John O'Donoghue TH Wildau, WIT Avima 20, Leadership 22nd and 23rd September 2021

Leadership

Think of five leaders that you respect and five things that they all have in common. These people may be from the world of business, sport or politics, living or dead.

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Think of one person you like/respect who do you do not consider a leader. What does this person lack/not have that means they are not a leader?

Warm-up questions

1 Is the person who leads a group necessarily/always the person who has the highest position in the business?

2 What is the difference between a manager and a leader?

3 Why is it important that leaders challenge the status quo? Think of the German company Schlecker.

4 Is leadership something inherent in someone? In other words, are people born leaders? Were there people in your school who you are sure will become leaders?

5 If the answer to the above question is 'yes', what are the things (characteristics/traits) that made you think that a certain person will become a leader?

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6 In the previous question did you write down things that the person was OR things that the person did? In other words is leadership about being a leader or leading a group (a set of qualities OR a set of actions?)

7 If a leader is leading a large group, what kind of people will the leader wish to establish close relationships with? And what kind of people are usually ignored?

8 What do you understand by the word charisma? Is it always positive?

9 Are leaders responsible for the success or failure of the groups they lead? What other factors may play a role?

10 Do groups always need a leader? Can a good group perform well despite a bad leader?

BIG FIVE PERSONALITY

Part One:

What kind of personality do you have?

1 When you go to a party, do you talk to new people or prefer to talk to people you know well?

2 Do you like to plan and be organized or are you spontaneous and go with the flow?

3 Do you often feel nervous and are you pretty calm and relaxed?

4 Do you trust other people? Do you feel other people's emotions? Or do you keep distance from most people?

5 Do you like routine and predictability? Or throwing yourself into new adventures?

Your company. What kind of personality does your company have? On a scale of **1-5** how would you rate your company?

My company promotes **extraversion**. Staff are allowed to demonstrate positive emotions, be assertive and sociable. Stimulation is often gained by bringing people together.

My company encourages its employees to be **efficient and organized**, exercising self-discipline, aim for achievement in a planned way rather than spontaneously.

People in my company are often **sensitive and nervous**, showing sign of anger, anxiety and depression. There are not many stable and calm personalities in my working environment.

My company encourages people to **compassionate and cooperative** rather than suspicious and antagonistic towards each other. There is an atmosphere of trust and mutual help.

My company encourages its employees to be **open to new experiences**, to produce unusual ideas and be curious. The employees are given a variety of activities rather than a strict routine.

Part Two:

What kind of personality do you have? Try the test below.

http://personality-testing.info/tests/BIG5.php

Part Three: Is there a (large) discrepancy between your perception of the company you work for and the kind of personality you (may) have?

A summary of the factors of the Big Five and their constituent traits:

Extraversion: (outgoing/energetic vs. solitary/reserved). Energy, positive emotions, surgency, assertiveness, sociability and the tendency to seek stimulation in the company of others, and talkativeness. High extraversion is often perceived as attention-seeking, and domineering. Low extraversion causes a reserved, reflective personality, which can be perceived as aloof or self-absorbed.

Conscientiousness: (efficient/organized vs. easy-going/careless). A tendency to be organized and dependable, show self-discipline, act dutifully, aim for achievement, and prefer planned rather than spontaneous behavior. High conscientiousness often perceived as stubborn and obsessive. Low conscientiousness are flexible and spontaneous, but can be perceived as sloppy and unreliable.

Neuroticism: (sensitive/nervous vs. secure/confident). The tendency to experience unpleasant emotions easily, such as anger, anxiety, depression, and vulnerability. Neuroticism also refers to the degree of emotional stability and impulse control and is sometimes referred to by its low pole, "emotional stability". A high need for stability manifests as a stable and calm personality, but can be seen as uninspiring and unconcerned. A low need for stability causes a reactive and excitable personality, often very dynamic individuals, but they can be perceived as unstable or insecure.

Agreeableness: (friendly/compassionate vs. analytical/detached). A tendency to be compassionate and cooperative rather than suspicious and antagonistic towards others. It is also a measure of one's trusting and helpful nature, and whether a person is generally well-tempered or not. High agreeableness is often seen as naive or submissive. Low agreeableness personalities are often competitive or challenging people, which can be seen as argumentative or untrustworthy.

Openness to experience: (inventive/curious vs. consistent/cautious). Appreciation for art, emotion, adventure, unusual ideas, curiosity, and variety of experience. Openness reflects the degree of intellectual curiosity, creativity and a preference for novelty and variety a person has. It is also described as the extent to which a person is imaginative or independent, and depicts a personal preference for a variety of activities over a strict routine. High openness can be perceived as unpredictable and unfocused. Low openness people are pragmatic and data-driven, sometimes perceived to be dogmatic and closed-minded. Some disagreement remains about how to interpret the openness factor, which is sometimes called "intellect" rather than openness to experience.

The following pages are largely taken from *Management Seventh Edition by Stephen Robbins and Mary Coulter, Prentice Hall 2003.*

After studying this text, you should be able to:

- Define leadership and contrast leadership and management.
- Summarize the conclusions of trait theories of leadership.
- Assess contingency theories of leadership by their level of support.
- Compare and contrast charismatic and transformational leadership.
- Address challenges to the effectiveness of leadership.
- Assess whether or not charismatic and transformational leadership generalize across cultures.

This text looks at what makes an effective leader and what differentiates leaders from non-leaders. First, we'll present trait theories of leadership. Then, we'll discuss challenges to the meaning and importance of leadership. But before we review these approaches, let's clarify what we mean by the term leadership.

1 WHAT IS LEADERSHIP?

We define leadership as the ability to influence a group toward the achievement of a vision or a set of goals. The source of this influence may be formal, such as that provided by managerial rank in an organization. But not all leaders are managers, nor, for that matter, are all managers leaders. Just because an organization provides its managers with certain formal rights is no assurance they will lead effectively. Non-sanctioned leadership – the ability to influence that arises outside the formal structure of the organization - is often as important or more important than formal influence. In other words, leaders can emerge from within a group as well as by formal appointment.

Organizations need strong leadership and strong management for optimal effectiveness. We need leaders today to challenge the status quo, create visions of the future, and inspire organizational members to want to achieve the visions. We also need managers to formulate detailed plans, create efficient organizational structures, and oversee day-to-day operations.

2 TRAIT THEORIES

Throughout history, strong leaders – Frederick the Great, Napoleon, Luther, Mao, Churchill, Roosevelt, Reagan – have been described in terms of their traits. **Trait theories of leadership** thus focus on personal qualities and characteristics. We recognize leaders like South Africa's Nelson Mandela, Virgin Group Chief Executive Office Richard Branson, Apple co-founder Steve Jobs, and American Express Chairman Ken Chenault as charismatic, enthusiastic, and courageous. The search for personality, social, physical, or intellectual attributes that differentiate leaders from non-leaders goes back to the earliest stages of leadership research.

Early research efforts to isolate leadership traits resulted in a number of dead ends. A review in the late 1960s of 20 different studies identified nearly 80 leadership traits, but only five were common to four or more of the investigations. By the 1990s, after numerous studies and analyses, about the best we could say was that most leaders "are not like other people," but the particular traits that characterized them varied a great deal from review to review. It was a confusing state of affairs. A breakthrough of sorts came when researchers began organizing traits around the Big Five personality (ambition and energy are part of extraversion, for instance), giving strong support to traits as predictors of leadership.

A comprehensive review of the leadership literature, when organized around the Big Five, has found extraversion to be the most important trait of effective leaders, but it is more strongly related to the way leaders emerge than to their effectiveness. Sociable and dominant people are more likely to assert themselves in group situations, but leaders need to make sure they are not too assertive – one study found leaders who scored very high on assertiveness were less effective than those who scored moderately.

Unlike agreeableness and emotional stability, conscientiousness and openness to experience also showed strong relationships to leadership, though not quite as strong as extraversion. Overall, the trait approach does have something to offer. Leaders who like being around people and are able to assert themselves (extraverted), who are disciplined and able to keep commitments they make (conscientious), and who are creative and flexible (open) have an apparent advantage when it comes to leadership, suggesting good leaders do have common traits in common.

One reason is that conscientiousness and extraversion are positively related to leaders' self-efficacy, which explained most of the variance in subordinates' ratings of leader performance. People are more likely to follow someone who is confident she's going in the right direction.
Another trait that may indicate effective leadership is emotional intelligence (EI). Advocates of EI argue that without it, a person can have outstanding training, a highly analytical mind, a compelling vision, and an endless supply of terrific ideas but still not make a great leader. This may be especially true as individuals move up in an organization. Why is EI so critical to effective leadership? A core component of EI is empathy. Empathetic leaders can sense others' needs, listen to what followers say (and don't say), and read the reactions of others. A leader who effectively displays and manages emotions will find it easier to influence the feelings of followers, by both expressing genuine sympathy and enthusiasm for good performance and by using irritation for those who fail to perform.
The link between EI and leadership effectiveness may be worth investigating in greater detail. Some recent research has demonstrated that people high in EI are more likely to emerge as leaders, even after taking cognitive ability and personality into account, which helps to answer some of the most significant criticisms of this research. Based on the latest findings, we offer two conclusions. First, contrary to what we believed 25 years ago and thanks to the Big Five, we can say that traits can predict leadership. Second, traits do a better job predicting the emergence of leaders and the appearance of leadership than actually distinguishing between effective and ineffective leaders. The fact that an individual exhibits the traits and that others consider her a leader does not necessarily mean the leader is successful at getting the group to achieve its goals.

3 BEHAVIORAL THEORIES

The failures of early trait studies led researchers in the late 1940s through the 1960s to wonder whether there was something unique in the way effective leaders *behave*. Trait research provides a basis for selecting the right people for leadership. In contrast, **behavioral theories of leadership** implied we could train people to be leaders. The most comprehensive theories resulted from the Ohio State Studies in the late 1940s, which sought to identify independent dimensions of leader behavior. Beginning with more than a thousand dimensions, the studies narrowed the list to two that substantially accounted for most of the leadership behavior described by employees: initiating structure and consideration.
Initiating structure is the extent to which a leader is likely to define and structure her role and those of employees in the search of goal attainment. It includes behavior that attempts to organize work, work relationships, and goals. A leader high in initiating structure is someone who "assigns group members to particular tasks," "expects workers to maintain definite standards of performance," and "emphasizes the meeting of deadlines."

Consideration is the extent to which a person's job relationship are characterized by mutual trust, respect for employees' ideas, and regard for their feelings. A leader high in consideration helps employees with personal problems, is friendly and approachable, treats all employees as equals, and expresses appreciation and support. In a recent survey, when asked to indicate what most motivated them at work, 66 percent of employees mentioned appreciation.

Leadership studies at the University of Michigan's Survey Research Center had similar objectives: to locate behavioral characteristics of leaders that appeared related to performance effectiveness. The Michigan group also came up with two behavioral dimensions: the **employee-oriented leader** emphasized interpersonal relationships by taking a personal interest in the needs of employees and accepting individual differences among them, and the **production-oriented leader** emphasized the technical or task aspects of the job, focusing on accomplishing the group's tasks. These dimensions are closely related to the Ohio State dimensions. *Employee-oriented leadership* is similar to *consideration*, and *production-oriented leadership* is similar to *initiating structure*. In fact, most leadership researchers use the terms synonymously.

At one time, the results of testing behavioral theories were thought to be disappointing. However, a more recent review of 160 studies found the followers of leaders high in consideration were more satisfied with their jobs, were more motivated, and had more respect for their leader. Initiating structure was more strongly related to higher levels of group and organization productivity and more positive performance evaluations.

Some research from the GLOBE program, a study on cultural values (that also focused on cultural differences in leadership) suggests that are international differences in preference for initiating structure and consideration. Based on the values of Brazilian employees, a U.S. manager leading a team in Brazil would need to be team oriented, participative and humane. Leaders high in consideration would succeed best in this culture. As one Brazilian manager said in the GLOBE study, "We do not prefer leaders who take self-governing decisions and act alone without engaging the group. That's part of who we are." Compared to U.S. employees, the French have a more bureaucratic view of leaders and are less likely to expect them to be humane and considerate. A leader high in initiating structure (relatively task oriented) will do best and can make decisions in a relatively autocratic manner. A manager who scores high on consideration (people oriented) may find that style backfiring in France. According to the GLOBE study, Chinese culture emphasizes being polite, considerate, and unselfish, but it also has a high-performance orientation. Thus, consideration and initiating structure may both be important.

SUMMARY OF TRAIT THEORIES AND BEHAVIORAL THEORIES

Leaders who have certain traits and who display consideration and structuring behaviors do appear to be more effective. Perhaps you are wondering whether conscientious leaders (trait) are more likely to be structuring (behavior) and extraverted leaders (trait) to be considerate (behavior). Unfortunately, we can't be sure there is a connection. Future research is needed to integrate these approaches. Some leaders may have the right traits or display the right behaviors and still fail. As important as traits and behaviors are in identifying effective or ineffective leaders, they do not guarantee success. The context matters, too.

4 CONTINGENCY THEORIES

Some tough-minded leaders seem to gain a lot of admirers when they take over struggling companies and help lead them out of the doldrums. Home Depot and Chrysler did not hire former CEO Bob Nardelli for his winning personality. However, such leaders also seem to be quickly dismissed when the situation stabilizes.

The rise and fall of leaders like Bob Nardelli illustrate that predicting leadership success is more complex than isolating a few traits or behaviors. In their cases, what worked in very bad times and in very good times did not translate into long-term success. When researchers looked at situational

differences, it appeared that under condition *a*, leadership style *x* would be appropriate, whereas style *y* was more suitable for condition *b*, and style *z* for condition *c*. But what were conditions *a*, *b*, and *c*? We next consider three approaches to isolating situational variables: the Fiedler model, the situational theory, the path-goal theory, and the leader-participation model.

THE FIEDLER MODEL

Fred Fiedler developed the first comprehensive contingency model for leadership. **The Fiedler contingency model** proposes that effective group performance depends on the proper match between the leader's style and the degree to which the situation gives the leader control.

IDENTIFYING LEADERSHIP STYLE

Fiedler believes a key factor in leadership success is the individual's basic leadership style. He created the **l**east **p**referred **c**o-worker questionnaire to identify that style by measuring whether a person *is task or relationship oriented*. The LPC questionnaire asks respondents to think of all the co-workers they ever had and describe the one they least enjoyed working with by rating that person on a scale of 1 to 8 for each of 16 sets of contrasting adjectives (such as pleasant-unpleasant, efficient-inefficient, open-guarded, supportive-hostile). If you describe the person you are least able to work with in favorable terms (a high PLC score), Fiedler would label you relationship oriented. If you see your least-preferred co-worker in unfavorable terms (a low LPC score), you are primarily interested in productivity and are task oriented. About 16 percent of respondents score in the middle range and thus fall outside the theory's predictions. The rest of our discussion relates to the 84 percent who score in either the high or low range of the LPC questionnaire. Fiedler assumes an individual's leadership style is fixed. This means if a situation requires a task-oriented leader and the person in the leadership position is relationship oriented, either the situation has to be modified or the leader has to be replaced to achieve optimal effectiveness.

DEFINING THE SITUATION After assessing an individual's basic leadership style through the LPC questionnaire, we match the leader with the situation. Fiedler has identified three contingency or situational dimensions:

1 **Leader-member relations** is the degree of confidence, trust and respect members have in their leader.

2 **Task structure** is the degree to which the job assignments are procedurized (that is, structured or unstructured)

3 **Position power** is the degree of influence a leader has over power variables such as hiring, firing, discipline, promotions, and salary increases.

The next step is to evaluate the situation in terms of these three variables. Fiedler states that the better the leader-member relations, the more highly structured the job, and the stronger the position power, the more control the leader has. A very favorable situation (in which the leader has a great deal of control) might include a payroll manager who is well respected and whose employees have confidence in her (good leader-member relations); who manages activities that are clear and specific – such as wage computation, check writing, and report filing (high task structure); and who is provided considerable freedom to reward and punish employees (strong position power). An unfavorable situation might be that of the disliked chairperson of a volunteer United Way fundraising team. In this job, the leader has very little control.

MATCHING LEADERS AND SITUATIONS. Combining the three contingency dimensions yields eight possible situations in which leaders can find themselves. The Fiedler model proposes matching an individual LPC score and these eight situations to achieve maximum leadership effectiveness. Fiedler

concluded that task-oriented leaders perform better in situations very favorable to them and very unfavorable. So when faced with a category 1,2,3,7 or 8 situation, task-oriented leaders perform better. Relationship-oriented leaders, however, perform better in moderately favorable situations – categories 4, 5 and 6. In recent years, Fiedler has condensed these eight situations down to three, he now says task-oriented leaders perform best in situations of high and low control, whereas relationship-oriented leaders perform best in moderate control situations.

How would you apply Fiedler's finding? You would match leaders – in terms of their LPC scores – with the type of situation – in terms of leader-member relationships, task structure, and position power – for which they were best suited. But remember that Fiedler views an individual's leadership style as fixed. Therefore there are only two ways to improve leader effectiveness. First, you can change the leader to fit the situation – as a baseball manager puts a right- or left-handed pitcher into the game depending on the hitter. If a group situation rates highly unfavorable but is currently led by a relationship-oriented manager, the group's performance could be improved under a manager who is task oriented. The second alternative is to change the situation to fit the leader by restructuring tasks or increasing or decreasing the leader's power to control factors such as salary increases, promotions, and disciplinary actions.

EVALUATION Studies testing the overall validity of the Fiedler model find considerable evidence to support substantial parts of it. If we use only three categories rather than the original eight, ample evidence supports Fiedler's conclusions. But the logic underlying the LPC questionnaire is not well understood, and respondents' scores are not stable. The contingency variables are also complex and difficult for practitioners to assess.

5 CHARISMATIC LEADERSHIP AND TRANSFORMATIONAL LEADERSHIP

In this section, we present two contemporary leadership theories – charismatic leadership and transformational leadership – with a common theme: they view leaders as individuals who inspire followers through their words, ideas, and behaviours.

Charismatic leadership
John F. Kennedy, Martin Luther King Jr., Ronald Reagan, Bill Clinton, Mary Kay Ash, and Steve Jobs are frequently cited as charismatic leaders. What do they have in common? What is charismatic leadership? The sociologist Max Weber defined charisma (from the Greek word "gift") more than a century ago as "a certain quality of an individual personality, by virtue of which he or she is set apart from ordinary people and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities. These are not accessible to the ordinary person and are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader." Weber argued that charismatic leadership was one of several ideal types of authority. According to Robert House's charismatic leadership theory, followers attribute heroic or extraordinary leadership abilities when they observe certain behaviours. A number of studies have attempted to identify the characteristics of charismatic leaders: they have a vision, they are willing to take personal risks to achieve that vision, they are sensitive to follower needs, and they exhibit extraordinary behaviours.

ARE CHARISMATIC LEADERS BORN OR MADE? Are charismatic leaders born with their qualities? Or can people actually learn to be charismatic leaders? Yes, and yes.

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1 **Vision and articulation**. Has a vision – expressed as an idealized goal – that proposes a future that is better than the status quo. And is able to clarify the importance of the vision in terms that are understandable to others.
2 **Personal risk.** Willing to take on high personal risk, incur high costs, and engage in self-sacrifice to achieve the vision.

> 3 **Sensitivity to follower needs**. Perceptive of others' abilities and responsive to their needs and feelings.
> 4 **Unconventional behavior**. Engages in behaviours that are perceived as novel and counter to norms.

Key Characteristics of Charismatic Leaders

Individuals are born with traits that make them charismatic. In fact, studies of identical twins have found they score similarly on charismatic leadership measures, even if they were raised in different households and had never met. Personality is also related to charismatic leadership; charismatic leaders are more likely to be extraverted, self-confident, and achievement oriented. Consider Presidents Barack Obama and Ronald Reagan; like them or not, they are often compared because both possess the qualities of charismatic leaders.

Most experts believe individuals can be trained to exhibit charismatic behaviours. After all, just because we inherit certain tendencies doesn't mean we can't learn to change. One set of authors proposes a three-step process. First, develop an aura of charisma by maintaining an optimistic view: using passion as a catalyst for generating enthusiasm: and communicating with the whole body, not just with words. Second, draw others in by creating a bond that inspires them to follow. Third, bring out potential in followers by tapping into their emotions.

This approach seems to work, according to researchers who have asked undergraduate business students to 'play' charismatic. The students were taught to articulate an overarching goal, communicate high-performance expectations, exhibit confidence in the ability of their followers: they learned to project a powerful, confident, and dynamic presence: and they practiced using a captivating and engaging voice. They were also trained to evoke charismatic nonverbal characteristics, they alternated between pacing and sitting on the edges of their desks, leaned toward the subjects, maintained direct eye contact, and had relaxed postures and animated facial expressions. Their followers had higher task performance, task adjustment and adjustment to the leader and the group than did followers of non-charismatic leaders.

HOW CHARISMATIC LEADERS INFLUENCE FOLLOWERS How do charismatic leaders actually influence followers? Evidence suggests a four-step process. It begins with articulating an appealing vision, a long-term strategy for attaining a goal by linking the present with a better future for the organization. Desirable visions fit the times and circumstances and reflect the uniqueness of the organization. Steve Jobs championed the iPod at Apple, noting, "It's as Apple as anything Apple has ever done." People in the organization must also believe the vision is challenging yet attainable.

Second, a vision is incomplete without a vision statement, a formal articulation of an organization's vision or mission. Charismatic leaders may use vision statements to imprint on followers an overarching goal and purpose. They build followers' self-esteem and confidence with high-performance expectations and belief that followers can attain them. Next, through words and actions, the leader conveys a new set of values and sets an example for followers to imitate. One study of Israeli bank employees showed charismatic leaders were more effective because their employees personally identified with them. Charismatic leaders also set a tone of cooperation and mutual support. A study of 115 government employees found that they had a stronger sense of personal belonging at work when they had charismatic leaders, increasing their willingness to engage in helping and compliance-oriented behavior.

Finally, the charismatic leader engages in emotion inducing and often unconventional behavior to demonstrate courage and conviction about the vision. Followers 'catch' the emotions their leader is conveying.

DOES EFFECTIVE CHARISMATIC LEADERSHIP DEPEND ON THE SITUATION? Research shows impressive correlations between charismatic leadership and high performance and satisfaction among followers. People working for charismatic leaders are motivated to exert extra effort and, because they like and respect their leaders, express greater satisfaction. Organizations with charismatic CEOs are more profitable, and charismatic college professors enjoy higher course evaluations. However, charisma appears most successful when the follower's task has an ideological component or the environment includes a high degree of stress and uncertainty. Even in laboratory studies, when people are psychologically aroused, they are more likely to respond to charismatic leaders. This may explain why when charismatic leaders surface, it's likely to be in politics or religion, or during wartime, or when a business is in its infancy, or facing a life-threatening crisis. Franklin D. Roosevelt offered a vision to get the United States out of the Great Depression in the 1930s. In 1997 when Apple Computer was floundering and lacking direction, the board persuaded charismatic cofounder Steve Jobs to return as interim CEO and return the company to its innovative roots.

Another situational factor apparently limiting charisma is level in the organization. Top executives create vision; it is more difficult to utilize a person's charismatic leadership qualities in lower-level management jobs or to align her vision with the larger goals of the organization.
Finally, people are especially receptive to charismatic leadership when they sense a crisis, when they are under stress, or when they fear for their lives. Charismatic leaders are able to reduce stress for their employees, perhaps because they help make work seem more meaningful and interesting. And some people's personalities are especially susceptible to charismatic leadership. Consider self-esteem. An individual who lacks self-esteem and questions his self-worth is more likely to absorb a leader's direction rather than establish his own way of leading or thinking.

THE DARK SIDE OF CHARISMATIC LEADERSHIP   Charismatic business leaders like AIG's Hank Greenberg, General Electric's Jack Welch, Tyco's Dennis Kozlowski, Southwest Airlines' Herb Kelleher, Disney's Michael Eisner and HP's Carly Fiorina became celebrities like David Beckham and Madonna. Every company wanted a charismatic CEO, and to attract them, boards of directors gave them unprecedented autonomy and resources – the use of private jets and multimillion-dollar penthouses, interest-free loans to buy beach homes and artwork, security staffs, and similar benefits befitting royalty. One study showed charismatic CEOs were able to leverage higher salaries even when their performance was mediocre.

Unfortunately, charismatic leaders who are larger than life don't necessarily act in the best interests of their organization. Many have allowed their personal goals to override the goals of the organization. The results at companies such as Enron, Tyco, WorldCom and HealthSouth were disastrous: leaders recklessly used organizational resources for their personal benefit, and executives violated laws and ethical boundaries to inflate stock prices, allowing them to cash in millions of dollars in stock options. It is little wonder that research has shown that individuals who are narcissistic are also higher in some behaviours associated with charismatic leadership.

It is not that charismatic leadership isn't effective; overall, it is. But a charismatic leader is not always the answer. Success depends, to some extent, on the situation and on the leader's vision. Some charismatic leaders are all too successful at convincing their followers to pursue a vision that can be ruinous.

Think of a leader that you admire and evaluate him/her according to the four dimensions below.

1 Vision and articulation. Has a vision – expressed as an idealized goal – that proposes a future that is better than the status quo. And is able to clarify the importance of the vision in terms that are understandable to others.

2 **Personal risk.** Willing to take on high personal risk, incur high costs, and engage in self-sacrifice to achieve the vision.

3 **Sensitivity to follower needs**. Perceptive of others' abilities and responsive to their needs and feelings.

4 **Unconventional behavior**. Engages in behaviours that are perceived as novel and counter to norms

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7 TRANSFORMATIONAL LEADERSHIP

A stream of research has focused on differentiating transformational from transactional leaders. The Ohio State studies, Fiedler's model, and path-goal theory describe **transactional leaders**, who guide their followers toward established goals by clarifying role and task requirements. **Transformational leaders** inspire followers to transcend their self-interests for the good of the organization and can have an extraordinary effect on their followers. Andrea Jung at Avon, Richard Branson of the Virgin Group, and Jim McNerney at Boeing are all transformational leaders. They pay attention to the concerns and needs of individual followers; they change followers' awareness of issues by helping them look at old problems in new ways; and they excite and inspire followers to put out extra effort to achieve group goals.

Transactional and transformational leadership complement each other; they are not opposing approaches to getting things done. Transformational leadership builds on transactional leadership and produces levels of follower effort and performance beyond what transactional leadership can do alone. But the reverse is not true. So if you are a good transactional leader but do not have transformational qualities, you'll likely only be a mediocre leader. The best leaders are transactional and transformational.

TRANSACTIONAL LEADER
Contingent Reward: Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments.
Management by Exception (active): Watches and searches for deviations from rules and standards, takes correct action.
Management by Exception (passive): Intervenes only if standards are not met.
Laissez-Faire: Abdicates/passes on responsibilities, avoids making decisions.

TRANSFORMATIONAL LEADER
Idealized Influence: Provides vision and sense of mission, instils pride, gains respect and trust.
Inspirational Motivation: Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways.
Intellectual Stimulation: Promotes intelligence, rationality, and careful problem-solving.
Individualized Consideration: Gives personal attention, treats each employee individually, coaches, advises.

FULL RANGE OF LEADERSHIP MODEL Laissez-faire is the most passive and least effective of leader behaviours. Management by exception – active or passive – is slightly better, but it is still considered ineffective. Management by exception leaders tend to be available only when there is a problem, which is often too late. Contingent reward leadership can be an effective style of leadership but will not get employees to go above and beyond the call of duty. Only with the four remaining styles – all aspects of transformational leadership – are leaders able to motivate followers to perform above expectations and transcend their self-interest for the sake of the organization. Individualized consideration, intellectual stimulation, inspirational motivation, and idealized influence (known as the four Is) all result in extra effort from workers, higher productivity, higher morale and satisfaction, higher organizational effectiveness, lower turnover, lower absenteeism, and greater organizational adaptability. Based on this model, leaders are generally most effective when they regularly use each of the four transformational behaviours.

HOW TRANSFORMATIONAL LEADERSHIP WORKS Transformational leaders are more effective because they are more creative, but also because they encourage those who follow them to be creative too. Companies with transformational leaders have greater decentralization of responsibility, managers have more propensity to take risks, and compensation plans are geared toward long-term results – all of which facilitate corporate entrepreneurship. One study of information technology workers in China, for instance, found empowering leadership behavior led to feelings of positive personal control among workers, which increased their creativity at work.

Companies with transformational leaders also show greater agreement among top managers about the organization's goals, which yields superior organizational performance. The Israeli military has seen similar results, showing that transformational leaders improve performance by building consensus among group members. Transformational leaders are able to increase follow self-efficacy, giving the group a 'can-do' spirit. Followers are more likely to pursue ambitious goals, agree on the strategic goals of the organization, and believe the goals they are pursuing are personally important. Just as vision helps to explain how charismatic leadership works, it also explains part of the effect of transformational leadership. One study found vision was even more important than a charismatic (effusive, dynamic, lively) communicative style in explaining the success of entrepreneurial firms. Finally, transformational leadership engenders commitment on the part of followers and instills greater trust in the leader.

EVALUATION OF TRANSFORMATIONAL LEADERSHIP Transformational leadership has been impressively supported at diverse job levels and occupations (school principals, teachers, marine commanders, ministers, presidents of MBA associations, military cadets, union shop stewards, sales

reps). One study of R&D firms found teams whose project leaders scored high on transformational leadership produced better-quality products as judged on year later and higher profits five years later. Another study looking at employee creativity and transformational leadership more directly found employees with transformational leaders had more confidence in their ability to be creative at work and higher levels of creative performance. A review of 117 studies testing transformational leadership found it was related to higher levels of individual follower performance, team performance, and organizational performance.

Transformational leadership is not equally effective in all situations. It has a greater impact on the bottom line in smaller, privately held firms than in more complex organizations. The personal nature of transformational leadership may be most effective when leaders can directly interact with the workforce and make decisions than when they report to an external board of directors or deal with a complex bureaucratic structure. Another study showed transformational leaders were more effective in improving group potency in teams higher in power distance and collectivism. Other recent research using a sample of employees both in China and the United States found that transformational leadership had a positive relationship with perceived procedural justice, especially among individuals who were lower in power distance orientation. Transformational leaders also obtain higher levels of trust, which reduces stress for followers. In short, transformational leadership works through a number of different processes.

One study examined how different types of transformational leadership can be effective depending on whether work is evaluated at the team or the individual level. Individual-focused transformational leadership is behavior that empowers individual followers to develop, enhance their abilities, and increase self-efficacy. Team-focused transformational leadership emphasizes group goals, shared values and beliefs, and unified efforts. Evidence from a sample of 203 team members and 60 leaders in a business unit found individual transformational leadership associated with higher individual-level performance, whereas team-focused transformational leadership drew higher group-level performance.

Transformational leadership theory is not perfect. Contingent reward leadership may not characterize transactional leaders only. And contrary to the full range of leadership models, the four Is in transformational leadership are not always superior in effectiveness to transactional leadership (contingent reward leadership sometimes works as well as transformational leadership).

In summary, transformational leadership is more strongly correlated than transactional leadership with lower turnover rates, higher productivity, lower employee stress and burnout, and higher employee satisfaction. Like charisma, it can be learned. One study of Canadian bank managers found branches managed by those who underwent transformational leadership training performed significantly better than branches whose managers did not receive training. Other studies show similar results.

The GLOBE study – of 18,000 leaders from 825 organizations in 62 countries – links a number of elements of transformational leadership with effective leadership, regardless of country. This conclusion is very important because it disputes the contingency view that leadership style needs to adapt to cultural differences.

What elements of transformational leadership appear to be universal? Vision, foresight, providing encouragement, trustworthiness, dynamism, positiveness, and proactiveness top the list. The GLOBE team concluded that "effective business leaders in any country are expected by their subordinates to provide a powerful and proactive vision to guide the company into the future, strong motivational skills to stimulate all employees to fulfill the vision, and excellent planning skills to assist in implementing the vision."

A vision is important in any culture, then, but the way it is formed and communicated may need to vary by culture. A GE executive who used his US leadership style in Japan recalls, "Nothing happened. I quickly realized that I had to adapt my approach, to act more as a consultant to my colleagues and to adopt a team-based motivational decision-making process rather than the more vocal style which tends to be common in the West. In Japan the silence of a leader means far more than a thousand words uttered by someone else."

8 AUTHENTIC LEADERSHIP: ETHICS AND TRUST

Although theories have increased our understanding of effective leadership, they do not explicitly deal with the role of ethics and trust, which some argue is essential to complete the picture. Here we consider these two concepts under the rubric of authentic leadership.

What is Authentic Leadership?

Mike Ullman, former JCPenny CEO, argues that leaders have to be selfless, listen well, and be honest. Consistent with this, Campbell Soup's CEO Douglas Conant is decidedly understated. When asked to reflect on the strong performance of Campbell Soup, he says, "We're hitting our stride a little bit more (than our peers)." He regularly admits mistakes and often says, "I can do better." Ullman and Conant appear to be good exemplars of authentic leadership.

Authentic leaders know who they are, what they believe in and value, and act on those values and beliefs openly and candidly. Their followers consider them ethical people. The primary quality produced by authentic leadership, therefore, is trust. Authentic leaders share information, encourage open communication, and stick to their ideals. The result: people come to have faith in them.

Because the concept is relatively new, there has been less research on authentic leadership than on other forms of leadership. However, it is a promising way to think about ethics and trust in leadership because it focuses on the moral aspects of being a leader. Transformational or charismatic leaders can have a vision and communicate it persuasively, but sometimes the vision is wrong, or the leader is more concerned with his or her own needs or pleasures, as were Dennis Kozlowski (ex-CEO of Tyco), Jeff Skilling (ex-CEO of Enron), and Raj Rajaratnam (founder of the Galleon Group).

Ethics and Leadership

Only recently have researchers begun to consider the ethical implications in leadership. Why now? One reason may be the growing interest in ethics throughout the field of management. Another may be the recognition that many past leaders – such as Martin Luther King Jr., John F. Kennedy, and Thomas Jefferson – suffered ethical shortcomings. Some companies, like Boeing, are tying executive compensation to ethics to reinforce the idea that, in CEO Jim McNerney's words, "there is no compromise between doing things the right way and performance."

Ethics and leadership intersect at a number of junctures. We can think of transactional leaders as fostering moral virtue when they try to change the attitudes and behaviours of followers. Charisma, too, has an ethical component. Unethical leaders use their charisma to enhance power over followers, directed toward self-serving ends. Ethical leaders use it in a socially constructive way to serve others. Leaders who treat their followers with fairness, especially by providing honest, frequent, and accurate information, are seen as more effective. Leaders rated highly ethical tend to have followers who engage in more organizational citizenship behaviours and who are more willing to bring problems to the leaders' attention. Because top executives set the moral tone for an organization, they need to set high ethical standards, demonstrate them through their own behavior, and encourage and reward integrity in others while avoiding abuses of power such as giving themselves large raises and bonuses while seeking to cut costs by laying off longtime employees.

Leadership is not value-free. In assessing its effectiveness, we need to address the means a leader uses in trying to achieve goals, as well as the content of those goals. Scholars have tried to integrate ethical and charismatic leadership by advancing the idea of socialized charismatic leadership – leadership that conveys other-centred (not self-centred) values by leaders with model ethical conduct. Socialized charismatic leaders are able to bring employee values in line with their own values through their words and actions.

Servant Leadership

Scholars have recently considered ethical leadership for a new angle by examining servant leadership. Servant leaders go beyond their own self-interest and focus on opportunities to help followers grow and develop. The don't use power to achieve ends; they emphasize persuasion. Characteristic behaviours include listening, empathizing, persuading, practicing stewardship, and actively developing followers' potential. Because servant leadership focuses on serving the needs of others, research has focused on its outcomes for the well-being of followers.
What are the effects of servant leadership? One study of 123 supervisors found it resulted in higher levels of commitment to the supervisor, self-efficacy, and perceptions of justice, which all were related to organizational citizenship behavior. This relationship between servant leadership and follower organizational citizenship behavior appears to be stronger when followers are focused on being dutiful and responsible. Second, servant leadership increases team potency (a belief that one's team has above-average skills and abilities), which in turn leads to higher levels of group performance. Third, a study with a nationally representative sample of 250 workers found higher levels of citizenship associated with a focus on growth and advancement, which in turn was associated with higher levels of creative performance.

Servant leadership may be more prevalent and more effective in certain cultures. When asked to draw images of leaders, US subjects tend to draw them in front of the group, giving orders to followers. Singaporeans tend to draw leaders at the back of the group, acting more to gather a group's opinions together and then unify them from the rear. This suggests the East Asian prototype is more like a servant leader, which might mean servant leadership is more effective in these cultures.

Trust and Leadership
Trust is a psychological state that exists when you agree to make yourself vulnerable to another because you have positive expectations about how things are going to turn out. Even though you are not completely in control of the situation, you are willing to take a chance that the other person will come through for you. Trust is a primary attribute associated with leadership: breaking it can have serious adverse effects on a group's performance. As one author noted, "Part of the leader's task has been and continues to be, working with people to find and solve problems, but whether leaders gain access to the knowledge and creative thinking they need to solve problems depends on how much people trust them. Trust and trust-worthiness modulate the leader's access to knowledge and cooperation." Followers who trust a leader are confident their rights and interests will not be abused. Transformational leaders create support for their ideas by arguing that their direction will be in everyone's best interests. People are unlikely to look up to or follow someone they perceive as dishonest or likely to take advantage of them. Thus, as you might expect, transformational leaders do generate high levels of trust from their followers, which in turn is related to higher levels of team confidence and, ultimately, higher levels of team performance.

In a simple contractual exchange of goods and services, your employer is legally bound to pay you for fulfilling your job description. But today's rapid reorganizations, diffusion of responsibility, and

collaborative team-based work style mean employment relationships are not stable long-term contracts with explicit terms. Rather, they are more fundamentally based on trusting relationships than ever before. You have to trust that if you show your supervisor a creative project you have been working on, she won't steal the credit behind your back. You have to trust that extra work you have been doing will be recognized in your performance appraisal. In contemporary organizations, where the scope of work is broader, voluntary employee contributions based on trust is absolutely necessary. And only a trusted leader will be able to encourage employees to reach beyond themselves to a transformational goal.

What are the consequences of trust?

Trust between supervisors and employees has a number of important advantages.

Trust encourages taking risks. Whenever employees decide to deviate from the usual way of doing things, or to take their supervisors' word on a new direction, they are taking a risk. In both cases, a trusting relationship can facilitate that leap.

Trust facilitates information sharing. One big reason employees fail to express concerns at work is because they don't feel psychologically safe revealing their views. When managers demonstrate they will give employees' ideas a fair hearing and actively make changes, employees are more willing to speak out.

Trusting groups are more effective. When a leader sets a trusting tone in a group, members are more willing to help each other and exert extra effort for one another, which further increases trust. Conversely, members of mistrusting groups tend to be suspicious of each other, constantly guard against exploitation, and restrict communication with others in the group. These actions tend to undermine and eventually destroy the group.

Trust enhances productivity. The bottom-line interest of companies also appears positively influenced by trust. Employees who trust their supervisors tend to receive higher performance ratings. This is partially because the trust fosters employee responses conducive to good job performance. People respond to mistrust by concealing information and secretly pursuing their own interests.

9 CHALLENGES TO THE LEADERSHIP CONSTRUCT

Jim Collins, a leading business consultant, says, "In the 1500s, people ascribed all events they did not understand to God. Why did the crops fail? God. Why did someone die? God. Now our all-purpose explanation is leadership." But much of an organization's success or failure is due to factors outside the influence of leadership. Sometimes it is just a matter of being in the right or wrong place at a given time. In this section we present two perspectives and one technological change that challenge accepted beliefs about the value of leadership.

Leadership as an attribution

Attribution theory examines how people try to make sense of cause-and-effect relationships. The **attribution theory of leadership** says leadership is merely an attribution people make about other individuals. Thus we attribute to leaders intelligence, outgoing personality, strong verbal skills, aggressiveness, understanding, and industriousness. At the organizational level, we tend to see leaders, rightly or wrongly, as responsible for extremely negative or extremely positive performance.

One longitudinal study of 128 major U.S. corporations found that whereas perceptions of CEO charisma did not lead to objective company performance, company performance did lead to perceptions of charisma. Employee perceptions of their leaders' behaviours are significant predictors of whether they blame the leader for failure, regardless of how the leader assesses himself. A study of more than 3,000 employees from western Europe, the United States, and the Middle East found people who tended to 'romanticise' leadership in general were more likely to believe their own

leaders were transformational. When Merrill Lynch began to lose billions in 2008 as a result of its investments in mortgage securities, it was not long before CEO Stan O'Neal lost his job. He appeared before the House Oversight and Government Reform Committee of the U.S. Congress for what one committee member termed "a public flogging." Some called him a "criminal," and still others suggested company losses represented "attempted destruction." Whether O'Neal was responsible for the losses at Merrill Lynch or deserved his nine-figure severance package are difficult questions to answer. However, it is not difficult to argue that he probably changed very little between 2004 when Fortune magazine him as a "turnaround genius" and 2009 when he was fired. What did change was the performance of the organization he led. It is not necessarily to terminate a CEO for failing or flagging financial performance. However, O'Neal's story illustrates the power of the attribution approach to leadership: hero and genius when things are going well, villain when they are not.

We also make demographic assumptions about leaders. Respondents in a study assumed a leader described with no identifying racial information was white at a rate beyond the base rate of white employees in a company. In scenarios where identical leadership situations are described but the leader's race is manipulated, white leaders are rated as more effective than leaders of other racial groups. One large-scale summary study found that many individuals hold stereotypes of men as having more leader characteristics than women, although this tendency to equate leadership with masculinity has decreased over time. Other data suggest women's perceived success as transformational leaders may be based on demographic characteristics. Teams prefer male leaders when aggressively competing *against* other teams, but they prefer female leaders when the competition is *within* teams and calls for improving positive relationships within the group. Attribution theory suggests what is important is projecting the appearance of being a leader rather than focusing on actual accomplishments. Leader-wannabes who can shape the perception that they are smart, personable, verbally adept, aggressive, hard-working, and consistent in their style can increase the probability their bosses, colleagues, and employees will view them as effective leaders.

10 Substitutes for and Neutralizers of Leadership

One theory of leadership suggests that in many situations leaders' actions are irrelevant. Experience and training are among the **substitutes** that can replace the need for a leader's support or ability to create structure. Organizational characteristics such as explicit formalized goals, rigid rules and procedures, and cohesive work groups can also replace formal leadership, while indifference to organizational rewards can neutralize its effects. **Neutralizers** make it impossible for leader behavior to make any difference to follower outcomes. The observation should not be too surprising. After all, we have introduced a number of variables – such as attitudes, personality, ability, and group norms – that affect employee performance and satisfaction. It is simplistic to think employees are guided to goal achievement solely by the actions of their leader. Leadership is simply another independent variable in our overall organization behavior model.
Sometimes the difference between substitutes and neutralisers is fuzzy. If I am working on a task that is intrinsically enjoyable, theory predicts leadership will be less important because the task itself provides enough motivation. But does that mean intrinsically enjoyable tasks neutralize leadership effects, or substitute for them, or both? Another problem is that while substitutes for leadership (such as employee characteristics, the nature of the task, etc.) matter to performance, that doesn't necessarily mean leadership does not.

Online Leadership
How do you lead people who are physically separated from you and with whom you communicate electronically? This question needs attention from organizational behavior researchers. Today's managers and employees are increasingly linked by networks rather than geographic proximity. We propose that online leaders have to think carefully about what actions they want their digital

messages to initiate. They confront unique challenges, the greatest of which appears to be developing and maintaining trust. Identification-based trust, based on a mutual understanding of each other's intentions and appreciation of the other's wants and desires, is particularly difficult to achieve without face-to-face interaction. And online negotiations can also be hindered because parties express lower levels of trust. We tentatively conclude that good leadership skills will soon include the abilities to communicate support, trust, and inspiration through keyboarded words and accurately read emotions in others' messages. In electronic communication, writing skills are likely to become an extension of interpersonal skills.

SUMMARY AND IMPLICATIONS FOR MANAGERS

Leadership plays a central role in understanding group behavior, because it is the leader who usually directs us toward our goals. Knowing what makes a good leader should thus be valuable in improving group performance.

- The early search for a set of universal leadership traits failed. However, recent efforts using the Big Five personality framework show strong and consistent relationships between leadership and extraversion, conscientiousness, and openness to experience.
- The behavioural approach's major contribution was narrowing leadership into task-oriented (initiating structure) and people-oriented (consideration) styles. By considering the situation in which the leader operates, contingency theories promised to improve on the behavioural approach, but only LPC theory has fared well in leadership research.
- Research on charismatic and transformational leadership has made major contributions to our understanding of leadership effectiveness. Organizations want managers who can exhibit transformational leadership qualities and who have vision and the charisma to carry it out.
- Effective managers must develop trusting relationships with followers because, as organizations have become less stable and predictable, strong bonds of trust are replacing bureaucratic rules in defining expectations and relationships.

LEADER-MEMBER EXCHANGE (LMX) THEORY

Think of a leader you know. Did this leader have favourites who made up his in-group? If you answer yes, you're acknowledging the foundation of leader-member exchange theory. Leader-member exchange theory argues that, because of time pressure, leaders establish special relationships with small groups of their followers. These individuals make up the in-group – they are trusted, get a disproportionate amount of the leader's attention, and are more likely to receive special privileges. Other followers fall into the out-group.

The theory proposes that early in the history of the interaction between a leader and a given follower, the leader implicitly categorizes the follower as an 'in' or an 'out' and that relationship is

relatively stable over time. Leaders induce LMX by rewarding those employees with whom they want a closer linkage and punishing those with whom they do not. But for the LMX relationship to remain intact, the leader and the follower must invest in the relationship.

Just how the leader chooses who falls into each category is unclear, but there is evidence in-group members have demographic, attitude, and personality characteristics similar to those of their leader or a higher level of competence than out-group members. Leaders and followers of the same gender tend to have closer relationships than those of different genders. Even though the leader does the choosing, the follower's characteristics drive the categorizing decision.

Research to test LMX theory has generally been supportive, with substantive evidence that leaders do differentiate among followers; these disparities are far from random; and followers with in-group status will have higher performance ratings, engage in more helping or 'citizenship' behaviours at work, and report greater satisfaction with their superiors. These positive findings for in-group members shouldn't be surprising, given our knowledge of self-fulfilling prophecy. Leaders invest their resources with those they expect to perform best. And believing in-group members are the most competent, leaders treat them as such and unwittingly fulfill their prophecy. In this type of case, we would expect the performance of out-group members would suffer because the perception of organizational justice is key to the link between LMX theory and performance. A study in Turkey, for instance, demonstrated that when leaders differentiate strongly among their followers in terms of their relationships (some followers had very positive leader-member exchange, others very poor), employees respond with more negative work attitudes and higher levels of withdrawal behavior when organizational justice is perceived to be low. Leader-follower relationships may be stronger when followers have a more active role in shaping their own job performance. Research on 287 software developers and 164 supervisors showed leader-member relationships have a stronger impact on employee performance and attitudes when employees have higher levels of autonomy and a more internal locus of control.