

Unit 3: Leading, Directing and Controlling

Meaning

Directing means to guide & supervise the sub ordinate.

DIRECTING is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals.

S. P. Robbins

Directing involves guiding, motivating, and leading employees toward the achievement of organizational goals.

1. Features of directing

1. Directing is a managerial function.
2. Directing is essential at all the levels of management.
3. Direct supervision is essential.
4. Directing is continues process.
5. Directing flow from top to bottom.
6. Directing involve human element.

1. Directing is a managerial function

Directing is an important function of management through which managers **guide, instruct, motivate and supervise employees** to achieve organizational goals.

2. Directing is essential at all levels of management

Directing is required at **top, middle and lower levels** of management. Managers at every level guide and motivate their subordinates.

3. Direct supervision is essential

Directing requires **personal supervision and guidance** of employees so that work is performed correctly and organizational objectives are achieved.

4. **Directing is a continuous process**

Directing does not stop after giving instructions. Managers continuously **guide, motivate, communicate and supervise** employees throughout the work process.

5. **Directing flows from top to bottom**

Directives generally flow from **higher-level managers to lower-level employees** through instructions, orders, policies and guidance.

6. **Directing involves the human element**

Directing deals directly with **people and their behaviour**. It involves communication, motivation, leadership and understanding employees' needs.

2. Principles of Directing

1. **Maximum Individual Contribution**

2. **Harmony of Objectives**

3. **Unity of Command**

4. **Direct Supervision**

5. **Effective Communication**

6. **Appropriate Leadership**

7. **Effective Motivation**

8. **Follow-up**

1. **Principle of Maximum Individual Contribution**

Directing should encourage employees to make their **maximum contribution** toward organizational objectives.

2. **Principle of Harmony of Objectives**

Managers should try to **balance individual goals with organizational goals** so that both can be achieved together.

3. **Principle of Unity of Command**

An employee should receive instructions from **only one superior** to avoid confusion and conflicting orders.

4. **Principle of Direct Supervision**

Managers should maintain **direct contact and supervision** with employees to understand their problems and guide them properly.

5. **Principle of Effective Communication**

Instructions should be **clear, complete and easily understandable**, with proper feedback from employees.

6. **Principle of Appropriate Leadership**

Managers should adopt a **suitable leadership style** according to the situation and needs of employees.

7. **Principle of Effective Motivation**

Employees should be **properly motivated** through financial and non-financial incentives to improve their performance.

8. **Principle of Follow-up**

Managers should **follow up after giving directions** to check whether instructions have been properly understood and implemented.

3. Leadership Theory

No.	Leadership Theory	Main Focus	Simple Example
1	Trait Theory	Personal qualities of a leader	A confident and honest principal effectively leads a college
2	Behavioural Theory	Leader's actions and behaviour	Manager uses democratic leadership by consulting employees
3	Contingency Theory	Leadership style according to situation	Autocratic style during an emergency, democratic style during normal operations
4	Participative Leadership	Employee participation in decision-making	Principal takes teachers' suggestions before introducing a new policy
5	Charismatic Leadership	Personality, influence, and inspiration	Leader inspires employees through a powerful vision
6	Transformational Leadership	Innovation, vision, growth, and change	Leader transforms an outdated business through technology and innovation
7	Level 5 Leadership	Humility + professional will + long-term success	CEO gives credit to employees for success and accepts responsibility for failure

1. Trait Theory of Leadership

Meaning

Trait Theory of Leadership suggests that effective leaders possess certain **personal qualities, characteristics, or traits** that make them effective leaders.

According to this theory, some individuals naturally possess leadership qualities. However, modern understanding also recognises that leadership effectiveness can be influenced by learning, experience, and development.

Important Traits of a Leader

Some important leadership traits are:

1. **Intelligence** – Ability to understand situations and solve problems.
2. **Self-confidence** – Belief in one's own abilities and decisions.
3. **Determination** – Willingness to work hard and achieve goals.
4. **Integrity** – Honesty, fairness, and strong moral principles.
5. **Sociability** – Ability to interact and maintain good relationships with others.
6. **Communication Skills** – Ability to communicate ideas clearly and effectively.

Example

A college principal who is **confident, honest, determined, intelligent, sociable, and an effective communicator** may successfully guide teachers and students towards achieving institutional objectives.

Advantages

1. The above-mentioned traits are important qualities for effective leadership.
2. Leaders possessing these traits can perform leadership responsibilities effectively.
3. It helps organisations identify important qualities required in leaders.

Limitations

1. The theory may **underestimate the impact of training and experience** on leadership development.
2. Not every person possessing these traits will necessarily become an effective leader.
3. It does not give sufficient importance to **situational factors**.

2. Behavioural Theory of Leadership

Meaning

Behavioural Theory of Leadership states that leadership effectiveness is based mainly on the **behaviour and actions of a leader**, rather than only on personal traits.

The theory focuses on **what leaders do and how they behave** with their employees.

Leadership behaviour is commonly classified into different styles, such as:

1. Autocratic Leadership

In an **autocratic leadership style**, the leader makes decisions independently and exercises strong control over the employees.

Example:

A production manager decides the production schedule, work procedures, and targets without consulting employees.

2. Democratic Leadership

In a **democratic leadership style**, the leader involves employees in decision-making and encourages their participation.

Example:

A department manager discusses a new work schedule with employees and considers their suggestions before making the final decision.

3. Laissez-faire Leadership

In **laissez-faire leadership**, employees are given considerable freedom to make decisions and perform their work, while the leader provides guidance and supervision when required.

Example:

A research team leader allows experienced researchers to decide how to conduct their projects while providing support when necessary.

Advantages

1. Leadership behaviour can be **learned and developed**.
2. It provides practical guidance to leaders regarding effective behaviour.
3. It helps in achieving organisational objectives.
4. It helps managers select appropriate leadership behaviour.

Limitations

1. The theory may give insufficient importance to the **personal traits and skills** of a leader.
2. It does not adequately consider different **situational factors**.
3. Effective leadership behaviour may require continuous practice and development.

3. Contingency Theory of Leadership

Meaning

Contingency Theory of Leadership states that there is **no single best leadership style for every situation**.

According to this theory, a leader should understand the situation and select the leadership style that is most appropriate for that particular situation.

The effectiveness of leadership depends on factors such as:

- Nature of the task
- Employee characteristics
- Work environment
- Relationship between leader and employees
- Time available for decision-making

Different leadership approaches may be appropriate in different situations, such as:

1. Trait-based leadership
2. Behavioural leadership
3. Participative leadership
4. Charismatic leadership
5. Transformational leadership
6. Level 5 leadership

Example

During an **emergency situation**, a manager may use an autocratic approach and make quick decisions. However, during normal business operations, the same manager may use a democratic or participative approach to involve employees in decision-making.

Advantages

1. It is a **flexible approach** to leadership.
2. It is practical and realistic.
3. It considers different factors affecting leadership effectiveness.
4. It helps leaders select a suitable leadership approach according to the situation.

Limitations

1. It can be difficult to apply in complex situations.

2. It may be difficult to decide which leadership style is appropriate for a particular situation.
3. It requires **good judgement, experience, and understanding of the situation.**

4. Participative Leadership Theory

Meaning

Participative Leadership Theory suggests that leaders involve **team members or employees in the decision-making process.**

Under this approach, employees from different levels may provide their ideas, suggestions, and opinions before a decision is made.

Participation can improve the quality of decisions because employees have practical knowledge and experience. It can also increase employee satisfaction and commitment.

However, involving many people in decision-making may make the process **time-consuming.**

Example

A college principal wants to introduce a new attendance policy. Instead of making the decision alone, the principal discusses the proposal with teachers, takes their suggestions, and then makes the final decision.

Advantages

1. It helps in **better decision-making.**
2. It improves **employee satisfaction.**
3. It improves teamwork and employee motivation.
4. It creates a sense of involvement and ownership among employees.

Limitations

1. Decision-making can be **time-consuming**.
2. It may not be useful in **urgent situations** where immediate decisions are required.
3. Coordination among several participants can be difficult.
4. Conflicting opinions may delay the final decision.

5. Charismatic Leadership Theory

Meaning

Charismatic Leadership Theory suggests that effective leaders possess an **appealing and influential personality** that inspires, motivates, and influences followers.

Charismatic leaders are able to create enthusiasm and commitment among followers through their personality, communication, vision, and confidence.

Followers may develop strong trust and emotional attachment to such leaders.

Example

A company leader introduces an inspiring vision for the organisation and communicates it with confidence and enthusiasm. Employees become highly motivated and willingly work towards achieving the leader's vision.

Advantages

1. Charismatic leaders can create **strong motivation** among employees.
2. They help in achieving organisational objectives.
3. They can be particularly useful during **crisis or challenging situations**.
4. They can create a strong sense of commitment among followers.

Limitations

1. Employees may become **over-dependent on the leader**.
2. The theory may give insufficient importance to skills, systems, and organisational processes.
3. Excessive dependence on the leader may create problems when the leader leaves the organisation.
4. Charismatic leadership may not always be successful in the **long term**.

6. Transformational Leadership Theory

Meaning

Transformational Leadership Theory focuses on **innovation, growth, vision, and motivation**. Transformational leaders inspire employees to achieve higher levels of performance and encourage them to accept and implement positive change.

Such leaders create a vision for the future and motivate employees to work beyond their routine responsibilities.

Example

A company is facing declining sales because of outdated products. The leader develops a vision of digital transformation, encourages employees to develop innovative products, introduces new technology, and motivates the team to achieve ambitious goals.

Advantages

1. It encourages **innovation and organizational transformation**.
2. It improves employee morale and teamwork.

3. It encourages employees to achieve higher performance.
4. It helps in developing **future leaders**.
5. It supports organizational growth and change.

Limitations

1. Transformational leadership requires a **strong vision and adequate resources**.
2. It may not be suitable for every routine business activity.
3. It can be **time-consuming and expensive**.
4. Employees may face resistance to major organisational changes.

7. Level 5 Leadership Theory

Meaning

Level 5 Leadership is a concept associated with **Jim Collins**. It represents the highest level of leadership effectiveness.

A Level 5 leader combines **personal humility with strong professional will**. Such leaders are modest, disciplined, and focused on the long-term success of the organisation rather than personal recognition.

Level 5 leaders give credit to their team for success and take responsibility when things go wrong.

Key Characteristics

A Level 5 leader is:

- **Humble**
- **Selfless**
- **Disciplined**
- **Determined**
- Focused on **long-term organisational success**

- Willing to give credit to employees for success
- Willing to take responsibility for failure
- Committed to developing future leaders

Example

A company achieves excellent financial performance because of the combined efforts of its employees. Instead of taking personal credit, the CEO publicly gives credit to the team. When the company faces a major failure, the CEO accepts responsibility and works with the team to correct the problem.

Advantages

1. It supports **long-term organisational success**.
2. It helps develop **future leaders**.
3. It builds strong and committed teams.
4. It promotes humility, discipline, and accountability.
5. It reduces excessive dependence on personal recognition.

Limitations

1. Level 5 leaders can be **difficult to identify and develop**.
2. Results may take considerable time to appear.
3. Developing this level of leadership requires long-term commitment and organisational support.

4. Control Process

Control is a function of management which helps to check errors in order to take corrective actions. ... Control in management includes setting standards, measuring actual performance and taking corrective action In decision making.

Steps control Process

1. **Establishment of control standards**
2. **Measurement of actual performance (collection of information)**
3. **Comparison of actual & Standard performance**
4. **If required taking corrective measures**

1. Establishment of control standards

The process of controlling begins with setting standards to achieve for the employee, such standards can be following..

1. Physical standards

The standard which can be evaluated in terms of quantity or quality such as monthly sales, annual sales, per hour production, shining & strength of product, etc.

2. Cost standards

Target of different types of cost are known as cost standards such as target or standard for labor cost, advertisement cost, material cost, etc.

3. Capital standards

Such standards include standard or target for fixed or working capital, current asset & current liabilities etc.

4. Income standard

This standard include total sales income standard, sales income per product, sales income per region, etc.

5. Intangible standard

Intangible standards are those standards which can not be seen or touched, such as value, honesty, loyalty, etc.

2. Measurement of actual performance (collection of information)

This step concerned with collection of information about progress made or actual performance achieved, this can be collected by following ways.

1. Written report

Such reports are prepared on a regular basis such as daily report, hourly report, monthly report etc. which provide written information about actual performance.

2. Oral report

Oral report include oral reporting about the actual work or progress of work to the superior.

3. Personal Observation

This include collection of information about actual work by personally visiting the work place.

3. Comparison of actual & Standard performance

At this stage actual & standard performance are measured where principle of **management by exception** is followed, *which means management should*

focus only on those exception cases which are not as per standards if the focus on all the cases than results in to wastage of resource.

Example: If 3 employees has given the task of completing 50 unit in day and from that 3 employee following result has been obtain,

Employee 1 complete 50 unit

Employee 2 complete 53 unit

Employee 3 Complete 47 unit

Than in above case only employee 3 should be focused and asked for reason as it is not as per standards.

4. If required taking corrective measures

In this last step if standards are not achieved in that case only corrective or necessary steps are taken to make sure such error do not occur in future.

Methods of Controlling

Controlling is an important function of management. It involves comparing actual performance with planned or standard performance, identifying deviations, and taking corrective action. Various techniques are used by organizations to improve performance and maintain quality.

The major methods of controlling discussed here are:

1. **Total Quality Management (TQM)**
2. **Kaizen**
3. **Six Sigma**
4. **Benchmarking**
5. **Responsibility Accounting**

1. Total Quality Management (TQM)

Meaning

Total Quality Management (TQM) is a management approach that focuses on **continuous improvement in the quality of all business processes, products, and services** with the involvement of all employees.

TQM does not focus only on the quality of the final product. It considers quality at every stage of business operations.

Major Areas Covered Under TQM

TQM considers quality in various areas, such as:

1. **Quality of raw materials**
2. **Manufacturing technology and processes**
3. **Training and skills of employees**
4. **Storage and distribution**
5. **Sales and marketing**
6. **Customer service**

Thus, every aspect of the organisation is considered to achieve total quality.

Example

Toyota is widely associated with quality management practices. The company focuses on quality throughout production, employee involvement, continuous improvement, and customer satisfaction.

Advantages of TQM

1. It improves **quality performance** in all areas of the organisation.
2. It helps in achieving organisational objectives.
3. It improves **customer satisfaction**.
4. It reduces errors, defects, and wastage.
5. It encourages employee involvement in quality improvement.

Limitations of TQM

1. It is **time-consuming** because it involves almost every aspect of the organisation.
2. Maintaining high quality may involve **higher costs**.
3. It requires continuous commitment and involvement from employees and management.

4. Employees may require extensive training before TQM can be implemented effectively.

2. Kaizen – Continuous Improvement

Meaning

Kaizen is a Japanese management philosophy that means **continuous improvement**. It focuses on making **small and continuous improvements** in organisational processes rather than depending only on major changes.

Kaizen believes that small improvements made regularly can produce significant benefits in the long run.

It encourages employees at **all levels of the organisation** to identify problems and suggest improvements.

Example

Suppose a company takes 10 minutes to complete a particular production activity. Employees identify a simpler method that reduces the time to 9 minutes. If similar small improvements are continuously made, the overall productivity of the organisation can increase significantly.

Advantages of Kaizen

1. It helps improve the **quality of products and services**.
2. It can improve **productivity, sales, and profitability**.
3. It encourages the involvement of **all employees**.
4. It reduces waste and unnecessary activities.
5. It creates a culture of continuous improvement.

Limitations of Kaizen

1. It can be a **time-consuming process**.
2. It may be easy to understand but **difficult to implement consistently**.
3. It requires continuous employee participation.
4. Some improvements may require additional investment.

3. Six Sigma

Meaning

Six Sigma is a **data-driven quality management and process improvement method** used to reduce defects, errors, and variation in business processes.

The objective of Six Sigma is to achieve a very high level of process quality, traditionally associated with approximately **3.4 defects per million opportunities (DPMO)**.

At the Six Sigma level, the process is approximately **99.99966% defect-free** under the conventional Six Sigma calculation.

Process of Six Sigma

Six Sigma commonly uses the **DMAIC** approach:

1. **Define** – Define the problem, objectives, and customer requirements.
2. **Measure** – Measure the current performance of the process.
3. **Analyse** – Analyse the data to identify the causes of problems.
4. **Improve** – Develop and implement solutions to improve the process.
5. **Control** – Monitor the improved process to ensure that the improvement is maintained.

Example

A manufacturing company finds that a large number of products are rejected due to defects. Using Six Sigma, the company collects data, identifies the causes of defects, improves the production process, and continuously monitors the results to reduce defects.

Advantages of Six Sigma

1. It helps ensure **high-quality products and services**.
2. It reduces defects, errors, and wastage.
3. It helps in achieving organisational objectives such as **higher sales and profitability**.
4. It improves customer satisfaction.
5. It can strengthen the **brand image** of the company.
6. It supports decision-making through data and analysis.

Limitations of Six Sigma

1. It can be **time-consuming**.
2. Implementation can be **expensive**.
3. It requires trained employees and expertise in data analysis.
4. It may be difficult to implement in organisations with limited resources.

4. Benchmarking

Meaning

Benchmarking is the process of comparing an organisation's **performance, products, services, or business processes** with those of a leading or best-performing organisation in the same or relevant industry.

The purpose is to identify **performance gaps** and learn from better practices so that the organisation can improve its own performance.

Process of Benchmarking

The basic process of benchmarking is:

1. Identify the area that needs improvement.
2. Identify a **best-performing organisation or benchmark**.
3. Compare the organisation's performance with the benchmark.
4. Identify the performance gap.
5. Study the best practices used by the benchmark organisation.
6. Adapt suitable practices to improve organisational performance.

Example

A bank compares its **customer waiting time** with that of a best-performing bank. If the leading bank serves customers faster, the bank studies its practices and adopts suitable methods to reduce its own waiting time.

Advantages of Benchmarking

1. It helps organizations' set **realistic performance goals**.
2. It helps in achieving organisational objectives.
3. It improves competitiveness in the market.
4. It helps identify performance gaps.
5. It provides ideas for improving business processes.

Limitations of Benchmarking

1. Organisations may simply **copy the practices** of other companies without innovation.
2. It can be **time-consuming**.
3. It may be difficult to identify an appropriate benchmark.

4. Practices successful in one organisation may not always be suitable for another organisation.

Example from Business

Xerox is a well-known example associated with the use of benchmarking to improve business performance by studying competitors and leading organisations.

5. Responsibility Accounting

Meaning

Responsibility Accounting is a system of accounting in which an organisation is divided into different **responsibility centres**, and a specific manager or employee is made responsible for the performance of each centre.

The responsible person is evaluated based on the performance of the area under their control.

Responsibility accounting can cover areas such as:

- Sales
- Revenue
- Expenses
- Costs
- Profit
- Investment

Process of Responsibility Accounting

The basic process is:

1. Divide organisational activities into different **responsibility centres**.
2. Assign responsibility to specific managers or employees.
3. Set performance standards or targets.
4. Measure actual performance.
5. Compare actual performance with the standards or targets.
6. Identify deviations.
7. Take **corrective action**, wherever necessary.

Example

A company creates an **Advertising Expense Centre** and assigns responsibility to the Marketing Manager. A budget of ₹5 lakh is fixed for advertising. At the end of the period, actual expenditure is compared with the budget. The manager is responsible for explaining significant deviations and taking corrective action.

Advantages of Responsibility Accounting

1. It improves **responsibility and accountability**.
2. It helps measure the performance of individual managers or departments.
3. It can act as a **motivation** for employees.
4. It helps management identify areas of poor performance.
5. It supports effective planning and corrective action.

Limitations of Responsibility Accounting

1. It can be **expensive and time-consuming** to implement.
2. It may be difficult to assign proper responsibility.
3. Coordination between different responsibility centres can be difficult.
4. Some factors affecting performance may be beyond the control of the responsible manager.

Quick Revision Table

Method	Main Focus	Simple Example
TQM	Overall and continuous quality improvement	Toyota improving quality throughout its operations
Kaizen	Small and continuous improvements	Reducing production time through small process improvements
Six Sigma	Reducing defects and process variation	Reducing defective products using data analysis
Benchmarking	Comparing performance with the best	A bank comparing customer waiting time with a leading bank
Responsibility	Fixing responsibility for	Marketing manager responsible

Method	Main Focus	Simple Example
Accounting	performance	for advertising expenses