Leadership Strategies for Business and Economics: Dynamic Analysis in the Capitalistic Environment and Knowledge Transfer

by

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Abstract

Business and Economics is an essential component of human living, either primitive or advanced. Initially, dynamic analysis has helped the human race to gain food, to create artificial shelters, and to make clothing and instruments for production and entertainment. The system dynamics thus developed was not a substitute for human labor but supportive and subservient. Leadership behavior can be appropriate depending on the business situation and the economic planners readiness. The culture of the firm, and the staff's personalities, needs, experiences, education levels, and competence standards of tasks, among other things, determine the leadership style required in the business. Economically challenging is the treatment of successors at different stages of the analysis process, that is, along with the business development of the successor, also the predecessor's leadership style should be adjusted. Economics requires appropriate leadership and relationship building, as well as entire organization and the leadership or relationship building, internal and external network. Later, as the innovative business speeded up and the profit to the individual became important, the owners of production places used machines to replace human labor gradually changed the manual work to automation. The automation level has increased over time and many industries are fully automated with few persons interacting with them. This research paper attempts to present the dynamics of business and economics situation using system dynamics methodology. It also attempts to explain the scenarios thus formed by hypothetically quantifying the relations among the variables using simulation tool.

Keywords: Strategies, Leadership, Capitalistic Environment, Employment Opportunities, System Dynamics

1. Rationality of the study

The very additional concept of leadership strategy for business and economics of an industries has changed in the modern era of business transaction world. The modern concept of business and economics refers to its knowledge management which may be expressed as leadership strategy. This leadership strategy of an business and economics is a process of carrying out its knowledge transfer functions in the integrated global market through the application of world- wide- business communication system [WWBCS] known as leadership behavior[LB] on developed latest capitalistic environment[DLCE].Knowledge transfer accesses are readily available for global business information

and communication across the world, which operate under leadership strategy and system imbibed by most of the modern world business and economics.

Capitalistic environment across the world, the very facet of business management of the industries has changed. The days of economical business management practices [EBMPs] of the industries of modernized countries have gone. All the major global business transactions of the industries of these marketing system across the integrated global market. Thus their business transactions across the integrated global market are found to be trans-nationalized.

I feel strategy that the main study of the leadership strategy, business and environment status and knowledge transfer under capitalistic environment and also to accrue maximum business gain at the minimum associated total cost of its business operation during specified planning period without sacrificing its long-term business interests and its good-will across the integrated global market along with maximization of world business and welfare-economics.

For the very purpose there is pressing need of evolving and introducing into practice their required time bound most suited and economically viable global business market which is comprised of high degree of business competition under its fluctuating global capitalistic environment. The marketing management is an an-other important organ of leadership strategy. The necessary knowledge transfer measures one to be evolved .The production management is an important organ of leadership strategy. Certain necessary production measures are to be evolved into practices for employing optional production technology and process. Optimal utilization of required production factors/inputs. Production of international standard quality of tangible/intangible products of high market demand at either lowest production cost. These produced products [PPs]are to be sold at global market selling prices. The marketing management is another important organ of leadership strategy. The necessary knowledge transfer measures one to be evolved and practice for selection and optimal utilization of most6 suited modes and means of transportation. Promotion of marketing researches for expansion of existing marketing reason and exploration of marketing through mass communication system with the help of powerful media across the global market and co- ordinate network of distinguish all over the integrated global market. The financial management is important of their leadership strategy. Certain necessary financial management measures are to be evolved and introduced into practice for entertainment of contingency find from the sources plaguing back profit and seeking advances from reliable and relevant financing sources being banks and pooling with business partner industries of abroad for promotion of large scale business transactions all over the world market. Accepting e-banking system and its e-money payments options for carrying out its global business and economics transactions through e-com that is e-biz process across the integrated global e-biz market.

Leadership strategies for either acquisition of industries or mergence with industries on global for achieving multi-national company status for the process of demoralization and ultimately globalization of its business transaction in the all over world market. Rationally, I investigate that the modern era of our business and economics: knowledge and leadership transfers in succession process in modern era of our business world is of global business transactions between economies have already been transferred into modern digital business and economics where Indian economy is at infancy stage of this transformation process i.e, knowledge transfer. Indian industries have yet to imbibe the knowledge transfer system on a mass scale for their vey sustenance in the global electronic business would under the ever growing world wide e-marketing competition across the globe. The future

prospects of business and economics of India industries are expected to be very bright for their global business and economics transactions in their near future.

2. The capitalistic environment

Later as the innovative business and industrial economics speeded up and the profit to the individual became important, the owners of production places used machines to replace human labor, i.e., gradually changed the manual work to automation. The automation level has increased over time and many industries are fully automated with few persons interacting with them. The human labor requirement has gradually decreased per tone of production. Though it is a welcome feature to conserve the resources by enhancing technology and capitalistic environment, it is leading to unemployment as additional jobs as required are not created, say if 100 positions/jobs are eliminated due to automation in a company by educing manpower requirement, new companies or additional service/production centers are not created that offer 100 new jobs. Also, the money. in terms of profit, has been accumulating with few individuals whereas several people are alienated from work and are loosing their livelihood. Therefore, as the level of technology is increasing, employment opportunities are decreasing. As it is observed now ,un-employment is increasing in almost all the countries, including developed **countries**, though population growth is very less in some of them.

Indicators of leadership-where can India Leapfrog?

Approach to determining whether current strategies for telecommunication investment are something missing the mark is to examine indicators of communication entrepreneurship. While comparative data are not available, activities in a country would indicate that there are entrepreneurs/learners willing to offer communication services and customers to support them.
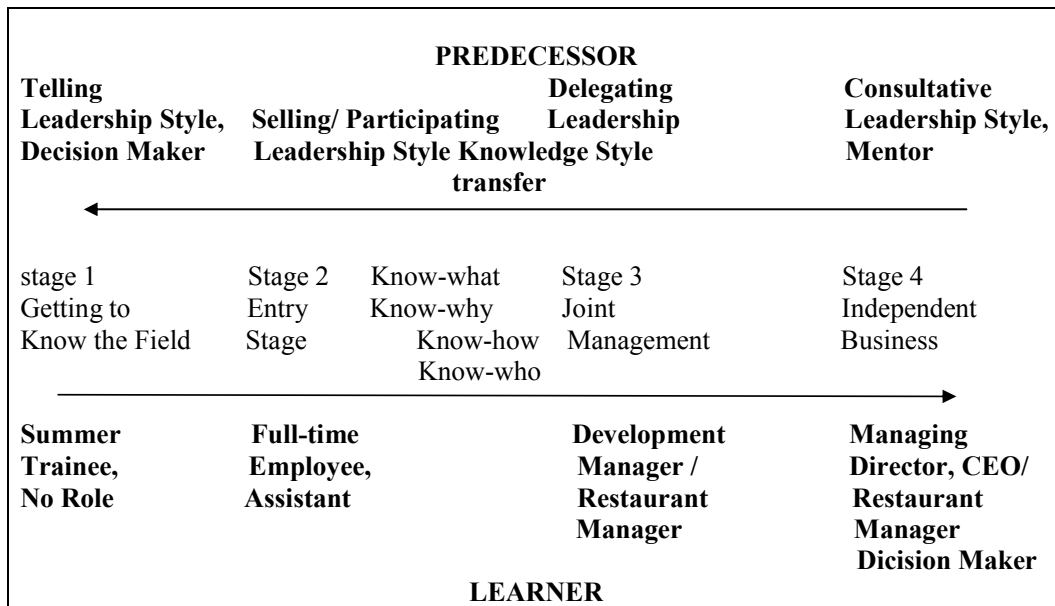
3. Leadership and Knowledge Transfer

To prepare the successor to learn all the concrete what-or why-knowledge or tacit how-or who-knowledge and relationship needed to take over the company, the predecessor should start to coach the learner in a very early phase before the actual learning situation. Some aspects of transition require a long time to absorb and to be understood (Varamaki et al. 2003)

Previous studies of learning and family businesses have pointed out several factors and issues that are relevant for successful learning, especially form the point of view of knowledge and leadership. As presented by Varamaki, Pihkala & Routamaa (2003), the stages of transferring knowledge in family business learning consist of (1) getting to know the field (growing into entrpreneurship), (2) familiarization (actual stage of transferring knowledge), and (3) the stage of independent development of the business (creating new explicit and tacit knowledge). Correspondingly, Hautala (2006) and Hautala. Routamaa &Varamaki (2006) divide the succession process into four main stages. (1) getting to know the field (growing into entrepreneurship and leadership) (2) the entry stage (transfer of 'know-why') (3) the joint management stage (transfer of ;know-who' and 'know –how') and (4) the stage of independent business and economics (running the firm with a different leadership style and intellectual capital). All four stages have two aspects the aspects of a learner and of a predecessor during the learning process. Further descriptions of the stages : (Varamaki et at 2003, Hautala et al. 2006) one can conclude that each

stage require peculiar situational leadership styles. Further, skilled transformational leadership prepares the way to final learning by challenging visioning, enabling, modeling, and rewarding the potential learners as well as company staff. Building networks starts inside the company, maybe already in childhood, continues in familiarization with outsiders, and finally forms the agenda at the stage of independent development and business. Particularly, to elicit the tacit knowledge, an active network building is necessary. The tacit knowledge cannot be read, it must be extracted among people.

Hautala (2006, see also Hautala et at. 2006) summarized a model of knowledge and leadership transfers in the learning process as presented in Picture.

PREDECESSOR			
Telling Leadership Style, Decision Maker	**Selling/ Participating Leadership Style**	**Delegating Leadership** Knowledge Style transfer	**Consultative Leadership Style, Mentor**
←			→
stage 1 Getting to Know the Field	Stage 2 Entry Stage	Know-what Know-why Know-how Know-who	Stage 3 Joint Management	Stage 4 Independent Business
→			
Summer Trainee, No Role	**Full-time Employee, Assistant**	**Development Manager / Restaurant Manager**	**Managing Director, CEO/ Restaurant Manager Dicision Maker**
LEARNER			

As presented in Picture.. in principle the situational leadership style changes along with the stage when the learner's maturity grows. The leadership style is first telling (dedicated) because the need and the maturity levels are relatively low, exact directions and control are needed because of high security needs and minor knowledge. Little by little the style should be adjusted with the growth of the learner. Finally after delegating-style when the successor reaches the independent business stage, the personalities and readiness must be taken into account.

Hautala (2006)reported successful learning in three catering business companies. It was found that predecessors in general were some task-oriented leaders at the early age of the company. Along with the stages of the learning process little by little the predecessors loosened their grip and changed their style to a more relationship-oriented leadership style. After takeover, the learner's style was already from the starting-point more relationship (people) oriented. Maybe this was possible partly because of the unconscious transformational leadership. The need level of the staff outcomes for the business and economics and family and produce low levels of employee satisfaction and commitment According to Sorenson (2000) a participative leadership is positively related to both family and business outcomes as well as to employee satisfaction and commitment; referent leadershop is positively related to family

outcomes and employee satisfaction; and, unexpectedly, laissez faire/mission leadership is positively related to employee commitment.

It can be concluded that many kinds of leadership behavior can be appropriate depending on the family business and economics situation and the learner's readiness. The culture of the firm, and the staffs personalities, needs, experiences, education level, and competence standards of tasks, among other things, determine the leadership style required in the company Especially challenging is the treatment of the learner at different stages of the learning process, that is, along with the personal development of the successor also the predecessor's leadership style should be adjusted. A successful learning process requires appropriate leadership from the point of view of situational leadership, transformational leadership, and relationship building. The situational leadership concerns especially individual's, the transformational leadership concerns particularly the entire organization, and the relationship building internal and external network.

4. Leadership Behavior and the Succession Process

Situational Leadership

The major contingencies of leadership behavior most often mentioned are the manager her/himself (his/her personality and expectations)m her/his boss and subordinates, colleagues, organizational structure and culture, organizational situation and the nature of work. In practice, the interrelationship between manager and subordinate plays the most important role in determining the leadership style. A manager should, particularly, take into account every subordinate's maturity in terms of personality and work experience, personal needs and situational circumstances. However, it may be assumed that a manager's personality functions as a filter when the manager interprets what kind of style the subordinate needs. The actual leadership behavior is affected by that interpretation.
The framework of the leadership behavior: the role of personality in the leadership behavior context (Routamaa & Ponto 1994).
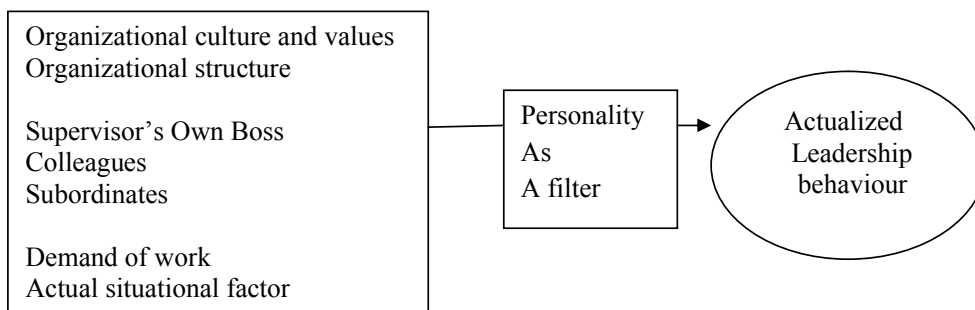
The basic dimensions of leadership behavior, according to the fundamental idea of the Managerial Grid, are task orientation the extent to which a manager directs his own and his subordinates' efforts (characterized by initiating, organizing and directing) and relationships orientation the extent to which a manager has personal job relationships (characterized by listening, trusting and encouraging) (Reddin 1970). In addition, according to the idea of situational leadership, Reddin added

the effectiveness dimension the extent to which the basic styles are used in a n appropriate situation to the model.

The four basic styles of the 3-D effectiveness model are: a) related style (low on task, high on relationships orientation), b) integrated style (high on task and high on relationships orientation), c) dedicated style (high on task, low on relationships orientation) and) separated style (low ob task and relationships orientation).

The effective counterparts of the basic styles are: e) related+(developer): use of high relationships orientation with low task orientation in a situation where this is appropriate, f) integrated+(executive): use of both high task and relationships orientations in a situation where appropriate, g) dedicated +(benevolent autocrat): use of high task orientation and low relationships orientation in a situation where this is appropriate and h) separated+(bureaucrat): use of low task and relationships orientation in a situation where this is appropriate.

The ineffective counterparts of the basic styles are: i) related-(missionary): use of high relationships orientation an low task orientation in a situation where this is inappropriate, j) integrated – (compromiser): use of both high task and relationships orientations in a situation where inappropriate, k) dedicated – (autocrat): use of high task orientation and low relationships orientation in a situation where inappropriate and l) separated – (deserter): use of low task and relationships orientation in a situation where this behavior is inappropriate (Reddin1970).

In a succession situation, a too task-oriented style (initiating, organizing and directing) by the predecessor many frustrate an eager successor. An eager and mature learner may expect listening, trusting and encouraging, that is a relationship (people) oriented style. However, for example, a too relationship-oriented style in case of an unwilling and comfort-valuing learner may teach the learner to implement a soft leadership style when taking over the company.

Using Hersey & Blanchard's term's (1977), high on task, low on relationships orientation is telling style, assuming low will and maturity of the subordinate. Selling style, high on task and high on relationships orientation answers to high will and low maturity of a subordinate participating style, low on task, high on relationships orientation, is suitable when a suitable when a subordinate has greater maturity of a subordinate. Participating style, low on task, high on relationships orientation, is suitable when a subordinate has greater maturity but not will enough. Finally, delegating style, low on both task and relationships orientation, is appropriate when a subordinate is both mature and willing.

Concerning the learning process, the predecessor should recognize the learner's maturity and willingness in general and at different stages of the learning process. The predecessor should understand that in the early phase, the son or the daughter, or any learner probably is not very mature in terms of work attitudes, knowledge and people relationships, and requires more task oriented treatment, but little by little most people growl along with the process demanding more relationship oriented leadership. However, it must be remembered that each person is individual by personality and maturity. A great number of learners have failed because of inappropriate leadership behavior, too task oriented or too relationship oriented, by the predecessors.

Transformational leadership

Burns' idea was based on the thought that transforming leadership raises both leaders' and followers' level of motivation and moral. Followers are elevated in motivation and moral, and become more active themselves. Originally Burns (1978) defined leadership as transformational and transactional when he approached these definitions in political settings. He examined political leaders, who had influence on the huge masses of people. Transformational leaders transfer followers above the followers' own self-interest for the good of the group, organization, or country. Increased awareness and the arousal of higher-level needs of Maslow's hierarchy can produce extraordinary effort (Bass 1985).

According to Burns (1978) and Bass (1985), the transformation can be achieved in any one of three interrelated ways: 1) By raising the level of consciousness about the importance and value of outcomes, and ways of reaching them. 2) By getting to transcend self-interest for the sake of the team, organization, or larger polity. 3) By altering the need level on Maslow's (or Alderfer's) hierarchy or expanding the portfolio on needs and wants (Bass 1985). In the family business, the importance of transformational leadership culture during the transfer process cannot be denied. When the business and economics culture is transformational it is much easier for the learner to step into the new role. If not, the changing of leadership culture should be among the first steps when planning the transfer.

Transformational leadership contains visioning, challenging, enabling, modeling and rewarding (Kouzes & Posner 1987). The former leader has been a role model to the follower in his/her leadership style. Everybody has his/her individual style of using transformational leadership (see e.g. Hautala 2005; Roush 1992; Roush & Atwater 1992) and thus it would be recommendable to analyze one's leadership style and personality.

If the owner-manager is very sociable, intuitive, value-orientated and spontaneous, and the follower is more introverted, sensible, making decisions logically and organizedly it is most probable that they have very different leadership styles, and the adaptation process will take longer for the follower and the members of the organization than if their personalities and thus leadership styles were more similar. These differences should be pointed out to whole organization and the transfer should be done when trying to find the suitable way of leading the company in a transformational way. Common values are the main base where the leadership style is grounded.

For example, if the predecessor is sociable, intuitive, value-oriented and spontaneous and the follower is more introverted, sensible, logical and judging, the following things below should be considered. Both can use transformational leadership if they want and if they persist in finding the way which would be most comfortable to them in each dimension of transformational leadership. Some dimensions are easier to use effectively, and with some dimensions more work has to be done to develop such a leadership style. Next, some examples of possible contrary parties in the learning process will be presented.

Visioning-very sociable leaders (extroverts) tend to express their visions, but it may not be so easy for more quiet people (introverts). Maybe his presentations could be done more easily with email, person-to-person talks etc.

Challenging – Trying to find new possibilities is easier for people who tend to be more orientated to change (e.g. intuitive types). If the predecessor has been full of ideas the learner might feel

"empty" when thinking about progression. Maybe teams and groups would help every-day development of the organization.

Enabling- It is most probable that the predecessor with enthusiasm and lively behavior will get others involved in projects more easily than the new leader with a more stable nature. In this case, the new leaders, the learner, should work harder, and try to focus on listening and on those things where he/she is stronger by nature. The same results can be gained with different methods.

Modeling – This may be easier to the follower than to the former leader. It may be that the former leader, because of a sociable and spontaneous personality, is more "out" of the office. Thus his/her actual working is not so easy to see by the staff. When the follower is more stable, the staff may experience his working methods as better.

Rewarding – It is worth noticing that every form of progress should be rewarded. Intuitive persons, because of their tendency to future-orientation, tend to hurry to the next project and thus the rewarding will be missed. It is more likely that the followers do not have to pay extra effort to this, as the former owner had to.

It can be concluded that appropriate transformational leadership by the predecessor will smoothe the path of the learning. On the other hand, greater personality and leadership style difference between the predecessor and the learner require particular attention. Par excellence, the transformational leadership is important in terms of raising the need level of learners who are not always very eager to struggle for the inherited company.

According to Kotter (1982) new managers, in new positions allocate time and effort early in their jobs to developing a network of cooperative relationships to and among those people they felt were actually needed to accomplish their emerging agendas. This is most intense during the first months of the jobs but can continue a long time. Analogically, successors should build cooperative relationships in – and outside the company in order to form their job design and those relationships needed to succeed when taking over the company.

Applied from Kotter (1982), the network building of successor could be something like the one presented in Table 1.

Table 1 Network Building of a Learner

Content: A network of cooperative relations that:
❖ Includes tens, hundreds or thousands of people
❖ Includes subordinates, peers, and outsiders such as customers, suppliers, the press, and bankers, etc.
❖ Is different from formal structure
❖ Includes a variety of types and intensities of relationships to and among people
❖ Often includes very strong ties to land among family and company staff
II Process: The learners create networks by
❖ focusing on people they or the predecessors feel dependent upon, or people they feel are needed to implement their emerging agendas as successors and future leaders
❖ making other feel obligated to them
❖ encouraging others to identify with them establishing their reputation in the eyes of others
❖ making others feel dependent on them
❖ changing suppliers or bankers or other outsiders
❖ shaping 'the environment' among their staff to foster teamwork, minimize politics, etc. by using both formal management tools and more informal methods.

References

Available on request.