about his role. One widely held view is that the first-level supervisor plays the role of a *key person* in the organisation because it is he who translates plans and strategies into action at the working level. According to another view his role is that of a *person in the middle*. He is the direct face-to-face representative of management for workers and also the representative of workers for management. He is thus caught between the differing expectations and demands on his two sides. In this role there is then a "built-in" and institutionalised need to be "Janns-faced"—to be able to look in two directions at the same time. He has to be able to wear both hats gracefully. Some people consider his role as that of a *behavioural specialist*. From this point of view his speciality is that of dealing with behavioural problems on the job. He has to properly attend to all grievances, settle inter-personal differences, motivate workers and maintain discipline. Some people regard him as playing the role of a *marginal person* who merely transmits instructions without any power to change them. In the final view he is regarded as just *another worker* whose thought patterns are much closer to those of workers than to those of higher management (perhaps because in many cases he is a promotee from the workers' cadre).

Functions of a First-level or Front-line Supervisor

It should be remembered that out of the five roles of the first-level supervisor which we have mentioned above none is wide enough to include all his functions. In fact, he plays all these roles as shown by the following functions:

1. To determine individual job assignments
2. To give orders and instructions to workers relating to their assignments
3. To ensure implementation of rules and procedures
4. To ensure proper working conditions
5. To attend to grievances and resolve conflicts
6. To provide technical knowledge and guidance to workers
7. To supply strategic information relating to production to management
8. To interpret management's policies to workers
9. To appraise workers' performance and recommend promotions, transfers and training needs
10. To create a congenial climate of goodwill and friendship

Guidelines for Making the First-level or Front-level Supervision Effective

Although all the preceding sections of this chapter are relevant to developing effective supervisory practices still the following guidelines can be used by the first-level supervisor with discretion:

1. Encouraging subordinates' participation in decision-making. Whenever possible, letting the fact of a situation tell the subordinates what should be done, rather than saying in effect, "Do this, because I tell you to." Identification with the result to be accomplished fosters in the subordinates a natural willingness to cooperate with a programme of action.

2. Maintaining consistency, fairness, forewarning, promptness and privacy in discipline. This is the *Hot Stove Rule* so named by Douglas McGregor. He draws an analogy between maintaining discipline and touching a hot stove. He says that when a person touches a hot stove it gives him warning, the burn is immediate, impersonal, consistent and commensurate with the length of time the touch continued. The same should be with discipline. The disciplinary process should begin *immediately* after the violation is noticed. It must give a clear *warning* that so much penalty would be imposed for a given offence. The same kind of punishment should be consistently imposed for the same offence *regardless of status difference*, and, it should be *commensurate with the gravity of the offence*. Every supervisor newly promoted from the ranks has to get tough with his subordinates overnight. He has to berate for poor work, discuss salaries, even fire people. He cannot do this if he continues to cherish his old friendships with the people under him. He compromises thereby his ability to manage. Therefore, he must make the break gradually. If he snaps the cord too fast, he will trigger resentment.
3. Doing environmental engineering, i.e. rearranging the features of the environment so that the stimulus situation does not evoke the undesired response. Skinner tells the story of a manager who had a traffic problem caused by women hurrying down the corridor as soon as the end of the work day was signalled. The manager solved the problem by placing wall mirrors along the corridor. The stimulus situation that had evoked stampeding down the hall way transformed into one which encouraged a more leisurely and orderly walk-and-stop sequence.
4. Emphasising praise over punishment. According to Etzioni¹⁷ punishment or *coercive power* alienates most people. Praise and recognition or *normative power* generate commitment. Material rewards or *utilitarian power* generates a calculative involvement.
5. Preferring general supervision to close supervision. The operation is closely supervised when the supervisor frequently observes it and makes suggestions to the worker. The supervisor in such situations acts much like a backseat driver who calls attention to things the driver has already observed. Such interruptions have adverse effects on the subordinate's cooperative attitude.
6. Keeping close track of grievances and redressing them with objectivity and empathy.
7. Showing confidence in the integrity, ability and motivation of subordinates, rather than suspicion and distrust.
8. Planning and scheduling the work to be done, training the subordinates, supplying them with material and tools, etc.
9. Enhancing pro-social/*organisational citizenship behaviours* (OCBs) of subordinates. These are behaviours which are discretionary (beyond the "call of duty") not directly or explicitly recognised by the formal reward system. Some examples of such behaviours are: altruism (e.g., helping out when a coworker is ill), conscientiousness (e.g., staying late to finish a project), civic virtue (voluntarily representing the organisation in a community programme), sportsmanship (e.g., sharing failure of a team project that would have been successful by following the member's advice), and courtesy (e.g., being understanding and empathetic even when provoked). The OCBs should be for their own sake and not for impression management.

There are, however, two conditions necessary for the supervisor's success:

- (a) *He should be perceived as fair and supportive by the subordinates.* It is how they see things that counts, not the objective reality, and

¹⁷ Amitai Etzioni, *Modern Organisations*, Prentice-Hall of India (Private) Ltd, New Delhi, 1965.

- (b) He must have sufficient influence with his own superior to be able to affect the latter's decisions. When subordinates know that their boss is able to represent their 'needs' upward with a fair measure of success, they are inclined to follow his lead.

Some of the above suggestions have been examined more fully in leadership theories in Chapter 17.

» Summary

- ☛ One of the basic functions of management is direction. Direction means the use of leadership and motivation to guide the performance of subordinates towards the achievement of the organisation's goals. Important requirements for effective direction are: harmony of objectives, unity of command, direct supervision, efficient communication and follow-up.
- ☛ Giving orders is the commonest technique of direction. Some characteristics of good orders are: feasibility, acceptability, clearness and completeness and following the chain of command. There can be three types of orders: command, request and implied order. Each order can be either verbal or in writing.
- ☛ Motivation is an extremely significant subject for managers since managers get work done through others. Important characteristics of motives are: individuals differ in their motives; sometimes the individual himself is unaware of his motives, motives change; motives are varied; motives are complex and multiple motives make the choice of goals difficult for an individual.
- ☛ Views about the nature of motivation have changed from the early *monistic* model, which suggested that people are motivated by monetary rewards to the *pluralistic* model which recognises four groups of variables affecting the motivation of an individual: individual characteristics, job characteristics, organisational characteristics and external environment.
- ☛ Among important writers on motivation are Maslow, Alderfer, Herzberg, McClelland, Vroom, Adam and Skinner. Maslow theorised that individuals are motivated to fulfil a hierarchy of needs, with the need for self-actualisation at the top. Alderfer condensed Maslow's five levels into three, Herzberg developed a "two-factor" approach to work-motivation in which motivation was attributed to factors related to the job *content*. Job context factors only placate workers. McClelland found that the three important human needs are: need for achievement, need for affiliation and need for power. Need for achievement is most closely associated with successful performance in the work place. According to Vroom, people's actions are based on their two types of expectations: Their expectation to perform if they expend the effort and their expectation to get what they want if they perform. According to Adam a major factor in job motivation is the individual's evaluation of the equity or fairness of the reward he is receiving. According to Skinner employees' behaviour can be changed by managing the consequences that follow it.
- ☛ According to William G. Ouchi, the secret of motivation lies in certain characteristics of Japanese business organisations such as lifetime employment, collective decision-making, non-specialised career plans, holistic concern and commitment, company-wide unions and harmonious relations. Collectively, he calls these characteristics "Theory Z".
- ☛ At present, no agreed upon overall theory of motivation exists.
- ☛ The term 'job satisfaction' refers to an employee's general attitude towards his job. There are three major theories of job satisfaction namely, (a) Herzberg's motivation-hygiene theory; (b) need fulfilment theory; and (c) social reference-group theory. Two types of variables which determine the job satisfaction of an individual are (a) organisational variables, and (b) personal variables.

- ☛ Morale describes the *collective attitude* of employees towards *all aspects* of their work. It is thus different from job satisfaction which is the picture of an *individual's attitude*. There is no direct causal relationship between morale and productivity. Low morale can never result in higher production for a long period. High morale may or may not result in high production. Morale building techniques can be broadly classified into (a) group techniques in which the average man is taken as the guiding factor; and (b) individual techniques in which the unique feelings of each employee are taken account of.
- ☛ There are a number of factors which determine an individual's loyalty (called "commitment") to his organisation.
- ☛ Though "giving directions" is an important feature of superior-subordinate relationship at all levels of hierarchy, it is no where so prominent as at the first level. There are five facets of the role of the first-level supervisor. He is a "key person", "person in the middle", "behavioural specialist", "marginal person" and "another worker". These roles involve at least ten different functions.

➔ Key Terms

Motivation It is the process which influences the arousal, direction and maintenance of goal directed behaviour.

Self-actualisation Need This is the need to grow, to feel fulfilled, to realise one's potential.

Job Satisfiers According to Herzberg, these are motivating factors related to the nature of work (job content). These include achievement, recognition, work itself, responsibility and advancement.

Job Dissatisfiers According to Herzberg, these are dissatisfying factors related to the organisation's environment (job context) in which the work is being done. These include company policy, supervision, working conditions, working relationships, status, salary and security.

Job Enlargement Under this technique, the scope of the worker's job is increased by combining various tasks from the horizontal slice

of an organisational unit, thereby giving him more operations to perform.

Job Enrichment Under this technique, the depth of the job is increased by combining various tasks from the vertical slice of the organisational unit, thereby increasing the worker's control over his job.

Organisational Commitment This is an employee's attitude reflecting his loyalty to his organisation.

Organisational Citizenship Behaviours (OCB) These are behaviours which are discretionary (beyond the "call of duty") not directly or explicitly recognised by the formal reward system.

OCTAPACE Values These are eight cultural values which constitute human resource development climate.

? Review Questions

1. Define motivation. Describe its characteristics.
2. Explain Maslow's Need-Hierarchy theory. How does it compare with the Two-Factor Theory?
3. "Motivation is the core of management." Discuss. What can management do to motivate the staff in an industrial organisation?

4. What is meant by morale? How is it related to productivity?
5. "Morale and productivity move together like the east and the west sides of an elevator." Comment.
6. Distinguish between motivation and morale. How is morale related to productivity?
7. How can compliance of an order be ensured?
8. Point out the difference between (a) Positive and negative reinforcers and (b) Intrinsic and extrinsic rewards.
9. Explain Vroom's Expectancy Theory.
10. How does motivation of managers differ from that of the operatives? Describe some researches which have been done on motivation of managers in India.
11. What is job satisfaction? What are its correlates?
12. Describe Skinner's Behaviour Modification theory.
13. Describe the main characteristics of Z theory of motivation.
14. Write short notes on:
 - (a) Requirements of effective direction
 - (b) McClelland's Achievement Theory
 - (c) Adam's Equity Theory
 - (d) Role of the first-level supervisor
 - (e) Hot Stove Rule
 - (f) OCTAPACE Values
15. Enumerate the functions of a first-level supervisor. How can this supervision be made more effective?
16. Match the following:

<ol style="list-style-type: none">(a) Requirement of effective direction(b) Need Hierarchy Theory(c) Two-factor Theory(d) Adam's Equity Theory(e) Victor Vroom's Theory(f) Skinner's Behaviour Modification Theory(g) Z theory of motivation(h) First-level supervisor	<ol style="list-style-type: none">(i) Unity of command(ii) Job inputs and rewards(iii) Reinforcement of Behaviour(iv) Ringi system(v) High order needs(vi) Critical incident methodology(vii) Outcome and valence(viii) Behavioural specialist
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[(a) (i), (b) (v), (c) (vi), (d) (ii), (e) (vii), (f) (iii), (g) (iv), (h) (viii)]
17. Choose the correct word:
 - (a) A high rate of personnel turnover *and* a low level of job commitment would be typical when motivational factors are represented to a _____ extent and maintenance factors are represented to a _____ extent.
 - (b) The situation in which there is a high amount of interest in the job, but a persistent turnover problem exists, would typically result when motivational factors are _____ and maintenance factors are _____.
 - (c) A stable workforce with low job commitment would result when motivational factors are _____ and maintenance factors are _____.
 - (d) A stable workforce with high job commitment is typical when motivational factors are _____ and maintenance factors are _____.

[(a) Low; Low, (b) High; Low, (c) Low; High, (d) High; High]
18. "Multiple motivations make the choice of goals difficult for an individual." Explain.
19. Describe systems view of motivation.

Project

1. The purpose of this exercise is to reflect on the factors that motivate individuals to work. The following are the steps to implement this exercise.

Step 1 The teacher introduces the exercise through a short description of the systems perspective of motivation which means that the entire set or system, of forces operating on the employee must be considered before the employee's motivation can be adequately understood. The system consists of three variables: individual characteristics, job characteristics and work situation characteristics.

Step 2 The teacher then distributes among students the following form to be filled up by them individually within 30 minutes:

Variables affecting the motivational process in organisational settings

Individual characteristics (e.g., interests and needs)	Job characteristics (e.g., autonomy)	Work situation characteristics (e.g., supervision)
1.	1.	1.
2.	2.	2.
3.	3.	3.
4.	4.	4.

Step 3 After the individuals have completed writing, the teacher asks them to form into smaller groups of 4 to 5 persons to share their lists and then prepare group reports for each of the three classes of characteristics. The group reports may be presented to the total group for discussion.

Step 4 The teacher may finally prepare a summary by categorizing various characteristics, either according to Herzberg's or Maslow's theories of motivation.

CASES

MOTIVATION CONCEPTS, SUPERVISOR'S TASKS AND SEARCH FOR MOTIVATORS

1. Motivation Concepts

As part of the company management development programme, a group of managers from various functional areas has devoted several class sessions to a study of motivation theory and the relevance of such knowledge to the manager's responsibility for directing and controlling the operations of the organisation. One of the participants in the programme is Ashok Jain who has been a supervisor in the production department for about a year. During the discussion session, Jain made the observation, 'Motivation theory makes sense in general, but there is really no opportunity for me to apply these concepts in my job situation. After all, our shop employees are unionised and have job security and wage scales that are negotiated which are not under my control.' The study of

motivation concepts has given me some ideas about how to get my children to do their chores and their homework, but it has not given me anything I can use on the job. Furthermore, in a working situation we are all dealing with adults, and it seems to me this reward and punishment thing smacks of personal manipulation that just won't go over with people."

Discussion Questions

1. In what respect is Jain correct in his comment about not having any opportunity to apply motivational concepts in his job situation?
2. What types of motivators for effective performance may Jain be overlooking?
3. What do you think about his concern that the application of motivational concepts leads to the manipulation of people?

2. Supervisor's Functions

For three months, tension has been building between two employees, Baldev and Ranga, who happen to be under the direction of the same supervisor. Apparently, Baldev is quite resentful of Ranga's promotion into a position which the latter feels he deserves. On two occasions there were confrontations between the two in front of other employees. After the second confrontation, the supervisor informs both of them that unless they resolve the problems between them, there will be serious consequences. Two weeks later, Ranga comes to the supervisor demanding that he does something about the situation. During the course of the conversation, Ranga begins to blame the supervisor for his lack of leadership in intervening in the conflict. Ranga feels that it is the supervisor's responsibility to assist employees in difficult situations; he demands some action immediately, or he will go to 'higher levels'. How would you react as a supervisor?

3. Search for Motivators

Mr Alok Banerjee is the chief executive of a medium-sized pharmaceutical firm in Calcutta. He holds a PhD in pharmacy. However, he has not been involved in research and development of new products for two decades. Though turnover is not a problem for the company, Mr Banerjee and his senior colleagues noticed that the workers on hourly basis are not working up to their full potential. It is a well-known fact that they filled their days with unnecessary and unproductive activities and worked only for sake of a pay cheque. In the recent past, the situation has become quite alarming as the organisation began to crumble under the weight of uneconomical effort. The situation demanded immediate managerial attention and prompt remedial measures. Mr Banerjee knew very well that the only way to progress and prosper is to motivate workers to peak performance through various incentive plans.

One fine morning, Mr Banerjee contacted the Personnel Manager and enquired: "What is the problem with the workers on hourly basis? The wage bill shows that we pay them the highest in the industry. Our working conditions are fine. Our fringe benefits are excellent. Still these workers are not motivated. What do they require really?" The Personnel Manager gave the following reply:

"I have already informed you a number of times, that money, working conditions and benefits are not enough. Other things are equally important. One of the workers in that group recently

gave me a clue as to why more and more workers are joining the 'bandwagon of non-performers'. He felt bad that hard work and efficiency go unnoticed and unrewarded in our organisation. Our promotions and benefits plans are tied to length of service. Even the lazy workers, accordingly, enjoy all the benefits in the organisation, which, in fact, according to the workers, should go only to those who work hard. "Mr. Banerjee then wanted the Personnel Manager to look into the problem more closely and find out a solution to the problems of workers on hourly basis."

Explain the motivational problem in this case by relating it to Herzberg's theory.

LEARNING OBJECTIVES

This chapter will enable the reader to:

- Describe the importance and purposes of communication
- Discuss the flows and forms of formal communication
- Identify the informal communication called grapevine
- Describe the communication process
- Explain the barriers to communication
- Examine the principles of effective communication
- Explain the meaning and characteristics of communication network
- Describe the checks on in-plant communication
- Relate the communication in Indian industries

Communication has been variously defined by a number of writers. According to Newman and Summer,¹ it is an exchange of facts, ideas, opinions or emotions by two or more persons. Allen Louis² defines it as the sum of all the things one person does when he wants to create understanding in the minds of another. Simply stated, communication means the process of passing information and understanding from one person to another. A proper understanding of information is one very important aspect of communication. If the information is not understood by the receiver in the same meaning in which its sender wants him to understand it, the purpose of communication is defeated. This may result in

¹ W.H. Newman and C.E. Summer, *The Process of Management* (New Delhi: Prentice-Hall, 1965), p. 179.

² L.A. Allen, *Management and Organisation* (N.Y.: McGraw-Hill, 1958), p. 144.

confusion, chaos and organisational inefficiency, leading to non-fulfilment of business goals. In short, communication is not merely transmission of information from one person to another but also correct interpretation and understanding of the information. It is not to get something *off the mind* of the person transmitting it, but to get something *into the mind* and actions of the person receiving it.

IMPORTANCE OF COMMUNICATION

The classicists ignored the importance of communication, for they believed that a business unit was only a technical and formal structure. However, after the thirties, as a result of the Hawthorne experiments, it was realised for the first time that every organisation structure is a social system involving the interactions of people working at different levels and proper communication among them is necessary for achieving the goals of the organisation. It is the basis to an organisation's existence from the birth of the organisation on through its continuing life. When communication stops, organised action comes to an end. Barnard³ has called communication the foundation of cooperative group activity.

PURPOSES OF COMMUNICATION

Some important purposes which communication serves are as under:

1. Communication is needed in the *recruitment* process to persuade potential employees of the merits of working for the enterprise. The recruits are told about the company's organisation structure, its policies and practices.
2. Communication is needed in the area of *orientation* to make people acquainted with peers, superiors and with company's rules and regulations.
3. Communication is needed to enable employees to *perform their functions effectively*. Employees need to know their job's relationship and importance to the overall operation. This knowledge makes it easy for them to identify with the organisational mission. If a nurse in a hospital knows why she is to follow certain procedures with a patient and how this relates to the total therapy programme for him, it is much easier for her to develop an ideological commitment to the hospital.
4. Communication is needed to acquaint the subordinates with the *evaluation* of their contribution to enterprise activity. It is a matter of some motivational importance for the subordinates to know from their superior how they stand and what the future may hold for them. This appraisal, if intelligently carried out, boosts the subordinates' morale and helps them in building their career.
5. Communication is needed to *teach employees about personal safety* on the job. This is essential to reduce accidents, to lower compensation and legal costs and to decrease recruitment and training cost for replacements.
6. Communication is of vital importance in *projecting the image* of an enterprise in the society. The amount of support which an enterprise receives from its social environment is affected by the information which elite groups and the wider public have acquired about its goals, activities and accomplishments. During the 1982 blowout at Bombay High, ONGC took care to keep the country informed about the steps that were being taken to combat the crisis. Contrast this with Union Carbide which did nothing to refurbish its image after the Bhopal Gas leak.

³ Chester I. Barnard, *The Functions of the Executive*, Cambridge, Mass Harvard University Press, 1938

7. Communication helps the manager in his *decision process*. There is a spate of varied information produced in an enterprise. The manager must make a choice of useful and essential information which should reach him. The important question before him is 'what do I need to know?' It should be remembered that no two successive managers of the same plant will give the same answer to this question.
8. Communication helps in achieving *coordination*. In a large organisation, working on the basis of division of labour and specialisation, there is need for coordination among its component parts. This can be achieved only through communication. A good communication system is the basis of all interdependent activities which we find being carried out in different departments of an organisation. By providing information to each unit about the relevant activities of others, a good system of communication makes the interdependence of each unit acceptable to it. In the absence of communication, no unit would tolerate this interdependence. This will make coordination difficult. In the words of March and Simon, "The greater the efficiency of communication within the organisation, the greater the tolerance of a unit for interdependence."⁴
9. Communication is an effective way to build support for change. It alters employees' perception of the forces which surround them. This develops mutual understanding, cooperation and goodwill between them and the management.
10. Communication increases *managerial efficiency*. It is said that the world of modern management is the world of communication and the success of a manager in the performance of his duties depends on his ability to communicate. Administrators in business and industry reportedly spend between 75 and 95 per cent of their time communicating (either sending or receiving messages.⁵) Naturally then, an effective system of communication is very essential for the efficiency of a manager. Benjamin Balinsky has rightly remarked that "if there is any shortcut to executive effectiveness, it is the mastery of the art of face to face communication."

In summary, it can be said that the purposes of communication are:

1. To provide the information and understanding necessary for group effort (i.e. the skill to work); and
2. To provide the attitudes necessary for motivation, cooperation and job satisfaction (i.e. the will to work).

FORMAL COMMUNICATION

Much of the communication in an organisation is what we call formal communication. It flows in formally established channels and is concerned with work-related matters. All orders, instructions and decisions are communicated to the subordinates through this channel. Formal communications flow in four directions: downward, upward, laterally between departments and between the organisation and the external environment.

J.G. March and H.A. Simon, *Organisations* (N.Y.: John Wiley & Sons, 1958), p. 162.

Lee O Thayer, *Administrative Communication* (Homewood, Ill: Richard D. Irwin, 1961), p. 3.

Downward Communications

Communications which flow from superiors to the subordinates are known as downward communications. These communications are the medium through which the superior:

1. *directs* the efforts of his subordinates;
2. *communicates* the rationale for the job;
3. *defines* the relation of the job with the goals of the organisation and of other sub-groups;
4. *tells* the subordinates what is expected of them, what resources are available, how well they are doing, etc.; and
5. *administers* reward and punishment.

Besides the now universal application of communication technology such as e-mail, there can be several media of downward communication such as written orders, poster and bulletin boards, company periodicals and handbooks, information racks, loudspeakers, grapevine, annual reports, group meetings and the labour union.

In Japan, the media extensively used for downward communication are KANBAN and Morning Meetings. Kanban means display of information through signboards, charts, graphs, etc. Morning meetings of workers are held before the start of the day's work and during tea-breaks generally for 5 to 10 minutes. In these meetings the supervisor first addresses the group. He then discusses the day's task, its distribution and the resources required for its completion. After the supervisor's address, a senior workman addresses the group telling about the quality related problems of the previous day's output and measures for avoiding the same. During these meetings workers are also allowed to give suggestions, raise grievances and do mutual leave planning with the help of the supervisor.

Upward Communications

Communications which flow from the subordinates to superiors are called upward communications. These communications generally act as a feedback. They enable the management to know how far downward communications have been understood and carried out. They also help the management to know the grievances or suggestions of the subordinates and the way in which the management is seen by the subordinates.

There can be several media of upward communication, such as face-to-face contacts, group meetings, grievance procedure, use of gripe boxes, opinion surveys, letter to the editor of the company's periodical, called "house organ", an open-door policy, exit interviews, e-mail, and so on. Many companies, now-a-days, create their web sites, called "blogs", which, besides attracting job-seekers, act as a platform for exchanging ideas with employees.

Horizontal Communications

These are also known as *lateral*, *interactive* or *cross-wise* communications. They generally refer to communications among peers, who are working on the same level of the organisation. The production foreman and the maintenance foreman communicate directly without going through their managers. In this way, lateral communication avoids the much slower procedure of directing communications through a common superior.

Important purposes of horizontal or interactive communications are as follows:

1. **Task coordination** The department heads may meet monthly to discuss how each department is contributing to achieve overall goals.
2. **Problem solving** The members of a department may assemble to discuss how they will handle a threatened budget cut; they may employ brainstorming techniques.
3. **Information sharing** The members of one department may meet the members of another department to give them some new data.
4. **Conflict resolution** The members of two departments may meet to discuss any conflict between them.

Companies now use video conferencing to hold meetings with participants at various geographical locations. Intranets are also used for interactive collaboration.

External Communications

These are proactive, consistent and ongoing communications with external agencies, like current and potential customers, government departments, competitors, trade unions, financial institutions, raw material suppliers, etc. These communications aim at building the company's image and influencing policies and decisions in company's favour.

FORMS OF COMMUNICATION

Broadly speaking, there can be three forms of communication: oral, written and non-verbal.

Oral Communication

In oral or verbal communication, information is given directly, either face to face or through a telephone or intercom system. Generally, in meetings, lectures, interviews, conferences, etc., the communication is oral. Some of the merits of oral communication are: (a) It is a time and money saving device. (b) As there is an element of personal touch, it is comparatively more effective. (c) Doubts can be clarified on the spot and the communication can be understood easily. (d) Important points may be emphasised through body language. (e) The effects of communication can be easily measured. (f) It provides for greater flexibility.

Oral communication, however, suffers from certain limitations. These are: (a) It is not useful where the parties are very far from each other, even beyond telephonic range. (b) It is not suitable for lengthy communications. (c) There is no permanent record of communication. (d) It is especially affected by previous attitudes of the parties. (e) If the communicator is poor in vocal expression, oral communications are likely to be misunderstood and misinterpreted.

Written Communication

Written communication, which is always in black and white can take the form of a report, statement, circular, note, manual, handbook, letter, memo, standard condensed language or company lingo, etc. Some of the merits of written communication are as follows: (a) It is suitable for lengthy communications.

(b) If the parties are far from each other, even beyond telephonic range, written communication is the only way out. (c) It can be kept as a permanent record and at times be referred to as evidence. (d) There are fewer chances of missing out a point. (e) Written communication serves as a solid base for taking action against a subordinate who disobeys it.

Some of the disadvantages of written communication are as follows: (a) There is a greater chance of the communication being misunderstood. (b) It is very time consuming. (c) There is no scope for face to face discussion. (d) It is difficult to maintain secrecy about the matter communicated. (e) It suffers from a lack of flexibility. (f) Poorly written messages followed by numerous clarifications both written and oral, may lead to a lot of confusion.

Non-verbal Communication

All of us constantly send clues about our feelings—not by what we say, but by what we do (both action and lack of action). Since we communicate by action and lack of action, we communicate all the time at work, whether we intend to or not. Being at one's desk has a meaning, but being away also has a meaning. *This is called non-verbal communication.* Three important forms of non-verbal communication are body language (example facial expression, posture, gestures, etc.), time (example being late or early), and space (example, how close one gets during a conversation or seating arrangements in a committee meeting). Sometimes, the tone of voice (genuine or fake), laughing and yawning and environmental context, called *paralanguage* may also become the part of nonverbal communication.

INFORMAL COMMUNICATION

In Chapter 10, we have read in detail about an informal organisation. One of the functions of informal organisation is communication. Known as the “*grapevine*”, this structureless network of informal communication flourishes in all organisations because communication is a natural human tendency. People who know each other in the organisation talk together informally. One thing they have in common is the organisation they work for, so they talk about the happenings in the organisation.

The grapevine carries two types of information: work-related and people-related. Employees want to know what is going on in the organisation. When they are not kept informed through formal channels, they seek information from the grapevine. Likewise, they are curious about the people they work with. The grapevine carries the type of personal information not generally communicated through formal channels. For example, a manager cannot announce his bad mood officially to his subordinates. The best way to do this would be to put this information on the grapevine so that it reaches the subordinates informally.

Some Characteristics of a Grapevine

1. Grapevine information is mostly oral. But it can be written also, as in the case of two employees working in two branches of a company exchanging information through teleprinter. In any case it is informal.
2. Although the general impression is that the grapevine operates like a long chain in which A tells B, B tells C, C tells D, and so on, but research shows that it follows a cluster chain, which means

that A, instead of telling one person, tells 3 or 4 persons and out of these 3 or 4 persons, 1 or 2 persons again pass on the information to 3 or 4 persons each. In other words, only a few in the grapevine spread the information. The majority does not repeat it. Persons who keep the grapevine active are called liaison individuals.

3. Research on grapevine accuracy shows that out of the total communication bits, well over three-fourths are accurate. But the inaccurate bits, though small in proportion are more devastating in effect. In fact, these inaccurate bits alone should be called rumours but many times the word rumour is used for the whole grapevine.
4. A grapevine is more a product of the ambiguous situation than it is of the person. In such situations it invariably includes items linked to group interests. For example, one can find grapevine humming with activity during periods of excitement and insecurity, such as during a threat of a lay-off.
5. A grapevine has remarkable speed. Its fast speed makes it quite difficult for the management to stop rumours or to release significant news in time to prevent rumour formation.
6. A grapevine helps management in interpreting its policies to the workers and communicating their reactions and feelings to the management. It is valuable as a barometer of "public opinion" in the organisation.

Control of Rumour

Researchers have shown that rumour is a product of *interest* and *ambiguity* in a situation. If a person has no interest in a situation, he has no cause to spread rumour about it. Similarly if, there is no ambiguity in a situation, a person has no cause for spreading rumours. Hence, a manager can prevent rumour by not allowing these two causes to develop. However, if a rumour has started, it should be stopped soon by:

- supplying correct facts face-to-face without mentioning the rumour itself. Repeating the rumour can result in its being as well remembered as the facts that refuse it, for instance, if a manager finds out that employees are anticipating a lay-off when, in fact, none is contemplated, he can scotch false story by giving a true report of the facts.
- allowing participation to members in determining some part of the situation which affects them, participation gives them the opportunity as insiders to know it.
- seeking cooperation of dependable informal leaders in making those facts known informally which the manager does not want to state officially. For instance, he may want his people to know unofficially, that the recent "resignation" of a particular employee was in fact his dismissal due to his incompetence, insubordination or drunkenness. In any case there is need that people have critical sense containing perspicacity, will power or decision making after reflection and consideration.

THE COMMUNICATION PROCESS

Whether formal or informal, the basic communication process is still the same. It involves six steps: ideation, encoding, transmission, receiving, decoding and acting.

Communication starts in the mind of the sender (ideation). The sender has an idea that he wants to communicate to the receiver. The sender then develops a message to convey the idea (encoding). Language skills are important at this point. Some people seem to know just how to phrase message

to get their ideas across, while others have a great deal of difficulty in expressing themselves. Once developed, the message is transmitted (transmission). It may be spoken or written. Or, it may be communicated non-verbally by a smile, a nod or a shrug of the shoulder. Once transmitted, the message is received and the receiver attaches meaning to it (decoding). There are problems in attaching meaning to the message. Words often mean different things to different people, and the same word may have many different meanings. Further, we interpret (or decode) a message on the basis of past experience, making certain assumption about its meaning. The final step in the communication process is action. The receiver acts or responds in some way. This is *feedback*. Without feedback, the sender cannot be certain if the message was received and the proper meaning attached to it. With feedback, any distortion in meaning can be corrected by another communication.

Because the above communication situation, involving just two persons, includes not only the flow of information to the receiver but also the flow of feedback to the sender it forms a closed circuit and is called the *circuit communication* model.

BARRIERS TO COMMUNICATION

There is no such thing as perfect communication. There are continuous forces at work—called barriers which tend to distort communication and promote disorganisation. We may summarise these barriers as under:

1. **Badly expressed message** People may talk too fast. They may lack coherence. They may organise their ideas poorly or may omit certain essential details. They may structure their sentences awkwardly or may make errors in translation. All of these may distort a message. A story is often told about the confusion created when the sentence "Jerusalem—there is no city like it", which appeared in the Hebrew version of the city's sight-seeing booklet, was translated in its English version thus: "Jerusalem—there is no such city." Colgate encountered much difficulty in marketing its toothpaste among Spanish-speaking people because the word Colgate in Spanish meant "Go hang yourself". Whirlpool's research showed that customers wanted clean refrigerators, which could be interpreted to mean that they wanted easy-to-clean refrigerators. After asking more questions Whirlpool found out that what consumers actually wanted was refrigerators that looked clean with minimum fuss. As a result, Whirlpool designed new models that hide fingerprints.
2. **Overawe** In upward communication, a manager is not someone who a worker casually runs into and strikes up a conversation with. The worker is likely to be overawed by manager's knowledge, ability, office size, furniture quality, and so on. This prevents him very often from taking benefit of the manager's open-door policy. He does not feel psychologically free to enter into the manager's room.
3. **Faulty organisation** In a large-scale enterprise where the chain of command is too long or the span of control too big, communication will be poor. This is because successive transmissions of the same message are decreasingly accurate. According to Koontz and O'Donnel, in oral communication, something in the order of 30 per cent of the information is lost in each transmission.
4. **Distrust of communicator** Some executives are noted for their habits of countermanding or modifying their original communications. Such executives invariably lose the trust and confidence of their subordinates. Subordinates do not take their communications seriously.
5. **Restricting communication** In downward communication, a superior may withhold a part of the information from his subordinates under the belief that they do not need it. Similarly, in upward com-

munication, the subordinate may omit unfavourable parts of the information which he thinks will not be liked by his superiors. This is called *filtering*. Most people do not want to be the bearer of bad news or reveal their mistakes to their boss.

6. **Poor retention** Studies⁶ show that employees retain only 50 per cent of communicated information.

7. **Different backgrounds** One reason for distortion of meaning is that different individuals often interpret the same communication differently; each individual uses his own frame of reference. This frame of reference is based on particular experience and knowledge. Thus, when people with different knowledge and experiences try to communicate, they often have trouble getting their meanings across because each of them communicates this interpretation of reality instead of reality itself.

New employees at Toyota learn to communicate with as few words as possible by using figures and graphics. Their A₃ report is a classical example. This is a 11" x 17" paper on one side of which all executives who may be affected by a problem successively in a Plan-Do-Check-Acts (PDCA) order state the problem, document the current situation, determine, the root cause, propose alternative solutions, recommend a solution and do cost-benefit analysis.

8. **In-group language** Often, occupational or social groups develop their own terminology or in-group language. This special language, though provides a means for precise and quick communication within the group, creates severe communication breakdown when outsiders or other groups are involved. More efficient is the visual approach—"a picture is worth a thousand words".

9. **Inattention** Another common barrier is that many receivers simply do not pay attention to the message. One reason people do not pay attention is selective listening. Selective listening results from a common tendency to block out information that conflicts with what we believe. When we listen to a speech or read a newspaper, we generally pay attention only to those things that confirm our beliefs. Sometimes people do not pay attention to communication because they are victims of communication overload or because the information is unsolicited. The source of communication, and the way in which it is presented also determine for its recipient how much attention he gives it. Major barriers to horizontal communication are inter-departmental rivalries, incorrect grouping of activities, inter-personal conflicts and indifference toward organisational goals.

10. **Physical barriers** These are environmental factors which prevent or reduce the sending or receiving of communication. They include physical distance, distracting noises, and similar interferences.

11. **Poor understanding** In downward communication a superior may not have full understanding of the information to be able to interpret it to the workers. Just as a photograph can be no clearer than the negative from which it is printed, the superior cannot transmit more clearly than he understands. The superior must also know how far a communication should be sent beyond his immediate command.

⁶ R. Bellows, T.Q. Gilson and G.S. Odiome, *Executive Skills* (Englewood, N.J.: Prentice-Hall, 1962), pp. 60-61.

PRINCIPLES OF EFFECTIVE COMMUNICATION

The success of manager depends on how well he communicates. Therefore, communication is the most vital management tool. The management, in order to have effective communication, should keep the following principles of communication in mind:

1. The manager who wants to communicate must be clear in his mind about the objective of his communication. He should know what he wants to communicate. As W.H. Whyte⁷ has remarked, "the great enemy of communication is the illusion of it." Many executives mistake the form of communication for its matter and pay too much attention to media and devices and too little to purpose and context.
2. The communication should be in easily understandable language. For this it is necessary to know and understand the audience. For example, if the manager is writing a letter to the Board of Directors on the subject of a new wage incentive plan, he would have to word it differently from the one which he submits to the people in the shop. The reason for this is that the educational background and understanding of the two groups differ.
3. Communication should be adequate and complete in all respects. If all the necessary information has not been supplied, people make assumptions about the missing information. This can result in concluding an incorrect meaning.
4. The medium of communication must be carefully selected. The medium to be selected depends on the subject matter, urgency of communication, situation, etc.
5. Messages should not be mutually conflicting and should be in line with the overall objectives and policies of the concern. This will avoid chaos and confusion in the organisation.
6. There is also a need for the right climate in the organisation. There should be a good superior-subordinate relationship characterised by openness and trust so that everybody may feel free to communicate and to make suggestions on his own. The manager may establish direct contacts with various groups of employees. Such contacts though inevitably brief increase workers' morale, provide first-hand knowledge to the manager and promote "management by the floor" philosophy.
7. There should be follow-up of communication to know whether or not the receiver has understood the message correctly and to know his reaction feedback is necessary to ensure understanding. This does not occur automatically; it must be encouraged.

A vice-president in large corporation was having trouble with his division managers who occasionally responded inappropriately to his memos. An external consultant was invited to find a solution of this problem. The consultant designed a work session to be held from 9 a.m. to lunch on a regular work-day in the staff meeting room. Before the meeting, several memos from the vice-president to the division managers were selected and prepared on a glass slide which could then be shown on a screen via a projector. With the vice-president and the consultant present, all division managers after reading each memo on the screen, were asked 3 questions:

- What do you think the message says?

⁷ W.H. Whyte, *The Organisation Man* (N.Y.: Simon and Schuster Inc., 1956).

- What priority would you give to the message?
High: Take care of the matter immediately.
Medium: Take care of the matter relatively soon
Low: Take care of the matter when I can get to it.
- What action would you take?

After every one responded to the 3 questions by writing his answers, each manager was asked to read his response to the total group. Considerable differences occurred among the managers. Later, the vice-president explained what he meant the memos to say, what priority he desired and what action he wanted.

As a result of the above strategy following changes occurred:

- (i) A number of misunderstandings were corrected and learning took place both on the part of the vice-president and the division managers,
- (ii) A norm concerning inter-personal communication was changed. Prior to the session, few of the division managers after receiving a memo from the vice-president communicated with him directly to seek clarification of the memo even when the message was ambiguous. But now there was greater dialogue, both face-to-face and through telephone, between the vice-president and his subordinates.

8. The communicator should not act in any way which contradicts his message. A communicator is judged not only by what he says but also by what he does. Actions speak louder than words. Hence, the action of the communicator should be in line with the message conveyed.
9. Every executive should realise that the grapevine is a powerful channel in an organisation. Generally, it is better to use the grapevine than to try to fight it.
10. There should be provision for adequate training facilities to the executives for improving their skills in report-writing, effective speaking, lecturing, interviewing and listening. Good listening is one of the weakest points of executives in oral communication, especially when they are talking to persons below them in the organisation structure. Nature has given man two ears but only one tongue. This is a gentle hint that he should listen more than he talks.

Following are some *commandments for good listening*:

1. *Be interested in listening.* Chesterton once remarked, "There is nothing like an uninteresting subject. There are only uninterested persons." Some non-verbal signals of your interest are nodding, eye contact and taking notes.
2. *Rise above your personal hostility.* Also give up your usual role of authority.
3. *Concentrate on listening.* Listening is a conscious, positive act requiring concentration of mind. It is not a simple, passive exposure of ears to sound.
4. *Minimise distractions.* Do not doodle, tap, or shuffle papers.
5. *Be patient.* Allow plenty of time. Do not interrupt. Don't start for the door or walk away. Do not get angry.
6. *Ask reflective questions.* These questions help to bring out the real problem because many times the problem which the communicator speaks about is not the real problem.
7. *Empathise with the communicator.* Try to put yourself in his place so that you can see his point of view.

COMMUNICATION CHANNELS AND NETWORKS

A communication channel is a relatively fixed, regular and continuous communication relationship between two or more individuals.

When just two persons are involved in communication we call it the *circuit communication* model. But when there are several groups of senders and receivers of information in an organisation interconnected by two or more communication channels, they are viewed as a *communication network*. Figure 16.1 portrays a partial communication network of an organisation.

All communication networks possess some basic *characteristics* which differentiate them from each other. These are as follows:

1. Size of Network The size of a network is measured in terms of the number of decision centres it interconnects. Some communication networks are very big, others are small. In general, the larger the network, the greater are the problems of communication. However, large networks with several interconnecting communication links have been found to be more effective where problems are more complex and ambiguous. Figure 16.1 has five decision centres. Sales department has the largest number (3) of outgoing channels.

2. Extent of Modification Taking Place in the Message In Fig. 16.1 communication network the same original message flows through all the stages without modification but in some others a change in the message occurs as it passes through different links. The first pattern has the advantage of uniformity. Every one in the network is exposed to identical information. Nonetheless, the uniformity of this pattern may be advantageous only for simple problems. For complex matters a message may need to be modified at different stages according to the needs of the people.

3. Feedback or Closure Communication networks also differ from each other in the way in which their communication cycles close. In some networks the cycle closes as the receiver of the message acknowledges its receipt and accepts it. But in some others the cycle does not close because the receiver does not accept the message but attempts to alter it. In Fig. 16.1 there would be five (one for each communication channel) feedback loops if we assume that the cycle closes as the receiver acknowledges its receipt and accepts it.

4. Communication Pattern Within the group or decision centre communication networks also differ from each other in the extent to which they are centralized or decentralized within each decision centre.

Four major types of *small-group communication networks* are shown in Fig. 16.2. These are the Circle, Free (Decentralised) Circle, Wheel and Chain networks. Each black circle represents an individual in a working group, and the solid line connects the individual with the other members of the group he or she normally interacts with in performing a task.

In the circle network, for example in a meeting, an individual normally converses with the person on his right or left, but not with any other member of the group. In the free circle group all members converse frequently and equally with all other members of the group. The wheel network, popularly referred to as an autocratic situation, is a typical organisational set-up. The distinguishing characteristic of this network is that the members do not normally communicate with one another. They interact with the hub of the wheel, the leader of the group. The chain network has all the appearances of an organisational chain of command. *A* reports to *B*, who reports to *C*, and so on. In actual practice, this

network may appear within an assembly line working group or a group whose members are all at the same organisational level or rank. The two end positions might be occupied by people who tend to be introverted and prefer normally to communicate with only one person. In the middle positions, the normal interactions may be determined primarily by friendship.

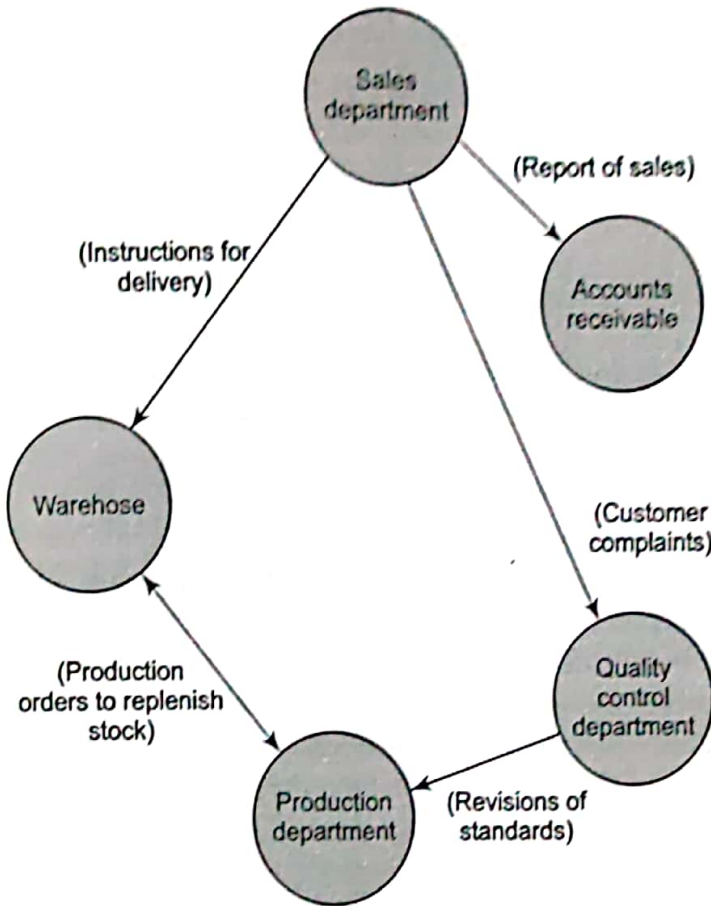


FIG. 16.1 A partial communication network

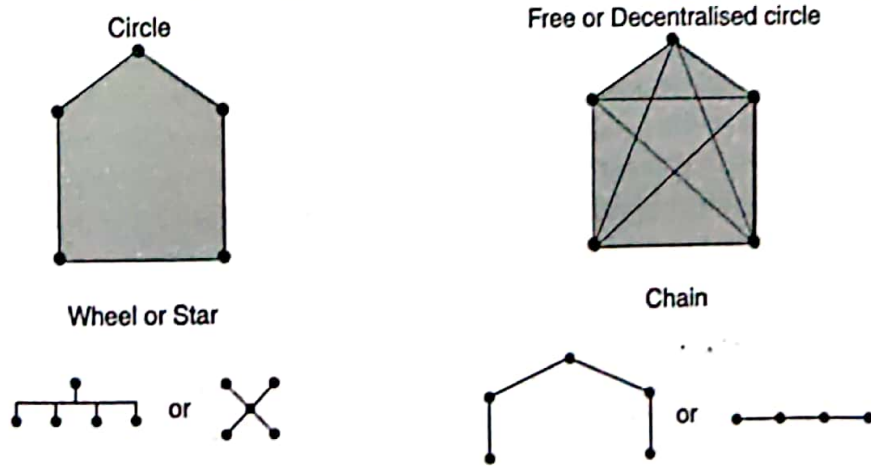


FIG. 16.2 Small-group communication networks

Early classical studies of simple communication networks carried out by Bavelas and Barrett⁸ in laboratory conditions have shown that each network causes different levels of morale, speed and accuracy, as shown in Table 16.1.

TABLE 16.1 Performance of the Circle, Chain and Wheel Communication Networks

	Circle	Chain	Wheel
1. Speed of performance (simple problems)	Slow	Fast	Very fast
2. Accuracy (simple problems)	Poor	Good	Good
3. Flexibility to change	Very fast	Slow	Slow
4. Emergence of leadership	None	Marked	Very pronounced
5. Morale	Very good	Poor	Very poor

It will be seen from Table 16.1 that the wheel and chain networks give the best job performance but they also have the lowest morale and show less flexibility to changes. In a circle or free network, since every one in the group is free to utilize whatever channels of communication he desires, most of the group's time is spent in discussion and useless debates and very little work is accomplished. But the morale in such groups is high because each person's device is appreciated and carefully evaluated. The results also indicate that the problem-solving objectives of 'speed' as well as 'flexibility' cannot be achieved by the same pattern. Rather speed can be achieved at the expenses of flexibility and vice versa.

On the other hand, experiments by M.E. Shaw,⁹ using more complex problems have shown that the circle is faster and makes fewer mistakes than the wheel. The reason for this seems to lie in the fact that when the task is complex, individuals may refuse to accept the dictates of the central person without sufficient information. This forces the central person to handle more and more messages. In consequence, the speed of performance is slowed down. This is not so in a circle network.

Since none of these small group patterns can represent the full complexity of formal communication networks in organisations, the findings need to be interpreted with some caution.

CHECKS ON IN-PLANT COMMUNICATION

Communication occupies a major portion of the manager's time and attention. Much of this time and effort may be wasted if the communication practices in vogue are either ineffective or are less useful than assumed. For this reason, the manager should check his communication programmes and examine each of the three phases: transmission, media and reception. The tests generally used for this purpose are: (a) morale studies, (b) evaluation of reading ease and interest, and (c) communication audits.

Morale Studies

Questionnaire surveys of employee opinions usually include a communication dimension or sub-scale. They may ask for detailed reactions to particular practices and media. Respondents' answers and

⁸ A. Bavelas and D. Barrett, "An experimental approach to organisational communication", *Personnel*, March 1951, pp. 366-371.
⁹ M.E. Shaw, "Some effects of unequal distribution of information upon group performance in various communication nets", *Journal of Abnormal and Social Psychology*, Oct. 1954, pp. 547-553 and "Some effects of problem complexity upon problem solution efficiency in different communication nets", *Journal of Experimental Psychology*, Sept. 1954, pp. 212-217.

comments provide valuable evidence on how they view upward and horizontal communication and what they see as desirable supplements to current practice.

Evaluation of Reading Ease and Interest

This method seeks to classify written materials, such as employee handbooks, house organs, union newspapers, etc. in terms of the ease with which they may be read and the interest which they evoke. Two principal techniques used to measure reading ease are the Robert Gunning technique (known as the Fox Index) and the Rudolph Flesch technique. Under this second technique, reading ease is correlated with the length of words and sentences.

Communication Audits

These audits generally seek to measure the information known to various groups of managers and employees and compare this information with what has been made available to them. One more purpose of these audits may be to make a content analysis of employee publications and to discover who reads them and what features attract greatest interest and approval.

COMMUNICATION IN INDIAN INDUSTRIES

In India, in almost all enterprises in the public sector and in a great many in the private sector, only a secondary place has been given to communication.

Managements of these enterprises do not handle downward communications with employees particularly well. Some of the existing problems are as follows:

1. Management dictates to employees too much and listens too little.
2. Too little of what is communicated is understood by the employees.
3. Too little of what is communicated is of concern to the employees.
4. Too much propaganda is communicated.
5. There is too little candour.
6. Communication bears too little relation to the possibility of change.

Upward communication which has to flow against the stream of authority is even poorer. In a study¹⁰ of a giant-sized departmentally-managed public sector organisation, it has been found that very few upward communications are made on such vital matters as poor work performance, unfavourable reactions by others, unfavourable opinions and attitudes of workers, and breach of procedure in doing a job. The percentage of subordinates claiming to communicate this information upward is very nominal (less than 10 per cent). It is only in respect of favourable work performance and problems relating to work that more than 75 per cent of the subordinates usually communicate to their superiors. Nine per cent of the messages transmitted by subordinates get lost in transit. Here also the loss is particularly of those messages which are in respect of unfavourable reactions, attitudes and criticisms. Upward communication of unfavourable reports is usually delayed. Distortion and manipulation of information takes place primarily in upward communication of reports about practices not followed properly.

¹⁰ Lalmani Prasad, "An assessment of upward communication in a public sector organisation," *Lok Udyog*, Vol. x, No. 4 July 1976.

Communication Across Cultures

When employees speak variety of languages and come from an array of cultural backgrounds, social perception, i.e. how the expatriate perceives other individuals or how he gets to know others becomes very important. The expatriate must know that *stereotyping* (i.e., the tendency to perceive another person as belonging to a single class or category constructing an assumed overall profile of other people) and *ethnocentrism* (i.e., a sense of superiority of one's own culture) greatly influence social perception. Both are blanket perceptions and can be very misleading and unfair. Each individual is unique.

To help overcome the above obstacles, companies run two types of training programmes. In the first type the expatriates are provided with educational background on the country including social structures, religion, values, language, history, etc. to enable him to *assimilate* with the foreign culture. In the second type called "skill-screaming" they are trained in pro-social behaviour.

» Summary

- ☛ Communication may be defined as the process of passing information and understanding from one person to another. Communication provides employees both the skill to work and the will to work.
- ☛ Communication can be *formal* or *informal*. Formal communication can be either vertical, lateral or external. Vertical communication is communication that moves up and down the organisation's chain of command. Lateral communication is between persons in two different departments. It improves coordination. External communication is with external agencies like customers, financial institutions, raw material suppliers, etc. It aims at building the company image and influencing policies and decisions in company's favour. The *three forms of formal communication* are: oral, written and non-verbal.
- ☛ Informal communication occurs outside the organisation's formal channels. A particularly quick and pervasive type of informal communication is the "grapevine".
- ☛ Whether formal or informal, the six steps of the communication process are: ideation, encoding, transmission, receiving, decoding and acting. *Encoding* is the process by which the sender converts the information to be transmitted into the appropriate words, symbols or gestures. *Decoding* is the process by which the receiver interprets the message. If the decoding matches the sender's encoding, the communication has been effective.
- ☛ Barriers to effective communication include badly expressed messages, faulty organisation, distrust of the communicator, restricting communication, poor retention, different backgrounds, in-group language and inattention. Many of these barriers can be overcome through the use of feedback and simple language.
- ☛ There can be three types of communication networks (circle, wheel and chain) in a working group. Experiments have found that wheel and chain networks are faster and more accurate than the circle for simple tasks, while for complex tasks, circle networks are quicker and more accurate. Group member satisfaction is higher in decentralized circle networks.
- ☛ In India, in almost all enterprises in the public sector and in a great many in the private sector only a secondary place has been given to communication.
- ☛ In communication across cultures stereotyping and ethnocentrism greatly influence perception. They can be overcome by assimilating with the foreign culture and training in pro-social behaviour.

→ Key Terms

Feedback This is passing of information and understanding in the reverse of the usual direction, that is, from receiver to sender.

Filtering This is a biased choice of what is communicated, on the part of either the sender or the receiver.

Communication Network This is a system of decision centres (or individuals) interconnected by communication channels.

Grapevine This is a structureless network of informal communication about company matters.

Kanban This is a Japanese term which means display of information through signboards, charts, graphs, etc.

Ingroup Language This is the language or terminology developed by a group for its internal use.

Gripe Boxes These are boxes in which the employees can drop their anonymous complaints.

Exit Interviews These are interviews of employees, held at the time of their quitting an organisation, with the object of knowing the reasons for quitting.

Open-door Policy Under this policy organisations extend a general invitation to their employees to informally drop in the manager's room any time, and talk over their grievances.

Para Language As a part of non-verbal communication this consists of tone of voice, laughing, yawning and environmental context.

? Review Questions

1. Define communication and describe the important steps involved in a communication process.
2. What is communication? Describe its importance.
3. Distinguish between "formal" and "informal" communication. Describe the various directions in which the formal communication generally flows.
4. What is communication? Describe its various forms.
5. Explain the principal barriers to communication and suggest measures to make communication effective.
6. Explain the principles of effective communication.
7. Describe important communication networks in work-oriented groups. How will you check the effectiveness of the communication system prevailing in your organisation?
8. "Communication is sharing of understanding." Comment.
9. Write short notes on:
 - (a) Communication Process
 - (b) Checks on in-plant communication
 - (c) Characteristics of grapevine
10. Fill in the blanks:
 - (a) Rumour is a product of interest and _____.

- (b) Attaching meaning to the received message is called _____.
- (c) According to W.H. White, the great enemy of communication is the _____ of it.
- (d) In "wheel" communication network job performance is very _____.
- (e) Forces which tend to distort communication are called _____ to communication.
- (f) Of the three patterns, the one in which the leadership is most pronounced is the _____ pattern.
- [(a) Ambiguity, (b) Decoding, (c) Illusion, (d) Fast, (e) Barriers, (f) Centralised, wheel or star.]

Project

1. The goals of this exercise are as follows:

- (a) To experience how speaker's style of speaking facilitates or inhibits listening
- (b) To understand that effective listening requires efforts on the part of the listener

The following steps are involved in the implementation of this exercise:

- Step 1* The teacher announces a subject of topical interest and asks any two students (say A and B) to discuss the topic and others to listen to the conversation.
- Step 2* Both A and B are asked to speak only *after* each has first accurately *restated* the ideas expressed by the other and to that person's satisfaction. Each of them can seek clarification from the other till he is fully satisfied. This checking of each other's ideas is followed throughout the conversation which continues for ten minutes.
- Step 3* All other students maintain silence and only write down their observations.
- Step 4* When the conversation is over the teacher:
- Asks A and B to describe the difficulties they experienced in listening to each other. These may relate to the tone of the speaker, speed of speaking, length of sentences, noise, etc.
 - Checks the above responses with the responses collected from all other participants and discusses the consequences of poor listening and poor speaking.

CASES

1. ENSURING EFFECTIVE COMMUNICATION

In the New India Insurance Company, two of the sessions in the ten-session supervisory development programme are concerned with the topic of communication and its importance in managerial success. Near the end of the first session, Ram Dayal, supervisor of the billing department, volunteered to comment that even though he found the topic to be interesting and agreed that it was important, something vital was missing in the company's training programme. "As a supervisor, my problem is that people just do not know how to listen," he said. "With a lot of my people, after I spend a

great deal of effort instructing them as to exactly what to do, they are just as likely to be doing something entirely different when I check on their progress later. What we should do is set up a course in good listening and have all our employees take it."

Discussion Questions

- (a) Do you agree with Ram Dayal that communication can be improved by having people develop better listening skills?
- (b) Do you think Ram Dayal is effective as a communicator? How might he improve?

2. MURUGAN KNITWEAR EXPORTS

In the Konganadu region of Tamil Nadu lies the city of Thirupur looking upon the river Noyyal flowing past the town. The town is lauded for being the textile and knitwear hub of the country, contributing to a substantial proportion of the country's cotton knitwear exports.

Murugan Knitwear Exports, owned by P. Arulan, is a venture that was established at a time when production was mostly manual. As of day the processes have largely become mechanized. The ginning, yarn making, knitting, dyeing, drying, balloon padding, compacting and packaging processes – all are machine based. The work culture at Murugan Exports, of course, has not changed much as Arulan is just satisfied to see that his production has become machine-based. His organization is mainly into the knitting to compacting business. The ginning, yarn-making and packaging is outsourced. Arulan is assisted ably by a team of managers that mostly looks after the production and marketing activities.

Satyneshan, a highly overburdened member of this team, is considered an expert in dealing with the fashion stores and the designers. Although he normally looks after the frontend supplies but sometimes it is even the backend of the supply chain which he has to manage. Last month, Satyaneshan was sent to the Paris fashion show to understand the design that would be preferred by the foreign buyers. On his return, he met his designers to inform them that a unique design with a very light colour would be preferred by the buyers. The designers sketched design that needed a coarse quality of fabric and hence a coarse quality of yarn. Accordingly, Satyaneshan placed an order for yarn which he expects to receive in two days. While placing the order he has told his suppliers to supply good yarn. It needs to be noted that yarn hairiness is something which needs to be taken care of in textile manufacturing. Simply put, there would be more hairs in a fine yarn than a coarse one. The supplies were made by the backend supplier. However, when the yarn was introduced for knitting it became difficult to further process it as the threads of the yarn developed many twists and stretches which isn't considered good. Satyaneshan immediately called the supplier who reiterated that he has supplied a yarn which he felt was good enough. The entire batch of the fabric was somehow knitted and sent further for dyeing. Venkat, the manager looking after the dyeing process, is asked by Satyaneshan to complete the process early as the shipment was to be dispatched to the buyers. But the dyeing unit could forward the fabric for printing only after a week, which delayed the consignment. On being asked by Satyaneshan, Venkat calmly replied that his unit has done the work as instructed. Moreover, as no time schedule was given, Venkat wondered why he is being blamed.

Finally, came up the stage to place orders for the packing boxes that would carry the t-shirts. There were a few small firms as packaging ancillaries that were attached to Murugan Exports. Orders for 600 large packs were placed by Satyaneshan to five small firms. The firms accordingly supplied the packaging boxes. Three firms supplied boxes each with a carrying capacity of 50 t-shirts while the rest of the two firms supplied boxes each with a carrying capacity of 150 t-shirts. The actual requirement was of the boxes, each with a carrying capacity of 100 t-shirts. Now, it became a clumsy situation for Murugan Exports as their buyers would never accept their orders in piecemeal. Also this time the shippers also would not be ready to accept a consignment that was quite small or too big as they had agreed to carry a box size carrying 100t-shirts each. If at all a variation was made in the consignment, then Murgan Exports were to bear the higher slab of the fleet rates.

Satyaneshan could not understand why things were going wrong. He was all the time thinking about the faults he has committed while handling the affairs of the organization. On one hand he trusts his raw material supplier, team mates, packaging ancillaries and the shippers but on the other hand he finds a messed up situation.

Discussion Questions

1. What is a prime reason behind the problems that you see with Murugan Knitwear Exports?
2. What steps would you recommend to solve this situation?
3. What precautions need to be kept in mind for the future?

LEARNING OBJECTIVES

This chapter will enable the reader to:

- *Define leadership and its various characteristics*
- *Understand the difference between a leader and a manager*
- *Describe the functions of a leader on the bases of operations and goals in an organisation*
- *Discuss the traditional theories of leadership, including the traditional, behavioural and contingency approaches*
- *Examine the situational forces determining the choice of leadership style*
- *Identify the new approaches to leadership*
- *Describe leadership assessment and various measuring parameters*
- *Relate leadership style in Indian organisations and worker participation in management*

The success of every industrial enterprise is dependent upon the quality of its leadership. For example, the Tata Iron & Steel Co., Jamshedpur or the Reliance, would not have attained their present success but for the able leadership of J.N. Tata and Dhiru Bhai Ambani respectively. In a business enterprise, several tasks, such as determining the objectives of the enterprise, designing the methods to achieve them, directing and coordinating the activities of various departments, etc. can be successfully performed only if there is able leadership. In the words of George R. Terry,¹ "The will to do is triggered by

¹ George R. Terry, *Principles of Management* (Illinois: Richard D. Irwin Inc., 1960), p. 442.

leadership and lukewarm desires for achievement are transformed into burning passion for successful accomplishment by the skilful use of leadership." According to Peter Drucker,² "Leadership is the lifting of man's visions to higher sights, the raising of man's performance to a higher standard, the building of man's personality beyond its normal limitations." Alford and Beatty³ define leadership as the ability to secure desirable actions from a group of followers voluntarily without the use of coercion. According to Keith Davis,⁴ leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it towards goals.

DIFFERENCE BETWEEN A LEADER AND A MANAGER

1. A person *emerges* as a leader. The question whether he will or will not emerge as leader always depends on a number of situational factors. A manager, on the other hand, is always put into his position by *appointment*.
2. A leader always has some *personal power* (i.e. ability to influence) that enables him to lead. He may or may not have *positional power* (i.e. the right to command). A manager, on the other hand, always has some *positional power*. He may or may not have personal power. If he has also personal power, then he will be that much more effective as a manager.
3. A leader focuses on people and generally seeks those very objectives which are the objectives of his followers. Thus there is *mutuality of objectives* between the leader and his followers. A manager, on the other hand, focuses on systems and structures and seeks those objectives which his subordinates do not regard as their own. Thus there is *clash of objectives*.
4. A leader generally looks at the horizon and not just the bottom line. He is innovative, challenges the status quo and believes in *doing right things*. A manager, on the other hand, is generally bureaucratic, accepts the status quo and believes in *doing things right*, according to the rules, to cope with complexity.

It should be noted that in today's changing business environment, notwithstanding the above difference, even managers are in leadership roles. Therefore, in this chapter, the terms 'leaders' and 'managers' are used interchangeably.

CHARACTERISTICS OF LEADERSHIP

Some important characteristics of leadership are as follows.

1. **Leadership implies the existence of followers** We appraise the quality of a person's leadership in practice by studying his followers. We ask: How many and what kind of followers does he have? How strong is their commitment as a result of his leadership? How long will their commitment last? By answering questions of this nature we get to know the quality of leadership. We must not, however, forget that leaders within organisations are also followers. The supervisor works for a branch head, who works for a division manager, who works for the vice-president of a department, and so on. Thus, in

² Peter Drucker, *Practice of Management* (New Delhi: Allied Publishers Pvt Ltd. 1970), p. 159.

³ L.P. Alford and H.R. Beatty, *Principles of Industrial Management* (N.Y.: Ronald Press, 1951), p. 111.

⁴ Keith Davis, *Human Behavior at Work* (New York: McGraw-Hill, 1967), p. 96.

formal organisations of several levels, a leader has to be able to wear both hats gracefully, to be able to relate himself both upward and downward.

2. **Leadership involves a community of interest between the leader and his followers** In other words, the objectives of both the leader and his men are one and the same. If the leader strives for one purpose and his team of workers for some other purpose, it is no leadership. In the words of G.R. Terry, "Leadership is the activity of influencing people to strive willingly for mutual objectives."⁵

3. **Leadership involves an unequal distribution of authority among leaders and group members** Leaders can direct some of the activities of group members; that is the group members are compelled or are willing to obey most of the leader's directions. The group members cannot similarly direct the leader's activities, though they will obviously affect those activities in a number of ways.

4. **Leadership implies that leaders can influence their followers or subordinates in addition to being able to give their followers or subordinates legitimate directions** In other words, leaders not only tell their subordinates what to do by way of command but also *influence* by their behaviour and conduct. The use of command by leaders succeeds only in bringing about a temporary behavioural change in the followers. Permanent attitudinal change in followers comes through the use of influence only. According to Hersey and Blanchard⁶ leadership of the first type though successful is not effective. The second type of leadership is both successful and effective. Perhaps the best one word definition of leadership is *influence*.

FUNCTIONS OF AN EXECUTIVE LEADER

When we think of leadership, we generally think of *executive leadership*, which focuses on the functions of senior managers in guiding an organisation to fulfil its mission and meet its goals. Krech and Crutchfield⁷ give a list of 14 functions performed by executive leadership *in general*. These functions fall into three categories as described below:

Setting and Achieving Organisational Goals

Under this category, the functions of a leader are as follows:

Goal-Setter A leader may either establish organisational goals and objectives himself, or he may participate with his superiors or subordinates in establishing them. Thus the president of a company perhaps in collaboration with the board of directors or with his staff, determines the nature of the commodities or services with which the company will be concerned.

Planner This function is intermediate between the determination of goals and their execution. In this connection, the leader makes decisions concerning the ways and means by which the organisational goals can be achieved. A foreman not only assigns tasks to his subordinates but he may also plan work schedules and devise operational procedures.

Executive In his role as executive, a leader is responsible for seeing that the appropriate activities of the organisation are carried out. A foreman assigns tasks to workers and sees that these tasks are properly executed.

⁵ Keith Davis, *Human Behavior at Work* (New York: McGraw-Hill, 1967), p. 96.

⁶ Paul Hersey and Kenneth H. Blanchard, *Management of Organisational Behaviour*, 3rd ed. Prentice Hall of India, New Delhi.

⁷ D. Krech and R.S. Crutchfield, *Theory and Problems of Social Psychology* (New York: McGraw-Hill, 1948).

Planning Operations of the Organisation

The second group of functions performed by the leader is connected with the operations of his organisation. Six functions can be differentiated in this category.

Expert The leader is an expert in the principal activities of the organisation. Frequently, supervisors are promoted from line positions primarily because of the proficiency they displayed on the lower job. The technical information and skills supervisors possess are useful in aiding and instructing their subordinates in effective work procedures.

External Group Representative There are many reasons why it may be necessary or desirable to have a single representative of an organisation to deal with outside individuals or groups. The organisation may be too large to function as an entity in this activity because taking a large number of workers from their duties may interrupt work schedules and thus be uneconomical or agreements may be more easily achieved by the individual than group action, and so on.

Surrogate for Individual Responsibility The leader relieves other members of the group of certain responsibilities, and they, in turn, place their trust in his decisions. In an informal group of workers, one individual may be given the responsibility of conveying complaints to the superior. The others trust him to present their points of view and accept any approach he may wish to follow in doing his job.

Controller of Internal Relationships within the Organisation It is the task of the leader of an organisation to see that the various departments in it coordinate their activities.

Administrator of Rewards and Punishments The leader encourages, upgrades and promotes deserving workers, and reproves, transfers and fines poor workers. Even leaders in informal groups concern themselves with discipline. The leader of such a group may call upon its membership to oust an errant member.

Arbitrator and Mediator The leader seeks to maintain harmony among the members of the organisation. The president of an organisation tries to keep the peace among competitive and ambitious vice-presidents. The leader of an informal group tries to prevent it from breaking up into opposing factions.

Symbolic Figure for the Group

The leader's activities and influences in this connection are likely to be so subtle as to be overlooked. Five functions can be differentiated in this category.

Exemplar In many organisations, the leader serves as an exemplar, a model for others to emulate. The military leader who leads his troops into battle, the office manager who is invariably 15 minutes early at his desk in the morning, the foreman of a crew of power linemen who always checks his safety equipment before climbing a pole, are all seeking to influence the members of their groups by being good examples. They are constantly shaping the behaviour of their subordinates all day and every day, whether consciously or unconsciously.

Symbol of the Group In this role the leader provides a kind of continuity and stability for the group, standing for it despite changes in circumstances and membership. Thus the chairman of the board of a company who may in fact exercise little or no control over it may in the minds of the stockholders, the workers, and the public stand as a visible sign of the purposes, the spirit, and the very properties of the company.

Ideologist The leader functions as an ideologist. By presenting his ideas concerning the group, he is a source of beliefs about it. The official ideology as given by the leader may or may not reflect the ideas of the group. For example, the designated spokesman for an informal group of workers may convey to the superior altogether incorrect notions with respect to the complaints and dissatisfactions of the workers.

Father Figure The leader may function as a father figure, fulfilling an emotional role for the members of the group. By identifying themselves with their leader, the members of a group draw strength and feelings of security. Statements from workers such as "the old man will always be behind us" typify this situation.

Scapegoat The leader functions as a scapegoat. He provides a ready target for the aggressions of the members of the group. Failure can be projected upon him. A department head in a plant may attribute the inadequate production in his department to insufficient cooperation on the part of the plant manager.

TRADITIONAL APPROACHES TO LEADERSHIP

Over the years, there has been considerable research on the leadership process. In essence, this research attempted to provide an insight into such questions as "What characteristics does a good leader possess?" or "What is the most effective leadership style?" Following are three important approaches to studying leadership: (a) Traits approach, (b) Behavioural approach, and (c) Contingency approach.

Traits Approach

Early research on leadership revolves around the Great Man theory and deals with it almost entirely in terms of *personal abilities*. There is an emotionally held belief that some men are leaders because they have god-like attributes which they have not earned but rather with which they have been endowed with and if we can identify these qualities we shall have the clue to the leadership problem. Numerous trait studies (sometimes called "laundry lists") have been made of the physical, intellectual, and social characteristics of leaders.

Traits approach has been *criticised* on the following grounds:

1. This approach (with the possible exception of intelligence and emotional maturity) has *failed to identify any traits as being absolutely essential* for leadership. Numerous trait studies have been made of the physical, intellectual and social characteristics of leaders. By 1950 there had been over 100 such studies but surprisingly only 5% of the traits identified were common throughout.
2. There is the *problem of defining traits*. The number of descriptive adjectives which can be used for any trait is tremendously large. Are they all similar or different? Which adjective should be used for which trait?
3. There is the *problem of measuring traits*. How are we to know the amount of a particular trait which a leader should possess? The words "too much" or "too little" are very vague in their meaning.
4. There is *difficulty in methodology* also. To be able to establish the cause and effect relationship between traits and leadership, pre-leadership traits of a person need to be measured. But this is never done. His post-leadership traits are measured. There are no fixed personality traits. Hence one never knows whether these are the same traits which brought him into a position of leadership.
5. The approach *has little predictive value*. The fact is that with the same bundle of traits a person may become a successful leader in one situation and may fail in another situation. According to the

Zeitgeist theory a leader is the product of his times. The individual who has the particular qualities or traits that a *situation requires* will emerge as the leader.

6. The approach *implies that training cannot make a man a leader* if he is devoid of certain inborn qualities. Peter Drucker also seems to hold this view. He says that "leadership cannot be created or promoted. It cannot be taught or learned." Leadership, according to him, requires certain basic attitudes which are very inborn and are very difficult to change.

Behavioural Approach

It was not until a sociological view of the problem was combined with the psychological approach that headway was made in understanding leadership. The inability to find answers to their various questions such as—Is there any optimal combination of traits that is most critical in determining one's success as a leader? In what ways do such characteristics influence one's ability to lead? Are these characteristics that one can learn, or must one be born with them?—in the traits approach led researchers to look at the *behaviours* that specific leaders exhibited. They wondered if there was something unique in the way that effective leaders behave, i.e. the way they deal with people—communicate, give direction, motivate, delegate, plan, conduct meetings, and so on. Prominent in the behavioural approach is the assumption that leaders are *not born* but *can be trained*. Personality traits are not fixed across like span. They can be changed through training.

Under behavioural approach researchers have studied leadership behaviour from three points of view: motivation, authority and supervision.

Motivation From the point of view of motivation leadership behaviour can be either *positive* or *negative*. In positive behaviour the leader's emphasis is on rewards to motivate the subordinates. In negative behaviour the leader's emphasis is on penalties and punishments. The leader tries to frighten the subordinates into higher productivity. The result is that subordinates' enough time is lost in covering; i.e. protecting themselves against management. There is useless documentation, recording and filing of letters and papers because people fear that these may be needed by them any time in future for their defence.

Authority From the point of view of authority, leadership style can be autocratic, democratic or free-rein. A description of these styles is given below.

Autocratic leadership In this type of leadership, the leader alone determines policies and makes plans. He tells others what to do and how to do it. He demands strict obedience and relies on power. He may sometimes be benevolent also and use rewards for obtaining obedience from his employees.

Employees dislike both these forms because in one form they remain under constant fear and in the other form they remain under constant gratitude. In both the forms, the leader is the key person. The whole operation of the organisation depends upon him. In his absence it may function inadequately or not at all.

Merits

1. This type of leadership, can *increase efficiency, save time and get quick results*, especially in a crisis or an emergency situation.
2. The paternalistic form of this style of leadership *works well with employees who have a low tolerance for ambiguity*, feel insecure with freedom and even minor decision-making requirements and thrive under clear, detailed and achievable directives.

3. Chain of command, and division of work (who is supposed to do what) are *clear and fully understood by all*.

Demerits

1. It motivates people through fear and stifles their initiative and creativity resulting in costly errors.
2. It throttles upward communication. The autocratic leader is *alone in his decision-making*. He receives little, if any, information and ideas from his people as inputs into his decision-making. This is generally dangerous in today's environment of technological and organisational complexity.
3. Today, most people resent authoritarian rule which excludes them from involvement and reduces them to machine-like cogs without human dignity or importance. They express their resentment in the form of massive *resistance, low morale and low productivity*.

Democratic leadership In this type of leadership (also known as participative or system-4 management⁸) the leader thinks "with" rather than "for" his people. The entire group is involved in and accepts responsibility for goal setting and achievement. Subordinates have considerable freedom of action. The leader shows greater concern for his people than for high production. A part of the leader's task is to encourage and reinforce constructive inter-relationships among members and to reduce intra-group conflict and tensions. He serves more as a coordinator or agent for the group. Hence the group is not dependent upon him as an individual and can function effectively in his absence.

While a democratic leader is not the key figure like an authoritarian leader, he is still the boss and cannot avoid the exercise of authority any more than he can avoid responsibility for what happens to his organisation.

Merits

1. It increases the acceptability of a decision. When people participate in and help formulate a decision, they support it (instead of fighting or ignoring it) and work hard to make it work, because it is their idea. In other words, the participative leader has the critical factor of built-in-personal motivation working for him.
2. It improves the quality of a decision. The leader consistently receives the benefit of the best information, ideas, suggestions, and talent—and operating experience—of his people.
3. It permits and encourages people to develop, grow and rise in the organisation (both in terms of responsibility they can assume and service they can contribute).
4. It makes full use of a wide range of motivations such as status, achievement, challenge, etc.

Demerits

1. The participative style can take enormous amounts of time and, may degenerate into a complete loss of leader's control. Subordinates may show greater absenteeism and tardiness.
2. Some leaders may use this style as a way of avoiding responsibility.

Free Rein In this type of leadership, also called laissez faire leadership, the leader exercises absolutely no control. He only provides information, materials and facilities to his men to enable them to accomplish group objectives. This type can be a disaster if the leader does not know well the competence and

⁸ Rensis Likert, *New Patterns of Management*, McGraw-Hill, 1961

integrity of his people and their ability to handle this kind of freedom. It can be applied to directing the work of saints but not of sinners. It is a total misfit in today's world in which people are far from perfect, in which many are anti-social and even delinquent.

Figure 17.1 shows the spectrum of a wide variety of leadership styles moving from a very authoritarian style at one end to a very democratic style at the other end, as suggested by Robert Tannenbaum and Warren H. Schmidt.⁹ As the spectrum demonstrates, there are a number of alternative ways in which a leader can relate himself to the group. At the extreme left of the spectrum, the emphasis is on the leader—on what he is interested in, how he sees things, how he feels about them. As we move towards the employee-centred end of the spectrum, however, the focus is increasingly on the subordinates—on what *they* are interested in, how they look at things, how they feel about them. The centre of the spectrum finds a more equitable balance between the authority exercised by the leader and the amount of participation the group can exercise.

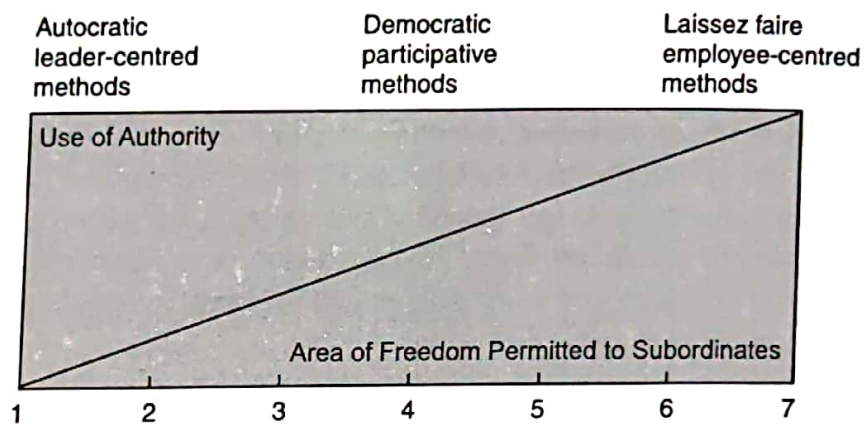


FIG. 17.1 Spectrum of leadership styles

Various points on the spectrum presented in Fig. 17.1 are described below.

1. The leader "tells" subordinates what his decision is.
2. The leader "sells" his decision, i.e. persuades subordinates to accept it.
3. The leader *invites questions* from subordinates to give them a fuller explanation of his thinking.
4. The leader presents only a *tentative decision* subject to change.
5. The leader *presents only the problem*, invites solutions and then makes his decision.
6. The leader presents the problem and *lets the group make a decision within certain limits* of action.
7. The leader *permits the group to make decision within limits defined by the situation*.

Supervision From the point of view of supervision, leadership style can be either employee-oriented or production-oriented. An employee-oriented leader is one who cares more for the welfare of his subordinates than for production. Similarly, a production-oriented leader is one who cares more for production than for the welfare of his subordinates. Two important studies under this category are the Ohio State University study and Management Grid. These studies *measure leader behaviour* on two dimensions: employee orientation and production orientation. Unlike the authority-based model given

⁹ Robert Tannenbaum and Warren H. Schmidt. "How to Choose a Leadership Pattern", *Harvard Business Review*, 51, No.3 (May-June 1973).

by Tannenbaum, these two dimensions are not the opposite ends of a single continuum but the independent dimensions. This means that a manager can be simultaneously high on both the dimensions.

Ohio State University Model In Fig. 17.2 “*initiating structure*” refers to the leader’s behaviour in structuring the job of the follower and establishing well-defined patterns of organisation and communication. “*Consideration*” is the leader’s behaviour showing mutual trust, respect and friendship. These two types of leader behaviours are independent. Some leaders follow structure but provide little consideration; others are considerate, but provide little structure. Many leaders, however, do not fit into either of these two categories. They use a fairly even mix of structure and consideration. Still other leaders spend very little time using either structure or consideration behaviours. They are relatively uninvolved with their subordinates. Thus, it is possible to show four broad styles of leadership on the Ohio State model. The data about the behaviour of a leader are gathered by means of a questionnaire called Leader Behaviour Description Questionnaire (LBDQ) which is given in *Appendix 1*.

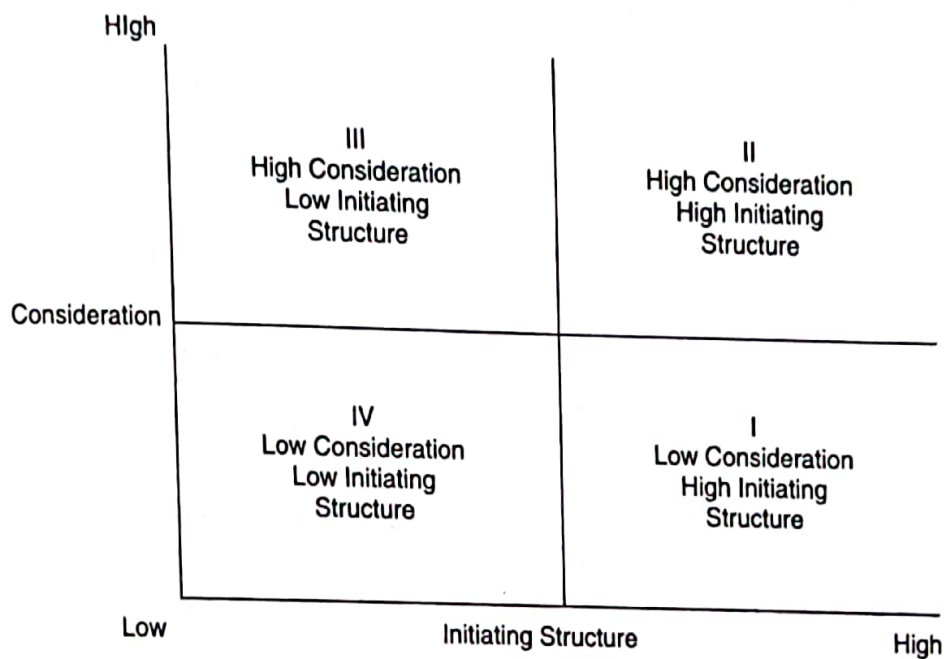


FIG. 17.2 The Ohio State model

Managerial Grid Robert Blake and Jane Mouton (experimental psychologists at the University of Texas) use a chart called Managerial Grid¹⁰ to describe five types of managerial styles. They make use of the terms “*concern for production*” and “*concern for people*”. These two dimensions (concern for people and concern for production) are plotted on a 9-point scale on two separate axes as shown in Fig. 17.3. Concern for production is shown on the horizontal axis and concern for people is shown on the vertical axis. There are thus 81 combinations of concerns represented on the grid. But the authors’ main emphasis is on the styles in the 4 corners and at the middle of the grid because these are the ones we see most often. These are as under:

1. **Task management** Here the management shows maximum concern for production and least concern for people. Therefore, it is also called “*authority-obedience*” approach.

¹⁰ Robert R. Blake and Jane S. Mouton, *The New Managerial Grid*, Houston: Gulf Publishing, 1978.

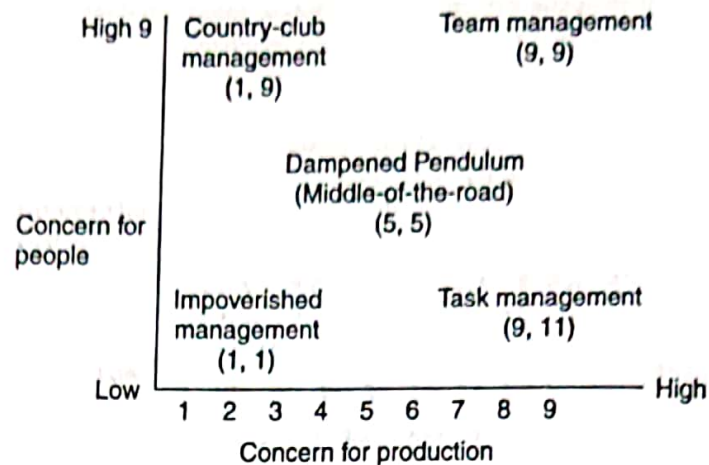


FIG. 17.3 Managerial Grid

2. **Country-club management** This is reverse of task management. Here the management shows maximum concern for people and least concern for production. Assumption is that contented people will produce as well as contented cows. It is the “*love conquers all*” approach.

3. **Impoverished management** Here the management shows least concern both for production as well as people. The manager wants just enough being done to get by. He also ignores human relationships. It is the “*speak no evil, hear no evil, see no evil*” approach.

4. **Team management** Here the management shows maximum concern both for production as well as people. Maximum concern for production is based on decisions arrived at with workers’ participation and maximum concern for people is based on the workers’ task-related morale and not just good social relations. The assumption is “*one plus one can add up to three*”.

It should be noted that although the team management and the task management are similar in their concern for production, their ways of achieving production are vastly different. Similarly, although the team management and the country-club management are similar in their concern for people, their bases of concern are different. Whereas the country-club management seeks to increase people’s morale based on non-work aspects of the situation such as good social relations, the team management seeks to increase workers’ task-related morale.

5. **Dampened pendulum or the middle-of-the-road style** Here the management shows a balanced concern for production and people. Neither too much production is expected nor too much concern for people is expressed. The manager follows the middle position. “*Get results but do not kill yourself.*”

According to Blake and Mouton, team management (9, 9 approach) is the best. This is based on active participation, mutual trust, open communication, mutual goal-setting and effective conflict resolution. The Blake and Mouton managerial grid is widely used as a training device. A manager’s position on the grid is determined by a questionnaire developed by Blake and Mouton.

Let us go back to the Ohio State University model of the behavioural approach (Fig. 17.2). This seems to suggest that the best style of leadership is one that combines both high consideration (democracy and support) and high initiating structure (high goal-setting). While this seems to make sense, it does not always hold true in practice. Consider, for example, the following research findings:

1. First-line supervisors in a manufacturing plant were supervising a group of relatively inexperienced workers performing simple jobs. A study of their leadership effectiveness indicated that Style I (Low Consideration High Initiating Structure) was the most effective style for these supervisors.

2. A study of district sales managers supervising experienced salesmen found the most effective leadership style to be Style III (High Consideration Low Initiating Structure).
3. Managers of scientists in a research and development laboratory were found to be more effective if they were using Style IV (Low Consideration Low Initiating Structure).

Thus, we can conclude that *there is no one best style of leadership under all conditions*. In many situations, Style II leadership is the most effective. In others, however, Style I, Style III, or even Style IV may be more effective. Effective leadership style varies with the *situation*. The major situational forces that researchers have identified are described in a subsequent section. (Read "Situational Forces determining choice of Leadership Style".) The effective leader needs to analyse the situation and find out which style would be most appropriate for the given circumstances. He should integrate the forces operating in relation to the particular situation in question. A simple cook-book approach for selecting the best leadership style does not exist.

Contingency Approach

The contingency approach to leadership (initially called *Zeitgeist*—a German word meaning "spirit of the time") views the leader as a product of the times and the situation. It attempts (a) to identify which of the situational factors are most important under a given set of circumstances, and (b) to predict which leadership style will be most effective under those circumstances. This is in contrast to the earlier literature on leadership that simply ignored the question of the circumstances in which a particular mode of management was feasible.

Important among contingency leadership models are:

1. Fiedler's model,
2. Hersey and Blanchard's model, and
3. Robert J. House's model.

Fiedler's Model

This model postulates that the effectiveness of leadership style depends on situational favourableness, i.e. the ease and difficulty with which the leader can influence his subordinates. Situational favourableness, according to Fiedler¹¹, depends on three factors: (a) leader-member relations, (b) task structure, and (c) position power. Good leader-member relations, highly structured task, and high position power represent a very favourable situation for a leader, one in which it should be easy to influence subordinates. The combination comprising poor relationships with subordinates, unstructured task and low power is a leader's nightmare. According to Fiedler, leader-member relations are good if the leader is respected and accepted by his group. They are poor if his group distrusts and rejects him. The task is highly structured if it is clearly outlined, and highly unstructured if it is vague. The leader's position power is high if he has the power to hire and fire, promote and transfer, increase or decrease salaries. It is low if he has no such power.

Fiedler collapsed the original Ohio State dimensions into a single dimension of leader style with employee-oriented behaviours (high consideration), at one extreme and task-oriented behaviour (high) initiating structures at the other extreme. Fiedler has found that the task-oriented or the authoritarian leader is most effective in extreme situations, i.e., both when the situation is very favourable *and* very

¹¹ F.E. Fiedler, *A Theory of Leadership Effectiveness*, McGraw-Hill, N.Y. 1967.

unfavourable. But when the situations are moderately favourable or unfavourable the best leadership style is employee- or relationship-oriented. (Since moderately favourable or unfavourable situations are most common for supervisors and managers, the implication is that, in general, the employee-oriented leadership would be most effective in managing human resources in the large majority of organisational situations).

Why is the task-oriented leader successful in very favourable situations? Fiedler offers the following explanation:

In the very favourable conditions in which the leader has power, informal backing and a relatively well-structured task, the group is ready to be directed and the group expects to be told what to do. Consider the captain of an airliner in its final landing approach. We would hardly want him to turn to his crew for a discussion on how to land.

As an example of why the task-oriented leader is successful in a highly unfavourable situation, Fiedler cites "...the disliked chairman of a volunteer committee which is asked to plan the office picnic on a beautiful Sunday. If the leader asks too many questions about what the group ought to do or how he should proceed, he is likely to be told that "we ought to go home".

The leader who makes a wrong decision in this highly unfavourable type of situation is probably better off than the leader who makes no decision at all, which may be interpreted as total abdication of leadership.

Fiedler suggests that leadership styles are relatively *inflexible* and therefore, leaders should be matched to an appropriate situation, or the situation changed to match the leader.

Hersey and Blanchard Model

Hersey and Blanchard¹² believe that the relationship between a manager and subordinates moves through four phases as subordinates develop and "mature" and that *managers need to vary their leadership style with each phase*.

The level of maturity is defined by three criteria:

1. Degree of achievement motivation
2. Willingness to take on responsibility
3. Amount of education and/or experience.

In the initial phase—when subordinates first enter into the organisation—they need to be instructed in their jobs and told about the organisation's rules and procedures. At this stage a high task orientation by the manager is most appropriate because low-task orientation will cause anxiety and confusion among the subordinates. In addition, the manager should be low in relationship because subordinates cannot yet be regarded as colleagues. Participation in decision making with them might be characterised by a "pooling of ignorance" or "the blind leading the blind".

As subordinates mature and as manager's trust in them increases he can become high in relationship though there is still the need for him to be high in task.

In the third phase the subordinates are expected to grow so much in maturity that the manager need no longer be high in task though he can continue to be supportive and considerate in order to strengthen the subordinates' resolve for greater responsibility.

Finally, as subordinates become highly mature, motivated and self-directing the manager can reduce his concern both for the task and the relationship.

¹² Paul Hersey and Kenneth H. Blanchard: *Management of Organisational Behaviour*, Prentice Hall of India, N.D. 1977.

This model (called the life cycle model) recommends flexibility in leadership style, which must constantly change to suit the ability and experience of the subordinates. Yet, it has limited utility for identifying or predicting leadership effectiveness.

Robert J. House's Model

According to Robert House,¹³ there can be four types of leadership behaviour: directive, supportive, achievement-oriented and participative. A *directive leader* is one who lets subordinates know what is expected of them, gives them specific guidance on what should be done and how it should be done, schedules the work to be done, maintains definite standards of performance and asks people to follow definite rules and regulations. A *supportive leader* is one who is friendly and approachable and shows concern for the status and well-being of his subordinates. An *achievement-oriented leader* is one who sets challenging goals, has confidence in his subordinates and emphasises excellence. A *participative leader* is one who takes decisions after consultation with his subordinates.

House's theory (called the path-goal theory) suggests that each of the above four types of leadership behaviour may be motivating or satisfying to the extent that the behaviour increases subordinate's goal attractiveness (i.e., valences) and clarifies the paths to these goals. This in turn depends upon a number of contingency factors such as the characteristics of the subordinates, their perceptions about their ability, nature of task, etc. Thus, on the question of characteristics of subordinates Robert House says that they can be of two types—*internals* and *externals*. Those who believe that what happens to them occurs because of *their behaviour* are called *internals*. Those who believe that what happens to them occurs because of *luck or chance* are called *externals*. This distinction is similar to the origin-pawn distinction made by De Charms. An *origin* is a person who perceives his behaviour as determined by his own choosing; a *pawn* is a person who perceives his behaviour as determined by external force beyond his control. According to House, *internals* (or "origins") are more satisfied with participative leadership style whereas *externals* (or "pawns") are more satisfied with directive style. Another contingency factor is perception of one's ability. According to House, the higher the degree of perceived ability relative to task demands, the less the subordinate will accept directiveness. Finally, we have the nature of task. When the task is of the routine type, i.e. structured so that goals and paths to those are clear, directive leadership may result in decreased satisfaction because subordinates may view it as an imposition of unnecessary close control. Similarly, the more dissatisfying the task the more the subordinates will resent directiveness because "if you have got a lousy job you do not want a lousy boss also."

LEADERSHIP EFFECTIVENESS

We have seen above that effective leaders do not have mystical powers over people. Any formula then, that proposes to make one an effective leader by adopting a single ideal leadership style in all circumstances is hopelessly wrong. Effective leadership is partly *situational* and partly *intrinsic to the person*. A manager can improve his effectiveness with the correct mix of the following four types of factors. This needs self-monitoring, i.e. accommodating oneself to situational needs.

1. factors in the manager himself,
2. factors in his subordinates,
3. factors in the general situation, and
4. factors in the organisational system.

¹³ Robert J. House, "A Path-Goal Theory of Leader Effectiveness", *Administrative Science Quarterly*, 16 No. 5 (Sept. 1971).

Factors in the Manager Himself

A manager's leadership style being a visible manifestation of his invisible network of values, norms and beliefs on a number of dimensions, chief among which are attribution, assumptions about human nature, flexibility, participation and coercion.

(1) Attribution

One important determinant of a manager's choice of style to deal with subordinates in a specific situation is based on his *attribution* of the internal or external causes of the behaviours of his subordinates. For example, if a manager observes an employee producing defective units, the manager may attribute the problem to internal factors within the person's control, such as poor effort, commitment or lack of ability. Alternately, the manager could attribute the problem to external factors, such as bad material or defective equipment. Depending on these attributions, the manager will decide whether to use punishment (reprimand, demotion, firing) or corrective solutions (problem finding, job redesign, training) to resolve the problem.¹⁴

(2) Assumptions about Human Nature

Douglas McGregor¹⁵ says that a manager's assumptions about human nature determine his choice of style. He classifies these assumptions in two broad categories under the terms: "Theory X" and "Theory Y". Theory X includes the following assumptions:

- (a) The average person has an inherent dislike of work, and tries to avoid it when possible. He does, not what the boss expects but what the boss inspects.
- (b) The average person is by nature self-centred and different to overall organisational goal achievement.
- (c) The average person is resistant to change.
- (d) The average person lacks ambition, dislikes job responsibilities, and prefers to be closely directed.
- (e) The average person desires job security and economic rewards above all else.

McGregor says that the above assumptions about human nature give rise to the need for coercion and control, and fear and punishment in organisations. The manager who makes these assumptions is likely to follow a high *authoritarian leadership approach*. In McGregor's opinion, these assumptions are incorrect and should be replaced by another set of assumptions which he calls Theory Y. The assumptions of this theory are as under:

- (a) The average person is not by nature passive or resistant to organisation's needs.
- (b) The average person exercises self-direction and control in the service of objectives, to which he is committed.
- (c) Commitment to objectives is a function of rewards, associated with their achievement.
- (d) The average person, under rewarding conditions, not only accepts but seeks responsibility.
- (e) The capacity to exercise a relatively higher degree of imagination, ingenuity and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population.
- (f) Under the conditions of modern industrial life, the intellectual potentialities of the average person are only partially utilised.

¹⁴ Don Hellriegel, John W. Slocum, Jr., and Richard W. Woodman, *Organisational Behaviour*, 6th edition, St. Paul, M N West, 1972.

¹⁵ Douglas McGregor, *The Human Side of Enterprise*, N.Y.: McGraw-Hill, 1960.

It is clear that the above set of assumptions has quite *different implications* for leadership. If it is assumed that man has the potential for development, the capacity for assuming responsibility and the readiness to direct his own behaviour towards organisational goals, it follows that the manager has to act more as a sympathiser and supporter than as a director and controller. He is thus likely to have a *democratic style with an occasional touch of laissez faire*. In other words, Theory Y relies heavily on self-control and self-direction of an employee as opposed to the reliance on external control of his behaviour in Theory X. Some studies indicate that a coercive orientation in management is far commoner in a relatively stagnant environment, that is, an environment with, for example, stagnant or shrinking markets—than in an expanding environment. In other words, it is a frustrating environment which in turn leads to the use of force to maintain high profits and growth.

The above theories are important for a manager for two more reasons, as described below:

- (a) They draw the manager's attention to a very important phenomenon called the *Pygmalion Effect*, which is also referred to as the *self-fulfilling prophecy*. This means that employees tend to mould the way the manager expects them to.

The manager who wants employees to be active, responsible and innovative should behave with them, as if they already are active, responsible and innovative. He will find that his behaviour is justified, for most of his employees have come up to his expectations. In brief, a leader should always watch his thoughts for they become his actions—he must watch his actions for they, in turn, become his subordinates' character.

Goethe said: "Treat a man as he is and he will remain as he is; treat a man as he can and should be, and he will become as he can and should be". So, a manager must believe in the unseen human potential. Otherwise he will get only *status quo* performance—business as usual. "*Yad Bhavam Tad Bhavate*" the prophecy causes its own fulfilment is an important truth.

- (b) Theory X offers a manager an *easy rationalisation* for ineffective organisational performance: "It is due to the nature of the human resource with which we must work". Theory Y, on the other hand, places the problems squarely in his lap. If employees are lazy, indifferent, unwilling to take responsibility, theory Y implies that the causes lie in the manager's methods of *organisation and control*.

Factors in the Subordinates Kerr and Jermier¹⁶ propose that there may be certain factors in the subordinates which may work as "*substitutes*" for leadership and make leader behaviour unnecessary and redundant. For example, crafts persons or professionals such as accountants or software engineers may have so much *experience, ability and training* that they do not need task leadership to perform well and be satisfied. Similarly, there may be certain factors in the subordinates which may work as "*neutralizers*" that prevent the leader from behaving in a certain way or that counteract the behaviour. For example, subordinates *who do not particularly care about organisational rewards* (such as artists or musicians) will neutralize both, person-oriented and task-oriented leadership attempts.

Factors in the General Situation Important factors in the general situation which have a bearing on manager's choice of his leadership style are as follows:

1. **Leadership style of the manager's supervisors** If the manager's own boss is a high-task leader, he will expect the manager to operate in the same manner. It is as difficult for a manager with a democratic

¹⁶ Steven Kerr and John M. Jermier, "Substitutes of Leadership. Their Meaning and Measurement" *Organisational Behaviour and Human Performance*, Dec., 1978.

style to work under an authoritarian superior as it is for one with an authoritarian style to work under a democratic superior. Those managers tend to be promoted who best reflect the values of their superiors or the organisation and whose leadership is congruent with those values.

2. Job demands If the job is complex and the followers lack ability, the manager would use a high level of task behaviour—Style I or II. But if the job is simple, Style III or IV may be more appropriate. According to Lawrence,¹⁷ who made a detailed study of six firms in the plastics, food, and container industries, *different functional departments of an organisation need different leadership styles*. For example, the leadership of the production department needs to be different from the leadership of the research department. This is due to the differences in the environments which the two departments need. A research department seems to work better when it has free and frequent communication between all members of the research group, when its goals and targets which are fairly general and long-range are set by the researchers themselves and when the control in the department is carried out more by informal ground rules than by formal rules and prescribed procedures. In this setting the leadership style which works best is participative and egalitarian. Let us turn next to the environment that seems to work best for a production department. Here the work goes on best when more emphasis is placed on superior subordinate communication channels, when ground rules are formalised and codified into procedural manuals and when goals are set by superiors in terms of specific and short-term targets. In such a setting, a directive style of leadership works best.

3. Pressure of time If there is an emergency or crisis or the job has to be rushed through, the leader cannot wait for the opinions and suggestions of his followers.

Factors in the Organisational System Important among these factors are division of work, organisation structure and production technology.

1. Division of work The way in which the work is divided and the activities are organised influences the choice of style of leadership. Democratic supervision is best carried out in those work groups where due to the physical proximity, people have frequent contact with one another and find it easy to share the information they need to coordinate their jobs. In such work groups, called “integrated task teams”, all problems are handled on a face to face basis with a minimum of bureaucratic friction among specialised functional areas. Such conditions do not prevail in many other forms of departmentation which makes democratic supervision difficult.

2. Organisation structure Tall organisations frequently lead to high supervisory ratios and therefore tend to encourage authoritarian supervision. With a relatively small number of subordinates, the supervisor is in a position to give detailed instructions and to exercise authoritarian control over each one. In a flat organisation structure, with a relatively large number of subordinates, this type of supervision is often physically impossible. Since the supervisor frequently cannot make a decision on every problem, he tends to delegate more and appear more democratic. The Sears, Roebuck and Company study of tall vs. flat organisational structures concludes: “Flatter, less complex structures, with a maximum of administrative decentralisation, tend to create a potential for improved attitudes, more effective supervision, and greater individual responsibility and initiative among employees. Moreover, arrangements of this type encourage the development of individual expression and creativity which are so necessary to the personal satisfaction of employees and which are an essential ingredient of the democratic way of life.”¹⁸

¹⁷ Paul R. Lawrence and J. W. Lorsch, *Organisation and Environment* (Cambridge: Harvard University, 1967).

¹⁸ James C. Worthy, “Organisational Structure and Employee Morale”, *American Sociological Review*, 15, No. 2, April, 1950.

3. **Production technology** Optimal choice may be necessary for a manager working in a technologically complex organisation such as electronics, aerospace and pharmaceuticals but "seat of the pants" mode may work well in a technologically unsophisticated organisation. Production technology, as suggested by Woodward¹⁹ also seems to limit the amount of discretion which subordinates can be given and the style of supervision used. She and her research associates studied 100 manufacturing firms of different technological complexities in Great Britain. This led to the classification of the firms into three groups:

1. Unit or job order
2. Large batch and mass production
3. Long run process production

The conclusions of this study about the style of leadership are as under:

- (a) *Participative leadership is most effective for a job order firm where production is done according to customer specifications:* Here the firm secures the order, develops the product and manufactures it (in the order mentioned). The cycle begins with marketing and ends with production. This sequence requires the firm to be especially adept at sensing market changes and being able to adjust to those changes. But more importantly, the production development function holds the key to the firm's success. This function must convert customer specifications into products which are acceptable to both, the customer and the production personnel. Participative leadership is required for promoting the kinds of interactions and communication patterns which are able to solve the market and product development problems associated with job order, or unit production.
- (b) *Participative leadership is also more effective than authoritarian leadership for process manufacture:* Here, the cycle begins with product development. The key to success is the ability to discover a new product through scientific research—a new chemical or fabric—which can be produced by already existing facilities or by new facilities once a market is established. The development, marketing, and production functions in process manufacturing, all tend to demand scientific personnel and specialised competence at the highest levels in the organisation. This concentration of staff expertise accounts for the higher ratios of staff to line personnel in process manufacturing. Since the success of these firms depends upon adjustment to new scientific knowledge, participative management is more effective than authoritarian.
- (c) *Authoritarian leadership is more effective in the case of firms using mass production technology (such as autos, foods, clothing, etc.):* Here the product is standardised and the market for the product also exists. The leader's only job is to manufacture the product through fairly routine means. To be able to do this job efficiently, the leader must clearly define the duties and responsibilities of his workers and adhere to the unity of command principle.

NEW APPROACHES TO TOP LEADERSHIP

Nowadays, most business organisations are facing a crisis requiring dramatic changes in their task, technology, structure and people. It is felt that the change required is too big to be accomplished by leaders born of traditional approaches in which they only *contract exchange of rewards* for employee efforts. Transactional leadership being a prescription for mediocrity brings about transactional or first

¹⁹ Joan Woodward, *Industrial Organisation: Theory and Practice* (London: Oxford University Press, 1965).

order change which inspires workers to give only 'normal' performance—charismatic and transformational leaderships are needed to bring about second-order changes which inspires workers to achieve new heights of performance to meet the requirements of twenty-first century. An organisation which depends solely upon its blueprints of prescribed behaviour is a very fragile local system.

Charismatic approach is a throw back to the old traits approach. It defines a charismatic leader in terms of certain personal traits and skills which enable him to exercise profound and extraordinary effects on his followers so that they *voluntarily identify with the organisation, its standards of conduct and willingly seek to fulfil its purpose*. Situations that promote charismatic leadership include a crisis requiring dramatic changes or following who are very dissatisfied with the status quo. The characteristics of a charismatic leadership include:

- Followers' distance from the leader. This makes it possible for them to build an aura of magic around the leader.
- Followers' likeness with the leader in some readily perceptible ways. This creates a common bond between the two.
- Followers' trust without any objective assessment in leaders' ability to somehow manage to take care of things.
- Followers' vicarious participation in leader's greatness

Unlike the legal type of authority where obedience is to be rendered only to the law, charismatic authority is personal and is not bound by rules of any kind.

Transformational Leadership

It is useless to tell a river to stop running. The best thing is to learn how to swim in the direction it is flowing. When the rate of change inside the organisation is exceeded by the rate of change outside the organisation, the end is near. In recent years, therefore, leadership has been reengineered from A to Z. It now operates on quite different principles. Business leaders need to rethink fundamentally their leading processes. They need to improve their skills in managing the changed behaviours of their businesses and followers.

Charismatic leadership that we have described above is just a component of transformational leadership. *Transformational leader may be defined* as one who leads his organisation through successful transformations by *shifting the values, beliefs and needs of his followers*. He makes necessary policy changes in their recruitment, selection, promotion, training and development, provides them high expectations, vision and sense of mission, instils pride and trust, promotes intelligence, rationality and careful problem-solving, and gives personal attention and coaching. Researchers on transformational leadership have found that an effective transformational leader has the following characteristics:

1. He is charismatic.
2. He identifies himself as a change agent.
3. He is courageous.
4. He is value driven.
5. He believes in people and has strong confidence in their ability.
6. He is a life-long learner.
7. He is a visionary.
8. He can skilfully deal with ambiguity, complexity and uncertainty.

Jack Welch's Transformational Leadership

When the 45-year Jack Welch became CEO of General Electric in April 1981 /the company, which was founded in 1878 by Thomas Edison, had, from its core businesses in power generation, household appliances and lighting, become world's leading diversified industrial companies Engaged in businesses as diverse as aircraft engines/medical systems/and locomotives. The United States economy was in recession facing the highest unemployment rates since the depression and Welch had the challenge to leverage performance in G.E.'s diverse portfolio under attack from global—often Japanese competitors.

Welch first focused on the company's hardware, He sold off more than 200 businesses that freed over \$11 billion of capital for better investments, reduced the number of hierarchical levels to make the company more lean and agile, and made services and manufacturing processes the base the business pyramid.

Welch next focused on the organisation's software. He harnessed the human resource system to translate broad cultural changes down to the individual levels articulated openness, candour, and facing reality as the core elements of G.E.'s management assembled W class leaders via rigorous selection appraisal, developed new ideas such as "workout" and "stretch targets", changed the company's incentive compensation plan tying 40% of bonus to an individual's achievement of six sigma objectives and converted Crotonville from a mere training institute to a powerful engine of change. The institute's priority became to develop a generation of leaders aligned to G.E.'s new vision and cultural norms and just not to simply train people.

LEADERSHIP ASSESSMENT

It is, of course, desirable to assess a leader's performance to determine whether or not he is doing the job required of him by his superiors or by his group. If his function is goal attainment, then the time required to reach the goal becomes a criterion to measure leadership effectiveness. If it is to keep the group needs satisfied, then a poll of individual needs would answer the leadership effectiveness question. If the leader's function is to engage in certain behaviours, then a comparison of these desired behaviours with the actual ones yields an assessment.

There are probably as many leader behaviour checklists as there are purposes of leadership assessment. Work patterns profile given in (Appendix 2) is an example of a schedule which can be used to study the time spent by a leader in each leadership activity.

While leadership is usually assessed over a past period of time, it is sometimes desirable to apply assessment to the future, that is, to predict potential leadership effectiveness. The leaderless group discussion (LGD) offers one way of doing this. In this situation, a leaderless group is formed to discuss some problem, and each member is evaluated on his leadership abilities by researchers. Then this leadership score is correlated with his leadership performance in a real-life situation. If the correlation is significantly high, the leaderless group discussion technique may serve as a predictor of future leadership abilities.

LEADERSHIP STYLE IN INDIAN ORGANISATIONS

India is one of the countries where even today sons and great grandsons of entrepreneurs automatically get promoted to the top with no tests given or questions asked. This is management by inheritance or management by chromosomes, with the result that most of the companies in India are highly centralised and family-oriented in their organisational structure and are authoritarian in their approach to their employees. In 1960 Myers²⁰ from his interviews with industrialists, government officials, labour leaders and managers in both Indian and foreign-owned firms, concluded that though there are some exceptional companies, "many Indian top managements are relatively authoritarian in their relationships with lower managements and with labour". The prevalence of a high degree of control was also highlighted in Ganguli's study²¹ of leadership behaviour in a state-owned engineering factory. In a survey by Punekar and Savur²² of the relations between white-collar employees and their supervisors in 11 different organisations such as banks, insurance companies, manufacturing firms, government offices, a state-owned public utility company and an educational institution, it was found that only three superiors out of the sample of 73 believed that subordinates can work without supervision and only six thought that giving responsibility to the white-collar employees is the best way to get the work done. Most superiors (70 per cent) expressed the belief that subordinates can only work with supervision and have no sense of responsibility.

Having surveyed some available research data on the value systems of Indian managers vis-à-vis managers in some other countries, Nitish De²³ found in early seventies that though Indian managers profess a belief in group-based participative decision-making, they *have little faith in the capacity of workers for taking initiative and responsibility*. It is an old problem typified by the pledge of allegiance to the flag being more important than contributions to the country—of following the form, rather than the substance.

There is no question that leadership roles are changing in the new environment. Five key leadership roles which are gaining prominence are:

- A strategic vision to motivate and inspire
- Empowering employees
- Sharing internal knowledge
- Gathering external information
- Challenging the status quo and enabling creativity

Transformational leadership is becoming very important as organisations are meeting the challenge of dramatic change in the 21st century. For example, CEOs of Tata Steel and L&T have led their companies through successful transformations. Ratan Tata bought Corus, formerly British Steel, in 2007 and completed the integration process, a formidable challenge for the best of companies, without a whiff of trouble. It is now the sixth largest steel maker in the world. A.M. Naik of L&T divested

²⁰ C.A Myers, *Industrial Relations in India* (Bombay: Asia Publishing House, 1960), p. 166.

²¹ H.C. Ganguli, *Structure and Process of Organisation* (Bombay: Asia, 1964).

²² S.D. Punekar and M.G. Savur, *Management of White Collar Relations* (Bombay: Popular Prakashan, 1969).

²³ Nitish De, "Dilemmas of Indian Managers", *Management in Government*, July–Sept. 1974.

non-core businesses to focus on the company's engineering strengths which transformed L&T into a company with great management depth and the capability to execute international projects, staving corporate takeover raids.

WORKER PARTICIPATION IN MANAGEMENT IN INDIA

We have seen earlier how participative management is considered the most desirable form of leadership. It is supposed that this form of leadership resolves a contradiction between democracy in society and authoritarianism in the work place. But the overall experience of participative practices in India such as joint management councils, works committees, etc. has been totally unsatisfactory.²⁴ These practices have for various reasons realised neither the social purpose of developing an egalitarian society nor the industrial purpose of higher production or satisfaction of workers. Some reasons for the failure of joint management councils supported by the findings of studies made by V.G. Mhetras (1966)²⁵ and N.R. Sheth²⁶ (1972), are as under:

1. Politicalisation of the labour unions has prevented joint management councils from drawing the crucial distinction between their role as instruments of collective bargaining with the management and as participants in managerial decisions. Workers' representatives on these councils feel dissatisfied with their role as decision-makers in respect of welfare activities only. They want to be given authority to share decisions on more important subjects of collective bargaining like wages and bonus in which they say the workers are most keenly interested.
2. Trade unions have a genuine fear that in the joint management councils the workers are likely to be more amenable to the influence of the employers. They may be brainwashed by the management.
3. There is also an apprehension that the workers, not having the expertise for management, are likely to be at a disadvantage vis-à-vis the management when complex matters are discussed.
4. The management has been chary of giving as much information to the workers as they need to make the councils a genuine success.
5. The middle management and supervisors are generally hostile to workers' participation because they resent their actions being questioned on the shopfloor. The fact that the management sometimes sides with the workers' representatives and reprimands the supervisors weakens their authority.
6. Some people hold the view that from today's vantage point the very word "participation" has a patronizing, indulgent ring to it. This brand of participation is severely bounded. It is telling the workers what the chef might tell the restaurant patrons "You can say how you liked the food, but stay out of the kitchen."

Today participation is out, and *involvement* is the new buzz word.

²⁴ P. Verma and S. Mukherji, *Industrial Relations in Government: Dynamics and Key Issues*, Technical Report No. 71, IIM, Ahmedabad, 1975.

²⁵ V.G. Mhetras, *Labour Participation in Management* (Bombay: Manakatalas, 1966). This study covers 5 companies.

²⁶ N.R. Sheth, *The Joint Management Councils—Problems and Prospects* (New Delhi: Shri Ram Centre for Industrial Relations and Human Resources, 1972).

→ Summary

- ☛ Leadership may be defined as the ability to influence and direct the task-related activities of the members of group. A leader is a goal-setter, planner, executive, expert, group representative, administrator of rewards and punishments and a symbol of the group.
- ☛ Three approaches to the study of leadership are: The traits approach, behavioural approach and contingency approach.
- ☛ The traits approach has not proved useful since no major traits have been identified that constantly distinguish leaders from non-leaders. The behavioural approach has focussed on leadership styles. Studies of leadership styles have distinguished between a task-oriented, authoritarian or initiating structure and an employee-centred, democratic or participative style. These studies seem to suggest that there is one best leadership style—one which combines democracy with high production. But this is refuted by the contingency approach which says that leadership is situational. This means that there are a number of factors peculiar to a situation which determine the effectiveness or otherwise of a leadership style. Important among contingency models are: Fiedler's model, Hersey and Blanchard's model and Robert J. House's model.
- ☛ There are four types of factors which seem to determine effective leadership. These are factors in the leader himself, factors in his subordinates, factors in the general situation, and factors in the organisational system.
- ☛ Two new approaches to leadership are the charismatic approach and the transformational approach.
- ☛ Nitish De has found that Indian managers have little faith in the capacity of workers for taking initiative and responsibility. This is one reason why worker participation in management has not become very popular in India. Researchers have further revealed that the average Indian worker feels more comfortable in nurturing than in participating relationships.
- ☛ Joint management councils have failed due to several reasons such as trade unions' opposition, lack of expertise of workers in management matters, hostility of middle management, and so on.

→ Appendix

1. LEADER BEHAVIOUR DESCRIPTION QUESTIONNAIRE

By Edwin A. Fleishman

Ohio State University, Bureau of Business Research

This is a 48-item questionnaire divided into two independent areas of leadership called "Initiating Structure" and "Consideration". The first area includes 20 items and the second is made up of 28 items. The scale is designed to find answers to the question "What does your own supervisor actually do"? All the 48 items are presented with a 5-point continuum answer scale that has scoring weights of zero to four, depending on the item orientation to the total dimension. The highest possible score is 112 for 'Consideration' and 80 for 'Initiation'.

Consideration

Item No.

1. He refuses to give in when people disagree with him.
2. He does personal favours for the foremen under him.
3. He expresses appreciation when one of us does a good job.
4. He is easy to understand.
5. He demands more than we can do.
6. He helps his foremen in their personal problems.
7. He criticises his foremen in front of others.
8. He stands up for his foremen even though it makes him unpopular.
9. He insists that everything be done his way.
10. He sees that a foreman is rewarded for a job well done.
11. He rejects suggestions for changes.
12. He changes the duties of people under him without first talking it over with them.
13. He treats people under him without considering their feelings.
14. He tries to keep the foremen under him in good standing with those in higher authority.
15. He resists changes in ways of doing things.
16. He 'rides' the foreman who makes a mistake.
17. He refuses to explain his actions.
18. He acts without consulting his foreman first.
19. He stresses the importance of high morale among those under him.
20. He backs up his foremen in their activities.
21. He is slow to accept new ideas.
22. He treats all his foremen as his equals.
23. He criticises a specific act rather than a particular individual.
24. He is willing to make changes.
25. He makes those under him feel at ease when talking with them.
26. He is friendly and can be easily approached.
27. He puts suggestions that are made by foremen under him into operation.
28. He gets the approval of his foremen on important matters before going ahead.

Initiation

1. He encourages overtime work.
2. He tries out his new ideas.
3. He rules with an iron hand.
4. He criticises poor work.
5. He talks about how much should be done.
6. He encourages slow-working foremen to greater effort.
7. He waits for his foremen to push new ideas before he does.
8. He assigns people under him to particular tasks.
9. He asks for sacrifices from his foremen for the good of the entire department.
10. He insists that his foremen follow standard ways of doing things in every detail.

11. He sees to it that people under him are working up to their limits.
12. He offers new approaches to problems.
13. He insists that he be informed on decisions made by foremen under him.
14. He lets others do their work the way they think best.
15. He stresses being ahead of competing work groups.
16. He needles the foremen under him for greater effort.
17. He decides in detail what shall be done and how it shall be done.
18. He emphasises meeting of deadlines.
19. He asks foremen who have slow groups to get more out of their groups.
20. He emphasises the quantity of work.

Most items are answered as

1. Always
2. Often
3. Occasionally
4. Seldom
5. Never.

2. WORK PATTERNS PROFILE

(The Ohio State University Personnel Research Board)

The profile includes 14 descriptions of leadership activities that have been found within leadership jobs. By using questionnaire and interview methods, each person studied in the organisation indicates the proportion of the time spent on each activity.

Note: Before each item below, please write the approximate percentage of time spent in the responsibility described.

- (%) 1. *Inspection of the organisation:* Direct observations and personal inspection of installations, buildings, equipments, facilities, operations, services or personnel—for the purpose of determining conditions and keeping informed.
- (%) 2. *Investigation and research:* Acts involving the accumulation and preparation of information and data (usually prepared and presented in the form of written reports).
- (%) 3. *Planning:* Preparing for and making decisions that will affect the aims or future activities of the organisation as to volume or quality of business or service (including thinking, reflection and reading, as well as consultations and conferences with persons relating to short-term and long-range plans).
- (%) 4. *Preparations of procedures and methods:* Acts involving the mapping of procedures and methods for putting new plans into effect, as well as devising new methods for the performance of operations under existing plans.
- (%) 5. *Coordination:* Acts and decisions designed to integrate and coordinate the activities of units within the organisation or of persons within units, so as to achieve the maximum overall efficiency, economy and control of operations.
- (%) 6. *Evaluation:* Acts involving the consideration and evaluation of reports, correspondence, data, plans, decisions or performances in relation to the aims, policies, and standards of the organisation.

- (%) 7. *Interpretation of plans and procedures*: Acts involving the interpretation and clarification for assistants and other personnel of directives, regulations, practices and procedures.
- (%) 8. *Supervision of technical operations*: Acts involving the direct supervision of personnel in the performance of duties.
- (%) 9. *Personnel activities*: Acts involving the selection, training, evaluation, motivation or disciplining of individuals, as well as acts designed to affect the morale, motivation, loyalty, or harmonious cooperation of personnel.
- (%) 10. *Public relations*: Acts designed to inform outside persons, regarding the programme and functions of the organisation, to obtain information regarding public sentiment, or to create a favourable attitude towards the organisation.
- (%) 11. *Professional consultation*: Giving professional advice and specialised assistance on problems of a specific or technical nature to persons within or outside the organisation (other than technical supervision and guidance of own staff personnel).
- (%) 12. *Negotiations*: Purchasing, selling, negotiating contracts or agreements, settling claims, etc.
- (%) 13. *Scheduling, routing and dispatching*: Initiating action and determining the time, place, and sequence of operations.
- (%) 14. *Technical and professional operations*: The performance of duties specific to a specialised profession (e.g., practice of medicine, conducting religious service, classroom teaching, auditing records, operating machines or equipment).
- (100%) Total time spent in major responsibilities.

» Key Terms

Traits Approach to Leadership This approach assumes that successful leadership is correlated with *what* the leader is, i.e. his personality traits and characteristics.

Behavioural Approach to Leadership This approach assumes that the successful leadership is correlated with *what* the leader *does*, i.e. his behaviour.

Contingency Approach to Leadership This approach assumes that successful leadership

is correlated with the *identification of the most important situational factors* under a given set of circumstances.

Situational Approach to Leadership This approach assumes that successful leadership is correlated with identification of the forces in the leader, in his subordinates, in the general situation, and in the organisational system.

? Review Questions

1. What is leadership? Describe the functions of a leader.
2. "Leaders are not born but made." Comment.
3. "The successful leader accurately understands himself, the organisation, the individuals and the group he is dealing with and the broader social environment in which he operates." Discuss.

4. Is leader the same as manager? Discuss.
5. What factors should govern the selection of a style of leadership by a manager?
6. Point out some important qualities that make for successful leadership. Define the concept of empathy.
7. Define leadership and give its characteristics.
8. "Leadership is situational". Comment.
9. "A successful leader is not necessarily effective." Comment.
10. What is Managerial Grid as developed by Blake and Mouton?
11. What are the important features of Robert J. House's contingency leadership model.
12. State the important features of Fiedler's contingency model of leadership.
13. Give five important reasons for the failure of joint management councils in India.
14. Write short notes on:
 - (a) Charismatic leader
 - (b) Transformational leader
 - (c) Substitutes for leadership
 - (d) Pygmalion effect
15. Fill in the blanks:
 - (a) Whether a person would emerge as a leader or not depends on a number of _____ factors.
 - (b) _____ trait has been found to be absolutely essential for leadership.
 - (c) In _____ leadership decision-making is centralised.
 - (d) Individuals who believe that what happens to them occurs because of luck or chance are called _____.
 - (e) Job order and process manufacture require _____ leadership.
 - (f) The overall experience of worker participation in management in India has been totally _____.

[(a) Situational, (b) No, (c) Authoritarian, (d) Externals, (e) Participative, (f) Unsatisfactory.]

Projects

1. Using the information in this chapter prepare a *questionnaire* to know about the leadership style of a supervisor and the characteristics which he or she appears to reflect.
2. Joseph Conklin* proposes ten questions for self-examination to help you understand your capacity for leadership. Answer the following questions and discuss why they are important for leadership:
 - (a) How much do I like my job?
 - (b) How often do I have to repeat myself?
 - (c) How do I respond to failure?
 - (d) How well do I put up with second guessing?

* Joe Conklin, "What it takes to be a leader", *Quality Progress*, November 2001, 83.

- (e) How early do I ask questions when making a decision?
- (f) How often do I say "thank you"?
- (g) Do I tend to favour a loose or strict interpretation of the rules?
- (h) Can I tell an obstacle from an excuse?
- (i) Is respect enough?
- (j) Have I dispensed with feeling indispensable?

CASES

GETTING EFFECTIVE LEADERSHIP AND SUCCESSFUL VS EFFECTIVE LEADERSHIP

1. Getting Effective Leadership

For several months, the supervisors of a large corporation have been very dissatisfied with the new division head. Before the arrival of the new division head, the department had functioned as a cohesive, effective unit, combining hard work with equal amount of leisure. The new division head has very strong ideas about the type of environment his employees should have. As one supervisor puts it, it resembles a full scale military operation. No longer are employees allowed to place personal belongings on the walls of their offices or have occasional informal gatherings during office hours. The bottom line has become productivity first, with the employees' feelings being considered as an afterthought. Grass-root employees as well as supervisory personnel are very upset about the changes in structure, and their dissatisfaction is beginning to show up in their performances. Because of the decreased productivity levels, the supervisors have been informed that if they don't shape up their subordinates, "the axe will fall on several heads". The frustration and anger is now beginning to come to a full boil and the supervisors have decided to meet to discuss the situation.

Discussion Questions

1. Identify the leadership style of the division head from the angle of Managerial Grid.
2. From the viewpoint of Theory X and Y, what assumptions did the new head make about the way in which people work most effectively?

2. Successful vs Effective Leadership

Super Engineering Company was a multi-locational light engineering company. It had manufacturing facilities at Hyderabad, Pondicherry and Indore. The company adopted budgetary system with main emphasis on production and expense budgets. The budget targets used to be set on the basis of analysis of production facilities and production operations. While two units located at Hyderabad and Pondicherry were working properly and were able to meet their budget targets, Indore unit was not able to do so.

Mr P. Manohar was transferred to Indore unit as plant manager. He joined the company about eight years back as engineer trainee and became the assistant plant manager at Hyderabad unit,

the biggest of the three units. Manohar was very ambitious and a little bit autocratic. He believed in the exercise of authority and control to carry out his instructions. He was high achiever and believed in getting things done. He got quick promotions in the company.

Immediately after joining at Indore unit as plant manager, Manohar made preliminary study of the plant and issued instructions to all departments to reduce their expenses by five per cent. A fortnight later, he instructed the departments to increase production by ten per cent. He also instructed all supervisors to strictly adhere to budgets. He introduced several new reports and watched the operations very closely. He suspended two supervisors in the second month for not meeting the budget targets. Subsequently two supervisors left the plant.

With all his efforts, the unit was very much on the right track and within six months exceeded the new budgeted production figures by eight per cent. On setting the plant right, he was called back at Hyderabad unit as plant manager where vacancy arose. However, shortly after he left for Hyderabad, the productivity at Indore unit fell below the earlier level and the budget was again in trouble.

Discussion Questions

1. Analyse Manohar's style of leadership at Indore unit.
2. Why was there a drop in productivity at the unit after Manohar left it?

Managerial Control

18

LEARNING OBJECTIVES

This chapter will enable the reader to:

- Define control
- Explain the steps in a control process
- Describe the need for and the benefits of control
- Discuss the essentials of an effective control system
- Examine the problems of a control system
- Describe the various control techniques grouped as:
 - (a) Past-oriented control techniques and future-oriented control techniques
 - (b) Market control techniques, bureaucratic control techniques and clan control techniques; and
 - (c) Old control techniques and new control techniques

Control is one of the important functions of management. In the words of E.F.L. Brech,¹ "Control is checking current performance against predetermined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance." According to George R. Terry,² "Controlling is determining what is being accomplished, that is, evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans."

¹ E.F.L. Brech, *Principles and Practice of Management* (London: Pitman, 1972).

² George R. Terry, *Principles of Management* (Homewood, III: Richard D. Irwin, 1968) p. 543.

NEED FOR CONTROL SYSTEM

A control system is needed for four purposes:

1. measuring progress;
2. uncovering deviations;
3. indicating corrective action; and
4. transmitting corrective action to the operation.

Measuring Progress

There is a close link between planning and controlling the organisation's operations. We have discussed in Chapter 4 how in the planning process, the fundamental goals and objectives of the organisation and the methods for attaining them are established. The control process continually measures progress towards goals. As Fayol³ so clearly recognised decades ago, "In an undertaking, control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established." As the navigator continually takes readings to ascertain *where he is* relative to a planned course, so does the manager take readings to see where his enterprise or department is on the charted and predetermined course.

Uncovering Deviations

Once a business organisation is set into motion towards its specific objectives, events occur that tend to pull it "off target". Major events which tend to pull an organisation "off target" are as follows:

Change Change is an integral part of almost any organisation's environment. Markets shift, new products emerge, new materials are discovered and new regulations are passed. The control function enables managers to detect changes that are affecting their organisation's products or services. They can then move to cope with the threats or opportunities that these changes represent.

Complexity Today's vast and complex organisations, with geographically separated plants and decentralised operations make control a necessity. Diversified product lines need to be watched closely to ensure that quality and profitability are being maintained; sales in different retail outlets need to be recorded accurately and analysed; the organisation's various markets—foreign and domestic—require close monitoring.

Mistakes Managers and their subordinates very often commit mistakes. For example, wrong parts are ordered, wrong pricing decisions are made, problems are diagnosed incorrectly, and so on. A control system enables managers to catch these mistakes before they become serious.

Delegation As we discussed in Chapter 8, when managers delegate authority to subordinates, their responsibility to their own superiors is not reduced. The only way managers can determine if their subordinates are accomplishing the tasks that have been delegated to them is by implementing a system of control. Without such a system, managers will not be able to check on their subordinates' progress, and so not be able to take corrective action until after a failure has occurred.

³ Henri Fayol, *General and Industrial Management* (N.Y.: Pitman Publishing Corporation, 1949), p. 107.

Indicating Corrective Action

Controls are needed to indicate corrective actions. They may reveal, for example, that plans need to be redrawn or goals need to be modified or there is need for reassignment or clarification of duties or for additional staffing or for conforming to the way the work should be done.

Transmitting Corrective Action to the Operation

Controls are needed to transmit corrective action to the operation while it is progressing so that the transformation subsystem modifies its inputs or its production plan to reduce any discrepancy or error and keeps the output "on course". The thermostat is a classic example of this operating principle. When the room temperature drops below a desired level, the control mechanism in the transformation subsystem at once transmits this information (called "feed forward") and the temperature begins to rise till it reaches the selected level.⁴

Control-related information flows in most of our modern organisations also follow the above-mentioned thermostat operating principle. They make available to the transformation subsystem at all times the information about operating results in various forms, such as electronic impulses, written or spoken words, reports, etc. to serve as the basic input for comparison with the standards and for automatic decision-making. The transformation subsystem thus takes the shape of a closed loop as shown in Fig. 18.1. However, the system is closed only in the short run. Human intervention is involved to adjust the system periodically, according to a subjective impression of the environment. Thus, the overall system is open, but we have closed loop control once the system is set.

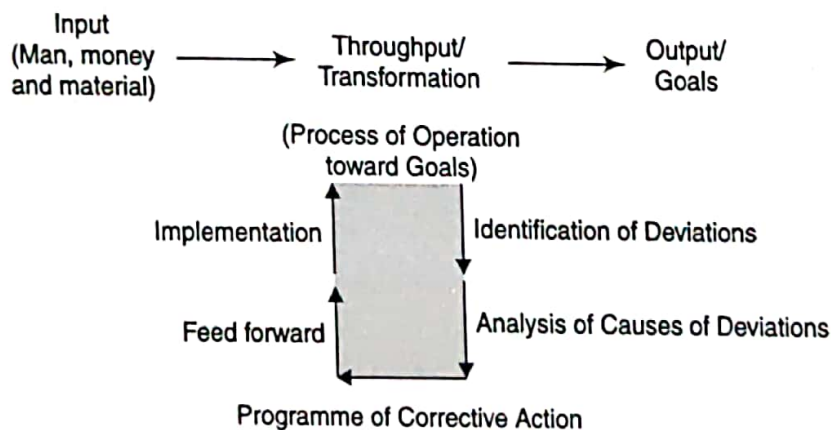


FIG. 18.1 Transformation subsystem as a closed loop

BENEFITS OF CONTROL

A well-developed control system

- increases productivity,
- reduces defects and mistakes,
- helps meet deadlines,

⁴ An automatic machinery is one which follows only a pre-set cycle of operations and cannot adjust for variations. A fridge or a toaster is a simple example of an automatic machine. An automated machine, on the other hand, is one which is self-correcting. By feedback it corrects itself for variations.

- facilitates communication,
- improves safety,
- lowers cost, and
- gives the workers control over their environment.

ESSENTIALS OF EFFECTIVE CONTROL SYSTEM

The essentials of an effective control system are as follows.

Suitable

The control system should be appropriate to the nature and needs of the activity. Controls used in the sales department will be different from those used in finance and personnel. Similarly, a machine-based method of production requires a control system which is different from the system that is used in labour intensive methods of production. Hence, every concern should evolve such a control system as would serve its specific needs. It must also take into account the traditions of the company, the ways controls are administered the degree of delegation and similar other factors.

Timely and Forward Looking

Although an ideal control system, as in certain electric controls, should be able to detect deviations *before* they occur, the same is not possible in personnel and marketing controls which always include a time lag between the deviation and corrective action. In any case, the feedback system should be as short and quick as possible and the information should reach the superior before it is too late to head off failures. Also, employees, knowing that a prompt check on deviations from standards will be made, are more likely to be careful in their daily work.

Objective and Comprehensible

The control system should be both objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little room for argument by the employees. The meaning of the central data should be clear to the manager who should use it.

Flexible

The control system should be flexible so that it can be adjusted to suit the needs of any change in the basic nature of the inputs and/or the sizes, varieties or types of the same product or service. One way of introducing flexibility into a control system is to make the adjustments automatic. Both flexible budgets and standard costs, for example, provide a shifting standard for expenses, as the volume of work goes up or down. A similar type of adjustment is in effect when the sales quotas are tied to general business activity. In all such plans, *the basis for shifting the control standard is built right into the system.*

Economical

Economy is another requirement of every control system. The benefit derived from a control system should be more than the cost involved in implementing it. To spend a dollar to protect 99 cents is

not control. It is waste. Eighty years ago this was clearly understood by the men who built Sears, Roebuck—the world's biggest retail store. In the early days of the mail-order business, the money in incoming orders was not counted. The orders were weighed, unopened. (These were, of course, the days when currency was still metallic.) Sears, Roebuck had run enough tests to know what average weights correspond to overall amounts of money—and this was sufficient control.

Prescriptive and Operational

A control system in order to be effective and adequate must not only detect deviations from the standards but should also provide for solutions to the problems that cause deviations. In other words, the system should be prescriptive and operational. It must disclose where failures are occurring, who is responsible for them, and what should be done about them. It must focus more on action than on information.

Acceptable to Organisation Members

The system should be acceptable to organisation members. When standards are set unilaterally by upper level managers, there is a danger that employees will regard those standards as unreasonable or unrealistic. They may then refuse to meet them. Some control systems, specially those based on mathematical formulas, complex breakeven charts and computer printouts, are not understandable to the managers who must use them. But participatively set custom-fit performance standards for each person reduce resistance. Status differences between individuals also have to be recognised. Individuals who have to report deviations to someone they perceive as a lower level staff member may stop taking the control system seriously.

Reveal Exceptions at Strategic Points

A control system should be such as to reveal exceptions at strategic points. Small exceptions in certain areas have greater significance than larger deviations in other areas. Five per cent deviation from the standard in office labour cost is more important than 20 per cent deviation from the standard in cost of postage stamps. That we can quantify something is no reason for measuring it. The question is "Is this what a manager's attention should be focussed on?" An auditor of a set of financial books does not attempt to look at every entry. He has developed through experience key spots that serve as warning posts. The purpose of these strategic points is principally to *direct attention* rather than to evaluate. It should be remembered that strategic point control is not the same as the exception principle. Whereas the former has to do with *recognising the points* to be watched, the latter has to do with watching the size of deviations at these points.

Following are some guidelines in picking these strategic points:

- (a) They should be able to catch important deviations quickly.
- (b) They should be practical and economic.
- (c) They should provide controls over large blocks or activities.
- (d) They should be helpful in advancing knowledge.

Motivate People to High Performance

A control system is most effective when it motivates people to high performance. Since most people respond to a challenge, successfully meeting a tough standard may well provide a greater sense of

accomplishment than meeting an easy standard. However, if a target is so tough that it seems impossible to meet, it will be more likely to discourage than to motivate effort. Standards that are too difficult may, therefore, cause the performance of organisation members to decline.

Should Not Lead to Less Attention to Other Aspects

Control over one aspect of operations should not lead to less attention to other aspects. For example, if controls put pressure on employees to increase output, the quality of work, care of equipment, and prevention of waste should not be neglected. Similarly, overemphasis on controlling tangible results should not lead to the neglect of intangible results such as cooperation with other department or employee development.

Should be Periodically Reviewed and Evaluated

Every control system should be periodically reviewed and evaluated in relation to its objectives to see how effective and efficient the design proved to be or why it failed.

STEPS IN A CONTROL PROCESS

There are three basic steps in a control process:

1. Establishing standards
2. Measuring and comparing actual results against standards
3. Taking corrective action

Establishing Standards

The first step in the control process is to establish standards against which results can be measured. Since entire operations cannot be observed, each organisation must develop its own list of key result areas for which standards need to be established. Some key areas in all business organisations are: profitability, market position, productivity, personnel development, employee attitudes and public responsibility. An executive who wishes to control a particular key area often finds that the work in question has several characteristics. He must, therefore, determine the **level of performance or "par"** for *each* characteristic all pars should later on part of the standard for that key area.

Guidelines for Setting Pars/Standards

1. They must be specifically determined in quantitative terms. Pars or standards expressed in vague or general terms such as, "costs should be reduced" or "orders should be executed quickly" are not as specific as "overheads must be reduced by 12 per cent" or "all orders must be executed within three working days." Even pars or standards in areas such as public relations, while hard to express in quantitative terms, can be defined more accurately by adding more specific details, about the number and type of customer complaints. In engineering, since there are no fixed quantities, the standard is more variable. For example, knowing how the curvature of the hood of a car will relate to the air/wind resistance of that body part is more useful than knowing a specific parameter for the curve of the hood.

2. They should be *accepted* by the individuals involved. They must fit their expectations and group habits.
3. They need to be *flexible* in order to adapt to changing conditions. For instance, a new salesman who proves to be an above-average performer should have his sales standard adjusted accordingly. Similarly, expected delivery times need to be adjusted if the local highway is being repaired. Even so in setting pars or standards, care must be taken to prevent the subordinates from feeling that they will be changed merely because they are consistently met. One reason for the early opposition to scientific management was the shortsighted practice of some managements to change an output standard as soon as an output operator earned more than what was considered appropriate for his job.
4. They should *emphasise the achievement of results* more than the conformity to rules and methods. If they do not do so, then people will start giving more importance to rules and methods than to the final results. "Doing the right things" will give place to "doing things right". This would displace organisational goals.

Measuring and Comparing Actual Results against Standards

The second step in the control process is to measure the result and compare it with the predetermined pars. One important point to be considered here is whether measurement and comparison are to be done at various stages in the throughput process or at the end. If the purpose of control is to catch trouble while it is forming then this should be done at various strategic points before the end of the throughput process. A fault to be avoided, however, is to allow too long a period of time to pass between performance measurements. Frequency of measurements depends on the nature of the task being controlled. Thus, quality control of items coming off an assembly line often requires hourly monitoring because significant changes can take place any time in any run of items. But this is not so when developing a product or appraising an employee.

Taking Corrective Action

After comparing the actual performance with prescribed standards and finding the deviations, the next step that should be taken by the manager is to correct these deviations. Corrective action should be taken without wasting time so that the normal position can be restored. The manager should also determine the correct causes for deviation. The causes for deviation may be of different types, such as inadequate and poor equipment and machinery, inadequate communication system, lack of motivation of subordinates, defective system of training and selection of personnel, defective system of remuneration, etc. The remedial action that should be taken depends on the nature of causes for variation.

PROBLEMS OF THE CONTROL SYSTEM

Unanticipated Magnitude of Change

Control systems are mostly designed to cope with changes of a certain magnitude. Certain decisions are made regarding which of the variables in the system can change, how much they will change, and what actions can be taken to correct these changes. The system is designed around these variables. For example, management recognises that not all employees will show up each day on a production line and that production problems will occur because of equipment or material problems.

Therefore, it provides for alternative labour sources and for maintenance men or production engineers who can be called when technical problems occur. These corrective actions are programmed into the foreman's decision rules. But these corrective actions can work only when the assumptions are met, e.g., when only one or two employees do not show up or only one machine at a time breaks down. If 90 per cent of the workers go home after lunch because they have had food poisoning after eating in the cafeteria or if the whole assembly line has to close down because of a power failure, there is very little the foreman can do to correct the change. The variables have gone outside the range that the control system was designed to handle. It may be cheaper to accept an occasional production stoppage, rather than pay the cost of designing and operating a control system that can be adapted to all potential variations.

Lack of Timeliness of Feedback

Information feedback must be timely to be effective. Time lags in feedback can cause severe problems. Such time lags tend to slow down the adaptive process, that is, they increase the length of time it takes for the control system to respond.

It is easy to see how time lags can develop in a control system. Organisational control systems, particularly at higher levels in the organisation, often depend on written reports for their sensed information and on written memos or directives as the corrective feedback. But it obviously takes time to write and transmit such information. If the activity is changing rapidly, the problem will be entirely different by the time the corrective feedback reaches the activity.

Wrong Information

When the information fed back to a control system is *wrong*, incorrect decisions are made. Some examples of wrong reporting are: A line worker drops a part under the work bench and pulls a replacement from stock without recording either transaction. An inventory clerk makes an error in counting. A quality control department misplaces a decimal point in setting the standards for accepting and rejecting units off an assembly line. A department supervisor decides to perform jobs in a different order than prescribed. Typical results are inaccurate job costing, excess inventory or stockout problem, too many defective units being accepted or too many good units being rejected and missed due dates. When the information is collected as a matter of routine and is not studied carefully people become careless in their reporting.

Information Overload

Information overload is another problem in a control system. If managers at all levels receive identical details about any event they may be overburdened and may neglect their immediate responsibilities. They may also suggest remedies *before* their subordinates are given an opportunity to take action. Thus, in planning a control system, one must keep in mind the *quantity* and *type* of information that should reach every manager.

Management Information System (MIS) is an organised method by which managers at all levels in the organisation are presented with needed information in the right form and at the right time so that they are in a position to perform their tasks well. Broadly speaking, an organisation's MIS must provide three types of information required by managers at the three levels of hierarchy (first line, middle and

Appl. At the first line level the required information relates to operational control. At the middle level it relates to tactical planning and control and at the top level it relates to strategic planning. Table 18.1 gives examples of information needed at these three levels in different functional areas:

Table 18.1 Control Activities in Different Functional Areas

Functional Area	Level		First-line
	Top	Middle	
Production	New plant location, plant capacity	Product mix, Work overtime or second shift, Material delivery	Scheduling of jobs on specific machines Wastage and cost overruns
Marketing	New market penetration	Media planning, Sales promotion	Sales contacts to be made by a salesman in the next week
Finance	Alternative sources of financing	Maximum levels of credit to customers	Actions to be taken against defaulting borrowers
Personnel	Welfare policy	Performance appraisal Promotion	Leave recording

It may, however, be remembered that MIS is different from knowledge management which we have described in Chapter 12. *Whereas knowledge management is focused on information derived from the analysis of data, information management is focused on the data itself.*

Worker's Resistance

Setting the right standards or control limits is very difficult in the control of human systems. Human behaviour is complicated, and it is not easy to impose controls without leading to conflicts. Employees regard any control system as a tool to exert pressure on them. Thus a control system must first be "sold" before it is introduced. Leadership and motivation are significant factors in the control of human systems. Employees dislike controls due to a variety of reasons:

- 1. Failure to accept objectives** If a person fails to accept certain objectives, he may find the control mechanism that pushes him toward those objectives a distinct annoyance. Thus, a worker may not care to reduce waste if he thinks that this is not going to make any difference to his employer who is very rich.
- 2. Unreasonable standards** A person may dislike control because he thinks the standard of performance set for him is too high. Thus, a salesman may object to his quota or the production department to a schedule for reducing inventories.
- 3. Too many controls** The continuous search and invention of new control systems to correct for the limitations of previous ones. What Roethlisberger⁵ calls "The vicious cycle syndrome" result in too many controls which act as irritants. But there is no simple rule to warn a manager as to which additional control is going to prove as the last straw on the camel's back and cause an employee to quit.
- 4. Incomplete measurements** Sometimes, people dislike controls because they believe that the measurement of their performance is incomplete and consequently they do not get credit for the work they do. Thus, a control device that emphasises only the importance of current sales volume may be

⁵ Fritz J. Roethlisberger, *Toward a Unified Theory of Management*, McGraw-Hill Book Co., N.Y. 1964, p. 54.

resisted by the sales representative convinced of the importance of developing long-term goodwill with customers.

5. *Short time-span of appraisal* Sometimes, people complain that the time span of appraisal is too short to enable a fair assessment of their performance.

6. *Disclosure of unpleasant facts* Many people do not like controls because they fear exposure of their weaknesses before their peers and subordinates. There is also the fear of an unfavourable report leading to demotion, cut in pay, reprimand, or dismissal.

7. *Wrong persons trying to control* Senior people dislike controls when they come from their juniors in the management hierarchy. Thus, a line person may not like being controlled by a staff person and may say "Who does he think he is?"

8. *Opposite social pressure* People pay greater regard to the performance norms prescribed by their groups than to the formal standards set by the manager.

CONTROL TECHNIQUES

Control techniques are almost as diverse as the activities of business. The following are three important ways in which they are classified:

1. Past-oriented control techniques and future-oriented control techniques
2. Market control techniques, bureaucratic control techniques and clan control techniques
3. Old control techniques and new control techniques

Past-oriented Control Techniques and Future-oriented Control Techniques

Past-oriented control techniques are also known as *post-action* controls. They measure results *after* the work is completed—it is post-mortem. Examples of such controls are most accounting records, inspection of goods and services and school grade reports. These controls can be used to plan future steps before repeating the same operation. They can also be used as a basis for rewarding, disciplining, training or promoting individuals.

Future-oriented control techniques are also known as *steering* controls or *feed-forward* controls. They measure results *before* the work is completed. They serve as warning-posts principally to direct attention rather than to evaluate. Examples of such controls are cash flow and funds flow analysis, network planning, etc. which enable managers to keep a watch on an operation while it is progressing and to see that they will have problems in such areas as cash or on-time delivery unless they take prior action. Mail order companies, to cite another example, have found that the weight of incoming mail gives an early indication of the volume of business. With this warning of ups and downs in the volume of work, they are able to adjust work assignments in order to reduce expenses or to make prompt deliveries of unusually large volumes.

The two types of control we have discussed above *are not alternatives to each other*. Most organisations use both these types. With a future-oriented control (which enables corrections to be made before the system output is effected) a manager would still want to measure the final system output since nothing can be expected to work perfectly enough to give the confidence that the final output will always be exactly as is desired.

Market Control, Bureaucratic Control and Clan Control Techniques⁶

Market control techniques establish control by drawing comparisons of prices and profits of previous years, or of other organisations. The prices which organisations assign to their products or services are considered as an accurate reflection of the effectiveness of their internal control.

Bureaucratic control techniques (such as rules, policies, hierarchy of authority, operating budgets and periodical statistical reports), establish control by requiring employees to comply with them.

Clan control techniques establish control by generating trust, tradition, commitment and shared belief.

Although all three types may appear in an organisation yet each is best suited to a particular type of organisation. Thus, market control techniques are best suited to profit organisations operating in a competitive environment, bureaucratic control techniques are best suited to non-profit organisations where prices and competitive markets do not exist, and control techniques are best suited to matrix organisations and small family-owned organisations, which should follow hundred per cent commitment rule.

Old Control Techniques and New Control Techniques

Old control techniques are those techniques which have been long used by managers. Most of these techniques are financial or accounting-based directed toward the control of money. *New control techniques* provide the kind of information that are not readily available with the old techniques. As engineers are far ahead of managers in their ability to measure what is going on, these techniques act as better future-oriented devices directed toward the *control of time*.

We give below a brief description of some techniques under each category.

Old Control Techniques

Budgeting As indicated in the preceding section, three essential steps in the control process include establishing standards, comparing results with standards, and taking corrective action. In terms of these steps, the preparation of budgets is, in effect, the step of establishing clear and unambiguous standards of performance mostly in monetary terms.

Budgets cover a designated time period—usually a year. At stated intervals during that time period, actual performance is compared directly with the budget targets and deviations are quickly detected and acted upon.

The budgeting process begins when top management sets the strategies and goals for the organisation. Usually, lower level managers will then devise budgets for their sub-units within these guidelines set by top management. The budgets will then be reviewed by the superiors of these managers; the superiors will eventually integrate lower level budgets into their own budget and send it up the chain of command for review. This process continues until the organisation's overall budget has been approved by the board of directors. A budget department or budget committee may assist line managers in budget preparation and review.

Communication of *planning premises* is essential if the subsidiary budgets at lower levels are to be prepared consistently. The production manager, for instance, must know what assumptions to make

⁶ William G. Ouchi, "A Conceptual Framework for the Design of Organisational Control Mechanisms", *Management Science*, 25 (1979).

about wages, availability of raw materials, volume of sales, etc. Similarly, the sales manager must know about how soon and at what cost a certain new product will be ready for the market. Therefore, someone must provide a forecast or guess that can be used consistently in all the subsidiary budgets.

Types of budgets On the basis of the purpose for which budgets are prepared, they may be classified as follows:

1. **Personnel Budget** It is a personnel programme expressed in monetary terms usually for one year. The personnel manager can compare his expenditures under various heads with the budgeted provisions and with those of other companies. This enables him to know whether he is spending high or low, whether he is getting his money's worth and whether he is in danger of losing his better men.
2. **Sales budget** It is a comprehensive sales programme and plan for developing sales that is increase in market share. It lays down the sales potential in terms of quantity, value, period, product, etc. Sales forecasting is the basis for preparing this budget. A sales budget is prepared by the sales manager with the assistance of salesmen and market research officers. The factors to be considered for preparing sales budget are population trend, consumer's purchasing power, price trend of the product, nature of competition, past sales, extent of advertising, etc.
3. **Selling and distribution cost budget** This budget lays down the cost of selling and distribution of the product during the budget period. It includes advertising cost, research and development cost, transport cost, etc. This budget is jointly prepared by the sales manager, advertising manager and the distribution manager.
4. **Production budget** This budget is based on the sales budget. It lays down the quantity of units to be produced during the budget period. The main purpose of this budget is to maintain an optimum balance between sales, production and inventory position of the firm. This budget is also known as the "output budget".
5. **Production cost budget** This budget is based on the production budget. It lays down the estimated cost of carrying out production plans.
Further, the production cost budget is subdivided into various sub-budgets like raw materials budget, labour budget, production overhead budget, etc. *The raw material budget* lays down the quantity of raw material required for production during the budget period. This budget is prepared by the head of the manufacturing department. *The labour budget* lays down the estimates of labour requirements necessary to carry out estimated production during the budget period. It may include both direct and indirect labour requirements. In some cases, indirect labour requirements may be shown in the manufacturing expenses budget instead of in the labour budget. *The production overhead budget* gives the estimates of all production overheads to be incurred during the budget period. It breaks up the production overheads into three parts, viz. fixed, variable, and semi-variable.
6. **Capital expenditure budget** This budget outlines specifically, capital expenditures for plant, machinery, equipment, inventories and other items. It also points out the plans concerning investment, expansion, growth, improvements, replacements, etc.
7. **Cash budget** This budget gives the anticipated receipts and disbursements for the budget period and shows the cash position arising from it. It indicates the requirement of cash at various points of time and helps the management in planning and arranging cash to meet the needs of the business concern. Thus, it ensures that the concern never has any shortage of cash required. Cash budget helps the management in controlling and coordinating the activities which involve receipt and payment of cash.

8. Master budget A master budget gives a summary of all the functional budgets and shows how they affect the business as a whole. In other words, it is compiled from various subsidiary or functional budgets. It provides detailed particulars regarding production, sales, cash, fixed assets, etc. The need for a master budget containing a *summary* of all the subsidiary budgets arises because business concerns are too large to permit the detailed planning of all the aspects of the business in one budget.

Advantages of budgetary control The following are some of the important advantages of budgetary control:

1. *The different functional budgets clearly indicate the limits for expenses and also the results to be achieved in a given period.* This helps the enterprise in having a planned approach for its various activities. This also keeps everybody in the enterprise alert and encourages the optimum use of its resources.
2. *Budgets make it possible to coordinate the work of the entire organisation.* In devising budgets, managers take into account information provided by the sub-units of their organisation. The interaction between managers and subordinates that takes place during the budget development process helps define and integrate the activities of all members in the organisation.
3. *Since budgets are generally prepared with the consultation of managers at different levels, they provide to the enterprise the fruit of combined wisdom.* Lower level managers are motivated in accepting and meeting budgets that they have had a hand in shaping.
4. The budgetary control brings together the activities of various departments in an overall perspective and *this promotes cooperation and team spirit among the employees.*
5. *Through budgetary control, the deviations from the predetermined subjective standards are found out* and the management is enabled to take suitable corrective action immediately. This minimises wastage and losses.
6. *The budget system helps people learn from past experience.* Once the budget period is over, managers can analyse what occurred, isolate errors and their causes, and take steps to avoid those errors in the next budget period.
7. *Budgets improve communication.* A plan cannot be put into effect unless it is communicated to those who must carry it out. In the process of developing the budget with those responsible for its implementation, managers can communicate their own objectives and plans most effectively.
8. *The system is easy to install.* Accounting records are already being compiled, so comparison of the budget plan with actual results entails no new measuring system.

Limitations of budgetary control Some of the limitations of budgetary control are as under:

1. Budgets are mostly inflexible and rigid and do not respond to internal or external environmental changes. In so far as they are in error, because of these unmanageable changes, they lose their validity as a standard. A district sales manager, for example, cannot be held accountable for a drop in sales if a truckers' strike prevents delivery of merchandise to his customers.
2. Budgets are of little help in handling the here-and-now problems that supervisors have. They are useful only in analysing the past and charting the future. They do not "manage", but merely serve as a tool to be used by management.
3. In a budgetary control programme people show anxiety to spend their current budget to the hilt so that their budget for the next financial year is not reduced. They show little concern to evaluate the result of their spending. In fact, all their effort is directed at increasing the budget for the next year. 'Performance' in the budget-based organisation means the ability to maintain or increase one's budget.

4. A good manager is discouraged from taking initiative and undertaking activities for which provision has not been made in the budget, even though they are useful for the enterprise. On the other hand, a bad manager can hide his inefficiency behind the budget which does not examine whether last year's expenditure was at all, necessary and whether there were more economical alternatives to the expenditure that could yield the desired results.

Zero-base budgeting (ZBB) Under traditional budgeting, a manager starts with the *current* level of operation as an established base instead of re-evaluating all programmes. This type of budgeting, therefore, does not answer questions such as: Are current programmes efficient and effective? What are the alternatives? Should current programmes be eliminated or reduced in order to fund higher-priority new programmes or to improve profits? This is not so under zero-base-budgeting which is done every year from a scratch. A manager here, is required to evaluate each item's worth to the company, from the ground up, and justify every rupee spent in terms of current corporate goals. It is, therefore, better to term it as "De nova budgeting" or budgeting from the beginning.

Cost Accounting The cost of production determines the profit earned by an enterprise. In view of this fact, modern management has given much importance to cost accounting and cost control. Standard costing is one of the techniques of cost control and it is being increasingly used by modern business concerns for the purpose of cost reduction and cost control. The objective of standard costing is the same as that of budgetary control. *The system involves a comparison of the actuals with the standards and the discrepancy is called variance.* The various steps involved in standard costing are:

1. Setting of objective cost standards for various components of cost—such as raw materials, labour and overheads. The standards fix the limits within which the different types of expenses must be kept.
2. Measurement of actual performance.
3. Comparison of actual cost with the standard cost laid down.
4. Finding the variance of actual cost from the standard cost.
5. Finding the causes of variance.
6. Taking necessary action to prevent the occurrence of variance in future.

Standard costing differs from budgeting in a number of ways:

1. Standards are set by some systematic technique and are more "objective" whereas budgets are more "subjective".
2. Standards refer to specific, detailed units of processes or products, whereas budgets relate to departments and general grouping of units.
3. Standards are subject to revision less frequently than budgets.

Responsibility Accounting Responsibility accounting can be defined as a system of accounting under which each departmental head is made responsible for the performance of his department.

Under this system, each department is made a semi-autonomous profit centre, i.e. a centre responsible for the generation of profit. A department generates profits by "selling" its output either to an outside customer or to other departments or profit centres in the same organisation. The prices at which one profit centre sells its output or services to other profit centres are called *transfer prices*. The transfer prices for "selling" the output of one department or profit centre to the other department or profit centre may be fixed in anyone of the following ways:

1. **Markup on actual cost** Many companies just add a margin of profit of say, 10 per cent of the process cost as the transfer cost. For example, assume that a steel company has a pig iron plant which

supplies pig iron to the steel plant which, in turn, supplies steel to the finishing plant. If all the three plants of the company are to be judged by the profits they earn, the pig iron plant will supply iron to the steel plant at a price arrived at by adding 10 per cent to its process cost. This will be the purchase cost of the steel mill. Similarly, whatever the production cost of the steel plant, a 10 per cent markup would be allowed on that and that would become the purchase cost of the finishing plant. Thus each centre will show separate profits.

Fixing transfer prices on the basis of a markup on actual cost is not a good method. This is because it passes on the inefficiency of one department to the other.

2. Markup on standard cost Under this method, the markup on standard cost is allowed. Departments working at less than the standard efficiency would have a lower profit since their costs would be higher than the standard costs. This method has the advantage of bringing out the efficiency of each department. However, one great disadvantage of this method is that the ultimate sale price of the product becomes very high since it includes the markups on standard costs for each department.

3. Market price Under this method, the transfer price is fixed at a price equivalent to the one prevailing in the market at the time of transfer. The receiving department thus pays to the selling department the same price which it would have paid to an outsider seller. This is a good method because under it the true profitability of a department as an independent unit is revealed. The only limitation of this method is that very often market prices are not available for the semi-finished output of one department which the receiving department is using as an input.

4. Negotiated prices In certain special circumstances, transfer prices may be fixed on the basis of negotiations between departmental heads.

A profit centre resembles a business in miniature. Like a separate company, it has an income statement that shows revenue, expense, and the difference between them, which is profit. The income statement for a profit centre, therefore, is a basic management control document which motivates the manager to reduce all *controllable* expenses in order to increase the profit for his profit centre.

Financial Statements and Ratio Analysis The Trading Profit and Loss Account and the Balance Sheet of a company are the usual financial statements which are prepared *ex post* (in retrospect) to indicate what financial events occurred since the last statements. Depending on the company, the period covered by a financial statement could be the previous year, the previous quarter, or the previous month. The usefulness of these statements for applying control measures is limited by the fact that they cover only past events. However, they can provide managers with useful information about trends. Managers can also use these statements to compare their organisations with other organisations and can thus evaluate their own performance. In addition, they are used by people outside the organisation to evaluate the organisation's strengths, weaknesses and potential.

Ratio analysis seeks to extract information from a financial statement in a way that will allow an organisation's performance in different areas to be evaluated. It involves selecting two significant figures from a financial statement and expressing their relationship in terms of a percentage or ratio.

The ratios most commonly used by organisations are the following:

1. Liquidity ratios They measure the company's ability to pay back short-term debts by converting assets quickly into cash. In other words, they are a measure of a company's liquidity. One such ratio is the current ratio. It is expressed by the fraction: $\text{Current assets} \div \text{Current liabilities}$.

2. **Debt ratios** While liquidity ratios are used to measure a company's short-term financial position, debt ratios are computed to assess its ability to meet long-term commitments. The simplest debt ratio is total debt divided by total assets. This ratio tells us what proportion of the company's assets is owned by its creditors.

3. **Profitability ratios** These ratios express profits as percentage of sales or of total assets to depict the company's efficiency of operation. A profit of ₹4 lakh, for example, is unimpressive if it is derived from a total sales of ₹40 crore or a capital investment of ₹100 crore.

4. **Operating ratios** These ratios measure how efficiently the manufacturing and sales are being carried out. Some of the more common operating ratios are the inventory turnover ratio and the total assets turnover ratio. The inventory turnover ratio is defined as sales ÷ inventory. For example, if a company has sales of ₹10 lakh and an average daily inventory of ₹2 lakh, it may be said to be turning over its inventory five times. A high rate of inventory turnover is frequently a positive sign. It suggests that these assets are being used efficiently by the firm.

The total assets turnover ratio is expressed as sales ÷ total assets. This ratio gives an indication of how effectively the firm's assets are being used. Too low a ratio may indicate the need for either an increased sales effort or possibly the liquidation of the company's less productive assets.

The training cost per employee or the average travelling expenditure per trip or the number of personnel staff per 100 people in the total company population are examples of ratios which throw light on the efficiency of personnel department.

The ratio analysis comparisons can be made in one of two ways: (a) comparisons over a time period—the present ratio compared with the same organisation's ratio in the past; and (b) comparison with other similar organisations or with the industry as a whole. The first type of comparison will indicate how the organisation's performance or condition has changed; the second type will suggest how well the organisation is doing relative to its competitors.

Return on investment Also known as the Du Pont system of financial analysis this ratio is expressed by the following formula:

$$\text{ROI} = \frac{\text{Sales}}{\text{Investment (Fixed and working capital)}} \times \frac{\text{Profit}}{\text{Sales}}$$

This ratio is computed on the basis of capital turnover (sales ÷ investment) multiplied by earnings as a proportion of sales (profit ÷ sales). This calculation recognises that one division, with a high capital turnover and a lower percentage of earnings to sales, may be more profitable in terms of return on investment than another with a high percentage of profits to sales but with low capital turnover.

Break-even Analysis Break-even analysis is another control device used in business firms. It involves the use of a chart to depict the overall volume of sales necessary to cover costs. It is that point at which the cost and revenue of the enterprise are exactly equal. In other words, it is that point where the enterprise neither earns a profit nor incurs a loss.

Figure 18.2 depicts a simple break-even chart for a single product of a company. The horizontal axis in this figure identifies units of sales. The vertical axis identifies both costs and revenues. We can easily know from this figure that ₹10,000 is the total revenue and ₹23,000 (approximately) are the total costs associated with a sales volume of 1,000 units. Therefore, at a sales volume of 1,000 units we should expect an overall loss of ₹13,000. Similarly, at a sales volume of 4,500 units we should expect

an overall profit of ₹10,000 (₹45,000 in revenue minus ₹35,000 in costs). Our break-even point lies at a sales volume of 3,000 units. At this point revenue exactly covers the cost.

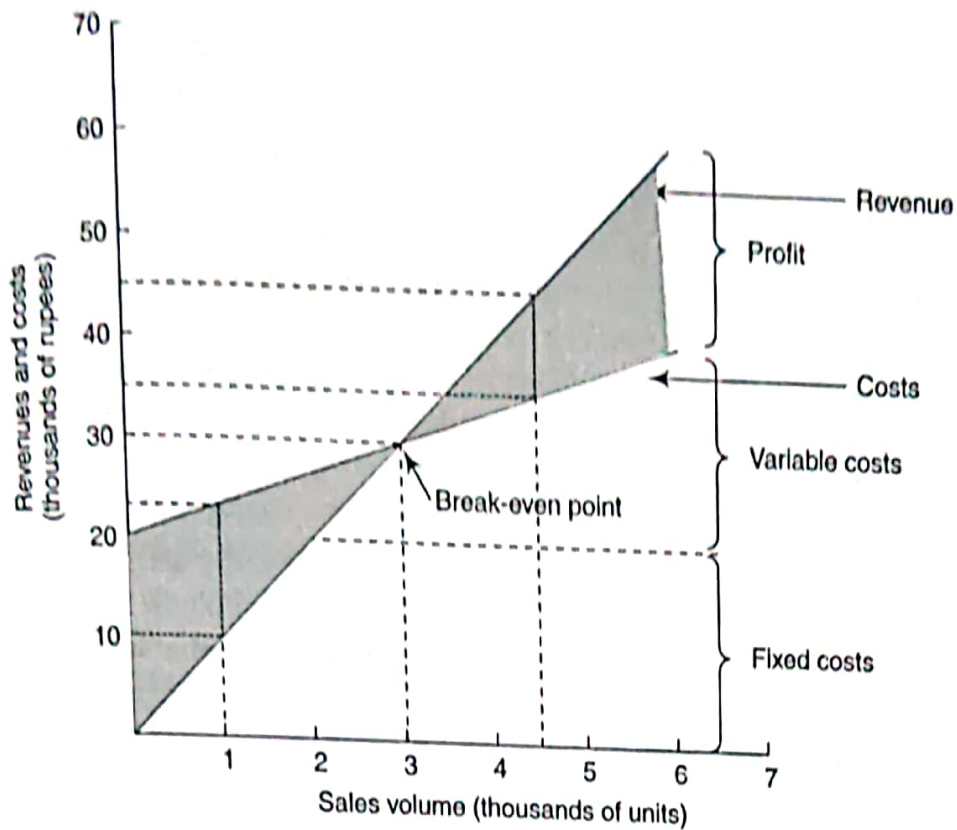


FIG. 18.2 Break-even chart

Break-even analysis can be used both as an aid in decision-making and as a control device. The specific areas where break-even analysis can help in decision-making include:

1. identifying the minimum sales volume necessary to prevent a loss;
2. identifying the minimum sales volume necessary to meet established profit objectives;
3. providing information helpful in making decisions on the effect of raising or lowering prices; and
4. providing data helpful in decisions to drop or add product lines.

As an aid to control, break-even analysis provides one more yardstick by which to evaluate company performance at the end of a sales period. One can compare the actual profit of the past period with what it should have been according to the break-even analysis.

The following are the two difficulties of drawing a break-even chart for a multi-product firm:

- (a) A break-even chart with the X-axis measuring "units sold" cannot be prepared, since many unlike types of products are sold by the same firm.
- (b) A break-even analysis becomes difficult also because the firm might be selling many products with different profit margins.

However, a series of break-even charts can be made to show the results of sales of different product mixes. Break-even charts of the sales of the individual products are also useful.

Audit Audit is a very common control technique used in financial management. Internal audit is conducted by an internal auditor who is an employee of the organisation. He makes an independent

appraisal of financial and other operations. In addition, he appraises company's policies, plans, and management performance. He pinpoints defects in the policies or plans and gives suggestions for eliminating the defects. As internal audit is conducted regularly, it keeps the employees always alert.

External audit is an independent appraisal of the organisation's financial accounts and statements. The purpose of external audit is to ensure that the interests of shareholders and other outside parties connected with the company are safeguarded against the malpractices of the management. The external auditor is a qualified person and he has to certify the annual profit and loss account and balance sheet after careful examination of the relevant books of accounts and documents. In case the external auditor is negligent in performing his duties or becomes party to any fraud or error committed by the management, he will be liable under both civil and criminal laws.

Marketing audit examines six major components of the company's marketing situation. These are: marketing environment, marketing organisation, marketing strategy, marketing planning and control systems, marketing functions and marketing productivity.

Personnel audit is a systematic and comprehensive analysis of all activities and the result of a personnel programme. It ensures a complete review, at regular intervals of the effectiveness and utility of the various personnel functions and activities, policies and procedures.

Reports A major part of control consists of preparing reports to provide information to the management for purposes of control and planning. The following are certain types of reports which are prepared and submitted to the management regularly.

1. *Top Management*

- (i) Profit and loss statement
- (ii) Balance sheet
- (iii) Position of stock
- (iv) Cash-flow statement
- (v) Position of working capital
- (vi) Capital expenditure and forward commitments together with progress of projects in hand
- (vii) Sales, production and other appropriate statistics

2. *Sales Management*

- (i) Actual sales compared with budgeted sales to measure performance by
 - (a) products;
 - (b) territories;
 - (c) individual salesmen; and
 - (d) customer.
- (ii) Standard profit and loss by products
 - (a) for fixing selling prices; and
 - (b) to concentrate sales on most profitable products.
- (iii) Selling expenses in relation to budget and sales value, analysed by
 - (a) products;
 - (b) territories;
 - (c) individual salesmen; and
 - (d) customers.

- (iv) Bad debts and accounts which are slow and difficult in collection.
- (v) Status reports on new or doubtful customers.

3. **Production Management**

To buyer: Price variations on purchases analysed by commodities.

To Foreman

- (a) Operational efficiency for individual operators, duly summarised as department averages
- (b) Labour utilisation report and causes of lost time and controllable time
- (c) Indirect shop expenses against the standard allowed
- (d) Scrap report.

To Works Manager

- (a) Department operating statement
- (b) General works operating statement (expenses relating to all works expenses not directly allocable or controllable by departments)
- (c) Plant utilisation report
- (d) Department scrap report
- (e) Material usage report.

4. **Special Reports**

These reports may be prepared at the request of the management accountant or the manager. The necessity for them may arise on account of the need for a more detailed information on matters of interest first revealed by the routine reports. Some of the matters in respect of which such reports may be prepared are:

- (a) Taxation, legislation and its effect on profits
- (b) Estimate about the earning capacity of a new project
- (c) Break-even analysis
- (d) Replacement of capital equipment
- (e) Special pricing analysis
- (f) Make or buy decisions.

Some important considerations in drawing up these reports are as follows:

Information Quality The more accurate the information, the higher its quality and the more securely managers can rely on it when deciding what action to take. However, the cost of obtaining information increases as the quality of the information desired goes up. How accurate the information needs to be will vary with the situation. But, in general, information of higher quality that does not add materially to a manager's decision-making capability is not worth the added cost.

Information Timeliness The information provided by a report must suggest action in time for that action to be taken. Just when information is considered timely, however, will depend on the situation. For example, reports destined for top-level managers to monitor progress on long-range objectives may be considered timely if they arrive at quarterly intervals. The cost of making them available weekly would not be justified, since long-range plans are neither reviewed nor modified at such frequent intervals. However, middle and lower level managers responsible for ongoing operations and activities may need a weekly or even daily report on machine downtime if delays are to be minimised. The quality control managers must get a daily or weekly report on all customer rejections. On a monthly or quarterly basis, such information would merely be ancient history and would be of no value to the manager.

Timeliness may also be determined by company policy or by events rather than by the calendar. Information on inventory, for example, is provided to the manager responsible for recording only when a previously established minimum level for the inventory is being approached. Requiring inventory on a calendar basis—such as every week—when inventory levels for most items are well above their record point would usually not be worth the added cost, since action would not be implied by the information.

Information Quantity and Relevance A report that provides too little information can be ineffective, because it may lead managers to make wrong or late decisions that worsen problems instead of solving them. Conversely, a report that provides managers too much information can also prove ineffective because that may not isolate what they need from a flood of irrelevant facts and figures. A good report should filter or evaluate information so that only the most relevant information is supplied to the appropriate manager. In addition, a good report should condense information, so that what is relevant may be absorbed in a short period of time.

Gantt Chart Figure 18.3 is a sample Gantt chart, sometimes referred to as a bar chart, employed to plan and track jobs on the shop floors. The chart is named after Henry C. Gantt. The example indicates that job A is behind schedule, job B is ahead of schedule and job C has been completed, after a delayed start for equipment maintenance. Note that whether the job is ahead of schedule or behind schedule is based on where it stands compared to where we are now. In Fig. 18.3 we are the end of Wednesday and job A should have been completed. Job B has already had some of Thursday's work completed. This information can be used to schedule overtime and to shift workers from one job to another.







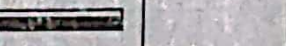
Job	Monday	Tuesday	Wednesday	Thursday	Friday		Activity time
A							Actual work progress Point in time where chart is reviewed
B							Time set aside for non production activities e.g. repairs, routine maintenance etc.
C							

FIG. 18.3 Gantt Chart

Standing Orders, Rules, Limitations Standing orders, rules and limitations are also control techniques used by the management. The manager who authorises his subordinates to make certain decisions or delegates some of his powers, lays down the limits for them. Limits may be decided on the basis of the nature of work and status of the subordinate. Standing orders are issued by the management and they are to be observed by the subordinates. They may be concerned with the rules, regulations, discipline, procedures, conditions, timings, etc.

Personal Observation A manager can also exercise fruitful control over his subordinates by observing them while they are engaged in work. Personal observation helps the manager not only in knowing the workers' attitude towards work but also in correcting their work and methods, if necessary. Moreover, when the worker knows that he is being observed by his superior, he will be alert and will not waste his time. But in some cases he may also resent being observed and may develop resistance. In any case, this method is very costly and cannot work in large concerns.

New Control Techniques

These techniques which are of recent origin do not markedly overlap the traditional control devices, but provide the kind of information not readily available with the traditional methods. Therefore, when these control techniques are used, it is usually *in addition to* the control devices described in the preceding section.

PERT and CPM The two major techniques under this heading are PERT (Programme Evaluation and Review Technique) and CPM (Critical Path Method). Both techniques were developed independently, although virtually at the same time, around 1957–58. PERT was first developed for the US Navy in connection with the Polaris weapons system and is credited with reducing the completion time of the programme by two years. CPM was developed jointly by Du Pont and Remington Rand of USA in order to facilitate the control of large, complex industrial projects.

Both PERT and CPM are primarily oriented towards achieving better managerial control of time spent in completing a project. Under both the techniques, a project is decomposed into activities and then all activities are integrated in a highly logical sequence to find the shortest time required to complete the entire project. The main difference between PERT and CPM lies in the treatment of time estimates. PERT was created primarily to handle research and development projects in which time spans are hard to estimate with any degree of accuracy. Consequently, PERT time spans are based on probabilistic estimates. CPM, on the other hand, is usually concerned with projects that the organisation has had some previous experience with. Time estimates, therefore, can be made relatively accurately.

The use of both PERT and CPM has spread rapidly today in controlling *time-critical* projects such as reinforcing a weak dam, constructing a building at an Olympic site or completing contracts that include penalty payment clauses. Many companies, make use of these techniques for working out the cost estimates of a project also.

Steps involved in developing the network Both under PERT and CPM, the purpose is to divide the project into a number of operations and then to draw a picture of the order in which and of the time when these operations should be started and completed. This picture is known as the Project Graph or Arrow Diagram. The following steps are involved in drawing this diagram:

1. The first step is to break down the whole project into a number of clearly identifiable activities and events. An activity is the actual performance of a task. Each activity requires some time and resources for its completion. The commencement or completion of an activity is called an event. An event is that particular instant of time at which some specific part of a plan has been achieved. An event does not signify any expenditure of time or resources. Any two events are always joined by some activity. The preceding event is called the "tail event" and the following is called the "head event".
2. Once the list of various activities is ready, we have to examine each activity in relation to the other activity and ask ourselves the following questions:
 - (i) What other activity/activities must be completed before this activity can start (precedence)?
 - (ii) What other activity/activities can be done while this activity is being done (concurrence)?
 - (iii) What activity/activities cannot start until after this activity is done (subsequence)?
3. The next step is to draw the diagram portraying the precedence, concurrence and subsequence of all activities and events. On this diagram, all activities are shown by arrows and all events are shown by circles. The diagram also tells us the time required for the completion of each activity.

In CPM diagrams, a single time estimate is written against each activity. In PERT, however, each activity is assigned three-time estimates (optimistic, most likely, and pessimistic), plus a fourth which is a weighted average of the other three. The optimistic time is the shortest time the activity should take if everything goes well and no mishaps occur. The pessimistic time is the longest time the activity could conceivably take when everything that could go normally wrong goes wrong, barring outright catastrophe. Most likely time is the time the activity should take under normal circumstances. Generally the three time estimates for each activity are combined into a weighted average, called *expected activity time*. This is written below the other three estimates.

- Finally, the critical path is determined. *The critical path is the longest path through the network* in terms of the amount of time the entire project will take. It indicates a series of activities which must be done in sequence and which will take longer than the other sequences of jobs that can go along simultaneously. It is critical because the time spent on the activities that lie along this path must be shortened if the total time of project is to be shortened. For example, if in a project three activities A, B and C are to be completed, of which activities A and B (requiring six days and three days, respectively) can simultaneously be carried out but activity C (requiring two days) can start only on the completion of the first two activities, then the critical path would be along the activities A and C as shown in Fig. 18.4.

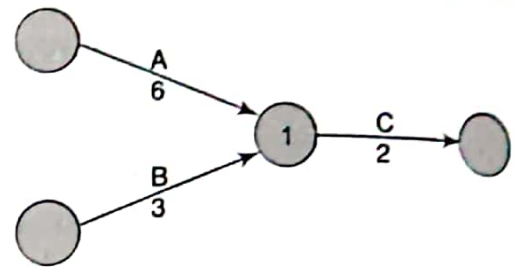


FIG. 18.4 Critical path

If A takes six days, and B three days, the shortest elapsed time to reach event 1 when activity C can start would be six days. Thus there is no point in spending money to expedite activity B but there may be a good reason for expediting A if the total time is to be shortened.

Paths other than the critical path are called sub-critical. The difference in length (time) between the critical and a sub-critical path represents the cushion for the sub-critical sequence and is known as the *slack or float*. It indicates that there is extra time available for activities along the sub-critical paths while those lying along the critical path are in progress. If the activities lying along the critical path can be speeded up sufficiently, the slack time along other paths may *disappear*, and the critical path may change. One of the ways in which PERT and CPM provide for completion time to be reduced is to find ways to transfer resources from activities on the sub-critical paths to activities on the critical paths. Jobs that have slack time can be delayed without affecting completion dates; so manpower and/or funds can be shifted to jobs that are critical.

Example: Table 18.2 provides the relevant information about a pipe installation project:

Once the crew is assembled, it can proceed to deactivate the pipe, erect the scaffold, and remove the old pipe, which will take five days in all if the scaffold is erected while the deactivation is in progress.

But making the drawings will also take three days. The new pipe and valves cannot be ordered until the drawings are completed, and obtaining pipe and valves and doing the fabrication necessary will take five more days, or eight days altogether. So there would be no point in expediting the removal of the old pipe since there is a few days "float" (extra time) for this part of the job. But a day could be sliced off the elapsed time by putting more men on the fabrication because the valves will be ready for installation four days after the drawings are complete. Also, since the new pipes will not be ready for installation for eight days, there is no reason to take the old ones out of service on the first day; deactivation need not begin until the third day.

TABLE 18.2 Work Detail of a Pipe Installation Project

Event	Job Description	Time required to perform the job (days)
0-1	Assemble the crew	1
1-2	Make the drawings	3
1-5	Deactivate pipeline	1
2-3	Procure pipe	3
2-6	Procure valves	4
3-6	Fabricate pipe	2
4-5	Erect scaffold	3
5-6	Remove old pipe	2
6-7	Instal new pipe	6
6-9	Insulate	3
7-8	Pressure test	1
8-10	Start up	1
9-10	Remove scaffold	2

We assume that the time given is more or less accurate as it is based on a good amount of past experience. A CPM approach will, therefore, be used.

From the above information we can construct the network as shown in Fig. 18.5.

Note: Broken lines show dummy activity which neither requires any time nor any resources. It merely shows the theoretical dependence of a certain operation on the other operation although in practice the two operations may be carried out simultaneously.

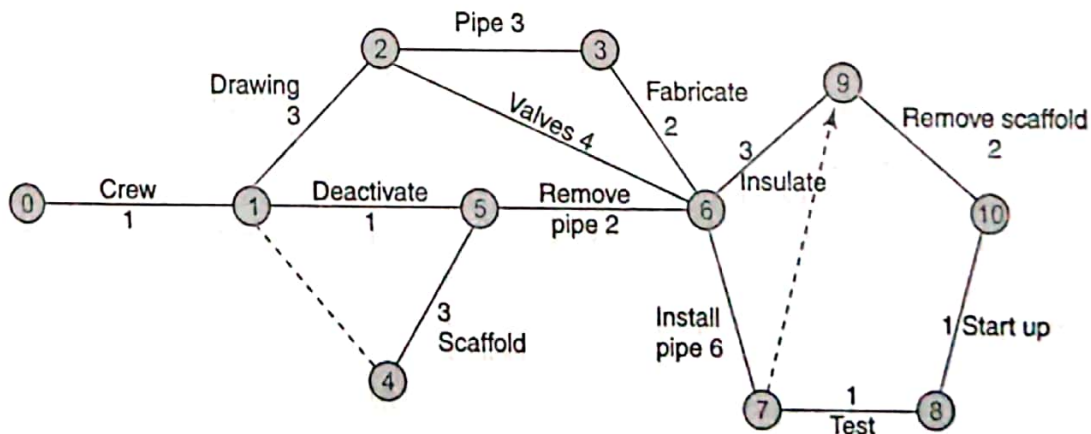


FIG. 18.5 Arrow diagram of a pipe installation project

In Fig. 18.5, the critical path is 0-1-2-3-6-7-8-10-9. The total completion time for the entire project determined by this path is 19 days. If events on the critical path are delayed, then the entire project will be delayed, and the scheduled completion date will not be met. Jobs 1-5, 2-6, 4-5, 5-6 and 6-9 are sub-critical. They contain some slack or float time.

Uses of PERT and CPM

1. *It ensures actual planning.* In PERT, a manager is forced to plan. He is required to identify all key events and activities and their sequencing and inter-relationships. He is also required to probe all possibilities, uncertainties and pitfalls to compute the most likely time. Therefore, if he is incompetent or a non-planner, he cannot hide, his incompetence for long.
2. *It makes every manager fully aware of his responsibilities.* Every manager comes to know the precise start time for his work, its cost requirements and its relationship with other works.
3. *It ensures improved management of resources.* This is largely accomplished by transferring resources from the sub-critical paths to the critical path. It is termed trade-off of resources.
4. *It facilitates improved decision-making.* Management can simulate the effects of alternative decisions on paper or on a computer instead of tampering with expensive operations.
5. *It facilitates future-oriented control.* The network needs are constantly reviewed and updated on the basis of feedback from the lower levels of management. This ensures advance action and management by exception at upper levels.
6. *It ensures simultaneous performance of different parts of the work.* This shortens the total time required for the project.

Limitations of PERT and CPM

1. They are suitable mainly in cases where time is the essence of a programme or where cost and time are so related that by controlling time, cost is controlled.
2. Estimates of time, cost and events are seldom available with the precision required for effective control through PERT. Errors in estimates of the numerous interlocking points of the chart may add up to a situation to make the PERT chart erratic and unreliable as control technique.
3. PERT has a limited application to one-time non-repetitive projects. It does not help control in continuous processing and production because once a recurring sequence of events is clearly established a continuing control becomes unnecessary. Used with very complex projects, it is claimed that PERT becomes expensive, reports become complex and difficult to tailor to management levels, and the effective trade-off of resources is troublesome.

Statistical Process Control Charts Since goods coming out of a production process always vary in specifications, it is significant for the manager to distinguish tolerable minor variations from major variations which require process correction. Tolerable minor variations are those which are inherent in the process and cannot be controlled. Thus, inputs may vary or the transformation process may not be repeated in exactly the same way or there may be imprecision in the measurement of the quality of products. All other variations are major variations which warrant process correction.

Statistically computed 'upper control limit' and 'lower control limit' lines on these charts make the above distinction clear. All random samples of measurements falling within these limits are supposed to differ from each other due to inherent causes and suggest that the process is in-control. Conversely, observations falling outside these limits suggest that the process is out-of-control and they warrant further investigation to see if some special cause can be found to explain why they fall outside the limits.

Employee Relation Index This is a quantitative technique of measuring the overall effectiveness of the entire personnel programme. In this technique a personnel index is prepared taking into account a number of strategic items such as absence, separation, visits to dispensary for occupational disease, suggestions made by employees through suggestion system, formal grievances, work stoppages, etc. These items are given weights according to their importance. An employee relations index of 100

indicates average industrial relations, of below 100 poor industrial relations and of above 100 good industrial relations.

Human Resources Accounting It is now being increasingly realised that control techniques, which rely primarily on capital asset ratios such as return on assets, return on investment or return on equity are fundamentally flawed for 2 reasons: *one*, capital is no longer the most important inputs for a modern industrial enterprise to function and *two*, capital has become a commodity instead of a scarce resource. It is readily available for a price that is commensurate with risk. The most important asset of an enterprise are the people who sustain it and the relationships they develop both—internally and externally. Working on this idea, human resources accounting refers to the method of reflecting the rupee value of the human assets in the company's balance sheet.

The following poem by Webster (The Value of a Balance Sheet) highlights the need of the human asset being shown in a company's balance sheet.

*"Though your balance sheet is a model of
what balance sheets should be;
Typed and ruled with great precision in a
type that all can see;
Though the grouping of the assets is
commendable and clear;
And the details which are given more
than usually appear;
Though investments have been valued at
the sale price of the day;
And the auditor's certificate shows everything
O.K.;*
*One asset is omitted—and its worth
I want to know;
That asset is the value of the men who
run the show."*

In India (as in many other countries), the law does not demand the value of the human asset to be reflected in the company balance sheet. This injects an air of illusion and unreality into the quality of the balance sheet and the auditor's certificate that it shows a true and fair view of the company's state of affairs. The fact is that a balance sheet that does not reveal the current value of a company's human assets does not, to say the least, portray the true and fair picture of the company's affairs. This is because the present and future earnings of a company always depend upon the quality of its human organisation. To understand this, we may think of two companies in the same business. Both are of the same size and have identical equipment and technology. One, however, has a greater potential for future earnings because its personnel are superior to the other with regard to such variables as the following:

1. Level of intelligence and aptitudes
2. Level of training
3. Level of performance goals and motivation

4. Quality of leadership
5. Quality of communication—upward, downward and lateral
6. Quality of decision-making
7. Quality of control process
8. Capacity to achieve effective coordination.

One should, however, remember that it is not always easy to compute the value of the human assets in an organisation. Computation is not difficult in those cases where the task of an employee can be quantitatively measured. But difficulty arises where the nature of the task and its impact is intangible, as in the case of, say, public relations or research or when the task falls in the sphere of management—planning, decision-making or leadership.

The following methods are generally used to compute the value of human resources of a concern:

(a) **Valuation at cost** Under this method, the employees of an organisation are evaluated on the basis of the cost which the organisation has incurred in selecting and training them. It should be noted that under the traditional accounting system, this cost is treated as a revenue expenditure and is charged to the profit and loss account. But in human resources accounting, this cost is capitalised and is shown as an asset on the balance sheet.

(b) **Valuation at economic cost** Under the first method, the human asset is shown in the balance sheet at its historical cost which is not enough if the balance sheet is to serve as a health chart of the organisation. It is essential for this purpose to show all assets (including the human asset) on the balance sheet at their economic value. This is the capitalised value of future benefits expected from each asset. The present capitalised value of every employee in an organisation can be found out by estimating his remaining future earnings from employment (assuming the present promotion policy and pay scales to be constant) and then discounting them at the appropriate rate of interest. The aggregate of such present discounted values is then shown as the value of the human resources assets on the balance sheet. It is however questioned as to how the capitalised value of future expenses can be an asset? It is the value of the benefit expected to accrue that should be capitalised and not the amount to be spent for the use of the asset.

(c) **Valuation at replacement cost** Employees can also be valued at their replacement cost, i.e. the amount which will be needed to replace them completely. It should be noted that it is always impossible to replace the present personnel by a new set of people and still have the same organisation. Also, it is difficult to put an accurate figure to the cost replacing an individual.

(d) **Valuation at opportunity cost** Under this method, employees are valued at just how much the other competing organisations would bid for them. The sum of the highest bids for all employees indicates their worth.

(e) **Valuation at excess profits** Under this method, the excess of company profits over the industry average is considered as solely attributable to its employees and is, therefore, credited to them as their worth.

(f) **Valuation according to attitudinal index** Under this method, an employee attitude index is first calculated. It is then multiplied by the wage bill under the premise that the resulting figure will show how much of the investment in the employees is being returned by them to the company. The problem here is that the employees can project a favourable attitude to lift their value.

Benchmarking This technique involves a comparison of selected performance indicators of an organisation with those from different organisations, typically in the same industry, or with comparable organisations that are considered “best in class”.

Visual Controls

Visual controls are indicators for tools, parts and production activities that are placed in plain sight of all workers so that one can understand the status of the system at a glance. If a machine goes down, or a part is defective or delayed, immediate action can be taken. The following are some examples of this type of control.

1. *Shadow Tool Boards* These are boards on which a shadow of each tool is painted to denote to the worker a clear standard for each tool to be hung in a certain place. A vacant place on these boards immediately warns the worker about the breach.
2. *Kanban* In the case of stop-and-go procedures such as medicine makers, cloth producers, etc., who go for a time on one size, style, model, or chemical, then shut down for a complete change over to run another, massive quantities that build between changes—the raw and semi-processed material and specially the finished goods pushed out well in advance of customer needs, are a great concern. All are forms of costly waste. Just-in-time (JIT) pull or lean production is the only dominant precept for treating the ailment. This requires producers to produce and deliver products in small quantities to meet specific customer needs.

In this type of production instruction cards (called Kanban in Japanese) or containers signal to the assembler at each preceding step the need to replenish the parts to his subsequent assembler. The signal begins from the end assembler and continues cascading backwards to the beginning of the manufacturing cycle.

3. *Andon* Those days are gone when defective production, on being noticed, was simply labelled and set aside to be repaired at another time and another department. Now, there is increasing importance of building things right the first time. Andon refers to a visual control technique which on operation A being stopped due to some quality problem signals all subsequent operations to stop on the conveyor-paced production line. The signal is usually in the form of red lights with accompanying music or an alarm. The red light goes on automatically when the problem is so severe that the whole production must shut down. Sometimes the assembler himself may hit the red light switch, causing the conveyor to stop. In both cases, the purpose is to summon fast help from maintenance to get production going again.

An assembler whose production has been slowed down by some problem (e.g., the preceding assembler not keeping up) warns to the yellow light which is the signal to the roving master assembler to come and help. The light tells the others they are going to be slowed down, too. The yellow light approach not only gives people the chance to explain real causes; it also helps them explain right when the event occurs, so there are no questions about bad memories and guessing.

➔ Summary

- ☛ Control is a very important process through which managers ensure that actual activities conform to planned activities. It involves three basic steps: (a) establishment of standards; (b) measurement and comparison of results against standards; and (c) taking corrective action.
- ☛ A control system is needed for four purposes: (a) to measure progress; (b) to uncover deviations; (c) to indicate corrective action; and (d) to transmit corrective action to the operation.

- ☛ Most control methods can be grouped into two basic categories: steering controls, which detect performance deviations *before* a given operation is completed, and post-action controls in which past experience is applied to future operations.
- ☛ For a control system to be effective, it must be suitable, forward-looking, objective, flexible, economical, prescriptive, acceptable, motivating and focused on strategic control points.
- ☛ A control system may fail if (a) the magnitude of change (which forms the basis of control) far exceeds the anticipated amount; (b) there is a communication barrier; (c) there is time lag in feedback; (d) there has been some mistake in setting the standards; (e) there is resistance from the employees.
- ☛ All control techniques can be broadly divided into two: old and new. Budgeting is the most widely used among the old techniques. Budgets have both advantages and limitations. Their advantages are that they improve coordination and communication, boost motivation and morale and increase learning from past experience. Their disadvantages are that they are rigid, inflexible, expensive and curb the initiative of a good manager. Other old techniques are standard costing, responsibility accounting, financial statements, ratio analysis, break-even analysis, internal and external audits, reports, rules and personal observation.
- ☛ The new control techniques are PERT, CPM and Human Resources Accounting. PERT and CPM illustrate the tasks involved in a project, the time (or cost) it will take to complete them and the interrelationships between those tasks. In this way, a project can be planned and integrated more efficiently, and the project completion date (or cost) can be determined and controlled more easily.
- ☛ Many corporations nowadays are realising the need to prepare and present reports about the current value of their employees. This is known as human resources accounting.
- ☛ William Ouchi classifies all control techniques into market, bureaucratic and clan control techniques which are respectively suited to profit, non-profit and family organisations.

➤ Key Terms

Standard It is a specific measurable outcome in a key area, which serves as the basis for evaluating performance in that area.

Break-even Point It is that point on the break-even chart where the cost and revenue of the enterprise are exactly equal.

Internal Audit It is an audit of accounts, an evaluation of the application of policies, programmes and methods, and the attainment of objectives in a fairly broad area of operations, done by the company's auditor on a continuing basis.

Critical Path This is the longest sequence of connected activities through the network, and

is defined as the path with zero slack time.

Slack Time For some activities in a project, there may be some leeway in, when an activity can start and finish. This is called the slack time in an activity.

Closed Loop System A closed loop system is one in which the information and output data are looped back up the system for necessary corrections.

Zero-base Budgeting This is a budgeting process which requires each manager to justify his entire budget from scratch (i.e., zero base), thus providing the framework

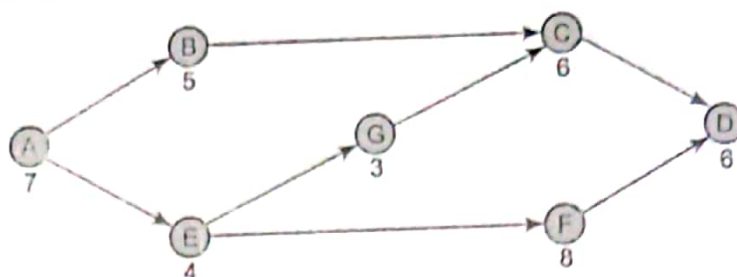
for rethinking priorities and replacement of new programmes for old programmes having lower value.

Gantt Chart This is a visual description of the current status of a job. The chart reveals which jobs are lagging behind the normal rate of progress.

? Review Questions

1. Explain the basic steps in the control process.
2. What are the two main types of control? How is each type used? Which is more important and why?
3. What are the essentials of effective control systems? Which essentials do you think are most important?
4. What is meant by budgeting? How are budgets drawn, approved and revised? What are the functional and dysfunctional aspects of budgets?
5. "Budget making is primarily a planning process whereas its administration is a part of controlling." Elaborate.
6. What are non-budgetary control techniques? Describe any two of them.
7. What is ratio analysis? Describe some important ratios used by organisations for the purpose of control. How far is ROI a measure of organisational efficiency?
8. Explain the purposes for which break-even analysis is used.
9. How are PERT and CPM networks developed? What is critical path? How is it determined?
10. "Just as planning, controlling should also be a dominantly forward-looking function." To what extent is it possible?
11. Write short notes on:
 - (a) Need for control
 - (b) Problems in the control process
 - (c) Responsibility Accounting
 - (d) Human Resources Accounting
 - (e) Special Reports.
12. Indicate whether the following statements are TRUE (T) or FALSE (F):
 - (a) Future-oriented and past-oriented controls are alternatives to each other.
 - (b) The budget which gives the summary of all functional budgets is called Master Budget.
 - (c) Full expansion of the term PERT is Performance Evaluation and Research Technique.
 - (d) Full expansion of the term CPM is Control Procedure Method.
 - (e) Critical Path in a CPM diagram is always the shortest path in terms of time the entire project will take.

[(a) F, (b) T, (c) F, (d) F, (e) F]
13. Here is a CPM network with activity time in weeks:



- Determine the critical path.
- How many weeks will the project take to complete?
- Suppose F could be shortened by two weeks and B by one week. How could this effect the completion date?

[(a) Critical path is A-E-G-C-D, (b) 26 weeks, (c) No difference in completion date.]

14. The sales manager of a soap company complained, "I cannot draw up a sales budget until I know how much the products will cost us so I can estimate price and sales volume." The production manager asked, "How can I draw up production budget and give the sales manager the data he wants until he gives me an idea of what sales volume to plan for?"

How would you resolve this apparent stalemate in the preparation of departmental budgets?

Projects

- Talk to individuals that you know from some local organisations (companies, schools, government agencies, etc.) about their organisation's control system. What factors do they attribute to either the success or failure of their organisation's control process?
- "Even the most detailed and automatic closed-loop systems are open in the ultimate sense." Do you agree? Give reasons for your answers.

CASE

ENSURING EFFECTIVE CONTROL SYSTEM

Parmeshwari Prasad, Superintendent of the Green Roadways Company is incharge of the operation and maintenance of all company buses. The company has over 50 buses which operate on 8 long-distance routes in the country. Because of recent complaints, Prasad is concerned about controlling the quality of service provided to bus travellers. Schedules, setting of fares, and replacement of equipment are outside Prasad's jurisdiction; instead his attention focuses on bus drivers, garage crews, and the few people working at the main terminal. Assume Prasad has asked you for recommendations for a control system.

Discussion Questions

- What "control points" do you suggest to be used?
- How should actual performance at these points be measured?