B.B.A

Principles & Practices of Management

F.Y.B.B.A (Sem-1)

Unit-3[Leading, Directing & Controlling]

Syllabus

Meaning, features, Principles of directing, Leadership theories (Trait, Behavioural, Contingency, Participative, Charismatic, Transformational, Level-5 Leader), Controlling – Meaning, Controlling Process, Methods of Controlling: TQM, Kaizen, Six Sigma, Bench marking, Responsibility Accounting

Introduction

Direction represents one of the essential functions of management because it deals with human relations. Once the organisational plans have been laid down, the structure being designed and competent people brought in to fill various positions in the organisation, direction starts. Direction is the managerial function of guiding, leading and supervising the subordinates to accomplish desired objectives. Acquiring physical and human assets and suitably placing them will not suffice; what is more important is that people must be directed toward organisational goals. Without proper direction and supervision employees become inactive, dull and inefficient and consequently the physical assets like machinery and plant will be put to ineffective use.

Direction

Direction is an important managerial function that initiates organiser's action. It is a connecting and activating link between various functions of management. It is essentially concerned with mobilising and synthesising human resources and efforts to accomplish the goals of the organisation. A manager's most important job is to direct the efforts of employees. Direction phase of management is the heart of management-in-action. It provides necessary guidance and inspiration to people at work in order to carry out their assigned duties. Direction is the essence of operations. It is a continuous function. A manager never ceases to direct, guide, teach, watch and supervise his subordinate employees.

Meaning of Direction

According to Dale, direction is telling people what to do and seeing that they do it to the best of their ability. It is through directing that managers get the work done through people. It consists of:

- Issuing orders and instructions by a superior to his subordinates (Communication).
- Guiding, advising and helping subordinates in the proper methods of work (Leadership).
- Motivating them to achieve goals by providing incentives, good working environment, etc. (Motivation).
- Supervising subordinates to ensure compliance with plans (Supervision).

Thus, the scope of direction is very wide. It includes all those activities which a manager undertakes to influence the actions of his subordinates and achieve goals (Koontz and O'Donnell).

Features of Direction

Direction is the process of guiding, inspiring, supervising and commanding subordinates towards the accomplishment of goals. It has the following features:

1. Deals with People:

Direction deals with people. It is the process of inspiring people to achieve goals. To this end, it seeks to create harmonious relationships between people. However, this is not an easy affair. People are not primarily interested in enterprise objectives; they have objectives of their own (Koontz and O'Donnell). Directing is, therefore, a complex function as managers have to deal with people having diverse goals.

2. Seeks Performance:

Direction makes things happen. It translates plans into action. It makes people goal-oriented. To obtain results, managers not only issue orders but also supervise the performance of subordinates. They also try to integrate efforts at various levels. This helps in securing desired performance at minimum cost.

3. Provides a Link:

Direction is the function of management which follows planning, organising and staffing. It lends meaning to them by ensuring accomplishment of goals. It provides an important link between different functions in an organisation. Without direction, the individual goals and organisational goals would never intermesh.

4. Pervasive:

Direction is performed by all managers at all levels of an organisation. Every manager is expected to supervise, motivate, lead and communicate with his subordinates to get the results. However, the time spent on these activities decreases at higher levels of authority.

5. Dynamic and Continuous:

Direction is a dynamic and continuing activity of managers. Whenever plans change, the techniques of direction also change. A manager has to suitably modify the techniques of direction in order to keep pace with changing times. Further, a manager needs to direct, guide, teach, motivate and lead his subordinates on a continuous basis. It is an ongoing activity of managers.

Importance of Direction

Direction is a vital managerial function. Planning, organising and staffing are preparatory functions. It is through direction that managers get things done. Hence, it is also called management-in-action. The importance of directing function in the process of management may be discussed under the following heads:

1. Initiates Action:

Direction lends meaning to other managerial functions such as planning, organising and staffing. It is through direction, managers seek to achieve goals. In most cases, systematic planning, sound organisation and staffing do not ensure accomplishment of goals. Along with these functions, managers must initiate action by:

(i) Issuing instructions
(ii) Providing guidance
(iii) Supervising work
(iv) Motivating subordinates to realise goals

Without direction, other functions of management remain ineffective. Direction makes things happen.

2. Achieves Integration:

Direction creates harmony and cooperation among the members of a group. In an organisation, the total work is performed by different people at different levels. Unless the work is supervised by managers in a proper way, things do not move in a desired direction. Direction secures the whole-hearted cooperation of people at all levels through good communication, people-oriented supervision and motivation. It tries to integrate the efforts of individuals in a proper way.

3. Motivates People:

Direction motivates employees to achieve superior performance. To this end, attractive incentives, healthy work climate, guidance, counselling, etc. are provided to employees. Employees are made to realise that their performance alone guarantees organisation's success. Unless they contribute in a real way, there is no future. This ultimately helps in getting superior performance from employees. Direction, thus, makes common men do uncommon things.

4. Facilitates Changes:

Direction facilitates necessary changes in an organisation. It helps an organisation to introduce changes smoothly. For example, employees often resist introduction of computers and robots in manufacturing operations, fearing loss of employment. Managers can remove such doubts by emphasising the fact that automation and computerisation will ultimately help the organisation to achieve growth and thereby, provide attractive incentives to employees. Through persuasive leadership and proper communication managers can secure the cooperation of employees. They can introduce changes in a smooth way.

5. Attains Balance and Stability:

Direction helps an organisation to strike a harmonious balance between individual needs and organisational demands. People are motivated to work hard in an attempt to realise organisational goals and thereby earn their rewards. They are compelled to use resources judiciously and achieve steady progress.

In the words of Dimock, "The heart of administration is the direction function which involves determining the scope, giving orders and instructions and providing dynamic leadership". Direction converts plans into action. It is the nucleus around which the practice of management is built. Without proper direction, people do not work to their full capacity, and goals may remain as dreams. By putting everything on the right track continuously, direction ensures stability to an organisation.

Principles of Direction

Important principles of direction may be summarised thus:

1. Principle of Harmony of objectives:

Direction function must, first of all, resolve the conflict between individual goals and organisational objectives. A manager must try to bring harmony and fusion between individual employees, groups and organisation. A manager should foster the sense of belonging to the organisation among the individuals so that they can identify themselves with the company. When both the interests are integrated, contribution of subordinates to the company will be maximum. It leads to efficiency and effectiveness.

2. Principle of Unity of Command:

A sound principle of direction is that the subordinates should receive orders from one and only one superior. That means to say there should not be dual subordination. Dual subordination brings disorder, confusion, chaos and undermines the authority of a superior. Any violation of this principle may be catastrophic to the organisation.

3. Principle of Direct supervision:

Since direction involves motivating the employees toward work, it is almost essential for the manager concerned to have a personal touch with the subordinates and involve in face-to-face communication regarding the work-related matters. He should also develop informal relationships with his employees. Direct supervision makes the subordinates happy and boosts their morale. It also ensures quick feedback of necessary information.

4. Appropriate Techniques:

The technique used for direction should be appropriate to the people, the task and the situation. Democratic style may work in some cases but autocratic style may produce results in certain other cases, especially where subordinates are incapable of doing things on their own.

5. Managerial Communication:

Two-way communication is an important part of direction. The manager should explain the policies and practices to subordinates and the results expected of them. Proper feedback should come through upward communication. The manager should actively encourage subordinates to express their views freely and fearlessly.

6. Informal Organisation:

Managers should make use of informal groups to supplement, support and strengthen the formal structure. The cooperation of informal leaders will go a long way in putting the house in order.

7. Principle of Maximum Individual Contribution:

Performance improves greatly when every employee gives his best to the organisation. The manager, therefore, should inspire the subordinates in such a way that they contribute their maximum while realizing organisational objectives.

8. Use of motivation techniques:

A manager should know how to motivate and inspire the employees. A manager should develop selective motivation techniques such as money, pay, status, job enrichment, etc. so that the productivity and the quality of the commodity produced increases. Motivation almost always leads to higher job satisfaction. To direct properly and motivate the employees, an executive must have insight about how his personality works, how employees perceive the work environment, the attitudes of employees, etc. Understanding self is important for understanding others, and understanding others is necessary for motivating them effectively.

9. Principle of Follow up:

Successful direction is a never-ending activity. It involves constant and continuous supervision, coaching, advice, counselling and helping the employees in their respective activities. Direction is also concerned with ensuring that people do what they are told to do. This requires continuous feedback. Feedback is essential to turn or stop or adjust the wheel of management-in-action.

Leadership Theories

Researchers on leadership have made efforts to find out answer of the question: what makes a leader effective: his traits, behaviour, type of followers, or situation. This phenomenon has led to emergence of a number of leadership theories: trait theory, behavioural theory, situational theory, and . Let us go through these theories.

1. TRAIT THEORY

Trait theory suggests that an individual who has traits relevant to leadership emerges as an effective leader. A trait is a distinguishable and relatively enduring quality of an individual that affects his behaviour. Researchers have concluded that for being successful, a leader should have the following traits (qualities):

1. Physical Features.

Physical features include height, weight, appearance, etc. These are in-born features and positive features of a leader attract others. Another in-born feature is one’s intelligence. A successful leader has more than average intelligence.

2. Knowledge.

Leader should have intimate knowledge of his field so that when he discusses about his field, he discusses it with some kind of authenticity. This influences others.

3. Self Confidence.

In order to develop confidence in his followers, the leader himself should have confidence so that he believes that he can get things done.

4. Decisiveness.

Often, a leader has to face conflicting situations because of ambiguity present in the situations. Therefore, the leader has to analyse the situations rationally and take a stand on which he should remain firm.

5. Integrity.

A leader should have high level of integrity. Integrity refers to honesty and transparency in getting things done. Leader's integrity makes him a role model whose behaviour is followed by others.

6. Objectivity.

Leader should have objectivity in taking any action. Objectivity implies that what the leader does should be based on facts and information and not on his own biases.

7. Initiative.

Leader should have initiative so that he initiates the actions which his followers may follow. He should take his actions on proactive basis, that is, taking actions in advance of likely changes in the environment rather than reacting to changes taken place.

8. Emotional Stability.

A leader should have high level of emotional stability: stability in behaviour, refraining from anger, consistency in action, and well-adjusted. He should not become emotionally upset if things go wrong and should face ups and downs of his working life with maturity.

9. Empathy.

A successful leader has empathy which involves observing the things or situations from others' points of view. Because of empathy, he knows what makes the other fellows think as they do, even though he does not necessarily agree with others' thoughts.

10. Communication Skills.

Leader gets things done by his followers through communication. Therefore, he should have communication skills, more particularly persuasive communication skills.

11. Social Skills.

Leader should have social skills so that he can understand others well in terms of their strengths and weaknesses to get the maximum out of them.

12. Motivation Skills.

Motivation skills of leader involve understanding his followers' needs and how these can be satisfied in the most desirable way.

Implications of the Theory

This theory has two very important implications. First, the theory emphasizes that a leader requires some qualities to be effective. Second, many of these qualities may be developed in individuals through training and development programmes. However, the theory suffers from two sets of limitations. First, there is lack of generalization of qualities which are relevant for all situations. The leadership qualities discussed above are prominent ones but not exhaustive. Second, behaviour of followers is not influenced exclusively by the leadership qualities. There are other factors which affect their behaviour and leadership qualities constitute only one factor. This is the reason that many leaders who were quite successful earlier failed in the changed situation.

2. BEHAVIOURAL THEORY

Behavioural theory of leadership emphasizes that strong leadership is the result of effective role behaviour. Leadership is shown by a person's acts more than by his traits. Researchers exploring leadership role have come to the conclusion that to operate effectively, groups need someone to perform two major functions: task-related functions and group maintenance functions. Task-related functions (or problem solving functions) relate to providing solutions to the problems faced by the groups in performing jobs. Group maintenance functions (or social functions) relate to actions of mediating disputes and ensuring that individuals are treated as valued by the group. An individual who is able to perform both these roles successfully would be an effective leader. In an organization, leadership behaviour may be either functional or dysfunctional. Functional behaviour influences followers positively while dysfunctional behaviour influences them negatively.

Implications of the Theory

Behavioural theory of leadership has some important implications for managers. They may adopt the behaviour which appears to be functional and discard the behaviour which appears to be dysfunctional. Thus, this theory helps managers to adopt suitable leadership styles in influencing their followers (discussed later). However, this theory suffers from two basic limitations. First, a particular behaviour may be functional at a point of time but it may be dysfunctional at another point of time. Thus, the time element will be a decider of the effectiveness of the behaviour and not the behaviour itself. Second, effectiveness of leadership behaviour depends on various factors which are not confined in the leader but are external to him like nature of followers (subordinates) and the situations under which the leader's behaviour takes place. These factors have not been given adequate consideration.

CONTINGENCY/SITUATIONAL THEORY

Situational theory (also known as contingency theory) suggests that the leadership effectiveness depends on leader's behaviour and situation in which leadership is exercised (known as situational factors).

Leader’s Behaviour.

Leader’s behaviour is affected by two variables: leader’s characteristics and his hierarchical position in the organization.

1. Leader’s Characteristics. An individual’s behaviour is influenced by his characteristics like his ability, personality, attitudes, interest, motivation, and physical characteristics. All these factors are internal to the leader.

2. Leader’s Hierarchical Position. Leader’s hierarchical position in the organization is important because persons at different levels face different kind of problems which affect the degree of participation between the superior and his subordinates in arriving at decisions to solve the problems. Managers at higher levels are more concerned with long-run complex problems which require more participation in decision making. Managers at lower levels are more concerned with short-run problems involving routine operations which may not require high level of participation. The degree of this participation affects the leader’s behaviour.

Situational Factors

Besides the leader’s related factors, leadership effectiveness is affected by situational factors as these factors affect the leader’s behaviour. To the extent, a leader matches the requirement of these factors, his leadership will be effective. Various situational factors may be grouped into four categories: subordinates characteristics, leader’s situation, group factors, and organizational factors.

1. Subordinates’ Characteristics.

Subordinates’ personal characteristics like their ability, personality, attitudes, interest, motivation, and physical characteristics affect their behaviour.

2. Leader’s Situation.

The leader’s situation in respect to his subordinate depends on two variables: leader’s position power and leader-subordinate relation. Leader’s position power helps or hinders while low-position power makes the leader’s task more difficult. If subordinate relations are good, leader is likely to be effective; if subordinate relations are not good, the leader will have to work harder to maintain the situation. To the extent that they will contribute to leader’s success, the relation is good, leader is likely to be effective.

3. Group Factors.

The group factors like task design, group cohesion, and peer-group relationship affect leadership effectiveness and group performance. These factors are favourable if the leader and group members have good relationship.

4. Organizational Factors.

Organizational factors like organizational climate and organizational culture affect leadership effectiveness. If these are conducive, the leader will be effective.

Implications of the Theory

Situational theory has wide implications for managers in the sense that it offers clue why a manager who is successful in one situation, fails when there is change in the situation. This may be another way about the factors including leadership which determine the situational variables. In fact, the systems and contingency approach has become the way of thinking in management and leadership is no exception. The theory is no easy to be applied on the surface but becomes quite complex in practice because of the presence of numerous situational factors. This is not, however, an excuse to overlook this problem by ignoring these factors totally. This is not readily provided by the theory but experience has its role.

4. PARTICIPATIVE THEORY

Core Concept: A collaborative leadership philosophy where authority and decision-making processes are shared between managers and subordinates, encouraging active employee involvement rather than unilateral decision-making (Kapoor; Bright et al.).

Key Dimensions & Characteristics:

- *Consultation & Delegation*: Actively soliciting opinions, alternatives, and critiques before finalizing decisions.
- *Empowerment*: Giving employees autonomy to solve operational problems within defined parameters.
- *Open Communication Channels*: Free-flowing two-way dialogue between management and operational levels.

Managerial Benefits & Limits:

- *Strengths*: Elevates job satisfaction, enhances commitment to organizational decisions, fosters innovative ideas, and reduces resistance to change (Jones & George; Rao).
- *Weaknesses*: Time-consuming during emergency/crisis situations, potentially indecisive if consensus cannot be reached, and ineffective if subordinates lack task competence (Kapoor).
- Participative Leadership involves the leader including team members in the decision-making process.
- The leader seeks input, suggestions, and feedback from group members, but ultimately makes the final call.

- It promotes a sense of ownership, increases motivation, and encourages creativity among employees.
- Higher team morale and job satisfaction.
- Better decision-making as more ideas are considered.
- Employees feel valued and trusted.

How it Works:

- Leader holds a meeting or discussion.
- Team members share their opinions and suggestions.
- Leader considers everyone's input.
- Final decision is made by the leader, often with consensus.

5. Charismatic Leadership

Core Concept: Centered on an articulate, dominant, and visionary leader whose magnetic personality and behaviors generate intense emotional devotion, trust, and alignment among followers (Robbins & Coulter; Jones & George).

- Charismatic Leadership is based on the charm and persuasiveness of the leader.
- Such leaders inspire enthusiasm, commitment, and loyalty through their strong personality and communication skills.
- They often lead during times of crisis or significant change.

Defining Characteristics (House / Conger & Kanungo models):

- *Articulating an Appealing Vision*: Communicates a clear, inspiring, and viable future state that improves upon the status quo.
- *Personal Risk-Taking*: Willingness to incur high personal costs, sacrifices, and risks to achieve the vision.
- *Sensitivity to Follower Needs & Environment*: Accurately assesses environmental constraints and follower feelings.
- *Unconventional Behavior*: Engaging in novel, out-of-the-ordinary actions that challenge organizational norms (Robbins & Coulter).

How it Works:

- The leader articulates a compelling vision or goal.
- Uses storytelling, passion, and personal magnetism to rally people.
- Followers are motivated not just by the vision but by their emotional connection to the leader.

Advantages

- High energy and morale.
- Quick buy-in from followers, even in tough times.
- Can lead radical change or transformation.

Strategic Impact: Most effective during early-stage organizational emergence, strategic turnarounds, or ideological/environmental crises; however, it risks organizational vulnerability if the leader displays narcissism or lacks institutional continuity (Bright et al.; Rao).

6. Transformational Leadership

Core Concept: Goes beyond transactional leadership (which relies on contingent rewards, exchanges, and corrective discipline) by inspiring followers to transcend self-interest for the collective mission and long-term organizational transformation (Robbins & Coulter; Jones & George).

- Transformational Leaders motivate employees by creating a shared vision and encouraging innovation and creativity.
- They are focused on change and transformation—of individuals, teams, and organizations.
- Such leaders are role models, mentors, and motivators.

The "Four Is" Framework (Bass & Avolio):

- **Idealized Influence (Role Model)**: Provides vision and sense of mission, instills pride, gains respect and trust.
- **Inspirational Motivation**: Communicates high performance expectations clearly and uses symbols to focus efforts.
- **Intellectual Stimulation**: Promotes intelligence, rationality, careful problem-solving, and encourages subordinates to challenge established assumptions.
- **Individualized Consideration**: Gives personal attention, treats each employee individually, coaches, and advises (Bright et al.; Robbins & Coulter).
- **Organizational Outcomes**: Strongly correlated with lower turnover rates, higher productivity, superior employee satisfaction, and improved organizational adaptiveness (Rao; Kapoor).

Advantages

- Employees exceed their own expectations.
- High levels of engagement and creativity.
- Positive and long-lasting organizational change.

7. Level-5 Leadership

Core Concept: Formulated by Jim Collins (and integrated across modern management texts), Level-5 leadership represents the pinnacle of an executive hierarchy, combining deep personal humility with fierce, unwavering professional resolve to build enduring organizational greatness (Kapoor; Robbins & Coulter).

The 5-Level Hierarchy:

- *Level 1 (Highly Capable Individual)*: Contributes productive talent, skills, and good work habits.
- *Level 2 (Contributing Team Member)*: Works effectively with others to achieve group objectives.
- *Level 3 (Competent Manager)*: Organizes people and resources toward efficient execution of objectives.
- *Level 4 (Effective Leader)*: Catalyzes commitment to and pursuit of a clear, compelling vision.
- *Level 5 (Executive / Level-5 Leader)*: Builds enduring excellence through a blend of personal humility and professional will (Kapoor).

Key Behavioral Traits:

- *The Window and the Mirror*: Looking in the mirror to take personal responsibility for mistakes, while looking out the window to credit team members and external factors for success.
- *Setting Up Successors*: Cultivating successors for even greater future success, contrasting with leaders who set up companies to fail after departure (Robbins & Coulter).

Advantages

- Sustainable, long-term success.
- A culture of accountability and development.
- Leaders are modest, but determined and focused.

CONTROLLING

Like other managerial functions, the need for control arises to optimize the use of scarce resources and to achieve purposeful behaviour of organizational members. At the planning stage, managers decide how the resources would be utilized to achieve organizational objectives; at the controlling stage, managers try to visualize whether resources are utilized in the same way as planned. Thus, controlling completes the whole sequence of management process.

Concept of Controlling

Controlling is defined as follows:

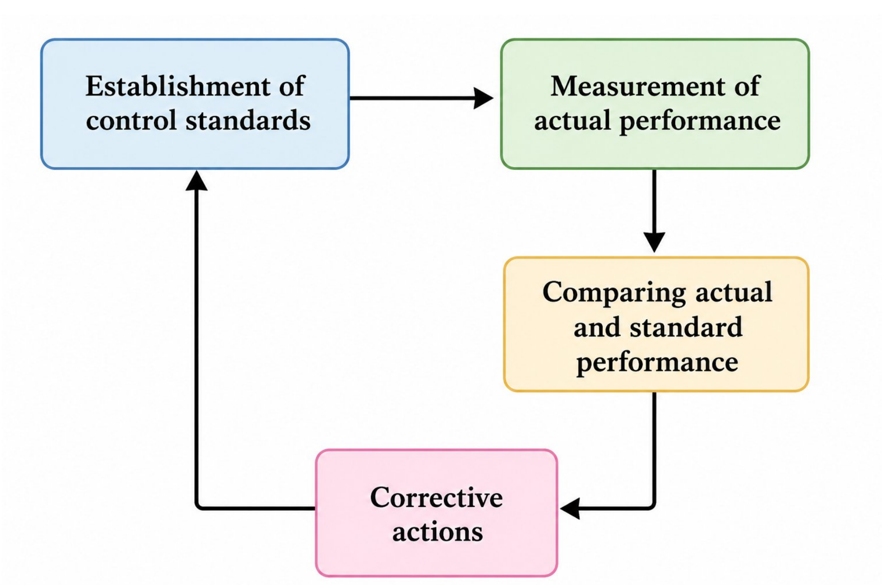
Controlling is the process of evaluating actual performance and, if necessary, taking corrective actions so that the performance is in accordance with planned performance.

Thus, controlling as an element of management process involves analysing whether actions are being taken as planned and taking corrective actions to make these to conform to planning. Controlling has the following features:

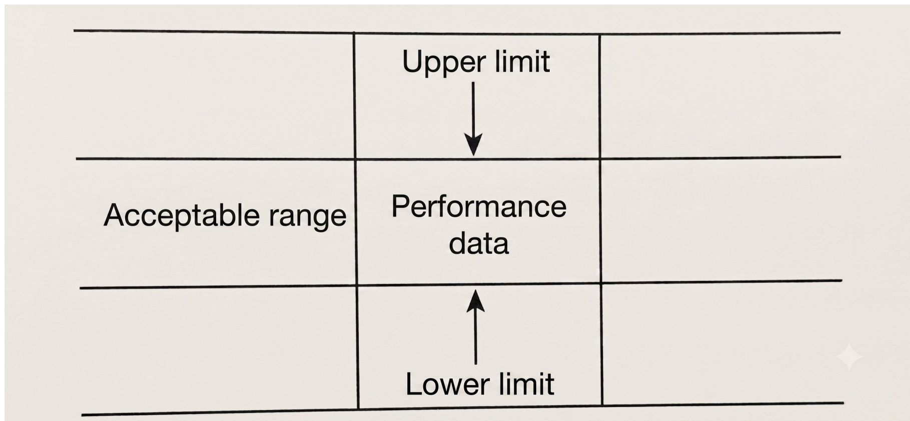
1. Controlling is both backward looking as well as forward looking. It is backward looking because control action is based on the past performance. It is forward looking because one can control future happenings and not the past. In the light of the past performance, managers suggest corrective actions for future period.
2. Controlling is relevant at all management levels though nature, scope, and limit of controlling function may be different at different management levels.
3. Controlling is a continuous process. It follows a definite pattern and time-table, month after month and year after year on a continuous basis.
4. Controlling system is action-oriented as it indicates the areas of performance in which control actions may be taken.

Controlling Process

As pointed out earlier, controlling is a process. Thus, it has various steps as presented in Figure



Establishment of Control Standards. Every function in the organization begins with plans which specify objectives to be achieved. In the light of these objectives, standards for work performance are established. These standards provide criteria against which actual performance results are measured, for example, outputs produced, standards cost incurred, etc. After setting the standards, it is important to decide about the level of achievement of performance which will be regarded as good or satisfactory. For this purpose, upper and lower limits of satisfactory performance results in the form of control range should be prescribed as shown in Figure below.



Measurement of Actual Performance. The second step in controlling process is the measurement of performance. This step involves measuring the actual work performance in the term in which control standards have been set. For example, if performance standards have been set in terms of quantity of outputs produced, actual performance should be measured in terms of quantity of outputs produced. For measuring performance which is qualitative and intangible such as human relations, employee morale, etc., techniques like psychological tests and opinion surveys may be applied.

Comparing Actual and Standard Performance. The third step in controlling process is the comparison of actual and standard performance. It involves two aspects: (i) finding out the extent of deviation between standard performance and actual performance, and (ii) identifying the causes of such deviations (if any).

When the performance standards are achieved, no further managerial action is necessary and controlling process is complete. When performance standards are not achieved causes for this are identified. After the causes for deviation are identified, these are classified into two categories: controllable factors and uncontrollable factors. Controllable factors are those factors causing deviation between standard performance and actual performance are those factors which are within the control of the person responsible for the work performance. For example, if lower product output has been achieved because of labour inefficiency, factory manager is responsible for this because he could have increased labour efficiency. If cost of output has been significantly more than standard cost due to increased price of raw materials, the factory manager is not responsible for this as he did not have control over price of raw materials.

In the process of comparing actual performance with standard performance and standard performance, analysing causes of deviation between actual performance and standard performance, concept of critical point control should be applied. Application of concept of critical point control implies that control should be exercised only on critical points. Critical points are those points in an organization's performance results which affect the total organization or its any major part.

Corrective Actions. This is the last step in the controlling process which requires that actions should be taken to maintain the desired level of performance in future. Corrective actions may be in the following forms:

(i) Taking measures to eliminate the negative factors which have caused deviation between actual performance and standard performance.

(ii) Reviewing performance standards if these are not feasible to be achieved in the present situation. This may require even review and, consequently, change of plans.

METHODS OF CONTROLLING

Total Quality Management (TQM)

Until a few years ago, Indian industry was roundly criticised for paying insufficient attention to the quality of goods and services. Today, things have come full circle and the quality movement is at a feverish pitch. Companies such as BPL, Wipro, Carrier Aircon, Maruti, Thermax, Bata, Philips, Titan, etc., trumpet their steadfast devotion to quality in their advertisements. Quality has become the most important word in the corporate lexicon and companies have realised the importance of investing in processes that contribute to better quality and customer relationships. The term 'quality' refers to a sense of appreciation that something is better than something else. It means doing things right the first time, rather than making and correcting mistakes. According to Edward Deming, 'TQM is a way of creating an organisational culture, committed to the continuous improvement of skills, teamwork, processes, product and service quality and customer satisfaction.' TQM is anchored to organisational culture because successful TQM is deeply embedded in virtually every aspect of organisational life.

TQM: The Main Ideas

TQM is built around four main ideas. Let's examine these in detail:

Do it Right the First Time

Managers have been interested in the quality of their products, at least as an afterthought, since the Industrial Revolution. Thanks to the sustained efforts of quality gurus like Deming and Kaoru Ishikawa, product/service quality has become both forethought and driving force in effective organisations of all kinds these days. Today's hospitals, universities and public sector organisations are as interested in improving product/service quality as are manufacturing organisations, mines, airlines and railways. In its most basic form, the emphasis on quality has come through four distinct phases since World War II – from 'fix it in' to 'inspect in' to 'build it in' to 'design it in'. Present-day managers are moving away from the first two approaches towards the 'build it in' and 'design it in' approaches. Let's look into the differences in these approaches:

1. **The 'fix it in' approach to quality:** Rework any defective products identified by quality inspectors at the end of the production process.
2. **The 'inspect it in' approach to quality:** Here, quality inspectors sample work-in-process and prescribe machine adjustments to avoid sub-standard output.
3. **The 'build it in' approach to quality:** Make everyone who touches the product, responsible for spotting and correcting defects. Emphasis is on identifying and eliminating causes of quality problems.
4. **The 'design it in' approach to quality:** Intense customer and employee involvement drives the entire design production cycle. Emphasis is on continuous improvement of personnel, processes and product.

Each stage of this evolution has broadened the responsibility for quality, literally turning quality improvement into a true team effort. Also, the focus has shifted from reactively fixing product defects to proactively working to prevent them and to satisfy the customer completely. Just having 'zero things gone wrong' is not sufficient now, to offer something of value to customer and buy his loyalty. Today's quality leaders strive to exceed, not just meet, the customers' expectations. Putting quality first is the new slogan.

Be Customer-oriented

Organisations have to meet the expectations of both the internal and external customers. Internal customers are other members of the organisation who depend on your work to get their job done. For example, a corporate lawyer employed by Maurya hotel does not directly serve the hotel chains' customers by changing beds, serving meals or carrying luggage. But that lawyer has an internal customer when a Maurya manager needs to be defended in court. As far as external customers are concerned, TQM demands all employees who deal directly with outsiders to be customer-centered. Being customer-centered means:

1. Anticipating the customer's needs
2. Listening to the customer
3. Learning how to satisfy the customer
4. Responding appropriately to the customer

Make Continuous Improvement a Way of Life

The Japanese word for continuous improvement is 'Kaizen', which means improving the overall system by constantly improving the little details. Kaizen practitioners look at quality as an endless journey, not a final destination. In order to improve things, they experiment, measure and adjust continuously. Rather than naively assuming that zero defects means perfection, they try to put the finger on the problem causing trouble. There are four ways of achieving improvements:

1. Improved and more consistent product and service quality.
2. Faster cycle times (in cycles ranging from product development to order processing to payroll processing).
3. Greater flexibility (for example, faster response to changing customer demands and new technology).
4. Lower costs and less waste (for example, eliminating needless steps, scrap rework and non-value adding activities).

TQM advocates putting emphasis on the importance of achieving greater quality, speed and flexibility at lower cost and waste. You need not sacrifice something in order to give another thing. All things are possible, provided you work with a clear-cut focus i.e. improving things.

Build Teamwork and Empowerment

TQM is built around employees, their needs, aspirations and expectations. It is employee-driven. It allows employees to exploit their full potential. Empowerment takes place when employees are properly trained, provided with all relevant information and the best possible tools, fully involved in key decisions and fairly rewarded for results. In order to carry out work effectively and efficiently, teams have to be created, drawing talent from various departments in a cooperative way.

TQM Tools/Techniques

The implementation of TQM involves the use of the following techniques.

Benchmarking

Competitive benchmarking is the first requirement to effective TQM. It is comparatively new to Indian companies. The essence of benchmarking is the continuous striving to be the best in one's area of operations (dantotsu). It is a continuous process of measuring products, services and practices against the toughest competitors or industry leaders with the aim of mutual improvement. Benchmarking, it should be noted here, is a continuous process. It is not a one-shot deal because industry practices change constantly. Complacency may be suicidal. It implies measurement of the gap between the practices of two companies, so as to uncover significant differences. Benchmarking can be applied to products, services, practices, processes and methods.

To be precise, benchmarking is a systematic investigation, a fruitful learning experience which ensures that the best of industry practices are uncovered, analysed, adopted and implemented. Companies such as Modi Xerox, HDFC, IFB, Infosys, Jindal, SRF, TELCO, Thermax, Bombay Dyeing have successfully applied competitive benchmarking to meet the rising expectations of customers in their respective areas.

Steps in Benchmarking Process

The benchmarking process involves 12 steps:

1. Identifying benchmarking candidates
2. Identifying best competitor
3. Collecting data
4. Finding the gap
5. Projecting the future performance
6. Communicating benchmark findings
7. Establishing functional goals
8. Developing action plans
9. Implementing plans
10. Recalibrating benchmarks
11. Attaining leadership position
12. Integrating into processes

Kaizen

Kaizen is a Japanese word which means continuous and never-ending improvement involving everyone in an organisation. The important message of Kaizen is that not a single day should go without some kind of improvement being made somewhere in an organisation. The Kaizen umbrella includes all such terms aimed at improving labour management relations, marketing practices, supplier relations, in-house systems and procedures. The programme can be broadly divided into three parts:

1. **Management-oriented Kaizen:** A manager must constantly try to improve his job through teams, task forces and committee assignments. Managers must attempt to handle complete tasks and improve problem-solving abilities
2. **Group-oriented Kaizen:** Through quality circles, other small group activities and statistical tools team members identify problem areas and the causes. An attempt is made to implement and test new measures, evolve new procedures and set new standards.
3. **Individual-oriented Kaizen:** Through the suggestion system, the individual-oriented Kaizen is carried out. Productivity, after all, is a result of smart work, not hard work. The suggestion system should include improvement in one's own work, work environment, machines and processes, office work, product quality, customer services, etc. The

employee suggestions are likely to find favour with management, if the suggestions make the job easier, remove drudgery from the job, make the job safer and more productive, improve product quality and save time and cost.

Main Features of Kaizen

Features	Kaizen
Effect	Long-term and long lasting but not dramatic.
Pace	Small steps; built around existing facilities and technology.
Time frame	Continuous and incremental.
Involvement	An ongoing and never-ending process that involves everyone in the organisation.
Approach	Collectivism, group efforts and systems approach.
Needs	Needs very little investment but huge effort to keep it going.
Orientation	People-oriented and cross-functional approach.
Feedback	Comprehensive feedback offered to all at regular intervals.
5-S movement	• **Seiri:** To straighten up work-in-progress, eliminate unnecessary tools and machinery, defective products, papers and documents. • **Seiton:** To put things in order so that they are readily available, whenever needed. • **Seiso:** To keep the workplace clean; clean the work spot before starting work and after finishing the day's work. • **Seiketsu:** To maintain personal cleanliness; a healthy mind in a healthy body. • **Shitsuke:** To follow procedures and observe discipline strictly.

Source: M. Imai, Kaizen, Random House, NY, 1986

In Japan, Kaizen is used as a problem-solving technique through quality circles and small group activities. Seven basic quality control tools are employed for solving problems. Muda (waste), Muri (strain) and Mura (discrepancy) are the basic checkpoints used, which help workers and management in improving quality throughout an organisation. The movement includes 5 steps for keeping the work spot clean, maintain discipline, put things in order and help straighten up tools and equipment. 5 Ws (who, what, where, when, why) and 1 H (How) are also used to search, analyse and solve problems in Kaizen. Besides 4 Ms (Man, Machine, Material and Method) the basic resources of production are used to tackle quality-related issues. The basic principle behind the Kaizen philosophy – 'there will be no progress if you keep on doing things exactly the same way all the time' – is worth emulating in Indian organisations as well, if they want to survive and flourish in a competitive environment.

SIX SIGMA

The six sigma approach was first introduced and developed at Motorola in the late 1980s. The senior management of Motorola released the need to improve their quality performance and reputation. In 1986, Bill Smith, a senior engineer and scientist within Motorola's communications department, introduced the concept of six sigma in respose to increasing complaints from the field sales team about warranty claims. Smith approached Bob Galvin, the CEO at the time, and explained his analysis and ideas of Six Sigma approach – Bob Galvin recognised the power of Six Sigma approach and decided to adopt it for Motorola Company. Today, Bill smith is known as the "Father of Six Sigma".

TOTAL QUALITY MANAGEMENT AND SIX SIGMA:

The first important point is that the TQM falls under the preview of technical engineers of production departments. On other hand, Six Sigma comes under the preview of top level management, it is accepted by all in the entire organisation and it is not only production oriented but prevails throughout the organisation. It is an obligation of top management that each and every employee become conscious towards the quality. For that they should be some provisions regarding training to the employees. Thus, Six Sigma differs from TQM in many aspects.

Controlling Methods: TQM vs Six Sigma

No.	Point of Difference	TQM	Six Sigma
1.	Focus	TQM focuses on quality aspect.	Six Sigma focuses on all aspects of an organisation especially infrastructural aspect.
2.	Development	It is developed by technical personnel.	It is developed by top management specially CEOs.
3.	Time period	It is related to long term results.	It is related to mix of short term and long term results.
4.	Performance	Emphasis on standard performance, i.e. ISO 9000	Emphasis on world class performance, i.e. 3.4 per million defect (error) rate.

In such a way, Six Sigma is an improvement upon TQM. Six Sigma is an independent method of TQM. It is not a technical method of quality improvement but it is a managerial system. It relates quality improvement with career of employees.

MEANING OF SIGMA

It is not possible to maintain quality of all units in production process due to changes in various factors (i.e. fluctuation in temperature). So, there is positive and negative deviation from established standards in real production. It is known as standard deviation. This standard deviation is called Sigma (σ).

The word 'sigma' is a Greek word. It is denoted by the sign of 'σ'. There is inverse (negative) relationship between value of sigma and Average Value of Quality. The proportion of variances in average value of production quality reduces as the value of sigma increases.

MEANING OF SIX SIGMA

The Six Sigma indicates the quality perfection is nearest to 100% quality. Statistically, the value of six sigma for quality is retained upto 99.999998%. Thus, the standard of quality control under six sigma indicates that there is probability of only 3.4 defects per million units of production. So, the value of six sigma is retained upto 0.0000034.

Six Sigma is a quality improvement programme with a goal to reduce the number of defects or errors to as low as 3.4 parts per million.

According to Mr. Jack Weich, the CEO of the General Electric Co., USA, "Six Sigma (6σ) is a disiplined quality improvement methodology that focuses on moving every process that touches the customers - every product and services towards near perfect quality. It is a measure of the company's quality."

Six Sigma is a programme that focuses on the control of a process to the point of six sigma (Standard deviations) from centreline, which means 3.4 defects per millions items. It includes identifying factors critical to quality as determined by the customer, reducing process variation and improving process capabilities increasing stability and designing systems to sustain the gains.

According to Tomkins, "Six Sigma is a programme aimed at near elimination of defects from every product, process and transaction."

According to Harry, "Six Sigma is a strategic initiative to boost profitability increase market share & improve customer satisfaction through statistical tools."

Table — Sigma level and DPMO defining class of industry

Sigma Level	Defects per Million Opportunities (DPMO)	Relative Defects (%)	Industry Class
1 "σ"	6,90,000 Units	0.69%	Non-Competitive
2 "σ"	3,08,537 Units	0.309%	
3 "σ"	66,807 Units	0.067%	Average
4 "σ"	6,210 Units	0.0062%	
5 "σ"	233 Units	0.00023%	World Class
6 "σ"	3.4 Units	0.0000034%	

These table values indicate that the defective rate decreases at a faster rate along with the increase in the sigma value. The ratio of 3 'σ' to 6 'σ' is 1:2 but the defective rate is not just double but it is considerable more times.

The concept of Six Sigma is also applied to quality aspects of the intangible services alongwith the physical products.

The Six Sigma method is a popular method of 'Total Quality Management', as it is a march towards the zero defect production.

IMPORTANCE OR ROLE OF SIX SIGMA:

(1) **Nearest to Zero Defect:** The quality concept of Six Sigma is nearest to zero defect. The standard less than provided by Six Sigma is not acceptable and the standard more than six sigma is not also beneficial.

(2) **Customer Satisfaction:** Customer get more satisfaction through generating qualitative products by adopting six sigma.

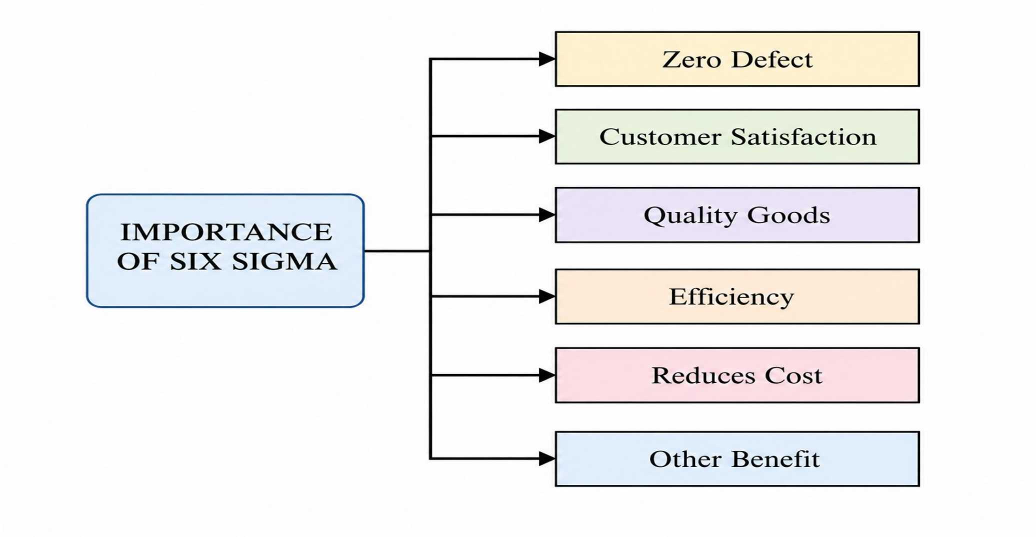
(3) **Produce Quality Goods and Services:** It is possible to produce goods and services at zero level defect. The leading institutes like NASA and ISRO by whom the space shuttles are released also give due importance to the concept of six sigma.

(4) **Increases Efficiency:** The entire unit is involved the six sigma process. So that the level of efficiency and commitment also increases. The concept of quality becomes universal in business unit.

(5) **Reduces the Cost:** Different types of costs like production cost, (2) inspection cost, (3) defective cost and (4) rectification cost are reduced through six sigma programme.

(6) **Other Benefits:**

1. Executives and officers remain very alert because of it is the obligation of top management.
2. The elements other than human being remain faultless under this method.
3. Helps to withstand in the Global Competition.
4. Increases the credibility towards company and its products or services.
5. The method of six sigma is universally accepted so that it is implied for physical products as well as intangible services.
6. It provides specific methods to redesign and reorganise a process with a view to eliminate defects and errors.
7. Significantly improves yield of the process.
8. Substantially improves the profitability of a company.



LIMITATIONS OF SIX SIGMA:

There are a number of problems associated with the Six Sigma methodology. Following are the limitations of Six Sigma:

(1) If an organisation does not have enough financial resources and skilled man power, six sigma will be failed in such case.
(2) Due to lack of commitment of employee and executives, Six Sigma does not give proper results.
(3) Due to limited skills and knowledge of the managers and subordinates Six Sigma results fail.
(4) Six Sigma does not consider various external factors which may have adverse effect on business activities.
(5) Due to complexity in the business, top management is not able to give sound focus on six sigma implementation. It leads to failure.

RESPONSIBILITY ACCOUNTING

Responsibility accounting is a system that involves identifying responsibility centers and their objectives, developing performance measurement schemes, and preparing and analysing performance reports of the responsibility centers. In responsibility accounting each person is responsible for his area of operation, and for effective control, he must know what his costs should be and what his costs have been. Thus, in responsibility accounting, costs are assigned to responsibility centres rather than to products, and a clear distinction is made between costs that are controllable by the head of the responsibility centre and the costs which are not controllable by him. The concept of responsibility centre is important in the operation of responsibility accounting. A responsibility centre is an organizational unit such as division, department, or section, headed by a responsible person whose responsibility is fixed in respect of results of that organizational unit.

There are three types of responsibility centres: cost centres, profit centres, and investment centres. In the cost centres, the control system measures only the costs incurred by responsibility centres; no attempt is made to measure the value of their outputs. Thus, all departments are cost centres. In profit centres, the targets are fixed in terms of profit which is measured by the amount of input and output. In the investment centres, managers are held responsible for the effective use of assets as well as for revenue and cost. Thus, it is ultimate extension of responsibility of heads of responsibility centres. The head of a responsibility centre is responsible for the activities to be performed at that centre and he is made responsible for the controllable costs. The costs incurred in a responsibility centre are those costs which are associated with performing its functions. Some of these costs are controllable by the head of a responsibility centre, others are not controllable by him. Since the idea behind creating responsibility centres is to provide effective control, a distinction must be made between controllable and uncontrollable costs. In the reporting process, known as responsibility reporting system, both the costs are shown separately. The system of cost accumulation is according to the hierarchy of responsibility centre. The lowest common denominator of the system is called the accounting block, which consists of a single type of cost incurred either in a cost centre or any responsibility centre.

All summaries of cost information are obtained by combining these blocks. Thus, the approach to the responsibility accounting is not against the established principles of conventional accounting, though there is a difference of emphasis. In the conventional accounting, the product costing accumulates the cost to ascertain cost of production, the responsibility accounting emphasizes cost control on the basis of "who is responsible for costs".