UNIT 8: MOTIVATION

UNIT STRUCTURE

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8.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define the term motivation
- describe the Maslow's Need Hierarchy theory of motivation and its limitations
- enumerate the Mc Gregor's Theory X and Theory Y and limitations and application of these two theories
- determine the relationship between theories X and Y and Maslow's need hierarchy
- classify the financial and non-financial techniques of motivation.

8.2 INTRODUCTION

The manager performs various functions to achieve the goals of the organisation. Motivation is the psychological force that moves a person for action and continuously inspire him in the course of action. In this unit we will explain what is motivation and its important theories. You will find this unit interesting as it will help you in understanding the basic factors which motivate people.

8.3 MEANING OF MOTIVATION

The term 'motivation' is derived from the Latin word 'mover' which means to move and represent the force that moves people, and causes them to act. So, motivation can be defined as a process of channelling a person's inner drive so that he wants to accomplish the goals of the organisation. Motivation is a behavioural concept by which we try to understand why people behave as they do. A human being is an organic and not a mechanical system. He or she is a self-activated person. The force of motivation lies within our mind. It is dynamic force, setting a person into motion or action.

In this context, we can discuss some of the definitions of motivation given by management experts. Robert Dubin has defined motivation as "The complex of forces starting and keeping a person at work in an organisation" Moreover, Dalton E. Mc Farland said "The concept of motivation is mainly psychological. It relates to those forces operating within the individual employee or subordinate which impel him to act or not to act in certain ways." On the other hand, Koontz and O' Donnell define motivation as "Motivation is a general term applying to the entire class of drives, desires, needs, wishes and similar forces".

Out of the above discussion, it can be understood that motivation is highly individualistic. It is the essence of human behaviour. Motivation consists of three parts.They are (a) Motives (b) Motivating factors and c) Attainment of objectives. In an organisation motivation implies a planned management process, which stimulates people to work to the best of their capabilities.

The process of motivation can be -illustrated simply as follows

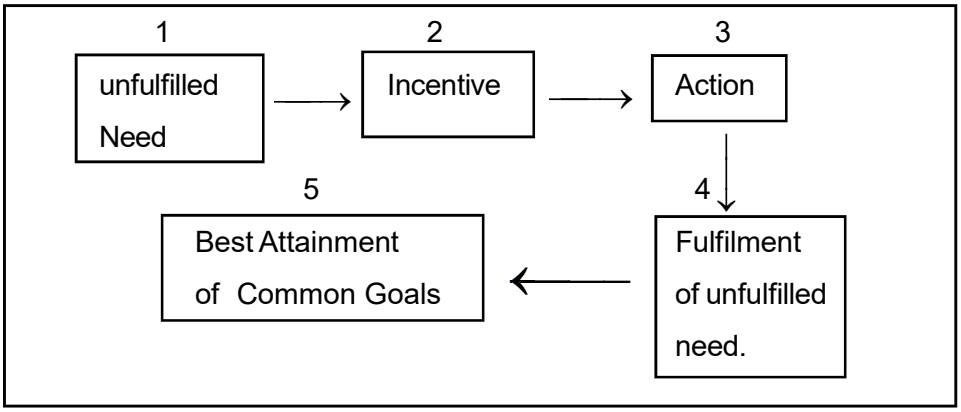


Figure 8.1 - Process of Motivation



LET US KNOW

Motivation is one of the most important factors determining performance of employees. Motivated employees put higher performance as compared to other employees. In a study by William James, it was found that motivated employees worked at close to 80-90 percent of their ability. The relationship of motivation with others can be understood from the following formulas.

Performance = Ability x Motivation

Motivation = Valency x Expectancy



ACTIVITY 1

1. Make a list of some unfulfilled needs of employees in an organisation
2. Find out few things blocking the persons in achieving their goals and also name some of them beyond the control.



CHECK YOUR PROGRESS

Q 1: How does motivation affect behaviour ?

.....

Q 2: What does happen when a person is not able to satisfy his needs?

.....

8.4 IMPORTANCE OF MOTIVATION

Motivation is an important function of management. All managers should induce their employees on the job to extract performance by motivating them. Below, we discuss some important aspects of motivation.

i) **Utilisation of human resource :** By motivation techniques, management can properly utilise its human resources. This helps the managers to increase the productivity of employees. By virtue of motivation employees can understand organisational culture. Thereby, human resources can be properly utilised.

ii) Use of material resources : By motivating employees of an organisation, the material resources can also be used in a proper way which increases organisational efficiency.

iii) Willingness for work : In an organisation, there may have some employees who are physically and mentally capable to do work, but may not be willing to work. In such a situation, motivation can create willingness among the employees for work.

iv) Good labour relations : Motivation also helps an organisation in building up a good labour relation. Thereby motivation become beneficial to management and employees. So, motivation can reduce different labour problems such as absenteeism, labour turnover, indiscipline, grievances etc.

v) Develops cooperation : Motivation can build up team spirit. Thereby, motivation makes possible to increase collective effort of employees to the organisation. So, motivation forms the basis for cooperation to get the best achievement of organisation objectives.

vi) Improve skill and knowledge : Motivated employees always try to be as efficient as possible and to improve their skill and knowledge. Because, motivated emplyees always resolve to do their

responsibilities in the best manner.

vii) **Boosts Morale :** Morale implies the attitude and feelings of employees about their work as well as situation of work. Motivation can improve the attitude and feelings of employees towards works. So, motivation can also improve morale of employees.

viii) **Facilitates change :** Research based fact says that properly motivated employees are more receptive to accept changes. So, motivation helps the employees to adjust with changing environment.

ix) **Sense of belongingness :** A proper motivation system can improve the sense of belongingness among the employees. As a result, employees can feel that organisation belongs to them. So, employees become more concerned about the well being of the organisation.

x) **Achieve organisational objectives :** Motivation can be defined as core of management. By motivation managers directly encourage the employees towards the accomplishment of organisational objectives.

8.5 THEORIES OF MOTIVATION

Now, we are aware of the fact that motivating the employees is very important in organisations. But motivating employees is a difficult task for the managers.

Many researches have been carried out on motivation. All of them emphasise that due to complex nature of human being no generalisation is possible. On the other hand, all theories are not universally applicable and these are affected by time, place, and circumstances. Various theories of motivation can be classified as below -

8.5.1 Maslow's Need Hierarchy Theory

A.H. Maslow has developed the Need Hierarchy Theory for understanding human needs. According to Maslow, human needs tend to follow a basic hierarchical pattern from the most basic needs to the highest level needs. Until the basic needs are fulfilled, person will not try meet his higher level needs. The theory of Maslow is

based on the needs of the people. He proposed a hierarchy of five types of needs which are mentioned below-

1) **Physiological needs :-** These are the primary needs of human beings and relate to the survival of the body. These needs are more or less universal. These are called the needs of lowest level and they are to be satisfied first for existence and survival. Unless these needs are satisfied to the degree needed for the efficient operation of the body, a person's activities will be at this level and the other needs will provide him with little motivation. So, this is a powerful motivating force.

   i) The physiological needs are -

   Food, shelter, clothing, water, air, sleep, sex etc.

ii) **Safety or Security needs :** These needs come next in the hierarchy. They are concerned with physical and financial security. Man is always worried about security as life is full of uncertainities. So human beings always expect physical security, job security and security of income at all times. In an organisation, management can motivate employees by providing security against uncertainties in the form of secured jobs, insurance plans and pension plans.

   Example of safety needs are Protection against deprivation, danger and threat on or off the job e.g. unemployment, protection from physical harm, ill health, old age or any other reason.

iii) **Social needs :** Man being a social animal is always interested to live in a society or group which loves him most. He wants to give or receive love. These are to be reflected by recognition, conversation, sociabitity, exchange of feelings and grievances, acceptance and friendship. When social needs become dominant, a person will strive for meaningful relations with others. If the opportunity for association with other people is reduced, men often take vigorous action against the barriers to social intercourse.

Examples of social needs are: affection, love, friendship, acceptance by the group, communication etc.

iv) **Esteem or Ego needs :** These needs relate to the prestige and respect of the individual and include such things as self-confidence, independence, achievement, competence, knowledge and control. Satisfation of thse needs produces feelings of self-confidence, prestige, power and control.. The esteem needs can be classified mainly into two types, such as 1) Self -esteem needs 2) Public esteem needs. Self-esteem needs refer to an individual's feeling that he is doing something worth while, While the public esteem needs refer the image in the eyes of the public like praise, admiration and public appreciation etc.

Examples of esteem needs are: Status, approval, appreciation, freedom from control, recognition, self- respect of others.

v) **Self Actualisation need :** It is also called self realisation needs. This refers to the need to realise specific goals. It is need "to become everything that one is capable of becoming". According to Maslow "This need might be phrased as the desire to become more and more what one is to become everything that one is capable of becoming." A musician must make music, a peot must write, a general must win battles, an artist must paint, a teacher must teach if he is to be ultimately happy.

Examples of self actualisation need are : need for self-development, self-actualisation, self-advancement, desire to take on increased responsibilities etc.

Maslow's needs hierarchy is illustrated with the help of the following diagram.

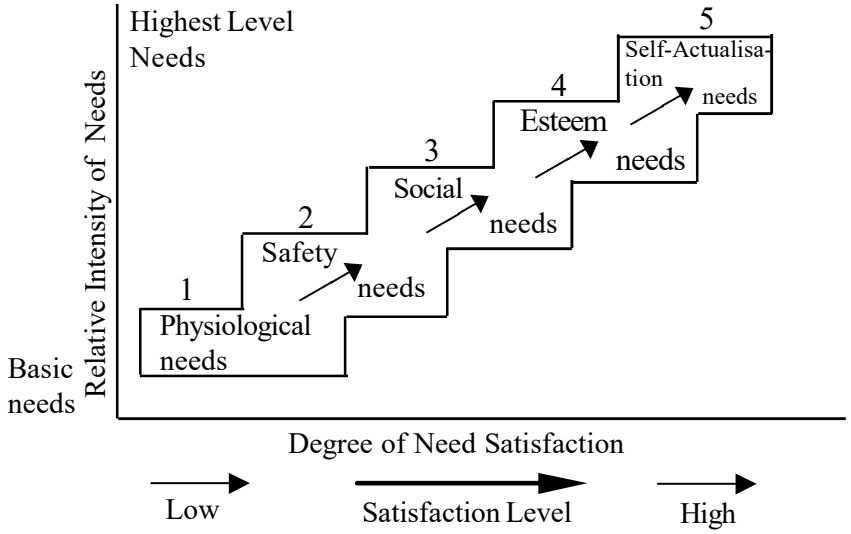


Figure : Maslow's needs hierarchy theory of Motivation

8.5.2 Mc Gregor's Theory X and Theory Y

Theory X and Theory Y were propounded by Douglas Mc Gregor who was a known psychologist. These theories are based on the dual nature of human beings. According to these theories all management actions flow from two assumptions.

Theory X :

This is a traditional theory of management. Theory X contains a set of negative assumptions about human behaviour.

Assumption of Theory X :

i) The average human being is basically lazy and has an inherant dislike for work. He will avoid work, if he can.

ii) Many people lack ambition. They are not interested in achievement. They like to be directed.

iii) Most people have little creativily for solving organisalional problems.

iv) Most people are indifferent to organisational goals.

v) Most people must be closely controlled and often threatened to achieve organisaliona goals.

vi) Motivation of average human beings occur at the psychological and safety levels.

Assumption of Theory Y:

i) The average person does not inherently dislike work. He considers work is as natural as play, if the conditions are favourable.

ii) External control and threat of punishment are not the only ways for bringing about efforts towards ortganisational objectives. Self- control and committment to the objectives of the organisation is often indispensible in achiving organisational goals.

iii) Average human being under proper conditions not only accept but also seek responsibility. Avoidance of responsibility, lack of ambition and emphasis on security are generally the consequences of experience not inherent in human charecteristics.

iv) The capacity of employees to cooperate with the management in solving organisational problems is widely present.

v) The modern industrial system have partially utilised the intellectual potentialities of employees.

Evaluation of Theory X and Theory Y :-

These theories are important tools in understanding the behaviour of human. It is also helpful in designing the incentive schemes to motivate the employees of an organisation. Of course, these two theories are not equally applicable to every situation as well as for all type of employees. The Theory X is suitable for unskilled and uneducated employees. On the other hand, Theory Y is suitable for skilled and educated employees. So management should combine these theories for different types of employees.

8.5.3 Herzberg's Two Factor Theory

During the late 1950's Fredrick Herzberg, a US behavioural scientist (Psychologist) and his associates developed two factor theory of motivation. This theory is also known as Motivaion

Maintenance Theory and Motivation Hygiene Theory. According to this theory, work dissatisfaction and satisfaction arise from two different sets of factors. These are motivational factors and Hygiene or maintenance factors. These are described below -

Motivational Factors : These factors are mostly related to the job itself.The availability of these factors create a highly motivating situation. On the other hand, absence of these factors does not cause dissatisfaction. According to Herzberg, there are mainly six motivational factors, such as Achievement, Recognition, Advancement, possibility of growth and Responsibility. Motivational factors are the primary cause of job satisfaction. The employer can increase the performance of employees by providing these factors. These factors differ from individual to individual.

Hygiene or Maintenance factors :

Hygiene factors are mostly related to environment outside the job. Though, the availability of hygiene factors do not significantly motivate the employees, yet the absence of these factors cause serious dissatisfaction. These factors are necessary to maintain a reasonable level of satisfaction among the employees. According to Herzberg, various hygiene factors are company policies, and administration, supervision, interpersonal relationships, salary, job security, working conditions, job status, personal life etc.

The Herzberg's theory of motivation is shown by the following diagram

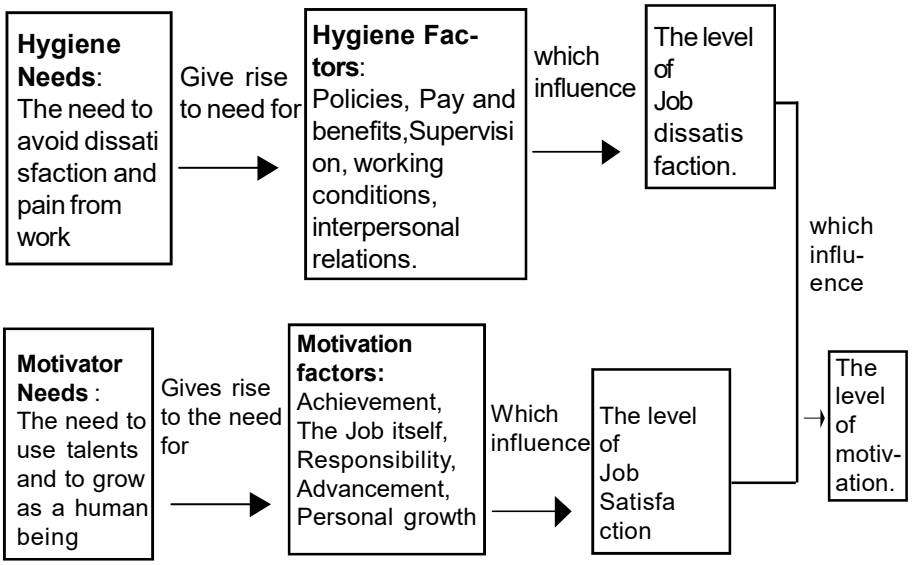


Figure 8.2 : Herezberg's Theory of Motivation



ACTIVITY 2

1. "Observers have noticed a relationship chain between employee's needs, motivation, employees' behaviour and enterperise objectives" - Give your comment.
2. "Man is bundle of complex instincts-physical, intellectual, social, spiritual, economic, and psychological desires, Explain how can a good manager use these instincts and desire in motivating his subordinates ?



CHECK YOUR PROGRESS

Q 3: Match the following-

i) Food, clotting	a) Esteem needs
ii) Protection against unemployment	b) Physiological needs
iii) Love, affection, friendship	c) Self- Actulisation needs
iv) Status, recognition	d) Safety needs
v) Liberation of creative ness	e) Social needs.

Q 4: Select the correct answer-

i) Physiological needs are essentially finite/ infinite

ii) Safety needs may serve as motivators, when there is uncertainty / certainty

Q 5: State whether the following statements are true or false:

i) Satisfaction of esteem needs produces feelings of self confidence (T/F)

ii) Self- Actualisation needs are finite. (T/F)

iii) Theory X is based on negative assumption of human behaviour. (T/F)

iv) Theory Y does not advocate a humanistic approach. (T/F)

8.6 TECHNIQUES OF MOTIVATION

In human behaviour, individual need plays the role of driving force. So the management should try to govern the behaviour of employees in satisfying their needs.

Incentives are the objects which are perceived to satisfy their needs. Individuals have both financial needs and non-financial needs. On the basis of these two needs, management uses two different types of techniques for motivation. These are financial incentives and non- financial incentives.

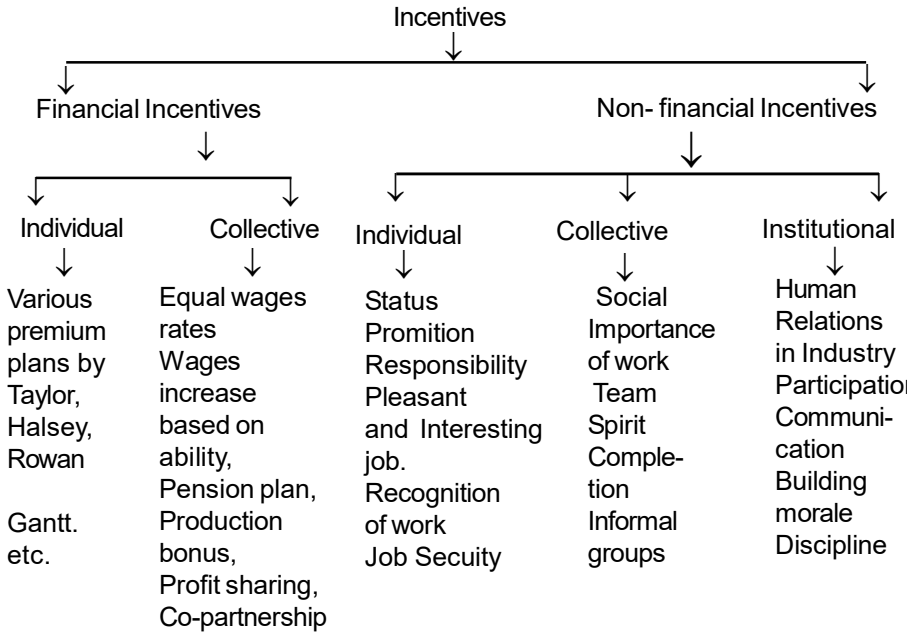
8.6.1 Financial incentives

Financial incentives imply that more payment of money to the worker is an important motivating factor. Financial incentives are also called monetary incentives These include wages, salaries, bonus, prize, income on investment and dividend. Money has the highest exchange value. So people can satisfy their needs through money. Of course, monetary incentives can be for the positive work. Such as amount of money paid to increase production or to do more work. Moreover, financial incentives may be given individually as well as collectively.

8.6.2 Non-financial incentives

Non-financial incentives imply all social and psychological attractions through which workers are encourged to do more work. Though money is an impotant incentive, yet workers do not work only for money. They also want to take incentives for satisfying their social and psychological needs. Non-financial incentives improve the workers interest in work, minimise accidents, and create interest in organisations. Non- financial incentives may be personal, collective and institutional.

From the following chart we may understand different financial and non- financial incentives.



Distinctions between financial and non- financial incentives-

Financial incentives differ from non- financial incentives in the following ways.

Table 8.1 : Distinctions between financial and non- financial incentives

S. No	Basis of Distrinction	Financial Incentives	Non- Financial Incentives
1.	Mode	Financial incentives are given in terms of money such as wages, salary, bonus, commission	Non- Financial incentives are not given in terms of money
2.	Basis of Determin-ation	Financial incentives are determined on the basis of cost of living, agreement of service, benefits offered by the competitors. etc.	Non - financial incentives are determined on the basis of nature of job, attitude of management and aspirations of em-ployees.
3	Level	Financial incentives are used to motivate employees and workers	Non- financial incentives are used to motivate managerial personnel, such as Directors, managers, chairman etc.



ACTIVITY 3

1. Money holds the key to work motivation in modern business organisation" Do you agree with this statement. Give reasons for your answer.
2. "Non- financial incentives are as strong motivators as the financial incentives" Mention few situations, where employees want to enjoy both non- financial and financial incentives.



CHECK YOUR PROGRESS

Q 6: Fill in the blanks

i) ..... incentives minimise the accidents of employees in organisation

ii) Money is an important incentive for individual because money has the highest ..... value.

Iii) Non- financial incentives are used to motivate ..... personnel.



8.7 LET US SUM UP

In this unit we have discussed the following:

Motivation is highly individualistic. Motivation is a process of influencing others, to do your work through the possibility of gaining reward. Different theories of motivation have been developed by different authorities. A.H. Maslow has developed a need hierarchy model, which includes five needs of human such as physiological needs and safety needs, social needs, esteem needs and self actualisation needs. According to him these human needs tend of follow a basic hierarchical pattern from physiological needs to the self- actualisation needs. On the other hand, Mc Gregor introduced Theoy X and Theory Y. These theories are based on the dual nature of human beings. The Theory X assumes that average people are basically lazy and dislike work. The Theory Y assumes that person does not inheretly dislike work. On the basis of these two theories management can formulate various incentive schemes. There are financial and non - financial incentives.



8.8 FURTHER READING

1) Smarth, M. W. & Siriya M. Pratibha (2001) Fundamentals of management: Perspective management. New Delhi, S. Chand & Company Ltd.

2) Chand S. N. (2009). Management: Concepts, theory and practices. New Delhi, Atlantic Publishers.

3) Knootz Harold & Weihrich Heinz (2007). Essentials of management: An international perspective. New Delhi, Tata McGraw Hill.



8.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1:

Motive is an internal factor that integrates a man's behaviour. Motive can be known by studying the behaviour of a person. Different motives operates at different times among different people and influence their behaviour.

Ans to Q No 2: An unsatisfied need creates tension and the person will not be able to give attention on his duites and activities. When a person is not able to satisfy his needs then he will not be stable at his work and suffers from frustration.

Ans to Q No 3:

i) ——→ (a)
ii) ——→ (b)
iii) ——→ (c)
iv) ——→ (d)
v) ——→ (e)

Ans to Q No 4: i) Finite ii) Uncertainty

Ans to Q No 5: i) True ii) False

iii) True iv) False

Ans to Q No 6: i) Non- financial ii) exchange

iii) managerial



8.10 MODEL QUESTIONS

Q 1: What is motivation ?

Q 2: Explain Maslow's theory of motivation? How does this theory help the

managers in motivating employees.

Q 3: Explain the Theory X and Theory Y. How is Theory Y is an improvement over traditional views?

Q 4: Describe various financial and non- financial incentives.

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UNIT 9 : DECISION- MAKING

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Meaning of Decision and Decision- Making

9.4 Types of Decisions

9.5 Process of Decision- Making

9.6 Individual and Group Decision- Making

9.7 Techniques of Decision- Making

9.8 Let Us Sum Up

9.9 Further Reading

9.10 Answers to Check Your Progress

9.11 Model Questions

9.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define decision and decision- making
- discuss the different types of decisions
- describe the process of decision- making
- differentiate between individual and group decisions
- explain the different techniques of decision- making.

9.2 INTRODUCTION

In the earlier unit (Unit 4) we have discussed the first managerial function- planning. Planning is important in organizational context as well as in our daily life. In planning, we face some situations like, who will do it? How will it be done? Where it will be done? etc. Answering these questions means taking some decisions. Thus, decision- making is an element in the planning process. Decision- making is important in our life as well as in business organizations. Managers spend considerable amount of time in making decisions. Good decisions increase organizational efficiency.

In this unit we will discuss the meaning of decision and decision-making. Then we will discuss the different types of decisions and the process of decision- making. We will also take into account the advantages and disadvantages of the decisions taken by an individual and by a group and at the end of the unit we will focus on some techniques of decision- making.

9.3 MEANING OF DECISION AND DECISION-MAKING

Perhaps you have come across some situations when you toss a coin. The coin is tossed to make a choice. We toss the coin when we face a conflicting situation like, whether to watch a movie or read a book, whether to spend Rs. 500 by buying something or to save it for the future etc. Likewise, different situations may come in our life where we have to choose a particular option by giving up other options. Of course, the difficulty of making a decision will vary depending on the problem. When we make a choice, actually we make a decision. That decision is taken by considering certain factors relevant to the situation which guides us in taking the decision.

Therefore, **'decision'** may be defined as a choice which is made out of the available alternatives. It implies that to make a decision, there must be some alternatives. These alternatives are analysed and finally a particular alternative is selected i.e. the decision is taken. If there are no alternatives we have no option to select.

To arrive at a decision we follow certain steps which begin with the analysis of the problem and finally we select the best alternative. The review of the decision is also important to verify whether it meets the need of the decision making situation. This process is known as **decision- making**. Decision- making involves the selection of a particular course of action. It is a mental activity requiring the consideration of different factors to make the best decision.

A decision is required to make where there is a problem or an opportunity. The decision- making process requires that the nature of the problem or the opportunity must be clearly stated. It leads to finding out the probable solutions to the problem or the means to grab the opportunity.

Then the best solution or the best means is selected to solve the problem or to seize the opportunity. Thus, decision- making is –

- an action: selecting the best alternative; and
- a process: the steps to select the best alternative.



CHECK YOUR PROGRESS

Q 1: State whether the following statements are true or false-

i) Decision is the selection of the best alternative. (T/F)

ii) Decision- making situation arises where there are no alternatives. (T/F)

iii) The problem must be properly defined for decision- making. (T/F)

iv) Decision- making is not a process. (T/F)

9.4 TYPES OF DECISIONS

Now, you are familiar with the words 'decision' and 'decision- making'. In our life we make various decisions. Some of them may relate to our day to day activities which need little thinking. For example, attending the class, meeting a friend etc. On the other hand, some other decisions are taken once in a life. These decisions need considerable amount of thinking. For example, before taking admission in B.Com programme of this university, you may have spent much time in taking the decision. Similarly, in organizational context, the managers have to make various decisions which may relate to the day to day operations of the organization as well as the decisions of making huge investment in a new project, construction of a factory etc.

The various types of decision may be classified as under-

- **Programmed decisions:** These decisions are recurring in nature. These decisions are taken on the basis of organizational policies. These policies are pre- established and depending on the terms of the policy, programmed decisions are taken. These decisions are taken at the lower level of the management by following the predetermined procedure. For example, purchase of inventory for the production

department, releasing the materials from the godown etc.

- **Non- programmed decisions:** These decisions are non- recurring in nature. They relate to unusual situations for which there is no predetermined organizational policy. The decision makers have to consider different alternatives before taking the non-programmed decision. These decisions have long- term impact on the organization and they are taken by the top level management. For example, taking over an existing company, introducing a new product in the market etc.

Table 9.1 : The distinctions between programmed and non- programmed decisions may be stated as under-

Programmed decisions	Non- programmed decisions
1. These decisions are recurring in nature.	1. These decisions are non-recurring in nature.
2. These decisions are guided by organizational policies, procedures etc.	2. These decisions are guided by the factors of the particular situation.
3. These decisions are taken by the lower level management.	3. These decisions are taken by the top level management.
4. Here, the problems are structured.	4. Here, the problems are unstructured.



CHECK YOUR PROGRESS

Q 2: Some decision- making situations are given below. You have to select the programmed and non- programmed decisions from the following-

i) Promoting an employee to a higher level post in the organization.

.....

ii) Introducing a new product in the market.

.....

iii) Purchasing a machinery to be used in the factory.

.....

iv) Issuing raw- materials from the store.

.....

v) Allowing discount to regular customers.

.....



ACTIVITY 9.1

"Non- programmed decisions are more complex than programmed decisions". Do you agree with the statement? Give reasons for your answer.

.....

.....

.....

9.5 PROCESS OF DECISION- MAKING

The decision- making process involves certain steps which the decision maker takes in taking decisions. A systematic following of steps helps the decision maker in making quality decisions. The process of decision making is generally followed for non- programmed decision. For programmed decisions, the managers follow the policies which are already in force for taking such decisions.

The steps in decision- making can be shown as under:

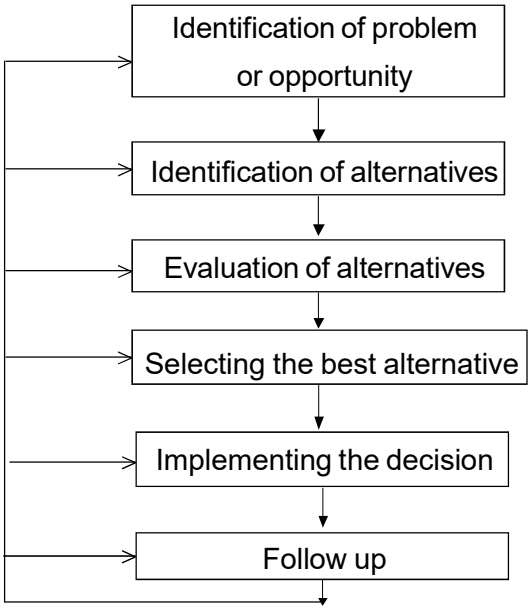


Figure 9.1 : Decision- making process

- **Identification of problem or opportunity:** Decision making situations arise if we confront some problems or perceived some opportunities. When differences occur between standards of performance and actual performance, it indicates the existence of a problem and the manager wants to solve the problem. That is, he needs to take some decisions to solve the problem. Similarly, when the manager perceives some opportunities i.e. when he visualizes a chance to achieve more than the present state, decision- making becomes important to capture that opportunity. Therefore, the first step in decision- making process is the identification of the problem or the opportunity.
- **Identification of alternatives:** The next step in decision- making is to identify the viable alternatives to solve the problem or to capture the opportunity. In generating the alternatives, the manager can use his past experience as well as generate new alternatives in the light of the changed situation by utilizing his **creativity**. The manager can also observe the methods followed by others in similar situations. In selecting the alternatives the manager must take into account the strengths and weaknesses of the organization.
- **Evaluation of alternatives:** In this step the alternatives selected are analysed in detail with the motive of selecting the most viable alternative. In this respect the manager must keep in mind the organizational objectives and the limiting factors of the particular decision situation.
- **Selecting the best alternative:** The next step in the decision- making process is to select the best alternative. The evaluation of alternatives helps the manager in considering their consequences. After comparing the consequences the manager can chose the best alternative.
- **Implementing the decision:** This is the step of implementing the decision to solve the problem or to capture the opportunity at hand. The manager must ensure the effective implementation of the decision in the organization. Effectiveness of the decision depends on its acceptability by the subordinates. For this the manager must communicate the decision to them to get their support.

- **Follow up:** The aim of implementing the decision is to solve the problem or to take the opportunity. Therefore, the manager must evaluate the result of the decision. The follow up of the decision will help him in adjusting the decision for any distorted result. For a decision to be considered as the best, it must fulfill the conditions of the decision situation.



CHECK YOUR PROGRESS

Q 3: State whether the following statements are true or false-

i. Decision- making is a step by step process.

ii. Evaluation of alternatives is not a step in decision- making process.

iii. Follow up action is necessary to judge the success or failure of the decision.

iv. Communication of the decision to the subordinates is not necessary for successful implementation of the decision.

v. Consideration of organisational capability is not important in identifying the possible alternatives for decision- making.



ACTIVITY 9.2

"Creativity helps in improving the quality of decision." As a manager, do you agree that creativity is important in decision- making?

.....

.....

.....

9.6 INDIVIDUAL AND GROUP DECISION- MAKING

In this section, we will discuss the approaches to decision- making. An organization is a group of people working together to achieve certain objectives. This group of people consists of superiors and subordinates occupying different positions in the organization. They have their respective duties and responsibilities depending on the position of their jobs in the

organisation. In their respective capacities they make some decisions keeping in mind the organizational objectives.



Peer : Person with equal standing with regard to rank, class, age etc.

As a decision maker, the manager may himself make some decisions or he can ask the subordinates to participate in the decision-making process. When the manager makes the decision individually, it is known as **individual decision**. On the other hand, when the manager takes the help of his peers and his subordinates in making a decision as a group, it is known as **group decision**.

Both individual and group decisions have their own merits and demerits. Therefore, it is the analysis of the situation which will help the manager in deciding whether he should make individual decision or resort to group decision- making.

Let us first discuss the factors for analysing the situation and then the merits and demerits of individual decision and group decision.

Factors for analyzing the situation

The following factors help in the analysis of the decision situation-

- **Type of problem:** If the problem can be solved by following the specific policies laid down by the organization, then individual decision- making will serve the purpose better than group decision- making. Therefore, for the programmed decisions, the manager can resort to individual decision- making. On the other hand, if the problem requires different qualities to find out the most effective solution, the manager can go for group decision- making.
- **Time factor:** The time factor for making a decision also determines whether the manager should go for individual or group decision- making. If sufficient time is available for making the decision, group decision-making can be a better option than individual decision- making.
- **Organizational climate:** Individual decision- making or group decision-making is also determined by the organizational climate. Group decision- making is encouraged in organizations which follow participative culture. On the other hand, if the organizational culture is characterized by autocracy, the managers prefer individual decision-making.

- **Legal conditions:** The legal conditions also determine the individual decision- making or group decision- making. For example, the Companies Act, 1956 specifies that certain decisions should be taken by the Board of Directors i.e. group decision- making.

The factors discussed above helps in deciding the individual or group decision- making in particular situations. Now, let us consider the merits and demerits of individual and group decisions.

Table 9.2 : Merits and demerits of group and Individual decisions

Group Decisions	
Advantages	**Disadvantages**
1. The group can gather more information.	1. Group decisions are time consuming.
2. The group can generate more alternatives.	2. The quality of decision may suffer, if the group members try to maintain good relationship among themselves sacrificing the real issues.
3. Implementation of the decision becomes easy.	3. One or two members may dominate the group.
4. Subordinates can develop decision- making quality.	4. Lack of experience of subordinates may make the process ineffective.

Individual Decisions

Advantages	**Disadvantages**
1. Individual decisions consume less time.	1. An individual may not be able to collect all the relevant information required for decision-making.
2. An experienced decision maker can make quality decisions.	2. An individual may not be able to perceive all the viable alternatives.

3. Individual decision saves time of other members of the organisation.	3. Implementation may become difficult in the absence of subordinates' support.
4. In times of emergency, individual decisions serve the best purpose.	4. Subordinates cannot develop decision- making quality.



CHECK YOUR PROGRESS

Q 4: Mention two advantages and two disadvantages of group decision.

Advantages

i. .....

ii. .....

Disadvantages

i. .....

ii. .....

9.7 TECHNIQUES OF DECISION- MAKING

After discussing the advantages and disadvantages of individual and group decisions, now we will discuss some of the techniques of decision-making. The following are the quantitative decision- making techniques-

- **Operation Research (OR):** Operation research techniques are used for decision- making where the different elements of the problem can be expressed in numerical terms. The relationship among these elements are studied and decision is taken after studying the relationship. With increased complexity in business decision- making, it becomes important for the managers to make quick and sound decisions. The OR techniques help the managers in this respect. OR techniques are used in the areas of production, material handling, material control, distribution of products etc. A manager often faces the problem of allocation of resources for different activities of the organization. OR techniques of decision- making help him in the optimum allocation of scarce organizational resources.

- **Decision tree:** Decision tree is a graphical method of taking decision. Those problems which need to be solved step by step can be taken with the help of decision tree. This technique is used where the results of different steps are interdependent i.e. the second step depends on the result of the first step, the third step depends on the result of the second step etc. It helps the manager in finding out the possible alternatives and he can concentrate on the critical factors of the problem.
- **Linear programming:** It is a mathematical technique of decision-making. Where the managers face the problem of allocation of scarce resources, linear programming can be used to find out the best possible strategy for solving the problem of resource allocation. It shows the relationship among the various limiting factors which are expressed in mathematical terms.

The following methods are used for group decision- making-

- **Brainstorming method:** Under this method, the problem at hand is presented before a group. The group members are asked to contribute possible ideas for the solution of the problem. At this stage the merits and demerits of the ideas are not analysed. Instead, they are recorded first and then these are analysed one by one. Finally, the best possible solution is selected for solving the problem.
- **Nominal Group method:** This is another method of group decision-making. Under this method, the group leader outlines the problem before the group and members are asked to write down their ideas. Then they present their ideas and the group discusses these ideas. The group members are then asked to rank the ideas and the idea which receives the highest ranking is selected as the solution of the problem.
- **Delphi method:** In Delphi method, as a first step, a **questionnaire** is prepared concerning the problem. In the second step, the questionnaire is circulated among the group members and they are asked to fill in the questionnaire as a response to the problem at hand. In the third step, responses are compiled. Fourthly, they are sent to all the group

members and they are asked to develop new ideas after studying the responses of all other group members. The last two steps are repeated until a consensus is reached on the best solution for the problem. An important feature of this method is that without any face to face contact among group members, the decision is taken.



CHECK YOUR PROGRESS

Q 5: State whether the following statements are true or false-

i. Decision tree is a graphical method of decision- making. (T/F)

ii. Linear programming helps the manager in solving the problem of resource allocation. (T/F)

iii. In nominal group method of decision- making, members do not come into face to face contact. (T/F)

iv. In Delphi method, questionnaires are circulated among group members. (T/F)

v. Brainstorming method is not a group decision- making method. (T/F)



ACTIVITY 3.3

"Success of an organisation depends on the quality of the decisions taken." Give your comments.

.....

.....

.....

.....

.....



9.8 LET US SUM UP

In this unit, we have discussed the following-

- Decision means choosing the best possible alternative out of the available alternatives.

- Decision- making refers to the process of choosing the best possible alternative by rejecting other alternatives.
- Decisions are mainly of two types-
  - Programmed decisions, which are taken according to the prescribed procedure of the organization; and
  - Nonprogrammed decisions, which are taken by considering the different factors of the particular decision- making situation.
- The steps involved in decision- making process.
- The situations which indicate the preference for individual decision-making or group decision- making.
- Individual decisions have some advantages. For example, it consumes less time and in situations demanding immediate solution, individual decision is the most suitable.
- At the same time individual decisions have some disadvantages also in the form of inability of the decision maker to perceive all the viable alternatives, no scope for subordinates to develop decision- making quality etc.
- Group decisions have some advantages like, the group can gather more information, implementation of the decision becomes easy etc.
- Group decisions also suffer from serious disadvantages like, it takes more time, inexperienced subordinates may not be able to visualize the complete situation etc.
- The quantitative techniques of decision- making like, linear programming, decision tree etc.
- The group decision- making techniques like, Delphi method, brainstorming method etc.



9.9 FURTHER READING

1) Smarth, M. W. & Siriya M. Pratibha (2001) Fundamentals of management: Perspective management. New Delhi, S. Chand & Company Ltd.

2) Chand S. N. (2009). Management: Concepts, theory and practices. New Delhi, Atlantic Publishers.

3) Knootz Harold & Weihrich Heinz (2007). Essentials of management: An international perspective. New Delhi, Tata McGraw Hill.



9.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: i. True ii. False
iii. True iv. False.

Ans to Q No 2:

i. Programmed
ii. Non- programmed
iii. Non- programmed
iv. Programmed
v. Programmed

Ans to Q No 3: i. True ii. False iii. True
iv. False v. False

Ans to Q No 4:

Advantages

i. As a group, more alternatives can be generated.
ii. Subordinates can develop decision- making quality.

Disadvantages

i. Group decisions are time consuming.
ii. Quality of the decision may suffer if group members try to maintain good relationship among them sacrificing organizational interest.

Ans to Q No 5: i. True ii. True iii. False
iv. True v. False



9.11 MODEL QUESTIONS

Q 1: Differentiate between programmed and non- programmer decisions.

Q 2: Discuss the process of decision- making.

Q 3: Explain the advantages and disadvantages of group decisions.

Q 4: Write short notes-

i. Brainstorming method.

ii. Delphi method.

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UNIT10: LEADERSHIP

UNIT STRUCTURE

10.1 Learning Objectives

10.2 Introduction

10.3 Meaning and Features of Leadership

10.4 Importance of Leadership

10.5 Qualities of a Good Leader

10.6 Leadership Styles

- 10.6.1 Autocratic Leadership Style
- 10.6.2 Democratic Leadership Style
- 10.6.3 Free-Rein Leadership Style

10.7 Let Us Sum Up

10.8 Further Readings

10.9 Answer To Check Your Progress

10.10 Model Questions

10.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define leadership.
- outline the characteristics of leadership.
- discuss the importance of leadership.
- identify the qualities of a good leader.
- discuss the various leadership styles.

10.2 INTRODUCTION

In an organization, human resource is the most precious resource. So, the capacity of human resources should be used to the utmost level so that an organization can show its excellence in every aspect. It depends upon the management of the organization. They can get the optimal result from those human resources by winning their support. However, it is possible

when a manager becomes their leader in real sense to influence their behavior in desired direction. Here, we can take the example of a cricket team. In the team, out of total eleven players one member is selected as the captain and he leads the team i.e. the leader. To win a cricket match, it is totally dependant upon the efficiency of the captain as a leader. It is believed that under the guidance of an efficient leader the team is sure and certain to win the match. In this unit, we will discuss about leadership and the qualities that a leader should posses to influence his sub-ordinates and to provide them the guidance. In this unit, we will cover the importance of leadership in achieving the desired objectives and goals in an organization. Moreover, we will discuss the three different styles of leadership and Likert's management system.

10.3 MEANING OF LEADERSHIP

Meaning of Leadership : Leadership is a part of management and one of the most significant elements of direction. Being a leader, the manager must lead his sub-ordinates and inspire them to achieve organisational goals. Leadership is an abstract quality in a man and a psychological process through which a leader tries to influence the behaviour of followers to work willingly and enthusiastically for achieving predetermined goals. Thus, leadership acts as a driving force to get the things done by others. Management can get the result from the human beings of an organization in two ways:

- Firstly, by exercising the authority vested in it.
- Secondly, by winning the support of the people.

Out of these, the second method is the better one as it has a lasting effect over the employee's motivation in an organization. Thus it is seen that the essence of leadership is "followership" because willing followers can alone make a person "leader". An executive has to earn followers. An executive may get sub-ordinates due to his positional authority, but unable to get a follower unless he makes the people to follow him.

The word 'Psychological' has been derived from the word 'Psychology'. It is the study of human mind. It is related with human emotion, cognition, behaviour and the interaction among them.



LET US KNOW

The word 'Psychological' has been derived from the word 'Psychology'. It is the study of human mind. It is related with human emotion, cognition, behaviour and the interaction among them.

Now, let us discuss some of the definitions of leadership given by management experts-

According to *Chester Bernard*, "Leadership is the quality of behaviour of individuals whereby they guide people or their activities in organizing efforts". From this definition, it is seen that a leader interprets the objectives of the people working under him and guides them towards the accomplishment of those objectives.

In the words of *Koontz and O' Donell*, " Leadership is the ability of a manager to induce sub-ordinates to work with zeal and confidence". This definition reflects that the primary job of a leader is to build a team for the achievement of organizational goals.

Tennenbaum et al have defined leadership as follows:

"Leadership is the interpersonal influence exercised in a situation and directed through communication process, towards the attainment of a specified goal or goals". This definition emphasizes on the influencing of people through communication. However, the enthusiasm with which the receiver of the communication will act is hidden here.

A more recent definition of leadership is as follows:

"Leadership is the process of influencing and supporting others to work enthusiastically towards achieving objectives".

Features of Leadership :

The various features of leadership are as follows:-

- It is a continuous process of influencing the follower's behavior rather than one-shot activity.
- It is a personal quality of character and behaviour in man which make him fit to exert an interpersonal influence.
- There should be a group of followers for leadership function.

- It is the relationship between a leader and his followers (individuals and/or groups) which arises out of their functioning for common goals.
- Laying down of objectives and policies for the followers, motivating them and coordinating their efforts to accomplish the objectives all come under the umbrella of leadership.
- The style of leadership may differ from situation to situation.
- It includes the ability to persuade others and to motivate them for working objectively to accomplish certain specific goals.
- It is necessary to guide the followers in attaining common goals. While giving guidance, the leader shows his feelings of recognition for the followers as well as conveys them the importance of their works.
- It is a process through which the leader exercises an influence on the members of a group.

10.4 IMPORTANCE OF LEADERSHIP

Leadership is a process of influencing the behavior of members of a group. Thus effective leadership is highly essential in inspiring the people to accomplish the specified objectives. When you recall the history of success, you will recognize whether in a war, a political movement, a business, or a team game, the success can be attributed largely to leadership.

Here, we are more concerned about manager as a leader. For efficient and effective functioning of an organisation, it needs the guidance of a good leader, since an organisation is deliberately created by human beings for certain specified objectives. So, there is a need to direct the activities of its members in a certain way to achieve the specified objectives in time. Otherwise any departure from this way will lead to inefficiency in the organisation. Direction of activities in the organisation is affected by the leader.

According to P.F. Drucker, “Good leadership is a must for the success of a business but business leaders are the scarcest resources of any enterprise.”

John G. Gloves, in his book, *Fundamentals of Professional Management,* states that "more failures of business concerns are attributable to poor leadership than any other cause."

All these management expert emphasise the importance of leadership in achieving the organisational goals. The importance of Leadership in management will be clear if the following functions performed by the leaders are known:

- **Determination of goals;** As a creative function, a leader lays down the goals and policies for his followers.
- **Organisation of activities:** A good leader divides the organizational activities among the employees in a systematic way to reduce the chances of conflict between them.
- **Accomplishing coordination:** A leader accomplishes the organisational goals by directing and unifying the efforts of all the individuals of a group.
- **Providing guidance:** A good leader besides guiding his sub-ordinates provides advice whenever they face any problem.
- **Building employee's morale:** A good leader is a source of developing employee's morale, which in turn ensures high productivity and stability in the organisation.
- **Facilitating change:** Dynamic leadership is the corner stone of organizational change. A dynamic leader can facilitate change, as he is able to overcome the resistance which comes in the way of change.
- **Motivating employees:** Motivation is an essential factor for influencing the work performance of employees. Higher the motivation, better would be the performance. A good leader motivates the employees to perform high to accomplish the organisational goals. Good leadership in the organisation itself is a motivating factor for the individuals.



CHECK YOUR PROGRESS

Q 1: State three features of Leadership.

i) .....

ii) .....

iii) .....

10.5 QUALITIES OF A GOOD LEADER

A leader to be effective must possess the following basic qualities:

- **Intelligence:** Intelligence means the capacity of thought and reasoning especially to a high degree. Though intelligence is a natural quality of an individual [i.e inherent in nature, but it is the claim of many psychologists that the level of Intelligence can be increased in an individual through various training methods.
- **Initiative and creative ability:** At the time of uncertainty, a leader must function in an orderly and purposeful manner to overcome the hurdles. People also look to the leader during the times of uncertainty and unfamiliarity with hope.
- **Power of judgment:** A good leader should have the ability to judge a thing analytically. Keeping the main goals or objectives in focus, he is able to break down the whole situation into manageable sub parts for closer inspection. Thus, a good leader makes a progress towards the main goals of an organization.
- **Vision and foresight:** A successful leader should have the capability to assess the future environment along with its trends. And accordingly he devises his policies and programmes with foresight based on logical programmes.
- **Mental and emotional maturity:** A leader should have a high level of emotional and mental stability. He should not be biased in any situation. He should show consistency in action and be able to refrain from anger. He must have the capacity to adjust in all situations importantly at the time of troublesome or difficulty.

- **Flexibility:** According to the need under different circumstances, leadership styles varies giving rise to three different types namely Autocratic, Democratic and Free-rein leadership style.
- **Technical competence:** The leader must follow some definite principles for getting success while leading the people. "Technical competence" of Leadership means the use of important abilities of a leader for handling certain functions of management like planning, organizing , analyzing, advising , decision making, controlling and winning cooperation etc. The technical competence of leader may help him in winning his follower's support.
- **Self confidence:** To be a good leader, a person must be first self-confident who can lead and set direction in the desired way. Such a confident leader becomes a source of inspiration and confidence for others. Thus, the confidence of a leader helps him to draw out the trust and best efforts of the team members to complete the tasks well.
- **Human relations attitude:** A successful leader should have an adequate knowledge of human relations that means the way of dealing with human beings. Since an important job of a leader is to get people's voluntary and full cooperation for achieving the set goal, so he must try to get an intimate knowledge of people and their relationship to each other. The knowledge of human behaviour and their reaction to various situations is quite meaningful to a leader.

SUCCESSFUL LEADERSHIP VS EFFECTIVE LEADERSHIP

The way through which a manager always tries to influence the behaviour of the subordinates is known as "leadership". In practical situation, the subordinate may come up to the expectations of the leader or not. If the leader succeeds in this, that means, the behaviour of the subordinate is compatible with the expectations of the leader, then it may be due to two reasons:-

(i) impact of leader's appropriate style; or

(ii) because of the position power of the leader;

In the first case, the leader is effective because he has influenced

the behaviour of the subordinates to accomplish the organisational goals by satisfying their personal needs via or during the process of goals accomplishment. In the second case, the leader is successful but he is not effective because he has received the desired response from the subordinates but by using his positional authority.

Successful leadership and effective leadership are the two different modes of leadership and thus depend on different factors. Like, success of leaders is attributed to position, power and close supervision while effectiveness of leadership is due to personal power and general supervision.

Though the position can be delegated downward in the organization, but the personal power cannot be delegated. Rather it is generated upward from below through acceptance of the leadership style of a leader by his subordinates. The successful and effective continuum is shown in the following figure:

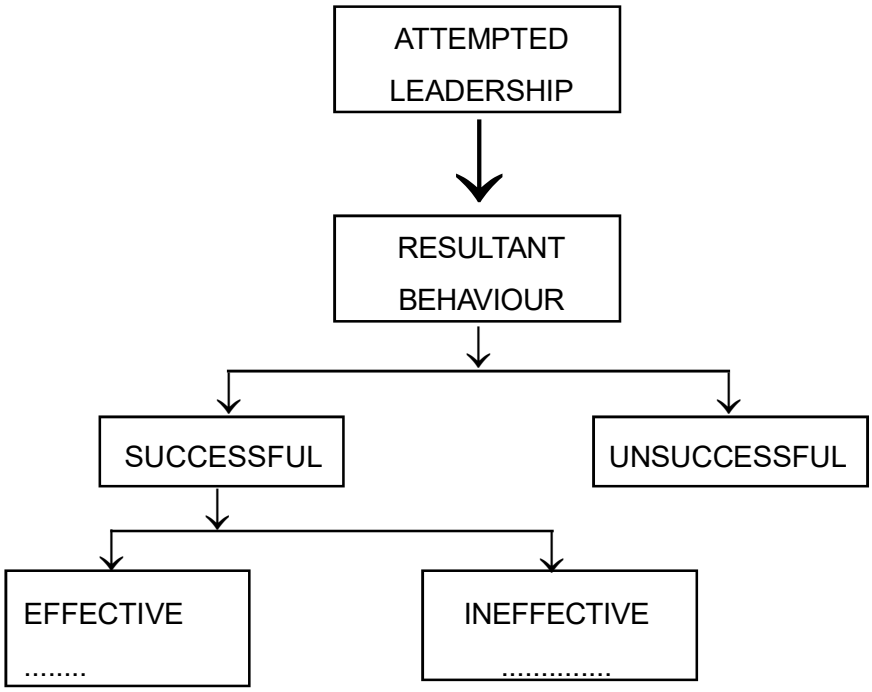


Figure : 10.1

Thus, a manager can be successful but ineffective. It means that he has only a short-run influence over the behaviour of others but unable to continue with the same influence for a longer period of time. On the contrary, a successful and effective manager is an ideal person, who has a long run influence on the productivity of his subordinates.



CHECK YOUR PROGRESS

Q 2: Mention five qualities of a good Leader.

i) .....

ii) .....

iii) .....

iv) .....

v) .....

10.6 LEADERSHIP STYLE

Leadership style means the behavioral pattern of a leader that often reflects in his activities while providing direction, implementing plans and motivating people. The philosophy, personality and experiences of a leader are visible in his leadership style. It is the art or process of influencing people for their willing participation in the combined efforts to achieve the common goals.

Basically the leadership style is categorized into three groups. But in reality it is seemed that depending on the forces that are prevailed among the followers, the leader and the situation, a good leader uses all the three styles based on his common sense.

We will discuss the different Leadership styles in the following sections. Diagrammatically it can be shown as follows:

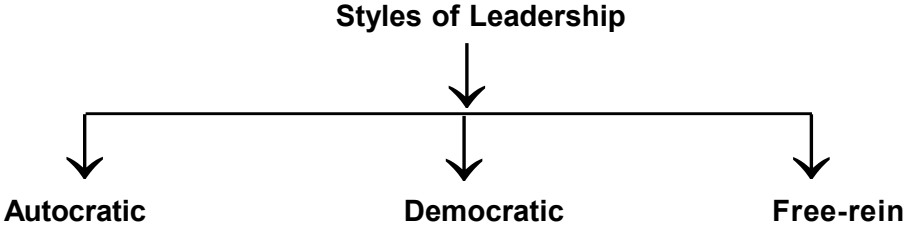


Figure: 10.2 Styles of Leadership

10.6.1 Autocratic Leadership style

Under the autocratic leadership style, all *decision making powers are centralized* in the leader as shown in Figure 10.3. The leaders prefer no suggestion and initiative from the subordinates. He only gives orders and assigns tasks to subordinates without taking their consent. This leadership style is usually used in the following conditions, when:-

- The leader is running short on time. For example in the situations of danger and emergencies.
- The leader has all the information to solve the problem.
- The employees of the organization have full confidence on their leader. Moreover, they are well motivated and believe that the leader has adopted the particular style of leadership keeping the best interest of the team in his mind.

The leader requires a high level of productivity from an inexperienced team or individual.

- The team may be placed at risk if it cannot finish

the assigned task within the given time period.

It is not suggestible to use the autocratic leadership style at normal situation; rather it should only be used on rare occasions. If you have time and want to gain more commitment and motivation from your employees, then you should use the democratic leadership style.

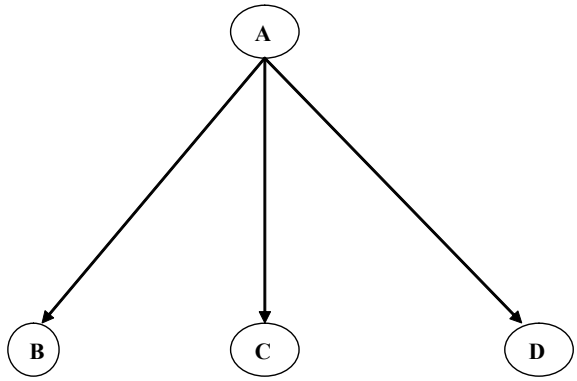


Figure 10.3: Autocratic Leadership style

In the Figure 10.3,

A = Leader ; B,C,D = Subordinate

10.6.2 Democratic Leadership style

The Democratic leadership style admires the decision making process by a group of people as shown in Fig 10.4. Here a leader gives instruction after consulting the group. However, the final decision making authority lies with the leader.

- A leader may adopt this style when the situation is unfavourable for a team that means the team is unlikely to meet its goals and there is only a little ray of hope. In this case the leader and subordinates can make a try to win the game with joint efforts.
- The situation is not serious enough as like as the autocratic leadership style.
- Considering a situation where the manager has only a part and the employees have the other part of the information that is required to solve the task, then it is better to use democratic leadership style.
- This approach is most common when the leader is working with a new team or a team that is in a learning stage.
- Here, the leader can win the co-operation of his group and can motivate them effectively and positively.

Thus, by using this style the number of complaints, employee's grievances, industrial unrest and strikes can be reduced because it allows the employees to become a part of the team for decision making.

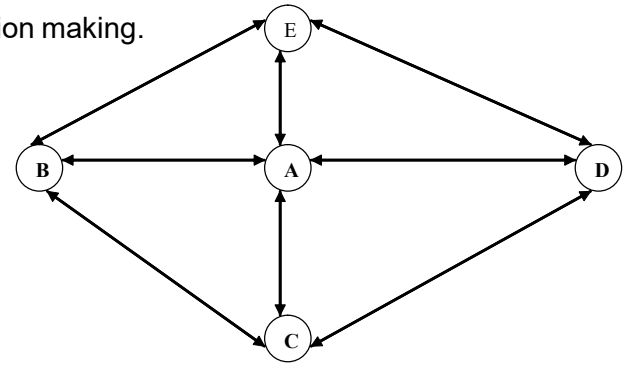


Figure 10.4: Democratic Leadership style

In the Figure (10.4)

A = Leader; B,C,D = Sub-ordinate

10.6.3 Free-rein Leadership style

In this style, the leader does not lead, but leaves the group entirely to itself as shown in Figure (10.5).

- This approach is most common with experienced team carrying out routine activities with the ability to analyze the situation and determine what needs to be done and how to do it.
- Such leader allows maximum freedom by giving a free hand to subordinates, in deciding their own policies and methods.
- This style benefits the self-motivated team members looking for new responsibilities and challenges.
- Here, the leader acts as an umpire and coordinator of information.
- Through this leadership style, a leader can assess the capability of his team members in performing their responsibilities.

This style is suitable when a leader has full trust and confidence in the people below him. But it is not fair that you can blame others when things go wrong, giving the excuse of this system.

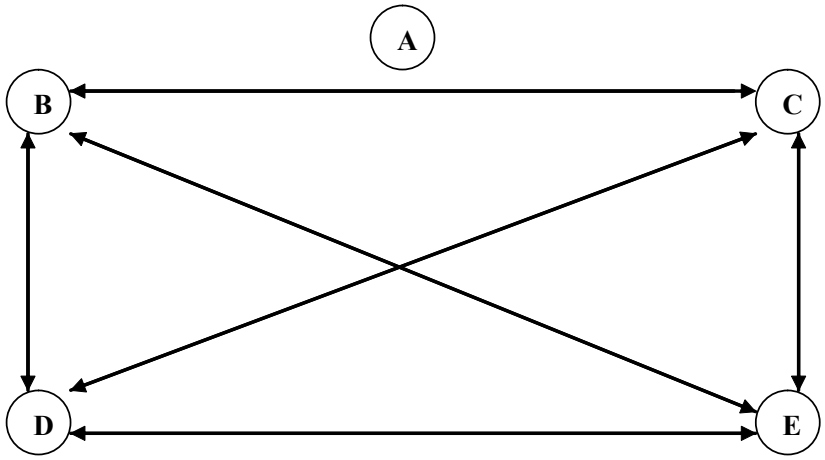


Figure 10.5: Free-rein Leadership style



- ***Delegation of Power*:** Authorizing the subordinates to make decisions.

In the Figure (10.5)

A = Leader

B,C,D,E = Subordinate



CHECK YOUR PROGRESS

Q 3: Match the followings:

i. Autocratic leadership style	a. Leader gives instruction after consulting the group
ii. Democratic leadership style	b. The leader does not lead, but leaves the group entirely to itself
iii. Free-rein leadership style	c. All decision making powers are centralized in the leader



10.7 LET US SUM UP

After going through this unit, we have learnt to define leadership, its characteristics and importance as well as the qualities of a good leader. Thus we have found that a manager as a leader can help in achieving the predetermined goals of an organization by winning the support of the human resources working there in. But for that, the leader has to influence the behavior of the human resources in desired direction. The art or process adopted by the leader for influencing people is known as the leadership style.

Basically there are three styles of Leadership -Autocratic, Democratic and Free-rein style of Leadership.



10.8 FURTHER READING

1) Gupta R.N. (2006). *Business organization and management*. New Delhi: S. Chand & Company Ltd.

2) Gupta R.N. (2007). *Principles of management*. New Delhi: S. Chand & Company Ltd.



10.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: i) It is a continuous process of influencing behavior; it is not one-shot activity.

ii) It is a personal quality of character and behavior in man, which enables him to motivate others.

iii) It presupposes the existence of a group of followers.

Ans to Q No 2: Five qualities of a good leader are—

i) Intelligence.

ii) Initiative and creative ability.

iii) Power of judgement.

iv) Vision and foresight.

v) Mental and emotional maturity.

Ans to Q No 3: i) – c ii) – a iii) – b



10.10 MODEL QUESTIONS

Q 1: Define the role of a manager as the Leader in an organization?

Q 2: What are the three different styles of leadership? Explain its application in an organization according to the situation?

*** ***** ***