MANAGEMENT AND ENTREPRENEURSHIP FOR IT INDUSTRY (18CS51)
SEMESTER – V

Module – 2
Directing and controlling- meaning and nature of directing, leadership styles, motivation Theories, Communication- Meaning and importance, Coordination meaning and importance, Controlling-meaning, steps in controlling, methods of establishing control.

DIRECTING & CONTROLLING

Directing means giving instructions, guiding, counseling, motivating and leading the staff in an organisation in doing work to achieve Organisational goals. Directing is a key managerial function to be performed by the manager along with planning, organising, staffing and controlling. From top executive to supervisor performs the function of directing and it takes place accordingly wherever superior – subordinate relations exist. Directing is a continuous process initiated at top level and flows to the bottom through organisational hierarchy.

Principles:
• Direction initiates actions to get the desired results in an organisation.
• Direction attempts to get maximum out of employees by identifying their capabilities.
• Direction is essential to keep the elements like Supervision, Motivation, Leadership and Communication effective.
• It ensures that every employee work for organisational goals.
• Coping up with the changes in the Organisation is possible through effective direction.
• Stability and balance can be achieved through directing.

Organizations need employees who are committed and motivated and who want to do their jobs well. To create this environment, managers must understand some of the concepts underlying human behavior. This chapter delves into what motivation is and explores methods and techniques managers can use to motivate employees.

Defining Motivation

Many people incorrectly view motivation as a personal trait—that is, some people have it, and others don't. But *motivation* is defined as the force that causes an individual to behave in a specific way. Simply put, a highly motivated person works hard at a job; an unmotivated person does not. Managers often have difficulty motivating employees. But motivation is really an internal process. It's the result of the interaction of a person's needs, his or her ability to make choices about how to meet those needs, and the environment created by management that allows these needs to be met and the choices to be made. Motivation is not something that a manager can "do" to a person.

Motivation Theories That Focus on Needs

Motivation is a complex phenomenon. Several theories attempt to explain how motivation works. In management circles, probably the most popular explanations of motivation are based on the needs of the individual. The basic needs model, referred to as **content theory** of motivation, highlights the specific factors that motivate an individual. Although these factors are found within an individual, things outside the individual can affect him or her as well. In short, all people have needs that they want satisfied.

Some are *primary needs,* such as those for food, sleep, and water—needs that deal with the physical aspects of behavior and are considered unlearned. These needs are biological in nature and relatively stable. Their influences on behavior are usually obvious and hence asy to identify. *Secondary needs,* on the other hand, are psychological, which means that they are learned primarily through experience. These needs vary significantly by culture and by individual. Secondary needs consist of internal states, such as the desire for power, achievement, and love. Identifying and interpreting these needs is more difficult because they are demonstrated in a variety of ways. Secondary needs are responsible for most of the behavior that a supervisor is concerned with and for the rewards a person seeks in an organization. Several theorists, including Abraham Maslow, Frederick Herzberg, David McClelland, and Clayton Alderfer, have provided theories to help explain needs as a source of motivation.

Abraham Maslow's hierarchy of needs theory

Abraham Maslow defined **need** as a physiological or psychological deficiency that a person feels the compulsion to satisfy. This need can create tensions that can influence a person's work attitudes and behaviors. Maslow formed a theory based on his definition of need that proposes that humans are motivated by multiple needs and that these needs exist in a hierarchical order. His premise is that only an unsatisfied need can influence behavior; a satisfied need is not a motivator.

Maslow's theory is based on the following two principles:

_ **Deficit principle:** A satisfied need no longer motivates behavior because people act to satisfy deprived needs.

_ **Progression principle:** The five needs he identified exist in a hierarchy, which means that a need at any level only comes into play after a lower-level need has been satisfied.

In his theory, Maslow identified five levels of human needs. illustrates these five levels and provides suggestions for satisfying each need.

Higher Level Needs	**To Satisfy, Offer**
Self-actualization needs	Creative and challenging work
	Participate in decision making
	Job flexibility and autonomy
Esteem needs	Responsibility of an important job
	Promotion to higher status job
	Praise and recognition from boss
Lower Level Needs	**To Satisfy, Offer**
Social needs	Friendly coworkers
	Interaction with customers
	Pleasant supervisor
Safety needs	Safe working conditions
	Job security
	Base compensation and benefits
Physiological needs	Rest and refreshment breaks
	Physical comfort on the job
	Reasonable work hours

Although research has not verified the strict deficit and progression principles of Maslow's theory, his ideas can help managers understand and satisfy the needs of employees.

Herzberg's two-factor theory

Frederick Herzberg offers another framework for understanding the motivational implications of work environments. In his **two-factor theory,** Herzberg identifies two sets of factors that impact motivation in the workplace:

_ **Hygiene factors** include salary, job security, working conditions, organizational policies, and technical quality of supervision. Although these factors do not motivate employees, they can cause dissatisfaction if they are missing. Something as simple as adding music to the office place or implementing a no smoking policy can make people less dissatisfied with these aspects of their work. However, these improvements in hygiene factors do not necessarily increase satisfaction.

_ **Satisfiers** or **motivators** include such things as responsibility, achievement, growth opportunities, and feelings of recognition, and are the key to job satisfaction and motivation. For example, managers can find out what people really do in their jobs and make improvements, thus increasing job satisfaction and performance. Following Herzberg's two-factor theory, managers need to ensure that hygiene factors are adequate and then build satisfiers into jobs.

Alderfer's ERG theory

Clayton Alderfer's **ERG (Existence, Relatedness, Growth) theory** is built upon Maslow's hierarchy of needs theory. To begin his theory, Alderfer collapses Maslow's five levels of needs into three categories.

_ **Existence needs** are desires for physiological and material well-being. (In terms of Maslow's model, existence needs include physiological and safety needs)

_ **Relatedness needs** are desires for satisfying interpersonal relationships. (In terms of Maslow's model, relatedness correspondence to social needs)

_ **Growth needs** are desires for continued psychological growth and development. (In terms of Maslow's model, growth needs include esteem and self-realization needs)

This approach proposes that unsatisfied needs motivate behavior, and that as lower level needs are satisfied, they become less important. Higher level needs, though, become more important as they are satisfied, and if these needs are not met, a person may move down the hierarchy, which Alderfer calls the *frustration-regression principle.* What he means by this term is that an already satisfied lower level need can become reactivated and influence behavior when a higher level need cannot be satisfied. As a result, managers should provide opportunities for workers to capitalize on the importance of higher level needs.

McClelland's acquired needs theory

David McClelland's acquired needs theory recognizes that everyone prioritizes needs differently. He also believes that individuals are not born with these needs, but that they are actually learned through life experiences. McClelland identifies three specific needs:

_ **Need for achievement** is the drive to excel.

_ **Need for power** is the desire to cause others to behave in a way that they would not have behaved otherwise.

_ **Need for affiliation** is the desire for friendly, close interpersonal relationships and conflict avoidance.

McClelland associates each need with a distinct set of work preferences, and managers can help tailor the environment to meet these needs. High achievers differentiate themselves from others by their desires to do things better. These individuals are strongly motivated by job situations with personal

responsibility, feedback, and an intermediate degree of risk. In addition, high achievers often exhibit the following behaviors:
_ Seek personal responsibility for finding solutions to problems
_ Want rapid feedback on their performances so that they can tell easily whether they are improving or not
_ Set moderately challenging goals and perform best when they perceive their probability of success as 50-50

An individual with a high need of power is likely to follow a path of continued promotion over time. Individuals with a high need of power often demonstrate the following behaviors:
_ Enjoy being in charge
_ Want to influence others
_ Prefer to be placed into competitive and status-oriented situations
_ Tend to be more concerned with prestige and gaining influence over others than with effective performance

People with the need for affiliation seek companionship, social approval, and satisfying interpersonal relationships. People needing affiliation display the following behaviors:
_ Take a special interest in work that provides companionship and social approval
_ Strive for friendship
_ Prefer cooperative situations rather than competitive ones
_ Desire relationships involving a high degree of mutual understanding
_ May not make the best managers because their desire for social approval and friendship may complicate managerial decision making Interestingly enough, a high need to achieve does not necessarily lead to being a good manager, especially in large organizations.

People with high achievement needs are usually interested in how well they do personally and not in influencing others to do well. On the other hand, the best managers are high in their needs for power and low in their needs for affiliation.

Motivation Theories That Focus on Behavior
Another set of theories exists as well. **Process theories** explain how workers select behavioral actions to meet their needs and determine their choices. The following theories each offer advice and insight on how people actually make choices to work hard or not work hard based on their individual preferences, the available rewards, and the possible work outcomes.

Equity theory
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.

Expectancy theory

Victor Vroom introduced one of the most widely accepted explanations of motivation. Very simply, the **expectancy theory** says that an employee will be motivated to exert a high level of effort when he or she believes that:

1. Effort will lead to a good performance appraisal.
2. A good appraisal will lead to organizational rewards.
3. The organizational rewards will satisfy his or her personal goals.

The key to the expectancy theory is an understanding of an individual's goals and the relationships between effort and performance, between performance and rewards, and finally, between the rewards and individual goal satisfaction. When an employee has a high level of expectancy and the reward is attractive, motivation is usually high. Therefore, to motivate workers, managers must strengthen workers' perceptions of their efforts as both possible and worthwhile, clarify expectations of performances, tie rewards to performances, and make sure that rewards are desirable.

Reinforcement theory

The reinforcement theory, based on E. L. Thorndike's law of effect, simply looks at the relationship between behavior and its consequences. This theory focuses on modifying an employee's on-the-job behavior through the appropriate use of one of the following four techniques:

_ **Positive reinforcement** rewards desirable behavior. Positive reinforcement, such as a pay raise or promotion, is provided as a reward for positive behavior with the intention of increasing the probability that the desired behavior will be repeated.
_ **Avoidance** is an attempt to show an employee what the consequences of improper behavior will be. If an employee does not engage in improper behavior, he or she will not experience the consequence.
_ **Extinction** is basically ignoring the behavior of a subordinate and not providing either positive or negative reinforcement. Classroom teachers often use this technique when they ignore students who are "acting out" to get attention. This technique should only be used when the supervisor perceives the behavior as temporary, not typical, and not serious.
_ **Punishment** (threats, docking pay, suspension) is an attempt to decrease the likelihood of a behavior recurring by applying negative consequences.

The reinforcement theory has the following implications for management:
_ Learning what is acceptable to the organization influences motivated behavior.
_ Managers who are trying to motivate their employees should be sure to tell individuals what they are doing wrong and be careful not to reward all individuals at the same time.
_ Managers must tell individuals what they can do to receive positive reinforcement.
_ Managers must be sure to administer the reinforcement as closely as possible to the occurrence of the behavior.
_ Managers must recognize that failure to reward can also modify behavior. Employees who believe that they deserve a reward and do not receive it will often become disenchanted with both their manager and company.

Goal-setting theory

The goal-setting theory, introduced in the late 1960s by Edwin Locke, proposed that intentions to work toward a goal are a major source of work motivation. Goals, in essence, tell employees what needs to be done and how much effort should be expanded. In general, the more difficult the goal, the higher the level of performance expected. Managers can set the goals for their employees, or employees and managers can develop goals together. One advantage of employees participating in goal setting is that they may be more likely to work toward a goal they helped develop. No matter who sets the goal, however, employees do better when they get feedback on their progress. In addition to feedback, four other factors influence the goals performance relationship:
_ The employee must be committed to the goal.
_ The employee must believe that he is capable of performing the task.
_ Tasks involved in achieving the goal should be simple, familiar, and independent.
_ The goal-setting theory is culture bound and is popular in North American cultures.

If the goal-setting theory is followed, managers need to work with their employees in determining goal objectives in order to provide targets for motivation. In addition, the goals that are established should be specific rather than general in nature, and managers must provide feedback on performance.

Redesigning jobs

Many people go to work every day and go through the same, unenthusiastic actions to perform their jobs. These individuals often refer to this condition as burnout. But smart managers can do something to improve this condition before an employee becomes bored and loses motivation. The concept of *job redesign,* which requires a knowledge of and concern for the human qualities people bring with them to the organization, applies motivational theories to the structure of work for improving productivity and satisfaction When redesigning jobs, managers look at both job scope and job depth. Redesign attempts may include the following:

_ **Job enlargement.** Often referred to as *horizontal job loading,* job enlargement increases the variety of tasks a job includes. Although it doesn't increase the quality or the challenge of those tasks, job enlargement may reduce some of the monotony, and as an employee's boredom decreases, his or her work quality generally increases.

_ **Job rotation**. This practice assigns people to different jobs or tasks to different people on a temporary basis. The idea is to add variety and to expose people to the dependence that one job has on other jobs. Job rotation can encourage higher levels of contributions and renew interest and enthusiasm. The organization benefits from a cross-trained workforce.

_ **Job enrichment.** Also called *vertical job loading***,** this application includes not only an increased variety of tasks, but also provides an employee with more responsibility and authority. If the skills required to do the job are skills that match the jobholder's abilities, job enrichment may improve morale and performance.

Leadership:

Leading is establishing direction and influencing others to follow that direction. But this definition isn't as simple as it sounds because leadership has many variations and different areas of emphasis. Common to all definitions of leadership is the notion that leaders are individuals who, by their actions, facilitate the movement of a group of people toward a common or shared goal. This definition implies that leadership is an influence process.

The distinction between leader and leadership is important, but potentially confusing. The leader is an individual; leadership is the function or activity this individual performs. The word leader is often used interchangeably with the word manager to describe those individuals in an organization who have positions of formal authority, regardless of how they actually act in those jobs. But just because a manager is supposed to be a formal leader in an organization doesn't mean that he or she exercises leadership.

Leaders made or born?

The age old question. Are leaders made or are they born? My belief on this – I believe that a leader is made, not born. Why do I say that? Before going further, lets be clear on one distinction – when we say a leader is made, it does not mean that someone can be taught to become a leader by attending leadership courses. While it helps, it is not enough. Warren Bennis (a leading leadership researcher) believes that one cannot be taught to become a leader but one can learn to become a leader over the years through life and work experiences, through mentors, personal reflection, etc.

Some people believe that leaders are born with the necessary qualities that make them successful as a leader. While others believe that leadership, like many other similar characteristics, can be learned and developed through life. For me, I think much of the debate depends on how you define leadership.

We all have areas of our lives where we have talent and propensity for success. If this is also an area you feel passionate about, you may exude qualities that are absent from other areas of your life. So while you may not be a natural born leader in the strictest sense, you can certainly overcome many obstacles and develop a desire and ability to lead when you are inspired to do so.

Leadership traits

Theories abound to explain what makes an effective leader. The oldest theories attempt to identify the common traits or skills that make an effective leader. Contemporary theorists and theories concentrate on actions of leaders rather than characteristics.
A number of traits that appear regularly in leaders include ambition, energy, the desire to lead, self-confidence, and intelligence. Although certain traits are helpful, these attributes provide no guarantees that a person possessing them is an effective leader. Underlying the trait approach is the assumption that some people are natural leaders, and are endowed with certain traits not possessed by other individuals. This research compared successful and unsuccessful leaders to see how they differed in physical characteristics, personality, and ability. A recent published analysis of leadership traits (S.A. Kirkpatrick and E.A. Locke, *"Leadership: Do Traits Really Matter?"* Academy of Management Executive 5 [1991]) identified six core characteristics that the majority of effective leaders possess:
_ **Drive.** Leaders are ambitious and take initiative.
_ **Motivation.** Leaders want to lead and are willing to take charge.
_ **Honesty and integrity.** Leaders are truthful and do what they say they will do.
_ **Self-confidence.** Leaders are assertive and decisive and enjoy taking risks. They admit mistakes and foster trust and commitment to a vision. Leaders are emotionally stable rather than recklessly adventurous.
_ **Cognitive ability.** Leaders are intelligent, perceptive, and conceptually skilled, but are not necessarily geniuses. They show analytical ability, good judgment, and the capacity to think strategically.
_ **Business knowledge.** Leaders tend to have technical expertise in their businesses.

Traits do a better job at predicting that a manger may be an effective leader rather than actually distinguishing between an effective or ineffective leader. Because workplace situations vary, leadership requirements vary. As a result, researchers began to examine what effective leaders do rather than what effective leaders are. Leadership styles and behaviors are addressed in the next section.

Leadership skills
Whereas traits are the characteristics of leaders, skills are the knowledge and abilities, or *competencies,* of leaders. The competencies a leader needs depends upon the situation:

These competencies depend on a variety of factors:
_ The number of people following the leader
_ The extent of the leader's leadership skills
_ The leader's basic nature and values
_ The group or organization's background, such as whether it's for profit or not-for-profit, new or long established, large or small
_ The particular culture (or values and associated behaviors) of whomever is being led To help managers refine these skills, leadership-training programs typically propose guidelines for making decisions, solving problems, exercising power and influence, and building trust.
_ **To define and establish a sense of mission.** Good leaders set goals, priorities, and standards, making sure that these objectives not only are communicated but maintained.
_ **To accept leadership as a responsibility rather than a rank.** Good leaders aren't afraid to surround themselves with talented, capable people; they do not blame others when things go wrong.
_ **To earn and keep the trust of others.** Good leaders have personal integrity and inspire trust among their followers; their actions are consistent with what they say.
In Drucker's words, "Effective leadership is not based on being clever, it is based primarily on being consistent." Very simply put, leading is establishing direction and influencing others to follow that

direction. Keep in mind that no list of leadership traits and skills is definitive because no two successful leaders are alike. What is important is that leaders exhibit some positive characteristics that make them effective managers at any level in an organization.

Leadership styles

No matter what their traits or skills, leaders carry out their roles in a wide variety of styles. Some leaders are autocratic. Others are democratic. Some are participatory, and others are hands off. Often, the leadership style depends on the situation, including where the organization is in its life cycle.
The following are common leadership styles:

_ **Autocratic.** The manager makes all the decisions and dominates team members. This approach generally results in passive resistance from team members and requires continual pressure and direction from the leader in order to get things done. Generally, this approach is not a good way to get the best performance from a team. However, this style may be appropriate when urgent action is necessary or when subordinates actually prefer this style.

_ **Participative.** The manager involves the subordinates in decision making by consulting team members (while still maintaining control), which encourages employee ownership for the decisions. A good participative leader encourages participation and delegates wisely, but never loses sight of the fact that he or she bears the crucial responsibility of leadership. The leader values group discussions and input from team members; he or she maximizes the members' strong points in order to obtain the best performance from the entire team. The participative leader motivates team members by empowering them to direct themselves; he or she guides them with a loose rein. The downside, however, is that a participative leader may be seen as unsure, and team members may feel that everything is a matter for group discussion and decision.

_ **Laissez-faire** (also called free-rein). In this hands-off approach, the leader encourages team members to function independently and work out their problems by themselves, although he or she is available for advice and assistance. The leader usually has little control over team members, leaving them to sort out their roles and tackle their work assignments without personally participating in these processes. In general, this approach leaves the team floundering with little direction or motivation. Laissez-faire is usually only appropriate when the team is highly motivated and skilled, and has a history of producing excellent work.

COMMUNICATION:

The Significance of Communication in the Management Process

Organizations are totally reliant on **communication,** which is defined as the exchange of ideas, messages, or information by speech, signals, or writing. Without communication, organizations would not function. If communication is diminished or hampered, the entire organization suffers. When communication is thorough, accurate, and timely, the organization tends to be vibrant and effective. Communication is central to the entire management process for four primary reasons:

_ **Communication is a linking process of management.** Communication is the way managers conduct the managerial functions of planning, organizing, staffing, directing, and controlling. Communication is the heart of all organizations

_ **Communication is the primary means by which people obtain and exchange information.** Decisions are often dependent upon the quality and quantity of the information received. If the information on which a decision is based is poor or incomplete, the decision will often be incorrect.

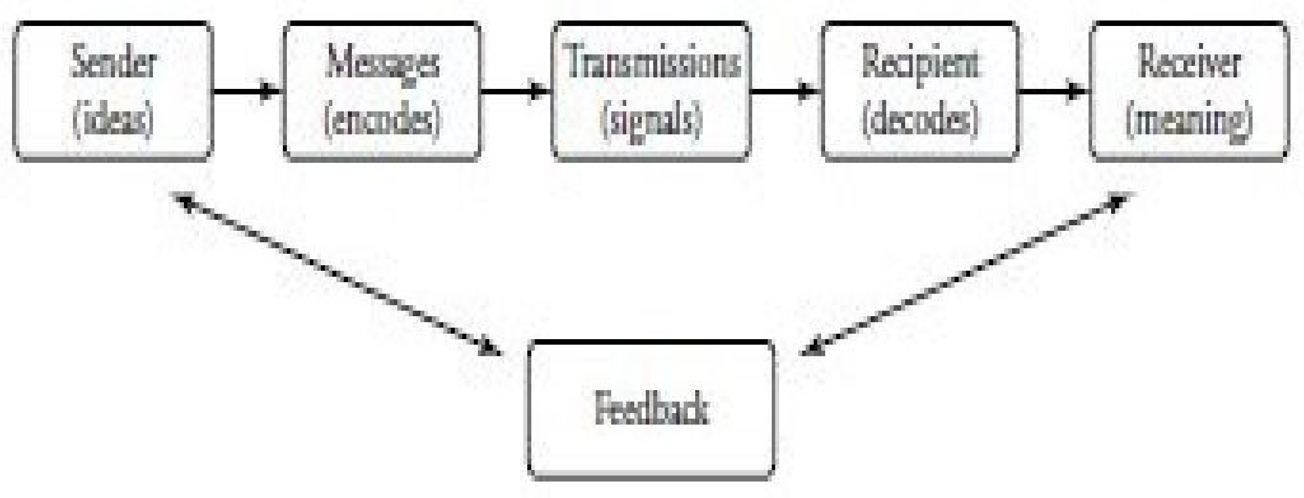
_ **The most time-consuming activity a manager engages in is communication** Managers spend between 70 to 90 percent of their time communicating with employees and other internal and external customers.

_ **Information and communication represent power in organizations.** An employee cannot do anything constructive in a work unit unless he or she knows what is to be done, when the task is to be accomplished, and who else is involved. The staff members who have this information become centers of power.

The ability to communicate well, both orally and in writing is a critical managerial skill and a foundation of effective leadership. Through communication, people exchange and share information with one another and influence one another's attitudes, behaviors, and understandings. Communication allows managers to establish and maintain interpersonal relationships, listen to others, and otherwise gain the information needed to create an inspirational workplace. No manager can handle conflict, negotiate successfully, and succeed at leadership without being a good communicator.

The Communication Process

The goal of communication is to convey information—and the understanding of that information—from one person or group to another person or group. This communication process is divided into three basic components: A *sender* transmits a message through a *channel* to the *receiver.* (Figure 13-1 shows a more elaborate model.) The sender first develops an idea, which is composed into a message and then transmitted to the other party, who interprets the message and receives meaning. Information theorists have added somewhat more complicated language. Developing a message is known as *encoding.* Interpreting the message is referred to as *decoding.*



Methods of Communication

The standard methods of communication are speaking or writing by a sender and listening or reading by the receiver. Most communication is oral, with one party speaking and others listening.

However, some forms of communication do not directly involve spoken or written language.

Nonverbal communication (body language) consists of actions, gestures, and other aspects of physical appearance that, combined with facial expressions (such as smiling or frowning), can be powerful means of transmitting messages. At times, a person's body may be "talking" even as he or she maintains silence. And when people do speak, their bodies may sometimes say different things than their words convey.

A *mixed message* occurs when a person's words communicate one message, while nonverbally; he or she is communicating something else. Although technology such as e-mail has lessened the importance of nonverbal communication, the majority of organizational communication still takes place through face-to-face interaction. Every verbal message comes with a nonverbal component. Receivers interpret messages by taking in meaning from everything available. When nonverbal cues are consistent with verbal messages, they act to reinforce the messages. But when these verbal and nonverbal messages are inconsistent, they create confusion for the receiver. The actions of management are especially significant because subordinates place more confidence in what managers do than what they say. Unless actions are consistent with communication, a feeling of distrust will undermine the effectiveness of any future social exchange.

Oral communication skills Because a large part of a manager's day is spent conversing with other managers and employees, the abilities to speak and listen are critical to success. For example, oral communication skills are used when a manager must make sales presentations, conduct interviews, perform employee evaluations, and hold press conferences. In general, managers prefer to rely on oral communication because communication tends to be more complete and thorough when talking in person.

In face-to-face interactions, a person can judge how the other party is reacting, get immediate feedback, and answer questions. In general, people tend to assume that talking to someone directly is more credible than receiving a written message. Face-to-face communication permits not only the exchange of words, but also the opportunity to see the nonverbal communication. However, verbal communicating has its drawbacks. It can be inconsistent, unless all parties hear the same message. And although oral communication is useful for conveying the viewpoints of others and fostering an openness that encourages people to communicate, it is a weak tool for implementing a policy or issuing directives where many specifics are involved.
Here are two of the most important abilities for effective oral communication:
_ **Active listening.** Listening is making sense of what is heard and requires paying attention, interpreting, and remembering sound stimuli. Effective listening is active, requiring the hearer to "get inside the head" of the speaker so that he or she can understand the communication from the speaker's point of view.
_ **Constructive feedback.** Managers often do poor jobs of providing employees with performance feedback. When providing feedback, managers should do the following:
Focus on specific behaviors rather than making general statements Keep feedback impersonal and goal-oriented Offer feedback as soon after the action as possible Ask questions to ensure understanding of the feedback Direct negative feedback toward behavior that the recipient can control

Written communication skills
Written communication has several advantages. First, it provides a record for referral and follow-up. Second, written communication is an inexpensive means of providing identical messages to a large number of people. The major limitation of written communication is that the sender does not know how or if the communication is received unless a reply is required. Unfortunately, writing skills are often difficult to develop, and many individuals have problems writing simple, clear, and direct documents. And believe it or not, poorly written documents cost money. How much does bad writing cost a company annually? According to a Canadian consulting and training firm, one employee who writes just one poorly worded memo per week over the course of a year can cost a company $4,258.60. Managers must be able to write clearly. The ability to prepare letters, memos, sales reports, and other written

documents may spell the difference between success and failure. The following are some guidelines for effective written communication:

Interpersonal Communication

Interpersonal communication is real-time, face-to-face or voice-to-voice conversation that allows immediate feedback. Interpersonal communication plays a large role in any manager's daily activities, but especially in organizations that use teams. Managers must facilitate interpersonal communication within teams and reduce barriers to interpersonal communications. Common barriers to interpersonal communication include the following:

_ **Expectations of familiarity** (or hearing what one is expected to hear). After hearing the beginning comments, employees may not listen to the remainder of the communication because they think they already know what a manager's going to say.

_ **Preconceived notions.** Many employees ignore information that conflicts with what they "know." Often referred to as *selective perception,* it's the tendency to single out for attention those aspects of a situation or person that reinforce or appear consistent with one's existing beliefs, value, or needs. Selective perception can bias a manager's and employee's view of situations and people.

_ **Source's lack of credibility.** Some employees may negatively size up or evaluate the sender based on stereotypes. *Stereotyping* is assigning attributes commonly associated with a category, such as age group, race, or gender to an individual. *Class ifying* is making assumptions about an individual based on a group he or she fits into. Characteristics commonly associated with the group are then assigned to the individual. Someone who believes that young people dislike authority figures may assume that a younger colleague is rebellious.

_ **Differing perceptions caused by social and cultural backgrounds.** The process through which people receive and interpret information from the environment is called **perception.** Perception acts as a screen or filter through which information must pass before it has an impact on communication. The results of this screening process vary, because such things as values, cultural background, and other circumstances influence individual perceptions. Simply put, people can perceive the same things or situations very differently. And even more important, people behave according to their perceptions.

_ **Semantics and diction.** The choice and use of words differ significantly among individuals. A word such as "effectiveness" may mean "achieving high production" to a factory superintendent and "employee satisfaction" to a human resources specialist. Many common English words have an average of 28 definitions, so communicators must take care to select the words that accurately communicate their ideas.

_ **Emotions that interfere with reason.** Tempers often interfere with reason and cause the roles of sender and receiver to change to that of opponent and adversary.

_ **Noise or interference.** Noise d oes not allow for understanding between sender and receiver.

Organizational Communication

The formal flow of information in an organization may move via upward, downward, or horizontal channels. Most *downward communications* address plans, performance feedback, delegation, and training. Most *upward communications* concern performance, complaints, or requests for help. *Horizontal communications* focus on coordination of tasks or resources. Organizational structure creates, perpetuates, and encourages formal means of communication. The chain of command typifies vertical communication. Teamwork and interactions exemplify lateral or horizontal efforts to communicate. Coordinating efforts between colleagues or employees of equal rank and authority represent this channel of communication. Feedback from subordinate to superior is indicative of upward communication. For example, status reports to inform upper levels of management are originated in the lower or mid-range of most organizations. The marriage of people to electronic communication equipment and databases that store information is a *formal network.* Formal communication networks provide the electronic links for transferring and storing information through formal organizational channels. *Informal channels,* known as the grapevine, carry casual, social, and personal messages through the organization. The **grapevine** is an informal, person-to-person communication network of employees that is not officially sanctioned by the organization (see Chapter 3). The grapevine is spontaneous, quick, and hard to stop; it can both help and hinder the understanding of information. For these reasons, managers need to stay in touch with the grapevine and counteract rumors. Like interpersonal communication, organizational communication can be blocked by barriers, such as the following:

_ Information overload
_ Embellished messages
_ Delays in formal communications
_ Lack of employee trust and openness
_ Different styles of change
_ Intimidation and unavailability of those of rank or status
_ Manager's interpretations
_ Electronic noises

Improving Communications

Communication touches everything that takes place in an organization and is so intermingled with all other functions and processes that separating it for study and analysis is difficult. Because communication is the most time-consuming activity that a manager engages in, improving management strongly depends on improving communication. One way researchers are trying to improve communication skills for organizations is through instruments that assess managers' writing and speaking effectiveness. The responsibility to strengthen and improve communication is both individual and organizational. Senders should define the purpose behind their message, construct each message with the reader in mind, select the best medium, time each transmission thoughtfully, and seek feedback. Receivers must listen actively, be sensitive to the sender, recommend an appropriate medium for messages, and initiate feedback efforts.

Controlling:

Simply put, *organizational control* is the process of assigning, evaluating, and regulating resources on an ongoing basis to accomplish an organization's goals. To successfully control an organization, managers need to not only know what the performance standards are, but also figure out how to share that information with employees. Control can be defined narrowly as the process a manager takes to assure that actual performance conforms to the organization's plan, or more broadly as anything that regulates the process or activity of an organization. The content in this chapter follows the general interpretation by defining managerial control as monitoring performance against a plan and then making adjustments either in the plan or in operations as necessary.

The six major purposes of controls are as follows:

_ **Controls make plans effective.** Managers need to measure progress, offer feedback, and direct their teams if they want to succeed.
_ **Controls make sure that organizational activities are consistent.** Policies and procedures help ensure that efforts are integrated.

_ **Controls make organizations effective.** Organizations need controls in place if they want to achieve and accomplish their objectives.
_ **Controls make organizations efficient.** Efficiency probably depends more on controls than any other management function.
_ **Controls provide feedback on project status.** Not only do they measure progress, but controls also provide feedback to participants as well. Feedback influences behavior and is an essential ingredient in the control process.
_ **Controls aid in decision making.** The ultimate purpose of controls is to help managers make better decisions. Controls make managers aware of problems and give them information that is necessary for decision making.

Many people assert that as the nature of organizations has changed, so must the nature of management controls. New forms of organizations, such as self-organizing organizations, self managed teams, and network organizations, allow organizations to be more responsive and adaptable in today's rapidly changing world. These forms also cultivate empowerment among employees, much more so than the hierarchical organizations of the past.

Some people even claim that management shouldn't exercise any form of control whatsoever, and should only support employee efforts to be fully productive members of organizations and communities. Along those same lines, some experts even use the word "coordinating" in place of "controlling" to avoid sounding coercive. However, some forms of controls must exist for an organization to exist. For an organization to exist, it needs some goal or purpose, or it isn't an organization at all. Individual behaviors, group behaviors, and all organizational performance must be in line with the strategic focus of the organization.

The Control Process
The control process involves carefully collecting information about a system, process, person, or group of people in order to make necessary decisions about each. Managers set up control systems that consist of four key steps:
1. Establish standards to measure performance. Within an organization's overall strategic plan, managers define goals for organizational departments in specific, operational terms that include standards of performance to compare with organizational activities.
2. Measure actual performance. Most organizations prepare formal reports of performance measurements that managers review regularly. These measurements should be related to the standards set in the first step of the control process. For example, if sales growth is a target, the organization should have a means of gathering and reporting sales data.
3. Compare performance with the standards. This step compares actual activities to performance standards. When managers read computer reports or walk through their plants, they identify whether actual performance meets, exceeds, or falls short of standards. Typically, performance reports simplify such comparison by placing the performance standards for the reporting period alongside the actual performance for the same period and by computing the variance—that is, the difference between each actual amount and the associated standard.
4. Take corrective actions. When performance deviates from standards, managers must determine what changes, if any, are necessary and how to apply them. In the productivity and quality-centered environment, workers and managers are often empowered to evaluate their own work. After the evaluator determines the cause or causes of deviation, he or she can take the fourth step—corrective action. The most effective course may be prescribed by policies or may be best left up to employees'

judgment and initiative. These steps must be repeated periodically until the organizational goal is achieved.

Types of Controls

Control can focus on events before, during, or after a process. For example, a local automobile dealer can focus on activities before, during, or after sales of new cars. Careful inspection of new cars and cautious selection of sales employees are ways to ensure high quality or profitable sales even before those sales take place. Monitoring how salespeople act with customers is a control during the sales task. Counting the number of new cars sold during the month and telephoning buyers about their satisfaction with sales transactions are controls after sales have occurred. These types of controls are formally called feedforward, concurrent, and feedback, respectively.

_ **Feedforward controls,** sometimes called preliminary or preventive controls, attempt to identify and prevent deviations in the standards before they occur. Feedforward controls focus on human, material, and financial resources within the organization. These controls are evident in the selection and hiring of new employees. For example, organizations attempt to improve the likelihood that employees will perform up to standards by identifying the necessary job skills and by using tests and other screening devices to hire people with those skills.

_ **Concurrent controls** monitor ongoing employee activity to ensure consistency with quality standards. These controls rely on performance standards, rules, and regulations for guiding employee tasks and behaviors. Their purpose is to ensure that work activities produce the desired results. As an example, many manufacturing operations include devices that measure whether the items being produced meet quality standards. Employees monitor the measurements; if they see that standards are not being met in some area, they make a correction themselves or let a manager know that a problem is occurring.

_ **Feedback controls** involve reviewing information to determine whether performance meets established standards. For example, suppose that an organization establishes a goal of increasing its profit by 12 percent next year. To ensure that this goal is reached, the organization must monitor its profit on a monthly basis. After three months, if profit has increased by 3 percent, management might assume that plans are going according to schedule.

Characteristics of Effective Control Systems

The management of any organization must develop a control system tailored to its organization's goals and resources. Effective control systems share several common characteristics. These characteristics are as follows:

_ **A focus on critical points.** For example, controls are applied where failure cannot be tolerated or where costs cannot exceed a certain amount. The critical points include all the areas of an organization's operations that directly affect the success of its key operations.

_ **Integration into established processes.** Controls must function harmoniously within these processes and should not bottleneck operations.

_ **Acceptance by employees.** Employee involvement in the design of controls can increase acceptance.

_ **Availability of information when needed.** Deadlines, time needed to complete the project, costs associated with the project, and priority needs are apparent in these criteria. Costs are frequently attributed to time shortcomings or failures.

_ **Economic feasibility.** Effective control systems answer questions such as, "How much does it cost?" "What will it save?" or "What are the returns on the investment?" In short, comparison of the costs to the benefits ensures that the benefits of controls outweigh the costs.

_ **Accuracy.** Effective control systems provide factual information that's useful, reliable, valid, and consistent.

_ **Comprehensibility.** Controls must be simple and easy to understand.

Control Techniques

Control techniques provide managers with the type and amount of information they need to measure and monitor performance. The information from various controls must be tailored to a specific management level, department, unit, or operation. To ensure complete and consistent information, organizations often use standardized documents such as financial, status, and project reports. Each area within an organization, however, uses its own specific control techniques, described in the following sections.

Financial controls

After the organization has strategies in place to reach its goals, funds are set aside for the necessary resources and labor. As money is spent, statements are updated to reflect how much was spent, how it was spent, and what it obtained. Managers use these financial statements, such as an income statement or balance sheet, to monitor the progress of programs and plans.

Financial statements provide management with information to monitor financial resources and activities. The **income statement** shows the results of the organization's operations over a period of time, such as revenues, expenses, and profit or loss. The *balance sheet* shows what the organization is worth (assets) at a single point in time, and the extent to which those assets were financed through debt (liabilities) or owner's investment (equity).

Financial audits, or formal investigations, are regularly conducted to ensure that financial management practices follow generally accepted procedures, policies, laws, and ethical guidelines. Audits may be conducted internally or externally.

Financial ratio analysis examines the relationship between specific figures on the financial statements and helps explain the significance of those figures:

_ **Liquidity ratios** measure an organization's ability to generate cash.
_ **Profitability ratios** measure an organization's ability to generate profits.
_ **Debt ratios** measure an organization's ability to pay its debts.
_ **Activity ratios** measure an organization's efficiency in operations and use of assets.

In addition, *financial responsibility centers* require managers to account for a unit's progress toward financial goals within the scope of their influences. A manager's goals and responsibilities may focus on unit profits, costs, revenues, or investments.

Budget controls

A budget depicts how much an organization expects to spend (expenses) and earn (revenues) over a time period. Amounts are categorized according to the type of business activity or account, such as telephone costs or sales of catalogs. Budgets not only help managers plan their finances, but also help them keep track of their overall spending. A budget, in reality, is both a planning tool and a control mechanism. Budget development processes vary among organizations according to who does the budgeting and how the financial resources are allocated.

Some budget development methods are as follows:

_ **Top-down budgeting.** Managers prepare the budget and send it to subordinates.
_ **Bottom-up budgeting.** Figures come from the lower levels and are adjusted and coordinated as they move up the hierarchy.
_ **Zero-based budgeting.** Managers develop each new budget by justifying the projected allocation against its contribution to departmental or organizational goals.

_ **Flexible budgeting.** Any budget exercise can incorporate flexible budgets, which set "meet or beat" standards that can be compared to expenditures.

Marketing controls

Marketing controls help monitor progress toward goals for customer satisfaction with products and services, prices, and delivery. The following are examples of controls used to evaluate an organization's marketing functions:

_ **Market research** gathers data to assess customer needs—information critical to an organization's success. Ongoing market research reflects how well an organization is meeting customers' expectations and helps anticipate customer needs. It also helps identify competitors.

_ **Test marketing** is small-scale product marketing to assess customer acceptance. Using surveys and focus groups, test marketing goes beyond identifying general requirements and looks at what (or who) actually influences buying decisions.

_ **Marketing** s**tatistics** measure performance by compiling data and analyzing results. In most cases, competency with a computer spreadsheet program is all a manager needs. Managers look at *marketing ratios,* which measure profitability, activity, and market shares, as well as *sales quotas,* which measure progress toward sales goals and assist with inventory controls. Unfortunately, scheduling a regular evaluation of an organization's marketing program is easier to recommend than to execute. Usually, only a crisis, such as increased competition or a sales drop, forces a company to take a closer look at its marketing program. However, more regular evaluations help minimize the number of marketing problems.

Human resource controls

Human resource controls help managers regulate the quality of newly hired personnel, as well as monitor current employees' developments and daily performances. On a daily basis, managers can go a long way in helping to control workers' behaviors in organizations. They can help direct workers' performances toward goals by making sure that goals are clearly set and understood. Managers can also institute policies and procedures to help guide workers' actions. Finally, they can consider past experiences when developing future strategies, objectives, policies, and procedures. Common control types include performance appraisals, disciplinary programs, observations, and training and development assessments. Because the quality of a firm's personnel, to a large degree, determines the firm's overall effectiveness, controlling this area is very crucial.

Computers and information controls

Almost all organizations have confidential and sensitive information that they don't want to become general knowledge. Controlling access to computer databases is the key to this area. Increasingly, computers are being used to collect and store information for control purposes. Many organizations privately monitor each employee's computer usage to measure employee performance, among other things. Some people question the appropriateness of computer monitoring. Managers must carefully weigh the benefits against the costs—both human and financial—before investing in and implementing computerized control techniques.

Although computers and information systems provide enormous benefits, such as improved productivity and information management, organizations should remember the following limitations of the use of information technology:

_ **Performance limitations.** Although management information systems have the potential to increase overall performance, replacing long-time organizational employees with information systems technology may result in the loss of expert knowledge that these individuals hold. Additionally, computerized information systems are expensive and difficult to develop. After the system has been purchased, coordinating it—possibly with existing equipment—may be more difficult than expected. Consequently, a company may cut corners or install the system carelessly to the detriment of the system's performance and utility. And like other sophisticated electronic equipment, information systems do not work all the time, resulting in costly downtime.

_ **Behavioral limitations.** Information technology allows managers to access more information than ever before. But too much information can overwhelm employees, cause stress, and even slow decision making. Thus, managing the quality and amount of information available to avoid information overload is important.

_ **Health risks.** Potentially serious health-related issues associated with the use of computers and other information technology have been raised in recent years. An example is carpal tunnel syndrome, a painful disorder in the hands and wrists caused by repetitive movements (such as those made on a keyboard).

Regardless of the control processes used, an effective system determines whether employees and various parts of an organization are on target in achieving organizational objectives.

Coordination techniques

The following are rather typical methods of coordination in organizations. They are used as means to communicate direction and guide behaviors in that direction. The function of the following methods is not to "control", but rather to guide. If, from ongoing communications among management and employees, the direction changes, then fine. The following methods are changed accordingly.

Note that many of the following methods are so common that we often don't think of them as having anything to do with coordination at all. No matter what one calls the following methods -- coordination or control -- they're important to the success of any organization.

Organizations often use standardized documents to ensure complete and consistent information is gathered. Documents include titles and dates to detect different versions of the document. Computers have revolutionized administrative controls through use of integrated management information systems, project management software, human resource information systems, office automation software, etc. Organizations typically require a wide range of reports, e.g., financial reports, status reports, project reports, etc. to monitor what's being done, by when and how.