

Leadership Styles

12 marks

Consider three leadership styles the Operations manager could use in the new factory. Recommend which leadership style should be used to improve decision-making. Justify your answer

Leadership Style 1 *Autocratic leadership style will lead to clear instructions being given by the manager. This means production workers will always know what to do and know what is expected of them. However, they will not feel they can contribute or make any comments if they feel something could be improved.*

Leadership Style 2 *Democratic leadership style will mean the 100 production workers will be consulted on decisions, thus improving motivation among the staff. However, decisions will take longer to make so it may lead to delays in the expansion to the new factory.*

Leadership Style 3 *Laissez faire gives nearly all responsibility to the workers in the soap factory production line. Some workers may find this motivating as they have much more control over decision making. Some workers may find it stressful if there are no clear lines of authority, especially when the business is moving to produce new niche products.*

Recommendation *Autocratic may lead to the operations manager not receiving important information about how the production line in the new factory is working as communication is one way, leading to bad decisions. Laissez faire will mean the operations manager has very little control over decision making in producing the new products. LF is only suitable for highly skilled workers.*

Democratic will allow the operations manager to get feedback on how the new factory is working from workers so she/he can deal with problems quickly and make decisions based on high quality information, improving the efficiency of the new factory in the long term.

Soap Additions (SA)

SA is a public limited company. It was started 20 years ago in country Z. SA manufactures soap that is sold to the mass market. The soap is produced in a factory employing 100 production workers. The Operations manager thinks that well-motivated employees are important.

SA soap is sold for a low price to wholesalers and retailers throughout country Z. The product is sold and packaged either as bars of soap or liquid soap in a bottle. SA has a 50% share of the total market for low price soap.



The directors of SA want to expand the business by starting to produce different types of soap aimed at niche markets. The products they want to develop are:

- Luxury soap aimed at high income consumers
- Soaps aimed at improving ageing skin
- Medicated soap to help improve bad skin often experienced by teenagers

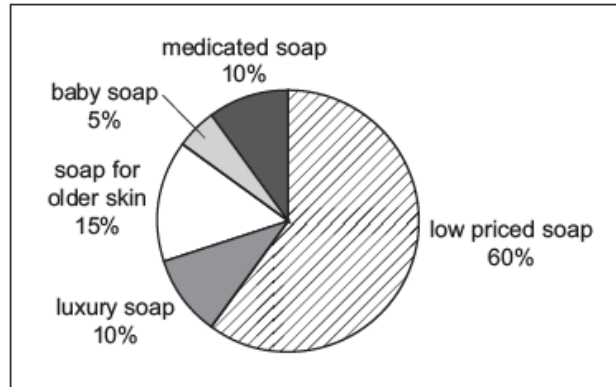
The manufacturing process for the mass produced soap is automated and uses flow production. However, if the new soaps are produced then they will be manufactured in a new factory using batch production. The new factory and equipment will cost \$15m and will require 50 more production workers and a new Operations manager.

SA does not use lean production in its existing factory. However, the Managing Director thinks SA would benefit from the introduction of lean production into both the existing and new factory.

Some of SA's managers think they are never involved when important decisions are made. The directors of SA disagree about which leadership style will lead to the best decisions being taken.

Appendix 1

Total soap sales in country Z of \$200m in 2018



Appendix 2

Newspaper article in Daily News - 15 April 2019

Economic growth in country Z is increasing and is now at 8% per year. Average wage rates are increasing. Many people now work in cities rather than on farms in rural areas.

Multinational companies sell products in country Z as well as setting up factories here. Increased globalisation has encouraged the government of country Z to sign a trade agreement with other countries. It is meant to encourage increased trade between these countries and further economic development of country Z. However, not all businesses in country Z are pleased with this trade agreement.

Appendix 3

Financial information from SA's balance sheets for 2017–2018

	2017	2018
Non-current assets (\$m)	40	40
Inventories (\$m)	5	10
Trade receivables (\$m)	4	4
Cash (\$m)	1	1
Current liabilities (\$m)	5	5
Bank loan (\$m)	10	20
Current ratio	2:1	?
Acid test ratio	1:1	?
