Foundations of Organisational Behaviour



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Course Overview:

This course is designed to empower you to effectively integrate artificial intelligence (AI) into their daily lives, enhancing personal productivity and efficiency. You will explore a variety of AI tools and techniques, focusing on practical applications that can streamline tasks, improve organization, and facilitate decision-making. The course will also guide you to develop and update websites using GenAI tools like Claude and ChatGPT.



1. Introduction to OB



2. Understanding Personality and Situations



3. The Role of Incentives and Motivation at Work



4. Judgement and Decision making



5. Team Decision Making and Coordination



6. Managing Power in Organisations



7. Understanding Leadership

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Course Objectives

By the end of this course, you will learn to:

- Understand what leadership means and how it differs from management.
- Identify various leadership styles and approaches, including trait-based, behavioral, contingency, transformational, and transactional leadership.
- Recognize the importance of both leadership and management for organizational success.
- Differentiate the roles of leaders and managers in guiding teams and driving change.
- Appreciate how effective leadership can motivate people and influence positive outcomes in the workplace.



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Module 1: Introduction to Organisational Behaviour (OB)

1.1 Introduction to Organisational Behaviour

Interdisciplinary Nature of OB

OB draws insights from psychology, sociology, anthropology and management to address workplace issues. Its interdisciplinary approach enables it to offer practical solutions to human behaviour challenges in organisations.

The Importance of OB

Human behaviour is complex, requiring an interdisciplinary approach to study and manage effectively. OB integrates various perspectives to improve workplace dynamics, benefiting both organisational problem-solving and academic research in human behaviour.



1.1 Introduction to Organisational Behaviour

Historical Background and the Role of Frederick Winslow Taylor

OB was developed in the late 19th and early 20th centuries, with Frederick Winslow Taylor being a key figure. Known as the father of scientific management, Taylor aimed to optimise inefficient and disorganised industrial work by applying scientific principles to improve productivity.



Core Principles of Taylorism

Taylor's approach, called Taylorism or scientific management, included:

- Scientific study of work tasks: Replacing guesswork with systematic analysis.
- Time and motion studies: Breaking tasks into components and measuring time to find the most efficient methods, reducing waste and unnecessary movements to improve productivity.

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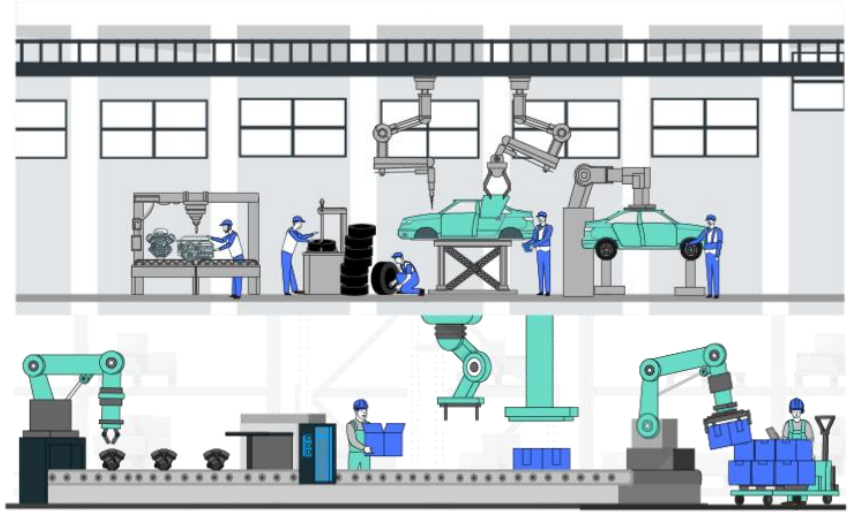
1.2 Taylor's Principles

Second Core Principle: Standardisation

Taylor’s second principle, standardisation, involved applying the most efficient methods across the workplace. All workers would perform tasks the same way, using the best methods identified through scientific study and standardised tools and equipment were provided for efficiency.

Third Core Principle: Division of Labour

Taylor introduced a clear division between management and workers. Managers planned and controlled the work, while workers focused on execution. This division remains in modern organisations.



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1.2 Taylor's Principles

Fourth Core Principle: Selection and Training of Workers

Taylor advocated for selecting workers based on their abilities and providing efficient training, moving away from traditional on-the-job learning. Today, specialised training for new employees is standard practice.

Fifth Core Principle: Incentive-Based Pay

To boost productivity, Taylor introduced incentive-based pay, where workers received bonuses for exceeding quotas. This aligned the interests of workers and management.



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1.2 Taylor's Principles

Impact of Taylorism

Taylorism increased productivity, especially in manufacturing. However, it was criticised for dehumanising workers, as the focus on efficiency often overlooked their well-being and job satisfaction.

Legacy of Taylorism

Despite criticisms, Taylorism laid the groundwork for modern management practices like workflow optimisation, performance measurement and efficiency analysis, which have since evolved to consider worker satisfaction and organisational culture.

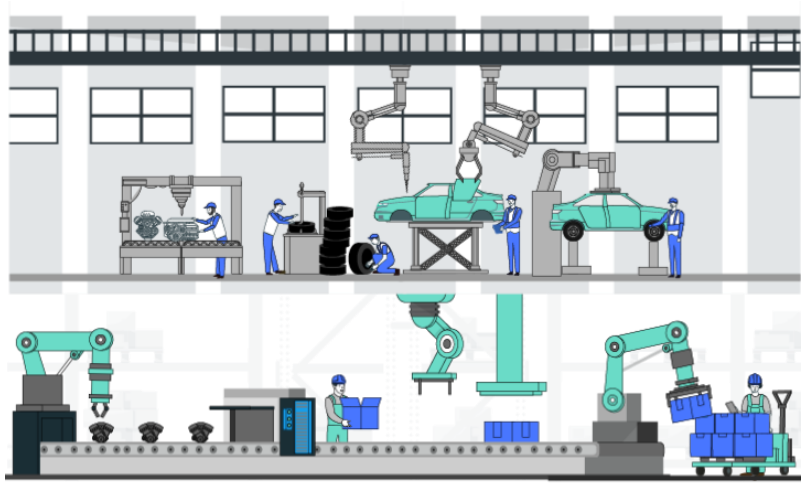


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1.3 The Hawthorne Experiments: A Turning Point in Organisational Behaviour

Phase 1: Illumination Experiment (1924-1927)

The first phase tested the impact of lighting on productivity. Surprisingly, productivity increased not only with improved lighting but also with poorer lighting. This paradox led researchers to realise that other factors, beyond physical conditions, were influencing productivity.



Phase 2: Relay Assembly Test Room Experiment (1927-1932)

In this phase, a group of female workers was observed under various conditions. Regardless of changes, productivity continued to rise. This highlighted that the attention given to workers as part of the experiment itself was enhancing their performance, a phenomenon known as the Hawthorne Effect.

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1.3 The Hawthorne Experiments: A Turning Point in Organisational Behaviour

Phase 3: Interviewing Programme

Researchers conducted thousands of interviews to understand workers' feelings and attitudes. They discovered that workers' attitudes and social factors, such as feeling valued and being part of a group, played a crucial role in their productivity.



Phase 4: Bank Wiring Observation Room

In this phase, researchers observed male workers in a group setting to study social norms. They found that workers adjusted their productivity to match group expectations, often ignoring financial incentives, highlighting the influence of social factors over monetary ones.

1.4 Core Social Needs

Motive to Belong

The need to belong drives individuals to form close relationships and feel part of a group. In organisations, fostering inclusion through team activities boosts engagement, commitment and loyalty. Google exemplifies this by promoting a strong sense of belonging.

Motive to Understand

Employees seek to understand workplace norms, values and expectations to function effectively. This understanding supports better collaboration and decision-making. Zappos addresses this through structured onboarding that aligns new hires with company culture.



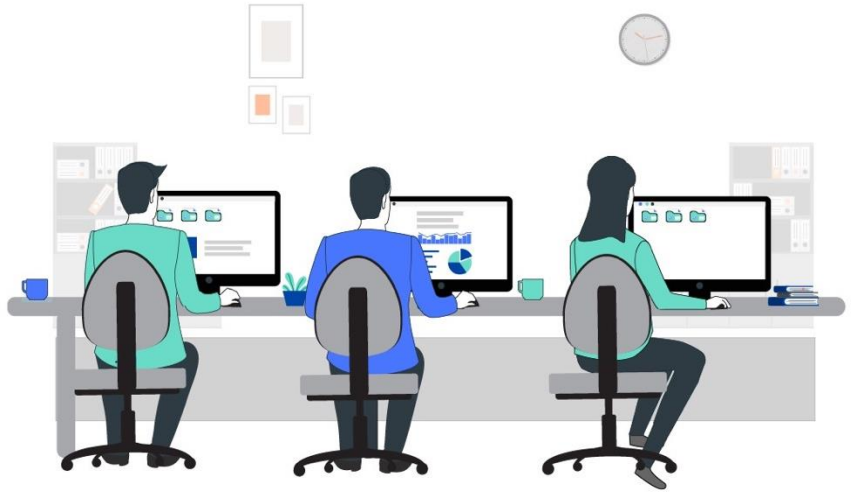
1.4 Core Social Needs

Motive to Be Effective

The desire to feel competent motivates employees to achieve goals, take on challenges and grow. Amazon supports this by encouraging ownership, innovation and high standards, helping employees perform at their best.

Motive to Find the Environment Benevolent

Employees want to perceive their workplace as fair and supportive. Trust in colleagues and leadership fosters cooperation and loyalty. Salesforce promotes this through wellbeing-focused policies like flexible hours and mental health support.



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1.4 Core Social Needs

Motive to Maintain Self-Esteem

Feeling valued enhances self-esteem and drives pride, leadership and peer influence. Recognition and rewards, as seen in sales teams and Adobe's performance culture, reinforce confidence and motivate others to excel.

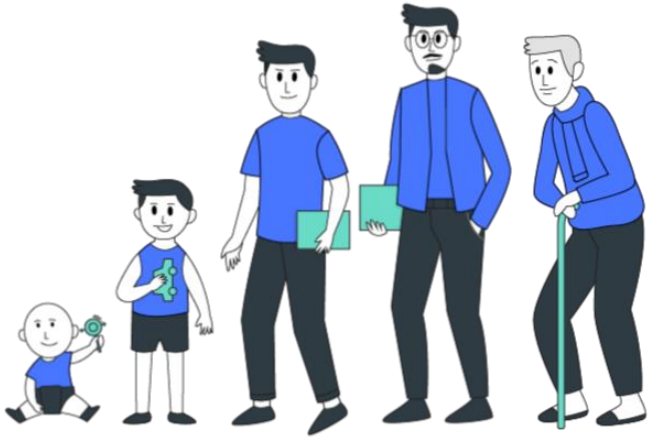


Module 2: Understanding Personality and Situations

2.1 Understanding Personality: Traits and Impact

Inheritance vs. Acquisition

Personality traits are influenced by both genes and the environment. While some aspects of personality are innate (e.g., genetic traits), others are shaped by external factors such as culture, upbringing and experiences. Researchers agree that personality is shaped by the interaction of both nature and nurture.



Why Understanding Personality is Important

Understanding personality helps us identify traits that may hinder success. It promotes self-awareness and enables us to adapt our behaviour to different situations. This awareness improves our ability to influence others and enhances leadership effectiveness.

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2.1 Understanding Personality: Traits and Impact

Leadership and Personality

Effective leadership is about being authentic, leveraging strengths and being aware of weaknesses. A leader should adjust their approach based on the needs of the team and situation. Understanding one's personality helps in making informed decisions and fostering positive relationships within the team.

Challenges for Leaders

Leaders may unconsciously connect with people who share similar personalities. This unconscious bias can hinder team diversity and effectiveness. Recognising this bias and understanding different personality traits is crucial for building diverse, high-performing teams.



2.1 Understanding Personality: Traits and Impact

Adjusting Personality in Leadership

Leaders need to adjust their personality traits depending on the context. For example, an assertive leader might need to tone down assertiveness in situations requiring collaboration and consensus. Leadership is about balancing one's traits with the needs of the group.

Personality as an Asset and Liability

While personality can be a leader's asset, it can also become a liability if not managed properly. Traits that serve well in some situations might backfire in others, such as being highly detail-oriented, which can lead to micromanagement.

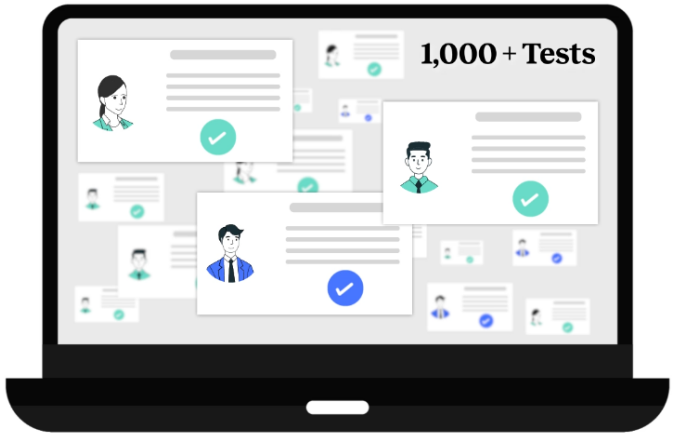


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2.2 Measuring Personality- Part 1

The Importance of Measuring Personality

Given that personality plays a significant role in leadership, the next logical question is: How do we measure personality reliably? There are many online personality tests, with over 1,000 available, but most of them are not scientifically validated. A popular test, the MBTI, is often used by MBA students, but it lacks scientific validation, meaning the results can't be relied upon.



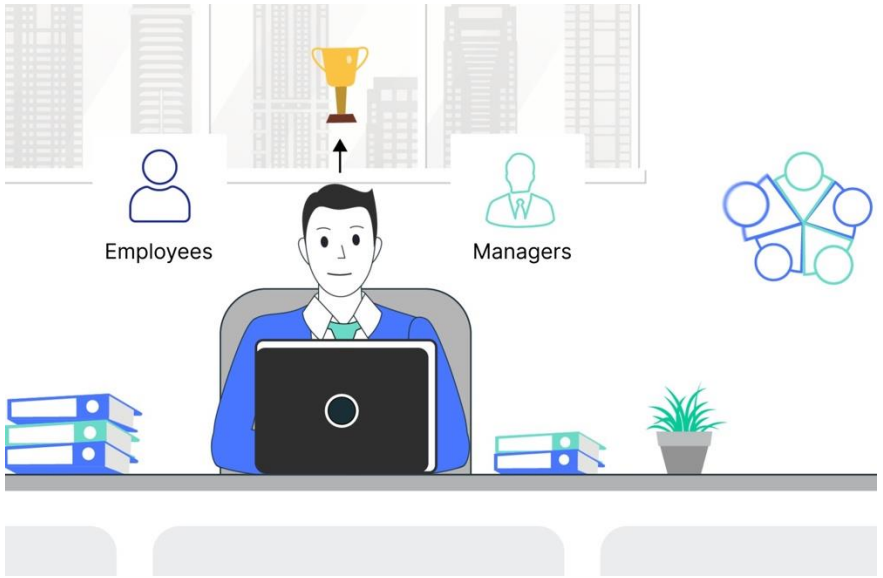
The Big Five Personality Framework

To measure personality accurately, we need a scientifically driven framework, and the Big Five Personality Framework is widely accepted. Developed using rigorous statistical methods, it provides reliable and valid results across different contexts, populations and cultures, making it universally applicable.

2.2 Measuring Personality- Part 1

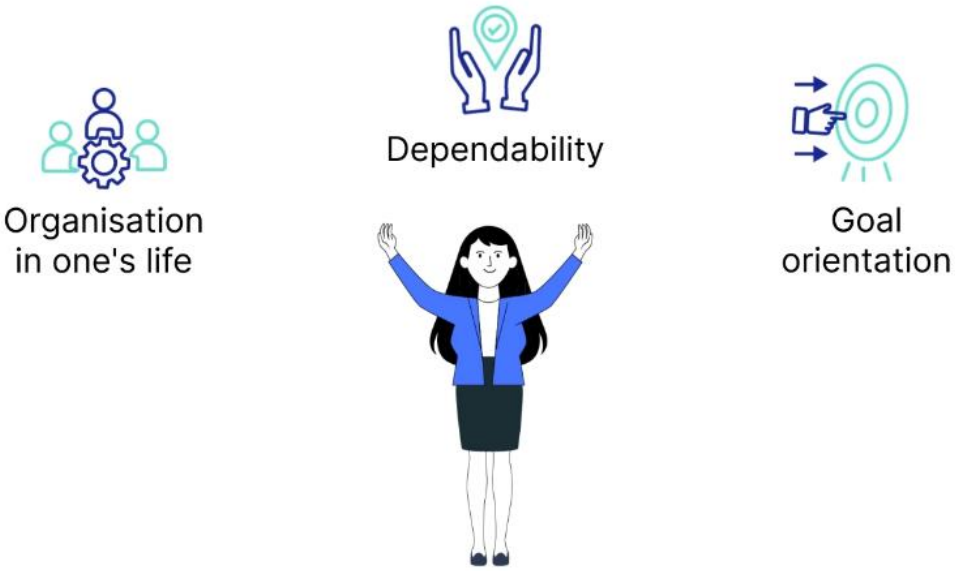
Why the Big Five?

The Big Five framework is specifically useful for managers and employees, as it helps predict career outcomes. Research shows that these five personality traits are closely related to leadership and decision-making abilities. Studies by Bono and Judge (2004) and Judge (2002) found that specific traits in the Big Five are strong predictors of leadership success.



2.3 Measuring Personality- Part 2

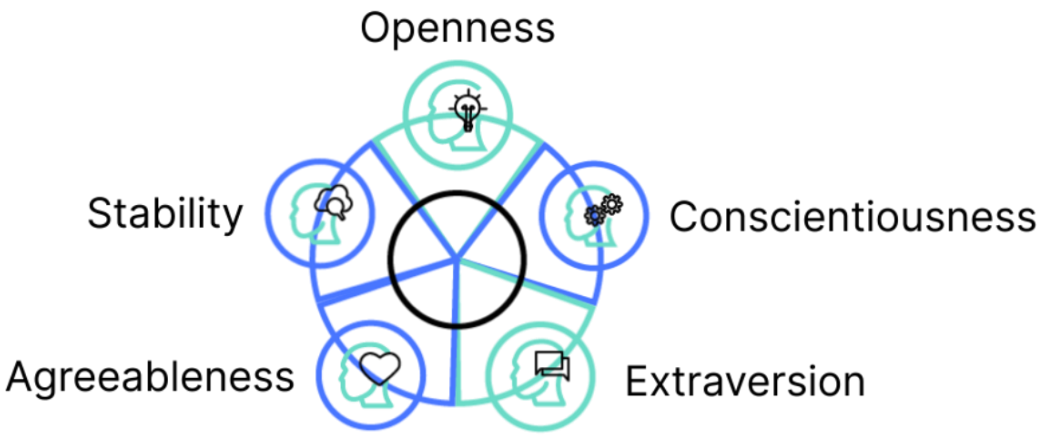
1. **Openness to Experience**
   Reflects curiosity and a willingness to engage with new ideas. High openness is linked to creativity; low openness favours routine and practicality.
2. **Conscientiousness**
   A strong predictor of job performance, indicating organisation, dependability and goal orientation. However, it can lead to rigidity, while low conscientiousness supports adaptability.
3. **Extroversion**
   Measures sociability and energy. Extroverts thrive in social environments, while introverts excel in solitary work, with both offering valuable perspectives.



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2.3 Measuring Personality- Part 2

1. **Agreeableness**
   Reflects cooperation and empathy. High agreeableness promotes teamwork but may avoid conflict; low agreeableness drives competitiveness and assertiveness.
2. **Stability (Emotional Resilience)**
   High stability means calm under pressure; low stability leads to anxiety and stress but can help in detail-oriented jobs.



2.3 Measuring Personality- Part 2

Context and Personality Profiles

There is no "correct" personality profile; strengths in one context can become challenges in another. Understanding how personality traits fit different situations is key.

Personality and Job Performance

High conscientiousness and emotional stability improve job performance by promoting reliability and focus. However, too much focus on details can cause dissatisfaction.

Applications in Organisations

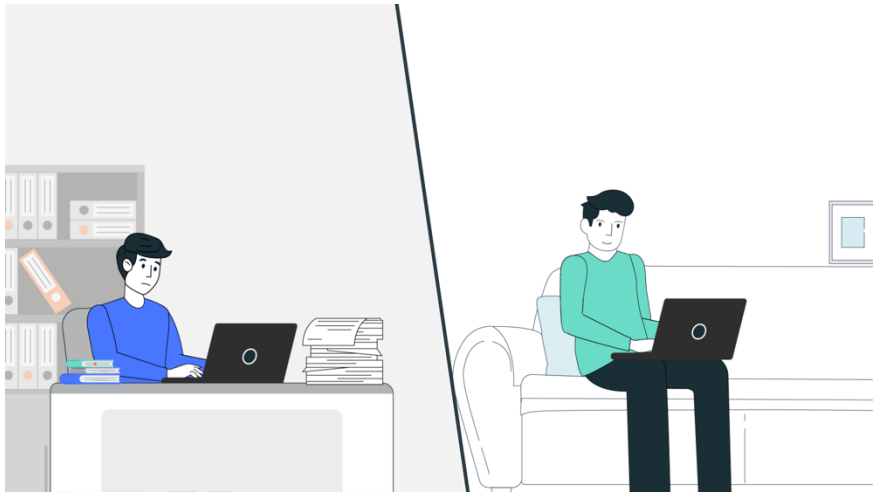
The Big Five is used in recruitment and team composition. Matching personalities to roles enhances performance and satisfaction, although excessive conscientiousness can lead to burnout.



2.4 What Really Drives Behaviour?

Context and Personality Profiles

Behaviour is shaped by both our personality traits (such as the Big Five factors) and external factors like the environment organisation and job design. Our personality defines how we think, feel and act, while the situation influences how we behave in specific contexts. The interaction between these two factors determines how we respond in different scenarios.



Strong vs. Weak Situations

In strong situations, where there are clear rules and expectations, the environment has a greater influence on behaviour than personality traits. For instance, people are more likely to follow norms, like not littering in airports, because of strong environmental cues. In weak situations, where there are no clear guidelines, personality traits dominate and influence behaviour more strongly.

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2.4 What Really Drives Behaviour?

The Fundamental Attribution Error

The fundamental attribution error occurs when we attribute someone's behaviour to their personality, ignoring the external factors that may be influencing their actions. For example, we might judge an employee as lazy for missing deadlines without considering external factors like workload or personal issues.

Workplace Example: Misjudging Behaviour

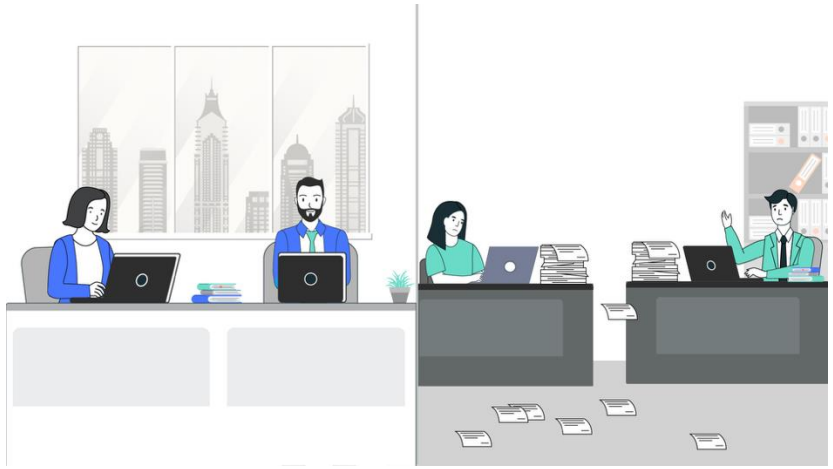
In a workplace scenario, a manager might assume that an employee, Alok, is lazy for missing deadlines. However, factors such as an unusually high workload or unclear expectations might be affecting his performance. Recognising these situational factors helps avoid the fundamental attribution error and allows for a more accurate assessment of behaviour.



2.4 What Really Drives Behaviour?

Implications for Leadership

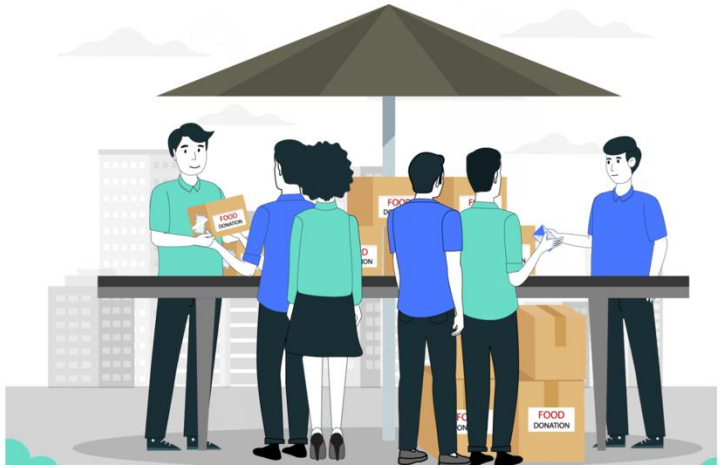
Understanding that both personality and situational factors influence behaviour enables leaders to avoid biases and make more informed decisions by addressing external factors.



2.5 Stanford's Food Drive Study

Study Findings

The key question was how likely these individuals would be to donate to the food drive. Participants predicted that generous people would donate more than ungenerous ones. However, when the actual food drive occurred, both groups donated similarly when they received a detailed, personal letter. This finding showed that the type of letter (a situational factor) had a stronger influence on behaviour than personal traits like generosity.



Implications of the Findings

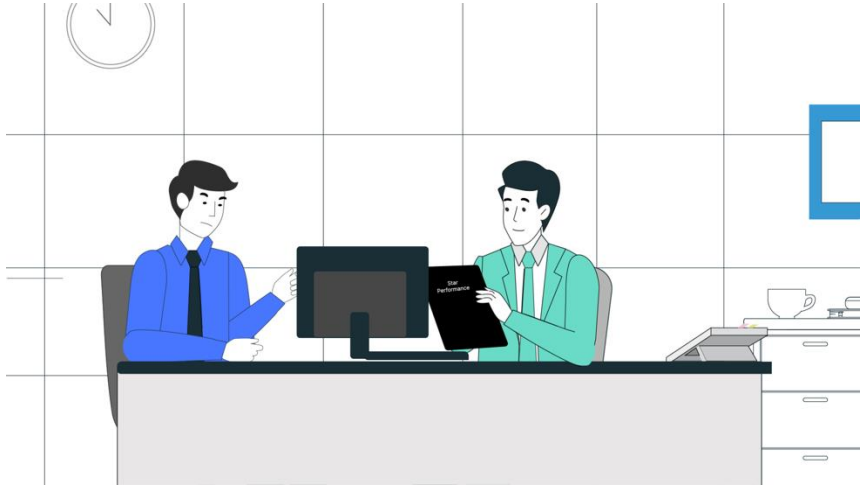
The study underscores the power of situational cues over personality traits in driving behaviour. It challenges the assumption that personality is the main factor influencing actions. This highlights the **fundamental attribution error,** where we often attribute behaviour to personal characteristics rather than considering situational factors.

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2.5 Stanford's Food Drive Study

Fundamental Attribution Error and Leadership

The fundamental attribution error is evident in organisations when leaders assume that hiring "stars" from other organisations will solve problems. This overlooks the impact of the organisational environment, which is often what enables high performance. Success, therefore, depends not just on hiring the right people but also on creating the right environment that allows them to perform effectively.

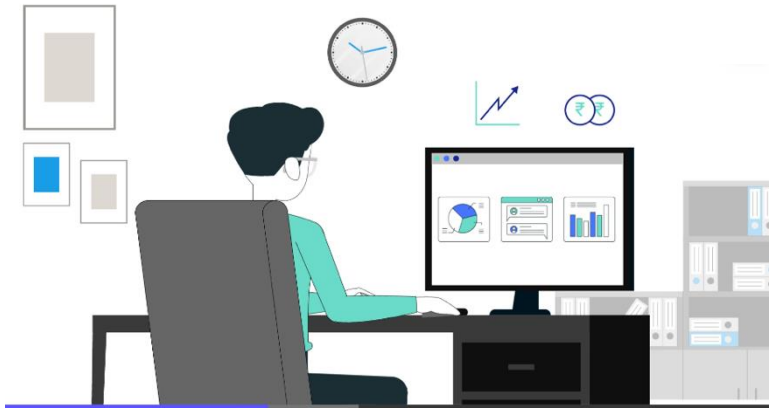


Module 3: Role of Incentives and Motivation at Work

3.1 Performance-Based Pay: Aligning Goals, Effort & Risk

The Economic Model of Pay-for-Performance

This model defines compensation as **Compensation = A + BX,** where A is the fixed salary and BX is performance-based pay. It assumes that higher effort leads to better performance, which increases rewards.



Limitations of the Model

The link between effort and performance is not always perfect. Factors such as market conditions, economic uncertainty, or subjective evaluations can distort outcomes, making the system feel unfair to employees.

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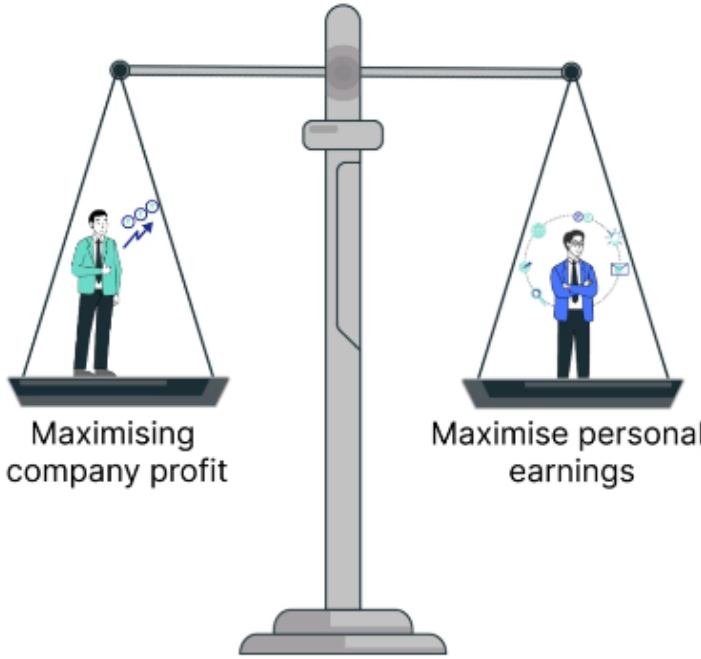
3.1 Performance-Based Pay: Aligning Goals, Effort & Risk

The Principal-Agent Problem

A conflict arises when employers aim to maximise productivity while employees aim to maximise personal benefit. Success depends on not just hiring capable employees but also designing systems that enable effective performance.

Fixed Pay vs. Variable Incentives

Base pay offers predictability, whereas variable incentives boost motivation but add financial risk. A steeper compensation slope may encourage effort but can also cause stress or reduce employee retention.



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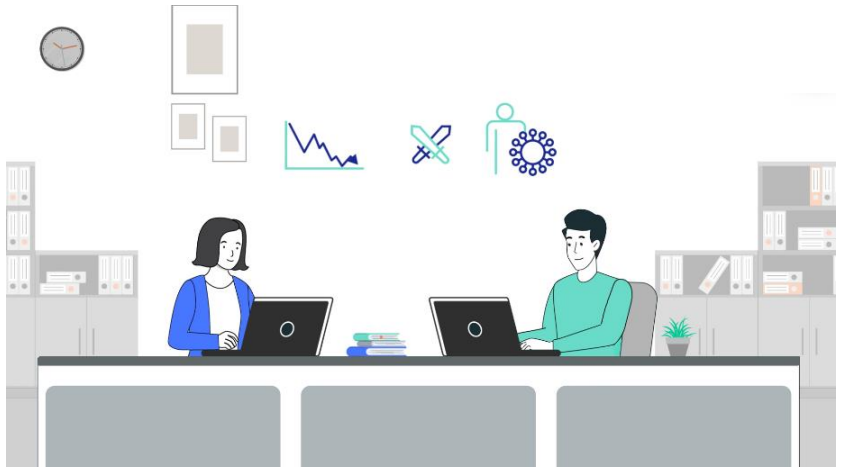
3.1 Performance-Based Pay: Aligning Goals, Effort & Risk

Balancing Risk and Motivation

Finding the right mix between fixed and performance-based pay depends on how much risk both the employer and employee are willing to tolerate. High-risk incentive systems may discourage risk-averse talent.

Alternatives to Contingent Rewards

To overcome the limitations of pay-for-performance, companies can use strategies like goal setting. Aligning goals with employee roles and combining intrinsic motivation with external rewards can lead to more consistent and meaningful performance outcomes.



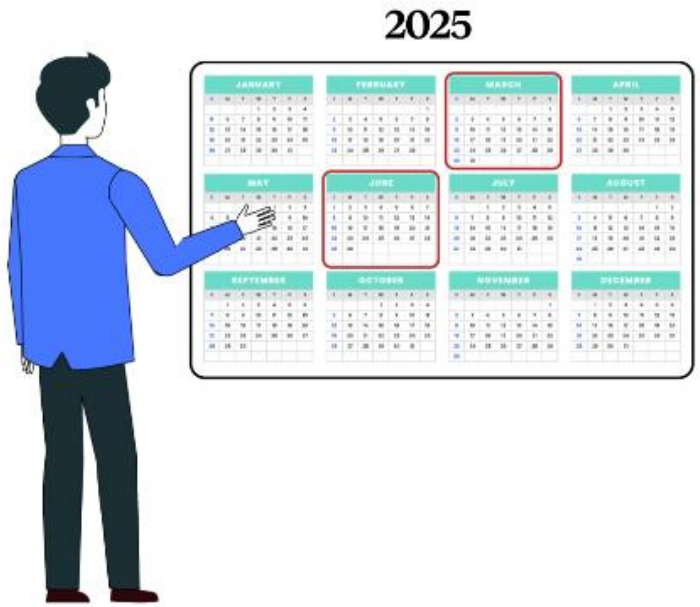
3.2 Key Factors in Pay-for-Performance Systems

Employee Considerations in Pay-for-Performance Systems

Employees assess whether their effort directly affects outcomes **(controllability)** and whether rewards are consistent and transparent **(reliability).** High controllability and reliability boost motivation and reduce perceived risk.

When to Rely on Contingent Rewards

Contingent rewards are more effective when effort is hard to observe, performance output is measurable, employees feel in control of their performance, and the system is perceived as reliable. In these cases, tying rewards to outcomes can motivate employees and align their actions with organisational goals.



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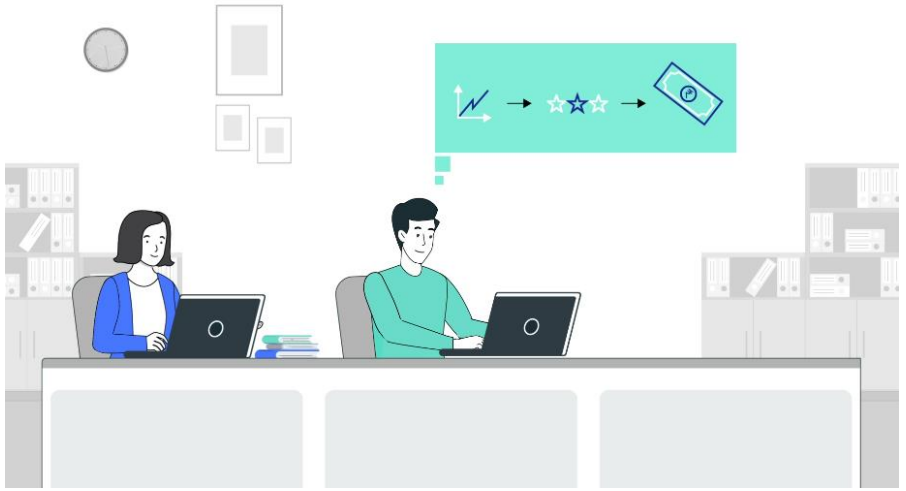
3.2 Key Factors in Pay-for-Performance Systems

When to Avoid Contingent Rewards

If employees are risk-averse or if performance is influenced by factors beyond their control, contingent rewards may demotivate rather than inspire. Excessive reliance on performance-based pay in such situations can lead to dissatisfaction and reduced retention.

Role of Compensation Structure

The level and slope of compensation influence the kind of employees an organisation attracts and retains. A steep pay curve may appeal to high-risk takers, which may or may not suit the organisation's needs. Therefore, incentive design must align with the company's goals and workforce preferences.



3.2 Key Factors in Pay-for-Performance Systems

Case Example: New Mexico Garbage Truck Incentive

An incentive program for garbage truck drivers in New Mexico unintentionally led to negative outcomes. Drivers, incentivised to finish faster, rushed their routes, caused accidents, overloaded trucks, and reduced the quality of garbage collection. This highlights how poorly designed incentives can encourage undesirable behaviour and hurt organisational performance.



3.3 What Details Pay for Performance Rewards: Part 1

Obstacles to Pay-for-Performance Systems

Psychological and cultural factors can disrupt the effectiveness of contingent reward systems, reducing their motivational power.

Inflated Self-Perception

Employees often overestimate their own contributions, especially in team settings, leading to dissatisfaction and perceptions of unfair compensation.

Fairness of Reward Processes

The perceived fairness of how rewards are distributed greatly influences motivation. Even well-structured rewards can fail if the process is seen as biased or inconsistent.



3.3 What Details Pay for Performance Rewards: Part 1

Cultural Impact on Reward Effectiveness

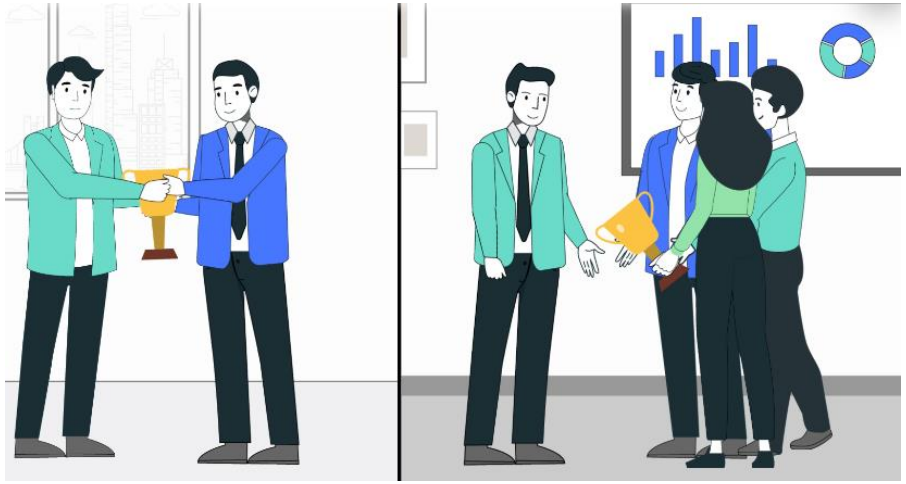
Reward preferences differ by culture. Individual rewards work well in Western cultures, while collectivist cultures value team-based incentives. A cultural mismatch can reduce reward effectiveness.

Importance of Managing Perceptions

To ensure incentive systems work, organisations must address both psychological biases and cultural expectations related to fairness and contribution.

Evidence of Bias: Household Chores Study

A study on married couples showed that individuals consistently overrate their contributions. This self-serving bias is common and applies to workplace dynamics as well.



3.3 What Details Pay for Performance Rewards: Part 1

Self-Serving Bias in Perceptions of Fairness

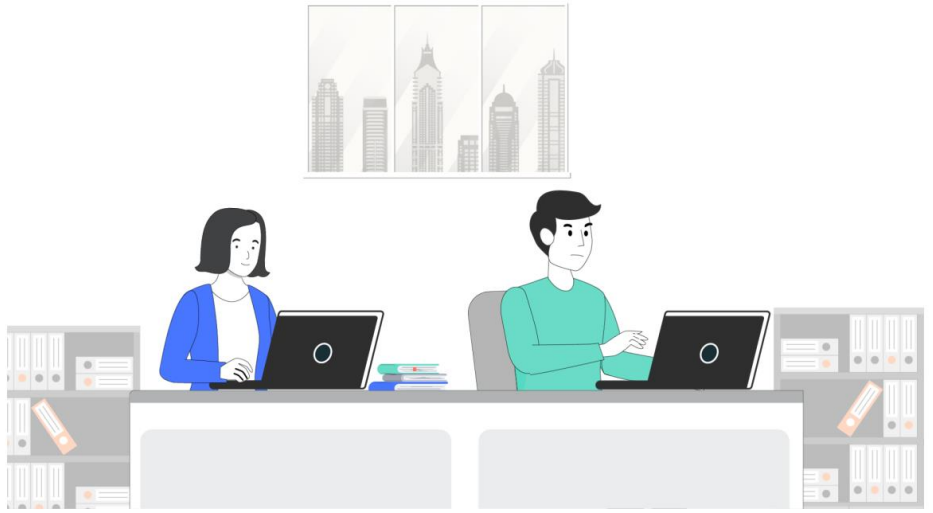
Individuals tend to favour the rule that benefits them. For example, someone who feels they contributed more may prefer a contribution-based reward, while others may appeal to need. This bias complicates fair reward allocation.

Transparent Reward Policies

Clearly defined and communicated reward policies are essential. Transparency helps avoid misunderstandings and aligns expectations with the actual reward criteria..

Procedural Fairness

Procedural fairness focuses on the process of how rewards are allocated, not the rewards themselves. It includes whether decisions are made through fair and consistent methods.



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3.3 What Details Pay for Performance Rewards: Part 1

Fair Processes Signal Respect

When people are involved in fair, transparent, and unbiased procedures, they feel respected and valued, which boosts engagement—even when outcomes are not favourable..

Fair Process Cushion Effect

Procedural fairness can soften the impact of negative outcomes. People are more willing to accept an unfavourable result if they believe the process leading to it was fair.

Obstacles to Contingent Rewards

The main obstacles stem from issues of **distributive fairness** (biased expectations about how rewards should be given) and **procedural fairness** (lack of fairness in how decisions are made). Ensuring fairness in both areas is crucial to maintaining motivation and satisfaction with incentive systems.



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3.4 Alternatives to Pay for Performance Rewards: Part 1

Beyond Contingent Rewards

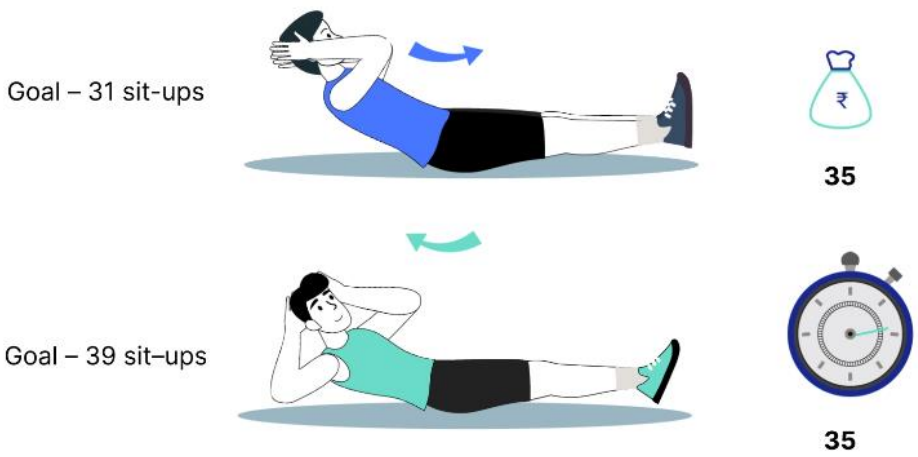
While bonuses and performance-based pay are common, they are not the only ways to motivate employees. Alternatives like goal setting and intrinsic motivators can be equally or more effective.

Power of Specific Goals

Setting clear and specific goals motivates employees by giving them a clear target to aim for. Specific goals outperform vague instructions like “do your best” by providing direction and enhancing effort.

Combining Goals with Incentives

Goals can be used alongside financial rewards for stronger motivation. However, poorly designed goals (like fixed targets) can backfire. Once employees hit the target, they may stop performing, highlighting the need for smart goal structuring.



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3.4 Alternatives to Pay for Performance Rewards: Part 1

Real-World Example: SAS Institute

SAS, a software company in North Carolina, avoids contingent rewards like bonuses and stock options. Instead, they focus on:

- A collaborative, team-based environment
- Regular feedback instead of formal appraisals
- Strong lifestyle benefits (healthcare, daycare, elder care



Result of SAS's Approach

Despite offering no financial extras like other tech giants, SAS has high employee retention and motivation. Employees are driven by the culture and a supportive work environment.

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3.4 Alternatives to Pay for Performance Rewards: Part 2

Intrinsic Motivation

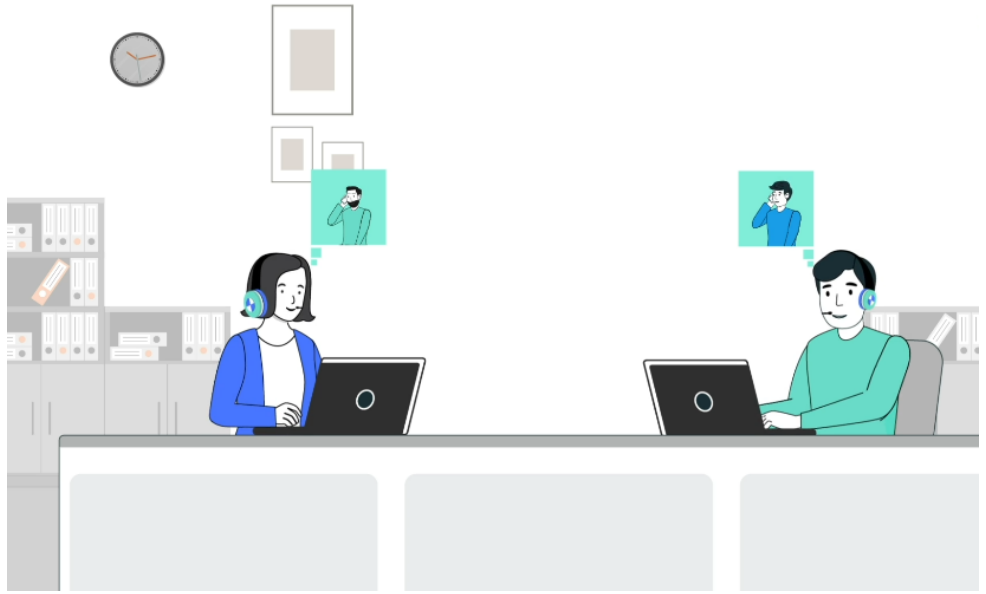
Intrinsic motivation comes from within and is driven by personal satisfaction and meaning in the work itself. Employees motivated intrinsically do their best not for external rewards but because they find their work fulfilling.

SAS as an Example of Intrinsic Motivation

At SAS, employees remain motivated without performance-based bonuses. They find meaning in their collaborative work and are supported through lifestyle benefits. This reflects the power of intrinsic motivation in driving retention and performance.

University Call Centre Study (Adam Grant)

In a fundraising call centre, employees who met a scholarship recipient worked harder and raised more money than others. Seeing the impact of their work increased their intrinsic motivation.



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3.4 Alternatives to Pay for Performance Rewards: Part 2

Balancing Intrinsic and Extrinsic Motivation

A study involving mathematical problem-solving with varied pay levels showed:

- Moderate incentives ($0.30 and $0.90) improved performance.
- Very low incentives ($0.03) reduced performance, as participants felt undervalued.
- Overpaying ($0.90 vs. $0.30) did not yield additional benefits.

This highlights the importance of setting appropriate reward levels to avoid undermining motivation.



Preschooler Study: Rewards and Creativity

Preschoolers who were promised a reward for drawing showed less interest and spent less time drawing. The expectation of reward reduced their intrinsic enjoyment of the activity.

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Module 4: Judgement and Decision making

4.1 Introduction to Judgement and Decision Making

Mental Models

Mental models are cognitive frameworks that shape our understanding of the world. They influence how we interpret information and make decisions, essentially guiding us through life's complexities.

Intuition and Decision Making

Intuition, or gut feeling, plays a significant role in decision-making. While it can be powerful, it is susceptible to biases that can distort our judgments.

Biases and Errors in Decision Making

Biases can lead us to irrational conclusions, and intuition may sometimes mislead us. Understanding these biases helps us determine when intuition is helpful and when it may lead us astray.



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4.1 Introduction to Judgement and Decision Making

Dual Systems Theory of Decision Making

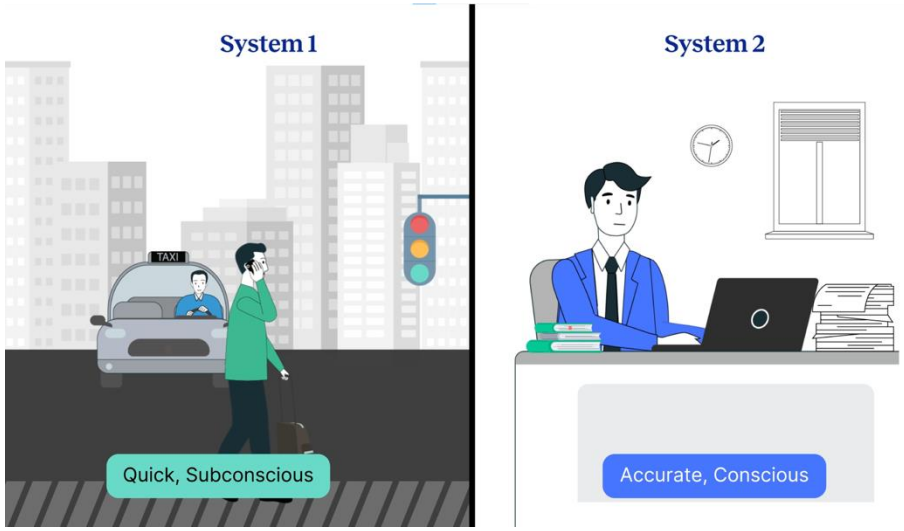
Daniel Kahneman and Amos Tversky's dual-system theory explains how we process decisions using two systems: **System 1** and **System 2.**

System 1: Fast and Automatic

System 1 operates quickly and automatically, relying on instinct and experience. It's efficient for emergencies but can lead to errors due to reliance on heuristics (mental shortcuts), biases, and stereotypes.

System 2: Slower and Deliberate

System 2 is slower, deliberate, and requires effort. It handles complex tasks like solving mathematical problems and making long-term plans. While System 2 is more accurate, it's mentally taxing and has limited capacity.



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4.1 Introduction to Judgement and Decision Making

Interplay Between System 1 and System 2

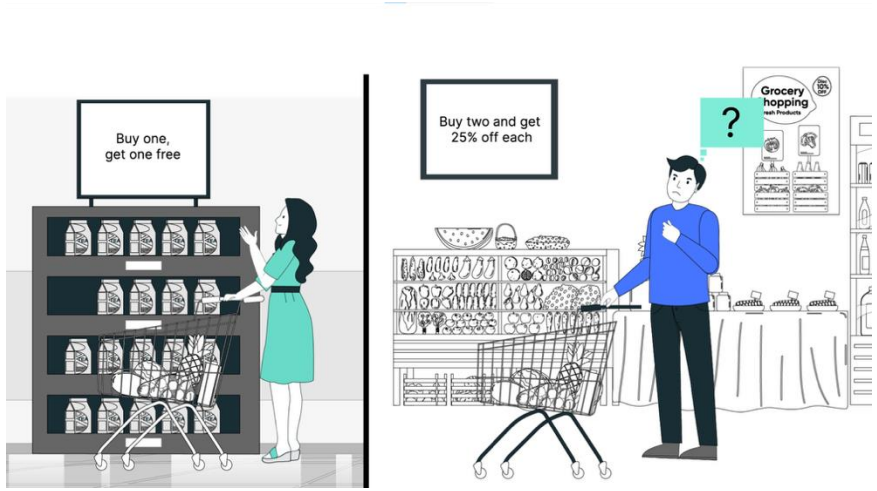
The key to effective decision-making lies in understanding when to rely on System 1 for quick decisions and when to engage System 2 for more careful analysis.

Consequences of System 1 Thinking

System 1 is crucial for quick decisions, but it also has drawbacks, such as **motivational biases** like overconfidence, which can lead to risky behaviour or poor decisions.

Impact of Cognitive Biases on Decision Making

These biases can affect both minor and significant decisions. Understanding them is essential for improving decision-making and mitigating their effects.



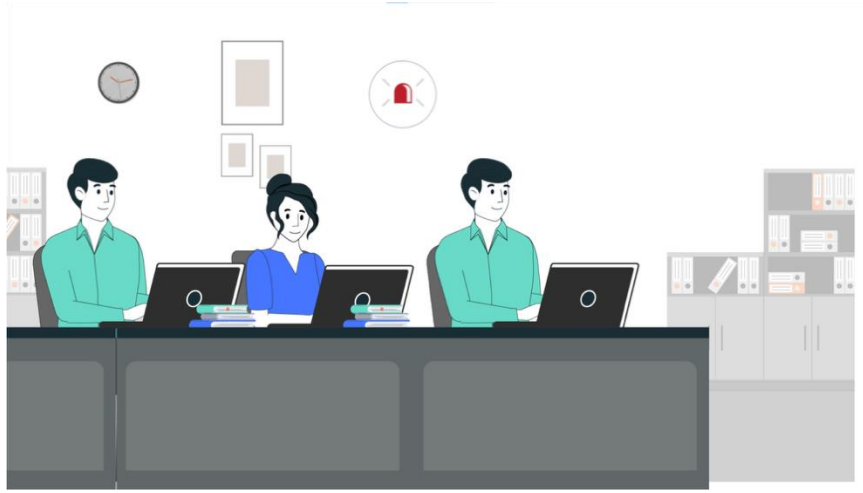
4.1 Introduction to Judgement and Decision Making

Decision Making in High-Pressure Situations

In high-pressure situations, like emergencies, we might make snap judgments necessary for survival but flawed in less urgent contexts. Fatigue also reduces our ability to make careful decisions, as we rely more on System 1, which is prone to errors.

The Importance of Attention in Decision Making

Another condition that increases susceptibility to System 1 errors is a lack of attention. When distracted, our brain defaults to System 1 processing, which requires less cognitive effort. Distractions or multitasking can prevent us from engaging in more deliberate, careful thinking, leading to errors in decision-making.



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4.2 The Third Variable Problem

- **World War II Aircraft Reinforcement Issue**
  During World War II, the US Air Force consulted experts on where to reinforce aircraft to minimise the risk of being shot down. The planes that returned from missions had bullet holes, and the initial approach was to reinforce those areas. However, this was flawed because it ignored planes that didn't return, which were likely hit in more critical areas like the engine or cockpit. This example shows how relying on System 1 (intuition) can lead to errors by missing important data.
- **The Fortune 500 CEO and Childhood Pets**
  An article in Management Focus magazine claimed that 94% of Fortune 500 CEOs had a childhood pet, implying that owning a pet increases the likelihood of becoming a CEO. However, this conclusion is flawed because it doesn't account for those who had pets but didn't become CEOs. The true question is how many people with pets did not become CEOs.



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4.2 The Third Variable Problem

- **Understanding the Complete Data**
  To fully understand this, we need to consider all four possibilities: CEOs with pets, CEOs without pets, non-CEOs with pets, and non-CEOs without pets. By looking at these groups, we see that pet ownership alone doesn't lead to becoming a CEO.
- **The Third Variable**
  The lesson here is not to accept data at face value. The correlation between pet ownership and CEO status does not imply causality. There's likely a third variable at play—socioeconomic status. People from wealthier backgrounds could afford pets and better education, both of which likely contributed to their career success. The third variable, socioeconomic status, is driving both pet ownership and the likelihood of becoming a CEO.

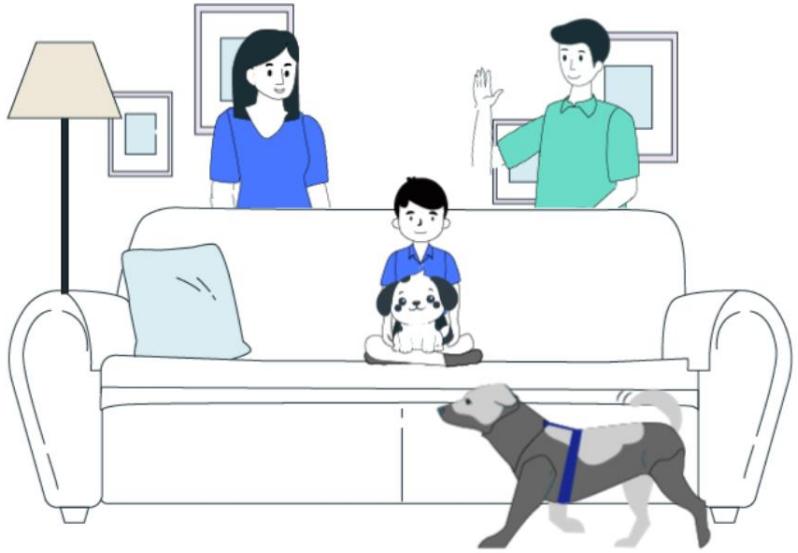


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4.2 The Third Variable Problem

- **Correlation Does Not Imply Causality**

  Correlation does not imply causality, especially when a third variable is influencing both factors. It's important to question the data and consider other influencing factors before drawing conclusions.



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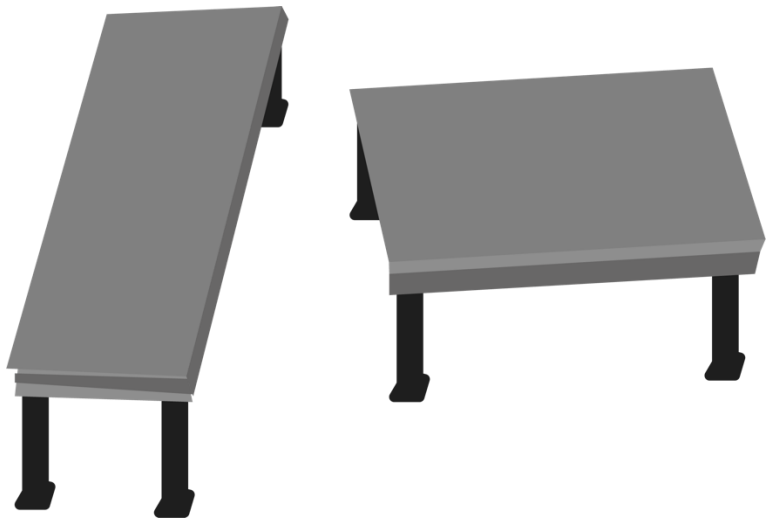
4.3 Gut Feeling Errors

Decision Making Based on Gut Feeling

Intuition, or gut feeling, is the ability to understand something immediately without conscious reasoning. It's often useful when decisions need to be made quickly, such as in emergencies, but it can also lead to errors, especially in unfamiliar or complex situations.

The Role of Intuition in Decision Making

Intuition is valuable in situations where time is limited, but it's prone to biases that can mislead us, particularly when the patterns we rely on don't apply to new or complex situations.



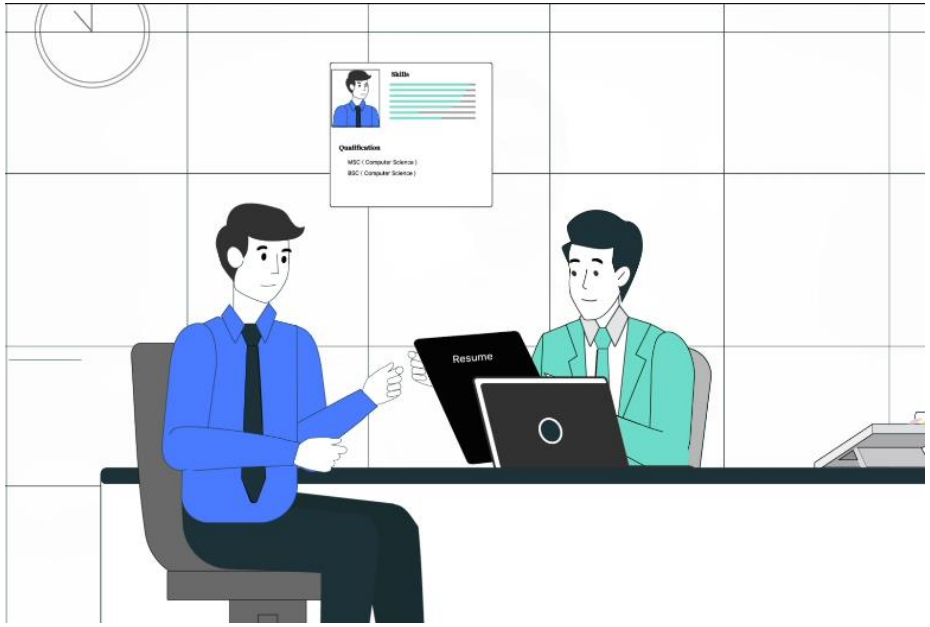
4.3 Gut Feeling Errors

Intuition Can Be Misleading

Intuition tells us that multiplying smaller numbers should result in a smaller product, but both answers were incorrect. This highlights how intuition doesn't always provide reliable answers, especially in more complex scenarios.

Gut Feeling in Job Interviews

Imagine interviewing a candidate who looks perfect on paper and has excellent social skills, yet something feels off. Should you trust your gut feeling? While it’s tempting, the problem is that your gut is based on incomplete data—only those you've hired—leading to potentially flawed decisions.



4.4 Gut Reactions That Work

Decision Making Based on Gut Feeling

When should we trust our gut feeling? One situation is when we face a predator—our gut reaction to run away is vital for survival. Evolution has shaped our intuition to detect danger and help us react quickly.

When to Trust Intuition

In high-risk, immediate situations, such as avoiding an incoming hit, intuition helps us act quickly and efficiently without overthinking.

Developing Gut Intuition

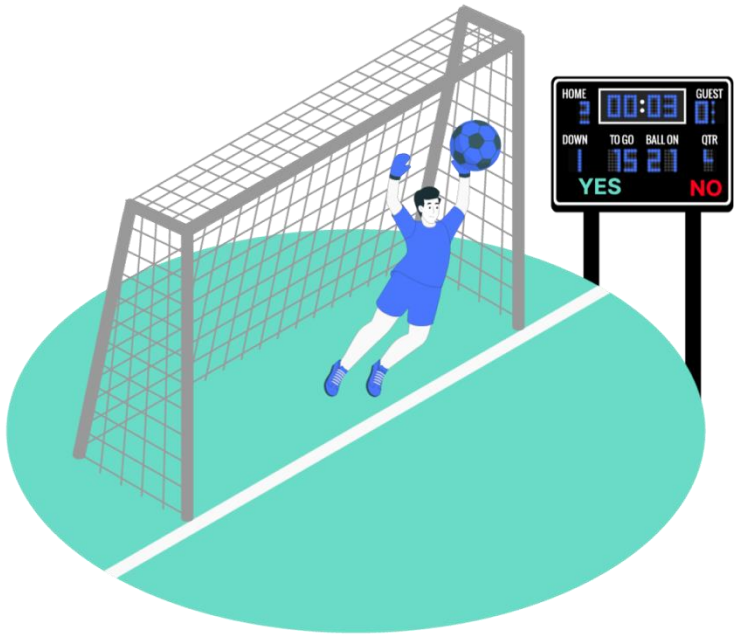
Gut intuition improves through repeated action and instant feedback. When expertise, action, and feedback align, intuition becomes a powerful tool in decision-making.



4.4 Gut Reactions That Work

When Not to Trust Your Gut

When should we trust our gut feeling? One situation is when we face a predator—our gut reaction to run away is vital for survival. Evolution has shaped our intuition to detect danger and help us react quickly.



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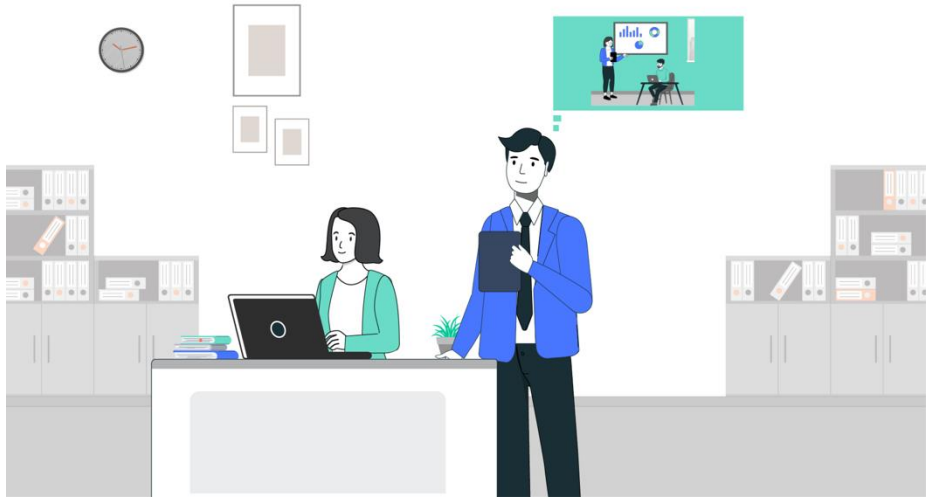
4.5 Understanding Confirmation Bias

Confirmation Bias

Confirmation bias is the tendency to seek, interpret, and remember information that supports our existing beliefs while ignoring contradictory evidence. This bias distorts decision-making by reinforcing our worldview..

Confirmation Bias in Organisations

In organisations, confirmation bias can lead people to overlook evidence that contradicts their assumptions, influencing decisions based on incomplete or skewed information.



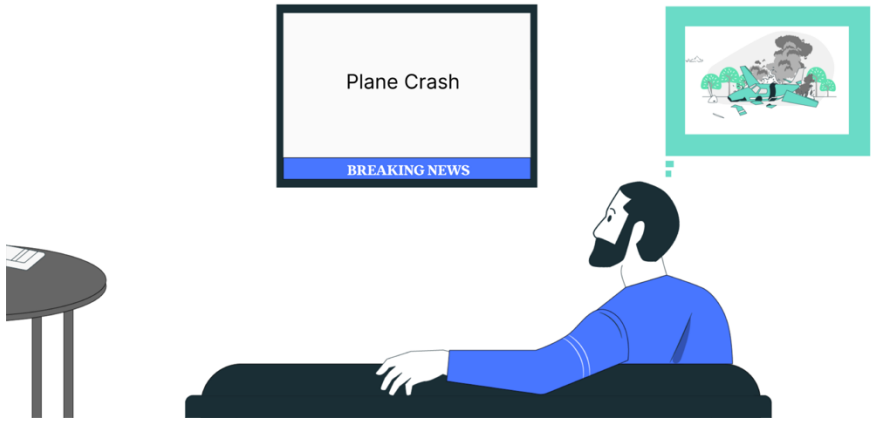
4.5 Understanding Confirmation Bias

Why Does Confirmation Bias Happen?

This bias occurs because we naturally prefer consistency in our thoughts and beliefs. When presented with new information, we accept what aligns with our views and dismiss anything that challenges them.

The Availability Heuristic

The availability heuristic makes us judge the probability of events based on how easily examples come to mind, often influenced by vivid or recent information. For example, after hearing about a plane crash, we may overestimate the risk of flying because the incident is memorable.



4.5 Understanding Confirmation Bias

The Impact of the Availability Heuristic

This heuristic also affects memory recall. We tend to remember recent or emotionally charged events, skewing our perception of how often certain behaviours, like kindness or aggression, occur.

Counteracting the Availability Heuristic

To avoid the availability heuristic, question whether the information at hand is truly representative or just memorable. In decision-making, relying on easily recalled data can lead to biased judgement and poor choices.

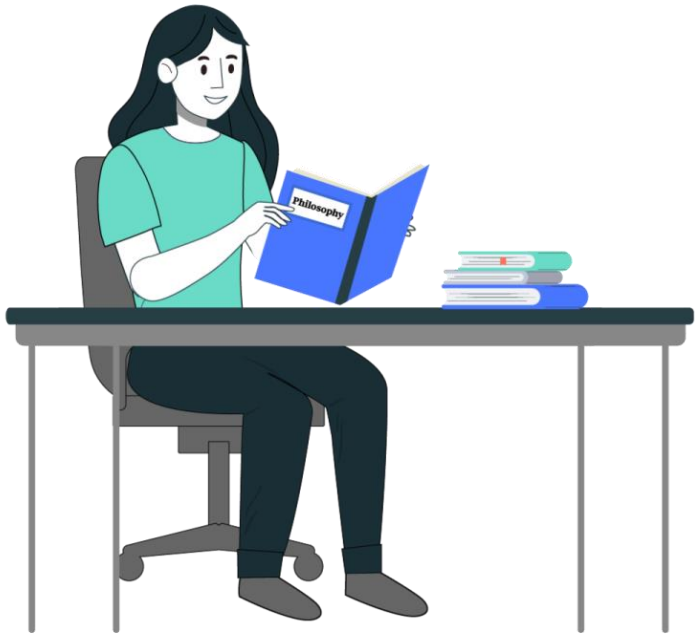


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4.6 Understanding the Conjunction Fallacy

The Conjunction Fallacy

The conjunction fallacy involves judging probability based on similarity. For example, imagine a scenario in which a person named Linda is 31, outspoken, bright, and concerned with social justice issues. The likelihood of three options is then evaluated: Linda being a bank teller, Linda being active in the feminist movement, or Linda being both a bank teller and active in the feminist movement.



The Fallacy Explained

Many people intuitively believe that the third option, Linda being both a bank teller and a feminist, is more likely because it seems to align better with her background. This belief exemplifies the conjunction fallacy, where two events occurring together (bank teller and feminist) are incorrectly judged as more likely than one event occurring alone (just being a bank teller).

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4.6 Understanding the Conjunction Fallacy

Understanding the Conjunction Fallacy

In reality, the probability of two events happening together is always lower than the probability of either event occurring alone. It is important to focus on actual statistical probabilities instead of relying on similarity when making judgments.

Representative Heuristic and Mistaken Judgments

The representative heuristic leads individuals to judge probabilities based on similarity, which can result in errors. Instead, it is important to focus on independent probabilities and avoid making judgments based on how typical or representative a situation feels.

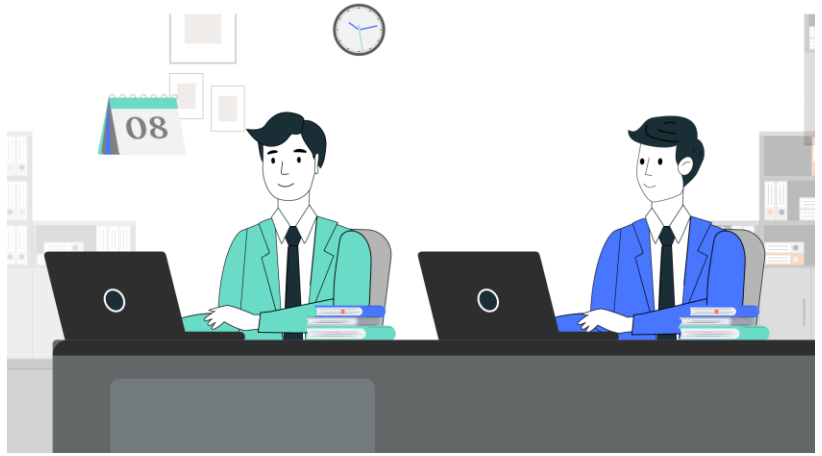


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4.6 The Trap of Relative Comparison

Scenario 1: Salary Comparison

Imagine a person has just completed their PGP programme and accepted an offer in their chosen industry. The application process was competitive, and they did not press too hard on salary negotiations. After some months of work, they find out their salary is 38 lakhs, and their colleague in the same position earns 35 lakhs. Despite knowing this, they are happy with their salary.



Initial Happiness

On a scale from 1 to 7, the participants indicated they were quite happy with their pay, rating it around 5, despite being aware that their colleague earned less.

4.6 The Trap of Relative Comparison

Scenario 2: New Comparison

Now, imagine the student's salary is 42 lakhs, but their colleague earns 45 lakhs. Even though 42 lakhs is more than 38 lakhs, the happiness rating in this case was lower than in the first scenario.

Social Comparison Bias

Although they earned more, the social comparison with a higher salary created dissatisfaction. This is a demonstration of social comparison, where people judge their outcomes relative to others rather than in absolute terms.



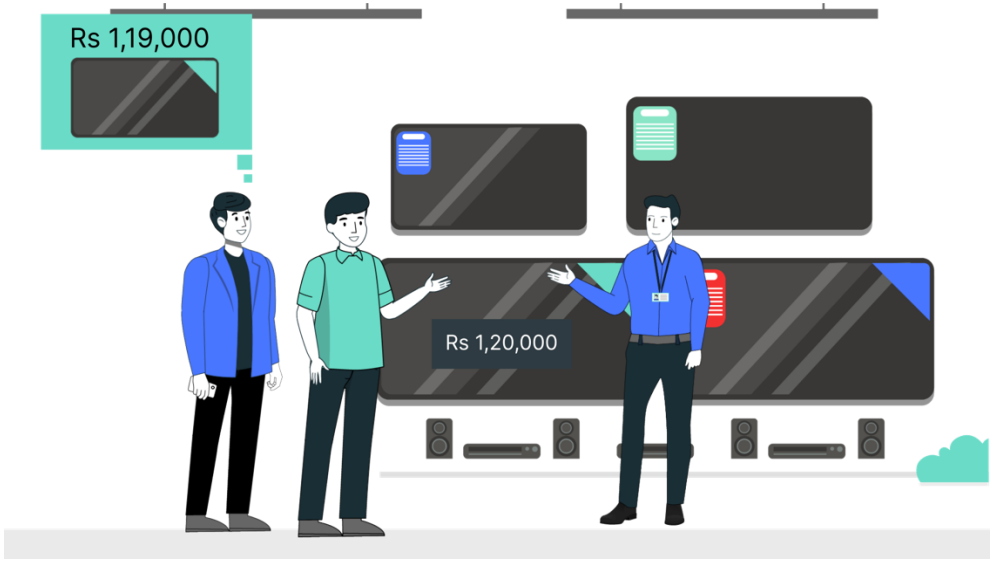
4.6 The Trap of Relative Comparison

Scenario 3: Saving Money on a TV

The students were asked about buying a large screen TV for 1,20,000 rupees. A friend informs them that the TV is available for 1,19,000 rupees at another store 10 minutes away. When asked if they would drive to save 1,000 rupees, about 54% said yes.

Scenario 4: Saving Money on Headphones

In another scenario, the students were told they could buy wireless headphones for 5,000 rupees, but a friend informs them that they are available for 4,000 rupees at another store 10 minutes away. In this case, 92% of students said they would drive to save 1,000 rupees.

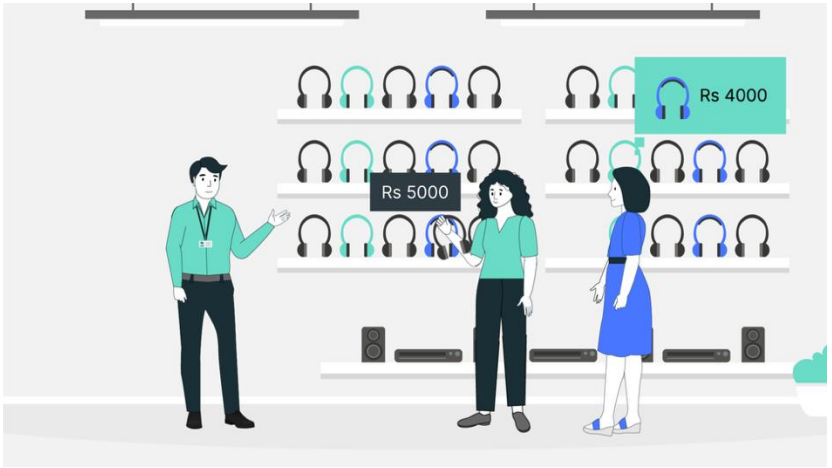


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4.6 The Trap of Relative Comparison

Comparing the Two Scenarios

Both scenarios involved the same trade-off—saving 1,000 rupees for a 10-minute drive. However, students were more motivated to save the same amount when the purchase was smaller (headphones), showing how savings are viewed in relative terms rather than absolute value.



Relative vs. Absolute Comparison

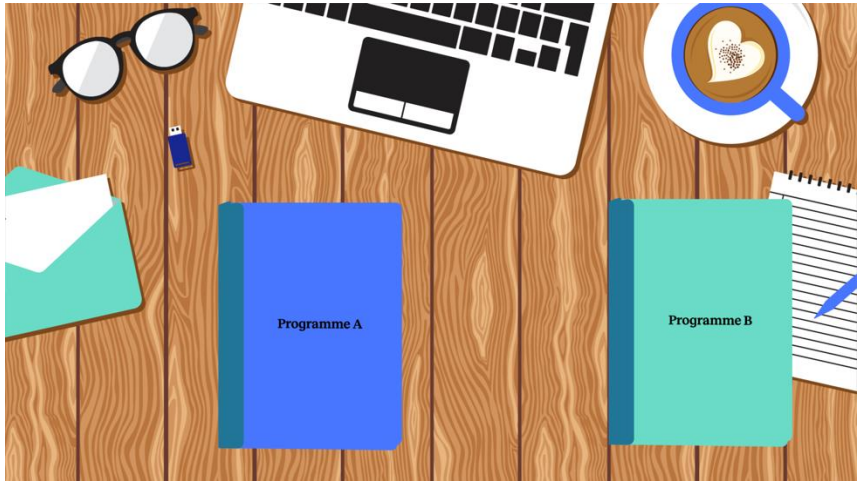
Although the 1,000 rupees saved is the same in both cases, the relative comparison makes a significant difference. In the first case, students felt that saving 1,000 rupees on a large purchase was not as important as saving it on a smaller one. This is a bias in decision-making driven by relative comparisons, which influences how people feel about the same amount of money depending on the context.

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4.7 Framing Effect in Decision Making

Framing and Risk-Taking

People's risk-taking decisions often depend on whether outcomes are framed as gains or losses. The framing effect—how a problem is framed—influences decision-making. When the issue is framed in terms of gains (e.g., saving jobs), people tend to prefer a safer option (Program A). When framed in terms of losses (e.g., firing employees), they are more willing to take a risk (Program B).



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4.7 Framing Effect in Decision Making

Prospect Theory

Prospect theory explains that people's utility is influenced differently by gains and losses. When it comes to gains, individuals tend to be risk-averse, preferring guaranteed outcomes. On the other hand, when facing losses, people are more inclined to take risks in order to avoid those losses.



Key Insights from Prospect Theory

Prospect theory explains why people are more willing to take risks in the context of losses. When the situation is framed as a loss, they're willing to gamble to avoid it. In contrast, when framed as a gain, they prefer safer, more certain options. This shift in preferences illustrates the importance of framing in decision-making.

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Module 5: Team Decision Making and Coordination

5.1 Avoiding Bias in Team Decisions

The Stasser and Titus 1985 Study

In 1985, Stasser and Titus tested how groups make decisions. In one condition, all members had complete information, leading to the best candidate choice. In another, incomplete information led to a suboptimal decision, showing the influence of common information bias.



Common Information Bias

This bias occurs when shared information dominates, leading to poor decisions.

Overcoming the Common Knowledge Effect

To combat this, teams must encourage the sharing of all information and ensure everyone has the chance to speak, creating an environment where challenging the status quo is welcomed.

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5.2 How Teams Make Better Decisions

The Stasser and Titus 1985 Study:

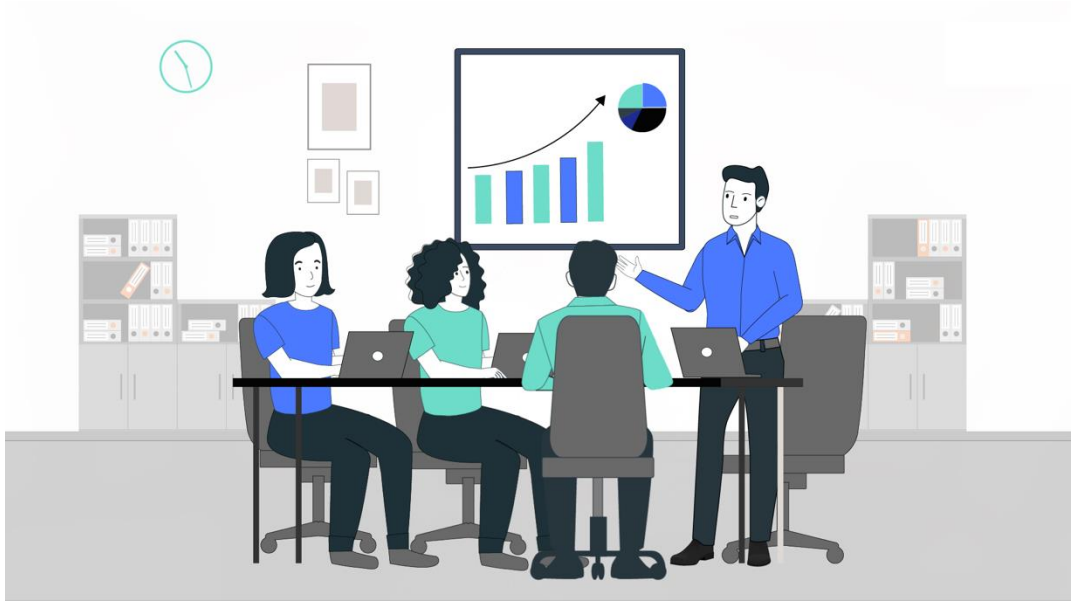
Teams must foster an environment where members feel comfortable expressing differing views and exploring ideas that challenge the status quo, which leads to more innovative and effective solutions.

Making Better Decisions in Teams:

Better decisions require focusing on team composition and **processes,** leveraging diverse expertise and information for better collaboration.

Encouraging Open Discussion:

Encourage open discussion and involvement from all team members, fostering a culture of open-mindedness.



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5.2 How Teams Make Better Decisions

Primary Goal of Teams:

The primary goal of any team is to achieve cognitive diversity—the ability to gather diverse perspectives and information from all members.

Cognitive Diversity in Teams:

Cognitive diversity ensures that teams have varied expertise, providing a broad range of knowledge, perspectives, and problem-solving approaches.

Achieving Cognitive Diversity:

Achieving true cognitive diversity can be challenging. Teams often fall into the trap of seeking opinions that align with their own. To benefit from diversity, teams must actively encourage different opinions and consider all relevant information.



5.3 Conformity and Anchoring

Shared Perspective:

Agreement may also happen when team members share the same perspective, often due to similar training or frequent interaction.

Groupthink or Conformity:

However, a shared perspective can lead to groupthink or conformity, where diversity of thought is lost.

- **Peer Pressure and Informational Influence:**
  Peer pressure: The need to preserve relationships can cause members to conform, even if they privately disagree.
- **Informational influence:** In uncertain situations, individuals may adopt the group's perspective, relying on others' opinions.



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5.3 Conformity and Anchoring

Understanding Agreement in Teams:

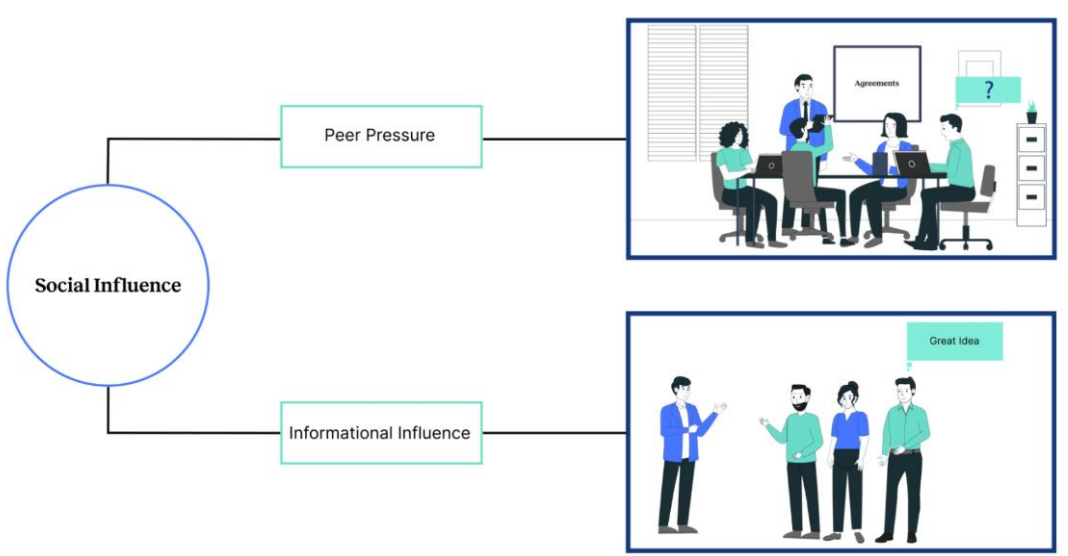
Recognising when consensus is based on solid reasoning or social pressures helps teams ensure the best possible decisions. Open dialogue and critical evaluation are key.

Peer Pressure - Solomon Asch Study:

In Asch's 1950s study, participants conformed to a wrong answer due to peer pressure, even when the correct answer was obvious.

Sherif’s Informational Influence Experiment:

Sherif's 1930s study showed how participants' judgements converged in a group setting, even when the movement was an illusion, highlighting **informational influence.**



5.3 Conformity and Anchoring

Composition:

Ensure team members have different experiences and training, allowing for varied perspectives and problem-solving approaches.

Task Conflict:

Encouraging participation and disagreement leads to task conflict, which is healthy for decision-making. Conflict over task-related issues helps find the best solutions.

Relationship Conflict:

Relationship conflict involves personal disagreements based on emotions or values. This type of conflict should be avoided, as it can hinder team performance.



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5.4 Achieving Cognitive Diversity

Composition:

Cohesion, or commitment to the team, is crucial for team effectiveness. It helps teams handle conflict constructively and stay focused on their goals.

Sources of Cohesion:

Similarity: Teams bond when members share similar backgrounds or experiences.

Common Identity: A shared goal, language, and physical space strengthen team cohesion.

Common Enemy: Having a shared external challenge or competitor can motivate the team and build unity.



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5.4 Achieving Cognitive Diversity

Shared Success:

Celebrating small victories boosts morale and strengthens bonds.

Shared Suffering: Overcoming challenges together, such as rigorous training, also builds cohesion.



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5.5 Cognitive Diversity - Part 2

Encourage Critical Evaluation:

Team members should be empowered to voice objections and doubts to avoid groupthink.

Avoid Expressing Opinions Too Early:

Leaders should refrain from giving their opinions too early to avoid unduly influencing the group's direction.

Invite Outside Experts:

Bringing in outside experts can challenge the group’s assumptions and provide a fresh perspective.

Set Up Independent Teams:

Independent teams working on the same problem can act as a safeguard against groupthink.



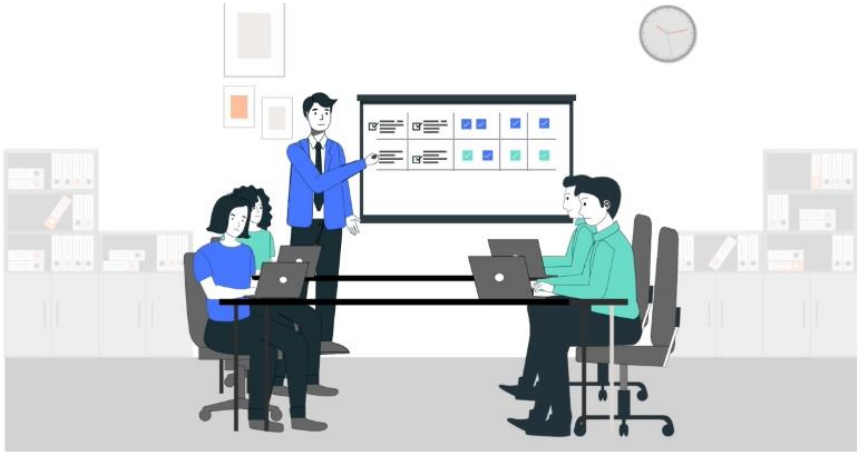
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Module 5: Team Decision Making and Coordination

Cognitive Diversity - Part 2

Cohesion in a Great Team:

A cohesive team is passionate, motivated, and capable of effective collaboration and decision implementation.



Module 6: Managing Power in Organisations

6.1 Power in Organisations - Part 1

Understanding the Nature of Power

Power is essentially the capacity to influence others. In organisations, this influence can shape outcomes, behaviours and perceptions. It plays a foundational role in determining who gets heard, who leads and who makes decisions. Power can be formal, granted through a position or title or informal, emerging through personal influence or expertise.



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6.1 Power in Organisations - Part 1

Expert power is based on specialised knowledge that makes someone indispensable.

Reward power arises from the ability to offer incentives like promotions.

Coercive power comes from enforcing penalties or discipline.

Referent power is built on personal qualities such as charisma and trust.

Legitimate power stems from formal roles and authority within the organisational hierarchy.



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6.1 Power in Organisations - Part 1

Power, Status and Hierarchy

Power often correlates with status and respect in the workplace. While hierarchy provides structure and clarity, power doesn't always follow rank. Some employees may wield significant influence based on their experience, communication style or interpersonal networks even if they aren’t in high-level roles.



Interconnection of Power, Status and Hierarchy

Power and status often reinforce each other within organisations. When power is exercised effectively and ethically, it can elevate an individual’s status, increasing their visibility and respect among peers. In turn, higher status enhances one’s ability to influence others and gain trust, further solidifying their power. This reciprocal relationship creates a continuous cycle where influence and recognition grow together, subtly shaping organisational dynamics and leadership structures.

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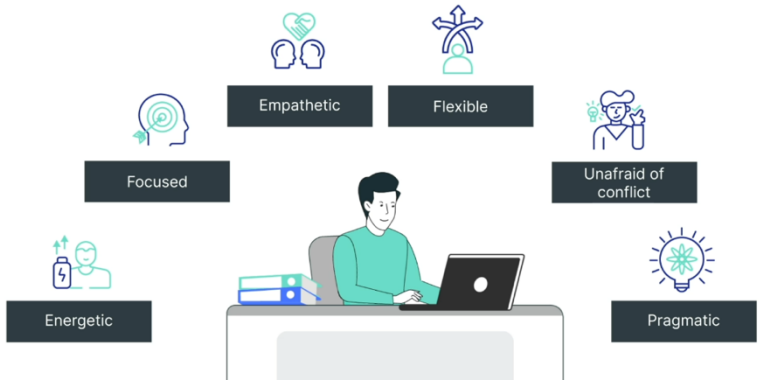
6.2 Power in Organisations - Part 2

Power Beyond Formal Positions

Power in organisations isn't limited to titles or formal authority. It's shaped by how individuals act, build relationships and strategically position themselves. Influence can be developed at any level through consistent effort, adaptability and an understanding of organisational dynamics.

Personality and Behaviour

Traits like energy, focus, empathy, flexibility, pragmatism and comfort with conflict help individuals gain power. These qualities make it easier to connect with others, navigate challenges and stand out as reliable and influential.



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6.2 Power in Organisations - Part 2

Understanding Others and Adapting

Influence grows when your actions align with others' needs. Being adaptable and willing to compromise shows flexibility, builds cooperation and makes you a valuable team member.

Developing Sources of Power

Power can stem from expertise, control over rewards, the ability to impose consequences, personal reputation or formal authority. Strengthening these areas expands your influence across different situations.

Managing Dependencies and Building Alliances

Power is relational—when others depend on you more than you depend on them, your influence increases. Strategic alliances with trusted colleagues provide support and reinforce your position.

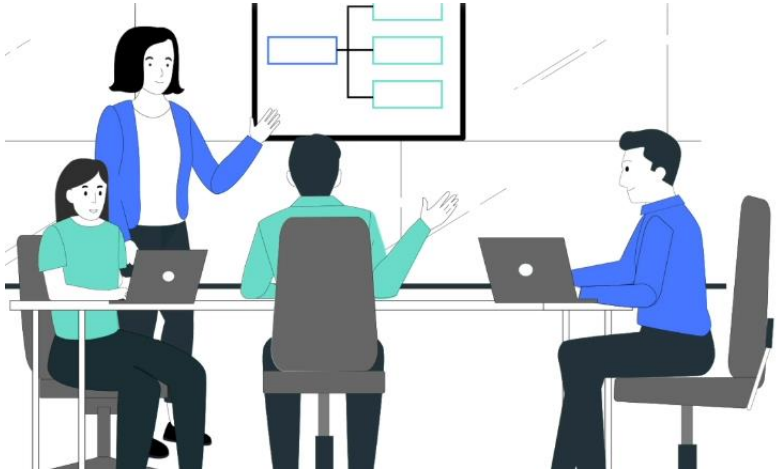


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6.2 Power in Organisations - Part 2

Common Pitfalls Leading to Power Loss

Maintaining power requires more than initial success. Overusing coercion or rewards may secure short-term results but erodes trust and long-term influence. Failing to adapt to changing environments or disregarding others' views can lead to irrelevance and isolation. Since power depends on continued support and credibility, neglecting these areas gradually but significantly weakens one's position.

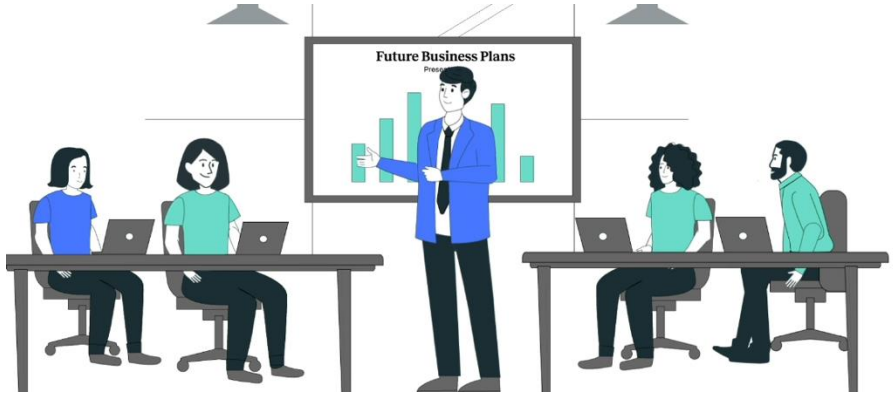


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6.3 Implications of Power

Gaining Power in an Organisation

Gaining power is not just about holding a formal position. It involves personal characteristics, behaviour and strategic actions. Individuals can become influential by developing the right traits, aligning with others' motivations and positioning themselves as essential within the organisation.



Personality and Behaviour

Traits like being energetic, focused, empathetic, flexible, unafraid of conflict and pragmatic help individuals navigate organisational dynamics and influence others effectively. These qualities make individuals more adaptive and better equipped to respond to challenges and relationships at work.

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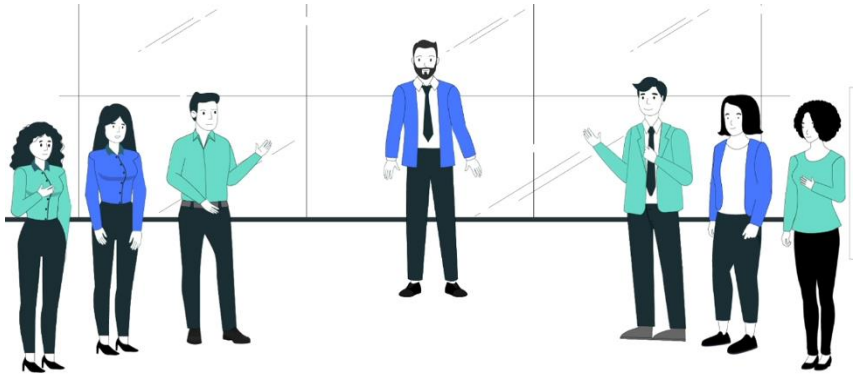
6.3 Implications of Power

Understanding Others' Motivation

Aligning your actions with others' needs and desires increases your influence. When you're seen as supportive and cooperative, your value within the team rises, making you more powerful in the eyes of colleagues and leadership.

Building Sources of Power

To gain power, individuals can develop various sources: expert power through specialised knowledge, reward power by controlling valued resources, coercive power through the careful use of consequences, referent power by building a strong reputation and legitimate power from holding formal authority



6.3 Implications of Power

Managing Dependencies

Power is relational. One person holds power over another when they depend on them for certain resources. By increasing others' dependence on you and decreasing your dependence on them, you strategically position yourself to gain and sustain power.

Understanding Powerlessness

Lack of control over resources leads to a sense of powerlessness, which in turn results in stress, confusion and poor decision-making. When people feel powerless, they may lose confidence and the ability to act effectively. Understanding this dynamic is important for leaders and employees alike, as it underscores the need for empowerment and support within teams.



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6.4 What is Relational Power?

Relational Power

Relational power comes from your connections within the organisational network. It depends on who you know and how well you are linked to influential individuals. Strong relationships enhance your ability to access information, resources and support.

Impact of Network Structure

The structure of your network—how many people you know and how well those people are connected—significantly affects your relational power. Both the quantity and quality of your connections determine your access to influence and information.



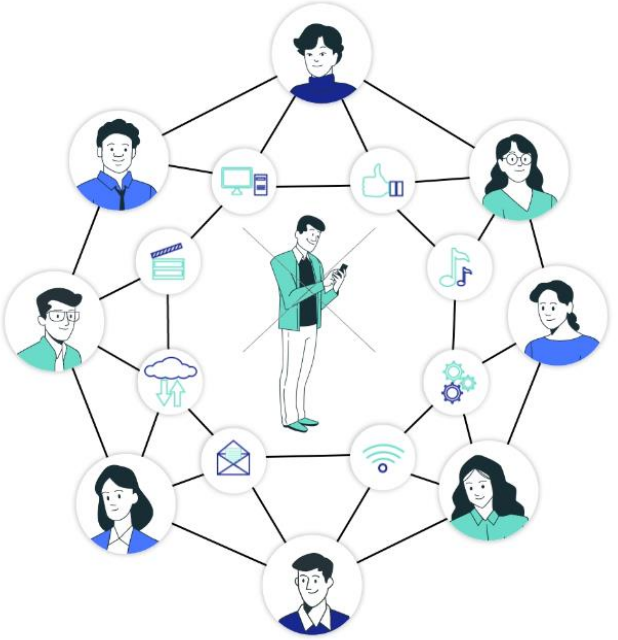
6.4 What is Relational Power?

Direct Ties and Structural Holes

Having more direct ties increases your influence, as it expands your reach within the organisation. Structural holes—gaps between different network clusters—also impact power. Filling these gaps offers unique opportunities to bridge information and influence flows.

The Role of Brokers

A broker is someone who connects individuals or groups that are otherwise unconnected. Brokers play a powerful role by facilitating communication, sharing resources and enabling collaboration between disconnected parts of an organisation. This position significantly boosts influence.



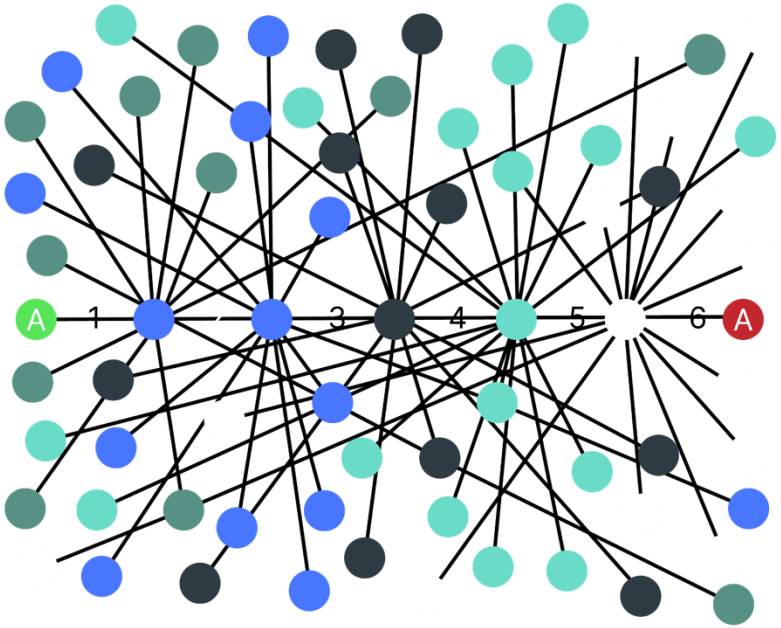
6.4 What is Relational Power?

Milgram's Small World Experiment (1967)

Stanley Milgram's famous experiment demonstrated that people are more closely connected than they might think—on average, any two individuals are just six connections apart. This concept, known as "six degrees of separation," highlights the power of network connectivity.

Implications of Milgram's Study

The study showed how quickly information, influence or even diseases can spread through connected networks. It underscores the power of networks in shaping how ideas and behaviours move through a social or organisational system.



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6.4 What is Relational Power?

Role of Social Networks in Relational Power

Understanding the structure of your social network helps you identify where your power lies. Knowing whether you're well-connected, a broker or part of a dense cluster allows you to better navigate influence dynamics in the workplace.



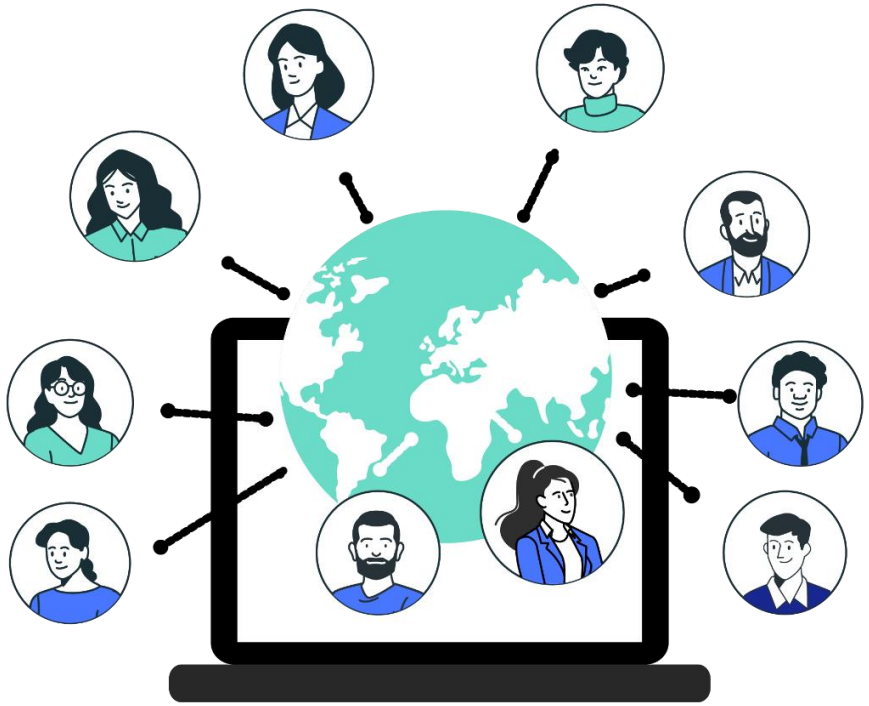
6.5 Understanding the Power of Social Networks

Network Diversity

Having a diverse network means connecting with people from different backgrounds, roles and expertise. This variety leads to access to unique information, sparks creativity and drives innovation. For example, Steve Jobs drew on his calligraphy background to design fonts at Apple, illustrating how diverse knowledge leads to creative breakthroughs.

Homophily and Its Limitations

Homophily, the tendency to associate with similar individuals, limits network diversity. Overcoming it allows you to expand your perspective and unlock new opportunities for innovation.



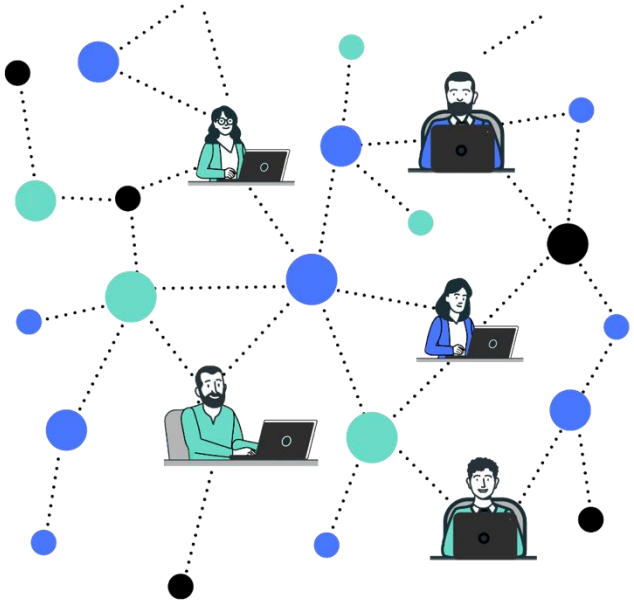
6.5 Understanding the Power of Social Networks

Network Diversity

Density refers to how closely members of your network are connected. Dense networks build trust and cooperation but may lead to redundant information.

Entrepreneurial vs Clique Networks

Clique networks are tightly connected and foster strong trust but lack diversity. Entrepreneurial networks, though less dense, connect distant groups and provide access to new and valuable insights. Brokers in these networks gain power by bridging gaps but also face risks like dependency and lack of trust.



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6.5 Understanding the Power of Social Networks

Strength of Ties

Strong ties offer deep trust and emotional support but are harder to maintain. Weak ties, though less emotionally close, expose you to new people and ideas, making your network more expansive and valuable.



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6.5 Understanding the Power of Social Networks

Granovetter's Job Study

Granovetter found that weak ties often lead to more job opportunities than strong ties because they connect you beyond your immediate circle, opening doors to different industries and perspectives.





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Module 7: Understanding Leadership

7.1 Introduction to Leadership

Leadership is often discussed in various forms based on individual characteristics, case studies or data that may not be universally applicable. However, a simple and fundamental definition of leadership is that a leader is someone who influences others to follow them. Successful leaders gain followers through charisma, superior knowledge and understanding of others' situations, not just through positional power.



The Role of Emotional Intelligence in Leadership

Self-awareness

The ability to recognise and understand one's emotions, strengths, weaknesses and how they impact others. Self-aware leaders are honest with themselves and others, making decisions that align with their values.

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7.1 Introduction to Leadership

Self-regulation

The ability to manage one's emotions and impulses, especially in stressful situations. Leaders who self-regulate foster trust, reduce conflict and adapt effectively to change.

Motivation

Leaders are driven by a desire to achieve for the sake of achievement, not for external rewards. They set high standards and maintain optimism despite setbacks.

Social Skills

The ability to manage relationships effectively. Leaders with strong social skills excel at communication, persuasion and building networks, enabling them to lead change initiatives and resolve conflicts.



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7.1 Introduction to Leadership

Impact of Emotional Intelligence on Leadership

Two studies highlight the importance of emotional intelligence in leadership success.

Longitudinal Study on PhD Students

A study conducted in the 1950s on 80 PhD students found that social and emotional abilities were four times more important than IQ in predicting career success.

Study of Senior Executives

In a study of 515 senior executives, emotional intelligence was found to be a better predictor of success than previous experience or IQ. Executives with higher EI succeeded 74% of the time.

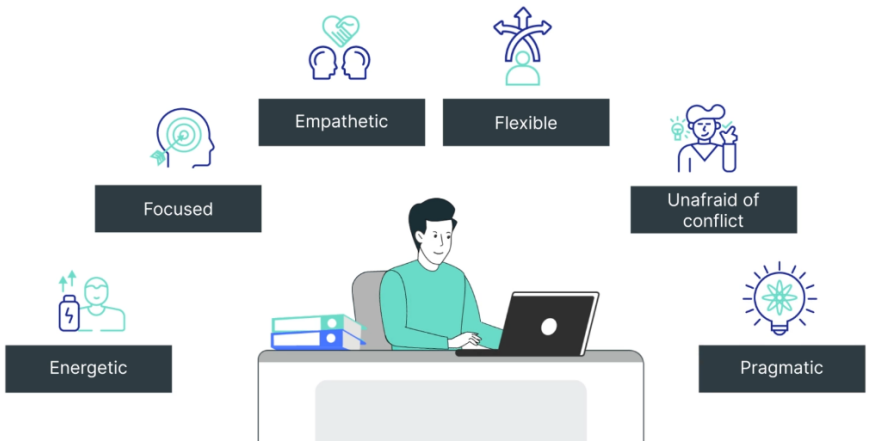


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7.2 Different Approaches to Leadership

Trait Approach

The trait approach focuses on identifying specific personal characteristics or traits that define effective leaders. It suggests that certain individuals are born with inherent traits such as intelligence, self-confidence, determination and charisma, which make them more likely to succeed as leaders. Historic figures like Winston Churchill and Mahatma Gandhi are often cited as examples of leaders with these traits. However, this approach can be overly rigid, as it assumes that leadership is determined by personality traits, potentially disregarding other factors.
Leadership is more complex than merely possessing certain traits and these traits can be helpful in some situations but may not be beneficial in others.

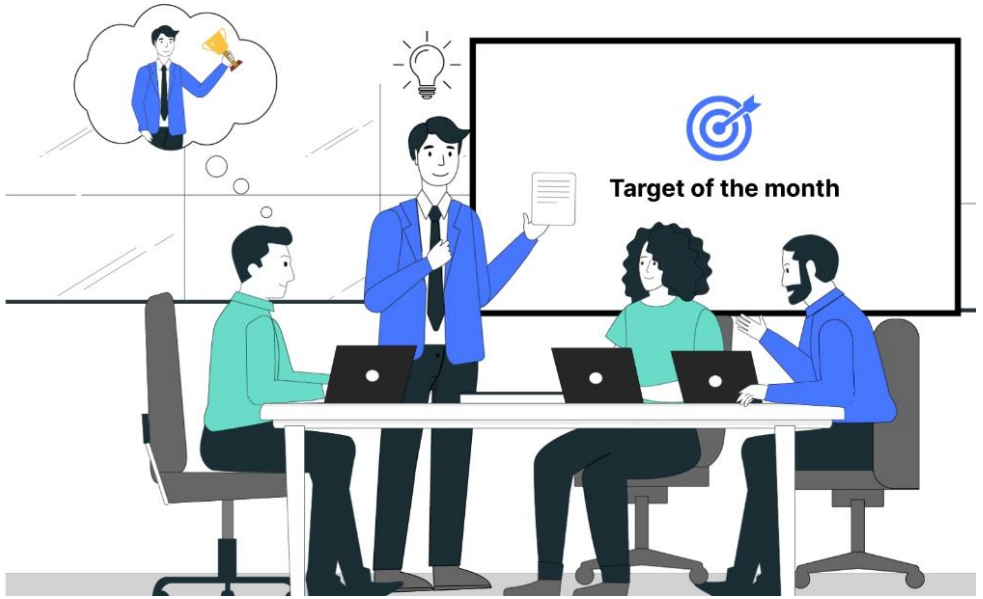


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7.2 Different Approaches to Leadership

Behavioural Approach

The behavioural approach shifts focus from inherent traits to the actions and behaviours that effective leaders exhibit. It explores how leaders communicate with teams, motivate others and whether they adopt a participative or directive decision-making style. Unlike the trait approach, the behavioural approach suggests that leadership skills can be learned, practiced and refined over time. This makes leadership more accessible and something individuals can improve upon. A key insight here is the distinction between the roles of managers and leaders, as discussed by John Kotter.



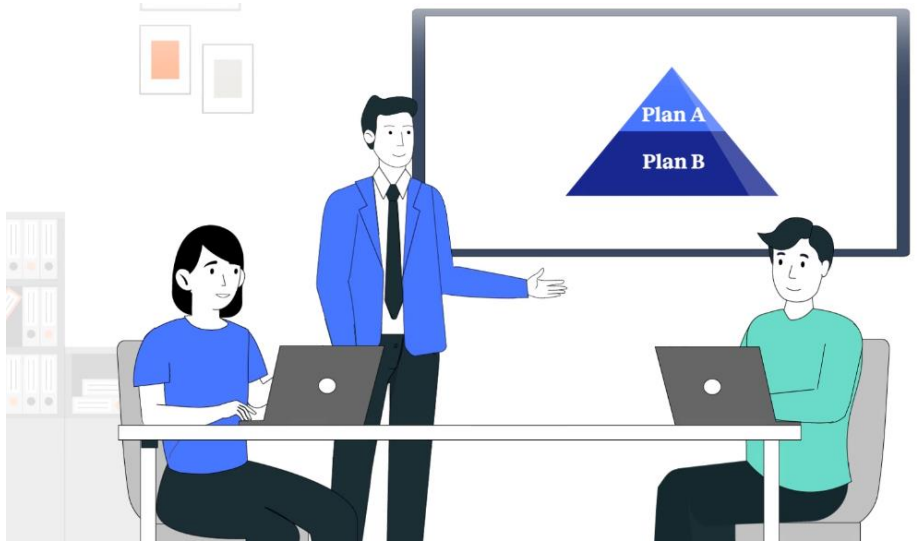
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7.2 Different Approaches to Leadership

Management vs. Leadership (Kotter's Distinction)

Kotter differentiates between management and leadership:

- **Management** is about handling complexity. Managers focus on organising, planning and controlling activities to maintain stability and efficiency in an organisation. Their roles include setting goals, establishing structures and ensuring tasks are executed efficiently.
- **Leadership** is about navigating change. Leaders focus on setting a vision for the future, inspiring and motivating teams to achieve it. They foster adaptability and innovation, challenge the status quo and lead through times of uncertainty and change.



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7.3 Leadership and Management

Planning and Budgeting vs. Setting Direction

Managers focus on achieving short-term goals by developing detailed plans, budgets and schedules. Their role is to manage daily operations efficiently and ensure that the organisation meets its immediate targets. Leaders, in contrast, focus on setting a long-term direction. They create a vision for the future by synthesising information and developing strategies to help the organisation thrive in a constantly changing environment, motivating their teams to work towards these future goals.



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7.3 Leadership and Management

Organising and Staffing vs. Aligning People

Managers are responsible for organising and staffing, ensuring that tasks and responsibilities are allocated across the organisation. They place individuals with the right skills in the right roles to meet organisational objectives. Leaders, however, focus on aligning people. They communicate the organisation's vision, ensure that everyone understands their role in achieving broader goals and work to build buy-in across the team. This alignment creates a sense of commitment and energy, ensuring that everyone works towards shared objectives, even when faced with challenges.

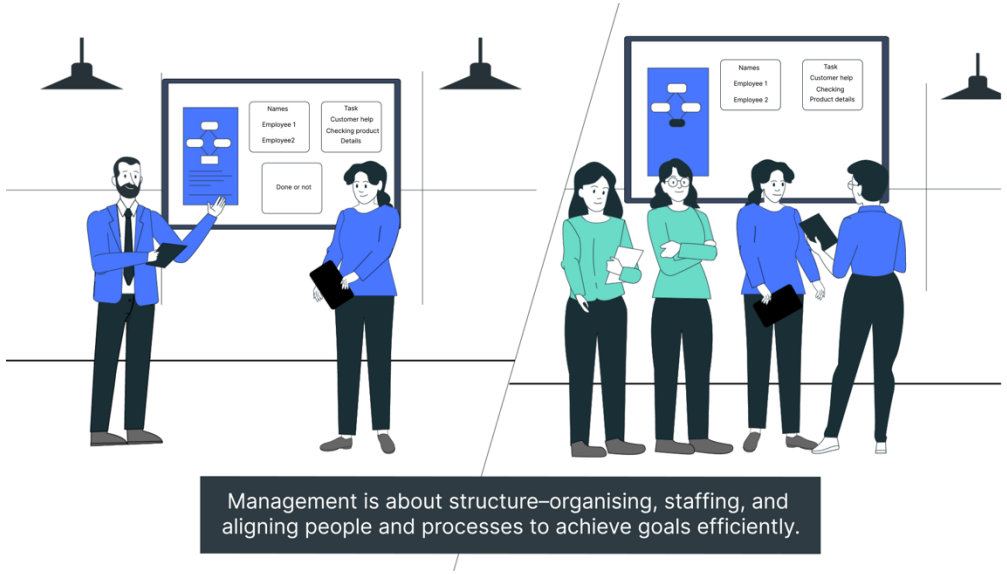


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7.3 Leadership and Management

Controlling and Problem-solving vs. Motivating and Inspiring

Managers use control mechanisms to monitor performance, detect deviations from plans and solve problems as they arise. Their goal is to ensure that the organisation operates efficiently and stays on track. Leaders, on the other hand, focus on motivating and inspiring their teams. They connect with their teams emotionally, helping them see the larger purpose of their work. Leaders encourage innovation, risk-taking and perseverance, creating a positive work environment that fosters creativity, commitment and discretionary effort.

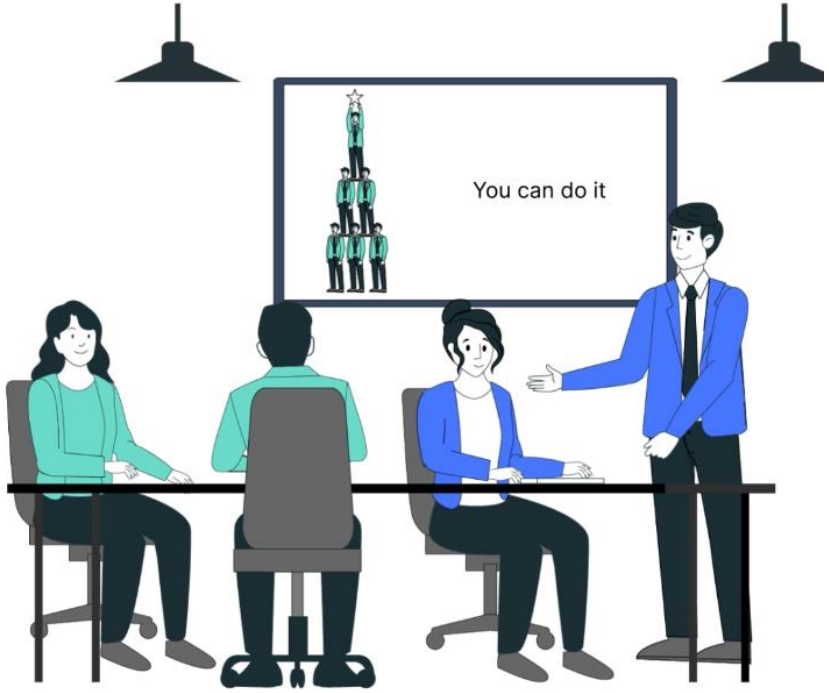


Management is about structure–organising, staffing, and aligning people and processes to achieve goals efficiently.

7.3 Leadership and Management

Complementary Roles of Management and Leadership

While management focuses on maintaining efficiency and stability, leadership is about navigating change and inspiring innovation. Both roles are complementary. Effective leadership helps organisations adapt to future challenges, while strong management ensures that operations run smoothly in the present. Organisations need both leadership and management to avoid chaos and inefficiency and to remain competitive in a rapidly changing environment.



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