

Leadership and Management: Theories, Styles, and Organisational Impact

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U04 Leadership and Management

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Introduction

Leadership and management are basic principles that underpin organisational success. While leadership is concerned with motivating, directing, and charting a strategic direction, management guarantees the efficient delivery of tasks, resources, and processes (Kotter, 1990). A good leader inspires motivation and innovation, whereas an effective manager sustains operational effectiveness and goal achievement. Both functions are essential in managing complex business environments, particularly in competitive and fast-changing industries.

Knowledge of leadership and management is essential in executive recruitment since selecting the appropriate leader can make or break an organisation's development, culture, and performance. Leaders need to be strategic thinkers, flexible and team motivators, while managers need to have good decision-making and problem-solving skills (Northouse, 2018). The executive search process needs to assess candidates according to these traits, ensuring congruence with the firm's objectives and culture.

Definitions of Leaders and Managers

Management and leadership are complementary but different functions in an organisation. Leaders are concerned with vision, motivation, and direction of change, whereas managers are concerned with planning, organising, and action (Kotter, 1990). Leadership entails strategic goal-setting, employee motivation, and innovation, while management secures operation stability through resource allocation, process management, and operating efficiency improvement (Northouse, 2018).

Primary distinctions between management and leadership are based on their strategy and goals. Leaders initiate change, question the status quo, and motivate employees towards a common vision (Bass & Riggio, 2006). Managers are concerned with structure, delegation, and monitoring of performance to ensure organisational objectives are met efficiently (Drucker, 1999). Leadership is frequently linked to transformational aspects, whereas management focuses on transactional activities like budgeting, scheduling, and adherence.

Leaders and managers are vital in organisations. Leaders set direction, establish relationships, and foster a positive work environment, whereas managers manage day-to-day operations, maintain efficiency and enforce policies. For instance, in a multinational company such as Apple, Steve Jobs was a classic example of leadership through innovation and visionary thinking, while Tim Cook, as a manager, streamlined operations, supply chains and logistics (Isaacson, 2011). Within a non-profit environment, a CEO can be a leader,

campaigning for social transformation, while project managers make sure that resources are utilised efficiently in order to accomplish goals.

Leadership and Management Theories

Theories of leadership and management give organisations frameworks through which they can comprehend how to develop, direct and inspire employees effectively. The theories inform leadership styles, decision-making and organisational performance. Three widely accepted theories are Trait Theory, Transformational Leadership and Situational Leadership. they give us insights into good leadership and management practices.

Trait Theory

Trait Theory argues that leaders are born with certain traits that differentiate them from non-leaders (Stogdill, 1948). The theory argues that intelligence, confidence, charisma and decisiveness are the traits needed to be an effective leader (Northouse, 2018). It is assumed that people with these traits are naturally inclined towards leadership and hence leadership is more about who one is than what one does.

In the corporate world, Trait Theory assists companies in determining potential leaders by using personality tests and leadership competency models. For example, Nestlé, an international food and beverage giant, appreciates leaders who demonstrate decisiveness, flexibility and effective communication skills (Nestlé, 2022). Through trait-based leadership development, Nestlé is able to ensure that leaders across levels possess the traits necessary for decision-making and employee motivation.

However, one of the criticisms of Trait Theory is that it ignores the impact of training, experience and organisational culture on leadership success (Zaccaro, 2007). In addition, it fails to recognise the ability to adapt necessary to deal with changing business situations, where the leadership has to be responsive to situational conditions.

Transformational Leadership

Transformational Leadership is concerned with inspiring and motivating the workforce to achieve greater performance and commitment (Bass & Riggio, 2006). Mathias Hansen talks in the interview about how important transparency and trust are in a leader and that is especially true in a transformational leader. Transformational leaders engage in four primary behaviours:

- Idealised Influence – Being role models and imposing high ethical standards.
- Inspirational Motivation – Sharing a powerful vision.
- Intellectual Stimulation – Fostering creativity and innovation.
- Individualised Consideration – Helping employees' personal needs and development.

Transformational Leadership at Nestlé is essential for promoting innovation and sustainability. Leadership at Nestlé prioritises the vision of sustainable development, ensuring business strategies embrace environmental and social responsibility (Nestlé, 2022). Nestlé achieves a culture of high performance and ongoing improvement through prioritising employee engagement and ethical leadership.

Transformational Leadership has a strong effect on organisational effectiveness. Research indicates that transformational leaders motivate employees more, improve job satisfaction and foster organisational innovation (Avolio & Bass, 2004). Transformational leadership, though, demands emotional intelligence and strong personal development, which might not be available to all leaders (Goleman, 2000). Helping on personal development as a transformational leader is really important and not penalising every little mistake “Mistakes are part of learning, and failing is okay as long as we grow from it” (Mathias Hansen 2025)

Situational Leadership

Situational Leadership theory, formulated by Hersey and Blanchard (1969), contends that leadership has no 'one best' way; however, leaders will need to learn to adapt based on the level of employees' readiness and in the particular situation. The four leadership styles presented in the model are:

- Telling (Directive) – Ideal for employees low on competence and confidence.
- Selling (Coaching) – Appropriate for employees requiring advice but who have motivation.
- Participating (Supportive) – Suited for employees with competence but low confidence.
- Delegating – Applied to highly capable and self-directed employees.

Situation leadership is practised by Nestlé in its talent development schemes, varying the leadership style according to the career level and performance of employees. For example, new employees are given formal training (Telling), but mid-level managers are coached (Selling) to improve their leadership capabilities. Experienced and competent senior leaders work in a more independent setup (Delegating).

The adaptability of Situational Leadership renders it very effective in fast-paced business settings since it enables leaders to adapt their style to varying team requirements (Blanchard et al., 2013). Its biggest limitation, however, is that leaders need to have high emotional

intelligence and flexibility since ineffective usage can result in incongruence between leadership style and worker needs.

Impact on Organisational Effectiveness

The application of leadership and management theories plays a critical role in determining how an organisation performs in terms of attaining strategic objectives, creating innovation, and sustaining a successful work culture. In Nestlé, these theories inform leadership development programs, staff engagement strategies and performance management systems.

- Trait Theory assists Nestlé in spotting and developing potential leaders by classifying key personality characteristics that lead to effective leadership.
- Transformational Leadership fosters innovation, employee engagement, and sustainable strategic development, which keeps the company competitive in an ever-changing industry.
- Situational Leadership enables Nestlé's leaders to tailor their style, making sure that employees at various levels get the guidance and freedom necessary to achieve their full potential.

By combining these leadership theories, Nestlé boosts employee satisfaction, decision-making, and organisational resilience as a whole. Strong leadership creates a learning culture and sense of ethical responsibility, critical to sustained success.

Leadership and Management Styles and Decision Making

Leadership and Management Insights: A Comparative Analysis

Leadership is a dynamic and continuously changing profession needing strategic thinking, flexibility and successful people management. From interviews with three senior leaders - Ilmo Hakkarainen, Pekka Helin and Sami Erviö. The analysis examines various leadership styles, motivational and decision-making strategies.

Leadership Styles and Evolution

Ilmo Hakkarainen, Exide Technologies Oy Country Manager, characterises his leadership as flexible but directed, with open communication. He points out that with experience, he became more decisive, especially when employees underperformed. His success is seen in the company's growth and profitability (Hakkarainen, 2025). Pekka Helin, Froneri Finland Commercial Director, practices a transactional leadership approach, with equal parts

strategic vision and direct communication. He also recognises that his leadership style should change with evolving generations of labour and while he needs to learn from more youthful employees than try to establish old methods (Helin, 2025), Sami Erviö also emphasises leadership flexibility based on different work personality and styles in which an outstanding leader should achieve trust and cooperation and also perform well in terms of business (Erviö, 2025).

Decision-Making and Organisational Impact

Successful decision-making is an essential element of leadership. Hakkarainen gauges success in terms of numerical budgets and qualitative targets, reflecting a systematic approach to performance measurement (Hakkarainen, 2025). Helin takes a hybrid approach to decision-making, combining centralised and decentralised systems. He thinks that ultimate decisions lie with the leadership but should be guided by input from employees at various levels of the organisation (Helin, 2025). This supports current leadership paradigms promoting participatory decision-making to enhance organisational commitment (Northouse, 2021).

One of the major challenges emphasised by both Hakkarainen and Helin is managing workforce cuts. Hakkarainen considers laying off staff the hardest part of his job but reiterates that such actions are necessary for the health of an organisation (Hakkarainen, 2025). Helin, on the other hand, refers to outside economic drivers like inflation and changing consumer trends that make decision-making within today's business environment more complex (Helin, 2025).

Employee Motivation and Engagement

Each of the three leaders prioritises motivation as a basis for successful leadership. Hakkarainen is committed to granting autonomy to employees but also to providing clear performance goals. He further highlights the contribution of equitable bonus schemes to ensuring motivation (Hakkarainen, 2025). Helin follows the "lead by example" model, never expecting more from others than he does from himself. He acknowledges the contributions of employees through recognition instead of just depending on monetary rewards, which is in line with Herzberg's theory of motivation (Herzberg, 1968; Helin, 2025). Likewise, Erviö emphasises open communication and empowerment, reiterating that motivation is constructed through trust and purpose (Erviö, 2025).

Key Leadership Challenges and Advice

Contemporary leadership is confronted by a number of challenges, ranging from economic uncertainty to the dynamic nature of workers' expectations. Helin is adamant that leaders

should be in strong accountability while creating a culture of respect and inclusivity (Helin, 2025). Hakkarainen recommends potential leaders to build a profound comprehension of macro and microeconomics, ensure physical health, and adopt optimism (Hakkarainen, 2025). Erviö concurs, noting that self-enhancement on a continuous basis and flexibility are essential characteristics of successful leadership (Erviö, 2025).

The findings that have been collected from the above-mentioned leaders capture the richness and dynamism of leadership. Although styles of leadership differ, there are some universal themes: the requirement for flexibility, open decision-making and a very strong focus on motivation and participation. As companies face economic and societal shifts, their leaders need to be adaptable and receptive to ongoing learning, underpinning the observation that leadership is as much about individual development as it is about company success.

Influence of Leadership and Management Styles on Organisational Culture

Organisational culture involves shared values, beliefs and practices that outline a company's work environment and impact employee conduct (Schein, 2017). Organisational culture is influenced by leadership and management approaches, which have an essential role to play in setting how employees interact, make choices, and bring about business success (Runde and Torbert, 2017).

Organisational Culture and Its Development

Organisational culture emerges from leadership vision, company policy and employee relationships. Edgar Schein's (2017) organisational culture model identifies three levels: artifacts (observable structures and processes), espoused values (philosophy and strategies), and underlying assumptions (unconscious theories). Leadership is responsible for anchoring these aspects through setting expectations, rewarding company value-aligned behaviors and creating a culture of trust and participation (Kotter & Heskett, 2011). A robust culture boosts employee commitment, lowers turnover, and enhances overall business performance.

Impact of Leadership Styles on Organisational Culture and Performance

Various leadership styles impact organisational culture differently. Transformational leadership, which is concerned with motivating and inspiring employees, creates a culture of innovation and engagement (Bass, 1990). This style of leadership inspires employees to adopt the company's vision, be proactive, and make creative contributions to solving

problems. Transactional leadership, on the other hand, is concerned with structure, performance rewards, and well-defined hierarchies. Although this can produce a culture of efficiency and accountability, it can also stifle flexibility and innovation (Burns, 1978).

Autocratic leadership is likely to create a strict, hierarchical culture where employees are not consulted in decision-making. Although it can work well in crisis situations or when in highly regulated businesses, it may cause disengagement and poor morale (Goleman, 2000). Democratic leadership creates an open culture, promotes collaboration and sharing of knowledge, enhancing problem-solving and agility (Northouse, 2021).

Comparisons Across Different Business Environments

Leadership styles have to be modified in various business environments to be in line with the culture. In industries that involve advanced technology, innovation is key and transformational and democratic styles of leadership are most commonly found, as they encourage an environment of innovation and responsiveness (Bass, 1990). Transactional style of leadership can suit manufacturing industries to ensure that processes are efficient and standardised (Kotter & Heskett, 2011).

Cross-cultural leadership is important in multinational companies to support mixed workforces. Organisations working within hierarchical cultures like Japan might need a more organised leadership style, while organisations based in Scandinavian nations tend to employ a flatter, democratic form of leadership in order to support equality and the independence of workers (Hofstede, 2001).

In summary, leadership and management styles have a profound impact on organisational culture, defining workplace dynamics, employee engagement, and overall performance. Successful leaders know their business environment and modify their style to create a culture that supports strategic objectives.

Conclusion

This report emphasises the deep impact of management and leadership styles on organisational culture. Robust organisational culture, which is led by leadership vision and is shaped by management practices, encourages employee engagement, innovation, and business success (Schein, 2017). Transformational leadership encourages a culture of motivation and creativity, while transactional leadership establishes structure and effectiveness (Bass, 1990). Autocratic leadership, though powerful in crisis situations, can eliminate employee autonomy, while democratic leadership encourages collaboration and flexibility (Northouse, 2021).

A close scrutiny of leadership styles demonstrates that none of them can be applied to all situations. Leadership style effectiveness varies based on the nature of the business setting, industry demands, and organisational labour (Kotter & Heskett, 2011). For example, technological companies enjoy transformational leadership, whereas industries such as manufacturing may need sequential, transactional leadership. Further, in globalised organisations, cross-cultural awareness in leadership becomes a must in creating a collaborative and productive workforce (Hofstede, 2001).

To maximise organisational culture, managers ought to be situationally adaptable to suit the intentions of their businesses. Some best practices include making communication open, involving employees in decision-making processes and complementing innovation with structure. Adding leadership development courses can further allow managers to enact positive cultural transformations.

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Appendices

Appendix A

Interviewer = Sampo Jokinen

Interviewee = Mathias Søre Hansen

Interview conducted by phone and transcribed using Descript

1. How would you describe your leadership style, and has it been effective in your work?

I think that, as a person, I believe in trust and what we call freedom under responsibility. I think it's important that people are happy, and as a leader, the most important thing you can do is support—help people, not tell them what to do, but give them the best tools to make the best decisions.

Before I was in my current position, I led a team of around 15 in an American corporation, which had a very different culture compared to the business I am in today. That was a top-down management style, where everyone had a predefined function and was told what to do. If something wasn't correct, it was primarily about blame rather than support. The communication chain was very efficient, but as long as you reached your targets, no one really cared about anything else. However, if there was a problem, the focus was on identifying underperformance rather than helping to improve it.

This led to high employee turnover, though people who stayed remained for long periods. There was a lot of sickness, and people performed only under pressure—there was no real motivation. In general, workplace morale was not high. I don't think that style of leadership is very effective or sustainable.

Luckily, the company I work for today has a very different, people-centric culture. When I was in my bachelor's program, I met Pekka Vauramo, and I asked him if he had one piece of advice for someone starting their career. He told me, "It's all about people. Everything we do in business is about people." That is the best advice I've ever received, and it's something I have tried to live by.

Now, I work in insurance, which impacts people's lives when they need it most. In this business, the way we work is all about people. As a leader, I think it's important to recognise your strengths but also your limitations. You don't have to know everything—it's good to surround yourself with people who have expertise in different areas and whom you can rely on when needed. Interviewer: I think that's a great perspective because you described your previous position

as being based on fear—the idea that you must perform or risk getting fired. But when you focus on people, the results are usually much better.

Interviewee: Exactly, exactly. Because we're all human, and we can't always force productivity. If people feel afraid, they'll do the bare minimum to get by, but nothing more. Now, we have a culture where people have the freedom and mandate to take initiative. If they do something beyond expectations, it's rewarded and acknowledged in the company. That creates a really healthy culture. We don't constantly monitor what employees are doing, but we've seen really low sickness levels, high motivation, and employees coming up with new solutions because they have the freedom to think creatively.

In business development, sometimes things don't work, but sometimes they work really well. There's no predetermined outcome, but if you foster a culture of psychological safety—where it's okay to try new things—then you can challenge the status quo and drive real change.

2. How do you motivate your team to achieve goals when you have tight deadlines?

Good question. That's a tough one because every situation is different—I don't think there's a universal golden rule.

I believe it all comes back to communication and transparency. If there's an important deadline, I think it's crucial to not only communicate that the deadline exists but also why it's important. Explaining the value of a project—what it means to the company and why it matters—can be a great motivator.

As a leader, you also need to help with prioritisation. In my field, we often have multiple projects running simultaneously, so I need to determine what's most important. I'll ask my team, "What can we deprioritise or postpone?" If something is truly critical, I need to ask,

"How can I help you achieve this?" It's important to be flexible and strategic about how we use our available hours.

3. Have you ever had conflicts between team members, and how have you handled them?

Yes, though not in my current role. Fortunately, we have a good culture here. But in my previous roles—especially in environments with strict performance targets—conflicts were more common.

One of the biggest challenges I experienced was a disconnect between leadership and day-to-day employees. Leadership would set strict performance goals without fully understanding the challenges employees faced.

For example, in a business process outsourcing (BPO) company I worked for, we provided customer service for a large European fashion brand. The company continually increased performance targets, and some employees struggled to keep up—particularly those who were more focused on quality rather than speed.

There was conflict between employees responsible for quality control and those who handled direct customer interactions. One employee might flag another for not meeting quality standards, while the other would argue that they were prioritising speed, as required. Both were technically right, but their perspectives clashed.

As a leader, I saw my role as a mediator. I would sit with both employees and try to help them understand the situation from the other's perspective. My goal was to facilitate communication and highlight the pros and cons of both approaches. By creating understanding, we were often able to resolve conflicts more effectively.

4. How do you provide constructive feedback, especially when an employee underperforms?

I think constructive feedback should be built on a foundation of trust, transparency, and motivation. Mistakes are part of learning, and failing is okay as long as we grow from it. One thing my current company does is an annual feedback exercise where we ask stakeholders to provide three things we're doing well and one thing we could improve. Then, we have discussions about it, which creates a culture of continuous learning.

When I give feedback, I always start with something positive. Then, if there's a performance issue, I'll say:

"I've noticed that [specific issue] hasn't met expectations. Can you explain how you perceive this? Is there a reason behind it?"

I also ask if there are any external factors affecting performance—sometimes, personal circumstances play a role. My priority is to offer support rather than just criticise. After discussing the issue, we agree on a plan for improvement and document it for follow-up.

5. How do you ensure your team's decisions align with company values and ethics?

That depends on company culture. In my current company, alignment comes naturally because our values focus on people first. We often discuss strategy and priorities through the lens of customer experience and employee well-being.

However, in my previous role, the culture didn't align with my values, which was difficult. The focus there was on performance first, and people second. That's ultimately why I left—I realised I couldn't be in a role where I wasn't aligned with the company's values.

6. What have been the biggest challenges that shaped you as a leader?

One of the biggest lessons I've learned is planning for the unplannable.

In business development, things rarely go exactly as expected. I used to be overly optimistic about timelines, which led to dilemmas: should my team work overtime to meet deadlines, or should we delay and disappoint the client? Now, I always budget time for unexpected obstacles. This prevents unnecessary stress and ultimately leads to better results. If we finish early, great—our clients are extra happy. If delays occur, we're already prepared.

7. What advice would you give to someone aspiring to be a leader?

First, ask yourself: Why do I want to be a leader? If your answer is, "I want to help people grow and succeed," then you're on the right path. Leadership is all about people.

Be curious. Ask questions. Try to understand why people behave the way they do. The better you understand people, the better leader you'll be.

Appendix B

- I have used ai to transcribe the interview using descript that I had done over the phone and used ai for the first version of the reports structure.