

HL IB Business Management



Your notes

2.3 Leadership & Management

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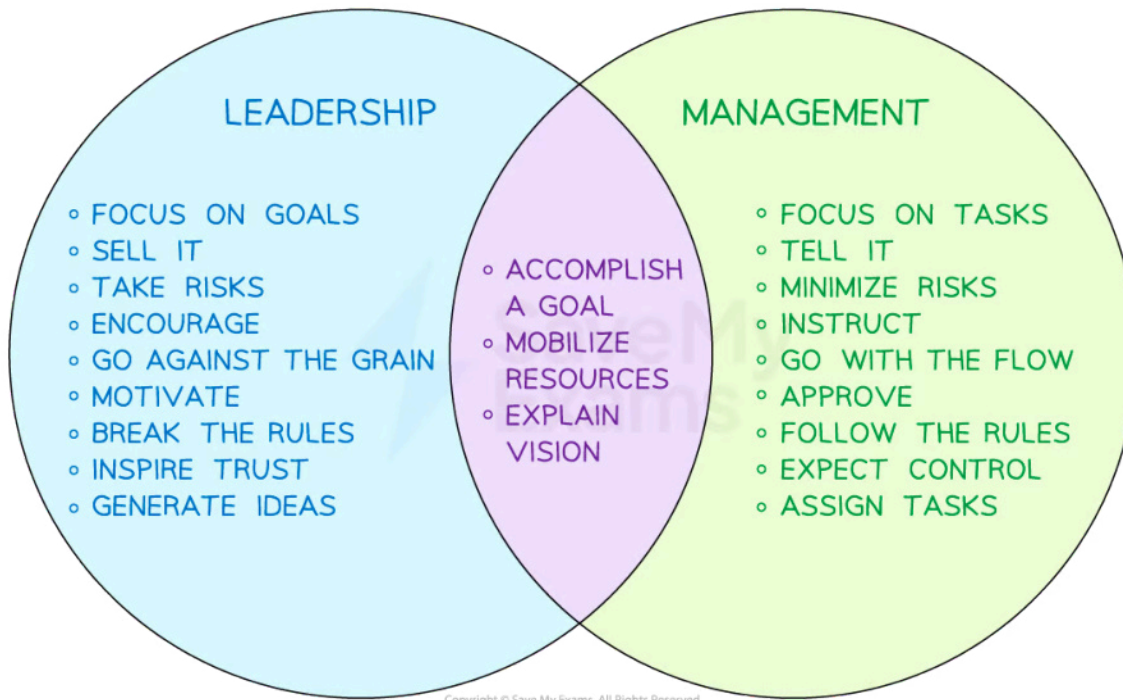


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Types of Leadership Styles

The Distinction Between Management & Leadership

- **Leadership** is about having a **vision**, sharing that vision with others and **providing direction**
- **Management** is the **day-to-day organisation** of the business, its resources and its staffing



The different characteristics of leaders and managers

Key differences between leadership and management

Vision vs. Execution

- Leadership focuses on creating a vision, setting direction, and **inspiring others to follow**
- Management **focuses on executing plans**, organising resources and ensuring tasks are completed on time

Influence vs. Control

Leadership focuses on influencing others to achieve a common goal by inspiring and motivating

Management focuses on controlling resources and processes to ensure that objectives are met

People vs. Processes

- **Leadership focuses on people**, their needs, and their motivation
- **Management focuses on processes**, structures and systems

Long-term vs. Short-term

- Leadership focuses on the long-term vision and strategy
- Management focuses on short-term goals and targets

Creativity vs. Efficiency

- Leadership encourages creativity and innovation
- Management focuses more on efficiency and productivity



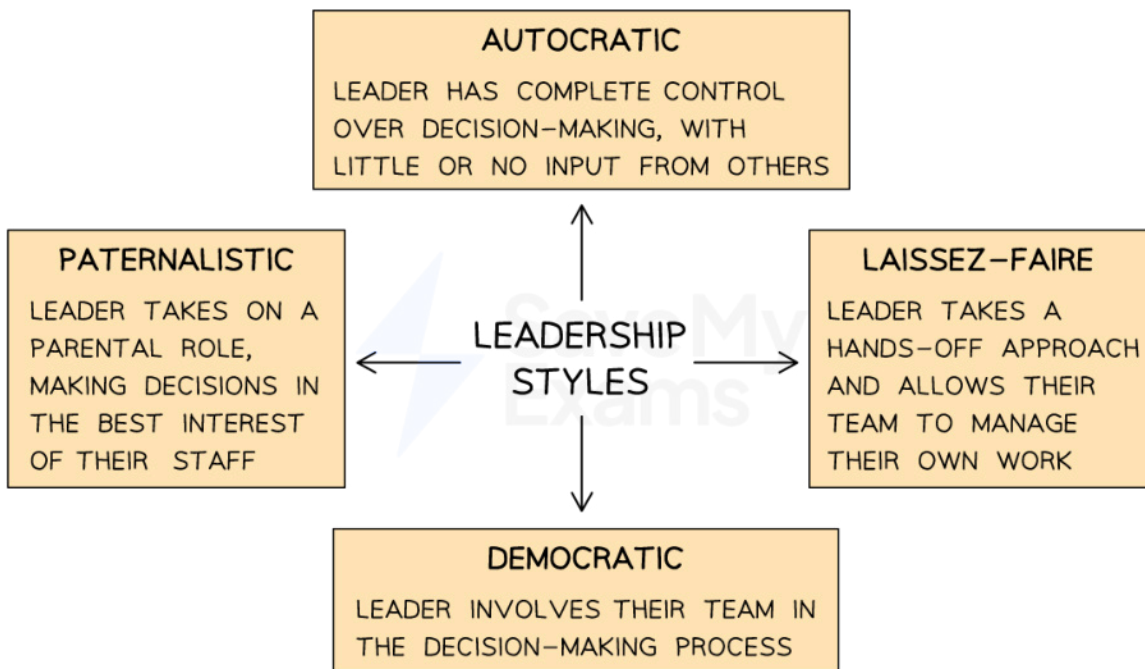
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An Introduction to Leadership Styles

- Leadership styles are **different approaches** to leading and **managing a team or business**
- They reflect the **behaviours and attitudes of a leader towards their team members** and influence the organisational culture, productivity and performance
- A successful leader will be able to **use a variety of leadership styles** depending on the situation to achieve the best results for their business
- Four common leadership styles include:



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Four commonly used types of leadership styles

- The **choice of leadership style** can be influenced by the business circumstances, as well as the nature and size of the business



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Autocratic Leadership

- An autocratic leader is a type of leader who holds **absolute power and authority** over a business
 - The leader makes decisions without seeking input or agreement from others
 - They typically expect strict obedience and compliance from their subordinates

- Autocratic leaders often have **complete control over the decision-making process**
 - They set the direction and goals of the business
 - They do not usually consider the opinions, ideas, or expertise of their team members
 - Their decisions are generally not open to discussion or debate

Situations when Autocratic Leadership is Especially Effective

Situation	Explanation
Crisis situations	<ul style="list-style-type: none"> ▪ In times of immediate crisis such as natural disasters or military conflicts quick and decisive action is often required ▪ Autocratic leaders can make swift decisions without the need for lengthy discussions which can be crucial in emergency situations
Hierarchical organisations	<ul style="list-style-type: none"> ▪ Organisations with highly structured hierarchies may benefit from autocratic leadership for the sake of coordination and efficiency ▪ In military units, for example, commanders often need to give clear and direct orders that subordinates must follow without question
Time-sensitive projects	<ul style="list-style-type: none"> ▪ Autocratic leadership can help speed up decision-making ▪ In businesses with strict deadlines such as construction or event planning an autocratic leader can ensure that tasks are completed promptly by providing specific instructions and minimising time spent on discussion
Inexperienced or unmotivated teams	<ul style="list-style-type: none"> ▪ Autocratic leadership can be effective when working with teams lacking the necessary skills, experience or motivation ▪ By providing clear direction and close supervision an autocratic leader can guide the team towards achieving their goals more efficiently

Maintaining order and discipline

- In businesses where **strict discipline and adherence to rules** are important such as energy generation autocratic leadership may be necessary to **ensure compliance** and maintain order



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- Whilst autocratic leadership may be suitable in certain situations it can also have drawbacks including
 - **Reduced employee morale** as workers have no input into decision-making
 - **Limited creativity** as employees are required to follow strict instructions and are closely monitored
 - Lack of input from team members restricts an important source of **problem-solving ideas and innovation**

Paternalistic Leadership

- Paternalistic leadership is where a leader assumes a 'fatherly' role towards their subordinates, acting in a **protective and authoritarian** manner
 - The leader **makes decisions for employees** while also showing concern for the **well-being and development** of subordinates
 - The leader takes on responsibility for the **welfare of their employees**
 - They may provide guidance, support, and resources to ensure the success of their employees
 - *Huawei's* Ren Zhengfei is viewed as a paternalistic leader who has shaped the businesses culture with well-defined goals, **employee devotion and absolute obedience in return for highly competitive pay** and opportunities for staff to buy shares in the company
- Paternalistic leadership can create a **sense of security** and support among employees, increasing their loyalty and reducing staff turnover
- It can also be perceived as **controlling** and **limits creativity and innovation** within a business
- It may create a **dependency on the leader** which restricts personal growth and professional development among employees



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Democratic Leadership

- Democratic leaders actively **involve employees** in the decision-making process and **encourage discussion**, though they have the final say
 - Consultation, collaboration, delegation and teamwork are common features of democratic leadership
- This leadership style is most effective in organisations with **skilled, experienced and creative employees**

The Advantages and Disadvantages of Democratic Leadership

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Encourages participation in decision-making <ul style="list-style-type: none"> ▪ This involvement can lead to higher levels of employee engagement and job satisfaction as individuals feel valued and empowered when their opinions are considered ▪ Encourages creativity and innovation within a business <ul style="list-style-type: none"> ▪ Employees are more likely to share ideas and think outside the box when they have a say in decision-making ▪ Can lead to more comprehensive problem-solving and decision-making <ul style="list-style-type: none"> ▪ By considering a range of viewpoints, leaders can make more informed choices and avoid potential pitfalls 	<ul style="list-style-type: none"> ▪ Time consuming <ul style="list-style-type: none"> ▪ Engaging all team members in discussions, collecting input and reaching agreement can slow down decision-making ▪ Conflicts and disagreements may arise <ul style="list-style-type: none"> ▪ Resolving these conflicts can be challenging and time consuming ▪ May result in compromise on the quality of decisions <ul style="list-style-type: none"> ▪ Popular opinions may overshadow expert knowledge and decisions may be watered down or influenced by the desire for agreement rather than the best outcome



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Laissez-faire Leadership

- Laissez-faire leaders play a **minimal role** in managing their business team
- Leaders provide little guidance, direction, or supervision to employees, allowing them significant **autonomy and freedom** in making decisions and completing tasks
- Laissez-faire leadership is most appropriate where leaders are working with a **highly skilled and self-motivated team** that requires minimal supervision

Advantages and Disadvantages of Laissez-faire Leadership

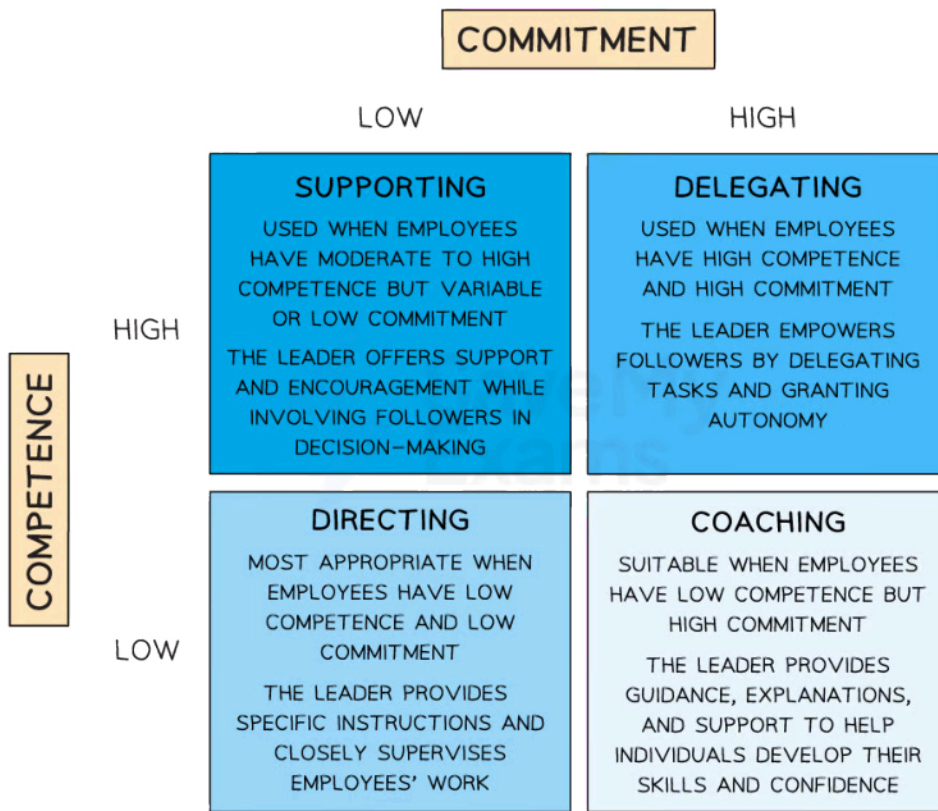
Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Encourages creativity and innovation within the business <ul style="list-style-type: none"> ▪ By giving employees the freedom to explore ideas and make decisions independently it allows for diverse perspectives and fresh approaches to problem-solving ▪ Empowers employees <ul style="list-style-type: none"> ▪ Employees are empowered because they have autonomy and ownership over their work ▪ This can enhance job satisfaction, motivation, and a sense of responsibility among team members as they feel trusted and valued ▪ Decentralised decision making <ul style="list-style-type: none"> ▪ Employees can quickly respond to challenges and make decisions based on their expertise and knowledge 	<ul style="list-style-type: none"> ▪ Inefficiency and lack of coordination <ul style="list-style-type: none"> ▪ The absence of direct guidance and supervision can lead to inefficiency and a lack of coordination within the team and ultimately a decrease in productivity and effectiveness ▪ Individuals may struggle to prioritise tasks or make informed decisions ▪ Inconsistency in the quality and outcomes of work <ul style="list-style-type: none"> ▪ Different employees may have varying approaches, leading to a lack of cohesion and potential conflicts in the team ▪ Challenging for leaders to monitor progress, identify issues, and ensure that goals are being met <ul style="list-style-type: none"> ▪ This can lead to decreased productivity and difficulties in holding individuals accountable



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Situational Leadership

- Hersey and Blanchard's Situational Leadership Model suggests there is **no one-size-fits-all approach** to leading a business organisation and effective leadership depends on **adapting leadership style** to the specific situation and the needs of the employees being led
- Leaders must assess the **readiness** of employees to perform a particular task or achieve a specific goal
 - Readiness is determined by two factors
 - competence (knowledge, skills, and experience)
 - commitment (motivation and confidence)
- Based on this assessment, leaders can adopt different leadership styles to **match the situation**



Hersey & Blanchard's situational leadership model

- The situational leadership model emphasises that **effective leaders should be flexible and able to adapt their leadership style** based on the needs of their team members

- It encourages leaders to **consider the situation carefully** and assess the readiness of their followers before adopting the most appropriate leadership approach to maximise performance and development



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Examiner Tip

Flexibility in leadership style requires managers that recognise the need to adapt, as well as the skills to do so

It cannot be assumed that managers have these capabilities - whilst training can help, in some cases managers may stick to their preferred leadership style, regardless of the situation