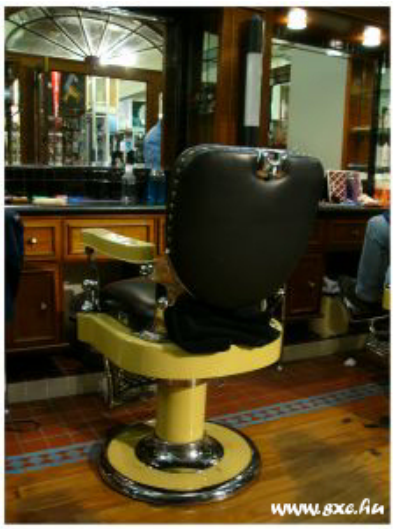
Salon/Business Management

This module is designed to help licensees better understand the art and process of management, an essential skill to anyone wishing to be successful as a business owner.



The History of Management:

"**Management**" (from Old French *ménagement* "the art of conducting, directing", from Latin *manu agere* "to lead by the hand") characterizes the process of leading and directing all or part of an organization, often a business, through the employment and manipulation of resources (human, financial, material, intellectual or intangible). Early twentieth-century management writer Mary Parker Follett defined management as "the art of getting things done through people."

One can also think of management functionally, as the action of measuring a quantity on a regular basis and of adjusting some initial plan or, simply, as the actions taken to reach one's intended goal. This applies even in situations where planning does not take place. From this perspective, there are five management functions: Planning, Organizing, Leading, Coordinating and Controlling. For others though, this definition, while useful, is far too narrow. The phrase "management is what managers do" is also prevalent, conveying the difficulty with which management is defined, the shifting nature of definitions, and the connection of managerial practices with the existence of a managerial cadre or class.

Management is known by some as "Business Administration", although this then excludes management in places outside business, eg charities and the public sector. University departments that teach management are nonetheless usually called "Business Schools". The term "management" may also be used as a collective word, describe the managers of an organization, for example of a corporation.

There are difficulties in tracing the history of management. Some see it as a definition late modern (in the sense of late modernity) conceptualization. On those terms it cannot have a pre-modern history. Others, however, see management-like activities in the pre-modern past. Some writers trace the development of management thought back to Sumerian traders and ancient Egyptian pyramid builders. Innovations such as the spread of Arabic numerals (5th to 15th centuries) and the codification of double-entry book-keeping (1494) provided tools for management assessment, planning and control.

Some argue modern management as a discipline began as an off-shoot of economics in the 19th century. Classical economists such as Adam Smith and John Stuart Mill provided a theoretical background to resource allocation, production, and pricing issues. About the same time, innovators such as Eli Whitney, James Watt, and Matthew Boulton developed technical production elements such as standardization, quality control procedures, cost accounting, interchangeability of parts, and work planning. Many of these aspects of management existed in the ante-bellum (pre-1861) United States' slave economy. There, four million people were, as the contemporary usages had it, "managed" in profitable quasi-mass production.

By the late 19th century, marginal economists Alfred Marshall and Leon Walras and others introduced a new layer of complexity to the theoretical underpinings of management. Joseph Wharton offered the first tertiary-level course in management in 1881.

By about 1900, we find managers' trying to place their theories on what they thought was a thoroughly scientific basis (see scientism for the limits of this claim). Examples include Henry Towne's *Science of Management* in the 1890s, Frederick Winslow Taylor's *Scientific Management* (1911), Frank and Lillian Gilbreth's *Applied Motion Study* (1917), and Henry L. Gantt's charts (1910s). J. Duncan wrote the first college management textbook in 1911. In 1912 Yoichi Ueno introduced Taylorism to Japan and was the first management consultant to create the "Japanese-management style". His son Ichiro Ueno pioneered Japanese quality assurance.

The first comprehensive theories of management appeared around 1920. People like Henri Fayol and Alexander Church described the various branches of management and their inter-relationships. In the early 20th century, people like Ordwat Tead, Walter Scott and J. Mooney applied the principles of psychology to management, while other writers, such as Elton Mayo, Mary Parker Follett, Chester Barnard, Max Weber, Rensis Likert, and Chris Argyris approached the phenomenon of management from a sociological perspective.

Peter Drucker wrote one of the earliest books on applied management: *Concept of the Corporation* (published in 1946). It resulted from Alfred Sloan (chairman of General Motors until 1956) commissioning a study of the organization. Drucker went on to write 32 books, many in a similar vein.

H. Dodge, Ronald Fisher, and Thorton C. Fry introduced statistical techniques into management. In the 1940s, Patrick Blackett combined these statistical theories with microeconomic theory and gave birth to the science of operations research. Operations research, sometimes known as "management science", attempts to take a scientific approach to solving management problems, particularly in the areas of logistics and operations.

Some of the more recent developments include the theory of constraints, Management by objectives, reengineering, and various information technology driven theories such as agile software development as well as group management theories such as Cog's Ladder.

As the general recognition of managers as a class solidified during the 20th century and gave perceived practitioners of management a certain amount of prestige, so the way opened for popularized systems of management ideas to peddle their wares. In this context many management fads may have had more to do with pop psychology than with scientific management theory.

Towards the end of the 20th century, business management came to consist of six separate branches, namely:

- Human resource management
- Operations management or production management
- Strategic management
- Marketing management
- Financial management
- Information technology management responsible for Management Information Systems

In the 21st century we find it increasingly difficult to subdivide management into functional categories in this way. More and more processes simultaneously involve several categories. Instead, we tend to think in terms of the various processes, tasks, and objects subject to management.

There are also branches related to nonprofits and government such as public administration, public management, and educational management. Further, management programs related to civil society organizations have also spawned programs in nonprofit management and social entrepreneurship.

It is also the case that many of the assumptions made by management have been under attack from business ethics, critical management studies, and anti-corporate activism.

One consequence is that workplace democracy has become both more common, and more advocated, in some places even distributing all management functions among the workers, each of whom takes on a portion of the work. However, these models predate any current political issue, and may be more natural than a command hierarchy.

All management is to some degree democratic, in that there must be majority support of workers for the management in the long term, or they leave to find other work, or go on strike. Hence management is becoming less based on the conceptualization of *classical* military command-and-control, and more about facilitation and support of collaborative activity, utilizing principles such as those of human interaction management to deal with the complexities of human interaction. Indeed, the Ubiquitous command and control concept posits such a transformation for 21st Century military management.

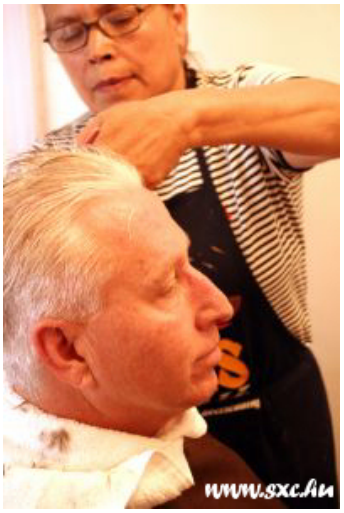
Types of Management:

Customer Relationship Management (CRM) includes the methodologies, technology and capabilities that help an enterprise manage customer relationships. The general purpose of CRM

is to enable organizations to better manage their customers through the introduction of reliable systems, processes and procedures.

Customer Relationship Management is a corporate level strategy which focuses on creating and maintaining lasting relationships with its customers. Although there are several commercial CRM software packages on the market which support CRM strategy, it is not a technology itself. Rather, a holistic change in an organization's philosophy which places emphasis on the customer.

A successful CRM strategy cannot be implemented by simply installing and integrating a software package and will not happen over night. Changes must occur at all levels including policies and processes, front of house customer service, employee training, marketing, systems and information management; all aspects of the business must be reshaped to be customer driven.



To be effective, the CRM process needs to be integrated end-to-end across marketing, sales, and customer service. A good CRM program needs to:

- Identify customer success factors
- Create a customer-based culture
- Adopt customer-based measures
- Develop an end-to-end process to serve customers
- Recommend what questions to ask to help a customer solve a problem
- Recommend what to tell a customer with a complaint about a purchase
- Track all aspects of selling to customers and prospects as well as customer support.

When setting up a CRM segment, a company might first want to identify what profile aspects it feels are relevant to its business, such as what information it needs to serve its customers, the customer's past financial history, the effects of the CRM segment and what information is not useful. Being able to eliminate unwanted information can be a large aspect of implementing CRM systems.

When designing a CRM's structure, a company may also want to consider keeping more extensive information on their primary customers and keeping less extensive details on the low-margin clients.

CRM, in its broadest sense, means managing all interactions and business with customers. This includes, but is not limited to, improving customer service. A good CRM program will allow a business to acquire customers, service the customer, increase the value of the customer to the company, retain good customers, and determine which customers can be retained or given a higher level of service. A good CRM program can improve customer service by facilitating communication in several ways:

- Provide product information, product use information, and technical assistance on web sites that are accessible 24 hours a day, 7 days a week.
- Identify how each individual customer defines quality, and then design a service strategy for each customer based on these individual requirements and expectations.
- Provide a fast mechanism for managing and scheduling follow-up sales calls to assess post-purchase cognitive dissonance, repurchase probabilities, repurchase times, and repurchase frequencies.

- Provide a mechanism to track all points of contact between a customer and the company, and do it in an integrated way so that all sources and types of contact are included, and all users of the system see the same view of the customer (reduces confusion).
- Help to identify potential problems quickly, before they occur.
- Provide a user-friendly mechanism for registering customer complaints (complaints that are not registered with the company cannot be resolved, and are a major source of customer dissatisfaction).
- Provide a fast mechanism for handling problems and complaints (complaints that are resolved quickly can increase customer satisfaction).
- Provide a fast mechanism for correcting service deficiencies (correct the problem before other customers experience the same dissatisfaction).
- Use internet cookies to track customer interests and personalize product offerings accordingly.
- Use the Internet to engage in collaborative customization or real-time customization.
- Provide a fast mechanism for managing and scheduling maintenance, repair, and on-going support (improve efficiency and effectiveness).

The CRM can be integrated into other cross-functional systems and thereby provide accounting and production information to customers when they want it.

CRM programs also are able to improve customer relationships. Proponents say this is so because:

- CRM technology can track customer interests, needs, and buying habits as they progress through their life cycles, and tailor the marketing effort accordingly. This way customers get exactly what they want as they change.

- The technology can track customer product use as the product progresses through its life cycle, and tailor the service strategy accordingly. This way customers get what they need as the product ages.
- In industrial markets, the technology can be used to micro-segment the buying center and help coordinate the conflicting and changing purchase criteria of its members.
- When any of the technology-driven improvements in customer service (mentioned above) contribute to long-term customer satisfaction, they can ensure repeat purchases, improve customer relationships, increase customer loyalty, decrease customer turnover, decrease marketing costs (associated with customer acquisition and customer "training"), increase sales revenue, and thereby increase profit margins.
- Repeat purchase, however, comes from customer satisfaction - which in turn comes from a deeper understanding of each customer, their individual business challenges and proposing solutions for those challenges rather than a "one size fits all" approach.

CRM software enables sales people to achieve this one-on-one approach to selling and can automate some elements of it via tailorable marketing communications. However, all of these elements are facilitated by or for humans to achieve - CRM is therefore a company-wide attitude as much as a software solution.

Marketing management is a business discipline focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities. Marketing managers are often responsible for influencing the level, timing, and composition of customer demand in a manner that will achieve the company's objectives.

There is no universally accepted definition of the term. In part, this is due to the fact that the role of a marketing manager can vary significantly based on a business' size, corporate culture, and industry context. For example, in a large consumer products company, the marketing manager may act as the overall general manager of his or her assigned product category or brand with full profit and loss responsibility. In contrast, a small law firm may have no marketing personnel at all, requiring the firm's partners to make marketing management decisions on a largely ad-hoc basis.

In the widely used text *Marketing Management* (2006), Philip Kotler and Kevin Lane Keller define marketing management as "the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering, and communicating superior customer value."

From this perspective, the scope of marketing management is quite broad. The implication of such a definition is that any activity or resource the firm uses to acquire customers and manage the company's relationships with them is within the purview marketing management. Additionally, the Kotler and Keller definition encompasses both the development of new products and services and their delivery to customers.

Noted marketing expert Regis McKenna expressed a similar viewpoint in his influential 1991 *Harvard Business Review* article "Marketing is Everything." McKenna argued that because marketing management encompasses all factors that influence a company's ability to deliver value to customers, it must be "all-pervasive, part of everyone's job description, from the receptionists to the Board of Directors."

This view is also consistent with the perspective of management guru Peter Drucker, who wrote: "Because its purpose is to find and keep customers, the business enterprise has two – and only two – basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are 'costs.'"

But because many businesses operate with a much more limited definition of marketing, such statements can appear controversial or even ludicrous to some business executives. This is especially true in those companies where the marketing department is responsible for little more than developing sales brochures and executing advertising campaigns.

The broader, more sophisticated definitions of marketing management from Drucker, Kotler and other scholars are therefore juxtaposed against the narrower operating reality of many businesses. The source of confusion here is often that inside any given firm, the term marketing management may be interpreted to mean whatever the marketing department happens to do, rather than a term that encompasses all marketing activities -- even those marketing activities that are actually performed by other departments, such as sales, finance, or operations. If, for example, the finance department of a given company makes pricing decisions (for deals, proposals, contracts, etc.), that finance department has responsibility for an important component of marketing management -- pricing.

In order to make fact-based decisions regarding marketing strategy and design effective, cost-efficient implementation programs, firms must possess a detailed, objective understanding of their own business and the market in which they operate. In analyzing these issues, the discipline of marketing management often overlaps with the related discipline of strategic planning.

Traditionally, marketing analysis was structured into three areas: Customer analysis, Company analysis, and Competitor analysis (so-called "3Cs" analysis). More recently, it has become fashionable in some marketing circles to divide these further into five "Cs": Customer analysis, Company analysis, Collaborator analysis, Competitor analysis, and analysis of the industry Context.

The focus of customer analysis is to develop a scheme for market segmentation, breaking down the market into various constituent groups of customers, which are called customer segments or market segments. Marketing managers work to develop detailed profiles of each segment, focusing on any number of variables that may differ among the segments: demographic, psychographic, geographic, behavioral, needs-benefit, and other factors may all be examined. Marketers also attempt to track these segments' perceptions of the various products in the market using tools such as perceptual mapping.

In company analysis, marketers focus on understanding the company's cost structure and cost position relative to competitors, as well as working to identify a firm's core competencies and other competitively distinct company resources. Marketing managers may also work with the accounting department to analyze the profits the firm is generating from various product lines and customer accounts. The company may also conduct periodic brand audits to assess the strength of its brands and sources of brand equity.

The firm's collaborators may also be profiled, which may include various suppliers, distributors and other channel partners, joint venture partners, and others. An analysis of complementary products may also be performed if such products exist.

Marketing management employs various tools from economics and competitive strategy to analyze the industry context in which the firm operates. These include Porter's five forces, analysis of strategic groups of competitors, value chain analysis and others. Depending on the industry, the regulatory context may also be important to examine in detail.

In Competitor analysis, marketers build detailed profiles of each competitor in the market, focusing especially on their relative competitive strengths and weaknesses using SWOT analysis. Marketing managers will examine each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, degree of vertical integration, historical responses to industry developments, and other factors.

Marketing management often finds it necessary to invest in research to collect the data required to perform accurate marketing analysis. As such, they often conduct market research (alternately marketing research) to obtain this information. Marketers employ a variety of techniques to conduct market research, but some of the more common include:

- Qualitative marketing research, such as focus groups
- Quantitative marketing research, such as statistical surveys
- Experimental techniques such as test markets
- Observational techniques such as ethnographic (on-site) observation

Marketing managers may also design and oversee various environmental scanning and competitive intelligence processes to help identify trends and inform the company's marketing analysis.

Once the company has obtained an adequate understanding of the customer base and its own competitive position in the industry, marketing managers are able to make key strategic decisions and develop a marketing strategy designed to maximize the revenues and profits of the firm. The selected strategy may aim for any of a variety of specific objectives, including optimizing short-term unit margins, revenue growth, market share, long-term profitability, or other goals.

To achieve the desired objectives, marketers typically identify one or more target customer segments which they intend to pursue. Customer segments are often selected as targets because they score highly on two dimensions: 1) The segment is attractive to serve because it is large, growing, makes frequent purchases, is not price sensitive (i.e. is willing to pay high prices), or other factors; and 2) The company has the resources and capabilities to compete for the segment's business, can meet their needs better than the competition, and can do so profitably. In fact, a commonly cited definition of marketing is simply "meeting needs profitably."

The implication of selecting target segments is that the business will subsequently allocate more resources to acquire and retain customers in the target segment(s) than it will for other, non-targeted customers. In some cases, the firm may go so far as to turn away customers that are not in its target segment. The doorman at a swanky nightclub, for example, may deny entry to unfashionably dressed individuals because the business has made a strategic decision to target the "high fashion" segment of nightclub patrons.

In conjunction with targeting decisions, marketing managers will identify the desired positioning they want the company, product, or brand to occupy in the target customer's mind. This positioning is often an encapsulation of a key benefit the company's product or service offers

that is differentiated and superior to the benefits offered by competitive products. For example, Volvo has traditionally positioned its products in the automobile market in North America in order to be perceived as the leader in "safety", whereas BMW has traditionally positioned its brand to be perceived as the leader in "performance."

Ideally, a firm's positioning can be maintained over a long period of time because the company possesses, or can develop, some form of sustainable competitive advantage. The positioning should also be sufficiently relevant to the target segment such that it will drive the purchasing behavior of target customers.

Marketing management usually requires leadership of a department or group of professionals engaged in marketing activities. Often, this oversight will extend beyond the company's marketing department itself, requiring the marketing manager to provide cross-functional leadership for various marketing activities. This may require extensive interaction with the human resources department on issues such as recruiting, training, leadership development, performance appraisals, compensation, and other topics.

Marketing management may spend a fair amount of time building or maintaining a marketing orientation for the business. Achieving a market orientation, also known as "customer focus" or the "marketing concept", requires building consensus at the senior management level and then driving customer focus down into the organization. Cultural barriers may exist in a given business unit or functional area that the marketing manager must address in order to achieve this goal. Additionally, marketing executives often act as a "brand champion" and work to enforce corporate identity standards across the enterprise.

In larger organizations, especially those with multiple business units, top marketing managers may need to coordinate across several marketing departments and also resources from finance, R&D, engineering, operations, manufacturing, or other functional areas to implement the marketing plan. In order to effectively manage these resources, marketing executives may need to spend much of their time focused on political issues and inter-departmental negotiations.

The effectiveness of a marketing manager may therefore depend on his or her ability to make the internal "sale" of various marketing programs equally as much as the external customer's reaction to such programs.

Skills Management is the practice of understanding, developing and deploying people and their skills. Well-implemented skills management should identify the skills that job roles require, the skills of individual employees, and any gap between the two.

The skills involved can be defined by the organization concerned, or by third party institutions. They are usually defined in terms of a skills framework, also known as a competency framework or skills matrix. This consists of a list of skills, and a grading system, with a definition of what it means to be at particular level for a given skill.

To be most useful, skills management needs to be conducted as an ongoing process, with individuals assessing and updating their recorded skill sets regularly. These updates should occur at least as frequently as employees' regular line manager reviews, and certainly when their skill sets have changed.

Skills management *systems* record the results of this process in a database, and allow analysis of the data. Skills management provides a structured approach to developing individual and collective skills, and gives a common vocabulary for discussing skills. As well as this general benefit, three groups of employees receive specific benefits from skills management:

Individual Employees: As a result of skills management, employees should be aware of the skills their job requires, and any skills gaps that they have. Depending on their employer, it may also result in a personal development plan (PDP) of training to bridge some or all of those skills gaps over a given period.

Line Managers: Skills management enables managers to know the skill strengths and weaknesses of employees reporting to them. It can also enable them to search for employees with particular skill sets (e.g. to fill a role on a particular project).

Organization Executives: A rolled-up view of skills and skills gaps across an organization can enable its executives to see areas of skill strength and weakness. This enables them to plan for the future against the current and future abilities of staff, as well as to prioritise areas for skills development.

Time management includes tools or techniques for planning and scheduling time, usually with the aim to increase the effectiveness and/or efficiency of personal and corporate time use. These are embodied in a number of books, seminars and courses, which may offer conflicting advice. The common denominators of these strategies are a to-do-list, setting priorities and goal management. Some of the best known examples of time management strategies are tied to specific lines of time management products.

Time management for personal use is a type of self-management. In a corporate setting, time management software can satisfy the need to control employees, make it easier to coordinate work and increases accountability of individual employees.

Planning time and writing to-do-lists also consumes time and needs to be scheduled. This is one of the major criticisms of time management.

Time management strategies are usually associated with the recommendation to set goals. These goals are written down and broken down into a project, an action plan or a simple to-do-list. Deadlines are set and priorities are assigned to the individual items on the to-do-list. This process results in a daily plan with a to-do-list. Some authors recommend a weekly instead of a daily perspective.

Stephen R. Covey offers a categorization scheme for the hundreds of time management approaches that are on the market today.

First generation: Reminders

Aficionados of this approach limit their time management efforts to keeping lists and notes. They see these papers as reminders. Items that are not done by the end of the day are transferred to the next day's list in the evening. Covey also calls this type of style the "Far Eastern, Go with the Flow".

Second generation: Planning and preparation

People in the second generation use calendars and appointment books. They will note where meetings are held and identify deadlines; this is sometimes even done on a computer. As

opposed to the first generation, the second generation plans and prepares, schedules future appointments and set goals**.**

Third generation: Planning, prioritizing, controlling

Third generation time managers prioritize their activities on a daily basis. They tend to use detailed forms of daily planning on a computer or on a paper-based organizer. This approach implies spending some time in clarifying values and priorities.

Fourth generation: Being efficient and proactive

Stephen R. Covey in First Things First, refers to his approach as the so-called 4th generation time management. For the fourth generation, he emphasizes the difference between urgency and importance in planning.

However some critics of time management methods consider that the whole concept of prioritizing by importance is flawed since once a project has been taken on all the work relating to it needs to be done. Questions of importance or non-importance are irrelevant. An illustrative example would be the building of an automobile, where the engine and wheels may be more important than the rear-view mirror and the carpets, but nevertheless a complete automobile would need the rear-view mirror and the carpets just as much as the engine and wheels. The critics would say that Covey correctly notes that, if you always action things on the basis of urgency, non-urgent things are never going to get done. But he fails to note that exactly the same applies to importance - if you always action things on the basis of importance then when do the non-important things get done? If trivial things are allowed to build up, they will gum up the works so effectively that the important work won't get done either.

Once an item that is characterized as unimportant is perceived to be necessary to an important objective, however, its priority should be adjusted to a higher level. Planning cannot be static. As von Moltke is reputed to have said, “Planning is everything. Plans are nothing.”

Process management is the ensemble of activities of planning and monitoring the performance of a process, especially in the sense of business process, often confused with reengineering. Process Management is the application of knowledge, skills, tools, techniques and systems to define, visualize, measure, control, report and improve processes with the goal to meet customer requirements profitably.

A **business process** is a recipe for achieving a commercial result. Each business process has inputs, method and outputs. The inputs are a pre-requisite that must be in place before the method can be put into practice. When the method is applied to the inputs, then certain outputs will be created.

A **business process** is a collection of related structural activities that produce something of value to the organization, its stake holders or its customers. It is, for example, the process through which an organization realizes its services to its customers.

A **business process** can be part of a larger, encompassing process and can include other business processes that have to be included in its method. In that context a business process can be viewed at various levels of granularity. The linkage of business process with value generation leads some practitioners to view business processes as the workflows which realize an organization’s use cases.

Business processes can be thought of as a cookbook for running a business and reaching business goals defined in organization's business strategy.

There are three types of **business processes**:

- Management processes - the processes to run the operation, and comply to all relevant requirements. Typical management processes include "Corporate Governance" and "Strategic Management".
- Operational processes - these processes deliver the customer value, they are part of the core business. For example: "Deliver goods".
- Supporting processes - these support the core processes. Examples include "Accounting", "Recruitment", "IT support".

Business process consists of subprocesses, decisions and activities. Subprocess is a part of higher level proces which has its own goal, owner, inputs and outputs. Activities are parts of the business process that do not include any decision making and thus are not worth decomposing (although decomposition would be possible), such as "Answer the phone", "produce an invoice". A **business process** is usually the result of a business process design or business process reengineering activity. Business process modeling is used to capture, document and reengineer business processes. To visualize a business process, one of the graphical notations can be used such as Business Process Modeling Notation.

<u>Management Styles:</u>

Various **management styles** can be employed dependent on the culture of the business, the nature of the task, the nature of the workforce and the personality and skills of the leaders.

This idea was further developed by Tannebaum and Schmidt, who argued that style of leadership is dependant upon the prevailing circumstance; therefore leaders should exercise a range of leadership styles and should deploy them as appropriate.

An **Autocratic** or authoritarian manager makes all the decisions, keeping the information and decision making among the senior management. Objectives and tasks are set and the workforce is expected to do exactly as required. The communication involved with this method is mainly downward, from the leader to the subordinate, and critics such as Elton Mayo have argued that this method can lead to a decrease in motivation from the employee's point of view. The main advantage of this style is that the direction of the business will remain constant, and the decisions will all be similar, which in turn can project an image of a confident, well managed business. On the other hand, subordinates may become highly dependent upon the leaders and supervision may be needed.

A more **Paternalistic** form is also essentially dictatorial. However the decisions tend to be in the best interests of the employees rather than the business. A good example of this would be David Brent running the business in the fictional television show *The Office*. The leader explains most decisions to the employees and ensures that their social and leisure needs are always met. This can help balance out the lack of worker motivation caused by a autocratic management style. Feedback is again generally downward, though feedback to the management will occur in order for the employees to be kept happy. This style can be highly advantageous, and can engender loyalty from the employees, leading to a lower labour turnover, thanks to the emphasis on social needs. It shares similar disadvantages to an authoritarian style; employees becoming highly dependent, and if the wrong decisions are made, employees may become dissatisfied with the leader.

In a **Democratic** style, the manager allows the employees to take part in decision-making: therefore everything is agreed upon by the majority. The communication is extensive in both directions (from subordinates to leaders and vice-versa). This style can be particularly useful when complex decisions need to be made that require a range of specialist skills. For example when a new ICT system needs to be put in place and the upper management of the business is computer-illiterate. From the overall business's point of view, job satisfaction and quality of work will improve. However, the decision-making process is severely slowed down, and the need of a consensus may avoid taking the 'best' decision for the business.

In a **Laissez-faire** leadership style, the leader's role is peripheral and the staff manages their own areas of the business; the leader therefore evades the duties of management and uncoordinated delegation occurs. The communication in this style is horizontal, meaning that it is equal in both directions, however very little communication occurs in comparison with other styles. The style brings out the best in highly professional and creative groups of employees. Unforunately in many cases it is not deliberate and is simply a result of poor management. This leads to a lack of staff focus or sense of direction, which in turn leads to much dissatisfaction and a poor company image.

<u>Leadership:</u>

The word **leadership** can refer to:

1. the process of leading
2. the concept of leading
3. those entities that perform one or more acts of leading.

The various meanings can lead to some confusion. House defines "leadership" organizationally and narrowly as "the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organizations of which they are members" (House, R. J. 2004: page 15). Compare the discussions on group leadership and *ad hoc* leadership below. One can also characterize leadership by the period of the authority, as in "During the 1940s Russia was under Stalinist leadership". In formal hierarchies the term can also serve to describe the position or relationships which allow and legitimize the exercising of what one might term "leadership behavior".

In some languages the term for a leader and the term for the principle of leadership have very different meanings. Furthermore, note the different connotations of a synonym of the word "leader" adopted from the German: the word *Führer*, and its accompanying ideas on the *Führerprinzip*.

In would-be controlling groups such as the military, political parties, ruling élites, and other belief-based enterprises like religions or businesses, the idea of leadership can become a Holy Grail and people can come to expect transformational change stemming from the leader; such entities may encourage their followers and believers to worship leadership, to respect it, and to strive (whether realistically or not) to become proficient in it. Ideally, one cannot buy or sell leadership in the military (or elsewhere); instead, leaders must ratify their position of command in the hearts and minds of their soldiers in order to obtain the best from them. Followers in such a situation may become uncritically obedient. Personal strategies that one can use to guard against the unrealistic expectations associated with belief in leaders include:

- maintaining a questioning and skeptical attitude
- bolstering confidence in one's own decision-making abilities

Some commentators link leadership closely with the idea of management; some would even regard the two as synonymous. If one accepts this premise, one can view leadership as:

- centralized or decentralized
- broad or focused
- decision-oriented or morale-centred
- intrinsic or derived from some authority

Any of the bipolar labels traditionally ascribed to management style could also apply to leadership style. Hersey and Blanchard use this approach: they claim that management merely consists of leadership applied to business situations; or in other words: management forms a sub-set of the broader process of leadership. They put it this way: "Leadership occurs any time one attempts to influence the behavior of an individual or group, regardless of the reason. Management is a kind of leadership in which the achievement of organizational goals is paramount." (Hersey, P. and Blanchard, K. : 1982 : page 3)

However, a clear distinction between management and leadership may nevertheless prove useful. This would allow for a reciprocal relationship between leadership and management, implying that an effective manager should possess leadership skills, and an effective leader should demonstrate management skills.

Abraham Zaleznik (1977), for example, delineated differences between leadership and management. He saw leaders as inspiring visionaries, concerned about substance; while managers he views as planners who have concerns with process. Warren Bennis (1989) further explicated a dichotomy between managers and leaders. He drew twelve distinctions between the two groups:

- Managers administer, leaders innovate
- Managers ask how and when, leaders ask what and why
- Managers focus on systems, leaders focus on people
- Managers do things right, leaders do the right things
- Managers maintain, leaders develop
- Managers rely on control, leaders inspire trust
- Managers have a short-term perspective, leaders have a longer-term perspective
- Managers accept the status-quo, leaders challenge the status-quo
- Managers have an eye on the bottom line, leaders have an eye on the horizon
- Managers imitate, leaders originate
- Managers emulate the classic good soldier, leaders are their own person
- Managers copy, leaders show originality

Paul Birch (1999) also sees a distinction between leadership and management. He observed that, as a broad generalization, managers concerned themselves with tasks while leaders concerned themselves with people. Birch does not suggest that leaders do not focus on "the task." Indeed, the things that characterise a great leader include the fact that they achieve. The difference lies in the leader realizing that the achievement of the task comes about through the goodwill and support of others, while the manager may not.

This goodwill and support originates in the leader seeing people as people, not as another resource for deployment in support of "the task". The manager often has the role of organizing resources to get something done. People form one of these resources, and many of the worst managers treat people as just another interchangeable item. A leader has the role of causing others to follow a path he/she has laid out or a vision he/she has articulated in order to achieve a

task. Often, people see the task as subordinate to the vision. For instance, an organization might have the overall task of generating profit, but a good leader may see profit as a by-product that flows from whatever aspect of their vision differentiates their company from the competition.

Leadership does not only manifest itself as purely a business phenomenon. Many people can think of an inspiring leader they have encountered who has nothing whatever to do with business: a politician, an officer in the armed forces, a Scout or Guide leader, a teacher, etc. Similarly, management does not occur only as a purely business phenomenon. Again, we can think of examples of people that we have met who fill the management niche in non-business organisations. Non-business organisations should find it easier to articulate a non-money-driven inspiring vision that will support true leadership. However, often this does not occur.

Differences in the mix of leadership and management can define various management styles. Some management styles tend to de-emphasize leadership. Included in this group one could include participatory management, democratic management, and collaborative management styles. Other management styles, such as authoritarian management, micro-management, and top-down management depend more on a leader to provide direction. Note however, that just because an organization has no single leader giving it direction does not mean it necessarily has weak leadership. In many cases group leadership (multiple leaders) can prove effective. Having a single leader (as in dictatorship) allows for quick and decisive decision-making when needed as well as when not needed. Group decision-making sometimes earns the derisive label "committee-itis" because of the longer times required to make decisions, but group leadership can bring more expertise, experience, and perspectives through a democratic process.

Patricia Pitcher (1994) has challenged the bifurcation into leaders and managers. She used a factor analysis technique on data collected over 8 years, and concluded that three types of leaders

exist, each with very different psychological profiles. She characterises one group as imaginative, inspiring, visionary, entrepreneurial, intuitive, daring, and emotional, and calls them "artists". In a second grouping she places "craftsmen" as well-balanced, steady, reasonable, sensible, predictable, and trustworthy. Finally she identifies "technocrats" as cerebral, detail-oriented, fastidious, uncompromising, and hard-headed. She speculates that no one profile offers a preferred leadership style. She claims that if we want to build, we should find an "artist leader"; if we want to solidify our position, we should find a "craftsman leader"; and if we have an ugly job that needs to get done (like downsizing), we should find a "technocratic leader." Pitcher also observed that a balanced leader exhibiting all three sets of traits occurs extremely rarely: she found none in her study.