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2.3 Leadership and management

Management and leadership

When you are running a business, you may need a person in charge who is a visionary, or you may prefer a more 'nuts and bolts' manager who you feel would be certain to achieve results.

It is important to understand the difference between the characteristics of a manager and characteristics of leaders. You need both to run a successful business.

Management

Management is defined as the work of directing a business organisation's resources to achieve business objectives. Managers define a goal and then use the talent available to them to achieve it. Managers are generally tasked with the following responsibilities:

- planning
- coordinating – ensuring that everyone is performing their assigned duties and that efforts among employees are coordinated
- commanding – making decisions that impact a business's day-to-day operations
- controlling – ensuring task and project completion
- resolving problems – solving day-to-day issues that arise

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Figure 1. A manager is responsible for planning, coordinating, commanding, controlling and resolving problems.

Credit: Vladimir Vladimirov, Getty Images

Managers may work in very difficult conditions and are often asked to achieve a goal with limited resources. Often, they do not have the personnel they need to achieve objectives, yet they are still expected to achieve. Managers are not usually in the position of being able to change policies or procedures to obtain the desired results. This can be frustrating, so managers need to be resilient. However, with the right support and leadership, managers can achieve great success.

Leadership

Leadership involves the use of strategic and creative thinking to inspire people to meet challenges and accomplish goals.

A leader has a more visionary role in a business than a manager. Strong leadership is required to keep a company operating competitively, which involves strategic and creative thinking. Leaders inspire and challenge the status quo; they engage in the fundamentally important task of 'thinking outside the box'.

An example of a leader many people point to today is Larry Page, the former chief executive officer (CEO) of Google. Page has been spoken of as a visionary, championing new products such as drones, phones and contact lenses that monitor a diabetic's glucose levels. As a company, Google is always looking for innovative ideas and is willing to take risks when introducing new products into different markets.

Another example of a strong leaders is Lisa Su, the CEO of Advanced Micro Devices, who is listed 49th in the Forbes list of The World's Most Powerful Women 2021 (https://www.forbes.com/power-women/#2fd339965e25). Under her management, the semiconductor producer increased its share value by an incredible 1700%. Determined and hardworking, Lisa Su led by example encouraging her company staff to set ambitious goals and priorities. Her ability to communicate, her ability to focus on teamwork and a few well-timed strategic decisions paid off for the company and its investors, placing her among the tech leaders of today.
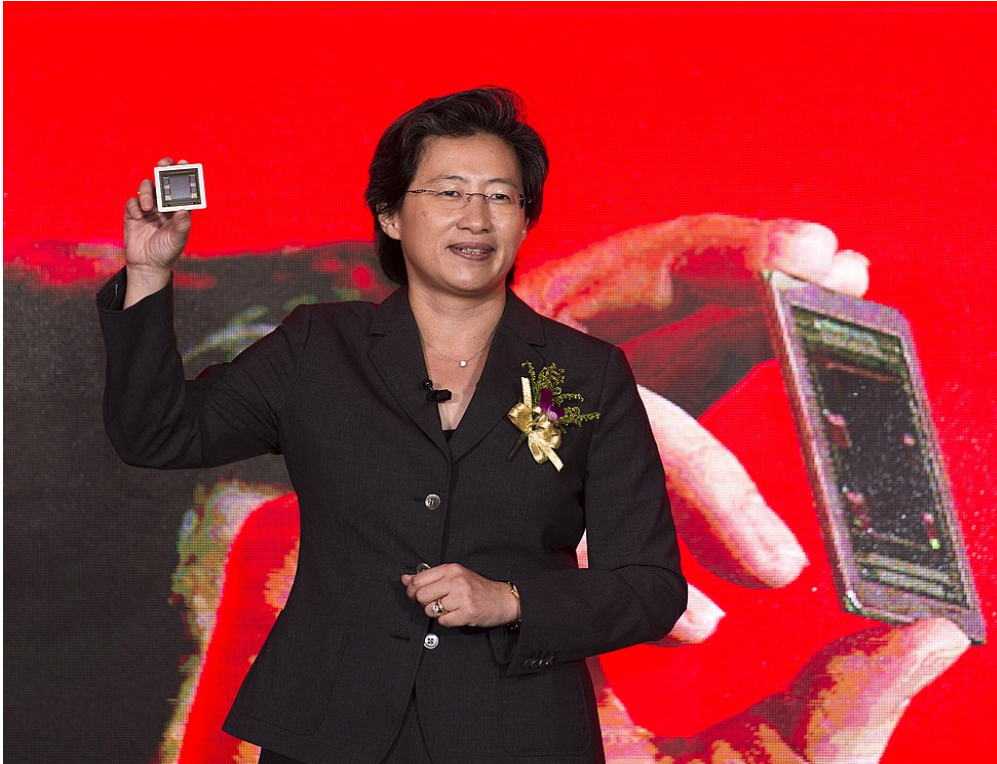

Figure 2. Lisa Su, the CEO of Advanced Micro Devices.

Source: "AMD CEO Lisa Su

(https://commons.wikimedia.org/wiki/File:AMD_CEO_Lisa_Su_20150603.jpg)" by Gene

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In his book *On Becoming a Leader*, Warren Bennis sums up what he calls the 'ingredients' that are necessary to be a successful leader as:

- a guiding vision
- passion
- integrity – consisting of self-knowing, honesty and maturity
- trust

- curiosity and daring

According to Bennis, leadership is not something people are necessarily born with. Rather, it is the result of people rising to challenges and reinventing who they are.

Empathy is another key characteristic of a successful leader. Empathy refers to a person's ability to put themselves 'in another person's shoes' and to be able to understand their feelings. Empathy is crucial in anticipating and adapting to the needs of the workers and the customers, to think creatively and to innovate. **Video 1** outlines how Satya Nadella, the CEO of Microsoft, thinks about empathy and innovation.

Video 1. Satya Nadella, the CEO of Microsoft, talks about empathy and innovation.

Exam tip

You need to be able to distinguish clearly between the different roles of managers and leaders in a business.

Activity

Learner profile: Inquirers
Approaches to learning: Thinking skills

Watch **Video 2**, which is about leadership versus management. What is the difference between these two roles? Note the leadership skills introduced in the video.

Leadership vs Management, What's the Difference? - Pr...

Video 2. Distinguishing between leaders and managers.

Find an example of a good leader and write a short profile of them in your notes. How does the leader you selected demonstrate the skills identified in the video (for example communication, motivation and delegation)?

International Mindedness

Countries and specific organisations have their own cultures. Successful leaders and managers should understand the culture of the organisation they lead. In order to be successful, a manager sent by a multinational company to a different country must ensure that they are very familiar with the local and the specific organisational culture.

Jim Collins, a business management author, is best known for his book *Good to Great*. In that book he identifies the concept of 'level 5 leadership' – where a leader possesses both will and humility. Watch **Video 3** to learn more about Collins' research and his insights into leadership.

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The Explainer: What It Takes to Be a Great Leader

Video 3. 'Level 5 leadership' and what it takes to be a great leader.

Case study

Women in the workplace

Women make up half of the human population, but relatively few women reach leadership roles – such as CEO, chief financial officer (CFO) – or become board members within organisations. Women advancing to leadership roles is a question of fairness. Women change the dynamics of a workplace; they add creativity and different perspectives to an organisation's decision-making body. Women are often able to design or adapt products to previously unserved populations. Having women leaders is a profitable proposition.

McKinsey & Company, an international consulting group, publishes an annual study on women in the workplace. McKinsey's research in the USA and in the UK (https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters) discovered that, if a company has over 30% of women executives, it is more likely to outperform companies where the percentage of women executives is below 30%. Those companies without diverse executive teams perform worse than the industry median.

McKinsey's report argues that the companies that have seen improved performance have made specific steps in the way they treat their teams. These steps include improving fairness and transparency in hiring and avoiding bias through using analytical tools to evaluate employee performance. Further, they found that embracing diversity through ensuring community, providing support and eliminating gender-based microaggressions leads to better outcomes in terms of profitability.

Questions

1. Outline the differences between a leader and a manager. [2 marks]

2. Explain one reason why the participation of women in leadership roles is desirable for a business? [2 marks]

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