Principles of Management

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Preface

Management as a practice gained ground when the concept of working together in groups to achieve common objectives was realized by men. But the study of management as a systematic field of knowledge began at the advent of the Industrial Revolution, which ushered in a new era of serious thinking and theorizing on management.

Management is the act of directing and controlling a group of people for the purpose of coordinating and harmonizing the group towards accomplishing a goal beyond the scope of individual effort. Management encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources.

Managers are charged with making decisions that will impact an organization on every level. These decisions range from hiring a new employee to taking a company public. Management is not an easy field, and good managers are highly sought after.

Planning is a process consisting of several steps. The process begins with environmental scanning which simply means that planners must be aware of the critical contingencies facing their organization in terms of economic conditions, their competitors, and their customers. Planners must then attempt to forecast future conditions. These forecasts form the basis for planning.

Decision making is an integral part of every aspect of life. This also applies to organizations. It is one of the key factors that pave the way for its success or failure. Every manager is required to execute decisions at various levels of the management cycle beginning from planning to control. It is the effectiveness and quality of those decisions that determine how successful a manager is.

Forecasting is the key to planning. It generates the planning process. Planning decides the future course of action which is expected to take place in certain circumstances and conditions. Unless the managers know these conditions, they cannot go for effective planning.

As an organized organization grows in size, the same existence of informal relationships and formal relationships becomes inevitable. Informal organizations have always existed with legal entities. They arise because of the inevitable social and personal needs that cannot be satisfied by the principles of a legal entity. They represent informal, unlawful encounters, interactions between people working in organized structures. They come from the common interests of the people.

This book provides deep insight to various dimensions of issues relating to the subject.

—Editor

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The Evolution Management

Management as a practice gained ground when the concept of working together in groups to achieve common objectives was realized by men. But the study of management as a systematic field of knowledge began at the advent of the Industrial Revolution, which ushered in a new era of serious thinking and theorizing on management.

To begin with, there is no single universally accepted theory of management. "The wild array of management theories could even look like a jungle" says Harold Koontz. However, to help put the different theories in perspective, we shall discuss them as representing different schools of thought.

1.1 CLASSICAL SCHOOL OF MANAGEMENT THOUGHT

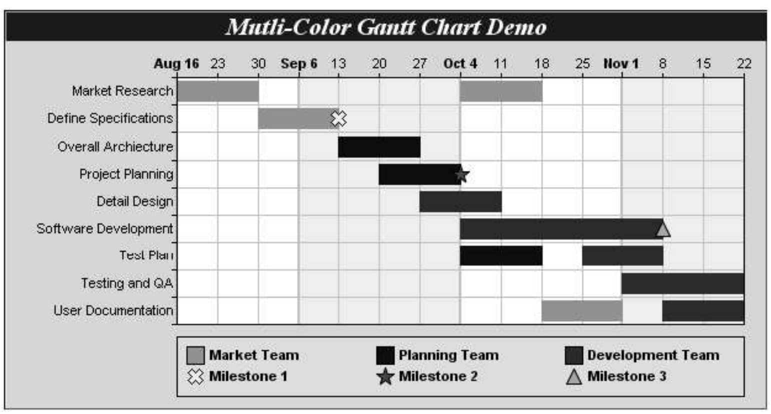
Scientific Management and F. W. Taylor

Scientific management, according to an early definition, refers to "that kind of management which conducts a business or affairs by standards established by facts or truths gained through systematic observation, experiment, or reasoning." Advocators of this school of thought attempted to raise labor efficiency primarily by managing the work of employees on the shop floor.

Frederick Winslow Taylor, who is generally acknowledged as "the father of scientific management" believed that organizations should study tasks and prepare precise procedures. His varied experience gave him ample opportunity to have firsthand knowledge and intimate insight into the problems and attitude of workers, and to explore great possibilities for improving the quality of management in the workplace.

Formulating his theory based on firsthand experience, Taylor's theory focused on ways to increase the efficiency of employees by molding their thought and scientific management.

Henry Gnatt, an associate of Taylor, developed the Gnatt Chart, a bar graph that measures planned and completed work along with each stage of production. This visual display chart has been a widely used control and planning tool since its development in 1910. Following is a sample of Gnatt Chart.



Frank Gilbreth and his wife, Lillian Moller Gilbreth further improvised on Taylor's time studies, devising "motion studies" by photographing the individual movements of each worker. They carefully analyzed the motions and eliminated unnecessary ones. These motion studies were preceded by timing each task, so the studies were called "time and motion studies."

Applying time and motion studies to bricklaying, the Gilbreths devised a way for workers to lay bricks that eliminated wasted motion and raised their productivity from 1,000 bricks per day to 2,700 bricks per day.

The Basic Principles of Scientific Management

- Developing new standard method of doing each job.
- Selecting training and developing workers instead of allowing them to self-train and choose their own tasks.
- Develop cooperation between workers and management.
- Division of work on the basis of the group that is best fitted to do the job.

Henry Fayol's Universal Process Theory

One of the oldest and most popular approaches, Henry Fayol's theory holds that administration of all organizations – whether public or private, large or small – requires the same rational process or functions.

This school of thought is based on two assumptions:

- Although the objective of an organization may differ (for example, business, government, education, or religion), yet there is a core management process that remains the same for all institutions.
- Successful managers, therefore, are interchangeable among organizations of differing purposes. The universal management process can be reduced to a set of separate functions and related principles.

Fayol identifies fourteen universal principles of management, which are aimed at showing managers how to carry out their functional duties.

1. Specialization of labour : This improves the efficiency of labor through specialization, reducing labor time and increasing skill development.

2. Authority : This is the right to give orders which always carry responsibility commensurate with its privileges.
3. Discipline : It relies on respect for the rules, policies, and agreements that govern an organization. Fayol ordains that discipline requires good superiors at all levels.
4. Unity of command : This means that there should be unity in the directions given by a boss to his subordinates. There should not be any conflict in the directions given by a boss.
5. Subordination of individual interest to common good : According to this principle, the needs of individuals and groups within an organization should not take precedence over the needs of the organization as a whole.
6. Remuneration : Wages should be equitable and satisfactory to employees and superiors.
7. Centralization : Levels at which decisions are to be made should depend on the specific situation, no level of centralization or decentralization is ideal for all situations.
8. Scale of chain : The relationship among all levels in the organizational hierarchy and exact lines of authority should be unmistakably clear and usually followed at all times, excepting special circumstances when some departure might be necessary.
9. Order : There should be a place for everything, and everything should be in its place. This is essentially a principle of organization in the arrangement of things and people.
10. Equity : Employees should be treated equitably in order to elicit loyalty and devotion from personnel.
11. Personal tenure : Views unnecessary turnover to be both the cause and the effect of bad management; Fayol points out its danger and costs.

12. Initiative : Subordinates should be encouraged to conceive and carryout ideas.
13. Esprit de corps : Team work, a sense of unity and togetherness, should be fostered and maintained.

Behavioral and Human Relations Approach

The criticism of scientific and administrative management approach as advocated by Taylor and Fayol, respectively gave birth to the behavioral approach to management.

One of the main criticisms leveled against them are their indifference to and neglect of the human side of the enterprise in management dealings.

A good number of sociologists and psychologists like Abraham Maslow, Hugo Munsterberg, Rensis Likert, Douglas McGregor, Frederick Herzberg, Mary Parker Follet, and Chester Barnard are the major contributors to this school of thought, which is further subdivided by some writers into the Human Relations approach and the Human Behavioral approach.

Elton Mayo and Hawthorne Studies

Elton Mayo and Hugo Munsterberg are considered pioneers of this school. The most important contribution to this school of thought was made by Elton Mayo and his associates through Hawthorne plant of the Western Electric Company between 1927 and 1932.

Following are the findings of Mayo and his colleagues from Hawthorne studies:

- Human/social element operated in the workplace and productivity increases were as much an outgrowth of group dynamics as of managerial demands and physical factors.
- Social factors might be as powerful a determinant of worker-productivity as were financial motives.

- Management with an understanding of human behavior, particularly group behavior serves an enterprise through interpersonal skills such as motivating, counseling, leading and communicating – known as Hawthorne effect.
- Employees or workers are social beings, so it is very important to fit them into a social system, resulting in a complete socio-technical system in an organization.

Criticism

Following are the criticisms of Hawthorne studies:

- Unreasonably high emphasis on the social or human side as against organizational needs.
- The approach facilitates exploitation of employees by keeping them satisfied and happy, manipulating their emotions which in fact, serves the management goal of increasing productivity.

1.2 MODERN SCHOOLS OF THOUGHT

This school of thought primarily focuses on the development of each factor of both workers and the organization.

It analyzes the interrelationship of workers and management in all aspects.

System Approach and Contingency Approach are the two approaches by this school of thought.

Chester Barnard and Social Systems Theory

One of the most important contributions to this school has been made by Chester I. Barnard. His classic treatise entitled "The Functions of the Executive", published in 1938, is considered by some management scholars as one of the most influential books published in the entire field of management.

Like Fayol, Barnard based his theories and approach to management on the basis of his first-hand experience as a top-level executive.

Fundamentals of System Approach:

- All organizations are a co-operative system.
- As co-operative systems, organizations are a combination of complex physical, biological, personal and social components, which are in a specific systematic relationship by reason of the co-operation of two or more persons for at least one definite end.
- An employee's role and his co-operation are a strategic factor in achieving organizational objectives.

Criticism

Following are the criticisms that this theory received.

- Long on intellectual appeal and catchy terminology and short on verifiable facts and practical advice.
- Complex in nature, particularly when it comes to the study of large and complex organizations.

However, we can conclude that the system approach is an instructive approach and way of thinking rather than a systematic model of solution to explain the complexities of managing modern organizations.

Contingency Approach and Recent Contributions

The Contingency Management theory evolved out of the System Approach to managing organizations. According to the Contingency approach, management is situational; hence there exists no single best approach to management, as situations that a manager faces is always changing.

However, situations are often similar to the extent that some principles of management can be effectively applied by identifying the relevant contingency variables in the situation and then evaluating them.

Peter F. Drucker, W. Edwards Deming, Laurence Peter, William Ouchi, Thomas Peters, Robert Waterman, and Nancy Austin are some of the most important contributors to management thought in recent times. This has emerged perhaps as the best approach as it encourages management to search for the correct situational factors for applying appropriate management principles effectively.

On the basis of the Tom Peters and Robert Waterman's research focusing on 43 of America's most successful companies in six major industries, the following 9 principles of management are embodied in excellent organizations:

- Managing Ambiguity and Paradox: The ability of managers to hold two opposing ideas in mind and at the same time able to function effectively.
- A Bias for Action: A cultures of impatience with lethargy and inertia that otherwise leaves organization unresponsive.
- Close to the Customer: Staying close to the customer to understand and anticipate customer needs and wants.
- Autonomy and Entrepreneurship: Actions that foster innovation and nurture customer and product champions.
- Productivity through People: Treating rank-and-file employees as a source of quality.
- Hands-On, Value-Driven: Management philosophy that guides everyday practice and shows the management's commitment.
- Stick to the Knitting: Stay with what you do well and the businesses you know best.
- Simple Form, Lean Staff: The best companies have very minimal, lean headquarters staff.
- Simultaneous Loose-Tight Properties: Autonomy in shop-floor activities and centralized values.

1.3 THE FUTURE OF MANAGEMENT

Modern management approaches respect the classical, human resource, and quantitative approaches to management.

However, successful managers recognize that although each theoretical school has limitations in its applications, each approach also offers valuable insights that can broaden a manager's options in solving problems and achieving organizational goals. Successful managers work to extend these approaches to meet the demands of a dynamic environment.

Just as organizations evolve and grow, employee needs also change over time; people possess a range of talents and capabilities that can be developed.

In order to optimize outcomes, organizations and managers, should respond to individuals with a wide variety of managerial strategies and job opportunities.

Important aspects to be considered, as the 21st century progresses, include the following:

- Organizations need to commit to not just meeting customer needs but exceeding customer expectations through quality management and continuous improvement of operations.
- Reinvent new methods of process improvements and constantly learn new ways and best practices from practices in other organizations and environments.
- Organizations must reinvest in their most important asset, their human capital. They need commit to effectively and positively use human resources by reducing attrition rates.
- Managers must excel in their leadership responsibilities to perform numerous different roles.

1.4 IS MANAGEMENT AN ART OR A SCIENCE?

Like any other discipline such as law, medicine or engineering, managing is an art – at least that is what most people assume. Management concepts need to be artistically approached and practiced for its success. It is understood that managing is doing things artistically in the light of the realities of a situation.

If we take a closer look at it, Management, when practiced, is definitely an art but its underlying applications, methods and principles are a science. It is also opined that management is an art struggling to become a science.

1.4.1 Management as an Art

The personal ingenious and imaginative power of the manager lends management the approach of an art. This creative power of the manager enriches his performance skill. In fact, the art of managing involves the conception of a vision of an orderly whole, created from chaotic parts and the communication and achievement of this vision. Managing can be called “art of arts” because it organizes and uses human talent, which is the basis of every artistic activity.

1.4.2 Management as a Science

Management is a body of systematized knowledge accumulated and established with reference to the practice and understanding of general truth concerning management. It is true that the science underlying managing is not as accurate or comprehensive as physical sciences (such as chemistry or biology) which deal with non-human entities.

The involvement of the human angle makes management not only complex but also controversial as pure science. Nevertheless, the study of the scientific elements in management methodologies can certainly improve the practice of management.

1.4.3 Management as a Science and Art

Science urges us to observe and experiment a phenomenon, while art teaches us the application of human skill and imagination to the same. In order to be successful, every manager needs do things effectively and efficiently. This requires a unique combination of both science and art. We can say that the art of managing begins where the science of managing stops. As the science of managing is imperfect, the manager must turn to artistic managerial ability to perform a job satisfactorily.

2

Planning

Every organization as part of its life cycle constantly engages in the four essential functions of management – planning, leading, organizing and controlling. The foremost of this is planning. It is the part of management concerned with creating procedures, rules and guidelines for achieving a stated objective. All other managerial functions must be planned if they are to be effective.

Since plans are made to attain goals or objectives, every plan should lead to the achievement of the organization's purpose and objectives. By forecasting and predicting the market and socio-political-economic trends, managers can plan to determine where they desire the company to be in future. In the absence of planning, events are left to chance.

What Is Planning?

Planning is the function of management that involves setting objectives and determining a course of action for achieving those objectives. Planning requires that managers be aware of environmental conditions facing their organization and forecast future conditions. It also requires that managers be good decision makers.

Planning is a process consisting of several steps. The process begins with environmental scanning which simply means that planners must be aware of the critical contingencies facing their organization in terms of economic conditions, their competitors, and their customers. Planners must then attempt to forecast future conditions. These forecasts form the basis for planning.

Planners must establish objectives, which are statements of what needs to be achieved and when. Planners must then identify alternative courses of action for achieving objectives. After evaluating the various alternatives, planners must make decisions about the best courses of action for achieving objectives.

They must then formulate necessary steps and ensure effective implementation of plans. Finally, planners must constantly evaluate the success of their plans and take corrective action when necessary.

Planning is an ongoing process of setting goals, deciding when and how to accomplish them, and determining how best to accomplish them. A *plan* is a systematic process for achieving a specific goal.

There are three types of plans used in business management:

- Strategic Plan. Strategic planning involves analyzing competitive opportunities and threats, as well as the strengths and weaknesses of the organization, and then determining how to position the organization to compete effectively in their environment.

Strategic planning has a long time frame, often three years or more. Strategic planning generally includes the entire organization and includes formulation of objectives. Strategic planning is often based on the organization's mission, which is its fundamental reason for existence. An organization's top management most often conducts strategic planning.

- Tactical Plan. A tactical plan outlines specific major steps for carrying out the strategic plan. Tactical plans typically cover a time period of less than a year and include target dates for accomplishing goals.

Tactical plans are usually laid out by midlevel managers who analyze the big picture of the strategic plan and choose the major steps needed to achieve it.

- Operational Plan. An operational plan details the everyday activities that will achieve the goals of the tactical plan (and thus, ultimately, the strategic plan). Operational plans are short-range, covering days, weeks, or at most, months. These plans are typically drawn up by low-level managers—usually supervisors—who are very familiar with the actual day-to-day workings of the business. Supervisors know the capabilities of their employees and the exact tasks that will be required to accomplish the goals of the tactical plan.

Operational plans can be Standing plans - Drawn to cover issues that managers face repeatedly, e.g. policies, procedures, rules or Ongoing plans - Prepared for single or exceptional situations or problems and are normally discarded or replaced after one use, e.g. programs, projects, and budgets.

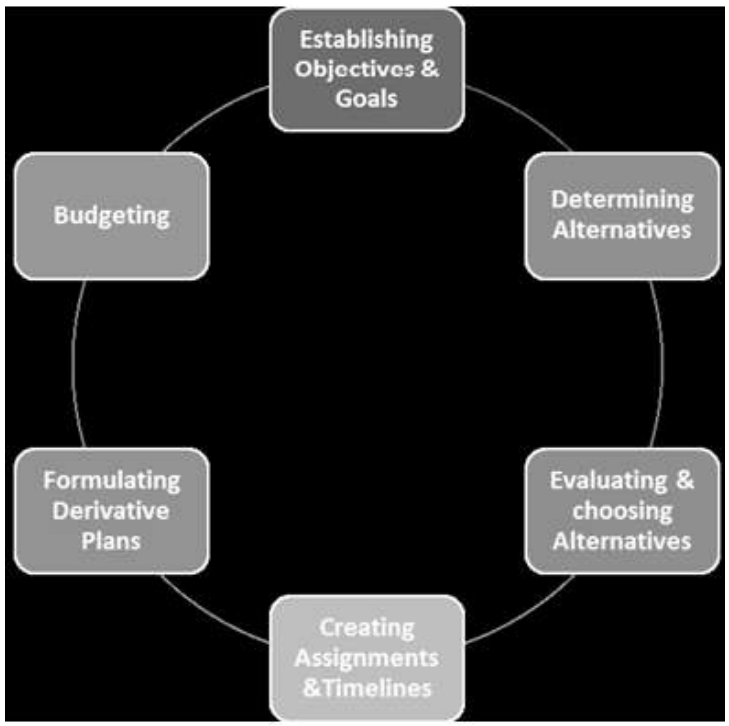
Contingency Planning

Even with great planning, things don't always turn out the way they're supposed to. Perhaps your plans were flawed, or maybe something in the environment shifted unexpectedly. Successful managers anticipate and plan for the unexpected. Dealing with uncertainty requires contingency planning and crisis management.

With contingency planning, managers identify those aspects of the business that are most likely to be adversely affected by change. Then, they develop alternative courses of action in case an anticipated change does occur. You engage in contingency planning any time you develop a backup or fallback plan.

2.1 THE PLANNING PROCESS

Planning is the fundamental process in management which moves gradually and a step-by-step approach is usually adopted. It involves the determination of objectives and outlines the future actions needed to achieve these objectives. The diagram below represents the planning process.



a. Establishing Objectives and Goals

The first step of the management planning process is to identify goals specific to the organization and also for each department unit. A comprehensive planning effort to be successful requires that managers in each department be involved in the planning process. Thus objectives and goals which will direct the future course of the organization must be clear, concise and specific.

At this stage, the planning process should include a detailed overview of each goal, including the reason for its selection and the anticipated outcomes of goal-related projects. The objectives thus established govern the framework for every major department, which in turn, control the objectives of subordinate departments and so on down the line.

b. Determining Alternatives

The next step is to search for and find out alternatives that will guide the fulfillment of the objectives established. At this stage, managers need to plan on how to move from their current position towards their decided future position.

Managers may find many alternatives, however, dropping the less desirable ones and narrowing on the few desired alternatives is what will help in identifying the best fit solution. The manager can take the help of quantitative techniques, research, experimentation, and experience to determine various alternatives.

c. Evaluating and Choosing Alternatives

Once alternative courses of action have been identified, each alternative has to be analyzed and evaluated in the light of its strength and weakness and its fitment in achieving the organizational goals.

While evaluating alternatives, managers should consider facts like the costs involved, how resource intensive it is, the time frame for completion, the gestation period, return on investment, etc.

Major challenges of effective evaluation can be uncertainty about the future and risk. Various intangible factors which are not within the control of the management like market changes, socio-economic-political factors, etc. also have a bearing. At this stage, managers can use operations research, and mathematical as well as computing techniques to predict and analyze alternatives.

d. Creating Assignments and Timelines

As the plans are frozen and prioritized, timelines for completing associated tasks need to be finalized. At this stage, resource allocation and the line of authority and responsibility also needs to be established. The manager should consider the abilities of staff members and allocate the best fit resource for the job.

Also the timelines for completion should be realistic and fair. This step in the planning process is important as it brings coordination in the activities of different departments.

The timings and sequence of operations must be communicated to the concerned departments, managers and staff for implementation of the plan.

e. Formulating Derivative Plans

Derivative plans are sub-sections of the operating plan. The division of overall plan into derivative plans is necessary for effective execution. Derivative plans are essentially required to support the basic or general plan and explain the many details involved in reaching a broad major plan.

Budgeting

Once the plans are finalized and set, the final step is to convert them into quantifiable parameters through budgeting. Budgets are most commonly expressed in terms of money, but are also expressed as hours worked, as units sold, or in any other measurable unit.

An enterprise usually has overall budgets representing the sum total of income and expenses, with consequent profit or surplus. Each department of the enterprise or organization can have its own budget, commonly of expenses and capital expenditures, which make up the overall budget. A well planned budgeting exercise can become a standard for measuring the progress and effectiveness of the planning process.

2.2 IMPORTANCE OF PLANNING

The importance of planning as the major constituent in the management process is universally accepted. Planning not only brings stability and certainty to business, it also brings in a unified sense of direction and purpose for the achievement of certain well-defined objectives.

The basic reasons supporting systematic planning by managers are:

- Sense of Direction - Planning provides a unity of purpose. It brings together all resources towards achieving common goals. Without plans and goals, organizations will respond to everyday events in an ad-hoc manner without considering long-term possibilities.
- Resource Paucity - Resource crunch is a major challenge for organizations today. Managements are confronted with the task of optimizing outputs with limited human, material, and financial resources through intelligent planning; otherwise, wasteful inefficiencies would lead to higher prices and severe shortages.
- Uncertainty - Uncertainty is a major challenge even to the most intelligent planner. Organizations continually face micro and macro-economic uncertainty in the course of accomplishing their tasks. Planning helps managers anticipate such changes and meet these challenges.

Besides the above, there are several practical reasons for formulating plans.

- To focus organizational activity on a set of consciously created objectives.
- To provide a systematic guide for future activities.
- To increase organizational outcome through efficient operation.

- To encourage systematic thinking. Planning facilitates effective delegation of authority, removes communication gaps, and thereby raises overall efficiency.

2.3 UNDERSTANDING MBO (MANAGEMENT BY OBJECTIVES)

Management by Objectives (MBO) is a strategic approach to enhance the performance of an organization. It is a process where the goals of the organization are defined and conveyed by the management to the members of the organization with the intention to achieve each objective.

An important step in the MBO approach is the monitoring and evaluation of the performance and progress of each employee against the established objectives. Ideally, if the employees themselves are involved in setting goals and deciding their course of action, they are more likely to fulfill their obligations.

2.3.1 Steps in Management by Objectives Process

1. Define organization Goals

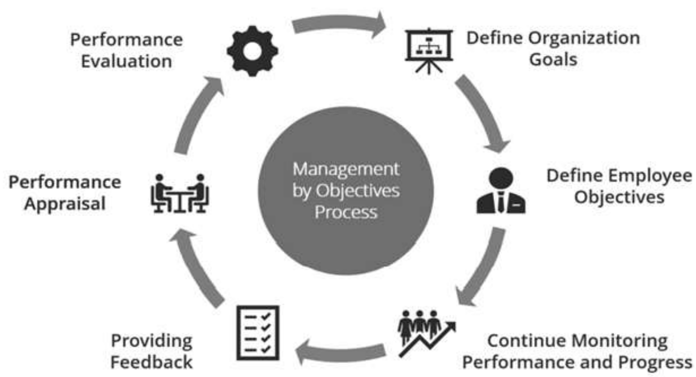
Setting objectives is not only critical to the success of any company, but it also serves a variety of purposes. It needs to include several different types of managers in setting goals. The objectives set by the supervisors are provisional, based on an interpretation and evaluation of what the company can and should achieve within a specified time.

2. Define employee Objectives

Once the employees are briefed about the general objectives, plan, and the strategies to follow, the managers can start working with their subordinates on establishing their personal objectives. This will be a one-on-one discussion where the subordinates will let the managers know about their targets and which goals they can accomplish within a specific time and with what resources. They can then share some tentative thoughts about which goals the organization or department can find feasible.

3. Continuous monitoring performance and Progress

Though the management by objectives approach is necessary for increasing the effectiveness of managers, it is equally essential for monitoring the performance and progress of each employee in the organization.



4. Performance Evaluation

Within the MBO framework, the performance review is achieved by the participation of the managers concerned.

5. Providing Feedback

In the management by objectives approach, the most essential step is the continuous feedback on the results and objectives, as it enables the employees to track and make corrections to their actions. The ongoing feedback is complemented by frequent formal evaluation meetings in which superiors and subordinates may discuss progress towards objectives, leading to more feedback.

6. Performance Appraisal

Performance reviews are a routine review of the success of employees within MBO organizations.

2.3.2 Benefits of Management by Objectives

- Management by objectives helps employees appreciate their on-the-job roles and responsibilities.
- The Key Result Areas (KRAs) planned are specific to each employee, depending on their interest, educational qualification, and specialization.
- The MBO approach usually results in better teamwork and communication.
- It provides the employees with a clear understanding of what is expected of them. The supervisors set goals for every member of the team, and every employee is provided with a list of unique tasks.
- Every employee is assigned unique goals. Hence, each employee feels indispensable to the organization and eventually develops a sense of loyalty to the organization.
- Managers help ensure that subordinates' goals are related to the objectives of the organization.

2.3.3 Limitations of Management by Objectives

- Management by objectives often ignores the organization's existing ethos and working conditions.
- More emphasis is given on goals and targets. The managers put constant pressure on the employees to accomplish their goals and forget about the use of MBO for involvement, willingness to contribute, and growth of management.
- The managers sometimes over-emphasize the target setting, as compared to operational issues, as a generator of success.
- The MBO approach does not emphasize the significance of the context wherein the goals are set.

The context encompasses everything from resource availability and efficiency to relative buy-in from the leadership and stakeholders.

- Finally, there is a tendency for many managers to see management by objectives as a total system that can handle all management issues once installed. The overdependence may impose problems on the MBO system that it is not prepared to tackle, and that frustrates any potentially positive effects on the issues it is supposed to deal with.

3

Decision Making

Decision making is an integral part of every aspect of life. This also applies to organizations. It is one of the key factors that pave the way for its success or failure. Every manager is required to execute decisions at various levels of the management cycle beginning from planning to control. It is the effectiveness and quality of those decisions that determine how successful a manager is.

Decision making is the coherent and rational process of identifying a set of feasible alternatives and choosing a course of action from them.

Without decision making, different managerial functions such as planning, organizing, directing, controlling, and staffing cannot be conducted. Decision making is a cumulative and consultative process, and should support organizational growth.

The main function of every management is making the right decisions and seeing them through to their logical end through execution.

Every management decision also affects employee morale and performance, ultimately influencing the overall business performance. The importance of decision making in management is immense, as the business policy and strategies adopted ultimately affects the company's output and performance.

3.1 CHARACTERISTICS OF DECISION MAKING

1. Decision making is based on rational thinking. The manager tries to force various possible effects of a decision on before deciding a particular one.
2. It involves the evaluation of various alternatives available. The selection of best alternative will be made only when pros and cons of all of them are discussed and evaluated.
3. It is a process of selecting the best from among alternatives available.
4. It involves certain commitment. Management is committed to every decision it take
5. Decision making is the end product because it is preceded by discussions and deliberations.
6. Decision making is aimed to achieve organizational goals.

3.2 PRINCIPLES OF DECISION MAKING

Effective decision involves two important aspects—the purpose for which it is intended, and the environmental situation in which it is taken. Even the best and correct decision may become ineffective if these aspects are ignored; because in decision-making there are so many inside and outside chains of unavoidable reactions.

If certain principles are followed for decision-making, such multidimensional reactions can mostly be overcome. These principles include:

1. Subject-matter of Decision-making

Decisional matters or problems may be divided into groups consisting of programmed and non-programmed problems. Programmed problems, being of routine nature, repetitive and well-founded, are easily definable and, as such, require simple and easy solution. Decision arrived in such programmed problems has, thus, a continuing effect.

But in non-programmed problems, there is no continuing effect because they are non-repetitive, non-routine, and novel. Every event in such problems requires individual attention and analysis and its decision is to be arrived at according to its special features and circumstances.

2. Organizational Structure

The organizational structure, having an important bearing on decision-making, should be readily understood. If the organizational structure is rigid and highly centralized, decision-making authority will remain confined to the top management level. This may result in delayed and confused decision and create suspicion among the employees.

On the contrary, if the organizational structure provides scope for adequate delegation and decentralization of authority, decision-making will be flexible and the decision-making authority will be close to the operating centres. In such a situation, decision-making will be prompt and expected to be more effective and acceptable.

3. Analysis of the Objectives and Policies

Proper analysis of the objectives and policies is needed for decision-making. The clear definition of objectives and policies is the basis that guides the direction of decision-making. Without this basis, decision-making will be aimless and unproductive.

4. Analytical Study of the Alternatives

For decision-making, analytical study of all possible alternatives of a problem with their merits and demerits is essential. This is necessary to make out a correct selection of decision from among the alternatives.

5. Proper Communication System

Effective decision-making demands machinery for proper communication of information to all responsibility centres in the organization. Unless this structure is built up, ignorance of decision or ill-informed decision will result in misunderstanding and loose co-ordination.

6. Sufficient Time

Effective decision-making requires sufficient time. It is a matter of common experience that it is usually helpful to think over various ideas and possibilities of a problem for the purpose of identifying and evaluating it properly. But in no case a decision can be delayed for an indefinite period, rather it should be completed well in advance of the scheduled dates.

7. Study of the Impact of a Decision

Decision is intended to be carried out for the realization of the objectives of the organization. A decision in any particular area may react adversely in other areas of the organization. As all business activities are inter-related and require co-ordination, it is necessary that a study and analysis of the impact of any decision should precede its application.

8. Participation of the Decision-maker

The decision-maker should not only be an observer while others will perform as per his decision. He should also participate in completing the work for which decision was taken by him. This experience will help him in decision-making in future. The principle of participation in work of the decision-maker will enable him to understand whether the decision taken is practical and also guide him in forthcoming decisional matters.

9. Flexibility of Mind

This is essential in decision-making, because decisions cannot satisfy everybody. Rigid mental set-up of the decision-maker may upset the decisions. The flexible mental disposition of the decision-maker enables him to change the decision and win over the co-operation of all the diverse groups.

10. Consideration of the Chain of Actions

There is a chain relationship in all the activities of any organization. Different activities are tied up in a chain sequence. Any decision to change a particular work brings change in other related works also. Similarly, decision-making also proceeds following the chain of action in different activities. Therefore, before taking a decision one should consider the chain relationship among different activities.

3.3 TYPES OF DECISIONS

Decision making and problem solving is a continuous process of analyzing and considering various alternatives in various situations, choosing the most appropriate course of action and following them up with the necessary actions.

There are two basic types of decisions:

- Programmed Decisions
- Non-programmed Decisions

a. Programmed Decisions

Programmed decisions are those that are made using standard operating procedures or other well-defined methods. They are situations that are routine and occur frequently.

Organizations come up with specific ways to handle them. Programmed decisions are effective for day-to-day issues such as requests for leave or permissions by employees. Once the decision is taken, the program specifies processes or procedures to be followed when similar situation arises. Creating such programed routines lead to the formulation of rules, procedures and policies. This becomes a standard in the organization.

b. Non-programmed Decisions

Non-programmed decisions are unique and one-shot decisions. They are not as structured as programmed decisions and are usually tackled through judgment and creativity. They are innovative in essence, as newly created or unexpected problems are settled through unconventional and novel solutions.

3.4 THE DECISION MAKING PROCESS

The decision-making process involves the following steps:

- Define the problem
- Identify limiting factors
- Develop potential alternatives
- Analyze and select the best alternatives
- Implement the decision

1. Define the Problem

The first step in the process of decision making is the recognition or identification of the problem, and recognizing that a decision needs to be taken. It is important to accurately define the problem. Managers can do this by identifying the problem separately from its symptoms. Studying the symptoms helps getting closer to the root cause of the problem.

2. Identify Limiting Factors

A limiting factor is something that stands in the way of accomplishing a desired objective.

In order to choose the best alternative and make a decision, every manager needs to have the ideal resources — information, time, personnel, equipment, and supplies. But this is an ideal situation and may not always be possible.

3. Develop Potential Alternatives

Recognizing the limiting factor in a given situation makes it possible to narrow down the search for alternatives and make the best decision possible with the information, resources, and time available.

Some methods for developing alternatives are:

- Brainstorming, where a group works together to generate ideas and alternative solutions.
- Nominal group technique is a method that involves the use of a highly structured meeting, complete with an agenda, and restricts discussion or interpersonal communication during the decision-making process.
- Delphi technique where the participants do not meet, but a group leader uses written questionnaires to conduct the decision making.

4. Analyze the Alternatives

This is an important stage in the decision-making process and perhaps the toughest. Managers must identify the merits and demerits of each alternative and weigh them in light of various situations before making a final decision.

Evaluating the alternatives can be done in numerous ways. Here are a few possibilities:

- Qualitative and quantitative measurements
- Perform a cost-effectiveness analysis for each alternative
- Marginal analysis

5. Selecting Alternatives

Once the alternatives are analyzed and evaluated, the manager has to choose the best one.

The manager needs to choose the alternative that gives the most advantage while meeting all the required criteria. Sometimes the choice is simple with obvious benefits, at times the optimal solution is a combination of several alternatives. At times when the best alternative may not be obvious, the manager uses probability estimates, research and analysis aided by his experience and judgment.

3.5 DECISION-MAKING UNDER CERTAINTY, RISK AND UNCERTAINTY

A. Decision-Making Under Certainty

A condition of certainty exists when the decision-maker knows with reasonable certainty what the alternatives are, what conditions are associated with each alternative, and the outcome of each alternative.

Under conditions of certainty, accurate, measurable, and reliable information on which to base decisions is available.

The cause and effect relationships are known and the future is highly predictable under conditions of certainty. Such conditions exist in case of routine and repetitive decisions concerning the day-to-day operations of the business.

B. Decision-Making Under Risk

When a manager lacks perfect information or whenever an information asymmetry exists, risk arises. Under a state of risk, the decision maker has incomplete information about available alternatives but has a good idea of the probability of outcomes for each alternative.

While making decisions under a state of risk, managers must determine the probability associated with each alternative on the basis of the available information and his experience.

C. Decision-Making Under Uncertainty

Most significant decisions made in today's complex environment are formulated under a state of uncertainty. Conditions of uncertainty exist when the future environment is unpredictable and everything is in a state of flux. The decision-maker is not aware of all available alternatives, the risks associated with each, and the consequences of each alternative or their probabilities.

The manager does not possess complete information about the alternatives and whatever information is available, may not be completely reliable. In the face of such uncertainty, managers need to make certain assumptions about the situation in order to provide a reasonable framework for decision-making. They have to depend upon their judgment and experience for making decisions.

3.6 DECISION MAKING STYLES

Decision making style of managers depends greatly on their personality and approach towards problem solving. Every leader or manager has his own individualistic style augmented by his experience, background, and abilities.

Directive or Autocratic Decision Making : Managers who follow this style assess few alternatives and consider limited information while taking any decision. They do not find it important to consult with others or seek information in any form and use their logic and idea while taking decisions.

Analytical Decision Making : Managers using analytic decision making style would like to have more information and consider more alternatives before coming to a conclusion. They seek relevant information from their sources and consider factual and detailed information before taking any decision. Such managers are careful decision makers as they have the ability to adapt or cope with unique situations.

Behavioral Decision Making : Leaders who follow this model believe in participative management and consider the achievement of subordinates and always take suggestions from them. They try to get inputs from subordinates through meetings and discussions. They try to avoid/resolve conflicts as acceptance by others is important to them.

Conceptual Decision Making : Managers using conceptual decision making style are intuitive in their thinking and have high tolerance for ambiguity. They look at many alternatives and focus on long run outcomes.

3.7 MODERN APPROACHES TO DECISION-MAKING UNDER UNCERTAINTY

There are several modern techniques to improve the quality of decision-making under conditions of uncertainty. The most important among these are:

a. Risk Analysis

Risk analysis involves quantitative and qualitative risk assessment, risk management and risk communication and provides managers with a better understanding of the risk and the benefits associated with a proposed course of action. The decision represents a trade-off between the risks and the benefits associated with a particular course of action under conditions of uncertainty.

For instance, while launching a new product, a manager has to carefully analyze each of the following variables: the cost of launching the product, its production cost, the capital investment required, the price that can be set for the product, the potential market size and what percent of the total market it will represent.

b. Decision Trees

These are considered to be one of the best ways to analyze a decision. A decision-tree approach involves a graphic representation of alternative courses of action and the possible outcomes and risks associated with each action.

By means of a "tree" diagram depicting the decision points, chance events and probabilities involved in various courses of action, this technique of decision-making allows the decision-maker to trace the optimum path or course of action.

c. Preference or Utility Theory

This is another approach to decision-making under conditions of uncertainty. This approach is based on the notion that individual attitudes towards risk vary. Some individuals are willing to take only smaller risks ("risk averters"), while others are willing to take greater risks ("gamblers"). Statistical probabilities associated with the various courses of action are based on the assumption that decision-makers will follow them.

For instance, if there was a 60 percent chance of a decision being right, it might seem reasonable that a person would take the risk. This may not be necessarily true as the individual might not wish to take the risk, since the chances of the decision being wrong is 40 percent. The attitudes towards risk vary with events, with people and positions.

Top-level managers usually take the largest amount of risk. However, the same managers who make a decision that risks millions of dollars of the company in a given program with a 75 percent chance of success are not likely to do the same with their own money.

Moreover, a manager willing to take a 75 percent risk in one situation may not be willing to do so in another. Similarly, a top executive might launch an advertising campaign having a 70 percent chance of success but might decide against investing in plant and machinery unless it involves a higher probability of success.

Though personal attitudes towards risk vary, two things are certain. Firstly, attitudes towards risk vary with situations, i.e. some people are risk averters in some situations and gamblers in others. Secondly, some people have a high aversion to risk, while others have a low aversion.

Most managers prefer to be risk averters to a certain extent, and may thus also forego opportunities. When the stakes are high, most managers tend to be risk averters; when the stakes are small, they tend to be gamblers.

3.8 CHALLENGES TO EFFECTIVE DECISION MAKING

There are a number of barriers to effective decision-making. Effective managers are aware of these potential barriers and try to overcome them as much as possible. The decision-making process can pose interesting challenges to leaders. Within the world of organizations, challenges are commonly referred to as barriers in decision-making or just barriers. There are six, distinct barriers to overcome. They include:

a. Bounded Rationality

While we might like to think that we can make completely rational decisions, this is often unrealistic given the complex issues faced by managers. Non-rational decision-making is common, especially with nonprogrammed decisions. Since we haven't faced a particular situation previously, we don't always know what questions to ask or what information to gather. Even when we have gathered all the possible information, we may not be able to make rational sense of all of it, or to accurately forecast or predict the outcomes of our choice. Bounded rationality is the idea that for complex issues we cannot be completely rational because we cannot fully grasp all the possible alternatives, nor can we understand all the implications of every possible alternative. Our brains have limitations in terms of the amount of information they can process. Even when managers have the cognitive ability to process all the relevant information, they often must make decisions without first having time to collect all the relevant data—their information is incomplete.

b. Escalation of Commitment

Given the lack of complete information, managers don't always make the right decision initially, and it may not be clear that a decision was a bad one until after some time has passed.

Escalation of commitment is the tendency of decision makers to remain committed to poor decision, even when doing so leads to increasingly negative outcomes. Once we commit to a decision, we may find it difficult to reevaluate that decision rationally. It can seem easier to "stay the course" than to admit (or to recognize) that a decision was poor. It's important to acknowledge that not all decisions are going to be good ones, in spite of our best efforts. Effective managers recognize that progress down the wrong path is not really progress, and they are willing to reevaluate decisions and change direction when appropriate.

c. Time Constraints

Managers often face time constraints that can make effective decision-making a challenge. When there is little time available to collect information and to rationally process it, we are much less likely to make a good nonprogrammed decision. Time pressures can cause us to rely on heuristics rather than engage in deep processing. While heuristics save time, however, they don't necessarily lead to the best possible solution. The best managers are constantly assessing the risks associated with acting too quickly against those associated with not acting quickly enough.

d. Uncertainty

In addition, managers frequently make decisions under conditions of uncertainty—they cannot know the outcome of each alternative until they have actually chosen that alternative. Consider, for example, a manager who is trying to decide between one of two possible marketing campaigns. The first is more conservative but is consistent with what the organization has done in the past. The second is more modern and edgier, and might bring much better results . . . or it might be a spectacular failure. The manager making the decision will ultimately have to choose one campaign and see what happens, without ever knowing what the results would have been with the alternate campaign. That uncertainty can make it difficult for some managers to make decisions, because committing to one option means forgoing other options.

e. Personal Biases

Our decision-making is also limited by our own biases. We tend to be more comfortable with ideas, concepts, things, and people that are familiar to us or similar to us. We tend to be less comfortable with that which is unfamiliar, new, and different. One of the most common biases that we have, as humans, is the tendency to like other people who we think are similar to us (because we like ourselves).

While these similarities can be observable (based on demographic characteristics such as race, gender, and age), they can also be a result of shared experiences (such as attending the same university) or shared interests (such as being in a book club together). This "similar to me" bias and preference for the familiar can lead to a variety of problems for managers: hiring less-qualified applicants because they are similar to the manager in some way, paying more attention to some employees' opinions and ignoring or discounting others, choosing a familiar technology over a new one that is superior, sticking with a supplier that is known over one that has better quality, and so on.

It can be incredibly difficult to overcome our biases because of the way our brains work. The brain excels at organizing information into categories, and it doesn't like to expend the effort to re-arrange once the categories are established. As a result, we tend to pay more attention to information that confirms our existing beliefs and less attention to information that is contrary to our beliefs, a shortcoming that is referred to as confirmation bias.

In fact, we don't like our existing beliefs to be challenged. Such challenges feel like a threat, which tends to push our brains towards the reactive system and prevent us from being able to logically process the new information via the reflective system. It is hard to change people's minds about something if they are already confident in their convictions. So, for example, when a manager hires a new employee who she really likes and is convinced is going to be excellent, she will tend to pay attention to examples of excellent performance and ignore examples of poor performance (or attribute those events to things outside the employee's control). The manager will also tend to trust that employee and therefore accept their explanations for poor performance without verifying the truth or accuracy of those statements. The opposite is also true; if we dislike someone, we will pay attention to their negatives and ignore or discount their positives. We are less likely to trust them or believe what they say at face value. This is why politics tend to become very polarized and antagonistic within a two-party system. It can be very difficult to have accurate perceptions of those we like and those we dislike. The effective manager will try to evaluate situations from multiple perspectives and gather multiple opinions to offset this bias when making decisions.

f. Conflict

Finally, effective decision-making can be difficult because of conflict. Most individuals dislike conflict and will avoid it when possible. However, the best decision might be one that is going to involve some conflict. Consider a manager who has a subordinate who is often late to work, causing others to have to step away from their responsibilities in order to cover for the late employee. The manager needs to have a conversation with that employee to correct the behavior, but the employee is not going to like the conversation and may react in a negative way. Both of them are going to be uncomfortable. The situation is likely to involve conflict, which most people find stressful. Yet, the correct decision is still to have the conversation even if (or especially if) the employee otherwise is an asset to the department.

If the bad behavior is not corrected, it will continue, which is going to cause more problems in the workplace in the long run. Other employees may recognize that this behavior is allowed, and they may also start coming to work late or engaging in other negative behaviors. Eventually, some employees may become sufficiently frustrated that they look for another place to work. It's worth noting that in this situation, the best employees will find new jobs the most quickly. It's important for managers to recognize that while conflict can be uncomfortable (especially in the short-term), there are times when it is necessary for the group, department, or organization to function effectively in the long run.

It is also helpful to think about conflict in terms of process conflict or relationship conflict.

Process conflict, conflict about the best way to do something, can actually lead to improved performance, as individuals explore various options together in order to identify superior solutions. Relationship conflict is conflict between individuals that is more personal and involves attacks on a person rather than an idea. This kind of conflict is generally harmful and should be quelled when possible. The harm from relationship conflict arises at least in part because feeling personally attacked will cause an individual to revert to the reactive system of the brain.

Effective managers should be particularly aware of the possibility of relationship conflict when giving feedback and should keep feedback focused on behaviors and activities (how things are done) rather than on the individual. Being aware of and dealing with relationship conflict points to why emotional intelligence and empathy are beneficial in organizational leaders. Such leaders are more likely to be attentive to the harmful consequences of relationship conflict.

4

Forecasting as a Management Function

In preparing plans for the future, the management authority has to make some predictions about what is likely to happen in the future. It shows that the managers know something of future happenings even before things actually happen.

In a world that is moving faster and faster, a company's ability to align to market changes is becoming a major competitive factor. Forecasting enables companies to predict what lies ahead, e.g. trend shifts or market turns, and makes it possible to plan for it. But looking into the future is never an easy task. Prediction is very difficult, especially if it's about the future.

Thus, forecasting may be defined as the process of assessing the future normally using calculations and projections that take account of the past performance, current trends, and anticipated changes in the foreseeable period ahead.

Whenever the managers plan business operations and organizational set-up for the years ahead, they have to take into account the past, the present and the prevailing economic, political and social conditions. Forecasting provides a logical basis for determining in advance the nature of future business operations and the basis for managerial decisions about the material, personnel and other requirements.

However, it must be recognized that the process of forecasting involves an element of guesswork and the managers cannot stay satisfied and relaxed after having prepared a forecast.

The forecast will have to be constantly monitored and revised—particularly when it relates to a long- term period. The managers should try to reduce the element of guesswork in preparing forecasts by collecting the relevant data using the scientific techniques of analysis and inference.

On the basis of the definition, the following features of forecasting can be identified:

- Forecasting relates to future events.
- Forecasting is needed for planning process because it devises the future course of action.
- It defines the probability of happening of future events. Therefore, the happening of future events can be precise only to a certain extent.
- Forecasting is made by analyzing the past and present factors which are relevant for the functioning of an organization.
- The analysis of various factors may require the use of statistical and mathematical tools and techniques.

4.1 MERITS OR IMPORTANCE OF FORECASTING

Since planning involves the future, no usable plan can be made unless the manager is able to take all possible future events into account. This explains why forecasting is a critical element in the planning process. In fact, every decision in the organization is based on some sort of forecasting. As such, forecasting help managers in the following ways:

1. Basis of Planning

Forecasting is the key to planning. It generates the planning process. Planning decides the future course of action which is expected to take place in certain circumstances and conditions. Unless the managers know these conditions, they cannot go for effective planning.

Forecasting provides the knowledge of planning premises within which the managers can analyze their strengths and weaknesses and can take appropriate actions in advance before they are put out of market. Forecasting provides the knowledge about the nature of future conditions.

2. Promotion of Organization

The objectives of an organization are achieved through the performance of certain activities. What activities should be performed depends on the expected outcome of these activities. Since expected outcome depends on future events and the way of performing various activities, forecasting of future events is of direct relevance in achieving an objective.

3. Facilitating Co-ordination and Control

Forecasting indirectly provides the way for effective co-ordination and control. Forecasting requires information about various factors. Information is collected from various internal and external sources. Almost all units of the organization are involved in this process.

It provides interactive opportunities for better unity and co-ordination in the planning process. Similarly, forecasting can provide relevant information for exercising control. The managers can know their weaknesses in the forecasting process and they can take suitable action to overcome these.

4. Success in Organization

All business enterprises are characterized by risk and have to work within the ups and downs of the industry. The risk depends on the future happenings and forecasting provides help to overcome the problem of uncertainties.

Though forecasting cannot check the future happenings, it provides clues about those and indicates when the alternative actions should be taken. Managers can save their business and face the unfortunate happenings if they know in advance what is going to happen.

5. Forecasting Improves the Quality of Management

Forecasting is based on thinking and rethinking of the problems to be faced by the management in future, on the basis of past experiences. The managers are to choose from the alternatives the right alternative to be pursued. They identify the strength and weaknesses of each alternative to identify the correct one. As such, the quality of decisions improves effectively.

6. Forecasting Helps in Achieving Objectives

Every organization establishes objectives to be achieved by the performance of certain activities. The outcome depends on the future events and the way in which these activities are being performed. Thus, forecasting is relevant in achieving the objectives.

4.2 ELEMENTS OF THE FORECASTING PROCESS

1. Prepare the Groundwork

The group work preparation requires a thorough study, investigation and analysis of the company, its products, its market share, its organizational structure and the industry. The investigation will involve the past performance of all these factors, their growth over a period of time and the extent of their inter-relationships and inter-dependence. The aim is to build a foundation on which future estimates can be based.

2. Establishing Future Business

The future expectancy of the business can be reasonably computed from the past data as well as the input from the key executives of the organization, sales personnel and other specialists.

This forecast is developed with the participation of the key personnel and is officially communicated to all. Thus all these people assume responsibility for meeting these forecasts and accountability for any deviations from this forecast.

3. Comparing Actual with Estimated Results

The forecast estimates over the future years provide benchmarks against which the actual growth and results can be measured and compared. If there are significant variations between the two, one way or another, the reasons for such deviations can be investigated and analyzed.

4. Refining the Forecasts

In the light of any deviations found, the forecast can be refined to be more realistic. If some conditions have changed during the periodic evaluation, then the new values of the variables can be incorporated in the estimates.

Thus, these constant revisions and refinements and improvements would add to the experience and skill in forecasting, since proficiency in forecasting can only be gained through practice and experience.

The above elements indicate a systematic approach to the problem of forecasting. As a materiality, these elements are found in any research procedure.

4.3 TECHNIQUES OF FORECASTING

Forecasting technique can be classified into two major categories: Qualitative forecasting technique and Quantitative forecasting technique.

1. Qualitative Techniques

Qualitative techniques employ human judgement to make future estimates and can be used when data are scarce. Not all factors can be easily quantified or measured, when trying to predict the future. In these cases, the managers can rely on qualitative forecasting techniques.

Some of these techniques are:

- Jury or executive opinion (Dolphi technique),
- Sales force estimates
- Customer expectations.

a. Jury or Executive Opinion

The jury of expert opinion sometimes referred to as the Dolphi technique; involves soliciting opinions or estimates from a panel of "experts" who are knowledgeable about the variable being forecasted.

In addition to being useful in the creation of a sales or demand forecast, this approach is used to predict future technological developments. This method is fast less expensive and does not depend upon any elaborate statistics and brings in specialized viewpoints.

b. Sales Force Estimates

This approach involves the opinion of the sales force and these opinions are primarily taken into consideration for forecasting future sales. The sales people, being closer to consumers, can estimate future sales in their own territories more accurately. Based on these and the opinions of sales managers, a reasonable trend of the future sales can be calculated.

These forecasts are good for short range planning since sales people are not sufficiently sophisticated to predict long-term trends. This method known as the "grass roots" approach lends itself to easy breakdowns of product, territory, customer etc., which makes forecasting more elaborate and comprehensive.

c. Customer Expectations

This type of forecasting technique is to go outside the company and seek subjective opinions from customers about their future purchasing plans. Sales representatives may poll their customers or potential customers about the future needs for the goods and services the company supplies.

Direct mail questionnaires or telephone surveys may be used to obtain the opinions of existing or potential customers. This is also known as the "survey method" or the "marketing research method" where information is obtained concerning.

2. Quantitative Techniques

Quantitative techniques are based on the analysis of past data and its trends. These techniques use statistical analysis and other mathematical models to predict future events.

Some of these techniques are:

- Time series analysis.
- Economic models.
- Regression analysis.

a. Time Series Analysis

Time series analysis involves decomposition of historical series into its various components, viz., trend, seasonal variations, cyclical variations and random variations. Time series analysis uses index numbers but it is different from barometric technique. In barometric technique, the future is predicted from the indicating series, which serve barometers of economic change.

In time series analysis, the future is taken as some sort of an extension of the past. When the various components of a time series are separated, the variations of a particular phenomenon, the subject under study stay say price, can be known over the period of time and projection can be made about future.

A trend can be known over the period of time, which may be true for future also. However, time series analysis should be used as a basis for forecasting when data are available for a long period of time and tendencies disclosed by the trend and seasonal factors are fairly clear and stable.

b. Economic Models

Utilize a system of interdependent regression equations that relate certain economic indicators of the firm's sales, profits etc. Data center or external economic factors and internal business factors interpreted with statistical methods. Often companies use the results of national or regional econometric models as a major portion of a corporate econometric model.

While such models are useful in forecasting, their major use tends to be in answering "what if"? Questions. These models allow management to investigate and in major segments of the company's business on the performance and sales of the company.

c. Regression Analysis

Regression Analysis are statistical equations designed to estimate some variables such as sales volume, on the basis of one or more 'independent' variables believed to have some association with it.

Regression analysis is meant to disclose the relative movements of two or more inter-related series. It is used to estimate the changes in one variable as a result of specified changes in other variable or variables. In economic and business situations, a number of factors affect a business activity simultaneously.

Regression analysis helps in isolating the effects of such factors to a great extent. For example, if we know that there is a positive relationship between advertising expenditure and volume of sales or between sales and profit, it is possible to have estimate of the sales on the basis of advertising, or of the profit on the basis of projected sales, provided other things remain the same.

4.4 LIMITATIONS OF FORECASTING

a. Forecasting is based on Assumptions

Forecasting is the prediction of the future on the basis of certain assumptions. One of the assumptions is that events occur on a regular pattern. The changes are not made haphazardly and speedily. The trend is projected on the basis of past data and experience. This assumption is not good. There are various factors which affect the trend. A change in only one factor may be so imperative and unpredictable that it may disturb the entire business. Forecasts can simply suggest that if an event happened this way in the past, the future happening can be suggested. So it assumes normal happenings. It cannot foresee abnormal happenings.

b. Forecasting are Perfectly Not Correct

Forecasts are not always correct irrespective of the fact that it makes use of mathematical and statistical techniques. The techniques suggest the relationship among known facts. Setting a trend is not going to guarantee that a particular event will happen in a particular way. It is so because the factors which are taken into account for making forecasts are affected by human factor which is quite predictable. Forecasts contain error. Degree of error depends on many factors including the human factor. So managers are to be conscious of this point.

c. Forecasting is Costly and Time Consuming

Forecasting requires certain data which may be available within or outside the organization. The available information is to be compiled, tabulated and analyzed in a fruitful manner. Some information may be in qualitative form and this must be converted into quantitative form. All this involves lot of time and money. The manager is to consider the time and cost involved in forecasting and the resultant benefit. So this cannot be resorted to by small organizations.

4.5 PLANNING VS FORECASTING

Both Planning and forecasting are basic and most important managerial activity. They are closely related to each other. Planning gives answer to how, when and what to be done. It is a goal oriented activity which designs future course of action and provides future environment of organization.

As future is uncertain, planners are forced to make some assumptions. This assumption related to future is called forecasting which is based on facts, past trend, economic condition and information.

The table below illustrates some of the differences between these two activities

Basis for comparison	**Planning**	**Forecasting**
Meaning	Planning is the process of identifying future goal and looking ahead for the future course of action	Forecasting is prediction of future performance of a firm, taking into account past and present data
Related with	Future course of action	Prediction of future performance
Based on	Objective, performance, and relevant information	Certain degree of guess and assumption
Responsibility of	Top level managers, CEO or president	Experts, analyst or different level of managers employed by the firm
Stresses on	Facts and expectation	Facts

5

Organizing

5.1 FORMAL AND INFORMAL ORGANIZATIONS

Formal organization refers to an organization where two or more people gather to achieve a common goal with a legal and official relationship. The organization is led by top management and has a set of rules and regulations to follow.

Formal organizational structure clearly spells out the job to be performed by each individual, the authority, responsibility assigned to every individual, the superior-subordinate relationship and the designation of every individual in the organization. This structure is created intentionally by the managers for achievement of organizational goal. The main objective of the organization is to achieve set targets. As a result, work is assigned to each individual based on their capabilities. Formal organization refers to job creation and positions with clearly defined functions and relationships as defined by senior management. According to Louis Allen, a formal organization is a well-defined system of activities, each with a certain degree of authority, responsibility and accountability. of authority. In an organized society everyone is given a specific responsibility to do the work assigned and given the required amount of authority to do so.

Types of Formal Organization Structure

1. Line Organization
2. Line and Staff Association
3. Active organization
4. Project Management Organization
5. Matrix Organization.

Formal Organizational features:

(1) A formal organizational structure is deliberately constructed through a planning process.

(2) The purpose of a formal organizational structure is to achieve the objectives of the organization.

(3) According to the organizational structure, each person is assigned a specific task.

(4) In an organized society, everyone is given the mandate or power to make decisions.

(5) The organizational structure of an organization leads to the formation of higher relationships.

(6) The official structure of an organization creates a network of communication within the organization.

1. What is a Line Organization?

Line planning is a commonly used organizational structure where straight lines of authority come from senior management and lines of responsibility flow to the other side. This is a top management approach where decisions are taken by senior management and passed on to lower level employees. Line managers are assigned to manage working groups for the purpose of achieving the intended outcome. Line planning is the oldest and easiest way for an organization to manage.

This is an organization structure that is very easy to understand and manage due to the use of the scalar of command series (the official line of authority from the top to the bottom of the straight line). In this type of organization, every employee is well aware of his or her position and clear lines of authority and responsibility have been given to all employees.

One of the most important downsides of an organization on the line is that this type of structure often leads to one-way communication. Decisions taken by senior management and grievances and suggestions of lower-level employees may not be reversed to senior management. Low-level employees are very close to customers, so their knowledge and suggestions should be included in decision-making.

Merits of Line Organization:

1. Simplicity: Line layout is easy to set up and can be easily understood by staff. There is no difficulty in the organization because everyone is accountable to only one manager. Everyone knows their job and who they are responsible for. So it can work easily and clearly.
2. Authority Identification and Commitment: Line planning helps to balance the authority and responsibility of each individual in the organization. Authority is given in relation to the provision of work. The official must comply with the assigned work. The assignment of work will also help to balance the burden of diversity. Line order enables authorization and function.
3. Integration: The management team in management helps to achieve a successful merger. The general manager manages all the departments and is able to easily integrate the functions of the various departments. At the department level the administrator is in charge and can direct the activities of his or her subordinates.
4. Active Communication: A series of commands from top to bottom. There is direct communication between the manager and his subordinate, both of whom can

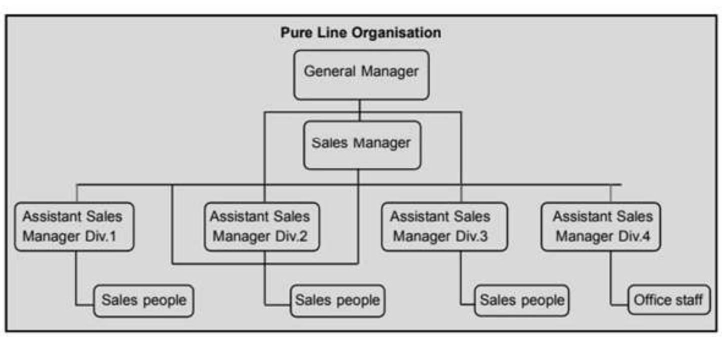
communicate well between them. Lower response also reaches higher management in the short term.

5. Economics: Line layout is easy to operate and less expensive. There are no counseling staff. Line operators make their decisions without looking at specialized staff. This greatly reduces the cost of establishment.
6. Quick Decisions: Only one person in charge of the department or unit. He has to make all the decisions on his own. There are no consulting staff. This enables the manager to make quick decisions If the decision-making process involves a lot of people 'consultation then there may be delays in decision-making. In a systematic way only the head of the department needs to make decisions and will not waste time deciding things.
7. Command Unity: In line order everyone is under the control of only one manager. This type of organization is in line with the principle of the scalar chain.

Demerits of Line Organization

1. Overwork: In a systematic manner it is highly expected of managers. They are expected to make many decisions and to direct the work of their subordinates. The workload of management continues to increase with the increase and variability of the unit. The line office is unable to devote sufficient time to each task and is overburdened with responsibilities.
2. Lack of Skills: Lack of management technology is the order of the line planning. Line officials cannot be experts in all business lines. As they have to make decisions in all areas of business, the quality of decisions can be compromised. Officials will have to rely heavily on subordinates for advice.

3. Lack of Links: There is a lack of co-operation between the various departments. All heads of departments strive to manage the departments in their own way and in their own right. There may be a lack of performance similarities between the various departments. This could be the reason for the lack of coordination between the various departments. This could be the reason for the lack of coordination between the various departments.
4. Bad Communication: The ultimate decision-making authority rests with line managers. Line officials can stand on their own two feet and start making decisions without consulting their subordinates. Subordinates began to keep a distance from management. Decisions are made without comment even if these appear to be detrimental to the organization's intentions. Subordinates do not convey their reaction or staff response to management. Lack of communication creates many problems for the smooth running of the business.
5. Lack of Steps: Systematically the final decisions are made by senior management. Inferior people give birth to inferior offspring and, thus, propagate their inferiority. They feel that their suggestions may not be a burden to their managers and therefore avoid taking any action.



2. What is Functional Organization?

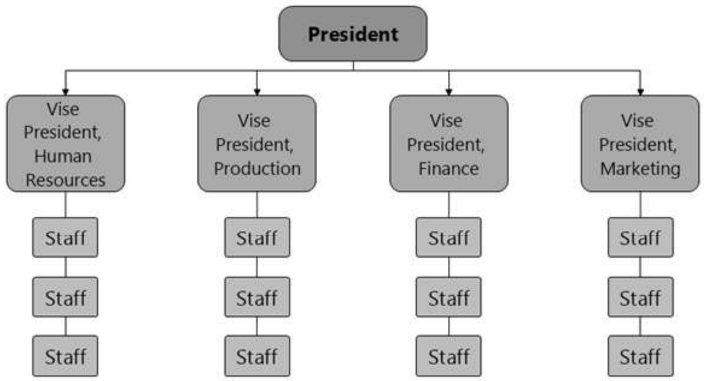


Figure of Functional Organization

Table: What is the difference between Line Organization and Functional Organization?

Line Organization vs Functional Organization	
Line organization operates with a structure where direct lines of authority flow from top management and the lines of responsibility flow in the opposite direction.	Functional organization is where the company is divided into smaller groups based on specialized functional areas such as finance, production and marketing.
Specialization	
Level of specialization is low in line organization	Level of specialization is high in functional organization.
Decision Making	
Decision making is delegated to departmental managers to a greater extent in functional organization.	It does not specify an evolutionary relationship.
Attitude towards Others	
Line organization structure is mostly suitable for small and medium scale organizations	Functional organization structure can

A functional organization is a widely used organization where the organization is divided into small groups based on specialized areas that operate such as finance, marketing, and manufacturing. These functional areas are also called 'silos'. Each function is headed by a head of department who has a dual responsibility to account to senior management and to direct the relevant department to achieve optimal performance.

In an effective organization, all departments must work together to achieve the same goal. In fact, this is not happening at the intended level and conflicts can arise between departments as each department tries to show better results than the others.

3. Matrix Organization

A matrix structure is when you design your organization using two or more grouping classifications simultaneously (e.g., geographical grouping and functional grouping). In this way, the people in the matrix report to two managers (for the example above you might have a regional manager and a functional manager).

In simple terms, it is a company structure in which the reporting relationships are set up as a grid, or matrix, rather than in the traditional hierarchy. In other words, employees have dual reporting relationships - generally to both a functional manager and a product manager.The benefit of a matrix organizational structure is increased information flow between the groupings. One organization I'm working with now uses product groupings as well as functional groupings. The people who are working on a product are a mix of people from business, marketing, design, engineering, etc. That way the product team gets a better understanding of all the concerns represented by those functional groups. Also, each functional group is informed about all of the different products. This also helps all the product teams stay informed as to what other product teams are working on since they come together to talk about all of their work (on various products) during their functional team meetings.

Key advantages of a matrix structure

Fewer people, more work - Following the matrix structure, the employees are given more tasks instead of hiring new people. The company can use the existing workforce to get tasks done. This way, people can move freely and can do the work more efficiently as there are lesser distractions.

The efficient flow of information - When information flows vertically as well as horizontally in a matrix structure, it is much efficient. The vertical flow provides information to follow from project to project while the horizontal flow provides information to go from functional units to functional units.

- Employees are generally accountable to more than one boss
- There are usually two separate chains of command
- The matrix structure is designed to be partially impermanent
- There are two kinds of managers: functional managers and project managers
- Managerial roles are fluid, not fixed
- The balance of power between functional and project managers isn't organizationally defined

Disadvantages of Matrix Structures

Matrix organizations also notes their disadvantages. Some of which are as follows:

- Two-boss problems, leaving project members caught in the middle
- Project members playing bosses against one another
- Increases organizational complexity

- Requirement for high degree of cooperation between functional and project management
- Potential for conflicting management directives
- Difficulty of establishing priorities suiting both functional and project management
- Possible slowdowns in management reaction to events when two structures required for solution
- Increase in management overhead costs

5.2 INFORMAL ORGANIZATIONS

As an organized organization grows in size, the same existence of informal relationships and formal relationships becomes inevitable. Informal organizations have always existed with legal entities. They arise because of the inevitable social and personal needs that cannot be satisfied by the principles of a legal entity. They represent informal, unlawful encounters, interactions between people working in organized structures. They come from the common interests of the people.

These organizations are not governed by legal principles but are an integral part of legal entities. E. Wight Bakke calls for the formation of informal and formal organizations the merger process.

According to him, "When a person and an organization come together in such a way that the individual participates, and the member of the organization and the two are dependent on each other, both are re-formed in the process. An organization to some extent returns a person to a certain degree in certain organizations. "

The importance of the informal organization was recognized by Chester Barnard. He viewed informal planning as "any shared personal activity without the intention of sharing, even if you contribute to the shared results." Keith Davis describes an unorganized organization as "a network of personal and social relationships that is not established or unwanted by an organized organization but that arises spontaneously as people come together."

While working in an organized organization, people from different departments at different levels work together, discuss their common interests (cultural, social, etc.) and form groups to promote their goals. These goals are known as team goals and informal organization is an important way to satisfy these goals.

Features of Informal Organization

Informal organization has the following features:

1. Unplanned Building: This building is unplanned. It occurs spontaneously through formal interactions between people. When people meet legally, they tend to talk about their interests, hobbies, interests, beliefs, and so on. And when they do, they form groups with different intentions for legal entities. Their informal relationship is slowly developing into a well-organized order in partnership with a legal entity.
2. Social needs: The basic purpose of informal planning is to meet the needs of the community and the people. People share common thoughts, feelings and interests that are different from organizational goals. Their social needs for friendship, love and support are reinforced by informal organizations.
3. No legal structure: An organized organization has a clear structure. It is shown in rows and boxes on the organizational chart (organization chart visual representation of the organizational structure). An informal organization does not have a legal structure. Cannot be accurately displayed in organization chart. Relationships between people change according to changes in their interests and preferences.

   Production department staff can contact sales managers to resolve their problems rather than deal with the production manager and vice versa. There are no managers and subordinates of the informal organization. People communicate with each other in every way; vertical, horizontal and diagonal.

4. Informal leaders: Leaders are randomly selected by party members. They have a great impact on team activities and contribute to well-planned or negative goals.
5. Informal communication system: The system is not configured. It does not follow a series of commands. It works with the official communication channel and works faster than the official channel. It conveys messages very quickly even though rumors can also spread and official messages. Communication flows in all directions; vertical, horizontal, diagonal and connects people throughout the organization.

5.3 SPAN OF MANAGEMENT

Introduction and Meaning

Given the complexity of the organisation's activities and the relationship between managers and subordinates, it is important that managers manage a large number of subordinates that lead to better outcomes for the organization. All subordinates cannot be ruled by one superior man. There should be a limit to the number of subordinates that can be successfully managed by one senior person.

The number of subordinates controlled by the person in charge is known as the administrative space or period of control. In the 19th and mid-20th centuries, administrative secretaries determined 5 or 6 as the ideal number for a manager who could manage successfully at a high level.

Depending on the number of employees that can be supervised or controlled by managers, there can be two kinds of structures in the organization:

I. Tall structures, and
II. Flat structures.

I. Tall structures

These structures are found in the ancient bureaucratic organizations. In this structure, the manager can look at the small number of subordinates. Therefore, he can strictly control their activities. This creates a large number of levels in the organization. This is also known as a small control space. The long structure or small width of the control appears as follows.

Merits of the tall structure:

1. Managers can closely monitor the activities of subordinates.
2. There can be better communication between managers and subordinates.
3. It improves relationships between managers and subordinates.
4. Lower management can be strengthened in a small space.

Demerits of tall structure:

1. It creates many levels in an organizational structure that makes it difficult to integrate between levels.
2. More managers are needed to manage subordinates. This increases expenditure (salary etc.). Therefore, it is an expensive form of construction.
3. The widening gap between senior management and employees delays communication.
4. Decision-making becomes difficult because of too many levels.
5. Managers perform normal sub-management functions and have little time for strategic issues.
6. Employees work under the strict supervision of management. Decisions are mainly made in one place.

This hinders the creative and creative skills of the staff.

7. Strict control leads to low morale and job satisfaction. This can affect productivity over time.

In order to overcome the limitations of the long structure, many organizations reduce the number of rank levels by reducing the organization. Reduction is “a process of drastically reducing middle management positions, expanding management positions and reducing staffing.”

Many companies downsize their employees through a reorganization process. Reorganization is “the process of making major changes in an organization that often incorporates management standards and also changes some of the larger components of the organization through the division of assets and / or acquisitions.”

“The most common and worst sign of the mal-Organization is the duplication of administrative standards. The basic law of the organization is to build a very small number of administrative levels and to form very short chains of command. “- Peter F. Drucker.

II. Flat Structures

These buildings have a wide range of control space. When the superior directs a large number of subordinates, the constructed structure is made up of a small number of successive levels. The removal was carried out on tall buildings to flattened buildings by James C. Worthy who was a consultant in L.A. Sears, Roebuck and company.

The structure in which the term of office of each of the 4 positions of office appears as follows:

To illustrate, if the organizations A and B, both have 256 employees and the administrative time for each of the 2 management positions of company A and 4 of company B, there will be 9 levels in company A (requiring 128 managers at the lowest level, 64 at the level the next higher etc.) and 5 levels in company B. The less control time creates more levels for corporate executives than the longer control time.

The levels of organization B (5) where the term of office is 4 appear as follows: (4 seasons applicable to each active area in each level). For simplicity, the figure represents the space of only one working area and one level.

Merits of flat structures:

1. There are lower costs as a small number of managers can look after the activities of the organization.
2. The decision-making process is effective as managers delegate authority to their subordinates. They are comfortable with ordinary things and focus on strategic issues. Decision-making is legal.
3. The subordinates do the job well because they are considered worthy of the responsibility of their superiors.
4. There is a working connection as the number of levels is small.
5. Develops new senior management skills.

Demerits of Flat Structures:

1. Supervisors cannot closely monitor employees' activities.
2. Managers may find it difficult to coordinate the activities of their subordinates.
3. The subordinates must be trained so that the extension of control does not affect the productivity of the organization.

Both tall and flat structures have good and bad features and it is difficult to find the exact number of subordinates that a manager can effectively manage. Other theorists such as David D. Van Fleet and Arthur G. Bedeian assert that the timing and management of an organization are not related and that many powerful studies have proved that the duration of control is standard and dependent on various factors.

Some studies have proven that flat structures produce better results as decision-making in one place can be controlled less from the top, promoting commitment and satisfaction in the workplace. A large number of team members can better solve complex problems as team decision-making is based on a wide variety of skills.

Some studies have proven that people working in long structures produce better results as a smaller number of team members can come to a consensus and analyze their decisions more fully. Team cohesion is high and, therefore, commitment to decisions is also high. Members feel satisfied with their decisions and disputes are lessened.

Factors Affecting Span of Management

The following factors help in determining the suitable span of management:

The following factors help in determining the right time to manage:

1. Management skills: If managers are competent in their duties, they can have a large management space. Managers' ability is judged by their ability to make decisions related to motivational programs, leadership styles, communication channels and chains, management strategies etc. Managers listed above these limits can effectively manage a large number of their subordinates.
2. Type of work: If employees perform the same and repeated tasks, managers can direct a large number of subordinates and, thus, have a wider range of control. Repetitive and challenging work requires less control time. Changes in the work environment also affect the length of the administration.

   Frequent changes due to strong environmental support for a short period of time as managers should always direct the activities of subordinates. Stability in the work environment supports a wide range of management as management indicators are not always required to perform work processes.

3. Management assistance: If managers are able to access technical or secretarial assistance, a large subordinate group may be managed. The control time, therefore, can be extended. Staff assistance can be useful in collecting and processing information related to various decisions and issuing orders to subordinates. Managers save time in contact with subordinates, direct the activities of a large number of subordinates and focus on other organizational matters.
4. Ability to work for subordinates: If subordinates are able to manage their operations without much assistance from management, the control period may be longer. Employees do not need general guidance from management regarding the various functions of the organization. Managers can therefore manage a large group of subordinates.
5. Programs and policies: If the plans clearly state the aims and policies of the organization, each of the chiefs can manage a large subordinate group and have a broad period of control. Explicit plans include well-designed policies, methods and more. In particular, when standing plans are well defined, subordinates are aware of broad guidelines on where to make decisions in the same and repetitive situations.

   They do not always approach managers when they encounter similar situations to solve problems. Managers can manage a large group of subordinates. However, if multiple decisions are made using single-use methods (plans, budgets, projects, etc.), management should be consulted regularly and the space, therefore, is limited.

6. Organization Level: Senior executives consider important and special tasks and, therefore, lengths are limited to a high level but at lower levels the length can be broad, because managers are more concerned with standard tasks. According to JC Worthy, a manager can manage less than 20 people at a lower level.
7. Authority: If the structure of the mandate is well defined and understandable, management can consider a large number of subordinates. People work within their responsibilities and take directions from management only when necessary. The lack of clarity of the structure of the delegation will create confusion in the organization. Tasks and who will do any work, who is responsible and who will not be clear. In such a case, the management cannot oversee the larger group of subordinates. Management time, therefore, will be limited.

3.3 GRAICUNAS THEORY

V.A. Graicunas a French management Consultant, made a study on superior-subordinate relationship, however, not based on empirical observations. He developed a mathematical formula to analyze this relationship. He suggested that the number of possible relationships increases with the number in the number of subordinates.

He analyzed subordinate- supervisor relations and classified these relationships into three types:

(a) Direct Single Relationships between the senior and each of his subordinates individually.
(b) The Group Relationship between the manager and each possible combination of employees
(c) Cross-relationship between each sub-group.

1. Direct Single Relationships

This refers to the relationships that are easily and clearly visible to the people who were under him. They are equal to the number of subordinates. For example, if A has three lower employees, there will be three direct unmarried relationships. This is identified as a direct relationship number = n.

2. Direct group relationships

This refers to the group relationship between the upper and lower extremities. The manager has time to consult, give, advise, inform or discuss with all his or her subordinates or any number of them or all present. This type of relationship emerges between the manager and his or her management team in all possible combinations.

Example: A manager with three employees can have three direct team relationships.

Formula = n (2n-1 -1) where n represents the minimum number.

3. Cross-Relationships

Cross-relationship is a two-way relationship between subordinates required in working under the same manager. This is due to the need for subordinates for general consultation.

As a result of the above analysis of these three types of relationships, Graicunas developed the following formula to give the total number of all three types of relationships where n = the minimum number.

n (2n / 2 + n + 1)

The significance of Graicunas' contribution was that he embarked on a policy of restricting the space of the empowered because of the great limit on potential burdens imposed only by the natural limitations of the human mind. From this analysis you will find that the 'estimated time' is limited to less than five or six. So he rekindled the thought of this organizational structure which, later, became the subject of much discussion in the management literature.

5.4 AUTHORITY AND POWER

Introduction and definition

Authority means the legal, institutional or legal capacity in a particular work, function or position that gives the owner of that job, job or position the ability to perform his or her duties effectively.

An obligation is the responsibility of a subordinate, to be assigned by his or her supervisor.

This shows that the bond is the basis of the obligation. In view of the establishment of the organization, the highest order elevates the task as the superior is empowered to perform the task assigned to his subordinates.

According to Barnard,

"An authority is a form of communication (order) in a legal entity, which will accordingly be accepted by the donor, or a member of the organization as controlling the action taken; that is, such as governing or deciding what they do or do not do, in relation to the organization of this organization."

According to Koontz and O'Donnell,

"Internally, in the case of a business, the obligation can be defined as the responsibility of the subordinate, given the higher responsibility and the duty to perform the required work. The sum of the obligation at the time, the obligation."

As Simon puts it, authority is the power to make decisions that guide the action of another. Relationships between two people - one of them high, and the other low. Top frames and decision-makers, lower ones are expected to accept and comply with. The lowly one expects such decisions, and his conduct is determined by them.

Characteristics

The characteristics of the authorities are described below;

1. Basis for action: The authority grants the right to do things in the organization and affects the conduct of other employees of the organization. It leads to the performance of certain tasks in order to achieve the goals described automatically.
2. Legitimacy-positional authority: Authority means the legal right (within the organization itself) that is available to management. This type of rights arises as a result of a culture followed by an organization, customs or standards accepted by reality. The right of the supervisor to affect the performance of his subordinates gives him the basis for the sovereignty of the organization.
3. Decision-making and freedom of choice: Decision-making is a priority for authorities. A supervisor can instruct his subordinates to do or not to do. This type of decision is made by the manager in relation to the performance of the office.
4. Working as a result of a senior position: Implementation affects the personality traits of a manager, who enables him to exercise authority. The subordinates or subordinate group must follow the instructions of the supervisor regarding the implementation of the decisions. The personality traits of one manager may differ from another.

Various opinions on the sources of authority are discussed below:

1. Legal / Organized Authority

In this sense authority is based on the status or position of a person and this authority may be provided by law or by social laws and regulations protected by law. The law gave the police the power to arrest the perpetrator.

A senior company manager may take action against an employee for not following the rules because company rules give him or her this authority. This authority is referred to as the official authority given to the bureaucracy and, in turn, authority is given to appointed and appointed officials in terms of contracts.

In the corporate way, the final authority is given to shareholders who transfer authority to the Board of Directors. The Board of Directors transfers its powers to the executive officer who transfers to the board on a regular basis. We therefore see that authority flows through a series of scalar from the highest level to the rank of Rank and File Authorities.

While bureaucracy is the purest form of legal authority, some forms may include elected or designated office bearers of organizations. These people have authority as their roles are defined by the laws and regulations made by those organizations.

2. Traditional Council

In the family system, the father exercises traditional authority over family members. Traditional authority is often followed in the Indian family system. It is the father who directs the family and others who listen respectfully and culturally.

In the traditional way of authority there is no official law or formal order and the relationship is governed by personal integrity and honesty rather than the pressure of laws and regulations or office functions.

3. Theory of Acceptance

Authority has its source in the acceptance of subordinates. The authority of the person in charge has no meaning unless it is accepted by his subordinates. Chester Bernard was of the opinion that the recognition of authority was of paramount importance.

If the subordinates do not accept the orders of the person in charge no authority will be exercised.

Bernard realizes that the person below will accept the order if:

(i) Understands it well;

(ii) believes that it is in line with the objectives of the organization;

(iii) Feels in line with his or her interests.

(iv) You are fit (mentally and physically) to comply.

Subsidiaries may accept an order if they receive its acceptance or lose its non-acceptance. It can be said that the acceptance of order is a function of the benefits derived from it. The concept of acceptance, while supporting the ethics of governance, brings many problems to the organization. It undermines the authority and role of the manager in the organization. He may not be sure whether his orders will be accepted or not. He will know only if his commands are followed. It means that orders flow from the bottom to the top.

4. Skills Theory

In this regard, authority has its source in the high-tech personalities. The manager, according to this view, has no authority but his words are heard and the orders are obeyed only because of his intelligence, knowledge, skills and ability. If he has no ability or knowledge, he cannot exercise authority over others.

When a doctor advised a patient to rest, he accepted his advice on the basis of the doctor's knowledge and not on his legal authority or legal right. The patient will be relieved only if he or she obeys the doctor. Similarly, we welcome the diagnosis of a car mechanic without questioning you because of his or her professional ability. A person's knowledge or ability, then, gives him a position where his authority is recognized by others.

5. Powerful Authority

The power of attraction depends on the personal diligence of a leader who refuses the respect of his followers. Personal qualities such as good looks, intelligence, integrity, etc., influence others and people to follow the instructions of their leaders because of these qualities.

People follow a leader because they feel he will help them achieve their goals. Courageous leaders often speak well of themselves and influence their followers. Religious leaders and political leaders such as Mahatma Gandhi, John F. Keneddy of the United States fall under this category.

Charismatic situations also extend to film actors, actors and war heroes. Filmmakers and actors have been successful in raising huge amounts of disaster money etc because of their kind personality.

Even political parties associate actors and actors with them to gather crowds at their rallies. People follow certain leaders / people because of their kind personality and not because of anything else.

Authority Limitations

Although the official belief of authority works well, unofficial opinions also exist with official authorities. The authority of line managers to extend working hours may be offended by employees. Acceptance of authority, therefore, is not required by management, but rather mandated by subordinates. Therefore, it is clear that managers exercise authority (or any source) within a limited area of view.

The various factors that reduce the scope of authority are:

1. Capacity of subordinates

If subordinates are unable to work due to their physical and mental limitations, management may not be able to provide guidelines for this. If an employee is asked to perform the duties of a supervisor or superintendent and finds himself or herself unable to do so, the instructions issued will not be valid.

2. The overall goals of the organization

References that contradict the objectives of the organization will not be made by subordinates.

3. Legal restrictions

The whole organization is bound by a legal framework for rules and regulations. As required by the Companies Act, a company cannot issue shares in addition to its authorized capital. Any guidance issued against this law will not be followed.

4. Social features

People collectively work for an organization and form groups on the basis of their social and cultural values. Orders issued in violation of these terms have limited acceptance

5. Human limitations

Not only should managers take care of the physical limitations of their subordinates while exercising authority, they should also keep in mind their limitations in performing certain functions. Something that a manager cannot do for himself should not be expected from his supervisors.

Definition of Responsibility

It is the duty of the subordinate to perform the functions of the organization, duties or functions assigned to it. Authority and responsibility go hand in hand. Where authority is given then some responsibility for obtaining the assigned work is adjusted. One can delegate authority but not responsibility.

> *"Responsibility is the obligation of a subordinate to carry out the duties assigned to him."*
>
> *—Knootz and O'Donnel*

"By responsibility we mean the work or duties assigned to a person by virtue of his position in the organisation. It refers to the mental and physical activities which must be performed to carry out a task or duty. That means every person who performs any kind of mental or physical effort as an assigned task has responsibility. —Allen

Responsibility is thus the result of superior-subordinate relationship. In other words, a subordinate's obligations in any business unit will arise basically from his relationship with his superior who is given the authority to get something done.

A superior/ manager/executive get the rights of compliance of orders when he assigns duties and debates authority, while accepting a job a subordinate incurs an obligation to perform the job successfully.

Features of Responsibilites

The following are the characteristics or characteristics of responsibility:

(i) The obligation arises from the highest relationship.

(ii) It always flows from the youngest to the oldest.

(iii) It arises from the assigned task.

(iv) Cannot be enabled.

(v) It is an obligation to complete the work as instructed. An obligation may be an ongoing bond or it may be discharged by performing a single function. Personal responsibility. No one can take away his responsibility by delegating authority to others.

5.5 DELEGATION

Meaning and Definition

Delegation is an administrative process of getting things done by others by giving them responsibility. The delegation process enables a person to delegate certain tasks and to give him or her the necessary authority to do so successfully. It helps to complete work on time, reduces the burden on managers and encourages and develops subordinates. There is a limit to what a person can do to control his subordinates. When the number of subordinates increases above it he will have to give his power to the other guardians. A manager is not judged by the work he does alone but the work he does is done by others. He gives his subordinates duties and authority and ensures the achievement of the desired goals of the organization.

Definitions

"Delegation refers to a manager's ability to share his burden with others. It consists of granting authority or the right to decision making in certain defined areas and charging subordinates with responsibility for carrying through an assigned task."- Douglas C. Basil

"An individual is only one manpower. Single-handed, he can accomplish only so much in a day. The only way he can achieve more is through delegation through dividing his load and sharing his responsibilities with others." — Lounsbury Fish

It is "the assignment of part of a manager's work to others along with both the responsibility and the authority necessary to achieve expected results." — Martin and Bartol

"Delegation is the process by which a manager assigns tasks and authority to subordinates who accept responsibility for those jobs." — Pearce and Robinson

Characteristics of Delegation

Delegation has the following characteristics:

1. Delegation is a process that take place when a manager grants some of his powers to subordinates.
2. Only a part of authority is delegated to subordinates.

3. On-going process – Delegation is a continuous process. Managers continue to delegate tasks and get them delegated by their superiors to achieve the organisational goals.
4. It is only the authority which is delegated and not the responsibility. A manager cannot abdicate responsibility by delegating authority to subordinates. Delegation does not mean that managers are not accountable to their superiors for the task assigned to subordinates. They remain accountable for the tasks assigned to subordinates and are answerable to their superiors for its performance.
5. It has different forms – Delegation can take different forms. It can be downward, upward or lateral.

Elements of Delegation

Delegation involves following three things:

1. Assignment

The first step in delegating power is the delegation of work or activity to a subordinate, which means the delegation of authority. An official asks his subordinates to perform a specific task for a certain period of time. A description of the role given below. Tasks in terms of functions or functions to be performed are the basis of the delegation process.

2. Provision of Authority

The delegation of authority is the second transfer of power. The sender delegates authority to subordinates so that the assigned task can be performed. The delegation of responsibilities and authority is pointless. A subordinate can accomplish a task only if he or she has the necessary authority to complete the task.

Authority is based on commitment. It is the power, the order or the command, given from above, to give the lower power to do his work. The superior may pass it on to his subordinates so that he can complete his assignment well. There should be a balance between authority and responsibility. The superior must give sufficient authority to perform the assigned task.

3. Creative accountability

Accountability is the responsibility of the person responsible for performing the duties assigned to him or her. The team makes a commitment to the subordinate to fulfill the task assigned to him by the supervisor. When a task is assigned and mandated, accountability is a product of this process.

The authority is transferred so that a particular task can be completed as desired. This means that the facilitator must ensure the completion of the assigned task. The officer flowed down and the turn came down. Decreased authority and upward reporting should be equitable in each area of governance. The lowest should be made accountable to only one high. One accountability improves performance and morality.

6

Motivation

All organizations are concerned with what should be done to achieve sustained high levels of performance through people.

This means giving close attention to how individuals can best be motivated through such means as incentives, rewards, leader-ship and, importantly, the work they do and the organization context within which they carry out that work. The aim is to develop motivation processes and a work environment that will help to ensure that individuals deliver results in accordance with the expectations of management.

Unfortunately, approaches to motivation are too often underpinned by simplistic assumptions about how it works. The process of motivation is much more complex than many people believe. People have different needs, establish different goals to satisfy those needs and take different actions to achieve those goals.

It is wrong to assume that one approach to motivation fits all. That is why the assumptions under-lying belief in the virtues of performance-related pay as a means of providing a motivational incentive are simplistic. Motivational practices are most likely to function effectively if they are based on proper understanding of what is involved. This is what we will discover in this chapter.

What Is Motivation?

Motivation refers to an internally generated drive to achieve a goal or follow a particular course of action. Highly motivated employees focus their efforts on achieving specific goals. It's the manager's job, therefore, to motivate employees—to get them to try to do the best job they can. Motivated employees call in sick less frequently, are more productive, and are less likely to convey bad attitudes to customers and co-workers.

They also tend to stay in their jobs longer, reducing turnover and the cost of hiring and training employees. But what motivates employees to do well? How does a manager encourage employees to show up for work each day and do a good job? Paying them helps, but many other factors influence a person's desire (or lack of it) to excel in the workplace. What are these factors, are they the same for everybody, and do they change over time? To address these questions, we'll examine some of the most influential theories of motivation: hierarchy-of-needs theory, two-factor theory, expectancy theory, McGregor's X and Y theory and the Carrot and Stick Approach of Motivation

Before we begin our discussion of the various theories of motivation, it is important to establish the distinction between intrinsic and extrinsic motivation. Simply put, intrinsic motivation comes from within: the enjoyment of a task, the satisfaction of a job well done, and the desire to achieve are all sources of intrinsic motivation. On the other hand, extrinsic motivation comes about because of external factors such as a bonus or another form of reward. Avoiding punishment or a bad outcome can also be a source of extrinsic motivation; fear, it is said, can be a great motivator.

6.1 THEORIES OF MOTIVATION

What makes employees willing to "go the extra mile" to provide excellent service, market a company's products effectively, or achieve the goals set for them?

Answering questions like this is of utmost importance to understand and manage the work behavior of our peers, subordinates, and even supervisors. As with many questions involving human beings, the answers are anything but simple. So let's begin examining some of the influential theories of motivation.

1. Maslow's Hierarchy of Needs

Abraham Maslow is among the most prominent psychologists of the 20th century and the hierarchy of needs, accompanied by the pyramid representing how human needs are ranked, is an image familiar to most business students and managers.

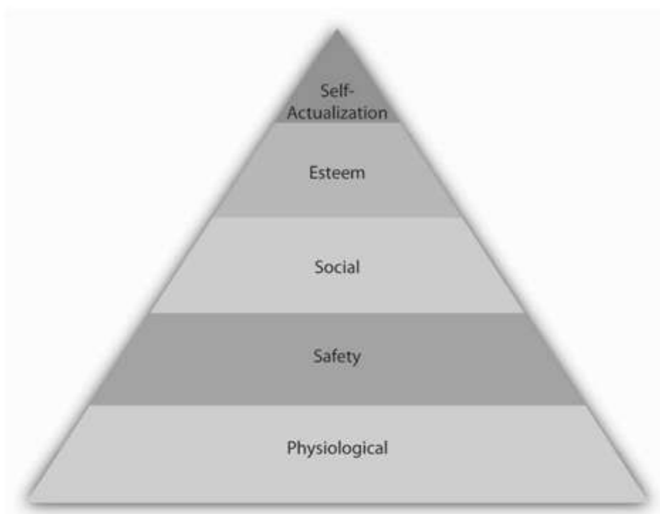
Maslow's theory is based on a simple premise: Human beings have needs that are hierarchically ranked. According to him, there are some needs that are basic to all human beings, and in their absence, nothing else matters. As we satisfy these basic needs, we start looking to satisfy higher-order needs. Once a lower-level need is satisfied, it no longer serves as a motivator.

The most basic of Maslow's needs are physiological needs. Physiological needs refer to the need for air, food, and water. Imagine being very hungry. At that point, all your behavior may be directed at finding food. Once you eat, though, the search for food ceases and the promise of food no longer serves as a motivator. Once physiological needs are satisfied, people tend to become concerned about safety.

Are they safe from danger, pain, or an uncertain future? One level up, social needs refer to the need to bond with other human beings, to be loved, and to form lasting attachments. In fact, having no attachments can negatively affect health and wellbeing. The need to belong: Desire for interpersonal attachments as a fundamental human motivation.

The satisfaction of social needs makes esteem needs more salient. Esteem needs refer to the desire to be respected by one's peers, feeling important, and being appreciated. Finally, at the highest level of the hierarchy, the need for self-actualization refers to "becoming all you are capable of becoming."

This need manifests itself by acquiring new skills, taking on new challenges, and behaving in a way that will lead to the satisfaction of one's life goals. The figure below shows Maslow's Hierarchy of Needs.



Maslow's hierarchy is a systematic way of thinking about the different needs employees may have at any given point and explains different reactions they may have to similar treatment. An employee who is trying to satisfy her esteem needs may feel gratified when her supervisor praises her. However, another employee who is trying to satisfy his social needs may resent being praised by upper management in front of peers if the praise sets him apart from the rest of the group.

So, how can organizations satisfy their employees' various needs? By leveraging the various facets of the planning-organizing-leading-controlling (P-O-L-C) functions.

In the long run, physiological needs may be satisfied by the person's paycheck, but it is important to remember that pay may satisfy other needs such as safety and esteem as well. Providing generous benefits, including health insurance and company-sponsored retirement plans, as well as offering a measure of job security, will help satisfy safety needs. Social needs may be satisfied by having a friendly environment, providing a workplace conducive to collaboration and communication with others. Company games and other social get-togethers may also be helpful if the majority of employees are motivated primarily by social needs (but may cause resentment if they are not and if they have to sacrifice a Sunday afternoon for a company games). Providing promotion opportunities at work, recognizing a person's accomplishments verbally or through more formal reward systems, job titles that communicate to the employee that one has achieved high status within the organization are among the ways of satisfying esteem needs.

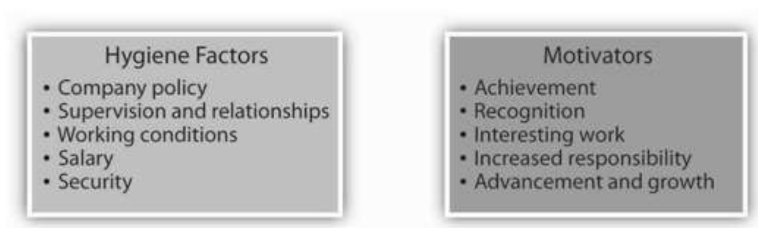
Finally, self-actualization needs may be satisfied by providing development and growth opportunities on or off the job, as well as by assigning interesting and challenging work. By making the effort to satisfy the different needs each employee may have at a given time, organizations may ensure a more highly motivated workforce.

2. Two-Factor Theory

Frederick Herzberg approached the question of motivation in a different way. By asking individuals what satisfies them on the job and what dissatisfies them, Herzberg came to the conclusion that aspects of the work environment that satisfy employees are very different from aspects that dissatisfy them.

Herzberg labeled factors causing dissatisfaction of workers as "hygiene" factors because these factors were part of the context in which the job was performed, as opposed to the job itself. Hygiene factors included company policies, supervision, working conditions, salary, safety, and security on the job. To illustrate, imagine that you are working in an unpleasant work environment. Your office is too hot in the summer and too cold in the winter. You are being harassed and mistreated. You would certainly be miserable in such a work environment. However, if these problems were solved (your office temperature is just right and you are not harassed at all), would you be motivated? Most likely, you would take the situation for granted. In fact, many factors in our work environment are things that we miss when they are absent, but take for granted if they are present.

In contrast, motivators are factors that are intrinsic to the job, such as achievement, recognition, interesting work, increased responsibilities, advancement, and growth opportunities. According to Herzberg's research, motivators are the conditions that truly encourage employees to try harder. The figure below demonstrates Herzberg's Two-Factor Theory of Motivation



Herzberg's research, which is summarized in the figure above, has received its share of criticism. One criticism relates to the classification of the factors as hygiene or motivator. For example, pay is viewed as a hygiene factor. However, pay is not necessarily a contextual factor and may have symbolic value by showing employees that they are being recognized for their contributions as well as communicating to them that they are advancing within the company. Similarly, quality of supervision or relationships employees form with their supervisors may determine whether they are assigned interesting work, whether they are recognized for their potential, and whether they take on more responsibilities. Despite its limitations, the two factor theory can be a valuable aid to managers because it points out that improving the environment in which the job is performed goes only so far in motivating employees.

3. Expectancy Theory

According to expectancy theory, individual motivation to put forth more or less effort is determined by a rational calculation. According to this theory, individuals ask themselves three questions. The figure below presents a *Summary* of Expectancy Theory

The first question is whether the person believes that high levels of effort will lead to desired outcomes. This perception is labeled as expectancy. For example, do you believe that the effort you put forth in a class is related to learning worthwhile material and receiving a good grade? If you do, you are more likely to put forth effort.

The second question is the degree to which the person believes that performance is related to secondary outcomes such as rewards. This perception is labeled as instrumentality. For example, do you believe that passing the class is related to rewards such as getting a better job, or gaining approval from your instructor, from your friends, or parents? If you do, you are more likely to put forth effort.

Finally, individuals are also concerned about the value of the rewards awaiting them as a result of performance. The anticipated satisfaction that will result from an outcome is labeled as valence. For example, do you value getting a better job or gaining approval from your instructor, friends, or parents? If these outcomes are desirable to you, you are more likely to put forth effort. As a manager, how can you influence these perceptions to motivate employees?

To influence their expectancy perceptions, managers may train their employees, or hire people who are qualified for the jobs in question. Low expectancy may also be due to employees feeling that something other than effort predicts performance, such as political behaviours on the part of employees.

In this case, clearing the way to performance and creating an environment in which employees do not feel blocked will be helpful. The first step in influencing instrumentality is to connect pay and other rewards to performance using bonuses, award systems, and merit pay. Publicizing any contests or award programs is helpful in bringing rewards to the awareness of employees. It is also important to highlight that performance and not something else is being rewarded.

For example, if a company has an employee-of-the-month award that is rotated among employees, employees are unlikely to believe that performance is being rewarded. In the name of being egalitarian, such a reward system may actually hamper the motivation of highest performing employees by eroding instrumentality. Finally, to influence valence, managers will need to find out what their employees value. This can be done by talking to employees, or surveying them about what rewards they find valuable.

4. McGregor's X and Y Theory

Theory X and Theory Y are two approach models used to manage and motivate employees. The managers follow Theory X model when they have negative expectation from employees. They adopt strict control and supervision and use reward and punishment method to motivate employees to work. Those managers that have positive expectations from employees follow Theory Y model.

McGregor first presented his ideas on "Theory X and Theory Y" in a classic article titled "The Human Side of Enterprise". After studying and analyzing the behaviour of different employees at work, McGregor came to conclusion that there are 2 types of employees. The employee falls either under Theory X or Theory Y.

a. Theory X

The assumptions of this approach (regarding the behaviour of employees) are as follows:

1. *Dislike work* – It is assumed that employees dislike work and are lazy by nature. Given an opportunity, they will prefer to avoid the work or try to shift the responsibility to others.
2. *Avoid responsibility* – It is assumed that employees prefer to be followers rather than being leaders. They try to transfer the responsibility onto others. In other words, employees prefer taking orders and following instructions of seniors.
3. *Disinterested in achieving organizational* goals – Management adopting this approach assumes that employees are only concerned about meeting their own needs and goals. They are passive and disinterested in achieving organizational goals.
4. *Lack ambition* – It is assumed that employees do not have any career or personal ambitions. They are satisfied with moderate pay, responsibility and job security. In other words, they are not motivated to move beyond their present status.
5. *Lack creativity* – It is assumed that employees are not creative. They are dull, lack reasoning skills and do not use their common sense while dealing with problems.

6. *Resist change* – It is assumed that employees are inflexible or stubborn. They do not co-operate in introducing new system or methods as it makes them uncomfortable and may require them to learn new skills. Instead, employees prefer doing their routine and monotonous job.
7. *Lack self-motivation* – It is assumed that employees by themselves are not interested in taking additional responsibilities and initiatives. Mostly, they are forced to take up responsibilities and they need to be closely supervised by seniors.
8. *Opportunities* – It is assumed that employees do not take full advantage of the career opportunities available to them. They prefer to do their routine work. In other words, they tend to resist taking new challenges and higher job role.
9. *Orthodox by nature* – It is assumed that employees are satisfied with their current job and work environment. They do not support introduction of new ideas or innovative methods.
10. *Lower level needs* – It is assumed that employees are dominated by lower level needs such as job security, basic amenities and so on.

Since employees are not self-motivated and tend to avoid work, management adopts autocratic style of leadership. In other words, Theory X places emphasis on centralization of authority. Further, management needs to maintain constant and close supervision over employees' work. Generally, reward and punishment method is used to motivate employees to perform better.

b. Theory Y

The assumptions of this approach (regarding the behaviour of employees) are as follows:

1. *Attitude towards work* – It is assumed that employees do not resist work. If comfortable work environment

and good opportunity is provided to them, employees take active interest and initiative in work.

2. *Creative* – Management adopting this approach assumes that employees are creative. They use their intelligence and mental skills to deal with difficult situations. Further, employees tend to utilize their skills and abilities at work if they are properly guided by the superiors.
3. *Self-motivated* – It is assumed that employees are responsible and sincere. They are self-motivated to complete the assigned job on their own without any force or punishment. Hence, they need not be closely supervised by the seniors.
4. *Interested in achieving organizational goals* – It is assumed that employees take initiative and actively participate in achieving organizational goals. Further, employees realize that their growth depends on the growth and success of organization.
5. *Ready to learn and contribute* – It is assumed that employees are ready to learn and contribute more to the organization, if they are provided with good work environment and adequate growth opportunities.
6. *Ambitions* – It is assumed that employees have career ambitions and higher goals. They are motivated to work harder and make the best use of their abilities and take opportunities to achieve their goals.
7. *Leaders and initiators* – It is assumed that employees prefer to be leaders rather than followers. In other words, employees prefer to lead and give orders rather than working under the control & instructions of other people.
8. *Opportunities* – It is assumed that employees take complete advantage of the career opportunities available to them. They have the desire to grow and develop over time. Such employees are given proper

guidance, training and opportunities to exhibit their skills and potential.

9. *Encourage change* – It is assumed that employees are flexible in nature. They are ready to adjust as per the changing needs of the organization. They support introduction of new ideas and methods to improve performance and productivity.
10. *Higher level needs* – It is assumed that employees are dominated by higher level needs such as self-esteem, self-fulfillment and so on.

Since employees are assumed to be self-motivated and ambitious, management adopts situational and democratic style of leadership. The management holds that their employees are reliable and responsible and do not require constant control and supervision. Instead, management focuses on providing comfortable work situations, career opportunities, counseling sessions and training to employees.

5. Carrot and Stick Approach of Motivation

Carrot and stick motivation is a motivational approach that involves offering a "carrot" (a reward—for good behavior) and a "stick" (a negative consequence for poor behavior). It motivates staff by creating actionable goals and desirable rewards for employees who can alter their behavior and performance. It is a simple and effective form of feedback for employees.

The carrot and stick theory can be applied effectively in the workplace with a reward and consequence system as motivational tools for staff members. Using the carrot and stick approach in the workplace can be an effective form of extrinsic motivation. Set the goal you would like your employees to achieve, then create a carrot and a stick related to that goal.

For example, if you want your sales team to sign contracts with five new clients per month, you need a reward for those who do so and a consequence for those who don't. Your reward could be an increased commission on those five sales, and the consequence could be taking a percentage off of the commission of the employee with the lowest number of new clients that month.

The carrot and stick approach can work very well to modify the behavior of your employees, guiding them to avoid the actions that are punishable and engage in the actions that will earn rewards. As long as your reward is attractive enough and your consequence is undesirable, this method can help motivate employees to achieve your preferred outcomes.

Use the following steps to begin a carrot and stick motivational policy for your team:

1. Set a goal

When you first implement a carrot and stick policy, you need to set a goal for your employees. It should be measurable and achievable within a deadline. You need to be specific about what you want your staff to accomplish and have a date by which you expect the goal to be achieved.

By beginning with a series of small, attainable goals, your employees are more likely to reach your desired objectives and earn their rewards. It is important to begin with small goals that you are confident your staff will be able to achieve. This will make it easier to implement your carrot and stick policy.

Your objective should be a goal that can be measured, such as a certain production output, a sales total or another common metric used by your employees. Opt for a goal such as "Increase sales by 5% by the end of this quarter" instead of simply setting the goal to "Increase sales."

2. Create an incentive

The key to the carrot and stick approach is using an incentive that interests or appeals to employees. Decide on a reward you can offer for reaching the goal. There are four general types of rewards you could give your staff members:

- Compensation
- Benefits
- Recognition
- Appreciation.

Choose a reward that you believe your employees would want to receive. In a large company, a company-wide email recognizing the employees who achieved the objective could be a highly sought-after reward.

For a small startup with only a few employees who often work closely together, company-wide recognition might not be as attractive of a reward, and a small stipend or gift might be more appreciated. Consider what might be valuable to your employees, and use your company culture and structure to help you determine potential rewards.

If you notice that not many employees can reach your goal, try offering a different reward to see if that helps with motivation. Alter your rewards as needed by choosing a new reward if there doesn't seem to be enough interest, or by creating larger rewards for bigger, more challenging goals.

3. Decide who is eligible to receive the carrot

You will also need to decide who is eligible for the reward and clearly outline any qualifications to all employees. If everyone surpasses your goal, you may decide to give a small reward to each employee.

Alternatively, you could choose to give a larger reward to the employee who performed the best. For example, if you have set a sales goal for your employees and they reach the goal, you could give everyone a small reward such as a staff party or a catered lunch, or choose to reward the top employee with a larger personal prize, such as a monetary bonus.

4. Outline a consequence

Choose a consequence for employees who do not meet the stated goal or have the lowest performance, and clearly communicate it. When your staff reaches its goals and you consistently follow through on providing the "carrot," your staff members will be more inclined to believe that you will also follow through on the "stick" as well. Once they see that you are serious about your carrot and stick motivation policy, they will be more motivated to avoid the punishment and receive the reward.

5. Decide who is eligible to receive the stick

Just like with the incentive, you will need to decide who receives a consequence. You could choose a small punishment for those who were unable to reach your goal, or you could have a more serious punishment for the employee who performed the worst at the task.

For example, if your goal is to reach a certain production output and only half of your employees can reach that goal, you could choose to have the employees who failed assist with inventory, or you could select the employee with the lowest output and give them the responsibility of tidying up the break room for the next two weeks.

6. Choose your carrot and stick policy carefully

If you choose to reward all staff members who can reach or surpass your goal, then your consequence should be applied only to the employee with the worst performance. Similarly, if you are singling out the employee who performed the best, apply a small punishment to all who were unable to reach your goal. This can help you avoid dividing your employees into those who got a small reward and those who got a small punishment.

You should unify your staff in achieving the goals you set out, while still allowing for them to compete. If everyone either gets a reward or a punishment, there will be little motivation to surpass the goal or avoid group punishment. Instead, single out either the employee with the best performance or the worst performance to motivate staff to be the one who avoids the stick and receives the carrot.

6.2 MOTIVATION INCENTIVES

Incentive is an act or promise for greater action. It is also called as a stimulus to greater action. An incentive is something which is given in addition to wages. It means additional remuneration or benefit to an employee in recognition of achievement or better work. Incentives provide a spur or zeal in the employees for better performance. It is a natural thing that nobody acts without a purpose behind. Therefore, a hope for a reward is a powerful incentive to motivate employees. Besides monetary incentive, there are some other stimuli which can drive a person to better. This will include job satisfaction, job security, job promotion, and pride for accomplishment. Therefore, incentives really can sometimes work to accomplish the goals of a concern. The need of incentives can be many:-

- To increase productivity,
- To drive or arouse a stimulus work,
- To enhance commitment in work performance,
- To psychologically satisfy a person which leads to job satisfaction,
- To shape the behavior or outlook of subordinate towards work,
- To inculcate zeal and enthusiasm towards work,
- To get the maximum of their capabilities so that they are exploited and utilized maximally.

Therefore, management has to offer the following two categories of incentives to motivate employees:

1. Monetary incentives- Those incentives which satisfy the subordinates by providing them rewards in terms of rupees. Money has been recognized as a chief

source of satisfying the needs of people. Money is also helpful to satisfy the social needs by possessing various material items. Therefore, money not only satisfies psychological needs but also the security and social needs. Therefore, in many factories, various wage plans and bonus schemes are introduced to motivate and stimulate the people to work.

2. Non-monetary incentives- Besides the monetary incentives, there are certain non-financial incentives which can satisfy the ego and self- actualization needs of employees. The incentives which cannot be measured in terms of money are under the category of "Non- monetary incentives". Whenever a manager has to satisfy the psychological needs of the subordinates, he makes use of non-financial incentives. Non- financial incentives can be of the following types:-
   a. Security of service- Job security is an incentive which provides great motivation to employees. If his job is secured, he will put maximum efforts to achieve the objectives of the enterprise. This also helps since he is very far off from mental tension and he can give his best to the enterprise.
   b. Praise or recognition- The praise or recognition is another non- financial incentive which satisfies the ego needs of the employees. Sometimes praise becomes more effective than any other incentive. The employees will respond more to praise and try to give the best of their abilities to a concern.
   c. Suggestion scheme- The organization should look forward to taking suggestions and inviting suggestion schemes from the subordinates. This inculcates a spirit of participation in the employees. This can be done by publishing various articles written by employees to improve the work environment which can be published in various

magazines of the company. This also is helpful to motivate the employees to feel important and they can also be in search for innovative methods which can be applied for better work methods. This ultimately helps in growing a concern and adapting new methods of operations.

d. Job enrichment- Job enrichment is another non-monetary incentive in which the job of a worker can be enriched. This can be done by increasing his responsibilities, giving him an important designation, increasing the content and nature of the work. This way efficient worker can get challenging jobs in which they can prove their worth. This also helps in the greatest motivation of the efficient employees.

e. Promotion opportunities- Promotion is an effective tool to increase the spirit to work in a concern. If the employees are provided opportunities for the advancement and growth, they feel satisfied and contented and they become more committed to the organization.

The above non-financial tools can be framed effectively by giving due concentration to the role of employees. A combination of financial and non- financial incentives help together in bringing motivation and zeal to work in a concern.

6.3 IMPORTANCE OF MOTIVATION

Motivation is very important for an organization because of the following reasons:

1. Improves Performance Level

Motivated employees have the ability and willing-ness to work and improve their performance level by obtaining relevant education and training. For example, a highly educated employee with experience of working in abroad is employed because this employee has new learning from her/

his experiences to share, implement and improve performance levels of themselves and her/his colleagues.

2. Indifferent Attitudes can be Changed

Motivated employees attempt to change indifferent or negative attitudes of employees by engaging in supporting conversations without resorting to belittling and complaining comments, speaking up with a dismissive employee and addressing an employee's inability to work in a team situation. Motivated employees could also privately discuss negative attitudes, recognize HR policies and procedures and involve HR, to make them listen their problems and support them. With such high morale building exercises the possibility of conflicts and industrial disputes could be minimal.

3. Reduction in Resistance to Change

Changes can be uncomfortable and require employees to think and/or act differently. Changes in a business may seem as a sign of uncertainty that may further lead to anxiety among employees. Accordingly, employees should be motivated in an organization to embrace changes (if any) positively by developing transparency and trust during the process of change in an organization. This motivation can be created by the management along with their employees by collectively, identifying and recognizing the benefits of possible changes.

4. Reduction of Employee Turnover and Absenteeism

Employee turnover is a measurement of the term or number of years an employee stays and/or replaced in the company. Highly motivated employees are considered to be the most reliable and valuable assets to the organization. They are more loyal, punctual and regular in their work schedule and stay on-job for a longer period of time in the organization. In case of poor working conditions, lack of recognition and poor relations with colleagues and superiors absenteeism could increase as these conditions demotivate employees to work harder.

5. Healthy Corporate Image

Motivation also helps organizations in improving their image due to efficient performance, maintenance of self-discipline and productive internal environment. It creates a good impression and enhanced image among people outside the organization.

7

Leadership

The term leadership is a word taken from the common vocabulary and incorporated into the technical vocabulary of a scientific discipline without being precisely redefined. As a consequence, it carries extraneous connotations that create ambiguity of meaning. Additional confusion is caused by the use of other imprecise terms such as power, authority, management, administration, control, and supervision to describe similar phenomena.

We talk about leaders and leadership nearly every day in the business world, but have you ever tried to actually define leadership? It can be much harder than you may think, but taking the time to define leadership and what makes a leader is crucial to building a cohesive culture and developing future leaders.

As part of the research for my new book, "Lead well or be led out", I interviewed more than 50 CEOs around the world and asked them each to define leadership. Many people struggled or had to pause to think because it's a word we use so frequently without really defining. We take the concept of leadership for granted and assume that we all know what leadership is and what a great leader looks like.

Every leader has their own personal definition of leadership, which influences how they lead and the culture and direction of their company. The definition of leadership can also change as the leaders themselves change. With new leaders come new approaches to leadership, which impacts overall culture and employees. As such, Leadership can therefore be defined as “the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organization. “

Leadership captures the essentials of being able and prepared to inspire others. Effective leadership is based upon ideas—both original and borrowed—that is effectively communicated to others in a way that engages them enough to act as the leader wants them to act.

A leader inspires others to act while simultaneously directing the way that they act. They must be personable enough for others to follow their orders, and they must have the critical thinking skills to know the best way to use the resources at an organization’s disposal.

Who is a Leader?

There have been countless people through history that led people but were inhumane and destructive. Does that still make them leaders? In my mind, a leader is someone who does more than just lead people. They have to be driven by the right motivation and make a positive impact on the people around them.

A leader is a person who influences a group of people towards the achievement of a goal. In other words, a leader is someone who can see how things can be improved and who rallies people to move toward that better vision. Leaders can work toward making their vision a reality while putting people first. Just being able to motivate people isn’t enough — leaders need to be empathetic and connect with people to be successful.

7.1 QUALITIES THAT MAKE GOOD LEADERS

Everybody defines leadership differently but I really like the way John C Maxwell defines leadership, “A leader is one who knows the way, goes the way, and shows the way." Irrespective of how you define a leader, he or she can prove to be a difference maker between success and failure. A good leader has a futuristic vision and knows how to turn his ideas into real-world success stories. In this chapter, we take an in-depth look at some of the important leadership qualities that separate good leaders from a bad one.

1. Honesty and Integrity

The 34th President of United States, Dwight. D.Eisenhower once said, "The supreme quality of leadership is unquestionably integrity. Without it, no real success is possible, no matter whether it is on a section gang, a football field, in an army, or in an office." Honesty and integrity are two important ingredients which make a good leader. How can you expect your followers to be honest when you lack these qualities yourself? Leaders succeed when they stick to their values and core beliefs and without ethics, this will not be possible.

2. Confidence

To be an effective leader, you should be confident enough to ensure that other follow your commands. If you are unsure about your own decisions and qualities, then your subordinates will never follow you. As a leader, you have to be oozing with confidence, show some swagger and assertiveness to gain the respect of your subordinates. This does not mean that you should be overconfident, but you should at least reflect the degree of confidence required to ensure that your followers trust you as a leader.

3. Inspire Others

Probably the most difficult job for a leader is to persuade others to follow. It can only be possible if you inspire your followers by setting a good example. When the going gets tough, they look up to you and see how you react to the situation. If you handle it well, they will follow you. As a leader, should think positive and this positive approach should be visible through your actions. Stay calm under pressure and keep the motivation level up. As John Quincy Adams puts it, "If your actions inspire others to dream more, learn more, do more and become more, you are a leader." If you are successful in inspiring your subordinates, you can easily overcome any current and future challenge easily.

4. Commitment and Passion

Your teams look up to you and if you want them to give their all, you will have to be passionate about it too. When your teammates see you getting your hands dirty, they will also give their best shot. It will also help you to gain the respect of your subordinates and infuse new energy in your team members, which helps them to perform better. If they feel that you are not fully committed or lacks passion, then it would be an uphill task for the leader to motivate your followers to achieve the goal.

5. Good Communicator

Until you clearly communicate your vision to your team and tell them the strategy to achieve the goal, it will be very difficult for you to get the results you want. Simply put, if you are unable to communicate your message effectively to your team, you can never be a good leader. A good communicator can be a good leader. Words have the power to motivate people and make them do the unthinkable. If you use them effectively, you can also achieve better results.

6. Decision-Making Capabilities

Apart from having a futuristic vision, a leader should have the ability to take the right decision at the right time. Decisions taken by leaders have a profound impact on masses. A leader should think long and hard before taking a decision but once the decision is taken, stand by it. Although, most leaders take decisions on their own, but it is highly recommended that you consult key stakeholders before taking a decision. After all, they are the ones who will benefit or suffer from your decisions.

7. Accountability

When it comes to accountability, you need to follow the approach highlighted by Arnold H Glasow when he said, "A good leader takes little more than his share of the blame and little less than his share of the credit." Make sure that every one of your subordinates is accountable for what they are doing. If they do well, give them a pat on the back but if they struggle, make them realize their mistakes and work together to improve. Holding them accountable for their actions will create a sense of responsibility among your subordinates and they will go about the business more seriously.

8. Delegation and Empowerment

You cannot do everything, right. It is important for a leader to focus on key responsibilities while leaving the rest to others. By that, I mean empowering your followers and delegating tasks to them. If you continue to micromanage your subordinates, it will develop a lack of trust and more importantly, you will not be able to focus on important matters, as you should be. Delegate tasks to your subordinates and see how they perform. Provide them with all the resources and support they need to achieve the objective and give them a chance to bear the responsibility.

9. Creativity and Innovation

In order to get ahead in today's fast-paced world, a leader must be creative and innovative at the same time. Creative thinking and constant innovation is what makes you and your team stand out from the crowd. Think out of the box to come up with unique ideas and turn those ideas and goals into reality.

10. Empathy

Last but certainly not the least, is empathy. Leaders should develop empathy with their followers. Unfortunately, most leaders follow a dictatorial style and neglect empathy altogether.

Due to this, they fail to make a closer connection with their followers. Understanding the problems of your followers and feeling their pain is the first step to become an effective leader. Even that is not enough until you work hard and provide your followers with the suitable solution to their problems.

To join the elite club of good leaders, you must have all these qualities but if you lack some of these qualities, then you might struggle to make the mark in the world of leadership.

You will have to set a good example for others to follow. That is where your commitment, passion, empathy, honesty and integrity come into play. Good communication skills and decision-making capabilities also play a vital role in success and failure of a leader. Lastly, innovation and creative thinking, as well as the futuristic vision, are a couple of leadership qualities that make up good leaders.

7.2 LEADERSHIP STYLES

A leadership style refers to a leader's characteristic behaviors when directing, motivating, guiding, and managing groups of people. Great leaders can inspire political movements and social change. They can also motivate others to perform, create, and innovate.

As you start to consider some of the people who you think of as great leaders, you can immediately see that there are often vast differences in how each person leads. Fortunately, researchers have developed different theories and frameworks that allow us to better identify and understand these different leadership styles.

7.2.1 Authoritarian vs. Democratic Leadership

The two ends of the spectrum of leadership style range from a focus on implementing specific tasks to a focus on the dynamics of human relationships. Leaders who focus primarily on getting specific tasks accomplished can be described as authoritarian; others who stress the development of interpersonal relationships may be viewed as democratic leaders.

Authoritarian leaders, also known as autocratic leaders, provide clear expectations for what needs to be done, when it should be done, and how it should be done. This style of leadership is strongly focused on both commands by the leader and control of the followers. There is also a clear division between the leader and the members. Authoritarian leaders make decisions independently, with little or no input from the rest of the group.

The authoritarian leader is all about "control" and managing the completion of tasks. Authoritarian leaders often approach situations with the attitude that other people are innately unwilling to get involved and are basically unreliable. They tend to use their power to dominate their followers. In the authoritarian style, most (if not all) policies are determined by the leader. Decision-making for the authoritarian leader is usually autocratic, which means no input from others until after the decision is made. This often results in the lack of creative solutions to problems, which can ultimately hurt the performance of the organization.

Authoritarian leadership is very effective in those situations in which people have a high level of trust in the organization, when the task is straightforward, when a decision needs to be made quickly, and/or when the leader is given responsibility for directing action. A danger in authoritarian leadership is the tendency toward negative motivation: using threats, coercion, and other non-reinforcing means to achieve results. This can create a culture of crisis in the organization, with the leader as either oppressor or rescuer or both.

As situations in an organization become more complex, it becomes increasingly difficult for leaders to achieve their goals by using formal authority alone.

If we as adults are paying attention, we learn that control isn't a sustainable and effective way to approach working with other people. Leaders are expected to find ways of obtaining the highest level of productivity from those they lead, and using control is likely to have the opposite effect of that which is desired.

They increasingly need to build alliances with those on whom they are ultimately dependent, otherwise employees lose their motivation to excel and may even quit to find a more favorable work environment.

The democratic or participative leaders on the other hand, encourage group members to participate, but retain the final say in the decision-making process.

Group members feel engaged in the process and are more motivated and creative. Democratic leaders tend to make followers feel like they are an important part of the team, which helps foster commitment to the goals of the group.

The democratic style of leadership, therefore, tends to be more participative; policies evolve from group discussion and from a group decision-making process. By sharing decision-making and other responsibilities, the group is more likely to make full use of all the potential of its members, and individual self-esteem tends to increase.

Furthermore, the more that members participate in making the decisions that affect them, have a clear picture of the goals of the group, and have a recognized part to play in helping the group reach those goals, the higher will be the group's cohesion and commitment to the process.

However, when everything is a matter of group discussion and decision, not much room for leadership is left.

Historically, effective leadership has incorporated elements of both styles. Observers must be cautious not to misread or stereotype a leader's style.

The most effective leader adopts the style most productive in a given situation. For instance, if the situation calls for quick decisions and fast mobilization of resources, a more authoritarian style may be called for and appreciated by followers.

However, even authoritarianism that is appropriate to the situation is unlikely to be successful if an atmosphere of group participation has not been previously developed using more democratic means.

7.2.2 Transactional Leadership

Transactional Leadership style assumes that people are motivated primarily by reward and punishment. This style is much related to the autocratic style discussed earlier.

The belief is that employees perform their best when the chain of command is definite and clear, and that reward or punishment is contingent upon performance. They should be happy to hand over all authority and responsibility to a leader, which is the opposite thinking of an empowered employee.

The focus of the transactional leader is on maintaining the status quo, and the primary goal of the followers is to obey the instructions and commands of the leader.

The transactional leader is more a manager than a leader, and is highly focused on getting tasks accomplished, providing very clear direction, and overseeing productivity in detail. He or she tends to think inside the box when solving organizational problems. The concern is with the work process, rather than with forward-thinking ideas. Rules, procedures, and standards are essential to the transactional leader. This type of leader tends to carefully monitor and micro-manage a subordinate's work, making corrections throughout the process. When a subordinate fails to meet expectations, the next step is often a penalty or punishment.

A major downside of the transactional style is that it does not consider other potential factors that may influence outcomes and therefore affect leadership effectiveness. For example, if clear behavioral or outcome expectations are expressed by top leadership, but the reward for achieving them is not considered adequate, staff leaders may not be motivated to work hard to make these outcomes happen.

The strictly transactional leader is unable to embody qualities like empowerment and development of employees, whereas the transformational leader that is discussed in the next section will realize certain situations call for a transactional style of leadership. The main difference between the two styles, however, is that the relationship between transactional leaders and employees is centered on goals and rewards, such as increases in pay and moving up in an organization. For strictly transactional organizations, the overall outcome is simply a "prescription for mediocrity.

7.2.3 Transformational Leadership

Transformational leadership grows out of the assumption that people will follow a leader who inspires and motivates them. In this leadership style, the leader motivates and inspires by developing a compelling vision, selling that vision, and focusing on developing relationships with followers as a teacher, mentor, and coach.

A transformational leader is the result of significant and continuous learning and relationship building. He or she engages subordinates by spending a great deal of time building trust and demonstrating a high level of personal integrity. The ultimate goal is to "transform" the goals, vision, and sense of purpose of the followers, molding them into a cohesive team. This leadership style tends to help motivate followers to be loyal and dedicated workers, with the goal also of helping every member of the group be successful.

This type or style of leadership often focuses on the "big picture" and on concern for people and their individual needs. Four main components (the four "I's") the transformational leader strives to achieve are:

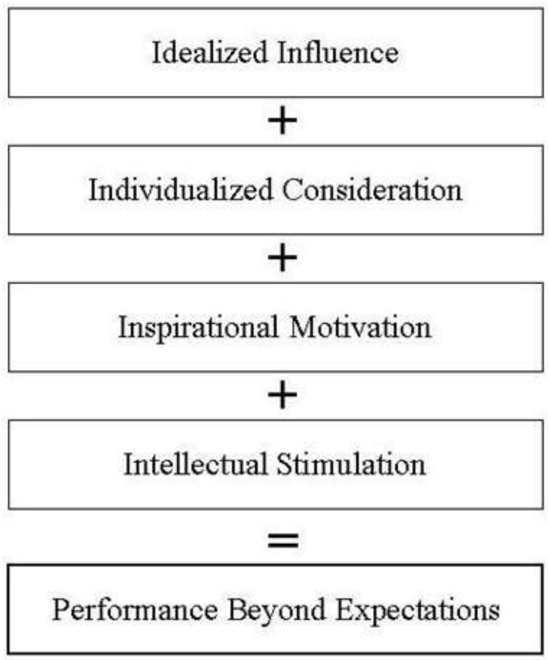
Idealized Influence — A transformational leader's behavior becomes a role model for employees through exemplary behavior that instills pride and trust among followers. Because followers trust and respect the leader, they try to emulate this individual and personally adopt his or her ideals.

Inspirational Motivation — A transformational leader usually has a sense of team spirit, enthusiasm, passion, and optimism. This type of leader helps employees dedicate themselves to the organization's vision. Certainly, leaders can't motivate followers, but they can provide an inspiration for achievement.

Intellectual Stimulation — A transformational leader must question old assumptions, cast existing problems in a new light, encourage creativity and innovation, and look at more effective ways to make decisions. In this leadership style, a leader solicits ideas, and nurtures and develops people who think independently and who value learning.

Individualized Consideration — A transformational leader pays attention to the needs of individuals, and seeks to develop followers by supporting, mentoring, and coaching employees to reach their full potential. [51] A concern exists to keep lines of communication open so that followers feel free to share ideas in this supportive environment. This type of leader also makes a strong effort to recognize followers for their unique contributions.

The figure below illustrate Transformational Leadership Components



These four components are essential when it comes to transforming an organization and empowering employees. The transformational leader has to be quick to adapt to changes within an organization. In fact, the purpose of effective leadership is to create positive change. Along with this, he or she dedicates time and effort into translating the organization's vision and mission to each employee for purposes of motivation, inspiration, and unifying the organization as a whole. Becoming a transformational leader is an *evolutionary* process.

A considerable literature base can be found about Transformational Leadership, and most data indicate that it tends to predict positive outcomes for organizations in terms of things like performance and desired organizational behavior. One of the potential problems with Transformational Leadership is that enthusiasm can easily be mistaken for competency. While it is true that great things have been achieved through enthusiastic leadership, it is also true that many passionate leaders have led their followers into a bad place. Just because someone *believes* they are right, it does not mean they *are* right.

The Difference between Transactional and Transformational Leaders

Transactional Leadership	**Transformational Leadership**
Leadership is responsive	Leadership is proactive
Works within the organizational culture	Works to change the organizational culture by implementing new ideas
Makes employees achieve desired organizational outcomes through rewards and punishment	Encourages and empowers employees to achieve the organization's desired outcomes by appealing to higher ideals and values
Tries to motivate followers by appealing to their own self-interest	Encourages followers to transcend their own interests for those of the organization or team

7.2.4 The Servant Leader

Servant Leadership represents a philosophy in which leaders focus on increased service to others rather than on increasing their own power. The goal is to enhance the growth of individuals in the organization and increase teamwork and personal involvement. The best test of the Servant-Leadership philosophy is whether or not those served by the organization and the organization's staff grow as persons. In other words, servant leaders are givers, not takers.

The concept of a servant leader is certainly not new. In the New Testament of the Bible, we have this statement from Jesus: *You know that those who are considered rulers over the Gentiles lord it over them, and their great ones* *exercise authority over them. Yet it shall not be so among you; but whoever desires to become great among you shall be your servant. And whoever of you desires to be first shall be slave of all. For even the Son of Man did not come to be served, but to serve, and to give His life a ransom for many.* (Mark 10:42-45).

At the very heart of servant-leadership is the genuine desire to serve others for the common good. The goal of the servant leader is to help people, not just to make them happy. In servant-leadership, self-interest gives way to collective human development. What distinguishes servant-leaders from others is not the quality of the decisions they make, but how they exercise their responsibility and whom they consult in reaching these decisions.

7.2.5 The Charismatic Leader

People tend to think of leaders as people who influence others to follow by the power of their *charismatic personality*. We think, for example, of John F. Kennedy's press conferences or Martin Luther King's stirring speeches. The "charismatic" leader is able to articulate a compelling vision that responds to the needs and aspirations of the followers. Through their relationship with the charismatic leader, the followers gain feelings of power and build their self-esteem.

Actually, leaders don't have charisma; followers give leaders charisma. People tend to ascribe charisma to a leader who appears to meet their ideals and their needs. Charismatic leadership relies on the twin effect of a leader's personality and a strong belief by followers that this special person is the one to lead them in their hour of need. Charisma can be based on anything from physical appearance to past actions and successes.

Charismatic leaders are generally very skilled communicators. They tend to be individuals who are both verbally eloquent, but also able to communicate to followers on a deep, emotional level. These charismatic leaders use effective communication with their followers to gain their trust, and then influence and persuade them to follow. Charismatic leaders also pay a great deal of attention to scanning and reading their environment, and are good at picking up the moods and concerns of both individuals and larger audiences. They then will try to hone their actions and words to suit the situation.

Charisma can also be a negative if the leader becomes self-centered and domineering. Charismatic leaders can fall into the trap of charming themselves, a result of the heady recognition they get from the followers. Furthermore, when an organization is no longer in the crisis that may have brought this leader forward, the leader may attempt to cling to power, which could drive other potential leaders away. When there is a lack of concern or responsiveness to followers and constituents, the charismatic leader can lose his/her luster.

7.2.6 Situational Leadership

As we have seen, many theories and techniques exist for determining the right leadership styles for individuals in an organization. It can be argued that the best type of leadership is determined by the specific situation, and that no one style of leadership is appropriate for all given workplace situations. Effective leaders should be aware of where they are with a specific follower, and where that follower is in his/her own stage of leadership development. For example, giving staff too much or too little direction can have a negative impact on their performance and their development as leaders.

Therefore, identifying the leadership style for an organization should ideally take into careful consideration the specific task, the complexity of the organization, and qualifications of the employees. A variety of leadership styles may be needed to lead different groups, such as the employees, the Board of Directors, volunteer groups associated with the organization, etc. Furthermore, the use of a particular leadership style with a particular person can depend on the situation of that person at a particular time.

The various leadership styles that exist provide no guidance on the kind of leadership that leaders should offer; they merely reflect what kinds exist. A style tends to contain what a particular leader has learned from other leaders that served as role models, and this style is influenced strongly by this experience.

The leadership style also is affected by the purpose or goal of the leaders. Another influence, which is often quite strong, is the particular personality of the leader and/or the personality or capability of the followers or group being led, and/or of the situation in which the leader is leading his or her people.

7.3 LEADERSHIP STRATEGY

Without an effective leadership strategy, it is believed, that the organizational strategies do not work. Best players in a team do not guarantee success without a great coach, similarly, work teams may not function effectively if leaders do not follow an appropriate leadership strategy.

Here are some tips while selecting leadership strategy / style:

- A leader must be aware of his / her personality traits and those of his team members / followers to understand which leadership style will be most effective.
- A leader may not adopt a consistent leadership all through his / her career. Situational Leadership helps addressing varied needs / expectations of the followers as he the leader adopts a strategy based on a situation he / she is in. In case a leader has a self-reliant team, he needs to be using a directive leadership style or lead form the front. He could instead delegate and provide inputs where necessary.

- A common mistake especially a lot of new leaders make is to copy established / well know leaders. Remember, each situation is unique and so are the followers. A leadership style which may be suited to a well known leader may not be appropriate for your team. Make no mistake here - do not try and imitate other leaders.
- A leader will never be afraid of trying new approach to solve a work problem or address a conflicting situation. It is quite a possibility that a leader adopts a style that is not by the book.
- A leader must keep enhancing his / her leadership skills. While on the job experience matters a lot, getting enrolled into leadership courses after detailed evaluation of the program and feedback of the participants will help implementing a leadership style more effectively.

It is often said that good leaders are born and not made; however, good leaders are those who are aware of their personality traits and also of their followers. They know which leadership style is to be adopted in a particular situation. Once this is done, there is a little challenge left for a leader to become a "good / great" leader.

7.4 IMPORTANCE OF LEADERSHIP

Leadership is an important function of management which helps to maximize efficiency and to achieve organizational goals. The following points justify the importance of leadership in a concern.

1. Initiates action- Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
2. Motivation- A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.

3. Providing guidance- A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.
4. Creating confidence- Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively. It is also important to hear the employees with regards to their complaints and problems.
5. Building morale- Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving full co-operation so that they perform with best of their abilities as they work to achieve goals.
6. Builds work environment- Management is getting things done from people. An efficient work environment helps in sound and stable growth. Therefore, human relations should be kept into mind by a leader. He should have personal contacts with employees and should listen to their problems and solve them. He should treat employees on humanitarian terms.
7. Co-ordination- Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.

8

Business Communication

In the age of digital, global businesses, it is essential for organizations of all sizes to effectively communicate not only within their organization, but also with shareholders, vendors, clients, and customers. Effective communication is at the forefront of significant business processes and must be efficient so that personnel can successfully share and communicate information that helps to run a successful enterprise, and to drive the most critical business processes.

Business communication is a broad concept that is related to any sharing of information in a business or enterprise for the sole purpose of benefiting the organization. This includes relaying information in a variety of forms, which can be carried out on a myriad of platforms and devices. Business communication often includes two phases: *relaying* of information, and *feedback,* the latter of which is equally important in order to optimize all business workflows and to ensure that everyone is on the same page.

Effective communication is critical for a business to operate at their peak level, and to ensure that everyone is on the same page. While budgets, operational procedures, project timelines, and the bottom/top line of an organization are often the focus of Board meetings, effective, honest, and ethical communication principles don't always receive the same level of focus. According to Blue Source, most employees - 97 percent to be exact - regard communication as having a real impact on everyday tasks. Thus, effective business communication is not just an abstract concept that can be relegated to the background due to having little real impact on business affairs - it is a concrete principle that businesses need to apply on a daily basis. These principles are most critical to business success, since a business cannot flourish or meet its goals if all personnel are not communicating effectively. Additionally, effective communication can mitigate project delays, and can help teams stay on time and on budget for projects, while ensuring that the business is able to complete its goals and fulfill its overall objective according to its business model and strategic plan.

Business Communication can be of two types:

1. Oral Communication - An oral communication can be formal or informal. Generally business communication is a formal means of communication, like: meetings, interviews, group discussion, speeches etc. An example of Informal business communication would be - Grapevine.
2. Written Communication - Written means of business communication includes - agenda, reports, manuals etc.

8.1 QUALITIES OF GOOD COMMUNICATION

Although every type of work has its own special vocabulary, you don't need to learn technical terms to communicate in business.

In fact, the less technical your writing is, the better. But you will need to communicate effectively. The six qualities of good communication are:

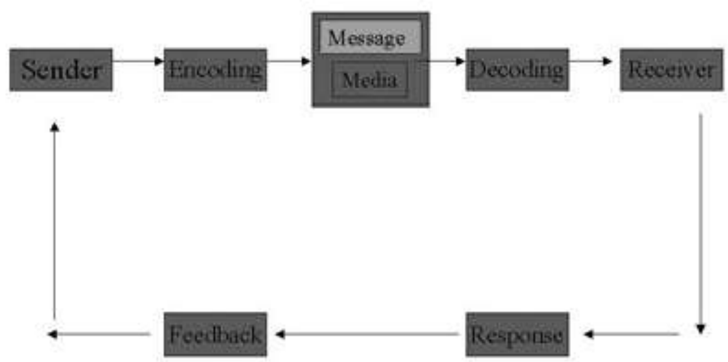
- Briefness. Professional writers have a rule abbreviated as KISS—"Keep it short and simple." In the business world, that means identifying yourself and the reason for the communication. Avoid using unnecessary words or getting sidetracked with personal information or other unrelated subjects.

- Organization. Give information in an easy-to-follow format. Some messages might need numbered steps or an outline. For a letter or speech, you should introduce your subject, add details in a logical order, and close by summarizing your main ideas.
- Clarity. Your audience may not know all the facts as you do. Include the details your audience needs to understand to act on your message.
- Relevance. Supply the right information to the right audience. Wading through unneeded facts can be confusing and time-consuming. Suppose you ask an employee to order pens to give away at a grand opening. That individual needs to know the color, quantity, and wording you want on the pens. She doesn't need to know how much you are spending on radio ads.
- Courtesy. Communicate respect and a positive attitude. Assume that the other party is interested in helping you solve your problem or meet your goal. Even if you have to point out someone else's mistake, avoid personal attacks and criticism.
- Suitability. As you will learn in this section, different types of communication are required for different situations. Once you've learned these qualities, you can apply them to different situations and purposes. Not surprisingly, achieving them takes preparation.

To make a phone call brief, for example, might mean jotting down a few points you want to make beforehand. To be brief when writing a business proposal might mean making an outline and sticking to it.

8.2 COMPONENTS OF COMMUNICATION PROCESS

Communication is a process of exchanging verbal and non verbal messages. It is a continuous process. Pre-requisite of communication is a message. This message must be conveyed through some medium to the recipient. It is essential that this message must be understood by the recipient in same terms as intended by the sender. He must respond within a time frame. Thus, communication is a two way process and is incomplete without a feedback from the recipient to the sender on how well the message is understood by him.



Communication Process

The main components of communication process are as follows:

1. Context - Communication is affected by the context in which it takes place. This context may be physical, social, chronological or cultural. Every communication proceeds with context. The sender chooses the message to communicate within a context.
2. Sender / Encoder - Sender / Encoder is a person who sends the message. A sender makes use of symbols (words or graphic or visual aids) to convey the message and produce the required response. For instance - a training manager conducting training for new batch of employees. Sender may be an individual or a group or an organization. The views, background, approach, skills, competencies, and knowledge of the sender

have a great impact on the message. The verbal and non verbal symbols chosen are essential in ascertaining interpretation of the message by the recipient in the same terms as intended by the sender.

3. Message - Message is a key idea that the sender wants to communicate. It is a sign that elicits the response of recipient. Communication process begins with deciding about the message to be conveyed. It must be ensured that the main objective of the message is clear.
4. Medium - Medium is a means used to exchange / transmit the message. The sender must choose an appropriate medium for transmitting the message else the message might not be conveyed to the desired recipients. The choice of appropriate medium of communication is essential for making the message effective and correctly interpreted by the recipient. This choice of communication medium varies depending upon the features of communication. For instance - Written medium is chosen when a message has to be conveyed to a small group of people, while an oral medium is chosen when spontaneous feedback is required from the recipient as misunderstandings are cleared then and there.
5. Recipient / Decoder - Recipient / Decoder is a person for whom the message is intended / aimed / targeted. The degree to which the decoder understands the message is dependent upon various factors such as knowledge of recipient, their responsiveness to the message, and the reliance of encoder on decoder.
6. Feedback - Feedback is the main component of communication process as it permits the sender to analyze the efficacy of the message. It helps the sender in confirming the correct interpretation of message by the decoder. Feedback may be verbal (through words) or non-verbal (in form of smiles,

sighs, etc.). It may take written form also in form of memos, reports, etc.

8.3 FEATURES OF BUSINESS COMMUNICATION

Business Communication has certain features or characteristics which enable us to distinguish it from other communication. For communication to be business communication, it must be:

1. Practical

Effective business communication deals with the practical aspect of the information explaining why, how, when and the like queries. It avoids impractical, imaginary, unnecessary or repetitive information to eliminate waste of time. It conveys important information to the receiver.

2. Factual

In general a business message contains facts and figures in place of overall idea. Important date, place, time, etc. should be clearly mentioned in a business communication.

3. Clear and Brief

The language used in business communication should be simple, clear, brief and without ambiguity. Sometimes charts, photographs, diagrams, etc. are used to condense or clarify the information.

4. Target-Oriented

A business communication must have a specific objective and must be planned properly so that the objective can be achieved.

5. Persuasive

Business communication often plays a persuasive role. It persuades an employee to perform his/her duties, a customer to buy a product or service etc. The basic characteristics mentioned above are related to the message or information of the communication.

8.4 METHODS OF COMMUNICATION

There are a variety of platforms that can be used to communicate in the three major forms above (verbal, written, in person), which usually - in modern day - includes digital and/or electronic devices:

- Web-Based Communication: Web and cloud portals give businesses a novel way to communicate via sharing and synchronizing of data from one person to the entire company, regardless of location.
- Video Conferencing: Video conferences allow pertinent business parties from all over the globe to participate in an online video session or e-meeting, where information is shared and feedback is given.
- Reports and Presentations: Reports and presentations can be written or given via digital media (e.g. PowerPoint presentations or Slides) in order to share data with another via an online transmission or in a meeting.
- Phone Meetings: Phone meetings involve a multi-party session where information is shared (verbally), feedback is given, and questions are answered by the pertinent parties within a business.
- Personal Meetings: Personal meetings typically include a one-on-one, face-to-face session where information is shared and/or relayed between the two parties. This can include interviews or a general business meeting.
- Suggestion or Feedback Box: Feedback boxes give businesses the ability to utilize written (or digital) communication forms for anonymous, or non-anonymous, feedback that is often given to management from personnel. They can include

comments, questions, requests, feedback, or general suggestions.

- Email: Electronic mail is one of the most popular ways to utilize digital, written communication systems for relaying critical information within a business. Such email suites can be utilized on desktop workstations, tablet computers, and mobile devices.
- Business Instant Messaging (Slack): Like email, messaging apps allow for digital, written communication between two (or more) parties. However, while email is sent somewhat instantly, it is usually a slower manner of communicating, and it may take time to get a reply. Every day, as noted by Blue Source, there are upwards of 205 billion emails sent across the globe, while only one third of emails are actually opened. Instant messaging apps, like Slack, Messenger, Skype, etc. allow for near-instant communication over a network, and can include a number of parties, along with synced communications and data that is stored in the cloud for collaboration with other parties.

8.5 CHANNELS OF BUSINESS COMMUNICATION

Channels are the routes or paths through which messages are sent or received. If channels are used for the purpose of communication relating to any business activity, such channels may be called 'the channels of business communication'. A departmental manager issuing orders to the supervisors in writing is an example of business communication.

Classification of Channels of Business Communication

Channels of business communication may be classified from different viewpoints as follows:

1. On the basis of Organizational Structure

On the basis of organizational structure, the channels of business communication may be divided into: Formal, and Informal.

When communication is carried on through structured, organized or official route, the channel is called 'Formal Channel'.

On the hand, when communication is carried on through non-structured, unofficial and unorganized route of communication is 'Informal Channel'.

2. On the basis of Direction

The direction of business communication channels may be: Downward, Upward and Horizontal or Lateral.

i. Downward Channel: Channels used for flowing information from top towards bottom are called 'Downward Channel'.

ii. Upward Channel: Communication of information from lower level to upper level is possible through 'Upward Channel'.

iii. Horizontal or Lateral Channel: When communication takes place between the persons of same rank, a 'Horizontal Channel' is said to be formed.

3. On the basis of Way of Expression

On the basis of the ways or means of expression business communication channels are of two types: Written, and Oral.

I. Written Channel: When communication takes place in writing through letters, memos, reports, proposals, e-mail, faxes, etc. 'Written Channel' is said to be in use.

A written channel is often selected in the following cases:

A. immediate feedback is not required;

B. the receiver stays in a far off place and cannot be brought to contact easily;

C. distortion of message is not desirable;

D. detailed, complex and planned messages are required to be sent; and

E. permanent record is necessary for future reference.

II. Oral Channel: 'Oral Channel' includes different media e.g., face-to-face conversations, speeches, meetings, telephone, voice mails, audio and video tape, teleconference or video conference, etc.

An oral channel is to be selected if:

A. feedback is required immediately.

B. the receiver of message or audience can be brought to contact easily.

C. interaction is necessary.

D. simple messages are communicated.

E. no permanent record is to be kept.

8.6 LEVELS OF BUSINESS COMMUNICATION

Levels of business communication may be determined on the basis of direction of communication and the ranks or positions of the persons with whom communication is being made. It may be classified as:

1. Lower Level Communication
2. Upper Level Communication
3. Horizontal or Side-wise or Lateral Communication.

1. Lower Level Communication

When information flows from the persons occupying higher positions to those at lower levels, it is called 'Lower Level Communication'. The flow of communication being downward it is also called 'Downward Communication'. It is usually conveyed through oral or written orders, reports, manuals, etc. and is the most common practice in all business organizations.

In an organization, people at lower levels have a high degree of loyalty, faith, respect and sometimes mixed feelings of fear and obedience towards the people of higher levels. This leads to high degree of acceptance of the communication.

In the lower level communication, there is a possibility of distortion of information through gossip or 'grapevine' communication. In such a case the ultimate objective of communication is lost. So, care should be taken to send the information, message or order and receive feedback without any loss, alteration or distortion of information.

2. Upper Level Communication

When communication moves upward from the subordinates to the superiors, it is called 'Upper Level Communication'. The means of upper level communication includes the submission of reports and suggestion, opinions and attitudes, complaints and grievances, etc.

The upper level employees can understand the pulse of the lower level employees through such communication. But, it is less common because it is less favoured by the top managers due to its troublesome and perplexing nature.

The effectiveness of such communication depends upon good superior-subordinate relationship and intention of the superiors to remove the grievances and honour the emotions of the subordinates. The subordinates should also be co-operative and avoid unnecessary criticism, fault-finding attitude, complaining for fake or baseless grievances, etc.

3. Horizontal or Side-Wise or Lateral Communication

'Horizontal or Sidewise or Lateral Communication' takes place between the people of same level in the positional hierarchy of the organization through oral or written method. Communication between the employees or supervisors or managers of the same department or another department is examples of horizontal or lateral communication. It helps to promote understanding and co-ordination in the organization. It is especially important in large or decentralized organization.

8.7 FACTORS INFLUENCING BUSINESS COMMUNICATION

Communication is the exchange of facts, ideas, wishes, and attitudes between or among persons. This exchange becomes fruitful when the receiver understands the meaning of the message in the way the sender encoded. However, several factors distort the meaning of a message in business. Some of these factors include:

1. Cultural Diversity

When people from different cultural backgrounds communicate, the chance of misunderstanding and wrong interpretation of the message is higher. Misunderstanding of messages can lead to a very troubling situation for a company. Companies can take some measures to avoid this problem.

2. Misunderstanding of Message

Communication in business also fails when people assign different meanings to the same word. Such a misunderstanding happens when technical words or jargons are used. Moreover, people may intentionally misinterpret the inner meaning of words. This could create a problem for the company. So, messages must be prepared properly and there should be a feedback system.

3. Emotional Difference

Emotions and feelings of the parties involved in communication significantly affect the meaning of communication. For example, physicians are usually less emotional to the patient than those of the relatives of the patients.

4. Past Experiences

The experience of previous communication strongly determines the effectiveness of further communication between the same sender and receiver. If either of the parties have a bitter experience, further communication between them is likely to be ineffective.

5. Educational and Intellectual Difference

The difference in the informal educational and intellectual level of the sender and receiver also influences the meaning of communication. If they have similar educational qualifications, communication will be effective. Because they are likely to hold similar perceptions, understanding, feeling, thinking, view, etc.

7. Positional Differences among the Personnel

If the sender and receiver hold different positions in the hierarchy, communication between them may fail. Sometimes we see that for the purpose of maintaining the formality in the organization, some people go too far. For example, superiors usually pay less attention to any message from their subordinates. Also, subordinates try to avoid any instruction from the superiors to avoid the workload and responsibilities.

8. Functional Relationship between Sender and Receiver

The functional relationship between the sender and receiver significantly affects the meaning of communication in business.

If the sender and receiver belong to different functional departments or areas, the receiver may not understand the sender's message. For example, the finance manager may not clearly understand the message of the product design manager; quality control manager may not understand the message of accountants.

8.8 COMMUNICATION BARRIERS

There are several barriers that affect the flow of communication in an organization. These barriers interrupt the flow of communication from the sender to the reciever, thus making communication ineffective. It is essential for managers to overcome these barriers. The following are some of the main communication barriers:

1. Perceptual and Language Differences: Perception is generally how each individual interprets the world around him. All generally want to receive messages which are significant to them. But any message which is against their values is not accepted. For example: A person is on leave for a month due to personal reasons (family member being critical). The HR Manager might be in confusion whether to retain that employee or not, the immediate manager might think of replacement because his teams' productivity is being hampered, the family members might take him as an emotional support.

   The linguistic differences also lead to communication breakdown. Same word may mean different to different individuals. For example: consider a word "value".

   a. What is the value of this Laptop?
   b. I value our relation?

      What is the value of learning technical skills?

      "Value" means different in different sentences. Communication breakdown occurs if there is wrong perception by the receiver.

2. Information Overload: Managers are surrounded with a pool of information. It is essential to control this information flow else the information is likely to be misinterpreted or forgotten or overlooked. As a result communication is less effective.

3. Inattention: At times we just not listen, but only hear. For example a traveler may pay attention to one "NO PARKING" sign, but if such sign is put all over the city, he no longer listens to it. Thus, repetitive messages should be ignored for effective communication. Similarly if a superior is engrossed in his paper work and his subordinate explains him his problem, the superior may not get what he is saying and it leads to disappointment of subordinate.
4. Time Pressures: Often in organization the targets have to be achieved within a specified time period, the failure of which has adverse consequences. In a haste to meet deadlines, the formal channels of communication are shortened, or messages are partially given, i.e., not completely transferred. Thus sufficient time should be given for effective communication.
5. Distraction/Noise: Communication is also affected a lot by noise to distractions. Physical distractions are also there such as, poor lightning, uncomfortable sitting, unhygienic room also affects communication in a meeting. Similarly use of loud speakers interferes with communication.
6. Emotions: Emotional state at a particular point of time also affects communication. If the receiver feels that communicator is angry, he interprets that the information being sent is very bad. While he takes it differently if the communicator is happy and jovial (in that case the message is interpreted to be good and interesting).
7. Complexity in Organizational Structure: Greater the hierarchy in an organization (i.e. The number of managerial levels), more is the chances of communication getting destroyed. Only the people at the top level can see the overall picture while the

people at low level just have knowledge about their own area and a little knowledge about other areas.

8. Poor retention: Human memory cannot function beyond a limit. One can't always retain what is being told specially if he is not interested or not attentive. This leads to communication breakdown.

8.8.1 Overcoming Communication Barriers

There are so many communication barriers faced these days by all. The message intended by the sender is not understood by the receiver in the same terms and sense and thus communication breakdown occurs. It is essential to deal and cope up with these communication barriers so as to ensure smooth and effective communication.

As, in the previous section we have discussed the major barriers of communication. Let's talk about how to overcome these barriers of communication.

1. Eliminating differences in perception: The organization should ensure that it is recruiting right individuals on the job. It's the responsibility of the interviewer to ensure that the interviewee has command over the written and spoken language. There should be proper Induction program so that the policies of the company are clear to all the employees. There should be proper trainings conducted for required employees (for eg: Voice and Accent training).
2. Use of Simple Language: Use of simple and clear words should be emphasized. Use of ambiguous words and jargons should be avoided.
3. Reduction and elimination of noise levels: Noise is the main communication barrier which must be overcome on priority basis. It is essential to identify the source of noise and then eliminate that source.
4. Active Listening: Listen attentively and carefully. There is a difference between "listening" and

"hearing". Active listening means hearing with proper understanding of the message that is heard. By asking questions the speaker can ensure whether his/her message is understood or not by the receiver in the same terms as intended by the speaker.

5. Emotional State: During communication one should make effective use of body language. He/she should not show their emotions while communication as the receiver might misinterpret the message being delivered. For example, if the conveyer of the message is in a bad mood then the receiver might think that the information being delivered is not good.
6. Simple Organizational Structure: The organizational structure should not be complex. The number of hierarchical levels should be optimum. There should be a ideal span of control within the organization. Simpler the organizational structure, more effective will be the communication.
7. Avoid Information Overload: The managers should know how to prioritize their work. They should not overload themselves with the work. They should spend quality time with their subordinates and should listen to their problems and feedbacks actively.
8. Give Constructive Feedback: Avoid giving negative feedback. The contents of the feedback might be negative, but it should be delivered constructively. Constructive feedback will lead to effective communication between the superior and subordinate.
9. Proper Media Selection: The managers should properly select the medium of communication. Simple messages should be conveyed orally, like: face to face interaction or meetings. Use of written means of communication should be encouraged for delivering complex messages. For significant messages

reminders can be given by using written means of communication such as : Memos, Notices etc.

10. Flexibility in meeting the targets: For effective communication in an organization the managers should ensure that the individuals are meeting their targets timely without skipping the formal channels of communication. There should not be much pressure on employees to meet their targets.

8.9 IMPORTANCE OF BUSINESS COMMUNICATION

To Shareholders: Shareholders must receive honest, timely, concise pieces of information that can help to shape the future of a business. During board meetings, it is critical for all notable members to discuss critical organizational matters in the most efficient and effective manner possible.

To Personnel: In order to manage a business, executives must plan and direct all activities and personnel correctly, which includes efficiently conveying what needs to be done, and exactly how it is to be done. In return, feedback is sometimes required from personnel, which often is associated with the relayed information, that is, what has been done and what needs to be done - along with questions - to ensure that all goals of the organization - be it short term or long term - are completed correctly and in the way that management desires.

To Clients/Customers: Executives often meet with clients and customers in order to ensure that their desires are being met and to obtain key and critical data that can help drive the externally-facing (customer-facing) workflows that make a business work. Since customers/clients are at the heart of a business, knowing how to effectively communicate with them is key to knowing what they want, how they want it, and the best way to completely deliver on giving customers and clients what they need most.

To Vendors/Contractors: Vendors often provide a business with critical IT infrastructure, such as with enterprise suites. Outsourced contractors and consultants, and other external personnel, often operate in a way that is different from internal staff. That said, both vendors and outsourced contractors require a business to effectively communicate what is expected of them, when it is expected (timeframes), and how each task is to be completed, in relation to critical projects and key processes.

With *personnel,* business communication is an internal affair, while with the *shareholders, clients/customers, and vendors,* business communication is typically external. In order for management to do their job effectively - including planning, organizing, staffing, directing and controlling - they must know how to effectively communicate what needs to be done and how it is to be done.

9

Managerial Control

The term control has different connotations depending upon the context of the use of the term. In manufacturing it refers to a Device or mechanism installed or instituted to guide or regulates the activities or operation of an apparatus, machine, person, or system; in law it refers to controlling interest and in management as an authority to order and manage the workings and management of an entity.

Organizational control refers to the process by which an organization influences its subunits and members to behave in ways that lead to the attainment of organizational goals and objectives. When properly designed, such controls should lead to better performance because an organization is able to execute its strategy better.

Organizational control typically involves four steps: (1) establish standards, (2) measure performance, (3) compare performance to standards, and then (4) take corrective action as needed.

The objective of control as a concept and process is to help motivate and direct employees in their roles. Understanding managerial control process and systems is essential for the long- term effectiveness of an organization.

Without enough control systems in place, confusion and chaos can overwhelm an organization. However, if control systems are "choking" an organization, the organization will suffer from erosion of innovation and entrepreneurship.

9.1 CHARACTERISTICS OF CONTROL

1. Control is a Managerial Process

Management process comprises of five functions, viz., planning, organizing, staffing, directing and controlling. Thus, control is part of the process of management.

2. Control is forward looking

Whatever has happened has happened, and the manager can take corrective action only of the future operations. Past is relevant to suggest what has gone wrong and how to correct the future.

3. Control exists at each level of Organization

Anyone who is a manager, has to involve in control – may be Chairman, Managing Director, CEO, Departmental head, or first line manager. However, at every level the control will differ – top management would be involved in strategic control, middle management into tactical control and lower level into operational control.

4. Control is a Continuous Process

Controlling is not the last function of management but it is a continuous process. Control is not a one-time activity, but a continuous process. The process of setting the standards needs constant analysis and revision depending upon external forces, plans, and internal performance.

5. Purpose of Controlling is Goal Oriented and hence Positive

Control is there because without it the business may go off the track. The controlling has positive purpose both for the organization (to make things happen) and individuals (to give up a part of their independence for the attainment of organizational goals).

9.2 TYPES OF CONTROL

Controls can be numerous in kind. These may be classified on the basis of (a) timing, (b) designing systems, (c) management levels, and (d) Responsibility

9.2.1 On the Basis Of Timing

On this basis, the control may be: (i) Feed forward Control (ii) Concurrent Control and (iii) Feedback Control

1. Feed forward Control

The objective of feed forward control or preliminary control is to anticipate the likely problems and to exercise control even before the activity has started or problem has occurred or been reported. It is future directed.

This kind of control is very popular in airlines. They go in for preventive maintenance activities to detect and prevent structural damage, which may result in disaster. These controls are evident in the selection and hiring of new employees. It helps in taking action beforehand.

In case of feedback control, one relies on historical data, which will come after the activity has been performed. This means information is late and the rectification is not possible. One can make correction only for future activities. That means whatever wrong has been done is done, and it cannot be undone.

Though, future-directed control is largely disregarded in practice, because managers have been excessively dependent on accounting and statistical data for the purpose of control. However, in the absence of any means of looking forward, reference to history is considered better than no reference at all.

2. Concurrent Control

Concurrent control monitors ongoing employee activity to ensure consistency with quality standards in place while an activity is on or in progress. It involves the regulation of ongoing activities that are part of the transformation process to ensure that they conform to organizational standards.

Concurrent control is designed to ensure that employees' activities produce the correct results and to correct the problems, if any, before they become costly. It is sometimes called steering, screening or yes-no control, because it often involves checkpoints at which decisions are made about whether to continue progress, take corrective action, or stop work altogether on products or services.

3. Feedback Control

Here, control takes place after the job is over. Corrective action is taken after analyzing variances with the planned standards at the end of the activity. It is also known as 'post action control', because feedback control is exercised after the event has taken place.

Such control is used when feed forward or concurrent is not possible or very costly; or when exact processes involved in performing a work is difficult to specify in advance.

The twin advantages of feedback control are that meaningful information is received with regard to planning efforts, and feedback control enhances employee motivation.

9.2.2 On the Basis of Designing Control Systems

Three approaches may be followed while designing control systems, viz., Market Control, Bureaucratic Control, and Clan Control. However, most organizations do not depend only on just one of them.

1. Market Control

Control is based upon market mechanisms of competitive activities in terms of price and market share. Different divisions are converted into profit centres and their performance is evaluated by segmental top line (turnover), bottom line (profit) and the market share. Using market control will mean that the managers in future will allocate resources or create departments or other activities in line with the market forces.

2. Bureaucratic Control

Bureaucratic control focuses on authority, rule and regulations, procedures and policies. If they do not go by the rulebook, the legislative committees and the ministries under whom they work will reprimand them.

3. Clan Control

The control systems are designed in a way that gives room for shared vision, shared values, norms, traditions and beliefs, etc. It is not based upon hierarchical mechanisms, but work-related and performance measures. This kind of control is most suitable for the organizations which use team style of work groups and where technology changes very fast.

12.2.1 On The Basis Of Levels

People at different level have different planning responsibilities, so do they undertake controlling. On the basis of levels, control can be categorized as Operational, Structural, Tactical, and Strategic.

1. Operational Control

Its focus remains upon the processes used by the organization for transforming the inputs (resources) into outputs (products/services). Operational controls are used at the lower management. It is exercised almost every day. Quality control, financial controls are part of operational controls.

2. Structural Control

Are the different elements of organization structure serving their intended aims? Is there overstaffing? Is the ratio of staff to line increasing? Necessary action is to be undertaken.

Two important forms of structural control can be bureaucratic control and clan control, about which we have already talked. Structural control is exercised by top and middle management.

3. Tactical Control

Since tactical control deals with the departmental objectives, the controls are largely exercised by middle management levels.

4. Strategic Control

Strategic controls are early warning systems. Strategic control is the process to determine whether the effectiveness of a corporate, business and functional strategies are successful in helping organizations to meet its goals. Strategic controls are exercised by top level management.

9.3.3 On The Basis Of Responsibility

Who has the responsibility of controlling? The responsibility may rest with the person executing the things or with the supervisor or manager. This way control may be internal and external.

Internal control permits highly motivated people to exercise self-discipline. External control means that the thread of control is in the hands of supervisor or manager and control is exercised through formal systems.

9.3 PROCESS OF MANAGERIAL CONTROL

1. Establish the Standards

Within an organization's overall strategic plan, managers define goals for organizational departments in specific, precise, operational terms that include standards of performance to compare with organizational activities.

Standards, against which actual performance will be compared, may be derived from past experience, statistical methods and benchmarking (based upon best industry practices).

As far as possible, the standards are developed bilaterally rather than top management deciding unilaterally, keeping in view the organization's goals.

Standards may be tangible (clear, concrete, specific, and generally measurable) – numerical standards, monetary, physical, and time standards; and intangible (relating to human characteristics) – desirable attitudes, high morale, ethics, and cooperation.

2. Measure Actual Performance

Most organizations prepare formal reports of performance measurements both quantitative and qualitative (where quantification is not possible) that the 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. Data can be collected through personal observation (through management by walking around the place where things are happening), statistical reports (made possible by computers), oral reporting (through conferencing, one-to-one meeting, or telephone calls), written reporting (comprehensive and concise, accounting information – normally a combination of all. To be of use, the information flow should be regular and timely.

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.

The manager must know of the standard permitted variation (both positive and negative). Management by exception is most appropriate and practical to keep insignificant deviations away. Timetable for the comparison depends upon many factors including importance and complexity attached with importance and complexity.

4. Take Corrective Action and Reinforcement of Successes

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 corrective action may be to maintain status quo (reinforcing successes), correcting the deviation, or changing standards. The most effective course may be prescribed by policies or may be best left up to employees' judgment and initiative. The corrective action may be immediate or basic (modifying the standards themselves).

9.4 REQUIREMENTS OF EFFECTIVE CONTROL SYSTEM

A control system is not an automatic phenomenon but deliberately created. Though different organizations may design their control systems according to their unique and special characteristics or conditions, yet in designing a good and effective control system, the following basic requirements must be kept in view:

1. Focus on Objectives and Needs

The effective control system should emphasize on attainment of organizational objectives. It should function in harmony with the needs of the enterprise. For example, the personnel department may use feed forward control for recruiting a new employee, and concurrent control for training.

At the shop level, control has to be easy, but more sophisticated and broad ranging controls may be developed for higher level managers. Thus, controls should be tailored to plans and positions.

2. Immediate Warning and Timely Action

Rapid reporting of variations is at the core of control. An ideal control system could detect, not create bottlenecks and report significant deviation as promptly as possible so that necessary corrective action may be taken well in time. This needs an efficient system of appraisal and timely flow of information.

3. Indicative, Suggestive as well as corrective

Controls should not only be able to point to the deviations, but they should also suggest corrective action that is supposed to check the recurrence of variations or problems in future.

Control is justified only if indicated or experienced deviations from plans are corrected through appropriate planning, organizing, staffing and directing. Control should also lead to making valuable forecasts to the managers so that they become aware of the problems likely to confront them in the future.

4. Understandable, Objective, and Economical

Controls should be simple and easy to understand, standards of performance are quantified to appear unbiased, and specific tools and techniques should be comprehensive, understandable, and economical for the managers. They must know all the details and critical points in the control device as well as its usefulness. If developed and complex statistical and mathematical techniques are adopted, then proper training has to be imparted to managers.

Standards should be determined based on facts and participation. Effective control systems must answer questions such as, "How much does it cost?" "What will it save?" or "What are the returns on the investment?" The benefits of controls should outweigh the costs.

5. Focus on Functions and Factors

Control should emphasize the functions, such as production, marketing, finance, human resources, etc and focus on four factors – quality, quantity, timely use and costs. Not one, but multiple controls should be adopted.

6. Strategic Points Control

Control should be selective and concentrate on key result areas of the company. Every detail or thing cannot and is not to be controlled in order to save time, cost and effort.

Certain strategic, critical or vital points must be identified along with the expectations at those points where failures cannot be tolerated and appropriate control devices should be designed and imposed at those stages.

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.

7. Flexibility

Control must not become ends in themselves. It must be environment friendly and be able to make modifications or revisions necessitated by the rapidly changing and complex business environment. Flexibility in control system is generally achieved by the use of alternative plans or flexible budgets.

8. Attention to Human Factor

Excess control causes corruption. It should not arouse negative reactions but positive feelings among people through focus on work, not on people.

The aim of control should be to create self-control and creativity among members through enmeshing it in the organizational culture. Employee involvement in the design of controls can increase acceptance.

9.5 CONTROL TECHNIQUES

Many techniques have been developed to control the activities in management. The list is very long, and it is difficult to describe them all. Some of the important techniques are:

A. Financial Control

Finance is related with mobilization of funds and their utilization and the return on them. Financial control is exercised through the following:

1. Financial Statements

Income statement (telling about expenses, segmental incomes, overall income and expenses, and the net profit/loss), and Balance Sheet (shows the net worth at a single point of time and the extent to which the debt or equity finance the assets)

2. Financial Audits

Financial audits, either internal or external are conducted to ensure that the financial management is done in line with the generally accepted policies, procedures, laws, and ethical guidelines.

Audits may be internal (by Organization's own staff), external (statutory audit by chartered accountants), and management audit (by experts).

3. Ratio Analysis

Ratio analysis monitors liquidity, profitability, debt, and activity related aspects.

4. Budgetary Controls

Budgetary control is the process of constructing budgets, comparing actual performance with the budgeted one and revising budgets or activities in the light of changed conditions.

Budgetary control is as such not related only to finance area, but all functional areas do take help of budgetary control. Budgets help not only in planning but also help to keep a tab on overall spending.

Budgeting may be top-down (managers prepare the budget and ask subordinates to use); bottom-up (figures come from lower levels and adjusted at upper levels); zero-based (justifying allocation of funds on the basis of activities or goals); and flexible budgeting (varying standards and varying allocations).

5. Break-even Analysis

It is a tool of profit planning and deals with cost-volume-profit relationships.

6. Accounting

Accounting includes accounting responsibility, cost accounting, standard cost approach, direct costing, and marginal costing.

B. Marketing Control

In the field of marketing, to see that customer gets right product at the right price at the right place and through right communication, the control is exercised through the following:

- Market Research: It is to assess customers' needs, expectations, delivery and the competitive scenario.

- Test Marketing: To assess consumer acceptance of a new product, a small-scale marketing is done.
- Marketing Statistics: Marketing managers control through marketing ratios and other statistics.

C. Human resource Control

Human resource control is required to have a check on the quality of new personnel and also to monitor performances of existing employees so as to determine firm's overall effectiveness.

Goal setting, instituting policies and procedures to guide them are to help them. Common controls include performance appraisals, disciplinary programmes, observations, and development assessments.

D. Information Control

All organizations have confidential and sensitive information to be kept secret. How to control access to computer databases is very important. This has become a key contemporary issue in control. Organizations keep a watch on employee's computer usage in general and internet in particular.

E. Production Control

To ensure quality production in right quantity, production controls are required. Two of the important techniques include: Inventory control (ABC Analysis, Economic Order Quantity, Just-in time inventory control), and quality control (through inspection, statistical quality control).

9.6 IMPORTANCE OF CONTROL

1. Guides the Management in Achieving Pre-determined Goals

The continuous flow of information about projects keeps the long range of planning on the right track. It helps in taking corrective actions in future if the performance is not up to the mark.

2. Ensures Effective Use of Scarce and Valuable Resources

The control system helps in improving organizational efficiency. Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency if present is corrected at the earliest.

Controls put psychological pressure on persons in the organization. On the other hand control also enables management to decide whether employees are doing right things.

3. Facilitates Coordination

Control helps in coordination of activities through unity of action. Every manager will try to coordinate the activities of his subordinates in order to achieve departmental goals.

Similarly, the chief executive also coordinates the functioning of various departments. The control acts as a check on the performance and proper results are achieved only when activities are coordinated.

4. Leads to Delegation and Decentralization of Authority

A decision about follow-up action is also facilitated. Control makes delegation easier/better. Decentralization of authority is necessary in big enterprises. The management cannot delegate authority without ensuring proper control.

The targets or goals of various departments are used as a control technique. Various control techniques like budgeting, cost control; pre action approvals etc. allow decentralization without losing control over activities.

5. Spares Top Management to Concentrate on Policy Making

For control processes management's attention is not required every now and then. The management by exception enables top management to concentrate on policy formulation.

9.7 REASONS WHY EMPLOYEES RESIST CONTROL IN AN ORGANISATION

1. Over-Control

Occasionally, organizations go into excessiveness and make the mistake of over-control; they try to control too many things.

This becomes especially problematic when the controls pertain directly to employee behaviour relating to their daily activities (such as whom to work, when to relax, when to have tea and lunch, when to return).

Yet, many organizations find it necessary to impose these rules. If controls are perceived as excessive, employees resist them.

2. Inappropriate Focus

The second main reason for resistance is that the focus of the control system may be inappropriate. The control system may be too narrow, or it may focus too much on quantifiable variables, leaving hardly any room for analysis or interpretation.

A sales standard, for instance, that encourages high-pressure tactics to maximize short-run sales may do so at the expense of goodwill from long-term customers. Such a standard is too narrow.

3. Rewards for Inefficiency

People naturally resist control when there is punishment for being efficient and reward for being inefficient, i.e., when there is no suitable reward for appropriate effort. For example, department 1 may have budget cut next year for efficiently utilizing the fund in the current year and thus exhausting the budgetary allocation. Depart-ment 2 may have budget increase for incurring a deficit in the current year.

4. Accountability

Another reason why some people resist control is that effective control systems create accountability.

Some people, especially those who are doing a good job, do not want to be answerable for their mistakes and deficiencies (such as unsatisfactory performance) and, therefore, resist control.

10

Change Management

Change management is defined as the methods and manners in which a company describes and implements change within both its internal and external processes. This includes preparing and supporting employees, establishing the necessary steps for change, and monitoring pre- and post-change activities to ensure successful implementation.

One of the greatest challenges faced by organizations today is the volatility of the global markets. Globalization has greatly affected the market and so have opportunities for more growth and revenue. However, to serve such a diverse marketplace, organizations need to respond to and understand the needs and expectations of the marketplace.

Organizations are required to constantly innovate and update their processes and operational efficiencies to collaborate with the expanding markets. Organizations that refuse to change or move forward are forced to exit the market or may be wiped out by forward looking companies.

It is this movement or shift in an organization to improve the performance of the entire organization or a part of the organization that is referred to as Organizational Change.

Organizational change is a process in which a large company or an organization changes its working methods or aims, in order to develop and respond to new situations or markets.

10.1 WHY ORGANIZATIONS NEED TO CHANGE

Substantial organizational changes take place typically when organizations perceive a need to change the overall strategy and direction for success, adds or discontinues a major segment or practice, and/or wants to change the very nature by which it operates. It also occurs when an organization evolves through its life cycles, and has to restructure itself to grow.

Organizational change is often a response to changes in the environment. Some of the reasons prompting changes are:

Market Dynamics

The changing market conditions cause unexpected changes which organizations find hard to adjust to. To stay in business and continue to serve the customers, organizations have to align themselves to these variations.

Globalization

Globalization has created enormous opportunities as well as global challenges to organizations. The market has thus expanded across geographies, and organizations in order to succeed have to serve customers across these regions. While doing this, organizations are finding it more affordable and logical to produce goods and deliver services in certain countries compared to others. The availability of local resources, the environment of the countries they serve in, localization of goods and services, etc. are some reasons for this. To cater to global market, organizations have to understand the global environment and market behavior, and align the organizations to these new situations.

Organizational Development

As organizations grow and develop in size, the policies, procedures and the structure that forms the core, also needs to evolve. Organizational changes may involve changes to its mission and objectives, strategy and direction, organizational structure and hierarchy, etc. Adjusting an organization's internal direction and environment requires considerable dedication and a careful management.

Reaction to External Environments

Organizations are greatly impacted by the environments that surround it. External pressures come from many areas, including customers, competition, changing government regulations, shareholders, financial markets, and other factors in the organization's external environment.

Performance Gaps

Organizations that have been having issues with their results are often the ones that consider changes. Performance gaps can be identified in several areas like production, sales and marketing, service, etc. Such companies need to conduct a serious study and identify factors causing gaps and change accordingly to succeed.

Mergers & Acquisitions

Mergers and acquisitions create reorganization in a number of areas. When two organizations merge, significant changes are expected.

10.2 TYPES OF ORGANIZATION CHANGE

The 3 most common types of organizational change include:

1. Developmental change - Any organizational change that improves and optimizes on previously established processes, strategies and procedures.
2. Transitional change - Change that moves an organization away from its current state to a new state in order to solve a problem, such as mergers and acquisitions and automation.

3. Transformational change - Change that radically and fundamentally alters the culture, core values and operations.

10.3 ORGANIZATIONAL CHANGE FACTORS

Organizational change as we have read is a strategic initiative impacting almost every aspect of its operations and functions. The factors that induce changes almost always require immediate attention. The major forces that drive this change in business are:

- Internal environment
- External environment

a. The Internal Environment

The internal environment of an organization consists of factors within the organization over which it can exercise a fair amount of control. Some of the internal factors are:

- Employees - Employees are the human capital of the organization. An organization without a motivated and dedicated workforce will not be able to perform in spite of having the best products and capital. Employees must take the initiative to change their workplace, or changes in work tasks for more efficient and effective performance.
- The Organizational Structure - The organizational structure is what governs and guides the effective operations of the company. It defines and scopes the authority and hierarchy in the company. However, over time the organizational structure needs reorganization to answer to the needs of an evolving entity and becomes an internal source of organizational change.
- Organization Processes - The processes in organization are collections of activities that need to be undertaken in order to produce an output, and

that will have a value for consumers. There are various processes in the organization that need to be constantly updated to keep serving the market like – manufacturing, distribution, logistics, information technology, etc.

Apart from the above factors like the company's mission and objectives, organizational culture and style of leadership are factors typically associated with the internal environment of an organization and can have a considerable impact on the organization.

b. The External Environment

The external environment of an organization are those set of factors which the organization cannot exercise control on. Though these factors are external to the organization, they have a significant influence over its operations, growth and sustainability.

- Economic Factors - The macroeconomic factors like the political and legal environment, the rate of inflation and unemployment, monetary and fiscal policies of the government, etc. are causes that have a high influence on companies and prompt for changes in the organization. Managers need to carefully track these indicators in order to make the right decisions for change.
- Socio-cultural Factors - The local and regional conditions greatly influence people's values, habits, norms, attitudes and demographic characteristics in the society. All of these factors highly influence the business operations or will do so in the future.
- Global Environment - The increasing globalization of markets has made organizations sensitive to changes. Any change or crisis in the global market affects every business, and corrective measures are not often easy and immediately taken.

- Technology - Technology has become an intrinsic part of business operations. It regulates processes in all aspects like manufacturing, distribution, logistics, finance, etc. Organizations have to be up-to-date with the ever-changing technological advancements in order to improve efficiencies and remain competitive.

Management–Organizational Change Management

When organizations undertake initiative to improve performance, seize opportunities or address key issues, they often require changes - changes to processes, job roles, organizational structure, and types and use of technology.

10.4 THE FOUR PRINCIPLES OF CHANGE MANAGEMENT

No organization can afford to stand still. There are always new challenges to meet, and better ways of doing things. However, every change you need to make should be planned and implemented with care; otherwise it could end up doing more harm than good!

In this section, we will explain how you can enact positive and productive change in your organization using four core principles of successful change management.

Principle 1: Understand Change

To successfully promote the benefits of the change, you need to understand them yourself. So, think about:

- Why you need to change. What are your key objectives?
- What will the benefits of the change be to the organization?
- How will it impact people positively?
- How will it affect the way that people work?
- What will people need to do to successfully achieve the change?

It can also be helpful to think about what the negative outcomes of not making the change would be. Beckhard and Harris' Change Equation shows that, for change to work, there has to be sufficient dissatisfaction with the old way of doing things. But people also need to feel confident that the new approach will be better – and that there's a clear route to get there.

Principle 2: Plan Change

Effective change doesn't just happen by chance, and any plan you make has to be right for your organization. The way that change projects are managed can vary from organization to organization. Some have very rigid change methodologies, while others are more open and flexible in their approach.

However, in general, you will need to consider the following:

- Sponsorship. How will you secure, engage and use high-level support and sponsorship of the change?
- Involvement. Who is best positioned to help you to design and implement the change? For example, will you need external expertise? Or can you use internal resources?
- Buy-in. Change is most effective when you are able to win support from people across the business. How do you plan to achieve this?
- Impact. Finally, think about what success should look like. How will you predict and assess the impact of the change that you need to make? What goals do you need to achieve?

Principle 3: Implement Change

Whatever tools you choose, the following steps can help you to implement change in a positive way:

- Ensure that everyone involved in the changes understands what needs to happen – and what it means for them.

- Agree success criteria for your changes, and make sure that they're regularly measured and reported on.
- Map and identify all of the key stakeholders that will be involved in the change and define their level of involvement.
- Identify any training needs that must be addressed in order to implement the change.
- Appoint "change agents," who will help to put the new practices into place – and who can act as role models for the new approach.
- Find ways to change people's habits , so that the new practices become the norm.
- Make sure that everyone is supported throughout the change process.

Principle 4: Communicate Change

Communication can be a make-or-break component of change management. The change that you want to implement has to be clear and relevant, so people understand what you want them to do and why they need to do it. But you also have to set the right tone, so that you get the emotional reaction you're hoping for.

It's a good idea to link the changes that you're planning to your organization's mission or vision statements. Not only will this help people to see how the change positively impacts the "bigger picture," it will also provide them with an inspiring, shared vision of the future.

10.5 CHANGE RESISTANCE

Organizational change is sometimes unavoidable. It is a complex process that affects the organization all across. Not all employees and departments welcome changes to their existing environment and processes. It is normal human reaction to defend the status quo if security or status is threatened.

Managing resistance to change is challenging. Some reasons why change is resisted in organizations are:

Impact of Change

Employees resist change if it is not favorable to them. They tend to be more welcoming of changes that are favorable to them and empower them. Resistance also happens when change is thrust onto people without giving them adequate warning and without helping them through the process of understanding what the change will entail and how it will impact their jobs/work.

Self-Interest Before Organizational Well-being

Some employees resist changes as it comes in the way of their personal interest and agenda. They fear that the change will delay or obstruct the fulfillment of their hidden agenda.

Personality Trait

Some are inherently more resistant to any kind of change than others. Employees having a positive and optimistic approach are more willing to accept changes than employees who have a negative approach.

Uncertainty

Change often brings feelings of uncertainty as the end result is usually unknown. The environment after transformation could change for the better or sometimes worse than it was earlier. This lack of clarity creates insecurity in employees as it leads to a sense of loss of control.

Fear of Failure

Changes in the work processes can create uncertainty over their capabilities in employees as they fear that they may not be able to adapt to the new requirements. Thus employees who are confident of their abilities and performance are more likely to welcome the proposed change, than those who have lower confidence.

Fear of Job Loss

Another important factor that causes employees to resist change is the fear that they may lose their job in the organization once the transformation is affected. This usually happens in organizations that undertake restructuring or downsizing as a major cause of the change.

10.5.1 Overcoming Resistance to Change

Implementing change is always difficult for organizations. But the transition can be made smooth if the management goes through it with empathy and compassion after thorough analysis, planning, and strategizing.

The top management must fully understand how change works in order to lead their organizations successfully into the future. The introduction and management of change are emerging as two of the most critical elements of leadership for the future.

Address Employee Concerns

A management that is truly concerned about its employees will address and deal with the concerns of the employees first, by giving them confidence and assuring that the change will bring positive results and then focus on the organizational benefits.

Effective Communication

A good leader is also an effective communicator. As a change agent, the leader rather than communicating with the employees what they stand to gain from the change can have a greater impact by telling them what they stand to lose if they don't accept the change.

Creating an Atmosphere of Trust

Exercises such as teambuilding, trust-building, and open and honest communication with the employees prior to the introduction of change will help create an atmosphere of trust. If employees are involved in the change process and their inputs sought, it will help them accept the changes implemented without fear.

Link Changes to Employee Concerns

Employees' perception of change can be made positive and welcoming by associating the need for change to other issues that they are concerned about like issues of health, job security, and better working atmosphere.

10.6 KOTTER'S 8-STEP CHANGE MODEL

There are many theories about how to "do" change. Many originate with leadership and change management guru, John Kotter. A professor at Harvard Business School and world-renowned change expert, Kotter introduced his eight-step change process in his 1995 book, "Leading Change." Below are his eight steps for leading change, below.

Step 1: Create Urgency

Develop a sense of urgency around the need for change. This may help you spark the initial motivation to get things moving.

This is not simply a matter of showing people poor sales statistics or talking about increased competition. Open an honest and convincing dialogue about what's happening in the marketplace and with your competition. If many people start talking about the change you propose, the urgency can build and feed on itself.

What you can do:

- Identify potential threats, and develop scenarios showing what could happen in the future.

- Examine opportunities that should be, or could be, exploited.
- Start honest discussions, and give dynamic and convincing reasons to get people talking and thinking.
- Request support from customers, outside stakeholders and industry people to strengthen your argument.

Step 2: Form a Powerful Coalition

Convince people that change is necessary. This often takes strong leadership and visible support from key people within your organization. Managing change is not enough – you have to lead it.

You can find effective change leaders throughout your organization – they don't necessarily follow the traditional company hierarchy. To lead change, you need to bring together a coalition, or team of influential people whose power comes from a variety of sources, including job title, status, expertise, and political importance.

Once formed, your "change coalition" needs to work as a team, continuing to build urgency and momentum around the need for change.

What you can do:

- Identify the true leaders in your organization, as well as your key stakeholders.
- Ask for an emotional commitment from these key people.
- Work on team building within your change coalition.
- Check your team for weak areas, and ensure that you have a good mix of people from different departments and different levels within your company.

Step 3: Create a Vision for Change

When you first start thinking about change, there will probably be many great ideas and solutions floating around.

Link these concepts to an overall vision that people can grasp easily and remember.

A clear vision can help everyone understand why you are asking them to do something. When people see for themselves what you're trying to achieve, then the directives they're given tend to make more sense.

What you can do:

- Determine the values that are central to the change.
- Develop a short summary (one or two sentences) that captures what you "see" as the future of your organization.
- Create a strategy to execute that vision.
- Ensure that your change coalition can describe the vision in five minutes or less.
- Practice your "vision speech" often.

Step 4: Communicate the Vision

What you do with your vision after you create it will determine your success. Your message will probably have strong competition from other day-to-day communications within the company, so you need to communicate it frequently and powerfully, and embed it within everything that you do.

Don't just call special meetings to communicate your vision. Instead, talk about it every chance you get. Use the vision daily to make decisions and solve problems. When you keep it fresh on everyone's minds, they will remember it and respond to it.

It's also important to "walk the talk." What you do is far more important – and believable – than what you say. Demonstrate the kind of behavior that you want from others.

What you can do:

- Talk often about your change vision.
- Address peoples' concerns and anxieties, openly and honestly.

- Apply your vision to all aspects of operations – from training to performance reviews. Tie everything back to the vision.
- Lead by example.

Step 5: Remove Obstacles

Put in place the structure for change, and continually check for barriers to it. Removing obstacles can empower the people you need to execute your vision, and it can help the change move forward.

What you can do:

- Identify, or hire, change leaders whose main roles are to deliver the change.
- Look at your organizational structure, job descriptions, and performance and compensation systems to ensure they're in line with your vision.
- Recognize and reward people for making change happen.
- Identify people who are resisting the change, and help them see what's needed.
- Take action to quickly remove barriers (human or otherwise).

Step 6: Create Short-Term Wins

Nothing motivates more than success. Give your company a taste of victory early in the change process. Within a short time frame (this could be a month or a year, depending on the type of change), you will want to have some "quick wins" that your staff can see. Without this, critics and negative thinkers might hurt your progress.

Create short-term targets – not just one long-term goal. You want each smaller target to be achievable, with little room for failure. Your change team may have to work very hard to come up with these targets, but each "win" that you produce can further motivate the entire staff.

What you can do:

- Look for sure-fire projects that you can implement without help from any strong critics of the change.
- Don't choose early targets that are expensive. You want to be able to justify the investment in each project.
- Thoroughly analyze the potential pros and cons of your targets. If you don't succeed with an early goal, it can hurt your entire change initiative.
- Reward the people who help you meet the targets.

Step 7: Build on the Change

Kotter argues that many change projects fail because victory is declared too early. Real change runs deep. Quick wins are only the beginning of what needs to be done to achieve long-term change.

Launching one new product using a new system is great. But if you can launch 10 products, that means the new system is working. To reach that 10th success, you need to keep looking for improvements.

Each success provides an opportunity to build on what went right and identify what you can improve.

What you can do:

- After every win, analyze what went right, and what needs improving.
- Set goals to continue building on the momentum you have achieved.
- Learn about kaizen, the idea of continuous improvement.
- Keep ideas fresh by bringing in new change agents and leaders for your change coalition.

Step 8: Anchor the Changes in Corporate Culture

Finally, to make any change stick, it should become part of the core of your organization. Your corporate culture often determines what gets done, so the values behind your vision must show in day-to-day work.

Make continuous efforts to ensure that the change is seen in every aspect of your organization. This will help give that change a solid place in your organization's culture.

It's also important that your company's leaders continue to support the change. This includes existing staff and new leaders who are brought in. If you lose the support of these people, you might end up back where you started.

What you can do:

- Talk about progress every chance you get. Tell success stories about the change process, and repeat other stories that you hear.
- Include the change ideals and values when hiring and training new staff.
- Publicly recognize key members of your original change coalition, and make sure the rest of the staff – new and old – remembers their contributions.
- Create plans to replace key leaders of change as they move on. This will help ensure that their legacy is not lost or forgotten.

You have to work hard to change an organization successfully. When you plan carefully and build the proper foundation, implementing change can be much easier, and you'll improve the chances of success. If you're too impatient, and if you expect too many results too soon, your plans for change are more likely to fail.

Create a sense of urgency, recruit powerful change leaders, build a vision and effectively communicate it, remove obstacles, create quick wins, and build on your momentum. If you do these things, you can help make the change part of your organizational culture. That's when you can declare a true victory. Then sit back and enjoy the change that you envisioned so long ago.

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