

CENTRALIZED DECISION MAKING: A MAJOR CAUSE OF EMPLOYEES' DEMOTIVATION

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ABSTRACT

The purpose of this study is to find out such a management style, which is mutually beneficial both for the management and employees of the selected organization. Both have complaints against each other. Management has reservations about the working criteria of employees while the major criticism of the employees is on the centralized decision making process of the management and also on the biased behavior and organizational injustice. Due to these complaints, employees are demotivated and dissatisfied.

Keywords: Centralized Decision Making, De-motivation, Dissatisfaction, Bias, Management Levels.

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1. INTRODUCTION

1.1 Organizational Background

The history of the selected organization (x) is not so old. The organization is somewhat in its initial stages. Although struggles went on for the last five to six years, but it came into existence in 2010 and started its formal and routine operations at the start of 2013. It is a non-partisan policy research organization that aims to focus and promote equity, ethics and accountability through research, trainings, education and advocacy among various segments of the society, including corporate and government bodies for fair distributions of opportunities and resources at local, regional and national level. The mission and vision of the organization are deeply embedded in the objectives that aim to provide best education based on concrete research, creating a vast horizon of knowledge and learning opportunities. One of its purposes is to conduct

multidisciplinary study in social sciences and research. The main objectives are to become a generator of new ideas, bring innovative approaches and solutions to social policy, which would help the institute to join the wide-reaching network of institutes and organizations working in the context of social policy. Initially the organization was founded by a group of PhDs with the help of some regulatory authorities, but now it is owned by one person, although it is helped by its founders in solving different types of its issues facing time to time. The organization is for-profit and service oriented.

The organization provides services in the education sector and equips its students with research techniques and also provides education at a higher level studies. In different disciplines the ratio of the students is different. Since it provides education and research at a higher level, therefore, its disciples are somewhat senior and

experienced as compared to students of other educational organizations in target market i.e., in Peshawar. Since the organization is in its initial phases, therefore financially it is not so strong. According to the future plans of the organization, it will open its campuses in some other cities of the country. This is a positive aspect to increase the income of the organization. The exact figures of its earnings are not known to any one of its employees, but the majority of them are hopeful about the bright future of the organization in terms of financial standings.

Setting the Stage

As mentioned above in the background of the organization that the selected organization is in its initial stages of its operations. Therefore, there has no such well-defined functional, team-based, flat or divisional structure. Since the owner is one, therefore that person takes 95% of the decisions about the organization. There is no decentralized decision making concept till now. There are different key positions in the organization. The managing director (MD), (Mr. A), is the head and owner of the organization. Additional director academics and additional director research are answerable to MD. While the joint director research, joint director academics, deputy director academics and human resource manager all are answerable to their respective seniors i.e., to additional director research and additional director academics.

Majority of the tasks are usually planned by the top management. In the execution of the proposed plans all employees play their relevant roles. Majority of the activities are handed over to one or two employees, but there is no proper system to hand over the tasks to a group i.e., the team work culture is very weak. There is no proper system of orientation to the employees about different tasks. The owner controls majority of the activities (centralized decision making). Most of the time employees directly report to top management i.e., to the owner. As mentioned above, the organization is new; there is no well-developed system of information exchange. Although there is a somewhat half-baked system of information exchange. The

employees are usually informed primarily through notice board. The students and externals are usually informed through mobile messages. The culture of the organization is not so strong while work environment is somewhat friendly. Employees have good terms among themselves as well as with their seniors and boss and with outsiders as well.

Since the selected organization is an educational sector organization, therefore it is affiliated with a public sector university. That university applies all government rules and regulations over the selected organization. Main university plays an important role in directing, scheduling and changing the activities of the selected organization. Selected organization usually follows rules and regulation of the university with which it is affiliated.

Case Description

According to Webster's Webster Collegiate Dictionary, the motivation is "*the act or process of providing a motive that causes a person to take some action*". In most cases motivation comes from some need that leads to behavior which results in some type of reward when the need is fulfilled. There is intrinsic and extrinsic motivation. In the former case the people are getting satisfaction and they are motivated internally, while in the latter case the people get satisfaction externally. Motivated behavior is usually goal oriented; the goal may be associated with a drive such as hunger or thirst (called primary motivation). However, motivation is also closely tied to sensory stimuli: an animal will not usually exhibit eating behavior unless food is presented. Unlike instinctive behavior, motivation depends on affect (emotional state). Finally, motivation can be learned (in which case it is called secondary motivation) and typically elicits more complex behaviors than simple reflexes (Manion, 1990). Motivation is a concept that is difficult to describe quantitatively.

Theories of Motivation

There are different theories of motivation. These theories can be discussed under the following headings.

I. Needs based theories of motivation

These theories explain the motivation of individuals on the basis of their needs. These theories are

a. Maslow's Hierarchy of needs Theory by Maslow (1943)

1. Biological and Physiological needs - air, food, drink, shelter, warmth, sex, sleep.
2. Safety needs - protection, order, law, stability, freedom from fear.
3. Love and belongingness needs - friendship, intimacy, affection and love, - from work group, family, friends, romantic relationships.
4. Esteem needs - achievement, mastery, independence, status, dominance, prestige, self-respect, respect for others.
5. Self-Actualization needs - realizing personal potential, self-fulfillment, seeking personal growth and peak experiences.

b. Alderfer's ERG Theory by Alderfer (1972)

The psychologist Clayton Alderfer developed a new model to explain the simultaneous nature of Maslow's five needs. Called the ERG Theory of motivation, he first published it in a 1969 article titled "An Empirical Test of a New Theory of Human Need."

In his theory, Alderfer compressed Maslow's hierarchy of needs from five to three:

- Existence. Relatedness and Growth
(Hence "ERG", standing for Existence, Relatedness and Growth.)

c. Herzberg's Two Factor Theory of Herzberg (2003)

"A framework that says there are certain factors in the workplace that cause job satisfaction, while a separate set of factors cause dissatisfaction".

- **Hygiene factors**
Things that do not give positive satisfaction, though dissatisfaction results from their absence.
- **Motivation factor**
The factors which inspire the willingness of action, especially in behavior.

d. McClelland's Acquired Needs Theory by McClelland (1985)

According to this theory need are shaped over time by our experiences over time. Most of these fall into three general categories of needs:

- Achievement (nAch)
- Affiliation (nAff)
- Power (nPow)

Acquired Needs Theory is also known as the *Three-Need Theory* or *Learned Need Theory*.

II. Extrinsic Factor Theory of Motivation

a. Reinforcement Theory by B.F Skinner (1952)

Behaviorist B.F. Skinner derived the Reinforcement Theory, one of the oldest theories of motivation as a way to explain behavior and why we do what we do. The theory may also be known as Behaviorism or Operant Conditioning (which is still commonly taught in psychology today). The theory states that "an individual's behavior is a function of its consequences". Behaviorism evolved out of frustration with the introspective techniques of humanism and psychoanalysis; some researchers were dissatisfied with the lack of directly observable phenomena that could be measured and experimented with. In their opinion, it would make the discipline of Psychology more "scientific" and on par with the core sciences. These researchers turned to exploring only the behaviors that could be observed and measured, and away from the mysterious workings of the mind. The science of psychology that is often associated with current era may be considered inadmissible to those that follow Skinner's beliefs. As psychology has frequently been associated with the human mind and the evolution of cognitive awareness, Skinner looked to move in a different direction. By applying his thoughts on adjusting motivation through various stimuli, industries such as business, government, education, prisons, and mental institutions can gain a broader understanding of human behavior. "In understanding why any organism behaves the way it does, Skinner saw no place for dwelling on a person's intentions or goals". For him, it was outward behavior and its environment that

mattered. His most important contribution to psychological science was the concept of reinforcement, formalized in his principles of operant conditioning (in contrast to Ivan Pavlov's principles of classical conditioning, which along with J.B. Watson's extreme environmentalism strongly influenced his own thinking).

Reinforcement theory, which is a form of operant conditioning, includes several components. By analyzing its steps, the Law of Effect and the possible approaches to achieve desired results ensure that we understand the value of the theory through its application within the workplace.

III. Intrinsic Factor Theories of Motivation

a. Adam's Equity Theory by Adam (1963)

Equity theory, most popularly known as the equity theory of motivation, was first developed by John Stacey Adams, a workplace and behavioral psychologist, in 1963. John Stacey Adams proposed that an employee's motivation is affected by whether the employee believes that their employment benefits/rewards are at least equal to the amount of the effort that they put into their work.

This can be illustrated by the following equation:

$$\frac{\text{Individual's Outcomes}}{\text{Individual's own inputs}} = \frac{\text{Relational partner's outcomes}}{\text{Relational partner's inputs}}$$

b. Vroom's Expectancy Theory by Vroom (1964)

This theory assumes that behavior results from conscious choices among alternatives whose purpose it is to maximize pleasure and minimize pain. Together with Edward Lawler and Lyman Porter, Victor Vroom suggested that the relationship between people's behavior at work and their goals was not as simple as was first imagined by other scientists. Vroom realized that an employee's performance is based on individual factors such as personality, skills, knowledge, experience and abilities.

The theory suggests that although individuals may have different sets of goals, they can be motivated if they believe that:

- There is a positive correlation between efforts and performance,

Equity

An individual will consider that s/he is treated fairly if s/he perceives the ratio of his inputs to her/his outcomes to be equivalent to those around him. Thus, all else being equal, it would be acceptable for a more senior colleague to receive higher compensation, since the value of his experience (and input) is higher. The way people base their experience with satisfaction for their job is to make comparisons with themselves to the people they work with. If an employee notices that another person is getting more recognition as well as rewards for their contributions, even when both have done the same amount and quality of work, it would persuade the employee to be dissatisfied. This dissatisfaction would result in the employee feeling under-appreciated and perhaps worthless. This is in direct contrast with the idea of equity theory, the idea is to have the rewards (outcomes) be directly related to the quality and quantity of the employee. Contributions (inputs). If both employees were perhaps rewarded the same, it would help the workforce realize that the organization is fair, observant, and appreciative.

- Favorable performance will result in a desirable reward,
- The reward will satisfy an important need,
- The desire to satisfy the need is strong enough to make the effort worthwhile.

The theory is based upon the following beliefs:

Valence

Valence refers to the emotional orientations people hold with respect to outcomes [rewards]. The depth of the wants of an employee for extrinsic [money, promotion, time-off, benefits] or intrinsic [satisfaction] rewards). Management must discover what employees value.

Expectancy

Employees have different expectations and levels of confidence about what they are capable of doing. Management must discover what resources, training, or supervision employees need.

Instrumentality

The perception of employees as to whether they will actually get what they desire even if it has been promised by a manager. Management must ensure that promises of rewards are fulfilled and that employees are aware of that.

Vroom suggests that an employee's belief about Expectancy, Instrumentality, and Valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain.

c. Locke's Goal Setting Theory by Locke and Latham (1990)

Locke's research showed that there was a relationship between how difficult and specific a goal was and people's performance of a task. He found that specific and difficult goal led to better task performance than vague or easy goals.

Telling someone to "Try hard" or "Do your best" is less effective than "Try to get more than 80% correct" or "Concentrate on beating your best time." Likewise, having a goal that's too easy is not a motivating force. Hard goals are more motivating than easy goals, because it's much more of an accomplishment to achieve something that you have to work for.

A few years after Locke published his article, another researcher, Dr Gary Latham, studied the effect of goal setting in the workplace. His results supported exactly what Locke had found, and the inseparable link between goal setting and workplace performance was formed.

In 1990, Locke and Latham published their seminal work, "A Theory of Goal Setting and Task Performance." In this book, they reinforced the need to set specific and difficult goals, and they outlined three other characteristics of successful goal setting.

The Five Principles of Goal Setting

To motivate, goals must have:

1. **Clarity.**
2. **Challenge.**
3. **Commitment.**
4. **Feedback.**
5. **Task complexity.**

Let's have a look at each of these in detail.

1. Clarity

Clear goals are measurable and unambiguous. When a goal is clear and specific, with a definite time set for completion, there is less misunderstanding about what behaviors will be rewarded. You know what's expected, and you can use the specific result as a source of motivation. When a goal is vague – or when it's expressed as a general instruction, like "Take initiative" – it has limited motivational value. To improve your or your team's performance, set clear goals that use specific and measurable standards. "Reduce job turnover by 15%" or "Respond to employee suggestions within 48 hours" are examples of clear goals.

When you use the SMART acronym to help you set goals, you ensure the clarity of the goal by making it Specific, Measurable and Time-bound.

2. Challenge

One of the most important characteristics of goals is the level of challenge. People are often motivated by achievement, and they'll judge a goal based on the significance of the anticipated accomplishment. When you know that what you do will be well received, there's a natural motivation to do a good job. Rewards typically increase for more difficult goals. If you believe you'll be well compensated or otherwise rewarded for achieving a challenging goal, that will boost your enthusiasm and your drive to get it done.

Setting SMART goals that are Relevant links them closely to the rewards given for achieving challenging goals. Relevant goals will further the aims of your organization, and these are the kinds of goals that most employers will be happy to reward.

When setting goals, make each goal a challenge. If an assignment is easy and not viewed as very important – and if you or your employee doesn't expect the accomplishment to be significant – then the effort may not be impressive.

3. Commitment

Goals must be understood and agreed upon if they are to be effective. Employees are more likely to "buy into" a goal if they feel they were part of creating that goal. The notion of participative management rests on this idea of involving employees in setting goals and making decisions. One version of SMART – for use when you are working with someone else to set their goals – has A and R stand for Agreed and Realistic instead of Attainable and Relevant. Agreed goals lead to commitment.

This doesn't mean that every goal has to be negotiated with and approved by employees. It does mean that goals should be consistent and in line with previous expectations and organizational concerns. As long as the employee believes that the goal is consistent with the goals of the company, and believes the person assigning the goal is credible, then the commitment should be there.

Interestingly, goal commitment and difficulty often work together. The harder the goal, the more commitment is required. If you have an easy goal, you don't need a lot of motivation to get it done. When you're working on a difficult assignment, you will likely encounter challenges that require a deeper source of inspiration and incentive. As you use goal setting in your workplace, make an appropriate effort to include people in their own goal setting. Encourage employees to develop their own goals, and keep them informed about what's happening elsewhere in the organization. This way, they can be sure that their goals are consistent with the overall vision and purpose that the company seeks.

4. Feedback

In addition to selecting the right type of goal, an effective goal program must also include feedback. Feedback provides opportunities to clarify expectations, adjust goal difficulty, and gain recognition. It's important to provide benchmark opportunities or targets, so individuals can determine for themselves how they are doing.

These regular progress reports, which measure specific success along the way, are particularly

important where it's going to take a long time to reach a goal. In these cases, break down the goals into smaller chunks, and link feedback to these intermediate milestones.

SMART goals are Measurable, and this ensures that clear feedback can be provided.

With all your goal setting efforts, make sure that you build in time for providing formal feedback. Certainly, informal check-ins are important, and they provide a means of giving regular encouragement and recognition. However, taking the time to sit down and discuss goal performance is a necessary factor in long-term performance improvement. See our article on Delegation for more on this.

5. Task Complexity

The last factor in goal setting theory introduces two more requirements for success. For goals or assignments that are highly complex, take special care to ensure that the work doesn't become too overwhelming.

People who work with complicated and demanding roles probably have a high level of motivation already. However, they can often push themselves too hard if measures aren't built into the goal expectations to account for the complexity of the task. It's therefore important to do the following:

- Give the person sufficient time to meet the goal or improve performance.
- Provide enough time for the person to practice or learn what is expected and required for success.

The whole point of goal setting is to facilitate success. Therefore, you want to make sure that the conditions surrounding the goals don't frustrate or inhibit people from accomplishing their objectives. This reinforces the "Attainable" part of SMART.

Management Problems or Challenges Faced by the Organization

Since the selected organization is owned by one person, therefore the majority of the decisions is also taken by that person. Whenever subordinates are involved in the decision making, such as in flatter organization, then obviously the

employees will feel motivated and they will work cordially for the organization. But unfortunately a mentioned above as well, there is no such culture to involve other employees as well in decision making process. Since most of the times, the lower staff handles customers, i.e. students of the organization, therefore they are more aware of their issues as compared to top management, but still they are ignored to involve in decision making.

According to the interviews with employees of the selected organization, they (employees) are also dissatisfied due to their pay level and unequal behavior of the top management with them. According to employees, the workload is more, over some employees while the others enjoy due to biased behavior of the top management, and also there are always admirations of the favorite individual(s) by the top management. This is also a major factor of dissatisfaction as well as demotivation of employees, while the distinguished individual(s) enjoy without any restrictions. The absenteeism of the preferred individual(s) is another dissatisfying factors for the rest of employees. Besides the scheduled holidays, those specific individuals are allowed to do vacations while attendance for other employees is compulsory. Employees who were interviewed, they argued that there is organizational injustice. This is in different forms, such as in procedural injustice and distributive injustice. The former one refers that there is inequality in task distribution while the later one refers that distribution of pay is not on justice basis. All these and other factors lead to dissatisfaction of employees.

As far as the pay level is concerned, different employees have different pay levels. The preferred group or individuals receive more than they deserve, while the other individuals who work hard and more are paid less as compared to their work level and also to the work of preferred individual(s). This biased pay system also leads to dissatisfaction of employees. In the same regard, there is another basic and important issue which the employees condemned in harsh word during the interview. This issue is related to late payment of salaries. Although salaries are paid to

employees, but late payment is a demotivating and dissatisfying factor.

On the other hand, employees have a good relationship with the boss and top management. But at the same time, they are dissatisfied and demotivated as a result of some policies of the top management. This is a somewhat puzzle situation both for the employees as well as for the management. At the same time the top management has also some reservations about those affected employees. The management complains that they (employees) don't work according to criteria, while employees negate this thing.

The above mentioned issues may become serious challenges for the organization if they are not tackled and handled cautiously.

List of Questions to Answer

Q1. In such situation, how management of the organization can create or increase the loyalty of employees, while employees have proof that top management has biased behavior?

Q2. In this scenario is it possible for the employees to eradicate or minimize the organizational injustice? How? Explain.

Q3. As a student of business management, what would be your managing style in such a deadlock situation? Why specific management style(s) and not other style(s)? Explain your answer by giving concrete arguments.

Q4. In the light of the case study mentioned who you will support, management or employees? Since both have arguments against each other. Why one and not the other party?

Possible Solutions & Recommendations for Problems/Challenges

A1. The loyalty of the employees can be increased by means of

- Organizational justice
- Decentralized decision making
- Participative leadership style
- Minimizing and eradicating the bias.

A2. As far as I think, in this situation the employees can minimize but cannot eradicate the organizational injustice, by performing according to each and every instruction of the boss from

start till end either that order is more or less important. But the major part of organizational injustice is on the owner's side.

A3. In the stated situation, the Democratic management style will be more appropriate, because

- In the democratic style of management the boss or owner will allow the employees to take part in decision making and everything is agreed upon by the majority.
- In this style of management the communication is extended in both directions.
- By using this style of management, the employee job satisfaction and quality of work will improve.
- Participatory contributions from employees will be much higher. However, the decision making process could be slowed down unless decision processes are streamlined.

In such circumstances the boss must favor the employees on the basis of their performance. At the first time the boss must treat all employees equally. He/she should favor those employees who perform better, but this favor must not turn into bias, but it must be in such a style so as to encourage the other employees to perform like that e.g. giving prize to the best performer(s). Besides the democratic style of management, the situational style of management may also be helpful in such situations in which employees are treated on the basis of situations and the relevant performance of employees.

A4. In such situation, I will support the employees, because

- The root cause of the employee dissatisfaction is bias
- Centralized decision making
- Biased and late payment system
- Unequal workload
- Biased system of attendance

Once these and other shortcomings of the top management are controlled by the boss, then employees will be motivated to high level of work. As in the case study, the employees have good relations with each other and also with the boss and they have the abilities to maintain the smooth operations of the organizations. Once the factors of the employees demotivation and

dissatisfaction, mentioned above, are controlled properly, employees will perform very well.

Conclusion

The complaint of the management against employees is that they don't work according to criteria, while employees are dissatisfied and demotivated mainly due to centralized decision making. Employees are also dissatisfied due to biased behavior of the management. Management is not interested to involve employees, even in an important decision making process. Employees are also dissatisfied due to the biased behavior of management. The complaints of employees against the management are somewhat more and deeper. There is somewhat deadlock situation regarding the employees as well as management.

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