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# Laissez-Faire Leadership: A Contradiction in Terms or a Legitimate Style of Management?

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<p>This research examines if laissez-faire leadership is a usable leadership style; how laissez-faire leadership affects employee motivation and how its weaknesses can be mitigated by using multiple leadership styles. The focus is on the impact of laissez-faire management on employees and how to address its weaknesses in practice. The study will use both primary and secondary data collection, including different articles on the topic and interviews with a large Finnish company. The topic is important given the increase in remote work and the need for leaders to motivate employees during uncertain times. Different theories will be introduced in this work in addition to laissez-faire, such as managing by exception, contingent rewarding, and reinforcement theory. It has been noted that laissez-faire leadership can be effective, and its weaknesses can be overcome when combined with other leadership styles. Tangible and intangible rewards, including contingent rewards, can be used to motivate employees. In addition, remote work, which has become more popular due to the Covid-19 pandemic, can also increase work motivation, and give employees room for personal growth, creativity, and autonomy. In conclusion, combining laissez-faire leadership with other styles is recommended. Using multiple leadership styles can be effective and positively impact motivation. Therefore, the thesis question "Laissez-Faire Leadership: A Contradiction in Terms or a Legitimate Style of Management?" answers in favour of the former, and that laissez-faire management should be combined with other management and leadership theories for a legitimate and effective leadership style.</p>	
Keywords	Laissez-faire, managing by exception, contingent rewarding, motivation, reinforcement

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## **1 Introduction**

This research aims to find out how laissez-faire leadership affects employee motivation and how its weaknesses can be overcome, by for example using more than one leadership style. The main research question relates to the impact of laissez-faire management on employee motivation. A related, more general issue concerns any weaknesses associated with laissez-faire management in practice, and how these might be overcome or mitigated. Is laissez-faire leadership style actually usable or only viable with other concepts. The research will be conducted using both secondary and primary data collection. Secondary research will be done by looking into more detail about the leadership style and reading publications and other articles related to the topic and topics around it. Primary research will be done in a form of a few interviews. The interviews will be conducted in a large Finnish company.

There are many reasons why this topic is interesting. Some companies are forcing people to return to their offices for several reasons while others are allowing their employees to work remotely. It has been argued whether remote work has any benefits, which we also investigate a little. In this research, we will focus on the companies that offer remote work because of the nature of laissez-faire leadership. Moreover, because of the new way of working, leaders need to keep employees motivated during uncertain times.

The laissez-faire leadership style is a more hands-off approach when it comes to the employer and employee relationship. Employees are left alone to do their work and to solve problems related to that. Motivation significantly impacts the employee's productivity, which is why this topic is also interesting to look at. To link laissez-faire and motivation this research will also introduce the reinforcement theory as a positive motivator tool.

Furthermore, this topic is particularly important because many people started their work during the pandemic. They simply went to get their laptops from the office and moved straight to remote work. When a company uses mostly laissez-faire leadership style it is interesting to see how this affects employee motivation and what was the difference between inexperienced and experienced employees. These questions are the main reason this research also includes qualitative research in the form of interviews. It is interesting to receive statements and feedback from a supervisor and an employee who have first-hand experience of this topic.

Moreover, it is an important research topic because of the changed working life due to remote work, which has been extremely popular due to Covid-19. It is quite common now for knowledge workers to work more remotely and independently. Knowledge workers are for example accountants, researchers, and lawyers; they need to think for their living. The literature review of this research will investigate the topic with the help of the following keywords: laissez-faire, the future of work, managing by exception, and motivation. These topics are necessary to understand the research issue and to be able to explore it more deeply.

## 2 Literature review

### 2.1 Laissez-faire leadership style

The laissez-faire leadership style is also sometimes known as the delegative leadership style. The theory suggests that employees should be left alone in their work and independently solve work-related problems. Employers who apply this leadership style believe that the employees are capable to manage their tasks including projects, deadlines, and other issues that may arise. While this style implicates a "hands-off" approach it is common to provide some instruction at the beginning of a project, but then allow the employees to do their tasks with just a little supervision. The employees can use their experience and creativity more easily and plan the work how they see it.

In today's fast-paced and ever-changing world, laissez-faire leadership is more important than ever. Laissez-faire leaders are those who allow their team to be creative and autonomous, giving them the freedom to make decisions and take action. (Khan 2022).

To make the laissez-faire leadership style more successful, leaders can check on employees' performance and have feedback sessions, such as monthly discussions. Moreover, good leaders can recognize when this type of leadership style is effective and good to use. There can be many kinds of employees in one team when this type of recognition is needed.

Some examples of different settings for laissez-faire leadership style:

- In school: the teacher observes the classroom but gives a free hand over its activities. There can even be a lack of discipline in the classroom. This might work well with older students when they know how to behave, for example in a high school or a university.
- At work: supervisors let the employees make decisions and may even let them set their deadlines. This might succeed in project work when the employees are experienced.

Some famous leaders are considered laissez-faire leaders. One notable example is Andrew Mellon. He was a banker, innovator, businessman, and investor from the United States. Mellon is a typical example of a 20th-century laissez-faire leader from America. He helped to build the great manufacturing industries including oil, steel, and aluminium refineries. He believed in selecting talented experts to run businesses as opposed to doing it by himself. He gave the managers all the trust to run and expand his businesses. In addition, Mellon was known to oppose government interventions and other regulations such as tariffs. (Miller, 2019)

### **2.1.1 Strengths of laissez-faire leadership**

Research conducted by Yang (2015) suggests that the laissez-faire leadership style might be the best in some fields of work. For instance, in creative working environments. Typically, in more creative work environments, people tend to be highly inspired, motivated, and dedicated to their work. For example, a delegative leader might work amazingly in a product design field. Because team members are professionally trained and creative, they only require some direct management from their supervisors. Instead, a successful leader can provide minimum supervision and direction and still produce high-quality, five-star results. Laissez-faire and creativity have been linked many times with various sources (Cherry 2022, Lee 2020).



### 2.1.2 Advantages and disadvantages/Debates

Some sources (for example, Al-Malki and Juan, 2018) argue that there are advantages and disadvantages to the usage of laissez-faire leadership. Moreover, there are some extremely negative associations between employees and a laissez-faire leadership style including stress and demotivation. Some consider laissez-faire non-strategic or even absent leadership. "Researchers have found that this is generally the leadership style that leads to the lowest productivity among group members" (Cherry 2022). As in every leadership style also this can have benefits as well as downsides. Different views on the topic give a more accurate view, making it easier to stay objective.

There are many advantages to discuss when it comes to laissez-faire leadership. It gives employees room for personal growth, creativity, innovation, team strength, and autonomy. Furthermore, it is believed that with laissez-faire comes higher retention, a more relaxed company culture, and a creative working environment. (Western Governors University, 2020)

On the other hand, it can lead to low confidence in new teams, it does not always fit, and employees will be given a lot of responsibility as well as a feeling of indifference. Employees can sense a lack of structure, as well as a lack of support, and the supervisors can be seen as uninvolved in the work. There are debates about whether this leadership style should be used or not. (Western Governors University, 2020)

In some situations, as said before, employees feel a lack of structure and role clarity. There might be some uncertainty with roles in a team because there is little to no guidance. What are they supposed to do and when is the right time. Moreover, there can be low involvement with the group since laissez-faire leaders are sometimes seen as disengaged. It can also lead to a feeling of a lack of cohesiveness within the group. Moreover, it is known that people tend to pick up habits, manners, and patterns from others. It is a psychological phenomenon that we all experience in our lives. (F. Lee, 2018) In this case, employees register the withdrawn expression and express less motivation towards the project.

In big organizations and government branches that deal with a lot of bureaucracy, a laissez-faire leadership style might offer them more rapid decision-making. There is no micromanagement, employees have the independence to make their own decisions. They can speed up the process without waiting days, weeks, or months for an approval process.

To be able to have all these benefits from laissez-faire there must be certain preconditions. For example, the team needs to be highly skilled, experienced employees and most importantly they need to be capable to work on their own. "This style is particularly effective in situations where group members are more knowledgeable than the group's leader" (Cherry 2022).

When researching the topic of laissez-faire leadership, notably, more recent articles have a better outlook on the leadership style and older articles and research have far more negative ones. Newer work on this topic has realized the importance of this leadership style for today's world and its challenges. This can be noted from this research since it has been based on more recent publications. On the other hand, when looking at older articles the outlook is negative. For example, an older article states that "Correlation for management by exception is low and often negative, if significant at all. Laissez-Faire leadership is significantly negatively related to the outcome measures" (Greyer and Steyrer, 1998).

In the worst-case scenario, laissez-faire leadership represents insensitivity or even complete avoidance of true leadership. The leader represents passivity at its worst. In these types of situations, the leaders make no effort in trying to motivate the employees, they do not recognize the effort the employees make, and they make no effort in involving themselves with the employees, and the team. However, it is unclear if these severe cases exist; if they did, it is unlikely they would survive long.

If team members are unfamiliar with the processes or tasks, leaders are better off taking a more firsthand approach. They can change back to a more delegative approach when the team members obtain more experience. Moreover, the leadership style can change among the group as well. Truly a good leader will recognize what is needed for every employee.

## 2.2 Future of work – the impact of Covid-19

Digitalization and globalization have sparked radical shifts in our lives and work. The coronavirus (Covid-19) crisis has accelerated these beyond anything we could have imagined. Technology and internet access have allowed many of us to continue our jobs at home during the pandemic. (OECD n.d.).

While Big Tech companies were quick to send their workers home at the onset of the pandemic, the sector has been markedly less decisive in calling everybody back over concerns that it could trigger an exodus of top talent (D. Lee 2022: 2).

The study conducted by Leadership Circle suggests that the corona pandemic has influenced all areas of our daily lives, including management. Leaders recognize better that for example agility and flexibility are no longer "nice-to-haves," but vital to employee morale, business operations, and sustaining a healthy work-life balance. Effective leadership is like a muscle that needs to be trained and developed. The *Financial Times* article by Lee, D (2022) supports this statement, and employees appear to be noticing that.

Managers have adopted different leadership approaches depending on their leadership levels. For example, senior management focused more on the ability to adapt on the whim while middle management focused on understanding others. Moreover, many leaders have noticed that their leadership has improved during the pandemic. Something that this specific study found out was that the greatest learning was related to the need to stay flexible, adapt to situations, actively engage with others, and understand what others are going through.

In the fall of 2022, some big tech companies were forcing their employees to come back to their offices. For example, Apple demanded their employees be back at the office three times a week. Other companies are coming entirely in a new direction, letting people work from home full-time and saving their office footprint. A study conducted by *Forbes* (McAdams, 2022) suggests that being flexible and letting people work remotely employees are happier. It also points out the fact that companies might have difficulties, later, recruiting employees because of the lack of remote work. It makes the companies appear harder to work with. This merely means that companies should be more flexible and let people also manage themselves, which goes nicely together with laissez-faire leadership.

### **2.2.1 Remote work then and now**

There has been some way of remote work for a long time. Occupation workers like tailors, and blacksmiths, would start a shop in their own houses and work from there. The concept of remote work dates back several centuries but its earliest forms differ significantly from what we currently know. Following the Industrial Revolution, remote work underwent a transformation. With the emergence of industries, workers were required to be present on-site, especially for operating production cells. This gave rise to the term "commuting to work" (Gupta, 2023).

Modern remote work practices came into use in 1999, even before personal computers became ubiquitous. "In 1979 five IBM employees were allowed to work from home as an experiment. By 1983, the count rose to 2000. JC Penny gave its call centre staff the option to work from home." (Gupta, 2023). In 1999, "garage start-ups" such as Amazon started to emerge. These businesses were typically founded by financially constrained college students or former corporate employees seeking to start their own ventures without the resources to afford an office or administration.

Many of today's well-established and best-known entrepreneurs worked from their homes, lofts, and garages until they got investors. In addition, fighting climate change supported the idea of remote working because the pollution levels decreased notably. By the 21st century, the demand and need for remote work recommendations for companies were acknowledged. Remote work nowadays is highly popular due to covid-19 but also due to many other reasons such as flexibility, and technology. When it comes to technology, some decades ago when the internet was still in its early stage, nowadays even young children usually know how to connect to Wi-Fi. Access to cloud computing and remote meetings have taken flexibly working to a new level. Now, businesses can hire employees living in different countries, and everyone can work together (Consultport, 2021).

The pandemic has had its effects on a lot of businesses adopting the remote or hybrid working culture. Furthermore, those companies that have not offered remote work options have been starting to do so. This new turn is assumable going to create "the future of remote working" because everyone is aware that productivity isn't dependent on the locations of the employees. "Home working led to a 13% performance increase" (Stanford Graduate School of Business, 2013).

### **2.2.2 Effects of remote work**

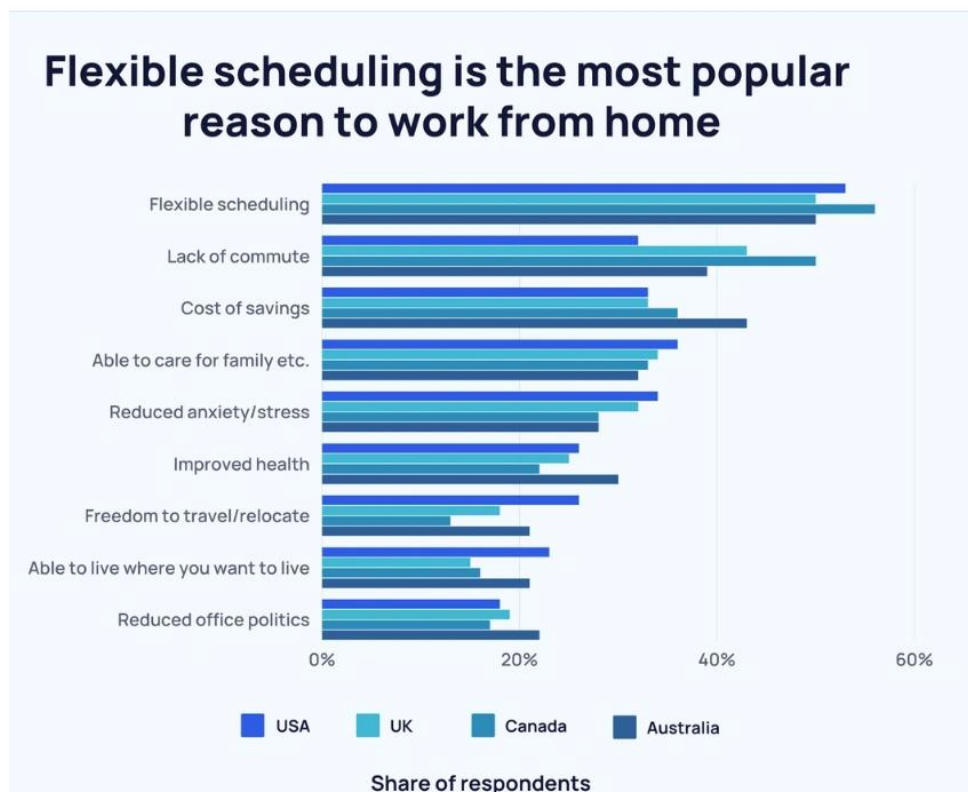
Many aspects of the laissez-faire leadership style support remote work. Leaders trust employees to get things done without a lot of supervision. Remote work is exactly that. There are many reasons companies are promoting employees to get back to the offices, such as brainstorming, knowledge sharing, and human interactions but we should also consider the positive effects of remote work. The benefits from remote work can be as good for employees as they are for the employer.

Working remotely has many different positive sides such as employee motivation, and an increase in productivity. We must also keep in mind that remote work does not only apply to employees working from home, but it also includes other employees such as freelancers and international workers. The most obvious benefit of working from home is the freedom and flexibility for employees. Employees appreciate their freedom because it helps them to manage their work and home life better. In some companies employees can attend for example their medical appointment, etc., without always asking for

permission. It builds trust and gives better job satisfaction when the employer allows this kind of freedom.

In addition, remote work saves money and time. For some employees going to work can be expensive – especially considering the inflation we are experiencing in late 2022 and early 2023 – for example, travel costs, parking, lunch, coffee, and the list goes on. When you do not have a commute to work it can save even hours for some employees. Moreover, they do not have to take as many work trips to other countries because remote meetings are normal nowadays. This saves time and is more cost-efficient for the employee and the employer. When working remotely it is possible to work from anywhere with internet access whether it's from home, from your cabin, or from abroad. Moreover, employees can choose a place where they can work in peace and quiet. Traditional offices tend to be noisy sometimes which might affect some employees' work. Working from for example home can allow the employee to think more creatively and increase their productivity. All of these benefits can increase employees' health and happiness. (Herman, n.d.)

Figure 1 reasons for remote work (GitLab 2020)



### **2.3 Transactional leadership**

Transactional leadership, which is also known as managerial leadership, is a leadership style in which managers depend on rewards and penalties to attain the best possible work performance from their employees. The manager rewards employees who perform and complete the tasks to the desired levels and outcomes then punishes employees who do not perform to those set standards. This type of leadership style emphasizes the importance of structure, organization, supervision, performance, and outcomes. Moreover, laissez-faire leaders can use this reward system as a tool to motivate their employees. However, laissez-faire leaders give little to no feedback to their employees, whereas transactional leaders focus on giving negative as well as positive feedback to them (Lutkevich, 2022).

A good example of transactional leadership is an athletic team. The team relies on the practice of transactional leadership. For example, ice hockey players are expected to obey the team's rules and expectations and are rewarded or punished based on their performance. Winning a game usually means bonuses while losing a game could lead to rejection and verbal castigation. Transactional leaders tell their group what to do and when to do it. This is the total opposite of the laissez-faire leadership style.

### **2.4 Managing by Exception**

Managing by exception is a leadership method where employees are encouraged to bring out only the major concerns to their managers. This allows the company's managers to focus on the most important tasks (Indeed Career Guide, 2023). For example, an employee who surveils the company's finances may only need to notify their supervisor if the account drops under a certain amount. In its simplicity, "as long as things are going fine or according to the plan, leave the managers alone" (Dekker and Woods 1999). This way of managing enables experts to work independently and generates time for supervisors to manage more critical matters than regular daily operations.

Managing by exception is one of the transactional leadership styles. "Transactional leadership refers to the exchange relationship between leader and follower to meet their self-interests" (Shrestha and Mishra, n.d.: 2). It can be active or passive; for this research question, the concentration will be the passive form. Passive leadership involves a leader who practices passive managing-by-exception, waiting for issues to arise before potentially taking corrective measures. Alternatively, the leader may exhibit a laissez-faire approach and avoid taking action altogether. The difficulty with managing by exception is to determine the point when asking for assistance from higher management.

The small difference between these two methods is that passive managing by exception avoids taking actions until the problem can no longer be ignored whereas laissez-faire leadership is defined as more absent leadership altogether. Managing by exception is associated for example with delegation, analysis, and common goals which are also known for the laissez-faire leadership style at least to some extent, as written before.

Laissez-faire leadership, also known as the avoidance of leadership, can be described as "does not interfere, if possible," and "takes no correction moves even when issues become chronic". It has been linked multiple times with dissatisfaction, dispute, and inadequacy. On the other hand, it incorporated a few features that were suggesting more positive empowerment, such as "I am allowed to decide on things about which I am the professional." Empowerment by the employer implied giving employees freedom but giving it with purpose and interest in what was delegated.



### 2.4.1 Contingent rewarding

Transactional leadership consists of contingent rewards also referred to as constructive transactions, and management-by-exception. Contingent rewarding means providing feedback, setting goals, and rewarding behaviour. Sometimes it is associated more with transformational leadership, but as discussed before it can be linked also with laissez-faire and managing by exception. The idea of the reward is to motivate employees and better their job satisfaction and engagement.

The contingent reward system is a motivation-based approach that rewards individuals who achieve their goals. It offers positive reinforcement to employees who perform their work effectively (Smith, n.d.). A contingent reward is a simple approach to rewarding employees depending on job achievements and results. Some of the contingent rewards are bonuses, promotions, recognition, and appreciation. For example, an employee earns a fixed commission on how much they sell. A salesperson might get 15 percent of the revenue sold (Lindberg, 2022).

There are two types of rewards – tangible and intangible – when discussing rewarding employees. Tangible rewards are concrete and visible, easily measurable, such as money or vacation. Tangible rewards are designed for employees to go above and beyond in their work. They can be direct, such as bonuses, or indirect, such as health insurance. Intangible rewards are non-material and low-value rewards, such as a diploma from the employee's service years. Usually, companies use both types of reward schemes, as their combination makes the organization more successful and employees happier (AIHR, n.d.).

## 2.5 Management by Objectives

“Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees” (Hayes, 2022).

This management style has been designed to align the companies’ objectives and increase employee commitment which leads to better communication between the supervisor and the employees. Management by objectives applies a set of objective standards against which to determine a company's and its individual employees’ performance. Managers can determine difficulty areas and improve efficiency by studying the true productivity against a given set of standards. Both management and workers have agreed and set these standards and objectives.

A typical example of managing by objectives is when a company agrees to increase customer satisfaction by 10% while reducing customer support time by one minute. Now they have to find out how to achieve these goals. When this has been agreed on it is time to get the employees on board and monitor the progress and give feedback. Those employees who meet the target and do great work are rewarded.

The problem with this type of management is that it is only focused on the goals and targets. Other important aspects such as corporate culture get often ignored. This management style can be linked to managing by exception: when the employee performs well they will get rewarded. The difference between these two managing styles is that in management by exception, management only addresses occasions where the set of objectives has been ignored or broken. This means that the employees are left alone until the objectives are met. Whereas in the MBO system the management is supporting the employees more and they are given feedback (Hayes, 2022).

## 2.6 Motivation

Motivation is a want to act in service to reach a certain goal. It can be school, work, or even a pastime activity. It is a particularly essential element to setting and keeping in with our objectives and priorities. It drives a person to perform a task. There are different types of motivation: intrinsic motivation (or internal motivation) and extrinsic motivation (or external motivation). Intrinsic motivation comes from inside a person. It refers to an act you do for yourself because it aligns with your interests, passions, or personal values. The rewards come internally, like a feeling of relief or success. Extrinsic motivation refers to an act you do because you gain something from it, like money. (Waters, 2022).

There are various types of motivation for different situations. It is possible to use every type of motivation in your work. If you are an employer or manager, you can set clear goals and follow up on them so that everyone can see the progress. This can give the team a sense of accomplishment and boost morale. Employees will internalize their desire to succeed and achieve these shared goals. If an employee has performed poorly, their manager can find out what their internal motivators are. Managers can try assigning projects to them based on what is important and pleasant to them.

Moreover, there is a negative motivation when the incentives are negative. Eventually, these will only hurt your motivation towards something. Exploiting an employee's fear of failure has negative effects because it is associated with the stressful feeling of both fear and the avoidance of a negative outcome, i.e., failure. Overall, the employer can put a burden on the employees' shoulders and harm their problem-solving abilities. In addition, employees may burn out with this type of motivation. It is important to listen to the team's intrinsic motivators instead. If the employee likes learning, leaning on that desire is a positive incentive. They are challenged to do work they enjoy, which keeps them interested and motivated. Work promotion and praising employees are also good examples of positive motivating factors.

In addition to motivation, it is important that the employees and employer trust each other. "Employees who are less trusted by their manager exert less effort, are less productive, and are more likely to leave the organization" (Harvard Business Review, 2017). On the other hand, employees who feel that they are trusted have higher performance and they use extra effort in their job, they go above and beyond for their company. Moreover, these employees get their tasks done and have better confidence in their workplace and they also perform to a higher standard.

### **2.6.1 Ways to motivate employees – reinforcement.**

To overcome some of these negative consequences or influences on employees, leaders can use reinforcement theory to their advantage. Reinforcement theory suggests that several types of reinforcement modify employee behavior. In this context, I would like to introduce the type of positive reinforcement that has a positive influence (Gordon, 2022). It means by behaving in a certain way you get rewards: for example, the employee performs better than average or makes a great deal and then gets rewarded with a bonus or praise from the supervisor. Another way to get more positive behavior, the employer can use extinction reinforcement. It is used to reduce unwanted behavior, by not recognizing it. It results in employees not doing unnecessary or undesired behavior. When using these types at the same time, the employee becomes more productive and motivated.

It has been noted that praise from the supervisor can be more motivating than a bonus in a paycheck. "Interventions such as congratulatory cards, public recognition, and certificates — can significantly increase intrinsic motivation, performance, and retention rates" (O'Flaherty, Sanders, and Whillans 2021). This statement, published in *Harvard Business Review*, most likely depends on the culture and how it works in practice. Moreover, when the praise is given publicly it might be more meaningful to the receiver and can also motivate other employees. In addition, employee motivation can grow employee productivity in their work. High employee motivation affects employee productivity by generating a greater amount of output (Scott, 2019).

## **2.7 Role of a leader – how to grow?**

There has been a lot of discussion about laissez-faire leadership and how it works, but it is also extremely important to understand what a leader is and how they can grow to be better. Leaders need to be able to grow with their team and develop themselves when necessary. A leader is a person who oversees the organization, and guides and manages others. They lead, inspire, and motivate their team to meet common goals. There are many roles and responsibilities that the leader has. Leaders should be visionary, and strategists, and enable good communication. In addition, they should be a great role model and a talent advocate. Moreover, leaders should also set boundaries and be strict to be able to get their team members to meet certain targets. Most importantly they need to be the inspiration and set the example for better results and company culture (Rajitha, 2022).

Leaders need to develop themselves all the time to meet social, managerial and industrial standards as well as to be able to make the team better. A leader should develop their discipline and inspire others to develop theirs. Without discipline, it is harder for the team to meet their common goals. The leader does not have to for example set deadlines but makes sure that the employees do that themselves by showing an example. In this way, team projects and other tasks will go forward. A bit of discipline is needed when having a lot of responsibility. Leaders should take on projects to grow their responsibility but in addition to that be able to delegate tasks without interference. That is one thing that also really tests leaders' ability to trust their teams.

Moreover, the leader should examine themselves, what are their strengths and weaknesses. When they have determined those, it is easier to be more situationally aware and keep learning. These are some skills that true leaders have, and they can easily inspire others to develop themselves. In addition to that, a leader needs to be able to take criticism and develop themselves based on that.

### **3 Research methods**

This research will be done by using primary and secondary data. Primary data is in a form of interviews and secondary data is in a form of for example journal articles and research publications as featured in the preceding literature review. These methods will complement each other.

The primary research method used is going to be one of the qualitative research methods, an interview. The plan is to have interviews with supervisors and possibly a few with employees. The interviews would aim to determine how the employees see their manager's leadership style towards them and how effective they think it is. How employees think it affects their motivation and what would make it better. In addition, other things related that may arise during the interview will be discussed. Moreover, the manager's points of view will be interviewed. It is extremely interesting to see how the employee and employer see and feel things differently. Moreover, I would like to discover if the coronavirus pandemic has changed leadership styles and in which direction. The interviews will be concentrating on large Finnish companies.

The secondary data will be in a form of journals and articles as well as some books. It will be focused on newer publications because the research has developed in recent years. Moreover, it has been noticed that the older publications have a far more negative outlook on the laissez-faire leadership style, which implicates the lack of research as well as the different times in which these were published. For the sake of this research, it is beneficial to use more recent information when possible.

The analytical approach for this research is to examine laissez-faire leadership and other concepts that can be linked to it, such as managing by exception, the future of work, or in other words remote work, and contingent reward. Moreover, the understanding of motivation, intrinsic motivation, and extrinsic motivation as well as reinforcement theory.

This leads to the interviews and the reviewing of the answers. The interviews are exploring different views that people have on this topic concerning their leadership style. For example, how they see their way of management and how they see their or their employee's motivation towards their work. Moreover, if there has been a dramatic change to it due to various reasons and in what direction. Time wise this research should take a few months in total.

## **4 Primary research**

Interviews took place in a large Finnish technology company. There were interviews with a supervisor and an employee from the same team, Business Area Sourcing. It is assumed that they use a laissez-faire leadership type in this team, as they are allowed to manage their hours and plan their day. Moreover, it is assumed that there are other management theories used in the team and in the company to boost employees' motivation. The main questions in the interview go around leadership style and how it is affecting employee motivation. It is important to find out what are the characteristics of leadership to be able to find out what other leadership styles the supervisor is using. The transcript of these interviews can be found in the appendices.

### **4.1 Supervisor interview**

The supervisor has been in the company for more than 30 years. Currently, he is a senior manager. In the interview, the supervisor tells how much he trusts their employees to do their job and how they do not like to micromanage things. These comments about trusting employees to do the right thing and believing that they are better at their job indicate that they follow a laissez-faire leadership style. They give free hands to their employees to do their work flexibly. Moreover, the supervisor wants to point out that they believe the employees are experts in their work and they do not need too much guidance.

The supervisor says that they only give advice and support to the employees when they are asked for it. They do not like micromanaging. This indicates the usage of managing by exception. They only intervene when asked or forced to do so. Later in the interview, they point out that their supervisor does the same thing. This point would suggest that the supervisor uses different managing styles in different situations. Is the supervisor using laissez-faire or management by exception or both? Their employee might be able to answer this.

When it comes to rewards the company has policies decided by the human resource department for the whole company. The system was renewed a few years ago and the supervisor believes the current way motivates employees more. They have a few different bonus systems. One type of bonus comes from the company's EBIT (earnings before interest and tax), and it is given to everyone once a year. Another bonus is given to the supervisor to give out to the team. It can be given to one person or multiple persons but the whole amount is the same for every supervisor to give out. Moreover, there is a project bonus that might be given at the end of a project if it went well. All these bonuses are given for work done well. The bonus can be bigger if the job was done better. This would indicate a contingent rewarding system or a reinforcement theory. Both concepts reward a great job done by the employee.

The company supports supervisors to develop their leadership and management skills by offering different types of training. These different trainings are highly advised by the HR but also the supervisor notes that they are important to do. It is important to be able to be a manager and a leader to different types of people. Moreover, they point out that they like to receive feedback from their employees through an employee survey. They get more accurate feedback and can develop themselves better.



## 4.2 Employee interview

The employee has been in the company for 15 years and is now working as a technology project manager. They tell about the same practices that the supervisor was also talking about. Moreover, it is evident that the employee describes a laissez-faire type of management style used by their supervisor. They believe this management style is fine if there is nothing wrong or they do not need any further assistance. Moreover, they are able to work remotely and very flexibly which also would support this statement of the laissez-faire leadership style being fine most of the time.

The employee points out that they can ask questions from their supervisor but sometimes isn't able to get help when the supervisor is too busy. Then they need to contact other people who can help. This would suggest that in different cases the supervisor uses absent laissez-faire leadership and sometimes when able or required, management by exception. This might be something the supervisor isn't aware of. They believe that the 1-to-1 discussions monthly are beneficial but that those could also concentrate on the employee's emotional well-being and not only how projects are going. In those discussions, they review projects, targets, and goals for the employee.

The employee is pleased with the company benefits and reward policies, except the wages. The wages and the development of wages were also brought up by the manager. This is something that should be discussed at the company level. The company offers healthcare, E-passi money, two cafeterias at the company premises as well as many well-being-related benefits. They were pleased with how the company gives out bonuses for a project done well. This contingent rewarding system for bonuses is very motivating according to the employee. In addition, the employee noted that, the base salaries in the company are relatively low compared to other industry companies. This type of remuneration system is designed to motivate higher performance as measured by results.

## 5 Discussion

It has been noted from previous research that laissez-faire leadership alone is not the best type of leadership style but with a few other styles included it could be very effective. Mostly laissez-faire leadership needs more motivation, in terms of rewards, for example. Furthermore, it is important to understand that laissez-faire leadership does not work with every type of employee and job. It needs to have highly skilled and experienced employees to be able to work. This is something that can be additionally concluded from the interviews. The supervisor said that in their team of expert's laissez-faire with rewards work well. Moreover, its weaknesses and disadvantages can be overcome when applying other theories to it.

When it comes to rewarding contingent rewarding is a very good alternative. Contingent rewarding means providing feedback, setting goals, and rewarding wanted behavior. This style of rewarding system works according to the interviews conducted. It is very effective and also boosts the morale at the workplace. Moreover, another motivation tool is to use the concept of reinforcement. This means to offer reward for desired behavior and to ignore it when it is not. As we have learned companies should have some type of reward program and other benefits to motivate employees. To be more successful it should be both tangible and intangible rewards, adding also contingent rewards where appropriate. Employees get rewards when the job is well done. This has been noted to be motivating and beneficial in the team that took part in the interviews.

A laissez-faire leadership style will have an impact on work motivation. I believe that experienced employees have better motivation for their work when there is not a constant hovering behind them and when they can design their work around their life and not the other way around. This is consistent with results-based performance measurement and reward. It is possible that new employees in new companies might struggle a bit at first but with proper training and support from supervisors and colleagues, this leadership style can be remarkably effective and even increase their motivation. It can be assumed that because leaders trust their employees and give them space to work, it can strengthen the company as stated before.

It is also good to note that because of the previous Covid-19 pandemic many workplaces have adapted a full remote working style or for example hybrid style. Remote work has always been a concept but as discussed before it is more popular than ever. It makes life more flexible and also has motivated the employees to be better in their work. The literature and the interviews in this work both support these statements. In addition, if a company refuses to let their employees work remotely it might backfire later because they will not be able to recruit people without this type of benefit. It is easy to link laissez-faire leadership and remote work together because both of these concepts give employees room for personal growth, creativity, innovation, team strength, and autonomy. Moreover, it is believed that with laissez-faire comes higher retention, a more relaxed company culture, and a creative working environment which also applies to remote work.

Managing by exception and laissez-faire leadership can be easily mixed up. With managing by exception we refer to the type of leadership where issues are brought to managers only when it is necessary, in order to avoid bureaucracy and unnecessary usage of time. Laissez-faire refers to the type of leader who is absent altogether. Because of this sometimes it might be hard to understand which is being used. In addition, there is a fine line when these type of leadership styles are effective. Because of this the manager needs to be mindful when working with experienced employees. The continuous developing for the manager is very crucial because of this.

## 6 Conclusion

To conclude, laissez-faire leadership can be linked with many concepts such as the future of work and management by exception. Moreover, there are advantages and disadvantages when it comes to laissez-faire leadership. To overcome the disadvantages the employer can use for example the reinforcement theory for motivation-related issues. In addition, using managing by exception is a good add-on to laissez-faire.

It has been noted that leaders use usually more than one leadership style: for example, laissez-faire and managing by exception, and those can be combined with rewarding employees. Using more than one leadership style to fit the employees makes the managers more effective and the outcomes are therefore more positive. This has a positive effect on employee motivation. To answer the research question of this work, *Laissez-Faire Leadership: A Contradiction in Terms or a Legitimate Style of Management?*, it is a contradiction in terms and should be combined with other management and leadership theories to have a legitimate leadership style for a company. The recommendation for companies is to combine appropriate and compatible leadership styles in order to exercise one that is fully functional for that specific company.

This research used a variety of references and literature as well as interviews. All these research methods gave similar results. This would imply that the findings and conclusions made in it would be reliable. Moreover, there were some limitations in this research such as the sample size for the interviews. Only two interviews took place in the same company and the same team. It might have given more depth and further insights for this research if more people from different companies would have been interviewed. In addition, there can be some bias toward the interviews and in the interpretation of them.

There are opportunities for further research because of the fast-changing world and the limitations of this research. It is assumable that remote work will still change work life and it would be interesting to do a study in five or ten years because the effects of all these in a long run are still quite unknown. Furthermore, as pointed out before the interview sample in this research was quite small. It would be good to have a larger sample size for the interviews to explore what experiences employees have with different types of leaders in different companies. Assumably the variation or different theories combined to laissez-faire leadership style also exist.

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## **Appendices**

### **Appendix 1: Interview Questions**

1. Basic information: Company, Title, employment length

2.1 For supervisor: Describe your style of management. How (weekly meetings, 1to1 talks, etc) and how much do you supervise your employees (Check on hours, check on how much they are at the office, etc.)? What about the company's style of management? Rewarding etc.

2.2 For the employee: Describe your supervisor's style of management. What about the company's style of management? Rewarding etc. How could it be better?

3.1. For Supervisor: How do you think your way of managing affects to employee motivation? Have you changed your style; how did it affect you?

3.2. For the employee: How does your supervisor's way of management affect your motivation, has it changed, and why? Do bonuses/other incentives/benefits motivate you? What would motivate you more?

4. How has remote work been affected? Management/Motivation something else?

5.1. For Supervisor: How can you develop yourself as a leader

**Appendix 2: Supervisor interview**

Company x, Senior manager, 32 years with the company

I trust my employees and I trust that they are smarter and more capable than me. I don't like or want to micromanage them. I don't even follow that close people's hours they enter into the system or how much time they spend in the office weekly. I believe it is the employee's responsibility. I'll give them feedback and advice when asked. I have noticed that other employees have better ideas and insight than I do. Also, I believe the discussions can be more innovative and others may have better points of view when it comes to the subjects in the discussion. We can develop based on others.

We have 1to1 discussions once a month with employees. In this discussion, we go through different topics. If there are some difficulties concerning projects or work or if there are some other concerns. And how to go forward. I expect employees to tell me if they have too many projects or if they need some help. They can also decide how they do their work, when, and where. If an employee works too little or too much, I'll get a system notification and then, interfere.

I have followed my own supervisor's way of management. We are monitoring and looking at the result and we are giving free hand on the task for the employees. I'm not looking at the hours but how many projects. They can decide where they work because I have noticed that both ways work very well.

I believe and hope that my way of managing is aligned with company X's guidelines. Hybrid work is advised, and we won't be making more office places. Some of the employees are more efficient at home and some are at the office. We also have a great facility here for our work. Rewarding: According to HR policies. I have a certain amount of money to give to my team, I can give it to one person or multiple. I need to use our system to do this. Usually, I inform my boss to whom I'm giving the bonus and then he accepts it. It is my decision whom to give the bonus to. This new way of

rewarding has been in use for a few years now and from the supervisor's point of view it's good.

Yearly pay raises are possible for some employees, but the amount is ridiculously small, for example from the team's annual income of 1%. At a yearly level, it would only make sense to give the raise to one or two employees. The new bonus model is a one-time bonus which seems more motivating. It can be given out at any point of the year which makes it a more real-time thing. If the project is completed, you can give it immediately and not in half a year when it is not relevant anymore.

My previous boss was a very top-management type of supervisor and was invisible to the employees. My current boss is more practical like I am. The motivation has become better because we are more operative. The current boss knows people better and assists when needed. This seems better for the team. Also, the team spirit is better when it's nice to work with each other. Remote work: productivity has stayed fairly the same throughout the remote work and hybrid work. Motivation: The flexibility has increased my team's motivation because the work/home life balance is easier to manage now because you are not tied to a location.

Employees survey Voice of people has given me good feedback on my way of management. Employees are more comfortable giving feedback when it's anonymous. It gives insight into how others see my management. I need to be better at facilitating for example giving everyone a turn to speak during meetings, from introverts and extroverts. Otherwise, good opinions can accidentally not be said.

We have a lot of training offered for supervisors from HR, it's a good channel to develop myself as a leader. The pieces of training are related to personnel and leading such as recruiting, and how to get the right people for us. Also, how to make new employees familiar with our processes etc. Moreover, how to support different employees, extrovert-introvert. You can get a lot of information from an open person with only one question whereas from some people you need to ask multiple questions to get the same information. Also, how to engage a person in the conversation when they are not on topic. In which way to speak to different types of people. These different pieces of training align with the way of managing all the managers in the company X.

### **Appendix 3: Employee interview**

Company X, Technology sourcing project manager, 15 years with the Company.

We have a one-to-one chat for a half hour with my manager. There we discuss my projects and how those are going. If I want to talk about my well-being, I need to raise the issue by myself. (Managing my exception, Laissez-faire). Also, my manager has discussions with me face to face which are informal and my initiative. But they don't take the initiative. I would hope for more emotional support, listening, etc. I had a burnout in this current role but that was kind of swept under a rug when I came back from my sick leave. We only had discussions about that on my initiative. There is not much praise coming from the supervisors.

The area of my work is very different and unique, which is why I can work very freely. My manager can hardly say anything because it is an expert job, I know the best. I have created this role for our R&D purposes 5 years ago. I get all the VIM pre-study projects and I get to decide how much I participate in them using my judgment. I can work remotely in, a hybrid model. I have very flexible working ways and hours. Sometimes I have work trips and I also have a lot of online meetings. Both of those work well with my project teams and suppliers.

We have a few different organizations inside the company, and in each of them, the leadership and the management style are different. In VIM R&D, the leadership supports the work of experts, which is very encouraging, and they support the education of them more. When thinking about it they must have an intrinsic motivation for this type of managing style. Also, the managers on the higher levels of our organizations are leading us differently. Which is also why our organizations are so different. The culture of our organizations comes from the people. We had had a large turnover when it comes to sourcing organization supervisors, not it has been stable for a few years. The current supervisor is a very direct type of manager and suits for me well. They have been a great assistance in some cases. Sometimes you need to find the right person to help.

For our organization, there is an "OPS leadership principles" guide for supervisors. It demonstrates what type of meeting needs to be held and what type of structure there should be. The HR has decided on these. The organization OPS could be more supportive and innovative, motivating towards innovation and development for example how R&D does.

For rewards, we have bonuses that come from EBIT, bonuses that come from our performance, and also bonuses that come from the projects we are involved in. The bonuses which are tied to the projects are very motivating and that might help everyone to be more efficient. I would assume that it makes everyone more motivated. We also have benefits: E-passi (well-being and transportation), health care, and cafeterias at work. I would hope for more support for well-being. Also, the wages in the company are lower than in other companies in the same industry. The wage development is poor here.

Sometimes I am not motivated when it comes to management-related things. Because sometimes there are issues, I raise them with my manager, and then nothing happens, I need to look for another person. They don't communicate enough about these issues. And it is demotivating. On the other hand, my manager's way of working is very safe and consistent which creates safety. The way I work is motivating and I get to decide how I work. My supervisor is more discussing nowadays which is also making me more motivated.

Something that would motivate me more is a "coaching discussion". It would be nice to have support and to have conversations together about issues. And to try to solve them together. Emotional support.

Remote work: I like the freedom of choosing the place to work. The management went badly when we were remote, there was no contact with our manager if we do not take into consideration our weekly team meeting. It was difficult to get a hold of them. The management is good when we are hybrid.