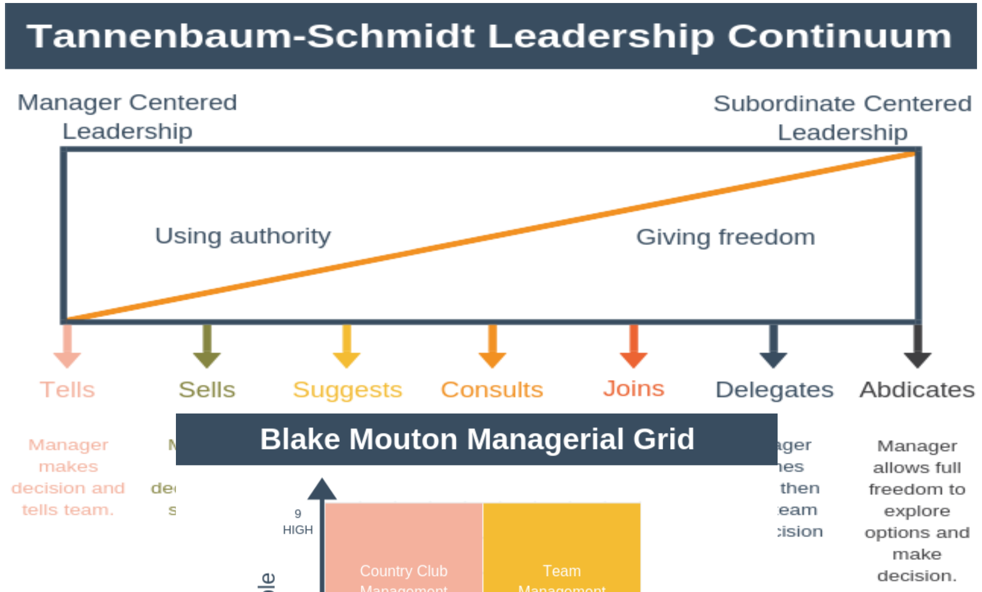
3.2. MANAGERS, LEADERSHIP & DECISION MAKING

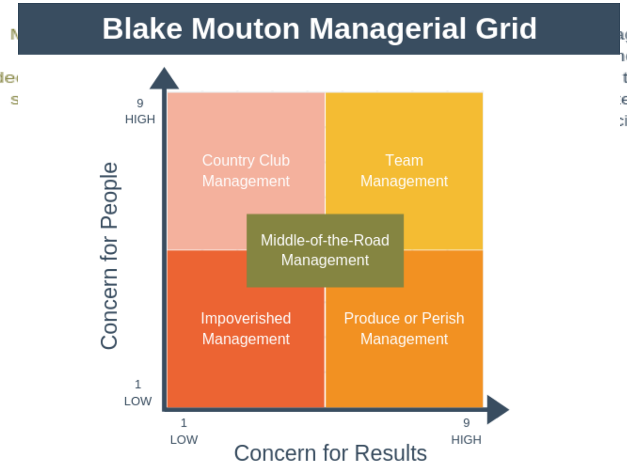
3.2.1. UNDERSTANDING MANAGEMENT, LEADERSHIP & DECISION MAKING

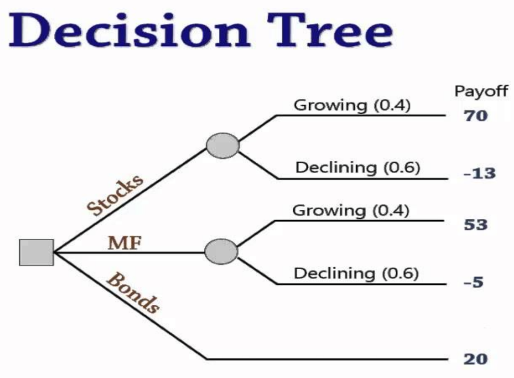
WHAT MANAGERS DO	**Planning** – setting objectives or targets, conducting analysis, drawing up plans, resource needs. **Organising** – assembling resources to realise objectives. **Directing** – Motivating, communicating & coordinating. **Controlling** – Financial performance, employee performance.
TYPES OF MANAGEMENT & LEADERSHIP STYLES	**Trait Theory** – certain personality traits differentiate a good leader from others. **Behavioural Theories** – how individuals behave in a management or leadership role. **Autocratic leadership** – Where decision making is best kept at the top of the society. This involves minimal delegation, or decentralisation & requires close supervision of employees. **Democratic leadership** – where decision making is made by a majority. This involves large delegation, actively promotes employee participation & a leader who consults on decisions. **Laissez Faire Leadership** – Mild anarchy. Empowered employees with little reference to the leader. May lack a sense of direction, coordination & planning.
INFLUENCES ON THE STYLE OPF MANAGEMENT & LEADERSHIP	The tradition & history of the business The type of labour force The nature of the task & the timescale The personality of the manager or leader
THE EFFECTIVENESS OF DIFFERENT STYLES OF MANAGEMENT & LEADERSHIP	Effective management and leadership will enable objectives of the organisation to be fulfilled. Different leadership styles may be suitable in different situations. Managers do not work in isolation and depend upon the support of others. An autocratic style may cramp innovation and lead to poor staff retention.

3.2.2. UNDERSTANDING MANAGEMENT DECISION MAKING

THE VALUE OF DECISION MAKING	Scientific decision making should include understanding & interpreting decision trees & calculating expected values & net gains. Decision making should include consideration of: Risks & Rewards, Uncertainty, Opportunity cost.
DECISION MAKING PROCESS	1. Setting objectives. 2. Gathering & interpreting information. 3. Identify options & select the chosen option. 4. Implementing the decision. 5. Reviewing effectiveness of decision.
TYPES OF DECISIONS	1. Programmed (easily defined problems) & non-programmed decisions (unstructured) 2. Tactical (short term) & strategic (long term) decisions 3. Decision making involves risks & rewards
DECISION TREES	Models that represent the likely outcomes for a business of a number of courses of action on a diagram showing the financial consequences of each.
ASSESSING THE VALUE OF DECISION TREES	• Makes managers consider options & likely outcomes • Using decision trees may result in a less rushed process based on evidence • Forces managers to quantify the impact of decisions • Enables a logical comparison of options to be made.
INFLUENCES ON DECISION MAKING	1. The business's mission & objectives 2. Ethics 3. The risk involved 4. The external environment 5. Resource constraints







Alternatives	Growing	Declining
Stocks	70	-13
Mutual Funds	53	-5
Bonds	20	20
Probability	0.4	0.6

3.2.3. UNDERSTANDING THE ROLE & IMPORTANCE OF STAKEHOLDERS

Stakeholders are groups or individuals that are affected by and/or have an interest in the operations of the business.
To manage its stakeholders well, a business effectively has to make choices. It is very difficult to meet the needs of every stakeholder group and most decisions will end up being "win-lose": i.e. supporting one stakeholder means another misses out.

PRIMARY STAKEHOLDERS	Are individuals or groups that are affected by a particular business activity, such as a decision to increase production.
SECONDARY STAKEHOLDERS	Do not have direct functional or financial relationships with the business although they are affected by, or can influence, its actions.
INTERNAL/ EXTERNAL STAKEHOLDERS	Internal are part of the organisation e.g. directors, shareholders, managers & employees. External exist outside of the organisation. E.g. customers & suppliers.
STAKEHOLDER CONFLICTS	Stakeholder objectives often conflict e.g. local residents may oppose expansion of a factory site.
SOURCES OF CONFLICT	Internal Factors: Business objectives, Management & leadership styles, The size, growth and ownership of the business, Ethics. External Factors: Market conditions, the power of stakeholder groups, government policies (government madness).
POSSIBLE APPROACHES TO STAKEHOLDER MANAGEMENT	1. Partnership. 2. Participation 3. Consultations 4. 'Push' communications – one way communication to stakeholder groups 5. 'Pull' communications – Engagement with stakeholders.

	PROS	CONS
STAKEHOLDER APPROACH	• Appreciates different objectives • Good reputation	• Cost & Opportunity cost • Impact on profit/ survival/ dynamic efficiency
SHAREHOLDER APPROACH	• Firm focus on profit • Maximises ROCE	• Impact on workforce/ external stakeholders • Short-termist? Quarterly results announced.

EVALUATION

Should profit be the main objective & then redistribute some to stakeholders e.g. charities. Isn't the primary responsibility of a business to make good products, offer good employment & therefore make a profit? Failing to do so, won't satisfy anyone.

Stakeholder	Need/expectation	Example
Shareholders	steady flow of income, possible capital growth and the continuation of the business	If capital is required for growth, the shareholders will expect a rise in the dividend stream.
Customers	satisfaction of customers' needs will be achieved through providing value-for-money products and services	Any attempt to for example increase the quality and the price, may lead to customer dissatisfaction.
Suppliers	paid promptly	If a decision is made to delay payment to suppliers to ease cash flow, existing suppliers may cease supplying goods.
Finance providers	ability to repay the finance including interest, security of investment	The firm's ability to generate cash.