

5 Leadership Styles

While all small-business owners have their own particular method of inspiring employees, most use one or more of the following five leadership styles. Identifying how you lead can help you more effectively run your company. Which of the following leadership styles sounds most like you?

1. Participative

Also known as democratic leadership, the participative leadership style focuses on culling opinions from all employees in order to make a decision that reflects the majority's opinion and desires. While the leader offers guidance and support, the decisions are primarily consensual among all involved, and the leader makes final decisions based on the majority's vote.

The participative leadership style is particularly useful if the leader wishes to encourage participation and agreement among employees. This democratic method does not work well, however, if the leader must make a quick decision.

2. Authoritarian

Authoritative leaders inform employees of a common vision and goal for the company and detail employee responsibilities designed to make reaching that goal a reality. There is a clear division between employees and the employer, and the employees are clear on the desired result. They are often given guidelines but allowed to fulfill their obligations as they see fit.

The authoritarian style is particularly useful for those leaders who tend to know more than their employees, and it works best when there is no time for group decision-making. If employees are particularly talented and experienced in their own right, this leadership style can be limiting and stifling for them.

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3. Laissez-Faire

In French, the term *laissez-faire* means "let it be," which best describes this leadership style. Such a method involves leaders delegating decision-making and tasks. They keep abreast of what is occurring in the company and are available when advice and input are needed, but take a hands-off approach and let the employees work on their own.

This leadership style can work if the employees are self-motivated, and under the right circumstances this type of management breeds creativity and job satisfaction. Laissez-faire is also the best option when employees work remotely. The lack of direction this type of leadership offers does not work for every company or employee. It can lead to poor performance and lack of motivation.

4. Transformational

The transformational leadership style focuses on the leader that actively communicates with employees to motivate them to increase productivity and efficiency. The leader focuses on the big picture for the company, such as corporate goals—leaving the day-to-day details to management.

Transformational leaders are inspiring, because they expect the best from their employees and themselves, which leads to productive and positive working environments. For this type of leadership to work, it's critical that there are also detail-oriented individuals on the team who can see to the more practical aspects of running a business.

5. Servant

As the name implies, servant leaders tend to stay out of the limelight, often leading from behind and allowing the focus to be on the employees. Such leaders make service a top priority and often highly value integrity and generosity. Decision-making tends to be a group effort in such environments.

The servant leadership model tends to work well for organizations such as nonprofits that are committed to a particular cause, because the mission becomes the center of attention. Such a leadership model does not work for all types of businesses—especially those with tight deadlines.

Given the benefits of the various leadership styles, it makes sense for small-business owners to adopt traits from each style. The best leaders keep their eye on the corporate vision and shape their leadership styles to their corporate culture.

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