

Leadership Issues in the Twenty-First Century

It's not easy being a chief information officer (CIO) today. The person responsible for managing a company's information technology activities will find that the task comes with a lot of external and internal pressures. Technology continues to change rapidly—almost daily, it sometimes seems. Business costs continue to rise. Rob Carter, CIO of FedEx, is on the hot seat facing such challenges.⁴⁷ He's responsible for all the computer and communication systems that provide around-the-clock and around-the-globe support for FedEx's products and services. If anything goes wrong, you know who takes the heat. However, Carter has been an effective leader in this seemingly chaotic environment.

Leading effectively in today's environment is likely to involve such challenging circumstances for many leaders. In addition, twenty-first-century leaders do face some important leadership issues. In this section, we look at these issues that include managing power, developing trust, empowering employees, leading across cultures, and becoming an effective leader.

Managing Power

Where do leaders get their power—that is, their right and capacity to influence work actions or decisions? Five sources of leader power have been identified: legitimate, coercive, reward, expert, and referent.⁴⁸

Legitimate power and authority are the same. Legitimate power represents the power a leader has as a result of his or her position in the organization. Although people in positions of authority are also likely to have reward and coercive power, legitimate power is broader than the power to coerce and reward.

Coercive power is the power a leader has to punish or control. Followers react to this power out of fear of the negative results that might occur if they don't comply. Managers typically have some coercive power, such as being able to suspend or demote employees or to assign them work they find unpleasant or undesirable.

Reward power is the power to give positive rewards. A reward can be anything that a person values such as money, favorable performance appraisals, promotions, interesting work assignments, friendly colleagues, and preferred work shifts or sales territories.

Expert power is power that's based on expertise, special skills, or knowledge. If an employee has skills, knowledge, or expertise that's critical to a work group, that person's expert power is enhanced.

Finally, **referent power** is the power that arises because of a person's desirable resources or personal traits. If I admire you and want to be associated with you, you can exercise power over me because I want to please you. Referent power develops out of admiration of another and a desire to be like that person.

Most effective leaders rely on several different forms of power to affect the behavior and performance of their followers. For example, the commanding officer of one of Australia's state-of-the-art submarines, the HMAS *Sheean*, employs different types of power in managing his crew and equipment. He gives orders to the crew (legitimate), praises them (reward), and disciplines those who commit infractions (coercive). As an effective leader, he also strives to have expert power (based on his expertise and knowledge) and referent power (based on his being admired) to influence his crew.

Developing Trust

In today's uncertain environment, an important consideration for leaders is building trust and credibility, both of which can be extremely fragile. Before we can discuss ways leaders can build trust and credibility, we have to know what trust and credibility are and why they're so important.

The main component of credibility is honesty. Surveys show that honesty is consistently singled out as the number one characteristic of admired leaders. "Honesty is absolutely essential to leadership. If people are going to follow someone willingly, whether it be into battle or into the boardroom, they first want to assure themselves that the person is worthy of their trust."⁴⁹ In addition to being honest, credible leaders are competent and inspiring. They are personally able to effectively communicate their confidence and enthusiasm. Thus, followers judge a leader's **credibility** in terms of his or her honesty, competence, and ability to inspire.

Trust is closely entwined with the concept of credibility, and, in fact, the terms are often used interchangeably. **Trust** is defined as the belief in the integrity, character, and ability of a leader. Followers who trust a leader are willing to be vulnerable to the leader's actions because they are confident that their rights and interests will not be abused.⁵⁰ Research has identified five dimensions that make up the concept of trust:⁵¹

- ▶ **Integrity:** honesty and truthfulness
- ▶ **Competence:** technical and interpersonal knowledge and skills
- ▶ **Consistency:** reliability, predictability, and good judgment in handling situations
- ▶ **Loyalty:** willingness to protect a person, physically and emotionally
- ▶ **Openness:** willingness to share ideas and information freely

Of these five dimensions, integrity seems to be the most critical when someone assesses another's trustworthiness.⁵² Both integrity and competence were seen in our earlier discussion of leadership traits found to be consistently associated with leadership. Workplace changes have reinforced why such leadership qualities are important. For instance, the trends toward empowerment and self-managed work teams have reduced many of the traditional control mechanisms used to monitor employees. If a work team is free to schedule its own work, evaluate its own performance, and even make its own hiring decisions, trust becomes critical. Employees have to trust managers to treat them fairly, and managers have to trust employees to conscientiously fulfill their responsibilities.

Practice openness.
Be fair.
Speak your feelings.
Tell the truth.
Show consistency.
Fulfill your promises.
Maintain confidences.
Demonstrate competence.

Also, leaders have to increasingly lead others who may not be in their immediate work group or may even be physically separated—members of cross-functional or virtual teams, individuals who work for suppliers or customers, and perhaps even people who represent other organizations through strategic alliances. These situations don't allow leaders the luxury of falling back on their formal positions for influence. Many of these relationships, in fact, are fluid and fleeting. So the ability to quickly develop trust and sustain that trust is crucial to the success of the relationship.

Why is it important that followers trust their leaders? Research has shown that trust in leadership is significantly related to positive job outcomes including job performance, organizational citizenship behavior, job satisfaction, and organizational commitment.⁵³ Given the importance of trust to effective leadership, how can leaders build trust? Exhibit 17-6 lists some suggestions. (Also, see the Building Your Skill exercise in Chapter 5.)⁵⁴

Now, more than ever, managerial and leadership effectiveness depends on the ability to gain the trust of followers.⁵⁵ Downsizing, financial challenges, and the increased use of temporary employees have undermined employees' trust in their leaders and shaken the confidence of investors, suppliers, and customers. A survey found that only 39 percent of U.S. employees and 51 percent of Canadian employees trusted their executive leaders.⁵⁶ Today's leaders are faced with the challenge of rebuilding and restoring trust with employees and with other important organizational stakeholders.

Empowering Employees

Employees at DuPont's facility in Uberaba, Brazil, planted trees to commemorate the site's 10th anniversary. Although they had several things to celebrate, one of the most important was the fact that since production began, the facility has had zero environmental incidents and no recordable safety violations. The primary reason for this achievement was the company's STOP (Safety Training Observation Program) program—a program in which empowered employees were responsible for observing one another, correcting improper procedures, and encouraging safe procedures.⁵⁷

As we've described in different places throughout the text, managers are increasingly leading by empowering their employees. As we've said before, empowerment involves increasing the decision-making discretion of workers. Millions of individual employees and employee teams are making the key operating decisions that directly affect their work. They're developing budgets, scheduling workloads, controlling inventories, solving quality problems, and engaging in similar activities that until very recently were viewed exclusively as part of the manager's job.⁵⁸ For instance, at The Container Store, any employee who gets a customer request has permission to take care of it. Garret Boone, chairman emeritus, says, "Everybody we hire, we hire as a leader. Anybody in our store can take an action that you might think of typically being a manager's action."⁵⁹

One reason more companies are empowering employees is the need for quick decisions by those people who are most knowledgeable about

Managers at Whole Foods Markets lead by empowering employees like this young man who offers to help an appreciative customer load her Thanksgiving Day dinner into her shopping cart. At Whole Foods, employees have a high degree of autonomy in making key operating decisions that directly affect their work. All employees work in small teams that are empowered to make decisions about product selection, pricing, ordering, staffing, and in-store promotion. Whole Foods management believes that empowering employees creates a respectful working environment where people are treated fairly, are highly motivated to succeed, and can respond quickly to customer needs.



the issues—often those at lower organizational levels. If organizations want to successfully compete in a dynamic global economy, employees have to be able to make decisions and implement changes quickly. Another reason is that organizational downsizings left many managers with larger spans of control. In order to cope with the increased work demands, managers had to empower their people. Although empowerment is not a universal answer, it can be beneficial when employees have the knowledge, skills, and experience to do their jobs competently.

Leading Across Cultures

"In the United States, leaders are expected to look great, sound great, and be inspiring. In other countries—not so much."⁶⁰ In this global economy, how can managers account for cross-cultural differences as they lead?

One general conclusion that surfaces from leadership research is that effective leaders do not use a single style. They adjust their style to the situation. Although not mentioned explicitly, national culture is certainly an important situational variable in determining which leadership style will be most effective. What works in China isn't likely to be effective in France or Canada. For instance, one study of Asian leadership styles revealed that Asian managers preferred leaders who were competent decision makers, effective communicators, and supportive of employees.⁶¹

National culture affects leadership style because it influences how followers will respond. Leaders can't (and shouldn't) just choose their styles randomly. They're constrained by the cultural conditions their followers have come to expect. Exhibit 17-7 provides some findings from selected examples of cross-cultural leadership studies. Because most leadership theories were developed in the United States, they have an American bias. They emphasize follower responsibilities rather than rights; assume self-gratification rather than commitment to duty or altruistic motivation; assume centrality of work and democratic value orientation; and stress rationality rather than spirituality, religion, or superstition.⁶² However, the GLOBE research program, which we first introduced in Chapter 3, is the most extensive and comprehensive cross-cultural study of leadership ever undertaken. The GLOBE study found that leadership has some universal aspects. Specifically, a number of elements of transformational leadership appear to be associated with effective leadership regardless of what country the leader is in.⁶³ These elements include vision, foresight, providing encouragement, trustworthiness, dynamism, positiveness, and proactiveness. The results led two members of the GLOBE team to conclude that "effective business leaders in any country are expected by their subordinates to provide a

powerful and proactive vision to guide the company into the future, strong motivational skills to stimulate all employees to fulfill the vision, and excellent planning skills to assist in implementing the vision."⁶⁴ Some people suggest that the universal appeal of these transformational leader characteristics is due to the pressures toward common technologies and management practices, as a result of global competitiveness and multinational influences.

Becoming an Effective Leader

Organizations need effective leaders. Two issues pertinent to becoming an effective leader are leader training and recognizing that sometimes being an effective leader means *not* leading. Let's take a look at these issues.

LEADER TRAINING. Organizations around the globe spend billions of dollars, yen, and euros on leadership training and development.⁶⁵ These efforts take many forms—from \$50,000 leadership programs offered by universities such as Harvard to sailing experiences at the Outward Bound School. Although much of the money spent on leader training may provide doubtful benefits, our review suggests that managers can do some things to get the maximum effect from such training.⁶⁶

First, let's recognize the obvious. Some people don't have what it takes to be a leader. Period. For instance, evidence indicates that leadership training is more likely to be successful with individuals who are high self-monitors than with low self-monitors. Such individuals have the flexibility to change their behavior as different situations may require. In addition, organizations may find that individuals with higher levels of a trait called motivation to lead are more receptive to leadership development opportunities.⁶⁷

What kinds of things can individuals learn that might be related to being a more effective leader? It may be a bit optimistic to think that "vision-creation" can be taught, but implementation skills can be taught. People can be trained to develop "an understanding about content themes critical to effective visions."⁶⁸ We can also teach skills such as trust-building and mentoring. And leaders can be taught situational analysis skills. They can learn how to evaluate situations, how to modify situations to make them fit better with their style, and how to assess which leader behaviors might be most effective in given situations.

SUBSTITUTES FOR LEADERSHIP. Despite the belief that some leadership style will always be effective regardless of the situation, leadership may not always be important! Research indicates that, in some situations, any behaviors a leader exhibits are irrelevant. In other words, certain individual, job, and organizational variables can act as "substitutes for leadership," negating the influence of the leader.⁶⁹

For instance, follower characteristics such as experience, training, professional orientation, or need for independence can neutralize the effect of leadership. These characteristics can replace the employee's need for a leader's support or ability to create structure and reduce task ambiguity. Similarly, jobs that are inherently unambiguous and routine or that are intrinsically satisfying may place fewer demands on leaders. Finally, such organizational characteristics as explicit formalized goals, rigid rules and procedures, or cohesive work groups can substitute for formal leadership.