

Leadership is a  
critical management  
skill in various  
organizations



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## **Introduction**

Leadership is as a critical management skill in various organizations, which influences and motivates a group toward the achievement of organizational goals (Rafferty & Griffin 2004). One of the greatest assets of an organization is that strong managers create an environment to encourage members and motivate their high energy (Taggart, 1989). It is highlighted that “ leadership is an influence relationship between leaders and followers who intend real changes and outcomes that reflect their shared purposes”. Effective leadership has drawn great attention from organization management in recent years due to its contribution to organizations’ competitive advantage. Leadership is become very much on every manager’s mind today in organizations. Organizations are struggling due to the increasingly dynamic environment. As the challenges of leading and managing increase, leaders of organizations need to understand process, skills and knowledge to perform leader functions effectively.

The most important reason for the position of a leader is to create a group of people to deliver desirable sales as unprofitable sales is a leader’s biggest nightmare. Numeral reasons that can lead to undesirable sales include competitive market conditions, poor cooperation, strategies and decisions from the team or that the product is too expensive or not unique enough compared to other rival products (Robbins, 2005).

Although certain circumstances are beyond control such as poor market conditions or a weak team, others are possible to have control over such as

product exclusivity or special features and this is where the job of a capable leader comes in.

Capable leaders are constantly pressured in searching for solutions that produce more results but equipped with depleting resources such as team members and budgets. However, it does not require much, only a new perspective to fully utilize each and every member of the team without overworking them or the budget.

Open-minded leaders always have the upper hand as new methods and solutions can be created to increase sales. Some of the issues that arise are as follows:

Getting fresh clients

Boosting profits on advertising

Inability to regularly reach expected sales revenue

Shorten long tedious sale cycles

Maintaining the effort input of the sales team

Growing expenses to support a productive and efficient team

Reduced margins due to increasing demands to discount

Sustaining and expanding diminishing major accounts

Rising inability to accurately predict sales revenue

Inexperience and lack of knowledge of the products involved

Recruiting and sustaining effective employees

Constant decrease of market share

Rising customer demands and decreasing consumer satisfaction

Growing amount and aggressive rivals and reduced sales compared to them

Dealing with salesperson who have no proper strategies in securing sales and poor time management

Rationalization of the world's economy

Getting rid of the repeated occurrence of reduced margins due to desperate attempts of making sales towards the end of a sales quarter

Rising amount of sales attempts that go unfinished

Getting the exact requirements and needs from customers when purchasing products is progressively difficult

Completing the whole process of buying and securing sales as fast as possible is increasingly difficult

Having to constantly help and motivate team members that have little enthusiasm, drive and attention

Salesperson that are investing too much time and effort into devising proposal for possible customers that have no genuine interest in purchasing from them

Constant feedback from customers that claims our rivals are able to perform faster and cheaper - it is harder to make sales against that as it is true

Lack of the surest method in selling products to drive towards higher sales

No ideas or strategies to get sales back on course

Usual routine of inefficient, expensive and uneconomical sales methods such as weak direct marketing and expensive advertising or product improvement

In this assignment we will be discussing about 2 leaders from different backgrounds respectively. The first leader is Indra Nooyi which is the CEO of Pepsi. The second leader is Philip Green which is the CEO of Arcadia Group. The similarities and differences of both the leaders will be discussed further below.

Indra Nooyi

Before examining three aspects of Indra Nooyi's leadership, let us first review her background to get some idea of the person and leader she is. Born and educated in India, she moved to America to study for her Master's degree at Yale. Upon graduation, she got a job at the Boston Consulting Group (BCG) and she credits much of her subsequent success on her experiences there. From there, she worked in other companies before joining PepsiCo in 1994. Her track record there was impressive as she was

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instrumental in making moves that led to long term profitability for the company such as moving away from fast food affiliations to acquiring beverage companies like Tropicana and Gatorade (Businessweek, 2008). Consequently, she was made CEO of the company in 2006, a record of sorts as she was the first woman and the first Asian to hold the powerful post. Since then, she has steered the company well with her leadership philosophy of “ performance with purpose”.

In a speech at the Massachusetts Institute of Technology (MIT) in 2006, Indra cited the five “ C’s” of her success. They are competency, courage and confidence, consistency, compass and coaching. In this report, we will examine how they are incorporated into three aspects of her leadership – in terms of leadership style, coaching and mentoring and motivating employees.

Indra’s leadership style can best be described as transformative (Seltzer and Bass, 1990). She is not content to maintain the status quo but redefines the concept of CEO. The traditional role of the CEO was akin to a autocratic monarch, in which power was wielded in punitive and tyrannical ways. Indra feels that that is outmoded and unsuitable for the 21st century (CNBC Business, 2008). The CEO must lead people, not rule over them. The leader must constantly keep abreast with changes in technology and new developments so that they can harness them to achieve competitive advantage. The workplace is getting increasingly diverse as more women and minorities constitute the average multinational corporation.

Demographic changes at the workplace require a change in management style and Indra is aware of this. For example, the new generation is more  
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technologically savvy and is less tied to the concept of lifetime employment at one company (Useem, 2008). Understanding this group's mindset is crucial in ensuring that the best and brightest are recruited and retained. Similarly, the organization cannot operate along mono-ethnic and mono-gender lines as there is increasing diversity. Diversity should not be viewed as a problem but as an asset to the company since the company can get the cream of the crop and an employee composition that is representative of the entire population.

No longer can the CEO afford to direct from his or her office, but must go out and mingle with the masses. This does not only mean fostering better ties with employees but engaging with other stakeholders as well, As Indra points out, a CEO now not only has to deal with corporate stakeholders but with governments and NGOs too. Consequently, the CEO must travel a lot, especially for a multinational corporation like Pepsi. That way, they can meet their various customers and business partners to formulate new and better corporate level strategies. As a leader, Indra is friendly and approachable. She is energetic and has a fondness of singing (Useem, 2008). Yet, she is no pushover as she is very much in control of her company.

In terms of Indra's leadership style, we may use one of the behavioral theories, in which we can pinpoint behaviours that set apart good and poor leaders. Her leadership style can be described as democratic, if we use one of the University of Iowa Studies (Robbins and Coulter, 2005). Indra gets her employees involved in the decision making process and delegates authority. She listens to all opinions, even from those who may disagree with her. Also, she encourages employee feedback which is used as a coaching technique.  
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From the University of Michigan Studies viewpoint, Indra is an example of a leader who shows consideration. She has genuine respect and mutual trust for her subordinates.

Another interesting aspect of her leadership style can best be described as reconciliatory leadership (Bass, 1985). When there was an opening for CEO, Indra and another executive were in the running. However, when Indra was selected, she immediately sought to retain her erstwhile rival because she felt the other person would be good for the company. Many CEOs assemble a team of “yes men” and eliminate all threats and rivals but Indra thrives on building a “team of rivals” because she feels dissent and other opinions are crucial in building a thriving organization.

Indra places great importance on coaching and mentoring programs. These are part of the broader spectrum of creating a learning organization. Training programs are formulated to nurture future leadership talent for the company and the company has a unique approach by seeking input from outside. Lifelong and practical learning are emphasized as well. Pepsi tries to help each employee discover their strengths and weaknesses so that they can build upon their strengths and reduce their weaknesses to make a more meaningful contribution. Employees and executives are taught to think for the long term and not focus too narrowly on short term gains. This approach has worked well for Indra as it allows her to spot trends and changes before competitors.

Indra's attitude towards coaching and mentoring can be described using the path goal theory. This states that a leader's job is to help followers in



achieving their goals and to guide them in the right direction (Wofford and Liska, 1993). This type of leader also gives the necessary support to make sure that employees succeed and that goals are compatible with the overall objectives of the firm.

Indra believes in motivating and empowering employees. While there may be slump in sales growth in Western markets, Indra motivates her employees not to give up but to see the bigger picture of the business cycle. As a result, employees who relish a challenge are given the opportunity to have work stints abroad. Similarly, she did not close down or reduce the research and development facility, but did the reverse. By retaining employees during hard times, PepsiCo demonstrates that it values their contributions and this gesture causes tremendous goodwill among staff who reciprocated by working harder.

One interesting way in which Indra motivates her senior executives is through non-financial ways. Most companies reward their senior executives with attractive remuneration packages. PepsiCo does more than that. Recently, Indra did the unprecedented by writing to the parents of the executives and thanking them for bringing up their children well. This created an emotional bond among her, the executives and their parents. The idea behind this occurred some years ago when she visited her mother in India. Her mother asked her to attend a formal function at home and all the guests complimented her mother on the good job she did in raising her (CNBC Business, 2008). This made Indra realize that she ought to thank the parents of her employees who did an amazing job raising them.

As mentioned earlier, Indra is a firm believer in workplace diversity (CNBC Business, 2008). This may stem from the fact that as a woman and an Indian in America, she has a different outlook on life than the average white male CEO. Hence, men and women, people from different ethnic backgrounds and religious all stand an equal chance at getting promotion. Promotions are based solely on merit and diversity is also applied in the company's relations with its suppliers and customers. This is a strong motivator for all employees to try their best. Some organizations reward employees based on gender and racial lines. Hence, women and ethnic minorities are sidelined and not given due recognition for their contributions. This problem does not occur at Pepsi and there is evidence to show that employees are happier, more motivated and derive greater pride and satisfaction from their jobs. Similarly, the younger generations are drawn to work at Pepsi because they find it a challenging and enjoyable place where they are understood and treated with respect.

I am very inspired by Indra Nooyi's leadership. She is proof that with intelligence, hard work and determination, anybody can succeed in whatever they choose. Yet, she is humble, friendly and does not lose sight of the more important things in life. She has repeatedly mentioned that she has to juggle the roles of CEO, mother, wife, daughter and daughter in law. Perhaps growing up in a traditional Indian family has taught her the importance of maintaining strong family bonds. This attitude is evident in PepsiCo, where she treats all employees as her extended family. Indra demonstrates that one does not have to be ruthless, manipulative and cruel to rise to the top as her nurturing and warm leadership style has not only endeared her to her

employees, but motivates them to strive to do their best. This is leadership at its finest.

Philip Green

Able To Capitalize Opportunity

Sir Philip Green is apparently planning to bring British Home Stores under the Arcadia umbrella (Seltzer & Bass, 1990). This move might witness a cull of management jobs as he combines the two companies, which have previously been run as separate entities. But with the high street feeling the squeeze as more shoppers take the radical step of leaving their money in the bank (or under the mattress), Sir Philip is clearly on a mission to cut costs – and this is an obvious way of doing it.

The new set-up will see Bhs run in much the same way as the other brands in the Arcadia stable, allowing Green to combine head office functions like marketing, finance and supply chain. This will almost certainly mean that some executive roles will become surplus to requirements – hence the likely nervousness this morning.

Bhs became a real success story for Green after he bought it in 2000, although its sales have been flagging recently. Arcadia has also seen a mixed bag of results lately: the likes of Dorothy Perkins and Burton have been struggling, but Top Shop and Miss Selfridge have continued to produce record sales and profits (possibly because their younger clientele have more disposable income/ more money than sense). So it's no surprise that Green

is looking to retrench now, particularly with little sign of the high street gloom receding (Yukl, 1994).

### Equity theory

Equity theory states that “ individuals compares their job inputs and outcomes with those of others and then responds to eliminate any inequities” (Robbins & Judge 2007, p. 185). That is, employees will become de-motivated if their perceived inputs are greater than the outputs from the company (Adams 1965, cited in Chapman 2006).

His reputation as a retailer is arguably second only to his renown for striking remarkable deals. In 2005, he paid himself a £1. 2bn dividend from Arcadia, the retailer he had bought in 2002 with only a few million pounds of his own money. He can identify a target in hours, secure billions of pounds worth of funding in days and be exiting the business with multimillion pound profits in months. While his detractors have levelled accusations of asset stripping at him, he vigorously denies his deal-making nous makes him a one-man personification of private equity.

From his location, he can survey the world famous high street of which he controls a major slice. In fact, thanks to Arcadia, he runs 12% of the UK clothing retail market. In its industry, Green is ranked second and on more than an occasion he was close to owning Marks & Spencer.

In fact, they could have taken a large amount looking at the number of people borrowing and even up to eight times cashflow. After they had done

1. 2bn of dividend, that year the company made a £327m operating profit. They could have borrowed far more, but that's never been my strategy.

It's hard to argue when you consider that six years on, Arcadia has added a quarter of a million square feet of selling space, employs 25% more people and has generated in excess of £2bn in EBITDA.

Green worked very hard to develop Arcadia's brand, which includes Topman, Topshop, Dorothy Perkins, Burton and Evans. For once, Green is the master of understatement. Under his stewardship, the shop has revolutionised high-street retailing. The previously mediocre store is now a talisman of UK fashion, loved by teenagers, celebrities and fashion editors.

### Increasing Influence

Upon leaving school, Green worked for the family firm, one of the first shoe importers to bring products in from China and Hong Kong. Exposure to international trade proved invaluable, he is grateful that the people who trained him taught him about finance, credit, importing and product. If he was to become interested in the more creative, product-buying side of the business, his understanding of the basic principles of retailing was instinctive.

The high street fashion tycoon is as well known for his affluent lifestyle as he is for his business acquisitions - a £7m yacht, £5m birthday party and a present from his wife of a solid gold Monopoly set, to name a few of his extravagances.

Of late he has become something of a celebrity thanks in part to a friendship and business arrangement he has struck up with supermodel Kate Moss, who designs a range for his Topshop chain. He's also been spotted holidaying with both Sylvester Stallone and Simon Cowell.

### Conclusion and Recommendation

In sum, developing an effective leadership in organizations is the most essential, yet the most difficult tasks for organization management. Great leadership is the combinations of individual traits, leading skills and of course the situational contexts (Kotler, 1990). As we have discussed above, effective leadership is require both intrapersonal and interpersonal skills. The intrapersonal skills are of paramount important, as it is logical and obvious that success or great leader all start from within. Only with personal inside strong desire to excel, passion, enthusiasm, determination, commitment, faith and effective personal values can a person become a true leader for others. A great leader among the people always starts as a great leader of his own. Then, interpersonal skills come into place, where the ability and skills to network, communicate and interact with the other people come into place. The effective leaders can guide companies through many different channels. Because of this, it is important to know which leadership qualities motivate employees the best. Throughout the analysis and evaluation, there have been many leadership style theories identified. As we have found that, the autocratic leadership style has gone out of fashion in recent years, though certain situations, such as emergencies situations.

Therefore, effective leaders must adjust the leadership style to various situations. In that sense, there is no one leadership style is appropriate for every occasion or situation. The most effective style to use depends upon the situation and whether the group members are willing and able to take on the responsibility. To be effective as a leader, it's important to know your group in terms of knowledge, ability, desire and willingness, and be ready to adapt your style to suit the dynamic environment. An important task in the coming years will be the training and testing of future leaders.

Further more, organizations have to have a bigger picture of long term success, that is strengthening leadership competencies will improve organizational effectiveness. When subordinates trusted their leaders' leadership, and they deem it is equitable for them to obtain satisfactory rewards and outcomes when they made the greatest efforts. Therefore, effective leadership lead to a positive motivation and motivated employees will satisfy the customers of the organizations. In a long-term, it will help organization creating or maintaining a sustainable organizational competitive advantage.