

# 6 Leadership Styles - Which One Is Best For Your Business?

5 min read



## Key Takeaways

- **70% of the variance** between bad and great cultures can be found in the skillset and talent *not* of the team members, but the team leader.
- This makes it critical to develop a leadership style that works best for you and your business. Different businesses may require a certain type of leadership style in order to thrive.
- For fast-growing and small businesses, the Visionary leadership method may be sufficient because it focuses on employee relationships, whereas a Transactional leadership style may be better for slightly larger businesses.

**Which management style will fuel growth in your business?**

A [recent, breakthrough Gallup](#) study found that **leadership style is the single most important factor** in determining whether your business's work culture is bad, good or great.

On top of that, 70% of the variance between bad and great cultures can be found in the skillset and talent not of the team members, but the team leader.

People are your biggest asset. Finding an effective leadership style that works best for you and your team is critical in driving your business to success.

Here are the pros and cons of the 5 most common leadership styles to help you determine which leadership style is best fit for your business.

### **Visionary Leader**

A visionary leader is focused on unifying their team to work to a common goal. They focus on **inspiring** employees and establishing a strong organizational bond around their mission.

This hands-off leadership approach does not usually outline specific expectations, but focuses on the goal of the company as a whole. Instead, visionary leaders encourage their employees to find their own way of doing things.

This type of leadership is **most successful for fast-growing, smaller organizations.**

#### **Pros:**

- A more motivated, driven team escalates company growth.
- Employees feel they are a part of something larger than themselves, leading to greater job satisfaction.
- Visionary leaders foster creativity for employees as they find new solutions.

#### **Cons:**

- Visionary leaders may miss important details because they are too focused on the bigger picture.
- May cause challenges and "speed-bumps" in the day to day operations of the company.

### **Autocratic Leader**

The "bossy" boss.

The Autocratic Leadership style is defined by someone who directs decision making without consulting other team members. Team members' opinions are not encouraged, but their obedience is required. Employees are expected to comply with a decision at a timeline determined by the leader.

There is often little autonomy in the team, as the **autocratic leaders will make decisions on their own** without consulting the group.

**Pros:**

- Less group input leads to quick decision making.
- Direct communication enables employee productivity through delegation.
- Reduces employee stress because the leader makes decisions on his/her own.

**Cons:**

- Lack of employee engagement can lead to high levels of staff turnover.
- Low employee satisfaction: most organizations can't sustain such a hegemonic culture.
- Tends to be stressful for the leaders, as they are now bearing all the weight of decision making.

## **Laissez- Faire Leader**

On the contrary to Autocratic, the Laissez-faire leadership is one of the most lax management styles. A Laissez-faire leader will delegate tasks to team members and give their team members free range on how they do their work. They provide resources and support, but otherwise, have very little involvement and supervision.

This particular form of leadership is **best suited for highly experienced, well trained team members**.

Managers will have more time to spend on their own projects and trust adequate work will be completed without micromanaging their team members.

**Pros:**

- Encourages accountability and creativity in the workplace.
- Creates a relaxed work environment.
- Content staff increases employee retention.

**Cons:**

- Not suitable for new employees who need guidance and hands-on support.

- This leadership style can lack structure, which may cause roadblocks to reaching company goals.

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## **Democratic Leader**

In a democratic leadership style, team members are heavily involved in the decision-making process. A democratic leader will even wait to reach a consensus until every employee's opinion has been taken into account. Ultimately, the leader has the final say, but the team's input is always considered.

Democratic leadership is one of the most common and effective leadership styles because it **encourages engagement from all staff members, including lower-level employees.**

### **Pros:**

- Fosters employee engagement. Employees feel motivated to participate in decision-making.
- Has the highest satisfaction and produces productive employees.
- Leaders get diverse perspectives to consider before making an ultimate decision.

### **Cons:**

- Time consuming decision making process.
- Some employees may not have the expertise or experience to make a well informed decision, hurting the companies' progress.

## **Coach-style Leader**

A coaching leadership style focuses on unlocking each employee's potential by nurturing and focusing on an individual's strength. A coach leader believes everyone has power within themselves and they make it their mission to uncover this talent.

This style is similar to the democratic leadership, but puts a **heavy emphasis on the development and growth of individual employees.**

Typically, leaders with a coaching style will build teams with individuals with different skill sets and emphasize team communication building.

### **Pros:**

- Positive in nature and promotes the development of new skills for individual employees.
- One on one relationships Increases over employee engagement.

**Cons:**

- This is one of the most time consuming leadership styles. Team leaders have to take a good amount of time to foster and develop employees
- Not suited for a fast-paced environment with time-sensitive priorities and deadlines.

## Transactional

The transactional leadership style is rooted in the principle that “[work is a transaction](#)”- assuming all employees are motivated by one structured reward system. A good example of this is commission based structure: employees are rewarded upon the work that they do.

Because of this, transactional leaders are not involved in managing the emotional needs of employees- they are strictly focused on producing results. This result-focused management method is **best suited for self-motivated employees**.

**Pros:**

- Has very clear and established roles in the workplace.
- Recognition and reward may lead to employee engagement, and in turn customer satisfaction.

**Cons:**

- Lack of emotional connection with employees may lead to low job satisfaction.
- Lack of creative thinking: leaders tend to disregard ideas that do not fit the current roadmap to the goal.

If leaders can focus on what they do best, their business will be successful. Outsourcing is one way to free up your plate so that you can focus on what matters: **your people and your mission**. Your company and leadership skills will benefit from the powers of an outsourced accounting department at a fraction of the cost of maintaining an in-house department. A smart back office will allow you to improve cash flow, increase profits and ultimately achieve success as CEO.

## In Summary

Leadership style is not a “one-size fit all”- every business is different, and it’s important to develop a leadership style that works for you, your employees and your business goals.

**If leaders can focus on what they do best, their business will be successful.**



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