

Section 3.2

MANAGERS, LEADERSHIP & DECISION MAKING

THIS SECTION OF THE SPECIFICATION COVERS:

- ☐ Understanding management, leadership and decision making
- ☐ Understanding management decision making
- ☐ Understanding the role and importance of stakeholders

0 1 GIVE ME THREE...

Roles of a manager:

1	Setting objectives
2	Making decisions
3	Reviewing

Influences on decision making:

1	Type of decision that is being made
2	Type of workforce
3	History or tradition of the business

Examples of stakeholders:

1	Employees
2	Suppliers
3	Government

Influences on stakeholder relationships:

1	Business objectives
2	Market conditions
3	Power of different stakeholder groups

0 2 WHAT IS MEANT BY?

Write a definition for the following key terms:

DECISION TREE	A decision tree is a mathematical model used to help managers make decisions. It uses estimates and probabilities to calculate likely outcomes. A decision tree helps to decide whether the net gain from a decision is worthwhile.
UNCERTAINTY	A situation where there is a lack of knowledge in a particular situation i.e. the order of things is unknown, probabilities to possible outcomes are unknown and the impact of events/circumstances is unpredictable.
OPPORTUNITY COST	The next best alternative is foregone when a particular option is chosen.

0 3 WHAT'S THE FORMULA?

Write down the formula for calculating:

DECISION TREES: EXPECTED VALUE	DECISION TREES: NET GAIN
Expected value of a decision with two possible outcomes - A & B = Pay-off of A × probability of A + Pay-off of B × probability of B N.B. Probability of A + Probability of B = 1.0	Net gain = Expected value - initial cost of decision

0 4 BENEFITS AND DRAWBACKS

Identify two benefits and two drawbacks of making decisions based on:

DATA (SCIENTIFIC DECISION-MAKING)	
BENEFITS	DRAWBACKS
<ul style="list-style-type: none">• Logical approach to decision-making based on information• Encourages careful consideration of alternatives• Risk and uncertainty can be reduced when making decisions• Decisions are more likely to be successful	<ul style="list-style-type: none">• Collection of required data may be expensive and time consuming• Decisions may be based on unreliable/historical data• Decision-making is likely to be slower than making decisions based on hunches

INTUITION (HUNCH)

BENEFITS

- Decisions can be made quickly rather than waiting for the production of data
- Gut feeling has a place when making decisions; managers can make decisions based on their qualitative understanding of the market
- Appropriate when data is likely to be biased or unavailable
- Encourages creativity and innovation

DRAWBACKS

- Unsuitable for decisions that involve a higher degree of risk
- Insufficient consideration of alternatives
- Biased opinions
- Outcomes may not be as expected

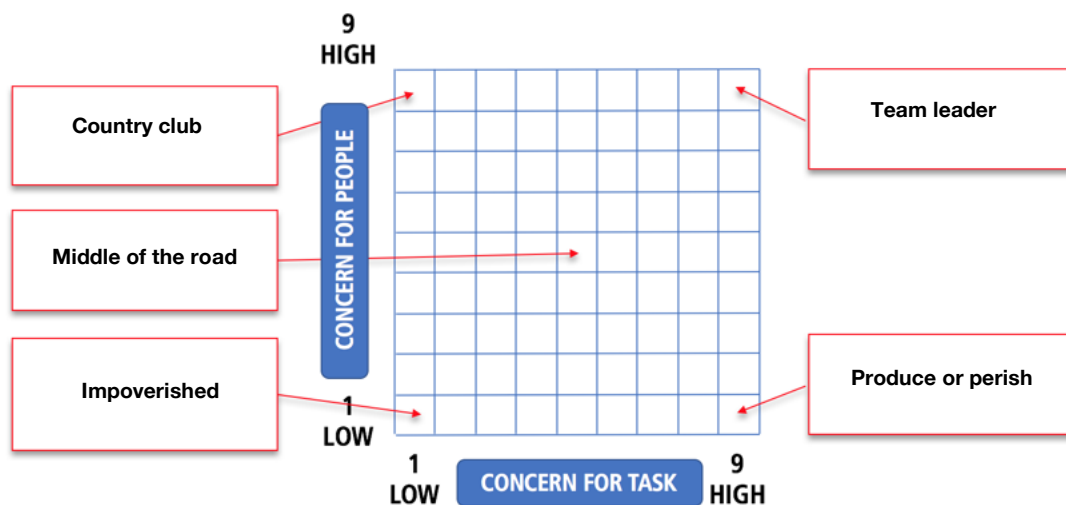
0 5 LABEL THE DIAGRAM

Complete the diagrams for the models below:

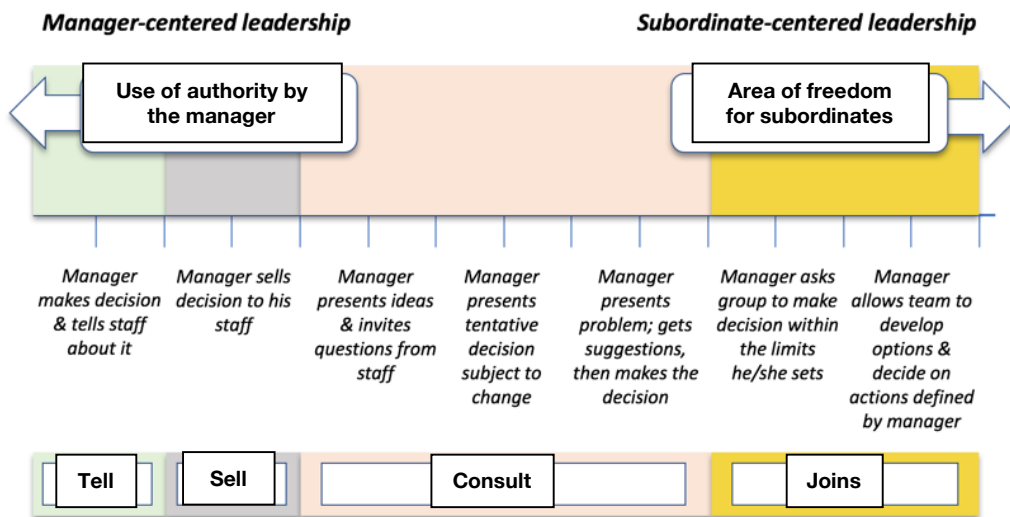
STAKEHOLDER MAPPING

	High Level of Stakeholder Interest	Low Level of Stakeholder Interest
High Level of Stakeholder Power	Manage closely	Keep satisfied
Low Level of Stakeholder Power	Keep informed	Monitor (minimum effort)

BLAKE-MOUTON MANAGERIAL GRID



TANNENBAUM-SCHMIDT LEADERSHIP CONTINUUM



0 6 STATE

State two stakeholder needs of the following stakeholder groups:

EMPLOYEES

1	Job security
2	Competitive pay and benefits

CUSTOMERS

1	Value for money
2	After sales service

LOCAL COMMUNITY

1	Job creation
2	Less pollution

SUPPLIERS

1	Regular orders
2	Payment on time

0 7 REASONS WHY

List three reasons why businesses should consider stakeholder needs when making decisions:

1	Decisions are likely to be accepted and implemented more easily
2	Due to the growing public interest in business activities, firms will gain a more favourable reputation if they are seen to be actively trying to satisfy different stakeholder needs
3	Productivity levels increase, due to a rise in employee motivation, which can lead to an increase in competitiveness

0 8 IDENTIFY

Identify two different stakeholder needs that overlap:

1	Local community and pressure groups want business activity to impact favourably on the environment, for example in regards to pollution
2	Banks and shareholders want a business that is performing financially well; banks can then receive loan repayments on time and shareholders can receive a satisfactory level of dividend payment

Identify two different stakeholder needs that conflict:

1	Shareholders and employees: many shareholders demand high short-term profits in the hope of receiving a higher dividend payment; employees want higher pay levels which increases costs and therefore reduces profits
2	Customers and suppliers: customers may prefer to pay lower prices for products, however, this may impact on the cost prices managers are prepared to pay suppliers for their goods/services, so as to avoid any price reduction impacting negatively on the business's own profit margin

0 9 OUTLINE

Outline one situation where managing the stakeholder relationship would require communication:

- When directors/management announce a series of involuntary redundancies to employees; a period of consultation or two-way communication via face-to-face meetings may follow, to ensure that employees are clear of the reasons why the redundancies will be made and the impact it will have on remaining staff/the workers that will be made redundant
- A local school senior leadership team may embark on one-way communication to inform the local community of its intention to open up more places to its Year 7 intake; this decision may be communicated through its website or via a newsletter

Outline one situation where managing the stakeholder relationship would not require communication:

- When management decide to launch a new product range, it would not need to inform the local community or pressure groups of such action
- The business has decided to increase its selling prices by 5%, managers would not need to inform customers or suppliers of this decision