**BUSINESS STUDIES**

**GRADE 12**

**TERM 2**

**NOTES ON LEADERSHIP AND MANAGEMENT**

**2019**

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**CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES**

**Learners must be able to:**

* Define the terms leadership and management.
* Distinguish between leadership and management.
* Describe the following leadership styles:
* Democratic
* Autocratic
* Laissez-Faire/Free Reign
* Charismatic
* Transactional
* Bureaucratic
* Discuss/Explain/Analyse/Evaluate the impact of each leadership style on leadership and management.
* Recommend situations in which different leadership styles can be applied.
* Describe the following theories of management and leadership:
* Leaders and followers
* Situational leadership
* Transitional management/leadership
* Transformational leadership
* Explain the role of personal attitude in success and leadership.

**Terms and definitions**

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| **Term** | **Definition** |
| Leadership  | The ability of an individual or a group of individuals to influence and guide followers or other members of an organization |
| Management  | Planning, organising, leading and controlling employees to achieve goals**.** |
| Democratic leadership style | The leader invites the team members/group to contribute ideas and participate in the decision-making process. |
| Autocratic leadership style | The leader takes decisions on his/her own without consulting staff. |
| Laissez fair/Free reign leadership style | The leader delegates tasks to followers with little or no direction given. |
| Charismatic leadership style  | The leader uses charm to influence followers.  |
| Transactional leadership style | The leader focuses on motivating followers through a system of reward and punishment. |
| Bureaucratic leadership style  | Leaders/managers make sure employees follow rules and policies. |
| Leaders and followers theory | Focus on relationship between leader and follower. |
| Situational leadership theory | Focus on the application of different leadership styles depending on the situation and the maturity level of employees. |
| Transformational leadership theory | The leader identifies the change needed/creates a vision to guide the change through inspiration. |
| Personal attitude | The manner in which the leader relates to his/her employees determines the success or failure of a business. |

**Definitions of leadership and management**

**Leadership**

* The ability of an individual or a group of individuals to influence and guide followers or other members of an organization
* Leadership is an of inspiring subordinates to perform in order to achieve goals
* It cannot be taught, although it may be learned as it is an inborn trait
* Involves establishing a clear vision and sharing it with others so that they can willingly follow
* A leaders steps up in times of crisis and is able to think and act creatively in difficult situations

**Management**

* The coordination of Planning, organising, leading and controlling employees to achieve goals**.**
* A person becomes a manager because of the position in which he/she is appointed
* Managers have power because of the position of authority into which they are appointed.

**Differences between leadership and management**

|  |  |
| --- | --- |
| **Leadership** | **Management** |
| Influences human behaviour. | Guides human behaviour. |
| Communicates by means of interaction/behaviour/vision/values/ charisma. | Communicates through management functions, e.g. line function. |
| Innovates/Encourages new ideas to increase productivity. | Administers plans/programs/tasks to reach targets. |
| Inspires staff to trust and support each another. | Controls systems and procedures to get the job done. |
| Focuses on what and why. | Focuses on how and when. |
| Focuses on the horizon/long term. | Focuses on the bottom line/short/ medium/long term. |
| Leaders are born with natural/ instinctive leadership skills. | A person becomes a manager because of the position in which he/she is appointed. |
| Guides/Leads people to become active participants. | Manages the process of getting things done by exercising responsibility. |
| Leaders have power/influence because of his/her knowledge/skills/ intelligence.  | Managers have power because of the position of authority into which they are appointed. |
| Always trying to find more efficient ways of completing tasks. | Enforce rules on subordinates/Ensure that tasks are completed. |
| Motivational/Inspirational in theirapproach  | Instructional in their approach. |
| People orientated. | Task orientated. |
| Lead by example/trust/respect. | Manage by planning/organising/ leading/control.  |
| Does things right | Does the right things |

**Leadership styles**

**There are SIX leadership styles**

* Democratic/ Participative
* Autocratic/ Boss-centred
* Laissez-Faire/Free Reign
* Transactional
* Charismatic
* Bureaucratic

**NOTE: The explanation of EACH leadership style is embedded in the advantages of each style.**

**Impact/Effectiveness of leadership styles on businesses**

**Impact/Effectiveness of the democratic leadership style on businesses**

**Positives/Advantages**

* The leader allows the employees to participate in the decision making process, so they feel empowered/positive.
* Staff gives a variety of ideas/inputs/feedback/viewpoints that can lead to innovation/improved production methods/increased sales.
* Clear/Two way communication ensures group commitment to final decision(s).
* Authority is delegated which can motivate/inspire workers to be more productive.
* Complex decisions can be made with inputs from specialists/skilled workers.

**AND/OR**

**Negatives/Disadvantages**

* Incorrect decisions may be made if staff is inexperienced/not fully informed.
* Decision making may be time consuming because stakeholders have to be consulted.
* Employees may feel discouraged if their opinions/inputs are not considered.
* Leaders can rely too much on the input of the followers and fail to make a final decision.
* Not effective in times of crisis/when quick decisions need to be made.
* Some employees only pretend to participate in decision making and their feedback may not always be accurate.

**Impact/Effectiveness of the autocratic leadership style on businesses Positives/Advantages**

* Quick decisions can be taken without consulting/considering followers/ employees.
* Work gets done in time/on schedule.
* Line of command/communication is clear as it is top-down/followers know exactly what to do.
* Direct supervision and strict control ensure high quality products/service.
* Provides strong leadership which makes new employees feel confident and safe.
* Works well in large companies where consultation with every employee is impractical.
* Clear guidance can be given to low-skilled/inexperienced/new staff.
* Useful in a crisis/urgent situation, e.g. after an accident/meeting tight deadlines.

**AND/OR**

**Negatives/Disadvantages**

* Leaders and followers may become divided and may not agree on ways to solve problems.
* Workers can become demotivated if their opinions/ideas are not considered.
* De-motivated workers impact negatively on productivity.
* New/Creative/Cost reducing ideas may not be used/implemented/never be considered.
* Followers may feel that they are not valued resulting in high absenteeism/high employee turnover.
* Experienced/Highly skilled workers will resist an autocratic leadership style because it results in slow growth/low participation/less creativity.

**Impact/Effectiveness of the Laissez-Faire leadership style on businesses**

**Positives/ Advantages**

* Workers/Followers are allowed to make decisions on their own work/ methods.
* Subordinates have maximum freedom and can work independently.
* Leader motivates workers by trusting them to do things themselves/on their own.
* Authority is delegated, which can be motivating/empowering to competent workers/increase productivity.
* Subordinates are experts and know what they want/can take responsibility for their actions.
* Suitable for coaching/mentoring to motivate employees to achieve more/better things.
* It can be empowering for competent followers as they are completely trusted to do their job.
* Individual team members may improve/develop leadership skills.

**AND/OR**

**Negatives/ Disadvantages**

* Lack of clear direction/leadership may be demotivating to employees.
* Employees can be held responsible for their own work which may lead to underperformance.
* Could lead to conflict when some team members act as leaders and dictate to other team members.
* Workers are expected to solve their own conflict situations.
* Productivity may be compromised with a lack of tight control over workers not meeting deadlines.
* Productivity might be low, if employees lack the necessary knowledge or skills.

**Impact/Effectiveness of** **the** **transactional leadership style on businesses**

**Positives/Advantages**

* Encourages employees to work hard because they will receive rewards.
* Improves employees' productivity and morale.
* Business goals and objectives can be achieved as employees are motivated.
* Employees know what are expected of them.
* Disciplinary action procedures are well communicated.

**AND/OR**

**Negatives/Disadvantages**

* Employees may become bored/lose creativity as they have to follow rules/ procedures.
* A transactional leader will have to monitor the work performance of employees to ensure that expectations are met.
* Managing/controlling employees may be time-consuming.
* Some employees may be demoralised/ unmotivated if they fail to reach/meet targets despite having worked very hard.
* Not suitable for team work as all team members can be punished for poor performance caused by one team member.

**Impact/Effectiveness of transactional leadership**

**Positives/Advantages**

* Encourages employees to work hard because they will receive rewards.
* Improves employees’ productivity and morale.
* The goals and objectives of the business can be achieved as workers are motivated.
* Employees know what is expected of them.
* Disciplinary actions/procedures is well communicated.

**AND/OR**

**Negatives/Disadvantages**

* Employees can become bored because they have to follow rules/procedures/ there is no creativity in the workplace.
* A transactional leader will have to monitor the work performance of employees/ ensure that expectations are met which can be time-consuming.
* Some employees may be demoralised/ unmotivated, if they fail to reach/meet targets despite having worked very hard.
* Usually not suitable for team work, because all team members can be punished for poor performance caused by a member of a team.

**Impact/Effectiveness of charismatic leadership styles on businesses**

**Positives/Advantages**

* Expert at selling vision and achieve excellent results.
* Employees are motivated as the leader is energetic/ inspiring.
* Inspires loyalty/hard work among employees.

**AND/OR**

**Negatives/Disadvantages**

* Leader believes more in him/her than the team.
* Projects can collapse if the leader leaves the team.
* Leaders are intolerant of challenges and regard themselves as irreplaceable.

**Impact/Effectiveness of bureaucratic leadership style on businesses**

**Positives/Advantages**

* Managers ensure that rules/ regulations are always followed accurately.
* Works well when tight control measures need to be implemented/ followed.
* Health and safety are increased in a dangerous workplace, e.g. construction sites/mines.
* Followers know what is expected of them because of detailed instructions.
* The quality of work can be ensured.
* Ensures accountability to the general public/customers.
* Ultimate/Strict control over systems/procedures ensure high quality output.

**AND/OR**

**Negatives/Disadvantages**

* + Complicated official rules may seem unnecessary/ time consuming.
	+ Leaders may acquire power/become authoritative and can disregard inputs from others.
	+ Very little room for error, so workers feel they are not always treated with dignity.
	+ Lack of creativity/innovation/ self-fulfilment may lead to stagnation/ decrease in productivity.
	+ Employees may feel they have become objects of work and are not treated as humans.

**Differences between democratic and autocratic leadership styles**

|  |  |
| --- | --- |
| **Democratic** | **Autocratic** |
| * The leader involves employees in the decision making process.
 | * A leader takes all decisions alone without involving employees.
 |
| * Clear/Two way communication ensures group commitment to final decision(s).
 | * Line of command/communication is clear as it is top-down/followers know exactly what to do.
 |
| * People-oriented, as employee's feelings and opinions are considered.
 | * Task-orientated as the opinions of employees are not considered.
 |
| * Workers feel empowered as they are

involved in the decision-making process.  | * New employees feel confident/safe as

strong leadership is provided. |
| * Useful when the leader depends on the

inputs of experienced followers.  | * Useful in a crisis/urgent situation, e.g. after an accident/meeting tight deadlines.
 |
| * Handles conflict situations by involving

followers in finding the best solution. | * Handles conflict situations by telling

followers what they should do. |

**Situations in which each leadership style can be used**

**Democratic leadership style**

**This leadership style can be used when**:

* Group members are skilled and eager to share their ideas.
* The leader does not have all the information needed to make a decision and employees have valuable information to contribute.
* Cooperation is needed between a leader and a team.
* Decisions need to be looked at from several perspectives.

**Autocratic leadership style can be applied**

**This leadership style can be applied when:**

* In crisis situations, e.g. in the case of unforeseen challenges/accidents.
* When all the information is available to solve the problem.
* In emergencies, where there is a shortage of time.
* When employees are motivated and the leader has already earned the trust of the followers.
* When dealing with employees who are not cooperative.

**Laissez-faire/ Free reign**

**This leadership style can be used when**:

* Subordinates are experts and know what they want/can take responsibility for their actions.
* The leader is very busy and delegation of tasks will increase productivity.
* Team members need to improve/develop leadership skills.
* Suitable when employees are highly experienced and know more about the task than the leader.

**Charismatic leadership style**

**This leadership style can be used to:**

* Sell vision and achieve excellent results.
* Motivate employees as the leader is energetic/ inspiring.
* Inspire loyalty/hard work among employees.

**Transactional leadership style**

**This leadership style can be applied** **when**:

* When the business wants to maximise employee performance.
* When deadlines have to be met on short notice/under pressure.
* When workers have a low morale.
* When the strategies/business structures do not have to change.

**Bureaucratic leadership style**

* Can be used where health and safety are a priority and rules have to be applied.
* Appropriate for routine jobs e.g. when employees have to follow rules on how to use dangerous machinery.

**Leadership theories**

**NOTE: You will be expected to know the following THREE leadership theories:**

**Situational leadership theory**

* Different leadership characteristics are needed for different situations.
* The task/situation dictates the leadership style that should be applied, so leaders are adaptable/flexible/self-assured.
* Effective application of this theory may enable leaders to accomplish their goals.
* Relationships between leaders and employees are based on mutual trust/ respect/loyalty/integrity/honesty.
* Leaders have the ability to analyse the situation/get the most suitable people in the right positions to complete tasks successfully.
* Leaders analyse group members/objectives/time constraints, to adopt a suitable/relevant leadership style.
* May lead to conflict when leaders use different leadership styles/when managing employees in different situations.
* The success of this theory depends on the kind of relationship that exists between the leader and followers/subordinates/employees.

**Transformational theory**

* Suitable for a dynamic environment, where change could be drastic.
* The passion/vision/personality of leaders inspire followers√ to change their expectations/perceptions/motivation to work towards a common goal.
* Strategic thinking leaders develop a long term vision for the organisation and sell it to subordinates/employees.
* Leaders have the trust/respect/admiration of their followers/subordinates.
* Promotes intellectual stimulation/creative thinking/problem solving which result in the growth/development/success of the business.
* Followers are coached/led/mentored/emotionally supported through transformation/change so that they can share their ideas freely.
* Encourages followers to explore/try new things/opportunities.
* Leaders lead by example and make workers interested in their work.
* Leaders have strong, charismatic personalities√ and are very good at motivating staff to achieve results.
* Enable employees to take greater ownership for their work and to know their strengths and weaknesses.

**NOTE 1: The differences between the theories is embedded in the explanation of EACH theory**

**NOTE 2: The transitional theory has been left on purpose as it is covered by the transformational theory, as both speak to change.**

**Leaders and followers**

* Teams achieve great results when there is a sense of understanding between the leader and the team of followers.
* Followers listen to what is expected of them and are willing to work as a team.
* Followers easily accept responsibility when something doesn’t work out.
* Leaders lead by example and reward positive behaviour.
* Leaders motivate employees to devise alternative strategies to find more efficient ways to use available resources.
* Followers might just trail along depending on leaders and other followers to pull them through the task.
* Followers, who are not allowed to evaluate and openly communicate with their leaders, will lose respect for the leader.
* The team might not get along√ often blaming each other.
* The team might have insufficient resources√ at their disposal resulting in unwillingness to work.

**The role of personal attitude in successful leadership**

* Positive attitude releases leadership potential.
* A leader's good/bad attitude can influence the success/failure of the business.
* Leaders must know their strengths and weaknesses to apply their leadership styles effectively.
* Great leaders understand that the right attitude will set the right atmosphere.
* Leaders' attitude may influence employees'/teams' thoughts/behaviour.
* Leaders should model the behaviour that they want to see in team members.
* Successful leaders consider the abilities/skills of team members to allocate tasks/roles effectively.
* Enthusiasm produces confidence in a leader.
* A positive attitude is critical for good leadership because good leaders will stay with the task regardless of difficulties/challenges.
* Successful employees and leaders have a constant desire to work and achieve personal/professional success.
* Leaders with a positive attitude know that there is always more to learn/space to grow.