

## Chapter 21

### Management and leadership

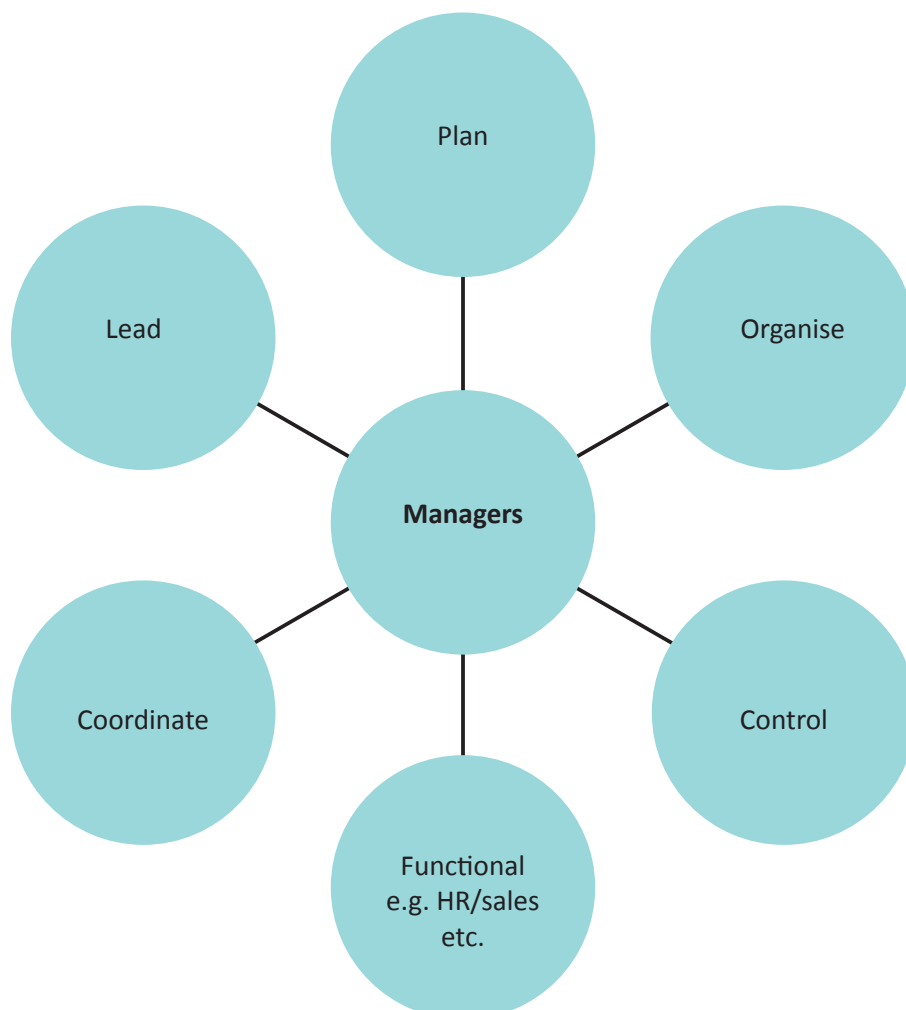
Management and leadership are often grouped together in business and the qualities often attributed to leadership can also apply to managers. However, there should be a distinction between the two different roles.

Leaders may perform similar functions to managers, but in addition they also inspire and motivate the workforce, they consider long-term strategy, the challenges facing the business and how to overcome them. Managers control and direct the workforce to follow the principles or values that have been established by the leaders.

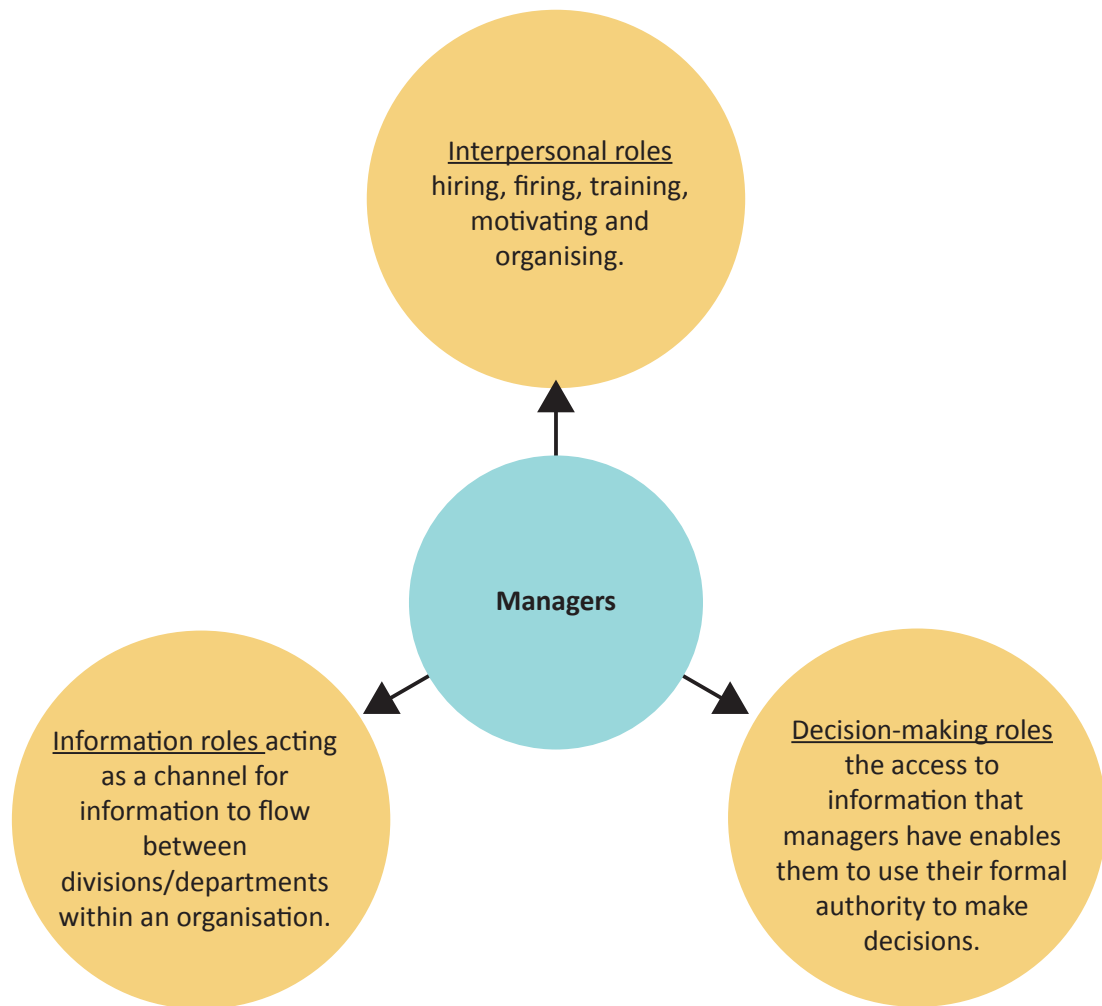
Some leaders will not manage in the workplace they may rely on a deputy or a team of managers to do this on their behalf, to ensure that the right staff are recruited, products or services are produced and the business is profitable.

A successful business owner should be both a strong leader and manager to get their workforce to follow them towards their vision of success. Being a good leader involves getting people to understand and believe in your vision to work with you to achieve your goals, whereas managing is more about administering and making sure the day-to-day things are happening as they should.

#### The functions of management



## The roles of management



## Management by objectives (MBO)

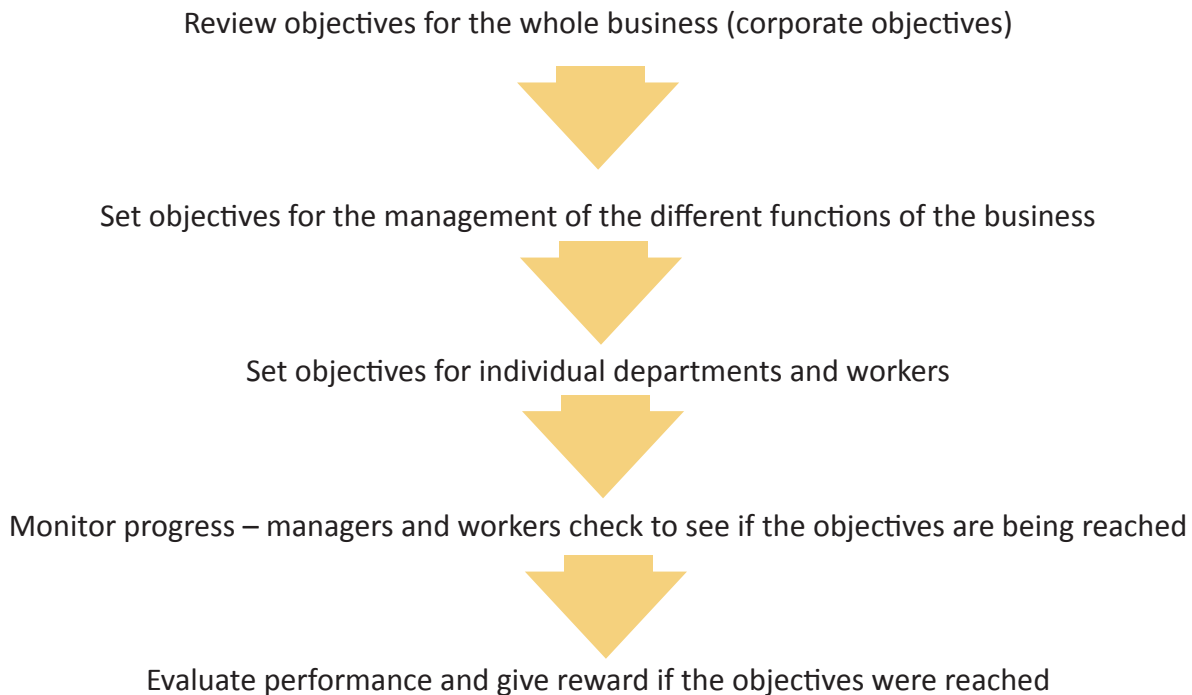
Management by objectives is a philosophy of management designed by Peter Drucker. Objectives are defined within an organisation so that the management and workers agree to the objectives and understand what they need to do in order to achieve them. It involves the breaking down and subdivision of the aims and goals of an organisation into targets and objectives for divisions, for departments, for managers and finally for workers.

The passing down and subdivision of objectives down the hierarchy should produce an end result where the targets and objectives for each individual within the organisation, when all added together, equal the same as the targets and objectives for the whole organisation.

Drucker suggested that by working together to meet the same objectives, owners, managers and workers would have a clear structure and long-term strategy that give clear goals to all stakeholders in the organisation.

An important aspect of MBO is the participative setting of objectives and planning a course of action to achieve the objectives. By including employees with the goal setting and the course of action to reach those objectives, they are more likely to be motivated and carry out their responsibilities to the best of their abilities. When the plans have been carried out it is essential that the work is monitored to measure the actual performance against the actual standards set.

## The MBO process



### Advantages of applying management by objectives

- Improved management control of the organisation. Managers know who is doing what and what they are supposed to be achieving. Clarity of goals.
- Improved financial control. Part of the setting of the objectives process is monitoring expenditure and revenues. Any changes from (variances from) budgeted amounts need to be explained and reacted to.
- It allows managers to be aware of their responsibilities. Managers are aware of what they should be achieving and how their role fits in with organisational objectives.
- The work of departments and managers are co-ordinated. Everyone is working together towards a common goal.
- It can motivate the workforce. When managers at all levels are involved in setting and agreeing objectives they will have a commitment to ensuring that objectives and goals are achieved. Involving all employees in the whole process of goal setting will give employee empowerment. This increases employee job satisfaction and commitment.
- It can improve communication systems within the organisation. The process of setting and agreeing objectives will itself involve communication both up and down the hierarchy.

### Disadvantages of applying management by objectives

The management by objectives system can have problems. The disadvantages include:

- Management time is spent on the process of setting objectives rather than managing the organisation.
- The ever-changing business environment or context in which the goals are set may change over time making the objectives unrealistic.
- Demotivation and breakdown of working relationships. If all levels of hierarchy are not involved in setting objectives, then they may not be committed to them.
- Objectives can be seen as a form of management control.
- A situation may arise where managers 'cannot see the wood for the trees'. This loss of focus means managers concentrate on short-term objectives at the cost of ignoring the long-term goals.

## McGregor's Theory X and Theory Y

Douglas McGregor put forward the idea that there are two broad types of manager – Theory X managers and Theory Y managers.

### Theory X managers

The first of these management styles, is founded upon the 'assumption of the mediocrity of the masses'. The Theory X type of manager makes several assumptions about employees:

- workers must be supervised or quality and quantity of output will fall;
- workers only respect the type of manager that tells them what to do and does so with complete authority;
- money is the only motivator;
- workers do not want to be involved in the decision-making process;
- workers wish to remain faceless and unknown to management;
- workers have little ambition.

### Theory Y managers

Theory Y managers believe that the reverse is true. They start with several positive assumptions about employees:

- workers cannot be motivated by money alone – they seek more than financial satisfaction from their jobs;
- workers are ambitious, willing to train and contribute to improve their chances of promotion;
- workers will be more efficient if they are left to their own devices – trust breeds responsibility;
- workers want to contribute to improving efficiency – they want to be seen, be noticed, rewarded and appreciated when they work well.

## Consequences of Theory X management

If managers are employed who believe that workers have little or no ambition, wish to be left alone, must not be involved in the wider business environment and must be supervised if they are to maintain quality and quantity of work, then this has major impacts on job design and control. In the case of Theory X managers, the consequences for the business will be:

- strict control of formal methods of communication;
- tasks must be designed so they are broken down into their simplest units;
- responsibilities must be clear and unambiguous;
- supervisors must maintain quality;
- high level of dependence on the decision-making of senior management.

## Consequences of Theory Y management

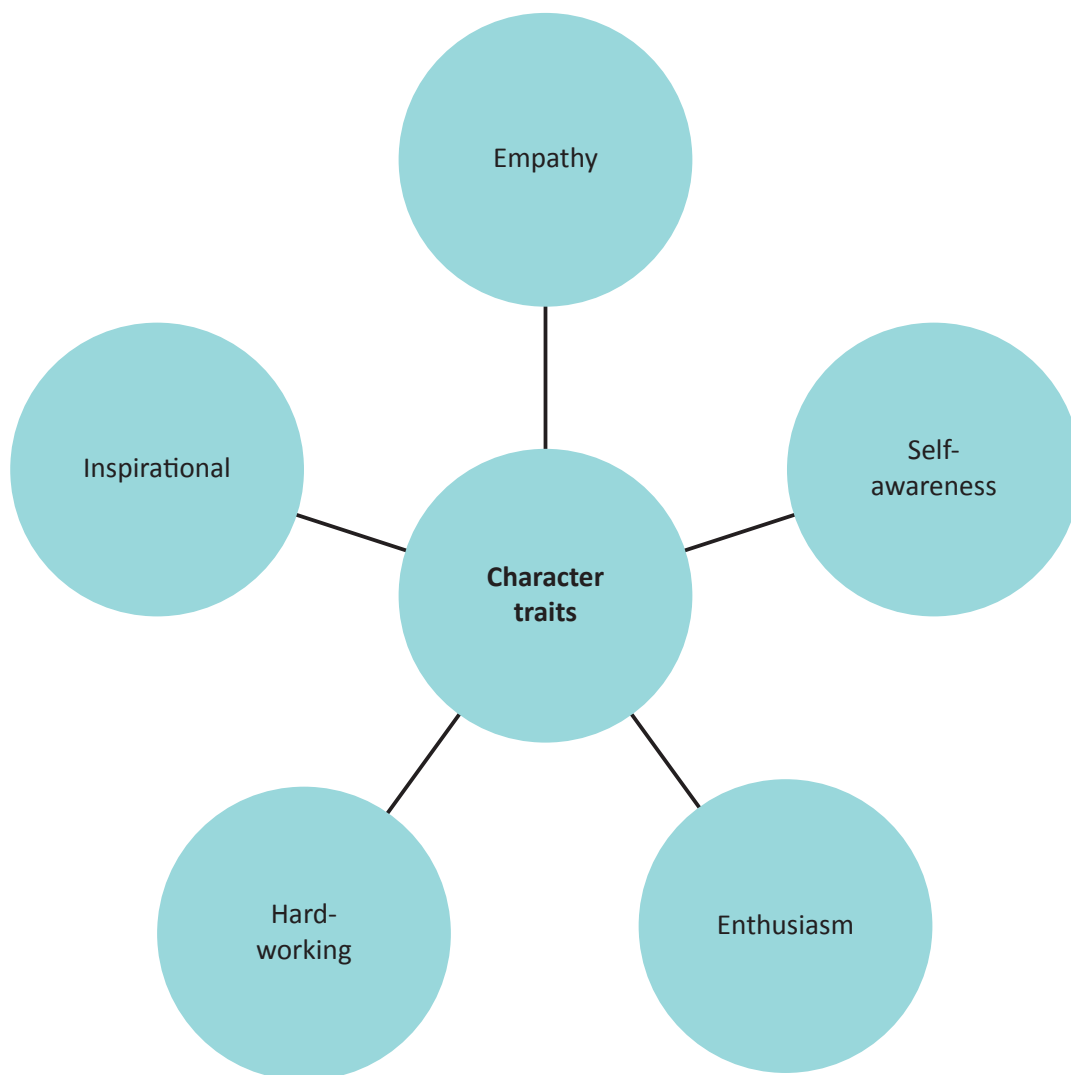
Theory Y managers are likely to create an open structure, with both formal and informal paths of communication and delegated powers. Workers will be given responsibilities and a wider range of tasks. Theory Y managers are facilitators. It is likely that managers will adopt a democratic style – this is based on encouraging participation in decision-making. In the case of Theory Y managers, the consequences for the business will be:

- requirement for training;
- use of cell working – restructuring of production and service methods;
- setting up of formal communication channels, with both vertical and lateral communication;
- promotion structures;
- flexible working practices.

An important part of this theory of management is that the managers will, over a period of time, influence how workers behave. So if we have a Theory Y manager placed in a business where workers have previously behaved within the Theory X pattern, it is quite possible for change to take place. The existing workers may be transformed from being uncooperative, demotivated and unconcerned with the success of the business into contributors who are motivated to improve quality and ambitious for personal and company success. It also follows from this that lack of motivation amongst workers and poor quality of output is a management-created problem. It is the role of management to create methods of production and management of human resources that will allow these resources to realise their full potential.

### Character traits of effective managers

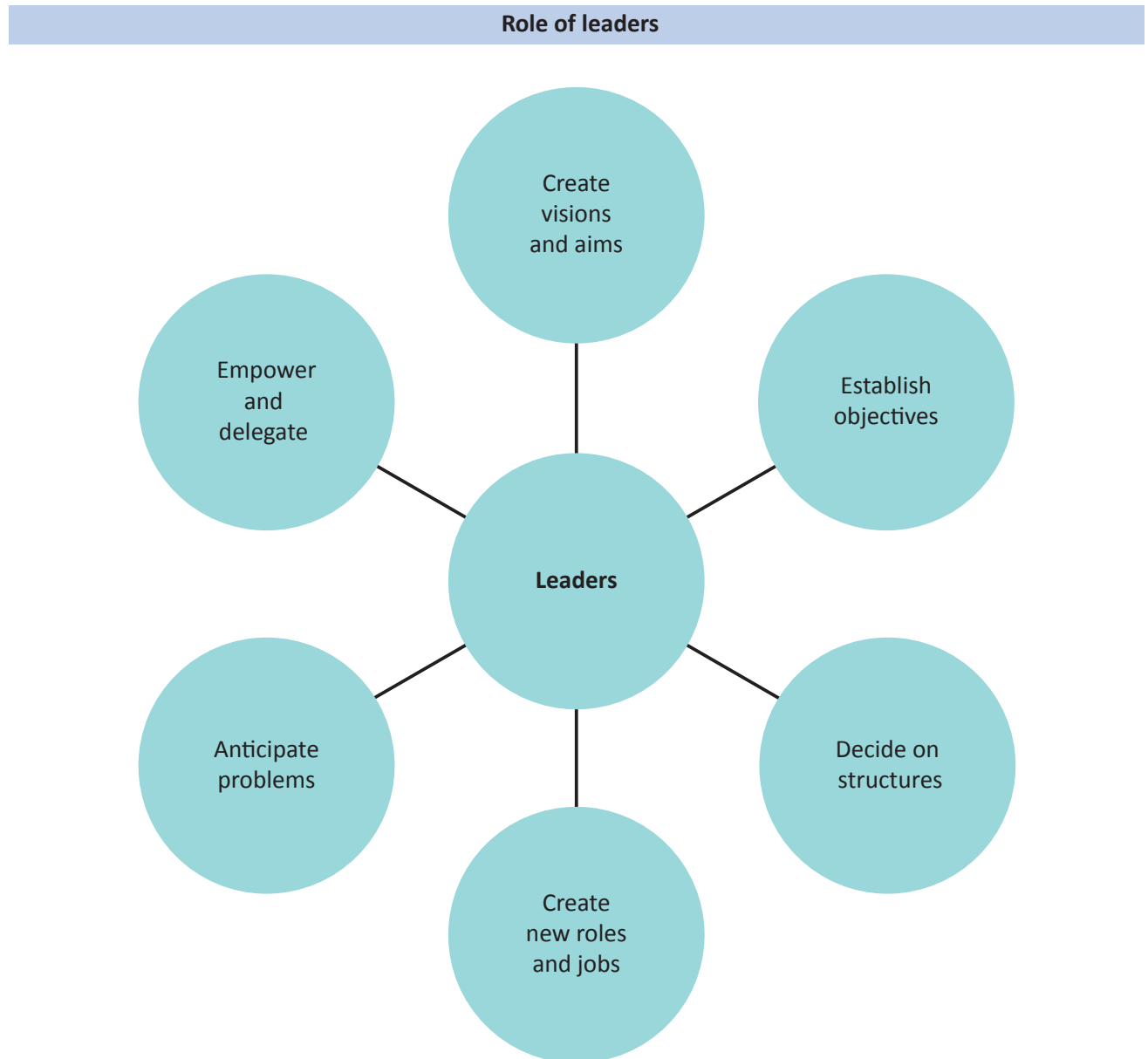
A number of character traits of effective managers have been identified and are shown in the diagram below.



## Leadership

As explained earlier, leaders may perform similar functions to managers, but in addition they also inspire and motivate the workforce, they consider long-term strategy, the challenges facing the business and how to overcome them. Managers control and direct the workforce to follow the principles or values that have been established by the leaders.

Being a good leader involves getting people to understand and believe in your vision to work with you to achieve your goals.



Because leaders need to lead and fulfil a number of challenging roles, a leader needs to have a number of characteristics that will help them lead their business. These might include the following:

- intellectual skills;
- interpersonal skills;
- realistic aspirations;
- vision;
- communicative skills;

- creativity;
- innovation;
- commitment;
- identify and respond to changes.

It is unlikely that any leader will have all of these characteristics – indeed no single one of these characteristics is essential for a leader to be successful. A good leader is the one that adapts to the needs of the employees through identifying problems and creating solutions.

## Leadership styles

In the long run, there is no one leadership style that suits any particular organisation. Market circumstances change, internal circumstances change, external pressures change, or alternatively there may be a period of stability. These factors mean that as the business adapts to these different circumstances, then the type of leader that is best suited to the business will also alter. The type of leadership required to force through restructuring or rebranding of an organisation will be very different from the leader who most effectively oversees a period of stability.

The leadership styles we examine below may then be broadly suited to a particular business form or structure but there will be times when the style is easily transferable to organisations that have previously been run in different ways.

## Different leadership styles

### **Autocratic leadership**

This style of leader gives orders which are to be obeyed without question. Probably a Theory X manager, who has no time for consideration of Maslow's higher needs or Herzberg's motivating factors. This type of manager can be effective when rapid restructuring is required but to be effective he/she will rely upon a strictly hierarchical organisational structure. There is no employee involvement in the decision-making.

### **Paternalistic leadership**

These leaders are similar to autocratic leaders in that they make all the decisions and there is no employee involvement. However, paternalistic leaders may attempt to persuade the employees that the decisions made are in the best interest of all concerned. Paternalistic leaders will consider the welfare of the employees.

### **Democratic or participative leadership**

This type of leader consults with subordinates in the decision-making process. Subordinates are involved with managers in designing their jobs and the tasks involved. This philosophy is ideally suited to the implementation of 'soft' HRM policies. Democratic leaders will need to communicate effectively with employees in order to consult, persuade and receive feedback. A democratic style of leadership can result in a workforce that is motivated and committed to the organisation and can also promote creativity and better quality decisions.

### **Laissez-faire leadership**

This occurs when the leader has minimal input and subordinates are largely left to get on with their jobs. Minimum guidance is offered and workers are given a great deal of scope to demonstrate their capabilities. The danger with this style of leadership is that if workers are not motivated or committed to their work, their productivity can be low.

## Bureaucratic leadership

Bureaucratic leaders focus on developing the specialisation of jobs and departments. They have a reliance on formal procedures and clearly-marked status definitions. Bureaucratic leadership operates within hierarchical structures. Employees are allowed to use discretion only within delegated limits. Job roles are defined formally by the use of clear job descriptions, and an obligation to stick to these job descriptions severely limits the employees' ability to act in situations that are unusual or unexpected.

It is argued that in a bureaucracy each employee within the organisation knows precisely what their duties are and therefore many tasks will be performed a lot quicker and more efficiently. Another advantage is that workers who are secure in their roles are, therefore, more likely to cooperate with other workers. The main disadvantage of this type of leadership is the discouragement of innovation and the ability to adapt to change.

What makes successful leadership is open to question. Different styles suit different circumstances and the same leader can use different styles with different groups of workers. A good leader is one who can adapt their style or approach to different situations; this is known as a contingency approach to leadership. Leaders can be task or people-orientated and this orientation will dictate their approach to control, job design and motivation.

Leaders must plan, motivate and control, but how they best do this is a question of circumstance. Using an autocratic style with a group of computer games developers may be a mistake but using the same style within the armed forces makes a great deal of sense.



Leadership styles  
<http://bit.ly/1V7XthS>

## Theories of leadership

### Fiedler's contingency model

Fiedler believed that the quality of leadership was the most important factor affecting the success or failure of an organisation. He realised that most people are effective in some situations but not in others. For example, a successful military leader would probably not be good directing a research laboratory or a film director would not make a very good manager of an accounts department. Fiedler devised a way of helping people decide what type of leader they are in order to help them become more effective.

Fiedler's contingency model states "that the effectiveness of a group or an organisation depends on two interacting or 'contingent' factors. The first factor is the personality of the leaders which determine their leadership style. The second factor is the amount of control and influence which the situation provides leaders over their group's behaviour, the task and the outcome. This factor is called 'situational control'. For more details, see the following publication: F. E. Fiedler, M. M. Chemers and L. Mahar, *Improving Leadership Effectiveness: The Leader Match Concept* (John Wiley and Sons, New York, 1976).

In order to identify a manager's leadership style Fiedler got them to fill in a questionnaire about the person they would **least** like to work with (see below). This was known as 'The Least Preferred Co-worker (LPC) Scale'. This scale was used to identify two types of leadership style.

## Least preferred co-worker (LPC) scale

			Scoring
Pleasant	8 7 6 5 4 3 2 1	Unpleasant	
Friendly	8 7 6 5 4 3 2 1	Unfriendly	
Rejecting	1 2 3 4 5 6 7 8	Accepting	
Tense	1 2 3 4 5 6 7 8	Relaxed	
Distant	1 2 3 4 5 6 7 8	Close	
Cold	1 2 3 4 5 6 7 8	Warm	
Supportive	8 7 6 5 4 3 2 1	Hostile	
Boring	1 2 3 4 5 6 7 8	Interesting	
Quarrelsome	1 2 3 4 5 6 7 8	Harmonious	
Gloomy	1 2 3 4 5 6 7 8	Cheerful	
Open	8 7 6 5 4 3 2 1	Guarded	
Backbiting	1 2 3 4 5 6 7 8	Loyal	
Untrustworthy	1 2 3 4 5 6 7 8	Trustworthy	
Considerate	8 7 6 5 4 3 2 1	Inconsiderate	
Nasty	1 2 3 4 5 6 7 8	Nice	
Agreeable	8 7 6 5 4 3 2 1	Disagreeable	
Insincere	1 2 3 4 5 6 7 8	Sincere	
Kind	8 7 6 5 4 3 2 1	Unkind	
		Total	

A high score of 64 or more indicated a **high** LPC person; such a person is called relationship-motivated. A score of 57 or below indicated a **low** LPC person. This type of individual is called **task-motivated**. An in-between score makes it difficult to identify which group the individual belongs to.

The high LPC leader sees other people as relatively pleasant, industrious or sincere even if they find it difficult to work with them. The low LPC person, who sees their co-worker in negative terms, is determined to get the job done and believes that a poor co-worker is bad in almost every possible respect.

**Relationship-orientated leaders** (high LPC) are most effective in less extreme circumstances. That is, in situations that are neither favourable nor unfavourable or situations that are only moderately favourable or moderately unfavourable.

**Task-orientated leaders** are most effective when facing a situation that is either extremely favourable or extremely unfavourable. In the case of an extremely favourable situation, they are effective:

- when there is enormous trust, respect and confidence;
- when the task is very clear;
- when followers accept the leader's power without question.

In an extremely unfavourable situation, they are effective:

- when trust and respect do not exist;
- when the challenge people face is vague and undefined;
- when the atmosphere is anarchic or even rebellious (for example, an emergency or crisis).

Fiedler did not believe that leaders were very good at changing or even adapting their style, making it difficult for leaders to alter their approach to suit changing circumstances.

Fiedler's model gives organisations a way to identify the best potential leaders for a particular situation, group of workers or task. This approach also gives individual leaders an idea as to which types of situation they are best suited for. He called his approach the 'leadership match concept'.

Not everything was black and white for Fiedler as he appreciated that there is a great deal of middle ground in 'The Least Preferred Co-worker' scale, which makes it difficult to be clear if a particular leader is task-focused or relationship-focused.

Fiedler has been criticised because he does not give enough credibility to the flexibility of leaders, since there is evidence that many leaders are quite good at adapting to changing circumstances.

## Wright and Taylor

P. Wright and D. Taylor believed that a lot of leadership theory was theoretically correct but did not actually show leaders how they could improve the way that they worked. They believed that it is possible to improve a leader's performance and that this could be done through education.

Wright and Taylor identified two specific gaps in existing approaches to the study of leadership. Firstly, there is not enough emphasis on what leaders actually do when they interact with their subordinates. Secondly, the element of skill is largely ignored. In answer to these deficiencies Wright and Taylor were concerned with improving leadership skills. The way that they did this was by providing a checklist for improving work performance.

The skills that leaders needed to learn are both verbal and non-verbal. At the same time leaders need to improve their ability to diagnose what needs to be done in any particular work situation and also to develop an accurate perception and evaluation of people and events. In other words they did not believe that it is possible to have a 'one size fits all' type of solution. Every situation requires a different and appropriate response by leaders in order to improve the performance of their followers.

Whilst Wright and Taylor refer to autocratic and democratic leaders they believed that most people would rather work for interpersonally skilful leaders, irrespective of his or her leadership style.

As far as improving an individual's performance goes, Wright and Taylor believed that ability and motivation are the key factors. An individual will not perform a task well unless they want to do it and have the necessary ability to do it. If an individual is not performing well the leader will need to talk to them to find out why, then he or she will need to find skilful ways of influencing their behaviour. They recognised that this process should nearly always involve encouragement rather than punishment.

Wright and Taylor devised the following checklist in order to help leaders analyse performance problems.

They did not expect that the checklist would, in itself, find the solution to the problem since it is likely that more information would be required. Its main purpose is to provide a means of thinking over a problem systematically. They also stressed that any potential solution should be considered on a cost-benefit basis since there would be no point in spending more on it than the likely savings that would be generated by it.

### Figure 1: Checklist for improving work performance

1. What is the problem in behavioural terms? What precisely is the individual doing or not doing which is adversely influencing his or her performance?
2. Is the problem really serious enough to spend time and effort on?
3. What reasons might there be for the performance problem? (See column 1)
4. What actions might be taken to improve the situation? (See column 2)

Possible reasons for the performance problem	Possible solutions
<b>Goal clarity</b> Is the person fully aware of the job requirements?	Give guidance concerning expected goals and standards. Set targets. MBO.
<b>Ability</b> Does the person have the capacity to do the job well?	Provide formal training, on the job coaching, practice, secondment, etc.
<b>Task difficulty</b> Does the person find the task too demanding?	Simplify task, reduce work load, reduce time pressures etc.
<b>Intrinsic motivation</b> Does the person find the task rewarding in itself?	Redesign job to match job-holders needs.
<b>Extrinsic motivation</b> Is good performance rewarded by others?	Arrange positive consequences for good performance and zero or negative consequences for poor performance.
<b>Feedback</b> Does the person receive adequate feedback about his/her performance?	Provide or arrange feedback.
<b>Resources</b> Does the person have adequate resources for satisfactory task performance?	Provide staff equipment, raw materials as appropriate.
<b>Working conditions</b> Do working conditions, physical or social, interfere with performance?	Improve light, heat, layout, remove distractions, etc. as appropriate.

5. Do you have sufficient information to select the most appropriate solutions? If not, collect the information required e.g. consult records, observe work behaviour, talk to person concerned.
6. Select most appropriate solution(s).

7. Is the solution worthwhile in cost benefit terms?

a. If so, implement it.

b. If not, work through the checklist again, or relocate the individual, or reorganise the department/organisation, or live with the problem.

8. Could you have handled the problem better? If so, review own performance. If not, and the problem is solved, reward yourself and tackle next problem.

### Discussion themes

Explain the differences between management and leadership.

'There is no one best style of leadership. It depends on the type of business and the objectives of the business.' To what extent do you agree with this statement.

Explain what is meant by MBO.

'Theory Y managers will always be more effective in the management of the workforce than Theory X managers.' Do you agree with this statement?

Explain the difference between democratic and bureaucratic styles of leadership.

Complete Fiedler's Least Preferred Co-worker (LPC) Scale, total up your score. What does this tell you about the type of leader you would be.