

A study on Leadership, Entrepreneurship, Decision-Making and HRM

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Abstract

This paper focuses on the aspects such as leadership, entrepreneurship and decision-making related to an organization. Examples of Steve Jobs has been included in the paper to demonstrate the qualities of a leader. In addition, the activities of HRM in an organization have also been discussed in the paper.

Introduction

Leadership refers to the ability of a leader to lead a group of people towards a definite direction (Draft, 2014). Questions are raised on the ability of the leaders if their company has not been able to secure high profit margins or has been involved in some ethical conflicts; even high profile leaders are not spared of such criticisms. They are regarded as the agent of change, guidance and motivation (Bertocci, 2009).

Entrepreneurship encompasses acts of organizational creation, renewal or innovation that occur within or outside an existing organization (Cuervo, Ribeiro and Roig, 2007). On the other hand, entrepreneurs are individuals who carry out the above mentioned responsibilities and act as an input factor and an optimizing agent (Iversen, Jørgensen and Malchow-Møller, 2008).

Decision-making can be defined as the art of choosing the best solution from an array of alternatives. An organization normally incorporates a number of departments and at each level it is required to make choices. For example, decisions need to be made regarding entering a particular sector, production technique, number of employees, etc.

Human Resource Management (HRM) is a structural way of employment management so that there is alignment between individual and organization's goal. (Storey, 2005).

This paper deals with the various aspects Leadership, Entrepreneurship, Decision-Making and HRM and provides the experience of Steve Jobs for better understanding of these important links in an organization.

Leadership Principles

Trait theory

Proponents of trait theory have opined that leaders are born but not made, i.e., leadership is a natural quality and cannot be developed through learning (Bowerman and Wart, 2014). Leaders possess certain specific characteristics that make them different from the common masses. In 2004, Judge and Bono undertook a study in trait theory and its importance and concluded that about 12% of the researches in trait theory since 1990 have associated personality with leadership (Riggio, 2015). Trait theory of leadership can be treated as an adaptation of Great Man Theory which also advocates that leadership is an inherent quality and not a mere subject of development (Wagner, 2008).

According to this theory, characteristics like, height, energy level, intelligence and overall appearance were driving forces in cultivating leadership qualities in a person. Steve Jobs had certain traits in him that made him a great leader like, independent thinking, passion, courage to step forward. He had taken the reigns of Apple when he was fully aware of the company's imminent bankruptcy. Although he was an authoritarian leader yet he was a great motivator. Such traits when got the right exposure not only turned Steve Jobs life but also the face of technology (Issacson, 2011).

This theory is criticized because of its simplistic way of explanation and greater importance of personality rather than situational factors like, expected rewards, nature of the task and interpersonal relation when working as a team (Gegenfurtner, 2007). This theory identifies only handful traits in a leader but currently, leadership comprises a lot more.

Leader Decision-Making

Decision-making by an authoritarian leader- Under authoritarian leadership, the leader is in control of his or her team and makes the entire strategic decision making without involvement of any of the team members. Many companies wanting to have an error-free organizational structure opt for authoritarian leadership style. Researchers all around the world see this form of leadership in a negative light but the success of Apple is an exception. Steve Jobs was known for his authoritarian leadership practices. He was guided by his own vision and took all the decisions himself without any involvement from his subordinates. This nature had found its way to the production floor via his managers as well (Wagner III and Hollenbeck, 2014). In case of Apple III he did not allowed the committee of engineers to change any of his designs (Issaacson, 2011).

Democratic leadership- It involves participative decision-making process. The team members along with the leader works as a close knit group where the latter helps the former to reach a joint consensus. Like authoritarian leadership, this form of leadership also has its own trickle-down effect which gets reflected in the attitude of the managers and also on the production floor. According to studies, modern business organizations prefer to have democratic leadership rather than any alternative style, like authoritarian leadership. A democratic leader owns the right to make the final decision but engages in delegation of responsibilities (Pride, Huges and Kapoor, 2009).

Laissez-faire decision-making- Here the leader shares his authority with his or her team. Minimal control is exercised by the leader and team members have complete freedom of doing their work in their own-way. Researches show that laissez-faire form of leadership does not provide successful outcomes. According to the whistleblower at the Enron, the CEO was clueless and was the main reason for the failure of Enron (Wagner III and Hollenbeck, 2014).

Entrepreneurship

Small Business Characteristics Conducive to Innovation

Passion- Small businesses develop out of passion. The owner needs to be passionate about the product that his or her company will produce because then creativity and correspondingly innovation will find its place in the production process. (YP Marketing Solutions, 2015).

Customer Connection- According to Public Affairs Pulse Survey conducted in 2012, positive response were received towards the owners of the small businesses because consumers' perception about them that they are honest and ethical in their delegation.

Agility- Small can provide more customized solution to the demands of the markets with comparatively less gestation period.

Willingness to Experiment- Small firms has less capital at their disposal and this makes them more immune to the economic shocks. This scenario encourages them to undertake risks so that they can experiment with various aspects of a business.

Resource limitation- resources are limited due to capital constraint hence small business are required to make more form less thus facilitating innovation.

Steve Jobs had stated Apple in his father's garage and only after the success of Apple II; his company came to the main stream competition of electronics industry. His passion drove him to experiment and outdone each of his previous success. He wanted to create a product which could put a dent in the universe and that what he did (Issacson, 2011).

Guerrilla Marketing

Guerrilla Marketing is associated with unique and innovative advertisement strategies so that businesses can use them in their product promotion. Such promotional activities involve little expenditure but require complete dedication from the marketing heads (Hutter and Hoffman, 2011). Executives working on designing the advertise campaign should be energized and imaginative to be able to formulate unconventional ways of promotion for their products and services. Guerrilla marketing involves quick response from consumers in favor of the launched product. However, even if Guerrilla marketing does not involve high investment, yet it incorporates certain risks. Industries dealing with finance, insurance and other service oriented business show greater usage of guerrilla marketing strategies (Entrepreneur, 2010). Apple's ad campaigns brought its core values to the audience. Their advertisement was on the great personalities that have dared and changed the world with their passion. Steve Jobs could identify the reflection of his personality in Apple's marketing (Issaacson, 2011).

Marketing Mix

According to Prenzel (2010), marketing mix refers to a set of marketing tools which a company uses in a controlled fashion to get the desired response from its target audience. It requires a detailed analysis of market conditions. Borden had introduced this concept but the concept gained its proper explanation with McCarthy's 4P classification. The 4P refers to price, product, promotion and place (The Economic Times, 2016).

- Price: Apple follows a premium pricing strategy.
- Product: Apple focuses on the electronics market and its products comprise Mac, iPad, iPod, iPhone, Apple TV, Apple Watch and Software.

- Promotion: Apple does marketing through advertisements, Press release, personal interviews and utilizes public relations to attract more customers.
- Place: Apple stores can be seen all around the world. Apart from which people can buy Apple products from online Apple stores and App stores, from authorized retailers like Walmart, telecom companies Such as Sprint, Verizon, etc. also sell Apple units. eBay, Amazon also sell Apple products (Issaacson, 2011).

Decision-Making

Bounded Rationality

The concept of bounded rationality was introduced by Herbert Simon and according to his theory; the gap between rationality and human behavior is linked by decisions (Barros, 2010). Simon stated that individuals are not able to maximize utility that they get from the completion of an economic activity. He pointed the reasons as- limited access to information, cognitive limitations of human minds, limited time to take a decision.

People, while shopping perceives all the items in a store in sequence and any item that meets their aspiration level, they purchase it. Managers in an organization are also driven by similar logic. They get lots of job applications and select those whose attributes matches with the job requirements. They are not aware of the characteristics of each individual within the workforce of the economy (The Economist, 2009).

Steve Jobs' experience in India taught him that Americans are far more driven by rationality and intellect rather than intuition. According to him decision-making with a strong

intuition can result in successful outcomes. Trusting one's intuition can unchain the restraints of bounded rationality up to a certain extent (Issacson, 2011).

Decision Traps

Overconfidence Bias- Managers, while taking decisions, tend to take impulsive decision by thinking they actually know more than there is to be known. Research undertaken by Cooper, Folta and Woo in 1995 showed that seasoned entrepreneurs suffer from overconfidence bias (Chira, Adams and Thornton, 2008). However, sometime certain amount of delusional overconfidence is required to find hope in unsuccessful outcomes. Steve Jobs created a "reality distorted field" and everyone around him were influenced by it. Such over confidence led him to innovation (Issacson, 2011).

Hindsight bias- It is also known as "I-knew-it-all-along" effect has far reaching implication in decision-making. Hindsight bias is reported as the tendency among people to claim that they would have predicted the occurrence of an outcome with a higher probability by using their outcome knowledge or hindsight rather than by using foresight (without any prior information of the event). In a corporate world, leaders want to be seen as more accurate and hindsight bias hinders them to learn from previous mistakes (Scandura, 2015).

Anchoring- It is the tendency of an individual to rely heavily upon certain information and then tries to adjust to that value so that he or she can accommodate other influential and circumstantial factors. For example, if a person while buying a second hand car takes into account only reading of the odometer and its manufacturing year instead of any other factor, then it can be said that the person has anchored his or her decision (D. K. Hardman and D. Hardman, 2009).

Framing- The framing effect can be observed in a person's decision when he or she shows too much dependence upon how a set of options is described. Many scholars cite the "Asian disease problem" as an ideal example of framing effect (Gonzalez, et al., 2005).

Escalation of commitment- It is important to know when to stop a particular activity. Managers face queries regarding plant size, strategic moves, requirement of additional investments. A good management needs to know when to preserve and when to pull the plug (Kelley and Milkman, 2011). Jobs had invested a lot on the R& D after Apple's initial success in 1980s but the new model Apple III failed and one of the reasons was that he did not listen to his engineers and committee suggestions (Issacson, 2011).

Human Resource Management

Key Tasks of HR

The changing business world has diversified role and responsibilities of an HR. Following can be identified as the main tasks that an HR is required to execute.

Job Design/Job descriptions- HR needs to see and identify the specification of a particular job.

Recruitment- This is the main task of the HR to select and recruit suitable candidates for the required job role.

Situational interviewing- In order to gauge the suitability of a job applicant, he or she is asked a variety of questions about his or her past experiences under different situation.

Training- HR is required to bring the need of training to the knowledge of the entrepreneurs so that the performance of the workforce can be improved.

Compensation and rewards- Employees at the end of every month expect that they will receive the return of their hard work. Rewards comprise an important medium of motivation that encourages them to put more effort to their work.

Benefits management- It involves the valuation of a project beyond its delivery time and budget, i.e. the formulation of strategies to find ways that could benefit an organization.

Retention/Termination- This is the most important as well as challenging task of an HR. HR professionals need to ensure that a company does not lose its skilled and experience workers, but also needs to terminate unproductive employees from the organization.

Diversity management- In case of Multinational Companies (MNCs), HR needs to include and manage employees from various cultural backgrounds and ethnicity. It helps in marketing and understanding the diversified customers' perspectives.

Key HR Challenges

The key areas that challenge the work of an HR are tailoring recruitment to culture, compensation structures, employees' performance and maintaining cost effectiveness.

Tailoring recruitment to culture

An HR receives lots of job applications everyday but needs to select only those who have the capability of understanding regarding the structure of the organization. (Entrepreneur, 2014). There was strife between Jobs and Sculley about the focus of the company whether it should be on technology or on customers' needs. HR can face similar dilemma and needs to choose fresh recruitments wisely (Issaacson, 2011).

Compensation structures

Team-based vs. individual based- Sometimes companies assign work according to teams. This results in compensation on basis of the performance of the team. For example, software companies practice the policy of team-based rewards. On the other hand, wages according to individual performance result in more personal effort but it has also been notified that individual compensation may involve unethical practices to gain individual competitive advantage (Ahlgren, Andersson and Skold, 2007). HR professionals need to understand which technique can bring better result depending upon the need of the situation.

Stock options- In many companies, there is provision for employees to acquire a pre-defined percentage of company's shares in return for his or her beneficial performance within the company (Wolff, 2012). Employees at Apple were provided company's share at discounted rate upon their employment and the success of the company provided them with high returns (Issaacson, 2011).

Measurement of performance

Controls vs. privacy- Companies need to ensure that their each employee is putting his or her 100 percent in work for which they engage in certain security measures like, installation of

software to check the emails that the concerned employee has received, or tapping of telephone lines so that the organization knows that the employee is not wasting company's resources for personal use. (Stanton, and Stam, 2006). Steve Jobs was very secretive and did not share his ideas and designs with anyone but today Apple monitors all its employees by using 'iTrack' (Issaacson, 2011, Dailymail, 2013).

Performance appraisal- Managers are normally assigned the task of providing the detailed report on the performance of each employee's performance so that at the end of every month, the HR can understand if additional attention is required with respect to any department.

Cost-effectiveness of HR activities

The HR should act in such a way that his or her actions or strategies do not involve higher cost for the organization. For example, every new hiring involves additional cost in terms of training. So, they want their employees to stay. Jobs' employees work in Apple owing to their passion and drive to create a difference. Jobs chose Podolny, one of the best and well known management guru to be the Vice President of human resource just before his second medical leave to make Apple withstand his absence (Issaacson, 2011).

Conclusion

This paper provides a glimpse of various aspects like Leadership, Entrepreneurship, Decision-Making and HRM. Leaders are required to set the goals and guide the employees to obtain desired results. Decision-making process involves careful strategy formulation that can help a firm to get success. Entrepreneurs handle the risk management as the owners of the capital while HRM bridges the gap between the employer and the workers.

Steve Jobs had built Apple from his father garage and through authoritarian leadership invoked it with the required guidance to achieve its present status.

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