UNIT-18 NATURE & PROCESS OF CONTROLLING

Structure

18.0 OBJECTIVES

After completing this module you will be able to:

- Understand the concept and meaning of Controlling
- Understand the features and characteristics of controlling.
- Describe various types of control
- Understand the controlling process.

18.1 INTRODUCTION

Controlling is the last and an important function of managerial process which is executed after planning, organising, staffing and directing. Under planning function, future activities are decided in advance. Once, activities are decided, the second function of management is 'organising' which aims at implementation of activities decided in planning by providing all necessary resources through an organisational structure.

The organisational structure sets out the authority and responsibility relationships between superiors and subordinates. The posts created by the organisational structure are filled through the function ‘Staffing’. The next step comes is ‘directing’ which means providing guidance to all the people working in the organisation.

At last, the organisation has to ensure that all the activities which were being planned under the first four functions of management are being performed as per the plans or not. The performance of work is assessed and compared with plans, and if any discrepancies’ are sought out, remedial action is taken immediately to avoid any adverse situations and this function is known as ‘controlling.’ Hence, controlling refers to a process which consists of various steps to ensure that the performance of organisation is according to the plans.

18.2 CONCEPT AND MEANING OF CONTROLLING

In Management, Control refers to assessing the progress of work from time to time so that the actual progress of work is according to the expected progress. If actual progress is not in accordance with the expected one, deviations are found out, and corrective action is taken so that mistakes are not repeated. Control is applicable to all business functions, e.g. finance, purchase, production, marketing, materials, cost, quality etc. different authors and scholars have defined controlling differently, and following are some of the definitions given by some authors: In the words of Philip Kotler, “control is the process of taking steps to bring actual results and desired results closer together.”

Koontz and O’Donnell defined Controlling ‘as the measurement and correction of performance of activities of subordinates in order to make sure that enterprise objectives and plans devised to attain them are being accomplished’.

In a nutshell, controlling is a managerial activity which brings the actual results closer to the expected results. It is concerned with setting performance standards, measurement of actual performance, comparing the actual performance with standards, analysing deviations (if any) and taking corrective actions.

18.3 NATURE AND CHARACTERISTICS OF CONTROLLING

Following are the characteristics of controlling which reflects its nature:

Fundamental Managerial Function: Management as a process includes various activities like planning, organising, staffing, directing and controlling. Out of all these functions, controlling is the most important function. Without controlling, all other functions are meaningless. In its absence, it will be difficult to determine, what we want to do and what is being done? Hence, controlling is a fundamental managerial function.

Pervasive Function: The second characteristic of controlling is that it is being performed at all managerial levels. Every manager has to control the activities and behaviour of subordinates. The scope of control may differ at every level of management. Top level managers perform administrative controlling keeping in view plans and policies. The middle level managers implement the policies and plans of the organisation by way of controlling and the lower level managers control the actual work performed by subordinates.

Continuous Process: Control is not performed once or twice. It is needed at all times. It is a continuous activity. The performance of the work has to be assessed on a continuous basis. The performance standards have to be changed as per changing situations. Hence, controlling is a continuous process of measuring, comparing and verifying regularly.

Universal Process: The control process and its components are universal. The control process remains the same regardless of the location in the organisation or the activity involved. Every control process includes four steps, fixing standards, assessing actual performance, comparing actual performance with standards and finding deviations and taking corrective actions.

Both the beginning and the end of Management Process: The need for control arises both at the beginning and at the end of the management process. The management process starts with planning and ends with controlling. To perform control functions, standards are to be fixed which are laid down in planning. In this way, process of management starts with planning which is also the first step of controlling. On the other hand, to achieve the standards already determined comes under controlling which is the last step of the process of management. Hence, in this way, controlling is the beginning as well as the end of the management process.

Forward Looking: Controlling is forward looking function. Though, it is also looking back function, because under control actual results are compared with predetermined standards. But it is forward looking also. Under control, when actual results are compared with expected ones to find out the deviations and corrective action is taken, this corrective action is taken with reference to future; also it provides standards for future performance. Hence, control looks forward also.

Action Oriented: Controlling is an action oriented function. It involves taking corrective action to achieve predetermined results. Control is not only concerned with measuring performance, it also takes corrective actions for correcting the deviations coming out of desired performance. Hence, control is action oriented.

Goal-oriented function: Control is a goal oriented function. It is concerned with accomplishing the organisational goals. It aims at taking actions which results in achievement of desired goals. Though it should be remembered that control is not an end in itself, it is just a means to achieve the desired goals.

Dynamic Process: Control is a dynamic process rather than a static one. It is concerned with continuous review of standards in view of changing circumstances and comparing results with standards to achieve desired goals. Hence, control is a dynamic process which keeps on changing with change in situations.

Positive process: Control is a positive process as it is concerned with making things happen as desired. It should not be viewed as negative. It does not mean to accuse the employees or acting as a hindrance or interfering in their work. It aims to inspire them to achieve the desired results.

Information is the guide to controlling: Controlling depends upon timely availability of sufficient information about the progress of actual work. The information related to actual performance and set standards and their difference, help the managers to take necessary action. Hence, an efficient system of control depends upon a well-designed information system.

Emotional and Motivational Implications: Control function has both emotional and motivational impacts upon employees. Some people who take control as a restrictive tool feel it to be a burden and remain in stress. While others take control as a motivational act, as they know that their performance will be measured and recognized by the management in case of good results.

Wide Scope: The scope of control is very wide. It includes all aspects of performance like quality, quantity, cost, time etc.

Control of actions and behaviors Control does not aim at controlling the people and their freedom. It aims at controlling the actions and behavior of human beings and regulating them towards organisational objectives.

18.4 CONTROLLING PROCESS

Controlling Process As discussed above, control is a process which involves various steps which remain same irrespective of activity involved or its location. A control process involves various steps which are essential for effective implementation of planning. These steps are mainly classified into four parts:

a) Fixing standards,
b) Measurement of actual performance,
c) Comparison of actual and standard performance and
d) Correcting deviations from standards

18.4.1 Setting Performance Standards

The first step in controlling process is the establishment of standards of performance. Standards serve as a criteria or a test on the basis of which actual performance can be measured. In business context standards mean objectives to be achieved. In order to check whether actual performance is in right directions, there need to have certain standards. In this way, standards become benchmarks against which actual performance is measured and compared. In the absence of standards, there will be no use of measuring actual performance. Hence, standards act as the basis of control. They should be established very carefully, objectively and scientifically. Different standards of performance are established for different operations of the organisation. Standards are mainly of two types:

Quantitative Standards: standards which are expressed in numerical terms like quantities of goods to be produced, cost to be incurred, investments to be made, profits to be earned, man hours to be worked, speed to be achieved etc.

Qualitative Standards: standards which cannot be expressed in numerical terms or which are established for intangible things like improvement in employee morale, customer or employee opinion etc. these cannot be measured directly. E.g. in order to measure employee morale, labour turnover rate, absenteeism rate etc. will be considered. If rate of all these factors is low, it means employee morale has increased. Similarly to measure opinion of customers, variations in sales can be taken into consideration.

Basis of Standards: There are mainly four basis for establishing standards.

a) Quantity
b) Quality
c) Cost and
d) Time.

Quantity standards are set for production, sales, stock etc. Quality standards are set relating to raw material, finished goods, customer service, employee satisfaction etc. Cost standards are related to material, labour and other expenses. Time standards are related to time consumed in production of goods.

Factors to be considered while setting standards

While setting standards, following factors/points should be kept in mind:

a. Standards should be attainable
b. Standards should be fixed for all key areas of business
c. Standards should be in accordance with the goals and policies of the organisation

d. Standards should be expressed in quantitative terms, as far as possible, or they should be easy to measure.
e. Standards should be precise and tangible so that they can be easily understandable.
f. Standards should be focused on achievement of results, not on procedures and policies.
g. Standards should be flexible and can be changed according to changing situations.
h. Standards should be objective and based on facts.
i. Standards should be reviewed and revised periodically.
j. Standards should be set in consultation with employees
k. A deviation tolerance limit should be prescribed.

It means to what extent deviation of actual from standard performance can be tolerated and there will be no need to take unnecessary action. E.g. if production of 1950 as against standard target of 2000 units is achieved, it should be acceptable without any extra corrective action. l. Standards should be capable of achieving with reasonable cost, time and effort.

18.4.2 Measurement of Actual Performance

After setting standards, the second step of controlling process is to measure the actual performance of various individuals, groups or units. Actual Performance can be measured by using any method of evaluation e.g. supervision, observation, reporting, sampling, accounting statements etc. the actual performance should be measured according to fixed standards. The performance should be measured in quantitative terms if standards have been fixed in numerical terms. E.g. if standard is prescribed as number of units per hour, quantity of goods to be produced etc. then information relating to actual performance is same terms can be easily measured. Managers should select the methods and time of measurement very carefully.

Actual performance can be measured either during the course of its operation or after the actual work is completed. In the first situation, when the work is in process, it can be measured with the help of supervision and observation to check if the work is being done according to the plans and as per standards. If any negative result is found, corrective action can be taken immediately to avoid any further loss to the remaining work. However, in the second situation, where work has been completed, in the case of any negative result, corrective action can be taken only for future work and the loss cannot be compensated.

Following points should be kept in mind at the time of measurement of actual performance:

a. The units of measuring performance should be the same as were set at the time of fixing standards.
b. The facts and figures regarding performance of work should be as far as possible true.
c. The figures should be continuously prepared.
d. The time of measurement of performance should neither be too short nor too long.

18.4.3 Comparing Actual performance with Standards

Once actual performance has been measured, the third main step of control process is comparing actual performance with the fixed standards of performance. It includes two steps: a) finding out the extent of deviations and b) identifying the causes of these deviations. The comparison of actual performance with standards will be easy when standards have been fixed numerically. In all other cases, where results cannot be measured quantitatively, techniques like personal observation, inspection, etc. can be used for evaluation. The managers can find out deficiencies or deviations in actual performance from the fixed standards. The deviations are of two types: positive and negative. When performance is less than fixed standards, it results into negative deviation, on the other hand, when performance is more than the fixed standard, it is positive deviation. Though, it is very important to analyze the causes of negative deviation, it is equally important to examine the causes of positive deviation.

18.4.4 Analysing Deviations

The deviations coming out of comparison of actual performance with standards are analysed. If there are no deviations, there is no need to take any action regarding this. The control process ends here. But if standards are not achieved and actual performance is below standards, it will be checked if deviation is acceptable i.e. if deviation is within deviation tolerance limits, then again there is no need to do anything and hence can be avoided. However, if the deviation is large and not acceptable, they should be reported to management and finally, causes of such deviation will be identified and responsibility will be fixed accordingly. The standards will also be reviewed. If the standards are found to be wrong, these will be revised and new standards will be formed. There are two main principles which guide analysis of deviations:

Principle of Critical Point: Control As per this principle, only those activities should be determined, which have an important impact on performance. These are also known as key result areas. Managers should pay more attention to those activities only where negative deviations can bring major loss to the enterprise and should avoid small and insignificant activities.

Principle of Exception: According to this principle, the manager should focus on more important deviations whether good or bad. It means manager should take corrective actions regarding those deviations, only after a thorough study, which are either too good or too bad and which have an important bearing on business. For example, if sales exceed the standards, it is called a positive deviation and is such as case, its cause can be good marketing. Hence, in this case, sales can be promoted by paying more attention to marketing. The main difference between principle of critical point control and principle of exception is that, under first situation, only those activities or points are controlled which are profitable or important from business point of view, while in second situation, deviations are taken into consideration in respect of the pre-defined critical points. Only those deviations should be concentrated which are most important or which can cause heavy loss to business. Hence, both time and efforts are saved. The less important problems can be delegated to subordinates which will help in boosting their morale.

Causes of Deviations : Some of the possible causes of deviations can be human causes like inefficiency of employees, some uncertain events like strikes, shortage of material, breakage of machines, interrupted supply of electricity, etc. or wrong standards about sales, profits, costs etc. Hence, deviations and their causes are identified and reported to concerned officers for taking corrective action.

18.4.5 Taking Corrective Action

The last and most important step in controlling process is taking corrective action. The purpose of taking corrective action is to bring the actual performance up to the level of expected performance standards. There may be two types of actions like removing deviation in the actual performance e.g. removing hurdles or defects in machines and stopping the repetition of any such problem in future e.g. modification of plans, revising of goals or standards, reassignment of duties etc.

Factors to be considered while taking corrective action:
While taking corrective actions, managers should take into consideration the following points:

- Corrective action should be taken only after a thorough analysis of causes of deviations.
- Standards should be revised if the need be.
- Corrective action should be taken only by the concerned officers who are directly associated with the work.
- Action should be taken without loss of time to avoid any further loss.
- Policies, procedures etc. should also be revised if the need be.
- Corrective action should be acceptable by the people involved in it.
- Positive deviations should also be found and causes should be analysed so as to make further improvements in work.

Once corrective action is taken, the process of control repeats. Hence, control is a continuous process. The essence of a good control system is whether a correct action is taken at the correct time.

18.5 LET US SUM UP

Controlling is the last and an important function of management process. It is concerned with establishing standards of work performance for various individuals, groups or units, assessing actual performance, comparing actual work performance with pre-established standards, finding and analysing deviations and taking corrective actions. Controls are of various types, direct or indirect, quantitative or qualitative, or depending upon various operations of the organisation like inventory control, sales control, cost control etc. while controlling, managers should take into consideration the principle of critical point control and principle of exception, which means managers should focus on only important activities and deviations which have a major bearing on the progress of the organisation. Once corrective action is taken, the process of control repeats itself. Hence, control is a continuous process. The essence of a good control system is whether a correct action is taken at the correct time.

18.6 KEY WORDS

- **Pervasive:** Spreading widely throughout an area or a group of people.
- **Deviation:** The action of departing from an established course or accepted standard.
- **Exception:** A person or thing that is excluded from a general statement or does not follow a rule.
- **Performance Standards:** Performance Standards are the establishment of organizational or system standards, targets, and goals to improve public health practices.

18.7 FURTHER READINGS

- Principles & Practice of Management : LM Prassad
- Principles of Management : P C Tripathi & P N Reddy
- Stephen P Robbins, "Fundamentals of Management: Essential Concepts and Applications", 5th Edition, Pearson Education., 2005
- R. Sivarethinamohan and P. Aranganathan, "Principles of Management", 1st Edition, CBA/Tata McGraw -Hill Publishing Company Ltd., 2005.
- JamesA F Stoner ,Edward Freeman and Gilbert, "Management", 6th Edition, Pearson Education, 1995./ Prentice Hall of India Pvt. Ltd., 2007.

- Durbin, “Essentials of Management” 7th Edition, Cengage Learning India Pvt. Ltd.

18.8 TERMINAL QUESTIONS

Q1: Controlling is the fundamental function that ensures work accomplishment according to plans” Analyze the statement and discuss various steps involved in control process.

Q2: What do you mean by controlling? Identify its importance in business organisation.

Q2: What are the factors to be considered while taking corrective action plan?

Q4: While setting up a performance standard, what are the factors should be considered?

Q5: Differentiate between Qualitative Data and Quantitative Data.

UNIT-19 TYPES OF CONTROL

Structure:

19.0 OBJECTIVES

After studying this unit you will be able to understand

- Various classifications of control.
- The difference between various levels of control.
- The concept of Feedback, Feed Forward and Concurrent Control.

19.1 INTRODUCTION

Control is a primary goal-oriented function of management in an organisation. It is a process of comparing the actual performance with the set standards of the company to ensure that activities are performed according to the plans and if not then taking corrective action. Control is a function of management which helps to check for errors in order to take corrective actions. This is done to minimize deviation from standards and ensure that the stated goals of the organization are achieved in a desired manner.

19.2 TYPES OF CONTROL

In management, one of the most important tasks in an organization is goal-oriented. Feedback control, concurrent control, and feed forward are some types of management control. Controlling helps managers eliminate gaps between actual performance and goals. Control is the process in which actual performance is compared to company standards. There are three types of control viz.

- **Feedback Control:** This process involves collecting information about a finished task, assessing that information and improvising the same type of tasks in the future. It involves reviewing information to determine whether performance meets established standards. For example, suppose that an organization establishes a goal of increasing its profit by 12 percent next year. To ensure that this goal is reached, the organization must monitor its profit on a monthly basis. After three months, if profit has increased by 3 percent, management might assume that plans are going according to schedule

- **Concurrent Control:** It is also called real-time control. It checks any problem and examines it to take action before any loss is incurred. It monitors ongoing employee activity to ensure consistency with quality standards. These controls rely on performance standards, rules, and regulations for guiding employee tasks and behaviors. Their purpose is to ensure that work activities produce the desired results. As an example, many manufacturing operations include devices that measure whether the items being produced meet quality standards. Employees monitor the measurements; if they see that standards are not being met in some areas, they make a correction themselves or let a manager know that a problem is occurring. Example: Control Chart.

- **Predictive/ feed forward Control:** This type of control helps to foresee problems ahead of occurrence. Therefore action can be taken before such a circumstance arises. Sometimes called preliminary or preventive controls, attempt to identify and prevent deviations in the standards before they occur. Feed forward controls focus on human, material, and financial resources within the organization. These controls are evident in the selection and hiring of new employees. For example, organizations attempt to improve the likelihood that employees will perform up to standards by identifying the necessary job skills and by using tests and other screening devices to hire people with those skills. In an ever-changing and complex environment, controlling forms an integral part of the organization.

19.2 LEVELS OF CONTROL

19.2.1 Strategic Control and Operational Control

- **Strategic Control :** It is concerned with tracking the strategy as it is being implemented, detecting any problem areas or potential problem areas suggesting that the strategy is incorrect, and making any necessary adjustments. Strategic controls allow you to step back and look at the big picture and make sure all the pieces of the picture are correctly aligned.

- **Operational Control**: In contrast to strategic control, is concerned with executing the strategy. Where operational controls are imposed, they function within the framework established by the strategy. Normally these goals, objectives, and standards are established for major subsystems within the organization, such as business units, projects, products, functions, and responsibility centers

19.2.2 Direct Control and Indirect Control

- **Direct Control:** Various control measures like cost control, quality control, budgetary control are known as direct control because the results can be directly compared in this case. A control that is directly imposed upon the manufacturing, pricing, and distribution of specific goods in contrast with an indirect or general control (such as a credit and fiscal policy) that affects the economy in its entirety and specific goods only indirectly

- **Indirect Control:** Indirect control involves devising a control system whereby control is maintained automatically. Control can also be categorised as physical control and financial control

19.2.3 Physical Control and Financial Control

- **Physical Control:** Physical control involves control over quality and quantity. Output standards may be fixed in terms of per day or per man. Similarly quality standards may also be fixed such as hardness or softness of product etc.

- **Financial Control:** Financial controls are expressed in terms of monetary value like cost per unit of output or sale price per unit etc. Sometimes, physical and financial controls may be applied jointly as in case of budgetary control. In case of budgetary control, physical as well as financial standards are fixed in advance and actual performance is compared with the fixed standards.

19.2.4 Behavioural and Outcome Control

- **Outcome Controls:** There are generally preferable when just one or two performance measures (say, return on investment or return on assets) are good gauges of a business's health. Outcome controls are effective when there's little external interference between managerial decision making on the one hand and business performance on the other. It also helps if little or no coordination with other business units exists.

- **Behavioral Controls:** involve the direct evaluation of managerial and employee decision making, not of the results of managerial decisions. Behavioral controls tie rewards to a broader range of criteria, such as those identified in the Balanced Scorecard. Behavioral controls and commensurate rewards are typically more appropriate when there are many external and internal factors that can affect the relationship between a manager's decisions and organizational performance.

19.4 OTHER CLASSIFICATIONS OF CONTROL

Control can also be categorized on the basis of various activities of the business enterprise such as inventory control, sales control, credit control, personnel control, production control, capital expenditure control, safety control, etc.

- **Inventory Control :**

Inventory control or stock control can be broadly defined as "the activity of checking a shop's stock." Other facets of inventory control include supply chain management, production control, financial flexibility, and customer satisfaction. The fact or process of ensuring that appropriate amounts of stock are maintained by a business, so as to be able to meet customer demand without delay while keeping the costs associated with holding stock to a minimum.

- **Sales Control**

Sales control is one of the functions of sales management which ensures the sales achievement and profit objectives of the company by coordinating effectively and efficiently the different sales functions. Sales control ensures the productivity of the sales force and its mechanism varies from companies to companies. Control on sales force keep them alert, creative, and active and make consistent them in their actions. An effective and suitable sales control system is essential for both companies as well as salespeople.

- **Credit Control :**

Credit control is a strategy by which lenders ensure that they lend money only to customers with a good credit record and who have a good probability of paying back their debts. At the same time, credit control also ensures that the company or institution does not extend credit to delinquent borrowers or those who have a poor credit record.

Credit control is used by companies and banks to ensure judicious (and profitable) lending and minimizing the possibility of losses due to bad loans.

- **Personnel Control :**

Personnel controlling is used to achieve the best possible use of employees and their development to get the maximum benefit for the company. Information collection and processing of personal information is its main role, as well as monitoring of the coordination and control system. The basic features of personnel controlling are:

- ➔ Treatment of staff as a vital business asset,
- ➔ Treatment of workers as a source of competitiveness for the organization,
- ➔ Shift from the perception of staff regarded only as a source of costs,
- ➔ Merging of HR strategy with overall business strategy,
- ➔ Active inclusion of line managers in the personnel management.

- **Production Control :**

The production control is the function of management which plans, directs and controls the material supply and processing activities of an enterprise so that specified products are produced by specified methods to meet an approved sales program. It ensures that activities are carried out in such a way that the available labour and capital are used in the best possible way.

- **Capital Expenditure Control :**

Capital expenditure controlling refers to the actions, processes and tools used to identify, forecast, assess, decide and manage capital expenditure. Capital expenditure can be used to replace or expand existing plant and equipment, to invest in new equipment or to make use of strategic opportunities in new production or market contexts. It can be used on tangible or intangible, financial or current assets. In the broader sense capital expenditure controlling is also applied to expenditure incurred in the context of campaigns or projects typical for areas such as marketing or research & development.

- **Safety Control**

Safety controls are processes, practices, systems, policies and tools that are designed to reduce safety risks. Effective controls to protect workers from workplace hazards; help avoid injuries, illnesses, and incidents; minimize or eliminate safety and health risks; and help employers provide workers with safe and healthful working conditions.

19.5 LET US SUM UP

Organizational controls can take many forms. Strategic controls help managers know whether a chosen strategy is working, while operating controls contribute to successful execution of the current strategy. Within these types of strategy, controls can vary in terms of proactivity, where feedback controls were the least proactive. Outcome controls are judged by the result of the organization's activities, while behavioral controls involve monitoring how the organization's members behave on a daily basis. Financial controls are executed by monitoring costs and expenditure in relation to the organization's budget, and nonfinancial controls complement financial controls by monitoring intangibles like customer satisfaction and employee morale.

19.6 KEYWORDS

- **Concurrent:** Occurring or existing at the same time or having the same period or phase.

- **Behavioral**: Involving, relating to, or emphasizing behaviour. The way in which one acts or conducts oneself, especially towards others.

- **Capital Expenditure**: Money spent by a business or organization on acquiring or maintaining fixed assets, such as land, buildings, and equipment.

- **Personnel:** People employed in an organization or engaged in an organized undertaking.

19.7 FURTHER READINGS

- Principles & Practice of Management : LM Prassad
- Principles of Management : P C Tripathi & P N Reddy
- Stephen P Robbins, "Fundamentals of Management: Essential Concepts and Applications", 5th Edition, Pearson Education., 2005
- R. Sivarethinamohan and P. Aranganathan, "Principles of Management", 1st Edition, CBA/Tata McGraw -Hill Publishing Company Ltd., 2005.
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- Durbin, "Essentials of Management" 7th Edition, Cengage Learning India Pvt. Ltd.

19.8 TERMINAL QUESTIONS

Q 1: What is the difference between strategic and operating controls? What level of management would be most concerned with operating controls?

Q 2: What is the difference between non-financial and financial controls? Is financial control a behavioral or an outcome control?

Q 3: Differentiate between the followings

a) Direct Control vs. Indirect Control
b) Financial Control vs. Non-Financial Control
c) Strategic Control vs. Operational Control

Q 4: Write short notes on the following

a) Credit Control
b) Production Control
c) Capital Expenditure Control

UNIT-20 TECHNIQUES OF CONTROLLING

Structure

20.0 Objectives

20.1 Introduction

20.2 Traditional Techniques of Controlling

20.3 Modern Techniques of Controlling

20.4 Let's Sum up

20.5 Key Words

20.6 Further Readings

20.7 Terminal Questions

20.0 OBJECTIVES

After completing this module you will be able to:
The techniques which are used in control both at operation level and financial level.

20.1 INTRODUCTION

Controlling is the last and an important function of managerial process. The purpose of controlling is to bring the actual performance to predetermined standards. For this an organisation has to adopt an effective controlling technique. In present competitive scenario, it is important for an organisation to have such a system of control because of cut-throat competition from competitors. Hence, it is the need of an hour to adopt an effective system of controlling for enhancing profitability by reducing the costs to the minimum

There are a number of controlling techniques available for an organisation. The techniques can be classified under two major categories:

A. Traditional Techniques
B. Modern Techniques

20.2 TRADITIONAL TECHNIQUES OF CONTROLLING

- **Personal Observation** Personal observation is the oldest and most important controlling techniques. Under this technique, managers or superiors personally visit the workplace irregularly and observe the performance of employees. They check if the work is going as per plans or not. If any discrepancy is found, they give instructions on the spot immediately. Personal observation technique results into first hand evaluation of work. But control through this technique is time consuming and may not be applicable in all situations.

- **Setting Examples** Managers set their own examples of good performance before their employees and expect the same from them. For example, if managers show their examples of punctuality before their employees, they will also follow the same easily. Hence, the exemplary behaviour of managers can control the behaviour and actions of their employees.

- **Plans and Policies** The organisational plans, policies, procedures, strategies, rules etc. govern and control all the activities of the organisation. They play an important role in controlling activities and prevent deviations and ensure the conformity of actions with plans and policies.

- **Organisation Charts and Manuals** Organisation charts and manuals sets out organisational relationships, responsibilities and duties of the employees of the organisation. These documents are also used to control the performance of employees and fixing responsibilities.

- **Disciplinary System** Disciplinary system comprising punishments, criticism, disciplinary actions etc. act as an important tool of control. It acts as a negative control tool. Where employees commit mistakes repeatedly and mistakes are crucial, strict disciplinary action is taken by the managers. This technique of control should be used by managers carefully as it results into fear in the minds of employees. It can cause reduced morale also.

- **Statistical Data:** Statistical data is also used as an important controlling technique. Data is collected and presented in the form of tables, charts, figures, and graphs. Then it is analysed with the help of various statistical techniques like measures of central tendency, measures of dispersion, correlation, regression etc. to take certain decisions in the fields of production, quality, inventory, sales etc.

- **Written Instructions:** Instructions in written form are issued by managers and superiors from time to time for the subordinates. Instructions are issued in the form of notices, letters, circulars, bulletins, etc. they provide information and instructions in the light of changing rules and situations. Written instructions act as supplementary control techniques.

- **Special Reports and Records:** Special reports and records relating to different operations of the concern are also prepared in addition to normal reports and records. Experts prepare these reports. For example, in the case of a serious problem in the organisation, expert committee may be appointed by the management to go into the depth of the problem and suggest the ways or means to solve the problem. The investigation reports relating to a specific problem or area are examples of special reports and records.

- **Operational Audit:** Audit is an effective controlling tool. Operational audit refers to audit of internal operations of the organisation. The organisation conduct internal audit with the help of some specialised internal staff or may also hire the services of external audit team. Internal audit gives a review of overall working of the organisation. It depicts whether organisational policies, plans, procedures etc. are being adopted by the employees in their day to day working or not. Thus internal audit provides an internal check over the operations of the employees and hence improve their efficiency.

- **Financial Statements:** Financial statements comprise Profit and Loss account and Balance Sheet. These statements show the true picture of the organisation in the form of working and financial position of the business. These statements also act as controlling technique. For example, the comparison and analysis of statements of different time periods reveal the trends in performance and depict the present position of the enterprise. This comparison and analysis can be used for controlling the financial position of the concern.

- **Break-Even Analysis:** Break-Even analysis is a widely used technique of controlling. It is used to find out the breakeven point where the total cost is equal to total revenue, i.e. the point of no loss no profit. This point is used to identify the number of units of a product that must be sold to generate enough revenue so as to cover costs. Any production above this point will yield profits. This technique basically shows relationship between cost-volume-profit. With the help of this technique managers examine the impact of increase or decrease of units sold and increase or decrease in price or costs on the amounts of profits. Break Even analysis is done either mathematically or graphically

- **Cost Accounting and Cost Control:** Cost accounting is a technique to determine the cost of a product, process, or a unit and cost control. Cost control includes control over costs by using various techniques. One such technique is standard costing. It includes determination of standard (or predetermined) costs. Standard costs are determined in respect of total cost as a whole as well as for each element of cost, i.e., material, labour and overheads. When actual costs are incurred, these are compared with standard costs and variations, if any, are found. The standard costing involves various steps which are explained as follows:

  a) In the first step of standard costing, standards or benchmarks for costs are fixed. Standards are fixed for each element of total cost on the basis of past records or through experiments and thorough analysis.

b) In the second step, the actual cost is determined. The information is taken from cost accounting records.
c) A comparison between standard costs and actual costs is done to find out any deviations between the two. If there is no variation, or the variation is within prescribed and acceptable limits, no further action is required.
d) If the deviation is beyond the acceptable limits, it is further analysed. The causes for such variation are found and responsibility is fixed accordingly.
e) Future course of action is planned to avoid such deviation in future. It may also include review and revision of standards. Hence, standard costing is an important tool for controlling costs and wastages in the hands of managers.

- **Budgets and Budgetary Contro**l: Budgets are used as a controlling technique by most of the organisations. A budget represents a statement of expected results expressed in numerical terms. It is formed in advance for the period to which it will apply. Budget serves as a benchmark against which the actual results will be compared and the performance of the organisation can be identified. Budgets make management by exception possible. Budget is used as a technique of planning as well as controlling. As a tool of planning, budget depicts the plans in numerical figures which are to be achieved. As a tool of controlling, budget serves as a standard for measurement and comparison of actual performance. It helps in delegation of authority and fixation of responsibilities. Budgeting is the process of making budgets. Budgets are prepared for various operations of the organisation, like, sales budget, production budget, financial budget, overheads budget, personnel budget, etc. Budgetary control is a technique to use budgets for controlling activities. Budgetary control is the process of establishing various budgets for different operations of the concern for the future period, and then actual results are recorded. The actual figures are compared with the budgeted one and discrepancies are found out and remedial actions are taken.

20.3 MODERN TECHNIQUES OF CONTROLLING

- **Return on Investment (ROI):** Return on Investment (ROI) is a controlling technique to control the overall performance of an organisation. ROI measures the rate of return on investment. Under this technique, profit is considered in terms of capital employed. Following is the formula to calculate ROI: ROI = Net Profit / Total Investment ROI is used to evaluate the efficiency of an investment. The managers can compare ROI between two or more periods of the organisation or of the two or more other organisations to draw certain conclusions regarding the efficiency. Higher ROI reflects higher performance as compared to concerns with lower ROI. However, while doing comparisons over period, it should be considered that the value of money differs in different periods. Hence, time value of money can be incorporated. Secondly, while comparing with other organisations, the terms used in ROI i.e. what components are included in profits and investments and in which units. On the basis of such calculations, managers control the activities of their own organisation.

- **Management Audi**t: Management audit evaluates the performance of various management functions and processes. This audit intends to examine and review the management policies and actions on the basis of certain objective standards. It is a comprehensive audit which reviews all aspects of management. Management audit is a systematic and independent review activity within an organisation which appraises the operations of all the departments. The objective of management audit is to help all managerial levels to perform their responsibilities effectively by providing them with objective analyses, appraisals, and recommendations regarding the activities reviewed.

- **Management Information System (MIS):** In the present age of information technology, Management Information System or MIS is an important technique for providing quick information to the management. MIS provides all necessary information to the managers and superiors at different levels to help them to discharge their functions like planning, organising, decision making and controlling properly. MIS is a scientific way of collecting, organising, processing, and storing and communicating information to various levels of management so that decisions can be taken by the managers in time. MIS helps in increasing efficiency of the organisation by providing timely, accurate and relevant information for doing various operations of the organisation. The importance of having an effective MIS also lies in the presence of changing economic, political, social and technological conditions. Timely information helps the organisations to take advantages of various opportunities available outside and to overcome threats by taking proper actions in time. MIS also provides internal information relating to various activities and also shows the manner of utilisation of resources in the organisation. It shows the performance of various resources. The information relating to idle time, labour turnover, wastages etc. can also help the managers to control various costs. In present information scenario, it is very important to have an effective management information system in the organisation. It will be very difficult to manage and control the operations without an effective MIS.

- **Zero Base Budgeting (ZBB):** Zero base budgeting or ZBB is a new approach of budgeting. It is used as a control technique. Under ZBB, in determination of budgets, information or figures of previous periods is not taken into account. Budgets are prepared afresh without considering the information from previous years or periods. Budgets are prepared in the light of current situations. ZBB starts with a base taken as zero. In this technique, all activities are analysed in terms of their needs and costs. In the budget, every expense has to be justified in the presence of prevailing conditions. Unlike conventional budgeting, where previous year inefficiencies can enter, zero base budget starts from scratch and is prepared every time.

- **PERT/CPM:** The project management techniques, PERT (Program Evaluation and Review Technique) and CPM (Critical Path Method) are useful for managerial functions like planning, scheduling and controlling. These techniques help the managers in completing the projects on schedule. Presently, organisations are involved in various projects which are very large in size and take more time. Companies make use of these networking techniques to schedule the complex projects which involve many activities. Though the two techniques differ slightly, but both are based on the same principles. PERT/CPM is a tool used to plan, schedule and control large projects consisting of a number of independent activities and with uncertain completion time. In this technique, a network diagram is prepared that shows the sequence of activities needed to complete a project and time and cost associated with each activity. Hence the purpose is to identify critical activities which are essential to perform and complete the project and to identify the time (least possible) and cost associated with each activity. Thus, these techniques not only help in planning but also help managers to monitor and control the progress of the project, find out any obstacles and provide proper resources to complete the project as per schedule. The major limitation of PERT and CPM technique is that they cannot be effectively applied in manufacturing operations as the main focus of these techniques is on time and not on quality which is a key factor in manufacturing.

20.4 LET US SUM UP

Every organisation needs to have an effective controlling system for its efficient working. For this purpose, an organisation has a number of controlling techniques. Controlling techniques are mainly of two types: traditional techniques and modern techniques. The traditional techniques include, Personal Observation, Setting examples, Plans and policies, Organisation charts and manuals, Disciplinary system, Statistical data, Written instructions, Special reports and records, Operational audit, Financial statements, Break-even analysis, Cost Accounting and Cost Control, Budgets and budgetary control. While the modern techniques include Return on investment, Management audit, Management information system, Zero base budgeting and PERT/CPM. A combination of these techniques can also be applied by the organisations to have a proper control over the activities of the organisation.

20.5 KEYWORDS

- **Operational Audit:** An operational audit is an examination of the manner in which an organization conducts business, with the objective of pointing out improvements that will increase its efficiency and effectiveness.

- **Break Even Analysis :** A break-even analysis is a financial tool which helps you to determine at what stage your company, or a new service or a product, will be profitable.

- **Cost Control :** Cost control is the practice of identifying and reducing business expenses to increase profits, and it starts with the budgeting process

- **CPM / PERT:** PERT is a project management technique, used to manage uncertain activities of a project. CPM is a statistical technique of project management that manages well defined activities of a project. A technique of planning and control of time.

- **Management Audit:** Management Audit is an assessment of methods and policies of an organization's management in the administration and the use of resources, tactical and strategic planning, and employee and organizational improvement.

20.6 FURTHER READINGS

- Principles & Practice of Management : LM Prassad

- Principles of Management : P C Tripathi & P N Reddy

- Stephen P Robbins, “Fundamentals of Management: Essential Concepts and Applications”, 5th Edition, Pearson Education., 2005

- R. Sivarethinamohan and P. Aranganathan, “Principles of Management”, 1st Edition, CBA/Tata McGraw -Hill Publishing Company Ltd., 2005.

- JamesA F Stoner ,Edward Freeman and Gilbert, “Management”, 6th Edition, Pearson Education, 1995./ Prentice Hall of India Pvt. Ltd., 2007.

- Durbin, “Essentials of Management” 7th Edition, Cengage Learning India Pvt. Ltd.

20.7 TERMINAL QUESTIONS

Q 1: What do you mean by budgetary control? What are its advantages and problems?

Q 2: What do you mean by Break even Analysis? What are its uses as a cost control techniques?

Q 3: Write the difference between the traditional technique and Modern Technique of Controlling

Q 4: **Write short notes on the followings:**

- Personal Observation
- Break even Analysis
- Zero Base Budgeting
- PERT
- CPM
- Management Information System

UNIT-21 COORDINATION AND COMMUNICATION

Structure

21.0 OBJECTIVES

After completing this unit you will be able to know:

- The nature and the necessity of coordination in an organisation.
- To find out the ways for effective coordination
- How coordination helps in achieving the goals of an organization.
- The meaning, concept and importance of Communication
- Understand the barriers in effective communication
- Identify the essentials of effective communication in organization.

21.1 INTRODUCTION

Coordination means synchronization of the efforts of group members so as to provide unity of action for pursuing common goals. It is the hidden force which binds all the other functions of management.

According to Mooney and Reelay, “Coordination is orderly arrangement of group efforts to provide unity of action in the pursuit of common goals.”

According to Charles Worth, “Coordination is the integration of several parts into orderly hole to achieve the purpose of understanding.”

Management seeks to achieve coordination through its basic functions of Planning, Organising, Staffing, Directing and Controlling. Coordination is not a separate function. It is the essence of management and is inherent in all functions of management. Harmony between the efforts is the key to success for performance of any function.

For example*, The process of manufacturing shirts include knitting of thread, dying, designing, spinning, stitching, finishing and packaging. This process requires coordination at each step because each step in manufacturing is dependent upon the other. A firm which has to complete the order of manufacturing one lakh shirts, needs to coordinate at every step. If cloth is not ready in time, stitching will be delayed which will further delay every activity. Production is possible in time if other departments coordinate to speed up their work. If they do not, goodwill will be affected and firm might also lose the order.*

21.2 NEED AND SIGNIFICANCE OF COORDINATION

Coordination is required to achieve common objectives when people work together. It is the basic cementing force in an organization. Coordination becomes necessary because of the following reasons:-

- **Increase in size and complexity of operations**: -

Growth in the number and complexity of operations is the major factor which requires coordination. Whenever, there are people who work together for achieving common objectives, their efforts need to be coordinated, otherwise, they will not be able to achieve the objectives. Need for coordination arises as soon as the operations become multiple, diversified and complex. In large organisation, formal Coordination of activities is established through the proper organisational structure. More hierarchical levels make organisation complex which makes communication system complex and hence coordination. Also, the organisations have become multinational today. Coordination is required at every step both for their survival and growth. Constant efforts must be made to ensure harmonious functioning of the enterprise.

- **Specialization:**

Specialization promotes focus on one owns work. With division and sub division of work, each individual handles small portion of the work but the work of each of them is related to others. For example, in the production department of a unit manufacturing shirts, the work of sewing is dependent on the spinning of cloth. Similarly, production department may insist on the manufacture of those products which are convenient and economical to produce. They are not that much concerned with consumer's needs. So, it becomes necessary to coordinate the diverse and specialized activities of different units to create unity in the midst of diversity. Generally, the greater the division of labor more is the need for coordination. Specialization will not yield desired results unless specialized activities are effectively synchronized. Also, specialization leads to horizontal and vertical differentiation of organizational activities. The greater the differentiation, more serious is the problem of communication. Hence coordination becomes evitable.

- **Clash of interests:**

Coordination helps in integrating individual goals with the organizational goals. An effective leader has an important role to play in coordination. He tells them how the achievement of organizational goals will help them pursue their individual goals as well. Since individuals have their own goals, which may be, the achievement of their physiological and psychological needs. Individuals often are not aware as to how the achievement of organizational goals will satisfy their personal goals. They may run behind fulfilling their personal interests at the expense of the organizational goals. Coordination helps to avoid conflict between individual and organizational goals. It brings harmony between the two types of goals by telling individuals how the achievement of organizational goals will help contribute to their personal goals as well. This way, coordination promotes focus on organizational objectives.

- **Different outlook:**

No two individuals are same. Each individual has his own way of working and has a different approach towards problems. Each has his own talent, speed and working capacity. For effective perusal of work, it is a must to fill the gap between the different approaches, timing and effort to secure unity of action. So, these differences need to be coordinated. Greater these differences, tougher is the coordination.

- **Interdependence of units:**

Each unit of organization has a different work to do but they together aim at achieving the common objectives of the organization. The units of an organization depend upon one another for their successful functioning. The output of one unit serves as the input of another unit. There are three types of interdependence as identified by James D. Thompson namely,

(a) Pooled interdependence,
(b) Sequential interdependence, and
(c) Reciprocal interdependence.

Under pooled interdependence various units contribute to the organizational pool in their own way and do not depend on each other for the performance of their day-today-activities. In sequential interdependence, the output of one unit becomes the input of the other. Thus, other unit cannot do its work until the work in preceding unit has been completed. In reciprocal interdependence, different units are related reciprocally and share a give and take relationship. The need for coordination increases with an increase in the interdependence between organizational units. It is highest in reciprocal interdependence and least in pooled interdependence.

- **Conflicts:**

Coordination of activities avoids potential sources of conflict. Coordination can be ensured through proper planning, clearly defining the role and responsibilities and their authorities, proper communication and through effective leadership and control procedures.

- **Empire-building:**

Some members in the organization may have a tendency to show their importance and hence, may overemphasize their own activities. They may try to take maximum possible share of the total resources for their own units as if the units were separate entities. This tendency leads to conflicts between various organs of the enterprise leading to lack of cooperation and self-coordination. Proper synchronization of effort keeps check on such empire-building tendencies.

- **Personal jealousies and rivalries:**

Organizations comprise of human beings and personality clashes are quite common in human organizations. These personality clashes encourage rivalry and lead to the deliberate distortion of coordination. Such rivalry is often accentuated by lack of clear-cut goals and specific authority limits. Proper definition of authority and responsibilities of each and every job position serves as a formal coordination procedure and reduce possibilities of any such rivalry.

21.3 PRINCIPLES OF COORDINATION

Principles of coordination serves as a guide in establishing coordination within the organization and helps in making it more effective. The four principles of coordination as given by Mary Parker follet, a great sociologist and political philosopher have been:

- **Principle of Direct Contact:**

The main problem which widens the gap between the organizational members is the lack of proper communication. In an organization, the entire team involved in the completion of task must have as much direct contract with each other as possible. It helps avoid long communication channels. Inadequate communication triggers misunderstandings and organizational conflicts.

- **Principle of Coordination in Early Stages:**

Coordination among the organizational members should be established from the earliest stages of workflow. In other words, effective coordination is possible only when all the members, be the managers or those working at the lowest level of work flow coordinate with each other.

- **Principle of Continuous Process of Coordination:**

Coordination is not a one time job or drive. In fact, it is an ongoing process to conduct the on-going orchestra of organizational activities. If coordination breaks at any stage, it digs heavy on the organizational resources.

- **Principle of Situational Authority:**

To ensure coordination, managers may even need to exercise the authority vested in them as per the situation emerges. The purpose of using such authority is not to gain dominance over others but to bring about integration and harmony in the functioning of an organization. Follet terms this as the 'Law of the Situation'.

21.4 TECHNIQUES OF COORDINATION

Coordination brings harmony in performance of the functions of the organization. Effective coordination can be ensured through the following techniques:

- **Sound planning:** Planning is the ideal stage for coordinating the activities. It infuses coordination in the very blood of the organization. Planning establishes the unity of purpose, which is the first essential condition for coordination. Goals of the organization and goals of each of its unit must be clearly defined. Planning tells what each member is expected to do, how to do it, when to do it.

- **Simplified organization:** Organization structure should be kept as simple as possible. A complex organization structure is difficult to understand and manage. A simple and sound organization promotes coordination. The authority and responsibility relationships for each job position should be clearly defined. It helps to avoid conflicts. It also allows fixing accountability. **According to Stan Kossen** *"Organization Structure defines how tasks are to be allocated, who reports to who, who does what and the formal coordinating mechanism and interaction patterns"*.

- **Effective communication**: Open and regular communication is the key to coordination. Effective exchange of opinions and information helps promote mutual understanding and paves the way for resolving differences. Face-to-face communication is considered the most effective means of communication for promoting coordination as it allows for on- the- spot feedback which helps clearing all doubts and misunderstandings effectively.

- **Effective leadership and supervision:** Effective leadership ensures coordination of efforts both at the planning and the execution stage. A good leader continuously directs his subordinates towards the right path and motivate them to work together for the accomplishment of common objectives. Effective leadership helps subordinates to integrate their personal goals with the organizational goals.

- **Chain of Command:** Coordination can also be achieved through the exercise of authority. The organizational structure defines the authority of each position and thus defines the superior subordinate relationships. Exercise of authority through hierarchy is the traditional means of coordination. Hierarchical chain binds together the different parts of an organization and relates them to a central authority as for example, all the subordinates are linked to their superior through the chain of command.

- **Incentives:** Providing adequate incentives may also help to secure coordination. Employees may not like to work wholeheartedly when not properly incentivized. For example, sharing of profits with the employees may be helpful in promoting team-spirit and cooperation between employers. Having mutual interest reduces tiffs and ensures better coordination

- **Liaison departments:** Liaison officers may also be appointed in the organization to facilitate communication and coordination. In some cases, frequent contact between different organizational units is necessary. Liaison officers may be employed to link those units. For instance, a liaison department may link the production department and sales department by ensuring that production is going as per specifications promised to the sales department. Special coordinators may also be appointed in certain areas. Liaison officers work as the 'linking pins' and compensate for lack of face to-face communication

- **Voluntary coordination:** Under self-coordination, members of an organization voluntarily adjust their behavior according to the needs of the situation. Every organizational unit appreciates the working of related units and modifies its own functioning to harmonize with the overall functioning of the organization. They take into account the effect of their actions on others. Self-coordination is possible when there is dedication and mutual cooperation. It results from team-spirit and a sense of belongingness to the organization

21.5 TYPES OF COORDINATION:

George Terry, a great management thinker and philosopher, view coordination as a dynamic activity. He explains the following types of coordination:-

a) **Coordination within the individual:** It relates to coordinating own efforts by an individual. This type of coordination is probably the least important from the viewpoint of management. However, the ability of an employee to perform a certain type of work satisfactorily depends upon his success in coordinating his own efforts. Take example of driving a car. Successful driving needs mind-body coordination only then a driver can reach his destination.

b) **Coordination among-Individuals of a Group**: It is more difficult to coordinate the efforts of a team rather than an individual. Where the members work as a team, coordination becomes much essential. Success of the work depends upon the integration of effort. For example, in football team if the players do not coordinate at each step like passing the ball, making the goals, it will be an easy win for the opponent and your team will shatter like anything. Similar is the case with the organization.

c) **Coordination among Groups of an Enterprise:** Coordination is essential not only within a group but also within different groups. These groups are a part of the bigger enterprise and must move together for achieving the purpose. An organization consists of different departments. Take for example, production and sales department. If the production department produce anything without bothering about the sales specifications, organization cannot survive.

d) **Coordination along Enterprises and Forces of World:** All efforts of an entire enterprise must be made, keeping in account the external forces like competitors, government regulatory measures, and the status of the national and world economy. These forces are beyond the control and can even threaten the very survival of the organization.

21.6 BENEFITS OF COORDINATION:

- **Higher Efficiency and Economy:** Coordination helps to improve the efficiency of operations by synchronizing them. It integrates and balances the individual efforts and lead to harmony. Coordination synergizes the efforts. It binds organizations together and enables it to make optimum use of its resources.

- **Good Human Relations:** Coordination improves the morale and job satisfaction among the employees. It provides cordial working conditions where employees can work with maximum efficiency. They feel a sense of belongingness towards the organization. A well-coordinated organization can attract, retain and better utilize their personnel.

- **Unity of direction:** Coordination synchronizes the group effort so as to provide unity of action for pursuing common goals. In a well-coordinated organization, all employees work with zeal for the accomplishment of objectives. By binding together different departments and sections into one entity, coordination ensures the stability and growth of both the organization and the employees.

- **Essence of management:** Coordination is a key to all managerial functions. It is the essence of all management functions and also the end result of management. Management is nothing more than coordination of all activities and efforts and all internal and external forces which affect the organization.

- **Organizational Effectiveness:** Coordination enhances the effectiveness and stability of the organization. It provides good working conditions, job satisfaction to the employees and promotes a sense of belongingness towards the organization. Labor unrest and employee turnover gets reduced to the minimum. Wastages are minimized. Employees feel contented and work for the betterment of the organization. It also attracts efficient personnel towards the organization. All this leads to organizational effectiveness.

21.7 MEANING AND IMPORTANCE OF COMMUNICATION

The word communication has been derived from the Latin word 'communis' which means 'common' which indicates common understanding. It is understood as a process of exchange of ideas, views, facts, feelings etc., between people to create a common understanding.

- It helps the subordinates in better planning by identifying the weaknesses and merits of the plans.
- Decisions are improved by effective communication as communication makes the larger participation possible.
- Communication helps in improving the motivation as the feedback provides an opportunity for the manager to understand the feelings, behavior, temperament, capabilities and limitations in a better way.
- Communication improves the public relations as it helps in minimizing the misunderstandings and doubts.
- Communication helps in integrating the people and an aid to coordination.
- Communication process transmits ideas, decisions and orders of managers on one hand and receives response, reaction of subordinates on the other.
- Communication renders the complexity of business intelligible and workable.

21.8 ELEMENTS OF COMMUNICATION:

There are 6 elements in the process of communication which drive the communication by sharing ideas, information and attitudes with someone. Following are the elements:

- **Sender:** It is the person who conveys his message to other persons. The sender may be superior, a subordinate, a peer or any other person.
- **Message:** It contains ideas, feelings, suggestions, order etc. Which is to be passed to the receiver from the sender.
- **Encoding:** it is a process in which the message is to be converted into symbols such as words, pictures, gestures etc.
- **Media/Channel:** It is that path through which the encoded message is transmitted by the sender in the written form, face to face, phone calls, internet etc.
- **Decoding:** it is the process of converting the encoded symbols of the sender.
- **Receiver:** It is the person to whom the symbols are transmitted.
- **Feedback:** Feedback is necessary to ensure that the receiver has received the message and understood it in the same sense as the sender intended.

21.9 BARRIERS IN COMMUNICATION

A. Semantic Barriers:

The word 'semantics' comes from the Greek word, 'Semantikos', which means 'significant'. Semantic barriers occur when the sender and receiver have different understandings of the message sent. For example, a person who uses the word "bimonthly" might take the meaning as twice per month while the person hearing it thinks it means every other month. Semantic barriers arise due to following reasons:

- Holding different meanings of symbols.
- Badly expressed messages due to lack of clarity, careless omission, lack of coherence, inadequate vocabulary, jargon etc.
- Wrong interpretations.
- Physical Noise: The semantic problems arise because the channel is blocked by noise which lies in the environment.
- Faulty translations lead to impaired efficient and heavy costs.
- Unclarified Assumptions, which may not be clear to the receiver and sender.

B. Psychological Barriers:

The state of the mind of both sender and receiver of communication reflects in the effective communication. Following are some of the psychological barriers:

- Premature evaluation: it means taking the different meaning of message before the completion of the message.
- Lack of attention.
- Loss due to transmission and poor retention power of communication.
- Distrust between communicator and communicate acts as a barrier.

C. Organisational Barriers:

Following are the organizational barriers:

- If the organizational policy of an organization is not supportive in nature then it may affect the effectiveness of the communication.
- Rigid rules may be a hurdle to communication.
- Status or level of superior may create psychological distance between him and his subordinates.
- Due to more number of levels in the organization it can cause a delay in communication.
- Lack of good facilities for smooth communication can hamper the communication.

D. Personal Barriers:

- Attitude of superiors towards communication affect the flow of messages in different directions if it is not in his favor.
- Due to lack of confidence of superior on his subordinates, they may not able to seek their advice or opinions.
- Due to unwillingness of superiors to communicate to the subordinates may affect the communication process in an organization.
- If there is no motivation or incentive for communication or incentive for communication, subordinates may not take initiatives to communicate.
- Due to overburden with work, subordinates may not get the time to communicate also hamper communication.

E. Physical Barriers:

- Poor Hearing
- Distance

21.10 ESSENTIALS OF AN EFFECTIVE COMMUNICATION SYSTEM

- Clarity of ideas before communicating.

- Superior and subordinates should adjust the level of the communication according to their understanding and education.
- Language used in communication must be clear and understandable to the receiver in such a way it does not hurt their sentiments.
- While conveying the messages to others, it is better to know the interests and needs of the people to whom the communication is made.
- The communication can be improved by giving proper feedback.
- The communication should aim at future goals of the enterprise.
- There should be regular follow up and review on the instructions given to subordinates.
- A communicator must be a good listener means he must give chance to others to speak.
- Proper attention should be given to the timing and timeliness of the communication.
- The system of communication should be kept open and alive all year round. It is only by honest attempts that good communication relations can be developed.

21.11 LET US SUM UP

Coordination means integrating the efforts of group members to ensure unity of action to achieve common goals. Coordination improves relation between employees and also between top management and lower level employees. It creates a good working environment in the organization and organization works smoothly and efficiently. By ensuring effective communication through sound planning, through a sound organizational structure, and through effective leadership, coordination can be achieved easily.

Communication is an important management function and all managers need to perform it effectively to achieve the organizational objectives. There are six elements of communication - sender, receiver, encoding, message, decoding, and feedback. Each of them have an important role to play in the process of communication, which transmits an idea and gets the feedback from the receiver. Communication can be in many forms – written, verbal, and nowadays technology assisted communication channels are also emerging very fast. Managers need to understand that there can be several barriers to communication, which can include the semantic, personal and organizational barriers. These need to be overcome to achieve effective communication in the organization.

21.12 KEYWORDS

- **Barriers:** A fence or other obstacle that prevents movement or access.

- **Chain of Command:** A system in a military or civil organization by which instructions are passed from one person to another.
- **Semantic:** Relating to meaning in language or logic.
- **Conflict of Interest:** A conflict of interest is a situation in which a person or organization is involved in multiple interests.

21.13 FURTHER READINGS

- Principles & Practice of Management : LM Prassad
- Principles of Management : P C Tripathi & P N Reddy
- Stephen P Robbins, "Fundamentals of Management: Essential Concepts and Applications", 5th Edition, Pearson Education., 2005
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- Durbin, "Essentials of Management" 7th Edition, Cengage Learning India Pvt. Ltd.

21.14 TERMINAL QUESTIONS

Q 1: What do you mean by coordination? Explain the techniques of Coordination.

Q 2: What are the types of coordination in an organisation? Discuss the need for such coordination.

Q 3: What are the principles of an effective coordination in an organisation?

Q 4: Discuss in detail the various elements in a communication system.

Q 5: What are the barriers in effective communication?

Q 6: Write Short Notes on:

a) Semantic Barriers
b) Psychological Barriers
c) Chain of Command