Revision Notes

BUSINESS STUDIES



Directing

Topics Covered

- Concept of directing
- Features and importance of staffing
- Elements of directing
- ♣ Role of supervisor and its importance
- Nature of motivation
- Styles of leadership
- Communication and its barriers

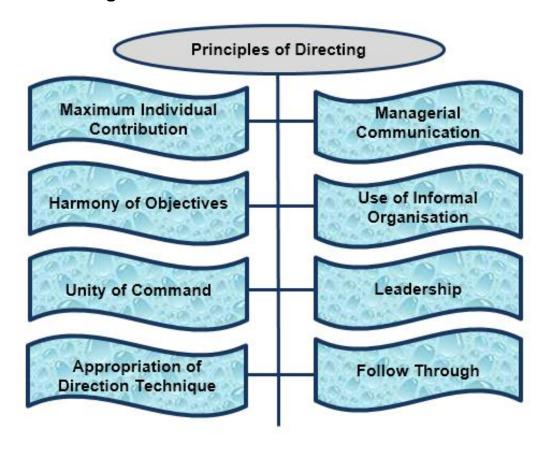
Concept of Directing

Directing refers to the process of *instructing*, *guiding*, *counselling*, *motivating* and *leading* people in the organisation to achieve its objectives.

- *Initiates action:* Managers get the work done in the organisation by giving directions.
- Takes place at every level of management: A pervasive function as it is performed from the top executive to the supervisor.
- Continuous process: After giving instructions, it is also important for managers to motivate employees to give their best performance for the organisation.
- Initiates at the top level and flows to the bottom level: Directing is initiated at the top level and flows to the bottom through organisational hierarchy.



Principles of Directing



- 1) Maximum individual contribution: According to this principle, such a technique of directing should be used which encourages workers to work efficiently and to the best of their capabilities such that they contribute the maximum towards the common goals of the organisation. For example, various financial and non-financial incentives can be given to encourage workers.
- 2) Harmony of objectives: Often it is seen that the personal goals of an employee are not in sync with the overall organisational goals. In such situations, the focus of directing function should be to bring about convergence between the two. For example, while an employee may wish to increase earnings, the goal of the organisation may be to increase production. In such cases, the directing techniques used should encourage workers to work harder such that production increases and they are able to earn better.
- 3) Unity of command: According to this principle, an employee should receive instructions or orders from only one superior. In other words, he should be answerable to only one superior. Violation of this principle leads to confusion and chaos in the minds of the subordinate.
- 4) Appropriateness of direction technique: According to this principle, the manager must appropriately select the motivational and directional technique such that it is according to the needs, desires and attitudes of workers. Different techniques work for different employees. For instance, while one employee might desire financial incentive, some other employee might get satisfied with praise from a superior.
- 5) Managerial communication: Effective communication is highly important for effective directing. There must be free flow of communication between the manager and the subordinate without

any hesitation or barrier with regard to authority or power. While superiors must clearly express their instructions to subordinates, subordinates should also communicate freely with their superiors.

- 6) Use of informal organisation: The manager must realise and identify the informal groups in an organisation. Such informal organisation can be used strategically for the advantage of the organisation. For example, informal communication can be used to bring forward the real thinking of employees with regard to a policy change.
- 7) Leadership: A manager should have leadership qualities. He must be able to bring out the best in employees. He must be able to motivate and encourage workers to work towards the organisational goals. In addition, he must be able to work on the individual goals of employees.
- 8) Follow through: According to this principle, the manager must not only provide orders or commands to the subordinates but should also ensure that the instructions are followed and implemented properly. For this, proper follow-up actions should be taken. Corrective actions, as and when required, must also be taken.

Elements of Directing

Effective managerial communication across all the levels in the organisation makes direction effective.

A. Supervision

- Refers to the process where the activities of workers are guided towards the pre-determined objectives.
- Involves *directly* overseeing the work of workers.
- Ensures that work is carried out efficiently and towards the desired objectives through effective supervision.
- Good supervision helps in maintaining *harmony* and *unity* among workers.

Role of Supervisor

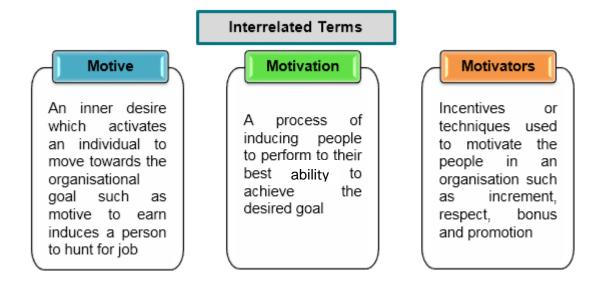
A supervisor is a person responsible for directly overseeing the various activities of workers in an organisation. A supervisor occupies a managerial position in the organisational hierarchy at an operational level.

- Plays the role of a guide, friend and philosopher to workers.
- Guides workers and provides them support. He ensures that workers work with harmony and unity. In case of internal differences, the manager tries to sort it out and bring about a feasible solution.
- Serves as the *link of communication* between the manager and workers. While on one hand, he communicates the information and ideas of the management to workers, on the other hand, he communicates the problems of workers to managers. In other words, the *management and workers* communicate through the supervisor.
- Responsibility of the supervisor to ensure that the work is carried out efficiently and smoothly and that the set targets are met.
- The knowledge or skill along with on-job training as required by workers for various activities is provided by the supervisor.
- A good supervisor successfully influences employees and sets a high standard of morale among workers.
- Facilitates optimum utilisation of resources by continuously monitoring the work of employees.

Provides regular feedback and suggestions so as to improve efficiency and performance of workers.

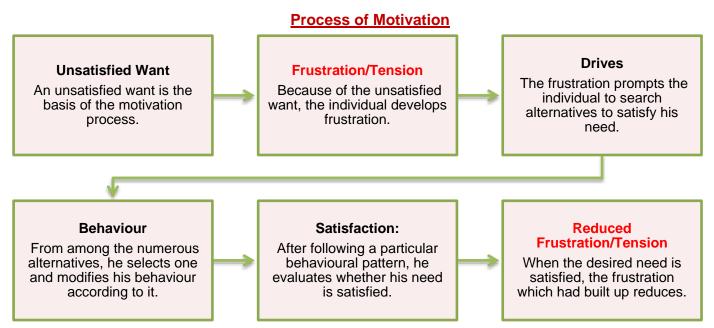
B. Motivation

- Refers to inducing workers to work and perform in a desired manner so as to achieve the goals of the organisation.
- Influences the *psychology of workers* such that they are induced to work and perform better.
- Can be provided in the *form of promotion*, *appraisal and recognition*.
- Kind of motivation provided depends on the employee's expectations and desires. For example, for one employee, appraisal may be a motivating factor, while for another, praise from a senior or superior may motivate him to improve performance.



Features

- 1) Motivation is an invisible force: Motivation is an internal feeling. It cannot be seen or touched. This internal feeling urges employees to behave in a particular manner. Its results can clearly be felt among employees through their performance. For example, a desire (internal feeling) to buy a new car, recognition in the company etc.
- 2) Motivation helps in achieving goals: Motivation directs an employee towards goals. It is a positive awakening force which increases the productivity and quality standards of work done by employees.
- 3) **Motivation can also be negative:** Positive motivation can take the form of **appraisal or promotion**. On the other hand, negative motivation can take the form of pay-cut and demotion. Both these types of motivation help to make employees work in the desired way.
- 4) Motivation is not a simple process: Different individuals have different needs and expectations. Hence, all employees get motivated for different reasons at different times. Some employees get motivated by appreciation, whereas some employees get motivated by appraisals.



For example, suppose a worker desires higher pay. This makes him uneasy and he starts searching for alternatives through which he can earn a higher pay. For instance, he may think of working harder and improving his performance. After consistently working harder for a considerable amount of time, his work is recognised and his salary raised. Accordingly, his need is satisfied and thereby his stress and frustration reduced.

Importance of Motivation

- 1) **Improves the performance level of employees and organisation:** Suitable motivation satisfies the needs of employees which in turn encourages them to contribute maximum efforts towards achieving organisational goals.
- 2) Helps to change the attitude of employees: A suitable reward or positive encouragement enables employees to develop a positive attitude towards work.
- 3) Helps to reduce employee turnover: Managers need to identify proper incentives/motivational techniques to reduce employment turnover. This enables the organisation to save the cost of recruiting new employees and training them.
- 4) Helps to reduce absenteeism: A sound motivational system helps to reduce absenteeism in the organisation.
- 5) Helps managers to introduce changes smoothly: Motivation plays a key role in helping managers to swiftly implement changes and policies. A manager can implement changes in the organisation only when he/she can convince employees that the proposed changes will help them receive additional rewards.

Maslow's Need Hierarchy Theory of Motivation

- Maslow's hierarchy of needs helps in understanding the phenomenon of motivation.
- According to Maslow, the needs of an individual can be classified into five categories which can be arranged in a hierarchical order.
- With the knowledge of these needs, a manager can better understand the **behaviour of employees** in the organisation and accordingly provide appropriate motivation.

Assumptions

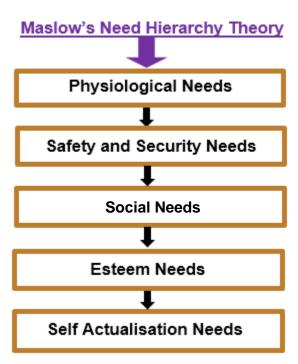
Maslow's theory is based on the following assumptions:

People **behave** according to their **needs and desires**.

- It is possible to arrange the needs of an individual in an *order of hierarchy*.
- An individual would move to a higher level need in the hierarchy only when the **need at the lower** level is appropriately satisfied.
- When a need at a particular level is satisfied, further motivation can be provided only through the next level need.

Hierarchy of needs as given by Maslow

- 1) Basic Physiological Needs: These needs are the most basic needs in the need hierarchy. It comprises needs which are essential for survival and sustenance. For example, the need for food, clothing and shelter. In terms of an organisation, the requirement of a basic salary is a basic physiological need.
- 2) Security Needs: An individual requires physical as well as emotional security. For example, an employee wishes for job security and stability in income.
- 3) Belonging Needs: It refers to the social needs of an individual in terms of affection, friendship and acceptance. In other words, it refers to a feeling of belongingness to society.
- 4) **Esteem Needs:** It comprises elements such as respect, dignity and recognition in the peer group.
- 5) Self-Actualisation Needs: Every individual wishes to achieve what he aims or aspires. For an employee, it includes factors such as recognition of work, autonomy and growth. It must however be noted that it may happen that the needs of an individual are not in the exact order of the hierarchy. Nevertheless, a good understanding of needs helps managers in using effective motivation.



Incentives

Incentives are monetary or non-monetary tools to improve the performance of employees.

Financial/Monetary Incentives and Non-financial/Non-monetary Incentives

- Financial incentives refer to the *direct monetary benefits* given to employees by an organisation with the objective of providing *motivation to improve performance*.
- Non-financial incentives are incentives which cater to the non-monetary needs of employees such as social and psychological needs.

| Incentives | | |
|--|---|--|
| Financial Incentives | Non-Financial Incentives | |
| Salary and allowances: It is the most basic form of financial incentive. Regular increment in salaries and other allowances act as good motivation for employees. | Position: Employees often require a rise in the status in terms of power and authority. It provides them psychological satisfaction. | |
| Performance-based incentives: Sometimes monetary incentives can be given based on the performance of employees. In other words, they can be suitably rewarded for good performance. This motivates workers to improve work efficiency. | Organisational characteristics: Various organisational characteristics such as employee freedom and recognition of performance play an important role in motivating employees. For example, if an employee's work is recognised and praised, it would encourage him to further improve performance. | |
| Bonus: Bonus refers to the monetary reward which is over and above the basic salary. It can be in the form of cash and gifts. It is given to employees in order to recognise their exemplary performance in the organisation. | Work enrichment: Challenging work endowed with greater responsibility and requiring higher knowledge and skill enhances the interest of employees. It provides employees prospects for personal growth. Thus, it proves to be a good source of motivation. | |
| Stock option: Employees are offered shares of the company at a discounted price. This helps in developing a feeling of belongingness among employees. | Career opportunities: Employees must be given ample opportunities to develop their skills and knowledge such that they are able to improve their career prospects. This can be done through training and development programmes. | |
| Sharing of profit: Employees are offered a share in the profits of the organisation. This motivates workers to improve performance so as to contribute positively towards the growth of the organisation. | Job security: Employees need a certain degree of job security in the sense that they must be certain about their income in the future. This is would enable them to work with greater passion. | |
| Retirement benefits: Employees may be offered retirement benefits by the organisation. These benefits can be in the form of pensions, gratuity and provident fund. This instils a feeling of security and stability among employees. | Involvement: Employees must be involved in decision making, especially in issues pertaining to them. This provides workers a feeling of belongingness towards the organisation. | |
| Fringe benefits: It refers to the additional benefits provided to employees over their salaries. For example, housing allowance and medical allowance. | Employee recognition programmes: Almost all employees have an urge or want recognition for the work done by them. Recognition or appreciation of work | |

motivates employees to give their best performance.

C. Leadership

- Refers to influencing the behaviour of employees such that there is an improvement in their willingness to work and achieve organisational objectives.
- Good leadership boosts the self-confidence of workers and induces workers to work to the best of their capabilities.

Features of Leadership

- Ability of an individual to influence others
- Bring change in behaviour of others
- Interpersonal leadership between leaders and followers
- Continuous process
- Work to achieve a common goal

| Basis of Difference | Manager | Leader |
|----------------------------|--|---|
| Existence | Exists only in a formal organisation. | Exists in both formal and informal organisations. |
| Objective | The main objective of a manager is to influence the behaviour of employees such that they work towards achieving the common goals of the organisation. | ensure <i>individual satisfaction</i> and achievement of group goals of his |
| Power and Authority | A manager <i>has</i> formal power and authority in the organisation through which he <i>modifies the behaviour of employees.</i> | authority and power. He uses the |
| Functional Spread | The functions of a manager include planning, organising, staffing and directing. | |

Qualities of a Leader

Some qualities which a successful leader must possess:

- 1) Physical attributes: It is a general perception that people with good physical features and attractive personality make good leaders. One who is healthy and active himself can work efficiently. The one who works to the best of his ability is looked up to and induces others to improve performance.
- 2) Honesty: A good leader should maintain a high level of honesty and integrity such that he is an idol or role model for others in terms of these values. He must demonstrate an ethical behaviour.
- 3) Intelligence and knowledge: A leader must have knowledge and intelligence. He should have a strong presence of mind. He must be able to use logic and facts for decision making. He must be able to provide solutions to various problems encountered during working.

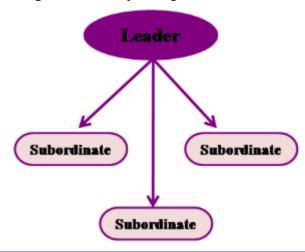
- 4) Inspiration: A leader should be able to inspire and influence others. He must be a source of inspiration and motivation to others. He must be looked up to in terms of work, performance, values and ethics.
- 5) **Initiative:** A good leader always takes initiatives without waiting for opportunities to come his/her way.
- 6) Confidence: A leader must possess high confidence. This confidence must be maintained in difficult and adverse situations as well. In this way, he must be able to boost the confidence of his subordinates as well.
- 7) Responsibility: A leader must not move away from his responsibility in any situation. In situations where his subordinates make mistakes, he must hold the responsibility of being answerable. However, he must share and involve the subordinates in the credit of success.
- 8) Effective communication skills: One of the important qualities of a good leader is to possess effective communication skills. He must be able to express his thoughts and ideas clearly. Moreover, he must be a good listener and counsellor. He must be able to act as a link between the higher management and the subordinates such that he can communicate the problems and grievances of the subordinates to the superiors.
- 9) Ability to take decisions: A leader must have the ability to take appropriate rational decisions which are based on logic and facts. Moreover, once a decision is taken he should be confident enough to hold on to it.
- 10) Social behaviour: He should be socially active and friendly. He must be supportive and understanding towards the subordinates.
- 11) Dynamic: A leader must be a dynamic personality in the sense that he must be able to bring in new ideas in the organisation. He must be able to break the old paradigms for the overall organisational benefit.

While the above-mentioned qualities are *prerequisites* for being a good leader, the mere possession of these qualities does not ensure successful leadership. It is not possible for a single individual to have all the above-mentioned qualities. However, managers must make a conscious and sincere effort towards acquiring them.

Leadership Style

Leader's behavioural pattern

- 1) Autocratic Leadership
- Exercises complete *control over subordinates*
- Centralises power in himself and takes all the decisions without consulting subordinates
- There is only **one-way communication**
- **Does not delegate authority** and gives orders to subordinates



2) Democratic Leadership Takes decision in consultation with subordinates **Delegates and decentralises** authority Leader follows the *opinion based on the majority* Given freedom on thinking expression Listens to *grievances and suggestions* of subordinates Exercise more control by using forces within the group Subordinate Subordinate Subordinate Subordinate 3) Laissez Faire / Free-Involves complete delegation of authority so that subordinates rein Leadership themselves take decisions Leader *avoids using power* until necessary Serves only as a *contact to bring information* and resources needed by subordinates **Subordinates** are made **responsible** for their work Maximum **scope for development**

Leader

Subordinate

Subordinate

D. Communication

Refers to the exchange of information, facts and feelings such that a common understanding is created.

Subordinate

Subordinate

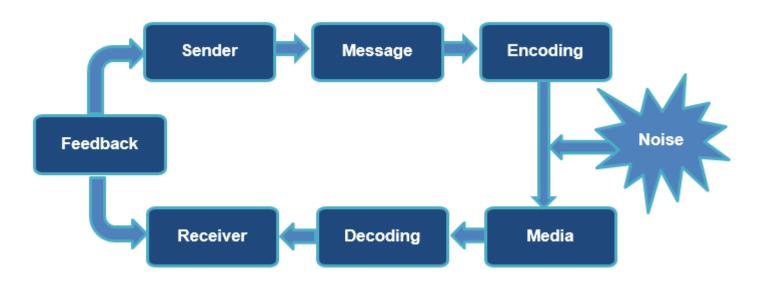
A good communication network is highly important for **smooth and efficient functioning** of an organisation and is key to good management.

Means and ways for transmission of ideas Spoken Written words words Diagrams Gestures pictures

Elements of Communication Process

The communication process starts when the sender has thoughts or any message to communicate to another person.

- **Sender:** Person who wants to communicate a message to another person
- **Message:** Content of ideas, suggestions feelings etc. that need to be communicated to the receiver
- **Encoding:** Refers to a process of converting the message into communication symbols, words pictures, images etc.
- Media: Ways to transmit the encoded message to the receiver using the phone, internet or mail
- **Decoding:** Convert the encoded message into language
- **Receiver:** Person who receives the message and understands it
- Feedback: Response sent by the receiver after understanding the message
- Noise: Disturbance or interruption which occurs during the flow of information

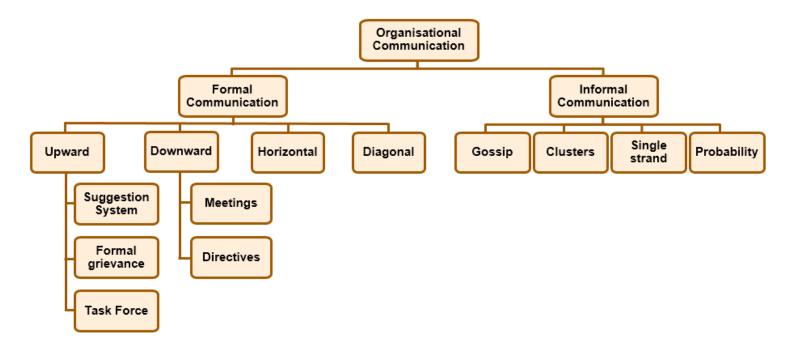


Importance of Communication

Points highlighting the importance of communication in an organisation:

- 1) Provides coordination: Communication is the key to good coordination among various departments in an organisation. Communication promotes coordination by making clear the goals to be achieved and how they would be achieved.
- 2) **Enables smooth operations**: Clear and effective communication enables **smooth operations** in the organisation. Various interactions in the organisation depend on *effective communication*. Working efforts of individuals and departments can be united towards common goals and objectives through proper communication.
- 3) Facilitates decision making: Taking meaningful decisions requires a pool of information which can be provided through good communication.
- 4) Increases efficiency: Goals, objectives, instructions and targets are conveyed effectively through good communication. In this way, it enables smooth operations and improves efficiency.
- 5) **Enables effective leadership**: Communication forms a basis for effective leadership. Communication also helps in influencing subordinates in a positive manner.
- 6) Helps in motivation: Good communication is the basic tool for motivation. It is only with good communication that the needs of employees can be recognised and accordingly worked upon.

Formal and Informal Communication



A. Formal Communication

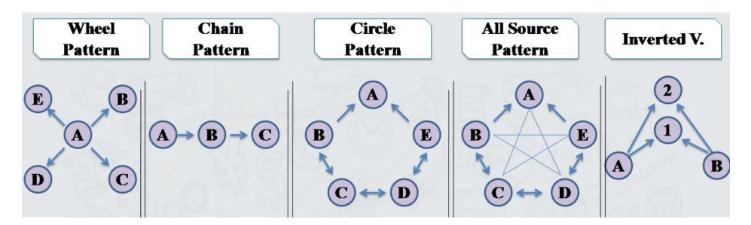
- Refers to *official communication* taking place in the organisation
- **Exchange of information** or views related to official work such as allocation of work, assigning responsibilities, setting goals and objectives.
- Communication between a superior and subordinate, a subordinate and a superior or among the same cadre employees or managers.
- Takes place in the form *written communication* such as the issue of notices, documents and letters.
- Although very systematic in passing information, it *delays decision making*.
- Directions of flow of formal communication:
 - **Downward communication**: Flow of information from the top level to the lower level or subordinates such as an instruction given by the manager to subordinates.

- Upward communication: Flow of information from subordinates to the top level such as grievances, complainants and suggestions.
- Horizontal communication: Flow of information between two or more persons working at the same level of authority such as a meeting/discussion between production and sales department managers.
- **Diagonal communication**: Flow of information between persons working in different departments and different levels of authority such as the production manager meeting a salesman to receive feedback or a salesman may request the production manager to change the product packing or design as per the customer's requirements.

Networks of formal Communication

Formal channels of communication are the ones where the flow of information is according to the organisational chart. Various types of formal communication channels:

- Single chain: A single chain is followed for the flow of information from the superior to subordinates.
- Wheel: All subordinates who work under a superior communicate with each other only through the superior. They are not allowed to communicate directly with each other.
- o Circular: A circular network is formed wherein each individual can communicate with his adjoining two individuals.
- o All source/free flow: Herein, there is free flow of communication among people. Each person can communicate with the other freely.
- o Inverted V: A subordinate can communicate with the superior immediately above him and the superiors of his superior.



B. Informal Communication

- Refers to the flow of information in all directions without following the formal path and is also known as grapevine communication.
- Arises simply out of the **social interactions among employees**.
- Information under this channel crosses the barriers of level or authority. A talk over lunch with a senior is informal communication.
- Although the spread of information through informal channels is faster, it is possible that the actual information gets distorted.
- Moreover, it is difficult to determine the source from where the information arose.
- Different networks of grapevine communication
 - o **Single Strand Network:** The spread of information is in a particular sequence. That is one person communicates to another person who in turn communicates to some other person.
 - Gossip Network: Information is shared by one person with many others at a time.

- o **Probability Network:** Information is shared with other people at random. That is, the person sharing the information is indifferent about whom he shares the information with.
- o Cluster Network: In this network, the first two persons who trust each other share information. One of them then passes the information to some third person who in turn shares it with the fourth and so on.

Barriers in Communication

Sometimes a barrier to effective communication may arise in the sense that there is a *misunderstanding or misinterpretation* of the information on the part of the receiver.

Barriers in Communication 1) **Semantic Barriers** Semantic barriers refer to barriers wherein there is a *problem relating* to encoding and decoding the message because of factors such as difficulty in interpretation, wrong translations or use of wrong words. Causes of semantic barriers: Badly expressed message: There may be a difficulty in expressing information because of poor vocabulary or the wrong use of words. Symbols with different meanings: A single word may have many different meanings. In such cases, it may be difficult for the receiver to interpret the intended meaning of the word. For example, price and prize, right and write, and other homonyms may be incorrectly pronounced. o **Faulty translation**: It may happen that there is a language barrier between workers such that the level of proficiency of a language may be different for the two. For instance, while managers may be proficient in English, workers may not be proficient in English. In such cases, the information must be appropriately translated. However, in the process of translation, the information may get misinterpreted. Unclarified assumption: Sometimes, there are assumptions about a particular communication and so it might be misinterpreted .For example, if the manager says take good care of the products produced in the factory, the manager may mean to take care of the quality of goods whereas the worker interprets it in a way that he is instructing the worker to keep the products safely. Technical jargon: Sometimes, a senior or specialist uses technical vocabulary which subordinates might find difficult to understand or interpret .For example, ETA which means expected time of arrival. Gestures of the communicator: Gestures of the communicator are also seen as part of the communication. There must be a match between what is said and what is conveyed through body language or gesture; else the message would be wrongly interpreted. For example, if a boss cracks a joke but his/her body language shows signs of irritation and frustration, then employees might get confused. 2) Psychological Various psychological factors such as anger and frustration might also

act as a barrier in effective communication.

Barriers

- Psychological barriers to effective communication:
 - Premature evaluation: Sometimes the receiver derives the meaning of the message even before the message is completed. This is possible due to pre-conceived notions or prejudices about communication.
 - o Lack of attention: While communication takes place, it may happen that the receiver is preoccupied with something else and that is why he is unable to grasp the message communicated to him.
 - Loss by transmission and poor retention: There can be loss of information or transmission of wrong information due to information passing through multiple stages. Besides this, there can be a problem of poor retention at the receiver's end.
 - o Distrust: If the parties do not trust each other, then they will not be able to communicate effectively.

3) Personal Barriers

- Personal barriers arise out of personal factors affecting the sender and the receiver.
 - o **Authority**: Sometimes, subordinates do not communicate freely with managers due to the fear of authority. On the other hand, the manager may also not communicate certain information with subordinates if he feels that it would affect his authoritative power.
 - Low confidence: If the manager does not have confidence in the skill and competence of the subordinates, he would not seek their advice or opinion.
 - Lack of willingness: The subordinates, at times, are not willing to share information or communicate with managers if they feel that it would affect their personal interests.
 - Lack of incentives: Many a times, there is *no incentive* (in the form of reward or appreciation) for participation in communication. In such cases, the subordinates do not take initiative for effective communication with the manager.

4) Organisational **Barriers**

- Organisational barriers refer to barriers in effective communication which arise in formal organisations because of factors such as authority and hierarchical relationships.
 - o Complex organisational policy and structure: If there are long vertical chains of communication in an organisation, it would create a barrier to effective communication. Similarly, a highly centralised organisational structure restricts the free flow of communication.
 - **Status:** Status is one of the organisational barriers. It may happen that because of status in terms of profile and authority, workers develop a feeling of superiority (or inferiority). Such a psychology restricts the free flow of communication in the organisation.
 - Rules and regulations: If the organisation has strict rules and procedures, then it may act as a barrier to communication and may lead to delays.
 - Organisational facilities: To maintain free flow of communication, the

organisation is required to provide facilities like a complaint box, social and cultural gathering, frequent meetings etc. If such facilities are not available, then communication will be hampered.

Measures to Overcome Barriers in Communication

Some measures which can be adopted to overcome various barriers of communication:

- The *understanding level of the receiver* must be kept in mind while providing information.
- Before communicating, other people must be involved in order to chalk out a plan of communication.
- The language, tone and content of the information should be such that it does not harm the sentiments of the receiver.
- While communicating, the receiver must be regularly prompted to respond so as to ensure that information is being understood.
- The sender must ensure that the *information provided is complete in all respects*.
- Both sender and receiver must be clear with regard to the **basic idea of the communication**.
- There must be regular follow up and review of instructions given to subordinates in order to avoid any hurdles in implementing those instructions.
- The sender must also be a *patient listener* and *invite a response* from the receiver as well.