PME UNIT - 2 Notes

Unit 2: Planning, Decision Making, Forecasting, Directing & Leadership (Concise Notes)

1. Planning

- **Nature of Planning (p. 57-58):**

  - **Definition:** The **beginning** of management, setting other functions **into action**. Most basic function. Without it, other functions are chaos (principle of primacy of planning).

  - An **intellectual process**: Requires thinking before acting. Deciding *what*, *when*, *how*, *who*.

  - Decision-making is **integral**.

  - A **continuous process**: Monitoring progress/conditions for change (principle of navigational change). Wiser to be right than consistent.

  - Corollary: Plan must be **flexible**. Ability to change direction without undue cost, despite limitations (cost, resistance, irretrievable costs).

  - A **pervasive function** (p. 58): Important to **all managers**. Top level focuses on longer terms/objectives; lower level on shorter terms/execution.

- **Purpose / Importance of Planning (p. 58-59):**

  - Minimises Risk and Uncertainty (p. 58): Rational, fact-based procedure. Copes with changing environment. Relates future uncertainties to present facts. Gives control.

  - Leads to Success (p. 58): Planned actions outperform mere reaction. Proactive, attempts to shape environment.

  - Focuses Attention on the Organisation's Goals (p. 59): Helps focus on goals/activities. Coordinates resources economically. Avoids overlapping.

  - Facilitates Control (p. 59): Sets standards/benchmarks for performance measurement. Controls require plans.

  - Trains Executives (p. 59): Excellent training means. Arouses interest in planning aspects.

- **Types of Plans (p. 59-70):**

Fig. 4.1   Hierarchy of organisational plans

* Arranged in a **hierarchy**. Plans must be consistent up the levels. (See **Figure 4.1, p. 59**).

* **Vision (p. 60):** The **dream** about future direction. Aspirations, beliefs, values. Shapes strategy. Brief, focused, clear, inspirational.

* **Mission (p. 60): Unique aim** setting apart the org. Specialization (service, product, client), decides **scope**. Guides strategy, sets context for decisions, limits options. May change overtime.

* **Objectives (p. 60-63):** Goals/aims to achieve mission. **End points** directing all activities. Define needed org/personnel/motivation/control. Specific, measurable targets (translation of mission).

* Whose Objectives?: Orgs are coalitions of stakeholders (Cyert/March p. 61). Objectives take all stakes into account.

* **Characteristics (p. 61-62):** Multiple (Drucker's 8 areas), Tangible/intangible, Have a priority (survival often paramount), Arranged in a hierarchy (corporate -> individual), Sometimes clash -> suboptimisation (requires balance).

* **Requirements of Sound Objectives (p. 62-63):** Clear and acceptable (understandable, compatible with individual goals), Support one another (interlock, coordinate), Precise and measurable (specific terms, better motivators, easier control), Remain valid (constantly reviewed/adjusted).

* **Advantages (p. 63):** Basis for planning (policies, budgets), Motivators, Eliminate haphazard action, Facilitate coordinated behavior, Basis for control (standards), Facilitate better management (leading, guiding), Lessen conflict/misunderstanding, Provide legitimacy.

* **Strategies (p. 63-65): Response to competitive environment**. Account for env opportunities/threats and org strengths/weaknesses (**SWOT analysis**). Plan for optimal match btw firm/environment.

* Activities in Strategy Formulation: Environmental Appraisal (analysis of relevant environment, identifying threats/opportunities - Political/legal, Economic, Competitive, Social/cultural), Corporate Appraisal (analysis of S&W, esp. core competency).

* **Modes of Strategy Formulation (Mintzberg p. 65):** Planning Mode (systematic, rational, being different via unique combination), Entrepreneurial Mode (proactive, bold intuition, "inside-out", ambition/stretch/core competencies), Adaptive Mode (reactive, timid, "outside-in", solves problems as

they come, fit between S&W/O&T). Often combine modes. Creativity/innovation needed as strategy cycles shrink.

* **Operational Plans (p. 65-70): Means of implementing strategy**. Details of how strategy is accomplished. Two types: **standing plans** and **single-use plans**.

* **Standing Plans (p. 65):** For situations that **recur often**. Standardized approach. Avoids developing new plan each time. Types: policies, procedures, methods, rules.

* **Policies (p. 66-68): General guideline for decision-making**. Sets boundaries, channelises thinking consistent with objectives. Framework for decisions (don't dictate terms). Terry: verbal, written or implied overall guide.

* Advantages (p. 66): Ensure uniformity, speed up decisions at lower levels, ease delegation, give practical shape to obj, lessen conflict, facilitate communication.

* Types (p. 66-67): Sources (Originated, Appealed, Implied, Externally imposed), Functions (production, sales etc.), Organisational level (corporate -> derivative).

* Guidelines for effective policy-making (p. 67-68): Stated clearly/in writing, Purpose clear, Define freedom limits, Translated into actions/controls, Participation in formulation (top mgrs & implementers), Balance stability/flexibility, Support one another (consistent), Not detrimental to society, Comprehensive, Periodically reviewed.

* **Procedures (p. 68-69): Detailed set of instructions for performing sequence of actions**. Same steps each time. Policies carried out *by means of* procedures.

* Difference from Policy (p. 68): Procedures guide action (lower levels), show *how* implement policies, specific/no latitude, established after study. Policies guide thinking/action (higher levels), broad/allow latitude, established without study.

* Advantages (p. 68): Uniformity, Facilitate executive control, Improve employee efficiency.

* Limitations (p. 69): Limit innovation, Can cut across depts -> duplication/conflict. Overcome by periodic review.

* **Methods (p. 69): Prescribed way to perform *one step* of a procedure**. Increased effectiveness/usefulness of procedure. Reduced fatigue, better productivity, lower costs. Improved by: replace manual with mechanical, improve mechanised, work simplified ("motion study").

* **Rules (p. 69-70): Detailed instructions** that specific action *must or must not* be performed. Avoids repeated reference to higher levels for routine. Bring predictability/uniformity.

* Different from Policy/Procedure/Method (p. 69): No guide to thinking/discretion (policy), no time sequence (procedure), not concerned with one step (method).

* Standing Plan limitation (p. 69): Perfection difficult. Too many details limit creativity, too few fail security/coordination.

* **Single-use Plans (p. 69):** Developed for a **specific end**, dissolved when achieved. Types: programmes and budgets.

* **Programmes (p. 70): Precise plans/definite steps in proper sequence** for a task. Made of policies, procedures, budgets etc. (Example: opening branches). Essential: **Time phasing** and **budgeting**.

* **Budgets (p. 70): Financial and/or quantitative statement** of policy for achieving objective. Expected results in numerical terms. Useful **control device/yardstick**. Identify/remove "dead heads" (zero-based budget).

- **Steps in Planning (p. 70-73):**

1. Establishing Verifiable Goals/Set of Goals (p. 70-71): Determine enterprise objectives (top mgrs). Should be verifiable.

2. Establishing Planning Premises (p. 71): Assumptions about the future (facts/info on env, resources etc.). Crucial for success. Chief executive ensures common premises.

   - Classification (p. 71): Internal/external, Tangible/intangible, Controllable/non-controllable.

3. Deciding the Planning Period (p. 72): Time horizon (year to decades). Based on lead time, capital recovery, commitment length.

4. Finding Alternative Courses of Action (p. 72): Search for/examine alternatives. Seldom only one way. Consider feasibility (limiting factors). Creativity/Innovation needed (p. 88-89).

5. Evaluating and Selecting a Course of Action (p. 72): Evaluate alternatives based on premises/goals. Select best via quantitative techniques, OR.

6. Developing Derivative Plans (p. 72): Middle/lower-level mgrs draw plans for sub-units supporting basic plan. Lower levels follow similar steps.

7. Establishing and Deploying Action Plans (p. 73): Turn derivative plans into action. Identify activities (who, what, when, where, how). Communicate draft. Link planners ("doing the right thing") with doers ("doing things right").

8. Measuring and Controlling the Progress (p. 73): Critical. Check progress. Remedial action or change plan if unrealistic.

- **Limitations of Planning (p. 74-75):**
  1. Expensive and time-consuming (p. 74).
  2. Restricts Initiative (p. 74): Limits to rational/risk-free opps, forces operating within limits.
  3. Delay in Decision-making (p. 74): Bogged down by rules/procedures.
  4. Limited Scope in Rapidly Changing Situations (p. 74): Day-to-day basis may be better.
  5. Inflexible (p. 75): Advance plans can be inflexible. Unforeseen changes reduce value.
  6. Inaccurate Premises (p. 75): Future premises subject to error.
  7. Resistance to Change (p. 75): People unwilling/unable to accept new plan.

- **Making Planning Effective (p. 75):** Overcoming limitations.

  - Rigidity: revise periodically. Expensiveness: avoid elaborate. Premises errors: entrust to competent staff.

  - Guidelines: Coordination (derivative plans fit together), Communication (complete info, understanding whole picture, premises), Participation (subordinates, improves understanding/loyalty, eases execution - MBO, Bottom-up, Committees, Clubs), Proper Climate (top mgrs establish, stimulate interest, tradition of change).

- **Planning Skills (p. 76):** Ability to think ahead, define objectives, forecast env, frame strategies, monitor implementation, provide derivative/supporting plans.

- **Strategic Planning in the Indian Industry (p. 76):** Growing importance. Formal planning divisions common. Focus on core competence (SWOT). Mergers, JVs, diversification, demergers prevalent.

Competitor Intelligence (CI)

- **Definition:** Competitor Intelligence is the ethical and legal process of collecting, analyzing, and distributing information about competitors' capabilities, vulnerabilities, intentions, and overall business environment. The goal is to gain a competitive advantage by understanding rivals' strategies, strengths, weaknesses, and likely future actions.
- **Purpose:**
  - To anticipate competitors' moves.
  - To identify opportunities and threats in the market.
  - To inform strategic decision-making (e.g., pricing, product development, market entry).
  - To understand industry dynamics better.
- **Activities:** Involves gathering data from public sources (annual reports, news articles, websites, social media), industry reports, customer feedback, and sometimes from former employees or suppliers (within ethical boundaries). The collected data is then analyzed to derive actionable insights.
- **Example:** A smartphone company closely monitoring new patent filings, product launch announcements, and marketing campaigns of its key rivals to predict their next product features and market strategies.

Benchmarking

- **Definition:** Benchmarking is a continuous and systematic process of measuring an organization's products, services, processes, and practices against those of recognized industry leaders or best-in-class organizations (which may or may not be direct competitors). The aim is to identify areas for improvement and adopt best practices to enhance performance.
- **Purpose:**
  - To identify performance gaps.
  - To learn from others who perform specific functions exceptionally well.
  - To set realistic and ambitious performance targets.
  - To stimulate innovation and drive continuous improvement.
- **Process:** Typically involves identifying what to benchmark, identifying comparative partners, collecting and analyzing data, and then implementing improvements.
- **Example:** An airline company studying the baggage handling processes of another airline renowned for its efficiency to improve its own turnaround times.

Types of Benchmarking:

1. **Internal Benchmarking:**
   - **Definition:** Comparing processes or performance among different units, departments, or sites *within the same organization*.

- **Focus:** Identifying and sharing best practices already existing within the company.
- **Example:** A multinational company comparing the sales performance of its different regional offices to identify successful sales strategies that can be replicated.

2. **Competitive Benchmarking (External):**

- **Definition:** Directly comparing an organization's products, services, processes, or performance metrics against those of its *direct competitors*.
- **Focus:** Understanding how the organization stacks up against key rivals and identifying areas of competitive advantage or disadvantage.
- **Example:** A car manufacturer disassembling a competitor's new model to analyze its design, components, and manufacturing techniques.

3. **Functional Benchmarking (External):**

- **Definition:** Comparing similar functions or processes with organizations that are *leaders in those specific functions*, even if they are in different industries.
- **Focus:** Learning from the "best" at a particular activity, regardless of industry.
- **Example:** A hospital studying the check-in and customer service processes of a leading hotel chain to improve patient experience.

4. **Generic Benchmarking (External):**

- **Definition:** Comparing fundamental business processes or work methods that are essentially the same across many industries (e.g., order fulfillment, employee training).
- **Focus:** Identifying innovative practices by looking at a broad range of successful organizations.
- **Example:** A manufacturing company benchmarking the supply chain management practices of a leading e-commerce retailer.

These concepts are crucial for strategic planning and maintaining a competitive edge in the business environment.

2. Decision-Making

- **Meaning of a Decision (p. 82-83):**

  - **Definition:** A **choice between two or more alternatives**. Essential part of management. Permeates all functions.
  - Implies three things (p. 82-83): Choosing (based on logic/judgment), Alternatives available, Purpose in mind (closer to goal).

- **Types of Decisions (p. 83-85, also p. 26-27):** Classified in ways.

  - **Programmed and Non-Programmed Decisions (p. 83-84):** Programmed: Follow policy/rule/procedure, repetitive, routine. Non-Programmed: Novel, non-repetitive, custom treatment. Gresham's Law: programmed overshadow non-programmed (p. 84).
  - **Major and Minor Decisions (p. 84):** Based on: Degree of Futurity (commit time), Impact on Other Functional Areas, Qualitative Factors (subjective, ethical), Recurrence (rare vs often).

- - **Routine and Strategic Decisions (p. 84-85):** Routine: Tactical, housekeeping, relate to **present**, efficiency focus, lower levels. Strategic: Central to operations, relate to **future**, lengthy deliberation/funds, higher levels.
  - **Individual and Group Decisions (p. 85-86):** Individual: One person, routine/simple. Group: Group decides, important/strategic, interdepartmental.
    - Group Decision-Making Techniques (p. 85-86): Dialectic method (structured debate), Devils Advocacy (critic role), Nominal Group Technique (silent idea gen -> share -> discuss -> silent vote), Delphi Technique (dispersed experts, anonymous feedback rounds).
    - Advantages of Group Decisions (p. 85): Increased acceptance, easier coordination/communication, more info processed.
    - Disadvantages of Group Decisions (p. 85): Take longer, indecisive, compromise/group think, dominated, prior commitment.
  - **Simple and Complex Decisions (p. 26-27):** Based on variables/certainty. Mechanistic (simple problem, high certainty, SOPs), Judgemental (simple problem, low certainty, good judgment), Analytical (complex problem, high certainty, quantitative techniques), Adaptive (complex problem, low certainty, meet env/tech change, diverse contributions).
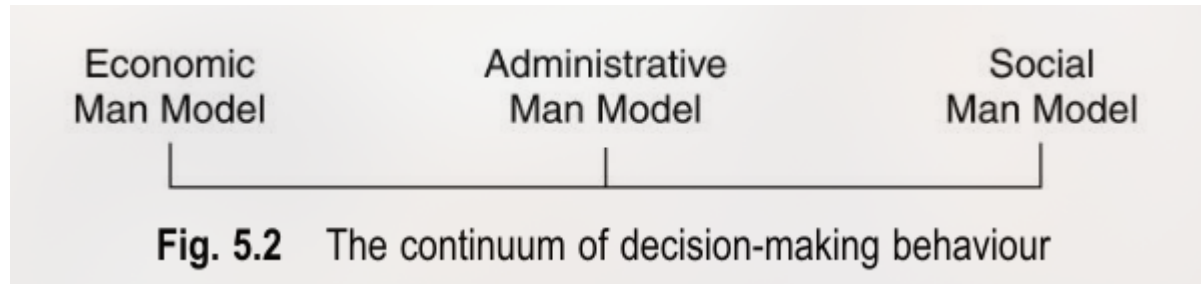- **Steps in Rational Decision-Making (p. 27-28, summarised p. 98):**
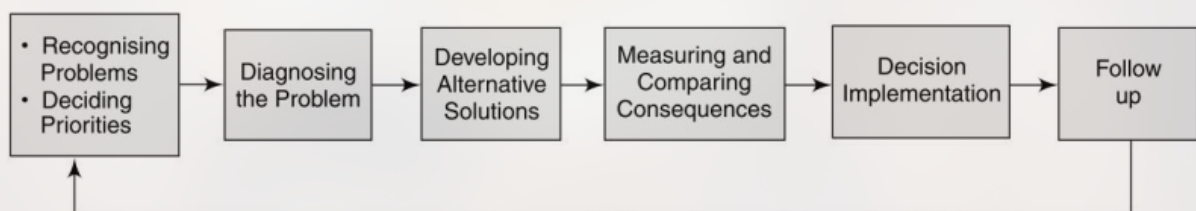
Fig. 5.1   Flow diagram of the rational decision-making process

Rational: appropriate means chosen for desired ends. (See **Fig. 5.1, p. 87**).

1. Recognising the problem (p. 27, 87): Search env for problem (deviation from past/plan, reported by others, competitors).

2. Deciding Priorities among Problems (p. 28): Solve by subs, refer upward, defer, procrastinate.

3. Diagnosing the Problem (p. 28): Correctly diagnose, symptoms may mislead. Systems approach.

4. Developing Alternative Solutions (p. 28, 88): Alternatives always exist. Consider feasibility (limiting factors). Nemawashi (discussing with affected). Creativity and Innovation needed (p. 88-89). Creative process: Saturation, Deliberation, Incubation, Illumination, Accommodation (p. 89). Brainstorming, Brain stilling techniques (p. 89).

5. Measuring and Comparing Consequences (p. 89-90): Measure Quality (tangible/intangible) and Acceptability. Need judgment/intuition for intangible. Systems approach (consider all depts). Pilot-testing (if needed). Consider outcomes/probabilities.

6. Converting Decision into Effective Action (p. 90-91): Translate decision into action. Assign responsibility. Communicate clearly.

7. Follow-up of Action (p. 91): Continuously follow up. Ensure purpose achieved. Check forecasts/assumptions. New conditions need new decisions.

* **Simon's Four Stages (p. 91):** Intelligence (search env), Design (develop alternatives), Choice (select), Review (assess past choices).

* **Rationality in Decision-Making (Models of Decision-Making Behaviour) (p. 91-94):** (See **Figure 5.2, p. 91** continuum).

Economic Man Model	Administrative Man Model	Social Man Model

Fig. 5.2 The continuum of decision-making behaviour

* **Economic Man Model (Econologic Model) (p. 91-92):** Completely rational, selects greatest advantage. Planned, logical search. Lacks realism (unrealistic assumptions). Prescriptive.
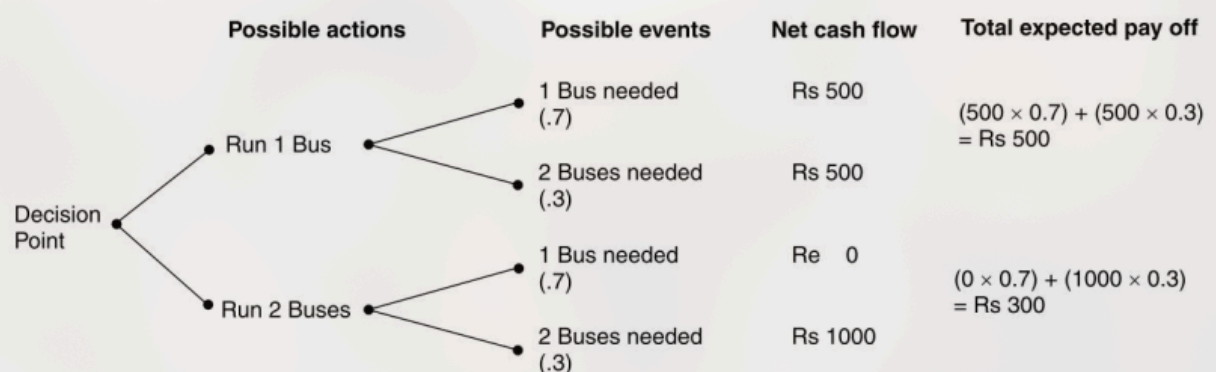* **Administrative Man Model (Bounded Rationality) (p. 92-94):** (Simon). More realistic. Limited rationality (info-processing skills). Aims to **"satisfice"** (good enough), not "maximise". Sequential search. Uses **heuristics** (rule of thumb). Judgemental heuristic model. Descriptive.
* **Social Man Model (p. 93):** Opposite extreme. Bundle of feelings, emotions, instincts, unconscious desires, subject to **social pressures**. Not capable of org rational DM (but personally rational). Asch experiment example.

* **Environment of Decision-Making (p. 93-97):** Knowledge about alternatives/outcomes. Three types:

  ○ **Certainty (p. 94):** Consequences specified. Complete info. Many managerial decisions approach certainty.

  ○ **Risk (p. 94):** Consequences not certain, but *known probability*. Evaluate alternatives by **calculating Expected Value** (outcome * probability sum). Maximize expected pay off over long-run average. Decision Tree useful for analysis (p. 95). (See **Table 5.1, p. 94**, **Fig. 5.3, p. 95**).

Table 5.1 Expected Pay Offs Associated with Two Decisions Alternatives

Alternatives available to management	No. of buses needed		Total expected pay off
	1 $P = 0.7$	2 $P = 0.3$	
1. Run one bus	Rs 500	Rs 500	$(500 \times 0.7) + (500 \times 0.3) = $ Rs 500
2. Run two buses	Re 0	Rs 1000	$(0 \times 0.7) + (1000 \times 0.3) = $ Rs 300

Possible actions	Possible events	Net cash flow	Total expected pay off
Run 1 Bus	1 Bus needed (.7)	Rs 500	$(500 \times 0.7) + (500 \times 0.3)$ = Rs 500
	2 Buses needed (.3)	Rs 500	
Run 2 Buses	1 Bus needed (.7)	Re 0	$(0 \times 0.7) + (1000 \times 0.3)$ = Rs 300
	2 Buses needed (.3)	Rs 1000	

Decision Point

Fig. 5.3 One-step decision tree of the transport co.

- ○ **Uncertainty (p. 96):** *Probabilities associated with outcomes NOT known*. Can identify outcomes/pay offs, but likelihood unknown. More prevalent. Cannot use expected pay off. Criteria:

    - ■ **Maximin (p. 96):** (Pessimistic) Choose act that **maximises the minimum pay off**.

    - ■ **Maximax (p. 97):** (Optimistic) Choose act that **maximises the maximum pay off**.

    - ■ **Minimax Regret (p. 97):** Minimise the maximum opportunity loss (regret). (See **Table 5.3, p. 97**).

Table 5.3 Opportunity Losses or Regrets

(Stated in lakh of rupees)

Decision act	Consumer acceptance			
	Immediate	*2nd year*	*5th year*	*8th year*
Immediate production and promotion	0	0	50	80
Limited production now	50	0	10	20
Limited production in 2 years	60	10	0	15
Limited production in 5 years	75	30	10	0

- **Common Difficulties in Decision-Making (p. 97-98):**

    - ○ Non-actionable Information (p. 97): Info must be timely, complete, accurate, future-oriented.

    - ○ Unsupporting Environment (p. 98): Physical/org env affects nature/implementation (goodwill/trust vs opposite).

    - ○ Non-Acceptance by Subordinates (p. 98): Acceptance necessary for effective implementation if subs affected. Democratic leadership helps gain acceptance.

    - ○ Ineffective Communication (p. 98): Makes implementation difficult. Communicate clearly/unambiguously.

    - ○ Incorrect Timing (p. 98): Right decision at inappropriate time fails purpose.

3. Forecasting

- **Meaning (p. 27):**

    - ○ **Definition:** Business forecasting is explained as a **systematic attempt to predict future business conditions** that affect the functioning and success of an organization. It is explicitly **based on the analysis of past and present data**.

    - ○ **Purpose:** It helps managers anticipate future trends and developments such as **market demand, sales volumes, production needs, operational costs, and broader economic shifts** so they can plan accordingly.

    - ○ **Linkage:** Forecasting is closely linked to, and an essential input for, both **planning** (as it provides the assumptions about the future upon which plans are built) and **decision-making** (as decisions are often based on anticipated future scenarios).

    - ○ **Example:** A retail company uses past sales data, current economic indicators, and upcoming holiday season predictions to forecast the demand for specific product categories. This forecast then informs their inventory planning, staffing decisions, and marketing campaigns.

- **Key Objectives of Business Forecasting (p. 28):**

- **To reduce uncertainty in business decisions:** By providing a more informed view of potential future conditions, forecasting helps managers make less speculative and more confident choices.
- **To support planning by estimating future requirements:** Forecasts are crucial for determining future needs for resources like raw materials, labor, capital, and production capacity.
- **To allocate resources efficiently based on anticipated trends:** By predicting demand and other business conditions, organizations can allocate their limited resources more effectively to areas where they will yield the best returns.
- **To identify risks and opportunities in advance:** Forecasting can highlight potential future challenges (e.g., a market downturn, increased competition) or new opportunities (e.g., emerging market segments, technological advancements), allowing managers to prepare proactive strategies.
- **To improve coordination among departments:** A shared forecast (e.g., a sales forecast) helps align the activities of different departments like production, marketing, and finance, ensuring they work cohesively towards common goals.

- **Classification of Forecasting (p. 28, 29, 30):**
  - Forecasting is classified based on different criteria such as time horizon, purpose, and methods used. This helps managers choose the most appropriate forecasting approach for their specific needs.
  - **1. Based on Time Horizon (p. 28, 29):**
    - **Short-Term Forecasting (p. 28, 29):**
      - Covers a period of a **few days to a year** (or days to months as per p. 28).
      - Used for **operational decisions** like inventory control, staffing schedules, daily/weekly sales forecasting, and managing sales orders.
      - **Example:** A restaurant forecasting the number of customers for the upcoming weekend to plan food purchases and staff shifts.
    - **Medium-Term Forecasting (p. 28, 29):**
      - Spans **several months to a few years** (or one to three years as per p. 29).
      - Useful for **budgeting, resource planning, and product development** strategies.
      - **Example:** A software company forecasting sales for the next 18 months to plan its budget for research and development of new features.
    - **Long-Term Forecasting (p. 28, 29):**
      - Looks at **several years ahead** (or spans more than three years as per p. 29).
      - Applied in **strategic planning, capital investment decisions, and market expansion** strategies.
      - **Example:** An automobile manufacturer forecasting long-term demand for electric vehicles to make decisions about investing in new manufacturing plants and battery

technology.

- **2. Based on Function or Purpose (p. 30):**

    - **Sales Forecasting (p. 30):** Predicts future demand for an organization's products or services. This is crucial for planning production levels, marketing efforts, and distribution strategies.

    - **Financial Forecasting (p. 30):** Estimates future revenues, costs, profits, and investment needs. It aids in financial planning, budgeting, and securing funding.

    - **Technological Forecasting (p. 30):** Anticipates future trends and breakthroughs in technology that may affect the organization's products, processes, or competitive landscape.

    - **Economic Forecasting (p. 30):** Predicts macroeconomic variables like inflation rates, GDP growth, interest rates, or unemployment levels to guide overall business policy and strategy.

- **3. Based on Method of Forecasting (p. 30):**

    - **Qualitative Forecasting (p. 30):** Relies on judgment, intuition, and expert opinion. It's useful when historical data is scarce, unavailable, or irrelevant (e.g., for new products or highly uncertain environments).

    - **Quantitative Forecasting (p. 30):** Based on statistical and mathematical models using historical data. These methods are more objective and data-driven.

- **Methods and Techniques of Forecasting (p. 30-32):**

    - These are broadly classified into qualitative (judgmental) and quantitative (statistical).

    - **1. Qualitative Methods (Judgmental Techniques) (p. 30, 31):**

        - Used when historical data is unavailable or insufficient; rely on human judgment and experience.

        - **a. Expert Opinion (p. 30, 31):** Involves consulting individuals (internal or external) with deep knowledge or experience in the specific field or market. Often used for new products or uncertain, volatile markets.

            - **Example:** A fashion retailer consulting with experienced fashion designers and trend analysts to forecast next season's popular styles.

        - **b. Market Research / Surveys (p. 30, 31):** Gathers data directly from consumers (or potential consumers) through surveys, interviews, or focus groups to understand their intentions, preferences, and likely future behavior. Helps forecast customer demand.

            - **Example:** A food company conducting taste tests and surveys to gauge consumer interest in a new snack product before a full-scale launch.

        - **c. Delphi Technique (p. 30, 31):** A structured group communication method where a panel of experts provides opinions anonymously through multiple rounds of questionnaires. Feedback from previous rounds is shared, and experts can revise their forecasts, aiming for a gradual consensus.

- **Example:** A government agency using the Delphi technique with a panel of economists to forecast long-term energy consumption patterns.

- **d. Historical Analogy (p. 31):** Forecasting based on comparing the current situation or product with similar past situations or the launch of analogous products. Assumes that what happened in a similar past context might repeat.

  - **Example:** A tech company forecasting sales of a new gaming console by looking at the sales patterns of previous successful console launches.

- **2. Quantitative Methods (Statistical Techniques) (p. 30, 31-32):**

  - Used when past data is available and assumed to be relevant for the future. These methods use mathematical and statistical models.

  - **a. Time Series Analysis (p. 30, 31):** Uses historical data ordered over time to identify underlying patterns such as trends, seasonal effects, and cyclical patterns, and then extrapolates these patterns into the future.

    - Common methods include:

      - **Moving Averages (p. 32):** Smooths out short-term fluctuations and highlights longer-term trends by calculating the average of data points over a specified period.

      - **Exponential Smoothing (p. 32):** A type of moving average that gives more weight to recent data points, making it more responsive to recent changes.

    - **Example:** A utility company using historical monthly electricity consumption data to forecast demand for the next year, accounting for seasonal peaks in summer and winter.

  - **b. Trend Projection (p. 32):** Projects future values by analyzing and extrapolating long-term trends observed in historical data, often using statistical techniques like linear regression.

    - **Example:** A university projecting student enrollment for the next five years based on the consistent upward trend in applications over the past decade.

  - **c. Regression Analysis (p. 30, 32):** Examines the statistical relationship between a dependent variable (what is being forecasted, e.g., sales) and one or more independent variables (factors that influence the dependent variable, e.g., advertising expenditure, price, competitor actions).

    - **Example:** A beverage company using regression analysis to forecast sales based on its advertising expenditure, the price of its products, and the average temperature.

  - **d. Econometric Models (p. 30, 32):** Uses complex systems of multiple regression equations to model economic relationships and forecast economic variables. Suitable for large-scale economic or financial forecasting and understanding the interplay of various economic factors.

    - **Example:** A central bank using an econometric model to forecast inflation and GDP growth based on variables like interest rates, money supply, and government spending.

- **Importance of Business Forecasting (p. 29):**

- Enables **proactive decision-making** rather than reactive responses.

- Improves **accuracy in planning** by providing a more reliable basis for setting goals and strategies.

- **Minimizes business risks** by anticipating potential downturns or challenges.

- **Strengthens competitive position** by allowing businesses to foresee market shifts and adapt quickly.

- **Optimizes use of resources** by aligning allocation with anticipated needs and demands.

- **Limitations of Forecasting (p. 29):**

  - **Based on assumptions that may not hold true:** The future is inherently uncertain, and the assumptions underpinning forecasts can prove incorrect.

  - **Cannot fully eliminate uncertainty:** Forecasting reduces uncertainty but doesn't eradicate it. Unexpected events can always occur.

  - **Accuracy depends on quality of data:** Forecasts are only as good as the data they are based on. Inaccurate or incomplete historical data will lead to poor forecasts.

  - **May be influenced by external factors beyond control:** Unforeseen events like economic crises, natural disasters, or sudden political changes can render forecasts inaccurate.

  - **Conclusion:** While not guaranteeing accuracy, forecasting significantly enhances the ability to make informed, forward-looking decisions.

- **Choosing the Right Method (p. 32):**

  - **Qualitative methods** are best when historical data is lacking, unavailable, or when the environment is highly uncertain (e.g., launching a radically new product).

  - **Quantitative methods** are preferred when reliable historical data is available and past patterns are expected to continue into the future.

  - Often, businesses use a **combination of both** qualitative and quantitative methods for more accurate and robust forecasting, leveraging the strengths of each approach.

  - The choice depends on:

    - The nature of the problem being forecasted.

    - The availability and quality of data.

    - The time frame of the forecast (short, medium, or long-term).

    - The accuracy required for the decision at hand.

    - The cost and time available to conduct the forecast.

  - Mastery of both types of methods enables better prediction and decision-making in dynamic business environments.
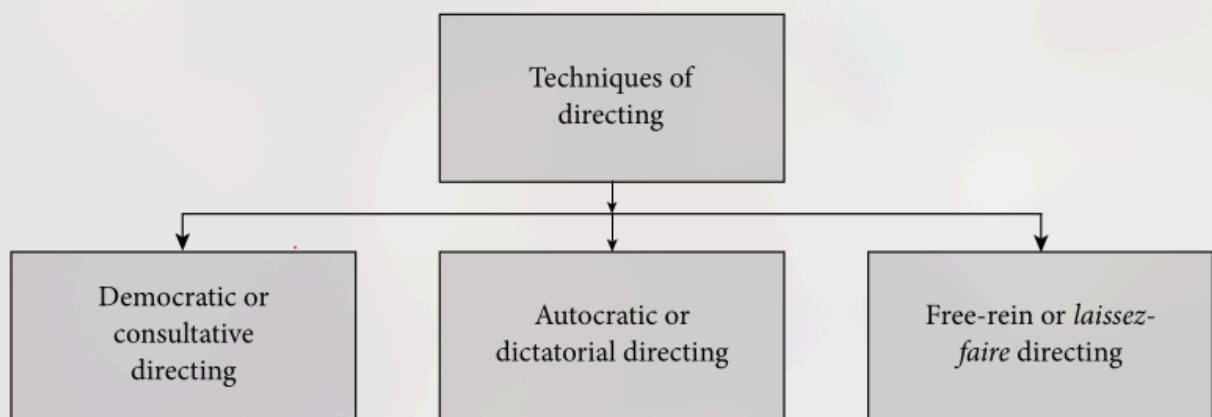
4. Directing

- **Definition (p. 360, 411 - CHAPTER 13):** Managerial function of **guiding, instructing, motivating, supervising employees** to achieve goals. Process of **leading and influencing subordinates**.

Continuous, dynamic, connects planning/execution. **Heart of management**. Involves leadership, motivation, communication. Physical act of managing employees. Needs EI, communication, motivation, teamwork etc.

- **Scope:** Influencing behavior, communication, motivation, leadership, supervision at all levels.
- **Human Factors (p. 360, 361, 374-375):** Human-centric, behavioral function (p. 361). Deals with complex, unique human behavior. Managers need understanding. Influencing behavior is key.
  - Human Behaviour in an Organization (p. 374): Study behavior in org setting. Managers need understanding of people at different levels. Individual behavior unique.
  - MARS Model of Individual Behaviour (p. 374-375): Factors influencing behavior: Motivation, Ability, Role Perception, Situation. 5 forms of org behavior: Task performance, Organizational citizenship, Counterproductive work behaviours, Joining and staying, Work attendance.
- **Creativity and Innovation:** Autocratic directing can discourage (p. 363). Fostering innovation is an activity (p. 364).
- **Impact of Directing Style on Creativity & Innovation:**
  * The style of directing employed by managers can significantly impact the levels of creativity and innovation within a team or organization.
  * **Autocratic or Dictatorial Directing** (p. 363) is specifically noted as potentially discouraging employee initiatives, innovation, and participation in decisions. When managers make all decisions without consultation and expect orders to be merely carried out, it can stifle the creative potential of subordinates. They may feel less empowered or motivated to suggest new ideas or experiment with novel approaches if their input is not valued or if they fear repercussions for deviating from established methods.
  * Conversely, a directing approach that encourages participation, delegates effectively, and fosters open communication is more likely to nurture a creative and innovative environment. This is because employees feel their contributions are valued and are more willing to take risks and propose new solutions.
- **Fostering Innovation as a Directing Activity:**
  - One of the key **activities in directing** (p. 364) is "Facilitating the development of new methods, process and procedure for effective performance of jobs and tasks." This directly links directing with fostering innovation.
  - Through effective directing, managers guide and motivate employees not just to perform existing tasks but also to think about *how* those tasks can be performed better. This might involve:
    - **Encouraging suggestions:** Creating channels for employees to propose improvements.
    - **Supporting experimentation:** Allowing some room for trying new approaches, even if they don't always succeed (treating failures as learning opportunities, similar to the concept in innovative cultures).
    - **Providing resources for development:** If an employee has a creative idea, a directing manager might help secure the time, budget, or support needed to explore it.

- **Leading by example:** If managers themselves are open to new ideas and demonstrate innovative thinking, it can inspire similar behavior in their teams.

- **Harmonizing Objectives (p. 365):** This is a fundamental principle of effective directing. It states that "the effectiveness of directing depends on the degree to which the individual objectives of the employees are harmonized with the group and organizational objectives."

-

  - **Core Idea:** People are more likely to be motivated and contribute effectively if they see how their personal goals and the work they do align with the broader goals of their team and the organization as a whole. When these objectives are in conflict, motivation and commitment can suffer.

- **Leadership:** Key aspect of directing (p. 1/360, 366). Major section discussed separately.

- **Types of Directing Techniques (p. 362-364, 413-414):** Style based on situation, employees, problem urgency. (See **Figure 13.1, p. 363**).

Figure 13.1

Techniques of Directing

  - Democratic or consultative (p. 363): Mgrs consult subs, obtain opinion *before* decision. Final authority mgr. Improves relations/responsibility/morale, enhances quality. Time-consuming.

  - Autocratic or dictatorial (p. 363): Mgrs decide/issue orders *without consulting*. Expect orders carried out. Focus on task completion. Discourages initiatives. Facilitates *faster decision making*.

  - Free-rein or laissez-faire (p. 363-364): Powers almost fully **delegated to subordinates**. Mgr's role: observer, available for consult. Practicable with knowledgeable subs.

- **Managers as leaders:** Directing involves leadership. All managers should be leaders. Leadership is principle of effective directing. Supervisors perform leader role.

- **Early Leadership Theories..., Directing...PathGoal Theory, Contemporary views...:** Discussed under "Leadership".

- **Characteristics of Directing (p. 360-361, 411-412):** Top-down approach, Command function, Pervasive function, Continuous activity, Influences human behaviour, Delegated function.

- **Process of Directing (p. 362, 413-414):** Initiates, manages, completes activities. Differs based on env. Basic steps: Motivating, Facilitating collaboration, Coordinating, Delegating, Effectively managing conflict. Outcome: Goal accomplishment.
    - Activities in Directing (p. 364-365, 414-415): Facilitating goals, implementing plans, resource maintenance, training, communication, guidance/motivation (leadership), interpersonal relations, setting standards, employee morale, counselling, inspiring, coordinating, resolving grievances, controlling, career plans, developing methods, preserving group dynamics.
- **Principles of Effective Directing (p. 365-366, 415-417):** Rules for effective direction. (See **Figure 13.2, p. 366** Elements).

Figure 13.2

Important Elements of Directing

Principle of harmony of objectives, Principle of direct supervision, Principle of unity of command, Principle of appropriateness of direction technique, Principle of maximum individual contribution, Principle of flow of information, Principle of leadership, Principle of strategic use of informal organization, Principle of follow-through.

- **Elements of Directing (p. 366-368):** Important elements (Motivation, Communication, Leadership, Supervision). (See **Figure 13.2, p. 366**).
    - Motivation (p. 367): Internal state arouses/maintains action. Encouraging effort. Intrinsic vs Extrinsic. Effectiveness by Collaboration, Content, Choice. Success by direction, effort, persistence.
    - Communication (p. 367-368): Process info shared/understood. Major determinant of directing success. Improving interpersonal relations. Systematic, constant. Mgrs need specialization. Interpersonal vs Organizational. Formal/informal, verbal/non-verbal, oral/written. Essential for other functions.
    - Leadership (p. 368): Process of influencing behavior for goal accomplishment. Ability to make things happen via influence. Leader, followers, situation interaction. Mgrs need diverse skills.

Classified autocratic, democratic, bureaucratic, laissez-faire, participative, transactional, transformational.

- Supervision (p. 368-373): Link btw mgrs and workers (first level). Directly interact. Spend more time directing.

  - Definitions of Supervisor (p. 369-370): First level, charge of/coordinator, junior level, interface btw mgmt/non-mgmt.

  - Characteristics (p. 370): Interface, make operational decisions, convert resources to output, help subs, perform roles (leader, DM, planner etc.), supervise day-to-day, ensure execution/standards, responsible for subs' work.

  - Types of Supervision (p. 370-371): Classified by style. Employee-centred (emphasis on subs' feelings, well-being, cordial relations), Job- or task-centred (focus on achieving targets, results-oriented).

  - Approaches to Supervisory Management (p. 371): Few universal. (See **Figure 13.3, p. 371**). Systematic management (measurement/analysis for goals), Human relations (understand subs' behavior), Quantitative (math/stats), Contingency (situation decides approach).

  - Challenges (p. 372-373): Lack of mgmt support/training, tech changes, role confusion/overload/conflict, interface role (employee anger), constant pressure (higher mgmt/labor trust), motivating heterogeneous workforce, changing env, training/motivating for growth.

  - Essential Characteristics of Effective Supervisors (p. 372-373): Enhance effectiveness. Develop dual skills (behavior-based, job- or task-based). Job knowledge, openness to ideas, issue reasonable orders, recognize/praise, motivating others/self, provide training, allow job autonomy, held accountable.

5. Leadership

- **Definition (p. 406, 410 - CHAPTER 15/16):** Process of **influencing people** to work hard for goals (Ch 15). Process of **leading a group and influencing to achieve goals** (Ch 16). Someone influencing others with managerial authority (Ch 16).

- **Characteristics (p. 406-407, 410-411 - CH 15):** Goal-based, Power-based, Pervasive, Persuasive, Interactive. (From Ch 16): Influence-based, Interpersonal Process, Goal-Oriented, Continuous Activity, Situational, Requires Vision/Communication, Based on Trust, Facilitates Change/Innovation.

- **Leadership vs. Management (p. 407 - CH 15):** Leadership works *on the system* (vision, change, creativity, proactive, personal power, develops people, future-oriented, risk-taking, long-term). Management works *in the system* (stability, order, problem-solving, maintenance, authoritative, rational, positional power, manages others, present-oriented, risk-averse, short-term). Successful mgrs need both.

- **Process of Leadership (p. 408 - CH 15):** (Conger) 1. Developing strategic vision. 2. Communicating the vision. 3. Building trust among members. 4. Showing the ways/means (role-modelling, empowerment).

- **Leadership Theories (p. 408-422 - CH 15):** Many approaches. (See **Figure 15.1, p. 410** theory map).

Figure 15.1
Leadership Theories
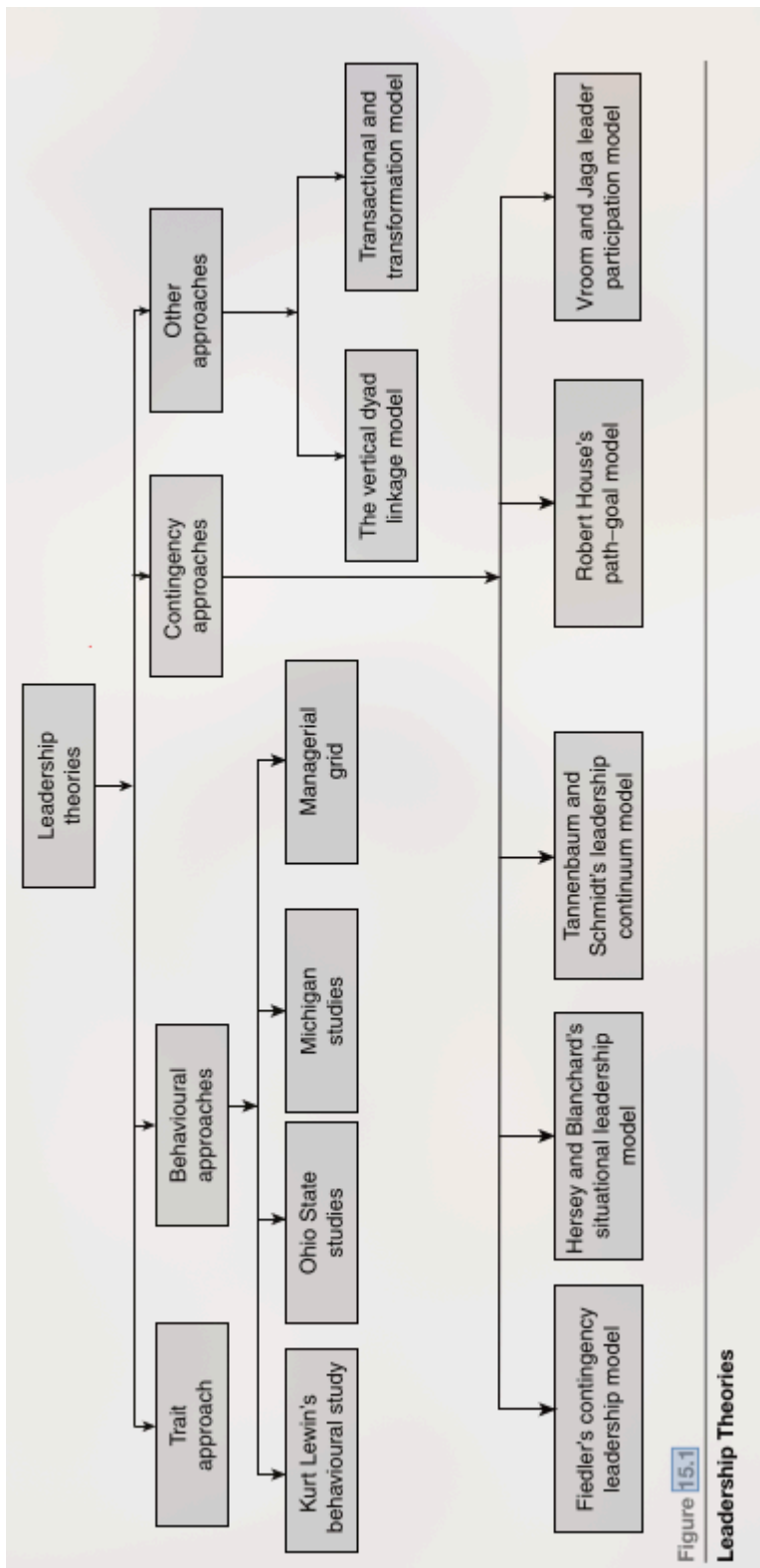
- **Trait Approach (p. 408-409, 410 - CH 15/16):** Identifying distinguishing personal characteristics/behaviors. Leaders born. Early attempts failed universal set. Later found traits *associated* (Drive, Desire to lead, Honesty/integrity, Self-confidence, Intelligence, Job-relevant knowledge, Extraversion, Proneness to guilt, Emotional intelligence, Conscientiousness - **Exhibit 16-1, p. 411**). EI, Conscientiousness, Intel powerful. Traits role small, situational

dependent.

Exhibit 16-1
Ten Traits Associated with Leadership

1. **Drive.** Leaders exhibit a high effort level. They have a relatively high desire for achievement, they are ambitious, they have a lot of energy, they are tirelessly persistent in their activities, and they show initiative.
2. **Desire to lead.** Leaders have a strong desire to influence and lead others. They demonstrate the willingness to take responsibility.
3. **Honesty and integrity.** Leaders build trusting relationships with followers by being truthful or nondeceitful and by showing high consistency between word and deed.
4. **Self-confidence.** Followers look to leaders for an absence of self-doubt. Leaders, therefore, need to show self-confidence in order to convince followers of the rightness of their goals and decisions.
5. **Intelligence.** Leaders need to be intelligent enough to gather, synthesize, and interpret large amounts of information, and they need to be able to create visions, solve problems, and make correct decisions.
6. **Job-relevant knowledge.** Effective leaders have a high degree of knowledge about the company, industry, and technical matters. In-depth knowledge allows leaders to make well-informed decisions and to understand the implications of those decisions.
7. **Extraversion.** Leaders are energetic, lively people. They are sociable, assertive, and rarely silent or withdrawn.
8. **Proneness to guilt.** Guilt proneness is positively related to leadership effectiveness because it produces a strong sense of responsibility for others.
9. **Emotional intelligence.** Empathetic leaders can sense others' needs, listen to what followers say (and don't say), and read the reactions of others.
10. **Conscientiousness.** People who are disciplined and able to keep commitments have an apparent advantage when it comes to leadership.[6]

- **Behavioural Approach (p. 409, 411-415 - CH 15):** Identifying *behaviours* that differentiate effective leaders. Leaders made. (See **Exhibit 16-2, p. 411** Summary Table).

  - Kurt Lewin's study (p. 411): 3 styles -> impact on productivity/behavior: Authoritarian/autocratic (issue orders), Democratic (consult, participate, high morale/quality), Laissez-faire (delegate fully, low productivity/quality).

  - Ohio State studies (p. 411-412 CH 15, 411 CH 16): 2 dimensions: Initiating structure (focus on tasks/goals), Consideration (mutual trust, comm, respect, friendly). High in consideration -> lowest turnover/high satisfaction. High in *both* (high-high leader) sometimes higher

satisfaction/perf. Weakness: ignored situation. (See **Figure 15.2, p. 412**).

Figure 15.2
Ohio State Studies
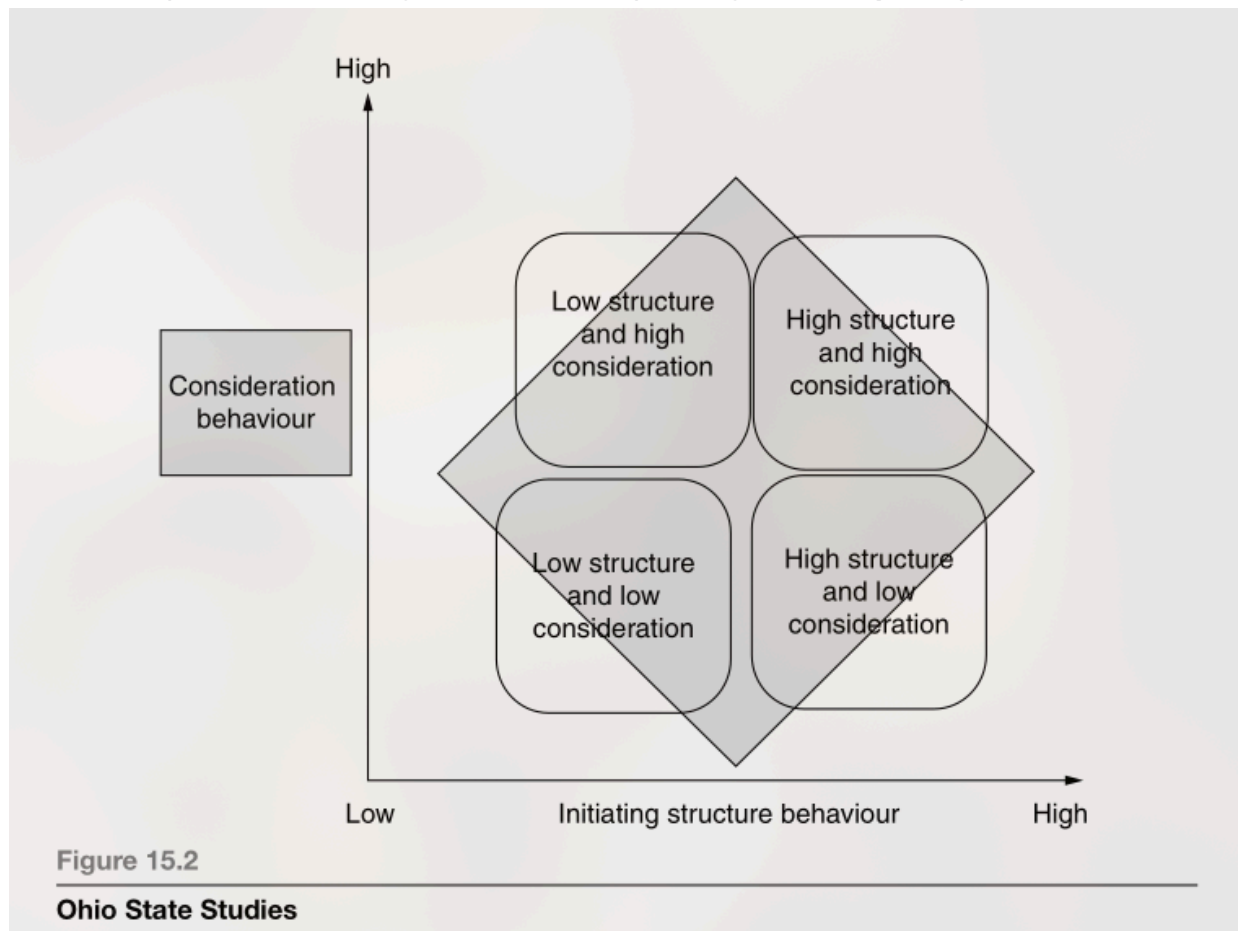
- University of Michigan studies (p. 413 CH 15, 411 CH 16): 2 dimensions: Production-centred (focus on technical aspects, close supervision), Employee-centred (interpersonal relations, cohesive groups, employee well-being). Employee-centred -> higher productivity. Effective leaders supportive, group DM.

- Managerial grid (Blake/Mouton p. 413-415 CH 15, 411-413 CH 16): 2 dimensions: Concern for Production, Concern for People (1-9 scale). Based on "one best style". (See **Figure 15.3, p. 414** Grid). 5 styles: Impoverished (1,1 - low P/P), Authority Compliance/Task Mgt (9,1 - high P/low P), Middle-of-the-Road (5,5 - balance), Country Club (1,9 - low P/high P), Team leader/Team Mgt (9,9 - high P/high P - Ideal). Effective tool for identifying/developing.

Difficult to attain 9,9.

1 Country club leader							Team or Ideal leader
2.							
3.							
4.							
5.			Middle of the road leader				
6.							
7.							
8.							
9. Impover-ished leader							Authority compliance leader or task leader
1. 2. 3. 4. 5. 6. 7. 8. 9.							

Figure 15.3

The Managerial Grid

- ○ **Contingency or Situational Approaches (p. 416-421 CH 15, 413-417 CH 16):** No one trait/style effective always. Style differs based on situation. Identify situational factors influencing effectiveness. Goal: best style for context.

  - ▪ Fiedler's model (p. 416 CH 15, 413-415 CH 16): Match btw leader's **fixed style** (task vs relationship-oriented, measured by **LPC questionnaire**) and **situational favorableness** (leader-member relations, task structure, position power). 8 situations. Task-oriented best in very favorable/unfavorable. Relationship-oriented best in moderately favorable. Improving effectiveness: change leader or change situation. Research support but criticised (fixed style, LPC practical). (See **Exhibit 16-3, p. 414**).

  - ▪ Hersey and Blanchard's situational model (p. 416-417 CH 15, 415 CH 16): Focuses on followers' **readiness** (ability, willingness, confidence). Leader adjusts style. 4 styles: Delegating (low task/low rel, for R4 able/willing), Participating (low task/high rel, for R3 able/unwilling), Selling (high task/high rel, for R2 unable/willing), Telling/Coaching (high task/low rel, for R1 unable/unwilling). Leader decreases control/relations as followers mature. Intuitive appeal, acknowledges follower importance. Research disappointing.

  - ▪ Tannenbaum and Schmidt's continuum (p. 417-418 CH 15): Range of behaviors from **boss-centred** to **subordinate-centred**. Style choice influenced by Decision quality, Decision acceptance, Decision time, and 7 other factors. Leaders shift styles based on env. Helps decide who makes decisions.

  - ▪ Robert House's path–goal model (p. 418-420 CH 15, 416-417 CH 16): Find **right fit between leadership and situation**. Leader helps subs achieve goals by removing roadblocks. Leaders are flexible. 4 behaviors: Directive (clarify expectations/tasks),

Supportive (friendly/caring, pleasant env, boost confidence), Participative (consult subs), Achievement-oriented (challenging goals, high confidence in subs). Situational factors influencing: Subordinates' characteristics (ability, locus of control, needs) and Environmental forces (tasks, group, authority system). Behavior must be motivational, make satisfaction dependent on performance, not redundant with env. (See **Figure 15.4, p. 420**).

Figure 15.4

Path–Goal Model
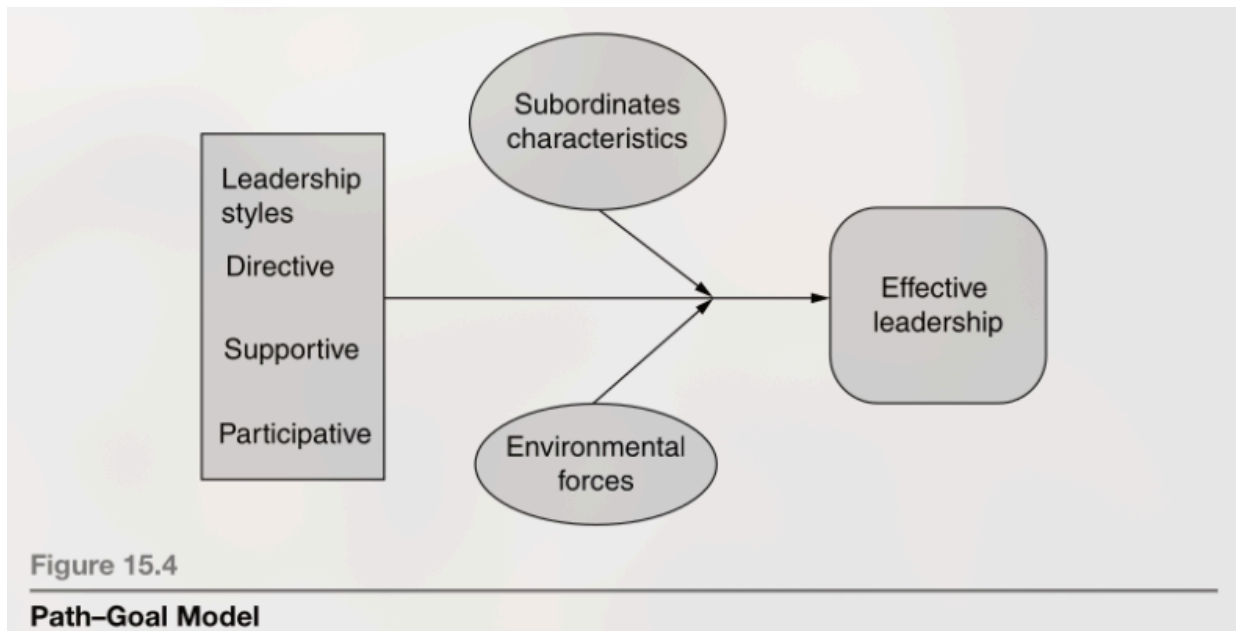
- Vroom and Jaga model (p. 420-421 CH 15): Style suits problem. Subordinate involvement in DM. 3 decision categories: Authority decision (leader decides), Consultative decision (leader consults then decides), Group decision (subs decide). Factors governing choice (7 categories: significance, commitment importance, expertise etc.). Leaders shift styles.

- **Other Approaches (p. 421-422 CH 15):**

  - Vertical dyad linkage model (VDL) (p. 421 CH 15): Leaders behave differently with different subs ("vertical dyad"). Develop "in-group" (trusted, preferential) and "out-group". Describes leader-subordinate relationship.

  - Transactional and transformation model (p. 422 CH 15, 419-420 CH 16): Two types. Transactional: Traditional, exchange focused on **pre-determined goals**. Routine activities. Exchange via contingent rewards, management by exception (active/passive), laissez-faire. Hinders change. Transformational: Recognizing need for change, action. Influences needs, values, beliefs (desired manner). Enhancing task significance awareness, personal growth awareness, org interest over personal. Exchange via idealized influence, inspirational motivation, intellectual stimulation, individualized consideration. Achieves **superior performance**. Develops from transactional. Research shows overwhelming support, more effective.

- **Leadership and Organizational Life Cycle (p. 422-423 CH 15):** Stages need different styles (Clark). Phase 1 (Creativity), Phase 2 (Direction - central authority), Phase 3 (Delegation - autonomy), Phase 4 (Coordination - watch dogs), Phase 5 (Participative - team-oriented, interpersonal). Clarke/Bratt: 4 roles - Champion, Tank commander, Housekeeper, Lemon squeezer.

Contemporary Views of Leadership (1980s - Present): These theories expand beyond earlier views, incorporating more dynamic, relational, ethical, and inspirational aspects of leadership.

* **Leader-Member Exchange (LMX) Theory (p. 421 CH15, 417 CH16):** Focuses on the **two-way relationship** between leaders and individual followers. Leaders develop "in-groups" (trusted, favored) and "out-groups," significantly impacting follower performance, satisfaction, and turnover.

* **Transactional vs. Transformational Leadership (p. 422 CH15, 419-420 CH16):**

* *Transactional Leaders:* Guide followers by using social exchanges, clarifying roles, and rewarding productivity. Focus on routine, exchanges.

* *Transformational Leaders:* Inspire and motivate followers to **exceed expectations** and achieve extraordinary outcomes by transforming their attitudes, values, and goals. They are visionary, inspirational, provide intellectual stimulation and individualized consideration.

* **Charismatic Leadership (p. 418 CH16):** Leaders to whom followers attribute heroic or extraordinary abilities based on their behaviors (vision, articulation, risk-taking, sensitivity, unconventional behavior). They use personal charm and emotional appeal.

* **Authentic Leadership (p. 420 CH16):** Focuses on the moral aspects. Leaders know who they are, what they believe in, and act on those values openly and candidly. They are self-aware, transparent, solicit challenging views, and are guided by strong moral standards.

* **Ethical Leadership (p. 420 CH16, 423-426 CH15):** Leading with integrity, fairness, and accountability. Promoting ethical behavior through role modeling and setting clear standards.

* **Servant Leadership (p. 421 CH16):** Leaders focus on serving others first—prioritizing the needs and growth of followers and the community. Traits include humility, empathy, listening, stewardship.

* **Team Leadership (p. 15 CH16 text, not in provided snippets):** Emphasizes collaboration, coordination, and empowerment within teams. Leaders act as facilitators or coaches.

* **Cross-Cultural Leadership (p. 427 CH15):** Recognizes the need for leaders to adapt their styles and approaches to effectively manage diverse teams in a globalized environment.

* *Implication:* Contemporary theories acknowledge that leadership is complex, contextual, often shared, and deeply intertwined with values, relationships, and inspiration. They move beyond simple trait or behavioral prescriptions.

- **Recent Trends (p. 423-427 CH 15):**

    - **Ethical Leadership (p. 423-426 CH 15, 425-426 CH 16):** Ethics: principles determining behavior. Leaders as role models (p. 424 CH 15). Essential for ethical workforce. Orgs with fair treatment have less unethical behavior. Survival depends on ethics. Ethical orgs have trust, high productivity. Types of ethics: Descriptive, Normative, Interpersonal. Approaches to ethical issues: Utilitarian (greatest good), Based on rights (respect dignity/rights - HR), Based on justice (equal treatment, procedure, consistency). International business ethics (p. 425 CH 15): Globalization needs adaptation. Guidelines for MNCs: Human rights obligation, Welfare obligation (prevent harm, provide benefits), Justice obligation (fairness, contribute to dev). Focuses on moral aspects. Leaders create ethical culture. Highly ethical leaders rated positively. (Ed Bastian example p. 425 CH 16).

    - **Strategic Leadership (p. 426-427 CH 15):** Top managerial execs/teams. Complexities of org/env, leading change for alignment. Influences overall effectiveness. Functions: understanding org (vision, mission, S&W), aware of env. Guidelines: long/short term goals, S&W, core competencies, assess strategy needs, identify/assess/choose strategies after consultation.

- Cross-cultural Leadership (p. 427 CH 15): Cultural values influence perceptions/behaviors. Wide differences across cultures. Essential for mgrs in diverse settings. Due to social transformation, labor mobility, changing workforce. Challenge: motivate culturally different groups towards shared goals by appealing to shared knowledge. (US vs Singaporean example). Servant leadership relevant in certain cultures.

Implications for Contemporary Leadership Practices:

The evolution of leadership theories has profound implications for how leadership is understood and practiced today:

1. **No Single "Best" Style:** The clear takeaway is that there is no one-size-fits-all leadership style. Effective leadership is contingent upon the followers, the task, the organization, and the broader environment. Contemporary leaders need to be **flexible and adaptable**.

2. **Importance of Self-Awareness and Development:** While early trait theories suggested leaders are born, later theories (behavioral, contemporary) emphasize that leadership skills and behaviors can be **learned and developed**. Leaders need to understand their own strengths, weaknesses, and preferred styles (self-awareness from Authentic Leadership) and continuously work on improving.

3. **Focus on Relationships and People:** Theories like LMX, Transformational, Servant, and even Consideration in behavioral theories highlight the critical role of **building strong, trusting relationships** with followers. Motivating, inspiring, and empowering people are central to effective leadership.

4. **Ethical and Values-Based Leadership:** Contemporary views increasingly stress the importance of **ethics, integrity, and authenticity**. Leaders are expected to be moral role models and create ethical organizational cultures.

5. **Empowerment and Participation:** Many modern theories (Participative leadership, Transformational leadership, Servant leadership, LMX in-groups) advocate for **involving followers in decision-making** and empowering them, moving away from purely autocratic approaches.

6. **Vision and Inspiration:** Transformational and Charismatic leadership theories underscore the leader's role in **creating and communicating a compelling vision** that inspires followers to achieve extraordinary results.

7. **Understanding Followers:** Contingency theories (especially SLT and Path-Goal) and LMX theory highlight the need for leaders to understand their **followers' characteristics** (readiness, needs, abilities, locus of control) and tailor their approach accordingly.

8. **Adaptability to Global and Diverse Contexts:** Cross-cultural leadership emphasizes that what works in one cultural context may not work in another. Leaders need **cultural intelligence** and the ability to adapt their practices.

9. **Leadership is a Process, Not Just a Position:** Leadership is seen as an influence process that can be enacted by individuals at various levels, not just those in formal managerial roles (e.g., emergent leadership).

10. **Training and Development are Key:** The understanding that leadership can be learned makes **leadership training and development programs** crucial for organizations seeking to cultivate

effective leaders.

- **Leadership Succession Planning (p. 427 CH 15):** Planning for and appointing **top-level executives**. Critical exercise. Helps preparedness, guarantees stability. Ensure competent mgrs for future needs.

- **Issues Affecting Leadership (21st Century Issues) (p. 424-428 CH 16):**

  - **Managing Power (p. 424 CH 16):** Leader's influence capacity. 5 sources: Legitimate (position), Coercive (punish), Reward (give positive rewards), Expert (special skills/knowledge), Referent (desirable traits, admiration). Effective leaders use **several forms**.

  - **Developing Credibility and Trust (p. 424-426 CH 16):** Lack undermines. Credibility: Honest, competent, inspiring. Honesty critical. Trust: Belief in integrity, character, ability. Followers willing to be vulnerable. 5 dimensions: Integrity, Competence, Consistency, Loyalty, Openness. Integrity most critical. Trust related to positive job outcomes. Rebuilding trust challenging (downsizing etc.). Built by compassionate behavior, humble communication. Crucial in today's workplace (empowerment, virtual teams).

  - **Leading Virtual Teams (p. 426 CH 16):** Lack face-to-face challenge. Difficulty cohesion/completion. Increased virtual work (COVID). Need different approach. Strategies: Establish norms, build collaborative relations/trust. Beyond tech. Stay connected (empathy). Focus on **outcomes/results**.

  - **Leadership Training (p. 426-427 CH 16):** Orgs invest. Mixed results for individual studies. Comprehensive review encouraging if: multiple sessions, info/demo/practice combined, contextualized, personalized. More successful with high self-monitors/motivation to lead. Can teach: Implementation, trust-building, mentoring, situational analysis. AI training needed (p. 427 CH 16): AI literacy, integrate AI, improve DM, streamline, reallocate time, ethical issues, Chief AI Officer.

- **When Leadership May Not Be Important (p. 427-428 CH 16):** Leader actions sometimes irrelevant. Other factors guide behavior/performance.

  - **Substitutes for Leadership (p. 428 CH 16):** Individual, job, org variables that **replace** need for direct leadership. Examples: Highly skilled/experienced employees, Well-structured tasks, Strong formal rules/procedures, Cohesive work groups.

  - **Neutralizers of Leadership (p. 428 CH 16):** Conditions that **prevent** leaders from being effective. **Block or limit** influence. Examples: Lack of authority, Organizational constraints, Physical distance.

  - Conclusion (p. 428 CH 16): Leadership not always critical. Work env, task nature, team capability can *replace* or *reduce* need.