

# BBM210/05 Entrepreneurship Development course guide (Revised)

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*Unit 3*

BBM 210/05

Entrepreneurship  
Development

Managerial Issues in  
Entrepreneurship

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## Unit Overview

Unit 3 explores the contemporary managerial issues that entrepreneurs face as they create and establish new ventures. This unit discusses in detail elements of planning, staffing, communication, leadership, coordination and managerial control in entrepreneurship development.

## Unit Objectives

By the end of Unit 3, you should be able to:

1. Define management in the context of entrepreneurship development.
2. Communicate effectively as an entrepreneur or an intrapreneur (corporate entrepreneur).
3. Describe the leadership styles and types of leadership that can drive a business to success.
4. Analyse the functional areas of planning and staffing related to entrepreneurship.
5. Describe why good coordination is important in entrepreneurship.



## 3.1 Management

### Objectives

By the end of this section, you should be able to:

1. Discuss how the concept of management is perceived in entrepreneurship.
2. Explain the levels of management in an entrepreneurial environment.

### Introduction

Giving precise definition of management is not so simple because the term “management” is used in a variety of ways. Being a new discipline, it has drawn concepts and principles from a number of disciplines such as sociology, economics, psychology, statistics, anthropology and etc. The contributors from each of these groups have viewed management differently. For example, economists have treated management as ‘a factor of production’ and sociologists treated it as ‘a group of persons’. Hence, taking all these view points, it becomes difficult to define management in a comprehensive way and no definition of management has been universally accepted.

### What is management?

Many definitions were given by various contributors; one popular definition is given by Mary Parker Follet. According to Follet, management is ‘**the art of getting things done through people**’. This definition clearly distinguishes between manager and other personnel of the organisation. A manager is a person who contributes to the organisation’s goal indirectly by directing the efforts of others, not by performing the task by himself/herself. A person who is not a manager makes his/her contribution to the organisation’s goal directly by performing the tasks given by the manager. Sometimes a person may play both roles simultaneously.

A better definition is given by George R. Terry who defines management as “a process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources”. According to him, management is a process — a systematic way of doing thing using four managerial functions namely: planning, organising, actuating and controlling. ‘Planning’ means thinking of the manager’s action in advance. The actions of the managers are based on logic, plan or some method rather than a hunch. Managers use people, materials and other resources to accomplish the organisation’s objectives. The objectives may vary according to different organisation. For example, the objective of a technical or management institute may be to provide quality education according to the needs of the industry. The objective of a hospital may be to provide medical care to the community at reasonable price. Whatever the objectives of the organisation may be, management is a process by which the objectives are achieved.

## Characteristics of management

Based on the critical analysis of the definitions, the following are characteristics of management:

1. **Management is a continuous process:** The process of management consists of planning, organising, directing and controlling the resources to ensure that resources are used effectively and efficiently in the organisation. A single function alone cannot produce the desired results. Management involves continuous planning, organising, directing and controlling.
2. **Management is an art as well as science:** Management is an art in the sense of a person who possesses managerial skills. Management is science because certain principles or laws developed are applicable in places where group activities are coordinated. This will be discussed in detail later in this unit.
3. **Management aims at achieving predetermined objectives:** All organisations have objectives that are laid down. Every managerial activity results in the achievement of these predetermined objectives.
4. **Management is a factor of production:** An enterprise produces goods or services using resources like land, labour, capital, machines etc. These resources themselves cannot realise an organisation's goals. The goals are achieved when these resources are effectively coordinated by the entrepreneur. In case of small enterprises, an individual can be the coordinator whereas in large enterprises, coordination is handled by the management. Therefore, management is a factor of production.
5. **Management is decision making:** Decision making is selecting the best among alternative courses. Decision making is an important function of a manager. Whatever a manager does, he/she does it by making decisions. The success or failure of an organisation depends upon the quality of decision. A manager must make the right decision at the right time.
6. **Universal application:** The principles and concepts of management are applicable to all types of industries. The practice of management is different from one organisation to another according to their nature.
7. **Management is needed at all levels:** The functions of management are common to all levels of organisation. The functions of planning, organising, directing, controlling and decision making are performed by top level as well as lower level supervisors.
8. **Management aims at maximum profit:** The resources are properly utilised to maximise profit. Maximising profit is the economic function of a manager.
9. **Dynamic:** Management is not static. Over a period of time, new principles, concepts and techniques are developed and adopted by the management. The management is also affected by social change.

10. **Management as a career:** Today, management is seen as a career which focuses on specialisation. Marketing management, finance management, personal management, industrial management, production management, quality management are some of the specialisations in management. Specialists are appointed to various positions in the organisational hierarchy. Hence management is a career.
  
11. **Management is a profession:** Management is a profession because it possesses the qualities of a profession. The knowledge is imported and transferred. The established principles of management are applied in practice. This characteristic of management will be discussed in detail later in this unit.
  
12. **Management is a discipline:** Discipline refers to the field of study which is based on well-defined concepts and principles. Classifying management as a discipline implies that it is an accumulated body of knowledge that can be learnt. Thus, management is a subject with principles and concepts. The purpose of studying management is to learn how to apply these principles and concepts at the right circumstances and time to produce the desired result.




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### Activity 3.1

Visit a bank and identify various functions performed by the bank manager.

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## Nature of management

The principles, concepts and techniques of management have changed over the period of time. Various contributions to the field of management have changed its nature. The nature of management can be described as follows:

1. **Multidisciplinary:** Management is multidisciplinary. It draws ideas and concepts from disciplines like economics, sociology, psychology, statistics, operations research etc. Management integrates the ideas taken from various disciplines and presents newer concepts which can be put into practice. The integration of these ideas is the major contribution of management.
  
2. **Dynamic nature of principles:** A principle is truth which establishes cause and effect relationships of a function. Principles are developed by integration of ideas from various disciplines supported by practical evidence. These principles are flexible and they change with the environment in which organisation operates. Continuous researches are being carried out to establish new principles; old principles are substituted by new principles. This reflects dynamism in the principles of management.

3. **Relative principles:** Management principles are relative and not absolute. They must be applied according to the needs of the organisation because each organisation is different from the other. The principles of management should be applied in the light of prevailing conditions.
4. **Management — science or art:** There is a controversy whether management is science or art. Earlier management was regarded as art but now it is both science and art. This aspect will be discussed further in this unit.
5. **Universality of management:** Management is a universal phenomenon. Though universal, management principles are not universally applicable. The principles are modified according to the needs of the situation.

## Management functions or the process of management

A function is a group of similar activities. There are different views on “what functions are undertaken by managers in organisations?” Some management experts classify these functions into four types and others classify into five types while some others classify them as seven items.

The list of management functions is too long. However it can be shortened by combining some functions into one. For example, leading, motivating, communicating and commanding may be combined into a single function namely directing. For our purpose, we shall designate the following five as the main functions of a manager. In addition, we briefly refer to “innovation” and “representation” as two additional managerial functions considered important by Earnest Dale.

1. **Planning:** Planning is the primary function of management. It means looking ahead and preparing for the future. It determines in advance what should be done. It is conscious determination of future course of action. This involves determining “Why to take action?”, “What action?”, “How to take action?” and “When to take action?” Planning involves determination of specific objectives, programmes, setting policies, strategies, rules and procedures and preparing budgets. Planning is a function which is performed by managers at all levels: top, middle and supervisory. Plans made by top management for the organisation as a whole may cover periods as long as five to ten years, whereas plans made by low level managers cover much shorter periods.
2. **Organising:** Organising is the distribution of work in group-wise or section wise for effective performance. Once managers have established objectives and developed plans to achieve them, they must design and develop human organisation that will be able to carry out those plans successfully. Organising involves dividing work into convenient tasks or duties, grouping duties in the form of positions and subsequently grouping various positions into departments and sections, assigning duties to individual positions and delegating authority to each position so that the work is carried out as planned.

3. **Staffing:** Staffing involves managing various positions of the organisational structure. It involves selecting and placing the right person at the right position. Staffing includes identifying the gap between manpower required and available, identifying the sources from where people will be selected, selecting people, training them, fixing the financial compensation and appraising them periodically. The success of the organisation depends on the successful performance of staffing function.
  
4. **Directing:** Planning, organising and staffing functions are concerned with the preliminary work for the achievement of organisational objectives. The actual performance of the task starts with the function of direction. This function has similar terms namely “leading”, “directing”, “motivating”, “activating” and so on. Directing involves these sub-functions:
  - a. **Communicating:** It is the process of passing information from one person to another.
  - b. **Leading:** It is a process by which a manager guides and influences the work of his/her subordinates.
  - c. **Motivating:** It is arousing desire in the minds of workers to give their best to the enterprise.
  
5. **Controlling:** Planning, organising, staffing and directing are required to realise organisational objectives. The control function is necessary to ensure that the achieved objectives conform to the pre-planned objectives. Control is the process of checking to determine whether or not proper progress is being made towards the objectives and goals and acting, if necessary, to correct any deviations. Control involves three elements:
  - a. Establishing standards of performance.
  - b. Measuring current performance and comparing it against the established standard.
  - c. Taking action to correct any performance that does not meet those standards.
  
6. **Innovation:** Innovation means creating new ideas which may result in the development of new products or finding new uses for the existing ones. A manager who invents new products is an innovator. A salesman who persuades Eskimos to purchase refrigerator is an innovator. Innovation is not a separate function but a part of planning.

7. **Representation:** A manager has to spend a part of his/her time in representing his/her organisation before various groups which have some stake in the organisation. A manager acts as a representative of the company. He/She has dealings with customers, suppliers, government officials, banks, trade unions and etc. It is the duty of every manager to develop good relationship with others.



### Activity 3.2

Describe the various functions of a Human Resources Manager in a multinational cooperation.

## Functional areas of management

The management process involves several functions. A distinction should be maintained between management functions (planning, organising, staffing, directing and controlling) and the organisational functions (productions, finance etc.) Organisational functions differ from one organisation to the other depending on their nature while management functions are common to all. A manager may be placed either in production or finance or marketing, and he/she performs all the managerial functions. Organisational functions are called functional areas of management. There are four functional areas of management namely production, finance, marketing and personnel. Each functional area may have a number of sub-activities.

1. **Production:** This is generally placed under a production manager and he/she is responsible for all production related activities. This area has a number of activities. Here are some of its activities:
  - a. **Purchasing:** It is related to the purchase of various materials required by the organisation. Purchasing involves procuring the right quantity of materials at the right quality, at the right time and at the right price from the right supplier.
  - b. **Materials management:** This involves storing and issuing of materials to various departments.
  - c. **Research and development:** It deals with improving the existing products and processes as well as developing new products and process.
2. **Marketing:** This area involves the distribution of the organisation's products to the buyers. The sub-activities are:
  - a. **Advertising:** It involves giving information about products to buyers.

- b. Marketing research: It is related with the systematic collection and analysis of data related to marketing goods and services.
  - c. Sales management: It involves management efforts directed towards movement of products and services from producers to consumers.
3. **Finance and accounting:** It deals with intelligent investment of financial resources and record-keeping of various transactions. The various sub-functions are:
- a. Financial accounting: Deals with record keeping of various transactions.
  - b. Management accounting: Deals with analysis and interpretation of financial records so that the management can make decisions.
  - c. Costing: It deals with recording of costs, their classification and analysis for cost control.
  - d. Investment management: Takes care of how financial resources can be invested in various alternatives to maximise returns.
  - e. Taxation: Deals with various direct and indirect taxes to be paid by the organisation.
4. **Personnel:** It deals with management of human resources with the following sub-activities:
- a. Recruitment and selection: It deals with recruitment and selection of employees.
  - b. Training and development: It deals with training of employees and making them more efficient.
  - c. Wage and salary administration: Deals with fixing of salaries, job evaluation, promotion, incentives etc.
  - d. Industrial relations: Deals with maintenance of good employee relations.

## Role of management

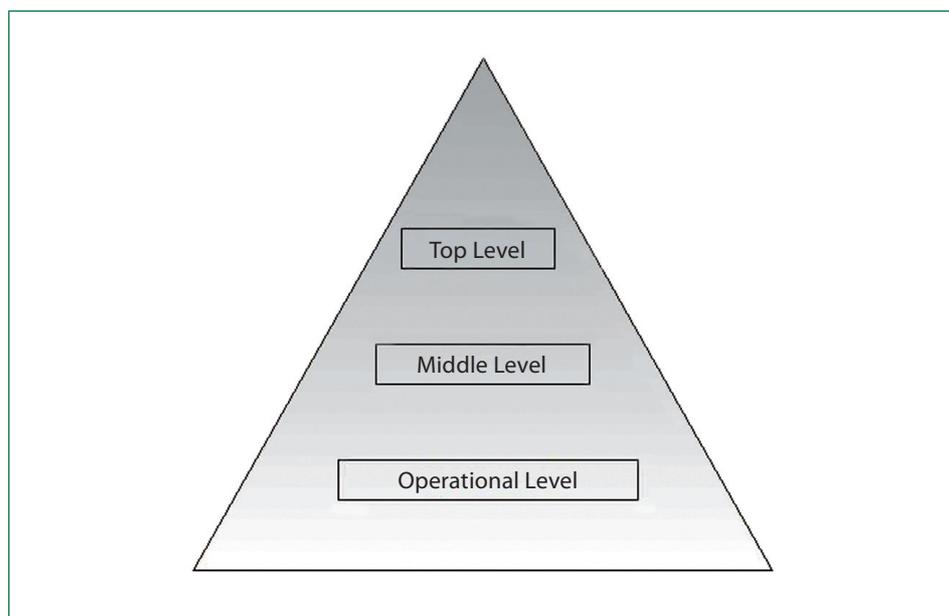
The owner or person who manages his/her business performs planning, organising, directing and controlling to achieve the organisational objectives. It has been questioned whether these functions provide an adequate description of the management process. As against these management functions, Henry Mintzberg has defined the role of managers to identify what managers do in the organisation.

1. **Interpersonal role:** This role is concerned with interacting with people both organisational members and outsiders. There are three types of interpersonal roles:
  - a. Figure head role: In this role, a manager has to perform duties of ceremonial nature such as attending social functions of employees, taking an important customer to lunch and etc.
  - b. Leader role: A manager's leader role involves leading the subordinates by motivating and encouraging them.
  - c. Liaison: In the liaison role, a manager serves as a connecting link between his/her organisation and outsiders. Managers must cultivate contacts outside his/her vertical chain to collect information useful for his/her organisation.
  
2. **Information role:** It involves communication. There are three types of informational roles:
  - a. Monitor: In his/her monitoring role, a manager continuously collects information about factors that affects his/her activities. Such factors may be within or outside the organisation.
  - b. Disseminator: In the disseminator role, a manager spreads some of his/her privileged information to his/her subordinates.
  - c. Spokesperson: As a spokesperson, a manager represents his/her organisation while interacting with outsiders like customers, suppliers, financiers, government and other agencies of the society.
  
3. **Decisional role:** Decisional role involves choosing the most appropriate alternative among all so that organisational objectives are achieved in an efficient manner. In assuming his/her decisional role, a manager performs four roles:
  - a. Entrepreneur: As an entrepreneur, a manager assumes certain risks in terms of outcome of an action. A manager constantly looks out for new ideas and seeks to improve his/her unit by adopting it to a dynamic environment.
  - b. Disturbance handler: In this role, a manager is like a fire-fighter who contains forces and events which disturb the normal functioning of his/her organisation. The forces and events may be employee complaints and grievances, strikes, shortage of raw materials etc.
  - c. Negotiator: In his/her role as a negotiator, a manager negotiates with various groups in the organisation. Such groups are employees, shareholders and other external agencies.

In planning, a manager performs informational and decisional roles as he/she has to collect information on the basis in which he/she makes decisions. Similarly, in performing other functions, some or the other roles are also performed by the manager.

## Levels of management

People in an organisation are arranged in a hierarchy and all of them have superior-subordinates relations. All managers in an organisation perform all five management functions. The relative importance of these functions varies along the managerial levels. There may be many levels in the organisation as the number of superiors in a line of command. Some of these levels are merged into one on the basis of nature of functions performed and authority enjoyed. E.F.L. Brech has classified management levels into three categories i.e., top management, middle management and supervisory/lower level as shown in **Figure 3.1**.



**Figure 3.1** Levels of management

## Directions of communication flow

The four directions in which communication can travel are: downward, upward, lateral or horizontal and diagonal.

### 1. Downward

Downward communication involves communication from the higher to the lower levels of an organisation so that the organisation's leadership can communicate goals, strategies or role expectations. Such communication can also be in the form of symbols, labels and posters which require no feedback.

## 2. Upward

Upward communication flows from the lower levels to the higher levels of an organisation. For example, this direction of communication flow occurs when there is a need to communicate problems, results or suggestions to the upper management. Upward communication can be performed using suggestion boxes and feedback surveys.

## 3. Horizontal

Horizontal communication occurs between people at the same level in an organisation. It involves, for example, coordination of activities with peers, dissemination of useful information from one department to another (for example, sales forecasts from the marketing department to the production department). Horizontal communication facilitates the linking of different areas of expertise and this may encourage innovation.

## 4. Diagonal

Diagonal channels may potentially cause conflict within an organisation as they involve communication between the lower levels of one department to a higher level in another. For example, if an accounting department employee communicates directly with the director of marketing, this may cause friction between the employee and the director of accounting as the employee has gone around his or her own superior.



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### Activity 3.3

What does management mean in an entrepreneurial environment?

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### Summary

Management is defined as the art and science of getting things done through others. Management is the process of designing and maintaining the environment in which individuals work together in groups, accomplish their aims effectively and efficiently. Managers carry out functions for planning, organising, staffing, directing and controlling. Planning involves thinking ahead and preparing for the future. It determines in advance, what should be done. Organising involves dividing work into convenient tasks or duties, grouping such duties in the form of positions, departments and sections, assigning duties to individual positions, and delegating authority to

each position so that work is carried out as planned. Staffing consists of selecting and placing the right people at right position. Directing involves various sub-functions like communicating, leading and motivating. Control is the process of checking to determine whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviations. All these functions are performed to achieve predetermined goals. The nature of management can be described by its multidisciplinary and dynamic nature, relative principles and universality of management. The functional areas of management are production, finance, marketing and personnel.



### Self-test 3.1

1. Explain the functions performed by entrepreneurs as managers to attain their set goals.
2. Explain the importance of management skills to entrepreneurs.



## 3.2 Planning

### Objectives

By the end of this section, you should be able to:

1. Discuss various types of planning used in entrepreneurship.
2. Explain the types of plans suitable for an entrepreneurial environment.
3. Describe the planning process in entrepreneurship.

### Introduction

The management functions discussed earlier are planning, organising, staffing, direction and controlling. These functions are essential to achieve organisational objectives. If objectives are not set, then there is nothing to organise, direct and control. An organisation has to specify what it has to achieve. Planning is related with this aspect. Every person whether in business or not has framed a number of plans during his/her life. The planning period may be short or long. One of the characteristic of human beings is that he/she plans. Planning is the first and foremost function of management. According to Koontz and O'Donnel, planning is "deciding in advance what to do, how to do it, when to do it and who is to do it". It bridges the gap from where we are and to where we want to go. It is, in essence, the exercise of foresight". According to M.S. Hardy, planning is "deciding in advance what is to be done". It involves the selection of objectives, policies, procedures and programmes from alternatives. Heying and Massie define planning as "that function of the manager in which he decides in advance what he will do. It is a decision-making process of a special kind. It is an intellectual process in which creative mind and imagination are essential". Planning is an attempt to anticipate the future in order to achieve better performance.

### Nature of planning

The nature of planning may be understood in terms of it being a rational approach, an open system, flexible and pervasive.

### Planning: A rational approach

Planning is a rational approach for defining where one stands, where one wants to go in future and how to reach there. Rationalist denotes a manager chooses appropriate means for achieving the stated objectives. The rational approach fills the gap between the current status and future status. The difference between two time periods T1 and T2 may be as long as five years or as short as one year. The desired and the current results are usually expressed in terms of objectives, which

can be achieved by an action or set of actions. The actions require resources and the rational approach emphasise appropriate use of resources.

### Planning: An open system approach

An organisation is an open system because it accepts inputs from the environment and exports output into the environment. Planning adopts an open system approach. An open system approach indicates that the gap between current and desired status and the action required to bridge this gap is influenced by a variety of environmental factors such as economic, legal, political, technological, socio-cultural and competitive factors. As these factors are dynamic, managers have to take into account the dynamic features of the environment while using the open system approach.

### Flexibility of planning

Flexibility of planning means its ability to change in order to adapt to changing situations without undue cost. Plans must be flexible to adapt to changes in technology, market, finance, personnel and organisational factors. However, flexibility is possible only within limits because it involves extra cost because sometimes it may not be worth the cost.

### Pervasiveness of planning

Planning is pervasive and it extends throughout the organisation. Planning is the fundamental management function and all managers irrespective of levels, have a planning function to perform within his/her particular area of activities. The top management is responsible for the overall objectives and actions of the organisation. Therefore, it must plan what these objectives should be and how to achieve them. Similarly, a departmental head has to devise the objectives of his/her department within the organisational objectives and also the methods to achieve them.

### Importance of planning

Planning is of great importance in all types of organisation whether business or non-business, private or public, small or large. An organisation which thinks ahead about what it can do in future is likely to succeed as compared to one which fails to do so. Without planning, business decisions will be random and ad hoc choices. Planning is important because of the following reasons:

1. **Primacy of planning:** Planning is the first and foremost function of management, other functions follow planning. What is not planned cannot be organised and controlled. Planning establishes the objectives and all other functions are performed to achieve the objectives set by the planning process.

2. **To minimise risk and uncertainty:** The organisation continuously interacts with the external dynamic environment where there is great amount of risk and uncertainty. In this dynamic environment where social and economic conditions alter rapidly, planning helps the manager to cope with and prepare for changes in the environment. By using rational and fact-based procedures for making decisions, a manager can reduce risks and uncertainties.
3. **To focus attention on objectives:** Planning focuses on organisational objectives and direction of action for achieving these objectives. It helps managers apply and coordinate the organisation's resources effectively to achieve its objectives. The whole organisation embraces identical goals to achieve them.
4. **To facilitate control:** Planning sets the goals and develops plans to achieve them. These goals and plans become the standards or benchmarks against which actual performance is measured. Control involves the measurement of actual performance by comparing it with the standards and initiating corrective action if there is deviation. Control ensures that the activity conforms to its plans. Hence control can be exercised if there are plans.
5. **To increase organisational effectiveness:** Effectiveness implies that the organisation is able to achieve its objectives with its allocated resources. The resources are allocated accordingly to ensure maximum contribution to the organisation's objectives.

## Types of planning

Though the basic process of planning is the same, there are several ways in which an organisation can undertake planning process. Planning can be classified on the basis of coverage of activities; importance of contents in planning; approach adopted in planning process; time dimension and degree of formalisation in planning process as depicted in **Table 3.1**.

Dimension	Types of Planning
1. Coverage of activity	Corporate and functional planning
2. Importance of contents	Strategic and tactical/operational planning
3. Time period involved	Long-term and short-term planning
4. Approach adopted	Proactive and reactive planning
5. Degree of formalisation	Formal and informal planning

**Table 3.1** Types of planning

1. **Corporate and functional planning:** Corporate planning covers planning activities of the entire organisation. The focus in corporate planning is to determine long-term objectives as a whole and to generate plans to achieve these objectives bearing in mind the probable changes in a dynamic

environment. Corporate planning is the basis for functional planning. Functional planning which is derived from corporate planning, is undertaken for each major function of the organisation like production, marketing, finance and etc.

2. **Strategic and operational planning:** Strategic planning sets the direction of the organisation in future. Strategic planning involves a time horizon of more than one year and for most organisations, it ranges between 3 to 5 years. Examples of strategic planning are diversification of business into new lines, planned growth rate in sales etc. Operational planning, also known as tactical planning, on the other hand, involves deciding the most effective use of resources already allocated to achieve the organisational objectives. The time horizon in operational planning is less than one year. Operational planning is also part of strategic planning. Examples of operational planning include adjustment of production within available capacity, increasing the efficiency of the operating activity by analysing past performance and etc. **Table 3.2** shows the differences between strategic and operational planning.

Strategic Planning	Operational Planning
1. It decides major goals and policies regarding allocation of resources to achieve organisational goals.	1. It decides the detailed use of resources for achieving organisational goals.
2. It is carried out by higher level management.	2. It is carried out by lower level management.
3. It is long term.	3. It is short term.
4. It is based on long-term forecasting by considering the possible impacts of political, economical, technological and competitive factors and the degree of uncertainty is more.	4. It is generally based on past performances of the organisation and the degree of uncertainty is lesser.
5. It is less detailed.	5. It is more detailed.

**Table 3.2** Differences between strategic and operational planning

3. **Long and short-term planning:** Long-term planning is strategic in nature and involves a period of more than one year to 20 years or so. Short-term planning usually covers one year. Short-term plans are made with reference to long-term plans because short-term plans contribute to long-term plans.
4. **Proactive and reactive plans:** Planning is an open system approach and hence it is affected by environmental factors which are dynamic. The organisation's response to these changes differs. Based on these responses, planning may be proactive and reactive. Proactive planning involves designing suitable courses of action in anticipation of likely changes of the environment. Managers who adopt proactive changes do not wait for the environment to change, but take action in advance. In order to do this, continuous scanning

of the environment is necessary. In reactive planning, response comes after environmental changes take place. By the time the organisation responds to change in the environment, there may already be further changes in environment. Hence this type of planning is suitable in an environment which is fairly stable over a long period of time.

5. **Formal and informal planning:** Large organisations undertake planning in a formal way. Generally, a separate corporate planning cell is formed at higher level. The cell is staffed by people of different backgrounds like engineers, economists, statisticians etc., depending on the nature of the organisation. The cell continuously monitors the environment. When the environment shows some changes, the cell analyses the environment and suggests suitable measures to take in relation to the changing environment. This type of planning is rational, systematic, regular and well-documented. On the other hand, informal planning is undertaken generally by small organisations. This planning process is based on the manager's experience and intuition rather than systematic evaluation of environment changes. Informal planning process is part of a manager's regular activity.



### Activity 3.4

Identify and analyse the long-term and short-term plans of your organisation.

## Steps in planning

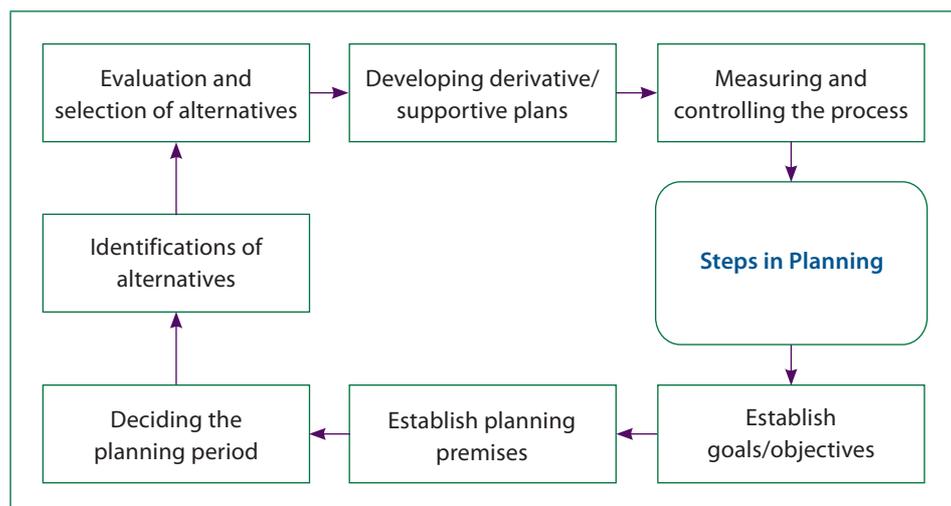
The planning process differs according to each plan and organisation. The following are steps in planning:

1. **Establishing goals/objectives:** The first step in the planning process is to determine the organisational objectives. These are set by upper level managers after a number of objectives have been carefully considered. The objective set depends on the number of factors like mission of the organization, abilities of the organization etc., once the organizations objectives are determined, the section wise or department wise objectives are planned at the lower level. Defining the objectives of every department is a very essential one; then only clear cut direction is available to the departments. Control process is very easy if the objectives are clearly defined.
2. **Establishing planning premises:** This is the second step in planning which involves establishing planning premises where planning activities will be conducted. Planning premises are planning assumptions, the expected environmental factors, pertinent facts and information relating to the future such as general economic conditions, population trends, competitive behaviour etc.

Planning premises can be classified as follows:

- a. **Internal and external premises:** Premises may exist within or outside the enterprise. Internal premises include sales forecasts, ability of the organisation in the form of machines, methods of design, behaviour of owners and employees etc., External premises exist outside the enterprise and include general business and economic environment, technological changes, government policies and regulations, population growth etc.
  - b. **Tangible and intangible premises:** Tangible premises are those which can be quantified. They include population growth, industry demand, capital and resources invested and etc. On the other hand, political stabilities, sociological factors, attitudes and behaviour of the owners and etc. are intangible premises.
  - c. **Controllable and non-controllable premises:** Some of the planning premises are controllable and others are non-controllable. Some examples of non-controllable factors are strikes, wars, natural calamity, legislation and etc. Due to the presence of non-controllable factors, organisations have to revise plans periodically in accordance with current development. Controllable factors are availability of resources, managers' skills and labour and etc.
3. **Deciding the planning period:** Once the long-term objectives and planning premises are decided, the next task is to decide the planning period. Some plans are made for a year whereas others may be decades. Companies generally base their planning period on a future that can reasonably be anticipated. The factors which influence the choice of a period are:
- a. **Lead time in development and commercialisation of a new product:** An aircraft building company planning to start a new project should have a planning period of five to ten years whereas a small manufacturer of spare parts who can commercialise his/her idea in a year or so makes annual plans.
  - b. **Time required for recovering capital investment or the payback period:** The payback period also influences the planning period. For example, if a machine costs RM50,000 and generates cash inflow of RM10,000 a year, it has a payback period of 5 years. Therefore the plan should also be for at least five years.
  - c. **Length of commitment already made:** The plan period should be long enough to enable the fulfilment of already made commitments. For example, if a company has agreed to supply goods for five years, it needs to plan for the same period in order to fulfil its commitments.

4. **Identification of alternatives:** The fourth step in planning is identifying alternatives. A particular objective can be achieved through various actions. For example, an organisation's objective is to grow further which can be achieved in several ways like expanding in the same field of business or product line; diversifying in other areas; cooperating with other organisation and etc. With each category, there may be several alternatives. For example, diversification may point out the possibility of entering into one of the areas.
  
5. **Evaluation and selection of alternative:** Once the alternatives have been identified, the next step is to evaluate the alternatives in the light of the premises and goals and to select the best course or courses of action. This is done with the help of quantitative techniques and operations research. In addition, software packages are also available for evaluating alternatives.
  
6. **Developing derivative/supportive plans:** Once the plan is selected, various plans are derived to support the main plan. The derivative may be planning for buying equipment, raw material etc. These derivative plans are formulated from the main plan which is why they are called supportive plans.
  
7. **Measuring and controlling the process:** One should not allow a plan to run on its own without monitoring its progress. Managers need to check the progress of their plans so that remedial action can be taken to make the plan work or change the plan if it is unrealistic. Hence, the process of controlling is a part of a plan.



**Figure 3.2** Steps in planning

## Decision making

Decision making is an essential part of modern management. Whatever a manager does, he/she did it by making decisions. A manager makes hundreds of decisions consciously or subconsciously every day. Decisions are made by managers and actions are taken by others. Major decisions are made carefully and consciously through the application of human judgement and experience whereas minor decisions are made almost subconsciously using rules. Decision making permeates all managerial functions, namely planning, organising, staffing, directing and control. In planning for example, a manager decides what to produce, where and when etc. and in organising, a manager decides about division of work, delegating authority and fixing responsibility. Decision making is a commitment towards something; a point of view; a principle or course of action. It is selecting the best alternative among other courses of action. Decision making has the following implications:

1. Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem.
2. The existence of alternatives suggests that the decision-maker has the freedom to choose an alternative of his/her liking.
3. Decision making, like any other managerial process, is goal oriented. It implies that the decision-maker attempts to achieve some results through decision making.

## Types of decisions

Decisions are classified in a number of ways as follows:

1. **Programmed and non-programmed decisions:** Programmed decisions are those that are made in accordance to policy, procedures and rules. These decisions are routine, repetitive and relatively easy to make. For example, determining salary payment to the workers who have been ill; offering discounts for regular customers and etc. are programmed decisions. Non-programmed decisions are novel and non-repetitive. If a problem has not arisen before or if there is no clear cut method for handling it, it must be handled by non-programmed decision. For example, what to do about a failing product line is a non-programmed decision because no definite procedure exists for it. For programmed decisions, clear cut rules exist and hence it is not possible for two persons to reach different solutions to the same problem. In the case of non-programmed decisions, there are no clear cut rules for handling the problem, each manager may bring his/her own personal beliefs, attitudes and judgements to bear on the decision, it is possible for two managers to arrive at distinctly different solutions to the same problem. The ability to make non-programmed decisions are important for managers at higher level.

2. **Major and minor decisions:** The decisions which have impact for long-period or which have impact on other departments are known as major decisions. On the other hand, decisions which does not have long-term effect or affect one department are known as minor decisions. Diversification of existing product lines and adopting new technology are examples of major decisions whereas the decision to procure raw materials is considered a minor decision. Major decisions are made at higher level and minor decisions are made at lower level in the organisational hierarchy.
3. **Simple and complex decisions:** If very few variables are to be considered in solving a problem, the decision is considered simple. If the are many variables, then it is a complex decision.
4. **Strategic and tactical or operational decisions:** Strategic decision is a major choice of action concerning allocation of resources and contribution to the achievement of organisational objectives. Strategic decisions are major non-programmed decisions which have long-term impact. A strategic decision may involve major departure from earlier ones. For example, change in product mix strategy. Strategic decisions are made by higher level managers. Tactical or operational decision is derived from strategic decision. It relates to day-to-day working of the organisation and is made in the context of well set policies and procedures. Decisions relating to provisions of air conditioning and parking facilities are some examples of operational decisions. These decisions are usually by lower level managers.
5. **Individual and group decisions:** Decision can be made either by an individual or in a group. Individuals make decisions which are routine in nature with few variables and definite procedures. On the other hand, decisions which have impact on other departments i.e., those that may result in changes in the organisation, are generally group decisions.




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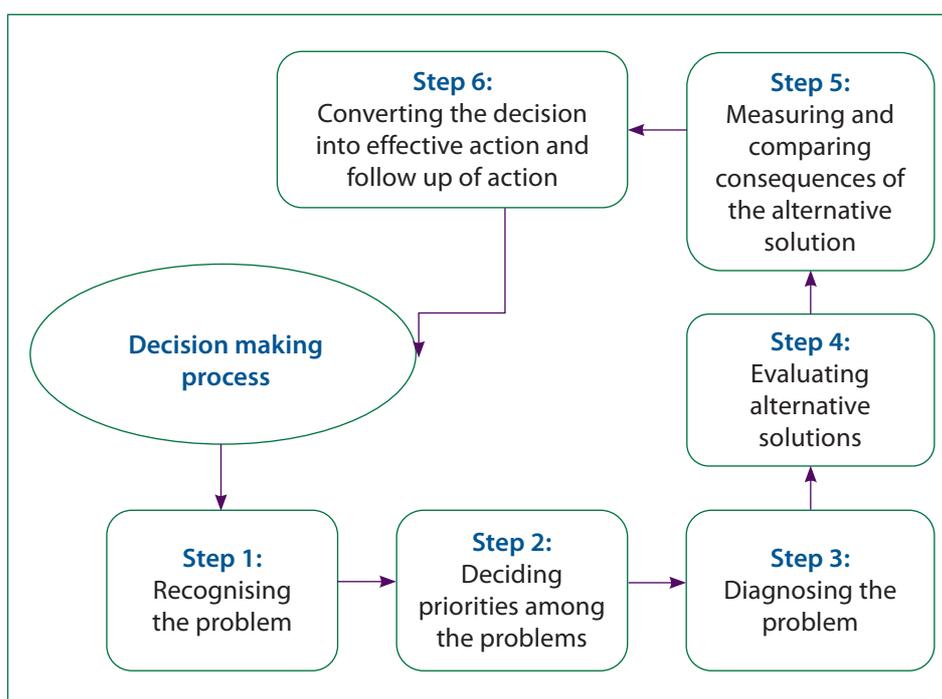
### Activity 3.5

List the major and minor decisions that you have made in the recent past.

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### Decision-making process: Steps in rational decision making

A decision is rational if appropriate means are chosen to reach the desired end. **Figure 3.3** depicts the steps involved in the decision-making process.



**Figure 3.3** Decision-making process

1. **Recognising the problem:** When a manager makes a decision, it is also viewed as an organisation's response to a problem. Hence it is necessary to search the environment to locate the problem. A problem is said to exist:
  - a. When there is deviation from past experience. For example, the present year's sales are lower than previous year, the expenses are more than the previous years.;
  - b. When there is deviation from plan. For example, sales are lower than anticipated, expenses are more than expected.
  - c. When competitors outperform. For example, other companies manufacture goods of the same quality at lower costs.
  - d. When people bring problems to the manager. For example, workers may complain about poor ventilation.
  
2. **Deciding priorities among problems:** A manager might have identified a number of problems. All these problems vary in their importance. He/She may find that some of the problems are such that they can be solved by his/her subordinates because they are closest to them. If that is the case, such problems should be passed them. However, some problems may need information available only at higher level or affecting other departments. Such problems are referred to higher level managers. Managers should focus on problems which can best be solved by them depending on their level in the organisation.

3. **Diagnosing the problems:** Sometimes a manager may be misled by symptoms of a problem. The symptom may lead the manager to suspect one part when the defect may lie hidden in another part. For example, if there is a decline in sales, the management may think that the problem is poor sales procedure or market saturation. However, the real problem may be the inability of the organisation to adapt and meet the changing needs of its customers. A manager should follow the systems approach to diagnose a problem. He/She should study all the sub-parts of his/her organisation to locate the source of the problem.
  
4. **Evaluating alternative solutions:** A problem can be solved in several ways; however each way cannot be equally satisfying. If there is only one way of solving a problem, then no question of decision arises. Therefore a decision maker must identify various alternatives available in order to get most satisfactory result of a decision. It should also be kept in mind that it is not possible to consider all alternatives because information about all alternatives may not be available or some of the alternatives cannot be considered due to limitations. Hence when developing alternatives, the concept of limiting factor should be applied. The limiting factor is one which stands in the way of accomplishing a desired objective. For example, if an organisation has limitation in raising sizable finance, it cannot consider projects involving high investment.

A decision maker can identify alternatives using his/her own experiences and practices followed by others as well as using creative techniques. A decision maker using his/her past experiences takes into account the action taken by the decision maker in the past with the difference between former challenges and the present one. The successful action of the past may become an alternative for the future. The limitation of this is what was successful in the past may not be so in the present context because of change in context under which the decision was made. Copying from the experience of others is another way of generating alternatives. Alternatives used by successful decision makers can be used as alternatives in decision making. The third method of generating alternatives is through creative process where various exercises are taken to generate entirely new ideas. Creative ideas of individuals or groups help in developing alternatives. One popular group technique is brain storming. A brain storming group consists of 5 to 10 persons. The best idea behind brain storming is to think of as many alternatives as possible without pausing to evaluate them.

5. **Measuring and comparing consequences of the alternative solution:** Once various alternatives are developed, the next step is to measure and compare the consequences of alternatives using quality and acceptability. The quality of a decision must be determined by considering both tangible and intangible consequences. Tangible consequences are those which can be quantitatively measured or mathematically demonstrated. For example, one can calculate the installation and running costs of two types of air conditioners. Intangible consequences cannot be measured quantitatively.

For example, the effect of services tax in one location cannot be compared with local taxes in another country. Acceptability of solution is also important. A decision though good in terms of quality may be poor in acceptability. Likewise, a decision though acceptable may not be good in quality. In such cases, managers must find the relative importance between these two. In production, finance, purchase and etc. the solution's quality is more important than acceptability, whereas in all human-related matters such as lighting condition, layout of the office and etc., acceptability is more important. If sufficient information about quality or acceptability of a solution is not available, pilot testing is required. For example, a company may test a new product in a certain market before expanding its sale nationwide.

- 6. Converting the decision into effective action and follow up of action:**  
This step involves communication of decisions to the employees. Decision must be communicated in clear and unambiguous terms. All necessary efforts should be made to secure employees' participation in some stages of decision making. Association of employees in decision making not only enhances its acceptability, but also improves the quality of the decision. Sometimes, due to non-availability of data, a manager may not make an effective decision. Therefore, as a safeguard against ineffective decision, the manager, while converting a decision into effective action, should institute a system of follow-up so that he/she can modify or alter his/her decision at the earliest opportunity possible.



### Summary

Planning is the first and foremost function of managing a business. Planning is deciding in advance what to do, when to do, how to do and who is to do it. It is, in essence, the exercise of foresight. The nature of planning may be understood in terms of it being a rational approach i.e., an open system which is flexible and pervasive. Planning can be classified on the basis of coverage of activities, importance of contents in planning, approach adopted in the planning process, time dimension and degree of formalisation and etc. Decision making is selecting the best among alternative courses of action. Decisions may be classified as programmed and non-programmed decisions, major and minor decisions, simple and complex decisions and strategic and operational (tactical) decisions. The environment of a decision may be of three types: certainty, risk and uncertainty. As an entrepreneur, knowledge of management is essential as it provides the basic guidelines to the overall picture of managing a business. As such, planning and decision-making processes are crucial for an entrepreneur in terms of making the right choice of planning which will lead to successful execution of business activities.



### Self-test 3.2

1. Discuss the importance of strategic and tactical planning in entrepreneurship.
2. Explain in brief the importance of planning a business to an entrepreneur.
3. Discuss different types of decisions that entrepreneurs may take to successfully run their business.



## 3.3 Organising and Staffing

### Objectives

By the end of this section, you should be able to:

1. Define organisation in an entrepreneurial environment.
2. Explain the characteristics of an organisation.
3. Discuss how organising and staffing contributes to the success of an organisation.

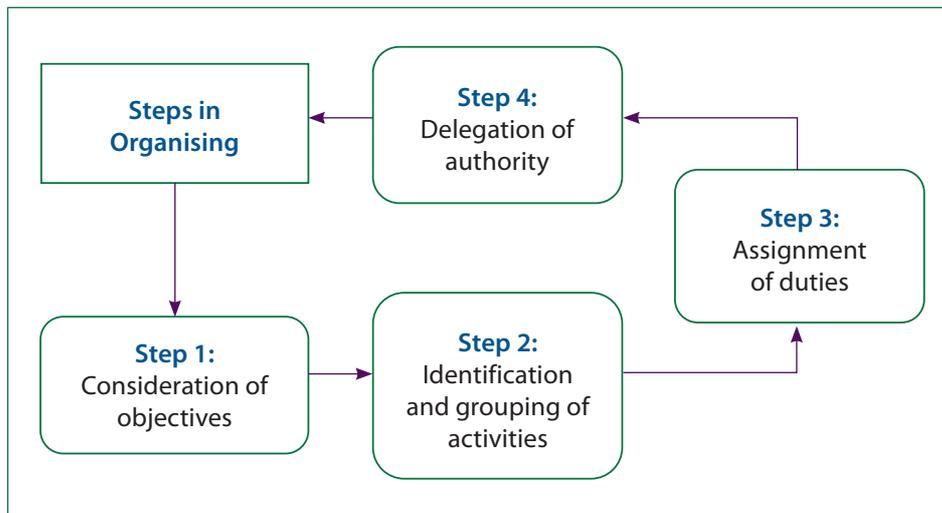
### Introduction

Organisation is the foundation on which the entire business is built. Without efficient organisation, no management can perform its function smoothly. Sound organisation contributes greatly to the continuity and the success of an organisation. A poor organisation structure makes good performance impossible no matter how good the individuals are.

The term organisation connotes different meaning to different people. For example, to sociologists, organisation means a study of interactions of people, classes or hierarchy of an enterprise. To psychologists, organisation means an attempt to explain, predict and influence the behaviour of individuals in an enterprise. The word “organisation” is also used widely to connote a group of people and the structure of relationships.

### Steps in organising

While organising, a manager differentiates and integrates the activities of his/her organisation. Differentiation means the process of departmentalisation or segmentation of activities on the basis of some homogeneity. Integration is the process of achieving unity of effort among various departments, segments or subsystems. Organisation involves the following interrelated steps depicted in **Figure 3.4**:



**Figure 3.4** Steps in organising

1. **Consideration of objectives:** The first step in organising is to know the objectives of the business. Objectives determine the resources and the various activities which are required as well as the type of organisation to build for this purpose. Objectives also serve as guidelines for the management and its employees. They bring about unity of direction within the organisation.
2. **Identification and grouping of activities:** If the members of the group are to focus their efforts effectively, there must be proper division of the major activities. Each job should be properly classified and grouped. This will enable them to know what is expected of them as members of the group and avoid duplication of efforts. For example, the total activities of a business may be divided into major functions like production, purchasing, marketing, finance and etc. and such function is further subdivided into various jobs. Let us say in the production department, separate sections may be created for research, industrial engineering and etc. The jobs can then be classified and grouped to ensure the effective implementation of other steps.
3. **Assignment of duties:** After classifying and grouping the activities into various jobs, they should be allotted to the individuals for ensuring certainty of work performance. Each individual should be given a specific job to do according to his/her ability and should also be responsible for his/her assigned job.
4. **Delegation of authority:** Authority without responsibility is dangerous and responsibility without authority is an empty vessel. Hence, corresponding to responsibility, authority is delegated to the subordinates to enable them to perform.

## Nature of organisation

The nature of organisation can be highlighted by studying its features as follows:

1. **Organisation is always related to certain objectives:** Whether it is organisation of the entire enterprise or part of it, organisation is influenced by objectives. The operations are divided; authority and responsibility are determined to achieve predetermined objectives.
2. **An organisation connotes a group of people:** McFarland has defined organisation as “an identifiable group of people contributing their efforts towards the attainment of goals. People form groups or organisations to accomplish common objectives and gather their efforts by defining and dividing various activities, responsibility and authority”.
3. **Communication is the nervous system of organisation:** The organisational members must be able to communicate with each other and coordinate their activities. No organisation can survive without an efficient system of communication.
4. **Organising is a basic function of management:** Organising is done in relation to all other functions of management, namely planning, staffing, directing and controlling and in all the areas of business namely production, marketing, purchasing and personnel. The organising function is performed by all managers.
5. **Organisation is a continuous process:** It is not a one step function. Managers are continuously engaged in organising and re-organising.
6. **Organisation connotes a structure of relationship:** The structure of relationship deliberately created by the management is referred to as a formal organisation. An organisation may also have a network of social relationships that arise between people working together. Such relationships are known as informal organisation. In a formal organisation, people are able to communicate with each other and willing to act as well as share a purpose. In an informal organisation, people work together because of their likes and dislikes.
7. **Organisation involves a network of authority and responsibility relationship:** Various positions are created; specific tasks are assigned to them. To perform the task, each position is delegated adequate authority. Authority and responsibility relationships throughout the organisation must be clearly defined to achieve coordination and to avoid conflicts between individuals and departments.



### Activity 3.6

Identify various departments of your institute and find out the basis behind the departments being created.

## Organisation structure

An organisation structure shows the authority and responsibility relationship between the various positions of the organisation by indicating who reports to whom. It is a set of planned relationships between groups of related functions and between physical factors and personnel required for the achievement of organisational goal. The structure of an organisation is generally shown on the organisation chart or a job task pyramid. The organisation chart or job task pyramid shows the authority and responsibility relationship between various positions in the organisation. A good organisation structure should not be static but dynamic. It should change from time to time in the light of changes in the business environment.

## Purpose of organisation

Organisation means a form of human association for the attainment of common objectives. An industrial organisation denotes an association of persons in relation to some economic activities. Obviously, the better the organisation is, the fuller the achievement of its common objectives. Similarly, a loose organisation implies an unhappy and dangerous state of affairs. Organisation is essential for the following purposes:

1. **To facilitate pattern of communication:** Organisation structure provides a pattern of communication and coordination. By grouping activities and people, structure facilitates communication between people centred on their job activities. People who have related problem often need to share information to solve it.
2. **To allocate authority and responsibility:** Organisation structure allocates authority and responsibility. It specifies who is to direct whom and who is accountable for what results. The structure helps the organisation members to know what his/her role is and how it relates to others.
3. **To locate decision centres:** Organisation structure determines the location of decision making in the organisation. For example, a departmental store may leave pricing decision to the lower level manager while in an oil refinery, pricing decision is made at top level management.

4. **To create proper balance:** Organisation structure creates proper balance and emphasis of activities. Activities where are more critical to the enterprise's success are be placed higher in the organisation. For example, R&D department in a pharmaceutical company may be singled out in terms of reporting to the managing director. Activity of comparable importance might be placed at the lower level.
5. **To stimulate creativity:** A sound organisation stimulates independent, creative thinking and initiative by providing well-defined areas of work with broad attitude of the development of new and improved ways of doing things.
6. **To encourage growth:** The organisation structure provides framework within which an enterprise functions. If the organisation structure is flexible, it will help in meeting challenges and creating opportunities for growth.
7. **To make use of technological improvements:** A sound organisation structure which is able to adapt to changes can make the best possible use of latest technology. It can modify the existing pattern of authority-responsibility relationships in the wake of technological improvements.

## Principles of organisation

In order to facilitate the achievement of objectives, management thinkers have laid down certain principles of organisation. The principles are guidelines for planning organisation structure. Therefore, thorough understanding of the principles of organisation is essential to make a good organisation. The principles of organisation are listed as follows:

1. **Objectives:** The objectives of the enterprise influence the organisation structure. The organisation as a whole should be geared to the basic objectives determined by the enterprise.
2. **Specialisation:** Effective organisation must promote specialisation. The activities of the enterprise should be divided according to functions and assigned to persons according to their specialisation.
3. **Span of control:** A manager can directly supervise only a limited number of executives. Hence, it is necessary to have a proper number of subordinates answerable to a manager. A maximum of six may be prescribed for this purpose.
4. **Exception:** This principle requires that an organisation structure should be designed in a way that managers are required to go through exceptional matters only. All the routine decisions should be taken by subordinates whereas problems involving unusual matters and policy decisions should be referred to higher levels.

5. **Scalar principle:** This is also known as chain of command. There must be clear lines of authority running from the top to the bottom. Authority is the right to decide, direct and coordinate. Every subordinate must know who his/her superior is and to whom policy matters beyond his/her own authority must be referred for decision.
6. **Unity of command:** Each subordinate should have only one supervisor whose command he/she has to obey. Dual subordination must be avoided, for it causes uneasiness, disorder and indiscipline as well as undermines authority.
7. **Delegation:** Proper authority should be delegated at lower levels of the organisation as well. The authority delegated must be equal to responsibility i.e., the manager should have enough authority to accomplish the task assigned to him/her.
8. **Responsibility:** A superior should be held responsible for the acts of his/her subordinates. No superior should be allowed to avoid responsibility by delegating authority to his/her subordinates.
9. **Authority:** The authority is the tool by which a manager is able to accomplish the desired objective. Hence, the authority of each manager must be clearly defined. The authority and responsibility must be co-extensive in the organisation.
10. **Efficiency:** The organisation should be able to attain the mission and objectives at minimum cost.
11. **Simplicity:** The organisation structure should be as simple as possible with minimum number of levels. A large number of levels of organisation indicate difficulty in effective communication and coordination.
12. **Flexibility:** The organisation should be flexible and able to adapt to changing circumstances. It should permit expansion and replacement without dislocation and disruption of the basic design. A sound organisation must avoid complicated procedures, red-tape and excessive complication of control so that it may adapt easily and economically to business and technical changes.
13. **Balance:** There should be reasonable balance in the size of various departments, between centralisation and decentralisation. There must be balance in the formal structure in terms of factors having conflicting claims.
14. **Unity of direction:** There must be one objective and one plan for a group of activities having the same objective. Unity of direction facilitates unification and coordination of activities at various levels.
15. **Personal abilities:** As an organisation is a formal group of people, there is a need for proper selection, placement and training of personnel. An organisation structure must ensure optimum use of human resources.

## Recruitment

Recruitment is the process of identifying prospective candidates and to encourage them to apply for jobs. It is a linking activity that brings together employers and job seekers. Recruitment refers to the attempt of getting interested applicants and providing a pool of prospective employees so that the management can select the right person for the right job from this pool. The various sources of recruitment are divided into two categories:

1. Internal sources.
2. External sources.

### Internal sources

Internal sources involve transfer and promotion. Transfer involves the shifting of an employee from one job to another. Many companies follow the practice of filling higher jobs by promoting employees who are considered fit for such positions. Filling higher positions by promotion motivates employees and boosts their morale.

### External sources

1. **Direct recruitment:** An important source of recruitment is direct recruitment by placing a notice on the notice board of the enterprise by specifying the details of the jobs available. This is also known as recruitment at factory gate.
2. **Unsolicited applications:** Many qualified persons apply for employment to reputed companies on their own initiative. Such applications are known as unsolicited applications.
3. **Advertising:** Large enterprises particularly when the vacancy is for higher post or there are large number of applications, use this source where advertisements are made in local and national level newspapers. This helps in sourcing candidates over different parts of the country. The advertisement contains information about the company, job description, job specialisation and etc.
4. **Employment agencies:** This is a good source of recruitment of unskilled and semi skilled jobs. In some cases, compulsory notification of vacancies of employment exchange is required by law. The employment exchanges enable employers to keep in touch with job seekers.
5. **Educational institutions:** Many jobs in business and industries have become increasingly varied and complex which require at least a degree qualification in that particular area. This is why many big organisations maintain a close liaison with colleges, vocational institutes and management institutions for recruitment of various jobs.

6. **Labour contractor:** Often unskilled and semi skilled workers are recruited through labour contractors.
7. **Recommendations:** Applicants introduced by friends, relatives and employees of the organisation may prove to be a good source of recruitment. Many employers prefer to take such persons because some information their background is known via employees working in the organisation.

## Selection

The process of selection leads to employment of persons having the ability and qualifications to perform the job which is vacant in an organisation. It divides the candidates into two categories; those will be employed and those who will not. The basic purpose of the selection process is to choose the right type of candidates for various positions in the organisation. In order to achieve this purpose, a well-organised selection procedure involves many steps and at each step, more information is obtained about the candidates. The steps involved in selection procedure are discussed as follows:

1. **Receipt of applications:** Whenever there is a vacancy, it is advertised or enquires are made from suitable sources and applications in standard form are received from the candidates. The applications provide preliminary idea of the candidates such as age, qualifications, experience and etc. Standard forms make application processing easy.
2. **Screening of applications:** Applications received from the candidates are screened by the screening committee and a list of candidates to be interviewed is prepared. Applicants can be called for interviews based on some specific criterion like sex, desired age group experience and qualification. The number of candidates to be called for interview is five to seven times the number of vacant positions to be filled.
3. **Employment tests:** Employment tests help in matching the characteristics of individuals with the vacant jobs so as to employ the right kind of people. Intelligent tests, aptitude tests, proficiency tests, personality tests, interest tests and etc. may be used for this purpose.
4. **Interviews:** The employment tests do not provide the complete set of information about the candidate. Interview may be used to secure more information about the candidate. The main purpose of an interview is to find out the suitability of the candidate, to seek more information about the candidate and to provide an accurate description of the job with details of its terms and conditions. In addition, interviews help to check the information provided by the applicant and to assess their capability and personality. For senior positions, interviews may be in several stages. The preliminary interview is conducted by the head of the department and the final interview is conducted by the selection committee consisting of the chairman of the organisation, head of the department, personnel manager and external experts. After all the candidates have been interviewed, a panel is proposed.

The number of persons in the panel is generally about two to three times the number of vacancies to be filled up. Background investigation and medical examination will also be conducted at this stage. Prior to final selection, the prospective employer normally makes an investigation about the applicant's past employment, education, personal reputation, police record and etc. A proper medical examination will ensure standards of health and physical fitness of the employees and reduce the rates of accidents, labour turnover and absenteeism.

5. **Final selection:** After a candidate has cleared all the hurdles in the selection procedure, he/she is formally appointed by issuing him/her an appointment letter or a service agreement. The appointment letter contains the terms and conditions of employment, pay scale and other benefits associated with the job.



### Activity 3.7

Identify the steps involved in selection process of your institution.



### Summary

Organisation involves identification and grouping of activities to be performed and dividing them among individuals and creating authority and responsibility relationship among them to accomplish organisational objectives. An organisation structure shows the authority and responsibility relationship among the various positions in the organisation. In order to facilitate the achievement of objectives, management thinkers have laid down certain principles of organisation which provide guidelines for planning organisation structure.

Filling and keeping various positions of organisation with right people is known as staffing. The staffing function performs many sub-functions namely manpower planning, recruitment, selection, training and development, performance appraisal and compensation. Recruitment is the process of identifying the sources of prospective candidates and to encourage them to apply for the jobs. The sources of recruitment are divided into internal and external sources. The basic purpose of selection process is choosing right type of candidates to man various positions in the organisation.



### Self-test 3.3

1. Discuss the steps involved in organising that needs the attention of an entrepreneur.
2. Explain how import are the various sources of recruitment to an entrepreneur.

## 3.4 Directing and Controlling

### Objectives

By the end of this section, you should be able to:

1. Explain the importance of direction in an organisation.
2. Analyse the effective leadership styles for a successful organisation.
3. Explain how transformational leadership is important in entrepreneurship.
4. Explain the importance of motivation for employees in an organisation.
5. Discuss how control is executed to ensure effective management of a business.

### Introduction

Direction is a vital managerial function performed by managers. Whenever a decision is taken, it must be converted into action via proper implementation. Otherwise, it is of no use. Effective implementation of a decision is made possible by directions. Planning, organising and staffing are concerned only with the preparation for work performance and it is direction which stimulates the organisation and its staff to execute the plans. Hence, it is also called “management-in-action”. A manager gives direction to his/her subordinates as a superior and receives directions as subordinate from his/her superior. Direction may be defined as a function of management which is related to instructing, guiding and inspiring human factor in the organisation to achieve organisational mission and objectives. There are three elements of direction, namely communication leadership and motivation. According to Koonz and O’Donnel, “direction is a complex function that includes all those activities which are designed to encourage subordinates to work effectively and efficiently in both the short and long term”.

In the words of Theo Haimann, “directing consists of the process and techniques utilised in issuing instructions and making certain that operations carried on are originally planned”. The functions of direction involve two major activities:

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

The order is a device employed by a line manager in directing his/her immediate subordinates to start an activity, stop it or to modify it. A staff executive does not issue orders. Orders should be clear and complete, compatible with the purpose and personal interest of the organisation.

## Principles of directing

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

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

## Leadership

An entrepreneur plays multiple roles. Among those roles are manager, administrator and leader. The organisation will be highly respected when there is faith in the abilities of the entrepreneur who is also acting as a leader. Employees will look towards their leader for a number of things. During times of drastic change, employees will expect effective and sensible planning as well as confident and effective decision making from their leaders. Leaders should have the ability to challenge their people to confront long-held assumptions, reframe problems and to motivate them to think in innovative ways. Leaders are made, not born; anyone can become a leader if they are willing to learn how to be one.

### What is leadership?

Leadership is the process of inspiring individuals to give their best to achieve a desired result. It is about getting people to move in the right direction, gaining their commitment and motivating them to achieve their goals. Leadership is a reciprocal process. Any aspect of the leader, group member or setting can influence and be influenced by every other variable in the system. Leadership is a fluid and dynamic process involving continual adjustments.

Leadership is often a transformational process. The transformational leader increases group members' motivation, confidence and satisfaction by uniting them and changing their beliefs, values and needs. It is a cooperative process of legitimate influence rather than sheer power. In a small group, for example, the individual who influences others the most is often designated the leader. The right to lead is, in most instances, voluntarily conferred on the leader by some or all members of the group.

Leadership is also an adaptive, goal-seeking process for it organises and motivates group members' attempts to attain personal and group goals.

### Characteristics of a good leader

We need to be able to identify the characteristics of a good leader. A good leader:

1. Shows consideration towards subordinates, understands their problems and difficulties, and shows them the right direction.
2. Assigns someone to be the person-in-charge when needed, especially in stressful and risky situations as this will ensure clear responsibility and organisation.
3. Allows subordinates to control their work environment, provides them with empowerment and opportunities for participation, autonomy and control.
4. Inspires subordinates to see a higher meaning in the workplace.
5. Provides intellectual stimulation and training so that subordinates will be more competent.
6. Is charismatic.
7. Challenges the process. A good leader does not accept the usual processes and procedures just because these are standard practices. He/She will try to challenge and improve processes and procedures.
8. Inspires a shared vision among subordinates. Instead of imposing values, he/she will try to communicate values in a way that can be beneficial for the subordinates.
9. Enables others to act. A good leader empowers people instead of micromanaging people.
10. Acting as a role model. He/She is a pioneer and does not shy away from setting up new ways of working.
11. Is a great motivator. He/She can relate to followers and inspires confidence in them.

## Characteristics of a bad leader

Let us now look at the characteristics of a bad leader. A bad leader:

1. Does not show any consideration towards subordinates, and does not try to understand subordinates' problems and difficulties. He/She leaves subordinates unclear about the direction of the organisation.
2. Never makes any organisational arrangements and does not provide subordinates with opportunities for participation, autonomy and control.
3. Uses only a transactional approach towards subordinates.
4. Uses a *laissez-faire* style of leadership that does not respond to subordinates and does not monitor their performance and career path.
5. Is not respected and has no charisma.
6. Tends to be threatening.
7. Is indecisive.
8. Refuses to listen to the people around him/her.
9. Keeps power for him/her.
10. Refuses to learn or change.

## Types of leadership skills

According to Yukl (1994), four types or categories of managerial leadership skills have been identified:

1. **Technical skills** — proficiency in the use of quantitative and qualitative methods, processes, tools and equipment.
2. **Interpersonal skills** — emotional expressivity, sensitivity and control, social expressivity, political sensitivity, control and manipulation, effective communication and persuasiveness.
3. **Conceptual skills** — anticipation of changing trends and opportunities, diagnostic analysis of problems, integrative prognosis of ongoing improvement and/or problem resolution, proficiency in the conceptualisation of complex and ambiguous relationships, creativity in idea generation and articulation, and sound logical reasoning.

4. **Administrative skills** — being effective, firm working style, prioritisation skills, operational obligations, efficient and timely processing of information, rapid routine decision making, constant monitoring of performance, solid control of financial resources and sharp attention to detail.

Besides the four types of managerial leadership skills, the behaviour of managerial leaders can be separated into two major types: **task-centred behaviour** that initiates structure and **relationship-centred behaviour** that focuses on consideration.

Decision-making styles can also be classified into four groups:

1. **The autocratic style** — the leader is responsible for problem solving and makes decisions using the information available at the time and then tells his/her followers.
2. **The consultative decision style** — the leader shares problems with relevant followers, confers with them individually in order to gain input and then sells the decision to followers. The decision may or may not reflect the followers' input.
3. **The participative decision style** — problems are shared between leaders and followers; this style facilitates group involvement in problem analysis. The final decision will be either the result of a majority vote or consensus.
4. **The delegative decision style** — followers have the right and power to identify and analyse problems, and to make and carry out their own decisions, but they will keep their leader informed.



### Activity 3.5

Discuss with your colleagues or study partners what kind of decision-making style will be most effective for entrepreneurs. Do not forget that not all entrepreneurs are in the same business, so you might want to point out which style is most suitable to what sector/type of business.

## Leadership styles

Different leaders adopt different styles. These styles are described as follows:

1. **Charismatic**

Charismatic leaders rely on their personality, inspirational qualities and “aura”. They are often visionary leaders who are achievement oriented, calculated risk takers and good communicators. Non-charismatic leaders

rely mainly on their know-how (authority goes to the person who knows), their quiet confidence and analytical approach to dealing with problems.

**Table 3.3** shows the differences between the behavioural characteristics of non-charismatic and charismatic leaders.

	Non-charismatic leader	Charismatic leader
<b>Relation to status quo</b>	Essentially agrees with status quo and strives to maintain it.  Goal is not too different from status quo.	Essentially opposed to status quo and strives to change it.  Idealised vision that is highly different from status quo.
<b>Likeableness</b>	Shared perspective makes him/her likable.	Shared perspective and idealised vision makes him/her a likable and honourable hero worthy of identification with and imitation.
<b>Trustworthiness</b>	Disinterested advocacy in persuasion attempts.	Disinterested advocacy by incurring great personal risk and cost.
<b>Expertise</b>	Expert in using available means to achieve goals within the framework of the existing order.	Expert in using unconventional means to transcend the existing order.
<b>Behaviour</b>	Conventional, conforming to existing norms.	Unconventional or counter- normative.
<b>Environmental sensitivity</b>	Low need for environmental sensitivity to maintain status quo.	High need for environmental sensitivity for changing status quo.
<b>Articulation</b>	Weak articulation of goals and motivation to lead.	Strong articulation of future vision and motivation to lead.
<b>Power base</b>	Position power and personal power (based on reward, expertise and liking for a friend who is a similar other).	Personal power (based on expertise, respect and admiration for a unique hero).
<b>Leader-follower relationship</b>	Egalitarian, consensus seeking, or directive. Nudges or orders people to share his/her view.	Elitist, entrepreneurial and exemplary. Transforms people to share the radical changes advocated.

**Table 3.3** Differences between the behavioural characteristics of non-charismatic and charismatic leaders

Source: Adapted from Conger and Kanungo (1987)

## 2. **Autocratic**

Autocratic leaders impose their decisions using their position to force people to do as they are told. This is a leadership style where one person dictates the outcome and the rest have no contribution to it whatsoever. The leader has less concern for his/her followers and refuses to see them as individuals with unique skills. Instead, to this leader they are tools to get the job done. This type of leadership is demonstrated when the leader tells subordinates what the leader wants and how the leader wants it done, without getting advice from the subordinates. It tends to lead by authority. It is extensively used in the military where there is a strict hierarchy of authority. It is, however, not limited to the military as many business firms are led by autocratic leadership. In such firms, decision making is centralised and is controlled by one or a few persons in the firm. Many family-owned companies in Malaysia exhibit this style of leadership.

## 3. **Democratic**

Democratic leaders encourage subordinates to participate in decision making. Organisational democracy is where democratic principles are applied to a business context. It is not about everyone voting but about everyone having a voice. It is about operating out of freedom, not fear; peer-to-peer, not paternalism; humility and resolve instead of ego; transparency and not secrecy; fluid networks, not hierarchy (WorldBlu 2011). People do not understand how to implement this style of leadership in a company mainly because business leaders tend to hate having less control. In actual fact, they are just giving up the illusion of control. However, a democratic company is not for everyone. Employees need to have a high degree of self-knowledge and confidence in order for such a style of leadership to work.

## 4. **Transactional**

Transactional leaders trade money, jobs and security for compliance. The leader/member relationship is a form of social exchange; leaders and group members trade their time and energy in exchange for valued monetary and social rewards.

## 5. **Transformational leadership**

Transformational leadership rests on a foundation of legitimate values. Transformational leadership involves dramatic changes in an organisation in the aspects of vision, mission, norms and objectives. In transformational leadership, there are four types of leadership behaviours related to entrepreneurial leadership. It is important to understand each type of behaviour in order to apply the transformational leadership approach. The behaviours are:

- a. **Idealised leadership** — This is the behaviour that arouses followers to feel a powerful identification with and strong emotions towards the leader. The leader is recognised by followers as a role model and is respected.
- b. **Inspirational motivation** — A leadership behaviour that models high entrepreneurial values as an example and includes communication of an inspiring entrepreneurial vision. It also promotes powerful symbols to arouse greater efforts and a feeling of belonging. The leader must be able to motivate followers and have his or her ideas and intentions understood among the followers.
- c. **Individualised consideration** — The behaviour of the entrepreneur who provides coaching, support and encouragement to specific followers, and who listens to followers' concerns. Clear guidance and facilitation will demonstrate the concern of the leader, and this will give followers a better understanding of their roles and develop strong relationships among them. Individualised consideration is displayed when leaders pay attention to the developmental needs of followers, and support and guide the development of their followers.
- d. **Intellectual stimulation** — A behaviour that influences followers to view entrepreneurial problems from a new perspective. The leader must provide sufficient information and knowledge, usually through training, to intellectually stimulate his/her followers. Training is important because it increases awareness and competency. Intellectual stimulation is displayed when the leader helps followers to become more innovative and creative.



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### Activity 3.8

Classify the leadership styles of the head of your department.

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### Transformational leadership as an effective communicator

As you will learn in a later section of this unit, change is unavoidable in an organisation. Change is not possible unless people are willing to help. Getting the word out about necessary changes is the key. Speeches and newsletters help communicate the vision, but the most powerful medium is the behaviour of the strategic leaders in the firm. Very visible leaders must behave in ways that are consistent with the vision. Being motivational through communication is something that transformational leaders do constantly, not just at the occasional meeting to rally employees or to introduce a new initiative. Motivation comes through in all of the leader's conversations and communications, both internally with employees and externally with stakeholders and the wider community. Transformational leaders are able to "touch" people throughout their organisation and beyond. These leaders communicate with people in ways that are very personal and meaningful. They are also in touch with people's feelings and emotions in a sensitive and understanding fashion.

An entrepreneur who acts as a transformational leader prepares to motivate his/her employees to do better than expected in three ways. First, the leader raises their consciousness about the importance of certain outcomes such as high productivity or efficiency. Second, the leader shows the value of the outcomes by concentrating on the benefits to the entire work team rather than on personal interest. Third, the leader raises employees' need levels so that they will value challenges, responsibility and growth.

Leaders build confidence among their employees by helping them increase their competence and giving them the freedom to take initiatives. They apply appropriate discipline to the process by carefully selecting the new venture, using the appropriate strategy and managing failure.

## Motivation

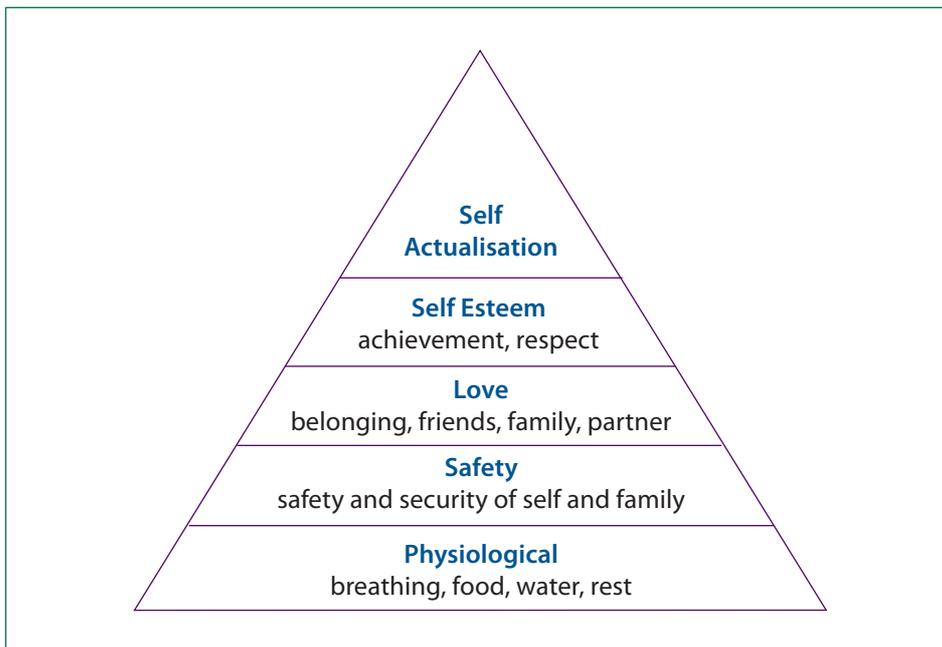
A manager gets work done through others. Getting the work done depends mainly on whether a person has been motivated to do it. Motivating an employee is to create a need and a desire on the part of employee to better his/her performance. This can be done by creating in him/her a sense of responsibility and feeling of special interest in his/her work. Motivation concerns itself with the "will to work". It is a behavioural concept by which a manager tries to understand why people behave as they do. Motivation is inspiring the subordinates to contribute with zeal and enthusiasm towards organisational goals. Performance of an employee depends on two factors, ability to work and willingness to work.

## Motivational theories

What can enhance the willingness to work is explained by a number of motivational theories as follows:

### Maslow's Needs Hierarchy Theory

Every person has a variety of needs, some of these needs are satisfied and others are unsatisfied. An unsatisfied need is the starting point in the motivation process. When a person has an unsatisfied need, he/she attempts to identify something that will satisfy the need. This is called a goal. Once a goal has been identified, he/she takes action to reach that goal and thereby satisfy the need. A.H. Maslow has identified five categories of needs which are arranged in hierarchy as shown in **Figure 3.5**.



**Figure 3.5** Maslow's Hierarchy of needs

1. **Physiological needs:** These are the basic needs for sustaining human life itself such as food, water, shelter and sleep. Maslow took the position that until these needs are satisfied to a reasonable degree necessary to maintain life, other needs will not motivate people.
2. **Security or safety needs:** People want to be free of physical danger and of the fear of losing job, property or shelter.
3. **Social needs:** Since people are social beings, they need to belong and to be accepted by others.
4. **Esteem needs:** Once people begin to satisfy their need to belonging, they tend to want to be held in esteem both by themselves and by others. This kind of need produces satisfaction such as power, prestige and status.
5. **Self-actualisation needs:** It is desire to become what one is capable of becoming to maximise one's potential and to accomplish something.

According to Maslow, people attempt to satisfy their physical needs first. As long as the needs are unsatisfied, they will dominate a person's behaviour. As they become reasonably satisfied, they lose their motivational power and the next level i.e., security needs becomes the dominant motivational force. This process continues upwards the hierarchy of needs.

### Hertzberg's Two Factors Theory

Fredrick Hertzberg and his associates have proposed a two factors theory of motivation. The first group are things such as company policy and administration, supervision, working conditions, interpersonal relations, salary, job security and personal life. These are called dis-satisfiers and not motivators. If they exist in a work environment, they yield no dissatisfaction. Their existence does not motivate but their absence result in dissatisfaction. Hertzberg called these factors **hygiene or maintenance factors**. In the second group, he listed certain satisfiers and therefore **motivators**, which are related to job content. They include achievement, recognition, challenging workplace, and job growth.

The first group of factors (the dissatisfiers) are non-motivational factors in the organisation, yet they must be present otherwise dissatisfaction will arise. The second group or the job content factors are real motivators because they have the potential of yielding a sense of satisfaction. It means managers must give considerable attention to upgrading job content.

Hygiene factors	Motivators
Status	Challenging work
Interpersonal relationship	Achievement
Quality of supervision	Responsibility
Company policy and administration	Growth in the job
Working conditions	Advancement
Job security	Recognition
Salary	

**Table 3.4** Hygiene factors and motivators

### Vroom's Expectancy Theory

According to Victor H. Vroom, people's motivation towards doing anything will be determined by the value they place on the outcome of their effort multiplied by the confidence they have that their efforts will materially aid in achieving a goal. Motivation is a product of anticipated worth that an individual places on a goal and the chances he/she sees of achieving that goal. Using his own terms, Vroom's theory can be stated as:

Force = Valence × Expectancy
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Where force is the strength of a person's motivation, valance is the strength of an individual performance for an outcome and expectancy is the probability that a particular action will lead to a desired outcome. When a person is indifferent about achieving a certain goal, valance is zero. Valance is negative when the person does not achieve his/her goal. In either case, there is no motivation. Similarly, there is

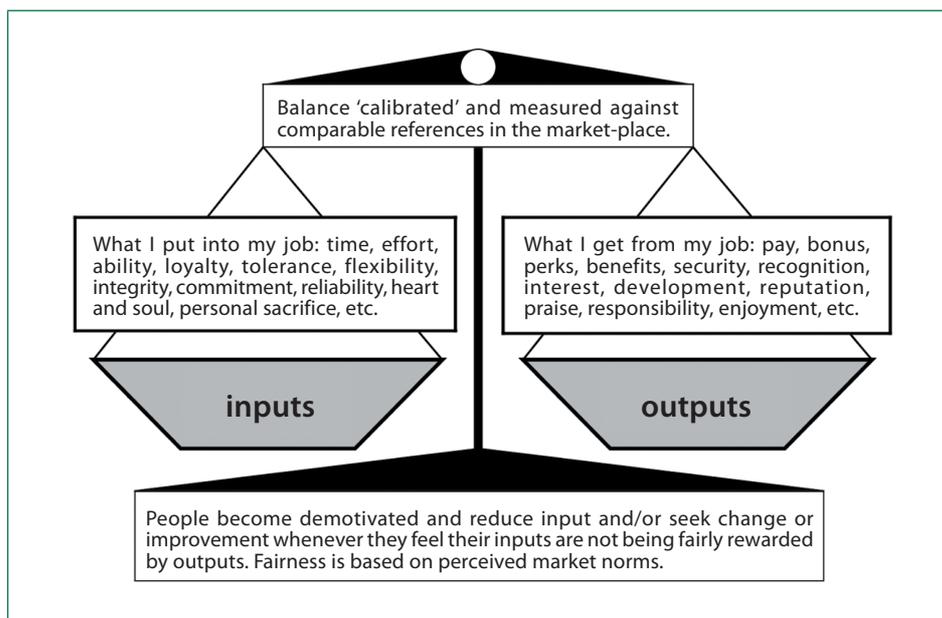
no motivation to achieve a goal if expectancy is zero or negative. The force exerted to do something depends on both valance and expectancy. A motive to accomplish some action is determined by the desire to accomplish something else. For example, a person may be willing to work hard to get out a product for a valance in the form of pay valance.

### Adam's Equity Theory

This theory points out that people are motivated to maintain a fair relationship between their performance and reward in comparison to others. Equity refers to an individual's subjective judgements about the fairness of the reward he/she gets. In this theory, equity is defined as a ratio between the individual's job inputs (such as effort, skill, experience, education and skill) compared to the rewards others are receiving for similar job inputs.

$$\frac{\text{Person's Reward}}{\text{Others Reward}} = \frac{\text{Person Input}}{\text{Others Input}}$$

If people feel that many are inequitably rewarded, they may be dissatisfied thus reducing the quantity and quality of work or leaving the organisation. They can also ask for a greater reward. If people perceive the reward as equitable, they probably will continue at the same level of output. If people think the rewards are greater than what is considered equitable, they should work harder.



**Figure 3.6** Adam's Equity Theory  
Source: J.S. Adam's Equity Theory 1963

In practice, many overestimate their own contributions and the rewards other receive. Certain inequalities may be tolerated for some time by employees. But prolonged feelings of inequity may result in strong reactions.

### McClelland's Need Theory

According to McClelland, the three important needs are: the need for achievement, the need for affiliation and the need for power. The need for affiliation reflects a desire to interact socially with people. A person with high need for affiliation is concerned about the quality of an important personal relationship. A person, who has a high need for power concentrates on obtaining and exercising power and authority. The person is concerned with influencing others and winning arguments. A person with a need for achievement is concerned with setting moderately difficult but potentially achievable goals. He/She does most of the things himself/herself rather than getting others to do them. If the needs of the employees can be accurately measured, organisations can improve the selection and placement process. For example, an employee with high need for affiliation can be placed in a position that will enable the person to achieve. Thus, it is important to identify the behaviours required to perform a set of tasks effectively, and then to determine what individual characteristics are most associated with these behaviours.

### Carrot and stick approach

Carrot and stick approach of motivation comes from the old story that the best way to make a donkey move is to put a carrot out in front of it or hit it with a stick. The carrot is the reward for moving and the stick is the punishment for not moving. The carrot and stick approach of motivation takes the same view. In motivating people for behaviour that is desirable, some carrots i.e., rewards are used such as money, promotion and other financial and non-financial factors; some sticks i.e., punishments are used to push the people for the desired behaviour. Though in various theories of motivation, the terms carrot and sticks are avoided, this approach still forms the basis of motivation if administered properly. The role of carrot has been adequately explained in various theories of motivation when it is used to analyse what people want to get from their performance that is the positive aspect of behaviour and its rewards. Such rewards may be financial or non-financial. The stick also pushes people to engage in positive behaviour or overcoming negative behaviour. The mixture of both carrot and stick should be used judiciously so that both have positive effects on the motivational profile of the people in the organisation.

### Skinner's Reinforcement Theory

Psychologist B.F. Skinner has developed another approach for motivation called positive reinforcement or behaviour modification theory. According to his theory, individuals can be motivated by proper design of their work environment and praise for their performance and that punishment for poor performance produces negative results. In this theory, work situations are analysed to determine what causes employees to act the way they do and changes are initiated to eliminate troubled areas and obstructions to performance. Specific goals are then set with employees' participation and assistance where prompt and regular feedback is made available and performance improvements are rewarded with recognition and praise. In cases where performance does not equal goals, ways are developed to help employees and they are praised for the tasks that they have successfully carry out. It has also been

found highly useful and motivating to give people full information on the company's problems, especially those which employees are involved. This theory emphasises removal of obstructions to performance, careful planning and organising, control through feedback and the expansion of communication.



### Activity 3.9

If you are managing a department or a section of a company using the carrot and stick approach, which do you prefer to use and under what circumstances would you use it.

## Managerial control

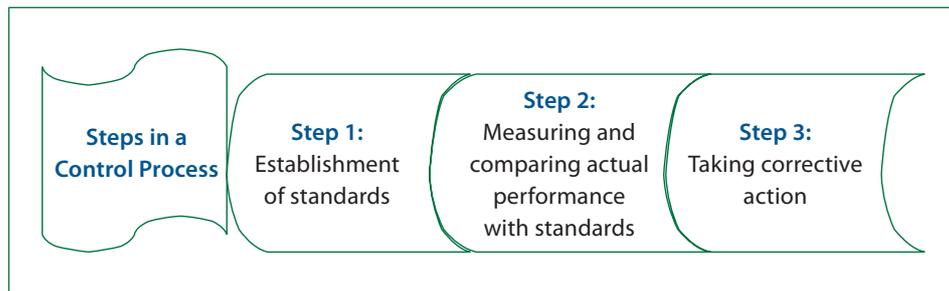
'Control' is an important concept and process in management. In the past, managers believed that the necessity of control arose only when something went wrong. Then, the objective of control was to find out the person responsible and take action against the person. This is viewed as negative view of control. In modern management, the primary objective of control is to bring to light the mistakes or variations as soon as they appear between performance and standards laid down and then take steps to prevent such variations in future. As such, control is aimed at results and not people. Its purpose is to assure that intended results occur and not someone being reprimanded. Only continuous control (and not occasional and emergency control) can achieve this objective.

According to E. F. L. Brech, "control is checking current performance against predetermined standards contained in the plans, with the view to ensuring adequate progress and satisfactory performance". In the words of George R. Terry, "controlling is determining what is being accomplished, that is, evaluating the performance and if necessary applying corrective measures so that the performance takes place according to plans". To draw an analogy, it is like a thermostat in an air conditioning system which ensures that predetermined temperature is maintained.

The concept of control is often confused with lack of freedom. The opposite of control is not freedom but chaos or anarchy. Control is consistent with freedom. In fact, they are interdependent. Without control, freedom cannot sustain. Without freedom, control becomes ineffective. Both autonomy (freedom) and accountability are embedded in the concept of control.

## Steps in a control process

There are three basic steps in a control process namely establishment of standards, measurement of performance and comparing the performance with the standards and taking corrective action as depicted in **Figure 3.7**.



**Figure 3.7** Steps in a control process

1. **Establishment of standards:** The first step in control process is the setting up standards of performance. A standard acts as a reference line or a basis of actual performance. Standards should be set precisely and in quantitative terms. Standards expressed in vague or general terms such as “costs should be reduced” or “rejections should be reduced” are not specific as “cost should be reduced by 10 percent” or “rejections should be reduced to 0.5 percent”. Standards are used as the criteria or benchmarks by which performance is measured in the control process. Since standards cannot be set for entire operations, each organisation must first develop its own list of key result areas for the purpose of control. Different standards of performance are set up for various operations at the planning stage. As a matter of fact, planning is the basis of control. Standards are to be flexible in order to adopt changing conditions. For example, a new salesman who seems to be an above average performer should have his sales standard adjusted accordingly. Every objective, goal, policy, procedure and budget becomes a standard against which actual performance might be measured. However, in practice, different types of standards used are:
  - a. Physical standards such as units of production per hour.
  - b. Cost standards, such as direct and indirect cost per unit.
  - c. Revenue standards such as sales per customer.
  - d. Capital standards such as rate of return of capital invested.
  - e. Intangible standards such as competency of managers and employees.
  
2. **Measuring and comparing actual performance with standards:** The second step in the control process is measuring the actual performance of individuals, group or units and comparing it with the standards. The quantitative measurement should be done in cases where standards have been set in numerical terms. This will make evaluation easy and simple. In all other cases, the performance should be measured in terms of qualitative factors as in the case of performance of industrial relations manager. His/Her performance should be measured in terms of attitude of workers, frequency of strikes and morale of workers. In general, measurement of performance can be done by personal observation as in the case of the subordinates being

observed while they are engaged in work or by a study of various summaries of figures, reports, charts and statements.

Once the performance is measured, it should be compared with the standards to detect deviations. Some deviations are desirable such as the output above the standard. But some other variations are undesirable such as a variation in the delivery schedule agreed upon with the customer. The measurement and comparison are to be made at various stages in the total process and not at the end.

3. **Taking corrective action:** The final step in the control process is taking corrective action so that deviations may not occur again and the objectives of the organisation are achieved. This will involve taking certain decisions by the management like re-planning or redrawing of goals or standards, reassignment or classification of duties. It may also necessitate reforming the process of selection and training of workers. This control function may require change in all other managerial functions. If the standards are found to be defective, they will be set up again in the light of observations. Joseph Massie has pointed out that a manager may commit two types of mistakes at this stage. The first is, he/she may take action when no action is needed. The second is he/she may fail to take action when some corrective action is needed. A good control system should provide some basis for helping the manager estimate the risks of making either of these types of errors. Of course, the final test of a control system is whether correct action is taken at the correct time.

### Essentials of a sound control system

The essentials of a sound control system are as follows:

1. **Suitable:** The control system should be appropriate to the nature and needs of the activity. For example, a machine-based method of production requires control system which is different from the system that is used in labour intensive methods of production. Thus every enterprise should develop such a control system it would serve its purpose.
2. **Timely and forward looking:** The control system should be directed towards the future. It should report all the deviations from the standards quickly in order to safeguard the future. The feedback system should be as short and as quick as possible. If the control reports are not directed at the future, they are of no use as they will not be able to suggest the types of measures to be taken to rectify the past deviations.
3. **Objective and comprehensible:** The control system should be both objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little room for argument by employees. They provide employees with direct access to any additional information which they may need to perform their tasks. Employees are not made to go up and down the hierarchy to get the information.

4. **Flexible:** Control system should be flexible so that it can be adjusted to suit the needs of any changes in the environment. It should be adoptable to new developments including the failure of the control system itself.
5. **Economical:** Another requirement of a good control system is economy. The benefits derived from the control system should be more than the cost involved in implementing it.
6. **Control by exceptions:** This is also known as “management by exception”. According to this principle, only significant deviations from standards, whether positive or negative require management as they constitute exceptions. An attempt to go through all deviations tends to increase unnecessary work and decrease attention on important problems.
7. **Prescriptive and operational:** A control system, in order to be effective and adequate, must not only detect deviations, but should also provide solutions to the problems that cause deviations. In other words, the system should be prescriptive and operational. It must disclose where failures are occurring, who is responsible for them and what should be done about them. It must focus more on action than on information.
8. **Acceptable to organisation members:** The system should be acceptable to organisation members. When standards are set unilaterally by upper level managers, there is a danger that employees will regard those standards of unreasonable or unrealistic. They may then refuse to meet them.
9. **Motivation:** A good control system should be employee centred. The control system is designed to secure positive reactions from employees. If large deviations are found, the employees will be properly directed and guided instead of being punished. The purpose of a control is prevention and not punishment.

### Control methods

Control methods are broadly classified into two types namely, past-oriented controls and future oriented controls.

1. **Past-oriented controls:** Past-oriented control measures results after the process. These are also known as post-action controls. They examine what has happened in the past for a particular period. Examples of past-oriented controls are accounting records, school grade reports and etc. These controls are used to plan future behaviour in the light of post errors or successes. They can also be used for rewarding, disciplining, training or promoting individuals.
2. **Future-oriented controls:** These are also known as feed-forward controls or steering controls. These controls are designed to measure results during the process so that action can be taken before the job is done or the period is over. Feed-forward control serves as warning-posts principally to direct

attention rather than to evaluate. Examples of such controls are cash flow and funds flow analysis, network planning and etc. which help managers to see that they will have problems in such areas of cash or on time delivery unless they take prior action.

The two types of controls are not alternatives to each other. Organisations use both types. Future-oriented controls are important because the information feedback is at the input side of the system where correction can be made before the system output is affected. Even with the use of past-oriented controls, a manager would still want to measure final system output since nothing can be expected to work perfectly in such a way that the final output will always be exactly as desired.



### Summary

According to Koontz, direction is a complex function that includes activities which are designed to encourage subordinates to work effectively and efficiently in both short and long-term periods. The function of direction involves two major activities namely giving orders to employees and leading as well as motivating them. Leadership is generally defined as influence, the art of influencing people so that they will strive willingly towards achievement of group goals. A leader is a person who guides and directs other people. A leader is a guide, planner, arbitrator and administrator. On the basis of authority, leadership styles are divided into three categories namely, autocratic, democratic and free-rein. Motivating is inspiring subordinates to contribute with zeal and enthusiasm towards organisational goals. What can motivate people is explained by a number of motivational theories. Among the theories discussed are Maslow's Needs Hierarchy Theory, Hertberg's Two Factors Theory, Adam's Equity Theory, McClelland's Need Theory, Skinner's Reinforcement Theory and etc. Control is checking current performance against predetermined standards contained in the plans with the view to ensure adequate progress and satisfactory performance. Control involves three steps namely, establishing standards, measuring and comparing actual performance with standards and taking corrective action.



### Self-test 3.4

1. Classify the different styles of leadership and describe “transformational leadership” in detail.
2. What do you understand by motivation? Why must people be motivated?
3. Explain the steps involved in managerial control.



## 3.5 Communication and Coordination

### Objectives

By the end of this section, you should be able to:

1. Discuss the importance of effective communication in entrepreneurship.
2. Explain the flow of communication in an organisation.
3. Discuss the role of meaning, importance and techniques of coordination in directing a business.

### Introduction

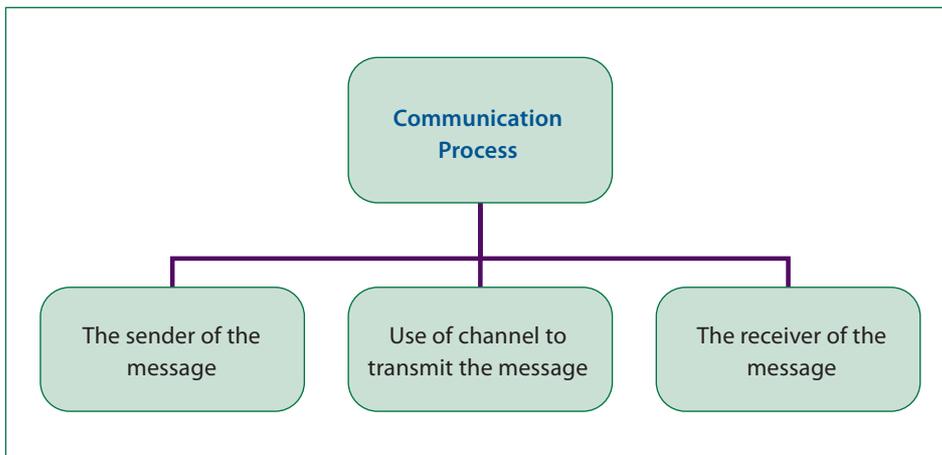
The process of communication is as old as man himself. It is hard to name any human activity in which communication does not play an important role. This is very important in formal organisations in which people assemble to achieve common objectives through coordinated efforts. Individuals placed in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

### Communication

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

### Communication process

Communication process involves the sender, the transmission of a message through a selected channel and the receiver.



**Figure 3.8** Communication process

1. **The sender of the message:** Communication begins with a sender, who has a thought or idea which is then encoded in a way that can be understood by both the sender and the receiver. It is usual to think of encoding a message into the English language but there are many other ways of encoding such as translating thoughts into computer language.
2. **Use of channel to transmit the message:** The information is transmitted over a channel that links the sender and receiver. The message may be oral or written and it may be transmitted through a memorandum, a computer, telephone, telegram or television. Television of course, also facilitates the transmission of gestures and visual clues. At times, two or more channels are used. In a telephone conversation, for instance, two persons may reach a basic agreement that they later confirm by a letter.

Since many choices are available, each with advantages and disadvantages, the proper selection of the channel is vital for effective communication.

3. **The receiver of the message:** The receiver has to be ready for the message so that it can be decoded into thought. The next step in the process is decoding in which the receiver converts the message into thought. Accurate communication can occur only when both the sender and the receiver attach the same or at least similar meanings to the symbols that compose the message. Thus, it is obvious that a message encoded into French requires the receiver who understands French. Similarly, a message in technical or professional jargon requires a recipient who understands such language. So communication is not complete unless it is understood. Both the sender and receiver must be able to understand the message.

## Noise and feedback in communication

Unfortunately, communication is affected by ‘noise’ which is anything — whether in the sender, the transmission or the receiver that hinders communication. For example, encoding may be faulty because of ambiguous symbols, inaccurate retention because of inattention of the receiver. Decoding may be faulty because of wrong meaning attached to the words and symbols by the receiver or transmission may be interrupted which may be experienced in a poor telephone connection.

To check the effectiveness of communication, a person must have feedback. One never is sure whether or not a message has been effectively encoded, transmitted and decoded or understood until it is confirmed by feedback. Similarly, feedback indicates whether individual or organisational change has taken place as a result of communication.

## Importance of communication

The purpose of communication is to effect change, to influence action towards the welfare of the enterprise. Communication is essential because it integrates the managerial function. It is through information exchange that a manager is aware of the needs of the customer, the availability of suppliers, the claims of stakeholders and etc. Communication is important because of the following:

1. Every aspect of a manager’s job may it be planning, organising, staffing, directing and controlling involves communication, researches have shown that about 75% of the manager’s time is spent in communication.
2. Effective communication contributes to managerial effectiveness. Managers do not deal with ‘things’ but with ‘information about things’. However, the decision at the top are, they will serve no purpose unless the manager successfully communicate the implications of these decisions to the subordinates who are to implement them.
3. Communication is the essence of organised activity. It is the basis of direction and leadership. Managers have to communicate to give instructions, orders, to assign jobs and to fix responsibility.
4. Communication renders the complexity of business intelligible and workable.
5. The better the communication, the more efficient work performance is. Good communication not only contributes to manager’s effectiveness but organisational effectiveness as well.

## Channels of communication

A channel of communication is a path through which information flows throughout the organisation. The numerous channels used in the organisation constitute its “communication network”. The channels of communications are divided into formal

and informal channels. Accordingly, communication can be formal or informal. The paths of communication which are deliberately created and officially recognised connecting various positions in the organisation hierarchy are called as formal channels. In formal communication, information flows in formally established channels and is concerned with work-related matters. All orders, instructions and etc. are communicated to subordinates through this channel.

The path of communication which is not officially created is known as informal channel. Employees who know each other talk informally about the happenings in the organisation. They want to know what is going on in the organisation. When they are not kept informed through the formal channels, they seek information through informal channel.

## Types of communication

Communication can be divided into three types based on the flow of information. They are upward, downward and horizontal communication.

1. *Downward communication*: Downward communication flows from people at higher level to those at the lower levels in the organisational hierarchy. The purpose of downward communication is to communicate policies, procedures, programmes and objectives and to issue orders and instructions to subordinates.
2. *Upward communication*: Upward communication travels from subordinates to superiors. Upward communication is generally non-directive. Typical means of upward communications are suggestion systems, appeal and grievance procedures, complaint systems and etc.
3. *Horizontal communication*: It refers to transmission of information among positions of the same level. Horizontal communication helps to coordinate the activities of different departments. The production foreman and the maintenance foreman communicate directly without going through their managers. In this way, horizontal communication avoids the much slower procedure of directing communication through a common superior.

## Forms of communication

Broadly speaking there are three forms of communications: Oral, written and non-verbal.

1. *Oral communication*: In oral or verbal communication, information is given directly, either face-to-face or through a telephone or intercom system. Generally in meeting, lecturers, interviews, conferences and etc., the communication is oral. Oral communication saves time and money, involves personal touch and doubts can be clarified immediately. The demerits of oral communications are there is no permanent record of communication and is not suitable for lengthy communication.

2. *Written communication:* Written communication is always in black and white and may be in the form of a report, statement, circular, manual, handbook, letter or memo. The advantages of written communication are:
  - a. It is a permanent record.
  - b. It is suitable for lengthy communication.
  - c. If the parties are far away beyond telephonic range, written communication is the only way.

The demerits of written communications are it is not flexible, secrecy cannot be maintained and time consuming.

3. *Non-verbal communication:* Non-verbal communication is expressed through body language i.e., facial expressions, postures, gestures and etc.



### Activity 3.10

Prepare an organisation chart of your institute and indicate its horizontal, upward and downward communication flows.

## Coordination

The basic function of coordination in an enterprise is the same as that of an orchestra conductor who directs the activities of the orchestra in such a manner that music is produced harmoniously. Likewise, the coordinator of an enterprise also directs the activities of the group in such a manner that it brings harmonious and unified actions to achieve a common purpose. Like the orchestra conductor, a manager also performs the function of securing and maintaining unity of direction throughout the organisation.

The management of a modern enterprise is based on the principles of division of labour and specialisation. Jobs are broken down into single repetitive tasks and are entrusted to individuals either working in the same department or in different department of the enterprise. Mere application of specialisation is not enough. Coordination is necessary with specialised and divided jobs in various units within the organisation. Coordination is the management of interdependence in work situations. It is an orderly synchronisation of the interdependent efforts of individuals.

According to Terry, “coordination deals with the task of blending efforts in order to ensure successful attainment of an objective. It is accomplished by means of planning, organising directing and controlling”. Terry considers coordination as a permeating function of management passing through the managerial functions

of planning, organising, directing and controlling. In the words of Mooney and Raley, “coordination is the orderly arrangement of group efforts to provide unity of action in pursuit of a common purpose”. Some experts consider coordination as a separate management function. However, coordination might best be considered not as a separate function, but as an essential part of all managerial functions of planning, organising, directing and controlling. If a manager performs these functions efficiently and expertly, coordination is generated automatically and there remains no need for special coordination.

## Coordination and cooperation

The terms ‘coordination’ and ‘cooperation’ cannot be used interchangeably because they have different meanings. Coordination is an orderly arrangement of group efforts to provide unity of action in the pursuit of common objectives. It is a process of deliberately bringing together the efforts of various components of an enterprise in order to give them unity of purpose. Cooperation denotes the collective efforts by the persons working in the enterprise voluntarily for accomplishing a particular purpose. It is the willingness of the individuals to help each other. Thus, it is obvious that the concept of coordination is broader in scope than that of cooperation. The differences between cooperation and coordination are listed in **Table 3.5**.

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

**Table 3.5** Distinction between coordination and cooperation

## Importance of coordination

An organisation is a consciously coordinated system of cooperative human endeavour focused towards achievement of certain goals. The need of cooperation arises because ‘what one can do, two can, what one can do, two can do better’. The need for coordination arises due to different perceptions, orientation, interests and attitudes of individual members of the organisation. In the absence of coordination, members are likely to pull in different directions; there may also be destructive conflict of interests and goals. Coordination is intended to channelise cooperative efforts and behaviour of people along organisationally determined lines and to contain the possibilities of conflict within tolerable limits.

An organisation represents a pooling of diverse resources and facilities, adopted of diverse skills, techniques, processes and practices determination and achievement of diverse goals and initiation of diverse activities. Diversity demands unity. To manage diversity means to bring about unity or unification. Otherwise diversity is likely to lead to disintegration. The managerial function of coordinator, strives for desired degree of unity, without destroying diversity.

Apart from differentiation of activities and authority, organisation goals are differentiated into sub-goals between various units and levels of organisation. Organisational goals are also operationalised into strategies, policies, plans and programmes. There is a means end chain in the organisation. In other words, at every level, goals are operationalised into means of achieving them. Means of higher level units become the goals of next lower unit. There is a need for consistency and compatibility among the various elements in the means ends chain. Sub-goals are to contribute to the overall goals. Means are to match ends. Short-term goals relates to long-term goals. Coordination is important to achieve correlation between means and ends.

## Techniques of coordination

Managers can use a number of techniques to enlist coordination. Some of the techniques of coordination are discussed as follows:

### 1. Clearly-defined objectives

Each organisation has its own objectives. These objectives should be clearly defined. Then the employees should understand the organisational objectives well. Unity of purpose is a must to achieve proper coordination.

### 2. Effective chain of command

There is a line of authority in every enterprise which indicates who is accountable to whom. The line of authority and responsibility should be clearly defined to achieve coordination. Clear cut authority relationship helps in reducing conflicts among different positions, particularly line and staff which is essential for sound coordination.

### 3. Precise and comprehensive programmes and policies

Laying down well-defined programmes and policies is another measure for achieving effective coordination. This brings uniformity of actions because everybody understands the programmes and policies in the same sense.

#### 4. **Planning**

Planning ensures coordinated efforts. Under planning, the target of each department fits the targets of all other departments. For example, by fixing a target of 30,000 units of additional production and sale for the production and sales departments respectively, the head of the organisation can ensure that the work of the two departments can be coordinated since their targets match.

#### 5. **Cooperation**

Cooperation is the result of better relations among employees of the organisation. Cooperation can be brought about by keeping harmonious relations among the people in the organisation by encouraging informal contacts to supplement formal communication and using committees for exchange of ideas and views at the top level.

#### 6. **Liaison of officers/departments**

A person who acts as a link between two persons is called a liaison officer. External coordination is obtained through him/her. Many large organisations depend on liaison officers to maintain cordial relations with the government and outsiders. In some cases, where there is a large volume of contact between two departments, a liaison department is formed to handle the transactions. This usually occurs between sales and production departments. For example, a packaging company that is processing a large order of containers may have a liaison department to ensure that the production department meets the client's specifications and delivery will prompt.

#### 7. **Induction**

Inducting the new employee into the new social setting of his/her work is also a coordinating mechanism. This familiarises the new employee with the organisation's rules and regulations, its dominant norms of behaviour, values and beliefs and integrates his/her personnel goals with organisational goals.

#### 8. **Incentives**

Incentives may be in the form of increments in the scale of pay, bonus, profit sharing and etc. The schemes of incentives promote better team spirit which subsequently ensures better coordination. In particular, profit sharing promotes team spirit and better cooperation between superiors and subordinates as well as employees and employers. Mutual interest reduces strife and ensures better coordination.

## 9. Workflow

A workflow is the sequence of steps with which the organisation acquires inputs and transforms them into outputs and exports these to the environment. It is largely shaped by technological, economic and social considerations and helps in coordination.



### Activity 3.11

Define coordination and distinguish it from cooperation.



### Summary

Communication is the process of exchange of information, ideas and opinions which bring about integration of interests, aims and efforts among members of an organised group for achievement of predetermined goals. Communication process involves the sender, the transmission of a message through a selected channel and the receiver. Communication may be formal or informal. Based on the flow of information, communication may be classified as upward, downward and horizontal. Different forms of communication exist such as oral, written and non-verbal communications. Coordination deals with the task of blending efforts in order to ensure successful attainment of an objective.



### Self-test 3.5

1. “Without communication, an organisation cannot function”. Justify this statement.
2. Explain the importance of feedback in communication.
3. Write a note on the following:
  - a. Importance of coordination.
  - b. Techniques of coordination.



## Summary of Unit 3



### Summary

Direction is a complex function that includes activities which are designed to encourage subordinates to work effectively and efficiently in both short and long-term. The function of direction involves two major activities namely giving orders to employees, leading and motivating them. Leadership is generally defined as “influence, the art of process of influencing people so that they will strive willingly towards achievement of group goals”. A leader is one who guides and directs other people. A leader is a guide, planner, arbitrator and administrator. On the basis of authority, leadership styles are divided into three categories namely autocratic, democratic and free-rein. Motivating is inspiring the subordinates to contribute with zeal and enthusiasm towards organisational goals.

Communication is the process of exchange of information, ideas and opinions which bring about integration of interests, aims and efforts among members of a group organised for achievement of predetermined goals. The communication process involves the sender, the transmission of a message through a selected channel and the receiver. Communication may be formal or informal. Based on the direction of flow of information, communication may be classified as upward, downward and horizontal. Different forms of communication are oral, written and non-verbal. Coordination deals with the task of blending efforts in order to ensure successful attainment of an objective.



# Suggested Answers to Self-tests



## Feedback

### Self-test 3.1

1. Many definitions were given by various contributors; one popular definition is given by Mary Parker Follet. According to Follet, management is 'the art of getting things done through people'. This definition clearly distinguishes between manager and other personnel of the organisation. A manager is a person who contributes to the organisation's goal indirectly by directing the efforts of others, not by performing the task by himself/herself. A person who is not a manager makes his/her contribution to the organisation's goal directly by performing the tasks by him/her. Sometimes a person may play both roles simultaneously.

Functions performed by managers are:

- a. Planning
  - b. Organising
  - c. Staffing
  - d. Directing
  - e. Controlling
  - g. Representation
2. The nature of management can be described as follows:
    - a. Multidisciplinary
    - b. Dynamic nature of principles
    - c. Relative not absolute principles
    - d. Management — science or art
    - e. Universality of management

### Self-test 3.2

1. Strategic decision is a major choice of action concerning allocation of resources and contribution to the achievement of organisational objectives. Strategic decisions are major and non-programmed decisions which have long-term impact. A strategic decision may involve major departure from earlier ones. For example, change in the product mix. Strategic decisions are made by higher level managers. Tactical or operational decision is derived from strategic decision. It relates to day-to-day working of the organisation and is made in the context of well set policies and procedures. Decisions relating to provisions of air conditioning, parking facilities are operational decisions. These decisions are made at the lower level of the organisation.
  
2. Planning is important because of the following reasons.
  - a. Primacy of planning.
  - b. To minimise risk and uncertainty.
  - c. To focus attention on objectives.
  - d. To facilitate control.
  - e. To increase organisational effectiveness.
  
3. Decisions are classified in a number of ways as below:
  - a. Programmed and non-programmed decisions.
  - b. Major and minor decisions.
  - c. Simple and complex decisions.
  - d. Strategic and tactical or operational decisions.
  - e. Individual and group decisions.

### Self-test 3.3

1. Organisation involves the following interrelated steps:
  - a. Consideration of objectives

- b. Identification and grouping of activities
  - c. Assignment of duties
  - d. Delegation of authority
2. a. Internal sources
- b. External sources

#### Self-test 3.4

1. Transformational leadership rests on a foundation of legitimate values. Transformational leadership involves dramatic changes in an organisation in the aspects of vision, mission, norms and objectives. In transformational leadership, there are four types of leadership behaviours related to entrepreneurial leadership. It is important to understand each type of behaviour in order to apply the transformational leadership approach. The behaviours are:
- a. Idealised leadership
  - b. Inspirational motivation
  - c. Individualised consideration.
  - d. Intellectual stimulation
2. A manager gets work done through others. Getting the work done depends mainly on whether a person has been motivated to do it. Motivating an employee is to create a need and a desire on the part of employee to better his/her performance. This can be done by creating in him/her a sense of responsibility and feeling of special interest in his/her work. Motivation concern itself with 'will to work'. It is a behavioural concept by which a manager tries to understand why people behave as they do. Motivation is inspiring the subordinates to contribute with zeal and enthusiasm towards organisational goals. Performance of an employee depends on two factors: ability to work and willingness to work.

3. There are three basic steps in a control process namely establishment of standards, measurement of performance and comparing the performance with the standards and taking corrective action.
  - a. Establishment of standards.
  - b. Measuring and comparing actual performance with standards.
  - c. Taking corrective action.

### Self-test 3.5

1. The communication is important because of the following:
  - a. Every aspect of manager's job may it be planning, organising, staffing, directing and controlling involves communication, researches have shown that about 75 % of the manager's time is spent in communication.
  - b. Nothing contributes so much to managerial effectiveness as effective communication. Managers do not deal with 'things' but with 'information about things'.
  - c. However, the decision at the top are, they will serve no purpose unless the manager successfully communicate the implications of these decisions to the subordinates who are to implement them.
  - d. Communication is the essence of an organised activity. It is the basis of direction and leadership. The managers have to communicate to give instructions, orders, to assign jobs and to fix responsibility.
  - e. Communication renders the complexity of business intelligible and workable.
  - f. The better the communication, the more efficient the work performance. Good communication not only obtains manager's effectiveness but organisational effectiveness too.
2. Unfortunately, communication is affected by 'noise' which is anything-whether in the sender, the transmission or the receiver that hinders communication. For example, encoding may be faulty because of ambiguous symbols, inaccurate retention because of inattention of the receiver, decoding may be faulty because of wrong meaning attached to the words and symbols

by the receiver or transmission may be interrupted which may be experienced in a poor telephone connection.

To check the effectiveness of communication, a person must have feedback. One never is sure whether or not a message has been effectively encoded, transmitted and decoded or understood until it is confirmed by feedback. Similarly, feedback indicates whether individual or organisational change has taken place as a result of communication.

3. a. An organisation is a consciously coordinated system of cooperative human endeavour focused towards achievement of certain goals. The need of cooperation arises because 'what one can do, two can, what one can do, two can do better'. The need for coordination arises due to differential perceptions, orientation, interests and attitudes of individual members of the organisation. In the absence of coordination, members are likely to pull in different directions; there may also be destructive conflict of interests and goals. Coordination is intended to channelise cooperative efforts and behaviour of people along organisationally determined lines and to contain the possibilities of conflict within tolerable limits.

An organisation represents a pooling of diverse resources and facilities, adopted of diverse skills, techniques, processes and practices determination and achievement of diverse goals and initiation of diverse activities. Diversity demands unity. To manage diversity means to bring about unity or unification. Otherwise diversity is likely to lead to disintegration. The managerial function of coordinator, strives for desired degree of unity, without destroying diversity.

Apart from differentiation of activities and authority, organisation goals are differentiated into sub goals among various units and levels of organisation. Organisational goals are also operationalised into strategies, policies, plans and programmes. There is a means end chain in the organisation. At every level goals are operationalised into means of achieving them. Means of higher level units become the goals of next lower unit. There is need for consistency and compatibility among the various elements in the means ends chain. Sub-goals contribute to overall goals. Means are to match ends. Short-term goals are to mesh in with long-term goals. The coordination is important to achieve correlation between means and ends.

- b. Some of the techniques of coordination are discussed below:
- i. Clearly-defined objectives.
  - ii. Effective chain of command.
  - iii. Precise and comprehensive programmes and policies.
  - iv. Planning.
  - v. Cooperation.
  - vi. Liaison of Officers/Departments.
  - vii. Induction.
  - viii. Incentives.
  - ix. Workflow.
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