Using a range of management styles to lead a business

Introduction

For organisations to develop they require a direction. The people who manage the business provide the direction. Taking responsibility for making decisions and running a business well is a skill. Businesses place considerable emphasis on getting the right people with the right skills into key posts. They need to ensure that these people have the opportunities to develop decision-making skills.

Enterprise Rent-A-Car (Enterprise) employs more than 75,000 employees and operates a fleet of cars exceeding one million vehicles worldwide. It has become one of the foremost car-hire companies and is the largest purchaser of cars in the world. Jack Taylor founded the company in St Louis in 1957. The owner had a simple belief: 'Take care of your customers and employees first and profits will follow.' This belief forms the foundation of Enterprise's four key **business objectives** of:
• customer satisfaction
• fleet growth
• employee development
• profitability.

These four business objectives link together:
• Enterprise does not sell a product. It provides a service – the use of a car. To deliver great service Enterprise needs well-trained and motivated staff. As the company grows, it opens new local offices and creates new opportunities for employees.
• Customers expect to be treated in a particular way by a **service-orientated** business. Enterprise uses its Enterprise Service Quality Index (ESQi) to measure the quality of service it provides. Satisfied customers will come back and give **repeat business**. They may also recommend the service to others.
• This leads to growth of the business and greater profitability.

This case study focuses on leadership within Enterprise. It shows how its managers use a range of management and leadership styles to support Enterprise's focus on customers.

Leadership and management

Management involves control and organisation to get something done. In the course of business, managers use many different skills. They:
• plan and organise people and resources
• set and monitor budgets
• control operations or services in order to meet customers' needs.
The ability to manage is essential at all levels in the organisation.

However, for a business to excel, **leadership** is vital. A leader is somebody who sets the direction and inspires other people. A leader is able to influence others in meetings or when making decisions. This helps to achieve the goals of the organisation. Enterprise has leaders at all levels of its business, not just senior management. Some people are natural leaders. For example, the captain of a school football team will probably have the ability to influence others. Leaders can also develop through training and education.
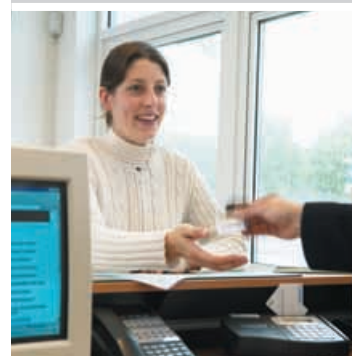
GLOSSARY

Business objectives: the ends which an organisation seeks to achieve by means such as budgeting tools and strategies.

Service-orientated: when the organisation's behaviour is centred on meeting customers' needs.

Repeat business: when customers return to use a company's services again.

Leadership: the ability to inspire others in order to achieve an organisation's goals.

Leaders are also managers. For example, an Enterprise General Manager leads a regional group of City Managers. City Managers are leaders of their front-line management employees. Andy Taylor, the current Chairman and Chief Executive Officer (CEO) of Enterprise, was a manager for his father Jack Taylor. He carried out the processes and systems his father set up. Today, Andy leads and manages the business.

There are many different **management styles**. These styles influence how leaders communicate with employees. For example, Enterprise operates an '**open door**' **policy**. This enables everybody within the organisation to have direct contact with senior managers. This might be through meetings or having lunch in the same dining area. The CEO Andy Taylor is following the **values** set by his father by making opportunities for employees to meet and talk to senior managers. This shows an informal style and a lack of **hierarchy**. Enterprise puts a high value on teamwork and open communication between employees at all levels.

Managers have their own preferred management style. Some prefer an autocratic style where they tell employees what to do and how to do it. Others prefer a democratic style where they help their team to discover solutions to problems for themselves. However, the management style must change to fit the circumstances. Some decisions must be made at the highest level. For example, a manager would need to give immediate instructions on a health and safety issue or in a fire. However, if changing an office layout, the manager could leave the team to investigate and decide on the solution for themselves.

Enterprise employs motivated individuals with the potential to become good leaders. When recruiting, Enterprise looks for leadership qualities in candidates. It considers leadership to be a **core competence**. It recognises that the skills and capabilities to lead others are essential for business growth. Recruits learn how to run parts of the business. The focus is on making decisions that improve customer service. General managers are **empowered** to make decisions covering a region. Branch managers have the authority to deliver good customer service locally. Each local branch operates like a small business. Managers make decisions that support the needs of their customers. Front-line management trainees are encouraged to use the best management style to suit different customers.

Autocratic style

An **autocratic style** of leadership is when a leader makes a decision alone. The leader conveys the decision to staff and they have to work within the scope of that decision. For example, in order to deliver good customer service, managers instruct all staff to follow Enterprise's guidelines for dealing with customers.

Douglas McGregor in 1960 used the terms Theory X and Theory Y to identify two very different forms of management style:
- A Theory X manager tells employees what to do and supervises their work. This involves using strict controls within the business. This reflects an autocratic style.
- In contrast, a Theory Y manager believes employees want to do well. The manager provides individuals with the opportunity to take control of their work. They can contribute towards solving a problem or issue. This helps motivate them to do better.

Enterprise needs its employees to use their skills to deliver high levels of customer service. This means an autocratic management style is inappropriate in daily routines. A branch manager sets the standards for the team but encourages team members to be flexible and responsive to each customer. This ensures that customers get the service they expect.

However, there are many examples of autocratic style in use at Enterprise. These relate to issues which affect the whole organisation or which are central to the business. For example:
- Andy Taylor insisted all branches use ESQi, the customer satisfaction measure, because it met the business objective. In order to gain commitment to using the process, employees had the prospect of promotion when they achieved high scores. This was a big motivator for staff.

- When the Senior Vice President of European Operations at Enterprise decided on the company's **diversity programme**, employees were clear that this decision was compulsory and not an option.
- The Vice President of Corporate Communications for Enterprise established an environmental committee. Its aim was to influence the behaviour of the whole organisation by reducing waste and improving its **carbon footprint**. As the **industry leader**, Enterprise attempts to set high standards when it comes to the impact of rental cars on the environment.

Democratic style

In contrast to the autocratic style, Enterprise uses democratic decision-taking in many parts of the business. Everyone has the opportunity to contribute ideas to the decision. There are two types of democratic decision-making:
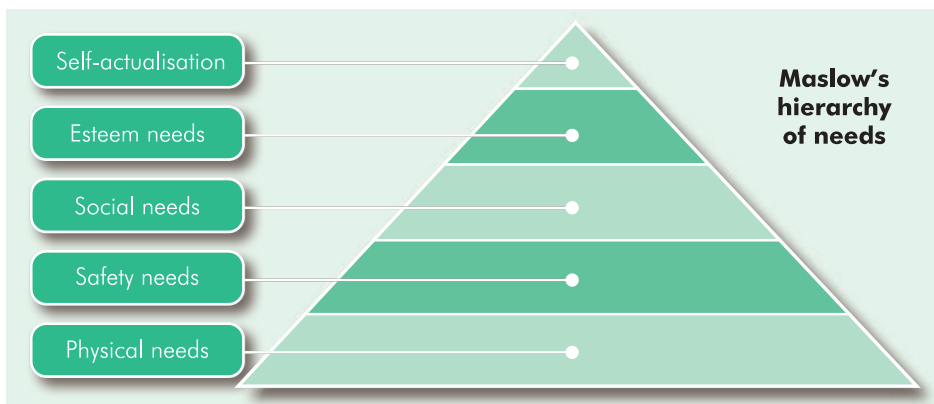
1. persuasive democratic management – here the leader makes the decision first and then persuades employees that he or she has made the right decision
2. consultative democratic management – this involves the group contributing to the decision making process, with the leader making the final decision.

The team is central to delivering good customer service. The consultative approach helps Enterprise achieve this business objective.

Enterprise operates through an extensive network of local offices. Branch managers and their staff need to make decisions to meet the changing needs of customers in a fiercely competitive market. Each office operates with a large degree of **autonomy**. This means that, in many areas of operation, local offices have the power to govern themselves and make changes without referring to senior management. They use different management styles with customers on different occasions. Examples of incidents they may have to deal with include:

- A car has been in an accident and a customer needs a hire car urgently. Local managers take a consultative approach to understand the issues and find the right solution for customers who might be upset or worried.
- A customer wants a vehicle for a weekend break. Branch staff will be more authoritative in recommending a specific vehicle to suit their needs. This helps to satisfy this customer and ensure repeat business.

This independent approach enables Enterprise employees to have **ownership** of many of their activities. This acts as a motivator for staff. In 1943, Abraham Maslow, looking at motivation, identified a hierarchy of needs for individual employees. Everyone has needs for water, food, warmth and safety. These have to be met before a person can move on to fulfilling their higher needs.

Maslow's hierarchy of needs

- Self-actualisation
- Esteem needs
- Social needs
- Safety needs
- Physical needs

When employees are empowered to make decisions, this improves their sense of worth and self-esteem. It also helps them to use creative skills within their role and motivates them to perform better. Making decisions at a local level helps to meet customers' needs and enables individuals to take a pride in their job. This recognises that employees are motivated by factors other than financial ones. These include praise, recognition or having more responsibility.

GLOSSARY

Diversity programme: activities by an organisation designed to include and develop people from different backgrounds.

Carbon footprint: the quantity of carbon created by individuals, businesses or countries as a result of their activities.

Industry leader: an industry mover-and-shaker who is normally the first to do something new, different and worthwhile.

Autonomy: independence to make decisions for oneself.

Ownership: taking responsibility for actions or decisions.

ENTERPRISE RENT-A-CAR

Enterprise's emphasis is on satisfying customers to grow the business. It also rewards hard work. To increase motivation, employees who achieve high levels of customer satisfaction have the opportunity of promotion. In addition, staff who perform well or who make the biggest improvement are recognised through the Enterprise newsletter or by membership of the Enterprise 'Elite Club'. This reinforces self-esteem.

Laissez-faire

Derived from the French meaning 'leave alone', this is a loose leadership style. It allows employees to carry out activities freely within broad limits. It differs from the democratic style in that individuals are able to behave independently and make their own decisions, rather than coming together on an agreed course of action.

Small **entrepreneurial** teams manage and lead local Enterprise offices. These teams are **decentralised** and make many decisions on their own. This shows a type of laissez-faire structure. However, this management style has drawbacks. Some employees might not be able to motivate themselves or make the right decisions alone. Therefore individuals within Enterprise teams work to corporate guidelines for dealing with customers. Staff also receive regular training and feedback. Employees in a local branch have a sense of ownership for many of their activities. At the same time, they have the support and career structure of a large **multinational** company.

Many Enterprise branches contribute to regional and corporate decisions. For example, Enterprise's Jack Taylor Founding Values Award demonstrates the laissez-faire approach. This is part of Enterprise's **corporate responsibility programme**. Each region manages and participates in community projects. These may involve, for example, working in a nursing home or gardening for the elderly. If the region wins the award, it is free to use the money as it chooses. In 2007 the winning region in South East England received a grant of £10,000 to use for community projects in its area. As part of Enterprise's commitment to conservation, it has planted 40,000 trees in Scotland and is committed to planting 50 million over the next 50 years. All these activities enable employees to use their ideas in a creative way.

Conclusion

Management is about getting things done. Leadership is about achieving goals by creating a direction for a business and inspiring employees to take initiative and make the right decisions. Enterprise managers need the skills to motivate, lead and influence others. Enterprise aims to employ people who can take on a leadership role and help to grow the business for the longer term. Its management and training programmes help to provide employees with the skills necessary to lead others.

This case study illustrates that within a business, there are leaders at different levels within the hierarchy. Depending upon the circumstances, leaders will use different leadership styles. By developing leaders who are able to make decisions at a local level, Enterprise can respond more closely to customer needs within a competitive service industry. Its high levels of customer service provide it with **competitive advantage** over its rivals.

Questions

1. Using an example, explain the difference between leadership and management.

2. Suggest circumstances in which leaders within an organisation might wish to use an autocratic leadership style.

3. Employees are motivated by different things. Referring to Maslow's hierarchy of needs, how does a democratic style of leadership help to motivate employees?

4. Evaluate when a laissez-faire style of management might provide an opportunity to provide customers with better customer service.

GLOSSARY

Entrepreneurial: self-motivated and willing to use initiative in pursuit of profits.

Decentralised: control of activities at a regional or local level.

Multinational: a company or corporation operating in more than two countries.

Corporate responsibility programme: activities which show a business organisation is sensitive to the needs of all individuals and organisations that it deals with.

Competitive advantage: a strategic element that enables an organisation to compete more effectively than its rivals.

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