BLOCK 3
MANAGERIAL PROCESSES -II

UNIT 7 CONTROLLING

Objectives

After reading this unit, you should be able to:

- Understand the meaning of control
- Identify the steps in the control process
- Understand the features and elements of control
- Appreciate the essentials of a good control system
- List out the different types of control
- Understand the techniques of control

Structure

7.1   INTRODUCTION

Controlling refers to that activity where an effort is made to ensure that all the activities of planning, organizing, and leading are integrated to have a control of the situation. In fact controlling is directly related to planning. The control process ensures that the plans are being implemented properly. If we see the functions of management cycle- planning, organizing, directing and controlling – planning moves forward into all other functions and control reaches back. It is the final link in the functional chain of management activities and brings the management into a full circle. Thus it assumes significance in the process of management.

7.2   MEANING

Control is a significant function of management. Managers follow the control process where they assure that the resources are obtained and are used optimally to achieve the objectives of the organization. According to Koontz

and O'Donnell, it is a process of measuring and correcting the activities of subordinates to ensure that events conform to plans. Thus this definition highlights the measures for control and corrective action taken by the managers to ensure the planned implementation of activities in the organization.

While highlighting the principles of management, Henry Fayol included the control function as an important principle of management. His perspective is in conformity with Koontz O' Donnell relating to the relationship between planning and control. Fayol has included the managerial instructions to his subordinates and the principles that the managers established to have an effective control over the processes and activities. According to Fayol, it consists of verifying whether everything occurs in conformity with the plans adopted, the instructions issued and the principles established. It aims to point out weaknesses and errors in order to rectify them and prevent reoccurrence. Thus, it is understood as a process which measures current performance and guides it towards the pre-planned aims and objectives. Its essence lies in checking the progress against the plans,, setting up of individual and organizational goals and seeing that they are achieved as per plan without any errors.

7.3   IMPORTANCE

Control is important because

- It identifies the areas of weaknesses and errors so that they can be rectified and prevents reoccurrence.

- The range of deviation from the original plan could be identified.

- It stimulates action which will gear up all the departments.

- It is an important function enabling the manager to take clear cut decisions.

- A well designed control system ensures good results.

- As it is directly related to planning, it can make planning effective and meaningful

Activity-1

We all experience that time flies without our knowledge. Have you ever attempted to control your time on a single day? Make a note of your activities on a single day, try and control your time and see if it has made a difference to see how important control is.

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7.4   FEATURES

Controlling has the following features:

- Controlling is a circular process. Management function begins with planning and ends with controlling and hence it helps the manager to identify a deviation from the plan, compelling the activities to take place with no deviations and as per plan.

- Control is a continuous process. Managers constantly revise the standards and plan accordingly. Thus the process is continuous, ensuring that there is no variation between the plan and performance.

- Control is a forward looking activity, where the managers continuously observe the past and plan for the future. Managers learn from the mistakes committed in the past and exercise effective control to see that they don't recur in the future.

- Control is an all pervasive activity. It applies at every level of management, although the scope of control varies across levels.

- Control demonstrates a positive approach. It can never be an obstacle or hindrance; rather it helps the manager to successfully manage against pre-determined objectives. The process is designed in such a way that it can pinpoint the deviations and enhance performance.

7.5   THE CONTROL PROCESS

Control is the key driver for the success of the organization. The control process has five basic elements. They are

Establishment of Standards

A standard is a criterion against which future results could be measured. Standards are created when objectives are set during the planning process. Control begins with the establishment of standards. An organization strategically plans and the plans are broken down into department level, unit level and individual objectives. Often, it is found that standards are of physical nature and are expressed in terms of the number of units, clock hours and other measures. Organizational standards are also expressed in terms of financial measures more in the nature of increase in revenues, expenditure, investments etc. Some of the standards relating to the people are also in the nature of job satisfaction of employees, the brand of the organization, the ranking of the organization etc. Whatever may be the choice of standards, care has to be taken to see that they are measurable, practical and attainable and not too difficult to achieve. There are tangible standards like the sales volumes, financial results, etc.and intangible standards like those related to people issues like job satisfaction, job enrichment, etc. A tangible standard is easy to evaluate and control compared to the intangible standards. Technology and the technological tools have however, made the standards easy to measure and quantify.

Measurement of Actual Performance

The very purpose of control is to measure actual performance. Monitoring and measurement is a continuous activity and involves collection of data that represents the actuals to the intended so as to help the manager in his control function. While establishing standards, if there is clarity and uniformity, measuring the actual performance would be an easy task. It also depends on the speed with which the control information is required, otherwise the delay in measurement will cause delays in taking the corrective action. Normally an organization would evaluate the effort, effectiveness, adequacy, efficiency and the process followed.

Comparison of Actual Performance with the Original Standards

Once the standards are established and the actual performance is measured; it has to be compared with the original standards. It might result in either meeting the standards or deviating from the standard. If the original standards are met the organization can plan for higher standards, but if the manager has observed deviation, corrective action has to be taken. Minor deviations could be tolerated but the management has to view the major deviations seriously.

Taking Corrective Action

If the manager has observed deviations, efforts have to be taken by him for corrective action. The measurement of performance and its comparison with the original standard should lead to taking steps towards correcting those deviations and checking the original standard itself. The speed with which action is taken and the methods used towards the same determine the process of controls in future. Corrective action can take place in the simplification of processes, use of advance tools and techniques restructuring the organization, redefining the people management practices, effective communication methods and channels etc. The corrective action should be such that the planned performance takes place with the corrective action taken by the organization.

Feedback

Feedback is an important element in the control process. The manager who is in charge of control will receive a lot of information and feedback on the actual performance in comparison with the planned standards. A positive feedback sends positive results and achievement of performance standards. A negative feedback however, compels the manager to take corrective action so that it motivates the subordinates towards performance and standards.

Activity-2

Interview an owner of a small roadsideprovision/kirana store, medical shop or even an apparel/cloth shop employing 2 to 5 employees Ask him how he controls his activity to understand the process. Write down to check the control process is the same as you have studied.

7.6 ESSENTIALS OF A GOOD CONTROL SYSTEM

Controlling is essentially a checking function of the manager. Organizations do have effective control points and design them carefully to help them grow and sustain its growth. There are certain characteristics of effective control system, if followed will benefit the organization. They are:

* The suitability is an essential element in the control activity. Controls differ in different units/ departments. For example, sales and marketing have different controls compared to the production department or finance department in a manufacturing setting. Again, a manufacturing set up is different from a service organization. It has thus to be appropriate and adequate.

* One of the significant factors of a good control system is the flexibility with which an organization can work. When standards change, raised or get changed due to unavoidable uncertain external environment, the needed flexibility has to be built into the control system.

* The most important element of a good control system is the inbuilt mechanism which will allow immediate reporting of deviations from established standards.

* A forward looking control system helps the organization to ensure that the deviations do not recur in future. Since managers do not have control over the past, they do have the mechanism to see that all deviations are corrected based on the learning that they have had in the process of deviations.

* A good control system should be able to pinpoint whether it is a simple deviation or a vital deviation leading to a strategic initiative.

* Effective control presupposes defined standards so that they are objective and attainable

* Control systems should be affordable and within the reach of the organization.

* The control system should be designed in such a way that is easy to understand and seen as objective by the individual who uses it. Complex control system defeats the very purpose of control as it becomes difficult to understand and implement the same.

* Once the deviations are detected, the control system must allow the manager to take corrective action and control the situation on hand. When people work in organizations, failures are bound to occur and hence the control system should be amenable for remedial action

* Timely action is the crux of an effective control system. Hence, controls should report the results in a timely manner

* It is not possible to control everything in an organization. Hence control

systems should be selectively designed at critical check points.

- Accurate, objective and measureable data will help the organization to take the corrective action immediately so that the work flow in the departments do not suffer.

Activity-3

Recall the elements of a good control system. Write down as you recall.

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7.6 TYPES OF CONTROL

Controls can be classified into several types. They are most effective only when they are applied at critical points. The unit heads/managers can implement the controls before the process begins, known as *feed forward*, during the process, which is known as *concurrent* or after it is completed, which is known as *feedback*. In the feed forward controls, the goal is to prevent anticipated problems and hence the focus of control is on the operations before it begins. Regular maintenance, which is regularly done for automobiles, machinery etc.are examples of feed forward control, because they prevent problems in the operation of machines, automobiles, etc. Controls like standard cost control are also adopted in organizations to check the cost of a product before commencing the commercial production.

Concurrent controls apply to processes as they are happening. Examples of concurrent controls include any type of steering or guiding mechanism such as direct supervision when the operation is being performed or automated systems, such as computers programmed to inform the user when they have issued a wrong command and also the quality checks that the organizations have to ensure quality standard.

Feedback controls are exercised after the completion of the activity for reviewing the results of operations. They guide future planning, inputs and process designs. The timely – weekly, monthly, quarterly and annual reports- are examples which can ensure immediate adjustments at the workplace. Budgetary control is also an example of post action controls.

Activity-4

Write 2 examples each for the feedforward, concurrent and feedback control, as you observed in any activity

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In addition to these types, organizations also use the *internal control system* through the audit, risk and compliance division of the organization. Internal controls relate to the organizational methods in order to safeguard its assets, check and verify the accuracy of its data, promote efficiency in operations and encourage adherence to the prescribed policies, procedures and rules for compliance. Thus, control and its scope extend beyond the matters that normally the accounting and finance departments engage in. In layman terms, internal controls help organizations to strictly follow policies, procedures and rules so that the organizational objectives ultimately are achieved.

Two types of internal controls are normally observed in organizations-*preventive and detective.*Both the types of controls are used by organizations because they serve different purposes. The internal controls assume significance because organizations continually reengineer their processes and procedures in order to grapple with change. A series of steps are followed in order to manage the company in the right direction with effective controls.

As the name itself suggests, preventive controls decrease the chance of errors before they occur and prevents many untoward incidents/ events that occur in the course of managing a company. Such controls are critical as they reinforce the quality standards of the organization. Examples include preapprovals that the organization insists on the employees like client visits, travel authorization, organizational access controls including access to passwords, representing the organization at official events, etc.

Detective controls, on the other hand, help the organization to detect errors or problems after the transaction has occurred. It is but natural for mistakes to occur in the management of a company but what is more important is to detect the lapses in order to take corrective action. Some examples include the monitoring of the departmental transactions, review of budget heads and expenditure incurred to observe the differences and the justification thereof, the inventories and stocks maintained by the company, etc.

Activity-5

Observe your own activities like preparing for the examination. Write down what could be the possible preventive and detective controls you can have in reaching your goal. Repeat the same process with any organization.

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7.8   TECHNIQUES OF CONTROL

There are various techniques of control. Control technique is a specific method or procedure which deals with the pertinent organizational information with which the management is able to implement a suitable control strategy in order to assess the performance of the organizational operations. The standard control techniques followed by organizations are as follows:

a. *Gantt chart* – Gantt chart is an instrument which helps the manager in planning and controlling simple projects. The manager can plot the process in each of the operations along with the expected time and see for himself whether the progress is on time, behind time or ahead of time. Any deviations could be easily seen and corrective action can be taken immediately. It facilitates control by continuously comparing the actual performance against the expected performance and hence the manager/the unit head can keep the processes under control. An example of Gantt chart for any starting a project in a month is as follows

Figure-1- Gantt Chart for Project Management

Preparation & Planning	1st Week	2nd Week	3rd Week	4th Week
Develop proposal				
Approve proposal				
Recruit Team				
Develop & Test				
Specify Details				
Develop prototype				
Approve prototype				
Develop & test beta version				
Apply corrections				
Approve final version				
Implementation				
Train Users				
Roll out final version				

As can be seen in the figure-1, any project has to be planned. The same activity of planning acts as a control mechanism. A typical project will have to get prepared and planned, develop and test, along with its implementation. There are other activities that are involved in each of the activities of planning, development and implementation. Each of the activities are planned on a weekly basis. When the plan gets implemented, the chart can be used as a control technique for implementing the project.
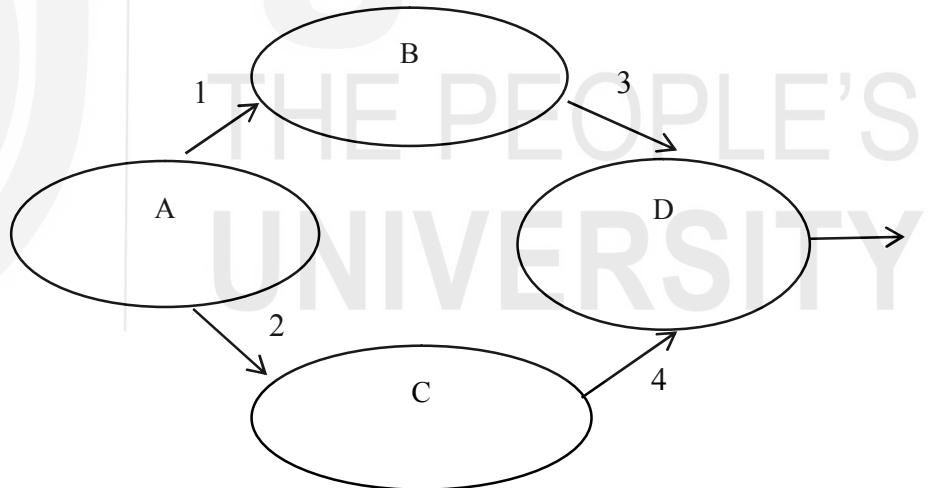
Activity-6

Use the Gantt chart to prepare for any activity which you consider as important. Make a chart and write down how helpful the Gantt Chart was, in having control of your activity. It can be used for preparing for your examination preparation also.

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b. *Breakeven analysis*- Breakeven analysis is a useful tool of control. It helps management to understand a set of relationships among fixed cost, variable cost, total cost, price per unit, level of output, profit/ loss etc. The manager can modify the value of any of these variables in case of a deviation through this analysis. Breakeven analysis examines the relationship between total revenue and total cost at various levels of production so as to establish a breakeven point. The breakeven point demonstrates that the organization can neither get profit nor loss, where total revenue equals total cost. It focuses on the marginal concept as a control tool. The marginal differences in the values of variables, the results of the variation can be evaluated and recorded, so that the marginal results of the managerial decision by showing the effect of incremental changes in volume or price etc. Breakeven analysis can help the manager only when the prices, technology, efficiency levels, machinery use etc. remain the same. In a dynamic world, all these factors change and hence the tool has limited use.

c. *Budgetary controls* – Budget is the most universal device of control. It is a statement which provides the estimates of revenue and expenditure for a stated period of time. It forces the managers to account for the utilization of capital and other resources. It is a managerial responsibility to collect the information about the actual cost incurred against budgeted cost, so that deviation could be corrected and plans prepared so that major deviations do not take place in future. Budgets are used as controls measures in the various activities of the organization such as production, marketing, human resource management etc.

Managers have to deal with various types of budgets which depend on the nature of activity. Master budgets, materials and utilities budget, revenue and expense budgets, capital expenditure budgets, sales budgets, production budgets, flexible/ variable budget, balance sheet etc. are some of the types of budgets normally found in organizations. Zero based budgeting is also a type of budgeting used by organizations. The budget is prepared from a zero base, as if it was the first budget of the organization. This type of budget provides for a greater justification for the continuation or the termination of an activity. Since the plan is broken down into departmental plans, it allows the participation of everyone in the exercise. Requirements of time, limits this type of budget and organizations also found it expensive, as it requires minute scrutiny.

d. *PERT and CPM* – PERT is an acronym for Program Evaluation and Review Technique. It is most appropriate for controlling complex unique and one time projects,like building projects, ship building, and airport building etc. It can be used as a planning tool as well as the controlling tool. In its planning function, the total expected time to complete a

project can be estimated. As a control activity, it can help in estimating the probability of meeting project deadlines to observe the deviations. The construction of the PERT network requires detailed analysis and assessment of each component in the total project. The various sequence of activities needed to accomplish the stated goal have to be worked out and appropriately timed so that the project can be delivered on time.

PERT expresses the program as a network of events and their inter-relationships with each other. Each component of the program has to be analyzed and assessed so that the goal can be achieved. Further, each event and the activity has to be timed properly for PERT to deliver results. Figure-2 shows the events as A,B,C and D and 1,2,3 and 4 as activities which take time to complete. All the activities are interdependent and structured in a logical way. Each of the activities have to be timed in such a way that no activity will start without completing the preceding activity. B cannot be started without completing A. Similarly, C cannot start without completing B. This applies to all the activities that are listed in the PERT. Time estimates are made for each activity as the *most optimum results, most likely results and the most pessimistic results,* depending on the estimates that are made. Assessment and control is dependent on the events, activities and the time estimates that are arrived at, while planning for the same.

Figure-2- Events and activities in a PERT chart

CPM refers to the Critical Path Method. The critical path is simply the longest path in terms of the amount of time the entire project will take. If the events on the critical path are delayed, then the entire project will be delayed along with the project delivery. Any path which is other than the critical path is known as the sub critical path , which is shown shorter than the critical path and the difference in time between the critical path and the sub critical path is known as the slack time and it provides the cushion for the sub critical sequence. Thus PERT and CPM are useful tools for managers to predict the impact of changes and also take necessary corrective action.

In addition, there are other controls which are in the nature of internal audit, special reports for special projects, confidential reports about the working

abilities of subordinates, information control through IT, MIS and other computer applications leading to effective control in the current situations, personal observation which provides observations on the performance and standards of performance. Thus the control techniques involve the use of budgetary and non-budgetary tools to use them as controlling devices.

7.9 SUMMARY

Control is a fundamental managerial function which measures current performance and guides it towards some pre-determined objectives. The essence of control is action where the managers can spontaneously apply corrective action in case of deviations from the plan. It can make planning effective and meaningful. However the managers have to follow the control process while discharging their function. An organization uses both budgetary and non - budgetary control mechanisms, which help in achieving the goals of the organization.

7.10 SELF-ASSESSMENT QUESTIONS

1. What is controlling as a function? What are the features of control?

2. "Planning becomes worthless without control". Comment on the importance of control in the light of this statement.

3. Highlight the characteristics of a good control system?

4. Describe the basic elements of the control process with examples?

5. What is PERT and CPM? Under what circumstances would you use the techniques as the best method?

7.11 REFERENCES/ FURTHER READINGS

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UNIT 8   LEADING AND MOTIVATING

Objectives

The objectives of this unit are to:

- introduce various leadership styles

- familiarise you with various theories and styles of leadership

- create an awareness that leadership is a process of shared influence on the work group

- understand significance of motivation

- understand various theories of motivation

Structure

8.1   INTRODUCTION

In giving the input on leadership styles and influence process to you, we presume your main aim is to understand and improve your style of functioning as a leader.

To start with, you must have clear idea as to what is meant by leadership. Leadership is the activity of influencing people to strive willingly for group objectives. As you can see, this process is a function of the leader, the followers and the situation. There may not be any particular organisation in our mind, when we talk of leadership. In any situation where you are trying to influence the behaviour of another individual or group, leadership is operating. Thus each one of us tries leadership. at one time or the other,

whether our activities are centred around a business, educational institution, hospital, political organisation, Government organisation or a family. As part of this process, one who attempts to influence the behaviour of others becomes a potential leader and the persons he is attempting to influence are the potential followers. This may happen irrespective of the fact that the leader may be their boss or a colleague (associate) or a subordinate or a friend or a relative. In other words through a style of functioning he/she influences attitudes and expectations, which in turn encourage or discourage the follower's activity or achievement, enhance or diminish the follower's commitment to the work, etc.

In our day-to-day life, we come across instances of how people are influenced by the activities or word of a person who is trying to lead them. We always make judgments about the leaders of our own office. In our mind, we make a difference between a good leader and a bad one, by judging his style or way of functioning and his influence on others. Hence, in understanding the phenomenon of leadership, we must first understand the various styles of the leaders.

Having established plans, controls, and an appropriate structure to achieve the organisational objectives, the manager now has to get his people to work. Motivation is that desire or feeling within an individual which prompts him to action. Every individual has needs, desires and drives, which we collectively call motives and which channelise all his or her behaviour and action towards achievement of some objectives. The manager's role is to influence each individual's behaviour and action towards achievement of common organisational objectives.

A great deal of research has been conducted in this area and there are many theories of motivation. It is not possible to explain all these theories here and we shall only briefly explain the various factors that can act as motivation.

Money is the most commonly used motivating factor in the form of salary, bonus, incentives, commissions and rewards. Salary or wage is of course the primary motivation, and the poorer the economic background of an individual the greater the motivational value of money. However, once a basic salary or wage is assured, to motivate people to work that little bit extra, achieve that ten per cent higher sales figure, incentives and commissions come in handy. Most sales organisations pay salary plus incentives to their sales people. The incentives may be calculated on the basis of individual or team results, and may be linked to a sales target. Similar incentives can be offered to the production department. However, performance linked rewards are difficult to compute in areas such as finance, personnel, and administration where work output cannot be easily measured. A percentage of total profits can be distributed to these departments as incentive.

Man does not live by bread alone is an old saying. Man is a social animal and seeks recognition and status in society through his work. The status or position which an individual enjoys in the organisation, the number of people who work for him, the non-monetary benefits and perks which he enjoys are important motivational factors. In fact sometimes these are more important than the actual take-home pay packet.

Gupta started his career as a salesman in a medium sized company manufacturing and marketing stereo systems. Because of his analytical ability, capacity to work hard and achieve results, Gupta soon rose to be the area sales manager of North India. The owner of the company relied a great deal on Gupta's judgement and always consulted him on every important matter. Gupta was making good money, performing well and enjoyed the great confidence of the owner, yet he felt that there was no power or position in his job which could give him a better status in society. Therefore, when the opportunity arose, Gupta joined an American multinational as Divisional Manager, selling scientific laboratory glassware. It was the glamour, the power, and the status which the job conferred on him that motivated Gupta to join. However, two years with the multinational were enough for Gupta to realise that he had no authority to take any independent decisions and he was not deriving any satisfaction from his job. Gupta quit his job and went hack to his previous employer. Thus satisfaction at work is an important motivating factor.

The lesson from Gupta's story is that the same individual will be motivated by different factors at different stages of his career. Generally as you move up the organisation to more important positions, the importance of money and monetary benefits as motivating factors decreases and intangible factors such as job satisfaction, confidence of the boss, good relationship with the boss, the status and respect commanded in the organisation, etc. become more important.

The physical working environment in which a person works also has tremendous motivational force. A pleasant, noise-free, well-lit room with comfortable temperature, and proper facilities of telecommunication, secretarial assistance, canteen, transport, etc. is always conducive to work.

Different individuals are motivated by different factors. This is because each individual in the organisation comes from a different socio-economic, cultural, religious, educational and family background, and each of these has a role in determining the degree to which he can be motivated by different factors.

In most Western countries, a great deal of emphasis is laid on leisure and individuals may be motivated to take up that job which affords greatest opportunity for leisure.

The manager's concern is to find a set of common factors which can motivate all his people coming from diverse and different backgrounds and working at different levels of management. The manager's task will be greatly simplified when he understands that motivational factors are present in, and can be used, in design of work, **rewards,** work **environment,** work **relationships** and work **content.** All monetary benefits and non-monetary advantages such as free medical cover, company car and driver, club membership, etc. are part of the work reward and are important motivators.

Work environment as a motivating factor, first and foremost, refers to the status of the organisation for which a person works and the mere fact of his working in that organisation gives him that status. Harvard University has the

reputation of being amongst the best in the world and anyone who has graduated from Harvard is generally perceived to be at least above average, is not excellent. The actual physical factors present in the work environment also act as motivators.

Relationships developed at work, with the boss, colleagues and subordinates have an important motivating influence. The more congenial, friendly and supportive are these relationships, the greater their positive motivational value. In contrast, strained relationships which create tension and unhappiness are serious enough reasons for people to leave jobs which in all other respects seem very comfortable and attractive.

The design and content of the actual work to be done is in itself an important motivational factor. An element of freedom to experiment with new ideas within the parameters of the job fulfils the creative urge in every individual. Freedom to take decisions and assume responsibility for the results are factors which enhance an individual's self-confidence and feeling of self-esteem. The more such factors can be built into the job, the greater would be the job satisfaction of the individual performing the job. A happy, satisfied worker is a productive worker and a great asset to any organisation. If an individual is himself associated with designing the content and objectives of his job, there are greater chances. that he will work his utmost to fulfil these objectives. This is the approach known as Management by Objectives (MBO) and has tremendous motivational potential.

The manager has not only to motivate his people but also provide them with leadership. To that extent every manager is a leader. A manager has to inspire and influence his people to willingly work towards achieving the organisational objectives.

Much research has been conducted in this field and different studies have emphasised different aspects in attempting to answer the question `What makes an effective leader'? When put in a situation of leading, you must remember it is a role that your are performing, but that your personality has an important influence on your performance as does the situation in which you are expected to perform.

To be an effective leader, a manager must have a pleasing physical personality, ability to get along with people, qualities of honesty and integrity and be an excellent speaker. To command respect of others one must excel at one's basic job whether it is operating a lathe machine or managing the finances of a large company. The leader must first set an example by own actions rather than by just making speeches. The actions must communicate to the people that he/she belongs to them. Only when one generate this feeling of oneness will be able to inspire confidence among people.

Secondly, a manager-must remember that he/she is only playing a role. However, to be able to perform effectively, the role demands that the manager be perfectly objective in all the judgements and decisions, and be guided only by the organisational objectives and have no other considerations. For a leader the interests of people are of paramount importance and come first while personal benefits, take second place.Thirdly,

the role must be moulded according to the unique situation in which the manager is placed. In our society, great emphasis is laid on personal relationships and contacts and managers are perceived to be father figures and are expected to have a paternalistic attitude towards their workers. In contrast, in the West, especially in countries with a British colonial past, the relationships between manager and worker is only confined to the work. There, if a manager were to adopt a paternalistic approach, would be totally ineffective. A manager who usually follows a consultative, participative approach, seeking the opinions and consensus of subordinates before implementing any decision, in a crisis situation may adopt a very authoritarian approach and effectively manage the situation.

When Lee Iaccoca, took over the management of Chrysler Corporation, USA, it was an ailing automobile giant. To bring it out of the loss making situation, Iaccoca inspired tremendous confidence and loyalty in workers by setting personal example of great hard work and accepting only a token wage. Under this leadership the company was soon able to turn its losses into profits.

Political leaders such as Gandhi who commanded the respect of millions of people are a model for managers to learn from. Gandhi's leadership style was so finely turned to the moods of the people and the situation that his every word was law for the common man. His actions and life-style made the people feel he belonged to them.

Activity A

How do you evaluate your boss as a leader on account of his personality, role play, and tuning to the requirements of the situation?

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Activity B

Briefly describe a situation in which you excelled as a leader. What do you think were the contributing factors to this performance?

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8.2   LEADERSHIP STYLES

The word style is the way in which the leader influences followers. Let us have a look at the various studies that help us to understand the leadership styles.

Hawthorne Studies

Mayo and Roethlisberger did a series of studies from 1924 to 1932 in an electricity company, at Illinois, in USA. These studies are known as Hawthorne Studies.

One phase of these studies aimed at finding out if changes in illumination, rest period and lunch breaks can affect the productivity of the workers. It was found to the surprise of the researchers that less light, shorter and fewer rest periods and shorter lunch breaks resulted in increased productivity. And once all these changes, were eliminated and the normal working conditions were resumed, it was also seen that the workers' productivity and the feeling of being together went up. The increase in productivity was attributed to the attitude of workers towards each other and their feeling of togetherness. In addition, attention paid to the workers by the researches made them feel important which resulted in improvement in their work performance. This is known as Hawthorne effect. These findings made Mayo and Roethlisberger conclude that a leader has not only to plan, decide, organise, lead and control but also consider the human element. This includes social needs of being together and being recognised for the work interaction of the group members with each other and their well being. A good leader ought to keep the above aspects in his style of working with people and supervising their work.

Theory X and Y

McGregor (1960) categorised leadership styles into two broad categories having two different beliefs and assumptions about subordinates. He called these Theory X and Theory Y. The Theory X style of leaders believe that most people dislike work and will avoid it wherever possible. Such leaders feel they themselves are a small but important group, who want to lead and take responsibility, but a large majority of people want to be directed and avoid responsibility. Therefore, this style of leadership exercises strong controls and direction and wherever necessary punish people if they do not do the work. If people do the work as desired, they may even get monetary or other rewards. Theory Y leaders assume that people will work hard. and assume responsibility if they can satisfy their personal needs and the objectives or goals of their organisation. Such leaders do not sharply distinguish between the leaders and the followers in contrast to Theory X style. They feel that people control themselves within rather than being controlled by others from outside such as a leader or a manager or a supervisor.

An effective leader needs to examine carefully own ideas about the motivation and behaviour of subordinates and others, as well as the situation, before adopting a particular style of leadership.

Iowa Leadership Studies

In 1939 Lippitt and White under the direction of Lewin, did a study on three different styles of leadership in the task performance of ten-year old boys in three groups. The authoritarian leader of the group was very directive. He did not allow any participation. He was concerned about the task and told the followers what to do and how to do it. He was friendly while praising the performance of the individual member and was impersonal while criticising the individual member. In the other group, the democratic leader encouraged discussion with the group and allowed participation in making decisions. He shared his leadership responsibilities with his followers and involved them in the planning and execution of the task. The **laissez-faire** leader of the third group gave complete freedom to the group and did not provide any leadership. He did not establish any policies or procedures to do the task. Each member was let alone. No one attempted to influence the other.

The researchers selected boys of the same intelligence level. Each group did the same task of making paper masks or model air-planes or murals or soap carvings. The room used by the three groups remained the same. The three group leaders assumed different styles as they shifted every six weeks from group to group. The researchers under the direction of Lewin, who did several studies on groups, were trying to see how different styles of leadership could change the satisfaction, frustration-aggression levels of the individuals. One definite finding was that nineteen out of twenty boys like the democratic leadership style. That kind of a leader never tried to boss over them, yet they had plenty to do. The only boy who liked the authoritarian style of leadership happened to be the son of an army officer. It was also observed that seven out of ten boys preferred the **laissez-faire** leader to the autocratic one as they preferred confusion and disorder to strictness and rigidity present in the autocratic style. Boys under the latter style exhibited more of aggressive, hostile and indifferent behaviour as compared to their counterparts under other styles of leadership. They either showed hostility or cracked jokes about hostility towards others. Others belonging to the democratic style of leadership showed less aggressive and more indifferent behaviour when brought under the autocratic style of a leader. Even under the **laissez-faire** style of the leader, boys committed more aggressive acts than the ones under the democratic style.

Of course, a study on ten year old boys in making paper masks or soap carving, etc. cannot be compared to leader behaviour of adults with complex jobs. But like the studies of Mayo and Roethlisberger, the studies by Lewin, Lippitt and White are a pioneering effort in understanding leadership styles from the point of scientific methodology. They also throw light on how different styles of leadership can produce different complex reactions from the same or similar groups.

Michigan Studies on Leadership Styles

Likert (1961) at University of Michigan Survey Research Centre identified two major styles of leadership orientations-employee orientation and production orientation. The employee oriented style of the leader emphasises

the relationship aspect of the jobs of the individual. Such a leader takes interest in every one and accepts the individuality and personal needs of the individual. He/She has complete confidence and trust in all matters in subordinates. The subordinates feel free to discuss things about their jobs with their superior. Subordinates were asked for ideas and opinions and always tries to make constructive use of them.

The production oriented style of the leader emphasises production and technical aspects of the job. Subordinates or employees as are looked at tools to accomplish the goals of the organisation. Work, working condition and work methods are tried to be understood better in his style of the leadership orientation. Likert related these orientations to the performance of the employees. It showed that the employee oriented style brought high-producing performance compared to production-oriented style. Of course, the satisfaction of employees was not directly related to productivity in Likert's study.

Ohio State Studies on Leadership Styles

Stogdill (1957) at the Bureau of Business Research at Ohio State University initiated ·a series of researches on leadership in 1945. He, along with his colleagues, studied leader behaviour in numerous types of groups and situations by using a Leader Behaviour Description Questionnaire (LBDQ). The studies were conducted on Air Force Commanders and members of bomber crews, officers, non-commissioned personnel, civilian administrators in the Navy Department, manufacturing supervisors, executives, teachers, principals and school superintendents and leaders of various civilian groups. They did not have any satisfactory definition of leadership. They also did not think leadership is synonymous with `good' leadership. The LBDQ was administered in a wide variety of situations and surprisingly two dimensions of, leadership continually emerged from the study: one is `**consideration'** and the other is **'initiating structure'**.

Consideration reflects the extent to which individuals are likely to have job, relationship characterised by mutual respect for subordinates, ideas and consideration of subordinates, feelings. You may like to describe it as the behaviour of the leader indicating friendship, mutual trust, respect and warmth in the relationship between the leader and his group members.

Initiating structure reflects the extent to which individuals are likely to define and structure their roles and those of their subordinates towards goal attainment. In other words, it is the behaviour of the leader which deals with the relationship between himself and the work-group and tries to establish well-defined patterns of organisation, channels of communication and method of procedure.

Examples of observed behaviour of the leader under consideration and initiating structure are as follows:

Activity C

Consideration Initiating Structure

The leaders finds time to listen to group members to members ( )	The leader assigns group particular tasks ( )
The leader is willing to make change ( )	The leader asks the group members to follow standard rules and regulations ( )
The leader is friendly and approachable ( )	The leader lets group members know what is expected of them ( )

In the above example of items check how frequently as a leader you engage yourself by marking A(Always), O(Occasionally) or N(Never), against each one of the items in the box given at the right hand side of each statement. This may help you to know your own style of leadership.

One can do this exercise by observing and judging the behaviour of the leader in a work situation.

Scientific Manager's Style

Taylor (1911) stressed the best way of doing a job. He emphasised the importance of having management and labour work in harmony to maximise profits. The basis of scientific management was technological in nature. It was felt that the best way to increase output was to improve the techniques or methods used by workers. Therefore, profit can be maximised by using a systematic and scientifically based approach to the study of jobs. Taylor was not trained as a manager He relied on scientific study of time and movement spent and used for a job to improve the performance of the worker. According to the scientific managerial style, management of a work organisation must be divorced from human affairs and emotions and people have to adjust to the management and not management to the people. Once jobs are recognised with efficiency in mind, the economic self-interest of the workers could be satisfied through various incentive work plans such as piece rate . system of payment, etc. The leader is assumed to be the most competent individual in planning and organising the work of subordinates according to Taylor's principle of scientific management.

Various studies reflecting different styles of functioning of a leader have been stated above, which highlights how the leader simultaneously pays attention to the:

a) task to be accomplished by the group, and

b) needs and expectations of the group and its individual members.

Exactly how the leader goes about attending to these two functions is a matter of one's leadership style. Many theories have been suggested by the researchers regarding which leadership style is most effective. Even the

above two functions can have different descriptions for different leaders. But in course of time every leader develops a particular style which reflects his own ideas and perspectives on the relative importance of task and people.

We should now consider in what ways we can enrich the understanding of various styles of leadership by making ourselves familiar with some important theories of leadership.

8.3 LEADERSHIP THEORIES

Trait Theory

This theory as described by Kelly (1974) attempts to classify what personal characteristics such as physical, personality and mental, are associated with leadership success. Trait theory relies on research that relates various traits to the success of a leader. A lengthy list of traits has been made to describe an effective leader in terms of certain characteristics. A broad classification of six categories of traits are given below:

i)   Physical characteristics of the leader, such as age, height, weight.

ii) Background characteristics-education, social status, mobility and experience.

iii) Intelligence-ability, judgment, knowledge.

iv) Personality-aggressiveness, alertness, dominance, decisiveness, enthusiasm, extroversion, independence, self-confidence, authoritarianism.

v)   Task-oriented characteristics-achievement needs, responsibility, initiative, and persistence.

vi) Social characteristics-supervisory ability, cooperativeness, popularity, prestige, tact, diplomacy.

These characteristics according to some people are considered valid indicators of successful leaders, but if you compare leaders by various physical personality and intelligence traits, you may find very little agreement on these. Some findings point out to the fact that leaders are intelligent individuals. But they do not provide any clue as to whether leaders are brighter than their followers or are as close to them in intelligence. Again, some of the personality traits are overlapping with each other. Therefore, you need to be cautious in stating, personality or any other characteristic as a cause of successful leadership. You must ask the questions: Who is a successful leader? Is he far superior physically? Is he far brighter? Is he more mature as a person? Is he more motivated to achieve his goal? Does he have more consideration for his followers? etc. Some of the traits may describe a successful leader but predicting successful leaders on the basis of traits alone is not a correct approach. The followers have a significant effect on the job accomplished by the leader. Trait theory completely ignores the followers and the situations that also help a leader to be successful. Secondly, we should also weigh in our own mind, which of the objectives, `confident' or independent' or intelligent' is relatively more important in becoming a, successful leader. You may observe one or all the above traits as important in

a successful leader whereas your friend may feel that an enthusiastic, aggressive and authoritarian person is a good leader. To be more objective, traits of the person as well as demand of the situation together determine the effectiveness of the leader.

Group and Exchange Theories of Leadership

These theories as reported by Hollandder and Julian (1969) state that the leader provides more benefits or regards than burden or costs for followers who help him achieve the goal of the organisation. There must be a positive exchange between the leader and followers in order for group goals to be accomplished. The leader can give rewards to his followers in the form of praise or pay increase or promotion for accomplishment of the group goal or task. This has positive impact on attitudes, satisfaction and performance of the followers. In return, they respect the leader and give due regard for the status and esteem and believe in the heightened influence. As you are already aware, that a leader emphasises initiating structure when followers do not perform very well, increases emphasis on consideration when the followers do a good job. In return, the perception of followers of his being an effective leader increases. Hence the leader and the followers mutually affect each other.

Social Learning Theories

This theory by Bandura (1977) states that there is a continuous reciprocal interaction between person, environment and behaviour as shown in Figure 1.
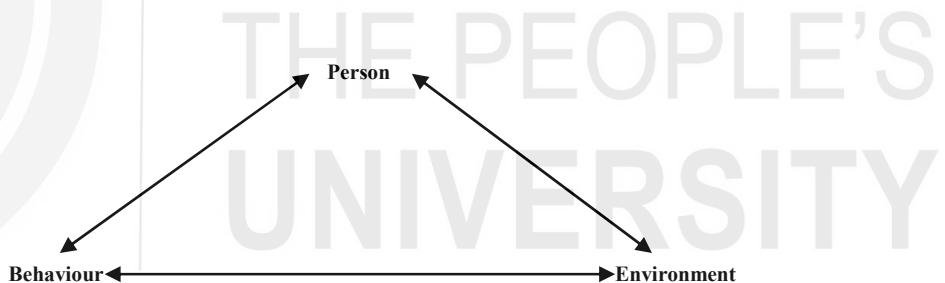
Fig. 1: Reciprocal determinism in Social Learning

Person and environment function in conjunction with the behaviour itself and reciprocally interact to determine behaviour. A person, through his actions, produces the environmental conditions that affect behaviour in a reciprocal fashion. The experience generated by behaviour also partly determines what a person becomes and can do. This in turn affects the subsequent behaviour. The theory is called social learning theory because, individuals learn in an environment in the process of interacting with each other- which is a social process. You will appreciate the application of this theory in understanding the behaviour of a leader and the continuous reciprocal interaction between the person (leader's cognitions) and environment (including subordinates and their needs, experiences, objectives in the organisation, abilities, skills, energy performance, etc. known as contingencies that⸴ regulate their

behaviour). Thus a social learning approach to leadership can be shown in Figure 2.
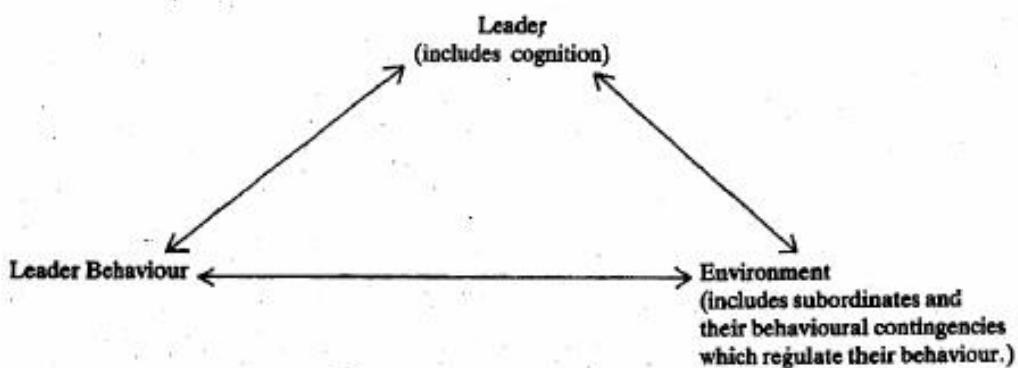

Fig. 2: A Social Learning approach to leadership

The three aspects of this theory of leadership assume that the leader knows how behaviour is controlled by various needs, situations and experiences that undergoes. The leader works with the subordinates to discover what those needs situations and experience. The leader and the subordinates jointly attempt to discover ways in which they can manage their individual behaviour to produce mutually satisfying as well as organisationally productive outcomes. In this approach, the leader and the subordinates have a negotiable and interactive relationship. They are' continuously aware of how they can modify or influence each other's behaviour by giving the rewards or holding back the performance respectively.

Managerial Grid Theory

Leaders can be oriented towards both tasks and persons. This theory by Blake and Mouton (1978) has a popular application of both task and person orientation. According to this theory leaders are most effective when they achieve a high and balanced concern for people and for tasks. Each leader can be rated somewhere along each of the axes from 1 to 9 depending on his orientation as shown in Figure 3.
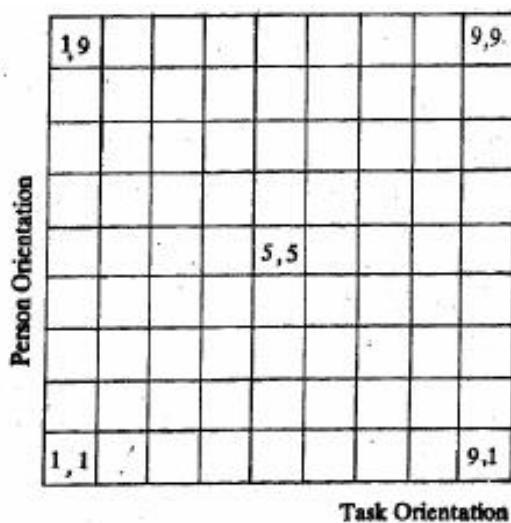

Fig. 3: Interaction between Person and Task orientations

Although there can be 81 possible combinations you should try to understand the 5 types that are shown in the diagram. These will give you a basic understanding of the theory, on which you can base your other combinations.

1. The (9, 1) leader is primarily concerned about the task or production and is concerned with responsibility to see that the work is completed and is called a Task-Management leader.

2. The (1, 9) leader is primarily concerned for people and only incidentally concerned with production. The leader's major responsibility is to establish harmonious relationships among subordinates and to provide a secure and pleasant work atmosphere and is called as Country Club Management leader.

3. The (1,1) leader is concerned with neither production nor people and tries to stay out of the way and not become involved in the conflict between the necessity for production and the attainment of good working relationship and is called as Impoverish Management leader.

4. The (5,5) leader reflects a middle ground position and is called as Middle of the Road Management leader and seeks to compromise between high production and employee satisfaction.

5. The (9,9) leader is extremely concerned about the task and also the people and is concerned to see that the work accomplishment is from committed people; interdependence through a 'common stake' in organisation; purpose leads to relationship of trust and respect and is called a Team Management leader.

Activity D

Read the following statements/examples and mark for yourself, the ones that are applicable to you -as a leader of the group.

		Mostly		Sometimes		Never	
1	Asking the members to set the pace of their work	(	)	(	)	(	)
2	Settling conflicts of the group	(	)	(	)	(	)
3	Tolerating delay and uncertainty at work	(	)	(	)	(	)
4	Talking to the group in the presence of outsiders	(	)	(	)	(	)
5	Working hard for promotion	(	)	(	)	(	)
6	Assigning members with specific tasks	(	)	(	)	(	)
7	Deciding how a thing should be done	(	)	(	)	(	)
8	Allowing members to work the way they think is best	(	)	(	)	(	)
9	Urging the work group to compete with others	(	)	(	)	(	)
10	Refusing to explain the action taken by you	(	)	(	)	(	)

Contingency Theory of Leadership

Regarding this theory Fiedler (1967) states that a leader may become effective if the situation is favourable in three ways. These are: good leader-member relations showing acceptance of the leader by the group; details of the task spelled out to the leader's position; and a great deal of authority and power is formally attributed to the leader's position. With these three favourable situations and the style of functioning, a leader will be effective.

When the situation is very favourable or very unfavourable to the leader, the task-oriented leader is effective. When the situation is moderately favourable to the leader the person oriented leader is effective.

Example (of moderately favourable situation to person-oriented leader) A leader with good interpersonal relationships may be developing a new policy that will have great impact on the work group. The situation is relatively vague but moderately favourable. The task is not very well defined and the leader-member relation is good. The leader is likely to be effective as he would like to consult the members and consider their thoughts and ideas. When the new policy gets approved, the situation becomes more favourable.

Path-goal Leadership Theory

This theory by House (1971) states that the leader smooths out the path towards goals and provides rewards for achieving them.

As a leader, you should understand the needs of the people and their desire to work or behave in a way that accomplishes goals that satisfy those needs. This theory is based on a situation of the above kind. If you know the need of the person and the desire to work and is able to accomplish the work, you can reward to make the person feel happy and satisfied. In essence, you are doing three things: One, you are motivating the members of the group by clarifying the path to personal rewards that result from attaining work goals. You have thus `fixed' on the job and made to see that the Person performance can lead to positive or negative rewards. Two, you have already made the path-goal clear to the member and also told about what the job requires. You need not say too many things about the job as this may decrease the interest in the work and deter the performance. Three, you must offer the reward to the member of the group who actually accomplishes the task. Your reward may be a praise or increase in the pay or promotion of the member to a higher position. Your judgment about the desirability of the member to a higher position is crucial. Your judgment about the desirability of the member's effort and the goal helps you to decide whether a reward can be given.

It is very important for the leader to know every member as a person, in order to use a style to get the best out of the member. For example, a task-oriented leader is preferred by a highly achievement-oriented member, whereas a person-oriented leader is preferred by a person who needs a good deal of affiliation with others. Similarly it does good for the leader to know each situation to adjust his style of functioning for better results. With a clear task on hand, members feel satisfied if the leader is supporting them. They may not show a lot of output, but they are satisfied. On the other hand with a less

clear or more vague task on hand, member show more output, if the leader directs them to work better. The member in this situation may not be very satisfied.

In most of the Indian work settings, it is usually observed that members are quite dependent on the leader or the superior. They also are quite conscious of their status, but have very little commitment to work. Singh (1980) suggests that the leader who is task-oriented and nurtures the dependence of members on him is most effective in dealing with such members. He or she can get the work done in his nurturant task style from the members of his group. To a great extent, he knows characteristics of the members' work group, that he or she utilises in making the leadership style effective and getting the work done.

From the above discussions, it is clear that a leader is a person who has ability to persuade others to get the work done. You must have seen a person having the title of a leader. He/ She may be very popular, but map not have the ability of leadership. Many leaders try to become popular by agreeing with everyone, thus avoiding any kind of conflict. Their influence on the subordinate or members of the work group may not be very lasting. There are leaders, who by virtue of their ability to exercise authority and power show better influence on members. It is therefore necessary for you to understand the authority of a leader and his sources of power, which help him to exercise influence on the subordinates.

8.4   MODERN THEORIES OF LEADERSHIP

Charismatic Leadership Theories

Charismatic leadership is a throwback to the old conception of leaders as being those who "by the force of their personal abilities are capable of having profound and extraordinary effects on followers." Although the charismatic concept, or charisma, goes as far back as the ancient Greeks and is cited in the Bible, its modern development is often attributed to the work of Robert House. On the basis of the analysis of political and religious leaders,

House suggests that charismatic leaders are characterized by self-confidence and confidence in their associates, high expectations for associates, ideological vision, and the use of personal example. Followers of charismatic leaders identify with the leader and the mission of the leader, exhibit extreme loyalty to and confidence in the leader, emulate the leader's values and behaviour, and derive self-esteem from their relationship with the leader. Bass has extended the profile of charismatic leaders to include superior debating and persuasive skills as well as technical expertise and the fostering of attitudinal, behavioural, and emotional changes in their followers.

Charismatic leaders will produce in followers' performance beyond expectations as well as strong commitment to the leader and his or her mission. Research indicates that the impact of such charismatic leaders will be enhanced when the followers exhibit higher levels of self-awareness and self-monitoring, especially when observing the charismatic leaders'

behaviours and activities and when operating in a social network. House and his colleagues provide some support for charismatic theory and research finds a positive effect on desirable outcomes such as cooperation and motivation, and recent conceptualization proposing that alternative forms (personalized versus socialized) are relevant to successful implementation of mergers and acquisitions. However, as with the other leadership theories, complexities are found and more research is needed. For example, one study that assessed charismatic leader behaviours, individual level correlates, and unit-level correlates (outcomes) in the military yielded only limited support for the theory's propositions and led the researchers to conclude that greater sensitivity to multiple constituencies of leaders is needed in theories and studies focused on charismatic leadership. Also, extensions of the theory are being proposed. For example, Conger and Kanungo treat charisma as an attributional phenomenon and propose that it varies with the situation. Leader traits that foster charismatic attributions include self-confidence, impression-management skills, social sensitivity, and empathy. Situations that promote charismatic leadership include a crisis requiring dramatic change or followers who are very dissatisfied with the status quo. For example, a study in a university setting revealed a situation in which a charismatic leader was able to successfully implement a technical change, but at the same time suffered through major political turmoil, which appeared to be side effects of the technical change.

This suggests that studies of charismatic leadership must be considered in the context in which the leader operates, and the nature of the task or work being performed should be included in the analysis.

Transformational Leadership Theory

Many years ago James MacGregor Burns identified two types of political leadership: transactional and transformational. The more traditional transactional leadership involves an exchange relationship between leaders and followers, but transformational leadership is based more on leaders' shifting the values, beliefs, and needs of their followers.

More recently, the "charisma" characteristic of transformational leadership has been changed to "idealized influence." This was done to not confuse transformational with charismatic leadership, which Bass treats as different theories. Although there are a number of contrasts between the two theories, the major differentiators are how followers are treated. Key to transformational leaders is that they seek to empower and elevate followers(i.e., develop followers into leaders) while charismatic leaders may try to keep followers weak and dependent on them (i.e., instill personal loyalty to the leader rather than developing them to attain ideals).

In contrast to transactional leaders that behave in one of the ways Avolio notes that transformational leaders characterized by *idealized leadership, inspiringleadership, intellectual stimulation,* and *individualized consideration* represent a cluster of interrelated styles aimed at the following:

1) Changing situations for the better

2) Developing followers into leaders

3) Overhauling organizations to provide them with new strategic directions

Inspiring people by providing an energizing vision and high ideal for moral and ethical Conduct.

On the basis of his research findings, Bass concludes that in many instances (such as relying on passive management by exception), transactional leadership is a prescription for mediocrity and that transformational leadership leads to superior performance in organizations facing demands for renewal and change. He suggests that fostering transformational leadership through policies of recruitment, selection, promotion, training, and development will pay off in the health, well-being, and effective performance of today's organizations.

A meta-analysis of 39 studies found that the transformational behaviours of charisma (idealized influence), individualized consideration, and intellectual stimulation were related to leadership effectiveness in most studies, but, except for the contingent reward behaviours, the transactional leadership styles did not enhance leadership effectiveness, and this more positive impact of transformational over transactional leadership has held through the years. For example, a recent meta-analysis of 87 studies found transformational leadership related (.44) to the composite of desired outcomes (follower job satisfaction, follower leader satisfaction, follower motivation, leader job performance, group or organizational performance and rated leader effectiveness). However, in this meta-analysis, contingent reward transactional leadership also related (.39) to the same composite of outcomes, and transformational leadership failed to significantly predict leader job performance.

Servant Leadership

A leadership approach coined by Robert K. Greenleaf (1970) in which the leader has a desire to "serve *first*" and leads in such a way that those being served "become healthier, wiser, freer, more autonomous, more likely themselves to become servants." Servant leadership exhibits an approach that is more humanistic and relationally oriented. The development in humanistic approaches to leadership is taking more progressive steps currently. Servant leaders lead because they want to serve others and they practically set examples before giving directions. The focus of servant leadership is on others rather than upon self and on understanding of the role of the leader as a servant. As a part of normative theory servant leadership emphasize the relationship of leaders and followers to each other and the importance of values on the process of leadership.

Servant leadership has not received as much attention as other leadership theories in the literature, but in recent years interest in it by the business organizations has grown. Servant leaders focus more on concern for their followers by creating conditions that enhance followers' well-being and functioning and thereby facilitate the realization of a shared vision. Spears (1998) read the book on servant leadership by Greenleaf and then he briefed

the characteristics of a servant leader. The ten characteristics mentioned are listening, empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment to the growth of people, and building community. Lastly, the motivational drivers in servant leadership include valuing people, developing people and building community, displaying authenticity and sharing leadership.

Substitutes for Leadership

Because of dissatisfaction with the progress of leadership theory and research in explaining and predicting the effects of leader behaviour on performance outcomes, some of the basic assumptions about the importance of leadership per se have been challenged over the years. One alternative approach that received attention proposed that there may be certain "substitutes" for leadership that make leader behaviour unnecessary and redundant, and "neutralizers" that prevent the leader from behaving in a certain way or that counteract the behaviour. These substitutes or neutralizers can be found in subordinate, task, and organization characteristics. For example, crafts persons or professionals such as accountants or software engineers may have so much experience, ability, and training that they do not need instrumental/task leadership to perform well and be satisfied. Those employees who don't particularly care about organizational rewards (for example, professors or musicians) will neutralize both supportive/relationship and instrumental/task leadership attempts. Tasks that are highly structured and automatically provide feedback substitute for instrumental/ task leadership, and those that are intrinsically satisfying (for example, teaching) do not need supportive/relationship leadership. There are also a number of organizational characteristics that substitute for or neutralize leadership.

Authentic Leadership

Although there are a number of newly emerging theories such as servant leadership, political leadership, contextual leadership, e-leadership, primal leadership, relational leadership, positive leadership, shared leadership, and responsible leadership, in these times of unprecedented challenges facing organizational leaders, we (Avolio and Luthans and our colleagues working with the Leadership Institute at the University of Nebraska) believe that authentic leadership is a needed approach. Drawing from Luthans's work on positive organizational behaviour and psychological capital, and Avolio's work on transformational and full range leadership, recently proposed a specific model of authentic leadership development.

Authenticity has its roots in ancient Greek philosophy ("To thin own self be true") and descriptive words include genuine, transparent, reliable, trustworthy, real, and veritable.

Positive psychologists refer to authenticity as both owning one's personal experiences (thoughts, emotions, or beliefs, "the real me inside") and acting in accord with the true self (behaving and expressing what you really think and believe). *Authentic leadership* in organizations can be defined as:

A process that draws from both positive psychological capacities and a highly developed organizational context, which results in both greater self-awareness and self-regulated positive behaviors on the part of leaders and associates, fostering positive self-development. The authentic leader is confident, hopeful, optimistic, resilient, transparent, moral/ethical, future oriented, and gives priority to developing associates to be leaders.

Abusive Leadership

Abusive leaders exercise power to serve their own interest by dominating and authoritative ways to achieve what they want. They manipulate others to gain their purposes. They want to win at any cost. Although they know how to show that they are loyal and working for the organization, actuality they are preoccupied to be numberone. Baron and Neuman (1998) explain that abusive behaviour is the behaviour which is harmful to others.
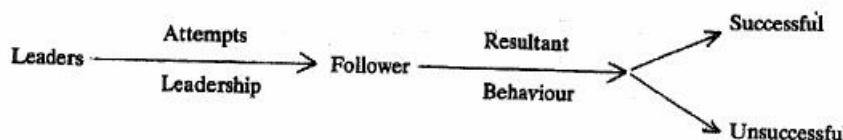
Ashforth (1994, 1997) defines petty tyranny as a manager's use of power and authority cruelly, erratically, and unkindly. He finds following six dimensions of a petty tyrant: behaving in an illogical and conceited manner; putting down subordinate; lacking kindness for other; forcing divergence ruling; discouraging inventiveness and using non-contingent penalty.

Tepper (2000) defines abusive supervision as the perception of subordinates about the hostile verbal and nonverbal behaviour of their supervisors which does not include physical abuse. He feels that supervisors may not mean to cause harm and are forced to act abusively in order to achieve some other goal.

8.5 SUCCESSFUL VERSUS EFFECTIVE LEADER

As we have seen in the preceding discussions, leadership is the activity of influencing people to strive willingly for group objectives. It is the ability to persuade others to get something done. So the leader attempts to have some effect on the behaviour of another, which we call attempted leadership. The response to this attempt may or may not be successful. A basic responsibility of managers in any work organisation is to get the work done with and through people. The success of managers is measured by the output or productivity of the group they lead. Therefore, we should clearly distinguish between successful versus effective leader.

Fig. 4: Successful-Unsuccessful Leadership Continuum

In the above figure, A's attempt to influence B to do a certain job can be judged successful or unsuccessful. B does the job for the reason that A has position of power and he controls the reward and punishment, then A's attempted leadership is successful.

A's style of leadership may not be compatible with B's expectation and B is made hostile towards A and does the job only because of A's position power; then we can say A has been successful, but not effective. B does the job because A can punish him for not doing it or reward him for doing it. B's own needs are not being accomplished by satisfying the goals of A (the leader) for the organisation.

On the other hand, A's attempted leadership leads to a successful response and B does the job because he wants to do it and finds it rewarding, then we may say, A has both position power as well as personal power. B respects A, B is consistent with ' some personal goals and B sees personal goals as being accomplished by the job he does for A. We can then say A's leadership is effective.

We should try to understand the difference between success and effectiveness. Success has to do with how the individual or the group behaves. Effectiveness describes the internal state or predisposition of an individual or a group and is thus attitudinal in nature.

You may have noticed that individuals who are interested in success tend to emphasise their position power. They use close supervision of the work of their associates. If they have to be effective, they have to use their personal power as well as their general supervision.

Examples of successful and effective individuals can be noticed if one understands the underlying acceptance of the superior by the subordinate. In the examination hall, a certain kind of teachers fear that if they leave the hall for a while the students will indulge in copying and exchanging notes. There are yet another kind of teachers who leave the examination hall, but the students never behave differently.

Let us work at family level which is a less formal organisation. Parents can be successful and effective by using their position and personal power. The children easily accept the goals of the family as their own. Parents who use position power and a closer supervision, are likely to face a kind of revolt or disobeying attitude among their children not accepting the goals set by the parents for the family. With the absence of the parents, the whole house becomes topsy-turvy. This can never happen in 'a family where parents create a good deal of trust between them and the children by exercising their personal power of love and discipline. The children **in** the absence of parents do not behave differently than if their parents were there.

Leaders are successful, but ineffective when they have a short-run influence over the behaviour of others. They must try to be both successful and effective to have long-term influence for leading others towards productivity and developing the organisation as a whole. The most important conclusion from the above discussion is that the managers must understand their own abilities and their impact on others.

Activity E

Interview several people asking them to describe situations where someone's attempt to influence them was successful or unsuccessful

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8.6 MOTIVATION : MEANING AND DEFINITION

Motivation is the process of creating organisational conditions which will impel employees to strive to attain company goals. "Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to move in a goal-directed pattern towards restoring a state of equilibrium by satisfying the need." According to Dubin, "motivation is the complex of forces starting and keeping a person at work in an organisation." Seen from the corporate perspective, motivation is the willingness to put forth effort in pursuit of organisational objectives.

Motivation refers to the willingness of individual members to set and accept challenging goals, and to take responsibility, their involvement in work, and their job satisfaction. It is a process which begins with a physiological or psychological need or deficiency which triggers behaviour or a drive that is aimed at a goal or an incentive.

The purpose of motivation is to create conditions in which people are willing to work with zeal, initiative, interest and enthusiasm, with a sense of responsibility, loyalty and discipline, and with pride and confidence in the most cohesive manner, so that the goals of an organisation are achieved effectively. Motivational techniques are utilised to stimulate employee growth. Motivation is a combination of many diverse elements which are rather difficult to define. However, two elements have been regarded as important: *(a)* understanding of the fundamental drives, urges, needs of the people which are subject to emotional stimulation or motivation, and *(b)* communication with people so that they may have a satisfactory stimulus to their urges.

Motivation is a function which a manager performs in order to get his subordinates to achieve job objectives. It is not merely a management process; there is another side to it — the individual being motivated. Psychologists call individual motivation a state of tension. The motivation of a group is as important as self-motivation. A group can be motivated by improving human relations and dealing with people in a humane way, by developing the will to do, by encouraging involvement in their work, and by giving them an opportunity to improve their performance and by complimenting or praising them. Other important factors which motivate individuals include respect for individuality, good pay, opportunity to do interesting work, feeling that the job is important, a large amount of freedom on the job, and opportunity and self-

development. No firm can be productive without motivated employees.

8.7   MOTIVATING FACTORS

Some managers try to motivate employees through the use of rewards, punishments and formal authority. But, motivation is much more complicated than that. It involves ideas of family, team work, variety, growth, learning, salary, other benefits, and the like. Work in itself has become more important than the employer or the organisation. Executives today are interested in challenging assignments that involves application of one's mind. Risk involvement is appreciated and viewed as exciting so much so that easy jobs involving simple tasks and no risks are demotivating.

Workers, executives and managers today would like to have a 'say' in policies, the rules and regulations, the targets and other job-related issues. Employees do not enjoy a routine, monotonous role of being a cog in the wheel. They prefer taking risks, making decisions and delivering the goods. Need for individuality and for unique identity is felt strongly among young executives today.

Innovation and creativity have come to be crucial needs for executives today. They like to be listened to, for their suggestions and new ideas. They also enjoy implementing new, better and effective strategies to reach the goals of their team/organisation.

There is also the need for the job profile to suit one's aptitude — a software consultant who has aptitude for development but no inclination for teaching, if allocated as training faculty will not be motivated. Another consultant who enjoys teaching will be highly motivated when allocated as training faculty.

There is also the growing need amongst today's workers/executives for enriching one's skills, i.e., for individual development. Employees look forward to development of new skills rather than security of jobs in an organisation. Training and development programmes also provide a break from the daily routine and work pressure. In the absence of such activity, an employee feels demotivated and is unable to give his best to his employer. Today's employees, therefore, want to add value to themselves as they make valuable contributions to their organisations.

Just as employees have a need for challenging work involving risks, they also need to be forgiven for any mistakes made in the process. Employees feel motivated and perform better when mistakes are forgiven or ignored.

8.8   IMPORTANCE OF MOTIVATION

Probably, no concept of human resource management receives as much attention of academicians, researchers, and practising managers as motivation. The increased attention towards motivation is justified by several reasons.

1) *Motivated employees are always looking for better ways to do a job:* This statement can apply to corporate strategies, and to production workers. When people actively seek new ways of doing things, they usually find them. It is

the responsibility of managers to make employees look for better ways of doing their jobs. An understanding of the nature of motivation is helpful in this context.

2) *A motivated employee, generally, is more quality oriented:* This is true whether we are talking about a top manager spending extra time on data gathering and analysis for a report, or a clerk taking extra care when filing important documents. In either case, the organisation benefits, because individuals in and outside the organisation see the enterprise as quality conscious. A clear understanding of the way motivation work, helps a manager make his employees quality oriented.

3) *Highly motivated workers are more productive than apathetic workers:* The high productivity of Japanese workers and the fact that fewer workers are needed to produce an automobile in Japan than elsewhere is well-known.The high productivity of Japanese workers is attributable to many reasons,but motivation is the main factor.

4) *Every organisation requires human resource, in addition to financial and physical resources for it to function:* Three behavioural dimensions of human resource are significant to the organisation: (a) people must be attracted not only to join the organisation but also to remain in it; (b) people must perform the tasks for which they are hired, and must do so in a dependable manner; and (c) people must go beyond this dependable role performance and engage in some form of creative, spontaneous, and innovative behaviour at work. In other words, for an organisation to be effective, it must come to grips with the motivational problems of stimulating both the decision to participate and the decision to produce at work.

5) *Motivation as a concept represents a highly complex phenomenon that affects, and is affected by, a multitude of factors in the organisational milieu:* A comprehensive understanding of the way in which an organisation functions requires that increasing attention be directed towards the question of why people behave as they do, on their jobs.

6) *Yet another reason why increasing attention is paid towards motivation can be found in the present and future technology required for production:* Increased use of technology results in greater efficiency, higher productivity and better standard of living to the people.

8.9   MOTIVATING STEPS

Jucius has observed that the following steps be adopted in motivation:

a) *Sizing Up:* This involves ascertaining motivational needs. All employees need motivation but of varying kinds and in varying degrees.

b) *Preparing a Set of Motivating Tools:* This requires a selection of specific tools of motivation. An executive, from personal experience, from the experiences of others, and with the help of the personnel department, may draw up a list of devices that may motivate different types of people under different circumstances.

c) *Selecting and Applying Motivation:* The executive should decide the words,

the tone of voice and the gestures to be used and make necessary rehearsal for their proper use. Besides, it has also to be considered where and when motivation is to be applied. The place and timing for this purpose are important.

d) *Feedback:* This involves the finding whether an individual has been motivated; if not, some other device may be applied.

While establishing the steps of motivation, an executive should be guided by certain rules. According to Jucius, these rules are:

a) *Self-interest and Motivation:* People are by nature, selfish. When a person realises that his own interests are best served by the attainment of an organisation's goals, is likely to be motivated.

b) *Attainability:* It is necessary to establish goals that are attainable and when such goals are achieved, it leads to employee satisfaction. Unattainable goals frustrate people.

c) *The Human Element:* Motivation appeals to emotions and feelings. The executive, who is most successful as a motivator, can trace success invariably to the skill in dealing with peoples' feelings which can bring out the best in people because is makes them feel good, feel significant, feel worthwhile, and feel that they are growing.

d) *Individual Group Relationship:* Motivation must be based upon group aswell as individual-centred stimuli.

e) *Managerial Theory:* Management must base its motivational efforts on sound theory.

8.10 TYPES OF MOTIVATION

If a manager wants to get work done by employees, may either hold out a promise of a reward for them for doing work in a better or improved way or instil fear into them to do the desired work. In other words, may utilise a positive or negative motivation. Both these types are widely used by managements. Positive motivation includes praise and credit for work done, competition, pride, delegation of responsibility, appreciation, and pay. Positive motivation leads to a good team spirit, co-operation and feeling of happiness. Negative motivation is based upon force and fear. Fear causes persons to act in a certain way because they are afraid of the consequences if they don't. Fear motivation is a "push" mechanism. Imposition of punishment frequently results in frustration among those punished, and an unfavourable attitude to the job. Inspite of these demerits, negative motivation has been used to achieve the desired behaviour in some cases. There is no management which has not used the negative motivation at some time or the other. However, in recent years the trend has been towards the use of positive motivation.

Extrinsic motivation is concerned with external motivators which employees enjoy — pay, promotion, status, fringe benefits, holidays, retirement plans and health insurance schemes. By and large, these motivators are associated with financial rewards. Intrinsic motivation, on the other hand, is concerned

with the feeling of having accomplished something worthwhile, i.e., the satisfaction one gets after doing one's work well. Praise, responsibility, recognition, esteem, powerand status are examples of such motivation.

8.11 THEORIES OF MOTIVATION

There is no shortage of models, strategies and tactics for motivating employees. All the theories can broadly be classified as content theories and process theories.

1. **Maslow's Theory of Hierarchy of Needs:** People go to work in order to satisfy their needs and aspirations. These needs are not constant but they change according to circumstances status, environment, society, groups, and so forth. From Prof. A.H. Maslow (1943), we have a theory of motivation where he identified a hierarchy of needs as shown below.

   Maslow argued that as one's need is met, then the individual moves on to the next need. First of all, the individual has the basic physiological needs such as food, shelter, clothing, and works in order to satisfy these needs. Once these needs are satisfied, the individual moves to a higher plane of needs. Secondly, an individual has safety needs such as security and

   protection — the need to provide a safe and secure physical and emotional environment, an environment that is free from threats to continued existence. Once these needs are met, the individual moves on to satisfy the third type of needs called "social needs" or "belongingness needs." These needs relate to one's desire for social acceptance and friendship. The fourth type is self-respect and self-esteem. The esteem needs focus on one's desire to have a positive image to receive recognition, attention and appreciation from others for one's contribution. The last type of needs are those of self-fulfilment and self-actualisation for realising the fullest stature. People who have become self-actualised are self-fulfilled and have realised their full potential. Self-actualisation is an individual's motivation to transform the perception of self into reality.
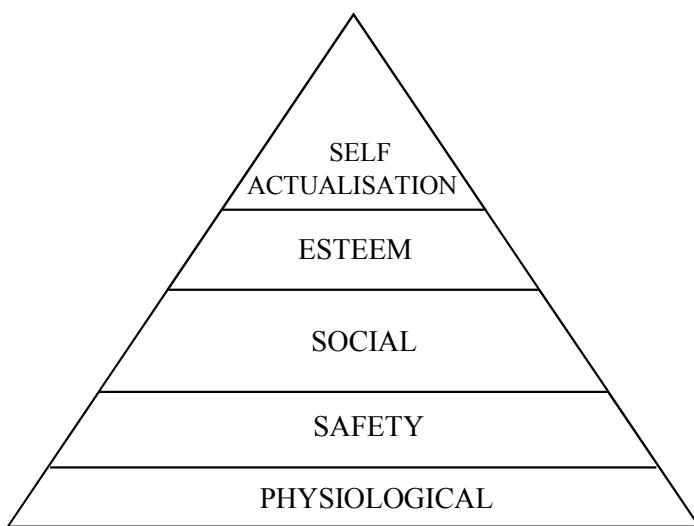

Figure 5

2) **McGregor's Theory X and Theory Y:** Prof. Douglas McGregor has presented two opposite sets of assumptions about employees. These have been represented by Theory X and Theory Y. Theory X represents standard bureaucratic and authoritarian attitude towards employees and is based on certain assumptions such as: (i) the average person dislikes work and, whenever possible, will avoid it; (ii) most people are not ambitious, have little desire for responsibility and prefer to be directed; (iii) to get people to work, it is necessary to use strict control, threats, constant pressure, coercion, persuasion, and even punishment; (iv) most people have little capacity for creativity in solving organisational problems; and (v) people actually like to be directed and supervised very closely.

McGregor drawing heavily on Maslow's hierarchy of needs, concluded that the "theory X assumptions about human nature, when universally applied, are often inaccurate and that the management approaches that develop from these assumptions may fail to motivate many individuals to work towards organisational goals." He observes: "Management by direction and control may not succeed because it is a questionable method for motivating people whose physiological and safety needs are reasonably satisfied and whose higher level needs are becoming predominant." He, therefore, developed an alternative theory of human behaviour called Theory Y. Theory Y assumes that people are not by nature lazy and unreliable. They enjoy work, show initiative and imagination in self-direction and self-control. Some assumptions of Theory Y are: (i) Work is a natural activity, like playing and rest, if the conditions are favourable. (ii) Close supervision and threats of punishment are not the only ways to get people to do things. (iii) Motivation occurs at the social esteem and self-actualisation levels, as well as at the physiological and security levels. (iv) People can be self-directed and be creative at work if properly motivated.

3) **Herzberg's Two-Factor Theory:** A significant development in motivation research was made by Frederick Herzberg (1959) and associates who distinguished between motivational and maintenance factors in the work situation. Maintenance of hygiene factors are those which belong to the company policies and administration, supervision, inter-personal relations, working conditions, pay, job security, personal life, status. Herzberg propounds that these factors help in removing discomfort, dissatisfaction and discontent on the part of the employees but are not motivators as traditionally perceived by management. These potent dissatisfiers are called maintenance factors on the job because they are necessary to maintain a reasonable level of satisfaction in employees. They are also known as hygiene factors because they support employees' mental health. But in themselves, they are not motivators according to Herzberg and his team. The real motivators that primarily build strong motivation and high job satisfaction among employees are achievement, recognition, advancement, work itself, possibility of growth, and responsibility. According to Herzberg, the motivating factors are intrinsic to the job, while the maintenance and hygiene factors are extrinsic to it.

According to Dumette, Campbell and Hakel (1967), Herzberg's Motivation Hygiene Theory has accomplished three important objectives:

1) It has discovered those features of job situation that make the difference between satisfaction and dissatisfaction.

2) Unlike the tradition of most previous research it emphasises those job features that lead to change in feelings towards the job.

3) It developed a taxanomy of job situations consisting of satisfying and dissatisfying features. Satisfying features which the employees would like to attain and the dissatisfying features that they would like to avoid.

Herzberg's theory has, however, been criticised by many authors. For example, Keith Davis has observed that a limited testing of the model on blue-collar workers suggests that some items normally considered as maintenance factors are frequently considered motivational factors by the blue-collar workers. Some authorities doubted whether the factors leading to satisfaction and dissatisfaction are really different from each other. In less developed countries, it is likely that workers will designate some of the maintenance factors or hygiene factors as motivators, since they are yet to meet some of their lower order needs.

4) **McClelland's Theory of Motivation:** McClelland's theory (1953) is quite extensive and involved. His contribution in developing the concepts of need for achievement and need for power is of great significance. According to him, two motives are innate, namely, striving for pleasure and seeking to avoid displeasure or pain. All the other motives are acquired.

According to him people can be classified into two broad groups — one small and the other large. Those falling in the small group are challenged by opportunities and are willing to work hard to achieve some goal. People in the large group, on the other hand, have less need of achievement and are not so challenged by opportunities.

Achievement-oriented people possess certain characteristics. They prefer a moderate degree of risk because they feel that their efforts and abilities will probably influence the outcome. In business, such people are successful entrepreneurs; and the organisation with many such people grows faster and is profitable.

McClelland differentiates between personal power and institutional or social power. Individuals high in need for personal power like to inspire subordinates and expect the latter to respect and obey them. Managers who are high in institutional power, however, tend to exert authority and influence so as to achieve the goals of the organisation rather than to gain any personal ego satisfaction.

5) **Vroom's Expectancy Theory:** Expectancy Theory, as applied to behaviour at work, has been formulated mainly by Victor H. Vroom (1964). It explains that motivation is a product of the values one seeks and one's expectations of the probability that a certain action will lead to those values. According to this theory, an employee's motivation is a force driving him to achieve some level of job performance. The force or effort depends upon the perception of the probability or likelihood of certain outcomes resulting from the efforts, as related to the value one places on these outcomes.

For example, if an employee believes that if one performs at a high level, willbe paid a higher income which is of value to him, then produce more. In achieving a high level of performance, one has the satisfaction which, in turn, influences future effort. The essence of this theory is that an employee performs a kind of cost-benefit analysis. If the estimated benefit is enough to justify the cost of greater effort one is likely to put in greater effort.

6) **Skinner's Behaviourist Theory:** The Harvard University Psychologist, Prof. Skinner (1953), has contributed a new concept of motivating people and the concept is variously called "behaviour technology", "behaviour modification" or "positive reinforcement." Prof. Skinner suggests that people perform better and gain better in psychological satisfaction on the job when they receive proper appreciation and praise for their good work.

7) **Likert's Employee-Centred Approach:** Rennis Likert (1961-67) believes that as organisations move from a highly exploitative autocratic system to a democratic style, they will meet the needs of human beings and become productive organisations. Likert and his colleagues conducted research at the University of Michigan, and came to the conclusion that "both human resources and capital resources need to be considered as assets requiring proper management." They also suggested that if a supervisor wants to motivate workers, one should be "employee-centred" rather than "job- centred."

8) **Argyris (1957-64):** He feels that organisations treat individuals in the system as children, assigned to them simple tasks, and create dependence in them by exercising too much control over them. This is dysfunctional to healthy humans and results in frustration and a lack of work role involvement. Argyris argues that by giving increased responsibility, a broader range of tasks, and independence, employees will reach their potential and increase their productivity. Thus, by treating individuals like mature adults, organisations can increase productivity while at the same time meet the needs of individuals for independence and growth.

9) **Lyman Porter and Edward Lawler (1968):** They came up with a comprehensive theory of motivation. If the reward to be obtained is attractive or of expected utility, then the individual will decide to put in the necessary effort to perform the job. If the expected reward is not so, it will lower one's efforts. In addition, the individual performing the job should also have accurate role perceptions. Role perceptions refers to the way in which people define their jobs. We often hear managers say that the job is what the employee makes of it. Some people may take on additional responsibilities and expand the scope of their job. Others may avoid some aspects of their job and hence narrow its scope. Thus, people may perceive their roles differently.

Porter and Lawler's model is of great significance to managers since it sensitises them to focus attention on the following to keep their employees motivated:

1) Put the right person on the right job.

2) Carefully explain to employees what their role is, and make sure they understand it.

3) Prescribe in concrete terms the actual performance levels expected of the individuals.

4) Make sure that the rewards dispensed are valued by the employee. That is, find out what kind of rewards are appropriate and attractive to the employee and see if such rewards can be given to them.

10) **Goal-setting theory:** Goal-setting is one of the most effective and widely practised tools of motivation. Goals are the immediate or ultimate objectives that employees are trying to accomplish from their work efforts in organisations. Goals lead employees to compare their present performance with the goals laid down. When individuals succeed in reaching a goal, they feel competent and successful. Goals need to fulfil certain requisites if they were to impact employee behaviour. One requirement is that goals must be specific. Similarly, organisational support towards goal attainment supported by individual abilities and traits leads to goal realisation.

Goal-setting theory is a very powerful technique of motivation. When used correctly, carefully monitored, and actively supported by managers, goal-setting can improve performance.

Activity F

Think of a person, who in the past did an excellent job of motivating you. Which of the following approaches did he use? Why?

a) Lower order or high order needs

b) Motivational or maintenance factors

c) ERG needs

d) Behaviour modification

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8.12 SUMMARY

In this unit you have learnt about leadership as a process of influence on others to work willingly for group objectives. You have also come across different leadership styles, such as Human relations style, theory X and Y styles, Authoritarian, Democratic and **Laissez-faire** style, Employee-orientation and Production-orientation styles, Consideration and Initiating Structure styles and Scientific Managerial styles. Styles have been related to various theories of leadership such as Trait theory, Group and Exchange theory, Social Learning theory, Managerial Grid theory, Contingency theory and Path-goal theory.

You have also learnt about the importance of motivation, followed by theories of Motivation. Thus it's learnt that leading and motivating aspects play an important role for a Manager.

8.13 SELF-ASSESSMENT TEST

1. To what extent various theories of leadership are likely to influence your leadership styles.

2. Is there any difference between a successful and an effective leader? Discuss.

3. Why motivation is a critical issue of interest to managers in organizations?

4. Discuss the salient features of Herzberg's Motivation-Hygience Theory and show its relevance to the Indian situation.

5. "Most people can be motivated with money." Discuss your views on this statement.

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UNIT 9   DECISION MAKING

Objectives

After studying this Unit, you should be able to:

- Appreciate the three steps of the process through which you make any decision

- Classify the kinds of decisions you make

- Identify the varying degrees of knowledge under which you make decisions

- Recognize the assumptions of different models which either describe how decisions are made or prescribe how decisions should be made.

- Understand the necessity of identifying and evaluating a reasonable number of possible alternative courses of action for accomplishing organisation objectives

- Display familiarity with various means for generating alternative courses of action

- Decide to what extent participation of others is desirable; when and how group decision strategies should be used

- Diagnose roadblocks to effective decision making and develop some strategies to overcome them.

Structure

9.1   Introduction

9.2   Three Phases in Decision Making Process

9.3   Types of Managerial Decisions

9.4   Decision Making under Different States of Nature

9.5   Models of Decision Making Process

9.6   Techniques Used in Different Steps of Decision Making

9.7   Individual Versus Group Decision Making

9.8   Overcoming Barriers to Effective Decision Making

9.9   Summary

9.10 Self Assessment Questions

9.11 References/ Further Readings

9.1   INTRODUCTION

You will possibly agree that decision making is a part of everyday life. The fact that you have taken up a course in management or the fact that you are

reading this Unit are both products of your decisions to do them against other alternatives which were available to you. Whether you are at a board meeting or in the playground, you are almost constantly making decisions, sometimes working on several at the same time. These may be major or minor, but some of these might have proved to be effective decisions, viz. appropriate, timely and acceptable. Some of your decisions might have been wrong, but you knew that there was something worse than a few wrong decisions and that was indecision!

Making decisions has been identified as one of the primary responsibilities of any manager. Decisions may involve allocating resources, appointing people, investing capital or introducing new products. If resources like men, money, machines, materials, time and. space were abundant, clearly any planning would be unnecessary. But, typically, resources are scarce and so there is a need for planning. Decision making is at the core of all planned activities. We can ill afford to waste scarce resources by making too many wrong decisions or by remaining indecisive for too long a time.

In this Unit, various techniques involved in decision making e.g. brainstorming, semantics, and nominal grouping are described and discussed. Then the Unit describes various methods for identification, selection of various alternatives and implementation of decisions made. Differences and similarities between individual versus group decision making are then explained, including the phenomenon of groupthink. Various barriers to effective decision making are finally enumerated.

9.2   THREE PHASES IN DECISION MAKING PROCESS

You can define decision making as the process of choosing between alternatives to achieve a goal. But if you closely look into this process of selecting among available alternatives, you will be able to identify three relatively distinct stages. Put into a time framework, you will find:

1. **The past,** in which problems developed, information accumulated, and the need for a decision was perceived;

2. **The present,** in which alternatives are found and the choice is made; and

3. **The future,** in which decisions will be carried out and evaluated.

Herbert Simon, the well-known Nobel laureate decision theorist, described the activities associated with three major stages in the following way:

1. **Intelligence Activity:** Borrowing from the military meaning of intelligence Simon describes this initial phase as an attempt to recognise and understand the nature of the problem, as well as search for the possible causes;

2. **Design Activity:** During the second phase, alternative courses of action are developed and analyzed in the light of known constraints; and

3. **Choice Activity:** The actual choice among available and assessed alternatives is made at this stage.

If you have followed the nature of activities of these three phases, you should be able to see why the quality of any decision is largely influenced by the thoroughness of the intelligence and design phases.

Henry Mintzberg and some of his colleagues (1999) have traced the phases of some decisions actually taken in organisations. They have also come up with a three-phase model as shown in Figure I.
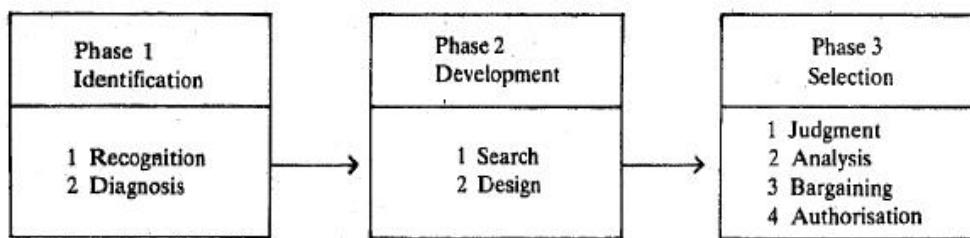

Fig. I: Mintzberg's empirically based phases of decision making in organizations

Source: Mintzberg, Raisinghani and Theoret, 1999.

1. **The identification phase,** during which **recognition** of a problem or opportunity arises and a **diagnosis** is made. It was found that severe immediate problems did not have a very systematic, extensive diagnosis but that milder problems did have.

2. **The development phase,** during which there may be a **search** for existing standard procedures, ready-made solutions or the **design** of a new, tailor-made solution. It was found that the design process was a grouping, trial and error process in which the decision-makers had only a vague idea of the ideal solution.

3. The selection phase, during which the choice of a solution is made. There are three ways of making this selection: by the **judgment** of the decision maker, on the basis of experience or intuition rather than logical analysis; by **analysis** of the alternatives on a logical, systematic basis; and by **bargaining** when the selection involves a group of decision makers. Once the decision is formally accepted, an **authorization** is made.

Note that the decision making is a dynamic process and there are many feedback loops in each of the phases. These feedback loops can be caused by problems of timing, politics, disagreement among decision-makers, inability to identify an appropriate alternative or to implement the solution or the sudden appearance of a new alternative etc. So, though on the surface, any decision-making appears to be a fairly simple three-stage process, it could actually be a highly complex dynamic process.

Activity A

Before we move on to the next topic on types of decisions that you and other managers make, let us pause to check whether we have understood the

general nature of any decision making situation. You will recall that decision making is a process by which we make a choice among various alternatives to achieve our goals. Based on this definition and earlier discussion, complete the missing entries in . Figure II of the Managerial Decision Process.
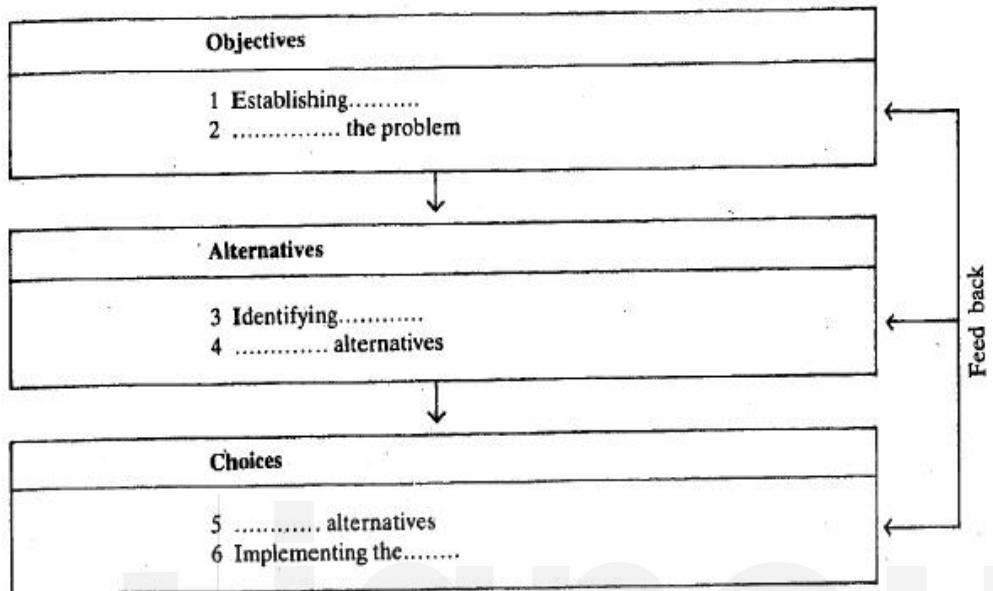
Fig. II: Managerial Decision Process

Answers:

- Objectives/ Goals

- Identifying/ Defining

- Alternatives

- Evaluating/ Assessing

- Selecting/ Choosing

- Decision/ Choice

9.3   TYPES OF MANAGERIAL DECISIONS

There are many types of decisions which you would be required to make as a manager. Three most widely recognised classifications are:

1)   Personal and Organisational Decisions

2)   Basic and Routine Decisions

3)   Programmed and Non-programmed Decisions.

The first classification of **Personal** and **Organisational** decisions was suggested by Chester Barnard, nearly fifty years ago in his classic book: "The Functions of the Executive". In his opinion, the basic difference between the two decisions is that "personal decisions cannot ordinarily be delegated to others, whereas organisational decisions can often if not always be delegated" **(Barnard, 1939).** Thus, the manager makes organisational decisions that attempt to achieve organisational goals and personal decisions that attempt to

achieve personal goals. Note that personal decisions can affect the organisation, as in the case of a senior manager deciding to resign. However, if you analyse a decision, you may find that the distinctions between personal and organisational decisions are a matter of degree. You are, to some extent, personally involved in any organisational decision that you make and you need to resolve the conflicts that might arise between organisational and personal goals.

Another common way of classifying types of decisions is according to whether they are **basic** or **routine.** Basic decisions are those which are unique, one-time decisions involving long-range commitments of relative permanence or duration, or those involving large investments. Examples of basic decisions in a business firm include plant location, organisation structure, wage negotiations, product line, etc. In other words, most top management policy decisions can be considered as basic decisions.

Routine decisions are at the opposite extreme from basic decisions. They are the everyday, highly repetitive, management decisions which by themselves have little impact on the overall organisation. However, taken together, routine decisions play a tremendously important role in the success of an organisation. Examples of, routine' decisions are an accountant's decision on a new entry, a production supervisor's decision to appoint a new worker, and a salesperson's decision on what territory to cover. Obviously, a very large proportion (most experts estimate about 90 per cent) of the decisions made in an organisation are of the routine variety. However, the exact proportion of basic to routine types depends on the level of the organisation a which the decisions are made. For example, a first-line supervisor makes practically all the routine decisions whereas the chairperson of the board makes very few routine decisions but many basic decisions.

Simon (1999) distinguishes between **Programmed** (routine, repetitive) decisions and **Non-programmed** (unique, one-shot) decisions. While programmed decisions are typically handled through structured or bureaucratic techniques (standard operating procedures), non-programmed decisions must be made by managers using available information and their own judgement. As is often the case with managers, however, decisions are made under the pressure of time.

An important principle of organisation design that relates to managerial decision making is Gresham's Law of Planning. This law states that there is a general tendency for programmed activities to overshadow non-programmed activities. Hence, if you have a series of decisions to make, those that are more routine and repetitive will tend to be made before the ones that are unique and require considerable thought. This happens presumably because you attempt to clear your desk so that you can get down to the really serious decisions. Unfortunately, the desks very often never get cleared.

After going through the three types of classification of managerial decisions, you could see that there is no single and satisfactory way of classifying decision situations. Moreover, the foregoing classifications have ignored two important problem-related dimensions: (1) How **Complex** is the **Problem** in

terms of number of factors associated with it; and (2) how much **certainty** can be placed with the **outcome** of a decision. Based on these two dimensions, four kinds of decision modes can be identified: Mechanistic, Analytical, Judgmental, and Adaptive (See Figure Ill).

		Judgemental Decisions	**Adaptive Decisions**
Uncertainty	High	(e.g., marketing, investment, and personnel problems)	(e.g., research and development and long-term corporate planning)
Outcome	Low	**Mechanistic decisions** (e.g., daily routines and scheduled activities)	**Analytical Decisions** (e.g., complex production and engineering problems)
		LOW Problem Complexity HIGH	

Fig. III: Types of Managerial Decisions

1. **Mechanistic Decisions:** A mechanistic decision is one that is routine and repetitive in nature. It usually occurs in a situation involving a limited number of decision variables where the outcomes of each alternative are known. For example, the manager of a bicycle shop may know from experience when and how many bicycles are to be ordered; or the decision may have been reached already, so the delivery is made routinely. Most mechanistic decision problems are solved by habitual responses, standard operating procedures, or clerical routines. In order to further simplify these mechanistic decisions, managers often develop charts, lists, matrices, decision trees, etc.

2. **Analytical Decisions:** An analytical decision involves a problem with a large number of decision variables, where the outcomes of each decision alternative can be computed. Many complex production and engineering problems are like this. They may be complex, but solutions can be found. Management science 'and operations research provide a variety of computational techniques that can be used to find optimal solutions. These techniques include linear programming, network analysis, inventory reorder model, queuing theory, statistical analysis, and so forth.

3. **Judgemental Decisions:** A judgemental decision involves a problem with a limited number of decision variables, but the outcomes of decision -alternatives are unknown. Many marketing, investment, and resource allocation problems come under this category. For example, the marketing manager may have several alternative ways of promoting a product, but he or she may not be sure of their outcomes. Good judgement is needed to increase the possibility of desired outcomes and minimise the possibility of undesired outcomes.

4. **Adaptive Decisions:** An adaptive decision involves a problem with a large number of decision variables, where outcomes are not predictable. Because of the complexity and uncertainty of such problems, decision makers are not able to agree on their nature or. on decision strategies. Such ill-structured problems usually require the contributions of many people with diverse technical backgrounds. In such a case, decision and

implementation strategies have to be frequently modified to accommodate new developments in technology and the environment.

Activity B

Refer to Figure III and subsequent discussions on four types of managerial decisions.

Answer the following questions.

1. Which types of managerial decisions correspond to "Programmed" decision?

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2. Which types of managerial decisions correspond to "Non-programmed" decision?

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3. Which types of managerial decisions correspond to "Basic" decision?

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Answers:

1. Mechanistic Decisions and Analytic Decisions.

2. Judgemental Decisions and Adaptive Decisions.

3. Judgemental Decisions, Adaptive Decisions and Analytic Decisions.

9.4 DECISION MAKING UNDER DIFFERENT STATES OF NATURE

In the previous topic on types of decisions you have seen that a decision-maker may not have complete knowledge about decision alternatives (i.e.,

High Problem, Complexity) or about the outcome of a chosen, alternative (i.e., High Outcome Uncertainty). These conditions of knowledge are often referred to as states of nature and have been labelled:

1. Decisions under Certainty.

2. Decisions under Risk

3. Decisions under Uncertainty

Figure IV depicts these three conditions on a continuum showing the relationship between knowledge and predictability of decision states.
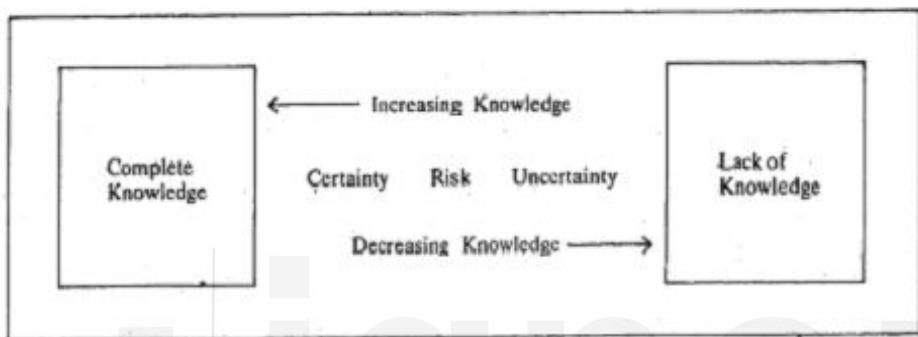

Fig. IV Decision Making Conditions Continuum

Decision making under certainty: A decision is made under conditions of certainty when a manager knows the precise outcome associated with each possible alternative or course of action. In such situations, there is perfect knowledge about alternatives and their consequences. Exact results are known in advance with complete (100 per cent) certainty. The probability of specific outcomes is assumed to be equal to one. A manager is simply faced with identifying the consequences of available alternatives and selecting the outcome with the highest benefit or payoff.

As you can probably imagine, managers rarely operate under conditions of certainty. The future is only barely known. Indeed, it is difficult to think of examples of all but the most trivial business decisions that are made under such conditions. One frequent illustration that is often cited as a decision under at least near certainty is the purchase of government bonds or certificates of deposit. For example, as per the assurance provided by Government of India, Rs. 1,000 invested in a 9-year National Savings Certificate will bring a fixed sum of Rs. 2,015 after six complete years of investment. It should still be realised, however, that the Government defaulting on its obligations is an unlikely probability, but the possibility still exists. This reinforces the point that very few decisions outcome can be considered a sure thing.

Decision making under risk: A decision is made under conditions of risk when a single action may result in more than one potential outcome, but the relative probability of each outcome is known. Decisions under conditions of risk are perhaps the most common. In such situations, alternatives are recognised, but their resulting consequences are probabilistic and doubtful. As an illustration, if you bet on number 9 for a single roll of a dice, you have

a 1/9 probability of winning in that there is only one chance in six of rolling a 9. While the alternatives are clear, the consequence is probabilistic and doubtful. Thus, a condition of risk may be said to exist. In practice, managers assess the likelihood of various outcomes occurring based on past experience, research, and other information. A quality control inspector, for example, might determine the probability of number of `rejects' per production run. Likewise, a safety engineer might determine the probability of number of accidents occurring, or a personnel manager might determine the probability of a certain turnover or absenteeism rate.

Decision making under uncertainty: A decision is made under conditions of uncertainty when a single action may result in more than one potential outcome, but the relative probability of each outcome is unknown. Decisions under. conditions of uncertainty are unquestionably the most difficult. In such situations a manager has no knowledge whatsoever on which to estimate the likely occurrence of various alternatives. Decisions under uncertainty generally occur in cases where no historical data are available from which to infer probabilities or in instances which are so novel and complex that it is impossible to make comparative judgements.

Examples of decisions under complete uncertainty are as difficult to cite as example of decisions under absolute certainty. Given even limited experience and the ability to generalise from past situations, most managers should be able to make at least some estimate of the probability of occurrence of various outcome. Nevertheless, there are undoubtedly times when managers feel they are dealing with complete uncertainty.

Selection of a new advertising programme from among several alternatives might be one such example. The number of factors to be considered and the large number of uncontrollable variables vital to the success of such a venture can be mind-boggling. On a personal level, the selection of a job from among alternatives is a career decision that incorporates a great deal of uncertainty. The number of factors to be weighed and evaluated, often without comparable standards, can be overwhelming.

Activity C

Identify six decisions that you have taken during last one year. Check which decisions were made under Certainty, under Risk and under Uncertainty.

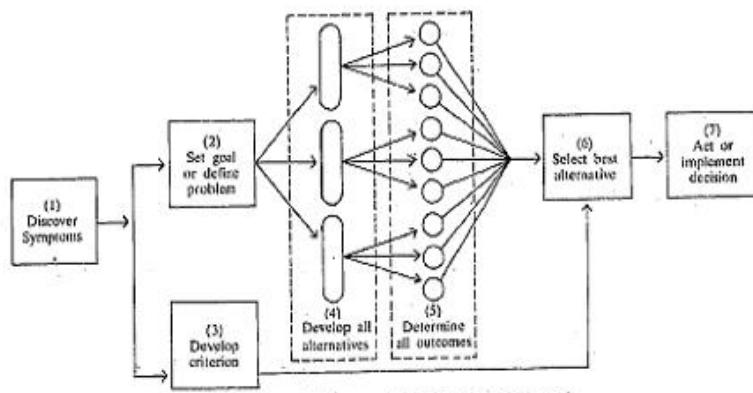| Decisions	Certainty	Risk	Uncertainty
1	( )	( )	( )
2	( )	( )	( )
3	( )	( )	( )
4	( )	( )	( )
5	( )	( )	( )
6	( )	( )	( )

9.5   MODELS OF DECISION MAKING PROCESS

By now, you have learnt what the different phases of a decision making process are, what types of decisions you are likely to make in an organisation and under what states of nature these decisions are made. Now, you are going to examine three suggested models of the decision making process which will help you to understand how decisions are made and should be .made. These three models are: (I) the econologic model, or the economic man, (2) the bounded rationality model or the administrative man; and (3) the implicit favourite model or the gameman. You will notice that each model differs on the assumptions it makes about the person or persons making the decision.

i)   Econologic Model or Economic Man Model

The econologic model represents the earliest attempt to model decision process. Briefly, this model rests on two assumptions: (1) It assumes people' are economiccally rational; and (2) that 'people attempt to maximise outcomes in an orderly and sequential process. Economic **rationality,** a, basic concept in many models of decision making, exists when people attempt to maximise objectively measured advantage, such as money or units of goods produced. That is, it is assumed that people will select the decision or course of action that has the **greatest** advantage or payoff from among the many alternatives. It is also assumed that they go about this search in a planned, orderly, and logical fashion.

A basic econologic decision model is shown in Figure V. The figure suggests the following orderly steps in the decision process:

1.   Discover the symptoms of the problem or difficulty ;

2.   Determine the goal to be achieved or define the problem to be solved;

3.   Develop a criterion against which alternative solutions can be evaluated;

4.   Identify all alternative courses of action;

5.   Consider the consequences of each alternatives as well as the likelihood of occurrence of each;

Source: Behling and Schriesheim. 1976. p.19.

Fig. V: An Econologic Model of Decision-making

9 Choose the best alternative by, comparing the consequences of each alternative (step 5) with the decision criterion (step 3); and 9 Act or implement the decision.

The economic man model represents a useful **prescription** of how decisions **should** be made, but it does not adequately portray how decisions are actually made. If you look closely in this prescriptive model you shall be able to recognise some of the assumptions it makes about the capabilities of human beings:

First, people have the capability to gather all necessary information for a decision, i.e., people can have **complete** information;

Second, people can mentally store this information in some stable form, i.e., they can accurately recall any information any time they like;

Third, people can manipulate all this information in a series of complex calculations design to provide expected values; and

Fourth, people can rank the consequences in a consistent fashion for the purposes of identifying the preferred alternative.

As you can possibly imagine, the human mind is simply incapable of executing such transactions at the level and magnitude required for complex decisions. To that extent, this model is unrealistic. However, due to the advent of sophisticated data storage, retrieval and processing machines, it is now possible to achieve economic rationality to some extent.

ii) **Bounded Rationality Model or Administrative Man Model**

An alternative model, one not bound by the above assumptions, has been presented by Simon. This is the bounded rationality model, also known as the administrative man model.

As the name implies, this model does not assume individual rationality in the decision,' process. Instead, it assumes that people, while they may seek the best solution, usually settle for much less because the decisions they confront typically demand greater information processing capabilities than they possess. They seek a kind of bounded (for limited) rationality in decisions.

The concept of bounded rationality attempts to describe decision processes in terms of three mechanisms:

Sequential attention to alternative solutions: People examine possible solutions to a problem sequentially. Instead of identifying all possible solutions and selecting the best (as suggested in the econologic model), the various alternatives are identified and evaluated one at a time. If the first solution fails to work it is discarded and the next solution is considered. When an acceptable (that is, `Good enough' and not necessarily the best') solution is found, the search is discontinued.

Use of heuristics: A heuristic is a rule which guides the search for alternatives into areas that have a high probability for yielding satisfactory solutions. For instance, some companies continually select

Management graduates from certain institutions because in the past such graduates have performed well for the company. According to the bounded rationality model, decision makers use heuristics to reduce large problems to manageable proportions so that decisions can be made rapidly. They look for obvious solutions or previous solutions that worked in similar situations.

Satisfying: Whereas the econologic model focuses on the decision maker as an optimiser, this model sees him or her as a satisficer. An alternative is optimal if: (1) there exists a set' of criteria that permits all alternatives to be compared; and (2) the alternative in question is preferred, by these criteria, to all other alternatives. An alternative is satisfactory if: (I) there exists a set of criteria that describes minimally satisfactory . alternatives; and (2) the alternative in question meets or exceeds all these criteria.

Based on these three assumptions about decision makers, it is possible to outline the decision process as seen from the standpoint of the bounded rationality model. As shown Figure VI, the model consists of eight steps:
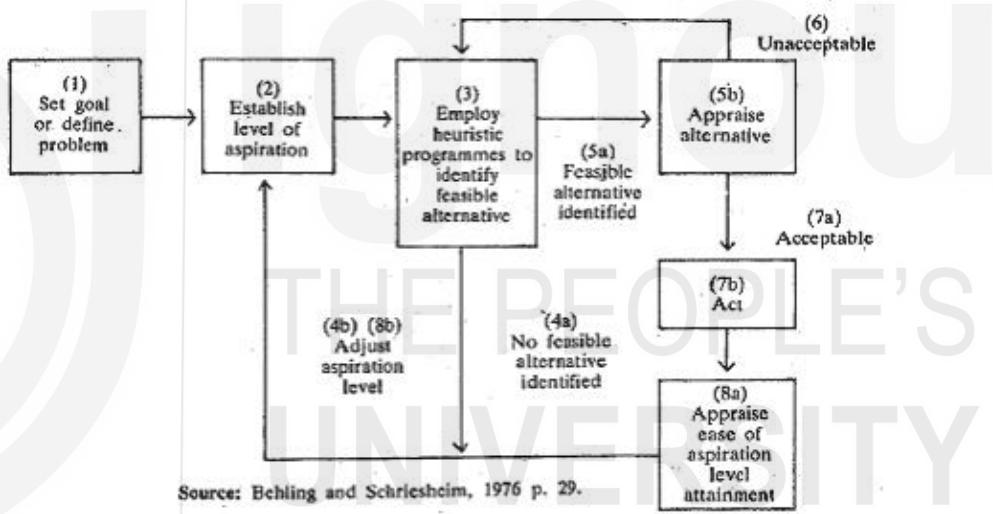

Source: Behling and Schrieshcim, 1976 p. 29.

Fig. VI: A Bounded Rationality Model of Decision Making

1. Set the goal to be pursued or define the problem to be solved.

2. Establish an appropriate level of aspiration or criterion level (that is, when do you know that a solution is sufficiently positive to be acceptable even if it is not perfect'?)

3. Employ heuristics to narrow problem space to a single promising alternative.

4. If no feasible alternative is identified (a) lower the aspiration level, and (b) begin the search for a new alternative solution (repeat steps 2 and 3).

5. After identifying a feasible alternative (a), evaluate it to determine its acceptability (b).

6. If the identified alternative is unacceptable, initiate search for a new alternative solution (repeat steps 3-5).

7.   If the identified alternative is acceptable (a) implement the solution (b).

8.   Following implementation, evaluate the ease with which goal was (or was not) attained (a), and raise or lower level of aspiration accordingly on future decisions of this type.

As can be seen, this decision process is quite different from the econologic model. In it we do not seek the best solution; instead, we look for a solution that is acceptable. The search behaviour is sequential in nature(evaluating one or two solutions at a time). Finally, in contrast to the. prescriptive econologic model, it is claimed that the bounded rationality model is **descriptive;** that is it describes how decision makers actually arrive at the identification of solutions to organisational problems.

iii) **Implicit Favourite Model or Gamesman Model**

This model deals primarily with non-programmed decisions. You will recall that non-programmed decisions are decisions that are novel or unstructured, like seeking one's first job. Programmed decisions, in contrast, are more routine or repetitious in nature, like the procedures for admitting students to a secondary school.

The implicit favourite model developed by Soelberg (1999) emerged when he observed the job choice process of graduating business students and noted that, in many cases, the students identified implicit; favourites very early in the recruiting and choice process. However, they continued their search for additional alternatives and quickly selected the best alternative candidate, known as the confirmation candidate. Next, the students attempted to develop decision rules the demonstrated unequivocally that the implicit favourite was superior to the alternative confirmation candidate. This was done through perceptual distortion of information about the two alternatives and through weighing systems designed to highlight the positive features of the implicit favourite. Finally, after a decision rule was derived that clearly favoured the implicit favourite, the decision was announced. ironically, Soelberg noted that the implicit favourite was typically superior to the confirmation candidate on only or or two dimensions. Even so, the decision makers generally characterised their decision rules as being multi-dimensional in nature.

The process is shown in Figure VII. As noted, the entire process is designed to justify to the individual, through the guise of scientific rigour, a non-programmed decision that has already been made in intuitive fashion. By doing so, the individual becomes convinced that he or she is acting in a rational fashion and making a logical, reasoned decision on an important topic.
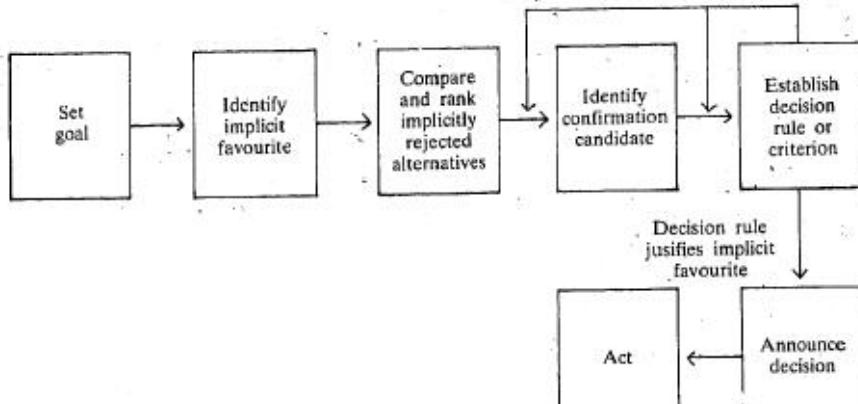
Fig. VII: An Implicit Favourite Model of Decision Making

Source: Behling and Schriesheim, 1999, p. 32.

Activity D

Read the following assumptions about the nature of human beings as decision makers. Identify which assumptions are made under which models of decision making.

Assumptions	Economic Man	Administrative Man	Gamesman
1 In choosing between alternatives, people look for the one which is satisfactory or good enough	( )	( )	( )
2 Decisions are made after examining all possible alternatives	( )	( )	( )
3 People usually arrive at a decision in an intuitive manner much before they find logical support for the same decision	( )	( )	( )

Answers:

1. Administrative Man Model.

2. Economic Man Model.

3. Gamesman Model.

Activity E

Recall the process through which you decided to apply for joining the course in management. Which model best characterizes your decision process? Would you claim that as a rational decision? Why or why not? Prepare a short note.

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9.6 TECHNIQUES USED IN DIFFERENT STEPS OF DECISION MAKING

In the models of decision making, you must have observed that any systematic approach to decision making starts with a proper definition of the problem. You will often experience that a problem well defined is a problem half-solved because the proper definition helped you to search at relevant place for promising alternatives. You would also agree that a "fair" approach to decision-making demands that parameters (for judging alternatives which are sometimes referred to as "criteria", "level of aspiration", "decision rules", etc.) should be explicitly developed **before** the alternatives are generated and **not after.** This imperative minimises the chances of unnecessary compromise which is the hall-mark of a low-quality decision. However, once you have developed the criteria, keep them aside and forget about them at the time of generation of the alternatives. This dissociation of criteria from the alternative-generation phase will improve your chance of coming up with a reasonably sufficient number of alternatives. You will understand the importance of generating a "reasonable" number of alternatives by the simple realisation that the quality of a decision can be no better than the quality of the alternatives that you identify.

Identification of Alternatives

Generation' of a reasonable number of good alternatives is usually no problem. Occasionally, however, developing a variety of good alternatives can be a complex matter requiring creativity, thought, and study. Three means for generating alternatives are particularly well-known. These are brainstorming, synectics, and nominal grouping.

Brainstorming: Developed by Alex F. Osborn, brainstorming is the oldest and best known technique for stimulating creative thinking. It involves the use of a group whose members is presented with a problem and is asked to develop as many potential solutions as possible. Members of the group may all be employees of the same firm or outside experts in a particular field. Brainstorming is based on the premise that when people interact in a free and uninhibited atmosphere they will, generates creative ideas. That is, as one person generates an idea it serves to stimulate' the thinking of others. This interchange of ideas is supposedly contagious and creates an atmosphere of free discussion and spontaneous thinking. The objective is to produce as many ideas as possible in keeping with the belief that the larger the number of ideas produced, the greater the probability of identifying an acceptable solution.

Brainstorming is governed by four important rules:

- Criticism is prohibited Judgement of ideas must be withheld until all ideas have been generated. It is believed that criticism inhibits the free flow of ideas and group creativity.

1) Freewheeling' is welcome. The wilder the idea the better. It is easier to 'tame down' than to 'think up' ideas.

2) Quantity is wanted. The greater the number of ideas, the greater the likelihood of an outstanding solution.

3) Combination and improvement are sought. In addition to contributing ideas of their own, group members suggest how ideas of others can be improved, or how two or more ideas can be combined into still another idea.

Brainstorming sessions usually involve six to eight participants and run from thirty minutes to an hour. A one-hour session is likely to produce anywhere from 50 to 150 ideas. Typically, most ideas will be impractical, but, a few will merit serious consideration. Brainstorming has given encouraging results in the field of advertising, in all branches of the Armed Forces, and in various Central, State, and local agencies.

Brainstorming, however, is not without limitations. It is usually most effective when a problem is simple and specific. In addition, brainstorming sessions are time-consuming and, therefore, can be costly. Finally, brainstorming often produces superficial solutions. This latter limitation, of course, can be overcome by selecting group members who are familiar with at least one aspect of the problem being considered.

Synectics: Developed by William J.J. Gordon, synectics is a more recent and formalised creativity technique for the generation of alternative solutions. The term synectics is derived from a Greek word meaning "the fitting together of diverse elements." The basic intent of synectics is to stimulate novel and even bizarre alternatives through the joining together of distinct and apparently irrelevant ideas.

Members of a synectics group are typically selected to represent a variety of backgrounds and training. An experienced group leader plays a vital role in this approach. The leader states a problem for the group to consider. The group reacts by stating the problem as they understand it. Only after the nature of the problem is thoroughly reviewed and analysed does the group proceed to offer potential solutions. It is the task of the leader to structure the problem and lead the ensuing discussion in such a manner as to force group members to deviate from their traditional ways of thinking. Various methods are employed to "invoke the preconscious mind". These may include role-playing, the use of analogies, paradoxes, metaphors, and other thought-provoking exercises. The intended purpose is to induce fantasies and novel ideas that will modify existing thought patterns in order to stimulate creative alternatives. It is from this complex set of interactions that a final solution hopefully emerges. A technical expert is ordinarily present to assist the group in evaluating the feasibility of their ideas. Thus, in contrast to brainstorming where the judgement of ideas is-withheld until, all ideas have been generated, judicial evaluations of members' suggestions do take place from time to time.

In general, available evidence suggests that synectics has been less widely

used than brainstorming. While it suffers from some limitations as brainstorming (it can be time-consuming and costly), its sophisticated manner makes it much more appropriate for complex and technical problems.

Nominal Grouping: Developed by Andre Dellbecq and Andrew-Van de Ven, nominal grouping differs from both brainstorming and synectics in two important ways. Nominal grouping does not rely on free association of ideas, and it purposely attempts to **reduce** verbal interaction. From this latter characteristic a nominal group derives its name; it is a group "in name only".

Nominal grouping has been found to be particularly effective in situations requiring a high degree off innovation and idea generation. It generally follows a highly structured procedure involving the following stages:

Stage 1: Seven to ten individuals 'with different backgrounds and training are brought together and familiarised with a selected problem such as, "What alternatives are available for achieving a set of of ,objectives?"

Stage 2: Each group member is asked to prepare a list of ideas in response to the identified problem, working silently and alone.

Stage 3: After a period of ten to fifteen minutes, group members share their ideas, one at a time, in a round-robin manner. A group facilitator records the ideas on a blackboard or flip chart for all to see. The round-robin process continues until all ideas are presented and recorded.

Stage 4: A period of structured interaction follows in which group members openly discuss and evaluate each recorded idea. At this point ideas may be rewarded, combined, deleted, or added.

Stage 5: Each group member votes by privately ranking the presented ideas in order of their perceived importance. Following a brief discussion of the vote, a final secret ballot is conducted. The group's preference is the arithmetical outcome of the individual votes. This concludes the meeting.

Nominal grouping has been used successfully in a wide variety of organisations. Its principal benefit is that it minimises the inhibiting effects of group interaction in the initial generation of alternative solutions. In this sense, the search process is pro-active rather than reactive. That is, group members must generate their own original ideas rather than "hitch-hike" on the ideas of others. Additionally, the use of a round-robin recording procedure allows risk-inclined group members to state risky solutions early, making it easier for less secure participants to engage in similar disclosure. Nominal grouping, however, also has limitations. Like brainstorming and synectics, it can be time-consuming and, therefore, costly.

Creative Thinking: There are many ways of searching for information and alternatives in problem solving. Effective managers use all of their capacities-analytic and creative, conscious and subconscious-and seek both individual and group involvement in this stage of decision making process.

As you have seen, the basic requirement at the stage of identification of alternatives is to become more creative. Creativity involves novel

combination of ideas which must have theoretical or social value or make an emotional impact on other people, Like the decision' making process itself, the creative process also has three stages as shown in the following exhibit:

STAGES IN THE CREATIVE PROCESS

Stage	Type	Behaviours
Preparation	Conscious	**Saturation:** Investing the problem in all directions to become fully familiar with it, its setting, causes, and effects **Deliberation:** Mulling over these ideas, analysing and challenging them, viewing them from different optics.
Latent Period	Unconscious	**Incubation:** Relaxing, switching off, and turning the problem over to the unconscious mind. **Illumination:** Emerging with possible answers-dramatic, perhaps off beat, but fresh and new.
Presentation	Conscious	**Verification:** Clarifying and flushing out the idea, testing it against the criterion of appropriateness. **Accommodation:** Trying the solution out on other people and other problems.

Evaluation of Alternatives

Evaluation of various identified possible courses of action constitutes the second step of decision-making. Having identified a `reasonable' number of alternatives as a manager you should now be in a position to judge the different courses of action which have been isolated. Each alternative must be evaluated in terms of its strengths and weaknesses, benefits and costs, advantages and disadvantages in achieving organisational goals. Since there are usually both positive and negative aspects of every alternative, most evaluations involve a balancing or trade-off of anticipated consequences. Needless to say, such assessments should be as objective as possible.

Evaluation of the relative merits of various alternatives may be performed by a single manager or by a group. An evaluation may be completely intuitive or it may be scientific, using analytical tools and procedures associated with what is known as operations research (OR). More than likely, it will employ a combination of both approaches. Whatever the basis of evaluation, the more systematic the assessment, the more likely it is that the resulting judgements will be accurate and complete.

Selection of an Alternative

Once appropriate alternatives have been identified and evaluated, you must select the one alternative with the greatest perceived probability of meeting organisational objectives. Of course, it is entirely possible that the decision maker may be made to go back and identify other alternatives if none are judged to be acceptable.

Theoretically, if the identification and evaluation of alternatives has been properly handled, making a choice should be an easy matter, The most desirable alternative will be obvious. In practice, however, selection of a course of action is often the result of a compromise. Enterprise objectives are multiple. As a consequence, choice of an alternative must be made in light of multiple and often conflicting objectives. Indeed, the quality of a decision may often have to be balanced against its acceptability. Resource constraints and political considerations are examples of confounding factors which must be carefully weighed. At this point, sound judgement and experience play important roles.

Implementation of Decision

Once a plan (course of action) has been selected, appropriate actions must be taken to assure that it is implemented. Implementation is crucial to success of an enterprise. Indeed, it is considered by some to be the key to effective planning. The best plans in the world are absolutely worthless if they cannot be implemented. The activities necessary to put plans into operation must be skillfully initiated. In this respect, no plan is better than the actions taken to make it a reality.

With selection of a course of action, you must make detailed provisions for its execution. You must communicate the chosen course of action, gather support for it, and assign resources to see that it is carried out. Development of a sound means of implementation is every bit as important as the decision as to which course of action to pursue. All too often, even the best plans fail as a result of being improperly implemented.

Activity A

Imagine that you are working in a consulting firm specialising in producing creative ideas to solve various problems. Current projects involve the following problems:

1. Creative uses of Used dry cells.
2. Within ten years, all the plants in the world are going to die due to a non-removable chemical in the polluted soil of the world.

Collect four of your friends to form a group of five.

Spend 30 minutes to "brainstorm" ideas for identifying different alternatives to the problems.

After recording the ideas, judge how many are realistic. Evaluate them on the following criteria:

i.   Is the idea technically feasible?

ii. Is it economically feasible?

iii. Is it socially acceptable?

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9.7 INDIVIDUAL VERSUS GROUP DECISION MAKING

You are perhaps aware that in recent times most of the decisions in any large organisation are usually taken by a group of people (e.g., Board of Directors, Committees, Task-force, etc.) rather than by a single individual manager, however, brilliant, bright or powerful the manager may be. Perhaps from your own experience, you are also aware of some of the obvious advantages and disadvantages of group decision making like the one given below:

Advantages and Disadvantages of group decision making

Advantages

- Groups can accumulate more knowledge and facts.

- Groups have a broader perspective and consider more alternative solutions.

- Individuals who participate in decisions are more satisfied with the decision and are more likely to support it.

- Group decision processes serve an important communication function as well as a useful political function

Disadvantages

- Groups often work more slowly than individuals.

- Group decision involves considerable compromise which may lead to less than optimal decisions.

- Groups are often dominated by one individual or a small clique, thereby negating many of the virtues of group procedures.

- Over-reliance on group decision making can inhibit management's ability to act quickly and decisively when necessary.

Source: Maier, 1999.

Looking at this kind of a balance-sheet on group decision making, you may well ask whether, on the whole, groups are superior to individuals as far as the decision making effectiveness is concerned. It is not possible to give a categorical answer without reference to the nature of the people, the nature of the group and the context in which the group is making a decision. However, what we know about the impact of the groups in decision making process has

been summarised by Harrison (1995) in the following way:

- **In establishing objectives,** groups are typically superior to individuals in that they possess greater cumulative knowledge to bring to bear on problems.

- **In identifying alternatives,** individual efforts are important to ensure that different and perhaps unique solutions are identified from various functional areas that later can be considered by the group.

- **In evaluating alternatives,** group judgement is often superior to individual judgement because it brings into play a wider range of viewpoints.

- **In choosing an alternative,** involving group members often leads to greater acceptance of the final outcome.

- **In implementing the choice,** individual responsibility is generally superior to group responsibility, Regardless of whether decisions are made individually or collectively, individuals perform better in carrying out the decision than groups do.

As you can well see, groups do have some edge over individuals in certain stages of the decision making process. For this reason, you have to `decide' to what extent you should involve others (particularly, your subordinates in the work group) to participate in decisions affecting their jobs. In fact, you have to take a position on the continuum of degrees of participation in decision making (See Figure I).
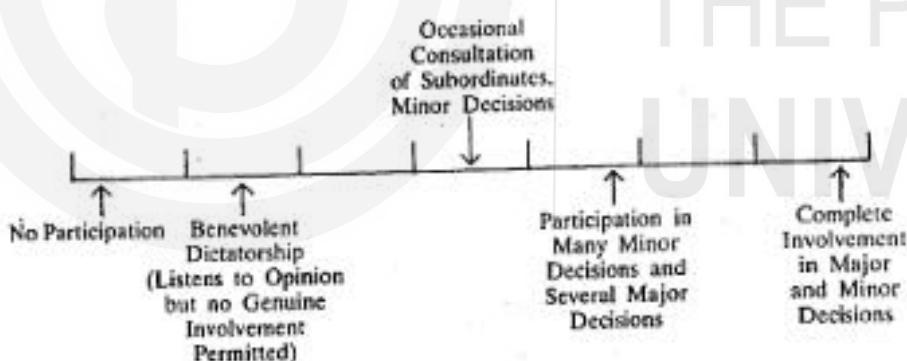

Figure I: Continuum of Degrees of Participation in Decision Making

Based on a series of studies on managerial decisions making behaviour, Vroom and Yetton (1993) found evidence in support of the following propositions:

- Managers tend to be **more** participative when the quality of the decision is important.

- Managers tend to be **more** participative when subordinate acceptance of the decision is critical for its effective implementation.

- Managers tend to be **more** participative when they trust their subordinates to focus on organisational rather than personal goals and

when conflict among subordinates is minimal.

- Managers tend to be **less** participative when they have all the necessary information to make a high quality decision.

- Managers tend to be **less** participative when the immediate problem is well structured or where there is a common solution that has been applied in similar situations in the past.

- Managers tend to be **less** participative when time is limited and immediate action is required.

At this juncture, it will be useful for you to be aware of two phenomena which have been observed in group decision making situations. Technically these two phenomena, which are sometimes experienced in a group decision situation, are referred to as `Risky shift phenomenon' and `Groupthink'.

1. **Risky Shift Phenomenon**

   Contrary to the popular belief that groups are usually more conservative than individuals there is abundant evidence to support the proposition that groups make riskier decisions than individuals do. There are four possible reasons. **First,** risk takers are persuasive in getting more cautious companions to shift their position. **Second,** as members of a group familiarise themselves with the issues and arguments they seem to feel more confident about taking risks. **Third,** the responsibility for decision making can be diffused across members of the group. **Fourth,** there is the suggestion that in our culture people do not like to appear cautious in a public context.

2. **Groupthink**

   Closely related to the risky-shift, but more serious, is the phenomenon known as `groupthink'. This phenomenon, first discussed by Janis (1991), refers to a mode of thinking in a group in which the seeking of concurrence among members becomes so dominant that it over-rides any realistic appraisal of alternative course of action. The concept emerged from Janis' studies of high level policy decisions by government and business leaders. By analysing the decision process leading up to each action, Janis found numerous indications pointing to the development of group norms that improved morale at the expense of critical thinking. One of the most common norms was the tendency to remain loyal to the group by continuing to adhere to policies and decisions to which the group was already committed, even when the decisions proved to be an error.

Outcomes of groupthink: Groupthink can have several deleterious consequences on the quality of decision making. 'First, groups often limit their search for possible solutions to problems to one or two alternatives and avoid a comprehensive analysis of all possible alternatives. **Second,** groups often fail to re-examine their chosen course of action after new information or events suggest a change in course. **Third,** group members spend very little time considering whether there are any non-obvious advantages to alternative courses of action compared to the chosen course of action. **Fourth,** groups

often make little or no attempt to seek out the advice of experts either inside or outside their own organisation. Fifth, members show positive interest in facts that support their preferred decision alternative and either ignore or show negative interest in facts that fail to support it. **Finally,** groups often ignore any consideration of possible roadblocks to their chosen decision and, as a result, fail to develop contingency plans for potential setbacks.

Activity B

If you are currently a member of a recognised decision making group in your organisation, what is the purpose or decision on which you are now working? What specific steps could be taken by individuals to improve the process if improvement is needed? List your ideas.

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9.8 OVERCOMING BARRIERS TO EFFECTIVE DECISION MAKING

You have just examined different outcomes of a faulty group decision process under the phenomenon called groupthink. In fact, these "faults" are not exclusive to group decisions only. You will appreciate that in the early stages of any decision process, there is' the likelihood that a variety of perceptual biases may interfere with problem analysis or the identification of possible solutions. Elbing (1998) has identified several roadblocks that can impede managerial effectiveness in arriving at the most suitable decision:

- The tendency to evaluate before one investigates. Early evaluation precludes inquiry into a fuller understanding of the situation.

- The tendency to equate new and old experiences. This often causes managers to look for what is similar rather than what is unique in a new problem.

- The tendency to use available solutions, rather than consider new or innovative ones.

- The tendency to deal with problems at face value, rather than ask questions that might illuminate reasons behind the more obvious aspects of the problem.

- The tendency to direct decisions toward a single goal. Most problems involve multiple goals that must be handled simultaneously.

- The tendency to confuse symptoms and problems.

- The tendency to overlook unsolvable problems and instead concentrate on simpler concerns.

- The tendency to respond automatically or to act before thinking.

Problems like these often cause managers to act in haste before the facts are known and often before the actual underlying problem is recognised or understood. Knowledge of these roadblocks will assist you in your attempts to analyse problem situations and make reasoned decisions.

In case you are a member or leader of any decision making group, you would like to overcome the emergence of a groupthink mentality in groups and organisations. Taking your cue from Janis you can now formulate several strategies to overcome the barriers:

- Group leaders can encourage each member to be a critical evaluator of various proposals.

- When groups are given a problem to solve, leaders can refrain from stating their own position and instead encourage open enquiry and impartial probing of a wide range of alternatives.

- The organisation can give the same problem to two different independent groups and compare the resulting solutions.

- Before the group reaches a final decision, members can be required to take a respite at intervals and seek advice from other wings of the organisation before returning to make a decision.

- Outside experts can be invited to group meetings and encouraged to challenge the views of group members.

- At every group meeting, one member could be appointed as a devil's advocate to challenge the testimony of those advocating the majority position:

- When considering the feasibility and effectiveness of various alternatives, divide the group into two sections for independent discussions and compare results.

- After deciding on a preliminary consensus on the first choice for a course of action, schedule a second meeting during which members of the group express their residual doubts and rethink the entire issue prior to finalising the decision and initiating action.

In other words, if groups are aware of the problems of groupthink, several specific and relatively simple steps can be taken to minimise the likelihood of falling victim to this problem. As you already know, recognising the problem represents half the battle in the effort to make more effective decisions in organisational settings.

Activity C

Does the group to which you belong ever engage in a discussion of the process it is going through? Do you think such a discussion would be helpful in leading to improvements in the group's effectiveness? How would you suggest that such discussions be initiated and conducted? Prepare a note.

9.9 SUMMARY

In this Unit, you have made yourself familiar with the three phases of any decision making situation. You have seen that these phases deal with identification, evaluation and selection of alternatives to a problem. It is possible to follow a logical process of taking decisions, as the Economic Man Model suggests, particularly when your problem is routine, mechanistic and programmed or when you are taking decisions under conditions of certainty or risk.

Many analytical techniques under Management Science are available to help you take decisions. But when your problems are of the non-programmed variety, it is not sufficient to be alert and analytical. You have to use your creative thinking in identifying viable alternatives, judgement and discretion in evaluating and making a choice. We have also brought the issue of group decision to your attention as you often make decisions as a member of a group. You have observed certain inherent advantages of group decision situations. At the same time, we have drawn your attention to some phenomena like risky-shift or groupthink which might emerge in the group process and affect the quality of your decisions. Since you have also reckoned the usual barriers to effective decision making and have noted some strategies to overcome them, we are sure this Unit will sharpen your skills of decision making as a manager.

9.10 SELF-ASSESSMENT QUESTION

Go back to the four learning objectives listed at the beginning of the Unit. Check for yourself, without referring to the main text, whether you have achieved each of these objectives. After a self-assessment, in case you feel you have not attained an objective satisfactorily, refer to the main text. Proceed to the next Unit only when you feel you have attained all the learning objectives of this Unit.

9.11 REFERENCES/ FURTHER READINGS

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