Leadership

This chapter covers Unit 1, Module 2, Section 5 of the CAPE syllabus. On completion of this chapter you should be able to:

- explain what is meant by leadership
- understand the main skills required of effective leaders
- analyse the different leadership styles and evaluate their suitability for different business situations
- understand the main roles of business leaders

Definition of leadership

There are many diverse definitions of leadership. Many of them include the following features:

- exerting influence,
- motivating and inspiring others,
- helping team/organisation members to realise their potential,
- setting a good example,
- encouraging the team/organisation members to achieve the organisation's goals.

Peter Drucker, a famous writer on business issues suggested that 'the only definition of a leader is someone who has followers'! This must be true – but it does not tell us much about what the practice of leadership actually involves. Here is a short definition of leadership, very much to the point:

Influencing and directing the performance of group members towards achieving the goals of the organisation.

Leadership skills

Communication To lead others effectively it is essential to be able to communicate with them. By communicating with clarity and authority, leaders should be able to inspire their 'followers' (or workers in a business organisation) to want to work hard to achieve the aims of the organisation. One of the most important aspects of communication is, of course, ensuring that all workers are fully aware of the organisation's objectives – and the part they have to play in helping the business to reach them.

Critical thinking Critical thinking means thinking logically and not being influenced by personal wants or desires. Leaders should solve problems by gathering data and weighing up alternatives before making a decision. This will inspire confidence in the leader's followers that there is a clear sense of direction and a logical path to follow. Business leaders should be able to look at problems from the point of view of customers and workers. Leaders need to analyse situations critically and in terms of hard facts only. Based on these essential facts, he can determine if any actions need to be taken – and what actions.

Listening The best communication is 'two way' which means that the leader must be able to send messages clearly and with authority, but must also be able to LISTEN to others. Failure to accept the need to receive and act upon messages as well as to send them will lead to ineffective leadership. Two of the most important benefits of listening to workers are:
Leadership styles

Important leadership position in business

Directors – these senior managers are elected into office by shareholders in a limited company. They are usually head of a major functional department, such as marketing. They will be responsible for delegating within their department, assisting in the recruitment of senior staff in the department, meeting the objectives for the department set by the Board of Directors and communicating these to their department.

Managers – any individual responsible for people, resources or decision making, or often all three, can be termed a manager. They will have some authority over other staff below them in the hierarchy. They will lead, motivate and, if necessary, discipline the staff in their section or department.

Supervisors – these are appointed by management to watch over the work of others. This is usually not a decision-making role, but they will have responsibility for leading a team of people in working towards pre-set goals. The modern role of these members of staff is less of an inspector and much more of a work colleague who is appointed to help staff achieve objectives in a cooperative spirit.

Workers’ representatives – are elected by the workers, either as trade union officials or as representatives on works councils, in order to discuss areas of common concern with managers.

Leadership or management styles

Leadership style refers to the way in which managers take decisions and deal with their staff. There are four distinct management styles:

- Autocratic/directive
- Democratic/participative
- Paternalistic
- Bureaucratic/constitutional

Autocratic or directive leaders take decisions on their own with no discussion. They set business objectives themselves, issue instructions to workers and check to ensure that they are carried out. Workers can become so accustomed to this style that they are dependent on their leaders for all guidance and will not show any initiative. Motivation levels are likely to be low so supervision of staff will be essential. Managers using this style are likely to only use one way communication – that is, they will issue instructions but will not encourage any feedback from the workforce.

This style of management does have some useful applications. Armed forces and the police are likely to adopt this approach as orders may need to be issued quickly with immediate response. Also, in crises, such as an oil tanker disaster or a railway accident, leaders may have to take full charge and issue orders to reduce the unfortunate consequences of the incident. It would be inappropriate to discuss these instructions with the staff concerned before they were put into effect.

Democratic or participative leaders will engage in discussion with workers before taking decisions. Communication links will be established on the ‘two-way’ principle with every opportunity for staff to respond to and initiate discussion. Managers using this approach need good communication skills themselves to be able to explain issues clearly and to understand responses from the workforce. Full participation in the decision-making process is encouraged. This may lead to better final decisions as the staff have much to contribute and can offer valuable work experience to new situations. In the light of research by Herzberg, this style of management should improve motivation of staff as they are being given some responsibility for the objectives and strategy of the business. Workers should feel more committed to ensuring that decisions that they have influenced are put into effect successfully.

Employing the democratic approach can be a slow process, however, and this could make it unsuitable in certain situations.

Paternalistic managers (literally meaning ‘father like’) will listen, explain issues and consult with the
<table>
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<tr>
<td>Autocratic/directive</td>
<td>• Leader takes all decisions.</td>
<td>• Demotivates staff who want to contribute and accept responsibility.</td>
<td>• Defence forces and police where quick decisions are needed and the scope for ‘discussion’ must be limited.</td>
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<td>• Gives little information to staff.</td>
<td>• Decisions do not benefit from staff input.</td>
<td>• In times of crisis when decisive action might be needed to limit damage to the business or danger to others.</td>
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<td>• Supervises workers closely.</td>
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<td>• Only one-way communication.</td>
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<td>• Workers are only given limited information about the business.</td>
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<td>Democratic/participative</td>
<td>• Participation is encouraged.</td>
<td>• Consultation with staff can be time consuming.</td>
<td>• It is most likely to be useful in businesses that expect workers to contribute fully to the production and decision-making processes, thereby satisfying their higher-order needs.</td>
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<td>• Two-way communication is used which allows feedback from staff.</td>
<td>• On occasions, quick decision making will be required.</td>
<td>• An experienced and flexible workforce will be likely to benefit most from this style.</td>
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<td>• Workers are given information about the business to allow full staff involvement.</td>
<td>• Should staff be involved in all aspects of the business? Some issues might be too sensitive, e.g., job losses; or too secret, e.g., development of new products.</td>
<td>• In situations that demand a new way of thinking or a new solution then staff input can be very valuable.</td>
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<td>Paternalistic</td>
<td>• Managers do what they think is best for the workers.</td>
<td>• Some workers will be dissatisfied with the apparent attempts to consult, while not having any real power or influence.</td>
<td>• Used by managers who have a genuine concern for workers’ interests but feel that ‘managers know best’ in the end. When workers are young or inexperienced this might be an appropriate style to employ.</td>
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<td>• Some consultation might take place but the final decisions are taken by the managers – there is no true participation in decision making.</td>
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<td>• Managers want workers to be happy in their jobs.</td>
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<td>Bureaucratic/constitutional</td>
<td>• Clearly defined rules.</td>
<td>• Slow to respond to new situations.</td>
<td>• In large organisations where consistency and rational decision making are important, e.g., government departments.</td>
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<td>• Impersonal.</td>
<td>• Excessive use of paperwork and forms.</td>
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<td>• Centralised decision making – especially to deal with new or unusual situations.</td>
<td>• Enterprise not encouraged.</td>
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<td>• Tightly defined job descriptions.</td>
<td>• Power concentrated at the top.</td>
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**Table 8.1** Summary of management styles
Management of Business – Unit 1

workforce, but will not allow them to take decisions. The paternalistic manager will decide 'what is best' for the business and the workforce but the delegation of decision making will be most unlikely. These managers are less concerned with Herzberg's motivators and more directed by the need to satisfy the safety and security needs of the workers (Maslow). Therefore, this approach is not democratic – and like some fathers is rather more autocratic than it might at first appear! This style could be suitable in a situation with unskilled, untrained or newly appointed staff, but it may lead to disappointment and disillusionment in more experienced staff who would prefer to be delegated real decision making and participative authority.

**Activity**

Read the case study below and tackle the exercises that follow.

**Case study – Disaster at the bakery**

The fire at the bakery was a disaster for T & S Provisions Ltd. Eli Tarranto, the Chief Executive and main shareholder, had been the first one to be called by the Fire Brigade officer, at 3 o'clock in the morning. ‘The whole building is up in flames – we have not been able to save anything’, he had shouted down the ‘phone. The next day, as Eli waited for his staff to turn up for work, outside the burnt-out shell of his bakery, a plan was beginning to form in his head. He had already contacted both the owner of a small competing bakery, who was actually a very good friend, and the commercial estate agent from whom he had bought the land for the bakery four years ago. The owner of the bakery agreed to allow Eli to use one of his spare ovens if he sent his own workers to operate it. This would give him about 50% of his normal capacity. The commercial estate agent suggested that Eli rent for a period of three months an empty depot on the other side of town. He believed that it would take around two weeks to have this equipped as a temporary bakery. When the staff started to arrive, Eli gave them all clear instructions. They were shocked by the state of the old building but they seemed willing to help in this time of crisis. Six of them were despatched to his friend’s bakery to start organising production there. Two were sent to the estate agent to pick up keys for the depot and had instructions to start cleaning the premises. The remainder, three workers, were to help Eli salvage what he could from the office records of the burnt-out building. Before this could start, Eli telephoned all of his major customers – he did not leave it to his sales manager – to explain the extent of the problem and to promise that some production would be back on stream just as soon as possible. He then contacted suppliers to inform them of the disaster, to reduce order quantities and to give them the new, temporary address for deliveries.

(15 marks, 15 minutes)

1 Identify the skills of leadership that Eli seems to have demonstrated in this case. (4)

2 What style of management did Eli seem to be employing in the case? Explain your answer. (3)

3 Discuss whether this was the appropriate style of management to apply in this situation. (8)
Bureaucratic leadership (also known as constitutional leadership) uses rigid and complex rules and procedures to direct and lead the organisation. Truly bureaucratic organisations have a hierarchical structure, clearly defined job roles, lack of flexibility in applying organisational rules and recruitment by competence. This style of leadership does not encourage independence of thought or action. It tends to stifle enterprise in the organisation as new ideas and procedures can upset the existing structure and hierarchy. The application of a set of rules – or a ‘constitution’ – to deal with all situations makes these organisations very inflexible when dealing with new situations. In business terms, a bureaucratically led business would find it difficult to quickly respond to new opportunities – say, in foreign markets, or to new risks, such as the entry of new competitors into the market. By not allowing or encouraging enterprise, initiative and delegation, the decision-making process will be slow and formal.

On the other hand, organisations led in this way will have respect for authority, conformists will be rewarded with promotion and workers and customers will be dealt with in a consistent and clearly defined manner – according to the written rules of the organisation.

Leadership role

Leaders have many functions and some of the most important are:

- **Guidance.** Providing a sense of direction to group members so that aims are clear and the means of achieving them are understood. A leader with an unclear focus will confuse group members and levels of motivation may fall. Each worker – or group member – needs to have it made quite clear to them how their contribution will add to the organisation’s overall success.

- **Direction.** Allocating resources to the tasks to be performed. Leadership necessarily involves making decisions about how the organisation’s resources should be allocated and directed towards the aims to be achieved. There will always be scarcity of resources – so leaders need to prioritise the most important tasks and ensure that adequate resources are available to undertake these.

- **Counselling.** Giving advice and support to all group members. This will involve the listening skills referred to earlier. Problems arise frequently within any organisation and leaders need to have both the technical knowledge and the ‘people skills’ to be able to understand the nature of each problem and how to counsel group members in the best ways to solve them.

- **Coaching and inspiration of others.** Training group members and providing an example for followers to aspire to.

- **Informal leadership,** influencing the working of a business.

The best management style – it depends on many factors

There is not one management style which is best in all circumstances and for all businesses. The style used will depend on many factors:

- the training and experience of the workforce and the degree of responsibility that they are prepared to take on;

- the amount of time available for consultation and participation;

- the attitude of managers, or management culture – this will be influenced by the personality and business background of the managers, that is, did they work in an autocratically run organisation;

- the importance of the issues under consideration – different styles may be used in the same business in different situations. If there is a great risk to the business if a poor decision is taken, then it is more likely that management will make the choice in an autocratic way.

Democratic management – involving participation and two-way communication – is increasingly common, for a number of reasons. Working people are better educated than ever before and have higher expectations of their experience from work – they expect higher-level needs to be partly satisfied at work. Many managers have realised that the rapid pace of changes at work, as a result of technological and other factors, has increased the need to consult and involve workers in the process of change. People find change less threatening and more acceptable if they have been involved in some meaningful way in managing it. Despite these factors many managers will still avoid consultation and staff participation perhaps because
they find it very difficult to adapt to these ways. Others may so doubt their own ability to discuss and persuade that they would rather issue instructions that did not allow for any feedback from staff. Whichever style of management is used in an organisation – or is referred to in an A Level question – it is important to remember that there is no one right or wrong way of managing people, but there is always an appropriate style for any situation.

Informal leadership
So far we have only discussed formal leaders or managers – those appointed by the organisation to exercise authority over others. In any group of people, at work or in a social context, it is very common for 'informal' leaders to be established. It was Mayo who first recognised through his research that the impact of informal groups and leaders could be very important for business performance. Look around you at school or college – would you rather listen to and be led by a colleague appointed by the management of the school or college or 'one of your own' who has gained the respect and trust of most students?

These informal leaders are people who have the ability to lead without formal power, perhaps because of their experiences, personality or special knowledge. They may have more influence over the activities of the group than formal leaders, especially if the latter are just seen as supervisors of work rather than true leaders and motivators. How should formal management react to these informal leaders? Appointing them as formal leaders might be a wise move, but in an organisation where employer–employee relationships are not based on trust, the person concerned could quickly lose support if he or she was seen to be joining the 'other side'. To cut them out or in some way to ignore them could be equally disastrous, as they may gather around them many worker supporters and this could lead to disruption of production or other types of industrial action.

In an ideal business situation, where workers and employers work together in a trusting relationship, managers should attempt to work with the informal leaders to help achieve the aims of the business. This is best done by attempting to ensure that the aims of the informal leader and the group are common with, or fit in with, the aims of the business. It is an unwise manager who ignores the potential influence of an informal leader or who attempts to diminish this influence by switching them to another group or cutting them off from work colleagues.

Over-to-you

Revision questions
(37 marks, 40 minutes)

1. List and briefly explain THREE skills required by good leaders. (6)
2. Explain the 'directive' or authoritarian style of leadership. (3)
3. Explain one business situation when the directive style of leadership would be most effective. (4)
4. What are the main differences between paternalistic and participative styles of leadership? (4)
5. Explain three possible disadvantages to a business organisation of being led by a bureaucratic (constitutional) leader. (6)
6. Outline three roles of a business leader. (6)
7. What is the key difference between formal and informal leadership? (4)
8. In what ways might a business benefit from informal leadership? (4)