Leadership vs Management
Business Excellence / Performance Management view

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Introduction

Leadership and management are often considered practically overlapping concepts. But are they? Is there a difference between the two concepts or leadership is a facet of management and therefore cannot be separated? Virtually all organizations, including large corporations, academia, leadership theorists, researchers and authors are concerned about the difference and believe it is important.

This article aims to focus on the differences and similarities at all organization's levels and to by reviewing requests of the most known Business Excellence Frameworks.

Leadership versus Management

Leadership

There are many diverse definitions of leadership. Stogdill concluded that "there are almost as many definitions of leadership as there are persons who have attempted to define the concept". While Peter Drucker sums up that: "The only definition of a leader is someone who has followers. To gain followers requires influence but doesn't exclude the lack of integrity in achieving this" (Yukl, 1989). Some theorists believe that leadership is no different from the social influence processes occurring among all members of a group and others believe that leadership is everything someone is doing in order to lead effective.

The classic question if leaders are made or born is still concerning many researchers. Is it a charisma or something that can be taught? The answer to this question varies. Although it is unexceptionable that leading isn't easy, leaders should have some essential attributes such as vision, integrity, trust, selflessness, commitment, creative ability, toughness, communication ability, risk taking and visibility (Capowski, 1994).

Management

Some would define management as an art, while others would define it as a science. Whether management is an art or a science isn't what is most important. Management is a process that is used to accomplish organizational goals. that is, a process that is used to achieve what an organization wants to achieve.

But do leaders and managers have the same role? Can organizations have only leaders or only managers?

A well balanced organization should have a mix of leaders and managers to succeed, and in fact what they really need is a few great leaders and many first-class managers (Kotterman, 2006)

Managers and Leaders: Are they different?

Managers are the people to whom this management task is assigned, and it is generally thought that they achieve the desired goals through the key functions of planning and budgeting, organizing and staffing, problem solving and controlling. Leaders on the other hand set a direction, align people, motivate and inspire (Kotter, 2001).

Other researchers consider that a leader has soul, the passion and the creativity while a manager has the mind, the rational and the persistence. A leader is flexible, innovative, inspiring, courageous and independent and at the same time a manager is consulting, analytical, deliberate, authoritative and stabilizing (Capowski, 1994).

The most important differences between leaders and managers concern the workplace and are concluded in table I:

Process	Management	Leadership
Vision Establishment	▪ Plans and budgets ▪ Develops process steps and sets timelines ▪ Displays impersonal attitude about the vision and goals	▪ Sets direction and develop the vision ▪ Develops strategic plans and achieve the vision ▪ Displays very passionate attitude about the vision and goals
Human Development and Networking	▪ Organizes and staffs ▪ Maintains structure ▪ Delegate responsibility ▪ Delegates authority ▪ Implements the vision ▪ Establishes policy and procedures to implement vision ▪ Displays low emotion ▪ Limits employee choices	▪ Align organization ▪ Communicates the vision, mission and direction ▪ Influences creation of coalitions, teams and partnerships that understand and accept the vision ▪ Displays driven, high emotion ▪ Increases choices
Vision Execution	▪ Controls processes ▪ Identifies problems ▪ Solves problems	▪ Motivates and inspires ▪ Energizes employees to overcome barriers to

	▪ Monitor results ▪ Takes low risk approach to problem solving	change ▪ Satisfies basic human needs ▪ Takes high risk approach to problem solving
Vision Outcome	▪ Managers vision order and predictability ▪ Provides expected results consistently to leadership and other stakeholders	▪ Promotes useful and dramatic changes, such as new products or approaches to improving labor relations

Table I: Comparison of Management and Leadership Process Differences in the workplace (Kotterman,2006).

Leadership and Management in TQM and Excellent Organizations

Total Quality Management is a philosophy based on a set of principles, as customer focus, continuous improvement, everyone's involvement and management by fact. TQM literature also highlights management's commitment and leadership as determining factor for the implementation of this management philosophy and the basic precondition in order to succeed Business Excellence (Gonzàlez, Guillèn, 2001).

A research project started in 1996 by Jim Collins and his research team shows that companies that had shifted from good performance to great performance and sustained it follow a particular module of leadership and management hierarchy, known as Level 5.

Level 5 Hierarchy means that in a organization managers and leaders exist with different forms, roles and responsibilities: *Level 1: Highly Capable Individuals* - Makes productive contributions through talent, knowledge, skills, and good work habits, *Level 2: Contributing Team Member* -Contributes to the achievement of group objectives, works effectively with others in a group setting, *Level 3: Competent Manager* - Organizes people and resources toward the effective and efficient pursuit of predetermined objectives, *Level 4: Effective Leader* - Catalyzes commitment to and vigorous pursuit of a clear and compelling vision; stimulates the group to high performance standards, and *Level 5: Level 5 Executive* - Builds enduring greatness through a paradoxical combination of personal humility plus professional will (Collins, 2001).

Business/ Performance Excellence and Leadership-Management

In the early 80's when everyone was talking about quality and business excellence many frameworks and performance models derived. Leadership was a basic concept in all these frameworks with a direct or indirect impact.

In the Australian Quality Award Leadership Criteria examine the role of management in creating values and developing an appropriate management system to make them a reality. Malcolm Baldridge Award and European Foundation for Quality Management (EFQM) Business Excellence Model have an extend report to leadership criterion (Edgeman, Rodgers, 1999). Later on some new Performance Management systems arrive (Performance Pyramid, Performance Prism, a.o.) where management involvement and leadership commitment are still a basic aspect behind the deployment of all their requests, but not with a clear and obvious way, as the frameworks mentioned before.

It can be argued as to whether "management" and "leadership" in these models are the equivalent. This article aims to distinguish these two concepts by reviewing the relevant requests of some of the wider known Business Excellence Frameworks.

✓ EFQM Excellence Model

The EFQM Excellence Model is framework based on 9 criteria. The first five are "Enablers" and the last four are "Results". The "Enabler" criteria cover what an organisation does. The "Results" criteria cover what an organisation achieves. There are two approaches to explain the model. One approach is based on the idea that the results are caused by the "Enablers" and the second enablers are improved using feedback from "Results". The Model is based on the premise that:

Excellent results with respect to Performance, Customers, People and Society are achieved through Leadership driving Policy and Strategy, that is delivered through People, Partnerships and Resources, and Processes. (www.efqm.org). The EFQM Model is presented in Figure 1.

The percentage given in each box in figure 1 identifies the proportion of each criterion in the award assessment system of the European Quality Award. As it is shown leadership criterion has a weight of 10%, which is the second highest weight for the Enablers. That means that Excellent Organizations are highly dependant of good leadership.
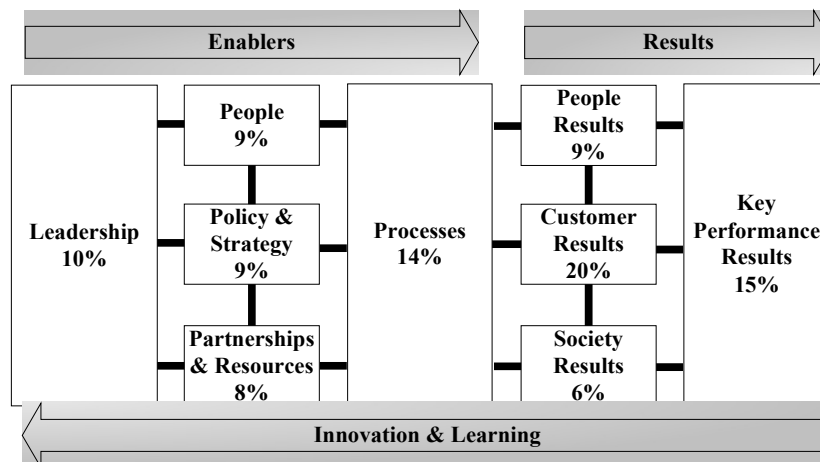

Figure 1: The EFQM Excellence Model (www.efqm.org)

For EFQM, leadership relates to the behavior of the executive team and all other levels of management in as much as how leaders develop mission and vision and values, are personally involved, support continuous improvement, are involved with stakeholders, motivate and recognize employees loyalty and efforts and identify and set direction for change (Wongrassamee, Gardiner and Simmons, 2003).

Leadership criterion in EFQM Model refers mainly to Level 5 Hierarchy: Executives. But a more severe study of the model indicates that also management in all levels plays an important role in the criteria of enablers in EFQM Model.

People Management is the third criterion of EFQM Model and refers to how organizations manage, develop and release the full potential of their people at an individual, team-based and organizational level. With a weight of 9% this criterion proves that management in all levels, as an individual, as a team member and as competent manager and effective leader, effects this aspect of

the framework, as well. Partnership and Resources the forth criterion indicates the above conclusion, as all partnerships and resources need effective leaders and capable manager in order to be administrated. Finally, processes is the criterion with the highest proportion in the assessment system (14%). It refers to how organizations design, manage and improve the processes intending to satisfy its stakeholders. TQM and Business Excellence philosophy underlines the importance of everyone's involvement in processes and procedures design, in order to meet customers' (internal and external) expectations. Therefore, it is really important to identify leadership contribution in the journey for succeeding Business Excellence but first line managers', team managers', and individuals' offer must not be ignored or underestimated.

✓ Balanced Scorecard

In early 90's David Norton and Robert Kaplan came up with a comprehensive framework named Balanced Scorecard. Aim of this framework is to give managers and leaders a comprehensive view of the business and allow them to focus on critical areas, as customer perspective, financial perspective, Internal Business perspective and Innovation and Learning (Wongrassamee, Gardiner and Simmons, 2003). The balance Scorecard is shown in Figure 2.
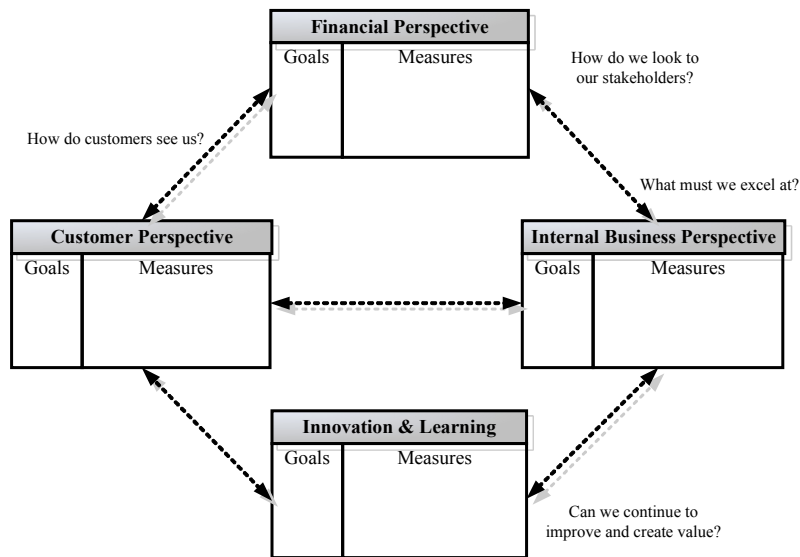

Figure 2: The Balanced Scorecard (Kaplan, Norton, 2005)

This framework does not have direct requests for leadership commitment and manager involvement. But studying it in depth, different conclusions are emerging. Balanced Scorecard demands that managers translate customer requests into specific measurements. Customers want good time, quality, performance and service. To put this framework to work leaders should be aware of these four requirements and determine relevant goals. Managers in all levels should also focus on those critical internal business processes that enable them to satisfy customers. Leaders on the other hand, have to identify their company's core competencies and critical technologies needed and give all the resources in order to succeed customer delight. But the targets for success keep changing. Global market and strong competition command organizations to make continuous improvements to their existing products/services and processes and have the ability to introduce new products into the market. Leaders have the responsibility to identify the need for change and set the directions, when managers should participate in this procedure and suggest solutions. At last financial performance is regarding to leaders and managers. Leaders need to know how the

organization is going and develop the policy and strategy, while managers should know the results of the operational actions and their areas for improvement (Kaplan and Norton 1993, 2005).

✓ Performance Pyramid or "SMART" System

The Strategic Measurement Analysis and Reporting Technique (SMART) system was proposed by Cross and Lynch in 1992, as a result of dissatisfaction with traditional performance measures such as productivity and financial variances. The objective was to devise a management control system with performance indicators designed to define and sustain success (Ghalayini, Noble, 1996).

The Performance Pyramid includes four levels of objectives that address the organization's effectiveness and its internal efficiency. As it is shown in figure 3, there isn't a direct request for leadership and management involvement. Nevertheless, leaders develop vision (first level of the system) and they translate stakeholders' needs into individual business and unit objectives. The second level of the pyramid indicates that managers set short-term targets when leaders determine long term goals of growth and market position. Middle managers bridge the gap between top-level measures and day-to-day operational measures, as customer satisfaction, flexibility and productivity. Finally, first line managers measure on a daily basis indicators that effect performance, as quality, delivery, cycle time and waste (Tangen, 2004).
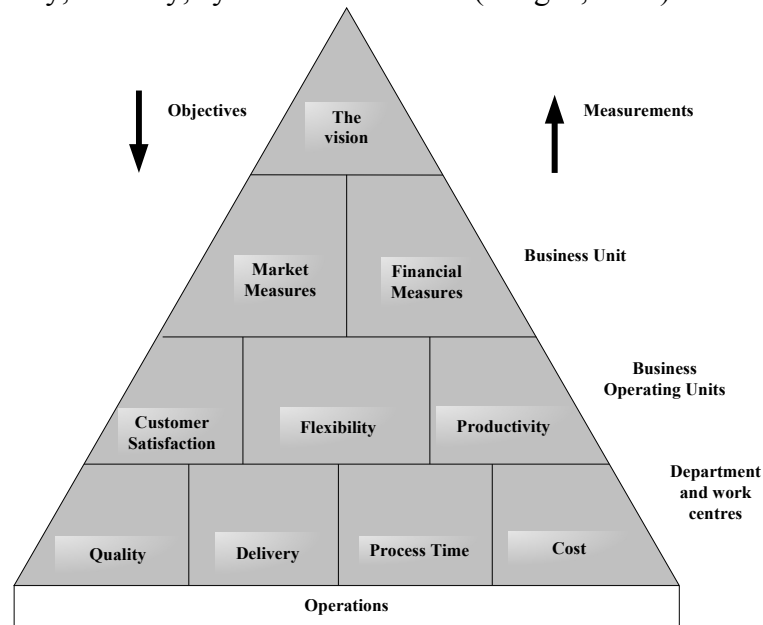

Figure 3: The Performance Pyramid (Neely, Bourne, Kennerley, 2000)

✓ Performance Prism

The Performance Prism (Figure 4) is a performance measurement framework that addresses the key business issues to which a wide variety of organizations, will be able to relate. It asks critical questions and encourages managers and leaders to think through the links between measures in a way that other frameworks do not intuitively suggest (Neely, Adams and Crowe, 2001).
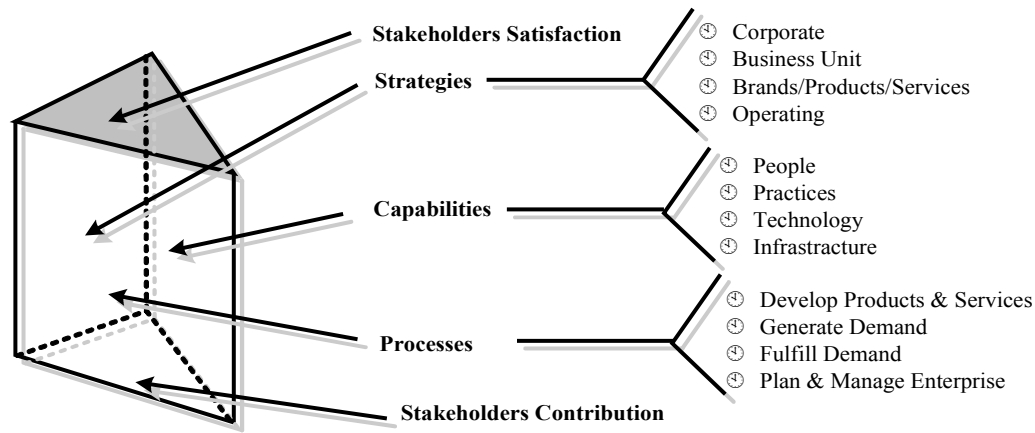
Figure 4: The Performance Prism (Neely, Adams and Crowe, 2001)

This framework suggests that stakeholders' wants and needs must be considered first. Then leaders can formulate the strategies, identify capabilities and plan processes (Tangen, 2004). When on the other hand managers of all levels participate in the procedures and follow instructions.

Conclusion

Based on the above it is obvious that there is an underlying strong request for leadership, even in the areas where the request is either verbally or actually of a managerial nature. Managers of all levels play an important role in the development of a self assessment project through the known Business Excellence/ Performance Evaluation Models and have a high impact on the organizations' journey to Excellence. Further research on how organizations comprehend this strong request of leadership involvement and commitment and how do excellent organizations manage to sustain the competitive advantage is important to be held out. Nevertheless, it cannot be debatable that the contribution of leadership and management on the organizations' success is high and it is clearly shown by reviewing the wider known Business Excellence / Performance Management/Assessment Frameworks and Models.

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