



ESSENTIALS OF MANAGEMENT

CHAPTER 5

LEADERSHIP AND MOTIVATION

+

CONTROLLING



CHAPTER 5

LEADERSHIP AND MOTIVATION

Leader and Manager

Differences between:

Leading and Managing,

Differences between:

motives, motivators and motivation

Theories of Motivation

Maslow's Need Hierarchy

Herzberg's Two-Factor Theory

McGregor X and Y

Motivational Techniques

Leadership Styles

Likert's Four Systems of Management

Leadership Grid

Theories

Committees, Teams, and Group Decision-Making

Communication

Difference between General and Managerial Communication

Types of Communication

Barriers of Communication

CONTROLLING

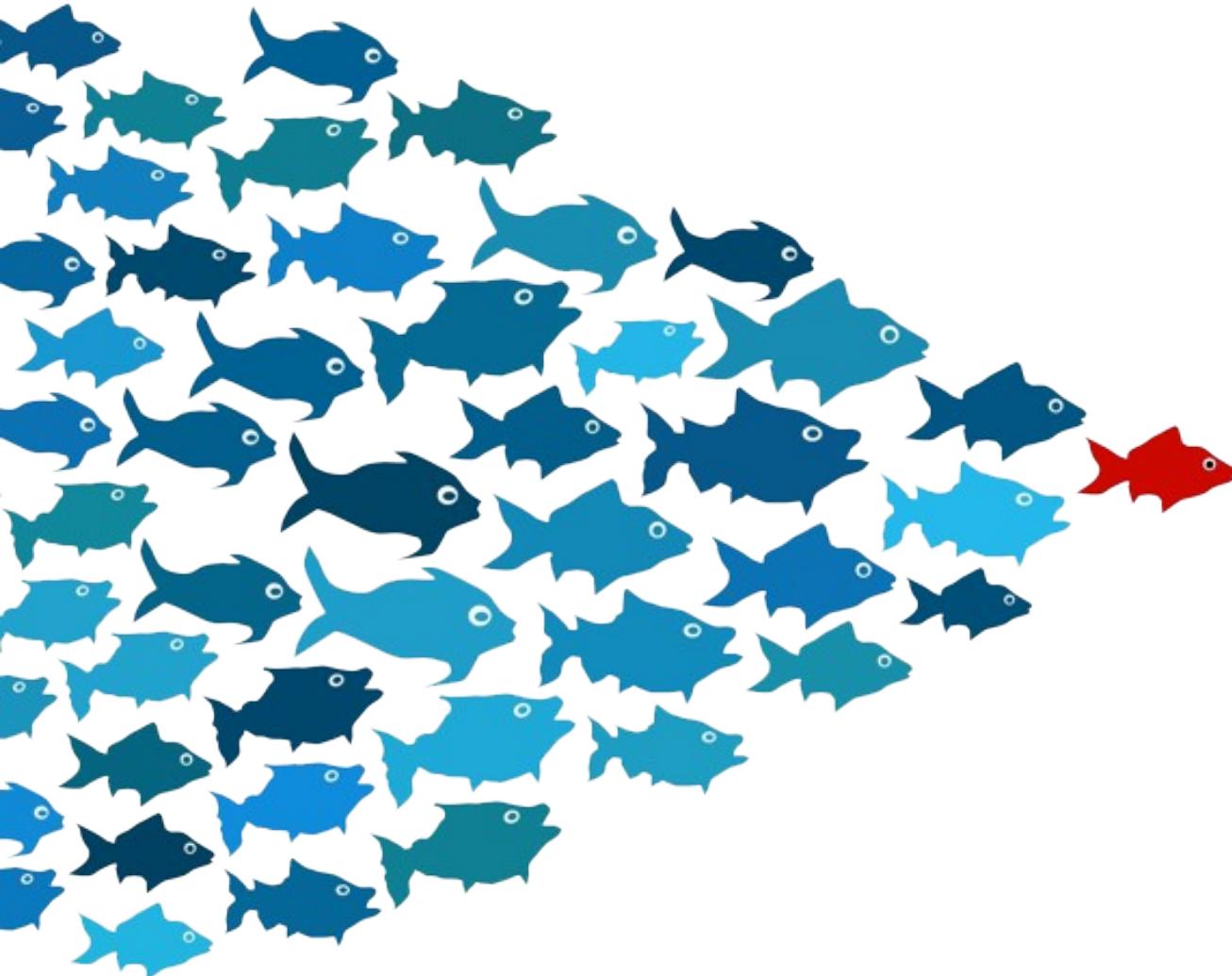
Process (steps)

Management Control Techniques

(Budgetary, Non-budgetary & Network)

Types of control





Zeal is ardor, earnestness, and intensity to work;
Confidence reflects experience and technical
ability.

LEADERSHI

Leadership is the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals. Ideally, people should be encouraged to develop not only willingness to work but also “willingness to work with zeal and confidence”.



LEADING
people



1

INFLUENCING
people



2

COMMANDING
people



3

GUIDING
people



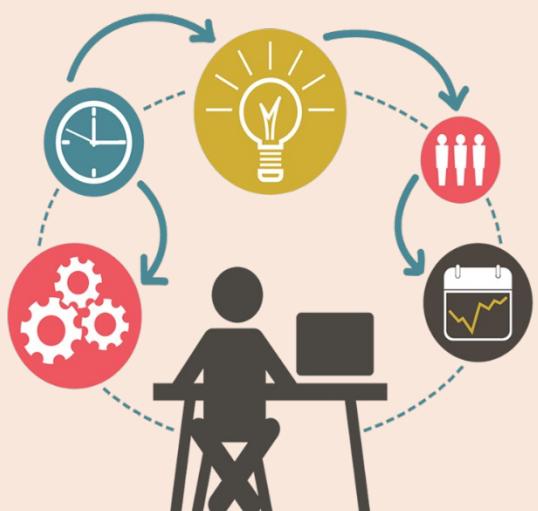
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Managers vs. Leaders

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MANAGERS

- Focus on things
- Do things right
- Plan
- Organize
- Direct
- Control
- Follows the rules



LEADERS

- Focus on people
- Do the right things
- Inspire
- Influence
- Motivate
- Build
- Shape entities



Ingredients of Leadership

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- The ability to **USE POWER EFFECTIVELY** and in a **RESPONSIBLE MANNER**.
- The ability to **UNDERSTAND** that human beings have different **MOTIVATION FORCES** at different times and different situations.
- The ability to **INSPIRE**.
- The ability to act in a manner that will **DEVELOP A CLIMATE** conducive to responding to and affecting motivations.

Qualities of an effective leader

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- Shouldn't be arrogant
- Shouldn't be miserly
- Should be as open as possible with subordinates
- Should ensure his troops understand what is expected of them
- Should promote competency and inspire
- Must be able to see things from others point of view
- Must consider the needs of the organization above his or her own

MOTIVE

A motive is an inner state that energizes, activates, or moves and directs behavior towards goals. It is the driving force behind human actions.



MOTIVATION

The drive and effort to satisfy a want or a goal. The process of stimulating people to action to accomplish desired goals.

MOTIVATOR

The technique used to motivate people.

SATISFACTION

The contentment experienced when a want is satisfied.

Theories of **MOTIVATION**

Ability
is what you're capable of doing.

Motivation
determines what you do.

Attitude
determines how well you do it.



Maslow's HIERARCHY OF NEEDS

THE HIERARCHY NEEDS THEORY

Maslow's hierarchy of needs is a theory of psychology explaining human motivation based on the pursuit of different levels of needs.

PHYSIOLOGICAL

SAFETY

SOCIAL

ESTEEM and

SELF-ACTUALIZATION

as each need is substantially satisfied,
the next need becomes dominant.

Self-Actualization

The drive to become what one is capable of becoming.



THE HIERARCHY NEEDS THEORY



HIGHER ORDER NEEDS

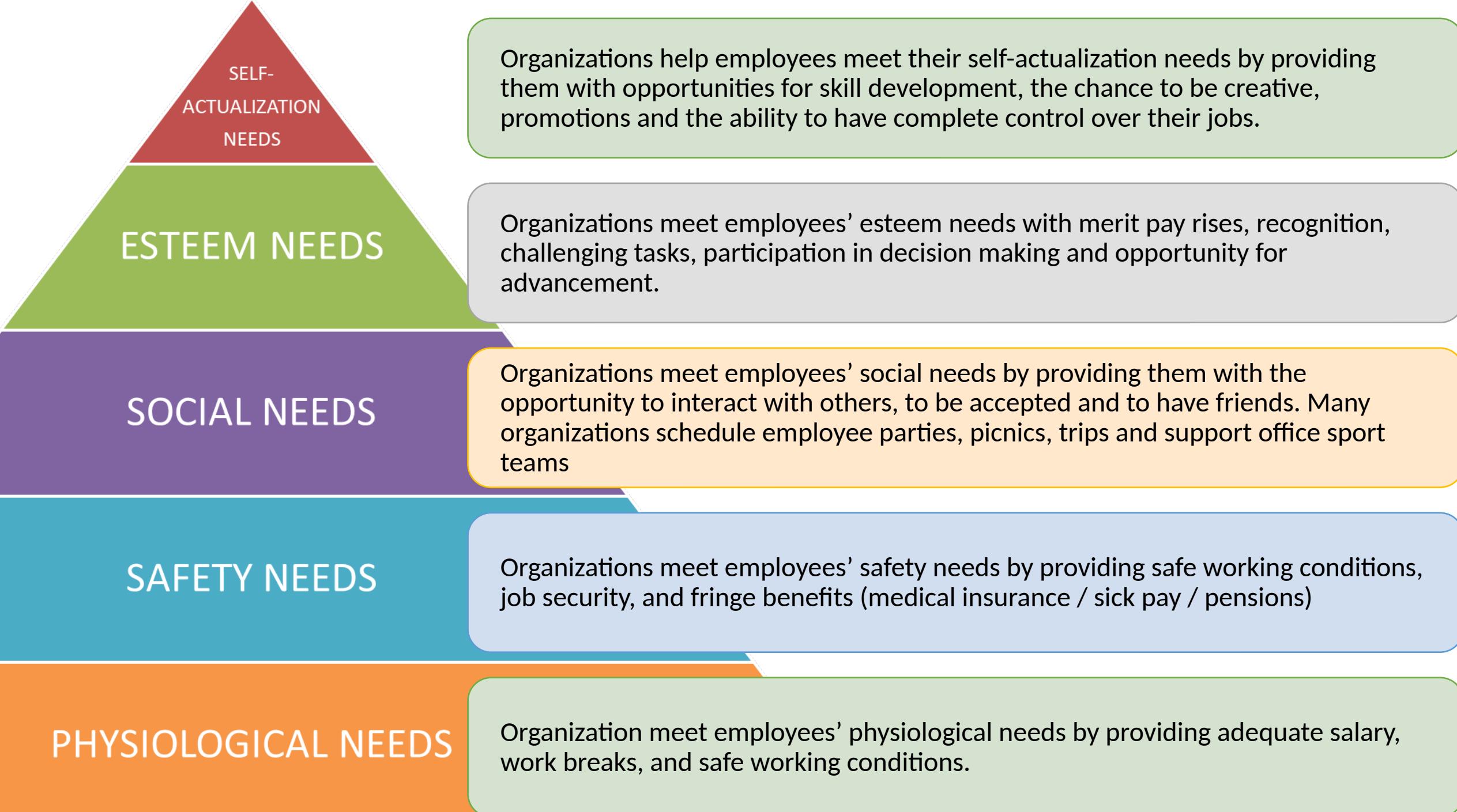
are satisfied

INTERNALLY

LOWER-ORDER NEEDS

are satisfied

EXTERNALLY



HERZBERG'S TWO FACTOR THEORY

HERZBERG TWO FACTOR THEORY



The two-factor motivation theory,
otherwise known as

HERZBERG'S MOTIVATION-HYGIENE THEORY

or **DUAL-FACTOR THEORY**, argues that

there are separate sets of

MUTUALLY EXCLUSIVE FACTORS

in the workplace that either cause

JOB SATISFACTION OR DISSATISFACTION

HERZBERG TWO FACTOR THEORY



Satisfiers (Motivators)

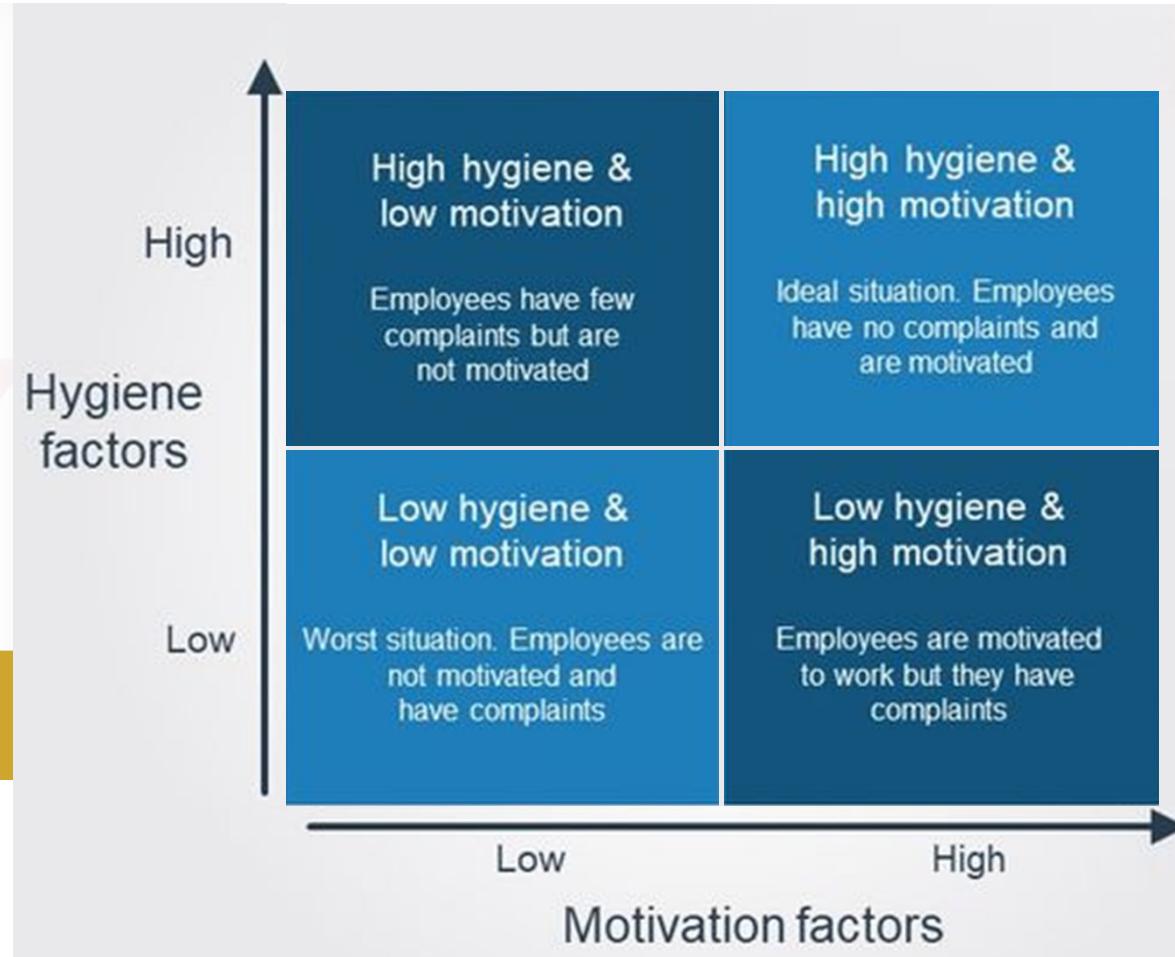
- ↑ Performance and achievement
- ↑ Recognition
- ↑ Job status
- ↑ Responsibility
- ↑ Opportunities for advancement
- ↑ Personal growth
- ↑ The work itself

Dissatisfiers (Hygiene Factors)

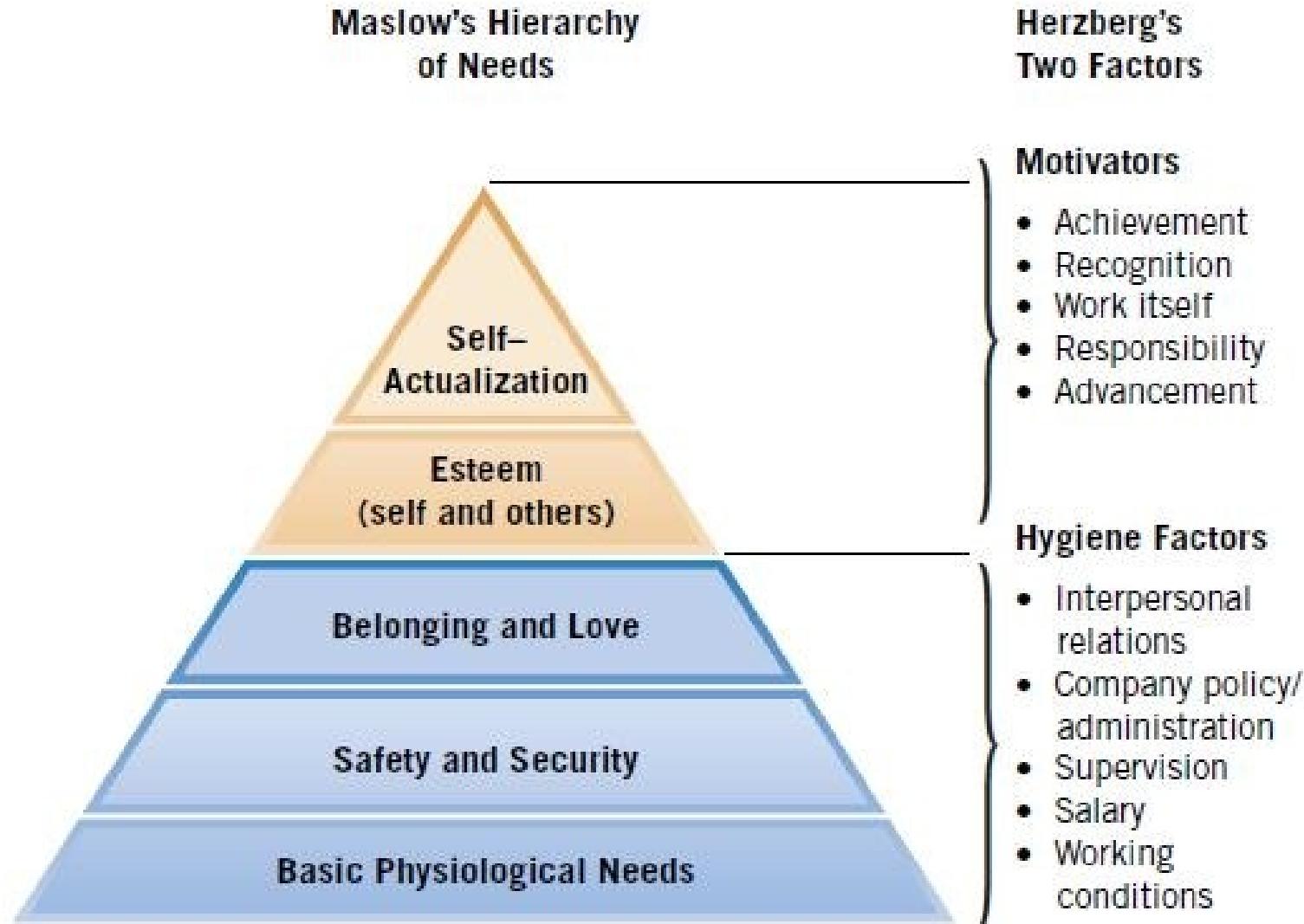
- ↓ Salary
- ↓ Working conditions
- ↓ The physical workspace
- ↓ Relationship with colleagues
- ↓ Relationship with supervisor
- ↓ Quality of supervisor
- ↓ Policies and rules

 Improving these factors helps to increase job satisfaction.

 Improving these factors helps to decrease job dissatisfaction.



COMPARISON MASLOW VS. HERZBERG



McGregor Tr's THEORY X AND THEORY Y

THEORY-X AND THEORY-Y



Theory X and theory Y are part of motivational theories.

Both the theories, which are very different from each other, are used by managers to motivate their employees.

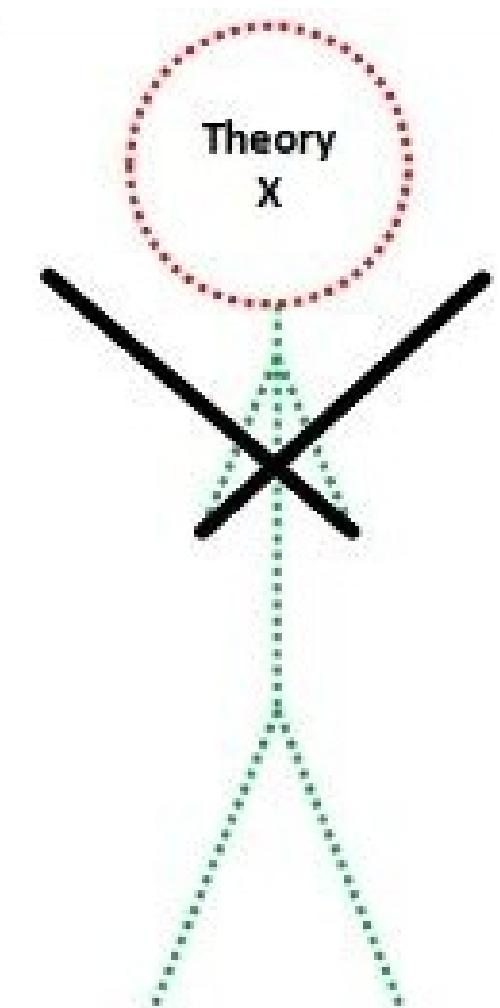
Theory X gives importance to supervision,
while theory Y stresses on rewards and recognition.

THEORY-X AND THEORY-Y



Assumptions of Theory X (Traditional Belief)

- ↳ An average employee intrinsically does not like work and tries to escape whenever possible.
- ↳ Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The manager adopt a more dictatorial style.
- ↳ Many employees rank job security on top, and they have little or no aspiration/ ambition.
- ↳ Employees generally dislike responsibilities.
- ↳ Employees resist change.
- ↳ An average employee needs formal direction.

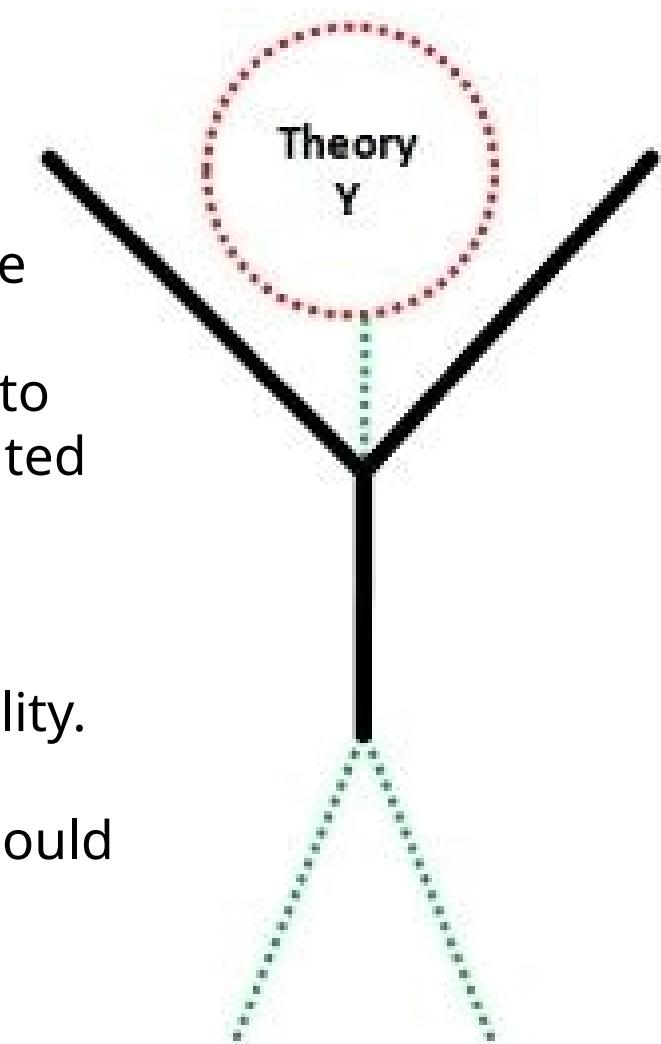


THEORY-X AND THEORY-Y



Assumptions of Theory Y (Belief based on research)

- ↳ Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs.
- ↳ Employees may not require only threat, external control and coercion to work, but they can use self-direction and self-control if they are dedicated and sincere to achieve the organizational objectives.
- ↳ If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization.
- ↳ An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility.
- ↳ The employees have skills and capabilities. Their logical capabilities should be fully utilized. In other words, the creativity, resourcefulness and innovative potentiality of the employees can be utilized to solve organizational problems.



BASIS FOR COMPARISON	THEORY X	THEORY Y
Meaning	Theory X is a motivational theory, which involves high supervision and control over the subordinates, and greater degree of centralization.	Theory Y, is an advanced theory, wherein it is assumed that the workers are self-directed and self-motivated, for growth and development and takes active part in decision making.
Work	Dislikes work	Work is natural
Ambition	Little to no ambition	Highly ambitious
Responsibility	Avoids responsibility.	Accept and seek responsibility.
Leadership style	Autocratic	Democratic
Direction	Constant direction is required.	Little to no direction is required.
Control	Tight	Lenient
Authority	Centralized	Decentralized
Self-motivation	Absent	Present
Environment	Unfriendly and unfriendly	Friendly and supportive

MOTIVATIONAL TECHNIQUES

Motivational Techniques (Positive)



- Praise the workers and give them due credit for all good work .
- Take sincere interest in subordinates as individual persons.
- Promote healthy competition among the individual employees.
- Find ways to develop and utilize the appeal of pride in or about the workplace.
- Delegate substantial amount of responsibility to the subordinates.
- Fix fair wages and monetary individual or group incentives for employees.
- Formulate a suitable suggestion system.
- Provide opportunities for growth and promotion.

Motivational Techniques (Negative)



- Reprimanding the employees
- Demotion
- Lay-offs
- Discharge
- The proper proportioning of positive and negative techniques is the mark of a skillful manager.

Reprimanding means Scolding, Lecturing

Special Motivational Techniques



Money (Economists and most managers have tended to place money high on the scale of motivators, but behavioral scientists place it low)

Positive reinforcement

Job enrichment

Participation



LEADERSHIP STYLES

THREE THEORIES on LEADERSHIP BEHAVIOR AND STYLES

- 1 LEADERSHIP BASED ON THE USE OF AUTHORITY
- 2 LIKERT'S FOUR-SYSTEMS OF MANAGING
- 3 THE MANAGERIAL GRID

1. Styles based on USE OF AUTHORITY

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- Leadership style is the manner and approach of providing direction, implementing plans, and motivating people.
- Kurt Lewin (1939) led a group of researchers to identify different styles of leadership.

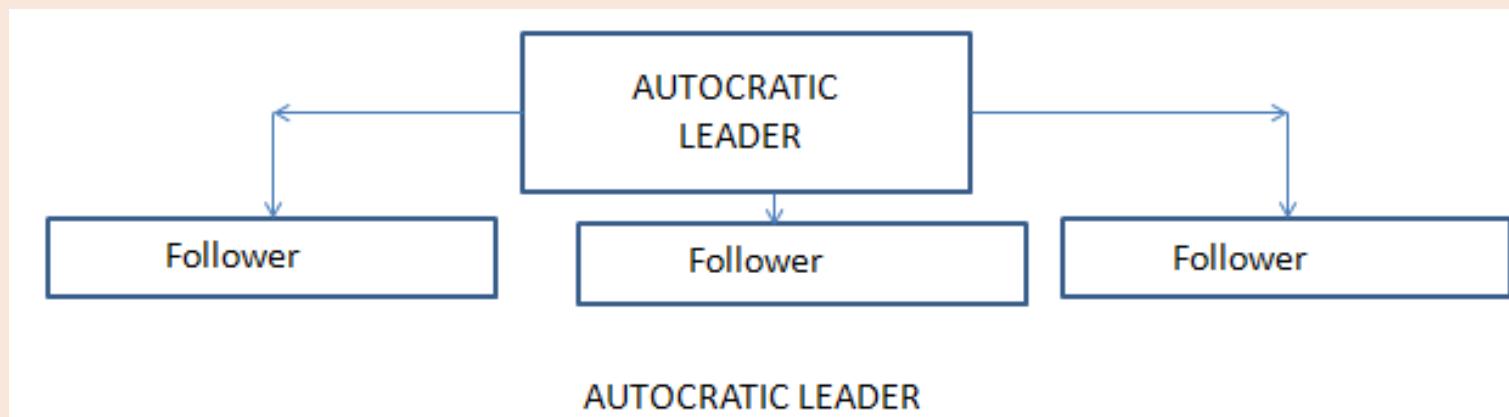
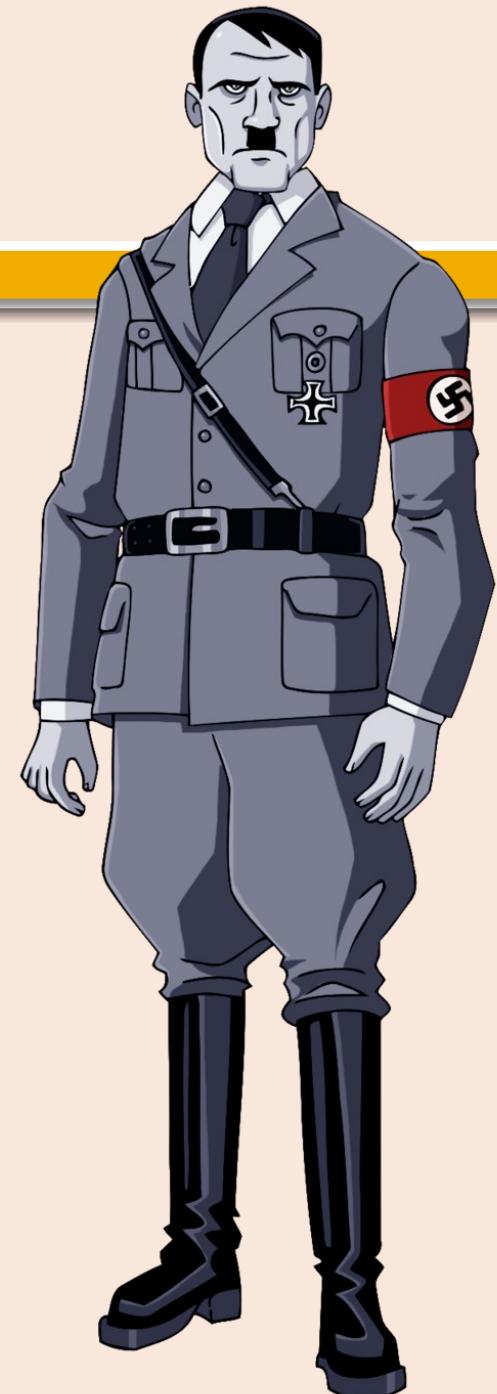
This early study has been very influential and established three major leadership styles.

- ✓ **AUTOCRATIC LEADER**
- ✓ **DEMOCRATIC/PARTICIPATIVE LEADER**
- ✓ **FREE REIN LEADER**

1.1 Autocratic Leadership

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The **Autocratic** leader commands and expects compliance, is positive and leads by ability to withhold or give rewards and punishment.



1.1 Autocratic Leadership

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This style is used when leaders tell their employees what they want and how they want it accomplished, without getting the advice of their followers.

Some of the appropriate conditions to use it is when you have all the information to solve the problem, you are short on time, and your employees are well motivated.



1.1 Autocratic Leadership

33

- The autocrat leadership style manages the direction of all goals and work, with little to no input from the team.
- They have all the power to make decisions, and they use it.
- They don't worry about input, and do not leave room for subordinates to sub-manage.
- The authoritarian style should normally only be used on rare occasions.

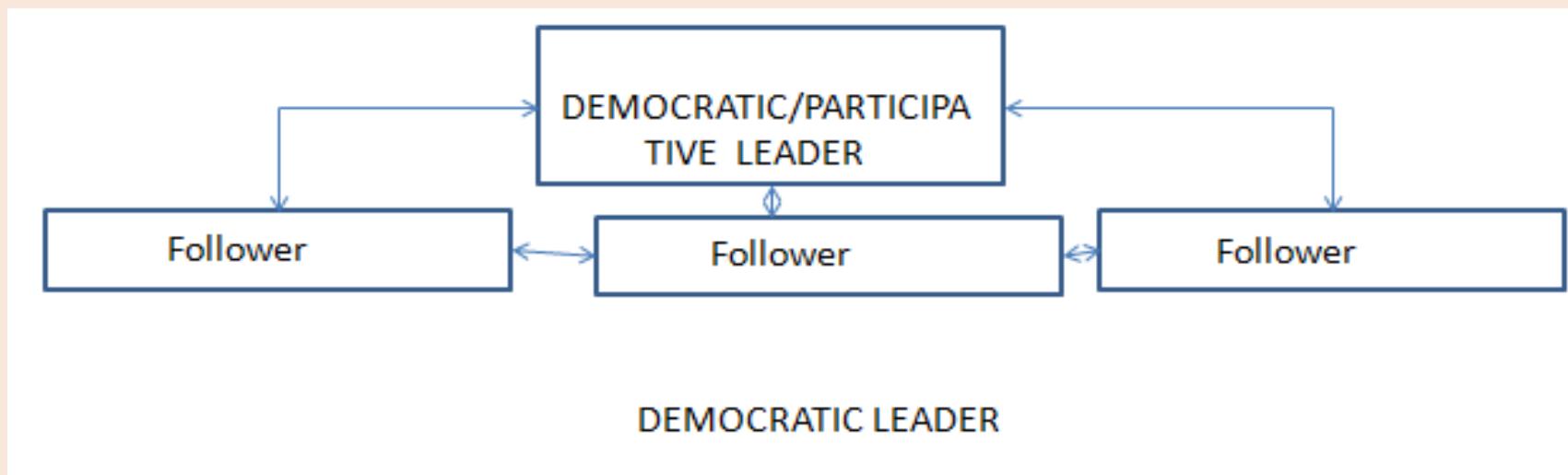


For example: Military, manufacturing, construction

1.2 Democratic / Participative leader

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The **Democratic/Participative** leader consults with subordinates on proposed actions and decisions and encourages participation from them.



1.2 Democratic / Participative leader

35

This style involves the leader including one or more employees in the decision making process (determining what to do and how to do it).

However, the leader maintains the final decision making authority.

Using this style is not a sign of weakness,

rather it is a sign of strength that your employees will respect.



1.2 Democratic / Participative leader

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This is normally used when you have part of the information, and your employees have other parts.

Note that a leader is not expected to know everything — this is why you employ ***knowledgeable*** and ***skillful*** employees.

Using this style is of mutual benefit — it allows them to become part of the team and allows you to make better decisions.



1.3 Delegative / Free Reign Leader

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The **Free-rein** leader uses his/her power very little, if at all giving subordinates a high degree of independence in their operations.

Such leaders depend largely on subordinates to set their own goals and the means of achieving them.



1.3 Delegative / Free Reign Leader

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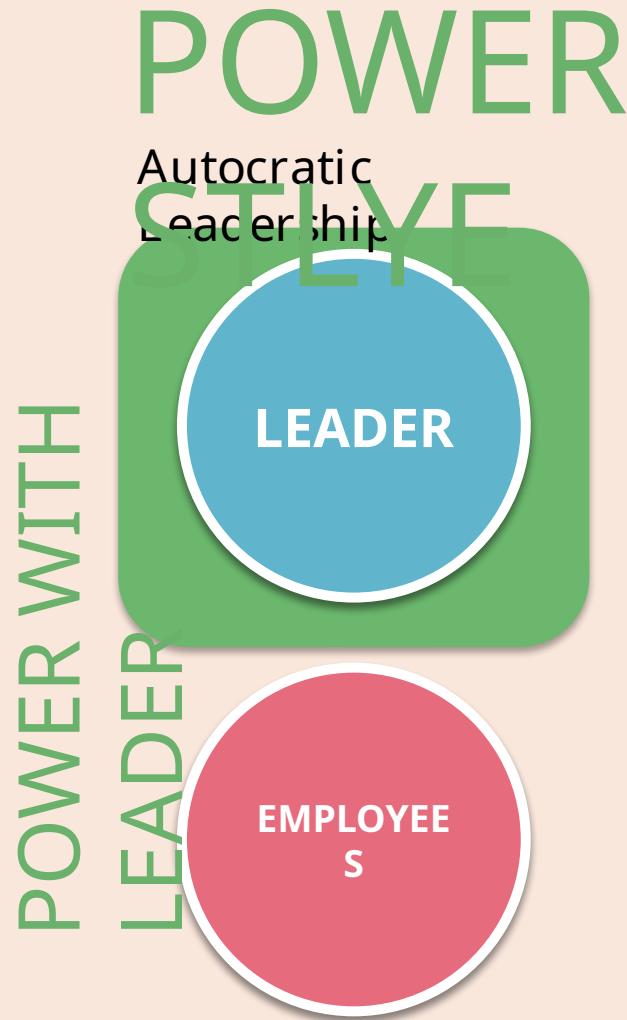
In this style, the leader allows the employees to make the decisions.

However, the leader is still responsible for the decisions that are made.

This is used when employees are able to analyze the situation and determine what needs to be done and how to do it.



1. Styles based on USE OF AUTHORITY



Democratic / Participative leader

POWER SHARED



Delegative / Free Reign Leader

POWER WITH LEADER



Forces that influence the style to be used :

40

- How much time is available.
- Are relationships based on respect and trust or on disrespect?
- Who has the information — you, your employees, or both?
- How well your employees are trained and how well you know the task.
- Internal conflicts.
- Stress levels.
- Type of task. Is it structured, unstructured, complicated, or simple?
- Laws or established procedures such as training plans.

2. Likert's 4 Systems of Managing

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Rensis Likert conducted three decades of the management behavior.

**System 1
Management
“EXPLOITATIVE
AUTHORITATIVE”**

**System 2
Management
“BENEVOLENT
AUTHORITATIVE”**

The proposed leadership of managers

**System 3
Management
“CONSULTATIVE”**

**System 4
Management
“PARTICIPATIVE”**

2.1 Exploitative Authoritative

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System 1
Management
“**EXPLOITATIVE
AUTHORITATIVE**”

The teamwork or communication is very little and the motivation is based on threats.

- Managers are **highly autocratic with no trust nor confidence in subordinates**
- Motivate people through fear & punishment and only occasional rewards
- Engage in downward communication and limit decision making to the top
- Responsibility lies in the hands of the people at the upper levels of the hierarchy.
- The decisions are imposed on subordinates and they do not feel free at all to discuss things about the job with their superior.

2.2 Benevolent Authoritative

patronizing confidence to treat others in a manner that shows you consider yourself to be better or more important than they are.

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System 2
Management
“**BENEVOLENT
AUTHORITATIVE**”

The teamwork or communication is very little and motivation is based on a system of rewards.

- Managers have a **patronizing confidence and trust in subordinates**
- Motivate with rewards and some fear and punishment
- Permit some upward communication
- Ask some ideas and opinions from subordinates
- Allows some delegation of decision-making but with close control
- Responsibility lies at the managerial levels but not at the lower levels of the organizational hierarchy
- Subordinates do not feel free to discuss things about the job with their superior

2.3 Consultative

44

System 3 Management “CONSULTATIVE”

Has fair amount of teamwork, motivation is based on rewards and involvement in the job.

- Managers **have substantial but not complete confidence and trust in subordinates**
- Usually try to make use of subordinates ideas and opinions
- Use rewards for motivation with occasional punishment and some participation
- Engage in communication flow both up and down
- Make broad policy and general decisions at the top while allowing specific decisions to be made at lower levels, and act consultatively in other ways.
- Responsibility is spread widely through the organizational hierarchy.

2.4 Participative

45

System 4 Management “PARTICIPATIVE”

There is a high level of teamwork, communication, & participation.

- Managers **have complete trust and confidence in subordinates** in all matters
- Seek ideas & opinions from subordinates and constructively use them
- Engage in downwards and upwards communication
- Encourage decision making throughout the organization
- Operate among themselves and with their subordinates as a group.
- Responsibility for achieving the organizational goals is widespread throughout the organizational hierarchy.

2. Likert's 4 Systems of Managing

46

In general, **Likert** found that those managers who applied the **SYSTEM 4** approach to their operations had greatest success as leaders.

Moreover, *he noted that departments and companies managed by the system 4 approach were more effective in setting goals and achieving them and were generally more productive.*

3. The Managerial Grid

47

The managerial grid model is a self-assessment tool by which individuals and organizations can help identify a manager's or leader's style.

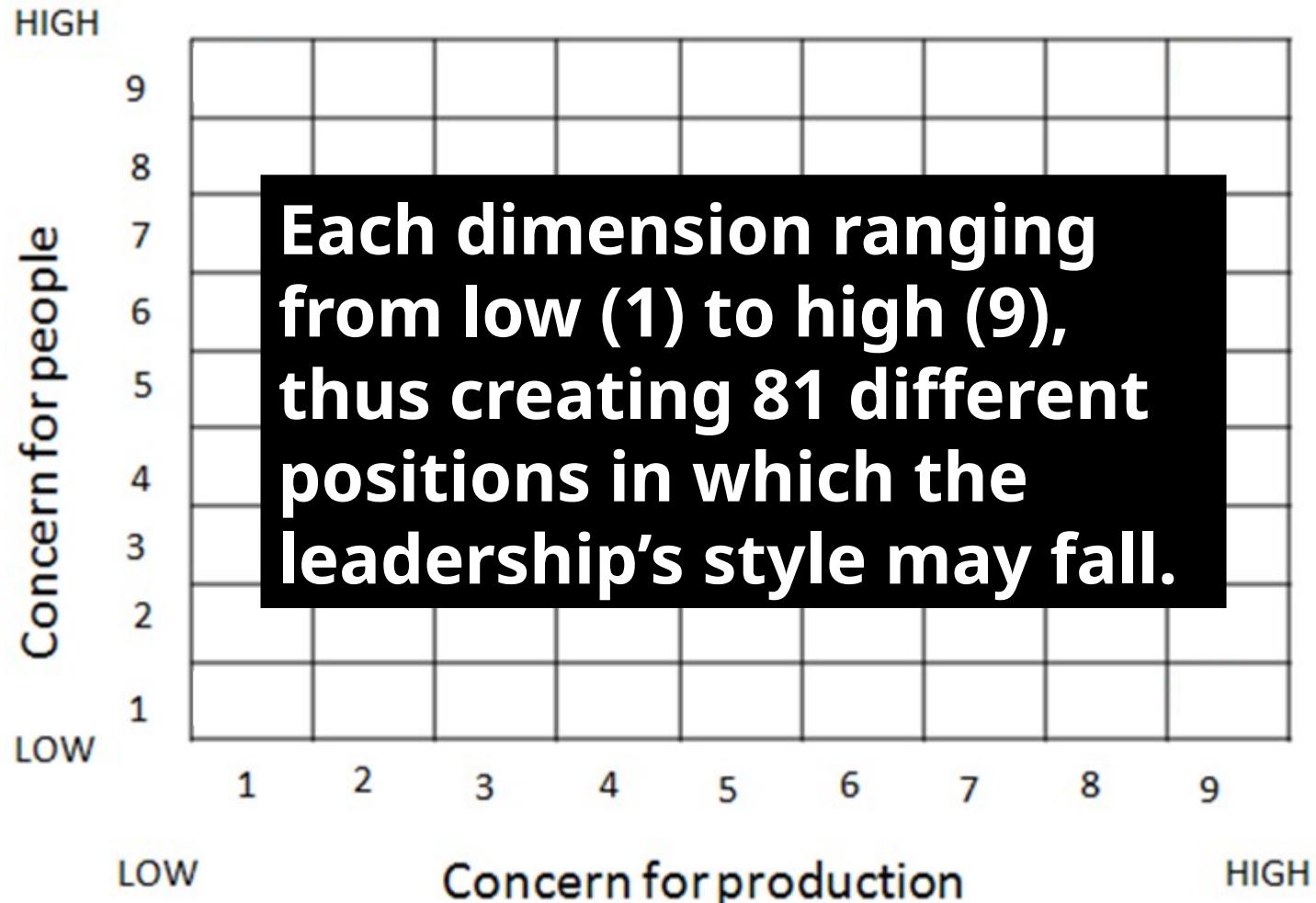
The grid was originally developed by Robert R. Blake and Jane S. Mouton in the 1960s and has evolved in subsequent decades.

3. The Managerial Grid

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"**CONCERN FOR PRODUCTION**" runs along the horizontal axis on a 9-point scale. A 1, or low concern for production, is placed to the far left of the horizontal line, close to the right angle; a 9, or high concern for production, is located on the far right of the horizontal line.

"**CONCERN FOR PEOPLE**" runs along the vertical axis on a 9-point scale. A 1, or low concern, falls at the bottom of the vertical line, close to the base near the right angle, while a 9, or high concern for people, is placed at the top of this vertical axis.



HIGH

Concern for people

9

8

7

6

5

4

3

2

1

LOW

1.9 CO 9.9 TEAM MANAGEMENT

Though work accomplishment is from committed satisfy people; interdependence through a "common friendl stake" in organization purpose leads to tempo relationships of trust and respect.

MAGEMENT

IANAGEMENT

iance is necessity to morale of

1.1 IMPOVERISHED MANAGEMENT

Exertion of minimum effort to get required work done is appropriate to sustain organization membership.

elements interfere to a minimum degree.

1

2

3

4

5

6

7

8

9

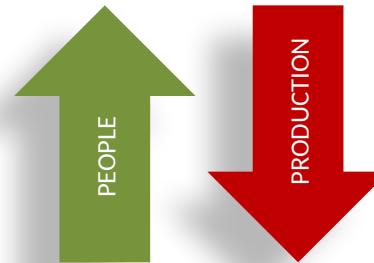
LOW

Concern for production

HIGH

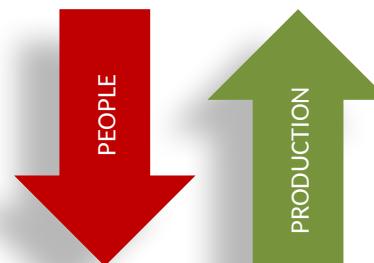
3. The Managerial Grid

1.9 MANAGEMENT



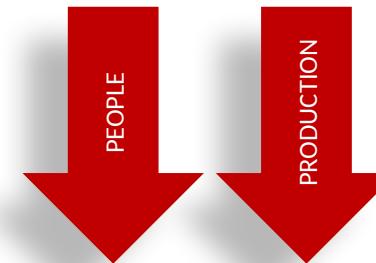
thoughtful attention to needs of people leads to a friendly and comfortable organizational atmosphere and work tempo.

9.1 MANAGEMENT



efficiency results from arranging work in such a way that human elements have little effort.

1.1 MANAGEMENT



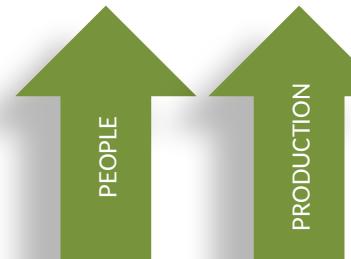
minimum effort is required to get work done and sustain organizational morale

5.5 MANAGEMENT



adequate performance through balance of work requirements & maintaining satisfactory morale.

9.9 MANAGEMENT



work accomplished is from committed people with interdependence through a common stake in organization purpose & with trust and

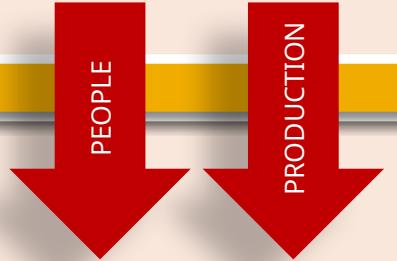
Styles of Managing

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1.1 MANAGEMENT

Referred to as "**IMPOVERISHED MANAGEMENT**"

Here managers concern themselves very little with either people or production and have minimum involvement in their jobs, to all intents and purposes, they have abandoned their jobs and only act as messengers communicating information from superiors to subordinates.



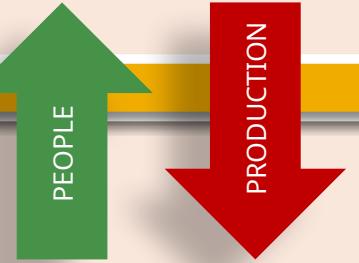
Styles of Managing

52

1.9 MANAGEMENT

Referred to as "**COUNTRY CLUB MANAGEMENT**"

It is one in which managers have little or no concern for production but are concerned only for people. They promote an environment in which everyone is relaxed, friendly and happy and no one is concerned about putting forth coordinated effort to accomplish the enterprise objectives.



Styles of Managing

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PEOPLE

PRODUCTION

5.5 MANAGEMENT

Referred to as “**MIDDLE OF THE ROADS**”

Here the managers have medium concern for production and for people. They obtain adequate, but not outstanding morale and production. They do not set goals too high and they are likely to have rather benevolently autocratic attitude toward people.

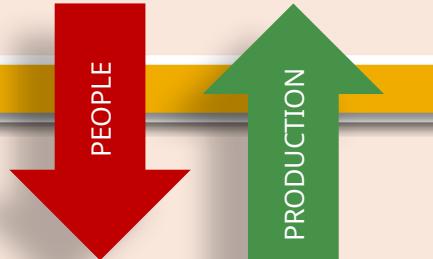
Styles of Managing

54

9.1 MANAGEMENT

Referred to as "**AUTOCRATIC TASK MANAGEMENT**"

Here the managers are concerned only with developing an efficient operation, who have little or no concern for people, and who are quite autocratic in their style of leadership.



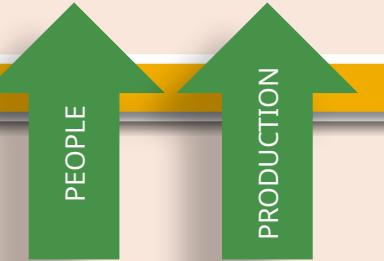
Styles of Managing

55

9.9 MANAGEMENT

Referred to as “**TEAM MANAGEMENT**”

This is on the other extreme. The managers here display in their actions the highest possible dedication both to people and to production. They are real team managers who are able to mesh the production needs of the enterprise with the needs of the individuals.



summary....

1 LEADERSHIP BASED ON THE USE OF AUTHORITY

AUTOCRATIC LEADER
DEMOCRATIC/PARTICIPATIVE LEADER
FREE REIN LEADER

2 LIKERT'S FOUR-SYSTEMS OF MANAGING

SYSTEM 1 MANAGEMENT "EXPLOITATIVE AUTHORITATIVE"
SYSTEM 2 MANAGEMENT "BENEVOLENT AUTHORITATIVE"
SYSTEM 3 MANAGEMENT "CONSULTATIVE"
SYSTEM 4 MANAGEMENT "PARTICIPATIVE"

3 THE MANAGERIAL GRID

1.1 MANAGEMENT "IMPOVERISHED MANAGEMENT"
1.9 MANAGEMENT "COUNTRY CLUB MANAGEMENT"
5.5 MANAGEMENT "MIDDLE OF THE ROADS"
9.1 MANAGEMENT "AUTOCRATIC TASK MANAGEMENT"
9.9 MANAGEMENT "TEAM MANAGEMENT"

3

4

5

Leadership as a CONTINUUM

57

Developed by Robert Tannenbaum and W. H. Schmidt.

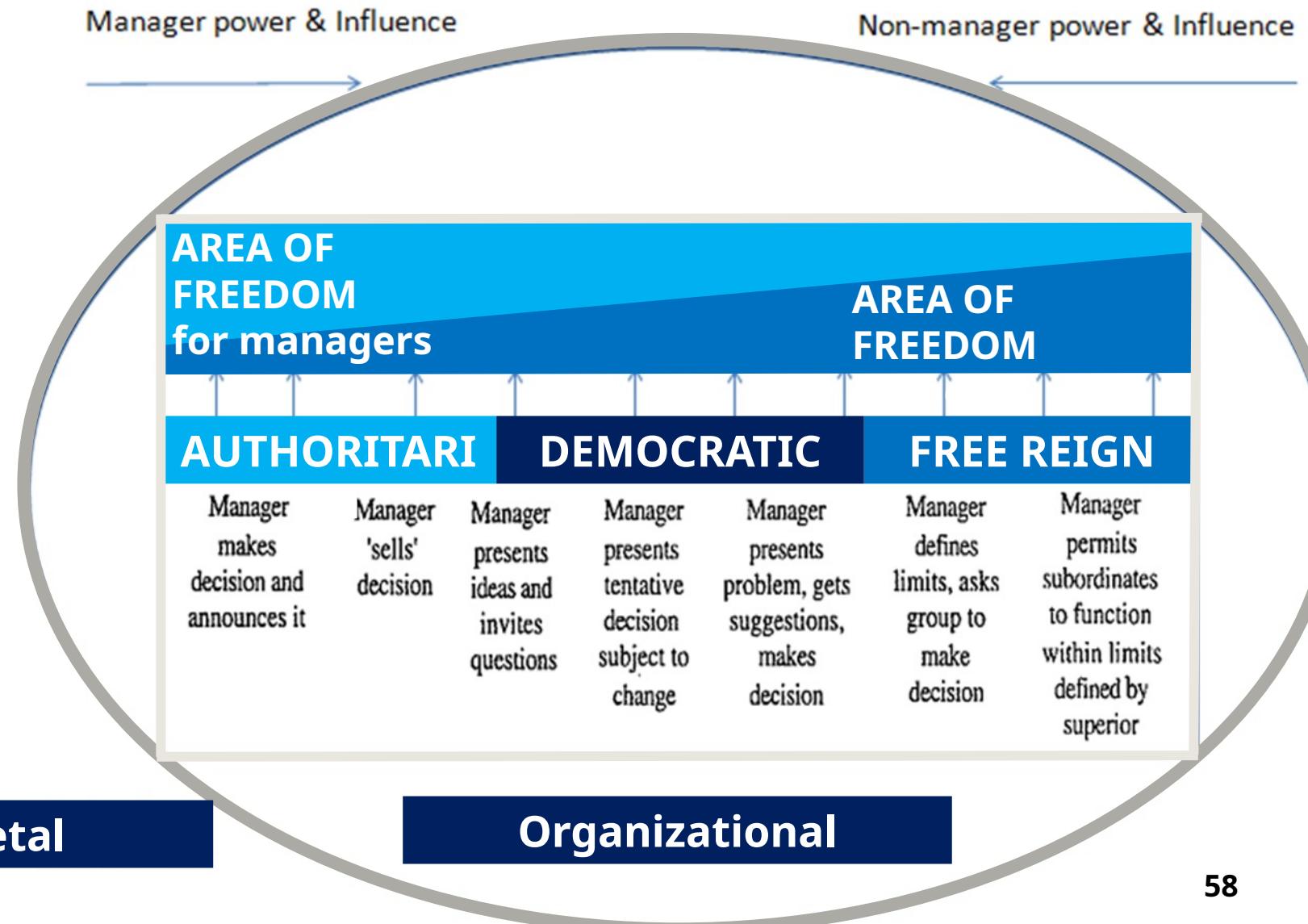
They see leadership as involving a variety of styles, ranging from one that is **highly boss centred** to one that is **highly subordinate centred**.

The styles vary with the degree of freedom a leader / manager grants to subordinates.

Thus instead of suggesting a choice between the two styles of leadership – Authoritarian and Democratic – this approach offers a range of styles.

Leadership as a CONTINUUM

The continuum theory recognizes which style of leadership is appropriate, depending **on the leader, followers and the situation faced by the organization.**



Ellipse is placed around the model to represent the influences on style imposed by both the **organizational** **Societal environment** and **societal**

DECISION MAKING COMMITTEE, TEAMS & GROUPS



COMMITTEE

A **committee** is a group of persons to whom, as a group, some matter is committed.

It is also referred to as a board, commission, task force, team, self-managing team, self-managed work group, or autonomous work group.

However, its essential nature is similar.



FOUR STAGES OF GROUP DEVELOPMENT

Groups go through four stages



Forming 1

when the members of the group get to know each other



Storming 2

when the members of the group determine the objective of the meeting and conflict arises



Norming 3

when the group agrees on norms and some rules of behavior



Performing 4

when the group gets down to the task

FUNCTIONS AND FORMALITY

- Planning
- Organizing
- Staffing
- Leading
- Controlling

In addition to this, Some people in the committee

- have the authority to make recommendations to a manager
- receive information without making recommendations and decisions

REASONS FOR USING COMMITTEES

- 1. Group Deliberation and Judgment**
- 2. Dominant Logic**
- 3. Fear of Too Much Authority in a Single Person**
- 4. Representation of Interested Groups**
- 5. Coordination of Departments, Plans, and Policies**
- 6. Transmission and Sharing of Information**
- 7. Consolidation of Authority**
- 8. Motivation through Participation**

DISADVANTAGES AND MISUSE OF COMMITTEES

1. Committees are costly.
2. They may result in compromises at the least common denominator rather than in an optimal decision.
3. They may lead to indecision.
4. They also can split responsibility.
5. It can lead to a situation in which a few persons impose their will on the majority, not allowing the participation of other members.

6. The committee has often fallen into disrepute through misuse.
7. Committees should not be used as a replacement for a manager, for research study, for unimportant decisions, and for decisions beyond the participants' authority.

GROUPS

y in a
goals.



Characteristics of Groups

- Group members share one or more **COMMON GOALS**, such as the goals of a product group to develop, manufacture, and market a new product.
- Group members normally require **interaction** and **communication** among members.
- Group members within a group assume **ROLES** (designing, producing, selling, or distributing a product, etc)
- Groups usually are a part of a **LARGER GROUP**.
- Groups develop **NORMS**, which refer to the expected behavior of the group members.

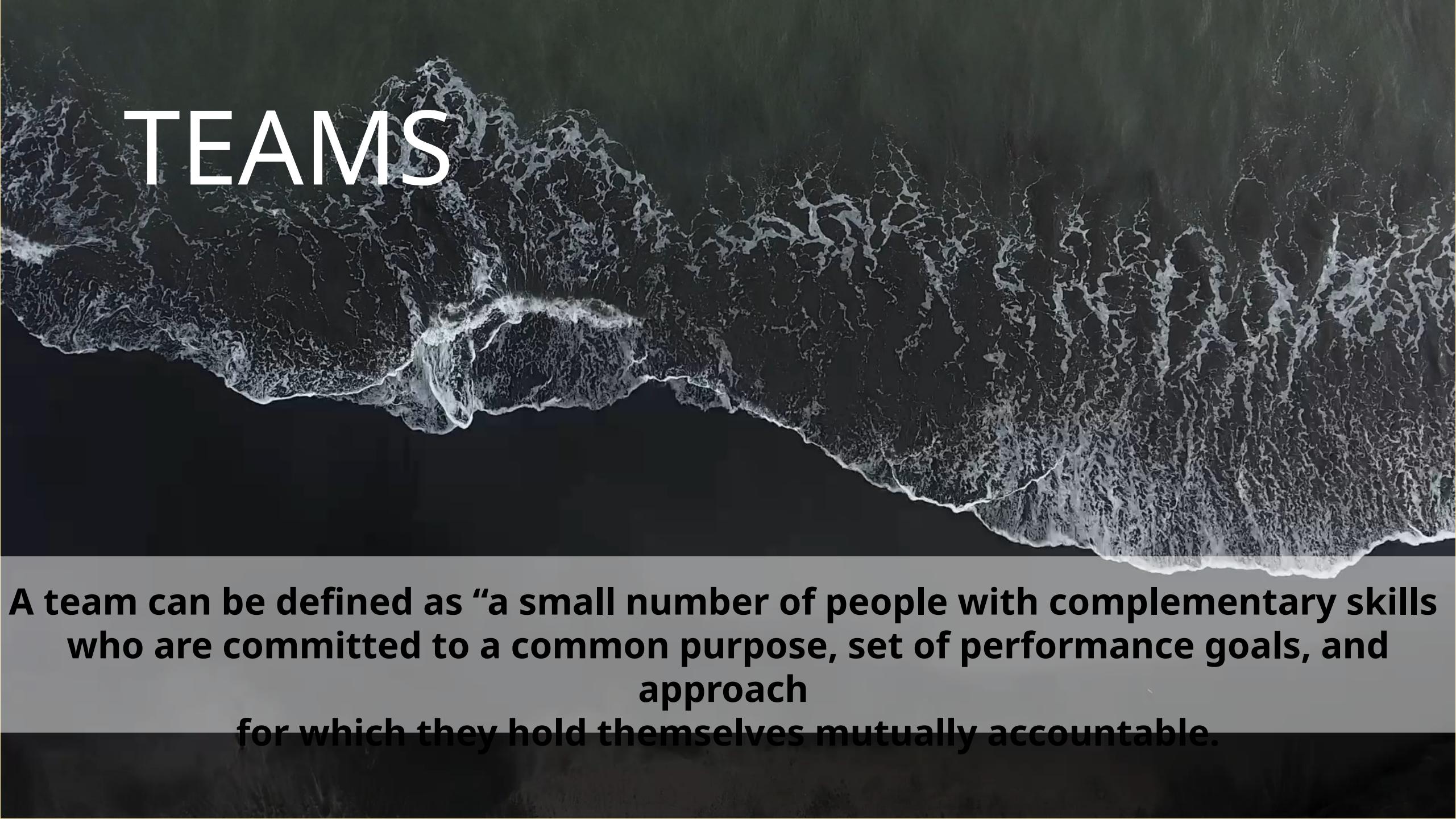
FUNCTIONS AND ADVANTAGES OF GROUPS

- Groups are powerful in changing behavior, attitudes, and values and in disciplining members.
- Groups are used for decision-making, negotiating, and bargaining.
 - Thus, group members with diverse backgrounds may bring different perspectives to the decision-making process
- Different group structures influence *communication* patterns.

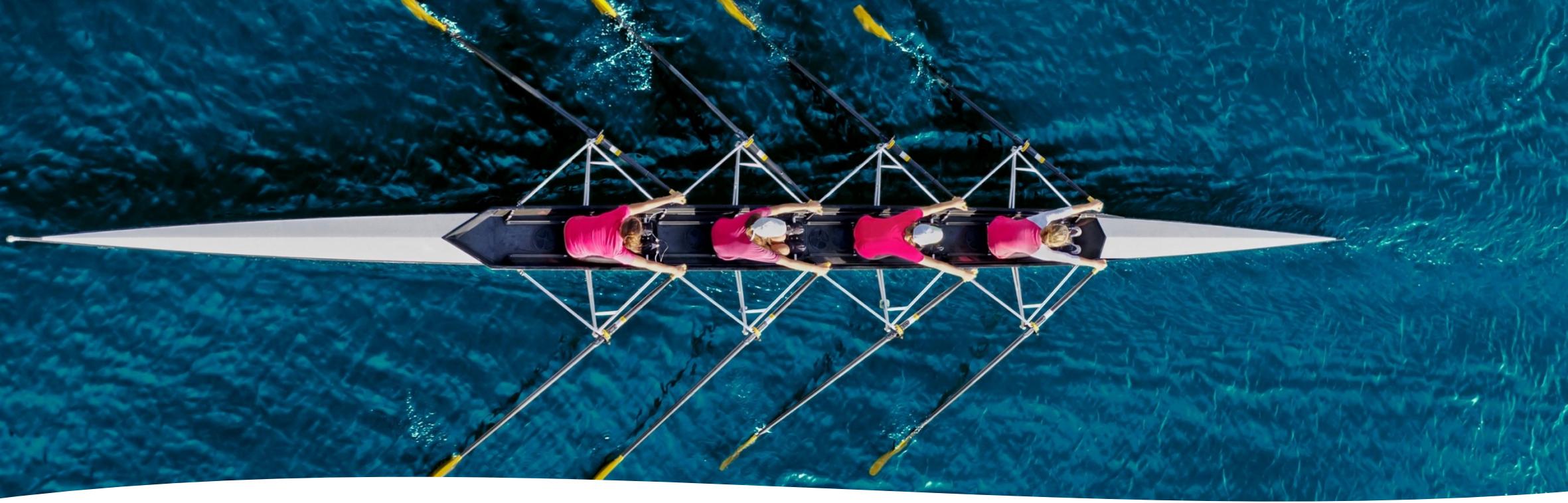
FUNCTIONS AND ADVANTAGES OF GROUPS

- Effective group interaction may also affect *motivation*.
 - E.g, group members participating in setting objectives may become committed to the achievement of group goals
- An understanding of groups is important for carrying out all managerial functions, particularly the function of leading
- Groups do provide social satisfaction for their members, a feeling of belonging, and support for the needs of individuals.
- Another benefit of groups is that they promote communication.

TEAMS



A team can be defined as “a small number of people with complementary skills who are committed to a common purpose, set of performance goals, and approach for which they hold themselves mutually accountable.



In teams, some make recommendations; others have the power to make decisions, and few others run operations.

Some teams are created to solve problems, such as quality circles, and others engage in cross-functional activities such as design, marketing, finance, manufacturing, personnel, and so on.

TEAM BUILDING

Team members must be convinced that the team's purpose is worthwhile, meaningful, and urgent.

Team members should also be selected according to the skills needed to achieve the purpose.

Teams should have the right mix of skills, such as functional or technical skills, problem-solving and decision-making skills, and, of course, human relations skills.



TEAM BUILDING

The team needs to be guided by rules for group behavior, such as regular attendance, confidentiality, discussions based on facts, and everyone contributing.

Goals and required tasks should be identified early in team formation.

Members should encourage each other through recognition, positive feedback, and rewards.



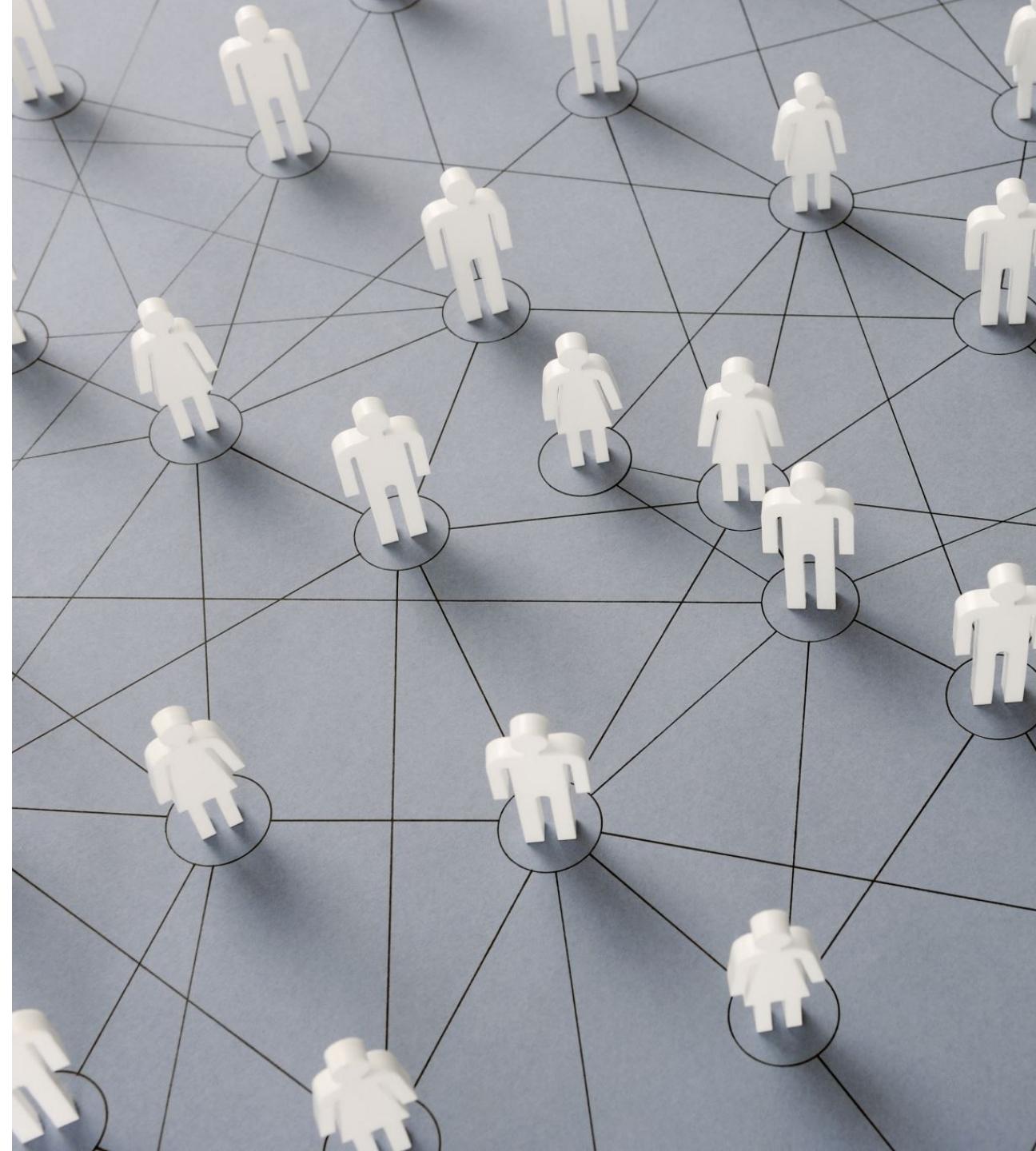
TYPES OF TEAMS

Self-managing team

A group with members with various skills needed to carry out a relatively complete task.

Virtual management

Running a team whose members are not in the same location, do not report to the person managing it, and may not even work for the same organization.



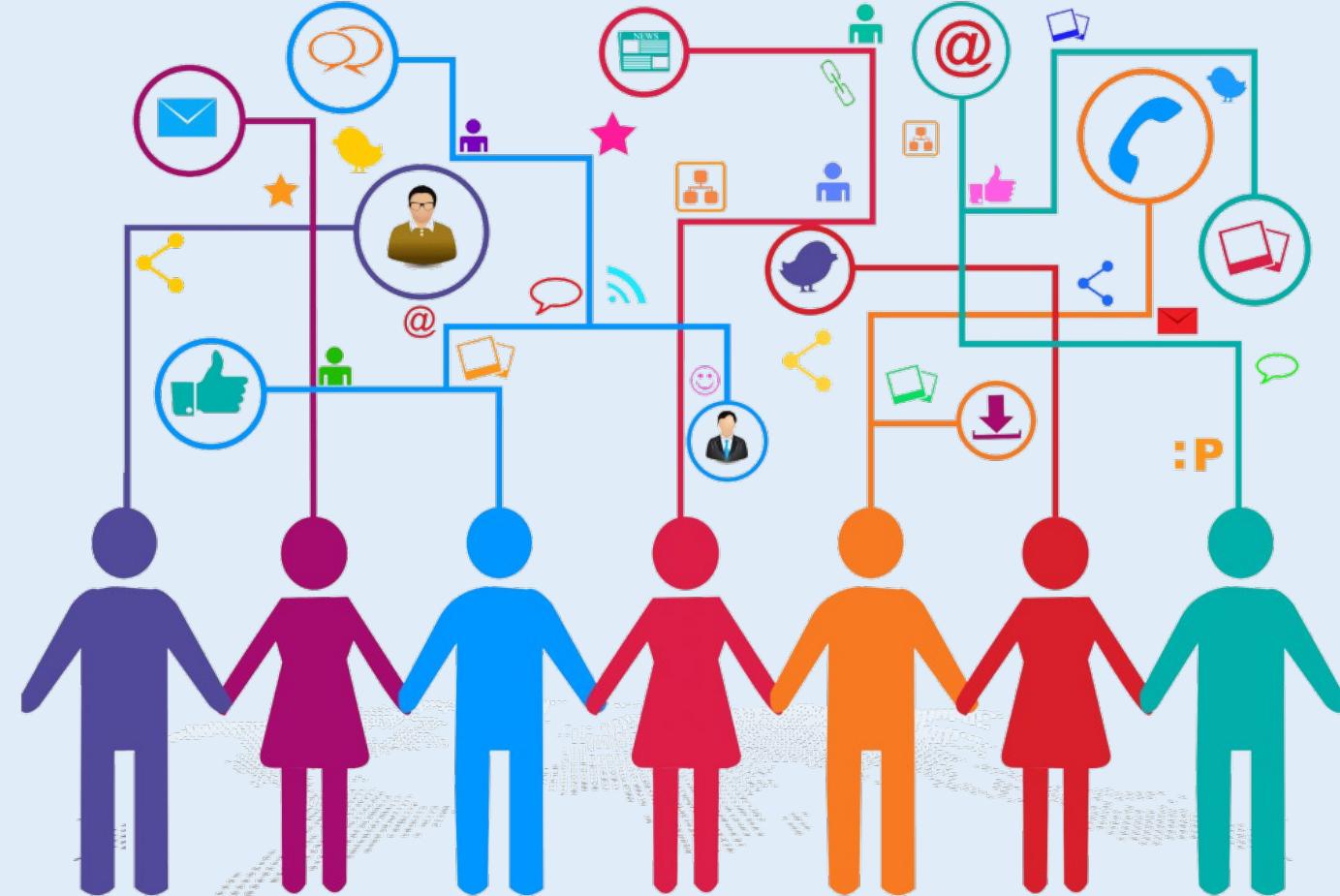


COMMUNICATION

COMMUNICATION

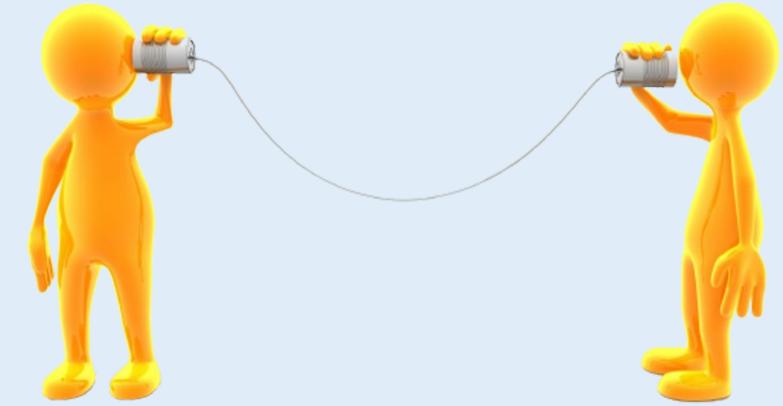
Communication is viewed as the means by which people are linked together in an organization to achieve common goals.

Group activities in organizations are impossible without proper communication because coordination and change cannot be affected.

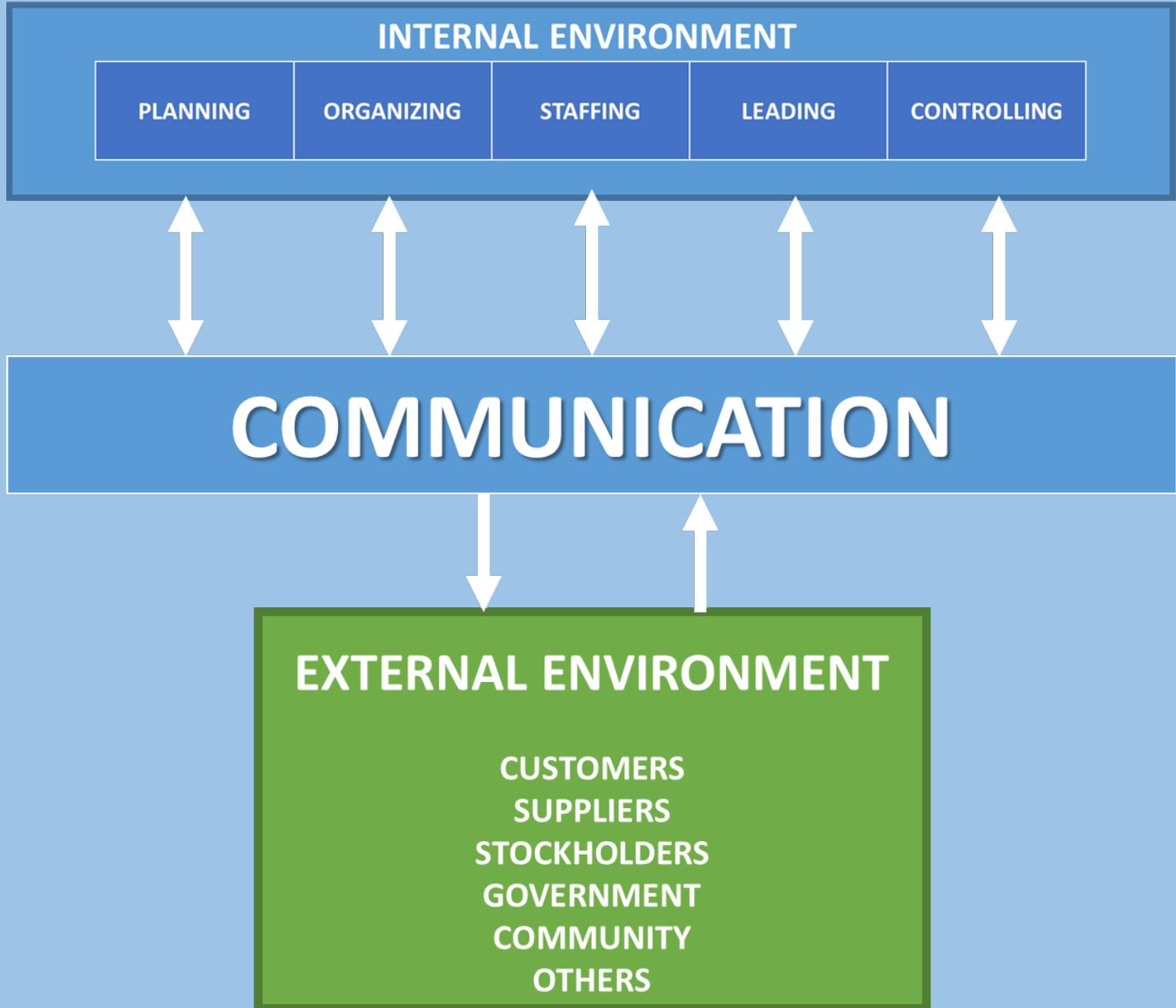


COMMUNICATION

Communication is essential for the **INTERNAL FUNCTIONING** of the organization, because it integrates the managerial functions of planning, organizing, staffing, leading, and controlling.



Communication also relates an enterprise to its **EXTERNAL ENVIRONMENT**. It is through communication that managers become aware of the needs of the customers, the availability of suppliers, the claims of stockholders, the regulations of the government and the concerns of the community



COMMUNICATION PROCESS

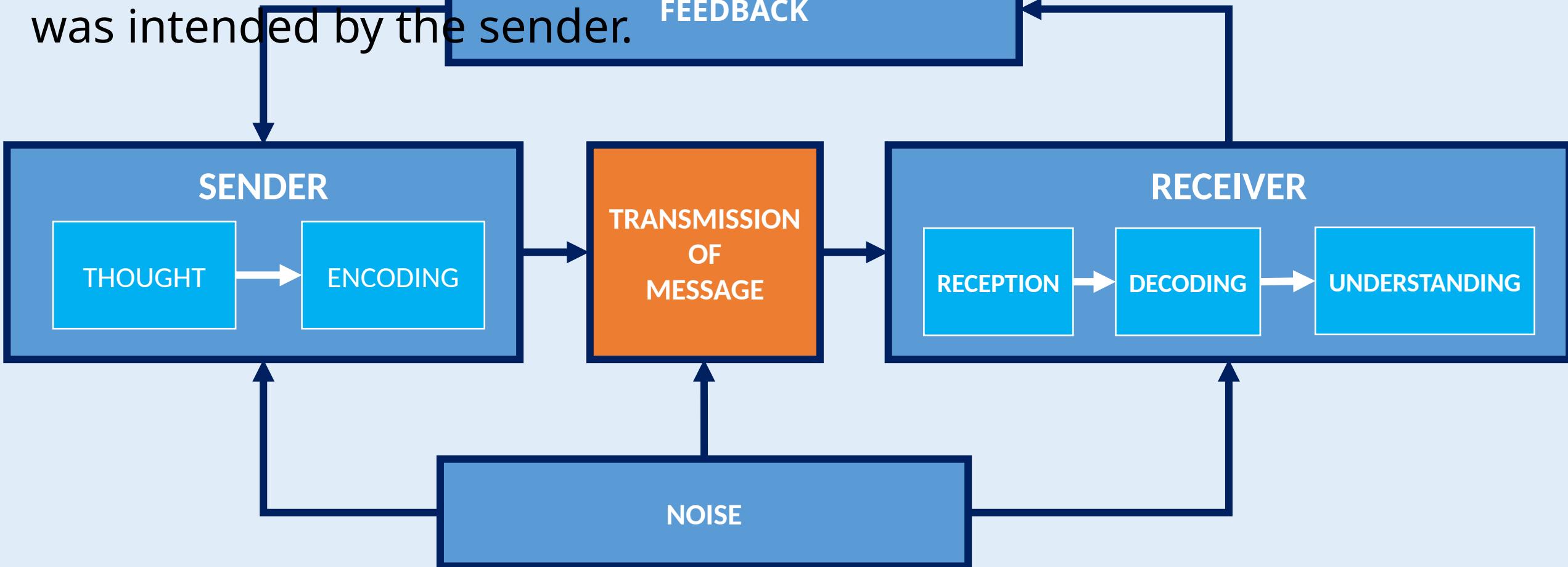
The communication process is the exchange of information between two or more people. It involves the transmission of messages through various channels and media. The process starts with the sender's message and ends with the receiver's response. There are several steps involved in the communication process:

- Thought:** The initial idea or message generated by the sender.
- Encoding:** The conversion of thoughts into a form that can be transmitted, such as words, symbols, or images.
- Transmission of Message:** The actual physical or electronic transfer of the encoded message from the sender to the receiver.
- Decoding:** The conversion of the received message back into its original form by the receiver.
- Understanding:** The receiver's interpretation and comprehension of the message.

Throughout the process, there are various factors that can affect the communication:

- Noise:** Any external factor that interferes with the transmission or reception of the message.
- Feedback:** The receiver's response to the message, which provides the sender with information about the effectiveness of their communication.

It is important to note that effective communication occurs only if the receiver understands the message in exactly the same way as it was intended by the sender.





NINE TYPES OF COMMUNICATIO N

TYPES OF COMMUNICATION

Formal communication is an officially created procedure for the flow of communication between the various positions in the organizational set-up.

Memos

Intranet

Meetings

Conferences

Formal One-on-Ones

Bulletin Boards

Handouts

Letters

Presentations

Speeches

Notice Boards

Organizational blogs

Emails from managers and leaders



TYPES OF COMMUNICATION

Informal communication is one that is outside the formed, recognized communication system, such as conversations among workers and the grapevine (gossip).

Single Strand – a form of informal communication wherein each person communicates with the next in a single sequence.

Cluster - a very common form of informal communication, in cluster networks a person will receive information and choose to pass it on to their cluster network or keep the information to themselves. Each individual will pass on the information to the next cluster network

Probability Chain – each individual randomly tells another individual the same piece of information.



TYPES OF COMMUNICATION

Downward communication flows from people at higher levels to those at lower levels in the organizational hierarchy.

- This kind of communication exists especially in organizations with an authoritarian atmosphere.
- The kinds of media used in downward oral communication include instructions, speeches, meetings, telephone, loudspeakers etc.
- Written downward communication includes letters, memoranda, pamphlets, policy statements, procedures etc.
- The downward flow of communication through the different levels of the organization is time-consuming.
- Information is often lost/distorted as it comes down the chain of command.



TYPES OF COMMUNICATION

Upward communication travels from subordinates to superiors and continues up the organizational hierarchy.

- Unfortunately, this flow is often hindered by managers in the communication chain that filters the messages and does not transmit all the information, especially unfavorable news to their bosses.
- Upper management needs to know specifically about production performance, marketing information, financial data, what lower-level employees are thinking etc.
- Upward communication is primarily non-directive and is usually found in participative/demographic organizational environments.
- Effective upward communication requires an environment in which subordinates feel free to communicate



TYPES OF COMMUNICATION

Crosswise communication or Horizontal communication refers to communication between individuals who are at the same or similar levels within an organization but have different areas of responsibility.

Horizontal communication is slightly more fluid and dependent on cross-individual communication.

Typical examples exist as communication between managers of different departments (HR, Marketing, Sales, etc.).



TYPES OF COMMUNICATION

Diagonal flow among people at different levels who have no direct reporting relationships.

This kind of information flow is used to speed up the process of communication, to improve understanding and to coordinate efforts for the achievement of organizational objectives.

Communication between a floor manager and a Sales team is a prime example of diagonal communication.



TYPES OF COMMUNICATION

Written communication has the advantage of providing records, references, and legal defense.

The message can be carefully planned, prepared, and then directed to a large audience through mass mailing.

It can promote uniformity in policy, and procedure.

The disadvantages are that written messages may create mountains of paper, maybe poorly expressed by ineffective writers, and may not provide immediate feedback.



TYPES OF COMMUNICATION

Oral communication can occur in a face-to-face meeting of two people or in a manager's presentation to a large audience, which can be formal or informal, or it can be planned or accidental.

The advantage being it makes possible speedy interchange with immediate feedback.

People can ask questions and clarify points.



TYPES OF COMMUNICATION

Non-verbal communication – what a person says can be reinforced (or contradicted) by non-verbal communication, such as facial expressions, and body gestures.

Non-verbal communication is expected to support verbal, but it does not always do so.



COMMUNICATION

BARRIERS TO EFFECTIVE COMMUNICATION

- Lack of planning
- Un-clarified assumptions
- Semantic distortion - can be deliberate or accidental.
“We sell for less” is deliberate (less than what?)
- Poorly expressed messages.
- Loss by transmission
- Poor retention
- Poor listening and beforehand evaluation
- Distrust, threat, and fear
- Insufficient period for adjustment to change
- Information overload

Other communication barriers

- Selective perception
- Attitude influence
- Differences in status and power
- A large number of levels in the organizations

TOWARDS EFFECTIVE COMMUNICATION

Following are the guidelines for effective communication / improving communication:

- Senders of messages must clarify in their minds what they want to communicate.
- Encoding and decoding be done with symbols that are familiar to the sender and receiver of the message.
- Planning for communication should not be done in a vacuum.
- It is very important to consider the needs of the receivers of the information.
- In communication tone of voice, choice of language, and the congruency between what is said and how it is said to influence the reactions of the receiver of the message.
- Communication is complete only when the message is understood by the receiver of the information.
- The function of communication is more than transmitting information.
- It also deals with emotions that are important in interpersonal relationships between superiors & subordinates.

Effective communication is the responsibility of both the sender and the receiver of the information.

“Listening is the key to understanding.”

Listening is a skill that can be developed by following the guidelines listed below:

- Stop talking
- Put the talker at ease
- Show the talker that you want to listen
- Remove distraction
- Empathize with the talker
- Be patient
- Hold your temper
- Go easy with arguments
- Ask questions

guidelines to improve written communication

Following are the guidelines to improve written communication:

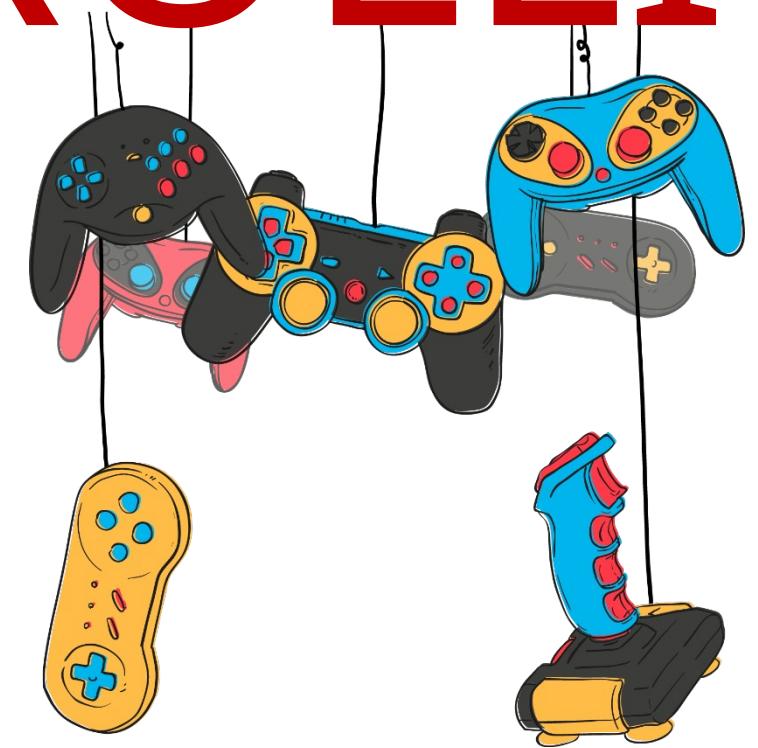
- Use simple words and phrases
- Use short and familiar words
- Use personal pronouns (Such as I, You etc) whenever applicable.
- Give illustrations and examples.
- Use short sentences and paragraphs
- Use active verbs (Such as the manager plans)
- Avoid unnecessary words and sentences.



CONTROLLI

as a function of management

NG



CONTROLLING

Controlling is **verifying whether everything occurs in conformity with the plan adopted**, the instruction issued and principles established.

It has for object to point out weaknesses and errors in order to rectify them and prevent recurrence.

It appears on everything,
THINGS, PEOPLE, and ACTIONS.

CONTROLLING

The managerial function of controlling is the **measurement & correction of performance** in order to make sure that enterprise objectives and the plans devised to attain them are closely related.

Planning and controlling are closely related.

Controlling is the function of every manager from president to supervisor in an organization.

ESTABLISHING STANDARDS

Plans are the yardsticks against which managers device controls.
Hence controls require plans.

Since plans vary in detail & complex and
since managers can not watch everything,
special standards are established.

STANDARDS ARE SIMPLY... CRITERIA OF PERFORMANCE.

They are the selected points in entire planning program at which measures of performance are made so that managers can receive signals about how things are going & thus do not have to watch every step in the execution of plans.

ESTABLISHING STANDARDS

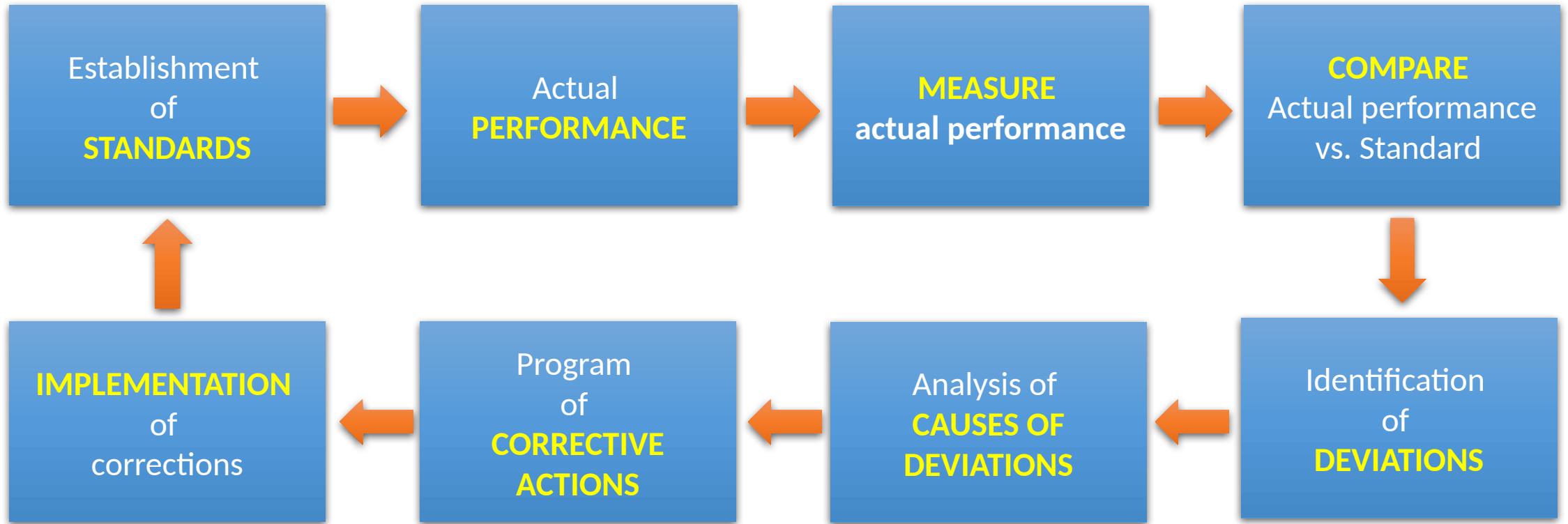
For the **purpose of CONTROL**,
a standard is defined as a unit of measurement
that can serve as a **REFERENCE POINT FOR EVALUATING RESULTS**.

Thus, in a broad sense, goals, objectives, quotas, and performance targets will also serve as 'standard' in the control process.

Some specific standards are –

**SALES QUOTAS, BUDGETS, JOB DEADLINES,
MARKET SHARE and PROFIT MARGINS.**

8 STEPS IN CONTROLLING



ESTABLISHING STANDARDS



PHYSICAL STANDARDS



TECHNICAL STANDARDS



MONETARY STANDARDS

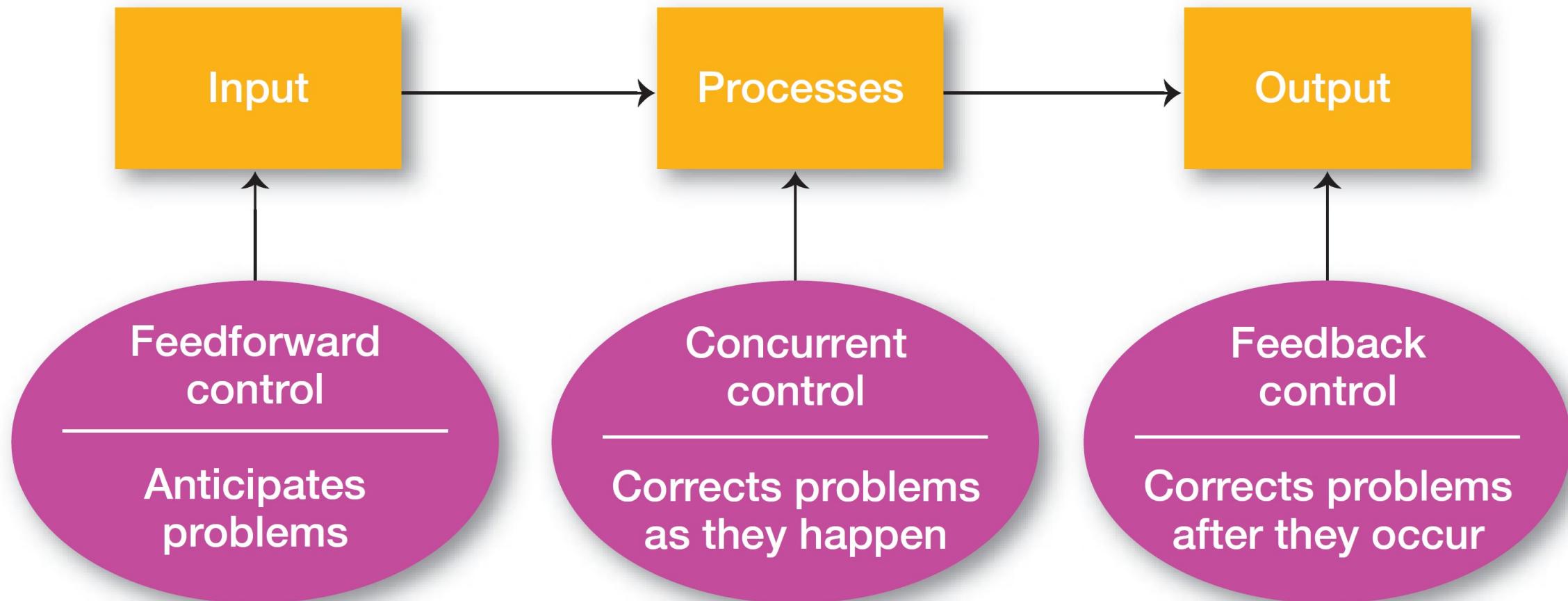


MANAGERIAL STANDARDS

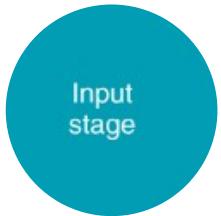


TIME STANDARDS

3 TYPES OF CONTROL



3 TYPES OF CONTROL



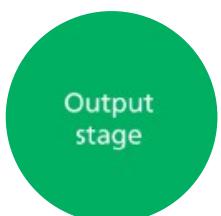
FEED FORWARD CONTROLS

Control that allows managers to anticipate problems before they arise



CONCURRENT CONTROLS

Give managers immediate feedback on how efficiently inputs are being transformed into outputs



FEEDBACK CONTROLS

Control that gives managers information about customers' reactions to goods and services

A photograph of a classroom interior. In the foreground, the back of a wooden chair is visible. In front of it, on another desk, lies an open spiral-bound notebook with a yellow pencil resting on its pages. Behind these desks, several more rows of similar wooden furniture stretch into the distance, creating a sense of depth.

SELF STUDY MATERIAL

Included for end semester exam

MANAGEMENT CONTROL TECHNIQUES

Classified under three basic categories:

- 1. BUDGETARY CONTROLS**
- 2. NON-BUDGETARY CONTROLS**
- 3. NETWORK TECHNIQUES**



1. BUDGETARY CONTROLS

A process of finding out what is being done and comparing the actual results with the budgeted.

This is done in order to approve accomplishments or to remedy differences by adjustment or correction.

Types: Fixed budget, Flexible budget, Master budget, Sales budget, Production budget, Materials budget, Labor budget, Capital expenditure budget.



BUDGET: DEFINITION & CONCEPT

BUDGET is a **single-use plan** that details the resources – usually financial, that will be required to complete a program, project, or other organizational activity.

The report can be viewed by the manager and can take required action.



BUDGET: TYPES

i

Financial Budget

Cash flow, or cash budget

Capital expenditure budget

Balance sheet budget

ii

Operating Budget

Sales or revenue budget

Expense budget

Profit budget

iii

Non-monetary Budget

Labor budget

Space budget

Production budget

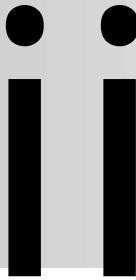
BUDGET: TYPES



A **FINANCIAL BUDGET** indicates the organization expects to get its cash for the common time period and how it plans to use it.

Financial Budget	Sources and uses of cash
Cash flow, or cash budget	All sources of cash income or expenditure in monthly, weekly, or daily periods
Capital expenditure budget	Costs of major assets such as plant, machinery, or land
Balance sheet budget	Forecast of the organization's assets and liabilities in the event all other budgets are met

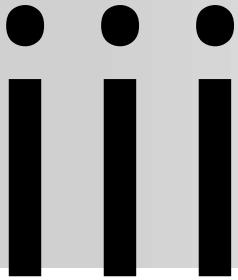
BUDGET: TYPES



AN OPERATING BUDGET is concerned with planned operations within the organization.

Operating Budget	Planned operations in financial matters
Sales or revenue budget	Income the organization expects to receive from normal operations
Expense budget	Anticipated expenses for the organization during the coming time period
Profit budget	Anticipated differences between the sales or revenues and expenses

BUDGET: TYPES



A **NON-MONETARY BUDGET** is a budget expressed in non financial terms, such as units of outputs, hours of direct labor, machine hours or square foot allocations.

Non-monetary Budget	Planned operations in non financial terms
Labor budget	Hours of direct labor available for use
Space budget	Square feet of space available for various functions
Production budget	Number of units to be produced during the coming time period

DANGERS IN BUDGETING

DANGER! DANGER! DANGER! DANGER! DANGER! DANGER! DANGER! DANGER! DANGER! DANGER!

- **OVER-BUDGETING** - There is a danger of over-budgeting through spelling out minor expenses in detail and depriving managers of needed freedom in managing their departments.
- **OVER-RIDING ENTERPRISE OBJECTIVES/GOALS** – Another danger lies in allowing budgetary goals to become more important than enterprise goals. In this zest to keep within budget limits, managers may forget that they owe primarily to enterprise objectives.
- **HIDING INEFFICIENCY** - it may be used to hide inefficiencies of managers.
- **CAUSING INFLEXIBILITY** - it is one of the greatest dangers in budgets. flexibility in decisions will be lost due to budgets and decision will become rigid.

BUDGET: TYPES

VARIABLE BUDGET

Dangers arise from inflexibility in budgets because maximum flexibility consistent with efficiency underlies good planning.

Attention has been increasingly given to

VARIABLE / FLEXIBLE BUDGETS

BUDGET: TYPES

VARIABLE BUDGET

These budgets are designed to vary usually on as the volume of sales / some other measure of output varies.

Some costs do not vary with volume of output, particularly in the short period of time.

Costs that vary with volume of output range from those that are completely variable to those that are only slightly variable.

BUDGET: TYPES

VARIABLE BUDGET

A fixed budget will work as well with good plans and sales forecasts, a variable budget forces study of & preoccupation with, factors which translate workload into labour and expense need.

A typical variable budget is shown.

Item of Expense	Monthly Sales Volume (in 000s)				
	20	40	60	80	100
Material	X				5X
Labour	Y				7Y
Over Heads	Z				3Z
Cost of Production	A				2A
Engineering	B				2B
Research & Development	C				2C
Sales & Distribution	D				4D
Total Cost	'				'''
Profit					
% Profit to Sales					

BUDGET: TYPES

ZERO BASED BUDGETING

Another type of budgeting, the purpose of which has much in common with the purpose of a well operated system of variable budgeting, is **ZERO BASE BUDGETING**.

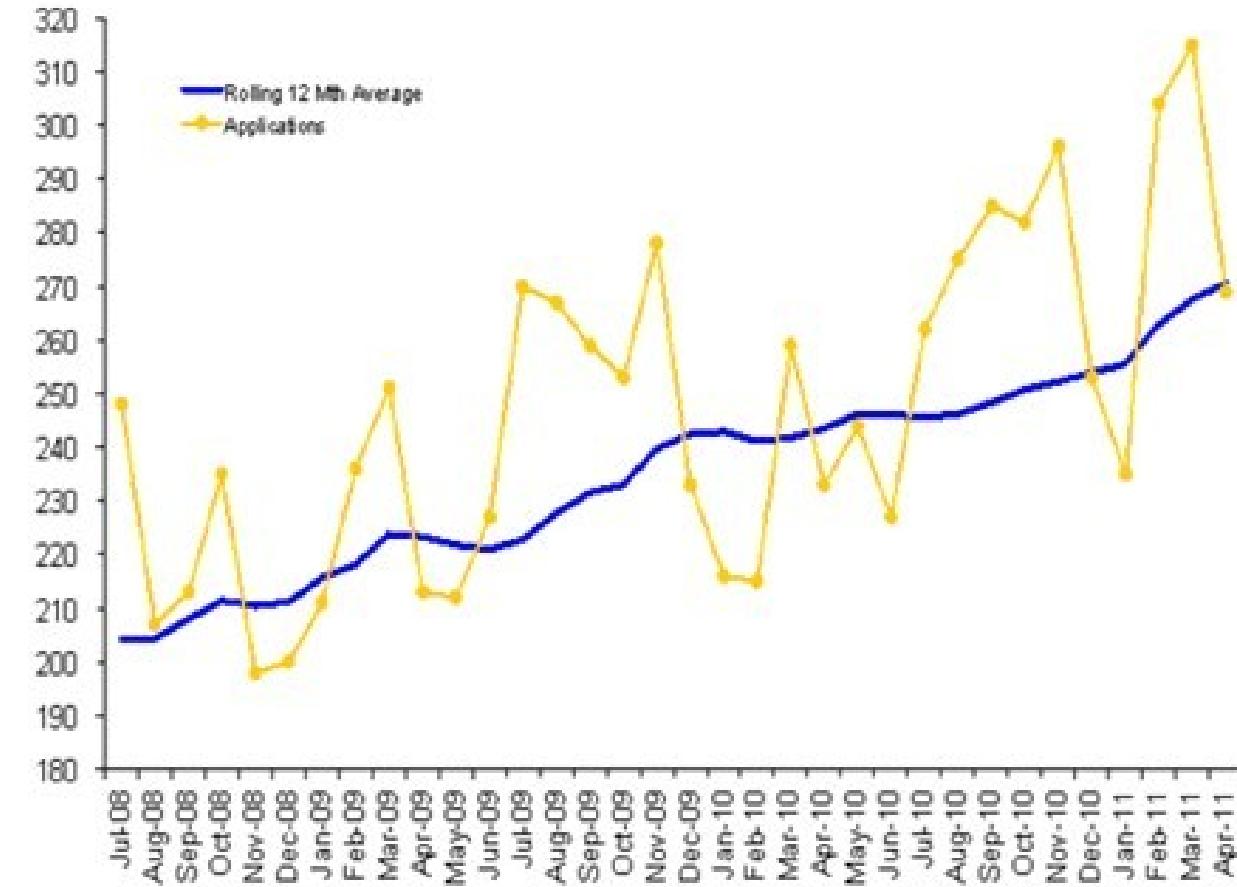
The idea behind this technique is **to divide enterprise programs into “packages”** composed of goals, activities & needed resources & then to calculate costs for each package from the ground up.

By **starting the budget of each package from base zero**, costs are calculated afresh for each budget period, thus avoiding the common tendency in budgeting of looking only at changes from the previous period.

2. NON-BUDGETARY CONTROL DEVICES

There are many traditional control strategies that are not connected with budgets.

- i Statistical data
- ii Special reports and analysis
- iii Operational audit
- iv Personal observation



2. NON-BUDGETARY CONTROL DEVICES

i STATISTICAL DATA

Most managers understand statistical data the best when the data is presented in chart or graphic form, since trends and relationships are then easier to see.

Moreover if data are to be meaningful, even when presented on charts, they should be formulated in such a way that comparisons to some standard can be made.



Since no manager can do anything to history, it is essential that statistical reports show trends so that the viewer can extrapolate where things are going. Hence, most data when presented on charts, should be made available as averages to rule out variations due to accounting periods, seasonal factors, and the periodic variations.

2. NON-BUDGETARY CONTROL DEVICES

ii SPECIAL REPORTS AND ANALYSIS



In control, special reports & analysis help in particular problem areas.

Routine accounting & statistical reports furnish a good share of necessary information, there are often areas in which they are inadequate.

It may be that some of the funds spent for elaborate information programs could be more profitably spent for special analysis.

2. NON-BUDGETARY CONTROL DEVICES

iii OPERATIONAL AUDIT

It is the regular and independent appraisal by a staff of internal auditors, of the accounting, financial & other operations of an enterprise.

Although often limited to the auditing of accounts, in its most useful form operational auditing includes appraisal of operations in general, weighing actual results against planned ones.



iv PERSONAL OBSERVATION

It is also called as “**Managing by Walking Around**” by some organizations.

3. TIME-EVENT NETWORK ANALYSIS

PERT – Program Evaluation & Review Technique.

CPM – Critical Path Method.

Both are meant for planning and control of projects.

PERT is a probabilistic model

i.e. It takes into account uncertainties involved in the estimation of time of a job or an activity.

It uses three estimates of the activity time – optimistic, pessimistic and most likely.

CPM is a deterministic model

i.e. it does not take into account the uncertainties involved in the estimation of time for execution of a job or an activity.

3. TIME-EVENT NETWORK ANALYSIS

GANTT Charts – show the time relationships between “events” of a production system.

Gantt chart, commonly used in project management, is one of the most popular and useful ways of showing activities (tasks or events) displayed against time.

On the left of the chart is a list of the activities and along the top is a suitable time scale. Each activity is represented by a bar; the position and length of the bar reflects the start date, duration and end date of the activity.

This allows you to see at a glance:

- What the various activities are
- When each activity begins and ends
- How long each activity is scheduled to last
- Where activities overlap with other activities, and by how much
- The start and end date of the whole project

OVERALL CONTROL

Controls are designed for specific things:
policies, employee selection, training, etc.
where we wish the performance
to conform the plans.



Such controls apply to a **PART OF ENTERPRISE**
and do not measure **TOTAL ACCOMPLISHMENTS**
against total odds.

OVERALL CONTROL

OVERALL CONTROLS ARE GENERALLY FINANCIAL IN NATURE.

There are three major reasons for control of overall performance.

- 1 just as overall planning must apply to enterprise or major division goals, so must overall controls be applied.
- 2 decentralization of authority – especially in product or territorial division creates semi-independent units, and these must be subjected to overall controls to avoid the chaos of complete independence.
- 3 overall controls permit measure of integrated area manager's total effort, rather than parts of it.

OVERALL CONTROL DEVICES

- I BUDGET SUMMARIES & REPORTS
- II PROFIT AND LOSS CONTROL
- III RETURN ON INVESTMENT



OVERALL CONTROL DEVICES

i

BUDGET SUMMARIES & REPORTS

A budget summary is a resume of all the individual budgets, reflects company plans so that sales volume, costs, profits, utilization of capital, and return on investment may be seen in a proper relationship.



1.256.000,00	35.300.000,00	1.150.32
34.250.000,00	35.300.000,00	474.32
841.500,00	502.100,00	261.96
502.100,00	158.200,00	23.471,00
158.200,00	25.081.000,00	61.000,00
25.081.000,00		

OVERALL CONTROL DEVICES



BUDGET SUMMARIES & REPORTS

In these terms it shows, top management how well the company as a whole is **succeeding in meeting its objectives**.

For the best control through budget summary, a manager must first be satisfied that **total budgets are an accurate and reasonably complete portrayal of the company's plans**.

Minor discrepancies should receive appropriately little attention. The purpose of a control system **is to draw attention to important variations**, and both the budget reports & the attention paid to them should reflect this.

OVERALL CONTROL DEVICES

i

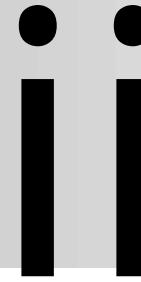
BUDGET SUMMARIES & REPORTS

Managers should not under-estimate the value of the budget summaries in providing **an effective means for overall control in situations of decentralized authority.**

Budget summaries furnish a means whereby enterprise objectives can be clearly & specifically defined & departmental plans can be made to contribute toward such objectives.

The summaries hence, furnish a useful guide for Corrective action.

OVERALL CONTROL DEVICES

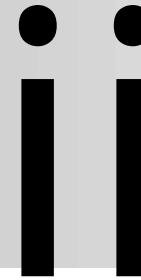


PROFIT AND LOSS CONTROL

Since the survival of a business usually depends upon profits & since profits are a definite standard against which to measure success, many company's **use the income statement for divisional & departmental control.**

Since income statement is a statement of all revenues and expenditures for a given time, **it is a true summary of the results of business operations.**

OVERALL CONTROL DEVICES

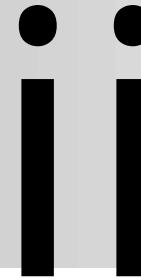


PROFIT AND LOSS CONTROL

P & L control, when applied to divisions/departments, is based on the premise that **if it is the purpose of the entire business to make a profit, each part of the enterprise should contribute to this purpose.**

Hence, **ability of a part to make an expected profit becomes standard for measuring its performance.**

OVERALL CONTROL DEVICES

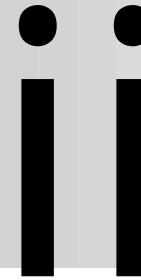


PROFIT AND LOSS CONTROL

In P & L control, each major department/division details its revenue & expenses – normally including a proportionate share of company overhead – and calculates periodically its profit/loss. **Some units have their own accounting groups , in others, the statement is prepared by the central accounting department.**

P & L control usually is practicable **only for major segments of a company**, since the paperwork involved in building up P & L statements **for smaller departments tend to be too heavy**.

OVERALL CONTROL DEVICES



PROFIT AND LOSS CONTROL

Also P & L control usually implies that the managers of a division/department have fairly wide authority to run their part of the business as they see fit, with profit the primary standard of success.

The more integrated & complete the organizational unit, the more accurate a measuring stick of P & L control can be. Hence it works best in product & territorial divisions.

Companies organized on a functional basis do occasionally employ P & L control. In most instances, P & L control is not applied to central staff & service departments.

PROFIT AND LOSS CONTROL : LIMITATIONS

- 1** High cost of accounting & paper transactions involving intra-company transfer of costs & revenues.
- 2** Duplication of accounting records in several places.
- 3** P&L control may be inadequate for overall performance.
- 4** If it is carried very far in the organization, is that departments may come to compete with an aggressive detachment not helpful to enterprise coordination.

OVERALL CONTROL DEVICES



RETURN ON INVESTMENT

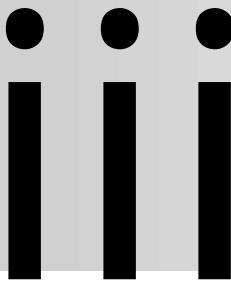
ROI technique is used to measure both absolute and relative success of a company or a company unit by determining the ratio of earnings to investment of capital.

This tool regards profit not as a absolute but as a return (generally %) on capital employed in the business.



The goal of a business is seen, accordingly not necessarily as optimizing profits but as optimizing returns from capital devoted to business purposes.

OVERALL CONTROL DEVICES



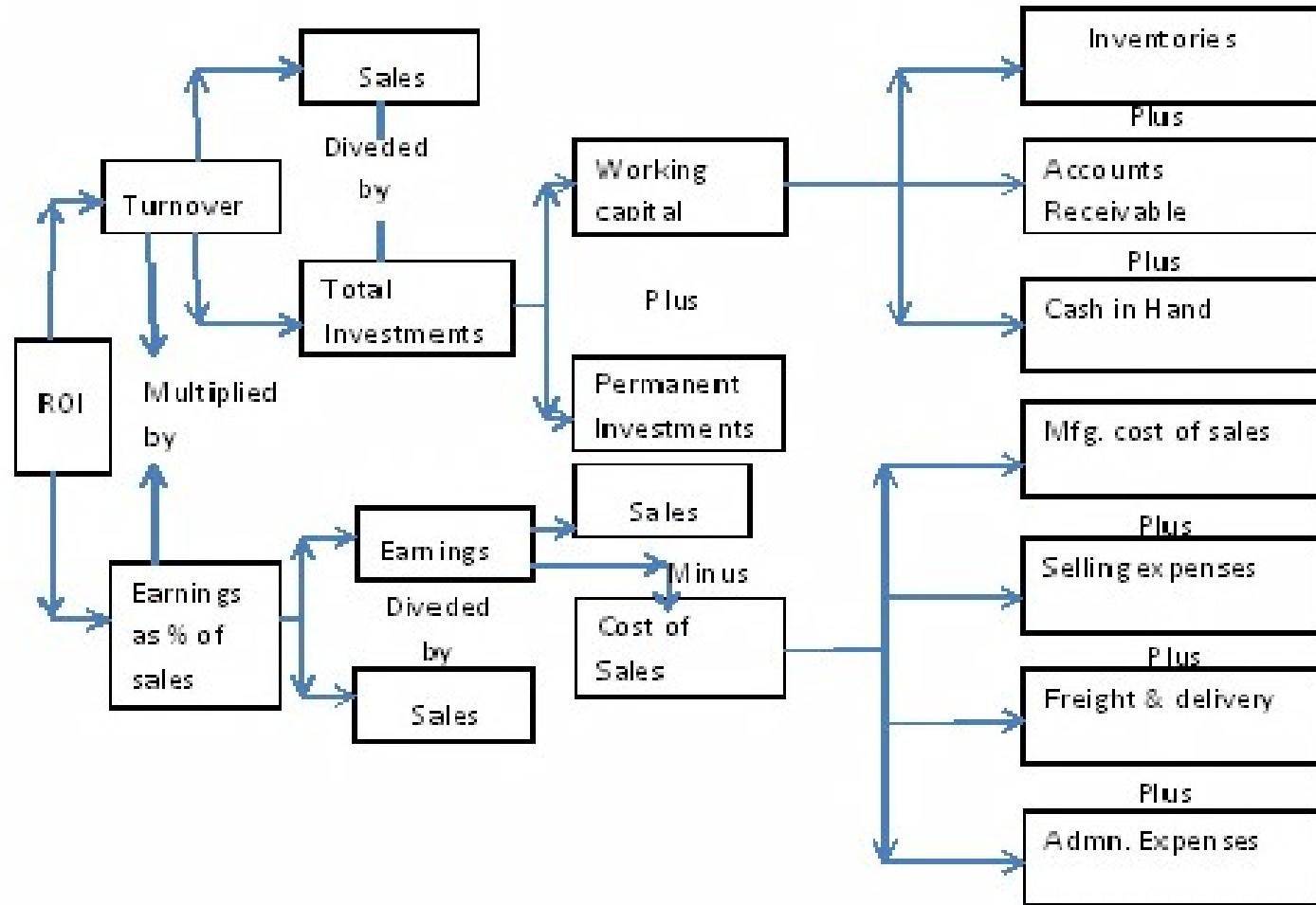
RETURN ON INVESTMENT

The ROI control is best summarized in the **chart form shown in the next slide**. Hence analysis of variations in rate of return leads to every financial aspect of the business.

In any control through ROI, the number of ratios and comparisons behind the yardstick figure can not be overlooked. Although, improvement of rate of return can come from higher % of profit to sales, improvement may also come from increasing the rate of turnover by lower price & reducing return on sales.

OVERALL CONTROL DEVICES

RETURN ON INVESTMENT : FACTORS INFLUENCING ROI CONTROL



RETURN ON INVESTMENT : ADVANTAGES

- 1** Like P & L control, it focuses managerial attention on the central/core objective of the business - making the best possible profit on the capital available.
- 2** It is very effective where the authority is decentralized. It is not only an absolute guide to capital efficiency, but also offers possibility of comparing efficiency in the use of capital within the company and with other enterprises also.
- 3** If the ROI control is complete and shows all the factors affecting the return, then it enables managers to locate the weaknesses.
Ex: If inventories are rising, the rate of return will be affected.

RETURN ON INVESTMENT : LIMITATIONS

1

This method of control is not foolproof.

2

What constituents a reasonable return?

Comparisons of rate of return are hardly enough, because they do not tell the top managers, what the rate of return should be?

3

Over emphasis on the rate of return may lead to undesirable inflexibility (or rigidity) in investing capital for new ventures.

4

Greater danger in ROI control, is that it can lead to excessive pre-occupation with financial factors within the firm or the industry.

Undue attention on ratios and financial factors may lead to overlooking environmental factors such as social and technical developments.

Direct Control & Preventive Control

Direct Control and Preventive Control

Future actions can be taken broadly in 2 different ways.

One way is... to trace the cause of an unsatisfactory result back to the persons responsible for it & get them to correct their practices & ways of doing.

This is referred to as
DIRECT CONTROL.

The other way is... to develop better managers who will skillfully apply concepts, techniques, principles etc. and who will look at managing from a system point of view, thus eliminating considerable results caused by poor management.

This is referred to as
PREVENTIVE CONTROL.

DIRECT CONTROL

In every enterprise, hundreds and even thousands of standards are built to compare the actual performance, in terms of quantity, quality, time and cost – with plans.

NEGATIVE DEVIATION INDICATES – in terms of goal achievement, cost, price, personnel, labour hours, machine hours etc. – **that performance is less than good/ normal/ standard and the results are not confirming to plans & require control.**

This is the case of DIRECT CONTROL.

7 common causes of NEGATIVE DEVIATIONS

in terms of goal achievement, cost, price, personnel, labour hours, machine hours etc.

1 Uncertainty

2 Lack of knowledge, experience or judgment.

3 Assumption that performance can be measured.

4 Assumption that personal responsibility exists.

5 Assumption that time expenditure is warranted.

6 Assumption that mistakes can be discovered in time.

7 Assumption that the person responsible will take corrective action suitably at right time.

PREVENTIVE CONTROL

Principle of PREVENTIVE CONTROL states that:

***“the higher the quality of managers and their subordinates,
the less will be the need for direct control”***

For adapting preventive control in organizations, they must have wider understanding of managerial principles, functions, techniques and managerial philosophy.

PREVENTIVE CONTROL

The desirability of PREVENTIVE CONTROL rests upon 3 assumptions :

- 1 Assumption that qualified, experienced managers make a minimum errors.
- 2 Assumption that management fundamentals can be used to measure performance.
- 3 Assumption that the application of management fundamentals can be evaluated.



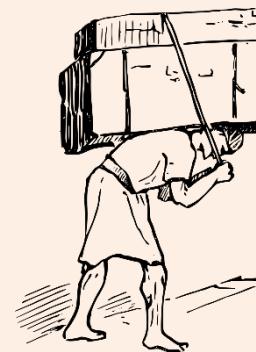
ADVANTAGES ^{of} PREVENTIVE

CONTROL

1

HIGHER ACCURACY

is achieved in assigning personal responsibility.



2

LIGHTENS THE MANAGERIAL BURDEN

caused by direct control.
Preventing problems from occurring often requires less effort than correcting them after deviations been detected.

3

ENCOURAGES CONTROL BY SELF CONTROL.

Knowing that errors will be uncovered in an evaluation; managers will themselves try to determine their responsibility correctly & make corrections voluntarily.



4



PSYCHOLOGICAL ADVANTAGE

Subordinate managers know what is expected of them, understand the nature of managing and feel a close relationship between performance and measurement.