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Semester: Autumn 2026

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ALLAMA IQBAL OPEN UNIVERSITY, ISLAMABAD

Course: Principles of Management (1427) • Level: Associate Degree in Commerce

Semester: Autumn 2026

Assignment No. 2 (Units 6–9)

Total Marks: 100 • Pass Marks: 50

SOLVED ASSIGNMENT GUIDE

(For Study & Reference)

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Note: This guide is prepared for study and reference purposes. Students are advised to read the relevant units of the course book, understand the concepts, and write the assignment in their own words.

Question 1: Managerial Communication and the Interpersonal Communication Process (20 Marks)

Define managerial communication. Discuss the interpersonal communication process.

Introduction

Communication is the bloodstream of management. Managers spend the great majority of their working time communicating — studies commonly estimate between half and four-fifths of a manager's day — because every function they perform depends on it: plans must be

explained, work coordinated, people motivated, information gathered and results reported. When organisations fail, investigation very often reveals not a lack of resources or skill but a breakdown of communication. This answer first defines communication and managerial communication precisely, distinguishing its purposes, directions and forms, and then discusses in detail the interpersonal communication process — the sender, encoding, the message and channel, decoding, the receiver, noise and feedback — explaining how each element works, where distortion enters, and what the process implies for effective management practice.

Definitions: Communication and Managerial Communication

Communication is the transfer and understanding of meaning. Both halves of the definition matter. Transfer alone is not enough: a manager who issues an order that nobody understands has not communicated, however clearly it was dispatched. Communication is successful only when the receiver understands the meaning the sender intended — which is why checking understanding, through feedback, is built into the process discussed below. Perfect communication would exist when a thought is transmitted so that the mental picture perceived by the receiver is identical to that envisaged by the sender; in practice this ideal is approached but rarely fully reached, because words, perceptions and contexts differ between people.

Managerial communication is communication that takes place for the purposes of management — the exchange of information, ideas, instructions, feelings and decisions among managers and employees, and between the organisation and its outside world, so that organisational goals can be achieved. It includes the formal communication that flows through the organisation's official channels — downward instructions and policies, upward reports and suggestions,

horizontal coordination between departments, and diagonal contacts across levels and functions — as well as the informal communication of the 'grapevine', the unofficial network through which news and opinion travel quickly among employees. Managerial communication also covers the methods managers use: face-to-face conversation and meetings, written memoranda, reports and manuals, telephone and video calls, e-mail and messaging systems, notices, presentations and non-verbal communication such as gestures, facial expression, posture and tone of voice — which often carries more of the real meaning than the words themselves. Its purposes are practical: to inform, to direct and coordinate work, to motivate and influence, to obtain feedback and information for decisions, to build relationships and trust, and to represent the organisation to customers, suppliers and the public.

The Interpersonal Communication Process

Interpersonal communication is the person-to-person exchange that forms the core of managerial communication. It can be analysed into seven connected elements: the sender, encoding, the message, the channel, decoding, the receiver, noise — with feedback looping the process back from receiver to sender. Figure 1 summarises the process, and each element is discussed below.

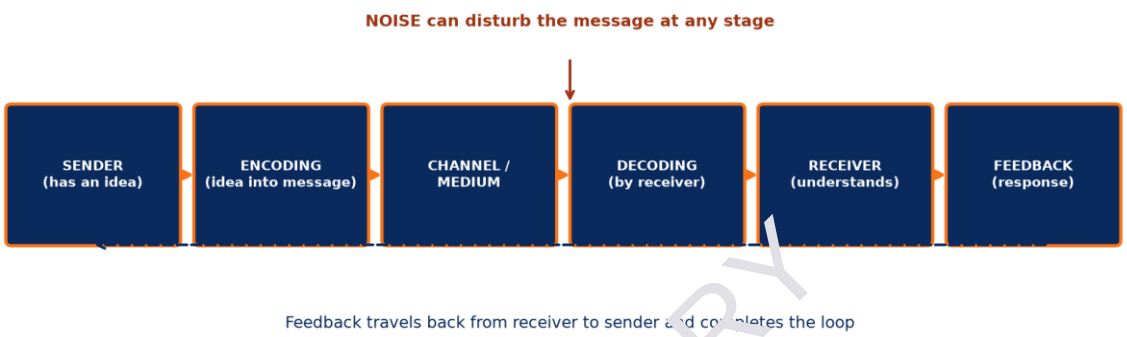

Figure 1: The interpersonal communication process -- from sender to receiver, with feedback and noise.

1. The Sender and Encoding

The process begins with a sender who has an idea, fact, instruction or feeling to convey — for example, a production manager who wants the evening shift to change a machine setting. Before anything can be sent, the idea must be encoded: translated into a form the receiver can receive and (hopefully) understand. Encoding uses symbols — words, numbers, diagrams, pictures, gestures — chosen by the sender. Encoding is a decisive and risky step: the sender's skill, attitudes, knowledge and cultural background shape the symbols chosen, and a poorly chosen word, an ambiguous phrase or jargon the receiver does not know will distort the message before it has even travelled. Skilled communicators encode with the receiver in mind, selecting simple, precise language and arranging the message in a logical order.

2. The Message and the Channel

The encoded idea becomes the message — the actual physical product of encoding: spoken words in a meeting, a written circular, a chart, an e-mail, a raised eyebrow. The message travels

through a channel, the medium selected for transmission: airwaves and sound for face-to-face speech, paper for a report, the telephone network, the organisation's computer system, or the formal chain of command itself. Channels differ in richness — their capacity to carry information, handle multiple cues, and provide rapid feedback. Face-to-face conversation is the richest channel, because it carries words, tone and body language together and allows instant questions; a printed general notice is among the leanest. Choosing the wrong channel is a common managerial error: delivering sensitive criticism by a blunt written note, or trying to settle a complex disagreement through brief text messages, fails not because the meaning was wrong but because the medium could not carry it.

3. Decoding and the Receiver

At the far end, the receiver — the person to whom the message is directed — must decode it: translate the symbols back into meaning in his own mind. Decoding, like encoding, is filtered through the receiver's knowledge, experience, attitudes, expectations and culture. The same sentence — 'the report must be ready soon' — may be decoded by one employee as 'today' and by another as 'this week'. Receivers also listen selectively, hearing what they expect or wish to hear. Communication succeeds only to the extent that the receiver's decoded meaning matches the sender's intended meaning, which is why the final two elements — noise and feedback — are essential parts of the model rather than decorations.

4. Noise

Noise is any disturbance that interferes with the transmission or understanding of the message. It may be physical — a noisy factory floor, a poor telephone line, illegible handwriting — or

psychological and semantic: prejudice against the sender, emotional upset, differences in status that make a subordinate afraid to ask questions, ambiguous words with several meanings, information overload in which too many messages compete for attention, and filtering, the deliberate manipulation of information as it passes upward so that it appears more favourable to the sender. Noise can enter at every stage — during encoding, transmission, decoding and feedback — and reducing it (by quieter settings, simpler language, redundancy through repeating key points, and a climate of trust) is a central task of the communicating manager.

5. Feedback

Feedback closes the loop: the receiver's response returns to the sender, showing how the message was received and understood. Feedback may be verbal (questions, summaries, agreement), written (a confirming reply, a completed form) or non-verbal (a puzzled expression, work actually performed correctly or incorrectly). It transforms communication from one-way transmission into a two-way process, allowing the sender to detect misunderstanding while correction is still cheap. Managers obtain feedback by asking receivers to restate instructions in their own words, by observing performance against the instruction, and by maintaining upward channels — suggestion systems, open-door practices, regular briefings — through which subordinates can respond without fear. Active listening by both parties — concentrating, asking questions, not interrupting, and checking interpretation — improves every element of the process at once.

Barriers and Their Removal — A Practical Summary

The process model explains the classic barriers to effective communication and their remedies in one framework. Filtering and selective perception are reduced by trust, by flatter channels and by written confirmation of important oral messages. Information overload is reduced by prioritising, summarising and using exception reporting. Emotions are managed by timing and by listening before responding. Language barriers — jargon, ambiguity, differing vocabularies between specialists — are reduced by plain words, examples and feedback checks. National and organisational culture affects how directly people speak and how subordinates respond to superiors, so cross-cultural communication requires particular care with encoding and decoding. In short, effective managerial communication is not a gift but the disciplined management of each element of the process.

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Conclusion

Managerial communication is the purposeful transfer and understanding of meaning by which management work is done — informing, coordinating, motivating, deciding and representing. The interpersonal communication process through which it operates consists of a sender who encodes an idea into a message, a channel that carries it, a receiver who decodes it, noise that may disturb it at any stage, and feedback that reveals whether intended meaning was achieved. A manager who understands this process communicates deliberately: he chooses words and channels for his receiver, watches for noise, listens actively and insists on feedback — and his unit consequently makes fewer errors, coordinates better and trusts more.

Question 2: Leading and the Qualities of an Ideal Leader (20 Marks)

What is leading? Describe the qualities of an ideal leader.

Introduction

Of the four functions of management, leading is the one that deals directly with people, and for most managers it is both the most rewarding and the most difficult. Plans can be drawn and structures designed by analysis, but performance is finally produced by human beings who must be willing to give their effort, and willingness cannot be commanded into existence — it must be led into existence. This answer first explains what leading is: its meaning, its components of motivation, leadership, communication and group management, and how it differs from simply issuing orders. It then describes, in organised detail, the qualities of an ideal leader — intellectual, personal, social and professional — drawing on trait research and modern leadership thinking, while noting the important qualification that qualities must be developed and adjusted to the situation rather than treated as a fixed inborn list.

What Is Leading?

Leading (often called directing or influencing) is the management function of motivating, influencing and guiding people so that they work willingly and enthusiastically towards organisational goals. In the formulation used in this course, when managers motivate subordinates, help resolve work-group conflicts, influence individuals or teams as they work, select the most effective communication channels and deal with employee behaviour issues, they are leading. Leading is concerned with the interpersonal aspect of managing: it converts

plans and structures into action by dealing with people's feelings, needs, ambitions and relationships, and it is exercised at every level — the first-line supervisor leading a shift is performing the same function as the chief executive leading a whole company through change.

Four interrelated activities make up the leading function. First, motivation: understanding what moves people — pay, security, recognition, achievement, growth — and designing conditions, rewards and jobs that release their energy towards organisational objectives; the theories of motivation in Unit 7 are the manager's toolkit here. Second, leadership in the narrow sense: the personal influence by which a manager gains voluntary compliance and commitment rather than bare obedience — setting direction, giving an example, and creating confidence that the goal is worth reaching and can be reached. Third, communication: the two-way exchange of information and meaning, without which instructions are misunderstood, coordination fails and rumours fill the vacuum. Fourth, managing groups and teams: individuals at work behave as members of groups with their own norms and dynamics, so effective leading works with group processes — building cohesive teams, resolving conflict constructively and using group strengths rather than fighting them. Leading is therefore distinct from mere order-giving: a command may secure compliance while the superior watches, but leading secures committed performance that continues in his absence, and it is measured not by the orders issued but by the willing, sustained effort and results of the people led.

Qualities of an Ideal Leader

Early leadership research — the trait approach — searched for the personal qualities that distinguish leaders from non-leaders, and although later research showed that no single list

guarantees success in every situation, a consistent core of qualities associated with effective, 'ideal' leadership has emerged. They can be grouped as follows.

Intellectual and Professional Qualities

- Vision and judgement: The ideal leader sees further than the immediate task — he can picture a desirable future, set clear goals and choose sensible priorities among competing possibilities, exercising sound judgement under uncertainty.
- Competence and knowledge: A leader must know the work he leads — its techniques, standards and problems — well enough to take correct decisions and to earn professional respect; followers quickly detect and discount incompetence.
- Decision-making ability: Leaders must decide, often with incomplete information and under time pressure, and then accept responsibility for the decision instead of shifting blame downward.
- Initiative and drive: Energy, ambition and persistence — the willingness to start things, overcome obstacles and keep a group moving when difficulties discourage it.
- Communication ability: The capacity to explain goals and instructions clearly, to listen genuinely, and to persuade and inspire through words — including the emotional intelligence to read and respond to people's feelings.

Personal Qualities

- Integrity and honesty: The single most consistently demanded quality. A leader whose word is trusted can ask sacrifices of followers; a dishonest leader's instructions are always discounted, and his example corrupts the unit.

- Self-confidence and emotional stability: Calmness under pressure, freedom from moodiness and panic, and confidence that is strong enough to decide yet free of arrogance, so that the group feels secure in a crisis.
- Courage and responsibility: Moral and physical courage to take unpopular but right decisions, admit mistakes, and stand by subordinates when they have acted in good faith.
- Fairness and impartiality: Equal treatment in rewards, discipline and opportunity; favouritism destroys trust faster than almost any other failing.
- Empathy and consideration: Understanding subordinates as persons — their difficulties, aspirations and limitations — and showing genuine concern for their welfare, without surrendering necessary firmness.
- Self-discipline and exemplary conduct: The leader is watched constantly; punctuality, hard work and observance of the rules he enforces give his leadership moral authority that no formal power can replace.

Social and Organisational Qualities

- Ability to build teams and develop people: The ideal leader creates cooperation out of diverse individuals, delegates authority meaningfully, coaches subordinates and prepares successors — multiplying leadership instead of hoarding it.
- Adaptability: Different situations and different followers require different approaches — direction for the inexperienced, participation for the expert — and the ideal leader adjusts his style rather than forcing one manner on all.

- Sense of responsibility to the whole organisation and society: Balanced loyalty — to his own unit, but also to the organisation's overall goals, its customers and its ethical and social obligations.
- Humility and willingness to learn: Recognition that leadership is a continuing development, openness to criticism and new ideas, and readiness to share credit for success.

Two cautions complete the picture. First, the trait view alone is incomplete: later behavioural and contingency research (including the Fiedler model and path-goal theory in this course) shows that effectiveness depends also on behaviour and situation — a leader successful in a stable production unit may fail in a crisis or a creative team if he cannot adapt. The ideal leader is therefore better described as a person who possesses the core qualities above and has learned to deploy them appropriately. Second, most of these qualities can be developed: knowledge, communication skill, decision technique and self-management are learnable, and empathy and integrity are strengthened by practice and reflection — which is precisely why leadership is a proper subject of a management course rather than a mystery of birth.

Conclusion

Leading is the function through which managers motivate, communicate with, influence and guide people and groups so that organisational goals are achieved willingly and effectively. The ideal leader combines intellectual and professional strength — vision, competence, judgement, decisiveness and communication — with personal integrity, fairness, courage, empathy and self-discipline, and with the social abilities of team-building, delegation and adaptability. No real leader possesses all qualities in perfection, but the list serves the student of management

as both a standard for judging leadership and a programme for self-development: leading, ultimately, is not a position one holds but a quality of conduct that others choose to follow.

Question 3: Leader and Leadership — Why a Manager Should Be a Leader (20 Marks)

Define leader and leadership. Explain why a manager should be a leader.

Introduction

Every manager holds a position, but not every manager is followed. Organisations are full of post-holders whose instructions are obeyed only because the rules require it, and alongside them, persons — sometimes without any lofty title — whose word moves people. The difference between the two is leadership. This answer first defines the terms leader and leadership, distinguishing leadership from management and from mere headship or power, and then explains, with detailed reasons, why a manager should also be a leader: because formal authority alone secures only minimum compliance, whereas leadership secures commitment, motivation, cooperation and adaptability — the very things on which organisational performance, especially in changing conditions, actually depends. A concluding comparison of managers and leaders summarises the argument.

Definitions: Leader and Leadership

A leader is a person who influences a group of people towards the achievement of a goal. In an organisation, a leader is someone whose guidance others voluntarily accept and follow — a

supervisor whose team trusts his judgement, a senior manager whose vision colleagues commit to, or equally an experienced worker without formal rank to whom others turn for direction, which shows that leaders can emerge informally as well as be appointed formally. Leadership is the process or ability involved: the ability to influence a group towards the achievement of goals, or, more fully, the process of influencing the activities of an individual or group in its efforts towards goal achievement in a given situation. Three elements in these definitions deserve emphasis. First, leadership is influence, not coercion: it works through willingness. A person who obtains results only by threats exercises power, but the moment the threat is removed the behaviour stops; leadership, by contrast, changes what followers themselves want to do. Second, leadership is goal-directed: influence exercised without reference to group purposes is mere popularity or manipulation. Third, leadership is relational and situational: it exists between a leader, followers and a situation, so the same person may lead effectively in one context and not in another, and leadership cannot be understood by studying the leader alone.

Leadership should also be distinguished from management, though the two overlap and in practice must coexist in the same person. Management is a formal organisational process — planning, organising, leading and controlling the work of others to achieve goals efficiently — exercised through the authority of a position. Leadership is one part of that process, concerned specifically with influence, direction and change. As the comparison later in this answer shows, management tends to emphasise order, consistency and the correct administration of systems, while leadership emphasises vision, motivation and movement towards new goals. An organisation that is over-managed and under-led becomes a well-run machine going efficiently

in yesterday's direction; one that is over-led and under-managed has inspiring visions that collapse in disorder. The question therefore asks something precise: why must the holder of a managerial post add to it the quite different capacity of leadership?

Why a Manager Should Be a Leader

1. Formal Authority Secures Only Minimum Compliance

A manager's appointment gives him legitimate power: the right to assign work, appraise performance and recommend rewards or sanctions. But authority of position buys only compliance — the minimum performance needed to avoid trouble. Employees who merely comply withhold their discretionary effort: the ideas, care, initiative and extra energy that distinguish excellent performance from adequate performance, and which no rulebook can specify or compel. Subordinates also find ways to resist authority they do not respect — delay, literal obedience that defeats the purpose of an order, absenteeism, quiet non-cooperation. Leadership is what converts compliance into commitment: people follow a leader's direction because they believe in it and in him, and they therefore contribute the discretionary effort on which quality, service and innovation depend.

2. Work Is Done Through People Whose Cooperation Must Be Won

The manager achieves results not personally but through subordinates, peers and even superiors — many of whom he cannot command at all. Horizontally, he needs the cooperation of other departments over which he has no authority; upward, he must persuade his own boss; downward, he deals with educated, mobile modern employees who expect to be consulted and

who can leave if they are merely ordered about. In all these directions, the instrument available is influence — leadership — not command. A manager who is only an administrator gets his own paperwork right and his organisation wrong.

3. Leadership Motivates Where Systems Cannot

Motivation theory (Unit 7) shows that human effort responds to recognition, achievement, fairness, meaningful goals and belonging as much as to pay and rules. It is the leader, not the system, who supplies these daily: praising good work, setting challenging but attainable goals, treating people fairly, removing obstacles and showing that the work matters. A manager without leadership qualities can operate a payment system but cannot inspire; his unit performs to the level of its incentives but never above them, and sinks whenever incentives misfire.

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4. Organisations Need Direction and Change, Not Only Administration

Markets, technology and competition change constantly. Systems and plans, however well managed, embody yesterday's assumptions; someone must question them, set new directions and carry people through the discomfort of change. That is the leader's work — vision, communication of the vision, and the building of coalitions that support it. A manager who cannot lead will administer decline efficiently: budgets balanced, procedures followed, and the organisation steadily overtaken by competitors whose managers led them somewhere new.

5. Informal Groups Follow Leaders, Not Charts

Every workplace contains informal groups with their own leaders and norms, which can support or sabotage formal purposes. If the appointed manager is not accepted as a leader, the group's informal leader becomes the real centre of influence, and management loses control of the human side of the workplace. By being a leader himself — respected, trusted and in touch — the manager aligns informal influence with organisational goals instead of competing with it.

6. Crises and Uncertainty Demand Leadership

Procedures cover predictable situations; crises — a lost customer, a breakdown, a financial shock, a scandal — are by definition unscripted. In such moments people look for a person, not a manual: someone calm, decisive and honest who will tell them what is happening and what to do. The manager who has built leadership credit before the crisis can mobilise his people through it; the mere administrator discovers that his authority, unsupported by trust, is a very thin resource exactly when he needs it most.

7. Leadership Builds Trust, Culture and the Manager's Own Effectiveness

Finally, leadership creates the climate in which all other management functions work better. Planning improves because subordinates give honest information to a leader they trust; controlling improves because people accept correction from a fair leader and even control themselves; delegation becomes possible because a leader develops subordinates instead of fearing them. Leadership also affects the manager's own career: organisations promote those whose units perform and whose people grow, and both outcomes trace back to leadership. For all these reasons, management courses — including this one, whose Unit 8 contrasts managers

and leaders and studies trait, behavioural and contingency theories — treat leadership not as an optional ornament but as a core managerial competence.

Table 1: Contrasting emphases of managing and leading — the effective manager needs both

Manager (emphasis)	Leader (emphasis)
Administers; maintains systems and structure	Innovates; develops people and new directions
Relies on control and formal authority	Inspires trust and voluntary commitment
Focuses on the short term and 'how and when'	Focuses on the longer term and 'what and why'
Asks for compliance with plans	Creates vision and aligns people with it
Accepts the status quo and manages within it	Challenges the status quo and leads change

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Conclusion

A leader is a person who influences others towards goals; leadership is that process of influence — voluntary, goal-directed and situational. A manager should be a leader because his formal authority purchases only minimum compliance, while his real work — winning cooperation across and beyond his chain of command, motivating discretionary effort, guiding change, aligning informal groups, handling crises and building the trust that makes planning and control effective — can be done only through leadership. Management without leadership is administration of a slowly weakening machine; management joined with leadership is what the subject of this course, and every successful organisation, actually requires.

Question 4: Motivation — Equity Theory and Goal-Setting Theory (20 Marks)

What is Motivation? Explain equity theory and goal-setting theory in detail.

Introduction

Why do two employees with the same pay, the same job and the same supervisor differ so greatly in energy and output? The answer lies in motivation — the internal and external forces that determine the direction, intensity and persistence of a person's effort at work. This answer first defines motivation and explains why it matters to managers, then explains in detail two of the most influential contemporary theories covered in Unit 7: J. Stacy Adams's equity theory, which holds that people are motivated by fairness in the exchange between their contributions and their rewards, compared with others; and Edwin Locke's goal-setting theory, which holds that specific, difficult but accepted goals, supported by feedback, produce higher performance than easy or vague goals. Each theory is presented with its mechanism, evidence, managerial implications and limitations, and a short comparison brings out how the two complement each other.

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What Is Motivation?

Motivation is the process that accounts for an individual's intensity, direction and persistence of effort towards attaining a goal. Intensity describes how hard a person tries; direction describes whether that effort is channelled towards goals that benefit the organisation (hard work on the wrong task is intense but useless); persistence describes how long the effort is maintained in the face of difficulty. Behind motivated behaviour lie needs — internal states of deficiency, such as needs for achievement, recognition, security or growth — which create tension and drive action until they are satisfied. Motivation is therefore not directly observable; managers infer it from behaviour, and they cannot inject it into employees like fuel. What

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managers can do — and what motivation theories guide them in doing — is to design the conditions of work: goals, rewards, fairness, job content and feedback, under which people's own motivation is released and directed. This is why motivation sits at the centre of the leading function and why Unit 7 moves from the early content theories (Maslow's hierarchy of needs, McGregor's Theory X and Y, Herzberg's motivation-hygiene theory) to the contemporary process theories, two of which follow.

Equity Theory (J. Stacy Adams)

The Core Idea: Fairness Through Social Comparison

Equity theory, developed by J. Stacy Adams in the 1960s, proposes that employees are motivated not simply by the absolute amount of reward they receive, but by its fairness relative to the rewards of others. Each employee mentally forms a ratio of his outcomes to his inputs, and compares it with the corresponding ratio of a relevant other person — a colleague doing similar work, a friend in another organisation, or even himself in a previous job. Inputs are everything the employee perceives himself as bringing to the job: effort, hours, education, experience, skill, loyalty and seniority. Outcomes are everything he receives in return: pay, increments, promotion, recognition, status, interesting work, job security and benefits. Equity exists when the employee's outcome/input ratio is perceived as equal to the comparison other's ratio; he then feels fairly treated and is motivated to maintain his effort and behaviour.

Inequity and Its Consequences

Inequity exists when the ratios are perceived as unequal, and it creates tension — anger in the under-rewarded, guilt (weaker and shorter-lived) in the over-rewarded — which the employee is motivated to remove. Research summarised in this course identifies the predictable ways employees restore equity: (1) they change their inputs – the underpaid worker reduces effort, care or hours; (2) they change their outcomes – demanding a raise, or, in the extreme, resorting to pilferage or moonlighting to 'balance the books'; (3) they distort their perceptions — convincing themselves the other person's job is actually harder, or their own rewards better than they appear; (4) they distort perceptions of the other — deciding the favoured colleague is not really so fortunate or so deserving; (5) they choose a different comparison person — comparing with someone worse off, which restores contentment; or (6) they leave the field — transferring, absenting themselves, or resigning altogether. The most robust findings concern under-reward: employees paid less than their comparison others reduce quantity or quality of work — for example, hourly-paid workers who feel under-rewarded produce less, and piece-rate workers who feel under-rewarded produce more units of lower quality, since quantity raises their pay while quality loss restores their sense of balance at the employer's expense. Over-reward produces temporary increases in effort or quality, but people quickly re-perceive their own inputs as greater and the effect fades.

Managerial Implications and Limitations

For managers, equity theory delivers a clear message: reward systems must be not only adequate but visibly fair. Pay secrecy often backfires because employees overestimate others'

rewards and assume inequity; differentials between jobs must rest on defensible differences in input (skill, responsibility, performance) and must be explained; promotion and increment decisions require transparent criteria and, where possible, employee voice, because perceived procedural fairness strongly affects whether an outcome is accepted as equitable. Managers must also remember that the theory deals in perceptions: an arrangement can be objectively fair and still demotivate if employees perceive it otherwise, so communication about how rewards are determined is itself a motivational tool. The theory's limitations are that it is complex to apply (employees choose their own comparison persons, whom the manager may not know), that perceptions of inputs and outcomes differ between individuals and cultures — what counts as a valued outcome, and whether individual or group comparison dominates, varies — and that it predicts reactions to inequity better than it prescribes exact reward levels. Even so, its central insight, that fairness motivates and unfairness demotivates even well-paid staff, is one of the best-supported in organisational behaviour.

Goal-Setting Theory (Edwin Locke)

The Core Idea: Specific, Difficult Goals Direct and Energise Effort

Goal-setting theory, developed by Edwin Locke from the late 1960s and extended with Gary Latham, proposes that working towards a goal is itself a major source of motivation, and that the properties of the goal determine performance. Its central, heavily researched finding is that specific and difficult goals, when they are accepted, lead to higher performance than easy goals, no goals, or the vague instruction to 'do your best'. A specific goal — 'increase territory sales by 8 per cent by 30 June', or 'reduce rejection rate from 4 per cent to 2 per cent this

quarter' — removes ambiguity about what is required, focuses attention (direction), mobilises greater effort than a comfortable target would (intensity), encourages persistence over time, and prompts the search for better strategies and methods for reaching it. A difficult goal outperforms an easy one because people calibrate effort to the target; but the goal must remain attainable — when a target is perceived as impossible, effort collapses — and the employee must accept and be committed to it, which is why goals imposed without explanation often fail where identical goals agreed jointly succeed.

Conditions and Supporting Elements

- Goal acceptance and commitment: The employee must accept the goal as his own. Participation in setting goals, a supervisor's expressed confidence, and the goal's perceived fairness and importance all raise commitment; public commitment strengthens it further.
- Feedback: Goals work best with feedback showing progress towards the target. Feedback allows correction — the employee learns whether to work harder, or differently — and achievement of sub-goals provides the satisfaction that sustains effort. Goal-setting plus feedback outperforms either alone.
- Self-efficacy: People's belief in their capability to reach the goal (Bandura's self-efficacy) strongly affects response — those with high self-efficacy set higher personal goals and persist longer; managers build it through training, encouragement, small early successes and good role models.
- Task characteristics and situation: Goal effects are strongest on straightforward, well-learned tasks; on complex, novel tasks, specific learning goals ('discover three new

methods') may work better than specific performance goals. National culture also matters: goal-setting assumes employees can respond to challenging individual targets, so it transfers most readily where power distance is moderate and goals can be negotiated.

Management by Objectives (MBO), studied under planning in Unit 5, is goal-setting theory applied organisation-wide: overall objectives are translated, level by level, into specific targets set jointly by each manager and his subordinates, with periodic review and feedback and rewards linked to attainment. Its successes and failures in practice confirm the theory — MBO works where top management is committed, goals are genuinely joint and reviews are honest, and degenerates into a paper exercise where goals are imposed or reviews are punitive.

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Evidence, Implications and Limitations

Goal-setting is among the most strongly validated theories in management: hundreds of studies across tasks, countries and occupations show specific hard goals raising performance, commonly by margins of the order of ten to twenty-five per cent over vague exhortation. Managerially, the instructions are concrete: set few, clear, measurable, challenging goals; agree them with the employee; provide resources and remove obstacles; give frequent, specific feedback on progress; and link recognition and rewards to goal attainment — while watching for the theory's known risks. Goals can narrow attention so that unmeasured aspects of the job (quality, cooperation, safety, ethics) are neglected — the production target met by cutting corners is the classic case — so managers must set balanced goal sets and guard standards. Goals set too aggressively under pressure can also provoke gaming or dishonest reporting, and

individual goals can damage teamwork where work is interdependent, in which case team goals should be added.

Comparison and Integration

Table 1: Equity theory and goal-setting theory compared

Aspect	Equity theory	Goal-setting theory
Central question	Is my exchange with the organisation fair compared with others?	What exactly am I trying to achieve, and how hard should I try?
Mechanism	Comparison of outcome/input ratios; tension from inequity drives behaviour	Specific, difficult, accepted goals direct attention, effort, persistence and strategy
Manager's main task	Design and explain visibly fair rewards and procedures	Set clear challenging goals jointly; give feedback; build self-efficacy
Typical failure if ignored	Perceived unfairness: reduced effort, disputes, turnover	Vague effort, low targets, 'do your best' producing mediocre results

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The two theories are complementary rather than rival. Goal-setting explains the forward-looking pull of a target; equity theory explains the social judgement employees pass on the rewards attached to reaching it. A challenging goal attached to rewards perceived as unfair will be rejected or gamed, while perfectly fair rewards without clear goals produce contentment without direction. The effective manager therefore uses both: fair, transparent reward arrangements and specific, accepted, feedback-supported goals — the combination institutionalised in well-run MBO and performance-management systems.

Conclusion

Motivation is the intensity, direction and persistence of effort towards a goal, arising from unsatisfied needs and profoundly influenced by the conditions managers create. Equity theory shows that employees compare their outcome/input ratio with others' and react predictably to perceived unfairness — by adjusting effort, quality, perceptions or their presence — so fairness in rewards and procedures is a motivational necessity. Goal-setting theory shows that specific, difficult but accepted goals, supported by feedback and self-efficacy, reliably outperform easy or vague goals, providing managers with one of their most practical motivational tools. Together they teach the course's central lesson on motivation: people work hardest when they know exactly what is expected, believe they can achieve it, and trust that success will be treated fairly.

Question 5: Controlling — Meaning and the Control Process (20 Marks)

What do you understand by the term 'controlling'? Explain the control process.

Introduction

Planning begins the manager's work, but it does not finish it. Between the plan and the result stand human fallibility, machine breakdowns, market changes and simple drift — and without a mechanism to detect and correct deviation, even the finest plan degrades into a hope. That mechanism is controlling, the fourth function of management and the subject of Unit 9 of this course. This answer first explains what controlling means — its definition, its relationship with

planning, its importance and the qualities of an effective control system — and then explains the control process step by step: establishing standards, measuring actual performance, comparing performance with standards, and taking corrective action. The three timings of control — feedforward, concurrent and feedback — are also described, with examples throughout from business practice.

What Is Controlling?

Controlling is the management function of monitoring activities to ensure that they are accomplished as planned and correcting any significant deviations. In the words of the definition used in this course, it is the process of monitoring, comparing and correcting work performance. A fuller statement adds its purpose: controlling ensures that the actions of organisational members in fact move the organisation towards its stated goals, and it protects the organisation and its assets — money, stock, equipment, reputation — from loss, waste and misuse. Three features of the definition should be noted. First, controlling is based on standards derived from planning: the goals and targets set in planning become the benchmarks of control, which is why the two functions are called the twins of management — planning without control is meaningless, and control without a plan has nothing to compare performance against. Second, controlling is a continuous, forward-looking process exercised at all levels, not an end-of-year inspection; the supervisor checking today's output, the manager reviewing monthly sales and the board examining annual results are all controlling. Third, controlling is not synonymous with coercion or suspicion: in a well-designed system most control is exercised positively — through clear standards, timely information and self-control by trained employees

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— and its aim is improvement of performance, not punishment of persons, although accountability and, where necessary, discipline form part of it.

The importance of controlling follows from these features. It is the only function that tells managers whether goals are actually being met and whether the efforts of organising and leading are working; it helps managers cope with uncertainty and change by revealing deviations early, when correction is cheap; it detects irregularities and protects assets against theft, fraud and error; it improves quality by catching defects before they multiply or reach customers; it supports delegation, because a manager who has a reliable control system can safely grant subordinates wider authority; it facilitates coordination by showing each unit how its performance affects others; and it provides the feedback from which better future plans are made, thereby closing the management cycle and starting it again at a higher level of realism.

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The Control Process

Whatever is being controlled — production, sales, finance, quality or behaviour — the process consists of the same logical steps: (1) establishing standards, (2) measuring actual performance, (3) comparing actual performance with the standards, and (4) taking corrective action. Figure 1 shows the sequence; each step is explained below.

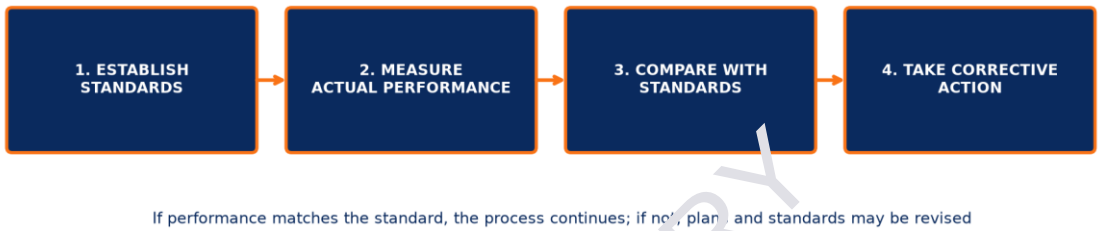

Figure 1: The four steps of the control process.

Step 1: Establishing Standards

A standard is a criterion against which performance can be measured — in practice, a goal or target established during planning. Standards may be quantitative and physical (units produced per day, defects per thousand), monetary (budgeted cost, revenue, profit), qualitative (service courtesy assessed through customer surveys, brand reputation) or time-based (deadlines, delivery periods). Good standards are clear, measurable, attainable yet challenging, and linked to the persons responsible for meeting them. This step also decides the strategic control points: a manager cannot measure everything, so he selects the points at which checking gives the greatest protection for the least cost — for example, inspection of raw material on arrival rather than of every finished item, or daily cash reconciliation in a retail business — and decides in advance what range of variation will be treated as acceptable (the tolerance), so that attention is reserved for significant deviations rather than trivial ones.

Step 2: Measuring Actual Performance

The second step obtains a reliable picture of what is actually happening. Measurement answers two questions — how often to measure (hourly, daily, weekly, monthly, according to the activity and the cost of delay) and in what form (reports, charts, dashboards). The main sources of measurement are personal observation, statistical reports, oral reports and written reports, each with characteristic strengths: observation gives first-hand, unfiltered knowledge but is time-consuming and can disturb work; statistical reports and computer dashboards cover wide ground objectively but only what has been counted, and figures can be late or gamed; oral reports allow questions and clarification; written reports create a permanent record. Effective managers combine sources — walking the floor as well as reading the figures — and attend to the integrity of measurement itself, since controls are worthless if the data entering them are inaccurate, delayed or distorted by those being measured.

Step 3: Comparing Actual Performance with Standards

Comparison determines whether the difference between actual and standard performance lies within the acceptable range or is a significant deviation requiring attention — the essence of management by exception, which reserves managerial intervention for significant matters. Deviations may be favourable or unfavourable, and both deserve attention: an unfavourable deviation (sales 12 per cent below target, costs above budget) signals a problem to be diagnosed, while a favourable deviation (output far above standard) may reveal an understated standard, an unrecorded quality sacrifice, or a genuine improvement whose method should be learned and spread. Comparison is most useful when it is prompt and when it locates

responsibility — breaking results down by unit, product, territory or person — so that the following step can be aimed precisely.

Step 4: Taking Corrective Action

The final step is action, and without it the previous steps are mere observation. The manager first diagnoses the cause of a significant deviation, distinguishing symptoms from causes: a sales shortfall may arise from an unrealistic standard, inadequate training, a competitor's campaign, poor product availability or the salesperson's effort — and each cause demands a different remedy. Corrective action then takes one of three broad forms: (a) correct the actual performance — retrain, repair, reallocate resources, change methods, discipline or replace staff, or intensify supervision until performance returns to standard; (b) revise the standard — where investigation shows the standard itself was unrealistic (too high or too low) because conditions have genuinely changed, the honest action is to reset it, rather than demoralise people against an impossible target or let a slack one conceal waste; or (c) where performance matches the standard, continue and reinforce — recognising good performance so that it persists. Corrective action must be timely (a deviation corrected next quarter may have compounded beyond repair), proportionate, and followed up: the manager checks afterwards whether the correction actually worked, which returns the process to measurement — the control loop is continuous, not a one-time sequence.

Types of Control by Timing

Controls are also classified by when they operate relative to the work itself. Feedforward (preliminary) control acts before the activity begins and aims to prevent problems: careful

selection and training of employees, inspection of incoming materials, preventive maintenance and realistic budgets are feedforward controls, and they are the most desirable because they stop deviations occurring at all. Concurrent control acts while the work is in progress — direct supervision, machine alarms, real-time production dashboards — allowing correction before the work is finished; the supervisor walking the line exemplifies it. Feedback control acts after the activity is complete — final inspection, monthly accounts, customer complaints analysis, annual appraisal — and, although it arrives too late to save the completed work, it is the most common form and supplies the learning on which future feedforward controls and better plans are built. A sound control system layers all three, weighted towards prevention.

Qualities of an Effective Control System

Experience and research indicate that control systems work when they are accurate (unreliable data destroy trust in the system), timely (late information prevents useful correction), economical (the cost of control must not exceed its benefit — inspecting every paperclip costs more than paperclips), flexible (able to accommodate changed plans and unexpected circumstances), understandable (people comply with criteria they comprehend), based on reasonable criteria (standards perceived as impossible produce cheating or despair), focused on strategic points, exception-oriented, multiple in criteria (single measures are gamed — output without quality, sales without profit), and action-oriented (a system that reports deviations nobody corrects teaches the organisation to ignore it). These qualities explain why controlling, properly understood, is a positive, information-based service to performance rather than a machinery of blame.

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Conclusion

Controlling means monitoring, comparing and correcting work performance so that activities are accomplished as planned and organisational assets are protected. Its process — establishing standards from plans, measuring actual performance through observation and reports, comparing results against standards with attention to significant deviations, and taking corrective action on performance or, where justified, on the standards themselves — operates continuously at every level and in feedforward, concurrent and feedback forms. Far from being the opposite of trust, an accurate, timely, economical and fair control system is what makes planning real, delegation safe and improvement systematic: it is the function that closes the management cycle and turns experience into better performance.

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