

### **Berkshire Hathaway vs. Tesla**

The comparison will mainly focus on companies, which will be assessed in accordance with the Four Leadership Styles framework. The first organization is Berkshire Hathaway, where the core leadership style was set by Warren Buffet, and it is delegating. The second organization is Tesla, where the leadership alongside Elon Musk utilizes a coaching style. Both leaders are highly successful, but they use contrasting leadership styles. Tesla is highly supportive and directive in terms of behavior, whereas Berkshire Hathaway exhibits low levels of both support and direction. In addition, Elon Musk is an epitome of a transformational charismatic leader, which is why Tesla is able to apply a coaching approach on such a large scale. Although these are situational leadership styles, which might alter depending on the overall development of an employee, their solidified and permanent versions are Laissez-faire leadership for Berkshire Hathaway and democratic for Tesla.

#### **Berkshire Hathaway**

Berkshire Hathaway is a company founded by Warren Buffet, who is considered as the most successful investor of the modern age. His leadership approach was translated to Berkshire Hathaway, where he relied mostly on the competence and professional capabilities of the employees. He provides the most basic directions, which are manifested in the fact that the company needs to grow and be profitable. It is stated: "Buffett's style of leadership is known as the Laissez-Faire, also known as "delegative leadership," and this is known to lead to lower productivity levels, but also increases in other resources for employees and teams. This style of leadership can work with

employees who are skilled and motivated, but employees who aren't as skilled can often fail and miss mandatory deadlines. Buffett, in this case, selects workers who are motivated and have great skills, as he depends on results to be made" ("Warren Buffett leadership style," 2021, para. 6). In other words, it is evident that he is an example of the delegating leadership style, which is the bottom left quadrant of the Four Leadership Styles framework.

Laissez-faire leadership or delegating leadership is a type of leader's behavior when the latter, avoiding any form of initiative, takes a purely passive position in the leadership process and directs most of his efforts to maintain the existing status quo. Such a delegating leader does not consider himself to be responsible for resolving issues related to the activities of his subordinates. This includes all processes from evaluating the results of their work and ending with the search for ways of their professional development. Typical in this regard is the interpretation by such a leader of his own passivity as a strategy of behavior consciously implemented by him, which allows him to carry out the professional and personal development of employees. Berkshire Hathaway sets responsible tasks for them and delegates authority to make important decisions without their formal participation. Nevertheless, the real reasons underlying such a leader's self-isolation from interacting with subordinates are his general indifference to the results of their activities and the desire to get rid of the need not only to make decisions but also to participate in the process of their discussion.

At the lowest point of the leadership style continuum, delegating leadership borders on and is similar to transactional leadership. The relationship of a transactional leader with subordinates is often defined as contractual when a subordinate agrees to meet the leader's expectations only in exchange for something. It is assumed that the leader has

the ability to regulate the essential aspect of such an exchange. At the same time, his activity in implementing the regulatory role can be passive, reactive, or situational. In the transactional leadership style, one can distinguish passive management-by-exception, active management-by-exception, and contingent reward forms. It is necessary to consider the three indicated types of transactional leadership, successively replacing each other along with the lower and middle parts of the leadership style continuum.

The delegating form of leadership in Berkshire Hathaway is characterized by such behavior of a leader, when he is activated only in case of a problem situation, getting involved in the activity to resolve it after the fact. In other words, this happens when the possibilities for its elimination are minimal or not obvious. Leader's passivity hinders early diagnosis of problems and coordination of efforts of employees associated with systematic monitoring and analysis of emerging internal organizational issues. Because of this, in Berkshire Hathaway, where the dominant leadership style is the passive form of delegating leadership, the symptomatology of organizational dysfunction is often undeveloped. However, the company eliminates this risk by hiring highly competent employees and experts who autonomously anticipate potential threats and eliminate them at the root.

#### **Alternative Leadership Style for Berkshire Hathaway**

The alternative leadership style for the company is passively transactional leadership style with an emphasis on the authoritarian element, where clear objectives are given in order to utilize the full potential of the company's employees and talent pool. Negative feedback and the correction of the activities of subordinates using disciplinary sanctions should be the main ways at Berkshire Hathaway that determine the nature of the interaction of a

leader of this type with the environment. The extreme forms of manifestation of such leadership in some cases may look like behavior bordering on autocracy. In particular, Warren Buffet may deliberately limit its participation in the activities of subordinates, purposefully increasing the likelihood of errors in their work and, accordingly, raising the possibility of subsequent corrective action on their part.

Leadership processes at Berkshire Hathaway are integral to the success of corporate styles due to the conceptual figure of Warren Buffet in the life of the organization. The quality of the financial, strategic, managerial, and organizational aspects of the corporate governance process is often determined by the characteristics of the leadership style of the merger leader. Each stage of the acquisition or merger process is determined by the variety of tasks and priorities facing the leader. In conditions of such variability, the leader has to combine transformational and transactional leadership styles in his activities. Depending on the nature of the tasks and their priority, each of the three stages of the corporate governance process will have its own most optimal combination of leadership styles.

### **Tesla**

Tesla is one of the most valued and highly successful electric car manufacturers, where the leadership clearly exhibits the features of a coaching leadership style. It is important to note that Tesla's approach and attitude towards its workers are manifested in its strategy of acquiring the most professional talent pool, where employees are supported and directed (Gali, 2020). In other words, the company's leadership under Elon Musk utilizes the coaching approach, where the CEO sets directions and the management supports the workers.

Among the charismatic concepts, coaching leadership, which is characteristic of Tesla and Elon Musk, occupies a special place. This is necessary to describe the processes of joint change and acquisition of new skills of the leader and his followers. In addition, charisma, understood as a property of Elon Musk is one of the constituent parts of transformational leadership. Coaching leadership implies that the leader is individually involved and cares about the development of the personal potential of employees. Elon Musk also encourages the use of non-traditional ways of completing a task and applies the methods of motivation characteristic of a charismatic leader.

Elon Musk, as a coaching leader, is focused on creating long-term relationships with followers and supporters, so he tries to transform and coach them in such a way that they strive for super-achievements. The purpose of higher-order leadership is to produce and anticipate changes in the organization, such as attitudes, values, and goals through support and direction. There are three essential ingredients to effective Tesla leadership. Firstly, Tesla's leader encourages other members of the group to consider him a reliable and legitimate source of influence, that is, a person who has a special status and responsibility in the activities of the group. Secondly, Elon Musk has achieved the legitimacy of the status of a leader, he seeks to build relationships with followers that motivate them and allow them to act on the achievement of collective goals. Third, Elon Musk mobilizes and directs the group's efforts to make the most effective use of the group's collective resources in the implementation of the assigned tasks.

A key aspect of coaching behavior is the delegation of authority based on control and monitoring. Another central component of leadership coaching is an individual approach, which implies a leader's behavior that indicates his understanding of each subordinate as a person and attention to him. Thus, effective leadership coaching is based

on the nature of the interaction between leaders and followers, during which the followers allow the leaders to lead. For example, a leader who behaves like a good and reliable group member is able to gradually build trust in the individual members of the group that can be used over time. Tesla's leadership engagement with followers is characterized by idealized behavior, inspiring motivation, intellectual stimulation, and a personal touch. This motivates followers to work for group goals that go beyond individual selfishness in the first place. Coaching leaders such as Elon Musk are positive about change and are actively involved in bringing about change.

The concept of charisma plays a significant role in Elon Musk's coaching and transformational leadership approaches, as leadership is a group process. It is important to consider the fact that the phenomenon of charisma is the result of a group process and not a stable personality trait that affects the effectiveness of leadership. Tesla's leaders transform individual action into group action. The leader changes his followers in such a way that they begin to perceive the goals of the organization as their own. This process is carried out through four mechanisms, such as leader charisma, intellectual stimulation, attention to subordinates, and inspiring stimulation. The latter is needed to instill enthusiasm and an optimistic outlook on the future, which Elon Musk himself is engaged in. Tesla's leadership in this context is a process of social influence through which an individual gains support and mobilizes the help of others to achieve a collective goal. Tesla employs the methods of motivation that are characteristic of a charismatic leader.

### **Alternative Leadership Style for Tesla**

The alternative leadership model for Tesla can be an authoritarian approach, where the directions are emphasized. It is plausible due to the high level of appeal and charisma of

Elon Musk, where the management of the company can utilize such a measure. In other words, employees are already inspired by the visions of Elon Musk, which is why supporting behavior might be unnecessary and resource wasteful, and the sole focus on directive can prove to be effective. An autocratic leader in management is authoritarian, and such Tesla's leadership can have enough power to impose its will on the performers, and, if necessary, does not hesitate to resort to it. Autocratic leadership in a company may deliberately appeal to the needs of the lower level of their subordinates on the assumption that this is the same level at which they operate. When an autocrat avoids negative coercion and uses a reward instead, they are promoted to a benevolent autocrat. Although Elon Musk can become an authoritarian leader, the benevolent autocrat takes an active role in the mood and well-being of his subordinates. He may even agree to allow or encourage them to participate in scheduling assignments, but he retains the actual power to make and execute decisions.

### **Conclusion**

In conclusion, Berkshire Hathaway, under the leadership of Warren Buffet, utilizes delegating framework of leadership style. The emphasis is put on a low degree of the directive and supportive behaviors, where employees themselves create the objectives and means to achieves them. Evidently, the company still has a vision and clear performance requirements, but the workers have a certain level of freedom. In the case of Tesla, the leadership under Elon Musk exhibits a coaching leadership style with a proper emphasis on both directive and supportive behaviors. The management sets precise objectives and assists employees in attaining them. The alternative leadership style for Berkshire Hathaway is to adopt some form of passive transactional style with an emphasis on the authoritarian approach because the employees are highly competent, but they might need directions. In the case of Tesla, the company's leadership can adopt an autocratic leadership style, which is plausible due to Elon Musk's charisma.

### **References**

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