Motivation

- You are thirsty
- You will drink water

Motivation is the willingness of a person to make intense and persistent efforts toa chive desired goals

- It is what causes you to act, whether it is getting a glass of water to reduce thirst or reading a book to gain knowledge.

Motivation is derived from Latin word "Movere" means to TO MOVE

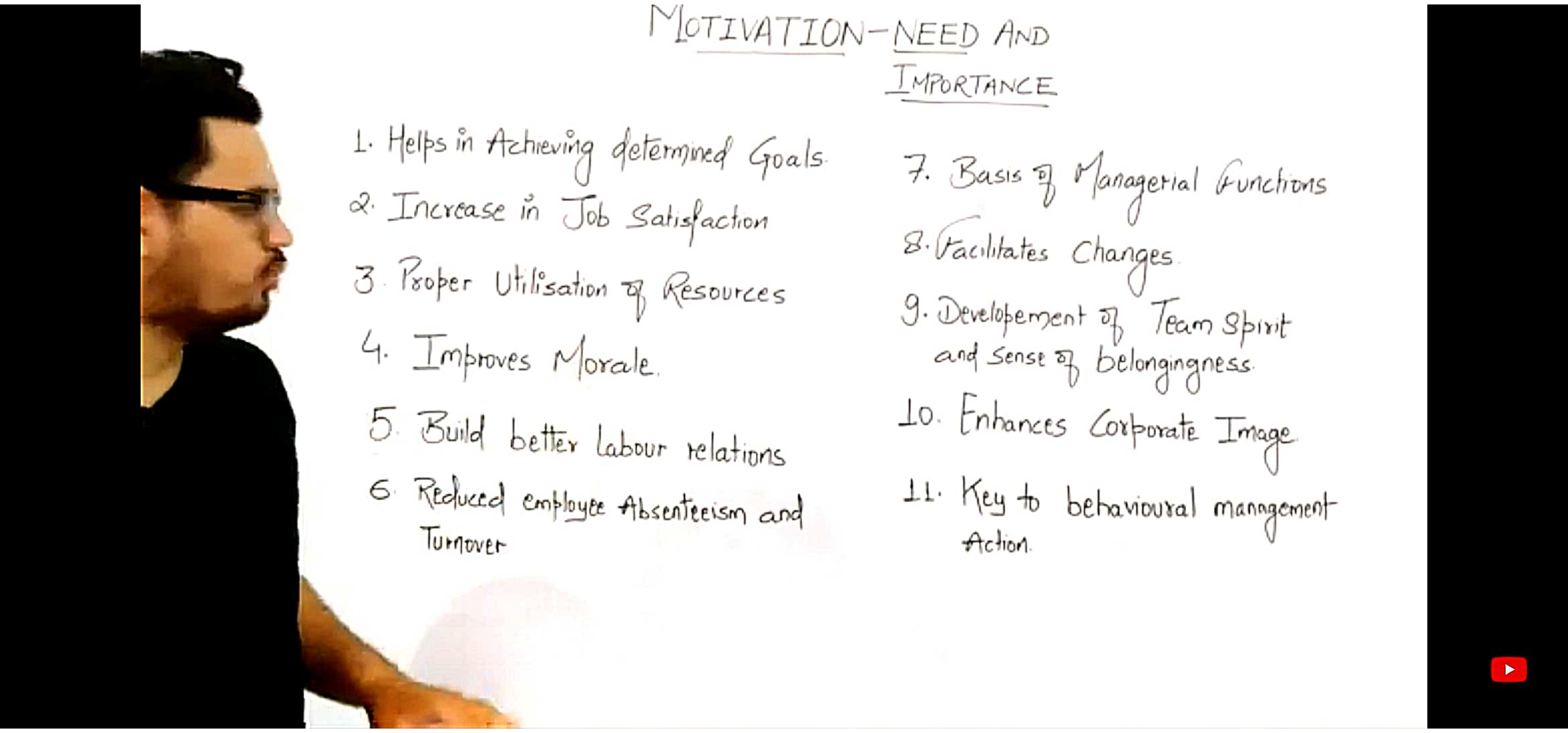
Motivation

Motivation is a psychological term which means it cannot be forced on employees.

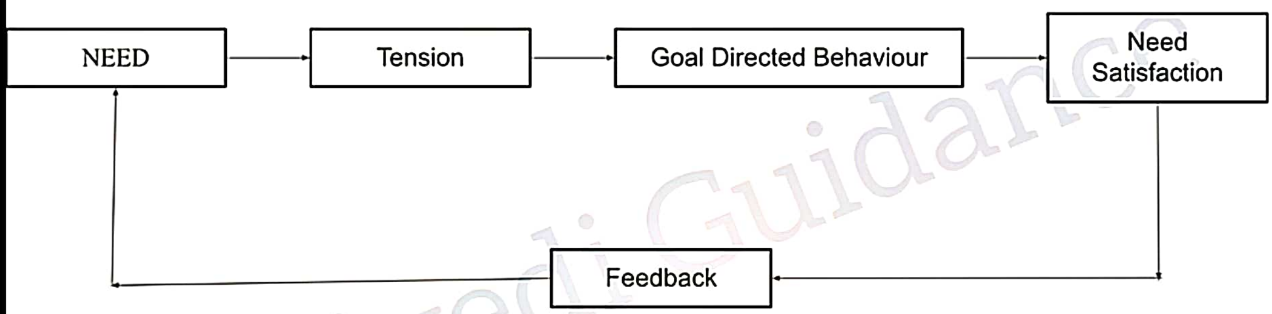
- Motivating : process of inducing others to engage in goal directed behaviour by presenting motivators.
- Motivator is something that satisfies the need.

Nature

- Based on Motives
- Affected by motivating
- Goal directed behaviour
- Related to satisfaction


MOTIVATION - NEED AND IMPORTANCE
1. Helps in Achieving determined Goals.
2. Increase in Job Satisfaction
3. Proper Utilisation of Resources
4. Improves Morale.
5. Build better labour relations
6. Reduced employee Absenteeism and Turnover
7. Basis of Managerial Functions
8. Facilitates Changes.
9. Developement of Team Spirit and Sense of belongingness.
10. Enhances Corporate Image.
11. Key to behavioural management Action.

Process of Motivation



Types of Motivation

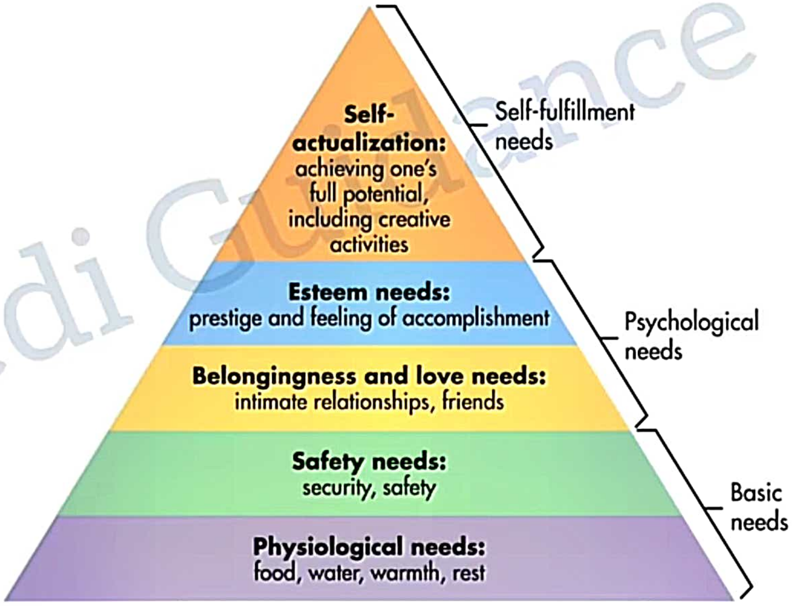
- **Positive and Negative Motivation**
    - Through reward or through punishment
- **Intrinsic and Extrinsic Motivation**
    - Achievment or Competing
- **Financial and Non Financial Motivation**
    - Salary Increment or Trophy/recognition

Theory X and Theory Y

- Douglas McGregor formulated Theory X and Theory Y in 1960,
- He Suggest two aspects of human behaviour at work,
- two different views of individuals (employees)
  - one view is negative, called as **Theory X** and
  - another view is positive, called as **Theory Y**

Maslow's Need Hierarchy Theory

1. Are fulfilled by paying adequate remuneration for work done
2. Satisfied by job security, PF, Pension,insurance etc,
3. Satisfied by creating harmonious group etc
4. Satisfied by recognition,promotion award etc
5. Satisfied by providing challenging work and opportunity



Maslow's Need Hierarchy Theory

- Proposed that Motivation of people depends on their need
- Those need can be arranged in hierarchy
- Basic need to higher needs
- five categories of human needs dictate an individual's behavior.

Assumptions of Theory Y

- encouraged cordial team relations, responsible and stimulating jobs, and participation of all in decision-making process.

- Theory X presents a pessimistic view of employees' nature and behaviour at work, while Theory Y presents an optimistic view of the employees' nature and behaviour at work

Assumptions of Theory Y

- Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs.
- Employees may not require only threat, external control and coercion to work, but they can use self-direction and self-control if they are dedicated and sincere to achieve the organizational objectives.
- If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization.
- An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility.
- The employees have skills and capabilities. Their logical capabilities should be fully utilized. The creativity, resourcefulness and innovative potentiality of the employees can be utilized to solve organizational problems

Assumptions of Theory X

- An average employee naturally does not like work and tries to escape it whenever possible.
- Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The managers adopt a more dictatorial style.
- Many employees rank job security on top, and they have little or no aspiration/ ambition.
- Employees generally dislike responsibilities.
- Employees resist change.
- An average employee needs formal direction.

Herzberg's Two Factor Theory

- Hygiene Factors (Maintenance factors / Dissatisfiers)
- Related to condition under which job is performed
  - Company Policy and Administration
  - Technical Supervision
  - Interpersonal relationship
  - Salary
  - Job security
  - Personal life
  - Working condition
  - Status
- Necessary to maintain at a reasonable level for satisfaction of employees
- Any decrease in the level will dissatisfy them
- Improving those factors helps to decrease job satisfaction

Herzberg's Two Factor Theory

- Frederick Herzberg developed the model in 1959.
- Interviewed over 200 professionals
- argues that there are two factors that an organization can adjust to influence motivation in the workplace.
- Hygiene Factors
  - Dissatisfiers
- Motivating Factors
  - Satisfiers

Assumptions of Theory Y

Comparing to Maslow's Need Hierarchy Theory

- Theory X is based on the assumption that the employees emphasize on the physiological needs and the safety needs; while
- Theory Y is based on the assumption that the social needs, esteem needs and the self-actualization needs dominate the employees.

McClelland’s Three Need Theory

McClelland's Human Motivation Theory states that

- **every person has one of three main driving motivators**:
  - Need for achievement,
  - Need for affiliation, or
  - Need for power.

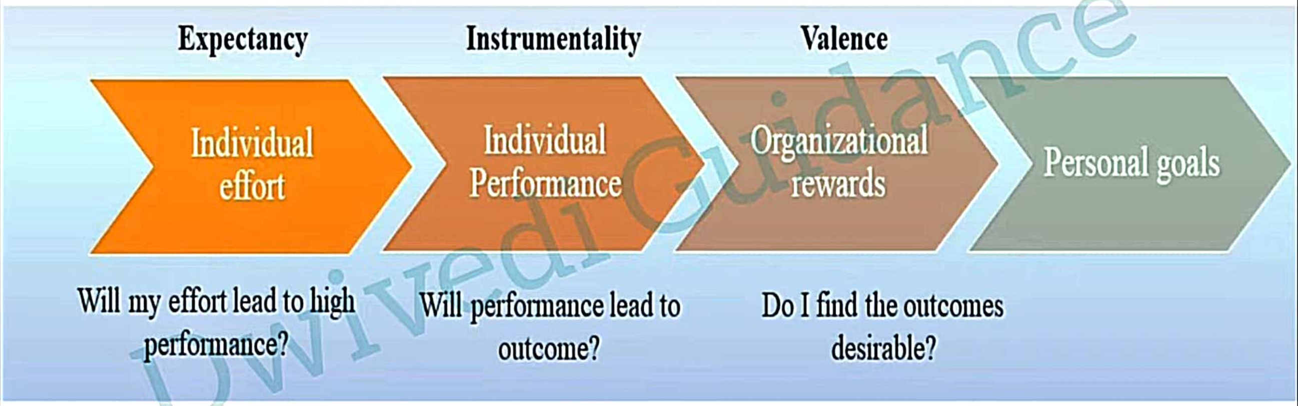
McClelland's Three Need Theory

- Psychologist **David McClelland**
- advocated the **Need theory** in 1961
- also popular as Three **Needs Theory**.
- These motivators are not inherent;
- They are developed through our culture and life experiences.
  - Also called as Learned Needs Theory

Herzberg's Two Factor Theory

- Motivating Factors (Satisfiers)
- Related to a job
  - Achievement
  - Recognition
  - Advancement
  - Possibility of growth and responsibility
- Any decrease in the factors will not affect the satisfaction
- Any increase in these factors will satisfy the employees
- Used in motivating them for higher performance

Vroom's Expectancy Theory



Vroom's Expectancy Theory

- **Expectancy** - belief that increase effort will lead to increased performance
- **Instrumentality** - belief that high performance leads to reward
- **Valence** - What is the value of the rewards that result from the performance? Reward is valuable or not
- Understand what type of reward employee values.

Vroom's Expectancy Theory

- Victor Vroom in the 1960s
- Motivation

  = Valence * Instrumentality * Expectancy

Individuals act when they expect positive results from their actions.

Also known as VIE Theory

McClelland's Three Need Theory

Need for Power (n-Pow)

- the desire to influence other individual's behaviour as per your wish.
- it is the desire to have control over others and to be influential.
- It is satisfied by occupying higher position
- Person is motivated if the organisation provides him opportunities to exercise his personal power

McClelland’s Three Need Theory

Need for Affiliation (n-Aff)

- Belongingness
- It is a desire for relationship based on co-operation and mutual understanding.
- A person is satisfied if he is able to maintain pleasant social relationship
- Individuals having high affiliation needs prefer working in an environment providing greater personal interaction.
- Such individuals are effective performers in a team

McClelland's Three Need Theory

Need for Achievement (n-Ach)

- To achieve something unique (to struggle to achieve success)
  - Moderate risk taker
  - Immediate feedback to work performance
  - Sense of accomplishment
  - Preoccupation with the task until these are complete successfully

According to McClelland, Achievement oriented people are backbone of most of the organisation for their fast growth.

Leadership Styles

Transactional Leadership Style

- use clear rewards and punishments to drive employee performance.
- the executive relies on rewards and punishments to achieve optimal job performance from his or her subordinates.

Leadership Styles

Laissez-Faire / Free Rein Leadership Style

- everybody is an equal decision-maker and
- every piece of input from the team is considered equally.
- a laissez-faire leader leaves the decision-making up to their team members.

Leadership Styles

Democratic Leadership Style

- participative leadership
- the leader's choice to involve team members in the decision-making process.
- In all decisions, the leader has the final say,
- but they make decisions according to the input they receive from his team.
- Employees feel motivated to participate in decision-making

Leadership Styles

Autocratic Leadership Style

- authoritarian leadership,
- the boss has absolute control over decisions in the workplace.
- Team members are not asked for input;
- they are expected to comply with all decisions and orders made by their leader.

Leadership Styles

Leadership styles in business can be organized into five categories:

- Autocratic
- Democratic
- Laissez-Faire
- Transactional
- Transformational

Trait and Qualities of a good leader

- Physical feature (Height, weight, health, appearance)
- Knowledge and Competence
- Integrity / honesty (ethics, values)
- Initiator
- Communication Skills
- Motivation Skills
- Self Confidence
- Decisiveness
- Social Skills

Features of Leadership

- Continuous Process
- interpersonal process
- a group process
- Relationship between leader and follower trying to achieve common goal
- Leader influence the behaviour of individual
- Follower work willingly to achieve goal

Leadership

- Leadership is the art or process of influencing people so that they will strive willingly enthusiastically towards the achievement of group goals.

Leadership

- process by which a manager can direct, guide and influence the behavior and work of others towards accomplishment of specific goals in a given situation
- is the ability of a manager to induce the subordinates to work with confidence and zeal.

Principles of Directing

(iii) Unity of Command:

- A person in the organisation should receive instructions from one superior only.
- If instructions are received from more than one, it creates confusion, conflict and disorder in the organisation.

(iv) Appropriateness of direction technique:

- Appropriate motivational and leadership technique should be used while directing the people based on subordinate needs, capabilities, attitudes and other situational variables.
- For example, for some people money can act as powerful motivator while for others promotion may act as effective motivator

Principles of Directing

(ii) Harmony of objectives:

- An employee may expect attractive salary and monetary benefits to fulfill his personal needs.
    - The organisation may expect employees to improve productivity to achieve expected profits.
- But, good directing should provide harmony by convincing that employee rewards and work efficiency are complimentary to each other.

Principles of Directing

Certain guiding principles of directing that may help in directing process.

(i) Maximum individual contribution:

- Directing techniques must help every individual in the organisation to contribute to his maximum potential for achievement of organisational objectives.
- **For example,** a good motivation plan with suitable monetary and non-monetary rewards can motivate an employee to contribute his maximum efforts for the organisation as he or she may feel that their efforts will bring them suitable rewards.

Ch-7 Importance of Leadership

(1) Influence the behaviour

(2) Maintain personal relations

(3) Key Role in Introducing change

(4) Handle Conflict effectively

(5) Provides traing to Subordinate
training

$\boxed{\text{CC-TIP}}$

Ch-7 Qualities of Good leader

(1) Physical Features
(2) Knowledge
(3) Integrity
(4) Initiative
(5) Communication skill
(6) Motivational skill
(7) Self-confidence
(8) Decisiveness
(9) Social Skill

MICKS-DIPS

Leadership Styles

Transformational Leadership Style

- leadership that relies on the encouragement of a team to realize overall success.
- focused on motivation for employees to create change, innovate, and shape the future of the organizational structure.

Ch-7 Principles of Directing

(1) Maximum individual contribution

(2) Harmony of objectives

(3) Unity of Command

(4) Appropriateness of Direction Technique

(5) Managerial Communication

(6) Use of informal organisation

(7) Leadership

(8) Follow through

Principles of Directing

(vii) Managerial communication:

- Directing should convey clear instructions to create total understanding to subordinates.
- Through proper feedback, the managers should ensure that subordinate understands his instructions clearly

(viii) Use of informal organisation:

- A manager should realise that informal groups or organisations exist within every formal organisation. He should spot and make use of such organisations for effective directing.

Principles of Directing

(v) Leadership:

- While directing the subordinates, managers should exercise good leadership as it can influence the subordinates positively without causing dissatisfaction among them.

(vi)Follow through:

- Mere giving of an order is not sufficient. Managers should follow it up by reviewing continuously whether orders are being implemented accordingly or any problems are being encountered.
- If necessary, suitable modifications should be made in the directions.

Controlling Process

Step 2: Measurement of Actual Performance:

- Can be measured by personal observation, sample checking, performance reports, etc.
- should be measured in the same units in which standards are set as this would make their comparison easier.
- measurement can be done before, during or after performance
- in large organisations, certain pieces are checked at random for quality. This is known as sample checking.

Controlling Process

Step 1: Setting Performance Standards:

- criteria against which actual performance would be measured
- Standards can be set in both quantitative as well as qualitative terms. (product units to be produced and sold or Improving goodwill and motivation level of employees)
- Due to changes taking place in the internal and external business environment, standards may need some modification

Controlling Process

Controlling is a systematic process involving the following steps.

1. Setting performance standards
2. Measurement of actual performance
3. Comparison of actual performance with standards
4. Analysing deviations
5. Taking corrective action

Controlling Process

Step 5: Taking Corrective Action:

- After Analysing, the deviations (if any) and their causes are reported and corrective action taken at appropriate level.
- No corrective action is required when the deviations are within acceptable limits
  - Corrective action might involve training of employees if the production target could not be met.
  - if an important project is running behind schedule, corrective action might involve assigning of additional workers and equipment to the project and permission for overtime work

Controlling Process

Step 4: Analysing Deviations:

- There will be some deviation in all activities so it is suggested that determine the acceptable range of deviations
- deviations need to be analysed for their causes
- **Critical Point Control:** It is neither economical nor easy to keep a check on each and every activity in an organisation. Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organisation. Like labour cost, ROI etc.
- **Management by Exception**

Controlling Process

Step 3: Comparing Actual Performance with Standards:

- comparison will reveal the deviation between actual and desired results.
- Comparing the performance of a worker in terms of units produced in a week with standard output

Traditional Techniques

Statistical Data

- Data is collected and presented in the form of tables, charts, figures, and graphs.
- Then it is analysed with the help of various statistical techniques like measures of central tendency, measures of dispersion, correlation, regression etc. to take certain decisions in the fields of production, quality, inventory, sales etc.

Traditional Techniques

Personal Observation

- the oldest and most important controlling techniques.
- Under this technique, managers or superiors personally visit the workplace irregularly and observe the performance of employees.
- Check if the work is going as per plans or not. If any discrepancy is found, they give instructions on the spot immediately.
- But control through this technique is time consuming and may not be applicable in all situations.

Controlling Techniques

The techniques can be classified under two major categories:

a. Traditional Techniques

b. Modern Techniques

Modern Techniques

Return on Investment (ROI)

- ROI measures the rate of return on investment.
- Under this technique, profit is considered in terms of capital employed.
- weather capital was effectively employed to generate a decent level of return
- ROI = Net Profit / Total Investment
- The managers compare ROI between two or more periods of the organisation
    - Higher ROI reflects higher performance as compared to concerns with lower ROI.

Traditional Techniques

Budgetary Control

- Budgets are prepared for various operations of the organisation, like, sales budget, production budget, financial budget, overheads budget, personnel budget, etc.
- various budgets for different operations of the concern for the future period are prepared, and then actual results are recorded.
- The actual figures are compared with the budgeted one and discrepancies are found out and remedial actions are taken.

Traditional Techniques

Break-Even Analysis

- It is used to find out break-even point where the total cost is equal to total revenue, i.e. the point of no loss no profit.
- This point is used to identify the number of units of a product that must be sold to generate enough revenue so as to cover costs.
  - Any production above this point will yield profits.
- With the help of this technique managers examine the impact of increase or decrease of units sold and increase or decrease in price or costs on the amounts of profits.

Modern Techniques

Management Information System (MIS)

- MIS is a systematic way of collecting, organising, processing, and storing and communicating information to various levels of management so that decisions can be taken by the managers in time.
- Provide important data like related to employee turnover, labour cost, etc.
- MIS helps in increasing efficiency of the organisation by providing timely, accurate and relevant information for doing various operations of the organisation.

Modern Techniques

PERT/CPM

- The project management techniques,
- useful for managerial functions like planning, scheduling and controlling. These techniques help the managers in completing the projects on schedule.
- In this technique, a network diagram is prepared that shows the sequence of activities needed to complete a project and time and cost associated with each activity.
- The purpose is to identify critical activities which are essential to perform and complete the project and to identify the time (least possible) and cost associated with each activity.

Modern Techniques

Zero base budgeting

- Under ZBB, in determination of budgets, information or figures of previous periods is not taken into account.
- Budgets are prepared afresh without considering the information from previous years or periods.
  - Budgets are prepared in the light of current situations.
- Zero base budget starts from scratch and is prepared every time.

Break-Even Analysis

- Break Even Point is the point at which the company neither makes a profit nor suffers a loss.
- A business's break-even point is the amount or level of sales or revenues that it must generate in order to equal its expenses.
- **Breakeven analysis** provides insight into whether or not, revenue from a product or service has the ability to cover the relevant costs of production of that product or service.

Traditional Techniques

Other

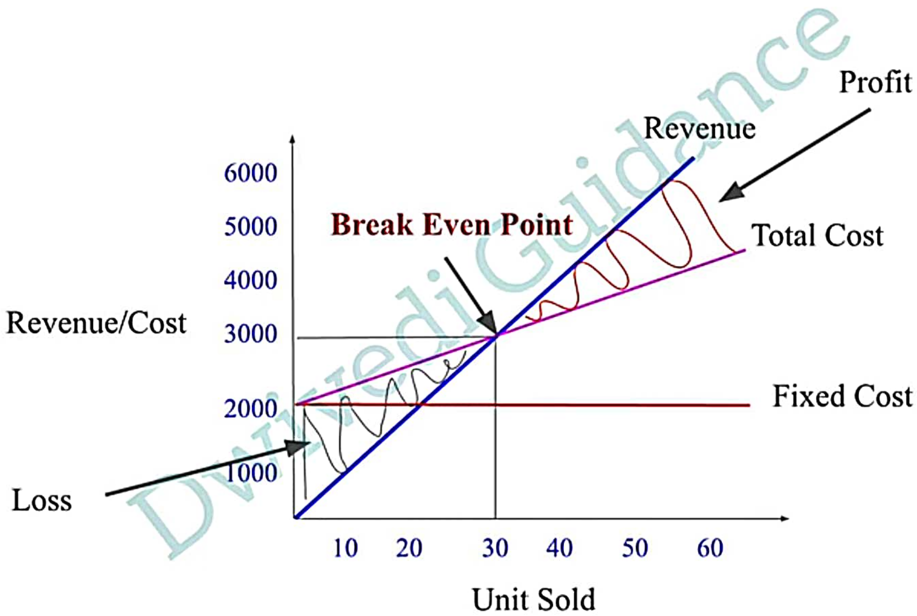
- Setting Examples
- Disciplinary Action
- Written instructions
- Financial Statements

Modern Techniques

Responsibility Accounting

- a controlling system where responsibilities are assigned to managers to control unnecessary costs and increase revenue and profits
- Begins with delegating the proper authority to the individuals capable of performing work with the standards.
- Cost Centre, Investment centre, Profit Centre etc, are created

Break-Even Analysis



Break-Even Analysis

- Entrepreneurs can use this information in making a wide range of business decisions,
    - Like setting prices,
    - preparing competitive bids, and applying for loans.
    - It also helps in Profit Planning and Goal setting.

Margin of Safety

- It is the difference between total actual sales and the break even sales.
- calculates the sales that have surpassed the break-even point.
- This financial ratio shows the company's actual profit after all fixed and variable costs have been covered.
    - MOS = Actual Sales - Break Even Sales
- A low margin of safety means that total sales barely exceeds break even sales.
    - This is a big risk for the company because if total sales fall to the breakeven level or even below breakeven, that may result in the company have a hard time covering their fixed costs.

Break-Even Analysis

- The formula for calculating break even level is:

$$\text{B.E.P. (in Units)} = \frac{\text{Fixed Cost}}{\text{Contribution per Unit}}$$

Contribution = Sales - Variable Cost

$$\text{B.E.P. (in ₹)} = \frac{\text{Fixed Cost}}{\text{P/V Ratio}} = \frac{\text{Fixed Cost * Sales}}{\text{Sales - VC}}$$

P/V Ratio = Contribution / Sales

Q3:- Fixed cost ₹ 50,000 ; Variable cost ₹ 5 per unit
Sales ₹ 10 per unit. Calculate

a) BEP
b) What are the value of Sales when BEP is 8000 units
c) What is BEP, when Sales per unit reduced by 10%.

a) $C = S - V = 10 - 5 = ₹\ 5$

$\therefore$ BEP (unit) $= \dfrac{F}{\text{Cont/Unit}} = \dfrac{50{,}000}{5} = 10{,}000$ units.

b) When BEP is 8000 units then Contribution

$BEP = \dfrac{F}{C}$ or $8000 = \dfrac{50{,}000}{C}$ $\therefore C = ₹\ 6.25$

$\therefore$ Selling Price (F+V+P) = Variable exp + Contribution

$= 5 + 6.25$ (C = F+P)

$= 11.25$

Q3:- Fixed cost ₹ 50,000 ; Variable cost ₹ 5 per unit
Sales ₹ 10 per unit. Calculate

a) BEP
b) What are the value of Sales when BEP is 8000 Units
c) What is BEP, when sales per unit reduced by 10 %.

Sol:

c) When S.P. is reduced by 10 %. then 10 − 1 = 9

$C = S - V = 9 - 5 = 4$ per unit

$\therefore \underset{(\text{Unit})}{BEP} = \dfrac{F}{\text{Cont/Unit}} = \dfrac{\text{Rs } 50{,}000}{4} = 12{,}500$ Units.

$\therefore BEP(\text{Sales}) = 12500 \text{ Unit} \times 9 = ₹\ 1{,}12{,}500$