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# The big picture

‘Management is efficiency in climbing the ladder of success; leadership determines whether the ladder is leaning against the right wall.’ (Stephen R. Covey *The 7 Habits of Highly Effective People*)

Many MBA (Master of Business Administration) programmes have the word ‘leadership’ in their titles, promising to make leaders of their graduates. But what distinguishes a leader from a manager?

A manager is tasked with the everyday running of a business to achieve business objectives. A manager may run a small store or a large corporation, but the essence of the tasks is the same. The work of a manager is characterised by delegating, communicating, following up on projects, planning ahead and reflecting.

A leader is typically also involved in some daily operations of a business. But a leader goes beyond the day-to-day operations to develop and pursue a vision, to motivate and to create trust in an organisation. A leader is more focused on the business’s vision and long-term goals.

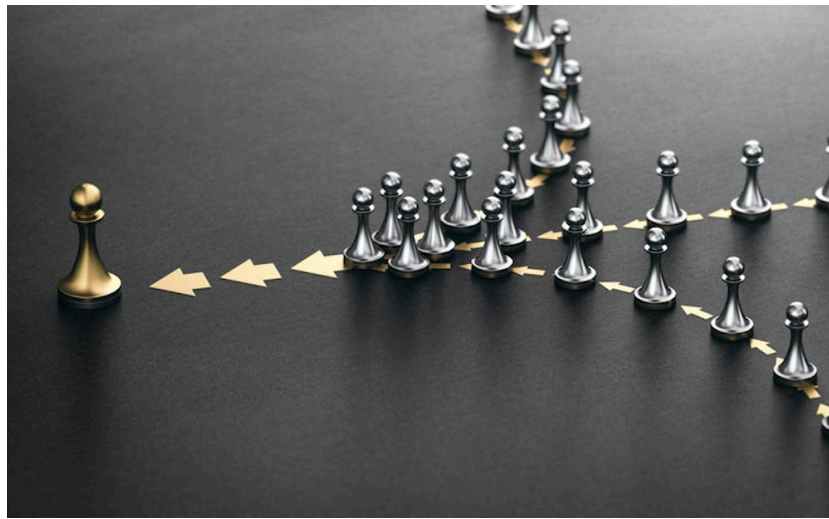
As you know, this course is called Business Management, not Business Leadership. This is because, while many managers aspire to be and are leaders, not all of the topics in the course deal with vision and goals; they deal with the daily operations of a business.



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**Figure 1.** A manager administers the daily tasks and responsibilities of a business; a leader pursues the business's vision.

Credit: Olivier Le Moal, Getty Images

In this subtopic, you will explore the key functions of management in a business setting. You will also investigate the key differences between managers and leaders and look at different leadership styles.



## Concept

### Creativity

One of the roles of a leader is to keep up with times and to ensure the business remains competitive. This involves strategic and creative thinking. Leaders should be able to inspire others and encourage creativity in the business. They should also be willing to be risk-takers. A leader should nurture the people in an organisation and find a style that works best for the organisation and its culture.

## Learning objectives from the IBDP Business Management guide with assessment objective level:

- **Distinguish** between management and leadership (AO2)
- **Compare** and **contrast** the following leadership styles: (AO3)
  - autocratic
  - paternalistic
  - democratic
  - laissez-faire



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◦ situational

- **Distinguish** between scientific and intuitive thinking/management (AO2)

2. Human resource management / 2.3 Leadership and management

# Management and leadership

Management and leadership   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.

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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](https://commons.wikimedia.org/wiki/File:AMD_CEO_Lisa_Su_20150603.jpg))" by Gene Wang is licenced under CC BY 2.0 (<https://creativecommons.org/licenses/by/2.0/deed.en>)

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.

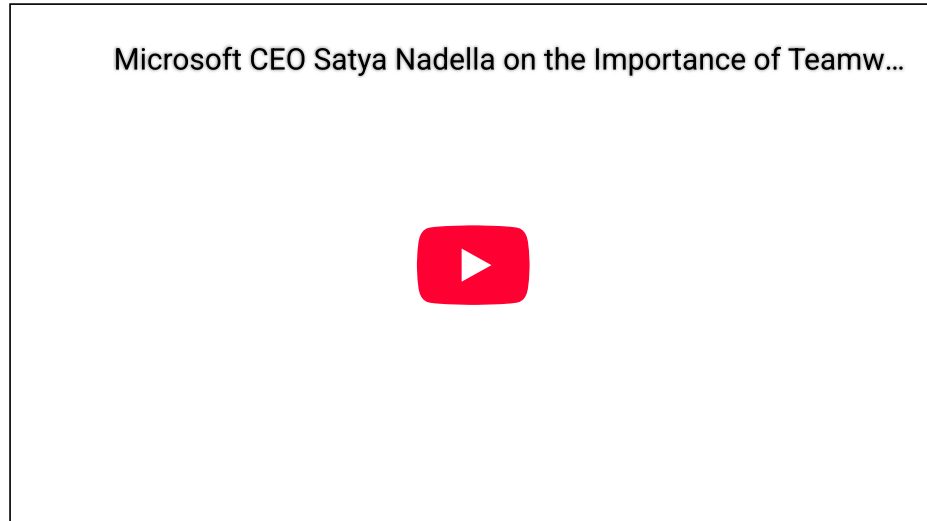


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Empathy is another key characteristic of a successful leader. Empathy refers to a person's ability to put themselves 'in another person's shoes' and to be able to understand their feelings. Empathy is crucial in anticipating and adapting to the needs 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.



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



### 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.

## The Explainer: What It Takes to Be a Great Leader



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### 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 [\[https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters\]](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]

#### Question 1

A manager directs a business organisation's resources to achieve business objectives. A leader uses strategic and creative thinking that inspires people to meet challenges and accomplish goals.

**Outline** is an AO1 level command term requiring a brief account or summary.

- One mark is given for one definition.
- Two marks are given for both definitions.



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#### Question 2





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Participation of women in leadership roles is an issue of profitability as well as an issue of fairness. Women leaders often help bring new perspectives to the workplace. The text mentions that companies with a larger share of female leaders outperform those companies with fewer females in leadership roles.

**Explain** is an AO2 level command term, requiring a detailed account including reasons or causes.

- One mark is given for a partial explanation.
- Two marks are given for a full explanation.
- Only one point needs to be made. Other responses are possible and would be rewarded if appropriate.
- To achieve full marks, you must always include theory and application to the case study in your responses.

## 2 section questions ^

### Question 1

Which of the following is **not** a key characteristic of an effective manager?

- 1 Defining a guiding vision for a company ✓
- 2 Resolving problems
- 3 Ensuring that everyone is performing their assigned duties and coordinating efforts between employees
- 4 Working to coordinate and achieve smooth operational activity

### Explanation

The task of a leader is often to present and pursue a vision for a business. It requires the use of strategic and creative thinking that inspires people to meet challenges and accomplish goals.

The other answer options are functions that a manager/person does in order to be effective.

### Question 2

Leadership is closely associated with:

- 1 Vision ✓



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- 2 Task completion
- 3 The ability to perform accurate calculations
- 4 The ability to follow a checklist

### Explanation

Leaders are the people in the company that have a vision; managers are usually the people that focus on the day-to-day running of the business. As a result, task completion and the ability to follow a checklist would generally be associated with a manager. The ability to perform accurate calculations is not necessarily associated with either a manager or a leader.

2. Human resource management / 2.3 Leadership and management

## Leadership styles

Leadership styles Leadership styles

This section explores the five categories of leadership style, which are:

- **Autocratic.** This leadership style is characterised by a domineering and possibly tyrannical approach. It is strong and rule-oriented.
- **Paternalistic.** With this leadership style, the organisation's interests and its employees are looked after as if they were family.
- **Laissez-faire.** From the French term which can be translated roughly as 'hands-off', this leadership style is characterised by a lack of interference from the leader of an organisation.
- **Democratic.** This leadership style values inclusiveness and employees' input. It is the opposite of autocratic.
- **Situational.** This leadership style is not easy to define. The best way to think of it is as a style that someone adopts for a particular situation.

## Autocratic leadership

Autocratic leadership is a style of leadership where the leader concentrates virtually all decision-making in their own hands. Usually, autocratic leaders neither seek input from subordinates nor value input that subordinates might try to provide.



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In a work environment, the autocratic leader dictates orders, and employees follow these orders without question. There is a high degree of clear and detailed instruction and employees are closely supervised to ensure that results are achieved. This eliminates any guesswork on the employees' part as they understand exactly what is expected. Employees may even appreciate this no-nonsense approach. 'Follow orders' could be the mantra of this type of leader.

Autocratic leadership is more common in large organisations, such as in the military forces, where everyone is required to do exactly as they are told. When a timely decision is needed, this type of leader can readily make it.



Figure 1. Autocratic leadership.

A disadvantage of autocratic leadership is that employees' ideas and feedback may not be sought or welcomed. Innovative ideas and creativity may be stifled as there is no mechanism for employees to voice or act on their ideas. In this 'top-down' approach, orders come from the top and are carried out by subordinates (senior managers, middle managers and so on) to the letter. This style of leadership depends on very closely defined instructions and orders, and there will be problems if there is scope for different interpretations. These disadvantages can lead to a high turnover rate in the labour force and low motivation levels.

## Paternalistic leadership

Paternalistic leadership is a style of leadership whereby the head of an organisation treats employees warmly, as a parent would their children; as though they were part of their family. In return, the leader expects loyalty and obedience.



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The word 'paternalistic' derives from the Latin word 'pater', meaning father. In this leadership style, a family-like atmosphere is created to provide a sense of security, loyalty and bonding. The fact that there is a strong central figure, with much power and the control over decision-making, means that there is some commonality with autocratic leadership. However, it feels different. Paternal leaders treat their employees like family, care about their concerns and interests outside work and attempt to generate an overarching connection to their organisation. This can create great pride in and devotion to the organisation; people may remain employed in such an organisation for many years.



Figure 2. Paternalistic leadership.

There are many benefits to paternalistic leadership. It creates a sense of belonging, which leads to loyalty and length of service. Decisions are made with employee happiness in mind, not just profits. This understandably leads to trusting familial working conditions that can be beneficial for productivity.

Paternalism can also have disadvantages. When there is a deep loyalty to the company, both the leader and the employee sometimes fail to see that the best interests of the company are not being addressed. If the company experiences hard times, difficult decisions will have to be made and employees let go. This can cause great disruption to a business.

## Laissez-faire leadership

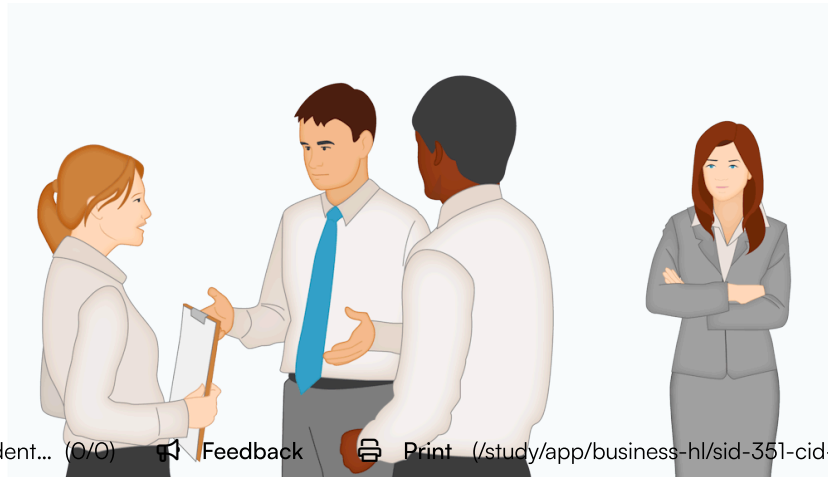
Laissez-faire leadership is a style of leadership whereby the leader 'lets go' of decision-making and allows members of the group or team to make decisions.



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Warren Buffett, CEO of the investment company Berkshire Hathaway, is a good example of a leader with a laissez-faire style. With an amassed fortune of over 116 billion USD, Buffett believes in surrounding himself with capable people and allowing them to do their work. He once remarked, 'It's better to hang out with people better than you'. Competent and confident employees are necessary for this model to work, but Buffett seems to have made laissez-faire a successful leadership style.



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Figure 3. Laissez-faire leadership.

Laissez-faire leadership gives employees autonomy in making decisions and accomplishing an organisational objective. This can be very motivating, as you will learn in [Subtopic 2.4](#) ([\(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39054/\)](#)). So, a business might have a goal to maximise sales by 10%. Instead of the leader telling the sales people how to accomplish this, it is up to the sales force to find a way to reach the goal. Essentially, the leader sets the objective and says, 'Here are the resources; now achieve!' This can build great energy and drive among employees because the leader is demonstrating implicit trust.

Having competent employees that are independent-minded is a great advantage for a laissez-faire leader and essential to the organisation's success. Employees' education and competency are important for this leadership style to succeed. If a sales force cannot function independently to reach the 10% goal because of a lack of training or creativity, the business will suffer. Similarly, this style of leadership will not suit all employees. If a business recruits an inexperienced person who does not know how to achieve the objective, they will feel lost when nobody tells them what to do. An employee like this may function better under a paternalistic or autocratic leadership style.



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# Democratic leadership

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Democratic leadership is a style of leadership whereby the leader actively seeks input from members of the organisation and encourages their participation in decision-making. While an autocratic leader aims to increase the distance between the executives and the employees, a democratic leader tends to remove this distance.

The democratic leader is comfortable with trusting employees to carry out important jobs within the organisation. Another important characteristic is the ability to listen to employees and understand their questions or concerns – literally to work with them to solve an issue or problem. Depending on the size of the organisation, the democratic leader will be able to consult employees regularly to seek input and understand concerns. This can boost motivation because employees feel involved and looked after.



Figure 4. Democratic leadership.

Democratic leadership may not be a good option for military tactics and in times of crisis. In these situations, the leader may not have time to consult everyone and sometimes people just need to do what they are told to get the job done. Democratic leadership can be hard to maintain throughout the business as everyone has varying degrees of ability to lead in this manner. As the old saying goes, ‘time is money’, and democratic leadership and decision-making may take more time. That could be very costly in businesses that have time-sensitive issues to resolve.

## Situational leadership

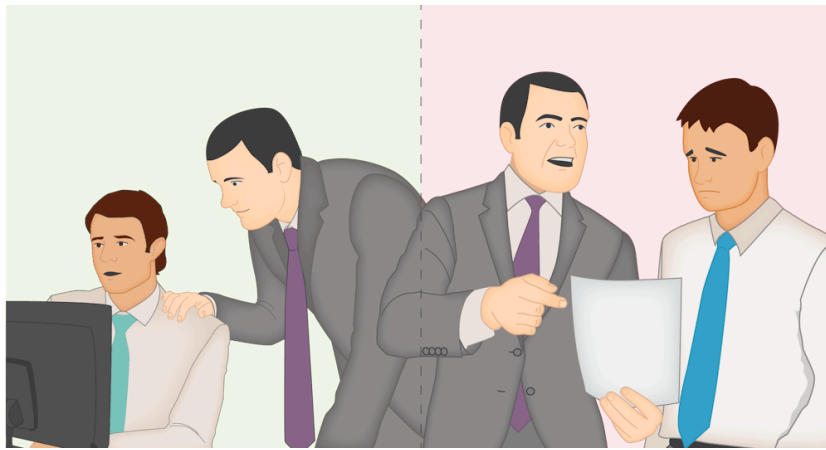
Situational leadership occurs when the leader adapts their leadership style for the place, time, people and the nature of the task or project. A situational leader adopts the right approach for the place, time and people involved.



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**Figure 5.** Situational leadership.

Situational leaders are able to employ different leadership styles at different times in order to adapt to a particular circumstance. This might mean having to demand that employees follow the rules without questioning them (autocratic leadership style) so as to achieve a result or manage a crisis. Or it might mean employing a ‘we’re all in this together’ approach (paternalistic leadership style) to reach an objective. There may be times when a situation calls for managers to let employees make mistakes and learn from them or take chances and grow as an employee and as an individual (laissez-faire leadership style). Or, finally, a situational leader may ask employees to take part in decision-making and take ownership of their role in the business (democratic leadership style).

Situational leadership is a powerful leadership style as it demands that the leader adapts to any situation and is competent and confident to make the ‘right’ decision. This leadership style is useful when leading a large organisation with diverse needs. For example, the principal or director of your school is likely to face parents, students, other teachers and the community in normal operations and in times of crisis, and may adapt their approach based on the situation and the group.

### Making connections

In [Section 2.5.5 \(/study/app/business-hl/sid-351-cid-762729/book/tool-hofstedes-cultural-dimensions-id-39406/\)](/study/app/business-hl/sid-351-cid-762729/book/tool-hofstedes-cultural-dimensions-id-39406/), HL students will learn about Hofstede's cultural dimensions.

Hofstede and other researchers studied different countries and how values in the workplace are impacted by national culture. For example, if a country exhibits a rigid, controlling and ‘know your place’ societal structure, a laissez-faire approach to leadership and management may not work well. On the other hand, in a free, tolerant ‘live-and-let-live’ societal structure, an autocratic or even paternalistic manager or leader would find it difficult to move a business forward.



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The trick is for a leader or manager to know which leadership style fits best, especially in the expanding globalised marketplace.



## Concept

### Creativity

Many companies boast their 'startup culture'. The leaders in such organisations tend not to create distance between themselves and the employees, but instead listen to the employees' concerns and ideas. Generally, these employees are managed using a laissez-faire or a democratic leadership style, and such environments tend to be conducive to fostering creativity. Creative solutions are welcomed and actively solicited, and employees are expected to evaluate the processes and contribute to their improvement. Of course, an organisation needs to have a very competent staff and an appropriate corporate culture to adopt these leadership styles.



## Activity

**Learner profile:** Communicators

**Approaches to learning:** Communication skills

Consider your teachers and coaches this year and think of which leadership style each one of them represents.

- Think of two characteristics of the leadership style you chose for each teacher or coach.

## 3 section questions ^

### Question 1

In terms of speed of decision-making, which of these leadership styles is most likely to be the slowest?

1 Democratic



2 Paternalistic

3 Autocratic



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#### 4 Laissez-faire

### Explanation

Democratic leadership attempts to take into account many viewpoints. This can take more time than other leadership styles.

Paternalistic and autocratic leadership styles normally have one person making a decision, which can result in faster decisions. A laissez-faire leadership style is about giving the individual employee more autonomy to make a decision in order to speed up the decision-making process.

### Question 2

Which of these leadership styles is probably the most diverse because it incorporates many styles to fit the circumstance?

1 Situational



2 Democratic

3 Paternalistic

4 Autocratic

### Explanation

The situational leadership style requires leaders to understand a situation, know what is needed and adopt a leadership style that best accomplishes the objective at that time.

The other leadership styles have specific characteristics. For example, autocratic leadership is about having control. Democratic leadership is about opening up the process and being inclusive. Paternalistic leadership is about treating employees like family. Situational leadership can be any of these because it depends on the situation at hand.

### Question 3

Which leadership style leads to the fastest decision-making and may be helpful for crisis situations?

1 Autocratic



2 Laissez-faire

3 Democratic



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## 4 Paternalistic

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id-39324/))**Explanation**

Emergency situations require quick decision-making. In these situations, an autocratic leadership style may be helpful as there is no lengthy decision-making process, such as with democratic leadership styles. Laissez-faire leadership may not be appropriate as there is no centralised decision-making, which is often needed in emergencies. Paternalistic leadership involves treating employees like family.

2. Human resource management / 2.3 Leadership and management

# Scientific and intuitive thinking/management (HL)

Scientific and intuitive thinking (HL)

Managers constantly need to make decisions. In ideal situations, managers would have sufficient time and information to fully evaluate scenarios and make projections to take the optimal decision for the business. In reality, decisions often need to be made with limited information and based on intuition. In this section we will explore how managers make decisions through scientific and intuitive thinking.

## Scientific thinking/management

Scientific thinking/management involves decision-making using quantitative research and quantitative techniques. For example, investment appraisal tools (Subtopic 3.8 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39324/)) are used to make a decision about an investment, or break-even analyses (Subtopic 5.5 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39338/)) are used to determine the price of a product to be sold. Further, big data is becoming increasingly influential in managerial decision-making.

A manager using scientific management should be able to access, analyse and make predictions based on prior data of the business or occasionally competitor data. This data can be accessible for some more traditional industries, but may be of limited value for newer industries, which is a limitation of this decision-making method.

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**Figure 1.** Scientific decision-making is based on quantitative research and data analysis.

More information for figure 1

The image is an illustration showing a person, depicted in a thinking pose, with a thought bubble. Inside the thought bubble, there's a large microscope, and within the lens of the microscope, there's a small graph. The graph includes a bar chart and a line graph, representing data points with numbers such as 550, 10,000, 1,200, 35, 43,000, and 8,950 displayed near it. The person appears to be contemplating the analysis or study of data through a scientific approach, symbolized by the microscope and graph.

[Generated by AI]

In human resources, the reliance on the scientific method is illustrated by Taylor's scientific management theory, which you will study in [Subtopic 2.4 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39054/\)](/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39054/). Taylor's theory aims to achieve efficiency and has been adopted widely in assembly line work. Taylor's scientific management involves data collection through studying tasks performed by workers and having workers do one or two small tasks efficiently, overseen by a manager. Some of the benefits and limitations of scientific thinking/management are outlined in **Table 1**.

**Table 1.** Benefits and limitations of scientific thinking/management.



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Benefits	Limitations
<b>Efficiency.</b> Using data to design individual tasks for a worker could result in efficient production methods.	<b>Erroneous assumptions.</b> If faulty assumptions are used in a calculation, the manager may arrive at an incorrect prediction. In <a href="#">Subtopic 3.8 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39324/)</a> , for example, you will learn that if the <u>discount rate</u> chosen is too low, <u>net present value of cash flows</u> may appear larger than if a higher discount rate is chosen.
<b>Accuracy.</b> Historical data can be used to make more accurate financial predictions.	<b>Difficulty obtaining data.</b> For some markets, historical data may be difficult to obtain. Specifically, in innovative industries, historical data may not be relevant.
<b>Less bias in decision-making.</b> Using the scientific method allows businesses to remove some subjective judgement and make decisions mostly based on data. This can potentially prevent managers from becoming victims of their own bias.	<b>Slower.</b> Data driven approaches tend to be slower than intuitive decision-making.

## Intuitive thinking/management

Intuitive thinking/management implies making decisions based on intuition, or on a ‘hunch’. In fact, intuition in business does not refer to random decision-making. The term is used to refer to a complex process of fast reasoning (intuition) developed by experienced managers through years of learning on and off the job. It may combine emotional intelligence, wealth of experience and past mistakes.

There are decisions that need to be made in the absence of historical data. Such decisions may be called intuitive, as there is little data to back up the conclusions, but usually they relate to a vision of the manager. For example:

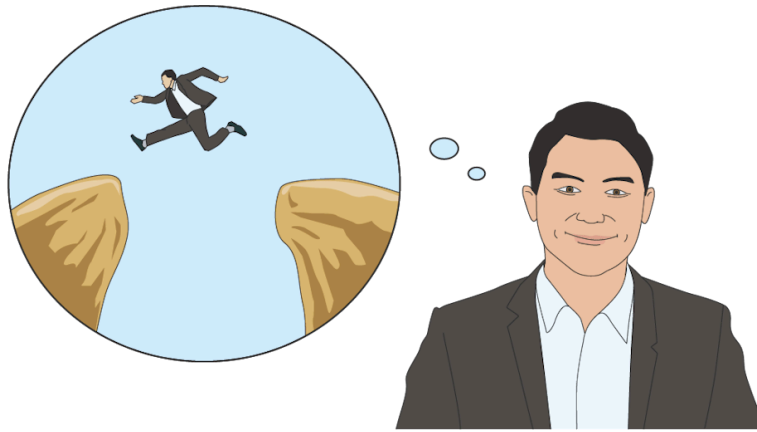
- When the automaker Tesla launched its fully electric vehicle in 2008, the electric car market was far from mature and it was impossible to assess, based on historical data, how such a car would perform in the market.
- In human resource management, it may be necessary to take a ‘leap of faith’ when hiring or giving more responsibility to a person who does not have the experience for a particular role but is willing to learn and excel on the job.



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**Figure 2.** Intuitive decision-making generally relies on emotional intelligence and fast reasoning and can sometimes involve taking a ‘leap of faith’.

Some of the benefits and limitations of intuitive thinking/management are outlined in **Table 2**.

**Table 2.** Benefits and limitations of intuitive thinking/management.

Benefits	Limitations
<b>Faster.</b> Decisions based on intuition tend to be faster than those based on data collection and analysis.	<b>Not based on data.</b> The biggest limitation of this method is that historical data is not consulted, either because of its lack of availability or the speed of decision-making.
<b>Suitable in emergencies.</b> In an emergency, it is usually impossible to conduct scientific analysis. So being able to make accurate decisions based on intuition is an asset.	<b>Riskier.</b> Making decisions without data may mean that some risks — which data might have uncovered — are overlooked.



## Concept

### Sustainability

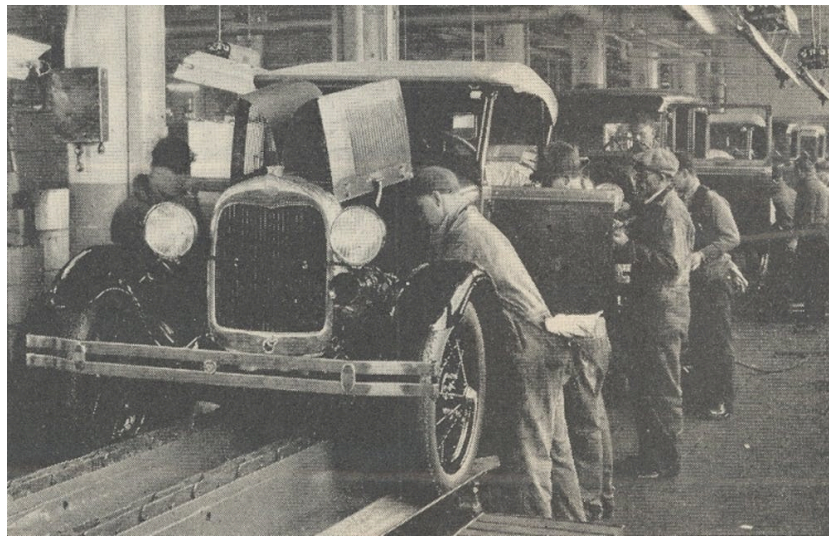
Henry Ford is famous for inventing the assembly line and applying Taylor’s theory of scientific management ([Section 2.4.1 \(/study/app/business-hl/sid-351-cid-762729/book/1-id-39413/\)](#)). However, Ford is also famous for making a surprising decision in 1914, which was to double his assembly workers’ wages in order to reduce the employee turnover at his plant. This decision was based on intuition and likely did not appear to make sense financially at first. However, the result of increasing wages and reducing turnover was that worker productivity increased. Thus Ford’s intuitive decision-making allowed the company to achieve **economic sustainability**.



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**Figure 3.** Intuitive decision-making paid off in the long term for Henry Ford.

Source: "Ford Motor Company assembly line

([https://commons.wikimedia.org/wiki/File:Ford\\_Motor\\_Company\\_assembly\\_line.jpg](https://commons.wikimedia.org/wiki/File:Ford_Motor_Company_assembly_line.jpg))"  
by the Literary Digest is in the public domain ([https://en.wikipedia.org/wiki/Public\\_domain](https://en.wikipedia.org/wiki/Public_domain))

A student choosing a university using the scientific method may look at data, such as acceptance rates, average incomes of graduates by major and cost of tuition. However, for many students, the decision about which university to attend comes down to more personal or intuitive factors, such as the feeling they get while visiting the campus and positive associations with the university name. Often both quantitative data and intuitive inputs need to be considered when making a decision. A manager looking to launch a product should also include both. While it is very important to use quantitative analysis, having a new vision for a company often involves more intuitive decision-making and taking risks.

Section

Student... (0/0)



Feedback



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## Activity

762729/book/leadership-styles-id-39394/print/)

**Learner profile:** Thinkers

**Approaches to learning:** Thinking skills (critical thinking)

Think of the leadership styles discussed in [Section 2.3.2 \(/study/app/business-hl/sid-351-cid-762729/book/leadership-styles-id-39394/\)](/study/app/business-hl/sid-351-cid-762729/book/leadership-styles-id-39394/).

- Which style of leader would you expect to use intuitive thinking?
- Which style of leader would you expect to use scientific thinking?



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## Theory of Knowledge

A manager is tasked with a number of responsibilities that require quick thinking and organisational skills. Managers often, but not always, require a great deal of expertise in the area for which they are responsible. But there may be circumstances when this is not the case; where abstract organisational skills are more important than knowledge of the manager's area.

- Is being knowledgeable an essential quality in a manager? (IBDP Business Management guide)

## 2 section questions ^

### Question 1

Scientific thinking/management involves:

- 1 Decision-making by managers using quantitative research and quantitative techniques ✓
- 2 Decision-making using intuition
- 3 Decision-making using a combination of quantitative techniques and intuition
- 4 Expecting customers to make decisions based on the scientific method

### Explanation

Scientific thinking involves managerial decision-making based on quantitative research and techniques. It is not based on intuition or a combination of intuition and quantitative techniques. And it refers to the decisions made by managers, not customers.

### Question 2

Intuitive thinking/management may be relied on when:

- 1 A quick decision needs to be made and there is not enough time to perform a quantitative analysis ✓
- 2 There is an appropriate amount of time to evaluate a decision using quantitative tools
- 3 The manager wants to use the scientific method



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4 A large amount of historical data is available

### Explanation

The advantage of intuitive thinking/management is that decisions can be taken quite quickly. However, the drawback is that the decision is not based on qualitative analysis and cannot follow the scientific method. It would generally need to be made when little historical data is available.

2. Human resource management / 2.3 Leadership and management

## Terminology exercise

Section

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**Check that you understand the terminology used in this subtopic by dragging the correct word into each space.**

Different organisations may employ different \_\_\_\_\_ styles.

An athletics coach, for example, may be a parental figure to the athletes and use \_\_\_\_\_ leadership style.

A tech startup, on the other hand, generally relies on a small group of highly qualified individuals, where decisions are made in consultation with many stakeholders. In this situation, \_\_\_\_\_ leadership style is used.

In a newspaper office, the management might allow the journalists to work freely on their individual pieces, resembling \_\_\_\_\_ leadership style.

In times of crisis, some organisations opt for \_\_\_\_\_ leadership style, which allows for top-down decision-making.

Many leaders prefer to adopt \_\_\_\_\_ leadership style, where the style changes based on the challenge at hand.

a situational

an autocratic

leadership

a democratic

a laissez-faire

a paternalistic

Check



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2. Human resource management / 2.3 Leadership and management

## Interactive 1. Understanding Leadership and Management Styles.

# Checklist

Section

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### What you should know

By the end of this subtopic, you should be able to:

- distinguish between management and leadership (AO2)
- compare and contrast the following leadership styles: (AO3)
  - autocratic
  - paternalistic
  - democratic
  - laissez-faire
  - situational
- distinguish between scientific and intuitive thinking/management (AO2) (HL)

2. Human resource management / 2.3 Leadership and management

# Reflection

Section

Student... (0/0)

Feedback

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### Teacher instructions

The goal of this section is to encourage students to pause at the end of the subtopic and to reflect on their learning. Students can use the questions provided below to guide their reflection. The questions encourage students to look at the bigger picture and to consider how the subtopic's contents might have impacted the way they view the subject.



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The following table shows you how each prompt aligns to the DP *Business management guide*:



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Prompt #	Syllabus alignment
1	<b>Learner profile: Communicators</b>
2	<b>Learner profile: Reflective</b>
3	<b>Concept: Sustainability</b>
4	<b>Learner profile: Thinkers (HL only)</b>

Students can submit their reflections to you by clicking on 'Submit'. You will then see their answers in the 'Insights' part of the Kognity platform.



## Reflection

In this subtopic you learned about the differences between leadership and management. You also learned about different leadership styles.

Take a moment to reflect on your learning so far. You can use the following questions to guide your reflection. If you click 'Submit', your answers will be shared with your teacher.

1. Do you have a leader you admire? How would you describe that person's leadership style?
2. Which leadership style do you personally find to be most effective? If you have had a chance to lead in your community (school, sports team, a club), which leadership style have you embraced and why?

Section 3. In Subtopic 1.6 (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-36543/) Student... (0/0) Feedback Print (/study/app/business-hl/sid-351-cid-762729/book/scientific-and-intuitive-thinkingmanagement-hl-id-39395/review/) Assign

you learned about multinational companies (MNCs), and it is sometimes argued that MNCs need to adjust their hierarchy and management styles to avoid clashes with the host country's cultural work norms. To what extent do you agree with this argument?

4. Do you think that intuitive management is essential when planning for the future of a business? (HL)

⚠ Once you submit your response, you won't be able to edit it.



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Submit

### Rate subtopic 2.3 Leadership and management

Help us improve the content and user experience.



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