CHAPTER II
# CHAPTER II

## REVIEW OF LITERATURE

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2.0 INTRODUCTION

Baporikar N. (2010) has discussed about the need for focus on a chosen topic for PhD pursuing students, so as to do research systematically for obtaining highest educational degree. This research study focuses on developing managerial quotient for middle level management in client servicing for general insurance industry with reference to Pune region. There is no managerial quotient concept in insurance industry. As per literature review, it is learnt that initially Infosys mapped managerial quotient in the year 2003. The details are as under: “Leaders need to be dynamic followers” in a bid to enforce this concept in people management Infosys Technologies Ltd. embarked on three leadership programmes.

The first step of programme was mapping the managerial quotient (mmq).

MMQ is a technique that is aimed at measuring the extent to which leaders have successfully internalized the managerial capabilities within themselves. Leaders are chosen from across the organizational spectrum. Then these leaders are classified as strategic, operational and business leaders. The management of Infosys selected some high potential professionals from Organization. Professionals are considered as leaders not merely because they could internalize the leadership competencies but
more importantly because they were able to have an excellent power to influence in any of the core fundamentals of business dynamics - that being strategy, operation and overall business efficiency. Finally the conclusion was that a leader need not be divorced from manager.

2.1 Developing means making larger or more advanced than prevailing system. Each and every general insurance company is having own system for appraising middle level management. Each company is rating middle level management differently. The study focuses on making larger or more advanced technique than prevailing system in each general insurance company. For making larger and advanced model 16 managerial skills are considered.

2.2 Managerial quotient (mq) – It is quantitative managerial assessment tool which can be used to relatively assess the managerial skills and grading the evaluation against set standards. The structure of managerial quotient tool - it can be indicated by the following:

Key performance indicators (KPIs) i.e. managerial skills and testing of these key performance indicators i.e. various managerial skills with four dimensions of client servicing i.e. Procurement of business, prudent
underwriting, and settlement of claims and redressal of grievances has to be done. This study used measuring scales to facilitate the quantitative aspect and to arrive at conclusions. Under the study various 16 managerial skills are considered.

2.2.1 Communication

The term communication has been defined by different authors in different ways. Some of the relevant and important definitions are listed below:

- Charles E Redfield (1954) expressed that, communication is the broad field of human interchange of facts and opinions and has nothing to do with technologies of telephone, telegraphs, radio and the like.

- Cumming also elaborated that, the word communication describes the process of conveying messages (facts, ideas, attitudes and opinions) from one person to another so that they are understood.

- Koontz and O’Donnell (1972) discussed that for an analysis of managerial functions, communication is an intercourse by words, letters, symbols or messages and is a way that one organization member shares meaning and understanding with another.

- Newman W H and Summer C.E. Jr (1965) also talked about the Process of Management and stated that communication is an exchange of facts ideas opinion or emotions by two or more persons.
Louis A Allen (1958) defined communication as the sum of all the things one person does when he wants to create understanding in the mind of another. It involves a systematic and continuous process of telling, listening and understanding.

Thus, on considering various definitions, the term communication may be defined as the transfer of information and understanding from one person to another.

2.2.1.1 Important features of communication:

Pardeshi P.C. (1999) has discussed the role of communication in human resources management. Accordingly; the important features of communication are as under:

- Necessity of receiver and sender: for communication at least two persons are required.
- Media of communication: There are numerous media of communication.
- The process of communication is a continuous process.
- Facts and feelings: communication deals with the transmission of facts and feelings.
- Understandable information: communication need not draw out confidence but understandable information should be exchanged.
However, understanding does not mean that the receiver must agree to the information. Even though there is disagreement, if the information is understood communication can take place. A management depends on communication to achieve organization objectives since manager’s work through others, all their acts, policies, rules, orders and procedures must pass through some sort of communication channel.

2.2.1.2 The purpose of communication is:

- To develop information and understanding
- To discourage the spread of misinformation, rumors, gossip
- To encourage ideas, suggestions from subordinates for an improvement of organization
- To prepare staff for a change by giving them the necessary information in advance
- To make improvement in relations between staff and management

2.2.1.3 Functions of communications:

Thayer Lee (1968) has divided the functions of communication into four specific categories in Communication and Communication System. They are:
1. Information function: provide knowledge to the individual’s need for guidance in their actions. It also fulfills staff’s desires for awareness of things that affect them.

2. The command and instructive function: to make the employee aware of his obligations to the organization and to provide him with additional guidance on how to perform his duties adequately.

3. The influence and persuasion function: it is also known as motivational function. It encourages the appropriate individual to perform or to exhibit a certain behavior. Messages communicated are used to convince individuals that their actions can be personally or organizationally beneficial.

4. Integrative function: communication of messages/ideas, if properly handled, should help to relate the activities of the staffs to their efforts complement rather than detract from each other. Work efforts are unified rather than fragmented as a result of properly integrative communication.

2.2.1.4 Importance of effective communication in organization:

An effective communication is one in which the receiver understands the sender’s message and is capable of conveying it to other people. Effective communication is one in which the conversation made by the sender and the receiver is interactive.
One has to know the intention of the sender. Communication skills include speaking and listening skills. It is:

- Essential ingredient in management- staff relations: It may cement or lubricant of industry. In the words of Charles Redfield It is the mechanism through which human relations have developed.

- Tool of supervision: According to E. F.L. Brech (1972), communication is a tool of supervision which is in constant use and must always be in good condition. It is perhaps true that what makes leaders inspiring and outstanding, in addition to that vital spark of enthusiasm and an unshakable faith, is the ability to convey ideas and information clearly and vividly and communicate to other”.

- Tool of information: Peter Drucker (1970), in the Practice of Management states “the manager has specific tool - information. He does not handle people, he motivates guides organizes people to do their own work. His only tool to do all this is the spoken or written word or the language of numbers. No matter whether the manager’s job is listen and to read, on his ability to speak and do write. He needs skills in getting his thinking across to other people as well as skills in finding out what other people are after.”
• Tool of co-ordination: They are necessary upward, downward and sideways through all the levels of authority and advice for transmission, interpretation and adoption of policies, for the sharing of knowledge and information and for the subtle needs of good morale and mutual understanding.

Development of correct information and understanding of correct meaning to be conveyed are the important things for effective communication in respect of group. Correct information discourages the spread of misinformation, rumors, gossip and releases the emotional tension of staff. Encouraging ideas, suggestions etc. from subordinates for an improvement in the product and work conditions, for a reduction in time or cost involved and avoidance of the wastage.

• Free exchange of ideas and information: it ensures free exchange of information and ideas as will assist all the employees in understanding and accepting the reasonableness of the status and authority of everyone in the organization change, development and expansion are basic to success in business.

• Maintaining good human relations: effective communication maintains good human relation. Good human relations can be maintained by
encouraging suggestions and implementing these suggestions whenever feasible which will give maximum production at the lowest expenditure.

In the words of Robert D Berth “It is impossible to have human relations without communication and vice versa.”

- Tool for motivation and morale: It increases the morale of the employees largely depend upon the effectiveness of communication. Supervision and leadership are impossible without communication. Many conflicts arising out of a misunderstanding of motives and points of view can be resolved to a great extent by a good communication skill on the part of management.

2.2.1.5 Basic principles of effective communication:

Clarity about the purpose of communication: Before beginning the process or communication one should be clear about the purpose for which one want to communicate. If one is clear about the objectives, it would be easier for one to shift out all irrelevant material and the message one communicates will be precise, intelligible and effective.

Systematic arrangement of the message: the message to be conveyed must be organized on a systematic manner. Proper attention should be given towards neatness, type spacing, paragraphs, style and layout of the letter, Monotony should be avoided.
Message should be suitable to the needs of the receiver: the message should be encoded in language, pictures or symbols which can be easily understood, the background of the recipient should be taken into consideration.

Selection of proper media: different medias are available to communicate e.g. personally, send a messenger, write a letter, send a telegram or telephone, fax, email etc. All the Medias are not equally effective in all situations. The media should be selected according to which type of message and to whom it should be sent.

Selection of appropriate/proper time: many messages fail to achieve desirable result because they do not reach their distinction at an appropriate time. If your superior is in a meeting, do not enter his room with a LEAVE APPLICATION. If the delegates at a conference are more interested in sipping their coffee and eating snacks, do not stand up to raise any important issues. It is true that time cannot always be within your control. You cannot instruct the postman to observe the receivers’ mood while dropping your letter nor can the telephone bell show any difference to the mood of a person.
Feedback and prompt action on receiving response: feedback is good for effective communication for it helps to ascertain whether the message has been properly understood. If the feedback indicates any misunderstanding one should take immediate steps to remove it. The clarification of original message should be done quickly.

2.2.1.6 Role or importance of communication in management:
"communication is the flow of accurate information which people want, need and are entitled to have for successful completion of the job", Dr. Saxsena. Success of all managerial functions largely depends upon effective communication. The ability to communicate effectively has become one of the major skills of a successful manager. Both superiors and subordinates must understand the information if there is to be proper implementation and compliance with the communication. Importance of communication is also indicated by the fact that nearly 90% of the manager’s time is consumed in communication. The necessity for effective communication is management has been widely recognized in recent years.

2.2.2 Resolving conflicts
Jeanne Segal and Melinda Smith (2013) www.helpguide.org,discussed in their article that, resolving Conflict is a normal part of healthy relationships
and after all, two people can’t be expected to agree on everything at all times. Learning how to deal with conflict – rather than avoiding it – is crucial. When conflict is mismanaged, it harms the relationship, but when handled in a respectful, positive way, conflict provides an opportunity for growth. These skills make personal and professional relationships strong and growing. Conflict arises from differences. It occurs whenever people disagree over their values, motivations, perceptions, ideas, or desires. Sometimes these differences look unimportant, but when a conflict triggers strong feelings, a deep personal need is at the core of the problem, such as a need to feel safe and secure, a need to feel respected and valued, or a need for greater closeness and intimacy.

Everyone needs to feel understood, nurtured, and supported, but the ways in which these needs are met vary widely. Differing needs for feeling comfortable and safe create some of the most severe challenges in our personal and professional relationships. Think about the conflicting need for safety and continuity versus the need to explore and take risks. You frequently see this conflict between toddlers and their parents. The child’s need is to explore, so the street or the cliff meets a need. But the parents’ need is to protect the child’s safety, so limiting exploration becomes a bone of contention between them.
It is important to acknowledge that both parties’ needs play important roles in the long-term success of most relationships, and each deserves respect and consideration. In personal relationships, a lack of understanding about differing needs can result in distance, arguments, and break-ups. In workplace conflicts, differing needs are often at the heart of bitter disputes. When you can recognize the legitimacy of conflicting needs and become willing to examine them in an environment of compassionate understanding, it opens pathways to creative problem solving, team building, and improved relationships.

(Table 6)

2.2.2.1 Responses to conflict

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<td>An inability to recognize and respond to the things that matter to the other person.</td>
<td>The capacity to recognize and respond to the things that matter to the other person</td>
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<td>Explosive, angry, hurtful, and resentful reactions</td>
<td>Calm, non-defensive, and respectful reactions</td>
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<td>The withdrawal of love, resulting in rejection, isolation, shaming, and fear of abandonment</td>
<td>A readiness to forgive and forget, and to move past the conflict without holding resentments or anger</td>
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<tr>
<td>An inability to compromise or see the other person’s side</td>
<td>The ability to seek compromise and avoid punishing</td>
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<td>The fear and avoidance of conflict; the expectation of bad outcomes</td>
<td>A belief that facing conflict head on is the best thing for both sides</td>
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Source: http://www.helpguide.org/mental/eq8_conflict_resolution
Successful conflict resolution depends on ability to regulate stress and emotions. Conflict triggers strong emotions and can lead to hurt feelings, disappointment, and discomfort. When handled in an unhealthy manner, it can cause irreparable cracks. But when conflict is resolved in a healthy way, it increases understanding of one another, builds trust, and strengthens relationships.

The ability to successfully resolve conflict depends on ability to manage stress quickly while remaining alert and calm. By staying calm, verbal and nonverbal communication accurately read and interprets.

Control emotions and behavior. When emotions can control, the needs can communicate without threatening, frightening, or punishing others.

Pay attention to the feelings being express as well as the spoken words of others.

Be aware of and respectful of difference by avoiding disrespectful words and actions a problem can resolve faster.
In order to do this two core skills are important: the ability to quickly reduce stress in the moment and the ability to remain comfortable enough with emotions to react in constructive ways even in the midst of an argument or a perceived attack.

Quick stress relief: the first core conflict resolution skill. Being able to manage and relieve stress in the moment is the key to staying balanced, focused, and in control, no matter what are the challenges to be faced. For respond in healthy ways for conflict situation stay centered and control emotions is very important.

Psychologist Connie Lillas uses a driving analogy to describe the three most common ways people respond when they’re overwhelmed by stress:

- Foot on the gas: An angry or agitated stress response. A person is heated, keyed up, overly emotional, and unable to sit still.
- Foot on the brake: A withdrawn or depressed stress response. A person is shut down, space out, and show very little energy or emotion.
- Foot on both gas and brake: A tense and frozen stress response. A person “freezes” under pressure and can’t do anything. He looks paralyzed, but under the surface he is extremely agitated.
Stress interferes with the ability to resolve conflict by limiting ability to:

- Accurately read another person's nonverbal communication.
- Hear what someone is really saying.
- Be aware of your own feelings.
- Be in touch with your deep-rooted needs.
- Communicate your needs clearly.
- Learn how to beat stress in the moment

The best way to rapidly and reliably relieve stress is through the senses sight, sound, touch, taste and smell if someone is not closed. But each person responds differently to sensory input.

Emotional awareness: the second core conflict resolution skill. Emotional awareness is the key to understanding a person himself and others. If a person doesn’t know how he feels or why he feels that way, he won’t be able to communicate effectively or smooth over disagreements. Although knowing own feelings may seem simple, many people ignore or try to sedate strong emotions like anger, sadness, and fear. But ability to handle conflict depends on being connected to these feelings. If a person is afraid of strong emotions or if he insists on finding solutions that are strictly rational, his ability to face and resolve differences will be impaired.
Why emotional awareness is a key factor in resolving conflict?

Emotional awareness - consciousness of moment to moment emotional experience - and the ability to manage all of feelings appropriately is the basis of a communication process that can resolve conflict. Emotional awareness helps:

- Understand what is really troubling other people
- Understand what is really troubling self
- Stay motivated until the conflict is resolved
- Communicate clearly and effectively
- Attract and influence others

Nonverbal communication plays a big role in conflict resolution. The most important information exchanged during conflicts and arguments is often communicated nonverbally. Nonverbal communication is conveyed by emotionally-driven facial expressions, posture, gesture, pace, tone and intensity of voice. The most important communication is wordless.

When people are upset, the words they use rarely convey the issues and needs at the heart of the problem. When a person listens for what is felt as well as said, a person connects more deeply to own needs and emotions, and
to those of other people. Listening in this way also strengthens, informs, and makes it easier for others to hear a person.

When a person is in the middle of a conflict, paying close attention to the other person’s nonverbal signals may help him to figure out what the other person is really saying, respond in a way that builds trust, and get to the root of the problem. Simple nonverbal signals such as a calm tone of voice, a reassuring touch, or an interested or concerned facial expression can go a long way toward relaxing a tense exchange.

Ability to accurately read another person depends on own emotional awareness. The more aware person is of his own emotions, the easier it will be for him to pick up on the wordless clues that reveal what others are feeling.

Humour, judiciously used, can effectively defuse conflict. Once stress and emotions are brought into balance a capacity for joy, pleasure and playfulness is unleashed. Joy is a deceptively powerful resource. Studies show that a person can surmount adversity, as long as he continues to have moments of joy. Humour plays a similar role when the challenge he is facing is conflict. A person can avoid many confrontations and resolve
arguments and disagreements by communicating in a playful or humorous way. Humour and play is used to reduce tension and anger, reframe problems, and put the situation into perspective, the conflict can actually become an opportunity for greater connection and intimacy.

2.2.3 Developing staff:

Website adek.com (2011) articulated the responsibilities of manager for developing subordinates are mentioned. The management has six key responsibilities for the development of subordinates:

- Identify key individual and organization development needs.
- Coach the subordinate’s selection of areas for developmental concentration.
- Coach the subordinate’s construction of a development plan.
- Bless the plan/fund the plan.
- Create developmental opportunities.
- Follow up to ensure successful execution.

2.2.3.1 Identify key individual and organizational development needs. Although the individual is primarily responsible for his or her own development, the manager needs to be able to recommend areas for consideration. These include both development needs the manager sees in the individual, and opportunities within the manager’s work unit where an increase in competence will enhance organizational effectiveness.
2.2.3.2 Coach the subordinate’s selection of areas for developmental concentration. The manager needs to recommend—sometimes strongly—that developmental attention be paid to some areas first.

2.2.3.3 Coach the subordinate’s construction of a development plan. The most common mistakes that people make in creating development plans is to make them too big and too general. The manager needs to communicate the value of specificity and the importance of short-term, low goals. Requesting examples or asking questions such as, “How will you actually do that?” and “When do you think you’ll have that done?” can be extremely helpful in creating a specific and workable plan.

2.2.3.4 Bless the plan/fund the plan. The responsibility for developing a systematic, logical plan is the subordinate’s, not the boss’s. The manager’s appropriate role is first to bless the plan: to review it, ask questions, make suggestions for improvements, and provide counsel and advice. The boss’s other responsibility is to fund the plan—to provide whatever resources are needed for the approved plan to be carried out.

2.2.3.5 Create developmental opportunities. The best way to create developmental opportunities is to provide the subordinate with challenging work, ongoing feedback on performance, and recognition for task accomplishment.
2.2.3.6 Follow up to ensure successful execution. The manager needs to hold individual team members responsible for successful completion of their development plans, just as the manager holds them accountable for successful completion of all other job duties.

2.2.4 Planning

Website managementstudyguide.com planning_function.htm (2013) in their article stated the information in respect of planning (management function). The above article explained what is planning and steps of planning. As per article planning is an analytical though process which covers assessment of the future, determination of objectives and goals in the light of the future, the development of alternative course of action to achieve such objectives and selection of the best course of action among these alternatives. It means looking ahead and chalking out future courses of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how, and who is going to perform a specific job. Planning is a detailed programme regarding future course of action. It is rightly said well plan is half done. Therefore planning takes into consideration available and prospective human and physical resources of the organization so as to get effective co-ordination, contribution and perfect adjustment. It is the basic management function which includes formulation of one or more detailed
plans to achieve optimum balance of needs or demands with the available resources.

Koontz and O'Donnell (1972), in their book on Principles of Management: An analysis of managerial functions planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur.

2.2.4.1 Steps in planning:

1. Establishment of objectives:
   - Planning requires a systematic approach
   - Planning starts with the setting of goals and objectives to be achieved
   - Moreover objectives focus the attention of managers on the end result to be achieved
   - As a matter of fact, objectives provide nucleus to the planning.

Therefore, objectives should be stated in a clear, precise, and unambiguous language, otherwise the activities undertaken are bound to be ineffective.

2. Establishment of planning premises

3. Choice of alternative course of action
4. Formulation of derivative plans

5. Securing co-operation

6. Follow up and appraisal of plans

2.2.4.2 Importance of planning


As per author’s opinion planning focuses on the future direction, values and sense of purpose: continuous planning by management shows precisely what the organization wants to achieve in a given period as well as how it intends to accomplish the objectives formulated in advance. The organization knows its present position and also where it wants to go. Basic objectives indicate the direction of growth. Planning provides a unifying decision-making framework: every company has a number of functional departments. In these departments must develop their own functional strategy or departmental direction. Without an overall corporate plan, there will be confusion and chaos. With a clear effective master plan each department knows what it must do to contribute to the achievement of company goals.
All the departments will work in unison to achieve common corporate goals. Thus planning improves the decision-making process in the organization.

Planning helps to identify potential opportunities and threats: Peter Drucker has pointed out that planning cannot completely eliminate the risks and uncertainties of our decisions in long-term planning. But it can certainly help to identify the potential opportunities and threats and at least minimize the risks or uncertainties. An appraisal of environmental conditions that reveals opportunities and threats is a common step in the process of planning.

A plan is based on concrete and reliable information both about the internal and external environments and our sole aim is to secure a balance between our resources and our client needs in order to offer maximum client satisfaction. Objectives are set on the basis of inside/outside environmental forces revealing opportunities and threats.

Planning provides performance standards: a good plan specifies clearly the targets to be accomplished. The performance of the organization is measured and controlled on the basis of such a specific performance standard. Tuning with the environment: In general organizations the plan
has been the winners as against the non-planners. Planning helps the managers to control the events rather than being controlled by them. A manager can establish through planning a profitable relationship with the environment and minimize risk and insecurity.

The need for planning arises from constant change. Organization lives in a dynamic and complex environment, Economic, social, political, and technological trends must be noted and their influence must be taken into account in our plans and policies from time to time. An organization and its environment are mutually interdependent-interacting with each other continuously. An organization lives in the world of resources, opportunities and limits. It can survive and grow only when it continuously adapts and responds in time to changes in the environment. Change is the essence of life. We are living in a dynamic world. Change also implies progress. Management through comprehensive business planning can anticipate, meet and adapt creatively to ever-changing environmental conditions and demands. Planning aids the manager to assure the survival of the organization under keen competition and changing environment.

2.2.4.3 Features of a good plan

Some kind of planning is very much a part of every managerial act as breathing is a part of living. Every plan is intended to lay down precisely a
future course of action and that is a managerial decision taken today for
tomorrow. A good plan is based on clearly defined objectives—overall
corporate objectives as well as functional and/or individual objectives, i.e.
precise objectives of the departments as well as the individuals working in
the departments. The management by objectives (MBO) is now the most
widely applied method of planning under which objectives, policies and
plans are set at all levels of management through meaningful participation
between the boss and the subordinate officer throughout the organization.

A good plan, according to L.F. Urwick (1952), Principles of Management,
must have the following features:

- A good plan is simple and easily understandable
- It is flexible or adaptable to deal with the new conditions
- It is balanced in all respects and gives equal emphasis to all vital areas of
  organization.
- It provides for a proper analysis and classification of actions, i.e. it
  establishes necessary guides and standards of performance.
- It uses the available resources to the utmost before creating new
  resources and a new managerial set up.
- It is viable or feasible and reasonable
The best test of effective planning is its realistic and viable nature. A good plan must be pragmatic and must lead the organization forward on the path of progress and prosperity.

In nutshell planning is a boon to modern business. Larger and diversified companies must have comprehensive business planning to obtain the optimum use of resources, project planning involving huge capital investment is absolutely necessary to ensure the feasibility of projects.

Planning has assumed unique importance in the modern management process due to:

- Accelerated rate of change in science and technology
- Social change becoming more powerful
- Interdependence among modern organizations
- Emergence of complex and large business enterprises

### 2.2.5 Delegation

Sherlekar & Sherlekar (2012) highlighted in his book Principles of Business Management on the meaning, elements and process of delegation of authority function of management. There is a limit to the number of subordinates a manager can effectively supervise and control and for whom he makes decisions. Once this limit is crossed, delegation of managerial
authority is inevitable. Delegation of authority is the most important process in organizing. Operating work is divided into manageable units by departmentation. Managerial work is divided into manageable assignments by decentralization. Yet management has to find some means to tie these organizational units together so that total group can work together effectively. Delegation of authority provides the means of tying together the various positions in the executive pyramid and it alone can provide a mechanism for integrated and co-operative group action.

Delegation is the cement that holds an organization together. Just as authority, i.e. a right or power to command, direct, or to act, is the key to the job of a manager, delegation of authority is the key to organization. Delegation makes the organization pyramid possible by passing on to subordinates a share in the elements of management process.

**Meaning of delegation:** To delegate means to grant or confer the authority from superior to subordinate to accomplish, a particular assignment. It is simply a matter of entrusting part of the work of operations or management to others. In this way through delegation or transfer of authority, a manager, multiplies himself and gets results through others.
Allen defined delegation as “the entrustment of a part of the work, or responsibility and authority to another, and the creation of accountability for performance”. In responsibility is the work assigned to a position. Authority is the sum of powers and rights entrusted to make possible the performance of the work delegated. We consider here managerial authority. Accountability is the obligation to carry out responsibility and exercise authority in terms of performance standards established. Accountability is the obligation of an individual to render an account of the fulfillment of his responsibilities to the boss to whom he reports.

2.2.5.1 Elements of delegation: The entire process of delegation covers:

1. The determination of expected result
2. Assignment of task of responsibility or work
3. Delegation of authority for achieving the task
4. Accountability i.e. exaction of responsibility for its accomplishment

In the process of delegation, three actions are involved. They are three unique aspects of delegation namely:

- **Assignment of responsibility**: A manager assigns a certain function, work or duty to his subordinate for performance. This is termed as assignment of responsibility. It is a creation of an obligation to...
perform the assigned duties. Responsibility arises from the superior-subordinate relationship. Responsibility is spoken of as being created rather than delegated.

- **Grant of authority:** A manager grants authority i.e. rights and powers to be exercised by the subordinate, Authority is derived from responsibility. It is the right to perform certain assigned work or duties. It also implies power, i.e. ability to do certain things. It is the power to order or command subordinate in order to enable him to discharge his or her responsibility for the assigned work or duties. The superior may transfer certain rights such as the right to spend money to direct the work of others, to use materials, and to take other necessary steps to fulfill the duties or responsibilities. There must be a balance between responsibility and authority for organization efficiency and economy. The superior should delegate sufficient authority as the institutionalized right to make decisions and issue orders on behalf of the organization.

- **Creation of accountability:** Just as responsibility arises from work, and authority arises from responsibility, accountability is logically derived from authority. Once a subordinate is entrusted with responsibility to perform certain jobs and he or she is given sufficient authority to perform the assigned work, the final phase in delegation
(or basic organization relationship) is holding the subordinate answerable or accountable to his or her superior for fulfilling the assigned responsibility, i.e. obligation to perform the assigned duties. Accountability is defined as a system of management which assigns certain responsibilities to line or staff personnel and in turn expects them to be accountable or answerable for the accomplishment of stated objectives within their areas of responsibility. Please note that authority flows downwards, whereas accountability flows upwards through the chain of command or through the organization pyramid. Each manager from the bottom is held accountable to his or her superior. The downward flow of authority and upward flow of accountability must have parity or equality at each position in the management hierarchy. Again a subordinate is accountable to only one immediate superior and no more i.e. one superior to each subordinate. Single accountability improves discipline and promotes co-ordination.

These three attributes or components of delegation (responsibility-authority-accountability) are like three legs of a stool. Each depends on the others. No two can stand alone. If one leg of a stool is weaker or shorter, the stools of delegation will be unstable. In effective delegation, all the three attributes
are equal, inter-related and inter-dependent. They are all equally important. In practice it is impossible to split the process of delegation. For instance assignment of responsibility (work or duties) is meaningless in absence of authority because it simply cannot be performed. Once a manager has assigned responsibilities to his subordinate, and has delegated authority to him, accountability has to be exacted from the subordinate.

Authority is the key to managerial job. It denotes the right to make decision and command subordinates to conform to these decisions. When the office manager is over burdened with official assignments, he may allocate or divide it among the subordinates to get the work done by them. The process of allocation of office work among the subordinates is called delegation of authority. So delegation of authority means giving the subordinate authority to do something which the executives do not have time to do. The process of delegation gives a gain to the subordinates because they become closer with the supervisor.

**2.2.5.2 Delegation of authority involves:**

Acharya (2011), states that authority is the key to managerial job. Authority denotes the right to make decision and command subordinates to conform to these decisions. When the office manager is over burdened with official assignments, he may allocate or divide it among the subordinates to get the
work done by them. The process of allocation of office work among the subordinates is called delegation of authority. So delegation of authority means giving the subordinate authority to do something which the executives do not have time to do. The process of delegation gives a gain to the subordinates because they become closer with the superiors. Delegation of authority involves:

1. Assigning of duties to subordinates.
2. Delegating required amount of authority to the subordinate to enable them to discharge the duties assigned to them.
3. Assumption of responsibility by the subordinates.

2.2.6 Motivation

Sherlekar & Sherlekar (2012), mention the process of motivation as well as relation between management and motivation. Motivation is the process which influences people to act. The process involves needs, drives and goals. Drivers are called motives and they represent the behavior in the process of motivation. Psychologists define motivation as that which arouses behavior, sustains behavior and channels behavior. Management wants to know what motivates (moves them to act) people to act and behave the way they do in the work place. Motivation is always internal to the person. It is externalized via behavior- motivation-behavior-goal is called the cycle of motivation. The cycle continues till the goal is achieved.
Motivation can be defined very simply as the willingness to exert toward the accomplishment of some goal. It focuses the attention on those inner drives that activate or move an individual to action. Human behavior is caused. There is a stimulus which causes a person to respond. In essence, an individual perceives some goal as a possible satisfier of an inner need or drive and he is stimulated to take action to attain that goal, e.g. a person deprived of water feels the need to quench his thirst. He perceives water as a satisfier of his need and is consequently motivated (moved to action) to seek water (his goal). The greater the need, the more an individual will be willing to exert towards the attainment of the goal which he believes will satisfy that need.

A human being is an organic and not a mechanical system. He or she is a self-activated person. By nature a person is self-activated or motivated person, if not, the person is dead. The force of motivation lies within the mind. It is a dynamic force setting a person into motion and action. A person is motivated or set into action either by extrinsic rewards and punishments or by intrinsic incentives.

At any level of management, the manager’s primary job is to handle people and not production. He cannot do the production job all by himself. He
gets things done through and with other people. Motivation is a leadership function to inspire, encourage and impel people to take required action. The skill of motivating the people is the life-blood of an organization. Hence, it is vital that we understand people (what makes them work) and how to handle this dynamic human resource so that people work the utmost and with interest. Human behavior is purposeful and it is caused. A leader discovers these causes or felt needs and takes steps to set into motion his followers so that they can achieve their goals.

2.2.6.1 Management and motivation

Management can use a number of motivational means and devices, such as money, participation, job enlargement, job enrichment, management by results, management by objectives, theory Y techniques, project management, positive reinforcement or behavior modification as advocated by Skinner and his followers. Praise and recognition of good performance are good motivators to reinforce behavior, performance improvement must be rewarded with recognition, praise, pay raise, status, bonus, and so on.

Careful planning, organizing, control through feedback effective delegation, decentralization, communication and co-ordination together with participation of people responsible for performance are some of the major tools of managerial motivation.
2.2.6.2 The process of mutual involvement: If people have a hand in setting targets for themselves, they will set good targets, and they will see that what is good for the company can also be good for them. There are many opportunities for the manager to provide employee participation in the routine work situation: setting work goals, planning for work accomplishment, planning for work and performance improvement, reviewing progress providing exposure to developmental activities.

2.2.6.3 Integrating the communication flow: The process of mutual involvement does not ensure mutual understanding of purpose, problem, plan or action. Its natural bridge is communication- the tool for understanding. Let all employees get adequate information they need to solve problems, make decisions, reach agreement and to understand plans, policies and programmes formulated by top management. Given the right information, employees can use their energy with maximum advantage. There should be full understanding on responsibilities, authority, objectives and expected results. Knowledge and understanding or what is going on are essential to the growth of both the individual and the enterprise. Management by opening the channels of upward communication should take all steps to encourage the creative response from the employees and capitalize on the individual’s unique qualities.
2.2.6.4 **Comprehensive compensation plan:** the third tool available to management is the establishment of sound wages and salary plan assuring adequate and equitable compensation to employees. The compensation plan must include incentive or bonus, both productivity bonus as well as profit bonus. It should be effectively communicated and well administered.

2.2.6.5 **Favorable work environment:** both physical as well as mental environment must be conducive for best performance. It must release the creative potential of the employees for the gain and satisfaction of all concerned. Management can organize work in the plant or office in such a way that it becomes purposeful and consequently interesting. Job rotation, job-enrichment, and participation of employee in planning their work and jobs as well as in decision-making in the areas in which they are vitally interested are some of the significant ways and means to create meaningful and interesting work and best organization behavior.

2.2.6.6 **Money fulfills several different needs:** apparently money is considered as lower level need in a developed country i.e. a need that is quickly satisfied. In reality money is much more than a medium of exchange. It can satisfy even higher order needs. A person buys a new car a new refrigerator, a new television set more as a status symbol, a prestige, recognition and symbol of his achievements. Money can satisfy physiological needs safety needs, social needs ego needs and even self-
actualization needs. Of course money cannot buy supra-ego needs (spiritual needs)

2.2.7 Decision making

According to managementstudy.com (2013), every organization needs to make decision at one point or other as part of managerial process. Decisions are made in the best interest of the organization. For that matter, decisions made by organization are to lighten the way forward. In respect of business activities or HR matters process of making decisions is complex involves professionals of different genre. While small organizations involves all levels of managers, complex organizations largely depend on a team of professionals specially trained to make all sorts of decisions. But such a body alone cannot come out with final decisions. Decision making process is cumulative and consultative process. The process, on the whole, bears its pros and cons and would by and large emanate results and consequences in the organizations’ overall growth and prospects. Decisions are taken to support organizational growth. Day to day operation is rightly built on managerial decisions. Top companies are utilizing effective communication tools to normal consultation process to make decisions that would have large scale implications on the company’s prospects.
Decisions and consultations are two main tools that support and eventually bring out decisions. As a matter of fact capable of taking critical decision is one of the many attributes that every manager should have, be it top, middle, or entry level. By nature a human being during his existence and by virtue of his instinct makes decisions for his survival as social psychologists put it. By and large, managers are polished individuals to take decisions to affect others.

David Welch (2002) mentions about decision making process, where organizations operate by people making decisions. A manager plans, organizes, staffs, leads, and controls her team by executing decisions. The effectiveness and quality of those decisions determine how successful a manager will be. Managers are constantly called upon to make decisions in order to solve problems. Decision making and problem solving are ongoing processes of evaluating situations or problems, considering alternatives, making choices, and following them up with the necessary actions. Sometimes the decision-making process is extremely short, and mental reflection is essentially instantaneous. In other situations, the process can drag on for weeks or even months. The entire decision-making process is dependent upon the right information being available to the right people at the right times.
2.2.7.1 The decision-making process involves the following steps:

1. Define the problem.
2. Identify limiting factors.
3. Develop potential alternatives.
4. Analyze the alternatives.
5. Select the best alternative.
6. Implement the decision.
7. Establish a control and evaluation system.

**Define the problem:** the decision-making process begins when a manager identifies the real problem. The accurate definition of the problem affects all the steps that follow; if the problem is inaccurately defined, every step in the decision-making process will be based on an incorrect starting point. One way that a manager can help determines the true problem in a situation is by identifying the problem separately from its symptoms. The most obviously troubling situations found in an organization can usually be identified as symptoms of underlying problems. (See Table for some examples of symptoms.) These symptoms all indicate that something is wrong with an organization, but they don't identify root causes. A successful manager doesn't just attack symptoms; he works to uncover the factors that cause these symptoms.
Successful managers’ symptoms and underlying problems

<table>
<thead>
<tr>
<th>Symptoms</th>
<th>Underlying problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low profits and/or declining turnover</td>
<td>Poor market research</td>
</tr>
<tr>
<td>High Costs</td>
<td>Poor design process poorly training employees</td>
</tr>
<tr>
<td>Low Morale</td>
<td>Lack of communication between management and subordinates</td>
</tr>
<tr>
<td>High employee turnover</td>
<td>Rate of pay too low, job design not suitable</td>
</tr>
<tr>
<td>High rate of absenteeism</td>
<td>Employees believe that they are not valued</td>
</tr>
</tbody>
</table>

Source: http://www.managementstudyguide.com/decision-making

Identify limiting factors: All managers want to make the best decisions. To do so, managers need to have the ideal resources — information, time, personnel, equipment, and supplies — and identify any limiting factors. Realistically, managers operate in an environment that normally doesn't provide ideal resources. For example, they may lack the proper budget or may not have the most accurate information or any extra time. So, they must choose to satisfy to make the best decision possible with the information, resources, and time available.

Develop potential alternatives: time pressures frequently cause a manager to move forward after considering only the first or most obvious answers. However, successful problem solving requires thorough examination of the
challenge, and a quick answer may not result in a permanent solution. Thus, a manager should think through and investigate several alternative solutions to a single problem before making a quick decision. One of the best known methods for developing alternatives is through brainstorming, where a group works together to generate ideas and alternative solutions. The assumption behind brainstorming is that the group dynamic stimulates thinking - one person's ideas, no matter how outrageous, can generate ideas from the others in the group. Steps in the usual method of brainstorming are:

1. Concentrate on the problem at hand. This rule keeps the discussion very specific and avoids the group's tendency to address the events leading up to the current problem.

2. Entertain all ideas. In fact, the more ideas that comes up, the better. In other words, there are no bad ideas. Encouragement of the group to freely offer all thoughts on the subject is important. Participants should be encouraged to present ideas no matter how ridiculous they seem, because such ideas may spark a creative thought on the part of someone else.

3. Refrain from allowing members to evaluate others' ideas on the spot. All judgments should be deferred until all thoughts are presented, and the group concurs on the best ideas.
Although brainstorming is the most common technique to develop alternative solutions, managers can use several other ways to help develop solutions. Some other examples are:

**Nominal group technique:** This method involves the use of a highly structured meeting, complete with an agenda, and restricts discussion or interpersonal communication during the decision-making process. This technique is useful because it ensures that every group member has equal input in the decision-making process. It also avoids some of the pitfalls, such as pressure to conform, group dominance, hostility, and conflict, that can plague a more interactive, spontaneous, unstructured forum such as brainstorming.

**Delphi technique:** With this technique, participants never meet, but a group leader uses written questionnaires to conduct the decision making.

**Analyze the alternatives:** The purpose of this step is to decide the relative merits of each idea. Managers must identify the advantages and disadvantages of each alternative solution before making a final decision.

Evaluating the alternatives can be done in numerous ways. Here are a few possibilities:

- Determine the pros and cons of each alternative.
- Perform a cost-benefit analysis for each alternative.
• Weight each factor important in the decision, ranking each alternative relative to its ability to meet each factor, and then multiply by a probability factor to provide a final value for each alternative.

Regardless of the method used, a manager needs to evaluate each alternative in terms of its
• Feasibility — can it be done?
• Effectiveness — how well does it resolve the problem situation?
• Consequences — what will be its costs (financial and nonfinancial) to the organization?

Select the best alternative: After a manager has analyzed all the alternatives, she must decide on the best one. The best alternative is the one that produces the most advantages and the fewest serious disadvantages. Sometimes, the selection process can be fairly straightforward, such as the alternative with the most pros and fewest cons. Other times, the optimal solution is a combination of several alternatives. Sometimes, though, the best alternative may not be obvious. That’s when a manager must decide which alternative is the most feasible and effective, coupled with which carries the lowest costs to the organization. (See the preceding section.) Probability estimates, where analysis of each alternative's chances of success takes place, often come into play at this point in the decision-
making process. In those cases, a manager simply selects the alternative with the highest probability of success.

**Implement the decision:** Managers are paid to make decisions, but they are also paid to get results from these decisions. Positive results must follow decisions. Everyone involved with the decision must know his or her role in ensuring a successful outcome. To make certain that employees understand their roles, managers must thoughtfully devise programs, procedures, rules, or policies to help aid them in the problem-solving process.

**Establish a control and evaluation system:** Ongoing actions need to be monitored. An evaluation system should provide feedback on how well the decision is being implemented, what the results are, and what adjustments are necessary to get the results that were intended when the solution was chosen. In order for a manager to evaluate his decision, he needs to gather information to determine its effectiveness. Was the original problem resolved? If not, is he closer to the desired situation than he was at the beginning of the decision-making process? If a manager's plan hasn't resolved the problem, he needs to figure out what went wrong. A manager may accomplish this by asking the following questions:

- Was the wrong alternative selected? If so, one of the other alternatives generated in the decision-making process may be a wiser choice.
• Was the correct alternative selected, but implemented improperly? If so, a manager should focus attention solely on the implementation step to ensure that the chosen alternative is implemented successfully.

• Was the original problem identified incorrectly? If so, the decision-making process needs to begin again, starting with a revised identification step.

• Has the implemented alternative been given enough time to be successful? If not, a manager should give the process more time and re-evaluate at a later date.

2.2.8 Influencing others

Stephen R Covey (1989), in his popular book The 7 Habits of Highly Effective People presented important 7 habits as under:

• Be proactive- Principle of person vision
• Begin with the end of mind - Principle of personal leadership
• Put first, Things first - Principle of personal management
• Think win/win - Principle of interpersonal relationships
• Seek first understand, then understood- empathic communication
• Synergize- Principle of creative cooperation
• Sharpen the saw - Principle of balance self-renewals.
Industrial and business portal on Queensland Government (2012), business.qld.gov.au/business/employing/staff-development mentioned the skills of leadership which influence others. A manager having leadership qualities influences others. Business success relies on good leadership. Leadership skills help manager to make more effective decisions, focus on personal vision and progress towards achieving goals of your business. There is no single characteristic or quality that defines a good leader. Motivating people towards a common business goal involves a mix of styles and strategies that often take years to develop.

2.2.8.1 Characteristics of a business leader

Though different leadership styles can be used at different times in a business, some character traits are important for all leaders:

- Self-awareness - understanding your own strengths and weaknesses
- Decisiveness - the ability to make decisions quickly
- Fairness - treating others equally
- Enthusiasm - motivating a team with a positive attitude
- Integrity - earning the respect of your team
- Knowledge - keeping abreast of the facts and figures
- Creativity and imagination - coming up with new and innovative ideas
- Endurance - persevering when things go wrong.
A successful leader sets a good example. A manager acts as a role model for full team, and don't be afraid to pitch in and help out when needed. A team will respond well to leadership if manager is willing to contribute.

If manager show respect to his employees, thanking them for their work and complimenting them on their successes, they will be far more likely to respect manager in return. A manager can establish excellent working relationships just by listening to staff and clients. An active listener focuses on what the speaker is saying, regularly paraphrasing to check that they've received the speaker's intended message. Be sure that words match with body language. People read a lot into gestures and eye contact, and they will be far more responsive if what manager says matches your posture, expressions and other movements.

The ability to learn new skills is crucial for any leader. If manager go into business believing he has nothing more to learn, he will restrict his ability to grow and adapt to change. Always be on the lookout for ways to improve skills, through knowledge and observation. Seek more formal training where necessary. Decision makers need to understand and analyze information presented to them before making any key decisions. If a problem arises, a manager needs to be able to analyze business processes to find out what is
going wrong, and then try to figure out how to fix it. His recommendations to management could have an effect on the future prospects of the business.

Remember that changing a process or fixing a problem could affect another area of the business, now or further down the line. A manager must be ready to adapt to changing circumstances. A successful leader needs to continually anticipate, evaluate and remain open-minded and flexible. Encourage innovative ideas, and take advantage of changing technology such as social media.

Be consistent and systematic as a manager in organizing projects by:

- Setting expectations
- Delegating tasks
- Fixing deadlines
- Evaluate alternatives

If a manager is having these leadership qualities or he tries to acquire all the skills then he will influencing others and develops followers which build a strong group.
2.2.9 Control

Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organization resources so as to achieve the planned goals. Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions. According to Brech (1972), controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs. According to Donnell, “just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his organization is on right course.”

2.2.9.1 Controlling has got two basic purposes:

1. It facilitates co-ordination
2. It helps in planning

2.2.9.2 Features of controlling function

1. Controlling is an end function which comes once the performances are made in conformities with plans.
2. Controlling is a pervasive function which means it is performed by managers at all level and in all types of concerns.

3. Controlling is forward looking because effective control is not possible without past being controlled. Controlling always looks to future so that follow-up can be made whenever required.

4. Controlling is a dynamic process since controlling requires taking reviewable methods; changes have to be made wherever possible.

5. Controlling is related with planning. Both are two inseparable functions of management. Without planning controlling is a meaningless exercise and without controlling planning is useless. Planning presupposes controlling and controlling succeeds planning.

Sherlekar and Sherlekar(2012), focused on management control. Accordingly, in managerial planning the goals and objectives must be clearly set before an organization can function effectively. But it is not enough to set goals that everyone understands and agrees upon. Once objectives and goals of an organization are set managers and employees must work to achieve them. Hence controlling assumes importance to measure the progress towards the accomplishment of goals. A manager has to monitor or measure the actual performance. Then manager has to review or compare the actual and planned performance. Finally manager has to
introduce corrective action, if a variance or deviation exists between goals or standards and actual performance. If some activities are not contributing to goal achievement manager has to alter or even eliminate those activities. Manager has to improve actual behavior and raise performance to the desired level. Sometimes manager has to reevaluate and reformulate goals and standards if they are unrealistic. This process of monitoring or reviewing performance and initiating corrective action is described as managerial control and in practice planning and managerial control regarded as Siamese twins. Plans bear a strong relationship to controls. Plans are realized only through effective managerial controls.

Management control can be defined as a systematic effort by business management to compare performance with predetermined standards, plans or objectives in order to determine whether performance is in line with these standards and presumably in order to take any remedial action required to see that human and other corporate resources are being used in the most effective way possible in achieving corporate objectives.

All control starts with the plans and forecasts or expectations of the future because objectives and standards (against which we measure performance) are based on those plans and expectations.
Management control system cannot be set up nor can it be exercised effectively, unless the company has a specific objective and overall plan for reaching that objective. Control standards are quantifications of plans. Hence planning and control functions are performed simultaneously when we embark upon establishing standards. Standards e.g. budgets are our means by which the critical aspects of our plan are translated into suitable measuring results against planned performance.

Management control covers the setting of standards of performance, designing information control system, measuring and comparing the actual performance against preset standards, taking corrective action if deviations are significant. Thus management control can assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization’s objectives.

2.2.10 Managing change

Dictionary meaning of change is to make or become different. That means exchange one thing to another, move from one thing to another.

Queensland Government Report (2013) discusses managing change in a systematic way which is worth adopting. The steps outlined in the report are as given below.
2.2.10.1 Managing people through change

Many business leaders approach change management apprehensively - worried about having to persuade reluctant staff to accept new ways of doing business. But, in fact, many people welcome change - provided they have a chance to collaborate in it. Managing people through change involves motivating your people to work together on planning and making the changes, and giving your team clear goals and defined roles. Good change management processes start with a realistic analysis of business systems, processes, structures, strategies and leadership approaches to determine the actual need for change. Determining why, what and how management needs to change - and involving people in each step - will help management to manage a smooth change process, strengthen business and retain key staff, business skills and knowledge.

2.2.10.2 Types of change

There are many issues to consider in managing business change - whether the changes are minor or major. The first step in managing people through change is identifying the type of changes in the business. This step will help management to decide how to plan change process and support people effectively.
There are 3 major types of change:

**Developmental change**

Developmental changes are those in which there is improvement in current business procedures. As long as management keeps staff well informed of changes, and give them the training they need to implement process improvements, they should experience little stress from development change.

Examples of developmental change include:

- Improving methods
- Updating procedures
- Refocusing marketing strategies

Developmental change may be first step to make further changes to business that will help management to meet the demands of market. Managing these small steps well demonstrate to team that management is taking a sensible, measured approach to change. While making developmental changes, it's important for management to:

- Explain to staff rationale for the changes
- Skill the staff to use new processes and technology
• Show the staff about commitment to minimize the impacts of change on your business.

**Transitional change**

Transitional changes are made to replace existing processes with new processes. Transitional change is more challenging to implement and can increase employees' discomfort.

Examples of transitional change include:

• Creating new products or services

• Implementing new technology

The 'transitional' phase of dismantling old systems and processes and implementing new ones can be unsettling for staff. While making transitional changes, a person needs to:

• Communicate clearly the future impacts and benefits of changes

• Reinforcement to staff that their jobs are secured

• Capture the views and contributions of staff about changes

• Regularly updating the staff with the steps management is taking to support them through the change and train them in new systems.
Transformational change

Transformational changes are those wherein there is complete reshaping of business strategy and processes, often resulting in a shift in corporate culture. These changes may be a response to extreme or unexpected market changes. Transformational change can produce fear, doubt and insecurity in staff, and needs to be very well managed.

Examples of transformational change include:

- Implementing major strategic and cultural changes
- Adopting radically different technologies
- Making significant operating changes to meet new supply and demand
- Reforming the products and service offered to meet unexpected competition and dramatic reductions in revenue.

Transformational changes will usually involve both transitional and developmental change - where businesses recognize that they need to overhaul substantially the way they do the business. While making transitional changes, it's crucial for management to:

- Developing and communicating a well-defined strategy that explains the approaches to change.
• Reinforcing of rationale continually for the changes.

Plan and methodically implement new business systems and approaches
Involve staff in all phases of changed discussions and planning and communicate regularly throughout the process.

2.2.10.3 Planning for change
Making changes in business is a necessary part of continuously improving people, products, services and performance. There are many reasons for change. Developing a business case to identify and describe business changes will help management to explain changes to staff and keep planning on track. A clear and well-reasoned business case for change can help management to save time. Following planning steps are important for preparation of any business case.

• Think about the reasons for change

• List the problems, risks, weaknesses or inefficiencies that act as threats to business growth.

• List the steps that need to be taken.

• Describe the actions required to make changes that will last - and that will address the problems which are already identified. Consider whether there are any other options that can help to overcome the problems and achieve the gains needed.
• Establish changed management objectives–The changed environment should be focused to set the new objectives for the staff according to the environment. Objectives might define the level of commitment, involvement and motivation a person wants to secure from the staff.

• Identify critical stages or milestones - Define the stages of change process. These stage descriptions will help to identify the steps a person needs to take to reach each of his goals and targets. From here, he can develop an action plan that helps him to bring change process to life.

2.2.10.4 Communicating change

Change can be confronting, intimidating, exciting or rewarding for staff. The way a person manages the process will heavily determine the impact of change on his staff. He can help to create a positive environment for change by ensuring that his team understands the reasons for change. Communicating the reasons and benefits, describing the process and providing regular updates on the change process will help him to cultivate a team that thrives on change.

Develop a simple communication plan to support the change process that focuses on communicating the reasons for change and involving the staff in
planning decisions. Consider these communication priorities in developing business's change communication plan.

- Involve all supervisors and managers in communication. A person’s leadership team can play an important role in keeping the staff informed and identifying and addressing staff concerns. Enlist the support of respected supervisors to communicate the change process and talk through issues with affected staff.

- Be open and honest. Avoid secrets or surprises wherever possible. In change processes all the team members may want certainty more than they want to say. If a person can't take up their ideas on a certain issue, let them know - and give them as much clear and accurate information as he can at all times.

- Plan to celebrate. Celebrate successes and completed milestones in the change process. Organize morning tea or lunch events to thank your team for their input and review achievements up to date and next steps.

- Talk to affected staff regularly. Engage as many employees as possible in changes. Once a person has identified where the impacts of changes on his staff will be, schedule discussions with them and follow them up to see how they are dealing with the changes once they occur.
• Explain change decisions and outcomes. Towards the end of this process, take steps to explain why a person wasn't able to act on certain suggestions made by his team members. Be realistic in setting their expectations about where they can provide input, and be open in describing the factors that influenced his final decisions on aspects of the change.

• Be a clear, consistent and confident leader. The staff will take strength in a person’s confidence in the face of change. Make sure the rationale for change and key messages about the changes stay consistent throughout the process. Stay true to the motives and goals for change and communicate them with confidence at all times.

A person’s strong leadership and steps to maintain staff motivation will help the team work together positively.

**2.2.10.5 Engaging employees through change**

The more a person’s staff understand and accept the need for business change, the more positively they'll respond to the change process. The staff may invest themselves in their role in a person’s business. Be aware that their jobs may contribute significantly to their financial security, identity, sense of purpose, self-confidence and professional development. Changes that affect their roles may have a big professional and personal impact. The
staff may have to work through a sense of loss. Fostering their understanding and involvement will help them work positively and purposefully on change tasks. Consider these tips for engaging the staff in the change process.

- Engage staff during the planning phase. Start involving the staff early in the change process and establish clear points for staff discussion and input.
- Involve staff in changes that affect them. Seek their input in decisions. Remember that the team members have a closed knowledge of the systems and processes and may have valuable suggestions to make.
- Help the staff to manage loss. Change means people lose something. Through the change process, the staff will lose familiar processes and elements of their role that give them confidence and security. Help staff to make a good transition using discussion sessions designed to allow staff to share their feelings about the changes, scheduling one-to-one meetings with appropriately skilled members of the management team or by counseling staff about working through their emotional responses.
- Choose a diverse project team. Select a team of people with a good range of skills and knowledge of the business across the various roles
and levels of the business. This key team will help a person to identify issues, capture staff attitudes and concerns, and progress the change process.

- Stay focused on the reason for change. Understanding the argument for change will help the staff stay focused on what needs to be done. Repeat the 'reason for change' messages whenever a person can - and link them to the steps a person is taking - to help the staff make sense of each stage of the change process.

- Identify attitude barriers early. Use the management team and team leaders to identify early any attitudes that need to change. If a person finds that any staff cultivating negative attitude about the change process, meet them directly to work through their issues and ask for a constructive approach to deal with them.

- Define the tasks well. Break down the change stages into smaller initiatives that are easy for staff to follow and understand. Knowing what stage they are at in the change process will build their confidence and sense of security.

- Build a culture of continuous improvement. Always look for ways to improve the business processes and performance, and invite the staff to share their ideas and observations for improvement. Organize forums and online contributions to capture and recognize their input.
and celebrate all shared successes. A person’s steps will help the staff to recognize change as a positive part of driving continuous improvement and build their morale and investment.

2.2.10.6 Retaining key employees through change

Losing staff that resist the change process is one of the biggest risks in managing business change. The staffs that make the greatest contribution to the business play usually vital role in the business operations. Often these staff is the most challenged by change processes.

The key staff may find they need to change strongly held beliefs about the purpose of the business or the way by which the business runs. Finding ways to help them to get adjusted with the changes will help a person reduce staff turnover during and after a business change. Consider these tips for retaining key employees through change.

- Target key staff - not just star performers. The key employees in your business are not necessarily the star performers. A business needs a balanced range of skills and knowledge to run the business effectively. Consider the goals and drivers for change and the future directions. What skills are going to be important to the business? Identify staff in each area of the business that work effectively and have skills and expertise that the business will need in the future.
• Consider tailored incentives to retain key employees. Once a person has identified the employees who will play an important role in the business's future, work with the management team to identify the needs, interests and aspirations of the key team members.

• Consider offering incentives that match their goals and needs. The incentives don't have to be financial; they simply need to be well matched to the needs of a person and the team members. Be creative.

Examples of incentives might be:

• Promotion opportunities in the preferred fields of motivated team members

• Training and development opportunities for employees in line with new roles - helping a person to retain skills and ready the business for necessary process changes.

Taking steps to meet the particular needs of the team members will demonstrate a person’s commitment to support them through the change process.
• Identify low-priority skills. Through this process, a person may also identify skills in his organization that are not well matched to the future needs of the business. Consider offering redundancy packages to those in roles or fields that the business no longer needs.

It’s a cliché, but change has always been the only constant thing. In recent times, the pace of change has accelerated greatly, and we all need to find ways to deal creatively with this fact of modern life. Leaders, in particular, need to face and manage change in a constructive way, and everyone who wants to be successful – in career, in relationships, in life – must learn how to see and manage change the way that successful ‘change leaders’ do.

Such leaders are adaptable and creative, responding to change in three key ways.

1. People who respond well to change will have a high ‘ambiguity threshold.’ Change is inherently ambiguous, and those who deal creatively with change will have a high tolerance for uncertainty and ‘shades of grey.’

2. Skillful managers of change will have a constructive ‘internal monologue.’ ‘They will see themselves as inherently powerful and
having the ability to control elements of the situation in which they find themselves. Some circumstances cannot be changed, but the way we respond to them is always a choice, and we always have a sphere of influence. By focusing on this sphere of influence, and not expending energy bemoaning the area outside it, the circle will start to expand and give us progressively more control. Solutions to problems always exist, and the ‘internal monologue’ should reflect the desire to find them and the certainty that they can be successfully implemented.

3. Those who deal well with change will have a good reservoir of emotional, physical and mental energy from which to draw when things get tough.

The above ways of dealing with change tend to be innate, with some people having a greater capacity. However, they can be learned, and the following are seven tips for improving the skills in managing change.

1. Spend time reflecting on your own core values and your mission in life. A sense of purpose is essential to success and effectiveness, and for those who don’t have a clear idea of what they are doing and why they are doing, there will not be the foundation to keep going in the face of change.
2. Be persistent. Success is usually more to do with tenacity. Persistence is only possible when you have clarified your values and when you are able to build on the bedrock of purpose. Successful people keep going in the face of change, finding new and creative ways to achieve a positive outcome.

3. Be flexible and creative. Persistence does not mean pushing through by force. If you are unable to achieve success by one way, try another, and keep going on. Keep looking for more creative solutions and innovative responses to problems.

4. Think outside the box. Read widely, and don’t confine yourself to your own area of ‘expertise.’ Try to see links between apparently separated and diversified elements in your life and experience.

5. Accept uncertainty and be optimistic. Life is inherently uncertain, so don’t waste your energy trying to predict the future. Of all the possible outcomes, focus on the most positive one. This is not to be a ‘Pollyanna,’ but to accept that if you respond well and work to the best of your ability; a good outcome is as likely as any other. Don’t waste your energy in being negative.

6. Keep fit and healthy. Eat well, get enough sleep, and exercise regularly. Meditation can help, too. This will keep up your energy
levels and allow you to keep going in tough times. Not taking care of self physically, mentally and spiritually is foolish and short sighted.

7. See the big picture. Change is inevitable, but if you take a bird’s-eye-view of the landscape, the change won’t be so disorientating and you will keep perspective at all times.

2.2.11 Sustaining pressure
Morton C. (2010) suggests different ways to survive and manage change in the companies. Many companies today are under intense economic pressure. Global pressure, political pressure, government pressure Reorganizations, joint ventures, and other major changes are extremely common, as companies try to grow and survive. These changes present new challenges and demands for everyone, from the C.E.O to the telephone receptionist. All members of the organization must therefore learn to cope with change or suffer consequences. When change is not handled well, additional loss of jobs can occur. In addition, demoralization of the work force; increased worker turnover; decreased cooperation and teamwork; and increased levels of stress, anxiety, absenteeism, illness, and mistakes can follow.

1. BE PREPARED FOR CHANGE
Change is -and always has been-an inevitable part of the life. In today's business climate, however, the pace of change has definitely increased.
Since most people normally hate to go through change, today's pace of change can be stressful for many employees.

Most of us prefer established routines. We like to feel secure, stable, and familiar with our responsibilities. The one thing we hate most is uncertainty- about our jobs, our future, our status in the organization, the role we are expected to play, and what other changes might be coming down the pike. Unfortunately, most businesses are forced to make changes today just to survive. Global transformations require speedy adjustments. Local and national economic forces must be recognized and responded promptly. New sources of competition and new technologies suddenly appear out of nowhere.

Like successful professional athletic teams, most businesses today must continually make changes to remain competitive.

Thus, instead of fearing change, resisting it, or hoping it won't ever happen to you, it's much better to prepare yourself mentally for the inevitable changes that are likely to occur.
Start today by imagining how you could cope with sudden, massive change. Think about likely scenarios and then brainstorm, on your own or with others, about how you might best respond.

Assume that the "rug could get pulled from beneath you" at any time. Then, if this happens, you won't be caught off guard. You'll already be psychologically and emotionally ready.

If the changes never come, you'll still be better off. Having prepared yourself in advance will enable you to feel much more confident and secure in your normal day-to-day activities.

2. EXPRESS SADNESS, LOSS, ANXIETY ABOUT THE FUTURE

When change does occur, don't pretend it isn't painful. Yes, change can bring new opportunities for personal growth, accomplishment, and organizational success. But it also causes feelings of sadness, loss, and anxiety about the future. These are normal human responses.

When people get promoted, when organizational relationships change, or when our own job responsibilities become altered, there is a normal reaction of sadness, anxiety, and loss.
One of the worst things you can do when this happens is to pretend everything is "just fine." Even if you agree intellectually that the changes are necessary, emotionally you still may have some painful, negative reactions to deal with.

Unfortunately, today's business culture has little regard for honest human emotions. Expressing or even acknowledging negative feelings is considered "inappropriate." Workers are expected to be upbeat, positive, and "team players" all the time. While this is a laudable goal, there should also be room for people to express heart-felt negativity as well.

Truly enlightened business leaders know this. During times of significant change, they actively solicit negative feelings from their workers. They know that denying these feelings or trying to suppress their expression will only make things worse.

3. WATCH OUT FOR UNREALISTIC EXPECTATIONS

Unrealistic expectations can be a tremendous source of stress and unnecessary suffering. Unfortunately, when organizations undergone restructurings, or other major changes, a whole host of unhealthy, unreasonable expectations frequently arise.
Upper management may expect, for example, that increased productivity will quickly occur, even though the work force has been seriously reduced. Or, management may expect they can impose any changes they want, without considering how employees feel about them.

Employees, on the other hand, might expect that management should always act in a caring and compassionate manner. They might expect better communication from company leaders; more sensitivity to their feelings and needs; or more respect for their health, well-being, and family responsibilities.

While all of these things may be important for good employer-employee relationships, to expect them to be forthcoming from management (without encouragement from the rank-and-file) is to invite disappointment, resentment, and low morale.

4. DON'T LET YOURSELF OR OTHERS BE ABUSED

During times of change, it is common to let yourself and others be easily abused. When workers have been fired or laid off, there is a natural tendency to wonder if you might be next. This climate of fear might prevent you from speaking up forcefully when excessive or unreasonable demands
are placed upon you. Anxiety quickly spreads throughout the entire workforce, making it even more difficult to obtain support for questioning unreasonable company policies.

But sometimes, questioning policies is healthy and appropriate. If you feel that you or fellow workers are being unfairly abused, try to tactfully broach this subject with your immediate superiors. Try to do this in a way that isn't offensive or that doesn't make you appear to be lazy, uncooperative, or unwilling to do your share. Yes, there is always a risk when you make such a move. You could easily get fired or be branded as a troublemaker. But if you truly have your company's interests at heart, you may be able to negotiate a fairer and humane work environment. After all, if the remaining workforce is angry and demoralized, how could this possibly be good for business?

5. ACKNOWLEDGE ANY INCREASED PRESSURES, DEMANDS, OR WORKLOADS

One of the biggest mistakes most companies make when they are in changing situation they fail to acknowledge the increased pressures, demands, and workloads that temporarily fall upon remaining employees.
Sometimes, retained workers are asked to do the work of two or three individuals with little appreciation or acknowledgement. Their salaries are not increased commensurately or perhaps even at all. The resources made available to them are often very lean or nonexistent. While at the very same time, the demands on their productivity might be significantly increased! All of this could occur without even a word of thanks or gratitude from the company leaders who ultimately benefit from such an arrangement.

Whether your company realizes how short-sighted this failure of recognition is, you don't have to compound this mistake. Be sure to regularly acknowledge to yourself and to your coworkers if your responsibilities have been substantially increased. While it may take time for you to successfully readjust, always strive to acknowledge whatever is true for you at the moment. Discuss your feelings with your family, friends, and loved ones. Consider discussing them with your superiors, if you think this would be appropriate. Just don't make the mistake of suppressing your feelings, denying them, or pretending they aren't really there.

6. PROTECT YOUR LEISURE TIME

When companies undergo change, there is usually plenty of extra work to be done. Suddenly, people begin working through their lunch times. They can't
find time to play golf, take a vacation, or even travel to their local fitness club. They begin to come home later and later in the evening, and they often find themselves back in the office on weekends and holidays.

This is a very dangerous pattern to fall into. It can easily grow into a generally accepted mentality. Remember, just because everybody else in your organization starts acting insane, you don't have to go along.

Fight against this common trend by protecting your leisure time, as best you can. Realize that during times of change and increased stress, it's actually more important to get away from your job and have some time each day for you. That way, you'll be refreshed, energetic, and much more productive than all those people who spend all their time on the job.

While most of these coping strategies can make you feel better in the short run, they each have serious (sometimes even fatal) long-term consequences. It's always better to use natural, non-chemical coping methods. Try to exercise more, communicate more, and set time aside each day to relax. Don't deprive your body of sleep or proper nutrition. You'll need both of these to cope with the many new demands that you might face.
If your symptoms don't respond to these natural measures, or if you feel yourself turning toward alcohol, drugs, or other harmful behaviors, DON'T GIVE IN. Pick up the phone and make an appointment with your doctor or other trusted health professional. Be totally honest about your problems and listen carefully to what they recommend. If you don't have a family doctor, get one. Whatever you do, don't succumb to taking the easy way out.

7. REMAIN UPBEAT AND POSITIVE

Even though you may be feeling stressed, angry, or scared about your future, you still need to remain upbeat and positive in most things you do. When organizations change, the climate should remain positive, even though individual members of the organization may be having all sorts of negative or uncertain feelings.

I know this sounds contradictory, but it's not. Acknowledging any negative feelings you might be harboring actually improves your ability to remain upbeat and optimistic! When you're willing to look at all sides of your company's change, your ability to notice the positives, as well as the negatives, improves. Then you can choose to focus on the positives, rather than dwell on the negatives.
Please be clear about this very important point. I am not saying you should "pretend" you are upbeat when you are really feeling down. What I am saying is that if you force yourself to tell the whole truth, you'll see both the positive and negative aspects of any major change. This expanded perspective alone will almost always help you feel more positive and upbeat, without having to deny your feelings to the contrary.

You can then use your powers as a creative human being to focus on just the positives (and help others in your organization to do the same) because you know from past experiences that this is a wise thing to do. If a few key people in each organization or department take on this role as a positive emotional leader, it will quickly spread to other employees as well. If nobody steps forward to remind people of the truth, it's easy for company employees to remain stuck in a chronic state of negativity.

8. GET CREATIVE

One of the best ways to cope with organizational change is to "rev up" your natural powers for creative intervention. Most problems are amenable to creative, innovative solutions. The only thing that usually keeps these solutions from arising is our own internal barriers and self-imposed restrictions.
Creative problem solving always involves risks. Proposing a new idea invites criticism from others. What if the idea fails? What if business losses occur? What if things end up worse than before?

You've got to be willing to accept such risks if you're going to be free to think creatively. Trust yourself and others around you to recognize any really horrible idea before it get implemented. Then give yourself permission to swing out and think creatively—allowing any and all ideas to come to mind. Many companies have regular "brainstorming" sessions for just this purpose. During times of reorganization and change, these creative sessions are very important. Time should be set aside to make them a common occurrence.

9. EXPAND YOUR VALUE TO THE COMPANY

When times get tough and people are being laid off, remaining workers become very fearful. Instead of worrying or losing sleep over the possibility you might be let go, why don't you go into action and stack the deck in your favor.
Just make yourself incredibly valuable to your company. Offer to take charge of some problem or project that isn't working. Contribute creative ideas to appropriate people in the chain of command. Become very interested in the problems your boss and company owners are facing, and see how you can help them out. Stop worrying about yourself and your future and get busy helping your company grow and prosper.

What's the worst that can happen? You might still might lose your job, but look at the bright side. You can take all that energy, drive, commitment, and creativity to your next place of employment. Who wouldn't be delighted to find an employee like that? It's a win-win situation for you, no matter what happens.

**Note:** Give serious thought to using this strategy even if times aren't tough and your company isn't downsizing. Then, when the first wave of employee cut backs occurs, hopefully you won't be among those let go.

10. CELEBRATE YOUR ACCOMPLISHMENTS

In the business world today, most people tend to focus primarily on problems, mistakes, and obstacles to future company goals. We rarely take time to celebrate our accomplishments. Sure, there's the Christmas party in
December and the annual company picnic in the summer. But do we "throw a party" every time a new client is landed, a new deal is secured, or we reach one of our interim team or departmental goals? Do we take time to celebrate the tremendous effort everyone is putting in? You'd be surprised how much of a difference this can make. You don't have to spend a lot of money or hold a gala event. You can have small, spontaneous celebrations any time you choose.

If you are creative, you can find all sorts of ways to acknowledge and uplift your co-workers. You could even throw a "party" every once in a while to celebrate and acknowledge your boss!

11. IMPROVE LINES OF COMMUNICATION

In general, the more "crazy" and chaotic your work situation becomes, the more you need good lines of communication. In fact, much of this "craziness" is directly caused by ineffective communication. Everyone must communicate more actively when organizations undergo change. This includes the boss, the CEO, and even the Board of Directors. It also includes middle managers, clerical staff, and other agents and employees.
More meetings, not fewer, will probably be needed. When employees and managers are nervous, worried, and pressured, they have increased information needs. They deserve to know what's really going on and what is being planned for the future. If you don't supply these answers to them, they will make up ones on their own. Often, they will imagine the worst, when in fact, there may be very good reasons for hope and optimism.

Evaluate your organization's communications needs and game plan. Talk to employees to see what communication they needs have. Find out what forms of communication they would find most helpful. Above all, realize how important and necessary good communication is in coping with the stress of major organizational change. But make sure communications are honest, sincere, respectful, and open-ended.

12. BECOME MORE EFFICIENT

In addition to increasing your value to the company, you'll need to find ways to become more efficient. As organizations change and evolve over time, improvements in efficiency almost always coincide. After all, if you're going to take a leadership role, if you're going to handle bigger responsibilities, and if, at the same time, you're going to look for added
ways to increase your value to your company, you are going to have to get more efficient or suffer a nervous breakdown.

Fortunately, efficiency can be learned. There's an almost endless capacity for human beings to improve upon the way they do things. Whoever said "necessity is the mother of invention" spoke the truth. When you have so much work to do that you can't handle it anymore by using your present strategies and routines, you will quickly become an innovator.

13. LEARN FROM THE EXPERIENCES OF OTHERS

Two very common mistakes people make when undergoing organizational change are: 1) they try to cope on their own; and 2) they fail to benefit from the experiences of others.

With the rapid pace of organizational change today, thousands of people have faced circumstances similar to yours. Some of your friends, relatives, and other acquaintances have probably struggled with similar difficulties.

Talk to these experienced people. Pick their brains. Find out what other people in similar companies are doing to deal with downsizings or expansions. Read books and articles. Listen to audiotapes on coping with organizational change. Attend lectures and workshops given by prominent
people locally or around the country. Get involved. Get creative. Learn from others' mistakes and successful solutions. Don't just sit there and suffer quietly. Reach out for support and you will eventually find it.

14. RISE TO THE CHALLENGE

Instead of viewing your particular situation as a problem, see if you can view it as an exciting challenge instead. Remember, change is inevitable, but being stressed by change is not. It all depends on how you look at change and how you choose to respond to it.

In every organization undergoing change, some people rise to the challenge, while others don't and get left behind. Which group do you want to be in? Think about it seriously. You've got the power and ability to end up in either one.

15. NEVER BECOME COMPLACENT

Once you've survived and successfully adjusted to a major organizational change, avoid the trap of becoming complacent. Future changes will probably occur, and you should be prepared for them—emotionally, physically, and also financially. Keep developing your skills and enhancing your value to the company. Learn to do as many jobs as you can. Take on a
leadership role in having your company be successful. Take pride in helping others below you. And always let your superiors know you are ready and willing to help out whenever the need might arise.

If you try to follow most of these steps and still lose your job, so be it. You will have gained many useful skills and derived much personal satisfaction in the process. Your next employer will certainly be grateful to add someone like you to their team.

Long-term sustainability means learning to sustain positive change within you and within the organization. Financial pressures, changing market conditions, deadlines, internal and external conflicts, concerns about staff welfare and performance can put mounting pressures on leaders that can limit the potential of an organization’s. Skillful methods provide leaders with the structure, components and tools to face challenges and changes in the internal and external environment while learning to create and maintain a healthy sustainable organization. That is one that has the ability to consistently create positive change and desirable outcomes benefiting individual employees, owners, clients and customers, shareholders or investors or board members and the wider community. Skillful method also
identify components for sustaining positive change within your organization and design the structure and conditions to implement them successfully.

2.2.11.1 Structure for Sustainability & Positive Change

1. Vision and Outcomes
   - Shared Vision
   - Shared Outcomes (Results)
   - Positive Changes

2. Create the Causes and Conditions for Results – for the Individual, Team and Organization
   - Individual Inner Condition
   - Appreciation
   - “Being In”
   - Transforming Stress into Well Being

3. Team/Organization Conditions
   - Communication
   - Cooperation
   - Responsibility
   - Creating Management Structures

4. Power of Time – Beginning Middle and End
• Goals and Targets
• Milestones/Deadlines

5. Change and Challenges
• Overcoming Obstacles and Dealing with Conflict
• Sustaining Positive Change

6. Monitoring Results
• Individual
• Team
• Organization

2.2.12 Negotiating

Negotiation is defined as "a dialogue between two or more people or parties, intended to reach an understanding, resolve point of difference, or gain advantage in outcome of dialogue, to produce an agreement upon courses of action, to bargain for individual or collective advantage, to craft outcomes to satisfy various interests of two people/parties involved in negotiation process".
Negotiation is a process where each party involved in negotiating tries to gain an advantage for themselves by the end of the process. Negotiation is intended to aim at compromise.

Negotiation occurs in business, non-profit organizations, and government branches, legal proceedings, among nations and in personal situations such as marriage, divorce, parenting, and everyday life. The study of the subject is called negotiation theory. Professional negotiators are often specialized, such as union negotiators, leverage buyout negotiators, peace negotiators, hostage negotiators, or may work under other titles, such as diplomats, legislators or brokers.

2.2.12.1 Negotiation styles

Shell (2006) in Bargaining for advantage identified five styles/responses to negotiation. Individuals can often have strong dispositions towards numerous styles; the style used during a negotiation depends on the context and the interests of the other party, among other factors. In addition, styles can change over time.

Accommodate with individuals who enjoy solving the other party’s problems and preserving personal relationships. Accommodators are sensitive to the emotional states, body language, and verbal signals of the
other parties. They can, however, feel taken advantage of in situations when the other party places little emphasis on the relationship.

Avoid individuals who do not like to negotiate and don’t do it unless warranted. When negotiating, avoiders tend to defer and dodge the confrontational aspects of negotiating; however, they may be perceived as tactful and diplomatic.

Collaborate with individuals who enjoy negotiations that involve solving tough problems in creative ways. Collaborators are good at using negotiations to understand the concerns and interests of the other parties. They can, however, create problems by transforming simple situations into more complex ones.

Compete with individuals who enjoy negotiations because they present an opportunity to win something. Competitive negotiators have strong instincts for all aspects of negotiating and are often strategic. Because their style can dominate the bargaining process, competitive negotiators often neglect the importance of relationships.
Compromise with individuals who are eager to close the deal by doing what is fair and equal for all parties involved in the negotiation. Compromisers can be useful when there is limited time to complete the deal; however, compromisers often unnecessarily rush the negotiation process and make concessions too quickly.

Every entrepreneur spends some time haggling, whether it is with customers, suppliers, investors, or would-be employees. Most business owners are street smart, and seem to naturally perform well in negotiations.

2.2.12.2 Tips for negotiation

Most often, the moment you get into trouble in a negotiation is when something careless just slips out. If you are new to negotiation, or feel it is an area where you can improve, check out these tips on precisely what not to say.

Five things to never say while negotiating and are extremely important but never used while negotiating are:

1. The word "between." Do not use word between in negotiation otherwise you will find that by saying the word between you will
automatically have conceded ground without extracting anything in return.

2. "I think we're close." We've all experienced deal fatigue: The moment when you want so badly to complete a deal that you signal to the other side that you are ready to settle on the details and move forward. The problem with arriving at this crossroads, and announcing you're there, is that you have just indicated that you value simply reaching an agreement over getting what you actually want. And a skilled negotiator on the other side may well use this moment as an opportunity to stall, and thus to negotiate further concessions. Unless you actually face extreme time pressure, you shouldn't be the party to point out that the clock is loudly ticking in the background. Create a situation in which your counterpart is as eager to finalize the negotiation (or, better yet: more eager!) than you are.

3. "Why don't you throw out a number?" There are differing schools of thought on this, and many people believe you should never be the first person in a negotiation to quote a price. Let the other side start the bidding, the thinking goes, and they will be forced to show their hands, which will provide you with an advantage. But some research has indicated that the result of a negotiation is often closer to what the first mover proposed than to the number the other party had in mind;
the first number uttered in a negotiation (so long as it is not ridiculous) has the effect of "anchoring the conversation." And one's role in the negotiation can matter, too.

In the book Negotiation, Adam D. Galinsky of Kellogg School of Management and Roderick I. Swaab of INSEAD in France write: "In our studies, we found that the final outcome of a negotiation is affected by whether the buyer or the seller makes the first offer. Specifically, when a seller makes the first offer, the final settlement price tends to be higher than when the buyer makes the first offer."

4. "I'm the final decision maker." At the beginning of many negotiations, someone will typically ask, "Who are the key stakeholders on your side, and is everyone needed to make the decision in the room?" For most entrepreneurs, the answer, of course, is yes. Who besides you is ever needed to make a decision? Isn't one of the joys of being an entrepreneur that you get to call the shots? Yet in negotiations, particularly with larger organizations, this can be a trap. You almost always want to establish at the beginning of a negotiation that there is some higher authority with whom you must
speak prior to saying yes. In a business owner's case, that mysterious 
overlord could be a key investor, a partner, or the members of your 
advisory board. The point is, while you will almost certainly be 
making the decision yourself, you do not want the opposing 
negotiators to know that you are the final decision maker, just in case 
you get cornered as the conversation develops. Particularly in a high-
stakes deal, you will almost certainly benefit from taking an extra 24 
hours to think through the terms. For once, be (falsely) humble: 
pretend like you aren't the person who makes all of the decision. The 
savviest negotiators take nothing personally; they are impervious to 
criticism and impossible to fluster. And because they seem unmoved 
by the whole situation and unimpressed with the stakes involved, they 
have a way of unnerving less-experienced counterparts. This can be 
an effective weapon when used against entrepreneurs, because 
entrepreneurs tend to take every aspect of their businesses very 
personally.

5. “Fuck you” Entrepreneurs often style themselves as frank, no-
nonsense individuals, and they can at times have thin skin. But 
whenever you negotiate, remember that it pays to stay calm, to never
show that an absurdly low counter-offer or an annoying stalling tactic has upset you. Use your equanimity to unnerve the person who is negotiating with you. And if he or she becomes angry or peeved, don't take the bait to strike back.

Just take heart: You've grabbed the emotional advantage in the situation. Now go close that deal.

2.2.13 Maintaining system and procedures

The primary reason for implementing business systems is to provide consistency and therefore predictable quality of outcomes. It also establishes the means for day-to-day operational activities to manage themselves, leaving managers with the time they need to deal with exceptions and to work on business development. A system is basically a set of rules for processing information and facilitating decisions. The other major benefit of developing and documenting systems and procedures is that it helps to personality-proof the business. It reduces the level of dependence on particular individuals by downloading their knowledge and documenting it so that it can be shared with others and become corporate knowledge rather than individual knowledge. Ineffective systems usually lead to having dissatisfied customers because the level of service and quality is
unpredictable. It usually means that staff is frustrated and demotivated because every task becomes a unique challenge rather than an established process with known outcomes.

Good business systems have a number of key characteristics:

- They are documented.
- There is some level of automation in data capture and processing information.
- They are not reliant on individual knowledge.
- They operate in a predictable and timely manner.
- They provide guidance in routine decision making.
- They improve efficiency and reduce costs.
- They accommodate the ability to measure performance.

Our approach to implement effective systems and processes starts from establishing a clear picture of the required outcomes, assessing the current position and then developing the logical, step-by-step processes required to consistently achieve the outcomes required. Incorporating the input from the people at the coal face who work with the processes on a day-to-day basis is also a key element of our methodology. We will also advice on the relevance and implications involved with having the systems that relate to
Quality Assurance and Occupational Health & Safety accredited to the relevant standards.

Office Systems & Procedures
To be able to operate with consistency, it is essential for any business to establish the systems and procedures it will use in its operations; doing so provides many benefits. Apart from the fact that consistency in procedures and the completeness with which those procedures are carried out is, in many cases, a legal mandate (such as Sarbanes-Oxley), consistency in procedures increases efficiency (things become routine) and morale (no one has to ask how nor can they disagree).

Procedure the Office
Establishing set business and bookkeeping procedures will help ensure a uniform and accurate system, preventing employees from needing to ask how to do everyday tasks. While procedures will evolve with the business, setting up office systems and business procedures from the beginning will save time and money.
Procedures are simply defined as the processes employed to complete specific tasks, such as how an invoice is entered in the system or how returns are processed.

When writing a procedure, it is important to imagine that no prior knowledge exists. The procedure should be able to stand alone and be executed without further clarification. This means that a well-written procedure will list every action required to complete a task, even really simple ones (“Turn the computer on”). For example, if writing a procedure on how to make a peanut butter and jelly sandwich, taking the lid off the jar of jelly still needs to be listed, even though it seems obvious. The same is true in writing procedures for business.

Identifying Tasks

Special care should be taken when identifying what tasks should be proceduralized; they must not only be clear but relevant. Imagine what tasks may need to be performed independently of senior staff. Spend a few days writing down the steps taken to perform regular employee tasks. Also, spend some time brainstorming scenarios that are likely, such as special orders, damaged merchandise, returns, ordering supplies, etc. Administrative
procedures, such as how to request time off, and how employees are disciplined, should be prepared before hiring the first employee.

These procedures, together with the policies of the company, form the employee handbook, which should be as professional and well-organized as possible. Not only are employee handbooks the first formal communication with a new employee, employee handbooks are also frequently requested by investors. Employee handbooks are frequently necessary to obtain insurance and are valuable in preventing and defending lawsuits, not to mention freeing up the manager’s time.

2.2.14 Review periodically

Website business.qld.gov.au/business/employing/staff-development/staff-performance reviews focuses on importance of periodical reviews.

Periodic Review is very useful technique of management.

Performance management: Performance management is an approach which allows managers to impact their goals and responsibilities in serving the client internally and externally. It involves a cycle of clarifying business goals and client needs and then agreeing individual objectives and standards of performance. With coaching, development and rewards, improved performance is possible from employees who know what is expected from them, how they are doing, what they need to do next, what help they will
receive. Once key result areas and measures of success have been set, it is not sufficient to review them once a year. Reviews should take place on a rolling basis with new key result areas and further measures should set on the way. Many organizations now review performance on a six monthly cycle as well as holding regular informal discussions.

The process of review should be two way process.

• Forward looking as well as reviewing the past– an opportunity for honest feedback as long as this is timed near to the event and focused on behaviors not personalities.

• An opportunity to identify training and development opportunities

Importantly, for client service to be fully integrated into the culture of the organization it should always be included as criterion for review. Conducting performance reviews is an effective way to recognize and reward staff contributions, which can help you, retain the expertise you need and minimize your business's staff turnover and recruitment costs. Many business leaders find that the daily demands of operating a business keep them from properly evaluating how their business is performing. Finding the time to review business and staff performance can help you improve the way your business runs and build a strong and effective team. Establishing a
performance review process is an essential part of effective business leadership.

Staff performance reviews are generally conducted every 6 or 12 months by each team member's supervisor.

This can be used to:

- Identify performance issues early
- Provide feedback
- Build skills and confidence
- Set clear performance measures
- Keep your staff motivated and accountable.

Performance review benefits: staff performance reviews help to find out who is doing their job. It can clarify roles and responsibility of staff, promote open communication.

Effective performance reviews produce outcomes that benefit the staff as well as organization.
2.2.15 Punctuality


- Happening at or keeping to the appointed time.
- Be conscious of the time.
- Acknowledge that a person who is having hard time being punctual.
- As with any problem, a person cannot fix it if he is in denial mode that it is a problem at all. But if his chronic tardiness is beginning to strain your job and/or his relationships, the first thing he needs to do is acknowledge this as a weakness so he can begin to work towards correcting it.
- Keep watch accurate. For some people, moving up the time on their watch will help them be earlier. For others, they will subconsciously know that the time is wrong and so they just disregard it altogether. It may be helpful to set a watch just two minutes ahead instead of five or ten. This will make a person less likely to factor in.
- Don’t be an optimist. Things usually take significantly longer than expect, even without major delays.
- Wake up when supposed to wake up.
- Commit to being 15 minutes early for everything.
- Re-examine how long daily tasks really take.
• Watch for a few days to see where often waste the most time. These time sinkholes are often unnoticed and can throw off daily planning. Try to change habits around these activities.

• Make a note of where should be in regards to time.

• Keep organized. De-organization is directly related to lateness

• To schedule something unimportant right before something very important.

• If a person is going to unfamiliar place, look over a map or even drive their once.

• Check the traffic before leave. Even better punctuality technology is now available to alert a person it time to leave, aware of traffic incidents, congestion or road works on route.

• Check the local weather reports for road conditions during inclement weather. Allow extra travel time.

• Think of departure time versus arrival time.

• Habitual punctuality tends to give rise to the effect of actually allowing the person to be late from time to time.

Quick thing to remember: If a person is 5 minutes early, it may be taken as on time. If the person is on time, he is considered late. Similarly if the
person is late, then it is his/her responsibility to explain the delay. Old military adage: if a person is not 5 minutes early, he is 10 minutes late. Remember reputation is on the line. Don’t fool self into thinking nobody notices the latecomer? If a person thinks he is more than occasionally late to work, he can be sure others have noticed too.

Lateness is corrosive to good relations with friends, work colleagues and of professional standing. Having a strong personality and being able to smooth over individual instances of lateness still leaves a building resentment. Holding people up who have planned and prepared work, journey, meals entertainment etc. generates a cumulative irritation and devaluing of a person personally.

**2.2.16 Commitments**

Commitment means an agreement to perform a particular activity at a certain time in the future under certain circumstances. Watson T. J Jr. (2003), states that the ideas that helped to build IBMas“The basic philosophy, spirit, and drive of an organization have far more to do with its relative achievements than do technological or economic resources, organizational structure, innovation, and timing. All these things weigh heavily in success. But they are, I think, transcended by how strongly the
people in the organization believe in its basic precepts and how faithfully they carry them out."

Thus, the details about what is commitment, where to practice, how to practice and when it is important are given. As true as this is for the success of a corporation, it is even more so for the individual, the most important single factor in individual success is also commitment.

WHAT IS COMMITMENT

Commitment ignites action. To commit is to pledge you to a certain purpose or line of conduct. It also means practicing your beliefs consistently. There are, therefore, two fundamental conditions for commitment. The first is having a sound set of beliefs. There is an old saying that goes, "Stand for something or you'll fall for anything." The second is faithful adherence to those beliefs with your behavior. Possibly the best description of commitment is "persistence with a purpose". Many successful business people are hailed as visionary leaders. On careful inspection they are found to be individuals who hold firmly to a simple set of commitments, usually grounded in beliefs such as "the best product money can buy", or the highest possible customer service". It is the strength of these commitments, religiously followed, that led to their business success.
WHERE TO PRACTICE

It appears that effective leaders hold dearly to a half dozen commitments. The first, and most basic, of these is a commitment to a set of values, principles or beliefs. These underlying principles define both the organization's uniqueness and the fundamental direction in which it wants to head. This first commitment leads to a common vision and purpose within the organization. The second commitment is to oneself, to how one act as a leader. An effective leader possesses a strong sense of personal integrity and self-confidence. This leads to a willingness to share the credit for success. Another side to this commitment is a deliberate emphasis on continual self-improvement. The combination of a strong, positive commitment to self and to a set of principles serves as a foundation to effectively maintain the remaining four commitments. These commitments are to: customers, results, employees, and the organization. Everyone has a customer and is a customer to someone else. Customers are usually thought of as external to the organization they need your product or service. A question worth asking is, "How much are others willing to pay for my work?" The price your customers are willing to pay measures its values in their eyes. Besides serving customers, all organizations target specific results. Given the large number of demands placed on all of us, it is important to concentrate on achieving the most important goals and objectives. Commitment to results is
largely determined by how clear priorities are, what actions get rewarded, and what risks are being taken to improve intended results.

The next commitment is to the people. The quality of the organization's commitment to customers and results is largely based upon the quality of its commitment to people. The simple reason for this is that it is these people who serve the customer and achieve results. How are people treated in the organization? Commitment to people is largely the product of treating people with respect, challenging them, and giving them effective feedback on how they are doing. The final leadership commitment is to the larger organization. Other departments, higher management, the organization's overall strategy & mission are important. Communication is the key with this commitment. How people talk to, and about, each other greatly affects the quality of cooperation. How open are the channels of communication up, down, and across? Can management be challenged? Will people support management decisions and changes?

Balancing all six commitments is the key to well directed leadership. When management supports its employees, they will be able and willing to achieve intended results, when these results support customer needs and expectations, customers will support the organization with their business. A
strong and healthy organization can then continue to show commitment to its people. The glue that holds this process together is the values and leaders in the organization.

HOW TO PRACTICE COMMITMENT
Effectively demonstrating commitment to others, to the organization's basic principles, and to oneself is never easy. The truth is, demonstrating commitment is hard work. Wavering commitment is usually seen as no commitment at all. The only way to achieve a reputation for commitment is through determination and persistence. Genuine commitment stands the test of time.

Day to day, commitment is demonstrated by a combination of two actions. The first action is called supporting. Genuine support develops a commitment in the minds and hearts of others. This is accomplished by focusing on what is important and leading by example. It is not uncommon for people to be either confused as to what is important, or lose sight of it over time. Supporting means concentrating on what adds value, spotlighting what's working, and rewarding others who are focusing on what is important and leading by example. A crucial aspect of true support is standing up to
those who would undermine commitment, those whose words or actions show disrespect.

The second action underlying commitment is called improving. Improving stretches our commitment to an even higher level. Commitment means a willingness to look for a better way and learn from the process. It focuses on eliminating complacency, confronting what is not working, and providing incentives for improvement. The spirit of improving is rooted in challenging current expectation and ultimately taking the risk to make changes. These changes are based more on optimism in the future than dissatisfaction in the past. It is embodied in the reply of car maker Professor Porsche, who, when asked which his favorite model was in the long line of Porsche automobiles replied: "I haven't built it yet!"

It is the combination of both supporting and improving behaviors that makes up the practice of commitment. Separately neither action is capable of sustaining commitment. Promoting alone can come across as a shallow and Pollyannaish. Continuous improvement can be seen as "good is never good enough". Together they provide a needed balance. Both are essential to commitment.
WHEN IT IS MOST IMPORTANT

Commitment is most difficult and most readily proven during tough times. How someone weatheres the storms most clearly demonstrates their basic beliefs. In antiquity, Epicurus stated: "...a captain earns his reputation during the storms." When your competition scores big against you, when the money dries up, or when the glamour of success wears off, this is when it is easiest to compromise your commitments. The real test comes when you can hold the line against the easy route of compromise.

Fortunately, paying the price that commitment commands has payoffs worth the cost - a reputation for integrity and, even more important, the commitment of others in return. Commitment is a two-way street. You only get it if you are willing to give it.

2.3 Middle Level Management

Harold Koontz states that, management is the art of getting things done through and with people in formally organized groups. According to Peter Drucker, management is multipurpose organ that manages business and manages managers and manages workers and work as described by him in “The Principles of Management”.

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According to Mary Parker Follet (1996), management is the art of getting things done through people.

Franzen Harze, Hardkar Maurice (1994) gives the meaning and importance of management and levels are specified.

Meaning of Levels of Management - Many managers work in an organization. However, these managers do not work at the same level. They work and operate at different positions. Hierarchy of these managerial positions is called Levels of Management.

Three Levels of Management - Generally, there are Three Levels of Management, viz.

1. Administrative or Top Level of Management.
2. Executive or Middle Level of Management.
3. Supervisory or Lower Level of Management.

At each level, individual manager has to carry out different roles and functions.
Meaning of Management

According to Theo Heimann (1974), management has three different meanings, namely:

- Management as a Noun: refers to a Group of Managers.
- Management as a Process: refers to the Functions of Management i.e. Planning, Organizing, Directing, Controlling, etc.
- Management as a Discipline: refers to the Subject of Management.

Management is an individual or a group of individuals that accept responsibilities to run an organization; they Plan, Organize, Direct and Control all the essential activities of the organization. Management does not do the work themselves. They motivate others to do the work and co-ordinate (i.e. bring together) all the work for achieving the objectives of the organization.

Management brings together all Seven 'M's' i.e. Men, Money, Machines, Materials, Methods, Minutes and Markets. They use these resources for achieving the objectives of the organization such as high sales, maximum profits, business expansion, etc.
Franzen Harze, Hardkar Maurice (1994) mentions features, nature, main characteristics of management as:

1. Continuous and never ending process - Management is a Process. It includes four main functions, viz., Planning, Organizing, Directing and Controlling. The manager has to Plan and organize all the activities. He had to give proper Directions to his subordinates. He also has to Control all the activities. The manager has to perform these functions continuously. Therefore, management is a continuous and never ending process.

2. Getting things done through people - The managers do not do the work themselves. They get the work done through the workers. The staff should not be treated like slaves. They should not be tricked, threatened or forced to do the work. A favorable work environment should be created and maintained.

3. Result oriented science and art - Management is result oriented because it gives a lot of importance to "Results". Examples of Results like, increase in market share increase in profits, etc. Management always wants to get the best results at all times.

4. Multidisciplinary in nature - Management has to get the work done through people. It has to manage people. This is a very difficult job because different people have different emotions, feelings, aspirations,
etc. Similarly, the same person may have different emotions at different times. So, management is a very complex job. Therefore, management uses knowledge from many different subjects such as Economics, Information Technology, Psychology, Sociology, etc. Therefore, it is multidisciplinary in nature.

5. A group and not an individual activity - Management is not an individual activity. It is a group activity. It uses group (employees) efforts to achieve group (owners) objectives. It tries to satisfy the needs and wants of a group (consumers). Nowadays, importance is given to the team (group) and not to individuals.

6. Follows established principles or rules - Management follows established principles, such as division of work, discipline, unity of command, etc. These principles help to prevent and solve the problems in the organization.

7. Aided but not replaced by computers - Now a day, all managers use computers. Computers help the managers to take accurate decisions. However, computers can only help management. Computers cannot replace management. This is because management takes the final responsibility. Thus Management is aided (helped) but not replaced by computers.
8. Situational in nature - Management makes plans, policies and decisions according to the situation. It changes its style according to the situation. It uses different plans, policies, decisions and styles for different situations. The manager first studies the full present situation. Then he draws conclusions about the situation. Then he makes plans, decisions, etc., which are best for the present situation. This is called Situational Management.

9. Need not be an ownership - In small organizations, management and ownership are one and the same. However, in large organizations, management is separate from ownership. The managers are highly qualified professionals who are hired from outside. The owners are the shareholders of the company.

10. Both an art and science - Management is result-oriented. Therefore, it is an Art. Management conducts continuous research. Thus, it is also a Science.

11. Management is all pervasive - Management is necessary for running a business. It is also essential for running business, educational, charitable and religious institutions. Management is a must for all activities, and therefore, it is all pervasive.

12. Management is intangible - Management is intangible, i.e. it cannot be seen and touched, but it can be felt and realized by its results. The
success or failure of management can be judged only by its results. If there is good discipline, good productivity, good profits, etc., then the management is successful and vice-versa.

13. Use a professional approach in work - Managers use a professional approach for getting the work done from their subordinates. They delegate (i.e. give) authority to their subordinates. They ask their subordinates to give suggestions for improving their work. They also encourage subordinates to take the initiative. Initiative means to do the right thing at the right time without being guided or helped by the superior.

14. Management is dynamic in nature - Management is dynamic in nature. That is, management is creative and innovative. An organization will survive and succeed only if it is dynamic. It must continuously bring in new and creative ideas, new products, new product features, new ads, new marketing techniques, etc.

**Middle Level of Management**

The Middle Level Management consists of the Departmental Heads (HOD), Branch Managers, and the Junior Executives. The Departmental heads are Finance Managers, Purchase Managers, etc. The Branch Managers are the
head of a branch or local unit. The Junior Executives are Assistant Finance Managers, Assistant Purchase Managers, etc. The Middle level Management is selected by the Top Level Management. The middle level management emphasizes more on following tasks:-

- Middle level management gives recommendations (advice) to the top level management.
- Middle level management executes (implements) the policies and plans which are made by the top level management.
- They also have to communicate with the top level Management and the lower level management.
- They spend more time in co-coordinating and communicating.
- They prepare short-term plans of their departments which are generally made for 1 to 5 years.

The middle Level Management has limited authority and responsibility. They are intermediary between top and lower management. They are directly responsible to the chief executive officer and board of directors. Require more managerial and technical skills and less conceptual skills.

Management is an individual or a group of individuals that accept responsibilities to run an organization. They plan, organize, direct and control all the essential activities of the organization. They motivate others
to do the work and co-ordinate all the work for achieving the objectives of the organization. Management brings together all six M’s Men/women, Money, Machines, Material, Methods and Markets. They use these resources for achieving the objectives of the organization such as high sales, maximum profits, business expansions etc. Business is an economic activity which is related with continuous and regular production and distribution of goods and services for satisfying human wants.

In the organization structure middle level management is below the top management. Middle managers are also called junior executives or administrators. Co-ordination is the central problem of management and the middle management provides the key people in achieving effective co-ordination upward, downward, and also sideways in the managerial hierarchy. Middle level management requires all skills such as conceptual, human and technical skills for better client servicing.

Franzen Harze, Hardkar Maurice (1994) also mentions attributes the excellent middle manager should have as:

- Over view and foresight
- Communicates the vision
- Works through managers
• Drivers change
• Focuses own time and energy
• Solves conflicts
• A good judge of people
• Represents the organization and senior management
• A good role model.

2.4 General insurance industry

As per Insurance Regulatory and Development Authority (IRDA) reports and documents the background of general insurance can be traced.

History of general insurance in India: In India insurance has deep rooted history. There was reference of insurance in Manusmrithi by Manu, Dharmasastra by Yagnavalkya, and Arthasastra by Kautilya. Insurance means pooling of resources that could be re-distributed in times of calamities such as fire, flood, epidemics and famine. That was precursor to modern insurance. Insurance in India has evolved overtime heavily drawing from other countries especially England.

General insurance industry: back to industrial revolution in the West and consequence growth of sea-faring trade and commerce in 17th Century. It
came to India as legacy of British occupation. British established Triton Insurance Co.Ltd., in the year 1850 in Calcutta. Non-life insurance was confined mostly to the wealthy living in large metropolitan areas.

In 1907 - Indian Mercantile Insurance Ltd was set up. It was first company to transact all classes of general insurance business.

1957 - Formation of General Insurance Council, a wing of the Insurance Association of India. It framed a code of conduct for ensuring fair conduct and sound business practices.

In 1968 - Insurance Act was amended to regulate investments and set minimum solvency margins. Then Tariff Advisory Committee was also set up.

In 1972- General Insurance business (Nationalization) Act passed. Insurance business was thus, nationalized with effect from 1st Jan 1973 and 107 insurance companies were amalgamated and grouped into 4 companies namely

1. National Insurance Company Ltd.
2. United India Insurance Co. Ltd.
3. Oriental Insurance Co.Ltd

4. The New India Assurance Co.Ltd.

The General Insurance Corporation of India was incorporated as a Company in 1971 and it commenced business on 1\textsuperscript{st} Jan 1973.

In 1993 - Government of India set up Malhotra Committee for reforms in insurance sector. Committee submitted reports in 1994. As per committee private sector be permitted to enter in insurance sector. Foreign insurance companies were allowed as joint venture with Indian partners.

In 1999 - IRDA (Insurance Regulatory and Development Authority) an autonomous body formed to regulate the insurance sector. IRDA incorporated as statutory body in April 2000.

The key objectives of IRDA are: \textit{Promotion of competition so as to enhance client/customer satisfaction through increased consumer/client choice and lower premiums, while ensuring the financial security of the insurance market.}
IRDA opened up the market in August 2000. Foreign companies were allowed ownership of up to 26%.

The authority has the power of frame regulations u/s 114 A of the Insurance Act., 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policy holders interest.

In December 2000, the subsidiaries of General Insurance Corporation were restructured as independent and General Insurance Corporation was converted as National re-insurer. Parliament passed bill of de-linking the four subsidiaries from General Insurance Corporation in July 2002.

Today there are 19 general insurance companies in India out of which 4 companies are public sector undertakings.

As per practice the classification is as under:
Classification of Indian Insurance Industry

(Figure 1)

The lists of general insurance companies in India are as under:

**Public Sector undertaking (separate entities from December 2000)**

- The Oriental Insurance Co.Ltd
- The New India Assurance Co.Ltd
- National Insurance Co.Ltd
- United India Insurance Co.Ltd

**Private General insurance companies are:**

Established in the month of October 2000

- Royal Sundaram Alliance Insurance Co.Ltd
- Reliance General Insurance Co.Ltd.

Established in the month of December 2000

- IFFCO TOKIO General Insurance Co.Ltd
Established in the month of January 2001
  • AIG General Insurance Co.Ltd

Established in the month of May 2001
  • Bajaj Allianze General Insurance Co.Ltd

Established in the month of August 2001
  • ICICI Lombard General Insurance Co.Ltd

Established in the month of July 2002
  • Cholamandalam General Insurance Co.Ltd

Established in the month of August 2002
  • Export Credit Guarantee Corporation Ltd.
    • HDFC CHUBB (then Ergo) General Insurance Co.Ltd

Established in the month of August 2007
  • Apollo Munich Health Insurance Co. Ltd

Established in the month of September 2007
  • Future Generali India Insurance Co.Ltd

Established in the month of November 2007
  • Universal Sopo General Insurance Co.Ltd
Established in the month of May 2008

• Shriram General Insurance Co.Ltd

Established in the month of June 2008

• Bharti Axa General Insurance Co.Ltd

Established in the month of December 2008

• Raheja QBE General Insurance Co.Ltd

Source: http://www.irda.org

Banga J.S. (2011) traced the important developments in the general insurance business in India. Accordingly, the coming year will assume a significant position in the history of Indian insurance industry. It denotes completion of a decade of open-market; ending of oligopoly and entry of private sector insurance companies; and the regime of a new development oriented regulatory authority - the IRDA (Insurance Regulatory and Development Authority).

The market continues to attract new capital; barring a handful of mega-risks, there is more than adequate capacity to cover all the risks within the market. Post de-tariffing, competition for the existing pie intensified and premium-
rates in all classes took a dip. However, insurers are chasing premium and booking losses and working up unviable combined ratios. It is felt that the bottom has been reached and an upswing in the rates is inevitable.

At present, the general insurance market has 20+ players already and some more large international ones are expected to enter shortly. Companies today are coming up with new ideas to stand out and they are offering the existing and prospective customers, new technology platforms that would streamline the business and would also be beneficial to them.

The industry is going through a challenging phase now because of the general economic slowdown and this phase is expected to continue for some time. According to industry experts, the market will grow by 18% a year and is expected to reach Rs. 900 billion by 2015.

Despite there being over 30 players (in both general and life), the market is still under penetrated. In the general insurance sector, the penetration level is just about 0.65%. In India, the urban market is the major contributor for general insurance. Though the rural market does not have any significant contribution to this sector, it is growing rapidly over the past few years and is slowly becoming a huge potential market for general insurance in India.
To capture the rural market, companies are adopting strategies to increase awareness levels among the people. This, they are achieving through increasing the distribution levels and access points. Business generation through multiple distribution channels is the main agenda for these companies. Some of them are even adopting the cutting-edge technologies like e-marketing and institutional marketing for deeper penetration in the rural market.

On the property and liability insurance segments—niche marketing and competition for small and medium size companies would be the challenge for the next two years. Project-insurance sector will continue to be the major work-horse; with continued economic development spurring investment in power sector, manufacturing and other industries, roads and buildings. Insurers with right technical support and adequate capacity would be able to benefit from this segment.

Brokers and agents - who upgrade their technical competence - are expected to play an increased role. Hence, it would be wise for insurance companies to support competent brokers and agents. These much needed intermediaries with help from insurers and re-insurers would have to take up a major challenge of educating the under informed customers in risk-management
and risk improvement; accept more reasonable policy deductible and seek better policy.

Newer pricing methods need to be developed for commercial lines. Underwriters should give up the old tariff-based approach and develop experience-based and actuarial-supported models for pricing. Most of the large risks have already well developed risk-management departments and deploy ERM (enterprise risk management) techniques; with the right pricing, and capacity, this segment still offers good pickings. The SME (small and medium enterprise) sector (property) needs careful cherry-picking and the right marketing approach would yield dividends.

Catastrophe risk management system has to become robust as the insurance spreads in the semi-urban and rural areas. With increased penetration, rapid economic development in rural areas, insurance companies will face losses from events like floods and catastrophes in the interiors which hitherto have not produced significant insurance losses. It is vital for insurers to monitor their aggregate exposures closely and buy adequate catastrophe protection. Choices of India-specific cat-modeling software tools are now available and most of the insurers are using these tools. With increased awareness in this area, insurers are buying more and more catastrophic cover; notably the
cover being purchased has increased from 100 years to 250 years return period cover.

Health insurance is a lucrative segment; it is poised to record a massive growth in India in the coming years. Half of the country’s population is expected to come under the health insurance umbrella in the next seven years, according to an Ernst & Young study. A mere 12% of the population is currently covered by healthcare. According to an Economic Times report, the government’s proposal to scale up the foreign direct investment (FDI) in the insurance sector from 26% to 49% will boost the healthcare business. In the coming years India might witness more standalone healthcare companies too as they will have an edge in the future market scenario, says an industry expert.

The recent development in the general insurance sector is the activities by the insurance regulator. The IRDA has been very stringent and has been keeping a close-watch on the functioning of all the insurance companies. The latest regulation from IRDA is on health insurance portability. In the future, general insurance industry will be very much in the limelight than any other industry facing recession now.
Online selling of insurance policies to discerning customers, who access the Internet, will gain momentum. Typically motor, travel and health policies will be sold more online. Many insurers have already realized this and are creating separate verticals to exploit this segment. The interplay of technology & telecom solutions will be a major factor determining the growth of the industry in the future.

Till recently, micro-insurance on the lines of micro-finance, is thought to be a magic word and insurers planned to bring retail products to suit this segment. Another area of opportunity is the government initiatives in health and Personal Accident covers for the populace. Rashtriya Swasthya Bima Yojana (RSBY) schemes and group PA covers sponsored by state and central governments are providing huge opportunities to insurers. While these schemes provide volumes, pricing and claims management is critical for success.

The Indian customers are demanding and expect best in class service levels so the entire insurance industry will have to work towards becoming more customer-centric in the areas of product development, policy issuance as well as claims settlement. They would need to constantly do market
research to update their products, services & processes to keep up with the changing needs of their customers.

Completion of 10 years under new regime opens up new opportunities to those private sector insurance companies which started in 2001. According to law, they will become eligible to raise capital from public and make IPOs (initial public offerings). Obviously, the promoters would want to skim the cream; but timing of an IPO is crucial and more importantly, to present the right financials and a strong-balance sheet is imperative.

The public sector companies will definitely face an extremely competitive situation from the private sectors and the private sectors will in turn have to prove their competency to gain an edge over the public sectors and to grab a major piece of the market pie.

Another major development in the future would be the number of private insurers in the space. This is expected to grow as various foreign companies have announced intentions to establish joint ventures. Given the low level of penetration in some segments, this trend towards foreign participation is likely to continue for some time. So, India will witness a major competition
in the general insurance market and this definitely indicates a tough but exciting road ahead for the existing and upcoming players.

One major problem affecting the industry, like in all developing economies is the shortage of trained insurance professionals and technicians at all levels. So companies that are able to recruit and grow talent that continue to provide innovative insurance solutions for the underserved Indian market will be the ones that will rise and shine in the general insurance industry.

The market is large and set for rapid growth but the ones that take the required calculated risks, have the right technical expertise, do not blindly go after market share and are customer-centric in their approach to the market will be the ones to benefit from this growth and become one of the biggest and best run insurance companies in the world. A well developed and evolved insurance sector is a boon for economic development as it provided long term funds for infrastructure development at the same time strengthening the risk taking ability of the country.
(Table 8)

Indian General Insurance Industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Events</th>
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<tbody>
<tr>
<td>1907</td>
<td>The Indian Mercantile Insurance Ltd. Set-up the first company to transact all classes of general insurance business</td>
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<tr>
<td>1957</td>
<td>General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.</td>
</tr>
<tr>
<td>1968</td>
<td>The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set-up</td>
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Source: Banga J.S. (2011), Marketing Strategies of General Insurance Companies

Reforms in general insurance sector

In 1993, Malhotra Committee was formed to evaluate the Indian Insurance Industry and recommend its future direction. The Malhotra Committee was set-up with the objective of complementing the reforms initiated in the financial sector. The reforms were aimed at creating a more efficient and competitive financial system suitable for the requirements of the economy keeping in mind the structural changes currently underway and recognizing
the insurance is an important part of the overall financial system where it was necessary to address the need for similar reforms.

In 1994 the Committee submitted the report and some of the key recommendations are as under:

1. Structure: Government share in Insurance Company to be brought down to 50%. Government should take over the holdings of General Insurance Corporation and its subsidiaries so that these subsidiaries can act as independent corporations. All the insurance companies should be given greater freedom to operate.

2. Competition: Private companies with a minimum paid up capital of Rs. 1 billion should be allowed to enter this sector. No company should deal in both Life and General Insurance through a single entity. Foreign companies may be allowed to enter the industry in collaboration with the domestic companies. Postal Life Insurance should be allowed to operate in the rural market. Only one State Level Life Insurance Company should be allowed to operate in each state.

3. Regulatory Body: The Insurance Act should be changed. An Insurance Regulatory body should be set-up Controller of Insurance a part of the Finance Ministry should be made independent.
4. Investments: Mandatory Investments of Life Insurance Corporation Life Fund in government securities to be reduced from 75% to 50%. General Insurance Corporation and its subsidiaries are not to hold more than 5% in any company (there current holdings to be brought down to this level over a period of time).

5. Customer service: That means client service. Life Insurance Corporation should pay interest on delays in payments beyond 30 days. Insurance companies must be encouraged to set-up unit linked pension plans. Computerization of operations and updating of technology to be carried out in the insurance industry. The Committee emphasized that in order to improve the client services and increase the coverage of insurance policies industry should be opened up to competition. But at the same time, Committee felt the need to exercise caution as any failure on the part of new players could ruin the public confidence in the industry. Hence with the minimum capital requirement of Rs. 100 Crores the private players must allow competition in a limited way.

The Committee also felt to need autonomy to insurance companies in order to improve their performance and enable them to act as independent companies with economic motives. Hence Committee
suggested setting up the Insurance Regulatory and Development Authority.

2.5 Client Servicing

“A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption to the work. He is the purpose of it. He is not an outsider to our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us the opportunity to do so.” Mahatma Gandhi. This is apt for general insurance industry in respect of clients.

Martis C & Diwan M.G (2000), explain that fundamental feature of services for insurance employees. Service is required in every sphere including manufacture because the goods manufactured must be reached to the clients and in this process a number of services like transport, banking and marketing play their role.

Another interesting aspect of services is that in most cases the service giver and the client care face to face. In some of the services like medical care beauty parlors and other such services the service giver and the client are even in physical contact. The lawyer and his clients the consultant and his
clients, the insurance agent and his prospects, the salesman and his buyers – all of these persons are physically close to each other. This physical nearness gives rise to interesting aspects. Clients tend to identify the service with the service giver. If the service is not good for any reason they are apt to blame the person who rendered it to them rather than the Organization which the service provider represented. From a positive point of view we can think of many enlightened agents in the insurance industry who are held in such high esteem by their policyholders that they deal with only those trusted agents and refuse to take insurance through other agents. This phenomenon of identifying the service with the person is most pronounced in health care. We trust our family physician and whatever happens, we go only to him for treatment.

Another aspect of services is that when a service fails then it is difficult to win the client’s trust back. Unlike a product like say a torchlight, which can be repaired or even replaced, a failed service cannot be replaced. Moreover when service fails the customer’s feelings are to be repaired first. That is he has to be appeased and only thereafter can we think of looking at what had gone wrong with the service and how the problem could be solved. Another matter is that a failed service cannot be repaired or replaced. We will have to render fresh service to the client and try to make him happy.
There is an interesting concept known as ‘moments of truth’. These are any incidents, however, small in which a client comes into contact with an organization and forms a first impression, which is likely to last in his/her mind for a long time. He/she is likely to judge the organization always on the basis of the first impression. The moment of truth could be anything—the sight of a posh office with a welcome atmosphere or the instant, proactive courtesy shown by one of the employees. Interaction with human beings is likely to remain longer as moments of truth than mere physical sights.

Unlike manufactured goods, services cannot be stored on the shelf of the shop. Nor can we try to give a sample to the client or allow him to examine it, weight it and perhaps taste it (as in the case of foodstuff). A service is produced, rendered, and enjoyed (consumed) simultaneously and that too only when the client wants it. Above all, there is no question of storing unconsumed services for future consumption. The vacant seats in the plane are of no use once the plane takes off. Similar is the case with the vacant rooms in a hotel. Quality control of services is not easy. The only quality control one can think of would be a client’s feedback but this will help only
in improving future services and not the service which has already been rendered.

Above all the efficacy of services depends to a large extent on the client himself or herself. Different clients have varied perceptions. It is difficult to standardize a service on the basis of client expectations which vary widely and what is more, which are highly unpredictable. In services, customers may show their preferences and dictate the way want the service to be performed for them. E.g. a lady going to a beauty parlor may say that she wants her hair to be treated in this or that way.

Clients now days are getting used to integrated services like for instance a client desiring consultation on good avenues for saving. He may like a financial consultant who can talk to him not only of post office savings but also savings on the stock exchange, mutual funds and so on. This expectation from customers for what may be termed as a singly window offer makes it all the more incumbent upon managers to train their employees in patience, empathy and courtesy.

The importance of service is such that even while selling identical products the service involved in making the sale can make a big difference. There
may be two general stores one opposite to the other selling almost the same type of goods like branded food items (tea, biscuits) and other common items. Yet one store may prosper while the other languishes. It is not difficult to see that the service rendered by the shop owner and the salesmen is the reason for the difference in their success. Courteous and efficient service provides value addition to products.

All these special features of services cast a heavy burden on the service providers who are none other than the people working in organization. For these reasons human resources managers have to pay special attention to the development and motivation of their men engaged in client service. Special training has to be imparted to the persons whose duty it is to meet clients interact with them and ensure their satisfaction. Especially delicate is the role of the persons who have to attend to the clients with complaints or grievances, it is important to note that more than training in the nitty-gritty of the jobs like keeping accounts, calculating claims and preparing cheques, the training has to be in courtesy, service mindedness listening skills and communication. The staff dealing with clients must also be well groomed business etiquette and manners. In most of the service organizations the functions are interdependent and therefore, the staff needs to work as cohesive teams. Special attention will therefore, have to be paid to training
people to work in teams. It follows that if the employees have to work as teams then there is a heavy demand on the managers to become effective leaders.

Above all, the special motivating factor of empowerment has to play a distinguished role in service organizations. In order to render efficient service to clients and to make them happy the employees must feel a sense of empowerment. They should have the conviction that even if they do something which is slightly beyond their brief, but necessary at that point of time to solve a problem and to send a client home with a smile on his face their action would be backed by management and even if there is a small mistake in this process they won’t be hauled up.

Organizations would do well to spend more time training their people to take decisions and solve problems rather than in preparing voluminous manuals and rule books. No manual can serve all the myriads situations that arise in day to day transactions and therefore there will definitely be occasions when employees find themselves called upon to take on the spot decisions to help a client and make her happy. People with a sense of empowerment can be expected to rise to the occasions.

In service industry open and two ways communication is very effective communication. From the research by Bain & Co. revealed that 67% of existing clients go elsewhere because of non-contact with them i.e. non-communication with them. This was substantiated by study by Nortel Networks. From the study it revealed that communicated clients are loyal to that industry. Service quality should not over promise and under deliver. The charter mentions that customer is king and if he is totally discarded by the organization then it is not client servicing.

Communication with internal clients: Internal clients are employees of organization. If the meetings with employees are conducted after 15 days span or monthly then there is a feeling among employees about their participation in organization. If an updated chart is prepared and provided to each employee then it will be friendly atmosphere and better communication in an organization.
Verbal communication which promotes discussion rather than one way imparting messages is the most effective means of communication. Team meeting is an example of best communication with internal clients.

- Client service standards
- Give clients priority over other tasks
- Make eye contact and greet each client
- Focus attention on the clients, be polite, friendly and interest throughout respect to individual client
- Apologies for any delay in giving service and advice of actions we are taking to help.
- Thank each client and end the contact in appropriate way.
- Never leave a client waiting unattended.
- Clients do not feel that they have been delayed unnecessarily
- Handle the transaction at appropriate speed.
- Point out useful information to client.

Allen Mitchell, a Journalist, working for marketing business has given tips for effective internal communication.

- Lead from top –Chief are not committed it is unlikely to succeed.
- Conduct an audit- what the target marked needs to thinks about the same
• Communication is two way – listening is harder than talking
• Do not get mesmerized by media.
• Face to face communication is best communication.
• Constantly review the messages are being received and how well the process of communication is viewed by staff.
• Honesty is the best policy- employees usually do not trust glossy news if internal and external messages do not coincide and reinforce each other.

Communication is an integral part of the management process it is not an afterthought. As managers encourage their staff to treat clients as individuals, effective managers remember to be flexible in the style and approach they use with each of their staff. Some research suggests that extrovert respond better to praise and introverts are more influenced by censure.

It is often the extrinsic, hard, factor which organizations focus on when it comes to deciding how to motivate and reward their staff, using such as improved working conditions or improved status. Intrinsic factors such as sense of purpose, feeling of achievement recondition, responsibility and
reviewing feedback in a job are often overlooked as they belong to the touchy, feely school of management which is less easy to control. Interestingly research shows that demotivated employees are most concerned about soft issues, when they are in the workplace. When they become so demotivated that they decide to change jobs, it is the hard factors which they cite as reason for leaving.

Due to potential market opportunities are much wider for general insurance. Free act markets and globalization have increased competition. In the changed scenario general insurance business has to reengineer its approaches and strategies on quality basis. The quality for client servicing improvement is essential. Service is an act or performance that one party can offer to another that is essentially intangible. The services are intangible, inseparable, variable and perishable.

Banu V.C (2006) describes various aspects of client servicing. But the three vital aspects which are very essential for client servicing are:

1. Recruit right service employees and provide them excellent training
2. Standardizing the service performance
3. Monitor client satisfaction by means of suggestion schemes, accepting and reviewing the complaints, client survey comparison etc.
General insurance must concentrate on three important tasks:

1. It must manage service quality in order to meet or exceed client expectations
2. It must differentiate its offer and delivery system
3. It must manage staff’s productivity by getting its staff to work more skillfully.

**Staff productivity**

So the general insurance companies can improve their market share which is possible only by client satisfaction and retention. Client satisfaction can be achieved by quality service so the quality service is an important aspect that general insurance business needs to concentrate.

Cook (2002) writes how to create an effective customer focus by good service which meeting clients’ expectations. Excellent service is exceeding
client expectations. To provide world class service, the need to improve the total relationship with the client has been emphasized, improving the process through which service is delivered to the client. Total client care will only be achieved when the needs of the internal as well as the external client are considered. This involves capturing the hearts and minds of all employees.

Managers play a key role in providing support and encouragement to their staff to achieve client focus. Unless customer initiatives originate from the top of an organization they have no long term effect. He further mentions about service in a competitive environment. In service sector the nature and number of competitors and ability to offer similar products at similar prices has led to increasing emphasis being placed on personal service as a means of adding value to clients.

Benefits of a client centered organizations: Excellent service enables business clear benefits when they focus on client as a best practice.

- Differential themselves from the competition
- Improve their image in the eyes of the client
- Minimize price sensitivity
- Improve profitability
• Increase client satisfaction and retention
• Enhance its reputation for being a caring, client oriented company.
• Improve staff morale
• Increase productivity
• Reduce costs
• Encourage employee participation
• Foster internal client/ supplier relationship.
• Bring about continuous improvements to the operation of their companies.

Customer retention: A clients begin to experience a better service their expectations rise. The service experienced is transferable in the mind of the client. The client makes conscious and unconscious comparisons between different service experiences– irrespective of industry sector.

A company’s ability to attract and retain new clients therefore, is a function not only of its product or product offering but also the way it services its existing clients and the reputation it creates within and across marketplaces. Many organization, however, overlook the potential of existing clients to develop their business. Caring for existing clients: Reducing client defections can boost profits by 25-85 per cent (Harvard Business School).
The price of acquiring new clients can be five times greater than the cost of keeping existing ones (US office of customer Affairs). The return on investment to marketing for existing clients can be up to seven times more than to prospective clients (Ogilvy& Mather Direct).

Most organizations lose significantly more than 30% of their clients before, or at the time of a repurchase decision, mainly through poor service. The only reason market shares do not drop is because competitors are usually in the same position and are losing clients to their competitors. The result therefore is a constant churn of non-satisfied clients looking for a company in which they can put their faith.

2.6 Pune Region.
The geographical jurisdiction of general insurance industry Pune region consists of Pune, Pimpri-Chinchwad, Satara, Sangli, Kolhapur, Ichalkaranji, Nasik and Ahmednagar for all companies. Pune region is one of the regions in Western Zone. The regions are divided into 4 Zones as east, west, north and south.