

MODULE II: DIRECTING AND CONTROLLING

Meaning

Direction is a vital managerial function, performed by every manager. Whenever decision is taken, it must be converted into action by proper implementation. Otherwise, it is of no use. Effective implementation of a decision is made possible by directions. Planning, organizing and staffing are concerned only with the preparation for work performance and it is the direction which stimulates the organization and its staff to execute the plans. Hence, it is also called 'management-in-action'. Every manager gives direction to his subordinates as superior and receives directions as subordinate from his superior.

Direction may be defined as a function of management which is related with instructing, guiding and inspiring human factor in the organization to achieve organizational mission and objectives.

"Direction is a complex function that includes all those activities which are designed to encourage subordinates to work effectively and efficiently in both the short and long term".

"Directing consists of the process and techniques utilized in issuing instructions and making certain that operations carried on of originally planned".

The process of directing function involves the following four elements

- ◆ Leading: It refers to an art of transferring facts, ideas, feeling, etc. from one person to another and making him understand them. A manager has to continuously tell his subordinates about what to do, how to do, and when to do various things.
- ◆ Communicating: It refers to influence others in a manner to do what the leader wants them to do. Leadership plays an important role in directing. Only through this quality, a manager can inculcate trust and zeal among his subordinates.
- ◆ Motivating: It refers to that process which excites people to work for attainment of the desired objective. Among the various factors of production, it is only the human factor which is dynamic and provides mobility to other physical resources.
- ◆ Supervision: This refers to the guidance and control of subordinates in the performance of their tasks. Supervision is an important part of direction function of management. Supervision assures that the work is being done in accordance with the plans and instructions.

Nature or Characteristics of Direction

- ◆ It is a Dynamic Function: Directing is a dynamic and continuing function. A manager has to continuously direct, guide, motivate and lead his subordinates. With change in plans and organizational relationships, he will have to change the methods and techniques to direction.

- ◆ It Initiates Action: Directing initiates organized and planned action and ensures effective performance by subordinates towards the accomplishment of group activities. It is regarded as the essence of management-in-action.
- ◆ It is a Universal Function: Directing is a universal function that is performed in all organizations and at all the levels of management. All managers have to guide, motivate, lead, supervise and communicate with their subordinates, although more time is spent on directing at higher levels of management.
- ◆ It Provides Necessary Link between Various Managerial Functions: Directing links the various managerial functions of planning, organizing, staffing and controlling. Without directing the function of controlling will never arise and the other preparatory functions of management will become meaningless.
- ◆ It is Concerned with Human Relationships: The direction function of management deals with relationship between people working in an organization. It creates co-operation and harmony among the members of the group. It seeks to achieve orderly arrangement of group effort to provide unity of action in the pursuit of common objectives.

Principles of Directing

While directing a manager should understand the needs, motives and attitudes of his subordinates. The following principles of directing may be useful to a manager.

- ◆ Harmony of objectives: Individuals and organization have their own objectives. The management should coordinate the individual objectives with the organizational objectives. Directions can integrate their objectives with organizational objectives.
- ◆ Unity of direction or command: An employee should receive orders and instructions only from one superior. If not so, there may be indiscipline and confusion among subordinates and disorder will ensue.
- ◆ Direct supervision: Managers should have direct relationship with their subordinates. Face to face communication and personal touch with the subordinates will ensure successful direction.
- ◆ Effective communication: The superior must ensure that plans, policies, responsibilities and orders are fully understood by the subordinates in the right direction.
- ◆ Follow through: Direction is a continuous process. Mere issuing orders or instructions are not an end itself. Follow is necessary, so the management should watch whether subordinates follow the orders and whether they face difficulties in carrying out the orders or instructions.

Leadership

Leadership is generally defined as influence, the art of process of influencing people so that they will strive willingly towards the achievement of group goals. A leader is one who guides and directs other people. Leadership is the ability to secure desirable actions from a group or followers voluntarily without the use of coercion. A clear distinction can be made between a leader and a manager. A leader emerges out from situations where as a manager is put into his position by appointment. A leader has informal power and a manager has formal power. A leader seeks those very objectives which are the objectives of his subordinates where as a manager seeks those objectives which his subordinates do not regard their own.

Difference between Manager and Leader:

Manager	Leader
A person emerges as a leader.	A manager is always put into his position by appointment.
A leader may or may not have positional power.	A manager always has some positional power.
A leader always has some personal power.	A manager may or may not have personal power.
There is mutuality of objective between leader and followers.	There may be clash of objective between manager and followers.
A leader is innovative and believes in doing right things.	A manager is bureaucratic and believes in doing things right.

Characteristics of Leadership

Some important characteristics of leadership are as follows.

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

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

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

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

Leadership Styles

Three leadership styles widely used:

- 1) Traits approach
- 2) Behavioral approach
- 3) Contingency approach

Traits approach: Trait is basically a character and deals with personal abilities and assumed to be God's gift and abilities Are identified as mental and physical energy, emotional stability, knowledge of human relations, empathy, objectivity, personal motivation, communication skills, teaching ability, social skills, technical competence, friendliness and affection, integrity and faith, intelligence etc.

Traits approaches – Trait theories argue that leaders share a number of common personality traits and characteristics, and that leadership emerges from these traits. Early trait theories promoted the idea that leadership is an innate, instinctive quality that you either have or don't have. Now we have moved on from this approach, and we're learning more about what we can do as individuals to develop leadership qualities within ourselves and others. Traits are external behaviors that emerge from things going on within the leader's mind – and it's these internal beliefs and processes that are important for effective leadership.

Behavioral approach: What does a good leader do? Behavioral theories focus on how leaders behave. Do they dictate what needs to be done and expect cooperation? Or do they involve the team in decisions to encourage acceptance and support.

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

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

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

Autocratic leadership In this type of leadership, the leader alone determines policies and makes plans. He tells others what to do and how to do it. He demands strict obedience and relies on power. The formula used by him is "Do what I say or else..." meaning thereby that an employee will be punished if he does not follow orders. An autocratic leader may sometimes be paternalistic or benevolent also. The formula used by this type of leader is "Do what I say because I am good to you."

Both the forms of autocratic leadership (authoritarian and benevolent) are disliked by employees. In one form, the employee remains under constant fear. In other form he remains under constant gratitude. In both the forms, the leader is the key person. The whole operation of the organisation depends upon him. In his absence it may function inadequately or not at all.

Merits

1. This type of leadership, when appropriate, can increase efficiency, save time and get quick results, especially in a crisis or an emergency situation.
2. The paternalistic form of this style of leadership works well with employees who have a low tolerance for ambiguity, feel insecure with freedom and even minor decision-making requirements and thrive under clear, detailed and achievable directives.
3. Chain of command, and division of work (who is supposed to do what) are clear and fully understood by all.

Demerits

1. The apparent efficiency of one-way communication often becomes a false efficiency since one-way communication, without feedback, typically leads to misunderstandings, communication breakdowns and costly errors.
2. The autocratic manager is alone in his decision-making. He receives little, if any, information and ideas from his people as inputs into his decision-making. This is generally dangerous in today's environment of technological and organisational complexity.
3. Today, most people resent authoritarian rule which excludes them from involvement and reduces them to machine-like cogs without human dignity or importance. They express their resentment in the form of massive resistance, low morale and low productivity.

Democratic Leadership In this type of leadership (also known as participative or person-oriented leadership) the entire group is involved in and accepts responsibility for goal setting and achievement. Subordinates have considerable freedom of action. The leader shows greater concern for his people than for high production. A part of the leader's task is to encourage and reinforce constructive inter-relationships among members and to reduce intra-group conflict and tensions.

The sociometric pattern for democratic leadership is a network which involves a tight pattern of complete inter-relationships among all members. While the leader is quite an important figure in a democratic situation, he is not the key figure that he is in an authoritarian situation. He serves more as a coordinator or agent for the group. Hence the group is not dependent upon him as an individual and can function effectively in his absence.

Merits

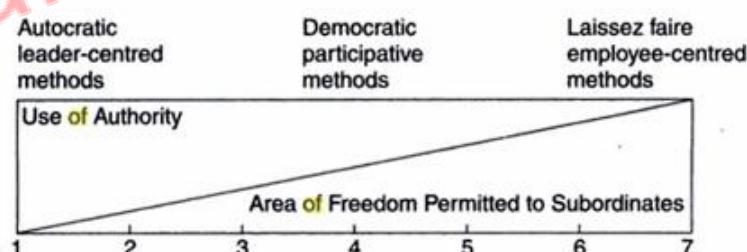
1. When people participate in and help formulate a decision, they support it (instead of fighting or ignoring it) and work hard to make it work, because it is their idea and, now, a part of their life and their ego. In other words, the participative leader has the critical factor of built-in-personal motivation working for him.
2. The leader consistently receives the benefit of the best information, ideas, suggestions, and talent—and operating experience—of his people.
3. This style of leadership permits and encourages people to develop, grow and rise in the organisation (both in terms of responsibility they can assume and service they can contribute).

Demerits

1. The participative style can take enormous amounts of time and, if not exercised properly, may degenerate into a complete loss of leader's control.
2. Some leaders may use this style as a way of avoiding responsibility.

Free Rein In this type of leadership, the leader exercises absolutely no control. He only provides information, materials and facilities to his men to enable them to accomplish group objectives. This type can be a disaster if the leader does not know well the competence and integrity of his people and their ability to handle this kind of freedom.

Figure shows the spectrum of a wide variety of leadership styles moving from a very authoritarian style at one end to a very democratic style at the other end, as suggested by Robert Tannenbaum and Warren H. Schmidt.



Spectrum of leadership styles

Contingency approach: situation influencing good leadership.

The realization that there isn't one correct type of leader led to theories that the best leadership style is contingent on, or depends on, the situation. These theories try to predict which leadership style is best in which circumstance. When a decision is needed fast, which style is preferred? When the leader needs the full support of the team, is there a better way to lead? Should a leader be more people oriented or task oriented? These are all examples of questions that contingency leadership theories try to address.

Motivation

A manager gets work done through others. Getting the work done depends mainly on whether a person has been motivated to do it. Motivating an employee is to create a need and a desire on the part of employee to better his performance. This can be done

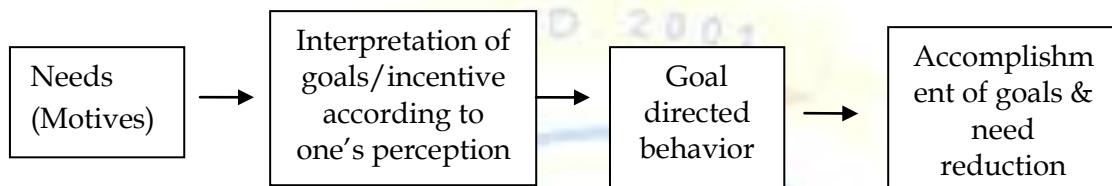
by creating in him a sense of responsibility and feeling of special interest in his work. Motivation concern itself with 'will to work'. It is a behavioral concept by which a manager tries to understand why people behave as they do. Motivation is inspiring the subordinates to contribute with zeal and enthusiasm towards organizational goals. Motivation is the process of channeling a person's inner drives so that he wants to accomplish the goals of the organization. Performance of an employee depends on two factors, ability to work and willingness to work.

Mathematically

$$\text{Performance} = \text{Ability} \times \text{willingness}$$

Motivation is enhancing the willingness to work which improves the performance.

We can show the process of motivation process by means of a diagram thus



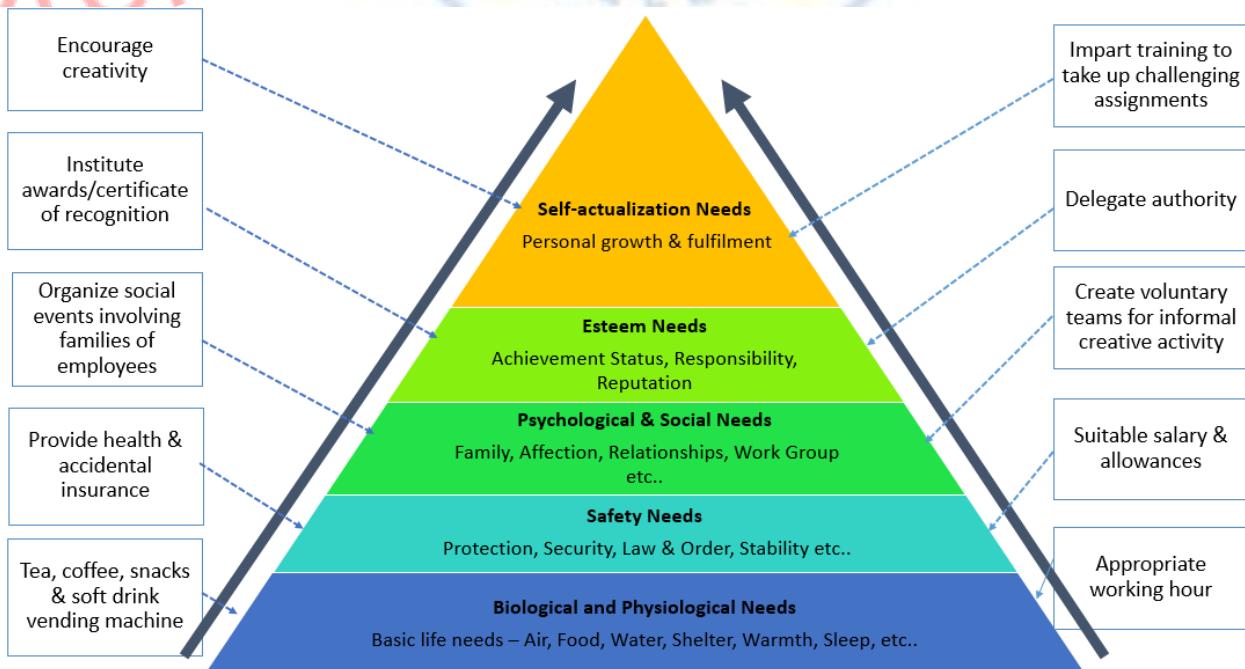
Motivation Theories

There are six of them namely

- 1) Maslow's need hierarchy theory
- 2) Herzberg's two factor theory
- 3) McClelland's achievement theory
- 4) Victor Vroom's Expectancy theory
- 5) Adams equity theory
- 6) Skinners behavior modification theory

Maslow's need hierarchy theory:

An unsatisfied need is the basis for the motivation process and the starting point and begins the chain of events leading to behavior as shown in the figure below.



Begins with the person's unsatisfied need at the lowest level-identification of the need develops in the form of as goal which leads to the fulfillment of the need to achieve the

goal. These needs are arranged in the form of a ladder of five successive categories as shown in the figure above.

1. Physiological needs: Arise of the basic physiology of life like the need for food, water, air, etc which must be at least satisfied partially for continued survival.

2. Security needs: Needs to feel free from economic threat and physical harm which need protection from arbitrary lay-off and dismissal, disaster and avoidance of the unexpected.

3. Egoistic needs: are the needs which relate to respect and prestige the need for dominance for example. Can be classified as self-esteem and esteem from others. Self esteem is the need for worthiness of oneself and the esteem is the necessity to think others that he is worthy

4. Self-fulfillment needs: are the needs to realize ones 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 etc.

According to Maslow, people attempt satisfy their physical needs first. as long as the needs are unsatisfied they dominate and after they become reasonably satisfied and progress to the next level and so on.

Merits:

- 1) Theory helps to explain why one man behaves differently from another in a similar situation, and at the same time suggest something that all men have in common.
- 2) The theory extends to all areas of man's life instead of being limited to work situation only.

Demerits:

- 1) The hierarchy of basic needs is not always fixed.
- 2) It is difficult to know about the needs and motives of an individual from the analysis of behavior.

Hertzberg's Two Factors Theory

Fredrick Hertzberg and his associates have proposed a two factors theory of motivation. According to Hertzberg, the absence of certain job factors tends to make workers dissatisfied. However the presence of these same factors in them does not produce high level of motivation. They merely help avoid dissatisfaction and the problem it creates, such as absenteeism, turnover and grievances. These factors are called maintenance or hygiene factors since they are necessary to maintain a reasonable level of satisfaction.

Maintenance factors (Factor 1) are:

- 1) Fair company polices and administration
- 2) A supervisor who knows the work
- 3) A good relationship with one's supervisor.
- 4) A good relationship with one's peers.
- 5) A good relationship with one's subordinates.
- 6) A fair salary
- 7) Job security
- 8) Personal life
- 9) Good working conditions
- 10) Status

To build high levels of motivation, a different set of factors is necessary. If these factors are not present, they do not in them lead to strong dissatisfaction. These factors are called motivators or satisfiers.

Motivators or satisfiers (Factor 2) are:

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

Some facts about the two factors:

- 1) Motivators are job centered
- 2) Maintenance factors are related working conditions and environmental conditions.
- 3) Two groups of factors are also known as intrinsic and extrinsic rewards.
- 4) These two sets of factors are unidirectional.

Merits:

- The theory is supported with considerable empirical data and is included in other research that is supportive of the original hypothesis.
- Recognizes the fact that motivation comes from within the individual as opposed to any external factors.
- The Two Factor Theory Provides practical solutions for organizations.

Demerits:

- Research methodology is criticized.
- Doesn't consider individual personalities with regards to motivating or hygiene factors.
- Doesn't provide a motivational value for each motivator.

McClelland's need for achievement theory

According to McClelland there are three important needs

- 1) The need for affiliation (n Aff)
- 2) The need for power (n Pow)
- 3) The need for achievement (nAch)

- 1) Need for affiliation (n Aff): Reflects desire to interact socially with people Concerned about the quality of an important personal relationship
- 2) The need for power (n Pow): Person having high need for power tries to exercise the power and authority Concerned with influencing others and winning arguments
- 3) The need for achievement (n Ach): has three distinct characteristics
 - (a) Preference in setting moderately difficult but potentially achievable goals
 - (b) Doing most things himself rather than getting them done by others and willing to take personal responsibility for his success or failure and does not want to hold responsible for it.
 - (c) Seeking situations where concrete feedback is possible.

If the needs of the employees can be accurately measured, organizations can improve the selection and placement process. For example, an employee with high need for affiliation could be placed in a position that would enable the person to achieve. Thus, it is important to identify the behaviors required to perform a set of tasks effectively,

and then to determine what individual characteristics are most associated with these behaviors.

Victor Vroom's Expectancy theory

Works under conditions of free choice where an individual is motivated towards activity which he is most capable of rendering and which he believes has the highest probability of leading to his most preferred goal.

The basic concepts of this theory are

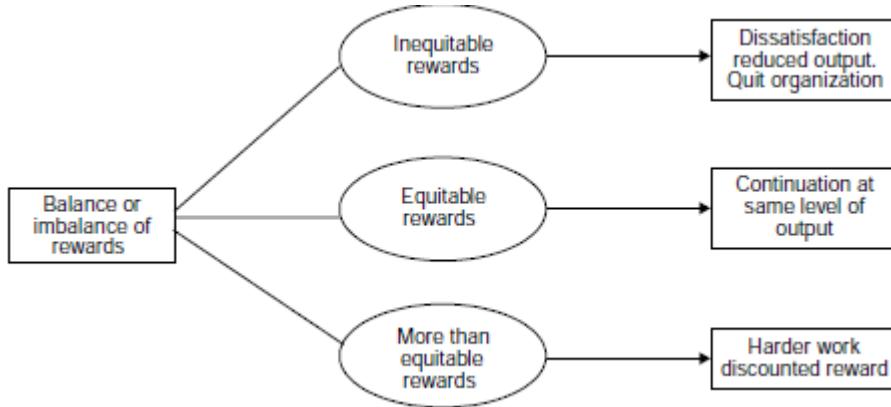
- 1) First and second level outcomes: Job related goals before an individual such as promotion, increase in salary, recognition, praise and so on are called second level outcomes. Each second level outcome can be associated with a value called valence for each individual. The valence can be positive, negative or zero
Valence positive: individual wants to attain promotion
Valence negative: does not want to attain promotion
Valence zero: outcome towards which he is indifferent
 Second level outcomes can be achieved in different ways: promotion by leaving the organization , by absenting himself to show dissatisfaction, by joining a pressure group, by attending a training programme, or developing intimacy with the boss, by bribing somebody, by improving performance or by bribing somebody and so on.
- 2) Instrumentality: All first level outcomes have equal probability of leading the individual to the second level outcome. The individual has subjective estimates of these probabilities ranging from -1 to +1 which are called instrumentalities. -1 indicates a belief that second level outcome is certain without the first level outcome 0 indicates a belief that second level outcome is impossible without first level outcome 1 indicates a belief that second level outcome is certain with first level outcome These instrumentalities are helpful in determining the valence of each first-level outcome The valence of each first-level outcome is the summation of all products arrived by multiplying its instrumentalities with the related valences of the second level outcomes.
- 3) Expectancy: is the probability estimate which joins the individual's efforts to first level outcome. Expectancy values are always positive ranging from 0 to 1.
- 4) Motivation: Motivation is the multiplicative function of the valence of each first-level outcome (V_1) And believed expectancy (E) that given effort will be followed by a particular first level outcome, That is $M=f(V_1 \cdot E)$

Adams equity theory: In this theory, Equity is defined as the ratio between The individual's job inputs (such as effort, skill, experience, education and seniority) to the job rewards (such as pay or promotion) It is believed that the individuals motivation, performance and satisfaction will depend on his on his or her subjective evaluation of his or her effort/reward ratio and the effort/reward ratio of others in similar situations.

According to the equity theory, based on the work of J. Stacy Adams workers compare the reward potential to the effort they must expend. Equity exists when workers perceive that rewards equal efforts. But employees just don't look at their potential rewards; they look at the rewards of others as well. Inequities occur when people feel that their rewards are inferior to the rewards offered to other persons sharing the same workloads.

Employees who feel they are being treated inequitably may exhibit the following behaviors:

- Put less effort into their jobs
- Ask for better treatment and/or rewards
- Find ways to make their work seem better by comparison
- Transfer or quit their jobs



The equity theory makes a good point: People behave according to their perceptions. What a manager thinks is irrelevant to an employee because the real issue is the way an employee perceives his or her situation. Rewards perceived as equitable should have positive results on job satisfaction and performance; those rewards perceived as inequitable may create job dissatisfaction and cause performance problems.

Every manager needs to ensure that any negative consequences from equity comparisons are avoided, or at least minimized, when rewards are allocated. Informed managers anticipate perceived negative inequities when especially visible rewards, such as pay increases or promotions, are allocated. Instead of letting equity concerns get out of hand, these managers carefully communicate the intended values of rewards being given, clarify the performance appraisals upon which these rewards are based, and suggest appropriate comparison points.

Skinner's behavior modification theory:

The theory developed by research done by B.F Skinner. The theory is also known as Operant Conditioning Theory. The theory is believed and based on the behavior of the past circumstances which they have learnt that the certain behaviors associated with pleasant outcomes and certain other behaviors are associated with unpleasant outcomes. Example: Obedience to authority leads to praise and disobedience leads to punishment.

The consequences that increase the frequency of a behavior are positive reinforcement (praise or monetary rewards) or negative enforcement (A manager requiring all subordinates to attend early morning meetings if the performance falls below a certain desired level of the organization).

Skinner's behavior modification theory is criticized for two reasons

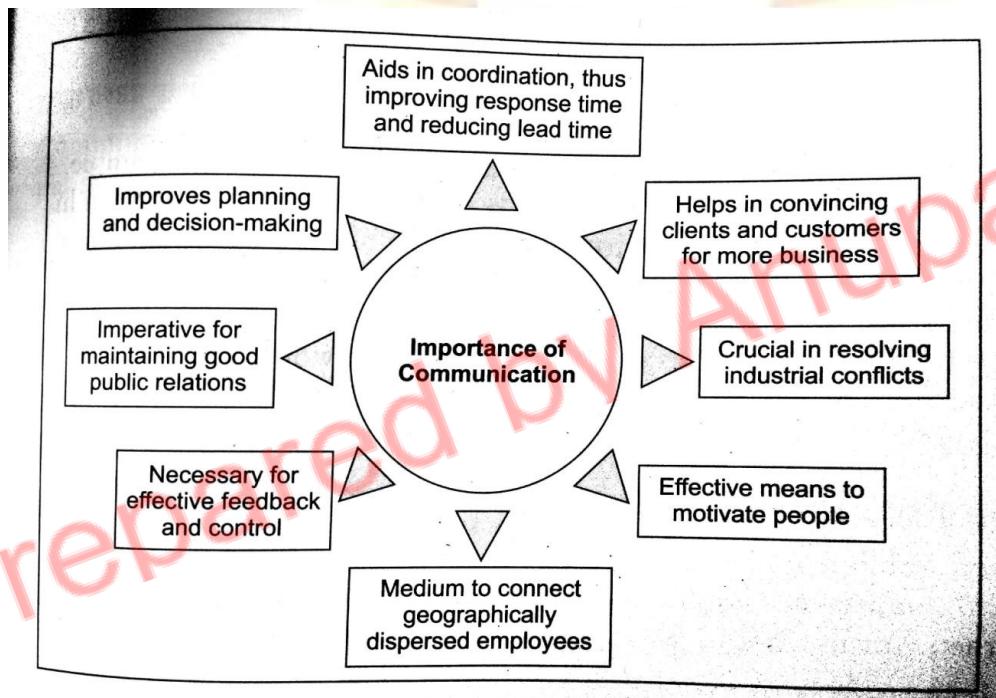
- Overemphasis of extrinsic rewards ignores the fact that people are better motivated by intrinsic rewards.
- The theory is unethical no manager has a right to manipulate and control his employee's behavior life.

Communication

The process of communication is as old as man himself. It is hard to name human activity in which communication does not play an important role. This is truer in formal reorganizations in which people assemble to achieve their common objectives through their coordinated efforts. Individuals placed in various departments may perform different activities but they are functionally interrelated. The working and maintenance of these relationships is possible only through communication. In addition, communication establishes connections of the organization with external community.

Communication means the process of passing information and understanding from one person to another. It is defined as "the process of exchange of information, ideas and opinions which bring about integration of interests aims and efforts among the members of a group organized for achievement of predetermined goals."

Importance of Communication:



1) Coordination of activities:

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

2) Expanding customer base:

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

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

3) Resolving industrial conflicts:

4) Means to motivate people:

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

5) Connect Geographically dispersed employees:

Information technology has opened up new and diverse set of communication channels to connect geographically dispersed employees of an organization. The Internet, Emails, Wikis, Blogs, Mobile Telephony, Video Conferencing, etc. have become a part of our routine lives. Thus, gone are the days when individuals used to work in silos. It has become commonplace in organizations to create virtual teams whose members may not be in close physical proximity, but still communicate with each other seamlessly on activities and projects.

6) Effective feedback and control:

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

7) Maintain good public relations:

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

8) Improves planning and decision making:

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

Coordination

The basic function of coordination in an enterprise is the same as that of an orchestra conductor who directs the activities of the orchestra party in such a manner that it produces harmony in music. Likewise the coordinator of an enterprise also directs the activities of the group in such a manner that it brings harmonious and unified actions to achieve common purpose. Like the orchestra conductor, a manager also performs the function of securing and maintaining unity of direction throughout the organization. The management of a modern enterprise is based on the principles of division of labor and specialization.

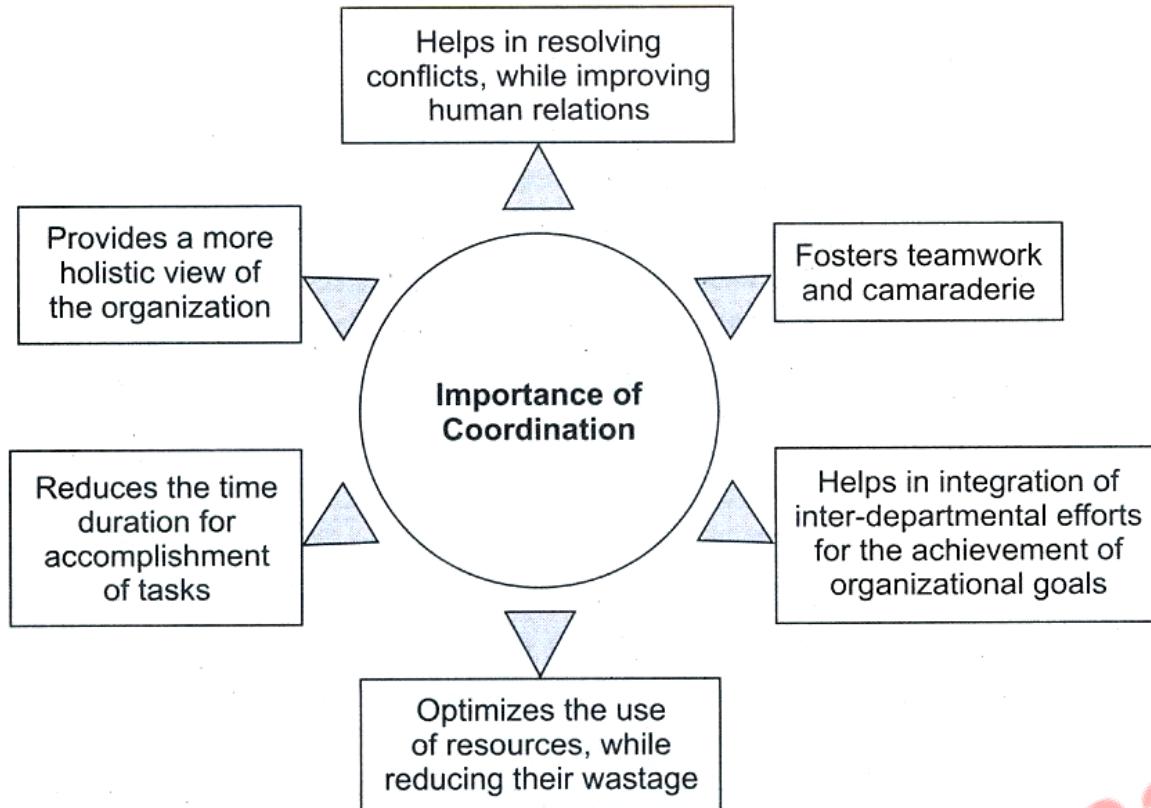
"Coordination deals with the task of blending efforts in order to ensure successful attainment of an objective. It is accomplished by means of planning, organizing, directing and controlling".

Coordination and Cooperation

The terms 'coordination' and 'cooperation' cannot be used interchangeably because they have got different meanings. Coordination is an orderly arrangement of group efforts to provide unity of action in the pursuit of common objectives. It is a process of deliberately bringing together the efforts of various components of an enterprise in order to give them unity of purpose. Cooperation denotes the collective efforts by the persons working in the enterprise voluntarily for accomplishing a particular purpose. It is the willingness of the individuals to help each other. Thus, it is obvious that the concept of coordination is broader in scope than that of cooperation. The differences between cooperation and coordination are given below

Basis	Coordination	Cooperation
1. Definition	It is a deliberate effort by a manager	It is voluntary attitude of organization members
2. Purpose	It is an orderly arrangement of group efforts to provide unity of action in the pursuit of common objectives.	It denotes collective efforts of the group contributed voluntarily to accomplish a particular objective.
3. Relations	It is achieved through both formal and informal relations.	Cooperation arises out of informal relations.
4. Result	Coordination seeks whole hearted support of employees and departments	Cooperation without coordination is fruitless.

Importance of Coordination



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

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

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

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

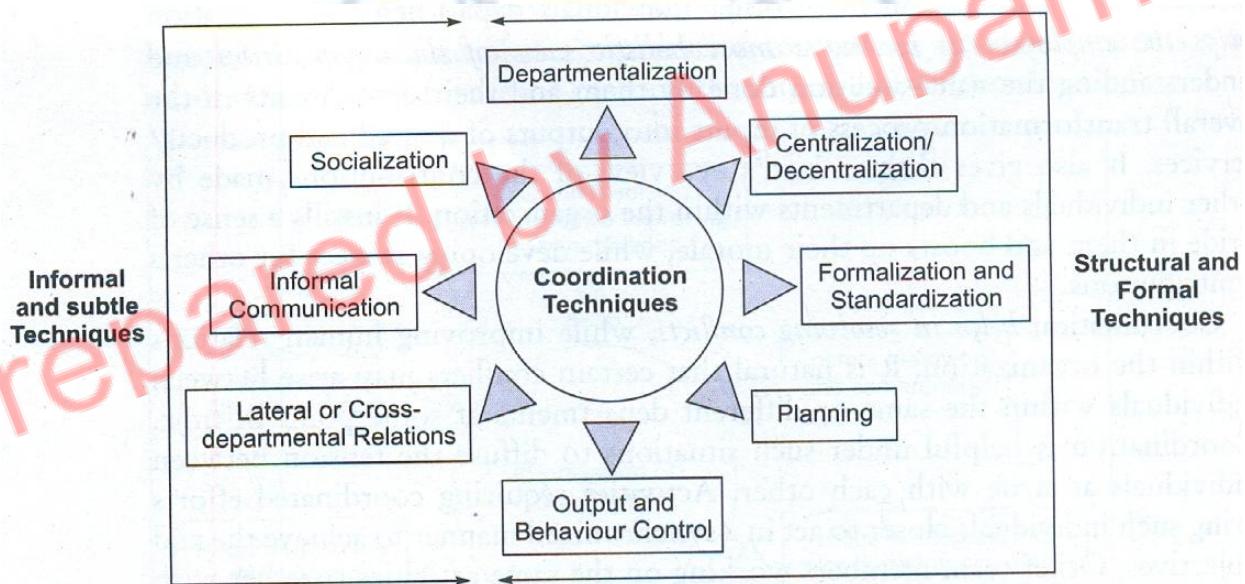
By virtue of interfacing with other individuals/departments, coordination *helps the employees in having a more holistic view of the organization* and understanding the value-addition done by them and their departments in the overall transformation process of inputs into outputs of desired end products/

services. It also gives them a bird's eye view of the contributions made by other individuals and departments within the organization. It instills a sense of pride in them and boosts up their morale, while developing respect for other's contributions.

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

Coordination Techniques

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



Structural and Formal Technique

1) Departmentalization:

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

2) Centralization/Decentralization:

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

3) Formalization and standardization:

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

4) Planning:

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

5) Output and Behavioral Control:

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

Informal and subtle techniques

1) Lateral or cross departmental relations:

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

2) Informal Communication:

It supplements the formal communication between managers who form a network of personal and informal contacts among managers across different departments of the organization, through corporate meetings and conferences, management trips, personal visits, transfers of managers, etc.

3) Socialization:

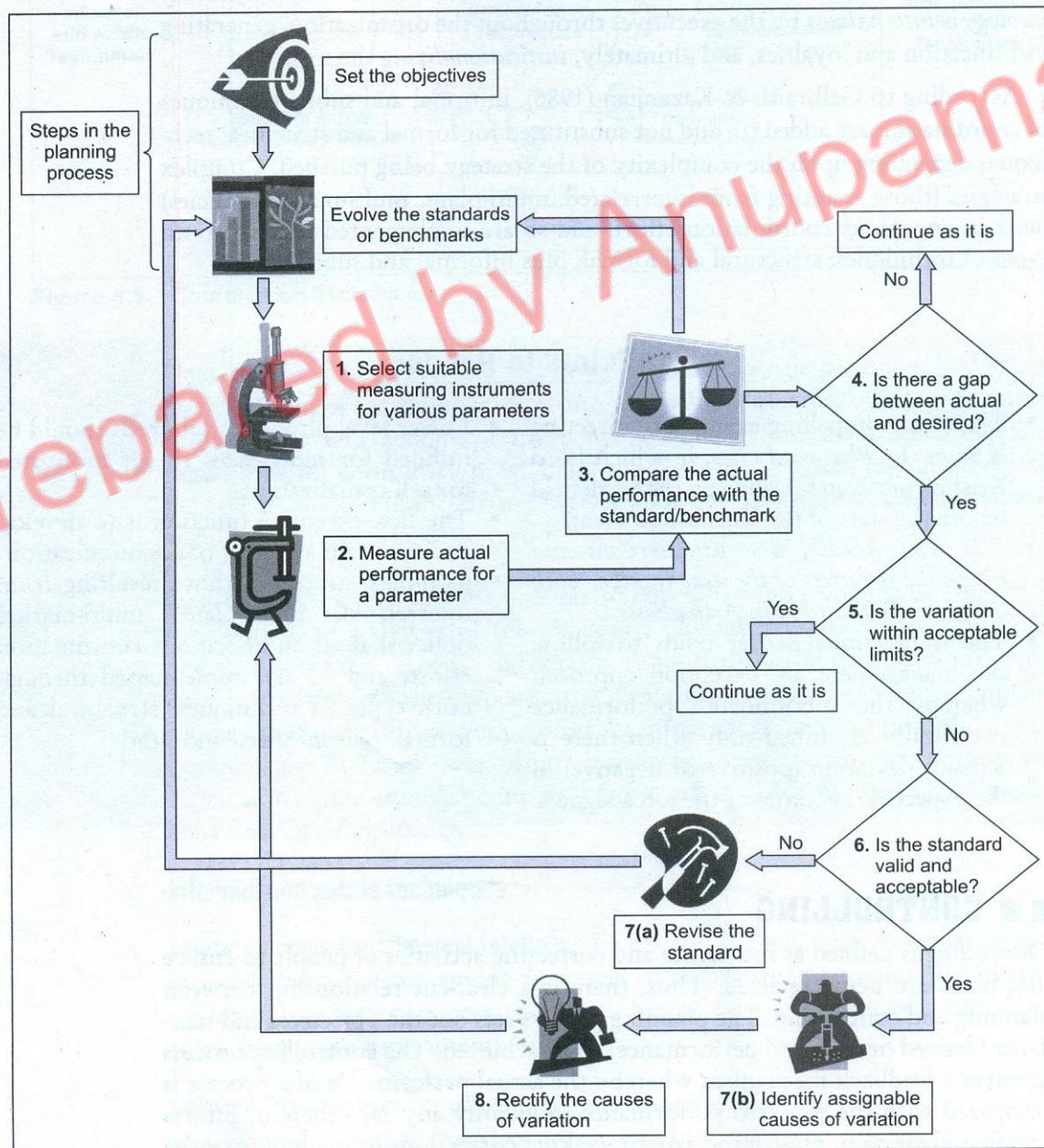
It helps in creation of an organizational culture of known and shared strategic objectives and values by communicating to individuals about the ways of doing things, the decision-making style, training, transfer of managers, career path management, measurement and reward systems, etc. In this way, a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

■ ■ ■ CONTROLLING

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

■ Steps in Controlling

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



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

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

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

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

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

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

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

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

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

- Revise the standard.** If it is clear that the earlier standard is not valid or acceptable anymore, it should be revised. In our example of the shaft, it should be revised as per the client's request to 3 cm \pm 0.001 cm.
- Identify assignable causes of variation.** However, if the earlier standard is still valid and acceptable, the assignable causes of variation are looked into. The assignable causes of variation may be due to wear and tear of the tools on the machine producing the item, lack of proper skills on part of the worker operating the machine, or worker fatigue, etc.

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

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

■ Essentials of a Sound Control System

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

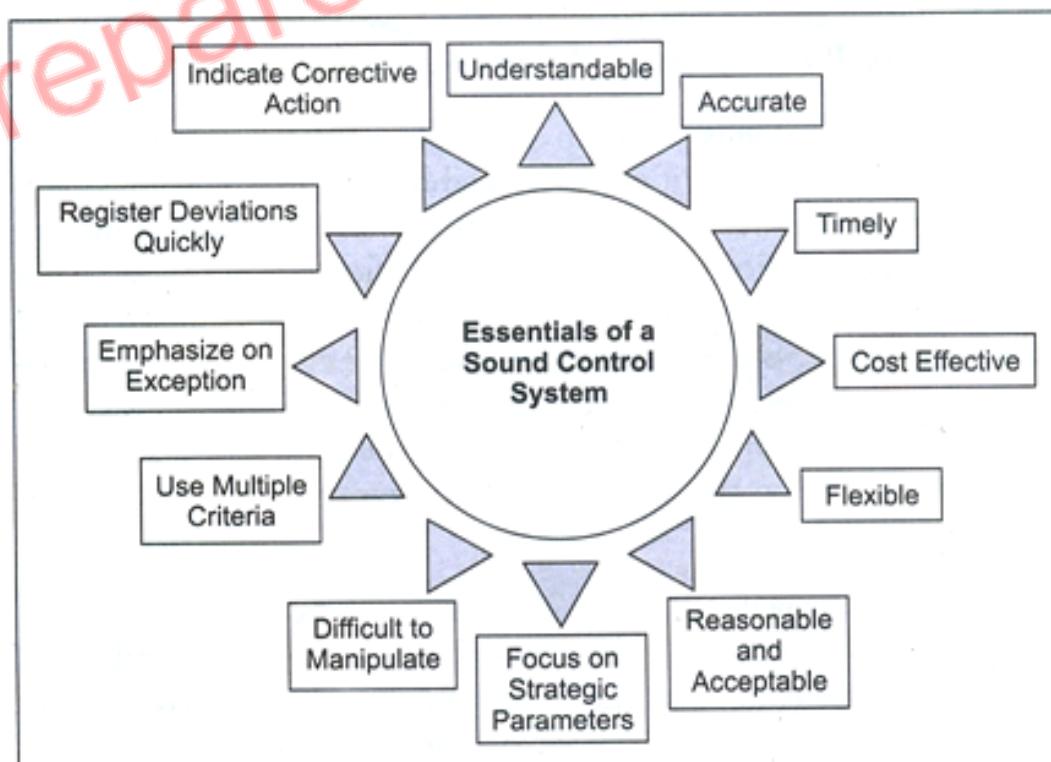


Figure Essentials of a Sound Control System

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

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

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

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

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

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

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

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

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

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

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

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

■ Methods of Establishing Control

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

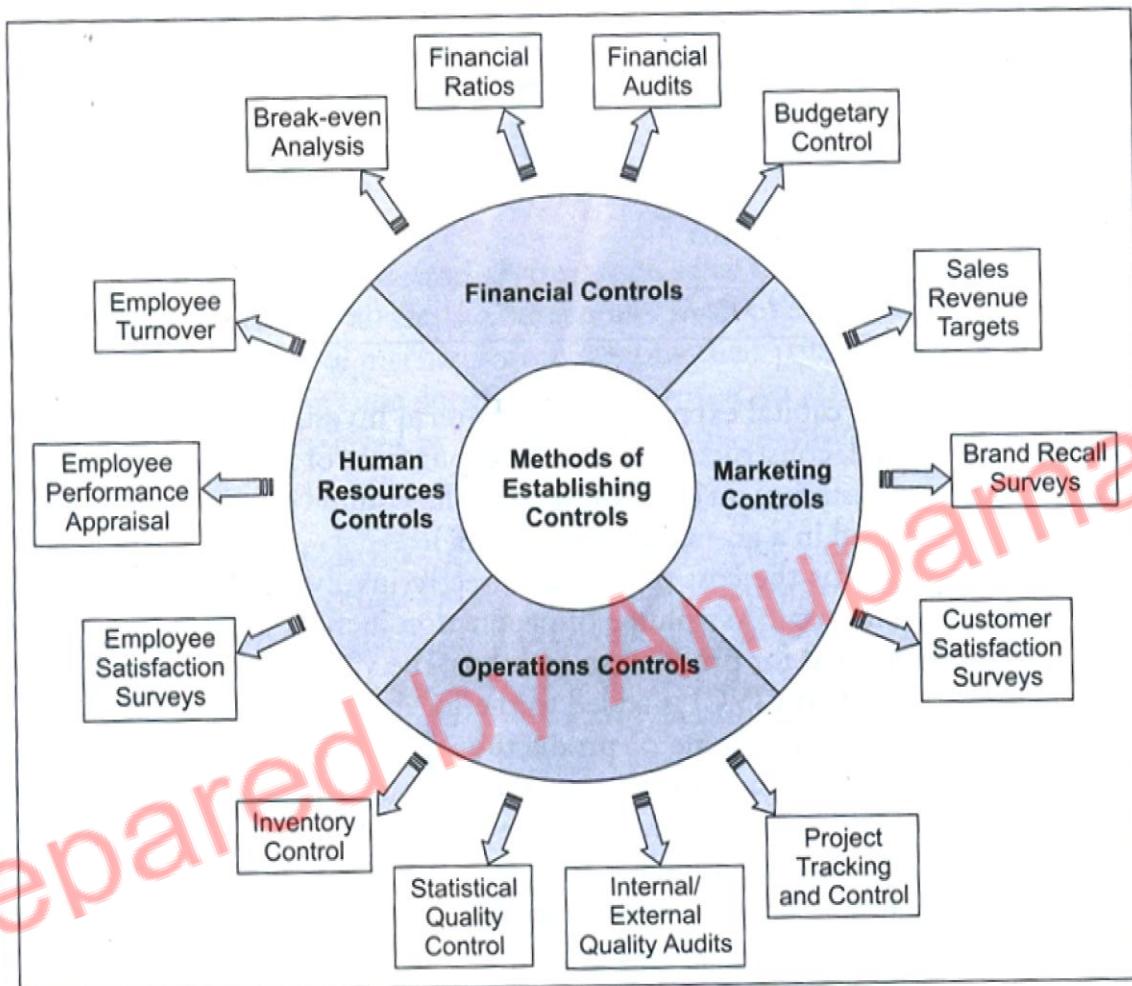


Figure 4.8 Methods of Establishing Controls

Financial controls

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

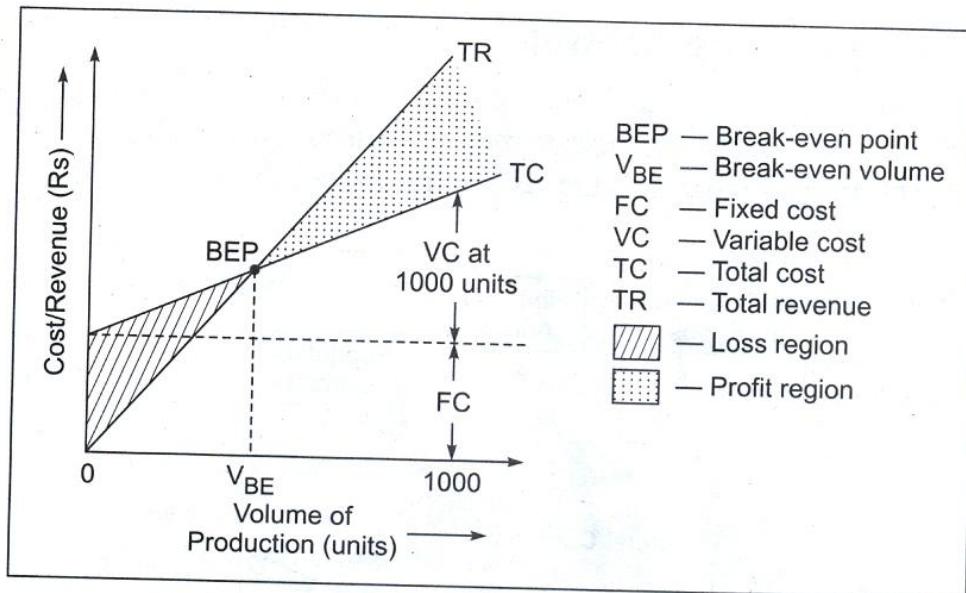


Figure 4.9
Break-even
Analysis

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

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

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

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

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

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

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

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

Marketing controls

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

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

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

Operations controls

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

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

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

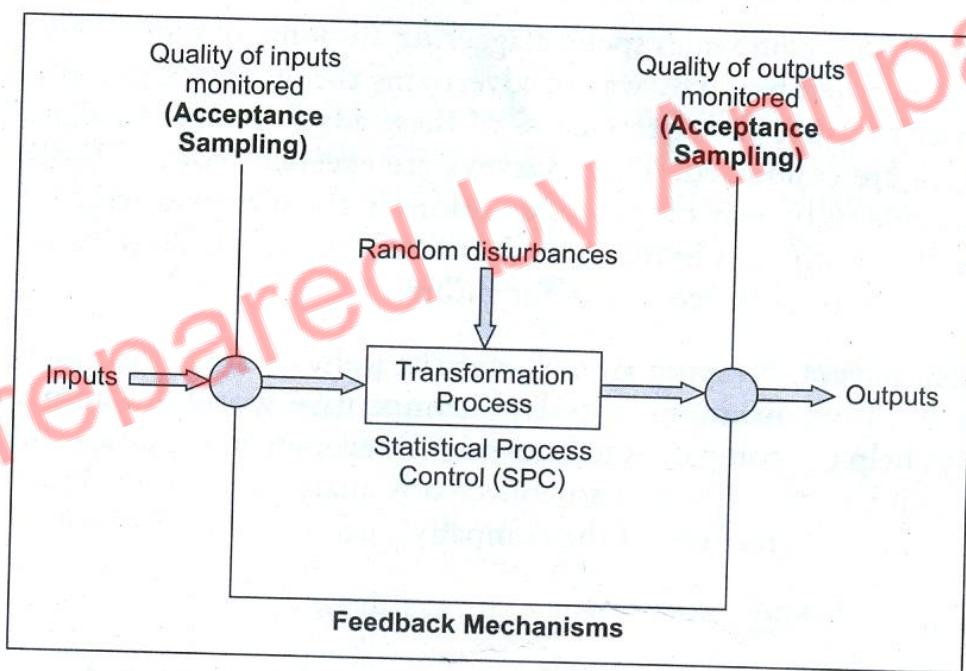


Figure 4.10
Statistical Quality Control

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

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

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

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

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

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

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

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

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

Human resources controls

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

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

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