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# Transactional and Transformational Leadership: A Constructive/Developmental Analysis

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The transactional and transformational theories of leadership developed by Burns (1978) and Bass (1985) are clarified and extended by using a constructive/developmental theory to explain how critical personality differences in leaders lead to either transactional or transformational leadership styles. The distinction between two levels of transactional leadership is expanded, and a three-stage developmental model of leadership is proposed.

James MacGregor Burns, in his book *Leadership* (1978), identified two types of political leadership: transactional and transformational. Transactional leadership occurs when one person takes the initiative in making contact with others for the purpose of an exchange of something valued; that is, "leaders approach followers with an eye toward exchanging" (p. 4). Transformational leadership is based on more than the compliance of followers; it involves shifts in the beliefs, the needs, and the values of followers. According to Burns, "the result of transforming leadership is a relationship of mutual stimulation and elevation that converts followers into leaders and may convert leaders into moral agents" (p. 4).

Bass (1985) applied Burns' (1978) ideas to organizational management. He argued that transactional leaders "mostly consider how to marginally improve and maintain the quantity and quality of performance, how to substitute one goal for another, how to reduce resistance to particular actions, and how to implement deci-

sions" (p. 27). In contrast, transformational leaders

attempt and succeed in raising colleagues, subordinates, followers, clients, or constituencies to a greater awareness about the issues of consequence. This heightening of awareness requires a leader with vision, self confidence, and inner strength to argue successfully for what he [sic] sees is right or good, not for what is popular or is acceptable according to established wisdom of the time (Bass, 1985, p. 17).

Both Burns (1978) and Bass (1985) identified leaders by their actions and the impact those actions have on others. Missing from their works, however, is an explanation of the internal processes which generate the actions of transactional or transformational leaders. That is, neither author provided a framework for understanding the motivational states or personality differences that give rise to these two types of leadership.

In this paper, an attempt to alleviate this shortcoming is made. The authors propose a framework for examining the processes through which

transactional and transformational leaders develop. It is based on the idea that transactional and transformational leaders are qualitatively different kinds of individuals who construct reality in markedly different ways, thereby viewing themselves and the people they lead in contrasting ways. The framework used here to explain the differences between transactional and transformational leaders is constructive/developmental personality theory (Kegan, 1982; Selman, 1980).

## **Transactional and Transformational Leadership**

Transactional leadership represents those exchanges in which both the superior and the subordinate influence one another reciprocally so that each derives something of value (Yukl, 1981). Simply stated, transactional leaders give followers something they want in exchange for something the leaders want. Transactional leaders engage their followers in a relationship of mutual dependence in which the contributions of both sides are acknowledged and rewarded (Kellerman, 1984). In these situations, leaders are influential because doing what the leaders want is in the best interest of the followers. Effective transactional leaders must regularly fulfill the expectations of their followers. Thus, effective transactional leadership is contingent on the leaders' abilities to meet and respond to the reactions and changing expectations of their followers (Kellerman, 1984).

Although transactional leadership can be described as the exchange of valued outcomes, closer examination of the literature suggests that all exchanges are not equivalent (e.g., Dienesch & Liden, 1986). Indeed, it appears that two "levels" of transactions can be distinguished. Graen, Liden, and Hoel (1982), for example, studied the impact that both high-quality and low-quality exchange relationships had on the turnover of employees. They found that employees who engaged in relationships that involved support and the exchange of emotional resources (high-quality) were less likely to leave an organi-

zation than employees who engaged in relationships that involved contractually agreed upon elements such as eight hours of work for eight hours of pay (low-quality). The work reported by Graen et al. suggests low-quality transactions are based on the exchange of goods or rights, whereas high-quality transactions are augmented by an interpersonal bond between leaders and followers (Landy, 1985).

Burns (1978) and Bass (1985) similarly distinguished between levels of transactional leadership. Burns suggested that the kinds of transactions leaders and followers engage in range from the obvious (jobs for votes, subsidies for campaign contributions) to the less obvious (exchanges of trust, commitment, and respect). Similarly, Bass noted that transactional leaders have various transactions available to them. Transactions based on leaders' knowledge of the actions subordinates must take to achieve desired personal outcomes (e.g., working overtime for a paid vacation) are most common. In these exchanges, transactional leaders clarify the roles followers must play and the task requirements followers must complete in order to reach their personal goals while fulfilling the mission of the organization.

A less common form of transactional leadership involves promises or commitments that are rooted in "exchangeable" values such as respect and trust. Burns (1978) referred to these values as modal values; modal values bond leaders to followers in an attempt to actualize the needs of both parties. Thus lower-order transactions depend upon the leaders' control of resources (e.g., pay increases, special benefits) that are desired by the followers (Yukl, 1981). If such rewards are not under the leaders' direct control, their bargaining power is diminished. Higher order transactional leadership, on the other hand, relies on the exchange of nonconcrete rewards to maintain followers' performance. In this relationship, the leaders directly control such exchanges since they rely upon nontangible rewards and values.

Transformational leadership also originates in the personal values and beliefs of leaders, not in an exchange of commodities between leaders

and followers. Both Bass (1985) and Burns (1978) indicated that transformational leaders operate out of deeply held personal value systems that include such values as justice and integrity. Burns refers to these values as *end values*—those that cannot be negotiated or exchanged between individuals. By expressing their personal standards, transformational leaders are able both to unite followers and to change followers' goals and beliefs. This form of leadership results in achievement of higher levels of performance among individuals than previously thought possible (Bass, 1985).

Perhaps the concept of *charisma* (House, 1977; Weber, 1947) comes closest in meaning to Burns' (1978) and Bass' ideas of transformational leadership. House described charismatic leaders as those "who by force of their personal abilities are capable of having a profound and extraordinary effect on followers" (p. 189). He further contended that the term "is usually reserved for leaders who by their influence are able to cause followers to accomplish outstanding feats" (p. 189).

Both transformational leaders and charismatic leaders gain influence by demonstrating important personal characteristics. Many of these characteristics were described by Bass (1985; Avolio & Bass, 1986); some of them are self-confidence, dominance, and a strong conviction in the moral righteousness of one's beliefs. Thus, key behaviors of successful transformational leaders may include articulating goals, building an image, demonstrating confidence, and arousing motivation. These behaviors can convince and motivate followers without bartering for goods and rights, which characterizes transactional leadership.

### A Model of Transactional and Transformational Leadership

Bass (1985) identified a number of personality variables believed to distinguish transformational from transactional leaders. Except for a brief foray into psychoanalytic theory, however, he

failed to explain how particular traits cohere to produce different types of leaders. It appears that constructive/developmental personality theory can provide a framework for understanding the processes through which different types of leaders emerge.

Constructive personality theories hold that people vary in the ways in which they construct or organize experiences about themselves and their social and interpersonal environments. According to this view, events and situations do not exist, psychologically, until they are experienced and composed privately (Kegan, 1982). Thus, understanding the processes through which people construct meaning out of their experiences may advance our knowledge of how leaders understand, experience, and approach the enterprise of leading.

It appears, from this perspective, that the organizational and perceptual structures of transactional leaders are quite distinct from those of transformational leaders. Also, it can be argued that the constructive/developmental framework can be used to distinguish between lower order and higher order transactional leadership by focusing on the personality mechanisms that induce leaders to engage in one level of exchange versus the other. Thus, while the behaviors of leaders may change under different circumstances, the underlying personality structures that produce the behaviors are quite stable.

### Constructive/Developmental Personality Theory

Constructive/developmental theory, as outlined by Robert Kegan (1982), describes a critical personality variable that gives rise to the range of an individual's experiences (the growth of interpersonal and intrapersonal understanding). The constructive part of the theory assumes that humans construct a subjective understanding of the world that shapes their experiences as opposed to their directly experiencing an objective "real" world.

Constructive/developmental theory extends the constructivist view by highlighting sequential regularities or patterns in ways that people con-

struct meaning during the course of their lives, and by showing how individuals progress from simple to more complex (encompassing) modes of understanding. Kegan (1982) argued that these regularities are the deep structure of personality which generate people's thoughts, feelings, and actions in the same way that linguistic *deep structures* generate grammatical language (Chomsky, 1968). Throughout this developmental process (which extends into adulthood for most individuals), there is an expansion of people's abilities to reflect on and understand their personal and interpersonal worlds. This expansion is made possible by increasing differentiation of oneself from others and by simultaneously integrating the formerly undifferentiated view into a more complex and encompassing view.

To understand the nature of these personality stages and how they relate to transactional and transformational leadership, it is necessary to distinguish between two personality structures which Kegan (1982) termed *subject* and *object*. The structure by which people compose experience is termed *subject*; it is so basic to human functioning that typically people are not aware of it. It is, in other words, the lens through which people view the world and their inner experiences, and they are unable to examine that lens.

Piaget (1954) demonstrated this phenomenon by showing that the typical four-year-old child is subject to his/her perceptions. In his now famous experiment, the typical four-year-old reported that there was more liquid in a taller, thinner beaker than there was in the shorter, wider beaker, even when the same amount of water was poured from one container to the other. For this preoperational child, the perceptual process is *subject*: Perceptions are the organizing process, and these perceptions cannot be made *object*.

Only when the child has moved to Piaget's concrete operational stage is he/she able to take a perspective on his/her perceptions, recognizing that even though the level of liquid is different in the two beakers, they actually contain the same amount. With this new organizing process,

the child can make his/her perceptions the object of that organizing process; this opens up a new way of viewing the world.

Constructive/developmental theory supports a similar view of the personality structure of adults. What is subject for some is object for those at higher stages of development, freeing adults to examine new ways of interpreting themselves and their interpersonal relationships. Indeed, the process of development of the personality from this theoretical perspective is one of qualitative restructuring of the relationship between the subject and the object of experience.

It is important for adult development (and consequently for leadership) to determine what is subject and what is object at various developmental stages and then to understand what implications this distinction has for leaders' behavior. Kegan (1982) described six developmental stages, three of which are characteristic of the level of interpersonal understanding of most adults (see Table 1). Since it will not be possible to discuss Kegan's highest stage (5), and lowest stages (0 and 1) here, interested readers may consult Kegan's book (1982) for a description.

In stage 2, individuals' frames of reference (*subject*) are personal goals or agendas. This frame of reference becomes the lens through which stage 2 adults view their interpersonal world; everything they "witness" is experienced and evaluated in those terms. For example, a stage 2 leader whose goal is becoming the youngest manager to be promoted in the unit can be expected to view his or her followers largely in terms of whether they are advancing or thwarting this aspiration.

Enmeshed in personal goals as an organizing process, the stage 2 leader also assumes, often incorrectly, that others operate because of similar motives. It follows that leaders who have failed to progress beyond Kegan's second developmental stage are apt to use lower level transactional leadership, an approach that motivates followers through trade-offs of the leaders' and followers' personal goals. Constructive/developmental theory suggests that stage 2 individuals

Table 1

*Stages of Adult Development Showing the Organizing Process ("Subject") and the Content of that Organizing Process ("Object")*

Stage <sup>a</sup>	Subject (Organizing Process)	Object (Content of Experience)
2 Imperial (Lower-order Transactional)	Personal goals and agendas	Perceptions, immediate needs, feelings
3 Interpersonal (Higher-order Transactional)	Interpersonal connections, mutual obligations	Personal goals and agendas
4 Institutional (Transformational)	Personal standards and value system	Interpersonal connections, mutual obligations

Note: When individuals progress from one stage to the next, what was formerly subject becomes the object of a new organizing process.

<sup>a</sup> Stage numbers and names are taken directly from Kegan (1982).

are able to use only lower level transactional leadership techniques.

Stage 2 leaders may say that they aspire to higher order transactions (e.g., team spirit, mutual respect), but from the perspective of cognitive/developmental theory they have not developed the organizing processes (subject) necessary for understanding or participating in mutual experiences and shared perceptions. Although wanting to be the youngest manager to be promoted in the unit may be an acceptable goal, such single-minded vision may have negative consequences for co-workers, the unit, or the organization. Even though one cannot be certain how this leader's behavior will affect the unit's effectiveness, it is certain that his/her commitment to the organization is one of reciprocity.

Stage 2 leaders, from a constructive/developmental perspective, lack an ability to reflect on their goals; they do not have agendas—they are defined by them. When individuals reach Kegan's (1982) stage 3, they are able to reflect on their own interests and to consider these interests simultaneously with the interests of others. At this developmental stage, personal needs are no longer a part of the subjective organizing process; they become the object of a new organizing process. This is a critical point in the growth of interpersonal understanding because for the first time individuals can experience trust, commitment, respect, and mutuality—values that are central to higher level transactional leadership.

The new subjective frame of reference for stage 3 leaders (connectedness to their subordinates) is the result of their new ability to override personal needs and to coordinate their needs with the needs of others. Whereas the stage 2 leaders negotiate with their employers to satisfy personal agendas, stage 3 leaders sacrifice their personal goals in order to maintain connections with their employers. Thus, the key transactions for the stage 3 leaders are *mutual support, promises, expectations, obligations, and rewards*.

Stage 3 leaders progress to a level of understanding where personal goals are transcended by a focus on interpersonal relations. They become free to understand that for some followers the concrete payoffs they provide are not as important as the maintenance of a certain level of mutual regard. This alleviates the pressure of constantly monitoring and rewarding followers' performance and permits higher level transactional leadership. Communicating attitudes (e.g., trust or respect) becomes the critical dynamism behind this type of leadership. It is the followers' sense of these feelings that maintains their attitudes and work performance.

Higher level transactional leadership also can have serious shortcomings. Stage 3 leaders, for whom commitment and loyalty are basic, cannot take a perspective on those commitments and loyalties; in effect, they are controlled by higher order exchanges. Stage 3 leaders may feel "torn"

in situations of conflicting loyalties (e.g., loyalty to the organization versus loyalty to their subordinates). Unable to take a perspective on competing loyalties because the loyalties comprise the organizing process, they find that the only satisfactory course of action is one that somehow preserves competing loyalties by being fair to all parties.

In one sense, stage 3 transactional leaders are transformational because they use relational ties to motivate followers to believe work is more than the performance of certain duties for certain concrete payoffs. Followers may perform at exemplary levels with little immediate payoff in order to maintain the respect of their leader. Still, higher level transactional leadership is not transformational in one important respect. Although followers who are persuaded by higher level transactional leaders may expend extraordinary effort to maintain a certain level of mutual regard with their leader, their beliefs and goals typically have not changed (Bass, 1985). Mutual regard also includes the liabilities of situational leadership; it requires continuous give and take between leaders and followers. The more "bargains" (concrete or interpersonal) that are struck between leaders and their followers, the more likely it is that the leader will be unable to make good on all promised transactions. More critical, stage 3 leaders are dependent on a shared sense of mutual respect, as are their followers.

In contrast, leaders who have progressed to stage 4 in the development of interpersonal understanding do not experience competing loyalties as a critical dilemma that stems from attempting to maintain the respect of everyone. This is because stage 4 leaders have developed a subjective frame of reference (organizing process) that defines their selves, not in terms of their connections to others (the hallmark of stage 3), but in terms of their internal values or standards; this is what Burns (1978) called end values. At this stage, leaders are able to take an objective view of their goals and commitments; they can operate from a personal value system that transcends their agendas and loyalties. In other

words, they can operate as transformational leaders. In order to reach the transformational stage, leaders must know the limitations, the defects, and the strengths of all perspectives (Mitroff, 1978).

The hallmark of stage 4 leaders is their capacity to take a perspective on interpersonal relationships and to achieve a self-determined sense of identity. Whereas stage 3 leaders define themselves through interpersonal relationships (feel torn when conflict arises), stage 4 leaders resolve conflict based on their internal standards. Leaders at this stage of constructive/developmental maturity possess the critical requirement of acting according to end values (e.g., integrity, self-respect, equality). Because stage 4 leaders hold independent self-authored values and can carry these out despite competing loyalties while evaluating their own performance, they often can convert followers to their way of thinking and can integrate their values into the work group.

Because individuals can operate through these end values does not necessarily mean that they will always do so. Sometimes transformational leaders use transactional methods to lead, but stage 4 leaders have the ability to understand the available leadership options and to act in the manner that is most appropriate to the situation. Unless leaders have progressed to stage 4 personality structures, they will be unable to transcend the personal needs and commitments of others and they will be unable to pursue their own end values.

Transformational leaders motivate followers to accept and accomplish difficult goals that followers normally would not have pursued. Transforming leadership is made possible when leaders' end values (internal standards) are adopted by followers, thereby producing changes in the attitudes, beliefs, and goals of followers. It is end values such as integrity, honor, and justice that potentially can transform followers. Further, the commitment of followers to their leaders' values causes leadership influence to cascade through the organization (Bass, Waldman, & Avolio, 1986).

The literature on contingency theories of leadership (see Hunt, 1984, for an overview) suggests that leader personality is not nearly as important to leader effectiveness as selecting the right behavior or style for a given situation. However, Lord, DeVader, and Alliger (1986) argued that the relationship between personality and leadership is stronger and more consistent than many contemporary writers believe. A reconciliation of these competing views could come from a better understanding of differences in how individuals process information about situations. The constructive/developmental personality theory presented here, which explains both individual differences in perceptual processing and differential responsiveness to situations, may provide that understanding.

## Implications

### Methodological Issues

Constructive/developmental theory has been used here as a heuristic for distinguishing between transactional and transformational leadership. The success this theory has in furthering researchers' understanding of the leadership process is contingent upon accurately measuring leaders' developmental stages. Kegan (1982) described a methodology for determining adults' levels of perceptual processing in which a structured interview is used to determine how adults organize their values and how they use language to describe their level of interpersonal understanding. Although research which measures developmental stages has increased (Kegan, 1982; Lewis, Kuhnert, & Maginnis, in press), more empirical research is needed.

Vital to transformational leadership are the articulation by the leader of end values and the acceptance of those values by followers. Since the communication of values depends upon language (e.g., Pondy, 1978), it is crucial that researchers analyze (a) how transformational leaders convey values to followers, and (b) the processes by which followers internalize their leaders' value systems. Behavioral modeling (Manz & Sims, 1986) may provide a tool for

investigating the possible link between transformational leaders' conduct and their followers' actions; it also may be useful for determining the behaviors of transformational leaders.

Clearly, longitudinal research is needed. If leaders develop as the constructive/developmental perspective suggests, then a longitudinal approach is necessary to help discover/decipher the variables that influence how this leadership emerges and how it is expressed. Thus, studies are needed that span leaders' careers; at the same time, these studies should identify the ways in which experiences are reflected in changes in the leaders' cognitive organizing processes.

It is important to expand the criterion variables studied in leadership research. In past research, effective leadership has been defined too narrowly. That is, too many researchers have limited effective leadership to its impact on task performance. Although task performance is important, neglecting other variables such as group or organizational effectiveness misses the potential transforming contribution of higher stage leaders. In fact, increased focus on transactional and transformational leaders may help to identify the outcome variables that are necessary to effectively evaluate the different leadership styles.

### Substantive Research Issues

Applying constructive/developmental theory to transactional and transformational leadership liberates researchers from a static view of leadership; it emphasizes leaders' development over the course of their lives. Rather than categorizing behaviors and inferring the presence of transactional or transformational leadership based on those behaviors, constructive/developmental theory focuses on changes and growth in leaders' perspective-taking abilities as the means for understanding changes in their behaviors.

According to Kegan and Lahey (1984), leaders who are at different developmental levels use different systems for construing reality (implying differences in their approach to leadership issues and problems). If it can be demonstrated

that the perceptual processes of leaders change over time, concomitant behavioral changes also should be explored. An important question for empirical study is "are there observable changes in leaders' behaviors as a function of their own personality development, or do changes in leaders' behaviors merely reflect changes in the leadership context?" As stated earlier, this question cannot be answered unless longitudinal investigations of leaders' cognitive processes are undertaken along with studies of the situations in which leaders' decisions are made.

If a pattern of how leaders develop can be determined reliably, the constructive/developmental framework may have implications for selecting and developing leaders. It may be possible to select individuals for particular leadership positions on the basis of their stage in the development process and the needs of the organization. That is, stage 2 leaders may work well when contingency management is needed, particularly in an organization in which goals are clearly defined and rewards are controlled by the leader (Sims, 1977). In contrast, stage 4 leaders may be necessary at upper levels of such an organization because they possess perspective-taking abilities that have not yet been attained by individuals at lower constructive/developmental levels (Jacobs & Jaques, *in press*). That is, we might expect stage 4 leaders to be skilled at resolving organizational conflict because they can transcend interpersonal allegiances. Therefore, research on the degree to which organizations can manage the fit of leaders to positions is called for.

A second question of interest is "are the hypothesized stages of development invariant?" That is, do all leaders advance through the developmental stages in the same manner, or do the patterns differ for different leaders?

If leaders progress through the four stages in order, related questions would be "is it possible for all leaders to advance to the highest level of structural maturity, or are some leaders limited to lower levels? If so, by what means?" Researchers need to identify the processes by which lead-

ers develop from one stage to another and to understand the mechanisms necessary for transition of subject (the organizing process of experience) to object (the content of experience). Such research also may help to identify the extent to which cognitive processing can be learned and, consequently, the potential effectiveness of leadership training programs.

Another focus for research is the question "what happens when leaders and followers operate at different developmental levels?" Because constructive/developmental theory is a general theory of human development (not a theory of leaders' personalities), both leaders and followers can be examined from the same theoretical perspective; it may be that developmental fit between leaders and followers explains the successes and failures of leaders. For example, it may be that leaders who function at developmental levels beyond the levels of their followers are better able to motivate their followers. Alternately, similarity in perceptual processing may lead to leader effectiveness. Even more intriguing is the question "can transactional leaders be effective in motivating subordinates whose organizing processes are more developed and encompassing than their own?"

This focus on the relationship between leaders and followers gives rise to still other areas for research. In particular, the distinction between transactional and transformational leaders as defined by their constructive/developmental stage may help to define a crucial determinant of the work environment. It may be that interactions between leaders and followers, as described above, influence characteristics of the work environment such as the organizational culture. Perhaps the culture of an organization is determined by the quality of co-worker interactions in organizations characterized by transactional leadership, but it may be influenced significantly by the values and standards of leaders when the dominant mode of leadership is transformational. Again, the constructive/developmental framework provides us with unique challenges for the study of leadership.

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