

Study Note

LEADERSHIP

MGT213: Management Practices and Organizational Behavior

Leadership

Topic 6 | Week 6

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If someone asked you to name a great leader, who would you name? Many individuals point to the late Steve Jobs of Apple as a great leader. And he does provide a fascinating example of the “whats” and “hows” of leadership. His leadership approach and style is not what you’d read about in most books on leadership. And how he led Apple probably wouldn’t work in all situations, if any others. But **leadership is needed in all organizations**. Why? Because **it’s the leaders in organizations who make things happen**.

THE MEANING OF LEADERSHIP

Leadership is both a process and a property.

As a **process** — focusing on what leaders actually do — **leadership** is the use of noncoercive influence to shape the group or organization’s goals, motivate behavior toward the achievement of those goals, and help define group or organizational culture.

As a **property**, **leadership** is the set of characteristics attributed to individuals who are perceived to be leaders.

Thus **leaders** are –

- (1) people who can influence the behaviors of others without having to rely on force or
- (2) people whom others accept as leaders.

According to the definition of Robbins, a **leader** is someone who can influence others and who has managerial authority and **leadership** is a process of leading a group and influencing that group to achieve its goals. In other words, **leadership is what leaders do**.

Are all managers leaders?

Because leading is one of the four management functions, yes, ideally, all managers **should** be leaders. Thus, we’re going to study leaders and leadership from a managerial perspective. However, even though we’re looking at these from a managerial perspective, we’re aware that groups often have informal leaders who emerge. Although these informal leaders may be able to influence others, they have not been the focus of most leadership research and are not the types of leaders we’re studying in this chapter.

LEADERSHIP VERSUS MANAGEMENT

From definitions of leadership and leaders, it should be clear that **leadership and management are related, but they are not the same**. A person can be a manager, a leader, both, or neither. Some of the basic distinctions between the two are summarized in Table 17.1.

Organizations need both management and leadership if they are to be effective.

Leadership is necessary to create change, and management is necessary to achieve orderly results. Management in conjunction with leadership can produce orderly change, and leadership in conjunction with management can keep the organization properly aligned with its environment.

Indeed, perhaps part of the reason why executive compensation has soared in recent years is the belief that management and leadership skills reflect a critical but rare combination that can lead to organizational success.

Table 17.1 Distinctions Between Management and Leadership

Management and leadership are related, but distinct, constructs. Managers and leaders differ in how they create an agenda, develop a rationale for achieving the agenda, execute plans, and in the types of outcomes they achieve.		
Activity	Management	Leadership
Creating an agenda	<i>Planning and Budgeting.</i> Establishing detailed steps and timetables for achieving needed results; allocating the resources necessary to make those needed results happen	<i>Establishing Direction.</i> Developing a vision of the future, often the distant future, and strategies for producing the changes needed to achieve that vision
Developing a human network for achieving the agenda	<i>Organizing and Staffing.</i> Establishing some structure for accomplishing plan requirements, staffing that structure with individuals, delegating responsibility and authority for carrying out the plan, providing policies and procedures to help guide people, and creating methods or systems to monitor implementation	<i>Aligning People.</i> Communicating the direction by words and deeds to everyone whose cooperation may be needed to influence the creation of teams and coalitions that understand the visions and strategies and accept their validity
Executing plans	<i>Controlling and Problem Solving.</i> Monitoring results versus planning in some detail, identifying deviations, and then planning and organizing to solve these problems	<i>Motivating and Inspiring.</i> Energizing people to overcome major political, bureaucratic, and resource barriers by satisfying very basic, but often unfulfilled, human needs
Outcomes	<i>Produces a degree of predictability and order</i> and has the potential to produce consistently major results expected by various stakeholders (for example, for customers, always being on time; for stockholders, being on budget)	<i>Produces change</i> , often to a dramatic degree, and has the potential to produce extremely useful change (for example, new products that customers want, new approaches to labor relations that help make a firm more competitive)

LEADERSHIP AND POWER

To fully understand leadership, it is necessary to understand power. **Power** is the ability to affect the behavior of others. One can have power without actually using it.

For example, a football coach has the power to bench a player who is not performing up to par. The coach seldom has to use this power because players recognize that the power exists and work hard to keep their starting positions.

In organizational settings, there are usually the following five kinds of power.

A. Legitimate Power

• **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.

B. Reward Power

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

C. Coercive Power

• **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.

D. Expert Power

• **Expert power** is power 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.

E. Referent Power

• **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.

A. Legitimate Power

Legitimate power is power granted through the organizational hierarchy; it is the power defined by the organization to be accorded to people occupying a particular position. A manager can assign tasks to a subordinate, and a subordinate who refuses to do them can be reprimanded or even fired. Such outcomes stem from the manager's legitimate power as defined and vested in her or him by the organization. Legitimate power, then, is authority.

All managers have legitimate power over their subordinates. The mere possession of legitimate power, however, does not by itself make someone a leader. Some subordinates follow only orders that are strictly within the letter of organizational rules and policies. If

asked to do something not in their job descriptions, they refuse or do a poor job. The manager of such employees is exercising authority but not leadership.

B. Reward Power

Reward power is the power to give or withhold rewards. Rewards that a manager may control include salary increases, bonuses, promotion recommendations, praise, recognition, and interesting job assignments.

In general, the greater the number of rewards a manager controls and the more important the rewards are to subordinates, the greater is the manager's reward power. If the subordinate sees as valuable only the formal organizational rewards provided by the manager, then he or she is not a leader. If the subordinate also wants and appreciates the manager's informal rewards, such as praise, gratitude, and recognition, however, then the manager is also exercising leadership.



Former Libyan leader Muammar Gaddafi ruled his country for years with a heavy dose of coercive power. His opponents were imprisoned, for example, and his critics constantly harassed. His heavy-handed ways played a major role in the 2011 Libyan uprising that toppled him from power.

C. Coercive Power

Coercive power is the power to force compliance by means of psychological, emotional, or physical threat. In the past, physical coercion in organizations was relatively common. In most organizations today, however, coercion is limited to verbal reprimands, written reprimands, disciplinary layoffs, fines, demotion, and termination. Some managers occasionally go so far as to use verbal abuse, humiliation, and psychological coercion in an attempt to manipulate subordinates. (Of course, most people would agree that these are not appropriate managerial behaviors.)

James Dutt, a legendary former CEO of Beatrice Company, once told a subordinate that if his wife and family got in the way of his working a 24-hour day seven days a week, he should get rid of them.

The more punitive the elements under a manager's control and the more important they are to subordinates, the more coercive power the manager possesses. On the other hand, the more a manager uses coercive power, the more likely he is to provoke resentment and hostility and the less likely he is to be seen as a leader.

D. Expert Power

Expert power is derived from information or expertise. A manager who knows how to interact with an eccentric but important customer, a scientist who is capable of achieving an important technical breakthrough that no other company has dreamed of, and an administrative assistant who knows how to unravel bureaucratic red tape all have expert power over anyone who needs that information.

The more important the information and the fewer the people who have access to it, the greater is the degree of expert power possessed by any one individual. In general, **people who are both leaders and managers tend to have a lot of expert power.**

E. Referent Power

Compared with legitimate, reward, and coercive power, which are relatively concrete and grounded in objective facets of organizational life, **referent power** is abstract. It is based on identification, imitation, loyalty, or charisma.

Followers may react favorably because they identify in some way with a leader, who may be like them in personality, background, or attitudes. In other situations, followers might choose to imitate a leader with referent power by wearing the same kind of clothes, working the same hours, or espousing the same management philosophy. Referent power may also take the form of charisma, an intangible attribute of the leader that inspires loyalty and enthusiasm. Thus **a manager might have referent power, but it is more likely to be associated with leadership.**

How does a manager or leader use power?

Several methods have been identified.

- ⊕ **Legitimate Request:** The manager asks the subordinate to comply based on the authority given by the organization. This is common in day-to-day interactions.
- ⊕ **Instrumental Compliance:** The subordinate complies to receive a reward controlled by the manager. For example, a bonus or praise is given for completing extra tasks.
- ⊕ **Coercion:** The manager suggests punishment if the subordinate does not comply.
- ⊕ **Rational Persuasion:** The manager convinces the subordinate that compliance is beneficial. This is similar to reward power but without direct control over the reward.
- ⊕ **Personal Identification:** The manager influences behavior by becoming a role model for the subordinate, appealing to shared values or ideals.
- ⊕ **Inspirational Appeal:** A manager can inspire a subordinate to align with higher ideals or values through referent power, such as making a plea for loyalty. The success of such appeals depends on the leader's persuasive abilities.
- ⊕ **Information Distortion:** The manager withholds or distorts information to influence behavior, which can be unethical and erode trust among subordinates.

DIFFERENT LEADERSHIP THEORIES

People have been interested in leadership since they started coming together in groups to accomplish goals. However, it wasn't until the early part of the twentieth century that researchers actually began to study leadership. These early leadership theories focused on the leader (leadership trait theories) and how the leader interacted with his or her group members (leadership behavior theories). And then came the contingency theories of leadership.

TRAIT APPROACH TO LEADERSHIP	Eight Traits Associated with Leadership	<ul style="list-style-type: none"> ⊕ Drive ⊕ Desire to Lead ⊕ Honesty and Integrity ⊕ Self-Confidence ⊕ Intelligence ⊕ Job-Relevant Knowledge ⊕ Extraversion ⊕ Proneness to Guilt
BEHAVIOR APPROACH TO LEADERSHIP	A. University of Iowa Studies	Leadership Styles <ul style="list-style-type: none"> ⊕ Autocratic Leadership ⊕ Democratic Leadership ⊕ Laissez-Faire Leadership
	B. The Ohio State Studies	Leadership Dimensions <ul style="list-style-type: none"> ⊕ Initiating Structure ⊕ Consideration
	C. University of Michigan Studies	Leadership Styles <ul style="list-style-type: none"> ⊕ Employee-Oriented Leadership ⊕ Production-Oriented/Task-Oriented Leadership
CONTINGENCY THEORIES OF LEADERSHIP	A. The Fiedler Model: The Least- Preferred Coworker (LPC) Questionnaire	Key Situational Factors in Leader Effectiveness <ul style="list-style-type: none"> ⊕ Leader-Member relations ⊕ Task Structure ⊕ Position Power
	B. Hersey and Blanchard's Situational Leadership Theory	Leadership Styles <ul style="list-style-type: none"> ⊕ Telling ⊕ Selling ⊕ Participating ⊕ Delegating
	C. Path-Goal Model	Leadership Styles <ul style="list-style-type: none"> ⊕ Directive Leader ⊕ Supportive Leader ⊕ Participative Leader ⊕ Achievement-Oriented Leader
	D. Vroom's Decision Tree Approach	Decision-Making Styles <ul style="list-style-type: none"> ⊕ Decide ⊕ Consult (Individually) ⊕ Consult (Group) ⊕ Facilitate ⊕ Delegate

Figure. Different Leadership Theories

CONTINGENCY THEORIES OF LEADERSHIP

"The corporate world is filled with stories of leaders who failed to achieve greatness because they failed to understand the context they were working in." In this section, we examine four contingency theories — **Fiedler**, **Hersey-Blanchard**, **path-goal**, and **Vroom**. Each looks at defining leadership style and the situation and attempts to answer the if-then contingencies (that is, if this is the context or situation, then this is the best leadership style to use).

A. The Fiedler Model: The Least-Preferred Coworker (LPC) Questionnaire

The first comprehensive contingency model for leadership was developed by Fred Fiedler. The **Fiedler contingency model** proposed that **effective group performance depended on properly matching the leader's style and the amount of control and influence in the situation**.

The model was based on the premise that **a certain leadership style would be most effective in different types of situations**. Fiedler also assumed **a person's leadership style was fixed regardless of the situation**. In other words, if you were a relationship-oriented leader, you'd always be one, and the same would be true for being task oriented.

The keys were to (1) define those leadership styles and the different types of situations and then (2) identify the appropriate combinations of style and situation.

Think of the person with whom you can work least well. S/He may be someone you knew in the past or someone you are currently working with in a group. S/He does not have to be the person you like the least but should be the person with whom you had the most difficulty in getting a job done. Describe below how this person appears to you by placing a check in the appropriate place on the scale.

	Always		Sometimes		Sometimes		Always		
Pleasant	8	7	6	5	4	3	2	1	Unpleasant
Friendly	8	7	6	5	4	3	2	1	Unfriendly
Rejecting	1	2	3	4	5	6	7	8	Accepting
Tense	1	2	3	4	5	6	7	8	Relaxed
Distant	1	2	3	4	5	6	7	8	Close
Cold	1	2	3	4	5	6	7	8	Warm
Supportive	8	7	6	5	4	3	2	1	Hostile
Boring	1	2	3	4	5	6	7	8	Interesting
Quarrelsome	1	2	3	4	5	6	7	8	Harmonious
Gloomy	1	2	3	4	5	6	7	8	Cheerful
Open	8	7	6	5	4	3	2	1	Guarded
Backbiting	1	2	3	4	5	6	7	8	Loyal
Untrustworthy	1	2	3	4	5	6	7	8	Trustworthy
Considerate	8	7	6	5	4	3	2	1	Inconsiderate
Nasty	1	2	3	4	5	6	7	8	Nice
Agreeable	8	7	6	5	4	3	2	1	Disagreeable
Insincere	1	2	3	4	5	6	7	8	Sincere
Kind	8	7	6	5	4	3	2	1	Unkind

Fiedler proposed that a key factor in leadership success was an individual's basic leadership style, either **task oriented** or **relationship oriented**. To measure a leader's style, Fiedler developed the **least-preferred coworker (LPC) questionnaire**. This questionnaire contained 18 pairs of contrasting adjectives — for example, pleasant-unpleasant, cold-warm, boring-interesting, or friendly-unfriendly. Respondents were asked to think of all the coworkers they had ever had and to describe that one person they least enjoyed working with by rating him or her on a scale of 1 to 8 for each of the 18 sets of adjectives (the 8 always described the positive adjective out of the pair and the 1 always described the negative adjective out of the pair).

- ⊕ If the leader described the least-preferred coworker in relatively positive terms (in other words, a "high" LPC score — a score of 64 or above), then the respondent was primarily interested in good personal relations with coworkers and the style would be described as relationship oriented.
- ⊕ In contrast, if you saw the least-preferred coworker in relatively unfavorable terms (a low LPC score — a score of 57 or below), you were primarily interested in productivity and getting the job done; thus, your style would be labeled as task oriented.
- ⊕ Fiedler did acknowledge that a small number of people might fall between these two extremes and not have a cut-and-dried leadership style.

After an individual's leadership style had been assessed through the LPC, it was time to evaluate the situation in order to match the leader with the situation. Fiedler's research uncovered three contingency dimensions that defined the key situational factors in leader effectiveness.

- ⊕ **Leader-Member Relations:** The degree of confidence, trust, and respect employees have for their leader; rated as either good or poor.
- ⊕ **Task Structure:** The degree to which job assignments are formalized and structured; rated as either high or low.
- ⊕ **Position Power:** The degree of influence a leader has over activities such as hiring, firing, discipline, promotions, and salary increases; rated as either strong or weak.

B. Hersey and Blanchard's Situational Leadership Theory

Paul Hersey and Ken Blanchard developed a leadership theory that has gained a strong following among management development specialists. This model, called **situational leadership theory (SLT)**, is a contingency theory that argues that **successful leadership is achieved by selecting the right leadership style which is contingent on the level of the followers' readiness**.

Acceptance: Leadership effectiveness depends on whether followers accept or reject a leader.

Readiness: The extent to which followers have the ability and willingness to accomplish a specific task.

SLT uses the same two leadership dimensions that Fiedler identified: **task** and **relationship behaviors**. However, Hersey and Blanchard go a step further by considering each as either high or low and then combining them into four specific leadership styles described as follows.

Telling	High Task Low Relationship	The leader defines roles and tells people what, how, when, and where to do various tasks.
Selling	High Task High Relationship	The leader provides both directive and supportive behavior.
Participating	Low Task High Relationship	The leader and followers share in decision making; the main role of the leader is facilitating and communicating.
Delegating	Low Task Low Relationship	The leader provides little direction or support.

The final component in the model is the four stages of follower readiness:

	Unable	Able
Unwilling	<p>R1 Telling</p> <p>People are both unable and unwilling to take responsibility for doing something. Followers aren't competent or confident.</p> <p>Leadership High Task Low Relationship</p>	<p>R3 Participating</p> <p>People are able but unwilling to do what the leader wants. Followers are competent, but don't want to do something.</p> <p>Leadership Low Task High Relationship</p>
Willing	<p>R2 Selling</p> <p>People are unable but willing to do the necessary job tasks. Followers are motivated but lack the appropriate skills.</p> <p>Leadership High Task High Relationship</p>	<p>R4 Delegating</p> <p>People are both able and willing to do what is asked of them.</p> <p>Leadership Low Task Low Relationship</p>

Figure. Hersey and Blanchard's SLT Matrix

SLT essentially views the leader–follower relationship as being like that of a parent and a child. Just as a parent needs to relinquish control when a child becomes more mature and responsible, so too should leaders. As followers reach higher levels of readiness, the leader responds not only by decreasing control over their activities but also by decreasing relationship behaviors.

The SLT says –

- ⊕ if followers are at **R1** (unable and unwilling to do a task), the leader needs to use the telling style and give clear and specific directions;
- ⊕ if followers are at **R2** (unable and willing), the leader needs to use the selling style and display high task orientation to compensate for the followers’ lack of ability and high relationship orientation to get followers to “buy into” the leader’s desires;
- ⊕ if followers are at **R3** (able and unwilling), the leader needs to use the participating style to gain their support; and
- ⊕ if employees are at **R4** (both able and willing), the leader doesn’t need to do much and should use the delegating style.

C. Path-Goal Model

Developed by Robert House, another approach to understanding leadership is **path-goal theory**, which states that **the leader’s job is to assist followers in attaining their goals and to provide direction or support needed to ensure that their goals are compatible with the goals of the group or organization.**

The term path-goal is derived from the belief that effective leaders remove the roadblocks and pitfalls so that followers have a clearer path to help them get from where they are to the achievement of their work goals.

House identified the following four leadership behaviors.

Directive Leader	Lets subordinates know what’s expected of them, schedules work to be done, and gives specific guidance on how to accomplish tasks.
Supportive Leader	Shows concern for the needs of followers and is friendly.
Participative Leader	Consults with group members and uses their suggestions before making a decision.
Achievement-Oriented Leader	Sets challenging goals and expects followers to perform at their highest level.

D. Vroom’s Decision Tree Approach

The fourth major contemporary approach to leadership is **Vroom’s decision tree approach**. The earliest version of this model was proposed by Victor Vroom and Philip Yetton and later revised and expanded by Vroom and Arthur Jago. Most recently, Vroom has developed yet another refinement of the original model.

Like the path-goal theory, this approach attempts to prescribe a leadership style appropriate to a given situation. It also assumes that the same leader may display different leadership styles. But **Vroom's approach concerns itself with only a single aspect of leader behavior: subordinate participation in decision making.**

Basic Premises: Vroom's decision tree approach assumes that **the degree to which subordinates should be encouraged to participate in decision making depends on the characteristics of the situation.** In other words, no one decision-making process is best for all situations. After evaluating a variety of problem attributes (characteristics of the problem or decision), the leader determines an appropriate decision style that specifies the amount of subordinate participation.

Decision-Making Styles: The various decision styles represent different levels of subordinate participation that the manager should attempt to adopt in a given situation. The five styles are defined as follows:

Decide	The manager makes the decision alone and then announces or "sells" it to the group.
Consult (Individually)	The manager presents the program to group members individually, obtains their suggestions, and then makes the decision.
Consult (Group)	The manager presents the problem to group members at a meeting, gets their suggestions, and then makes the decision.
Facilitate	The manager presents the problem to the group at a meeting, defines the problem and its boundaries, and then facilitates group member discussion as they make the decision.
Delegate	The manager allows the group to define for itself the exact nature and parameters of the problem and then to develop a solution.

REVIEW AND DISCUSSION QUESTIONS

A. Theoretical/Conceptual Questions

1. What is leadership?
2. Define leadership in terms of a process.
3. Define leadership in terms of a property.
4. Are all managers leaders?
5. What are the differences between management and leadership?
6. Describe the relation between leadership and power.
7. Explain the five kinds of power with examples.
8. Explain legitimate power with an example.
9. Explain referent power with an example.
10. What are the differences between reward power and coercive power?
11. What are the differences between expert power and referent power?
12. Explain the trait approach to leadership.
13. What are the eight traits shown to be associated with effective leadership?
14. Explain the behavior approach to leadership.
15. Explain the leadership theory proposed by the University of Iowa studies.
16. Explain the leadership theory proposed by the Ohio State studies.
17. Draw the leadership behavior matrix based on the Ohio State studies.
18. Explain the leadership theory proposed by the University of Michigan studies.
19. What are the four contingency theories of leadership?
20. Do you think most managers in real life use a contingency approach to increase their leadership effectiveness? Explain.
21. Briefly explain the Fiedler Model.
22. What is LPC?
23. Briefly explain Hersey and Blanchard's Situational Leadership theory.
24. Write about the four specific leadership styles according to SLT.
25. Draw Hersey and Blanchard's SLT matrix.
26. Do the followers make a difference in whether a leader is effective? Discuss.
27. Write about the four leadership behaviors according to Robert House's Path-Goal Model.
28. Briefly explain Vroom's decision tree approach.
29. Explain the various decision styles according to Vroom's decision tree approach.

B. Situational/Contextual Questions

30. A newly appointed CEO is struggling to gain the respect and cooperation of long-term employees who were accustomed to the previous leadership style. How can the CEO effectively leverage legitimate power to establish authority and influence change?
31. A mid-level manager is facing resistance to a new company policy. How can the manager utilize their legitimate power to enforce compliance while maintaining employee morale and productivity?
32. A sales manager is tasked with boosting sales performance. How can the manager effectively utilize reward power to motivate sales representatives and achieve sales targets?
33. A company is implementing a new performance appraisal system. How can reward power be integrated into the system to enhance employee motivation and engagement?
34. A company is facing increased employee absenteeism. How can the manager use coercive power to address this issue without damaging employee morale and productivity?
35. A team leader is dealing with a conflict between two team members. How can coercive power be used judiciously to resolve the conflict and maintain team harmony?
36. A highly skilled engineer is leading a team of less experienced employees. How can the engineer leverage expert power to build trust, respect, and collaboration among team members?
37. A company is facing a technical crisis. How can the company's technical experts use their expert power to resolve the issue and prevent future occurrences?
38. A charismatic leader is leaving the company. How can the organization identify and develop potential successors who possess strong referent power?
39. A team is struggling to achieve its goals due to a lack of cohesion and trust among members. How can team members build referent power to improve team dynamics and performance?

40. A crisis situation arises within a company, such as a product recall or natural disaster. How might an autocratic leadership style be beneficial in managing the crisis? What potential drawbacks could arise from using this style in such a situation?
41. A highly competitive sales team is struggling to meet its quarterly targets. Would an autocratic leadership style be effective in motivating the team to improve performance? Explain the potential benefits and drawbacks of this approach.
42. A company is undergoing a significant organizational change, such as a merger or acquisition. How can a democratic leadership style facilitate employee buy-in and reduce resistance to change?
43. A software development team is working on a highly innovative project. Would a democratic leadership style be suitable for fostering creativity and problem-solving within the team? Explain the potential challenges and benefits of this approach.
44. A highly skilled and experienced team is working on a complex project with minimal supervision. Would a laissez-faire leadership style be appropriate in this situation? What factors would contribute to the success or failure of this approach?
45. A new team is formed with members who have varying levels of experience and expertise. Would a laissez-faire leadership style be effective in helping the team develop and grow? Explain the potential risks and benefits of this approach.

C. Case Study

Case Study 1: Ethical Dilemma

Have you ever watched the show *Undercover Boss*? It features a company's "boss" working undercover in his or her own company to find out how the organization really works. Typically, the executive works undercover for a week, and then the employees the leader has worked with are summoned to company headquarters and either rewarded or punished for their actions.

Bosses from organizations ranging from Waste Management and White Castle to NASCAR and Family Dollar have participated.

Questions

1. What do you think? Is it ethical for a leader to go undercover in his or her organization? Why or why not?
2. What ethical issues could arise? How could managers deal with those issues?

Case Study 2: Indra Nooyi: An Inspiring Leader

PepsiCo, Inc. is regarded as the second largest food and beverage business in the world, and a large part of the success of this multinational corporation can be attributed to its leader. Indra Nooyi, the Chairperson and CEO, is an inspiring and visionary leader for several reasons. First, she has been one of the first women outside America to become CEO of such a large multinational. Second, for over a decade, she has featured on *Forbes* magazine's list of the 100 most influential women in the world. Third, Nooyi has been known to be an employee-oriented and a customer-oriented leader, with her innovative strategies inspiring and forging the way for women worldwide.

Being particularly attentive to PepsiCo's customers' needs and preferences, Nooyi uses every occasion to better understand and improve the rapidly changing beverage patterns. In a recent business trip to China, she toured different cities in the region for ten days, closely studying the strategic market for PepsiCo. In an interview with David Rubenstein at Bloomberg, she shared a funny anecdote that confirms her attention to customers' preferences—every time she is invited by a friend, she tries to find a way to go into the kitchen and look at what products they use every day (also hoping to find some products of the PepsiCo group).

Nooyi is visionary in many of her decisions. In 2012, she decided to create a design team, headed by the Italian designer Mauro Porcini (former Head of Global Design at 3M), and assigned him the task of refreshing the company's brand, rethink the shape of the bottles, and redesigning the vending machines. That was a pioneering decision in the food and drink industry at that time (now such decision has been imitated by competitors) and even people inside PepsiCo were unsure about this decision at the

beginning. However, this audacious choice revealed to be successful as the company could improve the top and bottom line and become more appealing among customers and restaurants. For example, the new fountain machine designed by the Design & Innovation Center, which enables customers to select their flavor coke from more than 1,000 combinations, has been a great success and one of the reasons for which the restaurant chain Buffalo Wild Wings decided to switch from Coke to Pepsi in 2013.

Nooyi is a supportive leader who makes of women's innate caring attitude a big strength of her leadership style. For example, she conveys a deep sense of gratitude to all her employees for the effort and energy they put in the company. To express this feeling, she sometimes writes gratitude letters to the executive's parents to let them know how well their sons or daughters are doing for PepsiCo and to give them credit for such amazing achievements.

Notably, not forgetting her privileged condition of being a woman who has been able to break the highest glass ceiling in the company, Nooyi is fully committed to promote diversity and inclusion at all organizational levels. In 2010, the company launched a survey with women manager, who were well represented in middle-level management positions but very low represented in top-level positions to understand the reasons of such under-representation. Women confessed to lack self-confidence and to believe that men were more capable to make themselves noticeable in the company and cultivate high influential networks, something they were less good in doing. In response to this, PepsiCo created a leadership development program for women, called "Strategies for Success," aimed at helping women boosting their self-confidence and guiding them in rising up through the organization. In just two years, women's representation in senior positions in the operation team raised from 0 to 33 percent.

When asked about her secret, Indra has no doubts: the family. She attributes most of her strength to her family and to teachings and example received by her parents. She recalls that in India, at the time she was an adolescent, the preoccupation of most parents was to find a husband for their daughters. Her parents were different in many things, for instance supporting Nooyi's decision to leave India for studying in the United States. Moreover, since her childhood, they sought to make her (and the sister) more confident and aware of their unique talents. A game that the mother used to play with them during the dinners consisted of pretending that they became a President or a very important ministry of India and, every evening, they had to write a list of things that they would have done in such an important position. Albeit it was only a game, Nooyi confessed that it helped her a lot to boost her self-confidence and inform her leadership style and, probably, without that evening ritual she would have not been capable of achieving what she got today in her life- and being the so-highly loved leader she is.

Questions

1. What leadership models/theories/issues do you see in this case? List and describe.
2. What do you think about Indra Nooyi's decision to create a design unit at PepsiCo? Is it appropriate for the food and drink industry? Why or why not?
3. How do you think leadership is changing in contemporary society? What behaviors exhibited by Indra Nooyi indicate such change?
4. What did the case teach you about leadership?