

Developing leadership skills using the semco case study



Purpose of the report:

The purpose of this report is to understand the relationship between Strategic Management and Leadership . The different Leadership styles used for identifying organisations's strategic decisions, the impact of the leadership theories on the organisatiton and the methods of developing leadership skills using the SEMCO case study .

Introduction:

In 1982, Ricardo Semler took control of Semler & Company, a business founded and, until then, managed by his father, Antonio Curt Semler. At that time, the company's organizational structure, was as such of treating employees in a fatherly manner, especially by providing for their needs without giving them rights or responsibilities. A pyramidal hierarchy led by an autocratic leader. Then, Ricardo took over the relatively small manufacturing company from his father . And by renaming the company as SEMCO , eliminated all clerical positions, and implemented an insistent product diversification policy. Most observers predicted that these actions would wipe out the company.

Leadership Styles:

Leadership style is an approach of implementing plans, providing directions, and motivating people working towards the organisation. A leaders must be able to acquire certain strategies and must follow a certain style of leadership which suits the situation of the organisation. The following are the leadership style followed by Ricardo Semler and their evidence :

Authoritarian Leadership (Autocratic):

Authoritarian leaders, also known as autocratic leader, provide clear outlook for what needs to be done, how it should be done, and when it should be done. These types of leaders take their decision on their own with little or no help from their subordinates or followers. There is also a clear distribution between the leader and the followers. The analysts found that decision making was less creative under authoritarian leadership. Authoritarian leadership is best applied to situations where there is little time for group decision making for a possible outcome or where the leader is the most knowledgeable member of the group. (Lewin et. al, 1939).

While Ricardo Semler was in law school, in 1980s, his father Antonio Curt Semler decided to make Ricardo the president and then shortly left him for a long Europe vacation, saying only, " Do what you need to do." When the senior executives of SEMCO insisted on waiting out the declining shipping industry, Ricardo decided to fire 60% of the top managers in a single afternoon. The departing executives wanted to return and while the frightened customers demanded their return, but Ricardo was determined and remained firm. Ricardo could not afford liquidation taking place in the company .

Participative Leadership (Democratic):

The democratic leadership style or participative leadership is a very open and its characterized style by having power and authority that is given equally among colleague of running a team. Ideas move freely and are discussed openly amongst the group. And discussion is relatively free-flowing. (Lewin et. al, 1939).

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SEMCO seeks the best by trusting their employees and to motivate them to apply their creativity in service of the whole enterprise. And to make some important decision related to the flow of work, which also includes the selection and election of their bosses. Employees are given a chance to express their feelings regarding the decision making process. Profit sharing also plays an important role in the organisation , which leads to very low employee turnover , and active involvement of all the employees. Employees are given a chance to select their managers which brings into good working condition in the organisation.

Delegative Leadership (Laissez-Faire):

In this leadership style the leader offers little or no guidance to the member of his team and leaves the decision making process on the team members, but the leader is responsible for the decisions made by his sub-ordinates. The leader allows the employees to take decisions if they can evaluate the condition and relies how the problem could be solved. (Lewin et. al, 1939).

SEMCO encourages its employees to choose what, when and where they want to do it complete freedom is given to the employees for the task performance . About 3000 SEMCO employees set their own working hours and their salaries. Their supervisors are hired and reviewed by the subordinates. If the employees had spent Saturday afternoon in the office then they are encouraged to spent their Monday morning at the beach. There is no organisational chart as such in the organisation, no corporate value statement, no 5 year plan is implemented as most of the organisation does. The employees are not required to follow any dress code. There are no written rules or policy statements, as SEMCO is quite flexible.
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Impact of Leadership Styles:

As Ricardo Semler followed the above mentioned leadership styles, the following are the impacts of these style on SEMCO's strategic decisions:

The company has become more consistent and responsible.

The turnover of the company had gone from \$4million to \$160million. Which is also considered as a highest growth.

The annual sales had increased upto 24%.

In 1982, there were just 90 employees working in the company, and by the year 2003 it went upto 3000 employees working for SEMCO.

The overall staff strength has increased due to which the company's profit has increased.

SEMCO has diversified into different business unit.

The company has generated balance between short-term and long-term goals.

The products are offered at fair prices.

Customers are provided by variety of products and with a differentiated service styles.

It had brought innovation and creativity.

As it encourages every employees participation and the decisions are imposed from top-down management, good outcomes are brought due to motivated employees.

2. Strategic Management and Leadership Theories:

Strategic management is used to establish a mission, values, vision, goals, objectives, roles and responsibilities of any organisation. There are various theories to identify and to formulate the above mentioned points for an organisation:

Henry Fayol

Taylor

Peter Drucker

Mintzberg

Functions of Management

Scientific Management Techniques

Five forces

Roles

Planning

Establishing Goals

Setting Objectives

Information seeker, maintain inter personal contacts

Forward information to others

Spokesperson

Organising

Optimum use of resources for meeting goals

Organising the task

Motivates and direct the employees

Maintain informational links .

Commanding

Reward system for meeting goals

Motivating employees

New projects are initiated, identifying business developing areas

Decisions are taken together during crisis

Resources allocator who decides who gets the schedule, budget and priorities.

Negotiator who represents department during negotiations with unions and suppliers.

Co-ordinating

Measurement of good objectives

Controlling

Developing skills by giving training

Trait Theories:

In Trait theories people become heir to certain qualities and traits which makes them better suited for leadership. Trait theories often categorize soem behavioral characteristics shared by leaders.

Contingency Theories:

According to the contingency theory no leadership is best suited for all the situation. It depends on the variables which are related to the environment the determines what particular leadership suits the situation.

Situational Theories:

In Situational theories the leaders choose the best possible action based upon various situations i. e. depending upon the types of situation. There may be different leadership styles suited for different decision making.

Behavioural Theories:

In Behavioural leadership theory the actions of the leaders are not

Focussed on what they are from their mental qualities or internal states as the leaders are not made but they are born leaders.

Participative Theories:

In this type of leadership all the employees are encouraged to contribute their input as a part of the decision making team for an organisation. The leader also retains the right to allow inputs of others.

‘ Great Man’ Theories:

As great leaders are born and not made, this theory portrays that great leaders are mythic, heroic and who are always designed to bring up leadership when needed.

Management theories(Transactional):

Transactional theories are based upon the system of rewards or punishments. For instance when the employees of an organisation are successful they are rewarded, and on the other hand if the employees of the organisation fail, they are punished at the same time.

Relationship Theories(Transformational):

Transformational theories focus upon interpersonal relationships between the leaders and followers. These types of leaders help the group members to be inspired and get them to know the importance. These leaders are focused on group performance, but at the same time these leaders also expect that each employee should fulfil their own potential.

2. 1 Link between Leadership Theories:

The Strategic Management and Leadership theories can be linked by using McKinsey's 7-s Framework. The McKinsey 7-s framework model involves 7 interrelated factors which are further categorized as "hard element" and "soft element". Hard elements are easy to identify or define the managements as it is related to the 'Managers' which includes Strategy, Structure and System. Whereas soft elements can be identified or defined as these are related to the 'Leaders' which includes Shared values, Skills, Style and Staff.

Strategy: It is a plan of action or a widespread plan to help create a competitive advantage which also involves the way of maintaining this advantage.

Structure: It is a basic hierarchy of an organisation which helps to understand who is responsible for what and who is suppose to answer to whom.

Systems: It includes the daily activities and procedures of the employees who are assigned for task performance in the organisation.

Shared Values: These values are considered as the core values of the organisational, mostly ethical values.

Style: These are the style adopted by a leader in an organisation.

Staff: These are the members of the organisation who are categorized according to their capabilities.

Skills: This helps in identifying the basic skills each employees possess in the organisation for performing different tasks.

2. 2 Impact of Leadership Theories on Organisational and Leadership Strategy: