CORE COURSE C -3
MANAGEMENT PRINCIPLES AND APPLICATIONS
FOR B.COM SEM-2

By Dr. Roshni Lohia

UNIT V: CONTROL

1. **Define controlling. Write in brief about any four prominent tools or techniques of controlling.**

Meaning of Controlling

Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, controlling means ensuring that activities in an organisation are performed as per the plans. Controlling also ensures that an organisation's resources are being used effectively and efficiently for the achievement of predetermined goals. Controlling is, thus, a goal-oriented function.

Controlling function of a manager is a pervasive function. It is a primary function of every manager. Managers at all levels of management- top, middle and lower-need to perform controlling functions to keep a control over activities in their areas. Moreover, controlling is as much required in an educational institution, military, hospital, and a club as in any business organisation.

Controlling should not be misunderstood as the last function of management. It is a function that brings back the management cycle back to the planning function. The controlling function finds out how far actual performance deviates from standards, analyses the causes of such deviations and attempts to take corrective actions based on the same. This process helps in formulation of future plans in the light of the problems that were identified and, thus, helps in better planning in the future periods. Thus, controlling only completes one cycle of management process and improves planning in the next cycle.

Definition

1. Koontz and O'Donnell: *"Managerial Control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans*."
2. George R. Terry: "*Controlling is determining what is being accomplished, that is, evaluating the performance and, if necessary, applying corrective measures so that the performance takes place according to plans*."
3. E.F.L. Brech: "*Control is the checking of current performance against pre-determined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance; also, recording the experience gained from the working of these plans as a guide to possible future operations*."

Techniques/Tools of Controlling

Controlling Techniques

Traditional Control Techniques

1. Budgetary Control
2. Break-even Analysis
3. Statistical Data
4. Special Reports and Analysis
5. Operational Audit or Internal Audit
6. Personal Observation
7. Policies, Procedures and Instructions
8. Ratio Analysis
9. Other Techniques

Modern Control Techniques

1. Zero Based Budgeting
2. Performance Budgeting
3. Responsibility Accounting
4. Managerial Audit
5. Programme Evaluation and Review Technique or PERT
6. Critical path Method or CPM
7. Managerial Information System or MIS

Traditional Techniques

Traditional techniques are those which have been used by the companies for a long time now. However, these techniques have not become obsolete and are still being used by companies. These include:

1. **Budgetary Control**: Budgetary control is a technique of managerial control in which all operations are planned in advance in the form of budgets and actual results are compared with budgetary standards. This comparison reveals the necessary actions to be taken so that organisational objectives are accomplished.

   A budget is a quantitative statement for a definite future period of time for the purpose of obtaining a given objective. It is also a statement which reflects the policy of that particular period. It will contain figures of forecasts both in terms of time and quantities. The box shows the most common types of budgets used by an organisation.

Types of Budget

- **Sales Budget**: A statement of what an organisation expects to sell in terms of quantity as well as value.
- **Production Budget:** A statement of what an organisation plans to produce in the budgeted period.
- **Material Budget:** A statement of estimated quantity and cost of materials required for production.
- **Cash Budget:** Anticipated cash inflows and outflows for the budgeted period.
- **Capital Budget:** Estimated spending on major long-term assets like new factory or major equipment.
- **Research and Development Budget:** Estimated spending for the development or refinement of products and processes.

Budgeting offers the following advantages:

a) Budgeting focuses on specific and time-bound targets and thus, helps in attainment of organisational objectives.

b) Budgeting is a source of motivation to the employees who know the standards against which their performance will be appraised and thus, enables them to perform better.

c) Budgeting helps in optimum utilisation of resources by allocating them according to the requirements of different departments.

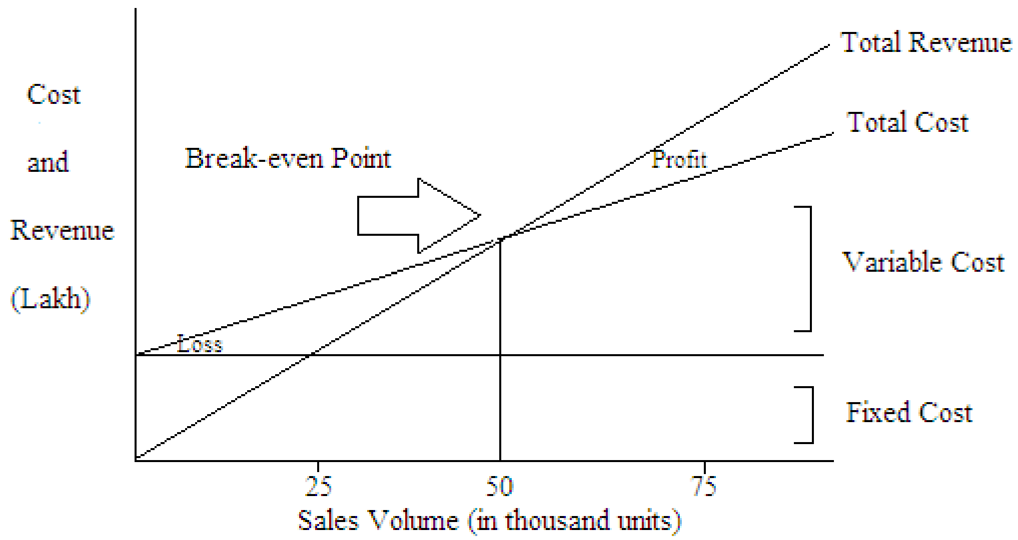
d) Budgeting is also used for achieving coordination among different departments of an organisation and highlights the interdependence between them. For instance, sales budget cannot be prepared without knowing production programmes and schedules.

e) It facilitates management by exception by stressing on those operations which deviate from budgeted standards in a significant way.

However, the effectiveness of budgeting depends on how accurately estimates have been made about future. Flexible budgets should be prepared which can be adopted if forecasts about future turn out to be different, especially in the face of changing environmental forces. Managers must remember that budgeting should not be viewed as an end but a means to achieve organisational objectives.

2. **Break-even Analysis**: Breakeven analysis is a technique used by managers to study the relationship between costs, volume and profits. It determines the probable profit and losses at different levels of activity. The sales volume at which there is no profit, no loss is known as breakeven point. It is a useful technique for the managers as it helps in estimating profits at different levels of activities.

Break-even Chart



The above figure shows breakeven chart of a firm. Breakeven point is determined by the intersection of Total Revenue and Total Cost curves. The figure shows that the firm will break even at 50,000 units of output. At this point, there is no profit no loss. It is beyond this point that the firm will start earning profits.

Breakeven point can be calculated with the help of the following formula:

Fixed Costs

Breakeven point = ―――――――――――――――――――――

Selling price per unit – Variable cost per unit

Breakeven analysis helps a firm in keeping a close check over its variable costs and determines the level of activity at which the firm can earn its target profit.

3. **Statistical Data**: Statistical analysis in the form o averages, percentages, ratios, correlation, etc., present useful information to the managers regarding performance of the organisation in various areas. Such information when presented in the form of charts, graphs, tables, etc., enables the managers to read them more easily and allow a comparison to be made with performance in previous periods and also with the benchmarks.
4. **Special Reports and Analysis**: This method is used for preparing a special report and its analysis on any particular problem for exercising control on the same. Sometimes, the difficulties beyond understanding and analysis arise in the institutions. The services of experts are asked for solving such problems.
5. **Operational Audit or Internal Audit**: It is another effective and widely used tool of managerial control. Internal auditing signifies regular and independent appraisal of the accounting, financial, and other operations of a business by a staff of internal auditors.

   There is no denying the fact that internal auditors mostly limit themselves to the integrity of accounts and corporate assets. But the horizon of internal auditing can be widened just by bringing under them some more appraisal areas as policies, procedures, methods, quality of management, etc. But the primary limiting factor in this regard is that no management, however broad it may be in outlook and attitude, likes to give these people so much of authority and respond to their queries regarding various aspects of management. Nevertheless, dearth of qualified personnel to carry on such a broad-based audit is also a matter of significance.
6. **Personal Observation**: This is the most traditional method of control. Personal observation enables the manager to collect first hand information. It also creates a psychological pressure on the employees to perform well as they are aware that they are being observed personally on their job. However, it is a very time-consuming exercise and cannot effectively be used in all kinds of jobs.
7. **Policies, Procedures and Instructions**: Different policies and procedures are framed for properly executing the organizational work. For this, some written instructions are also given. If these policies, procedures and instructions are properly obeyed, it will be an effective measure of control.
8. **Ratio Analysis**: Ratio Analysis refers to analysis of financial statements through computation of ratios. The most commonly used ratios used by organisations can be classified into the following categories:
   a) *Liquidity Ratios:* Liquidity ratios are calculated to determine short-term solvency of business. Analysis of current position of liquid funds determines the ability of the business to pay the amount due to its stakeholders.
   b) *Solvency Ratios:* Ratios which are calculated to determine the long-term solvency of business are known as solvency ratios. Thus, these ratios determine the ability of a business to service its indebtedness.

c) *Profitability Ratios:* These ratios are calculated to analyse the profitability position of a business. Such ratios involve analysis of profits in relation to sales or funds or capital employed.

d) *Turnover Ratios:* Turnover ratios are calculated to determine the efficiency of operations based on effective utilisation of resources. Higher turnover means better utilisation of resources. The table given below gives examples of some ratios commonly used by managers.

Example of Commonly used Ratios

Type of Ratio	Example
Liquidity	Current Ratio Quick Ratio
Solvency	Debt-Equity Ratio Proprietary Ratio Interest Coverage Ratio
Profitability	Gross Profit Ratio Net Profit Ratio Return on Capital Employed
Turnover	Inventory Turnover Ratio Stock Turnover Ratio Debtors Turnover Ratio

9. Other Techniques: Some of the other traditional techniques include:

a) Permanent orders, rules and limitations of orders are effective tool for management control.

b) Under disciplinary technique, fines and penalties are imposed in case of default.

c) Organizational charts and organisation and organisation books make the control simple.

Modern Techniques

Modern techniques of controlling are those which are of recent origin and are comparatively new in management literature. These techniques provide a refreshingly new thinking on the ways in which various aspects of an organisation can be controlled. These include:

1. Zero Based Budgeting: The concept of zero based budgeting is based on the understanding that future is not a mere projection of the past. Goals, activities, expenses, efforts and resources need to be recast not in a casual manner but in a logical reasonable manner. It advocates a comprehensive analysis and review of the budget proposals every time as when such proposals are made.

Zero-based budgeting is the latest technique of budgeting and it has been used as a managerial tool. This technique was first used in America in 1962. The former President of America, Jimmy Carter, used this technique when he was the Governor of Georgia for controlling state expenditure.

As the name suggests, it is starting from a 'scratch.' The normal technique of budgeting is to use previous year's Cost Levels as a bare for preparing this year's budget. In Traditional Budget method, we carry previous year's inefficiencies to the present year because we take last year as a guide and decide 'what is to be done this year when this much was the performance of the last year.

In Zero-based budgeting, every year is taken as a new year and previous year is not taken as a base. The budget for this year will have to be justified according to present situation. Zero is taken as a base and likely future activities are decided according to the present situation.

In the words of **Peter**, "*A planning and budgeting process which requires each manager to justify his entire budget request in detail from scratch zero-base and shifts the burden of proof to each manager to justify why he should spend money at all*."

The approach requires that all activities be analysed in 'decision packages' which are evaluated by systematic analysis and ranked in order of importance.

In zero-based budgeting, a manager is to justify whey he wants to spend. The preference of spending on various activities will depend upon their justification and priority for spending will be drawn. It will have to be proved that an activity is essential and the amount asked for are really reasonable taking into account the volume of activity.

2. **Performance Budgeting/Programme Budgeting**: This system is called input-output budget. Programme budgeting is purported to add each activity to one or other programme. **Koontz** and **O'Donnell** have stated, "*Programme budgeting is basically a medium to distribute the resources available with any organisation in proper manner to achieve effectively its objectives*." Each programme of institution starts with recognition of budget objectives and adding an activity associated with separate objectives of institution with one or other programme. It is a revolutionary aspect of this system because the activities under this system are classified from the angle of results and not from the angle of administrative function. This system helps us observing the creation whether it is production or result. Apart from it, it helps us knowing the type of production or the means of production used for such production.

   This method has emerged in India in the recent past. Generally, this system is used in Government organisations.

3. **Responsibility Accounting**: Responsibility accounting is a system of accounting in which different sections, divisions and departments of an organisation are set up as 'Responsibility Centres,' The head of the centre is responsible for achieving the target set for his centre. Responsibility centres may be of the following types:
   a) **Cost Centre:** A cost or expense centre is a segment of an organisation in which managers are held responsible for the cost incurred in the centre but not for the revenues. For example, in a manufacturing organisation, production department is classified as cost centre.
   b) **Revenue Centre:** A revenue centre is a segment of an organisation which is primarily responsible for generating revenue. For example, marketing department of an organisation may be classified as a revenue center.
   c) **Profit Centre:** A profit centre is a segment of an organisation whose manager is responsible for both revenues and costs. For example, repair and maintenance department of an organisation may be treated as a profit center if it is allowed to bill other production departments for the services provided to them.
   d) **Investment Centre:** An investment centre is responsible not only for profits but also for investments made in the centre in the form of assets. The investment made in each centre is separately ascertained and return on investment is used as a basis for judging the performance of the centre.

4. **Managerial Audit**: Management audit refers to systematic appraisal of the overall performance of the management of an organisation. The purpose is to review the efficiency and effectiveness of management and to improve its performance in future periods. It is helpful in identifying the deficiencies in the performance of management functions. Thus,

management audit may be defined as evaluation of the functioning, performance and effectiveness of management of an organisation. The main advantages of management audit are as follows.

a) It helps to locate present and potential deficiencies in the performance of management functions.
b) It helps to improve the control system of an organisation by continuously monitoring the performance of management.
c) It improves coordination in the functioning of various departments so that they work together effectively towards the achievement of organisational objectives.
d) It ensures updating of existing managerial policies and strategies in the light of environmental changes.

Conducting management audit may sometimes pose a problem as there are no standard techniques of management audit. Also, management audit is not compulsory under any law. Enlightened managers, however, understand its usefulness in improving overall performance of the organisation.

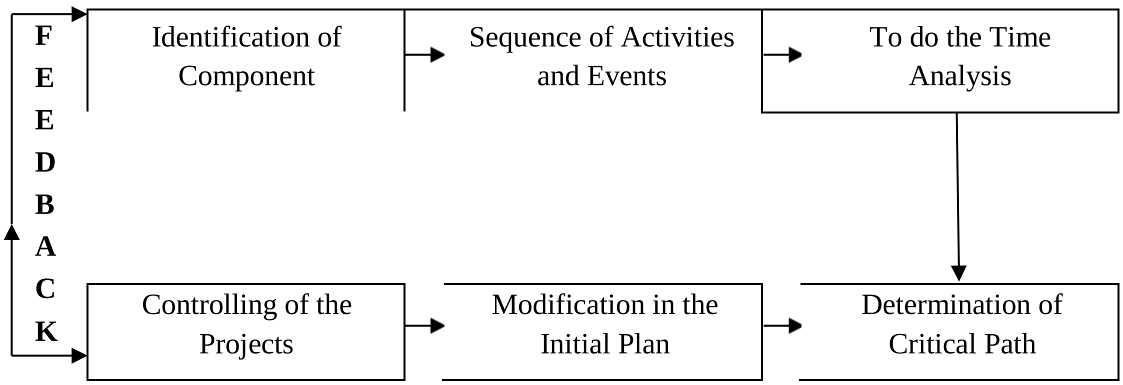
5. **Programme Evaluation and Review Technique** (**PERT**): This technique was for the first time used in the U.S.A. in 1957 as a tool of planning and control. It was used by **Allen** and **Hamilton** in the U.S.A. Navy. It is an integrated management system designed to provide managers with the information they need in planning and controlling schedules. It specifies techniques and procedures to be used in project management.

PERT is a very versatile tool in the hands of top level management particularly for the project manager who has the overall managerial responsibility of a project. The technique can be usefully, applied in the following projects:

(i) Airport building
(ii) Ship-building companies
(iii) Launching a new product companies
(iv) Large weapon Manufacturing
(v) Installation of computer system
(vi) Construction of a new pland
(vii) Building construction project.

This technique is used in the project managerial problems. They are suitable where programme consists of several activities and sub-activities. In order to complete the programme, the activities and sub-activities should be arranged and completed in a proper sequence and in allotted time. Since some of the activities can be undertaken simultaneously, a network is developed to show the sequence, time taken and the time to start of particular activities.

6. **Critical path Method** (**CPM**): It was first time used in the U.S.A. in 1958 by E.I. du pont de Nemours company. It is used for planning and controlling the most logical beneficial and the critical, i.e., the shortest sequence of activities or the path for accomplishing the project.



Critical path would be that route or sequence while converting raw material into finished product which takes minimum efforts and number of days. Lesser are the number of days for completion of project that would be the CPM.

7. **Managerial Information System** (**MIS**): Management Information System (MIS) is a computer-based information system that provides information and support for effective managerial decision-making. A decision-maker requires up-to-date, accurate and timely information. MIS provides the required information to the managers by systematically processing a massive data generated in an organisation. Thus, MIS is an important communication tool for managers. MIS also serves as an important control technique. It provides data and information to the managers at the right time so that appropriate corrective action may be taken in case of deviations from standards. MIS offers the following advantages to the managers:
   a) It facilitates collection, management and dissemination of information at different levels of management and across different departments of the organisation.
   b) It supports planning, decision making and controlling at all levels.
   c) It improves the quality of information with which a manager works.
   d) It ensures cost effectiveness in managing information.
   e) It reduces information overload on the managers as only relevant information is provided to them.

2. **Write short notes on any two:**
   a) **Emerging issues in Management**
   b) **Types of Leaders**
   c) **Likert's Scale Theory**
   d) **Victor Vroom's Expectancy Theory**

a) Emerging issues in Management

The contemporary school of management thoughts outlines the framework for studying the more recent trends in management practices, such as the impact of global business, Theory Z concepts, McKinsey 7-S approach, the search for excellence, and the concern for quality and productivity. These are explained as follows:

1. **Global thinking:** The recent emergence of a truly global economy is affecting every manager in the world. In today's environment, success in the long run demands that the manager think globally, even if he can still limit his actions to local market.
2. **Theory Z**: These firms are those which are highly successful American firms that use many of the Japanese management practices. The Type Z firm features long-term employment with a moderately specialized career path and slow evaluation and promotion. Lifetime employment would not be especially attractive to America's mobile work force and the slow evaluation and promotion processes would not meet the high expectations of American workers.
3. **Mckinsey 7-S**: The 7-S factors are as follows:
   - Strategy: The plans that determine the allocation of an organization's scarce resources and commit the organization to a specified course of action.
   - Structure: The design of the organization that determines the number of levels in its hierarchy and the location of the organization's authority.
   - Systems: The organizational processes and proceduralized reports and routines.
   - Staff: The key human resource groups within an organization, described demographically.
   - Style: The manner in which manager behave in pursuit of organizational goals.
   - Skills: The distinct abilities of the organization's personnel.
   - Super ordinate Goals (shared values): The significant meanings or guiding concepts that an organization instill in its members.
4. **Excellence**: The firms that qualified as excellent companies shared the following characteristics:
   - ✓ A successful firm makes things happen.
   - ✓ Successful firms make it a point to know their customers and their needs.
   - ✓ Autonomy and Entrepreneurship is valued in each employee.
   - ✓ Productivity through people is based on trust.
   - ✓ Hands on, value driven management is mandatory.
   - ✓ A firm must always deal with strength.
   - ✓ A firm leads to cost effective works teams.

- ✓ A firm can decentralize many decisions while retaining tight controls, usually through the function of finance.

5. **Quality and Productivity**: In today's dynamic marketplace, consumers are encouraged to buy a product that demonstrates the highest level of quality at the optimum price. This requires a dedicated and skilled work force that places utmost importance on quality workmanship.

b) Types of Leaders

Leadership is an integral part of management and plays a vital role in managerial operations. If there is any single factor that differentiates between successful and unsuccessful organisations, it is dynamic and effective leadership. Perhaps, it would be a valid assumption to state that the major cause of most business failures would be ineffective leadership. All managers, in a way, are business leaders, even though management primarily relies on formal position power to influence people whereas leadership stems from a social influence process. However, management is an integral component of technical as well as social processes[1].

Definition[2]

i) George K. Terry, "*Leadership is the activity of influencing people strive willing for group objectives*."

ii) Koontz et.al., "*Leadership is the art or process of influencing people so that they will strive willingly and enthusiastically towards the achievement of group goals.*."

Types of Leaders[3]

There are different types of leaders found in this modern era. Different scholars have classified leaders distinctly. Some of the types of leaders are as below:

1) **Democratic Leader**: Democratic leader does not determine his policies himself and every policy is framed after deliberation with followers in meetings. He, sometimes, determines the policies and procedures by slight modifications/alteration in the suggestions and thoughts/opinions given by his followers. This concept of leadership rests on delegation of authority. A democratic leader motivates his followers to act as a social unit and use their ability. Such person maintains his position as leader so that he could defend the interests of his followers and be loyal to them. This leader gives full attention on the necessities and facilities of his followers and behaves mainly with them.

Characteristics

---

[1] Jit S. Chandan, Organizational *Behaviour 3rd Ed.* (New Delhi: Vikas Publishing House) 2005, 329.

[2] Dr. S.S. Khanka, Organizational *Behaviour (Text & Cases) 1st Ed.* (New Delhi: S. Chand & Company Pvt. Ltd.) 2002, 355.

[3] R.C. Agrawal and Sanjay Gupta, *Management Principles and Applications* (Agra: SBPD) 2018, 359-61.

a) He reposes confidence on delegation of authority instead of centralizing them.
b) This leader is not function centred but employee centred.
c) This leader includes his followers in the decisions which have direct or indirect relation with them.
d) This leader determines the policies and procedures through sufficient deliberation and discussion with his followers.

2) **Autocratic Leader**: An autocratic leader is called a tyranny leader. He holds all rights centred in his hands and makes all decisions himself. He does on include his followers in the process of decision-making. He issues necessary instructions in order to implement the decisions made by him. These leaders love their authority and use it to meet their selfish ends. They do not delegate authority under fear of loss of power. The followers under such leadership remain alien to the aims determined and they live fully dependent o the leader.

Characteristics

a) He decides all matters himself.
b) Does not motivate followers to act as a social unit.
c) The leader holds all rights with him.
d) It is not employee centred but the function centred.

3) **Laissez-faire Leader**: This leader takes minimum interest in administrative functions and leaves the function for independent execution of his followers. The followers determine the objective themselves and make necessary decisions to achieve these objectives. The leader only delegates authority to them. He only acts as a chain-link. He imparts only necessary information and authority to his supporters. This leader assumes that the followers do more labour when full authority to execute functions is given to them and it brings good results. The leader only acts as a mediator and coordinator to the information.

Characteristics

a) He acts merely as a mediator and coordinator.
b) He does not take special interest in administrative functions.
c) He gives up burden of determining objectives and decision-making on the shoulders of his supporters.

4) **Institutional Leader**: This leader enjoys high position by virtue of his post. He impresses numerous persons by his high position. For example, Principal of a Degree College impresses due to his high position, a number of persons including professors, office bearers, class IV employees and students. Thus, the persons gracing high seats, lead the subordinates' activities and impart them necessary guidelines.

5) **Personal Leader**: In such type of leadership, the leader directs personally to his followers and supervises personally the extent of compliance made by them while executing the functions assigned. As this leader establishes personal and direct relation with his followers, he has more

impression on followers as compared to other leaders. A man bearing good personality can be an efficient leader.

6) **Impersonal Leader**: The impersonal leadership is established by the assistants to the leader or by-leaders through assignments, directions, policies, schemes, programmes, etc., duly reduced in writing. Written material has more importance in such leadership. The institutions having gigantic size where a large number of employees work and personal contact with them is felt difficult always find this leadership more convenient. As the institutions avail expansion in their size, importance of impersonal leadership increases. Presently, this leadership is being accepted by business institutions rapidly.
7) **Functional Leader**: Functional leader is a man who wins the confidence of his supporters on the basis of his ability, experience, knowledge, etc. Such leader issues instructions to his followers on complex topics and the followers follow these instructions while completing their activities. This leader gives necessary advice to face the complex situations with manner to deal on the basis of his knowledge and followers determine their activities on the basis of advice given by this leader.
8) **Benevolent Leader**: This leader is also addressed as Benevolent autocratic leader and Paternalistic leader. These leaders give hearing to the problems, thoughts, suggestions, etc., attentively but make the decisions on all matters themselves. Thus, these leaders are akin to autocratic leader but their views towards followers are full of amity. They are supporter of the concept '*Listen all but do as self-decided*'
9) **Intellectual Leader**: Intellectual leader obtain voluntary cooperation, confidence, loyalty and obedience of their followers by virtue of their intelligence, knowledge, self-confidence, patience and behaviour. The experts like purchase experts, quality experts, production experts, finance experts, advertisement experts and technical experts working with organisations fall under this category. They provide guidelines to different personnel by their special abilities, experience etc. The personnel accept their guidance with pleasure and make them always ready to complete activities as per guidance given.

c) Likert's Scale Theory

A Likert Scale (*named after is creator, American social scientist, Rensis Likert*) is a psychological measurement device that is used to measure attitudes, values, and opinions. It functions by having a person complete a questionnaire that required them to indicate the extent to which they agree or disagree with a series of statements. In survey research, Likert scales are quite popular because they are one of the most reliable ways to measure opinions, perceptions and behavious.

Definition

Likert scales are survey questions that offer a range of answer options—from one extreme attitude to another, like "extremely likely" to "not at all likely." Typically, they include a moderate or neutral midpoint.

Composition of Likert Scale

Likert scale consists of several Likert items. A Likert item is an individual statement or question which asks a person to indicate the extent to which he agrees by choosing one of several ranked options. Likert items usually offer participants a choice between five and seven ranked options, with the middle option being neutral.

The format of a typical five-level Likert item, for example, could be:

Strongly agree / agree / don't know / disagree/ strongly disagree

The following questions can make the concept clear.

1. The website has a user-friendly interface.

Strongly disagree	*Disagree*	*Undecided*	*Agree*	*Strongly agree*
5 weights	*4 weights*	*3 weights*	*2 weights*	*1 weight*

2. The website is easy to navigate.

Strongly disagree	*Disagree*	*Undecided*	*Agree*	*Strongly agree*
5 weights	*4 weights*	*3 weights*	*2 weights*	*1 weight*

Similarly, the example of another study on the causes of failure of Corporate Gov4ernance can be outlined as:

3. Please Rank the following for the failure of Corporate Governance. (On a scale of 1-4 in ascending order):

Factors	*Ranking*
Lack of incentives	
Poor external monitory system	
Internal control	
Ineffective top leadership	

Each of the five (or seven) responses would have a numerical value which would be used to measure the attitude under investigation.

The weights (shown by the numbers below the answers) are not shown on the actual questionnaire and, therefore, are not seen by the respondents. The stronger the feelings, the higher (or lower) will be the score. The scoring is consistent with the attitude being measured. Whether "agree" or "disagree' whichever gets the higher weight actually makes no difference. But for ease in interpreting the results of the questionnaire, the weighting scheme should remain consistent throughout the survey.

Use of Likert Scale

i) The Likert Scale is a rating scale that's often used when surveying customers regarding their experiences with a brand—from the service they were provided to the overall effectiveness of a product.

ii) It is one of the most popular question types used by customers of Fieldboom (survey software) when collecting audience feedback.

iii) The Likert Scale is a series of questions or items that ask customers to select a rating on a scale that ranges from one extreme to another, such as "strongly agree" to "strongly disagree."
iv) Unlike binary "yes" or "no" questions, the Likert Scale gives a deeper insight into what the customers are thinking and how they feel.

Critical Evaluation

Likert Scales have the advantage that they do not expect a simple yes/no answer from the respondent, but rather allow for degrees of opinion, and even no opinion at all. Therefore, quantitative data is obtained, which means that the data can be analyzed with relative ease.

However, like all surveys, the validity of Likert Scale attitude measurement can be compromised due to social desirability. This means that individuals may lie to put themselves in a positive light. For example, if a Likert Scale was measuring discrimination who would admit to being racist?

Offering anonymity on self-administered questionnaires should further reduce social pressure, and thus may likewise reduce social desirability bias. It was found that more desirable personality characteristics were reported when people were asked to write their names, addresses and telephone numbers on their questionnaire than when they told not to put identifying information on the questionnaire.

d) Victor Vroom's Expectancy Theory

Introduction

In organizational behavior study, expectancy theory is a motivation theory first proposed by Victor H. Vroom of the Yale School of Management (USA) in 1964. The Cambridge Dictionary of Psychology defines it as 'a willingness to make an effort in the pursuit of a goal.' Vroom's expectancy theory separates effort (which arises from motivation), performance, and outcomes.

Vroom's expectancy theory assumes that behaviour results from conscious choices among alternatives whose purpose is to maximize pleasure and to minimize pain. Vroom realized that an employee's performance is based on individual factors such as personality, skills, knowledge, experience and abilities. He stated that effort, performance and motivation are linked in a person's motivation. He uses the variables Expectancy, Instrumentality and Valence to account for this.

The expectancy model is based upon the belief that motivation is determined by the nature of the reward people expect to get as a result of their job performance. The underlying assumption is that a man is a rational being and will try to maximize his perceived value of such rewards. He will choose an alternative that would give him the most benefit. People are highly motivated if they believe that a certain type of behaviour will lead to a certain type of outcome and their extent of personal preference for that type of outcome.

Elements of the Vroom's Expectancy Theory

There are three important elements in the model. These are:

- **Expectancy:** Expectancy is the belief that increased effort will lead to increased performance, i.e. if I work harder, then this will be better. For example, if a student works hard during the semester, he will expect to do well in the final examination. It is not 100% definite that he will indeed do well in the examination. There is some probability attached to this outcome. This expectation of outcome is known as "first level" outcome.

This outcome is affected by such things as (in case of a worker):

a) Having the right resources available (e.g. raw materials, time);
b) Having the right skills to do the job;
c) Having the necessary support to get the job done (e.g. supervisor support, or correct information on the job).

- **Instrumentality:** Instrumentality is the belief that if you perform well that a valued outcome will be received. It is the degree of association of first level outcome of a particular effort to the second level outcome-which is the ultimate reward. For example, working hard may lead to better performance-which is the first level outcome, and it may result in a reward such as salary increase or promotion or both which is the second level outcome. If a person believes that his high performance will not be recognized or lead" to expected and desired rewards, he will not be motivated to work hard for better output.

  This is affected by such things as:

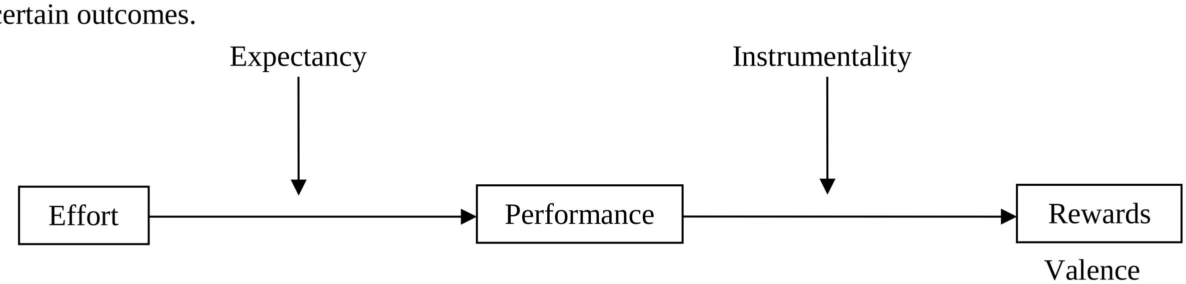
  a) Clear understanding of the relationship between performance and outcomes – e.g. the rules of the reward 'game.'
  b) Trust in the people who will take the decisions on who get what outcome.
  c) Transparency of the process that decides who gets what outcome.

- **Valence:** It is the importance that the individual places upon the expected outcome. For the valence to be positive, the person must prefer attaining the outcome to not attaining it. A person may not be willing to work hard to improve performance if the reward for such improved performance is not what he desires. It is not the actual value of the reward but the perceptual value of the reward in the mind of the worker that is important. A person may be motivated to work hard not to get pay raise but to get recognition and status. Another person may be more interested in job security than status.

The three elements are important behind choosing one element over another because they are clearly defined: effort-performance expectancy (E>P Expectancy) and performance-outcomes expectancy (P>O Expectancy).

E>P Expectancy: Our assessment of the probability that our efforts will lead to the required performance level.

P>O Expectancy: Our assessment of the probability that our successful performance will lead to certain outcomes.



Therefore, the Expectancy Theory says that:

Motivational Force (M) =Expectancy (E) x Instrumentality (I) x Valence (V).

Or

M = (E x I x V)

As the relationship suggests, the motivational force will be the highest when expectancy, instrumentality and valence are all high and the motivational value is greatly reduced when anyone or more of expectancy, instrumentality or valence approaches the value of zero.

The management must recognize and determine the situation as it exists and take steps to improve upon these three factors of expectancy, instrumentality and valence for the purpose of behavioural modification so that these three elements achieve the highest value individually. For example, if a worker exhibits a poorly motivated behaviour, it could be due to:

» Low effort-performance expectancy. The worker may lack the necessary skills and training in order to believe that his extra efforts will lead to better performance. The management could provide opportunities for training to improve skills in order to improve the relationship between effort and performance.

» Low performance-reward instrumentality relationship. The worker may believe that similar performance does not lead to similar rewards. The reward policy may be inconsistent and may depend upon factors other than simply the performance, which the worker may not be aware of or may not consider fair.

» Low reward-valence. Since the managers may look at the value of a reward differently than the worker, the management must investigate the desirability of the rewards, which are given on the basis of performance. While monetary benefits may be more desirable for some workers, the need to be formally appreciated may be more valuable rewards for others for similar task oriented activities.

Conclusion

The Vroom's model tries to explain as to what factors affect a person's choice of a particular course of action among all available alternatives and why a person would be better motivated towards achievement of certain goals as compared to some other goals. Accordingly, managers must understand and analyze the preferences of particular subordinates in order to design "individualized motivational packages" to meet their needs, keeping in mind that all such packages should be perceived as generally fair by all concerned parties.