

CHAPTER - 3

LEADERSHIP

CONCEPT OF LEADERSHIP:

Leadership is an important aspect of management. A manager should have some leadership skills to effectively manage an organization. Leadership and motivation are closely connected. To motivate some people there should be leaders.

Leadership is the process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task. It is the ability to get people to do what they don't want to do and what they don't like to do. It is the influence, so that people follow willingly and enthusiastically towards the achievement of goals.

According to Stephen Robbins, "Leadership is the ability to influence a group toward the achievement of goals."

NEED/IMPORTANCE OF LEADERSHIP:

1. Initiates Action:

Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.

2. Motivation:

A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.

3. Providing Guidance:

A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.

4. Creating Confidence:

Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively. It is also important to hear the employees with regards to their complaints and problems.

5. Building Morale:

Morale denotes willing co-operation of the employees towards their work and getting them into confidence and winning their trust. A leader can be a morale booster by achieving full co-operation so that they perform with best of their abilities as they work to achieve goals.

6. Builds Work Environment:

Management is getting things done from people. An efficient work environment helps in sound and stable growth. Therefore, human relations should be kept into mind by a leader. He should have personal contacts with employees and should listen to their problems and solve them. He should treat employees on humanitarian terms.

7. Co-ordination:

Co-ordination can be achieved through reconciling personal interests with organizational goals. This synchronization can be achieved through proper and effective co-ordination which should be primary motive of a leader.

QUALITIES OF EFFECTIVE LEADERSHIP:

1. Physical Appearance:

A leader must have a pleasing appearance. Physique and health are very important for a good leader.

2. Vision And Foresight:

A leader cannot maintain influence unless he exhibits that he is forward looking. He has to visualize situations and thereby has to frame logical programmes.

3. Intelligence:

A leader should be intelligent enough to examine problems and difficult situations. He should be analytical who weighs pros and cons and then summarizes the situation. Therefore, a positive bent of mind and mature outlook is very important.

4. Communicative Skills:

A leader must be able to communicate the policies and procedures clearly, precisely and effectively. This can be helpful in persuasion and stimulation.

5. Objective:

A leader has to be having a fair outlook which is free from bias and which does not reflect his willingness towards a particular individual. He should develop his own opinion and should base his judgment on facts and logic.

6. Knowledge Of Work:

A leader should be very precisely knowing the nature of work of his subordinates because it is then he can win the trust and confidence of his subordinates.

7. Sense Of Responsibility:

Responsibility and accountability towards an individual's work is very important to bring a sense of influence. A leader must have a sense of responsibility towards organizational goals because only then he can get maximum of capabilities exploited in a real sense. For this, he has

to motivate himself and arouse and urge to give best of his abilities. Only then he can motivate the subordinates to the best.

8. Self-Confidence And Will-Power:

Confidence in him is important to earn the confidence of the subordinates. He should be trustworthy and should handle the situations with full will power.

9. Humanist:

This trait to be present in a leader is essential because he deals with human beings and is in personal contact with them. He has to handle the personal problems of his subordinates with great care and attention. Therefore, treating the human beings on humanitarian grounds is essential for building a congenial environment.

10. Listening:

The leader must listen to keep himself informed. He should be an effective listener. He should have patience to stop talking and listen to his followers.

11. Moral Integrity:

The leader should be a man of character. He should behave in a dignified manner. He should possess traits like honesty, loyalty, devotion, and personal integrity. He should have a sense of fair play and justice.

THEORY OF LEADERSHIP:

1. TRAIT THEORY OF LEADERSHIP:

The trait model of leadership is based on the characteristics of many leaders both successful and unsuccessful and is used to predict leadership effectiveness. The resulting lists of traits are then compared to those of potential leaders to assess their likelihood of success or failure.

The trait approach attempted to identify physiological (appearance, height, and weight), demographic (age, education and socioeconomic background), personality (self-confidence, and aggressiveness), intellectual (intelligence, decisiveness, judgment, and knowledge), task-related (achievement drive, initiative, and persistence), and social characteristics (sociability and cooperativeness) with leader emergence and leader effectiveness.

Successful leaders definitely have interests, abilities, and personality traits that are different from those of the less effective leaders. Through many researchers conducted in the last three decades of the 20th century, a set of core traits of successful leaders have been identified. These traits are not responsible solely to identify whether a person will be a successful leader or not, but they are essentially seen as preconditions that endow people with leadership potential.

Some of the core traits identified by the trait theory are:

- ☑ **Achievement Drive:** High level of effort, high levels of ambition, energy and initiative
- ☑ **Leadership Motivation:** an intense desire to lead others to reach shared goals
- ☑ **Honesty And Integrity:** trustworthy, reliable, and open
- ☑ **Self-Confidence:** Belief in one's self, ideas, and ability

- ☑ **Cognitive Ability:** Capable of exercising good judgment, strong analytical abilities, and conceptually skilled
- ☑ **Knowledge of business:** Knowledge of industry and other technical matters
- ☑ **Emotional Maturity:** well adjusted, does not suffer from severe psychological disorders.
- ☑ **Others:** charisma, creativity and flexibility

Strengths/Advantages of Trait Theory

- It is naturally pleasing theory.
- It is valid as lot of research has validated the foundation and basis of the theory.
- It serves as a yardstick against which the leadership traits of an individual can be assessed.
- It gives a detailed knowledge and understanding of the leader element in the leadership process.

Limitations of the Trait Theory

- There is bound to be some subjective judgment in determining who is regarded as a 'good' or 'successful' leader
- The list of possible traits tends to be very long. More than 100 different traits of successful leaders in various leadership positions have been identified. These descriptions are simply generalities.
- There is also a disagreement over which traits are the most important for an effective leader
- The model attempts to relate physical traits such as, height and weight, to effective leadership. Most of these factors relate to situational factors. For example, a minimum weight and height might be necessary to perform the tasks efficiently in a military leadership position. In business organizations, these are not the requirements to be an effective leader.
- The theory is very complex.

2. TRANSFORMATIONAL THEORY OF LEADERSHIP:

Transformational leadership emerges from a persons' knowledge, experience, motivational drive and influence of some ideology. An individual is transformed into a leader from his/her years of personal knowledge and skills and a will to change or transform something for good.

In organizations creating high-performance workforce has become increasingly important and to do so business leaders must be able to inspire organizational members to go beyond their task requirements. As a result, the members are transformed into a transformational leader such leadership can be found at all the level of organization and they are visionary, inspiring, daring, risk-takers, and thoughtful thinkers. They have a charismatic appeal. But charisma alone is insufficient for changing the way an organization operates. For bringing major changes, transformational leaders must exhibit the following four factors:

a. Inspirational Motivation:

The foundation of transformational leadership is the promotion of consistent vision, mission, and a set of values to the members. Their vision is so compelling that they know what they want from every interaction. Transformational leaders guide followers by providing them with a

sense of meaning and challenge. They work enthusiastically and optimistically to foster the spirit of teamwork and commitment.

b. Intellectual Stimulation:

Such leaders encourage their followers to be innovative and creative. They encourage new ideas from their followers and never criticize them publicly for the mistakes committed by them. The leaders focus on the “what” in problems and do not focus on the blaming part of it. They have no hesitation in discarding an old practice set by them if it is found ineffective.

c. Idealized Influence:

They believe in the philosophy that a leader can influence followers only when he practices what he preaches. The leaders act as role models that followers seek to emulate. Such leaders always win the trust and respect of their followers through their action. They typically place their followers needs over their own, sacrifice their personal gains for them, and demonstrate high standards of ethical conduct. The use of power by such leaders is aimed at influencing them to strive for the common goals of the organization.

d. Individualized Consideration:

Leaders act as mentors to their followers and reward them for creativity and innovation. The followers are treated differently according to their talents and knowledge. They are empowered to make decisions and are always provided with the needed support to implement their decisions.

The common examples of transformational leaders are Mahatma Gandhi and Obama.

Criticisms of Transformational Leadership Theory

- Transformational leadership makes use of impression management and therefore lends itself to amoral self-promotion by leaders
- The theory is very difficult to train or taught because it is a combination of many leadership theories.
- Followers might be manipulated by leaders and there are chances that they lose more than they gain.

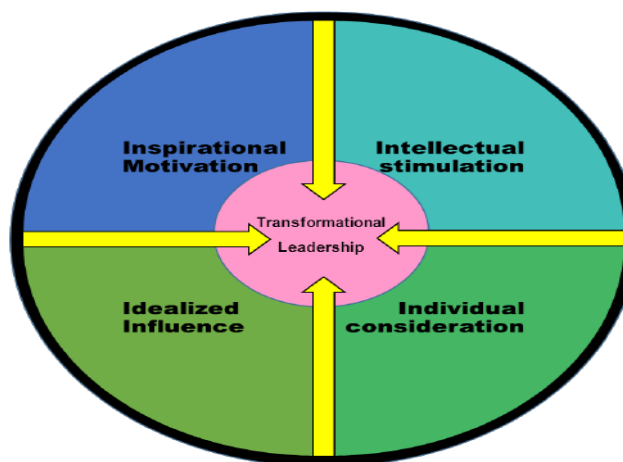


Fig: Model of Transformational Leadership

3. TRANSACTIONAL THEORY OF LEADERSHIP:

The transactional style of leadership was first described by Max Weber in 1947 and then by Bernard Bass in 1981. This style is most often used by the managers. It focuses on the basic management process of controlling, organizing, and short-term planning. The famous examples of leaders who have used transactional technique include McCarthy and de Gaulle.

Transactional leadership involves motivating and directing followers primarily through appealing to their own self-interest. The power of transactional leaders comes from their formal authority and responsibility in the organization. The main goal of the follower is to obey the instructions of the leader. The style can also be mentioned as a 'telling style'.

The leader believes in motivating through a system of rewards and punishment. If a subordinate does what is desired, a reward will follow, and if he does not go as per the wishes of the leader, a punishment will follow. Here, the exchange between leader and follower takes place to achieve routine performance goals.

These exchanges involve four dimensions:

a. Contingent Rewards:

Transactional leaders link the goal to rewards, clarify expectations, provide necessary resources, set mutually agreed upon goals, and provide various kinds of rewards for successful performance. They set SMART (specific, measurable, attainable, realistic, and timely) goals for their subordinates.

b. Active Management by Exception:

Transactional leaders actively monitor the work of their subordinates, watch for deviations from rules and standards and taking corrective action to prevent mistakes.

c. Passive Management by Exception:

Transactional leaders intervene only when standards are not met or when the performance is not as per the expectations. They may even use punishment as a response to unacceptable performance.

d. Laissez-faire:

The leader provides an environment where the subordinates get many opportunities to make decisions. The leader himself abdicates responsibilities and avoids making decisions and therefore the group often lacks direction.

Assumptions of Transactional Theory

- Employees are motivated by reward and punishment.
- The subordinates have to obey the orders of the superior.
- The subordinates are not self-motivated. They have to be closely monitored and controlled to get the work done from them.

DIFFERENCE BETWEEN TRANSACTIONAL AND TRANSFORMATIONAL LEADERS

Transactional leadership	Transformational Leadership
<input checked="" type="checkbox"/> Leadership is responsive	<input checked="" type="checkbox"/> Leadership is proactive

☑ Works within the organizational culture	☑ Work to change the organizational culture by implementing new ideas
☑ Transactional leaders make employees achieve organizational objectives through rewards and punishment	☑ Transformational leaders motivate and empower employees to achieve company's objectives by appealing to higher ideals and moral values
☑ Motivates followers by appealing to their own self-interest	☑ Motivates followers by encouraging them to transcend their own interests for those of the group or unit

4. BEHAVIORAL THEORY OF LEADERSHIP:

Behavioral theories of leadership are classified as such because they focus on the study of specific behaviors of a leader. For behavioral theorists, a leader behavior is the best predictor of his leadership influences and as a result, is the best determinant of his or her leadership success.

This behavior-focused approach provides real marketing potential, as behaviors can be conditioned in a manner that one can have a specific response to specific stimuli. This theory identifies two specific types of leadership behavior:

a. Task Oriented Leadership:

The task oriented leadership usually focuses their behavior, on the organizational structure, planning, operational procedure and they like to control all other activities. They are concerned with employee motivation but however it's not their main concern. They are more focused on initiating, organizing, clarifying and information gathering for carrying out specification.

b. People Oriented Leadership:

This leadership focuses their behavior on ensuring that the inner needs of the people are satisfied. They will seek to motivate their staff through emphasizing the human relation. They still focus on the task and results, they just achieve them through different means. People with this type of behavior like to encourage, observe, listen, coach, and mentor people to achieve specific objectives.

5. CHARISMATIC THEORY OF LEADERSHIP:

Charismatic leaders are often identified in times of crisis and exhibit exceptional devotion to and expertise in their fields. They are often people with a clear vision in business or politics and the ability to engage with a large audience. A charismatic leadership definition is incomplete if it does not focus on the leader personally. More than other popular leadership styles, charismatic leadership depends on the personality and actions of the leader not the process or structure.

This theory is similar to trait theory. Leaders focus on persuasion, effective use of body language, verbal language, personality and charisma. Charisma in leadership occurs when a leader is based upon what the followers believe in extra-ordinary personal traits and qualities rather than any other features identified by other theories. It is solely based on personal traits, heroism, religious, sacredness, extra-ordinary character and sometimes demagoguery.

Strength:

- Charismatic leaders inspire people to work together for a common cause
- Organizations are committed to a central mission
- Management prioritizes learning from mistakes in an effort to succeed in their mission
- Charismatic-led companies tend to be cohesive because their workers have a clear purpose

Weakness:

- Leaders may develop tunnel vision or arrogance, undoing their previous good deeds
- Organizations can become dependent on charismatic leaders and may suffer if he or she retires, leaves the company, or dies suddenly
- Charismatic leaders sometimes become unresponsive to their subordinates or constituents
- These leaders may not learn from their mistakes, compounding them
- Charismatic leaders may believe they are above the law, committing financial or ethical violations

TYPES/STYLES OF LEADERSHIP:

Leadership deals with the way leaders influence the followers. It can be boss centered, subordinate centered or relations centered. The leadership styles affects job performance. Some of the leadership types are:

1. AUTOCRATIC LEADERSHIP:

Under the autocratic leadership, power and decision making are totally under the control of the leader. Some of the features of autocratic leadership are:

- Leaders make all the decisions, they order what to do and how to do and who to do it. Subordinates are not consulted.
- Leaders have position based authority. They demand total obedience from the subordinates. Influence flows from leader to followers. Authority is centralized in the leader.
- Leaders may give reward and punishment as they like.
- Information is controlled by the leader.

Advantages:

- Effective in crisis and emergency situations. Achieved higher productivity in short run at factory floor.
- Chain of command is clear. It is understood by all.
- Discipline is maintained in the organization.

Disadvantages:

- Subordinate participation in decision making is ignored.
- It does not motivate employees.
- Subordinates work by fear of punishment.

- It does not consider situational needs.

2. DEMOCRATIC LEADERSHIP:

Also known as participative leadership, democratic leadership has power and decision making decentralized, where discussion, consultation and participation among subordinate is encouraged. Some of the features of democratic leadership are:

- Leaders consult with subordinates about decisions. Subordinates willingly cooperate with the leader. They are encouraged to participate and give ideas.
- Authority is delegated to subordinates.
- Influence flows both ways from leader to follower and follower to leader.
- Performance based reward and punishment.
- Information is shared between leaders and subordinates.

Advantages:

- Subordinates involved in decision making. Promotes participation.
- Effective where team work is needed.
- Results in high morale and productivity. People feel committed to goals.
- Motivates subordinates.
- Provides opportunities for development and growth of subordinates. Creativity is encouraged.

Disadvantages:

- It is time consuming, slow and cumbersome.
- It can result in indiscipline.
- Leaders may avoid responsibility.

3. FREE REIN LEADERSHIP:

Also known as Laissez-Faire style, free rein leadership is the style where power and decision making is entrusted to the subordinates. Some features of Free Rein leadership are:

- Leaders use very little power and control. They serve only as an information center.
- Subordinates have complete freedom to make decisions with decentralized authority and responsibilities. They have high degree of independence in decision making and influence flows in all directions.
- Subordinates set their own goals and their potential is fully utilized.

Advantages:

- Subordinates have freedom and autonomy to work. They set their own goals.
- Effective for research-oriented and creative jobs.
- Employee morale is high.

Disadvantages:

- Subordinates lack focus toward goals achievement.
- Productivity suffers.
- Responsibility may be avoided.

- Coordination is poor.

MANAGEMENT STYLE:

1. PARTICIPATIVE MANAGEMENT:

Participative management is also called democratic or consultative management. In participative management, employees at all levels are encouraged to contribute ideas, identify and set organization goals, solve problems collectively, make better decisions, etc. It is a practice of empowering employees to participate in organizational decision making. When it is practiced, employees are encouraged to voice their opinions about their working conditions, their problems and opinions.

Objectives:

- To make the best use of human capital
- To meet the psychological needs of employees
- To retain talented staff
- To increase productivity
- To establish harmonious relationship
- To maintain proper flow of communication

Advantages:

- Increase in productivity
- Job satisfaction
- Motivation
- Improved quality
- Reduces cost

Disadvantages:

- Decision making slows down
- Lack of secrecy

2. MANAGEMENT BY OBJECTIVES:

Management by objectives (MBO) is a management model that aims to improve performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans should ensure better participation and commitment among employees, as well as alignment of objectives across the organization. The term was first outlined by management guru Peter Drucker in 1954 in his book "The Practice of Management."

The essence of MBO is participative goal setting, choosing course of action and decision making. An important part of MBO is the measurement and the comparison of employee's actual performance with the standards set. MBO can be used for performance appraisals as an instrument for motivating individuals, strategic planning and also can be integrated into HR planning, career planning, reward system, budgeting and other managerial activities.

Advantages:

MBO has some distinct advantages. It provides a means to identify and plan for the achievement of goals. If you don't know what your goals are, you will not be able to achieve them. Planning permits proactive behavior and a disciplined approach to goal achievement. It also allows you to prepare for contingencies and roadblocks that may hinder the plan. Goals are measurable so that they can be assessed and adjusted easily. Organizations can also gain more efficiency, save resources, and increase organizational morale if goals are properly set, managed, and achieved.

Disadvantages:

However, MBO is not without disadvantages. Application of MBO takes concerted effort. You cannot rely upon a thoughtless, mechanical approach, and you should note that some tasks are so simple that setting goals makes little sense and becomes more of a silly, annual ritual. For example, if your job is snapping two pieces of a product together on an assembly line, setting individual goals for your work isn't really necessary.

Rodney Brim, a CEO and critic of the MBO technique, has identified four other weaknesses. There is often a focus on mere goal setting rather than developing a plan that can be implemented. The organization often fails to take into account environmental factors that hinder goal achievement, such as lack of resources or management support. Organizations may also fail to monitor for changes, which may require modification of goals or even make them irrelevant. Finally, there is the issue of plain human neglect - failing to follow through on the goal.

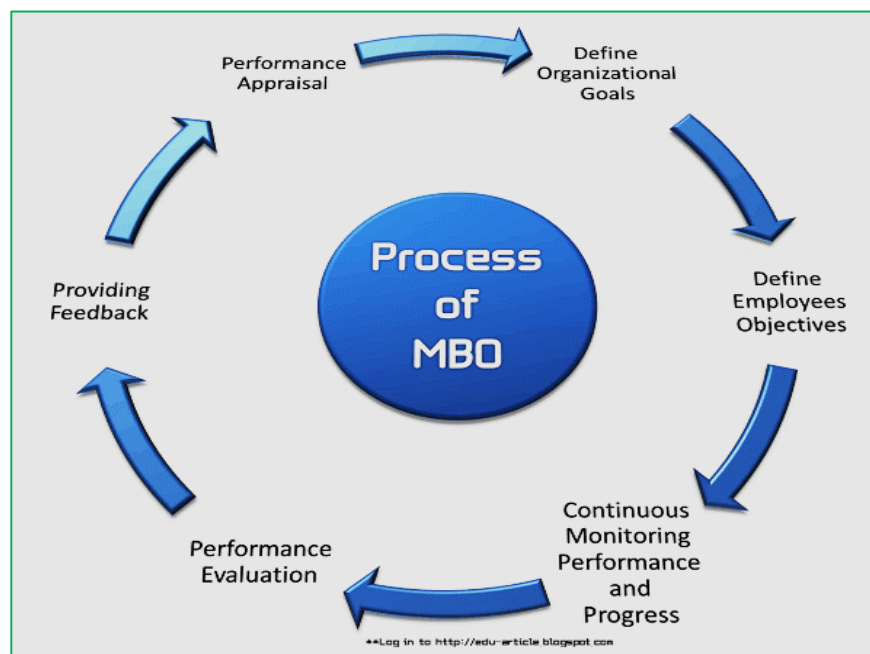


Fig: The MBO Process

a. Define Organizational Goals:

Goals are critical issues to organizational effectiveness, and they serve a number of purposes. Organizations can also have several different kinds of goals, all of which must be appropriately managed. And a number of different kinds of managers must be involved in setting goals. The goals set by the superiors are preliminary, based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

b. Define Employees Objectives:

After making sure that employees' managers have informed of pertinent general objectives, strategies and planning premises, the manager can then proceed to work with employees in setting their objectives.

The manager asks what goals the employees believe they can accomplish in what time period, and with what resources. They will then discuss some preliminary thoughts about what goals seem feasible for the company or department.

c. Continuous Monitoring Performance and Progress:

MBO process is not only essential for making line managers in business organizations more effective but also equally important for monitoring the performance and progress of employees.

For monitoring performance and progress the followings are required;

- Identifying ineffective programs by comparing performance with pre-established objectives,
- Using zero-based budgeting,
- Applying MBO concepts for measuring individual and plans,
- Preparing long and short range objectives and plans,
- Installing effective controls, and
- Designing sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

d. Performance Evaluation:

Under this MBO process performance review are made by the participation of the concerned managers.

e. Providing Feedback:

The filial ingredients in an MBO program are continuous feedback on performance and goals that allow individuals to monitor and correct their own actions. This continuous feedback is supplemented by periodic formal appraisal meetings which superiors and subordinates can review progress toward goals, which lead to further feedback.

f. Performance Appraisal:

Performance appraisals are a regular review of employee performance within organizations. It is done at the last stage of MBO process

3. MANAGEMENT BY EXCEPTION:

Management by exception is a concept that managers use to focus on key areas of business performance instead of looking at the business as a whole. Managers only look at the areas that have large variances from the standard or budgeted projections. Every other process that is running smoothly and closely to the standard goals is ignored. These variances could be good or bad. The budget on one project might have been way over and the budget of another project might be way under budget. A manager who uses the management by exception philosophy will

take a look at both projects to determine why the large variances exist and how they can be minimized.

Management by exception is a way for managers to effectively save time and more efficiently run their department or business. Management by exception usually is most effective when managers have control over the problem areas. That way they can change processes to improve the company.

The purpose of the management by exception concept is to only bother management with the most important variances from the planned direction or results of the business. Managers will presumably spend more time attending to and correcting these larger variances. The concept can be fine-tuned, so that smaller variances are brought to the attention of lower-level managers, while a massive variance is reported straight to senior management.

Advantages:

- It reduces the amount of financial and operational results that management must review, which is a more efficient use of their time.
- The report writer linked to the accounting system can be set to automatically print reports at stated intervals that contain the predetermined exception levels, which is a minimally-invasive reporting approach.
- This method allows employees to follow their own approaches to achieving the results mandated in the company's budget. Management will only step in if exception conditions exist.
- The company's auditors will make inquiries about large exceptions as part of their annual audit activities, so management should investigate these issues in advance of the audit.

Disadvantages:

- This concept is based on the existence of a budget against which actual results are compared. If the budget was not well formulated, there may be a large number of variances, many of which are irrelevant, and which will waste the time of anyone investigating them.
- The concept requires the use of financial analysts who prepare variance summaries and present this information to management. Thus, an extra layer of corporate overhead is required to make the concept function properly. Also, an incompetent analyst might not recognize a potentially serious issue, and will not bring it to the attention of management.
- This concept is based on the command-and-control system, where conditions are monitored and decisions made by a central group of senior managers. You could instead have a decentralized organizational structure, where local managers could monitor conditions on a daily basis, and so would not need an exception reporting system.
- The concept assumes that only managers can correct variances. If a business were instead structured so that front line employees could deal with most variances as soon as they arise, there would be little need for management by exception.

CONTEMPORARY ISSUES OF LEADERSHIP IN NEPAL:

1. Developing Managerial Effectiveness:

The challenge of developing the relevant skills such as time-management, prioritization, strategic thinking, decision-making, and getting up to speed with the job to be more effective at work.

2. Inspiring Others:

The challenge of inspiring or motivating others to ensure they are satisfied with their jobs and working smarter.

3. Developing Employees:

The challenge of developing others, including mentoring and coaching.

4. Leading a Team:

The challenge of team-building, team development, and team management. Specific challenges include how to instill pride in a team or support the team, how to lead a big team, and what to do when taking over a new team.

5. Guiding Change:

The challenge of managing, mobilizing, understanding and leading change. Guiding change includes knowing how to mitigate consequences, overcome resistance to change, and deal with employees' reactions to change.

6. Managing Internal Stakeholders and Politics:

The challenge of managing relationships, politics, and image. This challenge includes gaining managerial support and managing up and getting buy-in from other departments, groups or individuals.

Here are 4 concrete things leaders can do to address these common challenges:

- ☑ **Set Goals:** Be proactive in setting goals, and the timelines and deadlines required to meet them.
- ☑ **Delegate more:** Delegating can make you more productive. The act of delegation can also empower your colleagues to take more ownership.
- ☑ **Maximize Your Unique Value:** Among all the organizational priorities, there will always be important tasks that only you can do. These are the tasks you should focus on. As a result, you'll maximize your specific value to the organization. Everything else, try to delegate.
- ☑ **Gain Some Role Clarity:** Understand what your work does and doesn't entail. Be comfortable saying "no."