

PROFESSIONAL ETHICS IN BUSINESS

LECTURE ELEVEN

LEADERSHIP:

Leadership is an integral part of management and plays a vital role in managerial operations. It provides direction, guidance, and confidence to the employees and helps in the attainment of goals in much easier way. In business and industrial organizations, managers play the role of leader and acquire leadership of subordinates, their efforts towards the achievement of organizational goals and activate the individuals of an organization to make them work. Leadership influences behavior of the individuals. It has an ability to attract others and potential to make them follow the instructions. Individuals can be induced to contribute their optimum towards the attainment of organizational goals through effective leadership. Leadership acquires dominance and the followers accept the directives and control of a leader. Leadership provides direction and vision for future to an organization.

DEFINITION:-

Leadership is the art of influencing and inspiring subordinates to perform their duties willingly, competently and enthusiastically for achievement of groups objectives.

According to Keith Davis, "Leadership is the process of encouraging and helping others to work enthusiastically towards objectives".

According to Koontz and O'Donnell, "Leadership is the art or process of influencing people so that they will strive willingly towards the achievement of group goals".

According to Peter Drucker, "Leadership means the lifting of man's visions to higher sights, the raising of man's performance to higher standard, the building of man's personality beyond its normal limitations".

"Leadership is the activity of influencing people to strive willingly for group objectives"-

George.

TYPES OF LEADERSHIP:

1. **INFORMAL LEADERSHIP:-**It occurs when others in the organization unofficially accord (give) a person the power and influence to guide and direct their behavior.
2. **FORMAL LEADERSHIP:-**It occurs when an organization officially gives the power and authority to a person to guide others in an organization.

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CHARACTERISTICS OF LEADERSHIP:-

- Leadership is a continuous process of influencing others behavior.
- Leadership is basically a personal quality that enables leader to influence the subordinates behaviour at work.
- The success of a leader depends on the acceptance of his leader by the followers.
- There is a relationship between leader and followers which arises out of functioning for a common goal.

FEATURES OF LEADERSHIP

The features of leadership are as follows:

- Leadership is the process of influencing behavior of individuals of an organization.
 - Leadership uses non-coercive methods to direct and coordinate the activities of the individuals of an organization.
 - Leadership directs the individuals to attain the tasks assigned to them by following the instructions of their leaders.
 - A leader possesses qualities to influence others.
 - Leadership gives the individuals, a vision for future.
 - Leadership is a group activity. Leader influences his followers and followers also exercise influence over his leader.
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- Leadership is meant for a given situation, given group for a pre-determined period of time.
 - Leadership is continuous process of influencing behavior. It encourages liveliness in the group.

Importance of Leadership

The following points can judge the importance of leadership:

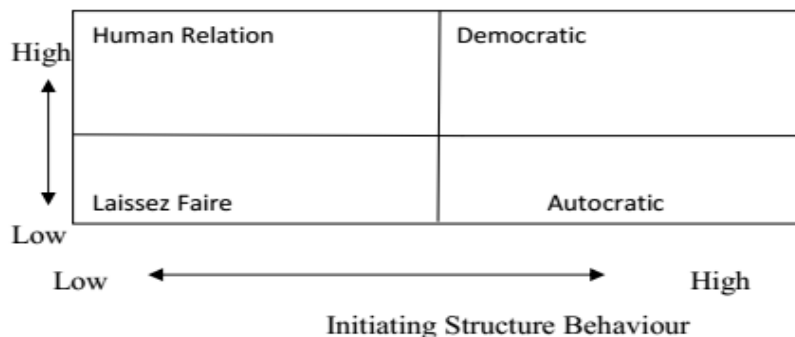
- A leader should act as a friend of the people whom he is leading.
- A leader must have the capacity to recognize the potentials of the individuals and transform them into realities.
- A leader should have the confidence of the individuals of the organization.
- A leader must be able to unite the people as a team and build up team spirit.
- A leader should be able to maintain discipline among his group and develop a sense of responsibility.
- A leader must be able to build up a high morale among the individuals of the organization.
- A leader should motivate his people to achieve goals.
- A leader should try to raise the morale of the individuals and should maintain ethical standards among the individuals.
- A leader should act as a link between the work groups and the forces outside the organization.

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FUNCTIONS OF LEADERSHIP:-

- **DEVELOPING TEAM WORK:** - Leaders prime responsibility is to bring the followers together and develop them. He has to create a healthy working environment for his work team.
 - **RESPECTING THE TEAM:** - Leader act as the link between the team members and the management in communicating the problems, grievances, needs etc.
 - **COUNSELLING:** - Guidance and advice from the leader, helps the team members in problem solving.
 - **MANAGING TEAM:** - Monitoring by the leader helps in completing the task on time.
 - **USING PROPER POWER:** - Exercise of power needs to simulate positive response from the subordinates.
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- **SECURING GROUP EFFECTIVENESS:** -The leader should help the group perform effectively and gain rewards.

LEADERSHIP STYLES



AUTOCRATIC OR AUTHORITARIAN

In this type of leadership, there is a complete centralization of authority in the leader, i.e., authority is centered in the leader himself. He has all the powers to make decisions. He uses coercive measures and adopts, negative method of motivation. He wants immediate obedience of his orders and instructions. Any negligence on the part of subordinates results in punishment. There is no participation from the subordinates in decision-making. A leader thinks that he is the only competent person in the organization. According to Edwin B. Filippo, there are following three types of leaders in autocratic:

1. **Hard Boiled or Strict Autocrat:** Leader, under such type uses negative influence and expects that the employees should obey his orders immediately. Non-compliance of his orders results in punishment. He makes all decisions and does not disclose anything to anyone. He is quite rigid on performance.

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2. **Benevolent Autocrat:** Benevolent autocrat leader uses positive influences and develops effective human relations. He is known as paternalistic leader. He praises his employees if they follow his orders and invites them to get the solutions of the problems from him. He feels happy in controlling all the actions of his subordinates.
3. **Manipulative Autocrat:** Leader, under such type is manipulative in nature. He creates a feeling in the minds of his subordinates and workers that they are participating in decision-making processes. But he makes all decisions by himself. Non-compliance of his orders also results in punishment.

ADVANTAGES:-

- Subordinates are incompetent and inexperienced.
- Leaders want to be active and dominant in decision-making.
- Leaders would be highly competent to make right decisions.

LIMITATIONS:-

- It results in low morale and job satisfaction.
- Employee's efficiency tends to decline over years.
- Potential manager-leader does not allow employees to exhibit their talents.

DEMOCRATIC OR PARTICIPATIVE

Democratic or Participative leadership is also known as group centered or consultative leadership. In this type of leadership, leaders consult their groups and consider their opinion in the decision-making process. Leaders encourage discussion among the group members on the problem under consideration and arrive at a decision depending on their consent. Participation or involvement of the employees in the decision-making process is also rewarded. Exchange of ideas among subordinates and with the leader is given encouragement. Leaders give more freedom to their group members, who feel that, their opinions are honored and they are given importance. It develops a sense of confidence among subordinates and they derive job satisfaction. It improves quality of decision as it is taken after due consideration of valued opinions of the talented group members.

ADVANTAGES:-

- It gives opportunity to the subordinates to develop their individual abilities and take up greater responsibilities.
- Provides job satisfaction and improves the morale of employees.
- Subordinates participation in decision making helps make right decision.

LIMITATIONS:-

- Decision making may be time consuming.
- Few dominating employees may try to influence decisions in their favour.
- Responsibility for implementing decision-making cannot be fixed on an individual subordinates but on the whole group.
- Sometimes decisions will not be taken at the right time.

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LAISSEZ-FAIRE OR FREE REIN

In this type of leadership, there is virtual absence of direct leadership. It is, therefore, known as "no leadership at all". There is complete delegation of authority to subordinates so that they can make decisions by themselves. Absence of leadership may have both positive and negative effects. Free rein leadership may be effective if members of the group are highly committed to their work. The negative aspect shows that the leader is not competent enough to lead his group effectively. Members may feel insecure and develop frustration for lack of decision-making authority.

ADVANTAGES:-

- The leader fully delegates the powers of decision making to his/her subordinates
- Subordinates are well competent and knowledgeable.
- Organizational goals and objectives are well communicated to the employee.

LIMITATIONS:-

- There are chances of heavy mismanagement.
- There are chances of disturbance and confusion in decision making.

BUREAUCRATIC

This type of leadership emphasizes the rules and regulations of an organization. The behavior of a leader is determined by the rules, regulations and procedure to be followed under his leadership. The leader and the subordinates both follow these rules and regulations. Therefore, there is no difference between the management and the administration in this type of leadership. The employees, themselves cannot do anything in this regard. It is the rules that determine their performance.

MANIPULATIVE

This type of leadership manipulates the employees to attain their assigned tasks. A manipulative leader is quite selfish and exploits the aspirations of the employees for his gains. He knows very well the needs and desires of the employees but he does very little to fulfill them. Due to such attitude, he has to face the hatred of the employees at times.

PATERNALISTIC

The paternalistic leadership believes in the concept that the happy employees work better and harder. It maintains that the fatherly altitude is the right one for better relationship between the manager and the employees. Everyone within the organization should work together like a family.

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EXPERT LEADERSHIP

The expert leadership emerged as a result of complex structure of modern organizations. This type of leadership is based on the ability, knowledge and competence of the leaders. He handles the situation skillfully with his talent. The employees feel relieved as they are working under a person who is expert and can handle the situation without any problem.

In modern organizations, human resources vary in terms of skill, knowledge and competences. They differ in quality, determination and their attitude towards the organization. They exhibit different behaviors as they differ in attitude and outlook also. The leader must understand their behavior and accordingly can make use of the various types LEADERSHIPS. The manager should assess the situation and adopt that type of leadership, which suits that situation. He should remember that leadership is situational. If situation changes, the use of leadership among its various types also changes. A successful leader is the one who assesses the situation, studies the psychology of the subordinates and adopts the most useful type of leadership to lead the people at work to accomplish the organizational goals.

THEORIES OF LEADERSHIP

A number of theories and approaches to study leadership have been developed. There are broadly three theories of leadership.

- Trait Theory
- Behavior Theory
- Contingency Theory

(a) Trait Theory

This theory of studying leadership is taken into consideration to analyze the personal, psychological and physical traits of strong leaders. The assumption made in this theory was that some basic traits or set of traits differentiates leaders from non-leaders. For example, the leadership traits might include intelligence, assertiveness, above average height, self-confidence, initiative and understanding of interpersonal human relations. The existence of these traits determines the importance of leadership. Possession of these traits helps the individuals to gain possession of leadership. Since all individuals do not have these qualities, only those who have them would be considered potential leaders.

Some of the weakness of this theory is:

- All the traits are not identical with regard to essential characteristics of a leader.
- Some traits may not be inherited, but can only be acquired by training.

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- It does not identify the traits that are most important and that are least important for a successful leader.
- It does not explain the leadership failures, in spite of the required traits.
- It has been found that many traits exhibited by leaders are also found among followers without explaining as to why followers could not become leaders.
- It is difficult to define traits in absolute terms.
- Thus, the trait theory has been criticized for lack of conclusiveness and predictability.

(b) Behavior Theory

The behavioral theory assumed that effective leaders behaved differently from ineffective leaders. It also identified the need of consistency of behavior of good leaders. This theory can be more clearly understood with the help of following case studies.

- **The Michigan Studies:** Researchers at the University of Michigan, led by Rensis Likert, began studying leadership in the late 1940s. Depending on broad discussions with both the managers and subordinates, the Michigan studies identified two forms of leadership behavior. They are discussed as below:
 - ❖ **Job-centered leadership behavior :** The first was called job-centered leadership behavior, which focuses on performances and efficient completion of the assigned tasks. A job-centered leader interacts with group members to explain task procedures and oversee their work.
 - ❖ **Employee centered leadership behavior:** The second behavior was identified as employee centered leader behavior, which focuses on, high performance standards to be accomplished. This can be done by developing a cohesive work group and ensuring that employees are satisfied with their jobs. Thus, the leader's primary concern is the welfare of theordinates. The Michigan researchers thought a leader could show signs of one kind of behavior, but not both.
- **The Ohio State Studies:** At about the same time, a group of researchers at Ohio State also began studying leadership. The Ohio State leadership studies also identified two major kinds of leadership behaviors or styles, which are as follows:
 - ❖ **Initiating-structure behavior:** In initiating-structure behavior, the leader clearly defines the leader-subordinate roles so that everyone knows what is expected. The leader also establishes formal lines of communication and determines how tasks will be performed.

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- ❖ **Consideration behavior:** In consideration behavior, the leader shows concern for subordinates' feelings and ideas. He attempts to establish a warm, friendly and supportive.

The most obvious difference between Michigan and Ohio State studies is that the Ohio State researchers did not position their two forms of leader behavior at opposite ends of a single continuum. Rather, they assumed the behaviors to be independent variables, which means that a leader could exhibit varying degrees of initiating structure and consideration at the same time i.e. a particular leader could have higher ratings on both measures, low ratings on both or high ratings on one and low on the other.

The Ohio State researchers found that a leader's behavior remains consistent over a period of time, if the situation also remains same. But the researchers could not come up with one best combination of behavior suitable to all the situations. The researchers used to believe that the leaders in possession of both types of behavior are most effective. However, their studies at International Harvester found that leaders rated highly on initiating structure behavior have higher performing but dissatisfied sub-ordinates, whereas leaders rated highly on consideration structure had lower-performing sub-ordinates who showed signs of higher satisfaction.

Most experts now agree that no single set of traits or behaviors appears to be common to all good leaders. The universal approaches to leadership can help managers examine their own leadership characteristics and match them against the traits most commonly identified with good leaders. In order to understand the full complexity of leadership, contingency theory is to be studied.

(c) Contingency Theory

The main assumption of contingency theory is that the behavior of an appropriate leader varies from one situation to another. The motive of a contingency theory is to identify key situational factors and to specify how they interact to determine appropriate behavior of a leader

The three most important and widely accepted contingency theories of leadership are as follows:

- **The LPC theory:** The first contingency theory of leadership is Fred Fielder's Least Preferred Co-worker (LPC) Model. Fielder identified two types of leadership: task-oriented and relationship-oriented. Fielder believes that a leader's tendency to be task-oriented or relationship oriented remains constant. In- other words, a leader is either task-

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oriented or relationship-oriented while leading his group members. Fielder used the Least Preferred Co-worker (LPC) scale to measure the type of leadership. A leader is asked to describe characteristics of the person with whom he or she is least comfortable while working. They can do this by marking in a set of sixteen scales at each end, by a positive or negative adjective. For example, three of the scales Fielder uses in the LPC are:

Helpful	-----	Frustrating	8 7 6 5 4 3 2 1
Tense	-----	Relaxed	1 2 3 4 5 6 7 8
Boring	-----	Interesting	1 2 3 4 5 6 7 8

The leader's LPC score is (hen calculated by adding up the numbers below the line checked on each scale. A high total score is assumed to reflect a relationship orientation and a low score, a task orientation by the leader. The LPC measure is controversial because researchers disagree about its validity. This is because some of the LPC measures show whether the score is an index of behavior, personality or some other unknown factor.

According to Fielder, the contingency factor favours the situation from the leader's point of view. This factor is determined by leader-member relations, task-structure and position-power, which are discussed as below:

- **Leader-member relations:** A Leader-member relation refers to the nature of relationship between the leader and his work group. If the leader and the group enjoy mutual trust, respect, confidence and they like one another, relations will remain good. If there is little trust, respect or confidence and. if they do not like one another, relations will remain bad. Good relations are assumed to be favourable and bad relations unfavorable.
- **Task-structure:** Task-structure is the degree to which the group's task is clearly defined. When the task is routine, easily understood, and unambiguous and when the group has standard procedures, the structure is assumed to be high. When the task is non-routine, ambiguous, complex, with no standard procedures and precedents, structure is assumed to be low. High structure is more favourable for the leader and low structure is unfavorable. If the task structure is low, the leader will have to play a major role in guiding and directing the group's activities. If the task structure is high, the leader will not have to pay much attention.
- **Position-power:** Position-power is the power vested in the position of a leader in an organization. If the leader has the power to assign work, administer rewards and punishment, recommend employees for promotion or demotion, position-power is

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assumed to be strong. If the leader does not have required powers, the position-power is weak. From the leader's point of view, strong position power is favourable and weak position power is unfavorable.

Fielder and his associates conducted various studies highlighting if a situation favors the leadership and group effectiveness or not.

When the situation includes good relations, high structure and strong power, a risk-oriented leader to be most effective. However, when relations are good but task structure is low and position-power is weak, a relationship-oriented leader is considered to be most effective.

- A final point about LPC theory is that, Fielder argues that any particular-type of leadership, which is measured by the LPC is inflexible and cannot be changed. In other words a leader cannot change his behavior to fit a particular situation. Fielder's contingency theory has been criticized on the ground that LPC measure lacks validity and that the assumption about the inflexibility of the leader's behavior is unrealistic.

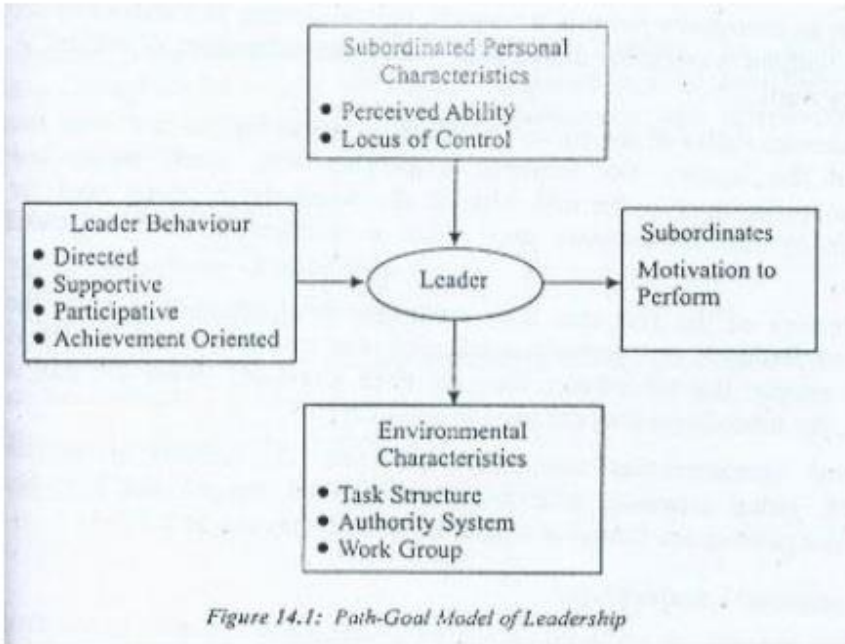
(d) The Path-Goal theory

The path-goal model of leadership was introduced by Martin Evans and Robert House. Path-goal theory says that a leader can motivate subordinates by influencing their expectations. Leaders can motivate subordinates by making clear what they have to do to get the reward they desire. The path-goal model assumes that leaders can change their style or behavior to meet the demands of a particular situation. This model identifies four kinds of leader behavior: directive, supportive, participative and achievement-oriented. According to this model managers can adjust their behavior to include any four kinds of leadership behavior mentioned above. For instance, while leading a new group of subordinates, the leader may be directive in giving guidance and instructions to them. He may also adopt supportive behavior to encourage group cohesiveness, to look after their needs and ensuring that they get the rewards and benefits. As the group becomes more familiar with the task and as new problems are taken into consideration, the leader may use participative behavior by which he can participate with employees in making decisions and take their suggestions as well. Finally, the leader may use achievement-oriented behavior to encourage continued high performance of subordinates.

Environmental characteristics are factors, which are beyond the control of subordinates. It includes task structure, the primary work group and the formal authority system. For instance, when structure is high, directive leadership is less effective than when structure is low. Subordinates do not usually need their boss to repeatedly tell them how to do a routine job.

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According to the path-goal theory, these environmental factors can create uncertainty for employees. A leader who helps employees reduce such uncertainty can motivate them. The figure 14.1 shows the path goal model of leadership.



Leaders do not always have control over environmental factors, but the theory emphasizes that leaders can use the control they want, to adjust the environment and to motivate sub-ordinates.

Difference between Manager and Leader

Sr No	Manager	Leader
1.	Administrator	Innovate
2.	Has Subordinates	Has Followers
3.	Focus on systems	Focus on people
4.	Rely on control	Inspire trust
5.	Accept the status quo	Challenge the status quo
6.	Managers imitate	Leaders originate
7.	Managers copy	Leaders show originality

FAILURE OF LEADERSHIP:-

Leaders often fail to produce the results expected by the institutions or employees or by their followers.

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TEN COMMON REASONS FOUND FOR FAILURE:-

- Insensitive to others.
- Arrogant and aloof in behaviour.
- Betrayal of trust and failure to meet commitments.
- Overly ambitious and tries too hard to get ahead by playing politics.
- Failure to properly handle specific problems and shifting the blame to others.
- Unwilling to delegate or to build a work team.
- Unable to think broadly or technically.
- Unable to select and develop an effective staff.
- Unable to adapt to a superior with a different leadership style.
- Over dependence on a superior or a mentor.

TRADE UNIONS

Meaning

A Trade Union is essentially an association of employees of a particular trade or industry formed to safeguard the interests of its members against certain vindictive management actions.

Associations of employees or persons working in the industry and wage earners engaged in one or more professions, undertaking or business. Others view that these also include employer's organizations and friendly societies.

Definition

“An association of workers in one or more profession, an association carried on mainly for the purpose of protecting and advancing the members economic interests in connection with their daily work. – G.D.H. Cole

“A Continuing long term association of employees, formed and maintained for the specific purpose of advancing and protecting the interest of members in their working relationship” – Dale Yoder.

Characteristics:

1. Association of employees,
2. Voluntary association,
3. Permanent body,
4. Common interest, good rapport with the management, good relations
5. Need for trade union
6. To ensure job security and right pay for the members

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7. To ventilate the grievances of employees to the management
8. To have better bargaining power
9. To secure better condition of service
10. To have a say in management decisions

Functions of Trade Unions:

- Safeguarding the interests of employees
- Ensure better working conditions and living conditions
- Secure promotion and training opportunities
- Collective bargaining
- Participation in management decisions
- Education
- Recreation
- Social service
- Political affiliation
- Giving strike calls

Voluntary trade union recognition

The most common way a union can gain recognition for collective bargaining purposes is by the employer simply agreeing to recognise it voluntarily. In practice this means the union becomes recognised by the employer without using any legal procedures.

Statutory trade union recognition

If an employer and trade union find they are unable to come to a voluntary recognition agreement, a trade union can make an application for statutory recognition. This only applies where the employer, together with any associated employers, employs 21 or more workers

TYPES OF TRADE UNIONS / UNION STRUCTURE

Union Types / Union Structure

- I. **Craft Unions** –Workers of the same craft or category of the job form union called craft unions. The basic logic is that the workers belonging to the same craft face similar problems mostly non-managerial. E.g. Drivers association, signaling staff union in Indian Railways.
- II. **General Unions** – Workers of any industry any region or any job or occupation form into one union in order to protect the overall interest of workers.

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- III. Industrial Unions** – Workers of different categories form into union called Industrial or Vertical union. The logic behind this is the workers of same industry have more or less same kind of problems.
- IV. Federation and Confederation** – Industrial unions either of the same industry or of different industry form into an association to improve their strength. During critical situations unions / federations may resort to concerted action without losing their individuality. In such situations the federations form into an associations called confederations. E. g. Indian Railways, Central government employees.