

Cambridge

AS - Level

Business studies

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Unit 02- Chapter 10

Management and leadership



Introduction

Effective management is challenging to define, as poorly managed businesses often lack organization, motivation, resource efficiency, and long-term objectives. By identifying common problems in failing businesses, a definition of effective management can be offered.

Management and managers

Managers accomplish tasks by working with and delegating to others, using different leadership styles and approaches to problems and decisions. Key functions of management, as explained by Fayol and Drucker, are common across all managers.

The functions of management – what managers are responsible for

- 1. Setting objectives and planning:** All good managers think ahead. Senior management will establish overall strategic objectives and these will be translated into tactical objectives for the less-senior managerial staff. The planning needed to put these objectives into effect is also important.
- 2. Organising resources to meet the objectives:** This is not just about giving instructions. People throughout the business need to be recruited carefully and encouraged to take some authority and to accept some accountability via delegation.
- 3 Directing and motivating staff:** This means guiding, leading and overseeing of employees to ensure that organisational goals are being met. The significance of developing staff so that they are motivated to employ all of their abilities at work is now widely recognised.
- 4 Coordinating activities:** As the average size of business units increases – especially true for multinationals – so the need to ensure consistency and coordination between different parts of each firm increases. The goals of each branch, division, region and even all staff must be welded together to achieve a common sense of purpose.
- 5. Controlling and measuring performance against targets:** Management by objectives establishes targets for all groups, divisions and individuals. It is management's responsibility to appraise performance against targets and to take action if underperformance occurs

Management roles

To carry out these functions, managers have to undertake many different roles. Henry Mintzberg (The Nature of Managerial Work, 1973) identified ten roles common to the work of all managers. These are divided into three groups (see Table 10.1):

- Interpersonal roles – dealing with and motivating staff at all levels of the organisation.
- Informational roles – acting as a source, receiver and transmitter of information.
- Decisional roles – taking decisions and allocating resources to meet the organisation's objectives

Leadership – the importance of it and qualities needed

Leadership is crucial for a successful manager, as it sets clear direction and vision for the organization. A good leader attracts employees and motivates them to follow. However, poor leaders struggle with communication and organization. Good managers also lead people, but those focusing on control and resource allocation may fail to

provide a sense of purpose. Some studies suggest that leaders can be trained to adopt key attributes of good leadership. A number of personal characteristics have been identified as being common among effective leaders:

- They have the desire to succeed and natural self-confidence that they will succeed.
- They possess the ability to think beyond the obvious – to be creative – and to encourage others to do the same.
- They are multitalented, so that they can understand discussions about a wide range of issues affecting their business.
- They have an incisive mind that enables the heart of an issue to be identified rather than unnecessary details.

Role title	Description of role activities	Examples of management action to perform the role
1 Interpersonal roles		
Figurehead	symbolic leader of the organisation undertaking duties of a social or legal nature	opening new factories/offices; hosting receptions; giving important presentations
Leader	motivating subordinates; selecting and training other managers/staff	any management tasks involving subordinate staff
Liaison	linking with managers and leaders of other divisions of the business and other organisations	leading and participating in meetings; business correspondence with other organisations
2 Informational roles		
Monitor (receiver)	collecting data relevant to the business's operations	attending seminars, business conferences, research groups; reading research reports
Disseminator	sending information collected from external and internal sources to the relevant people within the organisation	communicating with staff within the organisation, using appropriate means
Spokesperson	communicating information about the organisation – its current position and achievements – to external groups and people	presenting reports to groups of stakeholders (e.g. annual general meeting) and communicating with the press and TV media
3 Decisional roles		
Entrepreneur	looking for new opportunities to develop the business	encouraging new ideas from within the business and holding meetings aimed at putting new ideas into effect
Disturbance handler	responding to changing situations that may put the business at risk; assuming responsibility when threatening factors develop	taking decisions on how the business should respond to threats, such as new competitors or changes in the economic environment
Resource allocator	deciding on the spending of the organisation's financial resources and the allocation of its physical and human resources	drawing up and approving estimates and budgets; deciding on staffing levels for departments and within departments
Negotiator	representing the organisation in all important negotiations, e.g. with government	conducting negotiations and building up official links between the business and other organisations

Table 10.1 Managerial roles according to Mintzberg



KEY TERM

Manager: responsible for setting objectives, organising resources and motivating staff so that the organisation's aims are met.



KEY TERM

Leadership: the art of motivating a group of people towards achieving a common objective.

Important leadership positions 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.

Manager

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 direct, 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.

Workers' representatives

These 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 styles

Leadership (or management) style refers to the way in which managers take decisions and communicate with their staff. There are four distinct leadership styles (see also Table 10.2):

- autocratic (or authoritarian)
- democratic
- paternalistic
- laissez-faire.

Autocratic leadership

Autocratic leaders will 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.

Democratic leadership

Democratic 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 adopting a democratic approach require strong communication skills to effectively communicate issues and understand workforce responses. Encouraging full participation in decision-making can lead to better final decisions and improved motivation. However, this approach may be slow and unsuitable in certain situations due to its slow process.

Paternalistic leadership

Paternalistic leaders prioritize safety and security over motivators, leading to a lack of delegation of decision-making. They listen, explain issues, and consult with the workforce, but may not allow them to take decisions. This approach may be suitable for unskilled or newly appointed staff but may lead to disappointment in experienced staff.

Style	Main features	Drawbacks	Possible applications
Autocratic	<ul style="list-style-type: none"> leader takes all decisions gives little information to staff supervises workers closely only one-way communication workers only given limited information about the business 	<ul style="list-style-type: none"> demotivates staff who want to contribute and accept responsibility decisions do not benefit from staff input 	<ul style="list-style-type: none"> defence forces and police where quick decisions are needed and the scope for discussion must be limited times of crisis when decisive action might be needed to limit damage to the business or danger to others
Democratic	<ul style="list-style-type: none"> participation encouraged two-way communication used, which allows feedback from staff workers given information about the business to allow full staff involvement 	<ul style="list-style-type: none"> consultation with staff can be time-consuming on occasions, quick decision-making will be required level of involvement – some issues might be too sensitive (e.g. job losses) or too secret (e.g. development of new products) 	<ul style="list-style-type: none"> 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 an experienced and flexible workforce will be likely to benefit most from this style situations that demand a new way of thinking or a new solution, then staff input can be very valuable
Paternalistic	<ul style="list-style-type: none"> managers do what they think is best for the workers some consultation might take place, but the final decisions are taken by the managers – there is no true participation in decision-making managers want workers to be happy in their jobs 	<ul style="list-style-type: none"> some workers will be dissatisfied with the apparent attempts to consult, while not having any real power or influence 	<ul style="list-style-type: none"> 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
Laissez-faire	<ul style="list-style-type: none"> managers delegate virtually all authority and decision-making powers very broad criteria or limits might be established for the staff to work within 	<ul style="list-style-type: none"> workers may not appreciate the lack of structure and direction in their work – this could lead to a loss of security the lack of feedback – as managers will not be closely monitoring progress – may be demotivating 	<ul style="list-style-type: none"> when managers are too busy (or too lazy) to intervene may be appropriate in research institutions where experts are more likely to arrive at solutions when not constrained by narrow rules or management controls

Table 10.2 Summary of leadership styles

KEY TERM

Democratic leadership: a leadership style that promotes the active participation of workers in taking decisions.

KEY TERM

Paternalistic leadership: a leadership style based on the approach that the manager is in a better position than the workers to know what is best for an organisation.

Laissez-faire leadership

Laissez-faire leadership literally means 'let them do it' – or allow workers to carry out tasks and take decisions themselves within very broad limits.

Laissez-faire management is an extreme form of democratic management where subordinates have minimal input from management. This style is effective in research or design teams, where experts work best without supervision. However, laissez-faire can lead to lack of confidence, poor decisions, and poor motivation, potentially preventing scientific discoveries.

McGregor's Theory X and Theory Y

Douglas McGregor's 1950s studies identified two distinct management approaches to the workforce: Theory X and Theory Y. Theory X managers view their workers as lazy, disliking work, and unprepared for responsibility, leading to an autocratic style of leadership. On the other hand, Theory Y managers believe workers enjoy work, are creative, and contribute ideas and solutions to work-related problems. McGregor's work is widely quoted, as it suggests that workers' behavior is a result of the attitude of management towards them. If a manager believes all workers behave in a Theory X way, they may not enjoy their work and may avoid it, leading to a more autocratic style of leadership.

Theory X managers believe that workers	Theory Y managers believe that workers
<ul style="list-style-type: none"> ■ dislike work ■ will avoid responsibility ■ are not creative 	<ul style="list-style-type: none"> ■ can derive as much enjoyment from work as from rest and play ■ will accept responsibility ■ are creative

Table 10.3 Summary of Theory X and Theory Y management attitudes

The 'best' leadership style – it depends on many factors

There is not one leadership style that 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, e.g. whether they have always worked 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 great risk to the business when a poor or slow decision is taken, then it is more likely that management will make the choice in an autocratic way.

Democratic leadership is becoming more prevalent due to better education, higher expectations, and rapid changes in work. However, many managers still avoid consultation and staff participation due to difficulty in adapting or doubting their ability to discuss and persuade. 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 discussed only 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. Many researchers have recognised that the impact of informal groups and leaders could be very important for business performance

Informal leaders, who lack formal power, can have more influence over workers than formal leaders due to their experiences, personality, or special knowledge. Management should not dismiss these informal leaders, as they could lose support if seen as joining the 'other side'. Instead, managers should work with informal leaders to achieve business aims, ensuring their goals align with the business's objectives. Ignoring or diminishing their influence is unwise, as it could lead to disruption of production or industrial action.

Emotional intelligence

This is a relatively new area of study. We have all met people who are brilliant at school with very high levels of intelligence yet they cannot handle people well or make social contact easily. These put much more emphasis on **emotional intelligence**, which involves:

- understanding yourself, your goals, your behaviour and your responses to people
- understanding others and their feelings. The more managers can understand these feelings, it is argued, the more effective they become as leaders of people and decision-makers.

Daniel Goleman is the best-known researcher into EI. He has suggested that there are four main EI competencies that managers should try to develop and improve on:

1. **Self-awareness** – knowing what we feel is important and using that to guide decision-making. Having a realistic view of our own abilities and having self-confidence in our abilities.
2. **Self-management** – being able to recover quickly from stress, being trustworthy and conscientious, showing initiative and self-control.
3. **Social awareness** – sensing what others are feeling, being able to take their views into account and being able to get on with a wide range of people.
4. **Social skills** – handling emotions in relationships well and accurately understanding different social situations; using social skills to persuade, negotiate and lead

Can you imagine working for a manager without these emotional intelligences – or with very low levels of them? Such a manager would:

- attempt projects beyond their abilities but lack self confidence that targets would be met
- lack the trust and confidence of others and be so stressed out that they would be difficult to approach
- fail to take the views of others into account when taking decisions
- perform poorly in social situations, finding it difficult to talk and negotiate with others, and lacking the ability to build a team.



Revision questions

Q1. 9707/13/O/N/2014/Q2 (a)

State two functions of manager. [2]

Q2. 9609/11/O/N/2018/Q4 (b)

Briefly explain two ways autocratic leadership might affect motivation of employees. [3]

Q3. 9707/11/O/N/2012/Q4

(a) What is meant by term “laissez-faire leadership”? [2]

(b) Briefly explain two disadvantages of autocratic leadership. [3]

Q4. 9707/11/O/N/2012/Q4

(a) Define the term “emotional intelligence”. [2]

(b) Briefly explain two disadvantages of democratic leadership for an organization. [3]

Q5. 9707/11/M/J/2015/Q1

(a) Define the term “Leadership”. [2]

(b) Briefly explain the one style of business leadership. [3]

Q6. 9707/11/M/J/2015/Q2

(a) Define the term “emotional intelligence”. [2]

(b) Briefly explain two of Goleman’s emotional intelligence competencies. [3]

Q7. 9707/11/M/J/2015/Q4

(a) Define the term “management”. [2]

(b) Briefly explain two of Mintzberg’s roles of management. [3]

Q8. 9707/13/O/N/2015/Q4

(a) What is meant by term “laissez-faire leadership”? [2]

(b) Briefly explain two advantages for a business of autocratic leadership. [3]

Q9. 9609/12/O/N/2016/Q2

(a) Define leadership. [2]

(b) Explain briefly two advantages of autocratic leadership. [3]

Q10. 9609/11/M/J/2017/Q4

(a) Define the term “emotional intelligence”. [2]

(b) Briefly explain two of Goldman’s emotional intelligence competencies. [3]

Q11. 9609/11/M/J/2017/Q1

(a) Define the term leadership. [2]

(b) Briefly explain two styles of leadership. [3]

Q12. 9609/13/M/J/2016/Q1

(a) Define the term leadership. [2]

(b) Briefly explain two styles of business leadership. [3]

Q13. 9609/12/M/J/2019/Q2

(a) Define the term business leadership. [2]

(b) Briefly explain two styles of business leadership. [3]

Q14. 9609/13/M/J/2019/Q4

(a) Define the term “emotional intelligence”. [2]

(b) Briefly explain two of Goleman’s emotional intelligence competencies. [3]

Q15. 9707/12/M/J/2011/Q3

Briefly explain the main functions of management. [5]

Q16. 9707/13/O/N/2010/Q5(a)

Explain the difference between McGregor’s ‘Theory X’ and ‘Theory Y’ business manager. [8]

Q17. 9707/11/M/J/2014/Q5(b)

Discuss the view that a successful business needs both effective managers and effective leader. [12]

Q18. 9707/13/O/N/2011/Q7(b)

Discuss the factors that a business leader might take into account when choosing between an autocratic and laissez-faire leadership style. [12]

Q19. 9707/12/M/J/2013/Q5(b)

Discuss the possible impact of the motivation employees in a hotel of the appointment of a General Manager who introduces an autocratic leadership style. [12]

Q20. 9609/12/F/M/2016/Q5(b)

Discuss the view that managers and leaders perform very different functions in business organizations. [12]

Q21. 9707/12/M/J/2013/Q5(b)

Discuss the possible impact on the motivation of employees in the hotel of the appointment of a General Manager who introduces an autocratic leadership style. [12]

Q22. 9609/13/O/N/2017/Q7(b)

Discuss the view that the ability to motivate other is the most important quality of an Effective business leader. [12]

Q23. 9707/11/O/N/2010/Q5

(a) Explain difference between autocratic and democratic leadership. [8]

(b) Discuss the view that a democratic style of leadership is the most effective leadership style for a business in the competitive business environment of today. [12]

Q25. 9707/12/O/N/2011/Q5

- (a) Explain the impossible advantages to a business of autocratic leadership. [8]
- (b) Discuss the qualities of an effective business leader. [12]

Q26. 9707/12/O/N/2012/Q5

- (a) Explain the usefulness to a business of Mintzberg's classification of the roles of managers. [8]
- (b) Discuss the view that effective managers need a high level of emotional intelligence. [12]

Q27. 9707/13/O/N/2015/Q7

- (a) Explain the functions of management in a business organization. [8]
- (b) Discuss the view that a supervisor of production workers needs a high level of emotional intelligence to be successful. [12]

Q28. 9609/11/O/N/2017/Q7

- (a) Analyse how a business might use Mintzberg's roles of management. [8]
- (b) "Emotional intelligence is the most important quality of an effective leader". Do you agree with this view? Justify your answer. [12]

Q29. 9609/11/M/J/2019/Q5

- (a) Analyse the difference between autocratic and laissez-faire leadership. [8]
- (b) A democratic style of leadership is the most effective leadership style for a manufacturing business in a very competitive industry. Discuss this view. [12]

Q30. 9707/11/O/N/2009/Q6

Discuss the importance of good management for a successful business. [20]

Q31. 9707/11/M/J/2013/Q6

Discuss the view that a 'leader' should set a clear direction and vision for an organization. Whereas a 'manager' should control and allocate resources. [20]

Q32. 9609/01/SP/2016/Q6

"Effective business leaders need to be more emotionally intelligent than intellectually brilliant". Discuss this statement. [20]

Q33. 9609/13/M/J/2017/Q6

"Senior business managers must have a high level of emotional intelligence to be effective". Do you agree with this view? Justify your answer. [20]

Q34. 9609/12/F/M/2019/Q6

"An effective manager must perform all of Mintzberg's roles of management". Do you agree with this statement? Justify your view. [20]