

12

Leadership



Source: Mike Hutchings/Reuters/Alamy Stock Photo

LEARNING OBJECTIVES

After studying this chapter, you should be able to:

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| 12-1 Summarize the conclusions of trait theories of leadership. | 12-5 Discuss the roles of leaders in creating ethical organizations. |
| 12-2 Identify the central tenets and main limitations of behavioral theories. | 12-6 Describe how leaders can have a positive impact on their organizations through building trust and mentoring. |
| 12-3 Contrast contingency theories of leadership. | 12-7 Identify the challenges to our understanding of leadership. |
| 12-4 Describe the contemporary theories of leadership and their relationship to foundational theories. | |

Employability Skills Matrix (ESM)

	Myth or Science?	Career Objectives	An Ethical Choice	Point/Counterpoint	Experiential Exercise	Ethical Dilemma	Case Incident 1	Case Incident 2
Critical Thinking	✓		✓	✓	✓	✓	✓	✓
Communication		✓			✓	✓	✓	
Collaboration		✓			✓	✓	✓	
Knowledge Application and Analysis	✓	✓	✓	✓	✓	✓	✓	✓
Social Responsibility			✓		✓	✓		

MyLab Management Chapter Warm Up
 If your professor has assigned this activity, go to www.pearson.com/mylab/management to complete the chapter warm up.

FROM WACKY VISION TO TOTAL HOTEL INDUSTRY DISRUPTION

In 2008, Brian Chesky and Joe Gebbia, design school graduates in Silicon Valley, had a wacky idea. Gebbia’s roommates suddenly moved out, and he needed people to fill the remaining rooms. The idea to host a home-sharing platform came to him and Chesky after Gebbia asked Chesky to take the remaining room. The result was Air Bed & Breakfast (Airbnb). From these humble (and sometimes rocky) beginnings, Airbnb bourgeoned to a \$31 billion organization, nearly the same valuation as Marriott International, without owning a single room. To date, the company has housed over 150 million guests in over 65,000 cities in over 191 countries. It also has more than 3 million listings worldwide (including over 1,400 castles).

Part of the reason for the major success of Airbnb is its executive leadership and top management team. Chesky, as CEO (shown here meeting with an Airbnb host in South Africa), has guided the organization through remarkably turbulent times throughout its development, with no prior business experience. In 2017, Chesky has been listed as one of the World’s Greatest Leaders by *Fortune*. The caring leadership style of Chesky offers a counterpoint to that exhibited by leadership in other sharing-economy brands, such as Uber, who have come under fire for an apparent aggressive and sexist culture and whose CEO, Travis Kalanick, was caught on video verbally berating an Uber driver.

Perhaps what drives the success of Chesky is the charisma, authenticity, and ethicality with which he meets leadership challenges. His mentor, Warren Buffett (CEO of Berkshire Hathaway), notes that Brian “feels it all the way through. I think he would be doing what he’s doing if he didn’t get paid a dime for it.” A trait that Chesky believes is important for handling leadership challenges is humility. Chesky realizes that it is easy for leaders to become defensive when they are challenged, but sometimes leaders must take a step back and approach their challenges with humility and acceptance.

Leaders need guidance and help, too. Chesky recognizes that, as leaders, “we need to have mentors. I think I’ve always been pretty shameless about seeking out people much smarter and much more experienced than me from the very beginning ... and the more successful I got, the more leaders I started seeking out, whether it was investors, or Sheryl Sandberg at Facebook, or ... Warren Buffett.” Perhaps the ethicality with which Chesky approaches Airbnb is reflected in the company’s new vision statement: “Belong Anywhere.” New leaders within the organization, such as Beth Axelrod, the new vice president of employee experience, are modeling this mission and enacting it “to create belonging everywhere” through recruitment, selection, employee engagement, and motivation at Airbnb.

Sources: Based on Airbnb, *About Us*, <https://www.airbnb.com/about/about-us>, accessed April 12, 2017; L. Gallagher, “Airbnb’s IPO Runway,” *Fortune*, March 17, 2017, <http://fortune.com/2017/03/17/airbnbs-ipo-runway/>; L. Gallagher, “Q&A with Brian Chesky: Disruption, Leadership, and Airbnb’s Future,” *Fortune*, March 27, 2017, <http://fortune.com/2017/03/27/chesky-airbnb-leadership-uber/>; L. Gallagher, *The Airbnb Story: How Three Ordinary Guys Disrupted an Industry, Made Billions ... and Created Plenty of Controversy* (New York, NY: Houghton Mifflin Harcourt, 2017); L. Gallagher, “Why Airbnb CEO Brian Chesky Is Among the World’s Greatest Leaders,” *Fortune*, March 24, 2017, <http://fortune.com/2017/03/24/airbnb-brian-chesky-worlds-greatest-leaders/>; and V. Zarya, “Exclusive: Meet the Woman Joining Airbnb’s Executive Team,” *Fortune*, January 13, 2017, <http://fortune.com/2017/01/13/airbnb-executive-beth-axelrod/>.

Leaders like Brian Chesky possess a special something that sets them apart. However, theirs is not the only type of effective leadership. In this chapter, we’ll look at all types of leaders and what differentiates leaders from nonleaders. First, we’ll present trait theories of leadership. Then, we’ll discuss challenges to the meaning and importance of leadership. But before we begin, let’s clarify what we mean by the term *leadership*.

We define **leadership** as the ability to influence a group toward the achievement of a vision or set of goals. But not all leaders are managers, nor are all managers leaders. Just because an organization provides its managers with certain formal rights does not mean that they will lead effectively. Leaders can emerge from within a group as well as by formal appointment. Nonsanctioned leadership—the ability to influence that arises outside the formal structure of the organization—is often as important, or more important, than formal influence.

leadership The ability to influence a group toward the achievement of a vision or set of goals.

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

MyLab Management Watch It

If your professor has assigned this activity, go to www.pearson.com/mylab/management to complete the video exercise.

12-1 Summarize the conclusions of trait theories of leadership.

trait theories of leadership Theories that consider personal qualities and characteristics that differentiate leaders from nonleaders.

Trait Theories

Throughout history, strong leaders have been described by their traits. Therefore, leadership research has long sought to identify the personality, social, physical, or intellectual attributes that differentiate leaders from nonleaders. **Trait theories of leadership** focus on personal qualities and characteristics.¹

For personality, comprehensive reviews of the leadership literature organized around the Big Five framework have found extraversion to be the most predictive trait of effective leadership.² However, extraversion is perhaps more related to the way leaders emerge than it is related to their effectiveness. Sociable and dominant people are more likely to assert themselves in group situations, which can help extraverts be identified as leaders. However, effective leaders do not tend to be domineering. One study found that leaders who scored very high in assertiveness, a facet of extraversion, were less effective than those who were moderately high.³ Extraverted leaders may be more effective when leading groups of passive employees rather than proactive employees.⁴ Although extraversion can predict effective leadership, the relationship may be due to unique facets of the trait and the situation.

Unlike agreeableness and emotional stability, which do not seem to predict leadership, conscientiousness and openness to experience may predict leadership, especially leader effectiveness. For example, multi-source data (i.e., from employees, coworkers, and supervisors) from a Fortune 500 organization suggest that conscientiousness facets, such as achievement striving and dutifulness, are related to leader emergence.⁵ Also, achievement striving and dependability were found to be related to effectiveness as a manager.⁶ In sum, leaders who like being around people, who can assert themselves (extraverted), and who are disciplined and able to keep commitments they make (conscientious) have an apparent advantage when it comes to leadership.

What about the Dark Side personality traits of Machiavellianism, narcissism, and psychopathy (see Chapter 5)? Research indicates they're not all bad for leadership. A study in Europe and the United States found that normative (midrange) scores on the Dark Side personality traits were optimal, while low (and high) scores were associated with ineffective leadership. The study suggested that high emotional stability may accentuate the ineffective behaviors.⁷ However, higher scores on Dark Side traits and emotional stability can contribute to leadership emergence. Thankfully, both this study and other international research indicate that building self-awareness and self-regulation skills may be helpful for leaders to control the effects of their Dark Side traits.⁸

Another trait that may indicate effective leadership is emotional intelligence (EI), discussed in Chapter 4. A core component of EI is empathy. Empathetic



As the CEO of Women's Bean Project, Tamra Ryan leads a team of professionals in managing the social enterprise that helps women earn a living while teaching them work and life skills. Her traits of extraversion, conscientiousness, confidence, and emotional stability contribute to her success.

Source: David Zalubowski/AP Images



leaders can sense others' needs, listen to what followers say (and don't say), and read the reactions of others. A leader who displays and manages emotions effectively will find it easier to influence the feelings of followers by expressing genuine sympathy and enthusiasm for good performance, and by showing irritation when employees fail to perform.⁹ Although the association between leaders' self-reported EI and transformational leadership (to be discussed later in this chapter) was moderate, it is much weaker when followers rate their leaders' leadership behaviors.¹⁰ However, research has demonstrated that people high in EI are more likely to emerge as leaders, even after taking cognitive ability and personality into account.¹¹

Based on the latest findings, we offer two conclusions. First, we can say that traits can predict leadership. Second, traits do a better job predicting the emergence of leaders than distinguishing between effective and ineffective leaders.¹² The fact that an individual exhibits the right traits and others consider that person a leader does not necessarily mean he or she will be an effective one.

Trait theories help us *predict* leadership, but they don't fully *explain* leadership. What do successful leaders do that makes them effective? Are different types of leader behaviors equally effective? Behavioral theories, discussed next, help us define the parameters of leadership.

Behavioral Theories

12-2 Identify the central tenets and main limitations of behavioral theories.

behavioral theories of leadership Theories proposing that specific behaviors differentiate leaders from nonleaders.

initiating structure The extent to which a leader defines and structures his or her role and those of the subordinates to facilitate goal attainment.

Trait research provides a basis for *selecting* the right people for leadership. **Behavioral theories of leadership**, in contrast, imply we can *train* people to be leaders.

The most comprehensive behavioral theories of leadership resulted from the Ohio State Studies,¹³ 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 defines and structures his or her role and those of the subordinates to facilitate goal attainment.

Career Objectives

How can I get my boss to be a better leader?

My boss is the CEO, and she's a gossip, in-your-business oversharer. She's always asking our top management team personal questions and sharing information with anyone. The other day, I caught her e-mailing my colleague about my salary and career prospects! What should I do about her poor leadership?

— Phil

Dear Phil,
Nobody likes an oversharer! Perhaps your boss isn't aware of the impact of her behavior and thinks she is just being friendly. Assuming this is the case, you might be able to make her think first before sharing. If you're comfortable addressing her, you may suggest a private meeting to discuss your concerns. You should bring a list of the types of information she solicits and shares—with an example or two—and, if she's open to discussion, problem-solve with her about her habit. She may see that her open-book approach is undermining her leadership effectiveness.

Another tactic might be starting with researching the best privacy practices, laws, and business guidelines. Be sure

to source your organization's human resources handbook for any mentions of privacy expectations. Then, in your meeting, you could present your research findings.

With both direct approaches, you run the risk of offending your boss, which may very well happen if she becomes embarrassed. And she may defend her behavior and not see the problem if her oversharing is actually strategic gossip, which could have ramifications for what she then thinks and says about you!

These approaches still might be worth trying, but from what you've said about her, it's highly unlikely she will change her general behavior. Research indicates that her personal tendencies will prevail over time. It sounds like she is extraverted, for instance, and you're not going to change that. She may be clever and manipulative, purposefully leveraging her information for personal gain without a concern for others (high-Machiavellian or narcissistic). In that case self-awareness can help, but her behavior won't change unless she is willing to practice self-regulation.

Perhaps most important, it doesn't seem that you like your boss. This may

be a real problem that you cannot surmount. How are you going to build a relationship of trust with her, trust that will be needed for you to continue to feel motivated and work hard? Unfortunately, if you cannot thrive in this environment, it may be best to move on.

Good luck for your best possible outcome!

Sources: Based on A. E. Colbert, M. R. Barrick, and B. H. Bradley, "Personality and Leadership Composition in Top Management Teams: Implications for Organizational Effectiveness," *Personnel Psychology* 67 (2014): 351–87; R. B. Kaiser, J. M. LeBreton, and J. Hogan, "The Dark Side of Personality and Extreme Leader Behavior," *Applied Psychology: An International Review* 64, no. 1 (2015): 55–92; and R. Walker, "A Boss Who Shares Too Much," *The New York Times*, December 28, 2014, 7.

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It includes behavior that attempts to organize work, work relationships, and goals. A leader high in initiating structure is someone who assigns followers particular tasks, sets definite standards of performance, and emphasizes deadlines.

Consideration is the extent to which a leader has job relationships that 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 (people-oriented). Most of us want to work for considerate leaders—when asked to indicate what most motivated them at work, 66 percent of U.S. employees surveyed mentioned appreciation.¹⁴

The results of behavioral theory studies have been fairly positive. For example, one review found the followers of leaders high in consideration (and, to a lesser degree, initiating structure) were more satisfied with their jobs, were more motivated, and had more respect for their leaders. Both consideration and initiating structure were found to be moderately related to leader and group performance along with ratings of leader effectiveness.¹⁵ However,

consideration The extent to which a leader has job relationships that are characterized by mutual trust, respect for subordinates' ideas, and regard for their feelings.



results of behavioral theory tests may vary across cultures. Research from the GLOBE program—a study of 18,000 leaders from 825 organizations in 62 countries that was discussed in Chapter 5—suggested there are international differences in the preference for initiating structure and consideration.¹⁶ The study found that leaders high in consideration succeeded best in countries where cultural values did not favor unilateral decision making, such as Brazil. In contrast, 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 there and can make decisions in a relatively autocratic manner. In other cultures, both dimensions may be important—Chinese culture emphasizes being polite, considerate, and unselfish, but it has a high-performance orientation. Thus, consideration and initiating structure may both be important for a manager to be effective in China.

Summary of Trait Theories and Behavioral Theories

In general, research indicates there is validity for both the trait and behavioral theories. Parts of each theory can help explain facets of leadership emergence and effectiveness. However, identifying the exact relationships is not a simple task. The first difficulty is in correctly identifying whether a trait or a behavior predicts a certain outcome. The second is in exploring which combinations of traits and behaviors yield certain outcomes. The third challenge is to determine the causality of traits to behaviors so that predictions toward desirable leadership outcomes can be made.

As important as traits and behaviors are in identifying effective or ineffective leaders, they do not guarantee success. Some leaders may have the right traits or display the right behaviors and still fail. Context matters too, which has given rise to the contingency theories we discuss next.

Contingency Theories

12-3 Contrast contingency theories of leadership.

Some leaders seem to gain a lot of admirers when they take over struggling companies and lead them out of crises. However, predicting leadership success is more complex than finding a few “heroes” to help lift the organization out of the mire. Also, the leadership style that works in tough times doesn’t necessarily translate to long-term success. According to Fred Fiedler, it appears that under condition *a*, leadership style *x* would be appropriate, whereas style *y* would be more suitable for condition *b*, and style *z* for condition *c*. But what *were* conditions *a*, *b*, and *c*? We next consider the Fiedler model, one approach to isolating situational variables.

The Fiedler Model

Fred Fiedler developed the first comprehensive contingency model for leadership.¹⁷ The **Fiedler contingency model** proposes that group performance depends on the proper match between the leader’s style and the degree to which the situation gives the leader control. According to this model, the individual’s leadership style is assumed to be stable or permanent. The **least preferred coworker (LPC) questionnaire** identifies whether a person is *task-oriented* or *relationship-oriented* by asking respondents to think of all the coworkers they have ever had and describe the one they *least enjoyed* working with.¹⁸ If you describe this person in favorable terms (a high LPC score), you are relationship-oriented. If you see your least-preferred coworker in unfavorable terms (a low LPC score), you are primarily interested in productivity and are task-oriented.

Fiedler contingency model The theory that effective groups depend on a proper match between a leader’s style of interacting with subordinates and the degree to which the situation gives control and influence to the leader.

least preferred coworker (LPC) questionnaire An instrument that purports to measure whether a person is task- or relationship-oriented.

After finding a score, a fit must be found between the organizational situation and the leader's style for there to be leadership effectiveness. We can assess the situation in terms of three contingency or situational dimensions:

leader-member relations The degree of confidence, trust, and respect that subordinates have in their leader.

task structure The degree to which job assignments are regimented.

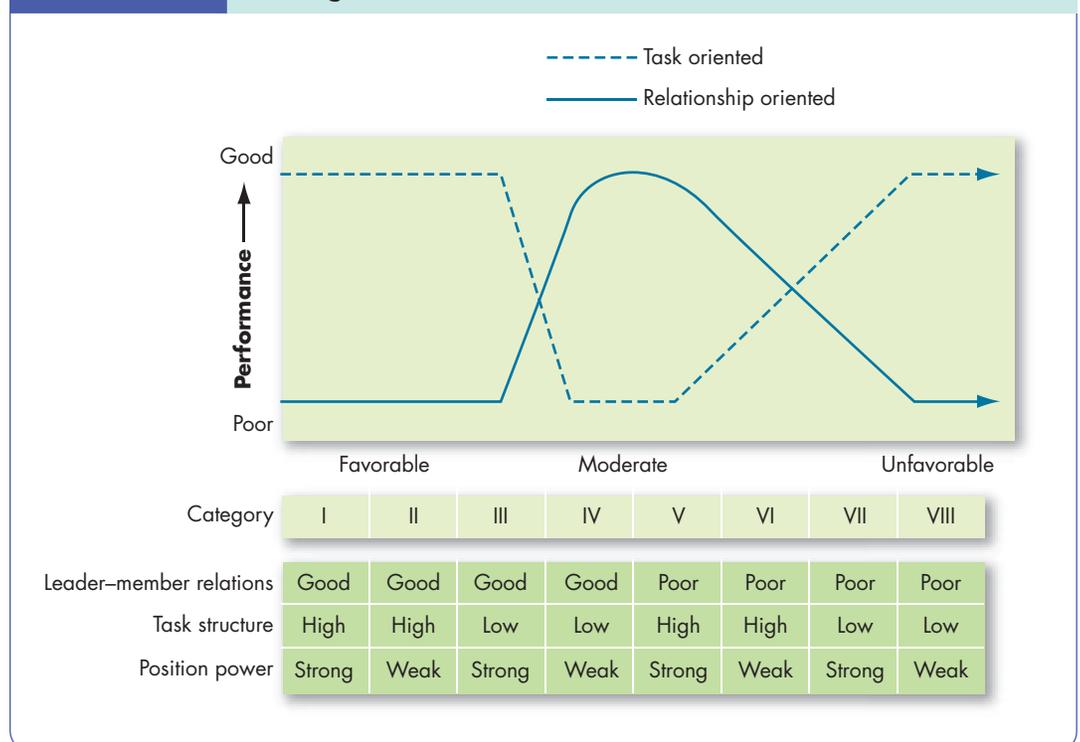
position power Influence derived from one's formal structural position in the organization; includes the power to hire, fire, discipline, promote, and give salary increases.

- 1. Leader-member relations** is the degree of confidence, trust, and respect that members have in their leader.
- 2. Task structure** is the degree to which the job assignments are regimented (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.

According to the model, the higher the task structure, the more procedures are added, 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 has the respect and confidence of his or her employees (good leader-member relations); activities that are clear and specific—such as wage computation, check writing, and report filing (high task structure); and considerable freedom to reward and punish employees (strong position power). The favorable situations are on the left side of the model in Exhibit 12-1. An unfavorable situation, to the right in the exhibit, might be that of the disliked chairperson of a volunteer United Way fundraising team (low leader-member relations, low task structure, low position power). In this job, the leader has very little control. When faced with a category I, II, III, VII, or VIII situation, task-oriented leaders perform better. Relationship-oriented leaders (represented by the solid line), however, perform better in moderately favorable situations—categories IV, V, and VI.

Studies testing the overall validity of the Fiedler model were initially supportive, but the model hasn't been studied much in recent years.¹⁹ While it provides some insights that we should consider, its strict practical application is problematic.

Exhibit 12-1 Findings from the Fiedler Model



situational leadership theory (SLT)

A contingency theory that focuses on followers' readiness to accomplish a specific task.

Situational Leadership Theory

Situational leadership theory (SLT) focuses on the followers. It says that successful leadership depends on selecting the right leadership style contingent on the followers' *readiness*, the extent to which followers are willing and able to accomplish a specific task. A leader should choose one of four behaviors depending on follower readiness.²⁰

If followers are *unable* and *unwilling* to do a task, the leader needs to give clear and specific directions; if they are *unable* but *willing*, the leader needs to display a high task orientation to compensate for followers' lack of ability, and high relationship orientation to get them to accept the leader's desires. If followers are *able* but *unwilling*, the leader needs to use a supportive and participative style; if they are both *able* and *willing*, the leader doesn't need to do much.

SLT has intuitive appeal. It acknowledges the importance of followers and builds on the logic that leaders can compensate for followers' limited ability and motivation. Yet research efforts to test and support the theory have generally been disappointing.²¹ Why? Possible explanations include internal ambiguities and inconsistencies in the model itself, as well as problems with research methodology. Despite its intuitive appeal and wide popularity, any endorsement must be cautious for now.

Path-Goal Theory

path-goal theory A theory stating that it is the leader's job to assist followers in attaining their goals and to provide the necessary direction and/or support to ensure that their goals are compatible with the overall objectives of the group or organization.

Developed by Robert House, **path-goal theory** extracts elements from the research on initiating structure and consideration, and on the expectancy theory of motivation.²² Path-goal theory suggests that it's the leader's job to provide followers with information, support, or other resources necessary to achieve goals. (The term *path-goal* implies effective leaders clarify followers' paths to their work goals and make the journey easier by reducing roadblocks.) The theory predicts the following:

- *Directive leadership yields greater employee satisfaction when tasks are ambiguous or stressful than when they are highly structured and well laid out.*
- *Supportive leadership results in high employee performance and satisfaction when employees are performing structured tasks.*
- *Directive leadership is likely to be perceived as redundant among employees with high ability or considerable experience.*

Like SLT, path-goal theory has intuitive appeal, especially from a goal attainment perspective. Also like SLT, the theory can be adopted only cautiously for application, but it is a useful framework in examining the vital role of leadership.²³

Leader-Participation Model

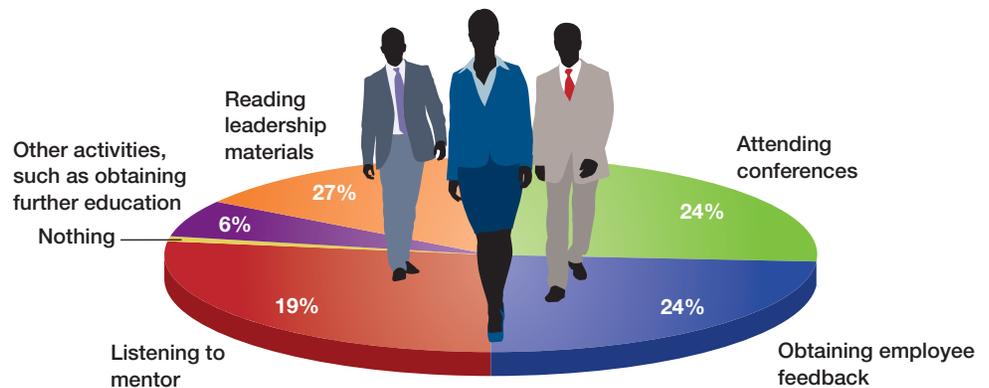
leader-participation model A leadership theory that provides a set of rules to determine the form and amount of participative decision making in different situations.

The final contingency theory we cover argues that *the way* the leader makes decisions is as important as *what* he or she decides. The **leader-participation model** relates leadership behavior to subordinate participation in decision making.²⁴ Like path-goal theory, it says that leader behavior must adjust to reflect the task structure (such as routine, nonroutine, or in between), but it does not cover all leadership behaviors and is limited to recommending what types of decisions might be best made with subordinate participation. It lays the groundwork for the situations and leadership behaviors most likely to elicit acceptance from subordinates.

As one leadership scholar noted, "Leaders do not exist in a vacuum"; leadership is a symbiotic relationship between leaders and followers.²⁵ But the theories we've covered to this point assume that leaders use a homogeneous style

OB POLL

How Are You Developing Your Leadership Skills?



Note: Survey of 700 respondents.

Source: Based on J. Brox, "The Results Are In: How Do You Ensure You're Constantly Developing as a Leader?" May 14, 2013, <http://www.refreshleadership.com/index.php/2013/05/results-ensure-youre-constantly-developing-leader/#more-4732>.

with everyone in their work unit. Think about your experiences in groups. Did leaders often act very differently toward different people? Before we dig into differences between leaders, consider the OB Poll—and your own quest for leadership skills.

Contemporary Theories of Leadership

12-4 Describe the contemporary theories of leadership and their relationship to foundational theories.

Leaders are important—to organizations, and to employees. The understanding of leadership is a constantly evolving science. Contemporary theories have been built on the foundation we've just established to discover unique ways leaders emerge, influence, and guide their employees and organizations. Let's explore some of the current leading concepts, and look for aspects of the theories we've discussed already throughout.

Leader–Member Exchange (LMX) Theory

Think of a leader you know. Does this leader have favorites who make up an ingroup? If you answered yes, you're acknowledging leader–member exchange theory.²⁶ **Leader–member exchange (LMX) theory** argues that, because of time pressures, leaders establish a special relationship with a small group of their followers. These individuals make up the ingroup—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 outgroup.

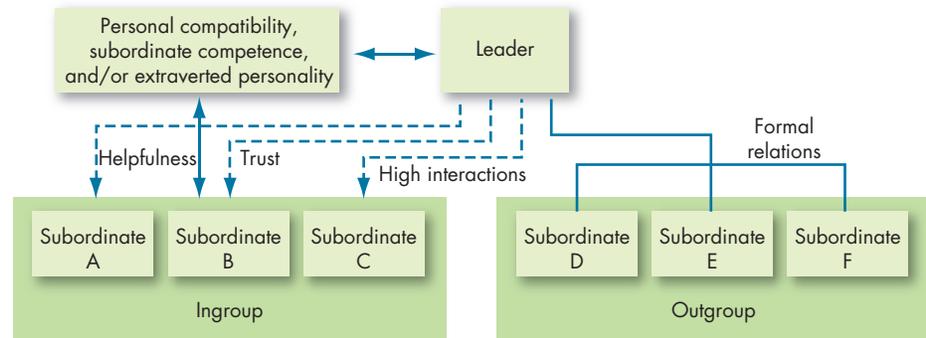
LMX theory proposes that early in the history of the interaction between a leader and a given follower, the leader implicitly categorizes the follower as an "in" or an "out"; that relationship becomes relatively stable over time. Leaders induce LMX by rewarding employees with whom they want a closer linkage and punishing those with whom they do not.²⁷ 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 that ingroup members have demographic, attitude, and personality characteristics that are similar to those of their leader or a higher level

leader–member exchange (LMX) theory

A theory that supports leaders' creation of ingroups and outgroups; subordinates with ingroup status have higher performance ratings, less turnover, and greater job satisfaction.

Exhibit 12-2 Leader–Member Exchange Theory



of competence than outgroup members²⁸ (see Exhibit 12-2). Leaders and followers of the same gender tend to have closer (higher LMX) relationships than those of different genders.²⁹ Even though the leader does the choosing, the follower's characteristics drive the categorizing decision.

Research to test LMX theory has been generally supportive, with substantive evidence that leaders do differentiate among followers. These disparities are far from random. Followers with ingroup status receive higher performance ratings, engage in more helping or citizenship behaviors at work, engage in less deviant or counterproductive behaviors at work, and report greater satisfaction with their superior.³⁰ LMX influences these work outcomes by improving employee trust, motivation, empowerment, and job satisfaction (although trust in the leader has the largest effect).³¹ One study conducted in an entrepreneurial firm in southeast China found LMX is related to creative and innovative behavior.³²

Recent research has also clarified how LMX changes over time, what happens when there is more than one leader supervising an employee, and whether the effects of LMX spreads outside the workplace. For one, it seems as if newer employees experience the development of LMX differently than employees who have been there longer—justice tends to matter more to the newer employees.³³ When employees have two leaders, the degree of LMX with both matters—and if an employee has high LMX with one leader and low LMX with the other, it matters more if the “primary” leader LMX is low.³⁴ Finally, recent research in India suggests that when employees who leave their organizations have good LMX with their old boss, they tend to have higher salaries, better responsibilities, and more goodwill toward their old company.³⁵

When the treatment of the ingroup is starkly different from the treatment of the outgroup (e.g., when the leader plays favorites), research indicates that both the ingroup and the outgroup realize negative effects from LMX. For example, a study in Turkey demonstrated that when leaders differentiated strongly among their followers in terms of their relationships (some followers had very positive leader–member exchange, others very poor), employees from both groups responded with more negative work attitudes and higher levels of withdrawal behavior.³⁶ One study in China and the United States indicated that differential leadership treatment hurts team trust and perceptions of procedural justice, especially when the team members work closely together.³⁷ Other research indicated that, although ingroup team members showed increased performance, the team as a whole became uncoordinated in the LMX environment and overall performance suffered.³⁸ Close-knit

Nick Woodman, founder and CEO of digital camcorder company GoPro, is a charismatic leader: energetic, enthusiastic, optimistic, confident, and extraverted. Woodman's charisma inspires his employees to work toward GoPro's vision of enabling people to share their lives through photos and videos.

Source: Victor J. Blue/Bloomberg/Getty Images



teams may be able to help outgroup members to retain their confidence and self-efficacy by offering a supportive environment³⁹ at the cost of the relationship between employees and leaders.

Charismatic Leadership

Do you think leaders are born and not made, or made and not born? True, an individual may be literally born into a leadership position (think family heirs with surnames like Ford and Hilton), be endowed with a leadership position due to past accomplishments (like CEOs who worked their way up the organizational ranks), or be informally acknowledged as a leader (like a Twitter employee who knows everything because he was “there at the start”). But here, we are talking not about how leaders attain their roles; rather, we are focused on what makes great leaders extraordinary. Two contemporary leadership theories—charismatic leadership and transformational leadership—share a common theme in the great leader debate: They view leaders as individuals who inspire followers through words, ideas, and behaviors.

What Is Charismatic Leadership? Sociologist Max Weber defined *charisma* (from the Greek for “gift”) 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.”⁴⁰

The first researcher to consider charismatic leadership in terms of Organizational Behavior (OB) was Robert House. According to **charismatic leadership theory**, followers attribute heroic or extraordinary leadership abilities when they observe certain behaviors, and tend to give these leaders power.⁴¹ A number of studies have attempted to identify the characteristics of charismatic leaders: They have a vision, have a sense of mission, are willing to take personal risks, are sensitive to their followers’ needs, have confidence that

charismatic leadership theory A leadership theory stating that followers make attributions of heroic or extraordinary leadership abilities when they observe certain behaviors in others.

Exhibit 12-3 Key Characteristics of a Charismatic Leader

1. *Vision and articulation.* Has a vision—expressed as an idealized goal—that proposes a future better than the status quo; 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 behaviors that are perceived as novel and counter to norms.

Source: Based on J. A. Conger and R. N. Kanungo, *Charismatic Leadership in Organizations* (Thousand Oaks, CA: Sage, 1998), 94.

their vision could be achieved, and engage in unconventional behaviors (i.e., they “go against the flow”)⁴² (see Exhibit 12-3).

Are Charismatic Leaders Born or Made? Are charismatic leaders born with their qualities? Or can people learn to be charismatic leaders? Yes, and yes.

Individuals *are* born with personality traits that make them more charismatic, on average. Personality is also related to charismatic leadership; charismatic leaders are likely to be emotionally stable and extraverted, although these traits are most likely to influence charismatic leader behaviors in stressful, fast-changing environments.⁴³ Consider the legendary qualities of U.S. presidents Barack Obama, Bill Clinton, and Ronald Reagan and U.K. prime minister Margaret Thatcher when they were in office: Whether you liked them or not, they are often compared because they all exhibited the qualities of charismatic leaders.

Research indicates that charismatic leadership is not only the province of world leaders—all of us can develop, within our own limitations, a more charismatic leadership style. One study of German managers suggests that training managers to be inspirational in their communications with followers was successful at increasing related charismatic behaviors.⁴⁴ To develop an aura of charisma, use your passion as a catalyst for generating enthusiasm. Speak in an animated voice, reinforce your message with eye contact and facial expressions, and gesture for emphasis. Bring out the potential in followers by tapping into their emotions, and create a bond that inspires them. Remember, enthusiasm is contagious!

How Charismatic Leaders Influence Followers How do charismatic leaders influence followers? By articulating an appealing **vision**, a long-term strategy for attaining a goal by linking the present with a better future for the organization.⁴⁵ Desirable visions fit the organization's circumstances and reflect the uniqueness of the organization. Thus, followers are inspired not only by how passionately the leader communicates—there must be an underlying vision that appeals to followers as well.

A vision needs an accompanying **vision statement**, a formal articulation of an organization's vision or mission.⁴⁶ Charismatic leaders may use vision statements to imprint on followers an overarching goal and purpose. Through words and actions, the leader conveys a new set of values and sets an example for followers to imitate.

Research indicates that charismatic leadership works as followers “catch” the emotions that their leader is conveying, which leads them to identify affectively

vision A long-term strategy for attaining a goal or goals.

vision statement A formal articulation of an organization's vision or mission.

with the organization.⁴⁷ Another study examining archival data on U.S. presidential elections found that followers tend to attribute charismatic leadership qualities to the candidate when she or he has a history of charismatic leader behaviors; when the leadership history is unclear, followers compare the candidate with a mental prototype, or model, of a charismatic leader.⁴⁸ Notably, charismatic managers may seem to have an air of mystique and magnetism around them: These perceptions are aroused when they seem to be successful for mysterious reasons and when the effects of their charisma spread across followers.⁴⁹

Some personalities are especially susceptible to charismatic leadership.⁵⁰ For instance, an individual who lacks self-esteem and questions his or her self-worth is more likely to absorb a leader's direction rather than establish an individual way of leading or thinking. For these people, the situation may matter much less than the charismatic qualities of the leader.

Does Effective Charismatic Leadership Depend on the Situation? Charismatic leadership has positive effects across many contexts. However, there are characteristics of followers, and of the situation, that enhance or somewhat limit its effects.

One factor that enhances charismatic leadership is stress. People are especially receptive to charismatic leadership when they sense a crisis or when they are under stress, perhaps because we think bold leadership is needed. Some of it, however, may be more primal. When people are psychologically aroused, even in laboratory studies, they are more likely to respond to charismatic leaders.⁵¹ This may explain why, when charismatic leaders surface, it's likely to be in politics or religion, during wartime, or when a business is in its infancy or facing a threatening crisis. For example, U.S. president Donald J. Trump offered a charismatic vision “to make America great again” by alleviating job insecurity and strengthening border security and public safety.⁵² Sleep deprivation can have a big impact on both leaders and followers: Sleep deprivation can reduce charismatic leadership by reducing deep acting (see Chapter 4).⁵³

You may wonder whether a situational factor limiting charisma is the person's level in the organization. Top executives create vision. You might assume that it is more difficult to utilize a person's charismatic leadership qualities in lower-level management jobs or to align his or her vision with specific top-management goals. While charismatic leadership may be more important in the upper echelons of organizations, it can be effective from a distance, or from close range.

The Dark Side of Charismatic Leadership Unfortunately, charismatic leaders who are larger than life don't necessarily act in the best interests of their organizations.⁵⁴ Research has shown that individuals who are narcissistic are also higher in some behaviors associated with charismatic leadership.⁵⁵ Many charismatic—but corrupt—leaders have allowed their personal goals to override the goals of their organizations. Leaders at Enron, Tyco, WorldCom, and HealthSouth recklessly used organizational resources for their personal benefit and unethically violated laws to inflate stock prices, and then cashed in millions of dollars in personal stock options. Some charismatic leaders—Hitler, for example—are all too successful at convincing their followers to pursue a disastrous vision. If charisma is power, then that power can be used for good and for ill.

It's not that charismatic leadership isn't effective; overall, it is. But a charismatic leader isn't always the answer. Success depends, to some extent, on the situation and on the leader's vision, and on the organizational checks and balances in place to monitor the outcomes.

transactional leaders Leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements.

transformational leaders Leaders who inspire, act as role models, and intellectually stimulate, develop, or mentor their followers, thus having a profound and extraordinary effect on them.

Transactional and Transformational Leadership

Charismatic leadership theory relies on leaders' ability to inspire followers to believe in them. In contrast, Fiedler's model, situational leadership theory, and path-goal theory describe **transactional leaders**, who guide their followers toward established goals by clarifying role and task requirements. A stream of research has focused on differentiating transactional from **transformational leaders**,⁵⁶ who inspire followers to transcend their self-interests for the good of the organization. Transformational leaders and their teams and organizations perform well and can have an extraordinary effect on their followers, who respond with increased performance, organizational citizenship behavior (OCB), creativity, job satisfaction, mental health, and motivation.⁵⁷ Richard Branson of the Virgin Group is a good example of a transformational leader. He pays attention to the concerns and needs of individual followers, changes followers' awareness of issues by helping them look at old problems in innovative ways, and excites and inspires followers to put forth extra effort to achieve group goals. Research suggests that transformational leaders are most effective when their followers can see the positive impact of their work through direct interaction with customers or other beneficiaries.⁵⁸ Exhibit 12-4 briefly identifies and defines characteristics that differentiate transactional from transformational leaders.

Transactional and transformational leadership complement each other; they aren't opposing approaches to getting things done.⁵⁹ The best leaders are transactional *and* transformational. Transformational leadership *builds on* transactional leadership and produces levels of follower effort and performance beyond what transactional leadership alone can do. One review suggests that transformational and transactional leadership may be more or less important depending on the outcome. Although both tend to be important, it appears that transformational leadership is more important for group performance

Exhibit 12-4 Characteristics of Transactional and Transformational Leaders

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 corrective action.

Management by Exception (passive): Intervenes only if standards are not met.

Laissez-Faire: Abdicates responsibilities, avoids making decisions.

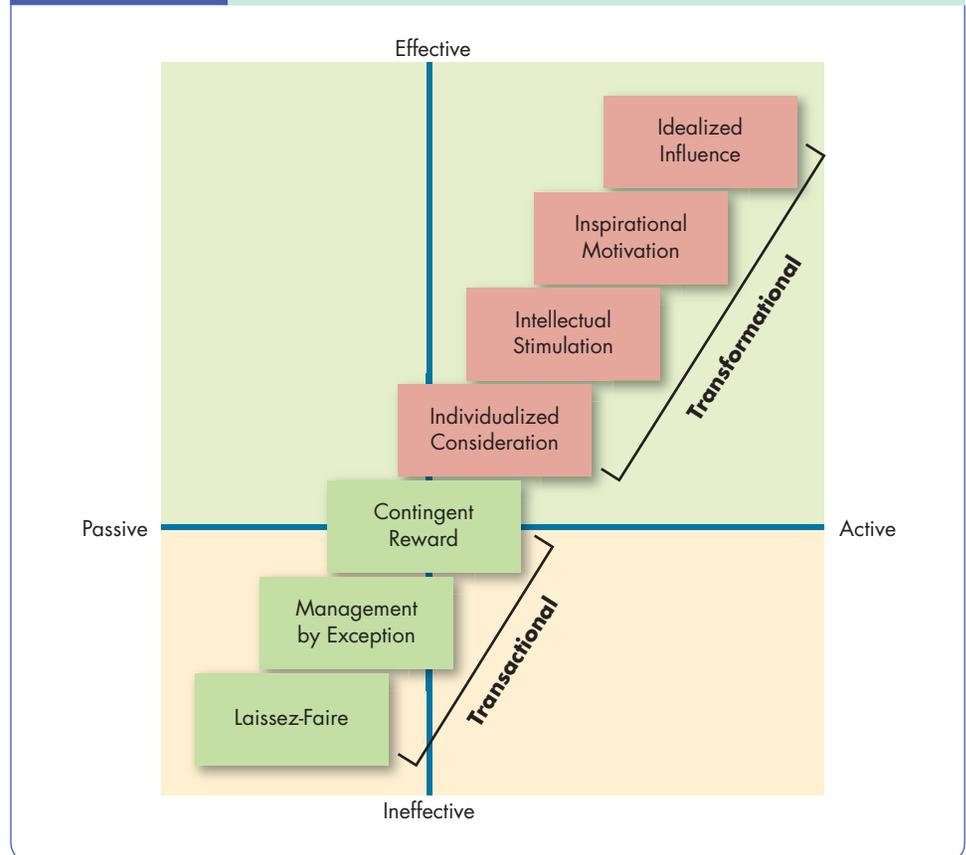
Transformational Leader

Idealized Influence: Provides vision and sense of mission, instills 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.

Exhibit 12-5 Full Range of Leadership Model

and satisfaction with the leader, whereas transactional leadership (primarily contingent reward) is more important for leader effectiveness and follower job satisfaction.⁶⁰

full range of leadership model A model that depicts seven management styles on a continuum: laissez-faire, management by exception, contingent reward leadership, individualized consideration, intellectual stimulation, inspirational motivation, and idealized influence.

Full Range of Leadership Model Exhibit 12-5 shows the **full range of leadership model**. Laissez-faire, which literally means “let it be” (do nothing), is the most passive and therefore least effective of leader behaviors.⁶¹ Management by exception (active or passive), in which leaders primarily “put out fires” when there are crisis exceptions to normal operating procedures, means they are often too late to be effective. Contingent reward leadership, which gives predetermined rewards for employee efforts, can be an effective style of leadership but will not get employees to go above and beyond the call of duty.

With the four remaining styles—all aspects of transformational leadership—leaders are best 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 I’s”) all result in excellent organizational outcomes.

How Transformational Leadership Works Overall, most research suggests that the reason transformational leadership works is that it inspires and motivates followers. For example, research in Germany and Switzerland found that transformational leadership improves employee job satisfaction, self-efficacy, and commitment to the leader by fulfilling follower autonomy, competence,

Myth or Science?

Top Leaders Feel the Most Stress

Leaders of corporations fight pressures from their boards, customers, managers, and employees. Wouldn't it stand to reason they are the most stressed people in their organizations? Apparently not. According to studies from Harvard University, the University of California–San Diego, and Stanford University, leadership brings a blissful relief from the stress felt by individuals who are not in managerial roles. Not only did leaders report less anxiety than nonleaders, their cortisol (stress hormone) levels were also lower, indicating they were biologically less likely to register stress. Another study found that individuals in higher-status occupational groups registered

less perceived stress and lower blood pressure readings than those in lower status occupations.

If you're thinking this is one more reason that it's better at the top, you may be right, if only partially. It is true that leaders appear to show fewer signs of stress by being leaders, regardless of higher income or longer job tenure. However, researchers found no "magic level" in an organization at which employees felt a reduction in stress levels.

One study indicated that stress reduction correlates with feelings of control. Leaders with more subordinates and greater power felt less stress than other individuals who knew they had less control over outcomes.

Top leaders who control the resources of their corporations and have plenty of employees to carry out their directives therefore can fight stressors before they affect them.

Sources: Based on M. Korn, "Top-Level Leaders Have Less Stress Than Others," *The Wall Street Journal*, October 3, 2012, B6; G. D. Sherman, J. J. Lee, A. J. C. Cuddy, J. Renshon, C. Oveis, J. J. Gross, and J. S. Lerner, "Leadership Is Associated with Lower Levels of Stress," *Proceedings of the National Academy of Sciences of the United States of America* 109, no. 44 (2012): 17903–7; and E. Wiernik, B. Pannier, S. Czernichow, H. Nabi, O. Hanon, T. Simon, ... and C. Lemogne, "Occupational Status Moderates the Association between Current Perceived Stress and High Blood Pressure: Evidence from the IPC Cohort Study," *Hypertension* 61 (2013): 571–77.

and relatedness needs (see the discussion of self-determination theory in Chapter 7).⁶² One study found that transformational leadership leads to increased job performance and OCB by empowering employees (see Chapter 3), especially in more organic organizations (i.e., organizations that are adaptive and that have fluid roles, shared values, and reciprocal communication).⁶³ Other research in China found that transformational leadership positively influenced workers' helping behaviors through improving employee trust in their leaders along with prosocial motivation.⁶⁴ Multiple studies in Israel and the United Kingdom suggest that transformational leadership can improve workplace safety by increasing intrinsic motivation and prevention focus (see Chapter 7).⁶⁵

Companies with transformational leaders often show greater agreement among top managers about the organization's goals, which yields superior organizational performance.⁶⁶ The Israeli military has seen comparable results, showing that transformational leaders improve performance by building consensus among group members.⁶⁷ Research in high-tech organizations in northwestern China suggests that companies with a dual-focused transformational leadership, which is directed toward leading each employee as well as the entire team, can help improve employee outcomes such as creativity by developing employees' skills and facilitating knowledge sharing throughout the team.⁶⁸ Individual-focused transformational leadership is behavior that empowers individual followers to develop ideas, enhance their abilities, and increase self-efficacy. Team-focused transformational leadership emphasizes group goals, shared values and beliefs, and unified efforts. However, research in China suggested that, in team situations, the members' identification with the group could override the effects of transformational leadership.⁶⁹

Evaluation of Transformational Leadership Transformational leadership has been supported at diverse job levels and occupations (school principals,



The transformational leadership of Netflix CEO Reed Hastings has helped the company grow from a small DVD rental service to an Internet streaming service with 93 million customers in more than 190 countries. Hastings encourages employees to take risks, empowers them to make decisions, and gives them the freedom and responsibility to create innovative ideas and products.

Source: Bernd Van Jutrczenka/DPA Picture Alliance/
Alamy Stock Photo



teachers, marine commanders, ministers, presidents of MBA associations, military cadets, union shop stewards, sales representatives). In general, organizations perform better when they have transformational leaders.

The effect of transformational leadership on performance can vary by the situation. In general, transformational leadership has a greater impact on the bottom line in smaller, privately held firms than in more complex organizations.⁷⁰ A great deal of research suggests that the stress and demands surrounding the context affects whether or not transformational leadership improves health outcomes and work engagement (see Chapter 3). In particular, a study of Dutch elementary school teachers found that their principals' transformational behaviors were most effective at improving the teachers' engagement when the situations were cognitively demanding and when they had a high workload.⁷¹ Transformational leaders helped reduce emotional exhaustion and improve perceptions of work-life balance in German information technology (IT) professionals when the time pressures were high.⁷²

Transformational leadership may also be more effective when leaders can interact directly with the workforce to make decisions (when they have high task autonomy) than when they report to an external board of directors or deal with a complex bureaucratic structure. One study showed transformational leaders were more effective in improving group potency in teams higher in power distance and collectivism.⁷³



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The characteristics of the leader and the followers may also play roles in the effectiveness of transformational leadership. For example, transformational leadership can inspire employees to learn and thrive on the job, especially if they are high on openness to experience.⁷⁴ Another study suggests that IQ is important

for transformational leadership perceptions—leaders who are “too intelligent” may be less transformational because their solutions may be too “sophisticated” to understand, they may use complex forms of communication that undermine their influence, and they may be seen as too “cerebral.”⁷⁵ This doesn’t mean that intelligence is not important for transformational leadership; it means that there is a “sweet spot” for intelligence in terms of leadership behaviors.



Another study on Dutch employees from a variety of occupations found that both the situation and individual can be important. For employees in positions with high job autonomy, transformational leadership was related to employee proactive behavior—but only when they were high in self-efficacy.⁷⁶

Transformational versus Transactional Leadership When comparing transformational leadership with transactional leadership, research indicates transformational leadership is more strongly correlated than transactional leadership with a variety of workplace outcomes.⁷⁷ However, transformational leadership theory is not perfect. The full range of the leadership model shows a clear division between transactional and transformational leadership that may not fully exist in effective leadership, especially given that research suggests that transformational leadership is highly related to contingent reward leadership, to the point of being redundant.⁷⁸ Contrary to the full range of the leadership model, the four I’s of transformational leadership are not always superior in effectiveness to transactional leadership; contingent reward leadership, in which leaders dole out rewards as certain goals are reached by employees, sometimes works as well as transformational leadership.⁷⁹ More research is needed, but the general supportable conclusion is that transformational leadership is desirable and effective, given the right application.

Transformational versus Charismatic Leadership In considering transformational and charismatic leadership, you surely noticed some commonalities. There are differences, too. Charismatic leadership places somewhat more emphasis on the way leaders communicate (are they passionate and dynamic?), while transformational leadership focuses more on what they are communicating (is it a compelling vision?). Still, the theories are more alike than different. At their heart, both focus on the leader’s ability to inspire followers, and sometimes they do so in the same way. Because of this, some researchers believe the concepts are somewhat interchangeable.⁸⁰

MyLab Management Personal Inventory Assessments



PERSONAL
INVENTORY
ASSESSMENT

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12-5 Discuss the roles of leaders in creating ethical organizations.

Responsible Leadership

Although the theories we’ve discussed so far have increased our understanding of effective leadership, they do not deal explicitly with the roles of ethics and trust, which are perhaps essential to complete the picture. These and the theories we discussed earlier are not mutually exclusive ideas (a transformational leader may also be a responsible one), but here, we consider contemporary concepts that explicitly address the role of leaders in creating ethical organizations.

Brad Smith is an authentic leader. As the CEO of Intuit (one of the globe's biggest and most lucrative financial software companies), he is one of the most influential business leaders today, according to *Forbes* contributor and CEO of Fishbowl David K. Williams, and is known for his ethical entrepreneurial practices. Smith has forged a culture where risk taking and learning from failures are not only tolerated but encouraged.

Source: Christopher Victorio/The Photo Access/Alamy Stock Photo



authentic leaders Leaders who know who they are, know what they believe in and value, and act on those values and beliefs openly and candidly.



Authentic Leadership

SAP's CEO Bill McDermott's motto is "Stay Hungry, Stay Humble," and he appears to practice what he preaches. Mark Zuckerberg, founder and CEO of Facebook, has resolved to halt the proliferation of fake news by adding fact checking and flagging to Facebook posts because it was the right thing to do. McDermott and Zuckerberg appear to be good exemplars of authentic leadership.⁸¹

Authentic leadership focuses on the moral aspects of being a leader. **Authentic leaders** know who they are and what they believe in, and they act on those values and beliefs openly and candidly.⁸² Their followers consider them ethical people and trust them as a result. Authentic leaders share information, encourage open communication, and stick to their ideals. Authentic leaders are also humble—research indicates that leaders who model humility help followers to understand the growth process for their own development.⁸³

Authentic leadership, especially when shared among top management team members, creates a positive energizing effect that heightens teamwork, team productivity, and firm performance.⁸⁴ When leaders practice what they preach, or act on their values openly and candidly, followers tend to develop a strong affective commitment and trust in their leader and, to a lesser degree, to improve their performance and OCBs.⁸⁵ Not only is authenticity important for leaders, it is important for followers, too. In a study of Belgian service companies, the joint authenticity of both leaders and followers led to the satisfaction of basic needs (see the discussion of self-determination theory in Chapter 7), which in turn led to improvements in performance.⁸⁶ Much like the group- and individual-focused transformational leadership findings from the previous section, both group and individual perceptions of authenticity have an impact on follower outcomes.⁸⁷

Ethical Leadership

Leadership is not value-free. In assessing its effectiveness, we need to address the *means* that a leader uses to achieve goals as well as the content of those goals. The role of the leader in creating the ethical expectations for all members

is crucial.⁸⁸ Ethical top leadership influences not only direct followers but spreads all the way down the command structure as well because top leaders set expectations and expect lower-level leaders to behave along ethical guidelines.⁸⁹

Leaders rated as highly ethical tend to be evaluated very positively by their subordinates, who are also more satisfied and committed to their jobs, and experience less strain and turnover intentions.⁹⁰ Followers of such leaders are also more motivated, perform better, and engage in more OCBs and less counterproductive work behaviors (CWBs).⁹¹ Ethical leaders can change norms: One reason why employees engage in more OCBs and less CWBs is because their perceptions on whether each is equitable (see the discussion of equity theory in Chapter 7) become altered so that OCBs are perceived as more equitable.⁹² Ethical leaders also increase group awareness of moral issues, increase the extent to which the group is willing to speak up about ethical issues, and raise their empathic concern for others.⁹³ Research also found that ethical leadership reduced interpersonal conflicts.⁹⁴ Ethical leadership can matter for customer service outcomes, too—one study of bank tellers in Hong Kong found that when bank tellers display ethical leadership behaviors, and their coworkers see and recognize this, their coworkers adhere more to the customer service guidelines because their beliefs in what are appropriate and inappropriate change.⁹⁵

Ethical and charismatic leadership intersect at a number of junctures. To integrate ethical and charismatic leadership, scholars have advanced the idea of **socialized charismatic leadership**—conveying other-centered (not self-centered) values through leaders who model ethical conduct.⁹⁶ These leaders are able to bring employee values in line with their own values through their words and actions.⁹⁷

Although every member of an organization is responsible for ethical behavior, many initiatives aimed at increasing organizational ethical behavior are focused on the leaders. 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.⁹⁸ Leadership training programs that incorporate cultural values should be especially mandated for leaders who take foreign assignments or manage multicultural work teams.⁹⁹ Despite the continued focus on the leader in ethical leadership, followers matter, too: One study on ethical leaders in Germany found that the effect of ethical leadership on follower OCBs was stronger for followers that were more mindful (see Chapter 4), suggesting that ethical leaders may be more effective if employees develop mindfulness through training or meditation techniques.¹⁰⁰

For ethical leadership to be effective, it is not enough for the leader simply to possess high moral character. After all, there is no universal standard for ethical behavior, and ethical norms vary by culture, by industry, and even sometimes within an organization. Leaders must be willing to express their ethical beliefs and persuade others to follow their standards. To convey their beliefs, leaders should learn to express their moral convictions in statements that reflect values shared with their organization's members. Leaders can build on this foundation of trust to show their character, enhance a sense of unity, and create buy-in from followers. The leader's message should announce ambitious goals and express confidence that they can be reached.

Ethical leaders' statements are often positive messages, such as Winston Churchill's opening for his World War II victory speech: "This is your hour. This is not a victory of a party or of any class. It's a victory of the great British nation as a whole." An example of an ethical leader's negative message is this speech by Gandhi: "Even if all the United Nations opposes me, even if the whole of India forsakes me, I will say, 'You are wrong. India will wrench with



socialized charismatic leadership A leadership concept stating that leaders convey values that are other-centered versus self-centered and who role-model ethical conduct.



An Ethical Choice

Holding Leaders Ethically Accountable

Most people think that leaders should be held accountable for their actions. Leaders must balance many and conflicting stakeholder demands. The first demand is for strong financial performance; leaders are probably terminated more often for missing this goal than for all other factors combined. Leaders balance the extreme pressure for financial performance with the desire that most leaders should act ethically, even when there is no formal accountability. Given those competing aims, ethical leadership may be under-rewarded and depend solely on the leader's innate decency.

Ethical leadership is a relatively new area of research attention.

Demonstrating fairness and social responsibility even run counter to many old-school models of leadership. Consider, for example, legendary management guru Peter Drucker's advice from 1967: "It is the duty of the executive to remove ruthlessly anyone—and especially any manager—who consistently fails to perform with high distinction. To let such a man stay on corrupts the others." Modern ethical leadership guidelines say this cut-throat mindset fails to consider the moral implications of treating people as objects at an organization's disposal.

While few organizations still require "performance at all costs," financiers, shareholders, and boards have the

reward power to teach leaders which outcomes to value. Ethical leadership resounds positively throughout all organizational levels, resulting in responsible and potentially highly profitable outcomes, but the ultimate ethical movement comes when shareholders—and leaders—show signs of balancing these accountabilities themselves.

Sources: Based on T. E. Ricks, "What Ever Happened to Accountability?," *Harvard Business Review*, October 2012, 93–100; J. M. Schaubroeck et al., "Embedding Ethical Leadership within and across Organizational Levels," *Academy of Management Journal* 55 (2012): 1053–78; and J. Stouten, M. van Dijke, and D. De Cremer, "Ethical Leadership," *Journal of Personnel Psychology* 11 (2012): 1–6.

nonviolence her liberty from unwilling hands." Positive and negative ethical leader statements can be equally effective when they deliver clear, moral, inclusive, goal-setting statements with persuasiveness. In fact, they can set trends in motion to make the seemingly far-fetched become real.¹⁰¹

Although ethical leadership has many positive outcomes, it can turn sour. For example, in a recent study, ethical leadership was found to lead to abusive supervision (discussed in the next section) on the following day. Sometimes behaving ethically can deplete our resources—we can even feel like, because we "behaved well" on the previous day, it gives us a license to behave poorly the next day.¹⁰²

Abusive Supervision

It can happen to anyone—we're all capable of being abusive as managers.¹⁰³ Some research suggests that when it does occur, it can be costly. Current estimates suggest that it costs organizations in the United States about \$23.8 billion per year.¹⁰⁴ The United States also has relatively low reported levels of abusive supervision in recent research—the highest ratings of abusive supervision are actually in the eastern hemisphere, including China, the Philippines, and Taiwan, with lower ratings in the United States, Canada, and India.¹⁰⁵ Although not a form of leadership in all cases, **abusive supervision** refers to the perception that a supervisor is hostile in his or her verbal and nonverbal behavior.¹⁰⁶

A recent review suggests that several factors are related to abusive supervision.¹⁰⁷ For one, nearly all forms of justice are negatively related to abusive supervision, suggesting that a sense of injustice is at the core of abusive supervision (especially for interpersonal justice). Although some personality traits such as agreeableness and conscientiousness appear to be negatively (but weakly) associated with perceptions of abusive supervision, negative affect is strongly linked with it. A family history of aggression has been shown to be



abusive supervision Supervision that is hostile both verbally and nonverbally.



related to engaging in abusive supervision across a variety of contexts in the Philippines.¹⁰⁸

This same review also suggests that abusive supervision comes with dire consequences.¹⁰⁹ First and foremost, abusive supervision negatively affects health: It leads to increased depression, emotional exhaustion, and job tension perceptions. Second, it also leads to decreases in organizational commitment, job satisfaction, and perceived organizational support, along with increased work-family conflict. It can adversely affect employee performance and other employee behaviors. Victims of abusive supervision are more prone to engage in CWBs and other deviant behaviors (especially retaliatory ones directed toward their supervisors) and are less prone to engage in OCBs.

Abusive supervision often occurs in cycles. When employees are the victims of abusive supervision, they tend to lash out at the organization and the supervisor by engaging in CWB and deviant behaviors, and the supervisor then continues to be abusive to the employees in retaliation.¹¹⁰ You may be wondering why the employee would lash out at the organization as well when it was the supervisor who was the one being abusive. Additional research suggests that employees often blame the organization when they are abused and see the supervisor as a representative of the organization as a whole.¹¹¹ When it comes to the experience of being a victim of abusive supervision, your personality and coping strategies matter. Conscientious employees tend to be able to cope with the abuse better, as are employees who cope by avoiding the issue.¹¹²

Servant Leadership

Scholars have recently considered ethical leadership from a new angle by examining **servant leadership**.¹¹³ Servant leaders go beyond their self-interest and focus on opportunities to help followers grow and develop. Characteristic behaviors include listening, empathizing, persuading, accepting 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. Perhaps not surprisingly, a study of 126 CEOs found that servant leadership is negatively correlated with the trait of narcissism.¹¹⁴

What are the effects of servant leadership? One study of 71 general managers of restaurants in the United States and over 1,000 of their employees found that servant leaders tend to create a culture of service (see Chapter 16), which in turn improves the restaurant performance and enhances employee attitudes and performance by increasing employees' identification with the restaurant.¹¹⁵ Another study of Chinese hairstylists found similar results, with servant leadership predicting customer satisfaction and stylists' service performance.¹¹⁶ Second, there is a relationship between servant leadership and follower OCB that appears to be stronger when followers are encouraged to focus on being dutiful and responsible.¹¹⁷ Third, servant leadership increases team potency (a belief that your team has above-average skills and abilities), which in turn leads to higher levels of team performance.¹¹⁸ Fourth, a study with a nationally representative sample found higher levels of servant leadership were associated with a focus on growth and advancement, which in turn was associated with higher levels of creative performance.¹¹⁹

Servant leadership may be more prevalent and effective in certain cultures.¹²⁰ When asked to draw images of leaders, for example, U.S. subjects tended to draw them in front of the group, giving orders to followers. Singaporeans tended 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 that the East Asian prototype is more like a servant leader, which might mean servant leadership is more effective in these cultures.

servant leadership A leadership style marked by going beyond the leader's own self-interest and instead focusing on opportunities to help followers grow and develop.



12-6 Describe how leaders can have a positive impact on their organizations through building trust and mentoring.

trust A positive expectation that another will not act opportunistically.

Positive Leadership

In each of the theories we've discussed, you can see opportunities for the practice of good, bad, or mediocre leadership. Now let's think about the intentional development of positive leadership environments.

Trust

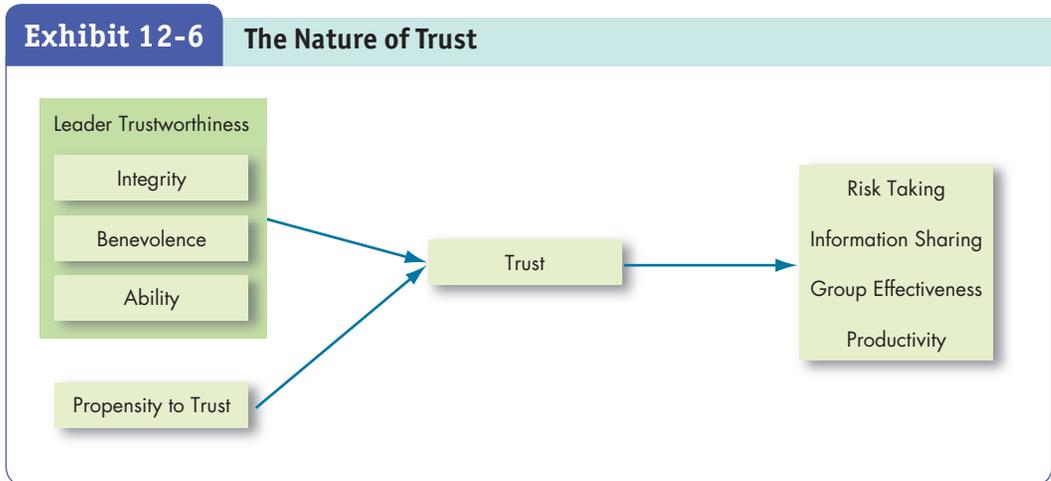
Trust is a psychological state that exists when you agree to make yourself vulnerable to another person because you have positive expectations about how things are going to turn out.¹²¹ Although you aren't completely in control of the situation, you are willing to take a chance that the other person 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.¹²²

Followers who trust a leader are confident that their rights and interests will not be abused.¹²³ Transformational leaders, for example, create support for their ideas in part 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 generate higher levels of trust from their followers, which in turn are related to higher levels of team confidence and ultimately higher levels of team performance.¹²⁴

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 mean employment relationships are not stable long-term contracts with explicit terms. Rather, they are based more than ever before on trusting relationships. You must trust that if you show your supervisor a creative project you've been working on, he or she won't steal the credit behind your back. You must trust that the extra work you've been doing will be recognized in your performance appraisal. In contemporary organizations, where work is less closely documented and specified, voluntary employee contributions based on trust is absolutely necessary. Only a trusted leader will be able to encourage employees to reach beyond themselves to a transformational goal.

The Outcomes of Trust Trust between supervisors and employees has many specific advantages. Here are just a few from research:

- *Trust encourages taking risks.* Whenever leaders and employees decide to deviate from the usual way of doing things, or when employees decide to take their supervisor's word on a new direction, they are taking a risk. In both cases, a trusting relationship can facilitate that leap.¹²⁵
- *Trust facilitates information sharing.* One big reason employees fail to express concerns at work is that they don't feel psychologically safe revealing their views. When managers demonstrate that they will give employees' ideas a fair hearing and actively make changes, employees are more willing to speak out.¹²⁶
- *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, which increases trust. 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.¹²⁷
- *Trust enhances productivity.* The bottom-line interest of companies appears to be positively influenced by trust. Employees who trust their supervisors



tend to receive higher performance ratings, indicating higher productivity. People respond to mistrust by concealing information and secretly pursuing their own interests.¹²⁸

Trust Development What key characteristics lead us to believe a leader is trustworthy? Evidence has identified three: integrity, benevolence, and ability (see Exhibit 12-6).¹²⁹

Integrity refers to honesty and truthfulness. When 570 white-collar employees were given a list of 28 attributes related to leadership, they rated honesty the most important by far.¹³⁰ Integrity also means maintaining consistency between what you do and say.

Benevolence means the trusted person has your interests at heart, even if your interests aren't necessarily in line with her or his interests. Caring and supportive behavior is part of the emotional bond between leaders and followers.

Ability encompasses an individual's technical and interpersonal knowledge and skills. You're unlikely to depend on someone whose abilities you don't believe in even if the person is highly principled and has the best intentions.

trust propensity How likely an employee is to trust a leader.

Trust Propensity Effective leadership is built on the trust of leaders and followers. **Trust propensity** refers to how likely a particular employee is to trust a leader. Some people are simply more likely to believe others can be trusted.¹³¹ Those who carefully document every promise or conversation with their supervisors aren't very high in trust propensity, and they probably aren't going to take a leader's word for anything. Those who think most people are basically honest and forthright will be much more likely to seek evidence that their leaders have behaved in a trustworthy manner. Trust propensity is closely linked to the personality trait of agreeableness, and people with lower self-esteem are less likely to trust others.¹³²



Trust and Culture Does trust look the same in every culture? Using the basic definition of trust, certainly it does. However, in the work context, trust in an employment relationship may be built on very different perceptions from culture to culture. For example, a recent study in Taiwan indicated that employees responded to paternalistic leadership when it is benevolent and ethical with increased trust performance.¹³³ This positive response to paternalism may be unique to the collectivistic context where the Confucian values of hierarchy and relationship predominate. In individualistic societies, we might expect

that paternalistic leadership will rankle many employees who prefer not to see themselves as part of a hierarchical family work group. Employees in individualist cultures may build trust along dimensions of leadership support and consistency instead, for instance.

The Role of Time Time is the final component for building trust. We come to trust people by observing their behavior over a period of time.¹³⁴ To help, leaders need to demonstrate integrity, benevolence, and ability in situations where trust is important—say, where they could behave opportunistically or let employees down. Second, trust can be won in the ability domain by demonstrating competence and apologizing, not denying, when leaders' competence fails them.¹³⁵ Third, research with 100 companies around the world suggests that leaders can build trust by shifting their communication style from top-down commands to ongoing organizational dialogue.¹³⁶ Last, when leaders regularly create interpersonal conversations with their employees that are intimate, interactive, and inclusive and that intentionally follow an agenda, followers demonstrate trust with high levels of engagement.¹³⁷



Regaining Trust Managers who break the psychological contract with workers, demonstrating they aren't trustworthy leaders, will find employees are less satisfied and less committed, have a higher intent toward turnover, engage in less OCB, and have lower levels of task performance.¹³⁸

Once it has been violated, trust can be regained, but only in certain situations and depending on the type of violation.¹³⁹ If the cause is lack of ability, it's usually best to apologize and recognize you should have done better. When lack of integrity is the problem, apologies don't do much good. Regardless of the violation, saying nothing or refusing to confirm or deny guilt is never an effective strategy for regaining trust. Trust can be restored when we observe a consistent pattern of trustworthy behavior by the transgressor. However, if the transgressor used deception, trust never fully returns, not even after apologies, promises, or a consistent pattern of trustworthy actions.¹⁴⁰

MyLab Management Try It

If your professor has assigned this activity, go to www.pearson.com/mylab/management to complete the Mini Sim.

mentor A senior employee who sponsors and supports a less-experienced employee, called a protégé.

Mentoring

Leaders often take responsibility for developing future leaders. A **mentor** is a senior employee who sponsors and supports a less-experienced employee, a protégé.¹⁴¹ Successful mentors are good teachers. They present ideas clearly, listen well, and empathize with protégés' problems. Mentoring relationships serve career and psychosocial functions (see Exhibit 12-7).¹⁴²

In formal mentoring relationships, protégé candidates are identified according to assessments of leadership potential and then matched with leaders in corresponding organizational functions. Informal mentoring relationships develop when leaders identify a less experienced, lower-level employee who appears to have potential for future development.¹⁴³ The protégé is often tested with a particularly challenging assignment. If performance is acceptable, the mentor develops the relationship. In both formal and informal mentoring, the goal is to show the protégé how the organization *really* works outside its formal structures and procedures.

Exhibit 12-7**Career and Psychological Functions of the Mentoring Relationship****Career Functions**

- Lobbying to get the protégé challenging and visible assignments
- Coaching the protégé to help develop his or her skills and achieve work objectives
- Providing exposure to influential individuals within the organization
- Protecting the protégé from possible risks to his or her reputation
- Sponsoring the protégé by nominating him or her for potential advances or promotions
- Acting as a sounding board for ideas the protégé might be hesitant to share with a direct supervisor

Psychosocial Functions

- Counseling the protégé to bolster his or her self-confidence
- Sharing personal experiences with the protégé
- Providing friendship and acceptance
- Acting as a role model

Are all employees in an organization likely to participate in a mentoring relationship? Unfortunately, no.¹⁴⁴ However, research continues to indicate that employers should establish mentoring programs because they benefit both mentors and protégés.¹⁴⁵

Although started with the best intentions, formal relationships are not as effective as informal ones,¹⁴⁶ perhaps due to poor planning, design, and communication. Mentors must see the relationship as beneficial to themselves and the protégé, and the protégé must have input into the relationship.¹⁴⁷ Formal mentoring programs are also most likely to succeed if they appropriately match the work style, needs, and skills of protégé and mentor.¹⁴⁸

Mentors may be effective not because of the functions they provide but because of the resources they can obtain; a mentor connected to a powerful network can build relationships that will help the protégé advance. Network ties, whether built through a mentor or not, are a significant predictor of career success.¹⁴⁹ If a mentor is not well connected or not a very strong performer, the best mentoring advice in the world will not be very beneficial.

You might assume that mentoring is valuable for objective outcomes like compensation and job performance, but research suggests the gains are primarily psychological. Thus, while mentoring can have an impact on career success, it is not as much of a contributing factor as ability and personality. It may *feel* nice to have a mentor, but it doesn't appear that having a good mentor, or any mentor, is critical to your career. The mentor is a boost to your confidence.

Challenges to Our Understanding of Leadership

12-7 Identify the challenges to our understanding of leadership.

“In the 1500s, people ascribed all events they didn't understand to God. Why did the crops fail? God. Why did someone die? God. Now our all-purpose explanation is leadership.”¹⁵⁰ This may be an astute observation from management consulting, but, of course, much of an organization's success or failure is due to factors outside the influence of leadership. Sometimes it's a matter of being in the right or wrong place at a given time. In this section, we present challenges to the accepted beliefs about the value of leadership.

attribution theory of leadership A leadership theory stating that leadership is merely an attribution that people make about other individuals.



Leadership as an Attribution

As you may remember from Chapter 6, attribution theory examines how people try to make sense of cause-and-effect relationships. The **attribution theory of leadership** says that leadership is merely an attribution people make about other individuals.¹⁵¹ We attribute the following to leaders: intelligence, outgoing personality, strong verbal skills, aggressiveness, understanding, and industriousness.¹⁵² At the organizational level, we tend, rightly or wrongly, to see leaders as responsible for both extremely negative and extremely positive performance.¹⁵³

Perceptions of leaders by their followers strongly affect leaders' ability to be effective. First, one study of 128 major U.S. corporations found that, whereas perceptions of CEO charisma did not lead to objectively better company performance, company performance did lead to perceptions of charisma.¹⁵⁴ Second, employee perceptions of leaders' behaviors are significant predictors of whether they blame the leader for failure, regardless of how the leader assesses him- or herself.¹⁵⁵ Third, a study of more than 3,000 employees from western Europe, the United States, and the Middle East found people who tended to "romanticize" leadership in general were more likely to believe their own leaders were transformational.¹⁵⁶

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 that company.¹⁵⁷ When identical leadership situations are described but the leaders' race is manipulated, white leaders are rated as more effective than leaders of other racial groups.¹⁵⁸ One large-scale summary found that many individuals hold stereotypes of men as having more leader characteristics than women, although, as you might expect, this tendency to equate leadership with masculinity has decreased over time.¹⁵⁹ Other data suggest women's perceived success as transformational leaders may be based on situations. 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.¹⁶⁰

Attribution theory suggests that 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're smart, personable, verbally adept, aggressive, hardworking, and consistent in their style can increase the probability that their bosses, colleagues, and employees will view them as effective leaders.

Substitutes for and Neutralizers of Leadership

One theory of leadership suggests that, in many situations, leaders' actions are irrelevant.¹⁶¹ Experience and training are among the **substitutes** that can replace the need for a leader's support or ability to create structure. Organizations such as videogame producer Valve Corporation, Gore-Tex maker W. L. Gore, and collaboration-software firm GitHub have experimented with eliminating leaders and management. Governance in the "bossless" work environment is achieved through accountability to coworkers, who determine team composition and sometimes even pay.¹⁶² Organizational characteristics such as explicit formalized goals, rigid rules and procedures, and cohesive work groups can 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 (see Exhibit 12-8).

Sometimes the difference between substitutes and neutralizers is fuzzy. If I'm working on a task that's intrinsically enjoyable, theory predicts leadership

substitutes Attributes, such as experience and training, that can replace the need for a leader's support or ability to create structure.

neutralizers Attributes that make it impossible for leader behavior to make any difference to follower outcomes.

Exhibit 12-8 Substitutes for and Neutralizers of Leadership

Defining Characteristics	Relationship-Oriented Leadership	Task-Oriented Leadership
Individual		
Experience/training	No effect on	Substitutes for
Professionalism	Substitutes for	Substitutes for
Indifference to rewards	Neutralizes	Neutralizes
Job		
Highly structured task	No effect on	Substitutes for
Provides its own feedback	No effect on	Substitutes for
Intrinsically satisfying	Substitutes for	No effect on
Organization		
Explicit formalized goals	No effect on	Substitutes for
Rigid rules and procedures	No effect on	Substitutes for
Cohesive work groups	Substitutes for	Substitutes for

Source: Based on K. B. Lowe and W. L. Gardner, "Ten Years of the Leadership Quarterly: Contributions and Challenges for the Future," *Leadership Quarterly* 11, no. 4 (2000): 459–514.

will be less important because the task provides motivation. But does that mean intrinsically enjoyable tasks neutralize leadership effects, 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 doesn't matter.¹⁶³ It's simplistic to think employees are guided to goal accomplishments solely by the actions of their leaders. We've introduced several variables—such as attitudes, personality, ability, and group norms—that affect employee performance and satisfaction. Leadership is simply another independent variable in our overall OB model.

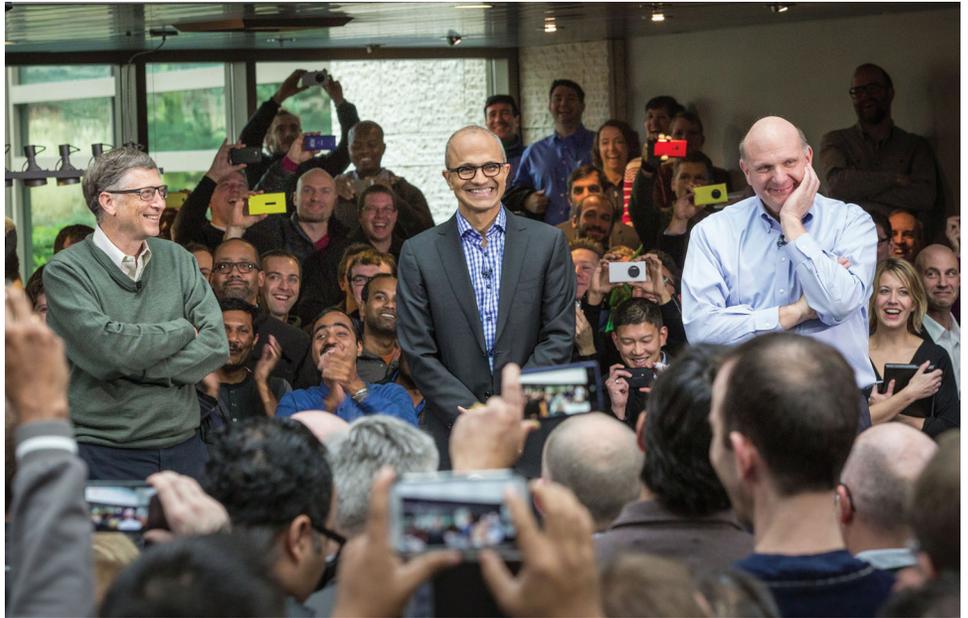
Selecting Leaders

The process organizations go through to fill management positions is an exercise in the identification of effective leaders. You might begin by reviewing the knowledge, skills, and abilities needed to do the job effectively. Personality tests can identify traits associated with leadership—extraversion, conscientiousness, and openness to experience. High self-monitors (see Chapter 5) are better at reading situations and adjusting their behavior accordingly. Candidates with high emotional intelligence should have an advantage, especially in situations requiring transformational leadership.¹⁶⁴ Broad experience is a poor predictor of leader effectiveness, but situation-specific experience is relevant.

Because nothing lasts forever, the most important event an organization needs to plan for is a change in leadership. JCPenney hired a CEO with no department store experience who promptly changed its overall strategy, a maneuver so disastrous that JCPenney's stock fell 69 percent in the roughly one year he lasted (after which JCPenney rehired the old CEO it had forced out, and he stayed until the company returned to a better standing). After that debacle, JCPenney seemed to learn its lesson by hiring Marvin Ellison, an executive from Home Depot who also had 15 years of experience at Target. The company's press release repeatedly described Ellison as "a highly-accomplished retail executive [with] an extensive knowledge of store operations."¹⁶⁵

Situation-specific experience played a key role in selecting Satya Nadella (center) as Microsoft's new CEO. To strengthen its position in the growing cloud domain, Microsoft chose Nadella, who formerly led Microsoft's Cloud and Enterprise Group and was instrumental in transforming Microsoft's technology culture from client services to cloud infrastructure and services.

Source: PRNewsFoto/Microsoft Corp/AP Images



In general, organizations seem to spend no time on leadership succession and are surprised when their picks turn out poorly. HP is on its fourth CEO in under 10 years, including one who lasted a matter of months, causing observers to wonder whether its boards of directors had done their homework in leadership succession. Their choice of Meg Whitman, the current CEO, was based on her role as CEO of eBay, during which she was praised as a top-performing leader. She was also heavily invested in politics, having run for governor of California. Not long ago she was named the “Most Underachieving CEO” for her leadership of HP, although shares of HP have increased drastically over her tenure as she sought to undo the work of her predecessors.¹⁶⁶

Training Leaders

Organizations spend billions of dollars on leadership training and development.¹⁶⁷ These efforts take many forms, from \$50,000 executive leadership programs offered by universities such as Harvard to sailing trips with the Outward Bound program. Goldman Sachs is well known for developing leaders; at one point, *BusinessWeek* called it the “Leadership Factory.”¹⁶⁸ Business schools are placing renewed emphasis on leadership development too.

How can managers get the most from their leadership-training budgets? First, leadership training is likely to be more successful with high self-monitors. Such individuals have the flexibility to change their behavior. Second, organizations can teach implementation skills. Third, skills such as trust building and mentoring can be taught. Leaders can be taught situational-analysis skills. They can learn how to evaluate situations, modify them to match their style more closely, and assess which leader behaviors might be most effective in given situations. BHP Billiton, Best Buy, Nokia, and Adobe have hired coaches to help top executives improve their interpersonal skills and act less autocratically.¹⁶⁹ The effectiveness of leadership training seems to hinge much more on outside characteristics than other types of training that are more closed or technical, such as computer software skills training.¹⁷⁰ Fourth, behavioral training through modeling exercises can increase an individual's ability to exhibit charismatic leadership qualities. Research also indicates that leaders should engage in regularly reviewing their leadership

after key organizational events as part of their development. These after-event reviews are especially effective for leaders who are high in conscientiousness and openness to experience, and who are emotionally stable (low in neuroticism).¹⁷¹ Finally, leaders can be trained in transformational leadership skills that have bottom-line results.

Summary

Leadership plays a central part in understanding group behavior because it's the leader who usually directs us toward our goals. Knowing what makes a good leader should thus be valuable toward improving group performance. The Big Five personality framework shows strong and consistent relationships between personality and leadership. The major contribution of the behavioral approach 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 behavioral approach. Contemporary theories have made major contributions to our understanding of leadership effectiveness, and studies of ethics and positive leadership offer exciting promise.

Implications for Managers

- For maximum leadership effectiveness, ensure that your preferences on the initiating structure and consideration dimensions are a match for your work dynamics and culture.
- Hire candidates who exhibit transformational leadership qualities and who have demonstrated success in working through others to meet a long-term vision. Personality tests can reveal candidates higher in extraversion, conscientiousness, and openness, which may indicate leadership readiness.
- Hire candidates whom you believe are ethical and trustworthy for management roles and train current managers in your organization's ethical standards to increase leadership effectiveness and reduce abusive supervision.
- Seek to 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.
- Consider investing in leadership training such as formal courses, workshops, and mentoring.

CEOs Start Early

POINT

If you really get down to specifics, you can see that CEOs start in leadership roles early in life. They have similar backgrounds, childhood challenges, and coping strategies. In fact, it's easy to see a CEO-in-the-making at your neighborhood lemonade stand.

What's the profile of burgeoning CEOs? It starts with their parents, who are almost all successful through industriousness. For example, Linda Zecher, the former CEO of publisher Houghton Mifflin Harcourt, grew up in a household in which her father ran several businesses. Brent Frei, CEO of software company Smartsheet.com, grew up on an 800-acre farm that his father owned and ran. Aspera CEO Michelle Munson's mother was a professor and her father was the fifth-generation leader of her farm.

Second, future CEOs are raised with responsibilities. Susan Story, CEO of utility company American Water, learned as a child that "no matter how bad things get, it's about working hard and taking personal responsibility, because nobody owes you anything." Frei "had an opportunity to do big things early on. When I was 6 years old, my dad . . . put me in the pickup, put it in first gear, and I drove it home with my 5-year-old sister in the passenger seat." Many CEOs grow up working on family farms or taking care of their siblings.

Third, burgeoning CEOs are successful leaders when they're young. Ruth Rathblott, CEO of Harlem Educational Activities Fund, was president of her seventh-grade class, then president of the middle school; Brad Jefferson, CEO of video slide show service Animoto, was the high school quarterback, captain of the football team, and senior class president; and Hannah Paramore, founder of digital agency Paramore, "was always the one in charge. I was always captain of this and captain of that."

Clearly, CEOs start early.

COUNTERPOINT

CEOs who start early have good stories to tell when they become successful, but that doesn't necessarily mean they represent the majority. Let's look at a few other aspects of the tender years of CEOs.

First, we know that much of our personality is attributable to genetics, but it's incorrect to infer that we can (a) map the genetic trail for a personality trait from ancestors to CEO or (b) tell where a young person's traits will lead. Likewise, we can't say that if the parents are successful through industriousness, their children will be. Story's parents worked in a cotton mill and a wastewater plant, and they "didn't have a lot of money." Frei's family farm "was a little bit below the threshold for break-even." Mitch Rothschild, CEO of website Vitals, observed, "Parents influence you either because you want to be like them or because you want to not be like them."

Second, what child is raised without responsibilities? None, even if all they have to do is go to school. There are plenty of CEOs who had a lot of responsibilities growing up, and others who did not. Munson's parents "emphasized two things. One was education, and the other was participating in 4-H." Zecher "had a paper route. [She] was a girl scout, and [she] was involved in a lot of clubs and sports in high school."

Third, it would be a mistake to conclude that CEOs start as young leaders. The ones who don't simply don't talk about it. Ron Kaplan, CEO of manufacturer Trex, was a marksmanship competitor. Zecher didn't have a plan or a leadership role until after college.

The stories of CEOs who start early make for good press reports, but CEOs do not by definition start early. What we can say, though, is that genetics and experiences both shape young people, and that the relationship between those factors and CEO success is complex.

Sources: Based on A. Bryant, "A Good Excuse Doesn't Fix a Problem," *The New York Times*, December 28, 2014, 2; A. Bryant, "Always Respect the Opportunity," *The New York Times*, October 19, 2014, 2; A. Bryant, "Don't Let Your Strengths Run Amok," *The New York Times*, May 18, 2014, 2; A. Bryant, "Knowing Your Company's Heartbeat," *The New York Times*, May 30, 2014, B2; A. Bryant, "The Danger of 'One Size Fits All,'" *The New York Times*, March 29, 2015, 2; A. Bryant, "The Job Description Is Just the Start," *The New York Times*, September 14, 2014, 2; A. Bryant, "Making Judgments, Instead of Decisions," *The New York Times*, May 4, 2014, 2; A. Bryant, "Pushing Beyond Comfort Zones," *The New York Times*, January 25, 2015, 2; A. Bryant, "Tell Me What's Behind Your Title," *The New York Times*, April 11, 2014, B2; and C. Crossland, J. Zyung, N. J. Hiller, and D. C. Hambrick, "CEO Career Variety: Effects on Firm-Level Strategic and Social Novelty," *Academy of Management Journal* 57, no. 3 (2014): 652-74.

CHAPTER REVIEW

MyLab Management Discussion Questions

Go to www.pearson.com/mylab/management to complete the problems marked with this icon .

QUESTIONS FOR REVIEW

12-1 What are the conclusions of trait theories of leadership?

12-2 What are the central tenets and main limitations of behavioral theories of leadership?

12-3 What are the contingency theories of leadership?

12-4 How do the contemporary theories of leadership relate to earlier foundational theories?

12-5 In what ways can leaders create ethical organizations?

12-6 How can leaders have a positive impact on their organizations through building trust and mentoring?

12-7 What are the challenges to our understanding of leadership?

APPLICATION AND EMPLOYABILITY

Understanding how leaders emerge, what makes leaders effective, and how to lead and influence people to pursue a vision and achieve organizational goals are invaluable skills. These skills will help you become more employable and perhaps improve your chances of being promoted in your job. Not only is this information important for knowing how to lead, it is also important for knowing how to interact and communicate effectively with your manager or supervisor. From this chapter, we know leadership is a multifaceted concept: Our personality traits can affect whether we become a leader (and if we will tend to be good at it). This may be important when you are in a position where you have a say in appointing a leader to your team or department. You should now have a better idea about what leaders do and how situations constrain them. You also know how important newer conceptualizations of leadership have focused on the specific relationships that managers have with their subordinates and how charisma, authenticity, ethicality, and transformational leadership

styles tend to be the most effective. Clearly, you can see that being a leader and being a manager are two separate things—by inspiring and challenging your subordinates, you build trust and develop them so that they not only grow as employees but also help the organization achieve its goals. In this chapter, you improved your critical thinking and your knowledge application and analysis skills by debunking the myth that leaders experience the most stress, learning how to confront an oversharing boss, navigating the tension between ethical leadership and older schools of leadership, and debating whether CEOs start leadership roles earlier in life. In the following section, you will develop these skills, along with your communication and collaboration skills, by identifying examples of leaders from multiple different contexts, considering the ethical obligations of CEOs to their employees when CEOs consider leaving, analyzing the effectiveness of shared leadership, and considering the use of leadership algorithms for leadership development.

EXPERIENTIAL EXERCISE What's in a Leader?

Break the class into (or allow the class to volunteer to join) one of the following five groups:

GROUP A: Government leaders (president, senator, governor, representative, assemblyperson)

GROUP B: Business leaders (CEO, president, leader in business)

GROUP C: University leaders (university president, provost, dean, professor)

GROUP D: Sports leaders (coach, informal team leader, team captain)

GROUP E: Social/thought leaders (activists, whistleblowers, authors)

Questions

12-8. Each group selects one leader from popular culture or history to serve as an example that is appropriate for the group. The group discusses that person, identifying the defining characteristics or traits of the leader, not simply by brainstorming but by drawing on examples that most of the group members agree are defining characteristics of the person.

12-9. Reconvene the class. The instructor will draw on the board one column for each of the five groups

and list the selected person and his or her characteristics in each column. For each person selected by the groups, decide whether the person's traits or attributions would lead to good or bad leader effectiveness for the group's type of leader. Why or why not? What would the results of the *opposite* or *alternative* strategies in those contexts be, and why? What similarities do you see between the lists? From the results of this exercise, does it appear that what it takes to be a good leader is different depending on the context? For each context, does it appear that what makes for leader emergence within the context is different from what makes leaders effective?

ETHICAL DILEMMA Should I Stay or Should I Go?

Although many CEOs are fired for political reasons and power struggles, and others are fired for unethical behavior, many choose willingly to leave their organizations. It is a difficult decision to make because not only do the leaders need to make the best decision for themselves, they also have many people in the organization who depend on them and their leadership skills to remain successful. Leader departures can cause subordinates who are attached to those leaders to become detached and to think about leaving as well. But one can understand why CEOs might leave or change careers. For example, Mohamed El-Erian, the CEO of Pimco, left the firm in 2014 when his daughter handed him a list before her bedtime. Her list included all the momentous events and activities that he missed in her life due to work commitments.

Not only does the CEO perhaps have an obligation to the company—the company also has an obligation to the CEO. Erika Andersen, a writer at *Forbes*, notes, “Top talent leave an organization when [it is] ... badly managed and the organization is confusing and uninspiring.” These reasons can just as easily apply to leaders.

A newer approach suggests that we should see turnover as inevitable, even for star performers. As Professor

Finkelstein of Dartmouth College notes, “The bosses I studied also took advantage of a wonderful paradox: When you stop hoarding your people and focus on creating a talent flow, you find that more of your top people actually do wind up staying.” In addition, when these CEOs leave, they are added to the so-called alumni network and can become powerful allies for the organization in the future.

Questions

12-10. What do you think a CEO or leader should do prior to considering leaving the organization? What does the CEO or leader owe the employees? Why?

12-11. Do you think there is an appropriate time for a CEO or leader to consider or announce leaving the organization? What are some examples of times when he or she should not leave? What about examples of the best times for a CEO to leave?

12-12. What can organizations do to retain their CEOs and leaders? Is this an exercise in futility (in other words, is it meaningless to try to do anything)? Why or why not?

Sources: Based on E. Andersen, “Why Top Talent Leaves: Top 10 Reasons Boiled Down to 1,” *Forbes*, January 18, 2012, <https://www.forbes.com/sites/erikaandersen/2012/01/18/why-top-talent-leaves-top-10-reasons-boiled-down-to-1/#5eef38a04e43>; N. Bozionelos and S. Mukhuty, “Why CEOs Resign: Poor Performance or Better Opportunities?,” *Academy of Management Perspectives* 29, no. 1 (2015): 4–6; R. Drousseau, “5 CEOs Who Quit for the Right Reasons,” *Fortune*, October 21, 2014, <http://fortune.com/2014/10/21/ceos-quit-right-reasons/>; M. N. Desai, A. Lockett, and D. Paton, “The Effects of Leader Succession and Prior Leader Experience on Postsuccession Organizational Performance,” *Human Resource Management* 55, no. 6 (2016): 967–84; S. Finkelstein, “Why the Best Leaders Want Their Superstar Employees to Leave,” *The Wall Street Journal*, October 3, 2016, <https://www.wsj.com/articles/why-the-best-leaders-want-their-superstar-employees-to-leave-1475460841>; and D. L. Shapiro, P. Hom, W. Shen, and R. Agarwal, “How Do Leader Departures Affect Subordinates Organizational Attachment? A 360-Degree Relational Perspective,” *Academy of Management Review* 41, no. 3 (2016): 479–502.

CASE INCIDENT 1 Sharing Is Performing

Replacing Nicholas Dirks as the chancellor of University of California at Berkeley, Carol T. Christ is taking on a strategy that her predecessors did not utilize: sharing leadership. Notably, the prior chancellor and provost would not consult other decision makers and stakeholders at the university when they proposed to dissolve completely the College of Chemistry. Christ, on the other hand, met with Frances McGinley, the student vice president of academic affairs, reaching out to “get a beat on what [student government] was doing and how [she] could help.” This move was unusual because McGinley would often have to track down the other administrators to even get a meeting (or would be merely delegated work). Another such arrangement between Jill Martin and David Barrs at a high school in Essex, England, designates special interest areas where each takes the lead, and they both share an educational philosophy, meet daily, have the authority to make decisions on the spot, and challenge one another.

As Declan Fitzsimons suggests in a *Harvard Business Review* article, the twenty-first century moves too quickly and is too dynamic to be handled by one person. By sharing leadership among multiple individuals, the organization can respond more adaptively to challenges, share disparate but complementary perspectives, and ease the burden experienced by the traditional charismatic leader figurehead. However, sharing leadership leads to its own issues and obstacles, which are apparent in the multiple relationships between team members, subordinates, and

other employees. Not only do individual identities become involved, but so do collective identities shared as a group. It is also important to recognize that shared leadership is not about delegation but about putting in effort to coordinate and collaborate, along with balancing individual and collective goals.

Recent reviews of the research on shared leadership suggest that, overall, shared leadership is effective at improving team performance, attitudes, and behaviors, especially when the leadership is transformational or charismatic and when the team tasks are complex.

Questions ★

- 12-13.** What kind of obstacles can you foresee in taking a shared leadership approach? How might they (or can they) be solved?
- 12-14.** How would you implement a shared leadership initiative in a company where you were the CEO? What elements of job design and redesign might you draw on to increase the effectiveness of the shared leadership initiative?
- 12-15.** Can you think of any instances in which non-shared, traditional approaches to leadership would be preferable to a shared leadership approach? What are they, and how are they preferable? What sort of situational or individual factors lead to the traditional approach being more effective in these instances?

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CASE INCIDENT 2 Leadership by Algorithm

Is there a single, right way to lead? Research suggests not, the methods explored in this chapter suggest not, and common sense suggests that a one-size-fits-all approach could be disastrous because organizations exist for

diverse purposes and develop unique cultures. Leadership development programs generally teach a best-practices model, but experts suggest that individuals trained in leadership techniques that are contrary to

their own natures risk losing the authenticity crucial to effective leadership. A promising path to leadership may thus lie in algorithms.

If you've ever taken a strengths-based assessment such as the Harrison Assessment or Gallup's Clifton Strengths-Finder, you know that surveys aimed at discovering your personality, skills, and preferences result in a personal profile. These tools are helpful, but algorithms can take your leadership development to the next level of personalization and application. They can take the results from each survey you complete, for instance, and use them to create a leadership program that matches your needs and abilities.

As the founder of management coaching organization TMBC and author of *StandOut*, Marcus Buckingham is an expert on creating leadership programs. He recommends the following steps:

- Step 1. Find or develop assessment tools.** These might include a personality component, such as a Big Five inventory test, and can include other tests that companies can resource or create according to the leadership characteristics they are seeking to monitor.
- Step 2. Identify the top leaders in the organization and administer the tests to them.** This step is not to determine what all the leaders have in common but to group the top leaders into categories by their similar profiles.
- Step 3. Interview the leaders within each profile category to learn about the techniques they use that work.** Often these techniques will be unique, unscripted, and revealingly correlated to the

strengths in each leader's assessment profile. Compile the techniques within each profile category.

- Step 4. The results of top leader profile categories and the leaders' techniques can be used to create an algorithm, or tailored method, for developing leaders.** Administer the assessment tests to developing leaders and determine their profile categories. The techniques from successful leaders can now be shared with the developing leaders who are most like them because they share the same profile category.

These steps provide a means for successful leaders to pass along to developing leaders the techniques that are likely to feel authentic to the developing leaders and that encourage creativity. The techniques can be delivered in an ongoing process as short, personalized, interactive, and readily applicable tips and advice that yield results no two-week leadership development course could achieve.

Questions ★

- 12-16.** If you have participated in leadership development programs, how effective did you find them in (a) teaching you techniques and (b) giving you practical strategies that you could use? What could they do better?
- 12-17.** What are some potential negatives of using Marcus Buckingham's approach to leadership development?
- 12-18.** Would you suggest applying Buckingham's steps to your organization? Why or why not?

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MyLab Management Writing Assignments

If your instructor has assigned this activity, go to www.pearson.com/mylab/management for auto-graded writing assignments as well as the following assisted-graded writing assignments:

- 12-19.** Refer again to Case Incident 2. Why would a personalized leadership development program be preferable to a best-practices teaching program?
- 12-20.** Do you think leaders are more ethical now than ever before? Why or why not?
- 12-21. MyLab Management only**—additional assisted-graded writing assignment.

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