

Unit 4: Principles of Leadership and Management

Unit reference number: F/506/2596

QCF level: 3

Credit value: 8

Guided learning hours: 50

Unit type: Knowledge

Unit summary

This unit is designed to give new and aspiring junior managers the skills and understanding needed to deal with management responsibilities with confidence. This unit focuses on the role, functions and processes of management. It provides the knowledge and understanding of methods used to provide direction to a team and how performance measurement works in a business situation.

In this unit you will develop your knowledge of the decision making process, looking at how managers get and use information to make effective decisions and find solutions to problems. You will look at the difference between leadership and management and consider the need for differing leadership styles in different situations. The management role includes functions and processes that are vital to the success of a business and by studying management theory you will be able to apply this to the role. All businesses have objectives and reaching these is of utmost importance. This makes understanding how performance measures are set and monitored a vital management tool.

Learning outcomes and assessment criteria

To pass this unit, the learner needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria outline the requirements the learner is expected to meet to achieve the unit.

Learning outcomes	Assessment criteria
<p>1 Understand the principles of effective decision making</p>	<p>1.1 Explain the importance of defining the objectives, scope and success criteria of the decisions to be taken</p> <p>1.2 Assess the importance of analysing the potential impact of decision making</p> <p>1.3 Explain the importance of obtaining sufficient valid information to enable effective decision making</p> <p>1.4 Explain the importance of aligning decisions with business objectives, values and policies</p> <p>1.5 Explain how to validate information used in the decision making process</p> <p>1.6 Explain how to address issues that hamper the achievement of targets and quality standards</p>
<p>2 Understand leadership styles and models</p>	<p>2.1 Explain the difference in the influence of managers and leaders on their teams</p> <p>2.2 Evaluate the suitability and impact of different leadership styles in different contexts</p> <p>2.3 Analyse theories and models of motivation and their application in the workplace</p>

Learning outcomes	Assessment criteria
<p>3 Understand the role, functions and processes of management</p>	<p>3.1 Analyse a manager's responsibilities for planning, coordinating and controlling work</p> <p>3.2 Explain how managers ensure that team objectives are met</p> <p>3.3 Explain how a manager's role contributes to the achievement of an organisation's vision, mission and objectives</p> <p>3.4 Analyse theories and models of management</p> <p>3.5 Explain how the application of management theories guide a manager's actions</p> <p>3.6 Explain the operational constraints imposed by budgets</p>
<p>4 Understand performance measurement</p>	<p>4.1 Explain the relationship between business objectives and performance measures</p> <p>4.2 Explain the features of a performance measurement system</p> <p>4.3 Explain how to set key performance indicators (KPIs)</p> <p>4.4 Explain the tools, processes and timetable for monitoring and reporting on business performance</p> <p>4.5 Explain the use of management accounts and management information systems in performance management</p> <p>4.6 Explain the distinction between outcomes and outputs</p>

Unit amplification

This content has been written in an expanded format to facilitate both onscreen testing and portfolio assessment. Learners presenting work for portfolio assessment are not expected to evidence all of the amplification. Learners who are to be assessed by the onscreen test could be tested on any aspect of the amplification.

AC1.1: Explain the importance of defining the objectives, scope and success criteria of the decisions to be taken

- *Objectives*: statements of specific outcomes to be achieved; must be SMART – specific (detailed, focused and well defined), measurable (quantifiable targets), achievable, realistic (necessary resources available), time-bound
 - *importance*: provides focus for the decision making process; foundation for rational decision making; basis for identifying the success criteria; provides clarity for decision makers; improves effectiveness of decisions taken; reference point for final decisions
- *Scope*: level of decisions – strategic, tactical or operational/administrative; who makes the decision – individual, group or organisational
 - *importance*: decisions are taken by the right people; ensures that appropriate objectives and success criteria are identified; more efficient and effective decision making process; decision making is supported by the appropriate level of data
- *Success criteria*: measures used to determine best possible option; relevant and important factors to measure the performance of different options
 - *importance*: links the objectives to the final decision; identifies how each option performs in relation to the objectives; ensures that decisions meet the identified objectives

AC1.2: Assess the importance of analysing the potential impact of decision making

- *Analysing the potential impact of decisions*: decision matrix using the relevant rated criteria - cost/benefit; cost effectiveness; efficiency; risk probability; feasibility; capability; return on investment; ethics, social responsibility and sustainability; consequences
 - *importance*: identifies the best possible option to meet objectives; helps to identify and mitigate potential risks of decisions; supports planning to address problems arising from decision making; decision making process is unbiased and objective

AC1.3: Explain the importance of obtaining sufficient valid information to enable effective decision making

- *Valid information: accurate; accessible; reliable; timely; fit for purpose; relevant*
 - *importance: decisions are made based on all relevant factors; decisions made are more appropriate to the situations; reduces the risks and negative impact of decisions*

AC1.4: Explain the importance of aligning decisions with business objectives, values and policies

- *Business objectives: statements of specific outcomes that are to be achieved; performance targets*
- *Business values: core principles; standards; behavioural norms in conducting the organisation's business*
- *The importance of aligning decisions: supports the development of a defined organisational image and culture; ensures consistency with the business strategy; ensures achievement of business objectives; avoids conflict between departments; employees better understand their contribution to business performance; staff engagement and motivation*

AC1.5: Explain how to validate information used in the decision making process

- *Confirm accuracy: triangulation (comparison of information from different sources); lack of grammatical errors and misspellings; evidence provided to support information; sources stated; comprehensive information*
- *Check relevance: purpose of information; intended audience; date published*
- *Check credibility of source: trustworthy source; evidence of quality control (peer review, organisational support, multiple levels of approval); author credentials (education, experience, reputation, job title); author motives*
- *Test reasonableness: fairness; objectivity; balanced; no conflict of interest*

AC1.6: Explain how to address issues that hamper the achievement of targets and quality standards

- *Issues: staff lacking the right skills and competencies; limited physical resources; poor performance management; lack of communication of targets and standards; unmotivated staff; ineffective leadership; unrealistic targets; lack of quality processes and procedures*
- *Addressing issues: cause and effect analysis; team and one-to-one meetings to agree targets; problem solving groups; effective resource planning and allocation; use of problem solving techniques; staff training and development; 360 degree appraisals; implementing quality management systems; objective and rational target setting*

AC2.1 Explain the difference in the influence of managers and leaders on their teams

- *Managers:* direct staff in completing tasks; lead through formal authority; focus on control, structure and systems; accepts boundaries; communicate information; react to change; exercise power over people
- *Leaders:* lead people by example; inspire people to convert challenges into opportunities; enables problem solving; provides vision; innovate through developing people; persuade people to make changes; inspires trust; develop power with people

AC2.2 Evaluate the suitability and impact of different leadership styles in different contexts

- *Leadership styles:*
 - o *Autocratic:* direct supervision of staff; decision making mainly by leader; minimal consultation (top down, one way communication); minimal delegation; power lies with the leader; McGregor Theory X approach
 - *impact* – quick decision making; potential for increased productivity and quality; reduced inefficiencies; staff demoralisation; possible environment of fear and mistrust; high absenteeism and staff turnover; stifles creativity
 - o *Paternalistic:* parent-child relationship; minimal delegation; decision making by leader; concern for staff welfare and needs (positive working conditions and fringe benefits); staff follows the direction of the leader
 - *impact* – employee trust and loyalty; employee retention; positive relationship between staff and management; employee motivation; restricts creativity and individualism; staff completely dependent on leader (little staff empowerment)
 - o *Democratic:* shared power and decision making; emphasis on delegation and consultation; open discussion and debate (two way communications); final decision by the leader
 - *impact* – high job satisfaction and morale; high productivity; encourages creativity and innovation; staff personal and professional development; slow decision making process; decisions based on compromise; potential communication failures and incomplete projects
 - o *Laissez-faire:* power and decision making given to staff; high level of delegation; high degree of autonomy; leader provides guidance and support
 - *impact* – high job satisfaction and morale; staff empowerment; poor role definition for managers; potential for low productivity

- o *Contextual factors*: type of setting (formal, informal); experience and technical expertise of staff; local and organisational culture (formality of working relationships, staff empowerment); type of organisation (size, structure); pressures (time, cost, resource availability, level of risk); staff motivation and initiative; nature of the business and industry (products, services, creativity, innovation, technologically driven, professionalism); impact of trade unions and staff associations; availability of experts

AC2.3 Analyse theories and models of motivation and their application in the workplace

- *Theories and models of motivation*:
 - o *Maslow Hierarchy of Needs Theory* – employees motivated by satisfied needs; needs organised in a hierarchy (physiological, safety, love and belonging, self-esteem, self-actualisation); lower order needs satisfied before higher order needs; criticisms (no consideration to the impact of culture on motivation, hierarchy levels are not so well-defined in practice, some levels of the hierarchy do not exist for some people)
 - physiological – basic needs (food, water, sleep, air)
 - safety – financial security (job, property); physical security; personal security (family, health)
 - love and belonging – friendship; family; social interactions
 - self-esteem – respect and recognition from others; confidence; achievement; status
 - self-actualisation – opportunities for innovation and creativity; personal growth and fulfilment; learning and developing
 - o *Herzberg Two Factor Theory*: job satisfaction and job dissatisfaction act independently of each other; motivator factors affect job satisfaction; hygiene factors affect job dissatisfaction; both sets of factors must be addressed to motivate staff; comparison to Maslow’s Hierarchy of needs (employees motivated by needs being satisfied, only higher level needs acts as motivators)
 - motivator factors – recognition and status; opportunity for promotion; greater responsibility; stimulating work; sense of achievement
 - hygiene factors – good working conditions; job security; relationship with manager and colleagues; wages, salaries and fringe benefits
 - o *Mayo’s Human Relations Theory*: Hawthorne effect; staff can be better motivated by social needs; managers taking more interest in staff; treating workers in a caring and humane manner will motivate them; relates to paternalistic leadership

- o *Frederick Taylor's Scientific Management theory*: people are motivated by money; people respond individually not as a group; pay should be linked to the amount produced (piece rates); people dislike work and so need close supervision
- o *Application of theories in the workplace*: democratic leadership; provision of social activities; competitive remuneration packages (pay, fringe benefits, contract); emphasis on learning and personal development; use of groups and teamwork; personalised incentives schemes; open communications; effective performance management; job enlargement; job rotation; job enrichment; delegation; recognition and reward systems

AC3.1: Analyse a manager's responsibilities for planning, coordinating and controlling work

- *Planning*: types of planning (strategic, tactical, operational); environmental analysis (SWOT, PEST); stakeholder engagement; decision making; forecasting; setting SMART objectives and targets
- *Coordinating*: identifying tasks and activities; resource planning (people, physical, financial); staffing (recruitment and selection, training, development) organising and allocating resources; assigning roles and responsibilities; establishing lines of communication
- *Controlling work*: management by objective (MBO); establishing performance standards (benchmarking); implementing performance management systems (frequency; timing; performance measures); measuring individual and organisational performance; comparison of actual performance with expected standards and goals (management by exception, MBE); corrective or preventative actions

AC3.2 Analyse theories and models of motivation and their application in the workplace

- *Ensure that team objectives are met*: leading and inspiring; providing direction, guidance and necessary resources; effective team communications; performance development reviews (one-to-one meetings, 360 degree appraisals); meeting training and development needs (personal development plans); action planning; setting milestones

AC3.3: Explain how a manager's role contributes to the achievement of an organisation's vision, mission and objectives

- *Contribution of manager's role*: operational and tactical planning to support strategy and achieve organisational objectives; ensuring sufficient resources to meet planned activity levels; managing individual and organisational performance to meet targets (coaching, mentoring, performance measures, staff development and training); managing change to avoid unintended negative outcomes; developing appropriate organisational culture and values to support strategy; managing budgets; developing operational procedures and policies to support operational activities

AC3.4 Analyse theories and models of management

- *Frederick Taylor – Scientific Management theory*: aimed at improving economic efficiency through labour productivity
 - *principles*: time and motion study; scientifically train, teach and develop employees; rigid rules and procedures for carrying out work; standardised fair level of performance; premium pay for higher performance; detailed instructions and close supervision of workers
- *Henri Fayol – Administrative Management theory*: productivity improvements from 'top down' (managers to staff)
 - *six functions of management*: forecasting; planning; organising; commanding; coordinating; controlling
 - *principles of management*: division of labour (specialisation); authority and responsibility; discipline (warnings, demotions, dismissal); unity of command; unity of direction; remuneration (financial and non-financial); centralisation; scalar chain of command; order; initiative; equity; esprit de corps (team spirit, unity); general interest instead of individual interest
- *Max Weber – Bureaucratic Theory of management*: bureaucracy as the most efficient form of organisation (management by rules)
 - *principles*: well-defined formal hierarchical structure; defined work methods; types of power (traditional, charismatic, legal/bureaucratic); interpersonal relationships based on positions
- *Limitations and criticisms of theories*: mechanical approach; narrow application to only quantitative measures; dehumanisation of workers; no recognition of informal groups and team work; unsuitable for rapidly changing environments; no focus on human relations; wastage of time and effort through rules; inflexible

AC3.5 Explain how the application of management theories guide a manager's actions

- Fayol's functions of management are recognised as the core activities of modern managers; re-engineering and redesigning production processes to improve efficiencies; use of output-based remuneration systems (commissions, performance-related pay, quotas); assembly line production; maintaining open lines of communication; involving staff in decision making; providing social activities for staff; organising staff in teams; implementing official procedures and policies; use of formal organisational structures; clear lines of authority and responsibility

AC3.6 Explain the operational constraints imposed by budgets

- *Constraints:* restrictions that prevent an organization from maximising its performance and reaching its goals
- *Operational constraints:*
 - *staffing:* reduction in staff or inability to increase staff numbers; limited access to external expertise; lack of training and development opportunities; staff attrition; staff capacity (no overtime); demotivated staff
 - *production:* lack of investment in machinery and technology; inability to implement an effective quality assurance systems; inadequate supply of parts and raw materials; inability to meet new orders due to limited capacity; under-utilisation of machinery and equipment

AC4.1 Explain the relationship between business objectives and performance measures

- *Business Objectives:* statements of specific outcomes to be achieved; aligned to the business vision and mission; shape the business strategy
- *Performance Measures:* quantitative or qualitative ways to define and describe performance; quantifiable indicator of performance; aligned to goals and objectives; manage and monitor progress towards achieving objectives

AC4.2 Explain the features of a performance measurement system

- *Performance Measurement System (PMS):* a set of performance measures used to quantify efficiency and effectiveness of actions; provides information to identify the best strategies for meeting organisation goals and objectives; aligns management processes with strategic objectives
- *Features of a PMS:*
 - *results oriented:* focuses primarily on outcomes and outputs; linked to organisational goals and objectives
 - *selective:* concentrates on the most important performance measures relevant to the organisation; balance of financial and non-financial performance measures
 - *useful:* provides information of value to the organisation and its decision makers
 - *accessible:* provides periodic information about results; has supporting infrastructure for collecting, recording and analysing data
 - *reliable:* provided accurate, consistent information over time

AC4.3 Explain how to set key performance indicators (KPIs)

- *Key Performance Indicators*: performance measures identified by the organisation as critical success factors in achieving its mission and objectives; relating to aspects of business that can be controlled
- *Setting KPIs*: establishing organisational goals and objectives; map business processes; establish roles, responsibilities and key success factors; consult with relevant stakeholders; use historical data to identify performance trends; set KPIs most critical for business success; set target and review date

AC4.4 Explain the tools, processes and timetable for monitoring and reporting on business performance

- *Business performance*: outcomes in relation to goals; accomplishment of tasks measured against standards; actual vs planned
- *Tools and processes*:
 - *planning and budgeting*: monitor spending against goals
 - *KPIs*: linked to objectives; critical success factors
 - *Balance Scorecard*: four perspectives: financial, customer, internal processes, learning and growth;
 - *Benchmarking*: comparison with external best practice; better understanding of the performance context
 - *Performance dashboards*: overview of performance areas; use of visuals, graphs, traffic light and text; answer specific business performance questions
 - *Customer Relationship Management (CRM)*: manage relationship and interaction with customers; use of technology and software applications
 - Performance appraisals; assess job performance of individuals; 360 degree review
- *Timetable*: depends on nature of activities; weekly reports; monthly reports; combined timeframes

AC4.5 Explain the use of management accounts and management information systems in performance management

- *Management accounts*: accounting data; Cash Flow; Statement of Financial Position/Balance Sheet; Income Statement/Profit and Loss Account
 - *uses*: supports decision making; helps to identify risks and consequences of actions; provides historical data to inform target setting; provides information used in performance dashboards (sales and profits ratios)
- *Management Information Systems (MIS)*: computerised information-processing systems designed to support and improve the quality and efficiency of business operations and human decision making; systems that turn raw data into information for management levels
 - *uses*: store and manage performance data; provides information to support performance evaluation; tracks progress

AC4.6 Explain the distinction between outcomes and outputs

- *Outcomes*: changes to be achieved; hard outcomes (more observable, measurable); soft outcomes (less tangible; subjective)
- *Outputs*: result of activity; services and/or products offered; facilities provided; linked to objectives

Information for tutors

Suggested resources

Books

Brent, M. and Dent, E. – *The Leader's Guide to Managing People* (Pearson Education Limited, 2013) ISBN 978-0273779452

Nelson, B. and Economy, P. – *Managing for Dummies* (John Wiley & Sons, 3rd edition, July 2010) ISBN 978-0470618134

Websites

www.bized.co.uk – Biz/ed is a free online service for students, teachers and lecturers of business and provides information and resources on the topic of Human Resource Management

www.bookboon.com – The Bookboon website offers free eBooks and textbooks for download on a range of subjects, including Human Resource Management

www.businessballs.com – The Business Balls website offers free learning and development resources relating to topics such as management and leadership and leadership theories

www.management.about.com – About.com offers free online information on business topics such as Key Performance Indicators

www.mindtools.com – The Mind Tools website offers free online skills training on topics such as management and leadership

Assessment

This unit can be assessed internally through a Portfolio of Evidence or it can be assessed externally through an onscreen test. More information about each method of assessment is given below. This should be read in conjunction with *Section 8 Assessment*.

External assessment

External assessment is through an onscreen test. Pearson will set and mark this test. The test lasts for 60 minutes and is worth 50 marks. The assessment is available on demand.

The test assesses all of the learning outcomes and uses each individual assessment criterion and the associated *Unit amplification* as a base for the questions.

Internal assessment

Internal assessment is through an internally and externally quality assured Portfolio of Evidence. To pass this unit the evidence that the learner presents for assessment must demonstrate that they have met the required standard specified in the learning outcomes and assessment criteria.

To ensure that the assessment tasks and activities enable learners to produce valid, sufficient, authentic and appropriate evidence that meets the assessment criteria, centres should follow the *Unit assessment guidance* given below.

There are no sector-related assessment requirements for this unit.

Unit assessment guidance

Due to the nature of the individual learning outcomes and the size of the unit, different types of assessment are needed to produce sufficient and appropriate evidence to demonstrate achievement of the learning outcomes. The following are the required assessment methods for this unit.

Learning outcome 1 can either be assessed by a structured written assessment or professional discussion. If written assessment is used, it should allow the learners to contextualise and relate the concepts to their own working environment and work experiences. For example, learners could relate and apply the principles of decision-making to a project they have managed or to any other form of planning undertaken in their work activities. Learners can provide evidence in different formats such as presentation slides, workbooks, reports, directed assignments and reflective accounts, as long as they allow the learner to present the evidence required to meet the assessment criteria. If professional discussion is used then this should be integrated, as far as possible, with the assessment of work-based competencies in related competence units. For example, the learning outcome could be holistically assessed with competence units such as *'Manage a Project'* or *'Procure Products and Services'*, where the learner would be making decisions to support the business operations. The professional discussion must be recorded and supported by a signed witness statement from the assessor and the learner's notes or visual aids. The assessor must ensure that the signed statement includes sufficient detail to support the assessment decisions for the learning outcomes and the related assessment criteria.

Learning outcomes 2, 3 and 4 must only be assessed by structured written assessment to allow the learners to demonstrate the depth and breadth of evidence required to meet the assessment criteria. This could be one single project assignment or a series of linked or separate tasks. While the learning outcomes mostly require the learner to demonstrate generic and theoretical knowledge and understanding, there are still opportunities for learners to relate this to their working environment and working experiences and this should be utilised in the design of the assessment. Evidence could be presented in a range of formats similar to those stated above. The use of a reflective account would be appropriate for the assessment of learning outcomes 2 and 3 if the learner has applied the theories and principles indicated in the related unit amplification to their work practices. If used, the reflective account must cover the learning outcomes content and meet the level of demand of the related assessment criteria.