DAYANANDA SAGAR COLLEGE OF ENGINEERING

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MODULE 3

DIRECTING & CONTROLLING

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CONTENTS:

DIRECTING & CONTROLLING: Meaning and nature of directing –Leadership styles, Motivation (Definition),characteristics, motivational theories (Maslow's theory, theory 'X' and 'Y'), Meaning and steps in controlling – Essentials of a sound control system – Methods of establishing control (in brief).

MODULE 3: DIRECTING & CONTROLLING

3.1 MEANING AND NATURE OF DIRECTING:

Direction is a vital management function. Planning, organising and staffing are concerned only with the preparation for work performance and it is the direction which alone stimulates the organisation and 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.

Koontz & 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".

Haimann, "Directing consists of the processes and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned"

The function of direction thus breakdown into two major activities:

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

3.2 PRINCIPLES OF DIRECTION/ REQUIREMENT OF EFFECTIVE DIRECTION:

Direction is one of the most complex functions of management which can be learned and perfected only through long experience. Some important principles or requirement of direction are given below.

1. **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. But in directing subordinates he must take advantage of individual motives to gain group goals. For Example the company's profits may be associated with the employee's gains by giving additional bonus or promotion.

2. **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. Manager 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.

3. **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.

4. **Efficient Communication:** Communication is an instrument of direction. It is through communication that the superior gives orders, allocates jobs, explains duties and ensures performance. Is a two way process which enables the superior to know how his subordinates feel about the company and how the company feels on a number of issues concerning them. Here comprehension is more important than the content.

5. **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 follow through the whole performance of his subordinates to keep check on their activities, help them in their act and point out deficiencies if any and revise their direction if required.

6. **Effective Control:** The management should monitor the behaviour and performance of subordinates to exercise effective control over subordinates.

3.3 LEADERSHIP:

Koontz and Weihrich: "Influence, that is, the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals".

George R Terry: "The will to do is triggered by leadership and lukewarm desires for achievement are transformed into burning passion for successive accomplishment by the skilful use of leadership".

Alford and Beatty: "Leadership is the ability to secure desirable actions from a group of followers voluntarily without the use of coercion".

Peter Drucker: "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 limitation".

LEADER	MANAGER
A person emerges as a leader.	A person put into manager position by appointment.
A leader always has some personal power and may or may not have positional power.	A manager always has some positional power and may or may not have personal power.

Always there is mutuality of objectives between the leader and his followers.	There is clash of objectives.
Leader is always innovative and believes in doing right things.	Manager is generally bureaucratic and believes in doing things right.

Difference of Leader and Manager:

3.4 LEADERSHIP STYLES:

There are 3 widely used leadership styles or approaches.

1. Traits approach.
2. Behavioural approach.
3. Contingency approach.

1. TRAITS APPROACH:

Trait is basically a character and early notions about leadership dealt with personal abilities. It was believed that some people have leadership qualities by birth or god's gift.

The traits that associate with leadership are identified as: mental, physical energy, emotional stability, knowledge of human relations, empathy, objectivity, personal motivation, communication skills, teaching ability, social skills, technical competence, friendliness, affection, integrity and faith etc.

The drawbacks of approach:

1. It failed to identify right traits required for effective leadership.
2. It is difficult to associate the traits with jobs to be carried out. A leader who is successful in one area may be a failure in different area.
3. Since these are subjective, it is difficult to measure their effectiveness quantitatively.
4. This approach implies that leadership is in-built quality and no training can make a person leader.

2. BEHAVIOURAL APPROACH:

Several studies have been made did not agree as to which traits are leadership traits or their relationship to actual instances of leadership. It is found that most of these so called traits are really pattern of behaviour.

There are several theories based on leadership behaviour and styles. Some of them are:

1. Leadership based on the use of authority.

2. Likert's four systems of managing.

3. The managerial grid and

4. Leadership involving a variety of styles and level of use of power and influence.

2.1 LEADERSHIP BASED ON THE USE OF AUTHORITY:

Based on how the authority is used, the leaders are styled into 3 groups.

1. The first is *"autocratic leader"* who commands and expects compliance, is dogmatic and positive and leads by the ability to withhold or give rewards and punishment.

2. The second is *"democratic or participative leader"* who consults with subordinates on proposed actions and decisions and encourages participation from them. This type of leaders include the person who does not take action without the concurrence of subordinates and who makes decisions but consults with subordinates before doing so.

3. The third type is *"free-rein"* leader who uses his power very little and gives a high degree of independence to his subordinates to carry out their work. Such leaders depend largely on subordinates to set their own goals and the means to achieve.
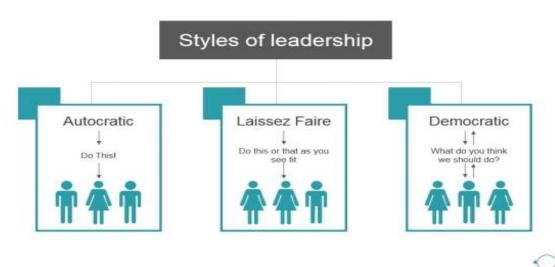

Figure 13: The flow of influence with three leadership styles.

COMPARISON OF LEADERSHIP STYLES

FACTOR	LEADERSHIP STYLE		
	AUTOCRATIC	**PARTICIPATIVE**	**FREE-REIN**
Decision maker	Leader only	Leader in consultation with subordinates	Subordinates only
Discipline	Obey the leader	Cooperative	Self-imposed
Delegation of authority	Rare	Good	Complete
Responsibility	Leader	Leader and subordinates	Individuals
Initiative	By leader	By team	Only by individuals
Communication	One way and downward	Both ways	Free flow
Motivation	Punishment	Rewards	Self-motivated
Hierarchy of needs	Physiological and safety	Mixed	Self-attenuation
Focus	Task oriented	People oriented	People

2.2 LIKERT's FOUR SYSTEMS OF MANAGING:

Prof. Likert had developed four systems of management based on his study of patterns and styles of leadership.

System 1: Management is described as "*exploitive-authoritative*". Its managers are highly autocratic, have little trust in subordinates. They motivate people through fear and punishment, only occasional rewards, engage downward communication and limit decision making to the top.

System 2: This is called *"benevolent authoritative"*. Their manager have a patronizing confidence and trust in subordinates, motivate them with rewards and some fear and punishment, allows little upward communication, solicits some ideas and opinions from subordinates, allows some delegation of decision making but with close policy control.

System 3: This is referred to as "*consultive*" management. Managers in this system have substantial but not complete confidence in subordinates, They usually try to make use of the ideas and opinions of subordinates, rewards for motivation, occasional punishments, engage in communication in both up and down and act like a consultant to both up and act like a consultant to both top and subordinates.

System 4: This is most participative type and hence it is often called as "*participative-*

group". These managers have complete trust and confidence in subordinates in all matters. The always get ideas and opinions from subordinate and use them for constructive purpose. They give monitory rewards encourage decision making and work with subordinates as a group.

2.3 THE MANAGERIAL GRID:

A well-known approach to defining leadership styles is the managerial grid developed by **Robert-Blake** and **Jane Mouton**. Building on previous history which dealt with managers concerned with both people and production, they devised a two dimensional grid based on people and production. "*Concern for production*" on X-axis of grid includes the attitudes of a supervisor towards a variety of things such as quality of policy decisions, procedures, creativeness, staff services, work efficiency; volume of output etc. "Concern for people" is taken on Y-axis of grid. This include elements like degree of personal commitment towards good achievement, maintenance of self-esteem of workers, placement of responsibility on the basis of trust rather than obedience, provision of goal working conditions and maintenance of satisfying interpersonal relations.

The managerial grid is a useful device for identifying and classifying Managerial styles, but it does not tell how to lead.

2.4 LEADERSHIP INVOLVING VARIETY OF STYLES:

This concept is also called as "*leadership continnum*". It is seen that the leadership involves a variety of styles ranging from one which is highly boss centred to the other which is highly subordinate concerned. The style varies with the degree of freedom a leader or manager grants to his subordinates. Thus instead of suggesting a choice between two extreme styles of leadership autocratic and democratic, this approach offers a range of styles with no suggestion of what is right and what is wrong.

3. CONTINGENCY APPROACH TO LEADERSHIP:

The behavioural approach seems to suggest that the best style of leadership is one that combines both autocratic and democratic. There is no one best style of leadership under all conditions. Effective leadership style varies with situation. The effective leaders need to analyse the situation and find the most appropriate and best-suited style for a given environment. Contingency approaches have much meaning for managerial theory and practice.

3.5 MOTIVATION:

"Motivation is the process of channelling a person's inner drives so that he wants to accomplish the goals of the organisation".

Motivation is a behavioural concept by which manager try to understand why people behave as they do. It concerns those dynamic processes which produce a goal-oriented behaviour.

This goal-oriented behaviour always starts with feeling certain needs (Drives or Motives). These needs give an energising thrust to the individual toward certain goals or incentives which he perceives as possible satisfiers of his needs.

Needs
 (Motives) ➡️ Interpretation
Of goals according
To one's perception ➡️ Goal-directed
behaviour ➡️ Accomplishment
of goals and
need-reduction

Figure 14: Motivation Process.

3.6 NATURE/CHARACTERISTICS OF MOTIVATION:

Motivation is not an easily observed phenomenon. The following points reveal the complexities involved in understanding true motivation:

1. **Individuals differ in their motivation:** The viewpoint that there is only one "economic drive" which determines behaviour is untenable. The goals to which an individual aspires are many and so are his motivations.

2. **Sometimes the individual himself is unaware of his motivation:** "Freud" uncovered the phenomenon of unconscious motivation while analysing his patients. The presence of this type of motivation cannot always verbalise the motivation to attain certain goals or even tell what his goals are. Ex: Hawthorne Experiments.

3. **Motivations change:** Motivations of each individual change from time to time, even though he may continue to behave in the same way.

4. **Motivations are expressed differently:** The ways in which needs are eventually translated into actions also vary considerably between one individual to another. One individual with strong security need may play it safe and avoid accepting responsibility for fear of failing and being fired. Another individual with same security need may seek out responsibility for fear of being fired for low performance.

5. **Motivation is 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.

6. **Multiple motivations make the choice of goals difficult for an individual:** The multiple motivations operate simultaneously to influence an individual's behaviour.

3.7 MOTIVATIONAL THEORIES:

1. 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.

According to **A.H.MASLOW**, needs are arranged in a hierarchy or a ladder of five successive categories as shown in below figure. Physiological needs are at the lowest level, followed by security, social, esteem, and self-fulfilment needs.
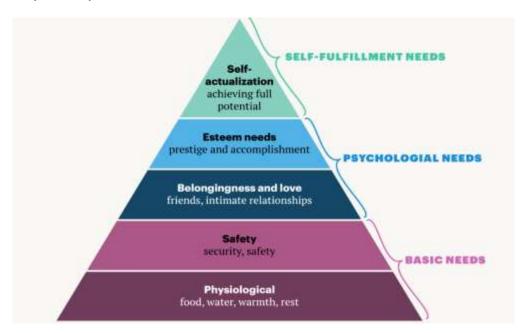

Figure 15: Order of priority of human needs

- **Physiological needs:** 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:** These are the needs to feel free from economic threat and physical harm. These include protection from arbitrary lay-off and dismissal, disaster, and avoidance of the unexpected.

- **Social needs:** These 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 hard instinct" 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.

- **Esteem needs:** These are relating 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 and also the need that others think he is worthy.

- **Self-fulfilment needs:** These are the needs to realize one's potential that is realizing one's own capabilities to the fullest-for accomplishing what one is capable of to the fullest. Example a musician must make music, an artist must paint etc**.** These needs are also called need for self-realisation or self-actualisation.

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.

In general, our physiological needs are generally 85% satisfied, the safety needs 70% satisfied, the social needs 50% satisfied, the esteem needs 40% satisfied and self-actualisation needs 10% satisfied.

2. THEORY 'X' & 'Y':

The findings of **Elton Mayo** helped **Douglas Mc Gregor** to form his theory of human nature which is called Theory X and Theory y.

Theory X assumed that the most people are not willing to assume responsibility. They do not like to work and they like to be directed. After defining theory X, he then questioned whether these views of human nature are correct and if management practice based upon it are correct.

Basing his analysis on Maslow's hierarchy of need, he concluded that the theory X is wrong. Therefore he developed another theory. This is called theory-Y. This assumed that people are not lazy by nature. The work is as natural as play and people can work naturally if motivated properly.

Theory X:

- Work is inherently distasteful to most people.

- Most people are not ambitious, have little desire for responsibility and they prefer to be directed.

- Most people have little capacity for creativity in solving organization problems.

- Motivation occurs only at the physiological and safety levels.

- Most people must be closely controlled or often forced to achieve organization objectives.

Theory Y:

- Work is as natural as play if the conditions are favourable.
- Self-control is often responsible in achieving organization goals.
- The capacity for creativity in solving organization problems is widely distributed in population.
- Motivation occurs at the social esteem and self-actualization levels as well as physiological and security levels.
- People can be self-directed and creative at work if properly motivated.

The idea one may get that theory X is manager is usually direct. They like controlling people and they supervise people very closely. Theory Y manager is directly opposite to the theory X manager. They are more supporting and appreciative.

Let us not assume that theory is X good and theory Y is bad or vise verse. For the particular given situation and particular worker for a given job, a manager should choose either theory X or theory Y.

A manager who adapts theory X will be of the type who orders people and is more task oriented. A manager who adopts theory Y will be more relation oriented and will care for worker. But only a combination of both theory X and theory Y will give a manger good control over his group. So a manager should adopt theory X with a particular person and theory Y with the and so on.

3.8 MEANING AND STEPS IN CONTROLLING:

Control is one of the important functions of management. The main object of control is to bring to light the variations between the standards set and performance and then to take necessary steps to prevent the occurrence of such variations in future. Few definitions stated below.

E.F.L Brech: "Control is checking current performance against predetermined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance".

George R Terry: " 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",

STEPS IN CONTROLLING:

There are three basic steps in a control process:

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

1. Establishing Standards:

The first step in the control process is to establish standards against which results can be measured. Each organisation must first develop its own list of key result areas for the purpose of control.

Some key areas in all business organisations are: Profitability, Market position, Productivity, Personal development, Employee attitudes and Public responsibility.

These standards are expressed in vague or general terms and needs to be more flexible. Some standards tend to be the following types: Physical, Cost, Revenue, Capital, Intangible and Working practice standards.

2. Measuring and Comparing Actual Results Against Standards:

The second step in the control process is to measure the performance and compare it with the predetermined standard.

Measurement of performance can be done by personal observation, as in the case of the subordinates being observed while they are engaged in work and by a study of various summaries of figures, reports, charts, and statements.

If the control system is well organised, quick comparison of these figures with the standards figures is quite possible. This will reveal variations. Some variations are desirable and some other variations are undesirable.

3. 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 normal position can be restored. The manager should also determine the correct causes for the deviation. The causes for the deviation may be of different types. The remedial action that should be taken depends on the nature of causes for variation. Ex: Poor equipments, lack of motivation, defective training.

3.9 ESSENTIALS OF A SOUND CONTROL SYSTEM:

The essentials of a sound control system are as follows:

1. **Feedback:** Feedback is the process of adjusting future actions based upon the information regarding past performance. Feedback makes the control system very effective.

2. **Objective**: Control system should be objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little scope for argument by the employees. They avoid aristocracy.

3. **Suitability:** The control system should be appropriate to the nature and needs of the activity. The controls used in production are different than the one used in finance and personnel. Hence every organization should evolve suitable control system that serves specific needs.

4. **Prompt reporting:** the control system should provide for prompt and timely reporting without any delay. Delayed reporting may lead to ineffective control actions. Prompt reporting will help the managers to take immediate corrective action before the problem occurs.

5. **Forward looking:** Effective control system must focus on how the future actions will conform to plans.

6. **Flexible:** The standards will be altered from time to time. Hence the control system should be flexible in accordance with the modified standards.

7. **Economical:** The benefits derived from the control system should be more than the cost involved in implementing it.

8. **Simple:** the control system should be simple to understand and implement.

9. **Effective and operational:** A control system should not only detect deviations but should also provide solutions to the problems that cause deviations. It must disclose where and how the failures are occurring, who is causing them and how they should be dealt with.

10. **Motivation:** A good control system should motivate people to achieve higher performance. The control is to be so designed that it induces positive reactions from employees. The purpose of control is to prevent and not to punish.

3.10 METHODS OF ESTABLISHING CONTROL:

Various methods are used by the management for controlling the various deviations in the organization. Some of the important methods of establishing control are discussed below:

1. **Personal observation:** This is the oldest and simple method of control. The manager personally observes the operations in the work places. Any deviations observed are corrected immediately then and there itself. However, this is a time consuming technique and may not be liked to be observed by workers.

2. **Budgeting:** A budget is a statement of anticipated results during a designed time period expressed in financial and non-financial terms. The budgeting process typically involves the use of cost standards. Budgets are made for a specific period like monthly, quarterly or annually. The budgets are prepared on the basis of the purpose like sales budgets, capital expenditure budget, advertisement budget, R and D budget etc.

3. **Cost accounting and cost control:** Profit of any business depends upon the cost incurred to run the business. Profits are increased by reducing costs. Hence, much importance is given for cost accounting and cost control.

4. **Break - Even analysis:** The point at which sales is equal to the total cost is known as Break-even point (BEP). At this point there will be no loss or no profit. The total cost is the sum of fixed cost + variable cost. Fixed cost is fixed irrespective of production but variable cost changes according to the volume of production. This analysis helps in determining the volume of production or sales and the total cost which is equal to the revenue. The excess of revenue over total cost is profit.

5. **Standard costing**: standard costing is used to control the cost. The objective of standard costing is the same as budgetary control. The system compares the actual with standards and variance is noted.

6. **Return on investment:** Ration of net profit to the total investment or capital employed in the business is termed as return on investment, generally expressed as percentage.

$$ROI = Profit/Total\ Investment$$

Using this percentage of profit is identified. The amount of profit earned by a company is different from the rate of profitability.

7. **Responsibility accounting:** It is defined as the system of accounting under which each department head is made responsible for the performance of his department. Under this system, each department is made a profit canter. The individual department is responsible for its own operation.

8. **Management audit:** Management audit is an independent process that aims at pointing out the inefficiency in the performance of functions of management such as planning, organizing, staffing, directing, controlling and suggesting possible improvements. It helps the management to handle the operations effectively.

9. **Internal audit:** Internal audit is conducted by an internal auditor who is an employee of an organization. He makes an independent appraisal of financial and other operations. He identifies the defects and deviations and reports to management.

10. **External audit:** External audit is an independent appraisal of the organization's financial accounts and statements. The purpose of external audit is to safeguard the interests of shareholders and other outside parties concerned with the company. It is also known as statutory audit control. The external auditor certifies the compliance of all accounts. The external audits are conducted by qualified auditors.

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