LEADERSHIP EFFICACY & BUDGET CUTS: A MUST APPROACH FOR ORGANIZATIONAL SUCCESS

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ABSTRACT

SELF-EFFICACY *Beyond self-esteem, self-efficacy is the derlying belief in your ability to attain a set of objectives. Leaders' lack this intangible tends to make safe decisions. Extraordinary leaders put risk in context with their abilities. They know their boundaries of competence and masterfully exploit them. By doing so, they accomplish more than anyone expects of them and motivate others to do the same. Belief in your own task-specific competence can be enhanced by seeking the help of a mentor or role model.*

An extensive body of research has shown that visualizing — literally picturing oneself achieving a certain goal — corresponds to higher levels of success. Most Olympic athletes go through extensive training in this technique to enhance their self-efficacy. By visualizing success, we are unconsciously forced to think about which of our abilities must have been responsible. This has been shown to have a powerful effect.

In order to be successful needs to cope with a high rate of strategic adaptation and change and be able to manage in the context of tight budgetary goals. They have to focus on tight cost control. It is within both these pursuits of tight budgetary control and strategic adaptation and change.

Even those with strong self-efficacy have particular triggers that, on occasion, disrupt their self-assurance and ability to succeed. You must understand these self defeating patterns of behavior in order to re-record those scripts and create a more positive picture of your capabilities.

Keywords: Budget-Cuts, Budget-Constraints, Efficacy, Resilient Leaders, Triple Constraint

I. INTRODUCTION

Historically, no individual, tribe, or even nation could alter the global climate, destroy thousands of species, or shift the chemical balance of the atmosphere.

Securing growth in today's increasingly competitive world means leveraging entire workforce, not just a select few employees. The most successful organizations accomplish this by creating an environment in which everyone is empowered to develop, contribute, and achieve.

In today's 24x7 hyper-competitive world of 'do more with less', organizations and their managers are looking for solutions and new ideas to continually increase productivity and performance. The pressure to produce more is multiplied by the fact that clients are often required to produce with an inexperienced, unskilled, and untrained workforce. Sometimes the supervision and management themselves are inexperienced, unskilled and untrained.

Is it possible to meet the objectives in this constrained resource environment?

I would say…yes it can be….!

Organizations succeed or fail based upon their ability to execute strategy effectively.

Public sector leaders have a passion to serve their organizations and effectively complete their mission. They want to organize and lead their people to deliver the same or better results against their mission even though they have fewer resources to work with in today's budget constrained environment. When we talk with our customers, we hear that there is a real sense of urgency and true desire to approach budget constraints as more than just another cut drill, but many leaders lack a clear alternative.

Some of the key effort required by the leaders are setting priorities, identifying the metrics, developing plans etc.

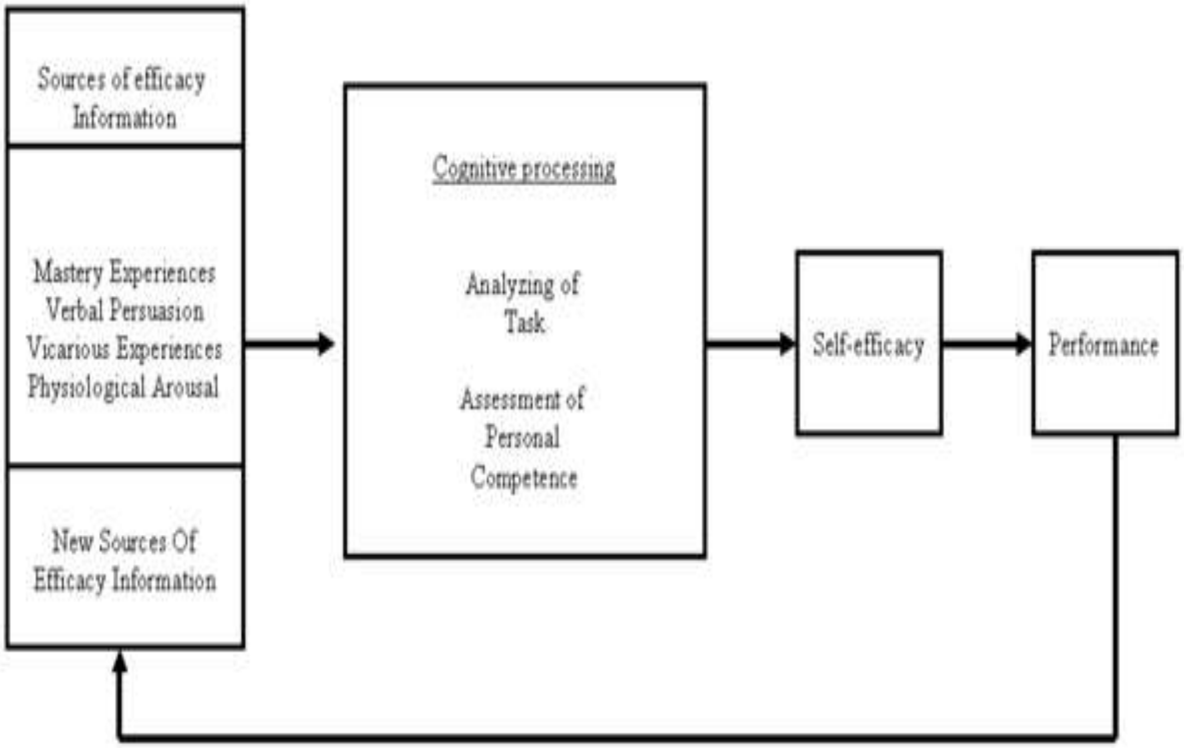
This paper explains how leaders maintains accountability for results and provides themselves the opportunity to make the necessary adjustments along the way to ensure the goals are achieved. Before moving forward, it is instructive to consider some of the change dynamics that are specific to budget constrained environments that make them one of if not the most difficult environments to achieve desired results.

1.1 Efficacy

One can define Efficacy as the power to produce a desired effect that has proven to be an essential career-building tool for diverse professionals. Efficacy programs help individuals gain the skills and strategies they need to build their presence, communicate with impact, and display their maximum potential.

Bandura (1997)[i] presents four sources of individual efficacy-making influences: (a) mastery experience, (b) affective state, (c) vicarious experiences, and (d) social persuasion. Of the four sources of individual efficacy influences, mastery experiences have the strongest association to an individual's sense of self-efficacy.

Research also suggests that even though these four sources of individual efficacy influences are individually labeled and described, they operate as an interconnected system (Goddard, 2001[ii]; Goddard, Hoy, & Hoy, 2004[iii]). There have been numerous studies regarding collective efficacy over the years with limited empirical evidence supporting the value of collective efficacy (Goddard & Goddard, 2001).



1.2Leaderhip Efficacy

Capacity-building approach to employee development. A capacity-building mindset supports the idea that there are no limitations to an individual's ability to grow, learn, and develop. Organizations must complement their business growth strategies with sensible leadership development plans to ensure they have a talent pipeline ready when required.

The Triple Constraint being quality (scope), cost (resources) and schedule (time) are the challenges that every leader have to cope with business to get desired effect. These constraints of a project are known to work in tandem with one another. When any one of these elements is restricted or extended, the other two elements will also need to be either extended/increased in some way or restricted/reduced in some way. There is a need of balancing these three elements in such a manner which is fully understood by the Project Manager who allows for the successful planning, resourcing and execution of a project which leads to the successful completion of the project.

The budgetary control process was originally viewed as a rational process whereby the top level management not only set budget but also communicate it to its subordinate for the execution and subsequently used it as a tool of performance evaluation.

Stewart (pg. 122 Young, 1995),[iv] discussed why budgets are bad for business. He said that, "… when you are controlled by a budget, you are not controlling the business…..!

It clearly means that budget should not control the business instead business should control the budget.

Reliance on budgets is the fundamental flaw in American management. They assume that everything important can be translated into this quarter's or this year's dollars, and that you can manage the business by managing the money. Just because a budget was not overspent does not mean it was well spent."

Stewart continues, "Budgets, forecast, plans, they become iniquitous when they are made to do more - when budget becomes management's main tool to gauge performance, or when it distorts long-term planning, or blocks managers from shifting resources when they need to. Then the budget becomes an end to itself".

II. RESILIENT LEADERS: SUSTAIN AND STRENGTHEN PERSONAL EFFICACY

- Confidence and Competence
- Build a Sense of Mastery
- Set Short-Term Goals and Benchmarks of Progress
- Claim Small Wins
- Recover Quickly from Setbacks
- Manage Yourself
- Believe in the Power of the Team
- Maintain Strong Workplace Relationships

III. STRATEGIES TO TRANSLATE EFFICACY BELIEFS INTO ACTION

Strengthen Competence and Confidence

- Build your sense of mastery, appraise your experience and learn from it, to become more "grounded" in what is important, and to become more self-reflective.
- Set short-term goals and benchmarks of progress, to chunk out long-term, complex plans into manageable increments that will help you sustain motivation, avoid distractions, and recognize success.
- Claim small wins, to sustain efficacy over time.
- Recover quickly from setbacks, to keep a bump in the road from becoming a major pothole.
- Manage yourself, especially your emotional self-control, so that you can maximize the benefits of positive emotions and lessen the costs of negative feelings.

Maintain and Increase Strong Connections to Others

- Believe in the power of team, and let faith in the capability of your colleagues sustain you in moments of personal doubt and uncertainty.
- Stay connected to mentors, as so many of our interviewees have done. Avoid the "competency trap" that assumes that seeking advice and help is a sign of weakness.
- Maintain strong workplace relationships, again as many of our interviewees have done, turning to trusted friends and confidantes at work for counsel and support during storms.
- Maintain strong personal relationships to sustain personal efficacy over time.

IV. REFLECTION OF BUDGET CUTS

Budget tightening rarely forces a change in the direction of the organization; it merely calls for a shift in strategy. This shift is achievable by re-prioritizing, and focusing on new metric targets that reflect progress against the constraints that are getting in the way of achieving your retained goals and objectives. As a result, the priorities and critical path supporting strategy execution will shift.

While some of the key metrics being used to measure performance will remain constant, there is a critical need to set targets that are more aggressive on cost reduction in the short term. Begin the refresh by adjusting the target metrics that measure the success of your strategy. This creates a sense of urgency and refocuses your organization. This establishes the boundaries for decision making, and providing focus on the increased cost pressures. What gets measured gets done.

Previous systems and structures may not make sense in the new budget reality. A mistake some leaders make is to take the current system and try to squeeze the organization into a new structure that replicates the old system, but with reduced resources.

As organizations historically evolve and adjust to changing conditions, waste can creep into the system leading to a system that is cumbersome and inefficient. Attempts to replicate that inefficient system in times of severe budget constraints and reduced resources can have a negative impact on mission effectiveness.

It should be begin by defining the desired deliverables required by the new set of customers and develop an ideal state i.e. "customized" system that would most effectively and efficiently produce those deliverables.

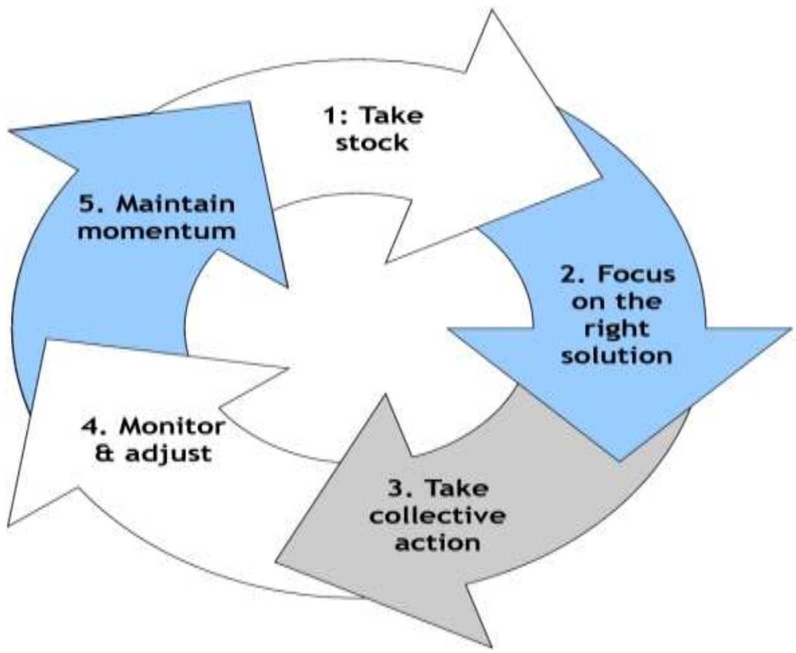
4.1 Strengthening & Managing the Budget Constraint:

"A chain is only as strong as its weakest link," and this is what the Theory of Constraints reflects. It was created by Dr Eli Goldratt and was published in his 1984 book "**The Goal**."

The theory says that every system, no matter how well it performs, has at least one constraint that limits its performance – this is the system's "weakest link." The theory also says that a system can have only one constraint at a time, and that other areas of weakness are "non-constraints" until they become the weakest link.

You can minimize constraints and work more efficiently toward accomplishing your goals by working through these steps:

1. Identify the constraint.
2. Manage the constraint.
3. Evaluate performance.



Many organizations have tried implementing performance improvement initiatives such as Lean, Six Sigma, Balanced Scorecard, or JIT to drive waste and variation out of processes in order to become more efficient and effective.Approaches such as target costing, value engineering and Kaizen costing are being stressed upon .

4.2 Leaders face shrinking budget: Resistance to change

Created a closed loop Customer feedback system integrated into all of the business units worldwide to ensure "One face to the Customer" resulting in the reduction of duplication of internal activities and increased Customer Satisfaction and customer Trust.

4.3More on the Triple Constraint

Now, you may ask yourself, what is so important about the Triple Constraint and what does it affect in the scheme of things? Let's look a little more closely at the three components that make up the Triple Constraint:

Scope/Quality

The scope of a project (often called the Scope of Work) is a clear, specific statement as to what has been agreed to be preformed/achieved in a particular project. In other words, the scope expressly lays out the functions, features, data, content, etc. that will be included in the project at hand. You could also say that the scope clearly expresses the desired final result of a project.

Resources/Cost

This second element of the Triple Constraint is known as either Resources or Cost. Resources always cost money so the two are interchangeable in many ways. When we talk about the cost of a project, we are talking about what needs to be applied or assigned to the project in terms of money and effort in order to make things happen. This can be resources like manpower/labor, it can be materials needed for the job, resources for risk management and assessment or any third party resources that might need to be secured.

Time/Schedule

Time, in project management, is analyzed down to its smallest detail. The amount of time required to complete each and every component of a project is analyzed. Once analysis has taken place, those components are broken down even further into the time required to do each task. Obviously from all of this we are able to estimate the duration of the project as well as what and how many/much resources need to be dedicated to that particular project.

A project that has time restrictions will need to increase the resources assigned to it or have the quality or scope reduced. The well known Triple Constraint formula is Cost * Schedule = Quality.

4.4 The Right Balance

By understanding the Triple Constraint and the ramifications associated with adjusting any one of its components, you will be able to plan your projects better, analyze project risks and protect your company from the problems of unrealistic client expectations. You will also be properly equipped to balance out the triple constraint when any adjustment has been made to one or more of its elements. By mastering the Triple Constraint, in many ways you master the project itself.

Embedded within MNC manufacturing plants are different supporting organizational structures that may have influenced the level of ease with which budgetary targets can be achieved, which in turn affects firm financial performance. There is no literature that looks into the effect of extensively researched organizational structure and budgetary slack and subsequently firm financial performance.

Financial performances of many public listed firms in INDIA are less than desirable towards every end of the reporting quarter.

As with all firm financial issues, they are usually more complex than what meet our eyes. The organizational structures differ from each other. The one may be a decentralized organization, while the other, more towards centralisation. These organization structural differences are believed to influence the firm financial performance.

Effective budgeting depends upon strong leadership and a simple, well coordinated management organization must be present, and that building and operating a successful budget program is a process.

V. CONCLUSION

Budget maximization unduly limits the range of utility maximizing efforts. Leaders seek discretion reflected by budgets with excess revenues over actual costs. These excess revenues are referred to as a discretionary budget or organizational slack in the subsequent literature. Discretionary budgets may be the sources of many of perquisites, for instance, and perhaps for some of the manager's income as well. Income and perquisites were in turn assumed to be functions of both output and the discretionary budget. As a result, maximizing behavior for leaders depend on the leaders preferences and the incentive structures that they faces. What are the tradeoffs between income and perquisites, between organizational output and discretionary budget, and so on?
Thus, leaders appear to be risk averse and to have the discretionary ability to adjust output in order to avoid some risk. Clearly, leaders are not totally free to pursue their own goals, but some discretion remains.

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