Agribusiness Management-III

AGE 513

Unpublished Lecture Notes

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Leadership Styles

- **Laissez-Faire**
- A laissez-faire leader lacks direct supervision of employees and fails to provide regular feedback to those under his supervision.
- Highly experienced and trained employees requiring little supervision fall under the laissez-faire leadership style.
- However, not all employees possess those characteristics. This leadership style hinders the production of employees needing supervision.
- The laissez-faire style produces no leadership or supervision efforts from managers, which can lead to poor production, lack of control and increasing costs.

Leadership Style

Autocratic

- The autocratic leadership style allows managers to make decisions alone without the input of others.
- Managers possess total authority and impose their will on employees. No one challenges the decisions of autocratic leaders.
- This leadership style benefits employees who require close supervision.
- Creative employees who thrive in group functions detest this leadership style.

Leadership Style

- **Participative**
- Often called the democratic leadership style’
- Participative leadership values the input of team members and peers, but the responsibility of making the final decision rests with the participative leader.
- Participative leadership boosts employee morale because employees make contributions to the decision-making process.
- It causes them to feel as if their opinions matter.
- When a company needs to make changes within the organization, the participative leadership style helps employees accept changes easily because they play a role in the process.
- This style meets challenges when companies need to make a decision in a short period.

Leadership Style

- **Transactional**
- Managers using the transactional leadership style receive certain tasks to perform and provide rewards or punishments to team members based on performance results.
- Managers and team members set predetermined goals together, and employees agree to follow the direction and leadership of the manager to accomplish those goals.
- The manager possesses power to review results and train or correct employees when team members fail to meet goals.
- Employees receive rewards, such as bonuses, when they accomplish goals.

Leadership Style

- **Transformational**
- The transformational leadership style depends on high levels of communication from management to meet goals.
- Leaders motivate employees and enhance productivity and efficiency through communication and high visibility.
- This style of leadership requires the involvement of management to meet goals.
- Leaders focus on the big picture within an organization and delegate smaller tasks to the team to accomplish goals.

Management Innovations

- Management Principles developed by Henri Fayol:
- **DIVISION OF WORK**: Work should be divided among individuals and groups to ensure that effort and attention are focused on special portions of the task.
- Fayol presented work specialization as the best way to use the human resources of the organization.
- **AUTHORITY**: The concepts of Authority and responsibility are closely related. Authority was defined by Fayol as the right to give orders and the power to exact obedience.
- Responsibility involves being accountable, and is therefore naturally associated with authority. Whoever assumes authority also assumes responsibility.

Management Innovations

DISCIPLINE: A successful organization requires the common effort of workers. Penalties should be applied judiciously to encourage this common effort.

- **UNITY OF COMMAND**: Workers should receive orders from only one manager.

- **UNITY OF DIRECTION**: The entire organization should be moving towards a common objective in a common direction.

- **SUBORDINATION OF INDIVIDUAL INTERESTS TO THE GENERAL INTERESTS**:

The interests of one person should not take priority over the interests of the organization as a
whole.

Management Innovations

- **REMUNERATION**: Many variables, such as cost of living, supply of qualified personnel, general business conditions, and success of the business, should be considered in determining a worker's rate of pay.

- **CENTRALIZATION**: Fayol defined centralization as lowering the importance of the subordinate role. Decentralization is increasing the importance. The degree to which centralization or decentralization should be adopted depends on the specific organization in which the manager is working.

- **SCALAR CHAIN**: Managers in hierarchies are part of a chain like authority scale. Each manager, from the first line supervisor to the president, possess certain amounts of authority. The President possesses the most authority; the first line supervisor the least. Lower level managers should always keep upper level managers informed of their work activities. The existence of a scalar chain and adherence to it are necessary if the organization is to be successful.

Management Innovations

- **ORDER:** For the sake of efficiency and coordination, all materials and people related to a specific kind of work should be treated as equally as possible.
- **EQUITY**: All employees should be treated as equally as possible.
- **STABILITY OF TENURE OF PERSONNEL**: Retaining productive employees should always be a high priority of management. Recruitment and Selection Costs, as well as increased product-reject rates are usually associated with hiring new workers.
- **INITIATIVE**: Management should take steps to encourage worker initiative, which is defined as new or additional work activity undertaken through self direction.
- **ESPIRIT DE CORPS**: Management should encourage harmony and general good feelings among employees.

Strategic Planning

If you don't know where your business is going, any road will get you there.

What is a Strategic Plan?

Entrepreneurs and business managers are often so preoccupied with immediate issues that they lose sight of their ultimate objectives. That's why a business review or preparation of a strategic plan is a virtual necessity. This may not be a recipe for success, but without it a business is much more likely to fail. A sound plan should:

- Serve as a framework for decisions or for securing support/approval.
- Provide a basis for more detailed planning.
- Explain the business to others in order to inform, motivate & involve.
- Assist benchmarking & performance monitoring.
- Stimulate change and become building block for next plan.

Strategic Planning

- A strategic plan can provide the foundation and frame work for a business plan.
- A strategic plan is visionary, conceptual and directional in contrast to an operational plan which is likely to be shorter term, tactical, focused, implementable and measurable.

Basic Approach to Strategic Planning

A critical review of past performance by the owners and management of a business and the preparation of a plan beyond normal budgetary horizons require a certain attitude of mind and predisposition. Some essential points which should to be observed during the review and planning process include the following:

- Relate to the medium term i.e. 2/4 years
- Be undertaken by owners/directors
- Focus on matters of strategic importance
- Be separated from day-to-day work

Strategic Planning

- Be realistic, detached and critical
- Distinguish between cause and effect
- Be reviewed periodically
- Be written down.
- As the precursor to developing a strategic plan, it is desirable to clearly identify the current status, objectives and strategies of an existing business or the latest thinking in respect of a new venture.
- Correctly defined, these can be used as the basis for a critical examination to probe existing or perceived **Strengths**, **Weaknesses**, **Threats** and **Opportunities**.
- This then leads to strategy development covering the following issues discussed in more detail below:

Strategic Planning

- Vision
- Mission
- Values
- Objectives
- Strategies
- Goals
- Programs

Strategic Planning

SWOTs - Keys to Business Strategies

Having built up a picture of the company's past aims and achievements, the SWOT (strengths, weaknesses, opportunities and threats) analysis can commence.

Strengths & Weaknesses

Strengths and weaknesses are essentially **internal** to the organization and relate to matters concerning resources, programs and organization in key areas. These include:

- Sales - marketing - distribution - promotion - support;
- Management - systems - expertise - resources;
- Operations - efficiency - capacity - processes;
- Products - services - quality - pricing - features - range - competitiveness;
- Finances - resources - performance;

Strategic Planning

- R&D - effort - direction - resources; Costs - productivity - purchasing;
- Systems - organization - structures.

If a startup is being planned, the strengths and weaknesses are related mainly to the promoter(s) - their experience, expertise and management abilities - rather than to the project.

The objective is to build up a picture of the outstanding good and bad points, achievements and failures and other critical features within the company.

Threats & Opportunities

The **external** threats and opportunities confronting a company, can exist or develop in the following areas:

The company's own industry where structural changes may be occurring (Size and segmentation; growth patterns and maturity; established patterns and relationships, emergence/contraction of niches; international dimensions; relative attractiveness of segments)

Strategic Planning

- The marketplace which may be altering due to economic or social factors (Customers; distribution channels; economic factors, social/demographic issues; political & environmental factors)

- Competition which may be creating new threats or opportunities (Identities, performances, market shares, likely plans, aggressiveness, strengths & weaknesses)

- New technologies which may be causing fundamental changes in products, processes, etc. (Substitute products, alternative solutions, shifting channels, cost savings etc.)

Strategic Planning

Develop Business Strategies

Once the SWOT review is complete, the future strategy may be readily apparent or, as is more likely the case, a series of strategies or combinations of tactics will suggest themselves. Use the SWOTs to help identify possible strategies as follows:

- **Build** on strengths
- **Resolve** weaknesses
- **Exploit** opportunities
- **Avoid** threats

The resulting strategies can then be filtered and molded to form the basis of a realistic strategic plan

Business Development/Market Growth Strategy

- **Ansoff product-market growth matrix - strategic tool**

- A useful planning tool in respect of markets and products is the matrix developed by Igor Ansoff (H Igor Ansoff, 1918-2002), who is regarded by some as the 'Father of Strategic Management'.
- Fully titled the Ansoff Product-Market Growth Matrix, the tool was first published in Harvard Business Review, 1957, in Ansoff's paper Strategies for Diversification.
- The Ansoff product-market matrix helps to understand and assess marketing or business development strategy. Any business, or part of a business can choose which strategy to employ, or which mix of strategic options to use.
- This is a fundamentally simple and effective way of looking at strategic development options.

Business Development/Market Growth Strategy

	existing products	new products
existing markets	market penetration	product development
new markets	market development	diversification

Business Development/Market Growth Strategy

- **Boston Matrix Model - Product/service development**
- The Boston Matrix model is a tool for assessing existing and development products in terms of their market potential, and thereby implying strategic action for products and services in each of the four categories reflected in the model.
- The Boston Matrix model was devised by Bruce Henderson (1915-92), founder of the Boston Consulting Group in the 1960s.
- It has been adapted in many ways.
- It is a very quick and easy method for analysis, thinking and decision-making, while being unavoidably limited in its handling of subtlety and detail.
- But it gives clarity and ease of understanding which are helpful in communicating ideas to teams and groups.

Business Development/Market Growth Strategy

	low market share	high market share
growing market	problem child	(rising) star
mature market	dog	cash cow