



Collegedunia NCERT Solutions

Step-by-step solutions, alternate methods & exam tips for Class 12 Business Studies

Chapter 7: Directing

About this Chapter

Chapter 7 of Class 12 Business Studies, **Directing**, deals with the fourth function of management – instructing, guiding, communicating and inspiring people to achieve organisational goals. It covers the principles of directing, its four elements – supervision, motivation, leadership and communication – Maslow’s need-hierarchy theory, financial and non-financial incentives, leadership styles, the communication process, formal vs informal (grapevine) communication, and barriers to effective communication along with measures to overcome them. Solutions for 2026-27 follow NCERT Reprint 2026-27.

Topics covered: Meaning & importance of directing • Principles of directing • Supervision • Motivation (Maslow’s hierarchy) • Leadership styles • Communication process • Grapevine • Barriers to communication

Quick Formula Sheet

Four elements of directing:

Supervision • Motivation • Leadership • Communication

Maslow’s hierarchy (bottom → top):

Physiological → Safety → Social → Esteem → Self-actualisation

Communication process:

Sender → Encoding → Message → Channel
→ Receiver → Decoding → Feedback

Grapevine networks:

Single strand • Gossip • Probability • Cluster

Very Short Answer Type Questions

Q7.1 What is informal communication?

SOLUTION

Concept used. **Informal communication**, also called *grapevine communication*, is the communication that takes place *without following the formal lines of authority* prescribed by the organisation chart. It arises from personal and social relationships among employees.

Step 1. Definition. Informal communication is the unofficial, unstructured exchange of information between people in an organisation through personal contact – in the canteen, in corridors, before/after meetings, on chat groups.

Step 2. Origin. It is not designed by management – it grows on its own out of

friendships, neighbourhoods, common interests, language groups and the natural human urge to share news.

Step 3. Speed. Informal communication is *very fast* – often faster than formal channels.

Step 4. Reliability. It is *not always reliable*: messages get distorted as they pass mouth-to-mouth, like the children’s game of “Chinese whispers”.

Step 5. Forms / networks. It flows in four typical patterns – *single strand, gossip, probability, cluster*.

Step 6. Management view. A manager should not try to suppress informal communication – it cannot be eliminated. Instead, the manager should listen to it (to know what employees are feeling) and inject correct information into it to counter rumours.

Final Answer: Informal communication (or **grapevine**) is the unofficial, person-to-person exchange of information in an organisation that does not follow the formal chain of authority. It is fast but often distorted; it cannot be eliminated, only managed.

Exam Tip

For a 1-mark VSA question, write *one* crisp line: “Informal (grapevine) communication is the communication that takes place without following the formal lines of authority.”

EXPERT’S SOLUTION : Aarav Sharma, M.Com, Delhi University

Senior-teacher view. The CBSE marker looks for three ideas in this 1-mark question – (i) the message does *not* follow the formal chain of authority, (ii) it arises from *social or personal* relationships, and (iii) the popular synonym is *grapevine*. A single line that touches all three earns the full mark.

Step 1. Strict definition. Informal communication is the spontaneous, unofficial flow of information among employees that bypasses the prescribed organisational hierarchy.

Step 2. Carrier. It moves through friendships, neighbourhoods, lunch tables, WhatsApp groups and corridor chats – never through an org-chart line.

Step 3. Speed vs accuracy. It is the fastest channel in the organisation but suffers heavy distortion as each retelling shaves or adds detail.

Step 4. The four shapes. It physically flows along four grapevine networks – single-strand, gossip, probability and cluster – the last being the most common in Indian workplaces.

Step 5. Managerial stance. It is a permanent fixture of human organisation; a manager cannot ban it, only ride it – listen for unrest, plant correct facts to kill rumours.

Final Answer: Informal communication (the **grapevine**) is the unofficial, person-to-person exchange of information among employees that does not follow the organisation's formal lines of authority – fast, social, but often distorted; a manager manages it rather than eliminates it.

Q 7.2 Which style of leadership does not believe in use of power unless it is absolutely essential?

SOLUTION

Concept used. The NCERT identifies three main **leadership styles** – *autocratic* (or authoritarian), *democratic* (or participative), and *laissez-faire* (or free-rein). The style which deliberately holds back the use of authority and lets the group decide is the **laissez-faire / free-rein** style.

Step 1. Laissez-faire meaning. A French phrase meaning “let people do”. The leader gives the team complete freedom to set goals, make decisions and solve problems.

Step 2. Use of power. The free-rein leader uses authority only when the team is unable to decide for itself; otherwise, the leader stays in the background as a facilitator or resource provider.

Step 3. Where it works. Highly skilled, self-motivated professionals – research scientists, university faculty, top creative teams – where the team's expertise exceeds the leader's.

Step 4. Risk. Less suited where employees lack expertise or self-discipline; can lead to confusion and missed targets.

Final Answer: The **Free-rein (laissez-faire)** style of leadership does not believe in using power unless absolutely essential – the leader hands decision-making to the group and steps in only when necessary.

Exam Tip

For 1-mark VSAs that ask for a *style of leadership*, the trigger words decide the answer: “unless absolutely essential / minimum interference / lets the group decide” ⇒ **Free-rein**;

“inflexible / one-way orders / fear” ⇒ **Autocratic**; “consults / participates” ⇒ **Democratic**.

EXPERT’S SOLUTION : Priya Iyer, M.Com, Christ University Bangalore

Senior-teacher view. Of the three NCERT leadership styles only one explicitly limits the use of power. Mapping the keyword “unless absolutely essential” to *laissez-faire* (also called *free-rein*) is the entire content of this question – so the marker wants the term spelt correctly and the synonym in brackets.

Step 1. Three styles on a power-use spectrum. Autocratic (maximum use of authority) → Democratic (shared use) → Laissez-faire (minimum use).

Step 2. French roots. “Laissez-faire” literally means “let do” – the leader lets the team plan, decide and execute on its own.

Step 3. Synonym in English. *Free-rein* leadership – the leader holds the reins loose; the horse decides where to go.

Step 4. When the leader does step in. Only when the group is unable to decide for itself, or when there is a conflict of expertise the team cannot resolve.

Step 5. Best-fit teams. R&D labs, doctors in a hospital, university faculty, top creative agencies – groups whose technical skill exceeds the leader’s.

Step 6. Risk. On semi-skilled or undisciplined teams it produces chaos, missed deadlines and free-riding.

Final Answer: **Free-rein / Laissez-faire** leadership style – it deliberately withholds the use of power and lets the group self-direct, stepping in only when absolutely essential.

Q 7.3 Which element in the communication process involves converting the message into words, symbols, gestures etc.?

SOLUTION

Concept used. The **communication process** has seven elements – sender, message, **encoding**, media (channel), decoding, receiver, and feedback. The step of converting the idea inside the sender’s head into transmittable form (words, symbols, gestures, drawings, code) is called **encoding**.

Step 1. Encoding – definition. The process of converting the message into communication symbols which may be in the form of words, signs, gestures, pictures, etc.

Step 2. Purpose. To put the idea in a form that the channel can carry and the receiver can interpret.

Step 3. Skill needed. The sender must encode in symbols the receiver also knows – otherwise the message will be received but not understood (semantic barrier).

Step 4. Counterpart at the other end. The receiver does *decoding* – the reverse of encoding – converting the symbols back into an idea.

Final Answer: The element of the communication process that converts the message into words, symbols, gestures etc. is **Encoding**. (Its mirror at the receiver's end is *decoding*.)

Exam Tip

Memorise the seven-element order: **S-E-M-C-R-D-F** – Sender, Encoding, Message, Channel, Receiver, Decoding, Feedback.

EXPERT'S SOLUTION : Vivaan Mehta, M.Com, Symbiosis Pune

Senior-teacher view. CBSE markers expect the candidate to (i) name the element *encoding*, (ii) define it in one line, and (iii) name its mirror element *decoding* at the receiver's end. Doing all three earns the full mark.

Step 1. Where encoding fits. In the seven-element process Sender → Encoding → Message → Channel/Media → Receiver → Decoding → Feedback, encoding is the *second* step – it sits between the sender's idea and the message that travels.

Step 2. Operational meaning. The sender translates a private thought into public symbols – spoken words, written sentences, hand gestures, diagrams, computer code – so that the message can travel along the chosen channel.

Step 3. Symbol set must overlap. Encoding works only if the sender uses symbols the receiver already knows. Encoding into legal Latin for a class of teenagers is the classic *semantic barrier*.

Step 4. Mirror at the other end. The receiver's *decoding* step reverses encoding – unpacks the symbols back into the original idea. The two steps together close the loop.

Step 5. Why examiners love this question. It tests whether the student remembers the *order* of the seven elements, not just their names.

Final Answer: The element of the communication process that converts the message into words, symbols, gestures, etc. is **Encoding**; the receiver does the reverse step – *decoding* – to recover the original idea.

Q 7.4 The workers always try to show their inability when any new work is given to them. They are always unwilling to take up any kind of work. Due to sudden rise in demand a firm wants to meet excess orders. The supervisor is finding it difficult to cope up with the situation. State the element of directing that can help the supervisor in handling the problem.

SOLUTION

Concept used. Workers showing inability and unwillingness \Rightarrow they lack the *willingness to work* – not the ability. The element of directing that addresses *willingness* is **motivation**.

Step 1. Diagnose. The problem is not skill; the problem is *will*. Workers refuse new work and show inability – a classic motivation problem.

Step 2. Prescribe the right element. Of the four elements of directing – supervision, *motivation*, leadership, communication – **motivation** is the one that directly stimulates willingness.

Step 3. Implementation. The supervisor can use financial incentives (bonus, production-linked pay for the excess orders) and non-financial incentives (recognition, praise, job enrichment, sense of belonging).

Step 4. Expected outcome. Once motivated, workers willingly take up the additional work and excess orders are met on time.

Final Answer: The element of directing that will help the supervisor is **Motivation** – it addresses willingness to work, which is the missing ingredient here. The supervisor should use a mix of financial and non-financial incentives to motivate workers to accept the extra work.

Exam Tip

Spotter words for motivation: “unwilling”, “low morale”, “don’t want to work”, “refuse new tasks”. Spotter words for training (the trap answer): “unable to operate”, “don’t know how to”.

EXPERT'S SOLUTION : Aanya Kapoor, M.Com, BHU Varanasi

Senior-teacher view. The case writes the answer twice – “*show their inability*” and “*always unwilling*”. The first phrase is a decoy that tempts students to write “training”. The decisive phrase is *always unwilling* – a willingness gap, which is the very definition of a motivation problem.

Step 1. Diagnose. A skill problem \Rightarrow training; a willingness problem \Rightarrow motivation. The case says “always unwilling” – willingness, not skill.

Step 2. Locate the element. Among the four elements of directing – supervision, *motivation*, leadership, communication – the one that directly addresses willingness is **motivation**.

Step 3. Prescribe the toolkit. A blended package works best on a sudden surge in demand: *financial* incentives (production-linked wage, special excess-order bonus, overtime allowance) and *non-financial* incentives (recognition, target boards, on-the-spot praise, sense of belonging to the surge team).

Step 4. Reinforce with leadership. The supervisor adopts a *democratic* style for the surge week – consults workers on the production plan – which itself lifts willingness.

Step 5. Expected outcome. Workers willingly take up the extra work, excess orders are met on time, and the motivational gain often outlasts the surge.

Final Answer: The element of directing that will help the supervisor is **Motivation** – it addresses the willingness gap (the missing ingredient) through a mix of financial and non-financial incentives, reinforced by a democratic leadership style.

Short Answer Type Questions

Q 7.5 What are semantic barriers of communication?

SOLUTION

Concept used. **Semantic barriers** are obstacles to communication that arise out of *problems in language or the meaning of symbols* used in the message. (“Semantic” comes from the Greek word for *meaning*.) These barriers prevent the receiver from interpreting the message in the way the sender intended.

Step 1. Badly expressed message. The sender drafts the message poorly – vague sentences, missing punctuation, technical jargon, ambiguous pronouns. The receiver cannot pin down what is meant.

- Step 2. Symbols with different meanings.** A word has more than one meaning, and sender and receiver pick different ones (e.g., *bank* could mean a financial institution or a riverside).
- Step 3. Faulty translations.** A message translated from one language to another may lose precision or pick up unintended meanings – common in multinational and multilingual India.
- Step 4. Unclear assumptions.** The sender assumes the receiver knows certain background facts; the receiver, unaware, draws the wrong conclusion.
- Step 5. Technical jargon.** Specialists use a vocabulary unfamiliar to the receiver – medical, legal, engineering or IT terms. The receiver feels lost.
- Step 6. Body language and gesture decoding.** A nod that means yes in one culture means “I’m listening” in another. Mis-read gestures create semantic barriers.

Final Answer: Semantic barriers are barriers to communication arising from problems in language and meaning – badly expressed messages, symbols with multiple meanings, faulty translations, unclear assumptions, technical jargon, and mis-read body language.

Exam Tip

For a 3-mark answer, name and briefly explain any three; for a 5-mark answer, name and explain any five. Always *name the barrier in bold*.

EXPERT'S SOLUTION : Karan Joshi, M.Com, BHU Varanasi

Senior-teacher view. “Semantic” from *semantikos* = “of meaning”. A semantic barrier is therefore any obstacle that arises because sender and receiver attach *different meanings* to the same symbol. CBSE’s 3-mark version asks for any three; the 5-mark version asks for any five. Always name the barrier in bold and follow with a one-line plain-English example.

- Step 1. Family identity.** Semantic barriers are the language/meaning family of communication barriers – distinct from psychological (emotion), organisational (structure) and personal (fear/trust) families.
- Step 2. Six standard NCERT types.** Badly expressed message · symbols with multiple meanings · faulty translations · unclear assumptions · technical jargon · body-language/gesture mis-reading.
- Step 3. One-line examples each.** “Please do the needful” (badly expressed); “Bank” = financial institution or river bank (multi-meaning); a Hindi circular translated

word- for-word into English (faulty translation); the boss assuming the new joiner knows the company jargon (unclarified assumption); a doctor saying “hypertension” to a patient (technical jargon); a head-shake meaning “yes” in South India but “no” in North India (gesture mis-reading).

Step 4. Why it matters. A semantic barrier converts an otherwise perfect formal channel into a leaky one; the message arrives but the meaning does not.

Step 5. Remedies. Clarify the idea before sending, use plain language, give a glossary for jargon, encourage feedback to test understanding.

Final Answer: Semantic barriers are communication obstacles arising from the *language and meaning* of the message itself – the NCERT lists six: badly expressed message, multi-meaning symbols, faulty translations, unclarified assumptions, technical jargon, and mis-read body language/gestures.

Q 7.6 Explain the process of motivation with the help of a diagram.

SOLUTION

Concept used. The **process of motivation** is a chain that begins with an *unsatisfied need* inside a person and ends with the *reduction of tension* after the need is fulfilled. The five-step chain repeats endlessly because, once a need is satisfied, a new unsatisfied need emerges.

Step 1. Unsatisfied need. An imbalance / deficiency the person feels – hunger, safety, recognition, growth.

Step 2. Tension. The unsatisfied need creates tension or restlessness inside the individual.

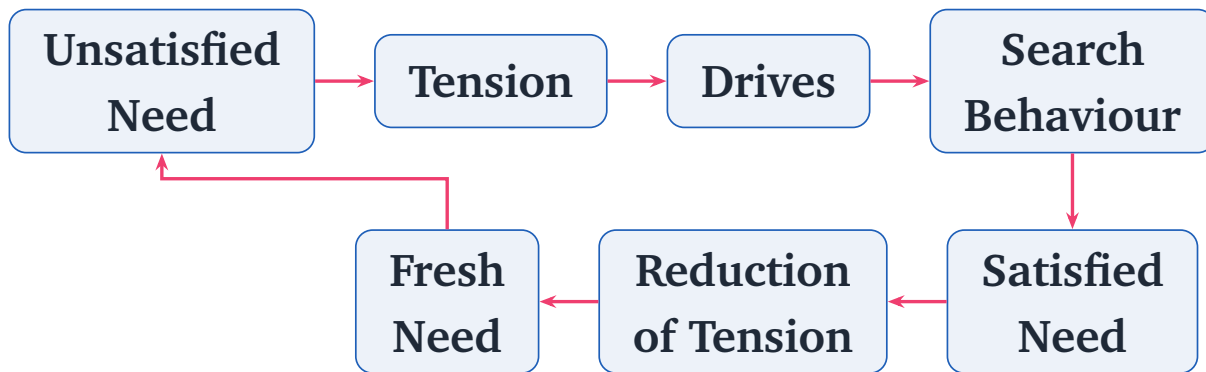
Step 3. Drives. Tension triggers internal drives (urges, desires) to do something about it.

Step 4. Search behaviour. The person engages in goal-directed behaviour to find means of satisfying the need – works harder, seeks promotion, joins a course.

Step 5. Satisfied need. The goal is achieved; the need is satisfied.

Step 6. Reduction of tension. The earlier tension is reduced or eliminated. A fresh unsatisfied need now arises – the cycle repeats.

Diagram (process of motivation).



Final Answer: The motivation process is a six-stage cycle: Unsatisfied Need → Tension → Drives → Search Behaviour → Satisfied Need → Reduction of Tension (and then a new need restarts the cycle).

Exam Tip

The marker checks two things: (i) the chain has six steps in the right order, and (ii) the diagram closes back on “Unsatisfied Need” (the cycle is renewed). Drop the closing arrow and you lose a mark.

EXPERT’S SOLUTION : Ishaan Verma, M.Com, FMS Delhi

Senior-teacher view. The marker looks for two things – the six stages of the chain in the right order, and the closing arrow that makes it a *cycle*. A labelled diagram with the six boxes wins more marks than a long paragraph.

Step 1. Stage 1 – Unsatisfied need. A deficiency the employee feels (low pay, lack of recognition, boring work).

Step 2. Stage 2 – Tension. The deficiency becomes psychological tension or restlessness – the body and mind “itch” for relief.

Step 3. Stage 3 – Drives. Tension activates inner drives – the urge to act and remove the deficiency.

Step 4. Stage 4 – Search behaviour. The employee engages in goal-directed action – works overtime, takes a course, requests a transfer, applies for promotion.

Step 5. Stage 5 – Satisfied need. The action achieves the goal – the need is now met.

Step 6. Stage 6 – Reduction of tension. The earlier tension dissolves; the employee feels relief.

Step 7. Loop closes. A fresh, higher-order need now arises (per Maslow); the cycle restarts.

Step 8. Why managers care. Each employee is somewhere on this loop; the manager’s

job is to channel the search behaviour toward organisational goals.

Final Answer: Motivation is a six-step self-renewing cycle – Unsatisfied Need → Tension → Drives → Search Behaviour → Satisfied Need → Reduction of Tension – and then a fresh need restarts the loop, which is why motivation is a continuous managerial task.

Q7.7 State the different networks of grapevine communications.

SOLUTION

Concept used. **Grapevine** (informal) communication does not flow randomly – it follows four typical patterns or *networks*. The NCERT names them as *single strand*, *gossip*, *probability* and *cluster*.

Step 1. Single-strand network. The message passes from one person to the next, who tells the next, and so on in a straight chain. ($A \rightarrow B \rightarrow C \rightarrow D$). High distortion risk because each repetition alters the message slightly.

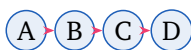
Step 2. Gossip network. One person tells the message to many others non-selectively. (A tells B, C, D, E, F). Spreads news fast but accuracy depends on A .

Step 3. Probability network. The originator passes the message to a random subset of people, and each of those does the same – like Brownian motion. Coverage is broad but unpredictable.

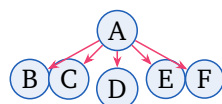
Step 4. Cluster network. The originator passes the message only to selected, trusted people. Each of those then selectively passes it on. This is the most common organisational grapevine and is reasonably reliable.

Diagram (four grapevine networks).

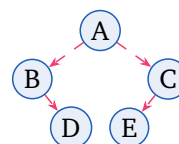
Single-strand



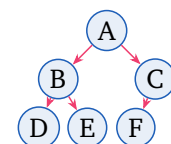
Gossip



Probability



Cluster



Final Answer: Grapevine flows through four typical networks: (i) **Single-strand** – one straight chain; (ii) **Gossip** – one person tells many; (iii) **Probability** – pass to random subsets; (iv) **Cluster** – pass to selected trusted people who pass it on selectively (the most common form in organisations).

Exam Tip

A diagram of four little shapes (straight line, hub-and-spoke, random web, branching tree) earns the full mark even with the briefest labels. Mention that *cluster* is the most common organisational pattern – examiners love that one extra fact.

EXPERT'S SOLUTION : Saanvi Reddy, M.Com, IIM Indore

Senior-teacher view. Memorise the four names with a mental picture for each shape; the diagram earns more marks than the paragraph. Mention which network is the *most common* in real workplaces (cluster) for an easy extra mark.

- Step 1. Single-strand network.** A linear chain – A tells B, B tells C, C tells D. Maximum distortion: by the time the message reaches D it can be unrecognisable.
- Step 2. Gossip network.** A central person tells the message non-selectively to a circle of others – one-to-many. Spreads fast; reliability depends on the central person.
- Step 3. Probability network.** The originator passes the message to a random subset, each of whom in turn passes it to another random subset. The path is unpredictable, coverage is wide but uneven.
- Step 4. Cluster network.** The originator passes the message only to selected, trusted people (a cluster); each of them does the same. This is the *most common* grapevine in organisations and is reasonably reliable because trust filters out unfit news.
- Step 5. Managerial use.** A manager who knows the cluster “hubs” can plant accurate information through them to kill rumours quickly.
- Step 6. Real-world illustration.** The grapevine in a typical Indian factory shop floor almost always follows the *cluster* pattern – a charge-hand tells two trusted operatives, each of whom tells two more, and the news fans out along trust lines. A wise supervisor identifies these hubs in the first week and uses them as informal “microphones” to spread official news faster than any formal channel could.
- Step 7. Reliability ranking.** Cluster > Gossip > Probability > Single-strand – because every retelling in single-strand adds distortion, while cluster’s trust filter screens out wild rumour.

Final Answer: The four grapevine networks are **Single-strand** (a straight chain), **Gossip** (one person tells many), **Probability** (random subsets pass it on) and **Cluster** (selective trusted relay – the most common and most reliable form in real organisations).

Q 7.8 Explain any three principles of Directing.**SOLUTION**

Concept used. The NCERT lists eight **principles of directing**. Each principle is a guideline that increases the chance that directing achieves its purpose – getting people to willingly work toward organisational goals. Any three may be explained for a 3-mark answer.

- Step 1. Maximum individual contribution.** Directing should bring out the *best* that each subordinate has to give. A good director designs the work, the rewards and the feedback so that every employee performs at the upper limit of his/her ability. *Example:* a performance-linked incentive lifts individual contribution above the flat-pay baseline.
- Step 2. Harmony of objectives.** The personal objectives of the employee (income, growth, respect) and the organisational objectives (profit, market share, quality) often pull in different directions. Good directing *harmonises* them – the employee meets personal goals *by* meeting organisational goals. *Example:* stock-option plans align the employee's wealth with the company's share price.
- Step 3. Unity of command.** A subordinate should receive instructions from *one boss* only. If two bosses give conflicting orders, the subordinate is paralysed and accountability vanishes. *Example:* Project managers and functional managers must coordinate so the team-member is not pulled both ways.
- Step 4. Appropriateness of direction technique.** Different employees need different directing styles – some respond to financial incentives, others to recognition, others to challenging work. The director picks the technique that fits the person and the situation.
- Step 5. Managerial communication.** Directing succeeds only if the manager communicates clearly, completely and through the right channel. Two-way communication (with feedback) is essential.
- Step 6. Use of informal organisation.** The grapevine and informal groups cannot be eliminated; a good director uses them to gauge employee mood and to spread information faster.
- Step 7. Leadership.** A manager should also be a leader who influences subordinates by example, vision and personal qualities – not merely by formal authority.
- Step 8. Follow through.** Issuing instructions is only the start. A director must *follow up* to ensure work is actually being done as instructed, and revise the instruction if conditions change.

Final Answer: Three principles of directing (illustrative): **Maximum individual contribution** (design rewards and work to extract each person's best), **Harmony of objectives** (align personal and organisational goals), and **Unity of command** (one boss per subordinate, to avoid conflicting orders).

Exam Tip

A safe trio to memorise: Maximum contribution, Harmony of objectives, Unity of command. They cover the *output*, *alignment*, and *authority* dimensions of directing.

EXPERT'S SOLUTION : Devansh Nair, M.Com, NMIMS Mumbai

Senior-teacher view. Eight principles in total – the safe trio to remember is *Maximum contribution* + *Harmony of objectives* + *Unity of command* because between them they cover the *output*, *alignment* and *authority* dimensions of directing. Each principle gets one-line explanation + one-line example – examiners reward the example.

- Step 1. Maximum individual contribution.** Directing should be designed so that every employee delivers his/her *personal best*. Performance-linked pay, stretch targets, recognition programmes pull each person above the flat-pay baseline.
- Step 2. Harmony of objectives.** Personal goals (income, growth) and organisational goals (profit, market share) often diverge. Good directing makes them *converge* – ESOPs and profit-sharing align employee wealth with company performance.
- Step 3. Unity of command.** Each subordinate should report to one boss only. If a junior engineer takes orders from both the project manager and the design manager, he is paralysed by conflicting instructions and accountability disappears.
- Step 4. Other five (for full-list context).** *Appropriateness of direction technique* (pick the right style for the right employee), *managerial communication* (clear two-way exchange with feedback), *use of informal organisation* (listen to the grapevine instead of fighting it), *leadership* (influence by example and vision, not authority alone) and *follow-through* (verify that directives have translated into action).
- Step 5. Memory hook.** *Max - Harmony - Unity = output, alignment, authority.*
- Step 6. Examiner trick.** If the question asks for “any three”, do *not* list all eight – stick to three, explained fully with examples. Listing eight in shallow points loses marks for “not addressing the question”.

Final Answer: Three principles of directing (illustrative): **Maximum individual contribution** (rewards designed to extract every person's best), **Harmony of objectives** (personal and organisational goals converge) and **Unity of command** (one boss per subordinate – so that authority and accountability are intact).

Q 7.9 In an organisation, one of the departmental manager is inflexible and once he takes a decision, he does not like to be contradicted. As a result, employees always feel they are under stress and they take least initiative and fear to express their opinions and problems before the manager. What is the problem in the way authority is being used by the manager?

SOLUTION

Concept used. The manager described is using power in a one-way, top-down manner – deciding alone, refusing contradiction, and creating an atmosphere of fear. This is the **autocratic** (also called *authoritarian*) leadership style.

Step 1. Diagnose the style. An autocratic leader *centralises* authority, gives *orders* without consultation, expects *unquestioning obedience*, and uses *fear* or *punishment* to enforce compliance.

Step 2. Symptoms in the case.

- Inflexible decisions – no participation.
- Refuses contradiction – one-way communication.
- Employees under stress – fear-based atmosphere.
- Low initiative – creativity is suppressed.
- Employees fear to express opinions – no upward communication.

Step 3. Problem with the style. Although autocratic leadership can produce quick decisions and is useful in emergencies, in normal work it kills morale, initiative and innovation; it also keeps the manager unaware of operational realities because subordinates dare not flag problems upward.

Step 4. Better alternative. A *democratic / participative* leader would consult the team before deciding, allow disagreement, and encourage upward feedback – raising morale, initiative and decision quality.

Final Answer: The manager is using an **Autocratic (Authoritarian) leadership style** – one-way, power-centralised, no participation, fear-based. The problem is that it kills employee morale, initiative and innovation, and starves the manager of upward information. The corrective is to move to a *democratic / participative* style.

Exam Tip

The case writes *four* spotter clues – inflexible decisions, refusing contradiction, stress on employees, and silenced initiative. Name all four when you justify “autocratic” to capture every available mark.

EXPERT’S SOLUTION : Riya Bhatnagar, M.Com, MDI Gurgaon

Senior-teacher view. The case lists four classic autocratic symptoms: inflexible decisions, refusal to be contradicted, stress on employees, and silenced initiative. The answer must (a) name the style, (b) link each symptom back to the style, and (c) prescribe the corrective style.

Step 1. Diagnosis – autocratic. Centralised authority, one-way orders, no consultation, fear-based compliance – the textbook autocratic profile.

Step 2. Case-to-textbook mapping.

- “Inflexible decisions” ⇒ no participation.
- “Does not like to be contradicted” ⇒ one-way communication.
- “Employees under stress” ⇒ fear-based atmosphere.
- “Take least initiative” ⇒ creativity suppressed.
- “Fear to express opinions” ⇒ upward communication blocked.

Step 3. Cost of the style. Low morale, no innovation, manager unaware of operational problems (no upward feedback), and high attrition.

Step 4. When autocratic does work. Emergencies, undisciplined workforce, very short decision windows – but not for normal day-to-day directing.

Step 5. Prescription – democratic / participative. Consult before deciding, allow respectful disagreement, encourage upward feedback. Morale, initiative and decision quality all rise.

Final Answer: The manager is using an **Autocratic (Authoritarian) leadership style** – power is centralised, decisions are one-way, contradiction is forbidden, and fear replaces participation. The fix is to shift to a *Democratic / Participative* style so that initiative, morale and upward information all return.

Q 7.10 A reputed hostel, GyanPradan provides medical aid and free education to children of its employees. Which incentive is being highlighted here? State its category and name any two more incentives of the same category.

SOLUTION

Concept used. Incentives are divided into two broad categories – **financial incentives** (monetary) and **non-financial incentives** (psychological / social). The hostel is providing medical aid and free education to employees’ children – these are perks that meet employees’ *social welfare* needs and do not directly increase the take-home pay; they are classified as *non-financial* incentives, specifically the sub-type known as **employee welfare** or **perquisites**.

Note. Some authors classify these welfare measures under “financial incentives” because they carry a money value. However, the NCERT places *employee welfare measures* squarely inside *non-financial incentives*, because they are *indirect* benefits aimed at psychological satisfaction (security, belonging) rather than direct cash.

Step 1. Incentive highlighted. Employee welfare measures – specifically, medical aid and education facility for employees’ children.

Step 2. Category. Non-financial incentives.

Step 3. Two more incentives of the same (non-financial) category:

- *Status* – prestige, authority and responsibility attached to a position satisfy esteem and ego needs.
- *Job security* – a permanent appointment, a no-retrenchment policy – satisfies the safety need.
- *Employee recognition* – “Employee of the Month” awards, public praise – satisfies esteem.
- *Job enrichment* – making the job more meaningful and challenging.
- *Employee participation* – involving employees in decision-making.
- *Employee empowerment* – giving employees the authority to take certain decisions on their own.
- *Career advancement opportunity* – a clear promotion ladder.
- *Organisational climate* – a culture of trust, openness and respect.

Final Answer: The incentive highlighted is **Employee Welfare** (medical aid + free education for children). It belongs to the **non-financial incentive** category. Two more non-financial incentives: *status* and *job security* (or any two of: recognition, job enrichment, employee participation, empowerment, career advancement, organisational climate).

Exam Tip

The question has three sub-parts – (i) name the incentive, (ii) state its category, (iii) name two more in the same category. Lay your answer in three numbered points so the marker ticks each sub-part separately.

EXPERT'S SOLUTION : Tanvi Sinha, M.Com, IIM Lucknow

Senior-teacher view. A three-part case study – name the incentive, name the category, name two more in the same category. Many students misclassify welfare as *financial* because it carries a money value; NCERT places it under *non-financial* because the intent is welfare rather than direct cash.

Step 1. Incentive named. The hostel offers *medical aid* and *free education for employees' children*; both are perks for social welfare ⇒ **Employee Welfare / Perquisites.**

Step 2. Category. NCERT places employee welfare measures inside the **Non-financial Incentives** bucket – satisfaction is psychological (security, belonging), not direct cash.

Step 3. Two more non-financial incentives.

- *Status* – prestige, authority and responsibility attached to a position – satisfies esteem.
- *Job security* – a permanent appointment, a no-retrenchment policy – satisfies the safety need.

Step 4. Common student trap. Calling welfare “financial” because it has a money value; NCERT is firm – it is *non-financial*.

Step 5. Other safe alternatives for “two more”. Recognition, job enrichment, employee participation, empowerment, career advancement, organisational climate.

Final Answer: Incentive = **Employee Welfare** (medical aid + free education); Category = **Non-financial**; Two more = *Status* and *Job Security* (or any two from recognition, job enrichment, participation, empowerment, career advancement, organisational climate).

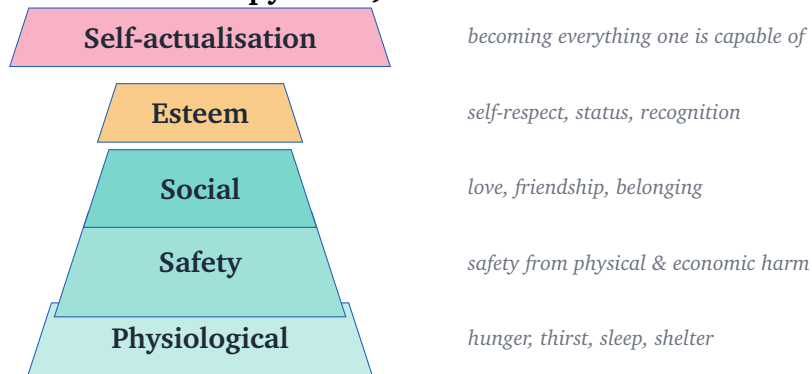
Long Answer Type Questions

Q7.11 Discuss Maslow's Need Hierarchy theory of motivation.

SOLUTION

Concept used. **Abraham Maslow's Need Hierarchy theory** (1943) is the most-cited content theory of motivation. It says that human needs follow a hierarchy of five levels; lower needs are satisfied first, and once satisfied, they no longer motivate – the next higher need becomes the active motivator.

Diagram (Maslow's five-level pyramid).



- Step 1. Physiological needs.** The most basic – food, water, shelter, clothing, sleep. In organisations, the *basic salary* that meets these needs is the first motivator.
- Step 2. Safety / security needs.** Need for physical safety (safe working conditions) and economic security (job security, pension, insurance). Permanent employment, gratuity, PF, insurance, safe machinery satisfy this need.
- Step 3. Social / belonging needs.** Need for friendship, love, acceptance and a sense of belonging. Team work, employee clubs, friendly culture, supportive supervision satisfy this need.
- Step 4. Esteem needs.** Need for self-respect, autonomy, status, recognition and prestige. Promotions, awards, public praise, “Employee of the Month” programmes, prestigious job titles satisfy esteem.
- Step 5. Self-actualisation needs.** The need to realise one’s full potential – to *become* all one is capable of becoming. Challenging assignments, opportunities for creativity, leadership roles, sabbaticals for higher learning satisfy this need.

Key assumptions of the theory.

- Needs follow a hierarchy: lower first, then higher.
- A satisfied need is not a motivator. Only *unsatisfied* needs motivate.
- Once a lower need is reasonably satisfied, the next higher one becomes the active motivator.
- The hierarchy is not rigid – people may pursue higher needs even when lower ones are not fully satisfied, especially in modern, prosperous societies.

Significance for the manager.

- Helps the manager understand what *currently* motivates each employee.
- Suggests that different employees, at different levels of the hierarchy, need different

incentives.

- Lower-level needs are mostly met by financial incentives; higher-level needs are met by non-financial incentives.

Final Answer: Maslow's Need Hierarchy theory (1943) arranges human needs in a five-level pyramid: *Physiological* → *Safety* → *Social* → *Esteem* → *Self-actualisation*. Lower needs must be reasonably satisfied before higher ones become motivators; a satisfied need is no longer a motivator. For managers, the theory means lower-need employees respond best to financial incentives, while higher-need employees respond best to non-financial incentives like recognition, autonomy and challenging work.

Exam Tip

Memory hook for the order (bottom to top): **P-S-S-E-S** – *Physiological, Safety, Social, Esteem, Self-actualisation*.

EXPERT'S SOLUTION : *Mihir Agrawal, M.Com, JNU Delhi*

Senior-teacher view. This is a high-mark LA question. The marker expects (i) the biographical anchor (Abraham Maslow, 1943), (ii) the five-level pyramid in correct order from bottom to top with one example of how each level is met at the workplace, (iii) the three governing assumptions (lower-needs-first, satisfied-need-not-motivator, lower-needs-money / upper- needs-non-money), and (iv) the managerial significance. A labelled pyramid diagram earns extra.

Step 1. Provenance. Proposed by American psychologist *Abraham Maslow* in his 1943 paper "A Theory of Human Motivation"; refined in his 1954 book *Motivation and Personality*.

Step 2. Stage 1 – Physiological. Hunger, thirst, sleep, shelter – met at work by the basic salary, canteen, rest rooms, drinking water, accommodation.

Step 3. Stage 2 – Safety. Physical safety (safe machinery, ergonomic workplace) and economic security (PF, gratuity, pension, insurance, permanent appointment).

Step 4. Stage 3 – Social. Friendship, belonging, acceptance – met by team work, cordial peers, employee clubs, supportive supervision, festival celebrations.

Step 5. Stage 4 – Esteem. Self-respect, autonomy, status, recognition – met by promotions, public praise, "Employee of the Month", prestigious job titles, corner cabins.

Step 6. Stage 5 – Self-actualisation. Realising one's full potential – met by challenging assignments, creative freedom, sabbaticals, leadership roles, R&D projects.

Step 7. Three assumptions. (i) Needs follow a hierarchy: lower first; (ii) a satisfied need stops motivating – only an *unsatisfied* need motivates; (iii) once a lower need is reasonably satisfied, the next higher one becomes the active motivator.

Step 8. Managerial use. Diagnose where each employee is on the pyramid and offer the matching incentive – financial for lower levels, non-financial for upper levels.

Step 9. Limitation to mention. The hierarchy is not rigid – modern, prosperous employees often pursue esteem or self-actualisation even when lower needs are not fully secured. The theory also ignores cultural and personality differences.

Step 10. Indian-context example. A freshly-hired factory operative is on stage 1-2 and responds to a wage hike or PF contribution; a mid-career manager is on stage 3-4 and responds to a corner cabin and “Manager of the Quarter” plaque; a CEO is on stage 5 and responds to a chance to launch a flagship product or write a book.

Step 11. Diagram bonus. A neat labelled five-level pyramid drawn alongside the answer fetches one extra mark in CBSE marking schemes – never skip the diagram on an LA.

Final Answer: Maslow’s Need Hierarchy (1943) arranges human needs into a five-level pyramid – Physiological → Safety → Social → Esteem → Self-actualisation. A satisfied need ceases to motivate, so once a lower need is met, the next higher one becomes the active driver. For the manager, the theory means lower-need employees respond best to financial incentives while higher-need employees respond best to non-financial incentives – recognition, autonomy and challenging work.

Q 7.12 What are the common barriers to effective communication? Suggest measures to overcome them.

SOLUTION

Concept used. **Barriers to communication** are factors that distort or block the flow of communication between sender and receiver. NCERT groups them into four categories: *semantic, psychological, organisational* and *personal* barriers.

Step 1. Semantic barriers. Arising from language / meaning:

- Badly expressed message.
- Symbols with multiple meanings.
- Faulty translations.

- Unclear assumptions.
- Technical jargon.
- Body-language and gesture mis-reading.

Step 2. Psychological barriers. Arising from emotions and mental state:

- Premature evaluation – judging the message before hearing it fully.
- Lack of attention – receiver’s mind is elsewhere.
- Loss by transmission and poor retention – message gets simpler at each step.
- Distrust – receiver does not trust the sender.

Step 3. Organisational barriers. Arising from the structure of the organisation:

- Organisational policy unfriendly to open communication.
- Rules and regulations that delay messages.
- Status differences that block bottom-up communication.
- Complexity of the organisation – too many levels distort the message.
- Organisational facilities – inadequate phones, intranet, meeting infrastructure.

Step 4. Personal barriers. Arising from personal characteristics of sender / receiver:

- Fear of challenge to authority (superior).
- Lack of confidence in subordinates.
- Unwillingness to communicate.
- Lack of proper incentive for upward communication.

Step 5. Measures to overcome these barriers.

- *Clarify the idea before communicating.* Plan the message before sending it.
- *Communicate according to the needs of the receiver.* Use language and channels the receiver understands.
- *Consult others before communicating.* Especially for sensitive messages.
- *Be aware of language, tone and content of the message.*
- *Convey things of help and value to listeners.* Keeps them attentive.
- *Ensure proper feedback.* Two-way communication checks understanding.
- *Follow up communication.* Re-confirm that the action has been taken.
- *Be a good listener.* Patient, undistracted listening sets the tone for others to do the same.

Final Answer: Common barriers fall in four families – **Semantic** (language/meaning), **Psychological** (premature evaluation, inattention, distrust), **Organisational** (policy, rules, status, complexity, facilities) and **Personal** (fear, lack of confidence, unwillingness). Overcome them by clarifying the idea, communicating to receiver's needs, consulting before, using right tone, ensuring feedback, following up, and being a good listener.

Exam Tip

This is the most predictable LA in the chapter. The marker awards roughly half the marks for the *four families with two-three examples each* and the other half for *any six-eight measures to overcome them*. Use sub-headings – the examiner mentally ticks each family and each measure.

EXPERT'S SOLUTION : Neha Pillai, M.Com, IIM Bangalore

Senior-teacher view. Two-part LA: (a) the four families of barriers with at least two examples per family; (b) any six-to-eight measures to overcome them. Use sub-headings; the marker mentally ticks each family.

Step 1. Family 1 – Semantic barriers. Language / meaning – badly expressed message, multi-meaning symbols, faulty translation, unclarified assumptions, technical jargon, gesture mis-reading.

Step 2. Family 2 – Psychological barriers. Emotional / mental – premature evaluation, lack of attention, loss by transmission and poor retention, distrust.

Step 3. Family 3 – Organisational barriers. Structural – restrictive policy, delaying rules, status differences (juniors fear seniors), complexity (too many levels distort the message), inadequate facilities (no intranet, poor meeting rooms).

Step 4. Family 4 – Personal barriers. Sender / receiver attitudes – superior's fear of challenge to authority, superior's lack of confidence in subordinates, subordinate's unwillingness to communicate upward, lack of incentive for upward communication.

Step 5. Measures to overcome – eight standard NCERT items.

- Clarify the idea before communicating.
- Communicate according to the needs of the receiver (right language and channel).
- Consult others before communicating (especially for sensitive messages).
- Be aware of language, tone and content of the message.
- Convey things of help and value to the listener.

- Ensure proper feedback (two-way communication).
- Follow-up communication (re-confirm action taken).
- Be a good listener (patient, undistracted listening).

Step 6. Indian-context illustration. A daily 15-minute “stand-up” call in IT firms flattens status barriers, forces two-way communication and gives instant feedback – defeating organisational, personal and psychological barriers in one ritual.

Final Answer: Barriers fall in four families – **Semantic, Psychological, Organisational, Personal**. Overcome them with eight standard measures – clarify the idea, communicate to receiver’s needs, consult before sending, mind language/tone, convey value, ensure feedback, follow up, and be a good listener.

Q 7.13 Explain different financial and non-financial incentives used to motivate employees of a company?

SOLUTION

Concept used. **Incentives** are rewards offered to employees that strengthen the will to work. They are classified into *financial* (direct monetary value) and *non-financial* (psychological / social value, though some carry indirect money value).

Step 1. Financial incentives.

- *Pay and allowances.* Basic salary plus DA, HRA, transport, etc. – the bedrock incentive.
- *Productivity-linked wage incentives.* Higher pay for higher output (piece rate, Halsey, Rowan).
- *Bonus.* Statutory or discretionary lump-sum, typically paid annually (Diwali bonus).
- *Profit sharing.* Employees receive a defined share of company profits.
- *Co-partnership / Stock option (ESOP).* Employees become part-owners of the company through allotted shares.
- *Retirement benefits.* Provident fund, gratuity, pension, post-retirement medical – security in old age.
- *Perquisites.* Company car, fuel allowance, club membership, accommodation, children’s education allowance – carry money value, normally on top of salary.

Step 2. Non-financial incentives.

- *Status*. Prestige, authority and responsibility attached to the position.
- *Organisational climate*. A culture of trust, openness, autonomy.
- *Career advancement opportunity*. A clear promotion ladder.
- *Job enrichment*. Designing the job to be more meaningful, challenging and with more responsibility – satisfies higher-order needs.
- *Employee recognition programmes*. Praise, certificates, “Employee of the Month”, display photographs – public acknowledgement of contribution.
- *Job security*. A permanent appointment, no-retrenchment policy – satisfies the safety need.
- *Employee participation*. Involving employees in decision-making about their work (suggestion schemes, joint committees).
- *Employee empowerment*. Giving employees the authority to take certain decisions on their own.

Final Answer: Financial incentives: pay & allowances, productivity-linked wage, bonus, profit sharing, co-partnership/ESOP, retirement benefits, perquisites. **Non-financial incentives:** status, organisational climate, career advancement, job enrichment, employee recognition, job security, employee participation, employee empowerment.

Exam Tip

Always write *financial* and *non-financial* as separate sub-headings, then list at least 4-5 incentives under each. Examiners look for the split.

EXPERT'S SOLUTION : Aryan Kulkarni, M.Com, XLRI Jamshedpur

Senior-teacher view. High-mark LA: write two clear sub-headings (*Financial* and *Non-financial*), list at least 5-6 incentives under each with a one-line definition. The examiner ticks each named incentive; long paragraphs without sub-heads lose marks.

Step 1. Financial incentives – seven NCERT items.

- *Pay and allowances*. Basic salary + DA + HRA + transport allowance – the bedrock incentive; annual increments link it to performance.
- *Productivity-linked wage incentives*. Higher pay for higher output (piece rate, Halsey, Rowan plans).
- *Bonus*. Statutory under the Payment of Bonus Act or discretionary (Diwali / festival bonus) – annual lump sum.
- *Profit sharing*. Employees receive a defined share of the company's annual

profit.

- *Co-partnership / Stock option (ESOP)*. Employees become part-owners of the company through allotted shares – aligns wealth with company performance.
- *Retirement benefits*. Provident fund, gratuity, pension, post-retirement medical – security in old age.
- *Perquisites*. Company car, fuel allowance, club membership, accommodation, children's education allowance – carry money value, normally on top of salary.

Step 2. Non-financial incentives – eight NCERT items.

- *Status* – prestige, authority and responsibility of the position.
- *Organisational climate* – a culture of trust, openness and autonomy.
- *Career advancement opportunity* – a clear promotion ladder.
- *Job enrichment* – making the job more meaningful and challenging.
- *Employee recognition programmes* – praise, certificates, Employee of the Month.
- *Job security* – permanent appointment, no-retrenchment policy.
- *Employee participation* – involving employees in decisions about their work.
- *Employee empowerment* – authority to take certain decisions on their own.

Step 3. Maslow link. Financial incentives mostly meet the lower two levels of the hierarchy; non-financial ones meet the upper three.

Step 4. Best practice. A modern compensation plan blends both – competitive cash pay plus a strong non-financial package (recognition, growth, autonomy).

Final Answer: Financial incentives (7): pay & allowances, productivity-linked wage, bonus, profit sharing, ESOP, retirement benefits, perquisites. **Non-financial incentives (8):** status, organisational climate, career advancement, job enrichment, recognition, job security, participation, empowerment. Money satisfies lower-level Maslow needs; non-money satisfies higher-level ones – a good incentive plan uses both.

Q7.14 In an organisation all the employees take things easy and are free to approach anyone for minor queries and problems. This has resulted in everyone taking to each other and thus resulting in inefficiency in the office. It has also resulted in loss of secrecy and confidential information being leaked out. What system do you think the manager should adopt to improve communication?

SOLUTION

Concept used. The current state described – everyone approaching anyone, no structure – is **informal communication** taking over. The remedy is to install a system of **formal communication**, where information flows through prescribed channels along the organisation's chain of authority.

Step 1. Diagnose the problem. Open access + no chain of authority \Rightarrow informal communication has displaced formal channels. Consequences: (i) inefficiency (people spend time gossiping) and (ii) leakage of confidential information.

Step 2. Prescribe formal communication. The manager should establish a *formal communication system* that follows the chain of authority. The four typical directions of formal communication:

- *Downward* – from superior to subordinate (orders, instructions, policies).
- *Upward* – from subordinate to superior (reports, suggestions, grievances).
- *Horizontal / lateral* – between people at the same level (coordination between departments).
- *Diagonal* – across both levels and departments, when needed and authorised.

Step 3. Specific steps the manager should take.

- Draw a clear chain of authority and circulate it.
- Specify who reports to whom and who may communicate with whom for which kind of message.
- Set up formal channels – official emails, intranet, weekly meetings, formal memos, suggestion box.
- Mark confidential information clearly and restrict its circulation list.
- Train employees on what information may and may not be shared informally.
- Conduct training in business communication to improve clarity and professionalism.

Step 4. What about informal communication? It cannot be eliminated – but its *dominance* can be reduced when a fast, reliable formal channel is in place. The manager should also listen to the grapevine to catch rumours early.

Final Answer: The manager should adopt a **formal communication system** – a structured channel that follows the chain of authority, with clear downward, upward, horizontal and diagonal flows; specified channels (emails, intranet, memos, meetings); confidentiality classification; and training in business communication. This restores efficiency and protects confidential information, while informal communication continues in the background.

Exam Tip

The two problem-symptoms in the case – (i) *inefficiency* and (ii) *leak of confidential information* – must each be linked back to the missing system. Name *four directions* of formal communication (downward, upward, horizontal, diagonal) for the easy extra marks.

EXPERT'S SOLUTION : Pranav Joshi, M.Com, JBIMS Mumbai

Senior-teacher view. The two problem-symptoms in the case – (a) everyone talking to everyone (inefficiency), (b) leak of confidential information – must each be tied back to the absence of a formal communication system. Name the *four directions* of formal communication for the easy extra marks.

Step 1. Diagnose. Open access + no chain of authority \Rightarrow informal channels have crowded out formal ones. Consequences are exactly the two symptoms in the case – inefficiency and loss of secrecy.

Step 2. Prescription. Install a **formal communication system** – structured flows along the chain of authority.

Step 3. Four directions of formal communication.

- *Downward* – superior to subordinate (orders, instructions, policies).
- *Upward* – subordinate to superior (reports, suggestions, grievances).
- *Horizontal / lateral* – between peers (inter-department coordination).
- *Diagonal* – across levels and departments, when needed and authorised.

Step 4. Action checklist for the manager.

- Draw a clear organisation chart and circulate it.
- Specify who reports to whom and which channel carries which message.
- Set up official channels – emails, intranet, weekly meetings, memos, suggestion box.
- Classify documents (Public / Internal / Confidential / Restricted) and restrict circulation lists.
- Train staff in business communication and confidentiality.

Step 5. Position on informal communication. It cannot be eliminated – and should not be. Once a fast, reliable formal channel exists, the dominance of the grapevine drops. The manager continues to *listen* to it to catch rumours early.

Final Answer: The manager should adopt a **formal communication system** – a structured channel that follows the chain of authority with downward, upward, horizontal and diagonal flows, official media (emails, intranet, memos, meetings), and document classification for confidential information. This restores efficiency and protects secrecy, while the grapevine continues in the background but no longer dominates.

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