

In the previous chapter, we explored differences in attitudes, personality, and so forth, that affect behavior. Different leaders behave in different ways, depending on their individual differences as well as their followers' needs and organizational situation. Many different styles of leadership can be effective. For example, contrast the leadership style of Tom Siebel, CEO of Siebel Systems, with that of Herb Kelleher, recently retired president and CEO of Southwest Airlines. Siebel is known as a disciplined and dispassionate manager who likes to maintain control over every aspect of the business. He enforces a dress code, sets tough goals and standards, and holds people strictly accountable. Those who succeed are handsomely rewarded; those who don't are fired. "We go to work to realize our professional ambitions, not to have a good time," Siebel says.² Herb Kelleher, on the other hand, believes having a good time at work translates into higher productivity and better service. Kelleher was known for dressing up as Elvis or the Easter Bunny to entertain employees and for encouraging workers to have fun and let their own unique personalities come out in serving customers. Both Kelleher and Siebel are successful leaders, although their styles are quite different.

This chapter explores one of the most widely discussed and researched topics in management—leadership. Here we will define leadership, explore the differences between a leader and a manager, and discuss the sources of leader power. We will examine trait, behavioral, and contingency theories of leadership effectiveness, as well as discuss charismatic and transformational leadership. The final section of the chapter looks at new leadership approaches for today's workplace. Chapters 13 through 15 will look in detail at many of the functions of leadership, including employee motivation, communication, and encouraging teamwork.

The Nature of Leadership

There is probably no topic more important to business success today than leadership. The concept of leadership continues to evolve as the needs of organizations change. Among all the ideas and writings about leadership, three aspects stand out—people, influence, and goals. Leadership occurs among people, involves the use of influence, and is used to attain goals.³ Influence means that the relationship among people is not passive. Moreover, influence is designed to achieve some end or goal. Thus, leadership as defined here is the ability to influence people toward the attainment of goals. This definition captures the idea that leaders are involved with other people in the achievement of goals.

Leadership is reciprocal, occurring among people.⁴ Leadership is a "people" activity, distinct from administrative paper shuffling or problem-solving activities. Leadership is dynamic and involves the use of power.

Leadership

The ability to influence people toward the attainment of organizational goals.

Leadership versus Management

Much has been written in recent years about the leadership role of managers. Management and leadership are both important to organizations. Effective managers have to be leaders, too, because there are distinctive qualities associated with management and leadership that provide different strengths for the organization, as illustrated in Exhibit 12.1. As shown in the exhibit, manage-



EXHIBIT 12.1
Leader and Manager Qualities

SOURCE: Based on Genevieve Capowski, "Anatomy of a Leader: Where Are the Leaders of Tomorrow?" Management Review, March 1994, 12.

ment and leadership reflect two different sets of qualities and skills that frequently overlap within a single individual. A person might have more of one set of qualities than the other, but ideally a manager develops a balance of both manager and leader qualities.

One of the major differences between manager and leader qualities relates to the source of power and the level of compliance it engenders within followers. Power is the potential ability to influence the behavior of others.⁵ Management power comes from the individual's position in the organization. Because manager power comes from organizational structure, it promotes stability, order, and problem solving within the structure. Leadership power, on the other hand, comes from personal sources that are not as invested in the organization, such as personal interests, goals, and values. Leadership power promotes vision, creativity, and change in the organization. A good example of leadership power is Josh Raskin, a middle school teacher in upper Manhattan who became a mission-critical leader in the hours and days following the destruction of the World Trade Center towers in September 2001. Although he didn't have a formal position of authority, Raskin found himself in charge of coordinating a massive psych-clergy effort for crisis counseling, as well as guiding hundreds of other volunteers, based on his personal power. As he assigned a volunteer to guard a medical supply room, for example, Raskin infused the mundane chore with a higher vision and purpose by telling the young man everyone was counting on him to make sure no one stole drugs that would be desperately needed for the injured.⁶

Within organizations, there are typically five sources of power: legitimate, reward, coercive, expert, and referent.⁷ Sometimes power comes from a person's position in the organization, while other sources of power are based on personal characteristics.

power

The potential ability to influence others' behavior.

Position Power

The traditional manager's power comes from the organization. The manager's position gives him or her the power to reward or punish subordinates in order to influence their behavior. Legitimate power, reward power, and coercive power are all forms of position power used by managers to change employee behavior.

Legitimate Power. Power coming from a formal management position in an organization and the authority granted to it is called legitimate power. For example, once a person has been selected as a supervisor, most workers understand that they are obligated to follow his or her direction with respect to work activities. Subordinates accept this source of power as legitimate, which is why they comply.

Reward Power. Another kind of power, reward power, stems from the authority to bestow rewards on other people. Managers may have access to formal rewards, such as pay increases or promotions. They also have at their disposal such rewards as praise, attention, and recognition. Managers can use rewards to influence subordinates' behavior.

Coercive Power. The opposite of reward power is coercive power; it refers to the authority to punish or recommend punishment. Managers have coercive power when they have the right to fire or demote employees, criticize, or withhold pay increases. For example, if Paul, a salesman, does not perform as expected, his supervisor has the coercive power to criticize him, reprimand him, put a negative letter in his file, and hurt his chance for a raise.

Different types of position power elicit different responses in followers. Legitimate power and reward power are most likely to generate follower compliance. Compliance means that workers will obey orders and carry out instructions, although they may personally disagree with them and may not be enthusiastic. Coercive power most often generates resistance. Resistance means that workers will deliberately try to avoid carrying out instructions or will attempt to disobey orders.

Thomas C. Graham, chairman of AK Steel, is a believer in position power. Unimpressed with new ideas about empowering workers, he prefers a military-style management, where cost cutting is rewarded and mistakes are quickly disciplined. His blunt views suggest that management in the steel industry has failed to push people and equipment hard enough. Graham's tough hierarchical approach has resulted in turnarounds for mills at LTV, U.S. Steel, and Washington Steel, but has also caused him to be ousted or passed over for promotion in the midst of his successes.⁹

Personal Power

In contrast to the external sources of position power, personal power most often comes from internal sources, such as a person's special knowledge or personality characteristics. Personal power is the tool of the leader. Subordinates follow a leader because of the respect, admiration, or caring they feel for the individual and his or her ideas. Personal power is becoming increasingly important as more businesses are run by teams of workers who are less tolerant of authoritarian management, as we discussed in Chapter 11.¹⁰ Two types of personal power are expert power and referent power.

legitimate power

Power that stems from a formal management position in an organization and the authority granted to it.

reward power

Power that results from the authority to reward others.

coercive power

Power that stems from the authority to punish or recommend punishment.

Expert Power. Power resulting from a leader's special knowledge or skill regarding the tasks performed by followers is referred to as expert power. When the leader is a true expert, subordinates go along with recommendations because of his or her superior knowledge. Leaders at supervisory levels often have experience in the production process that gains them promotion. At top management levels, however, leaders may lack expert power because subordinates know more about technical details than they do. One top manager who benefits from expert power is Hector de Jesus Ruiz, president and COO of Advanced Micro Devices (AMD). Ruiz has a B.S. in electrical engineering and nearly 30 years of experience in all facets of the semiconductor industry, from top to bottom. Employees respect Ruiz's technical knowledge and operational expertise as a valuable strength as AMD battles Intel in the microprocessor wars. They appreciate having someone in top management who understands the nitty-gritty technical and production details that lower-level employees deal with every day.¹¹

Referent Power. The last kind of power, referent power, comes from leader personality characteristics that command subordinates' identification, respect, and admiration so they wish to emulate the leader. When workers admire a supervisor because of the way she deals with them, the influence is based on referent power. Referent power depends on the leader's personal characteristics rather than on a formal title or position and is most visible in the area of charismatic leadership, which will be discussed later in this chapter. An example of referent power is Rachel Hubka, owner of Rachel's Bus Company (formerly Stewart's Bus Company). Hubka joined Stewart's as a dispatcher, set about learning every job in the business, and eventually bought the company. Today, as top leader of the school-bus operation, Hubka often hires people with marginal employment histories, gives them extensive training, and encourages them to follow their dreams. Nothing pleases her more than having an employee leave to start his or her own business.¹²

The follower reaction most often generated by expert power and referent power is commitment. Commitment means that workers will share the leader's point of view and enthusiastically carry out instructions. Needless to say, commitment is preferred to compliance or resistance. It is particularly important when change is the desired outcome of a leader's instructions, because change carries risk or uncertainty. Commitment assists the follower in overcoming fear of change.

Empowerment

A significant recent trend in corporate America is for top executives to empower lower employees. Fully 74 percent of executives in a survey claimed that they are more participatory, more concerned with consensus building, and more reliant on communication than on command compared with the past. Executives no longer hoard power.

Empowering employees works because total power in the organization seems to increase. Everyone has more say and hence contributes more to organizational goals. The goal of senior executives in many corporations today is not simply to wield power but also to give it away to people who can get jobs done.¹³ For example, when Robin Landew Silverman and her husband made the decision to move their clothing store from downtown Grand Forks, North Dakota, to a suburban location, they knew they would need the full commitment

expert power

Power that stems from special knowledge or skill in the tasks performed by subordinates.

referent power

Power that results from characteristics that command subordinates' identification with, respect and admiration for, and desire to emulate the leader.



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Joanna B. Meiseles, president and founder of Snip-its Corp., a \$1.5 million children's haircutting chain based in Natick, Massachusetts, demonstrates many of the personal traits associated with effective leadership. For example, she displayed intelligence, ability, knowledge, and judgment by knowing that to make her company successful, it had to be unique. Everything about Snip-its is tailored to children. Snip-its characters perch on a hot pink and lime green entry arch, games and stories are loaded on funky quasi-anthropomorphic computers at every cutting station, and the Magic Box dispenses a prize in exchange for a swatch of hair at the end of a visit.

of their staff. The Silvermans had been accustomed to calling the shots, but a new approach was needed to successfully accomplish the difficult transition by giving up control of the operation, the Silvermans gave their employees opportunities to apply themselves in new ways. "Skills emerged that we didn't know people had," says Robin. For example, a timid secretary became a dynamic researcher, and a marketing manager showed a talent for interior design.¹¹ The Focus on Collaboration box describes how one male manager is learning to become a better leader by incorporating some of the values associated with empowerment, such as personal humility, inclusion, relationship building, and caring.

Leadership Traits

traits

Distinguishing personal characteristics, such as intelligence, values, and appearance.

Early efforts to understand leadership success focused on the leader's personal characteristics or traits. Traits are the distinguishing personal characteristics of a leader, such as intelligence, values, and appearance. The early research focused on leaders who had achieved a level of greatness and hence was referred to as the *great man* approach. The idea was relatively simple: Find out what made these people great, and select future leaders who already exhibited the same traits or could be trained to develop them. Generally, research found only a weak relationship between personal traits and leader success.¹² In addition to personality traits, physical, social, and work-related characteristics of leaders have been studied. Exhibit 12.2 summarizes the physical,

Autocratic versus Democratic Leaders

Physical characteristics	Personality	Work-related characteristics
Energy Physical stamina	Self-confidence Honesty and integrity Enthusiasm Desire to lead Independence	Achievement drive, desire to excel Conscientiousness in pursuit of goals Persistence against obstacles, tenacity
Intelligence and ability	Social characteristics	Social Background
Intelligence, cognitive ability Knowledge Judgment, decisiveness	Sociability, interpersonal skills Cooperativeness Ability to enlist cooperation Tact, diplomacy	Education Mobility

SOURCE: Based on Bernard M. Bass, Bass & Stogdill's *Handbook of Leadership: Theory, Research, and Managerial Applications*, 3rd ed. (New York: Free Press, 1990), 80–81; and S. A. Kirkpatrick and E. A. Locke, "Leadership: Do Traits Matter?" *Academy of Management Executive* 5, no. 2 (1991), 48–60.

social, and personal leadership characteristics that have received the greatest research support.¹⁶ However, these characteristics do not stand alone. The appropriateness of a trait or set of traits depends on the leadership situation. The same traits do not apply to every organization or situation.

Further studies have expanded the understanding of leadership beyond the personal traits of the individual to focus on the dynamics of the relationship between leaders and followers.

EXHIBIT 12.2**Personal Characteristics of Leaders****Autocratic versus Democratic Leaders**

One way to approach leader characteristics is to examine autocratic and democratic leaders. An autocratic leader is one who tends to centralize authority and rely on legitimate, reward, and coercive power. A democratic leader delegates authority to others, encourages participation, and relies on expert and referent power to influence subordinates.

The first studies on these leadership characteristics were conducted at the University of Iowa by Kurt Lewin and his associates.¹⁷ These studies compared autocratic and democratic leaders and produced some interesting findings. The groups with autocratic leaders performed highly so long as the leader was present to supervise them. However, group members were displeased with the close, autocratic style of leadership, and feelings of hostility frequently arose. The performance of groups who were assigned democratic leaders was almost as good, and these were characterized by positive feelings rather than hostility. In addition, under the democratic style of leadership, group members performed well even when the leader was absent and left the group on its own.¹⁸ The participative techniques and majority rule decision making used by the democratic leader trained and involved group members such that they performed well with or without the leader present. These characteristics of democratic leadership explain why the empowerment of lower employees is a popular trend in companies today.

This early work suggested that leaders were either autocratic or democratic in their approach. However, further work by Tannenbaum and Schmidt indicated that leadership could be a continuum reflecting different amounts of employee participation.¹⁹ Thus, one leader might be autocratic (boss centered), another democratic (subordinate centered), and a third a mix of the two styles. The leadership continuum is illustrated in Exhibit 12.3.

autocratic leader

A leader who tends to centralize authority and rely on legitimate, reward, and coercive power to manage subordinates.

democratic leader

A leader who delegates authority to others, encourages participation, and relies on expert and referent power to manage subordinates.

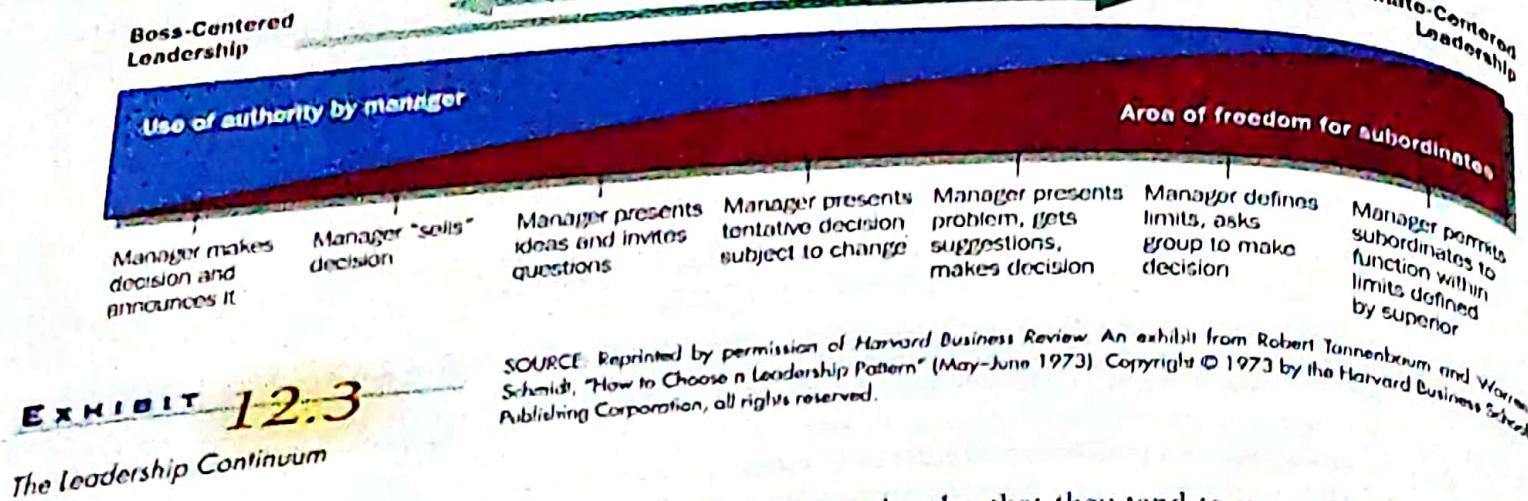


EXHIBIT 12.3

The leadership Continuum

Most leaders have favored styles that they tend to use most often. For example, Jack Hartnett, president of D. L. Rogers Corp., which owns 54 Sonic franchises, almost always uses a highly autocratic style, whereas Patricia Gallup, PC Connection CEO, tends to use a more democratic style in many of her decisions.²⁰ However, while switching from autocratic to democratic or vice versa is not easy, leaders may adjust their styles depending on the situation. The Focus on Collaboration box describes how a school superintendent used participative leadership to launch a technological and educational revolution.

FOCUS ON COLLABORATION

Hunterdon High School

According to Ray Farley, "Once you put people in charge of their own destiny and say, 'Here's where you need to go if you want to be ready for the future,' the rest just happens." Farley has turned some of the traditional power of a school superintendent over to teams of students, teachers, and parents. Now, they decide what gets taught, who gets hired, and what the school calendar looks like. It was the school counselor, for example, who suggested running a grief program because so many students were self-medicating with drugs as a result of deep loss of loved ones.

One of the most important outcomes of this participative leadership has been a technological revolution at Hunterdon High School. The school's team found a way to equip the school with PCs, video facilities, ISDN lines, fiber optic cables (at a cost of \$40,000 per classroom), Hunterdon also has a student-run FM radio station, a television studio, a computer in every classroom, and a state-of-the-art instructional media center. Each classroom is linked to the school library via the Internet, and to a host of other databases. The

technology has led to a sort of virtual busing that links suburban, mostly white Hunterdon to four inner-city, mostly black, New Jersey schools. Students at Hunterdon collaborate, for example, with their counterparts at Asbury Park to produce a poetry magazine in real time. With just a mouse click, a teacher can drop in and participate in the teamwork that is going on. Now, Asbury Park is increasing its technological edge as well. According to Dan Murphy, Asbury Park's principal, "One year ago we had two computers hooked up to the Internet. Right now, technicians are setting up 200 computers, providing them all with access. . . . And all of this is just the tip of the iceberg: it's unbelievable."

"Kids today live in a nanosecond world," Farley says. "You have to make available all the technology you can get your hands on. And then you have to do one more thing—you have to trust them." <http://www.hctis.hunterdon.k12.nj.us>.

SOURCES: Margo Nash, "The High School Where Grieving Is Part of the Curriculum," *New York Times* (October 22, 2000), 3; Nicholas Morgan, "First Times of Hunterdon High," *Fox Company* (February-March 1998), 47, 44.

Behavioral Approaches

The autocratic and democratic styles suggest that it is the "behavior" of the leader rather than a personality trait that determines leadership effectiveness. Perhaps any leader can adopt the correct behavior with appropriate training. The focus of research has shifted from leader personality traits toward the behaviors successful leaders display. Important research programs on leadership behavior were conducted at Ohio State University, the University of Michigan, and the University of Texas.

Ohio State Studies

Researchers at Ohio State University surveyed leaders to study hundreds of dimensions of leader behavior.²¹ They identified two major behaviors, called consideration and initiating structure.

Consideration is the extent to which the leader is mindful of subordinates, respects their ideas and feelings, and establishes mutual trust. Considerate leaders are friendly, provide open communication, develop teamwork, and are oriented toward their subordinates' welfare.

Initiating structure is the extent to which the leader is task oriented and directs subordinate work activities toward goal attainment. Leaders with this style typically give instructions, spend time planning, emphasize deadlines, and provide explicit schedules of work activities.

Consideration and initiating structure are independent of each other, which means that a leader with a high degree of consideration may be either high or low on initiating structure. A leader may have any of four styles: high initiating structure-low consideration, high initiating structure-high consideration, low initiating structure-low consideration, or low initiating structure-high consideration. The Ohio State research found that the high consideration-high Initiating structure style achieved better performance and greater satisfaction than the other leader styles. However, new research has found that effective leaders may be high on consideration and low on initiating structure or low on consideration and high on initiating structure, depending on the situation. Thus, the "high-high" style is not always the best.²²

Michigan Studies

Studies at the University of Michigan at about the same time took a different approach by comparing the behavior of effective and ineffective supervisors.²³ The most effective supervisors were those who focused on the subordinates' human needs in order to "build effective work groups with high performance goals." The Michigan researchers used the term *employee-centered leaders* for leaders who established high performance goals and displayed supportive behavior toward subordinates. The less effective leaders were called *job-centered leaders*; these tended to be less concerned with goal achievement and human needs in favor of meeting schedules, keeping costs low, and achieving production efficiency.

The Leadership Grid

Blake and Mouton of the University of Texas proposed a two-dimensional leadership theory called leadership grid that builds on the work of the Ohio State



No longer leading a basketball team, Magic Johnson is now an entrepreneurial business leader. In 1995, Johnson, in partnership with Sony Retail Entertainment, opened the very successful Magic Johnson Theatres. Johnson describes his winning business leadership style as autocratic and centralized, "I've got a team of people who work for me and advise me. But I call my own shots . . . The team I built taught me how to get into business, how to run a business. They gave me the knowledge I needed to have. But now I'm on my own. Everybody knows they have to deal with me."

consideration

A type of leader behavior that describes the extent to which a leader is sensitive to subordinates, respects their ideas and feelings, and establishes mutual trust.

initiating structure

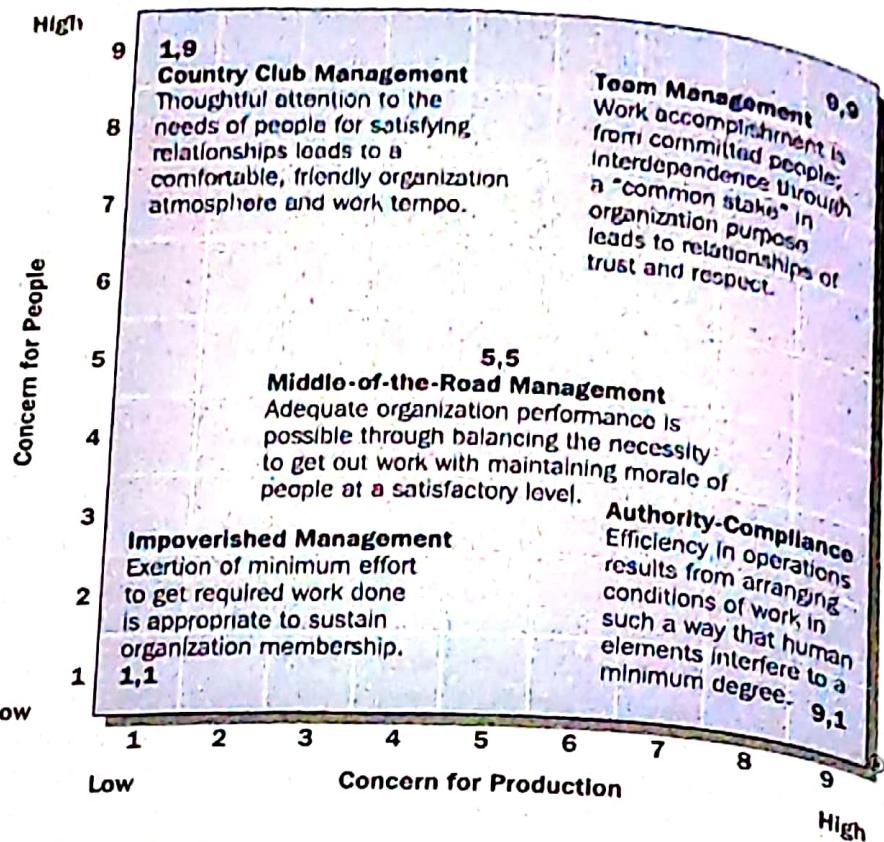
A type of leader behavior that describes the extent to which a leader is task oriented and directs subordinates' work activities toward goal achievement.

leadership grid

A two-dimensional leadership theory that measures a leader's concern for people and concern for production.

EXHIBIT 12.4

The Leadership Grid® Figure



SOURCE: "The Leadership Grid® figure, by Robert R. Blake and Anne Adams McCanse (formerly the Managerial Grid figure by Robert R. Blake and Jane S. Mouton), from *Leadership Dilemmas—Grid Solutions*, copyright © 1991 by Grid International, Inc., Austin, Texas.

and Michigan studies.²⁴ The two-dimensional model and five of its seven major management styles are depicted in Exhibit 12.4. Each axis on the grid is a 9-point scale, with 1 meaning low concern and 9 high concern.

Team management (9,9) often is considered the most effective style and is recommended for managers because organization members work together to accomplish tasks. *Country club management* (1,9) occurs when primary emphasis is given to people rather than to work outputs. *Authority-compliance management* (9,1) occurs when efficiency in operations is the dominant orientation. *Middle-of-the-road management* (5,5) reflects a moderate amount of concern for both people and production. *Impoverished management* (1,1) means the absence of a management philosophy; managers exert little effort toward inter-

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contingency approach

A model of leadership that describes the relationship between leadership styles and specific organizational situations.

Several models of leadership that explain the relationship between leadership styles and specific situations have been developed. These are termed contingency approaches and include the leadership model developed by Fiedler and his associates, the situational theory of Hersey and Blanchard, the path-goal theory presented by Evans and House, and the substitutes-for-leadership concept.

Fiedler's Contingency Theory

An early, extensive effort to combine leadership style and organizational situation into a comprehensive theory of leadership was made by Fiedler and his associates.²⁵ The basic idea is simple: Match the leader's style with the situation

most favorable for his or her success. By diagnosing leadership style and the organizational situation, the correct fit can be arranged.

Leadership Style. The cornerstone of Fiedler's contingency theory is the extent to which the leader's style is relationship oriented or task oriented. A relationship-oriented leader is concerned with people, as in the consideration style described earlier. A task-oriented leader is primarily motivated by task accomplishment, which is similar to the initiating structure style described earlier. Leadership style was measured with a questionnaire known as the least preferred coworker (LPC) scale. The LPC scale has a set of 16 bipolar adjectives along an 8-point scale. Examples of the bipolar adjectives used by Fiedler on the LPC scale follow:

open	-	-	-	-	-	-	-	guarded
quarrelsome	-	-	-	-	-	-	-	harmonious
efficient	-	-	-	-	-	-	-	inefficient
self-assured	-	-	-	-	-	-	-	hesitant
gloomy	-	-	-	-	-	-	-	cheerful

If the leader describes the least preferred coworker using positive concepts, he or she is considered relationship oriented, that is, a leader who cares about and is sensitive to other people's feelings. Conversely, if a leader uses negative concepts to describe the least preferred coworker, he or she is considered task oriented, that is, a leader who sees other people in negative terms and places greater value on task activities than on people.

Situation. Leadership situations can be analyzed in terms of three elements: the quality of leader-member relationships, task structure, and position power.²⁶ Each of these elements can be described as either favorable or unfavorable for the leader.

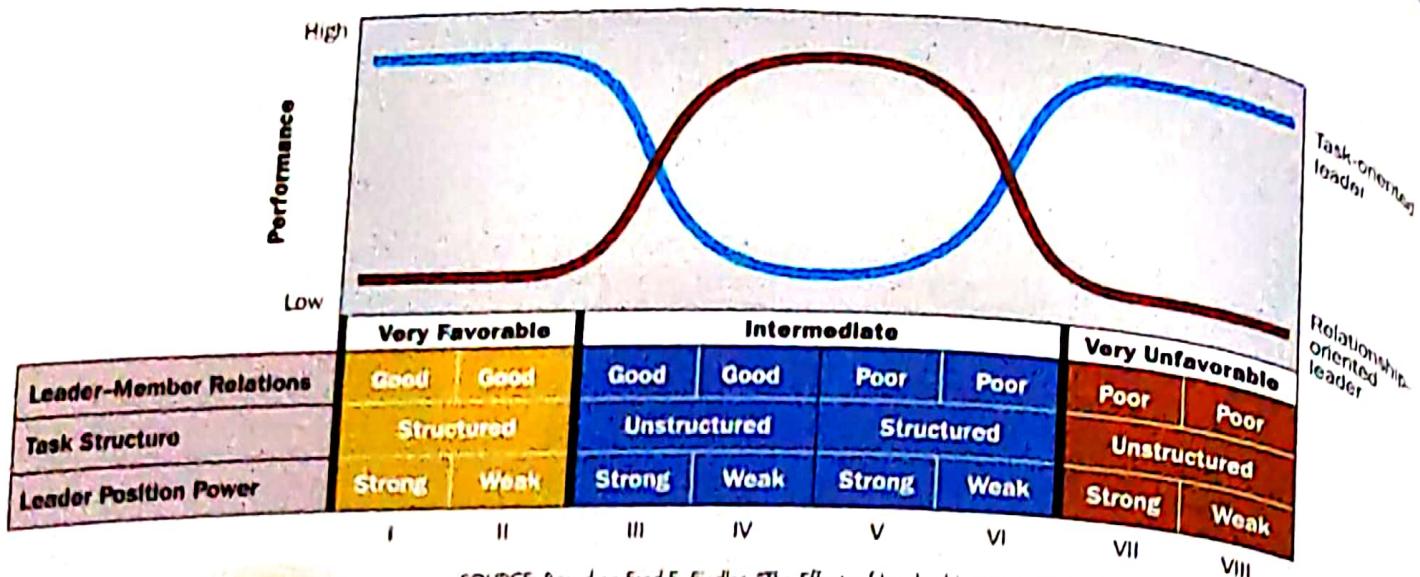
1. **Leader-member relations** refers to group atmosphere and members' attitude toward and acceptance of the leader. When subordinates trust, respect, and have confidence in the leader, leader-member relations are considered good. When subordinates distrust, do not respect, and have little confidence in the leader, leader-member relations are poor.

2. **Task structure** refers to the extent to which tasks performed by the group are defined, involve specific procedures, and have clear, explicit goals. Routine, well-defined tasks, such as those of assembly-line workers, have a high degree of structure. Creative, ill-defined tasks, such as research and development or strategic planning, have a low degree of task structure. When task structure is high, the situation is considered favorable to the leader; when low, the situation is less favorable.

3. **Position power** is the extent to which the leader has formal authority over subordinates. Position power is high when the leader has the power to plan and direct the work of subordinates, evaluate it, and reward or punish them. Position power is low when the leader has little authority over subordinates and cannot evaluate their work or reward them. When position power is high, the situation is considered favorable for the leader; when low, the situation is unfavorable.

LPC scale

A questionnaire designed to measure relationship-oriented versus task-oriented leadership style according to the leader's choice of adjectives for describing the "least preferred coworker."



SOURCE: Based on Fred E. Fiedler, "The Effects of Leadership Training and Experience: A Contingency Model Interpretation," *Administrative Science Quarterly* 17 (1972), 455.

EXHIBIT 12.5

How Leader Style Fits the Situation

Combining the three situational characteristics yields a list of eight leadership situations, which are illustrated in Exhibit 12.5. Situation I is most favorable to the leader because leader-member relations are good, task structure is high, and leader position power is strong. Situation VIII is most unfavorable to the leader because leader-member relations are poor, task structure is low, and leader position power is weak. All other octants represent intermediate degrees of favorability for the leader.

Contingency Theory. When Fiedler examined the relationships among leadership style, situational favorability, and group task performance, he found the pattern shown in Exhibit 12.5. Task-oriented leaders are more effective when the situation is either highly favorable or highly unfavorable. Relationship-oriented leaders are more effective in situations of moderate favorability.

The task-oriented leader excels in the favorable situation because everyone gets along, the task is clear, and the leader has power; all that is needed is for someone to take charge and provide direction. Similarly, if the situation is highly unfavorable to the leader, a great deal of structure and task direction is needed. A strong leader defines task structure and can establish authority over subordinates. Because leader-member relations are poor anyway, a strong task orientation will make no difference in the leader's popularity.

The relationship-oriented leader performs better in situations of intermediate favorability because human relations skills are important in achieving high group performance. In these situations, the leader may be moderately well liked, have some power, and supervise jobs that contain some ambiguity. A leader with good interpersonal skills can create a positive group atmosphere that will improve relationships, clarify task structure, and establish position power.

A leader, then, needs to know two things in order to use Fiedler's contingency theory: First, the leader should know whether he or she has a relationship- or task-oriented style. Second, the leader should diagnose the situation and determine whether leader-member relations, task structure, and position power are favorable or unfavorable.

Fitting leader style to the situation can yield big dividends in profits and efficiency.²⁷ On the other hand, using an incorrect style for the situation can cause problems, as Alan Robbins discovered at Plastic Lumber Company.

Alan Robbins intentionally put his factory in a gritty downtown neighborhood in Akron, Ohio. He considers himself an enlightened employer who wants to give people—even those who have made serious mistakes—a chance to prove them selves. Plastic Lumber Company, which converts old plastic milk and soda bot tles into lake lumber, employs about 50 workers.

When he started the company, Robbins wanted to be both a boss and a friend to his workers. He would sometimes serve cold beers for everyone at the end of a shift or grant personal loans to employees in a financial bind. He stressed teamwork and spent lots of time running ideas by workers on the factory floor. He resisted the idea of drug testing, partly because of the expense and partly because it showed distrust. Besides, he couldn't imagine workers would show up drunk or on drugs when they knew they'd be operating dangerous machinery.

He was wrong. Robbins's relationship-oriented style didn't work in the situation in which he was operating. The low-skilled workers, many from low-income, drug-infested neighborhoods, weren't ready for the type of freedom Robbins granted them. Workers were frequently absent or late without calling, showed up under the influence, and started fights on the factory floor. The turning point came for Robbins when one worker was roaming the factory with an iron pipe in his hand, looking for a fight. Today, Robbins has given up his ideals of being a pal. "I'm too busy just trying to make sure they show up," he says.²⁸

Robbins's leadership at Plastic Lumber was unsuccessful because he used a relationship-oriented style in an unfavorable situation. Because of their life circumstances, many of the employees he hired were naturally distrustful; thus, leader-member relations were poor. Although Robbins had high formal power, many workers had poor work ethics and little respect for authority. In their view, Robbins's failure to provide rules, guidelines, and direction weakened his authority. In the early days, workers believed they could get away with anything because of Robbins's easygoing style. Today, Robbins is developing a more task-oriented style, including putting together a comprehensive rules and policy manual and requiring drug tests of all new workers.

An important contribution of Fiedler's research is that it goes beyond the notion of leadership styles to show how styles fit the situation to improve organizational effectiveness. On the other hand, the model has also been criticized.²⁹ Using the LPC score as a measure of relationship- or task-oriented behavior seems simplistic, and how the model works over time is unclear. For example, if a task-oriented leader is matched with an unfavorable situation and is successful, the organizational situation is likely to improve and become more favorable to the leader. Thus, the leader might have to adjust his or her style or go to a new situation. For example, at Plastic Lumber Company, Alan Robbins is trying to shift to a task-oriented style, even though his natural inclination is to be a relationship-oriented leader.

Contingency Approaches

Plastic Lumber Company
<http://www.plasticlumber.com>

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Hersey and Blanchard's Situational Theory

The situational theory of leadership is an interesting extension of the behavioral theories described earlier and summarized in the leadership grid (Exhibit 12.4). More than previous theories, Hersey and Blanchard's approach focuses a great deal of attention on the characteristics of employees in determining appropriate leadership behavior. The point of Hersey and Blanchard is that subordinates vary in readiness level. People low in task readiness, because

Situational theory

A contingency approach to leadership that links the leader's behavioral style with the task readiness of subordinates.

of little ability or training, or insecurity, need a different leadership style than those who are high in readiness and have good ability, skills, confidence, and willingness to work.³⁰

According to the situational theory, a leader can adopt one of four leadership styles, based on a combination of relationship (concern for people) and task (concern for production) behavior, similar to the styles summarized earlier in Exhibit 12.4. The *telling* style reflects a high concern for production and a low concern for people. This is a very directive style. It involves giving explicit directions about how tasks should be accomplished. The *selling* style is based on a high concern for both people and production. With this approach, the leader explains decisions and gives subordinates a chance to ask questions and gain clarity and understanding about work tasks. The next leader behavior style, the *participating* style, is based on a combination of high concern for people and low concern for production. The leader shares ideas with subordinates, gives them a chance to participate, and facilitates decision making. The fourth style, the *delegating* style, reflects a low concern for both people and production. This leader style provides little direction and little support because the leader turns over responsibility for decisions and their implementation to subordinates.

The essence of Hersey and Blanchard's situational theory is to select a leader style that is appropriate for the readiness level of subordinates—their degree of education and skills, experience, self-confidence, and work attitudes. Followers may be at low, moderate, high, or very high levels of readiness.

Low Readiness Level. A telling style is appropriate when followers are at a low readiness level because of poor ability and skills, little experience, insecurity, or unwillingness to take responsibility for their own task behavior. When one or more subordinates exhibit very low levels of readiness, the leader is very specific, telling followers exactly what to do, how to do it, and when.

Moderate Readiness Level. A selling style works best for followers with moderate levels of readiness. These subordinates, for example, might lack some education and experience for the job, but they demonstrate high confidence, ability, interest, and willingness to learn. The selling style involves giving direction, but it also includes seeking input from others and clarifying tasks rather than simply instructing that they be performed.

High Readiness Level. When subordinates demonstrate a high readiness level, a participating style is effective. These subordinates might have the necessary education, experience, and skills but might be insecure in their abilities and need some guidance from the leader. The participating style enables the leader to guide followers' development and act as a resource for advice and assistance.

Very High Readiness Level. When followers have very high levels of education, experience, and readiness to accept responsibility for their own task behavior, the delegating style can effectively be used. Because of the high readiness level of followers, the leader can delegate responsibility for decisions and their implementation to subordinates, who have the skills, abilities, and positive attitudes to follow through. The leader provides a general goal and sufficient authority to do the task as followers see fit.

In summary, the telling style is best suited for subordinates who demonstrate very low levels of readiness to take responsibility for their own task

behavior, the selling and participating styles work for subordinates with moderate-to-high readiness, and the delegating style is appropriate for employees with very high readiness. This contingency model is easier to understand than Fiedler's model, but it incorporates only the characteristics of followers, not those of the situation. The leader carefully diagnoses the readiness level of followers and adopts whichever style is necessary—telling, selling, participating, or delegating. For example, Phil Hagans, who owns two McDonald's franchises in northeast Houston, uses different styles as employees grow in their readiness level. Hagans gives many young employees their first job and he tells them every step to take during their first days, instructing them on everything from how to dress to how to clean the grill. As they grow in ability and confidence, he shifts to a selling or participating style. Hagans has had great success by carefully guiding young workers through each level of readiness.³¹ A fast-food franchisee leader would, however, probably need to take a different approach with a part-time worker who was retired after 40 years in the business world.

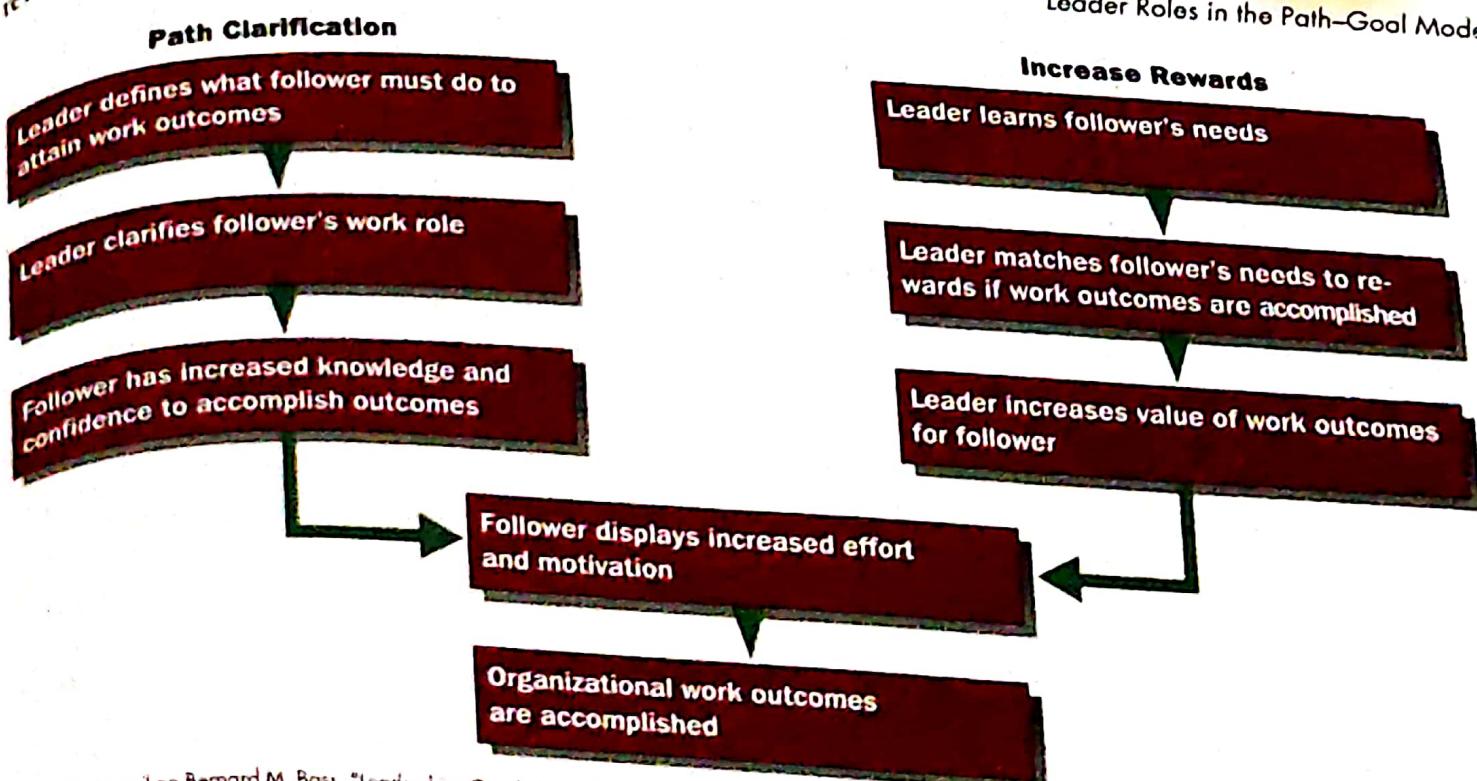
Path-Goal Theory

Another contingency approach to leadership is called the path-goal theory.³² According to the path-goal theory, the leader's responsibility is to increase subordinates' motivation to attain personal and organizational goals. As illustrated in Exhibit 12.6, the leader increases their motivation by either (1) clarifying the rewards that the subordinates' path to the rewards that are available or (2) increasing the rewards that the leader works with subordinates value and desire. Path clarification means that the leader works with subordinates to help them identify and learn the behaviors that will lead to successful task accomplishment and organizational rewards. Increasing rewards means that the leader talks with subordinates to learn which rewards are important to them—that is, whether they desire intrinsic rewards from the work itself or extrinsic rewards such as raises or promotions.

path-goal theory

A contingency approach to leadership specifying that the leader's responsibility is to increase subordinates' motivation by clarifying the behaviors necessary for task accomplishment and rewards.

EXHIBIT 12.6 Leader Roles in the Path-Goal Model



The leader's job is to increase personal payoffs to subordinates for goal attainment and to make the paths to these payoffs clear and easy to travel.³⁴ This model is called a contingency theory because it consists of three sets of contingencies—leader behavior and style, situational contingencies, and the use of rewards to meet subordinates' needs.³⁵ Whereas in the Fiedler theory described earlier the assumption would be to switch leaders as situations change, in the path-goal theory leaders switch their behaviors to match the situation.

Leader Behavior. The path-goal theory suggests a fourfold classification of leader behaviors.³⁶ These classifications are the types of leader behavior the leader can adopt and include supportive, directive, achievement-oriented, and participative styles.

Supportive leadership involves leader behavior that shows concern for subordinates' well-being and personal needs. Leadership behavior is open, friendly, and approachable, and the leader creates a team climate and treats subordinates as equals. Supportive leadership is similar to the consideration leadership described earlier.

Directive leadership occurs when the leader tells subordinates exactly what they are supposed to do. Leader behavior includes planning, making schedules, setting performance goals and behavior standards, and stressing adherence to rules and regulations. Directive leadership behavior is similar to the initiating-structure leadership style described earlier.

Participative leadership means that the leader consults with his or her subordinates about decisions. Leader behavior includes asking for opinions and suggestions, encouraging participation in decision making, and meeting with subordinates in their workplaces. The participative leader encourages group discussion and written suggestions.

Achievement-oriented leadership occurs when the leader sets clear and challenging goals for subordinates. Leader behavior stresses high-quality performance and improvement over current performance. Achievement-oriented leaders also show confidence in subordinates and assist them in learning how to achieve high goals.

The four types of leader behavior are not considered ingrained personality traits as in the Fiedler theory; rather, they reflect types of behavior that every leader is able to adopt, depending on the situation.

Situational Contingencies. The two important situational contingencies in the path-goal theory are (1) the personal characteristics of group members and (2) the work environment. Personal characteristics of subordinates include such factors as ability, skills, needs, and motivations. For example, if employees have low ability or skill, the leader may need to provide additional training or coaching in order for workers to improve performance. If subordinates are self-centered, the leader must use rewards to motivate them. Subordinates who want clear direction and authority require a directive leader who will tell them exactly what to do. Craftworkers and professionals, however, may want more freedom and autonomy and work best under a participative leadership style.

The work environment contingencies include the degree of task structure, the nature of the formal authority system, and the work group itself. The task structure is similar to the same concept described in Fiedler's contingency the-

Contingency Approaches

... it includes the extent to which tasks are defined and have explicit job descriptions and work procedures. The formal authority system includes the amount of legitimate power used by managers and the extent to which policies and rules constrain employees' behavior. Work group characteristics are the educational level of subordinates and the quality of relationships among them.

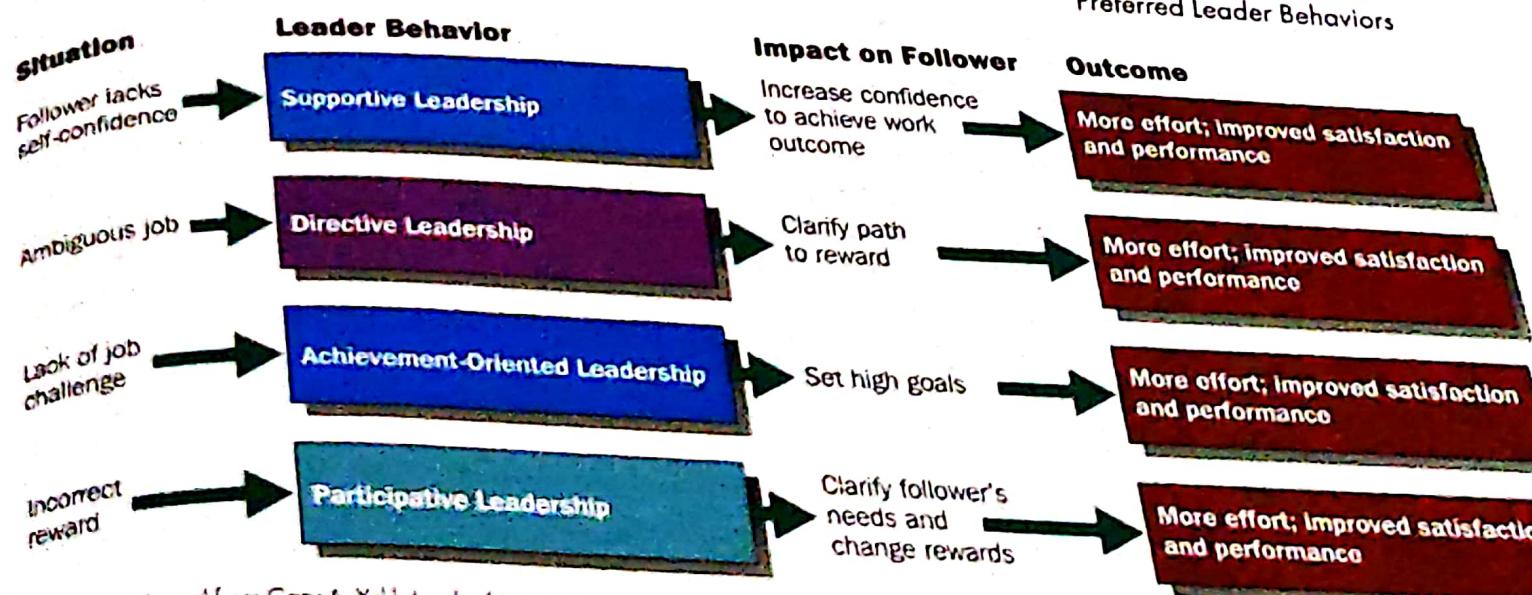
Use of Rewards. Recall that the leader's responsibility is to clarify the path to rewards for subordinates or to increase the value of rewards to enhance satisfaction and job performance. In some situations, the leader works with subordinates to help them acquire the skills and confidence needed to perform tasks and achieve rewards already available. In others, the leader may develop new rewards to meet the specific needs of a subordinate.

Exhibit 12.7 illustrates four examples of how leadership behavior is tailored to the situation. In the first situation, the subordinate lacks confidence; thus, the supportive leadership style provides the social support with which to encourage the subordinate to undertake the behavior needed to do the work and receive the rewards. In the second situation, the job is ambiguous, and the employee is not performing effectively. Directive leadership behavior is used to give instructions and clarify the task so that the follower will know how to accomplish it and receive rewards. In the third situation, the subordinate is unchallenged by the task; thus, an achievement-oriented behavior is used to set higher goals. This clarifies the path to rewards for the employee. In the fourth situation, an incorrect reward is given to a subordinate, and the participative leadership style is used to change this. By discussing the subordinate's needs, the leader is able to identify the correct reward for task accomplishment. In all four cases, the outcome of fitting the leadership behavior to the situation produces greater employee effort by either clarifying how subordinates can receive rewards or changing the rewards to fit their needs.

Pat Kelly, founder and CEO of PSS World Medical, a specialty marketer and distributor of medical products, hires people who exhibit a desire to win and then keeps them motivated with his achievement-oriented leadership.

EXHIBIT 12.7

Path-Goal Situations and Preferred Leader Behaviors



SOURCE: Adapted from Gary A. Yukl, *Leadership in Organizations* (Englewood Cliffs, N.J.: Prentice-Hall, 1981), 146-152.

Pat Kelly has always believed in establishing ambitious goals for his employees. He consistently sets higher financial and sales targets that challenge employees to perform at high levels. However, Kelly realizes that what gets people's interest flowing is not just reaching a new financial target, but winning. And Kelly makes sure employees have what they need to win and receive high rewards each year on performance. PSS spends about 5 percent of its payroll budget on their training, so that employees have the knowledge and skills they need to succeed. The company also emphasizes promotion from within. Moving people around to different divisions and different roles gives them opportunities for learning and advancement. If an employee does not do well in one position, PSS will help the person find another avenue to success.

Open communication plays an important role in Kelly's leadership. To meet high goals, employees have to know how they contribute and where they stand. Open book management is a cornerstone of corporate culture because Kelly believes people can succeed only when everyone knows the numbers and how they fit in. By setting high goals, providing people with the knowledge and skills to succeed, and running an open company, Kelly has created an organization full of people who think and act like CEOs. In fact, all delivery drivers have business cards with their names and "CEO" printed on them. As Kelly puts it, "when you're standing in front of the customer, you are the CEO."³⁶

Kelly's achievement-oriented leadership is successful because the company's highly motivated professionals thrive on challenge, responsibility, and recognition. Path-goal theorizing can be complex, but much of the research on it has been encouraging.³⁷ Using the model to specify precise relationships and make exact predictions about employee outcomes may be difficult, but the four types of leader behavior and the ideas for fitting them to situational contingencies provide a useful way for leaders to think about motivating subordinates.

Substitutes for Leadership

The contingency leadership approaches considered so far have focused on the leaders' style, the subordinates' nature, and the situation's characteristics. The final contingency approach suggests that situational variables can be so powerful that they actually substitute for or neutralize the need for leadership.³⁸ This approach outlines those organizational settings in which a leadership style is unimportant or unnecessary.

Exhibit 12.8 shows the situational variables that tend to substitute for or neutralize leadership characteristics. A substitute for leadership makes the leadership style unnecessary or redundant. For example, highly professional subordinates who know how to do their tasks do not need a leader who initiates structure for them and tells them what to do. A neutralizer counteracts the leadership style and prevents the leader from displaying certain behaviors. For example, if a leader has absolutely no position power or is physically removed from subordinates, the leader's ability to give directions to subordinates is greatly reduced.

Situational variables in Exhibit 12.8 include characteristics of the group, the task, and the organization itself. For example, when subordinates are highly professional and experienced, both leadership styles are less important. The employees do not need much direction or consideration. With respect to task characteristics, highly structured tasks substitute for a task-oriented style, and

substitute

A situational variable that makes a leadership style unnecessary or redundant.

neutralizer

A situational variable that counteracts a leadership style and prevents the leader from displaying certain behaviors.

Variable	Task-Oriented Leadership	People-Oriented Leadership
Organizational variables:		
Formalization	Substitutes for	Substitutes for
Inflexibility	Substitutes for	No effect on
Low positional power	Neutralizes	No effect on
Physical separation	Neutralizes	Neutralizes
Highly structured task	Neutralizes	Neutralizes
Automatic feedback	Substitutes for	No effect on
Intrinsic satisfaction	Substitutes for	No effect on
Professionalism	No effect on	Substitutes for
Training/experience	Substitutes for	Substitutes for
Group characteristics:		
Group cohesiveness	Substitutes for	No effect on

a satisfying task substitutes for a people-oriented style. With respect to the organization itself, group cohesiveness substitutes for both leader styles. Formalized rules and procedures substitute for leader task orientation. Physical separation of leader and subordinate neutralizes both leadership styles. The value of the situations described in Exhibit 12.8 is that they help leaders avoid leadership overkill. Leaders should adopt a style with which to complement the organizational situation. For example, the work situation for bank tellers provides a high level of formalization, little flexibility, and a highly structured task. The head teller should not adopt a task-oriented style, because the organization already provides structure and direction. The head teller should concentrate on a people-oriented style. In other organizations, if group cohesiveness or previous training meet employees' social needs, the leader is free to concentrate on task-oriented behaviors. The leader can adopt a style complementary to the organizational situation to ensure that both task needs and people needs of the work group will be met.

EXHIBIT 12.8 Substitutes and Neutralizers for Leadership

Change Leadership

In Chapter 1, we defined management to include the functions of leading, planning, organizing, and controlling. But recent work on leadership has begun to distinguish leadership as something more: a quality that inspires and motivates people beyond their normal levels of performance. Leadership is particularly important in companies trying to meet the challenges of a changing environment. Leaders in many organizations have had to reconceptualize almost every aspect of how they do business to meet the needs of increasingly demanding customers, keep employees motivated and satisfied, and remain competitive in a global, information-based business environment. As we discussed in Chapter 1, some are adopting e-business solutions and becoming learning organizations poised for constant change and adaptation.

Research has found that some leadership approaches are more effective than others for bringing about change in organizations. Two types of leadership that can have a substantial impact are charismatic and transformational. These types of leadership are best understood in comparison to *transactional leadership*.³⁹ Transactional leaders clarify the role and task requirements of subordinates, initiate structure, provide appropriate rewards, and try to be considerate to and meet the social needs of subordinates. The transactional leader's ability

transactional leader

A leader who clarifies subordinates' role and task requirements, initiates structure, provides rewards, and displays consideration for subordinates.

to satisfy subordinates may improve productivity. Transactional leaders excel at management functions. They are hardworking, tolerant, and fair minded. They take pride in keeping things running smoothly and efficiently. Transactional leaders often stress the impersonal aspects of performance, such as plans, schedules, and budgets. They have a sense of commitment to the organization and conform to organizational norms and values. Transactional leadership is important to all organizations, but leading change requires a different approach.

Charismatic and Visionary Leadership

Charismatic leadership goes beyond transactional leadership techniques. Charisma has been referred to as "a fire that ignites followers' energy and commitment, producing results above and beyond the call of duty."⁴⁰ The charismatic leader has the ability to inspire and motivate people to do more than they would normally do, despite obstacles and personal sacrifice. Followers transcend their own self-interests for the sake of the department or organization. The impact of charismatic leaders is normally from (1) stating a lofty vision of an imagined future that employees identify with, (2) shaping a corporate value

system for which everyone stands, and (3) inspiring subordinates and earning their complete trust in return.⁴¹ Charismatic leaders tend to be less predictable than transactional leaders. They create an atmosphere of change, and they may be obsessed by visionary ideas that excite, stimulate, and drive other people to work hard.

Charismatic leaders are often skilled in the art of visionary leadership. A visionary leader speaks to the hearts of employees, letting them be part of something bigger than themselves. They see beyond current realities and help followers believe in a brighter future as well. A vision is an attractive, ideal future that is credible yet not readily attainable. For example, as principal of Harlem's Frederick Douglass School, Lorraine Monroe inspired teachers, students, and parents with her vision of transforming the school from one of the worst to one of the best in New York City. When she came to the school, it was known for excessive violence, poor attendance, and low achievement. Five years later, test scores of Frederick Douglass students ranked among the highest in New York City, and 96 percent of the school's graduates went on to college.⁴²

Charismatic leaders have a strong vision for the future and can motivate others to help realize it.⁴³ They have an emotional impact on subordinates because they strongly believe in the vision and can communicate it to others in a way that makes the vision real, personal, and meaningful to others. The Focus on Skills box provides a short quiz to help you determine whether you have the potential to be a charismatic leader.

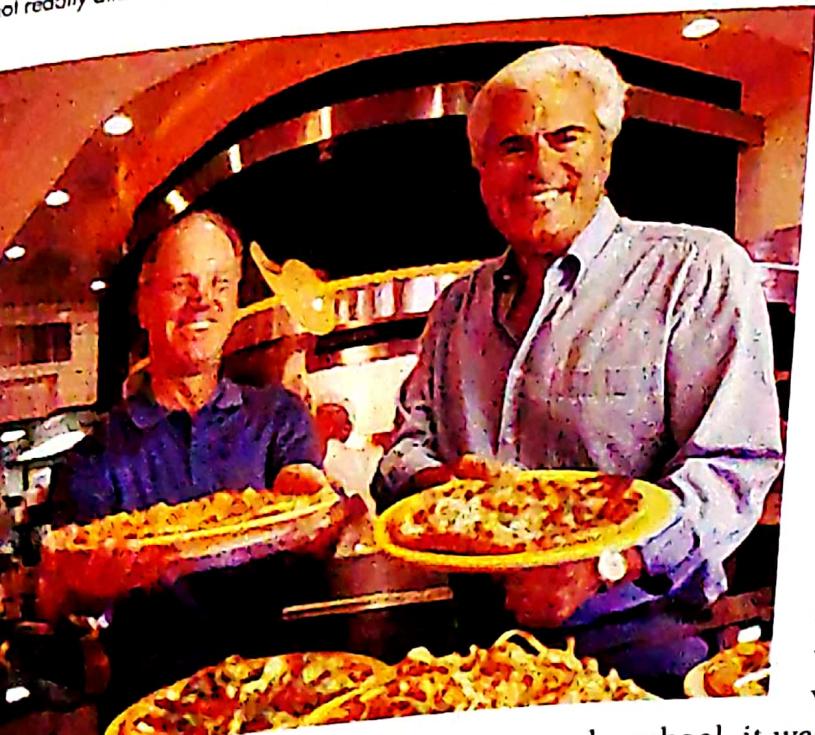
Charismatic leaders include Mother Theresa, Martin Luther King, Jr., Michael Jordan, and Adolf Hitler. Charisma can be used for positive outcomes that benefit the group, but it can also be used for self-serving purposes that lead to deception, manipulation, and exploitation of others. When charismatic lead-

charismatic leader

A leader who has the ability to motivate subordinates to transcend their expected performance.

vision

An attractive, ideal future that is credible yet not readily attainable.



Chairmen of California Pizza Kitchen (CPK) restaurants, Rick Rosenfield and Tom Flax are leading their company through major changes. After PepsiCo Inc. bought 67 percent of CPK, the two leaders served as co-CEOs, managing a Pepsi-backed expansion that tripled the company's size to 90 restaurants. When Pepsi sold its restaurant business, Rosenfield and Flax bought their chain back at a profit. Now the co-leaders are sharpening their transformational leadership skills as they execute their vision to add 15 outlets a year and introduce frozen supermarket pizzas. "We always believed we could surpass Pizza Hut [a \$4.7 billion chain]," says Flax. "We still believe we will."

FOCUS ON SKILLS

Are You a Charismatic Leader?

- If you were the head of a major department in a corporation, how important would each of the following activities be to you? Answer yes or no to indicate whether you would strive to perform each activity.
1. Help subordinates clarify goals and how to reach them.
 2. Give people a sense of mission and overall purpose.
 3. Help get jobs out on time.
 4. Look for new product or service opportunities.
 5. Use policies and procedures as guides for problem solving.
 6. Promote unconventional beliefs and values.
 7. Give monetary rewards in exchange for high performance from subordinates.
 8. Command respect from everyone in the department.
 9. Work alone to accomplish important tasks.
 10. Suggest new and unique ways of doing things.
 11. Give credit to people who do their jobs well.
 12. Inspire loyalty to yourself and to the organization.
 13. Establish procedures to help the department operate smoothly.

14. Use ideas to motivate others.
15. Set reasonable limits on new approaches.
16. Demonstrate social nonconformity.

The even-numbered items represent behaviors and activities of charismatic leaders. Charismatic leaders are personally involved in shaping ideas, goals, and direction of change. They use an intuitive approach to develop fresh ideas for old problems and seek new directions for the department or organization. The odd-numbered items are considered more traditional management activities, or what would be called transactional leadership. Managers respond to organizational problems in an impersonal way, make rational decisions, and coordinate and facilitate the work of others. If you answered yes to more even-numbered than odd-numbered items, you may be a potential charismatic leader.

SOURCES: Based on Bernard M. Bass, *Leadership and Performance beyond Expectations* (New York: Free Press, 1985), and Linton P. Burns and Sabrina W. Becker, "Leadership and Managerial," in *Health Care Management*, ed. S. Shortell and A. Kaluzny (New York: Wiley, 1985).

ers respond to organizational problems in terms of the needs of the entire group rather than their own emotional needs, they can have a powerful, positive influence on organizational performance.⁴⁴

Transformational Leaders

Transformational leaders are similar to charismatic leaders, but are distinguished by their special ability to bring about innovation and change by recognizing followers' needs and concerns, helping them look at old problems in new ways, and encouraging them to question the status quo. Transformational leaders create significant change in both followers and the organization.⁴⁵ They have the ability to lead changes in the organization's mission, strategy, structure, and culture, as well as to promote innovation in products and technologies. Transformational leaders do not rely solely on tangible rules and incentives to control specific transactions with followers. They focus on intangible qualities such as vision, shared values, and ideas to build relationships, give larger meaning to diverse activities, and find common ground to enlist followers in the change process.⁴⁶

A good example of a transformational leader is Richard Kovacevich, who steered mid-sized Norwest Corp. (now Wells Fargo & Co.) through numerous acquisitions to make it the fourth largest banking company in the United States. Kovacevich is known for spouting radical notions such as "Banking is necessary, banks are not." He has inspired his followers with a vision of becoming the Wal-Mart of financial services—and the company is well on its way. To

transformational leader

A leader distinguished by a special ability to bring about innovation and change.

motivate employees, Kovacevich leads with slogans such as, "Mind share plus heart share equals market share." Although some people might think it sounds hokey, Kovacevich and his employees don't care. It is the substance behind the slogans that matters. Employees are rewarded for putting both their hearts and minds into their work. Kovacevich constantly tells employees that they are the heart and soul of Wells Fargo, and that only through their efforts can the company succeed.⁴⁷

Leading the New Workplace

The concept of leadership is also changing because of dramatic changes in today's environment and organizations. Globalization, e-commerce, virtual organizations, and telecommuting, changes in employee interests and expectations, about and practice leadership. Four areas of particular interest for leadership in the new workplace are a new concept referred to as Level 5 leadership, women's ways of leading; virtual leadership; and servant leadership.

Level 5 Leadership. A recent five-year study conducted by Jim Collins, and a group of 22 research associates identified the critical importance of what Collins calls *Level 5 leadership* in transforming companies from merely good to truly great organizations.⁴⁸ As described in his book, *Good to Great: Why Some Companies Make the Leap . . . and Others Don't*, Level 5 leadership refers to the highest level in a hierarchy of manager capabilities, as illustrated in Exhibit 12.9. A key characteristic of Level 5 leaders is an almost complete lack of egos. In contrast to the view of great leaders as "larger-than-life" personalities with strong egos and big ambitions, Level 5 leaders often seem shy and unpretentious. Although they accept full responsibility for mistakes, poor results, or failures, Level 5 leaders give credit for successes to other people. For example, Joseph E. Cullman III, former CEO of Philip Morris, staunchly refused to accept credit for the company's long-term success, citing his great colleagues, successors, and predecessors as the reason for the accomplishments.

XHIBIT 12.9 Level 5 Leadership Hierarchy

Level 5: The Level 5 Leader

Builds an enduring great organization through a combination of personal humility and professional resolve.

Level 4: The Effective Executive

Builds widespread commitment to a clear and compelling vision; stimulates people to high performance.

Level 3: Competent Manager

Sets plans and organizes people for the efficient and effective pursuit of objectives.

Level 2: Contributing Team Member

Contributes to the achievement of team goals; works effectively with others in a group.

Level 1: Highly Capable Individual

Productive contributor; offers talent, knowledge, skills, and good work habits as an individual employee.

© The Level 5 Leadership Hierarchy™ from *Good to Great: Why Some Companies Make the Leap and Others Don't*, by Jim Collins. Copyright © 2001 by Jim Collins. Used by permission of HarperCollins Publishers, Inc.

...despite their personal humility, Level 5 leaders have a fierce determination to do whatever it takes to produce great and lasting results for their organizations. They are extremely ambitious for their companies rather than for themselves. This becomes most evident in the area of succession planning, so that when 5 leaders develop a solid corps of leaders throughout the organization, so stronger. Egocentric leaders, on the other hand, often set their successors up for failure because it will be a testament to their own greatness if the company doesn't perform well without them. Rather than an organization built around a genius with a thousand helpers," Level 5 leaders build an organization with many strong leaders who can step forward and continue the company's success. These leaders want everyone in the organization to develop to their fullest potential. D. Michael Abrashoff illustrates characteristics of both interactive and servant leadership, as well as the potential to become a Level 5 leader, showing that a leader can become more effective, as described in the Best Practices box.

Women's Ways of Leading. The focus on minimizing personal ambition and developing others has also been found to be common among female leaders. Recent research indicates that women's style of leadership is particularly suited to today's organizations.⁵⁰ Using data from actual performance evaluations, one study found that when rated by peers, subordinates, and bosses, female managers score significantly higher than men on abilities such as motivating others, fostering communication, and listening.⁵¹ The Focus on Skills box lists these recent studies showing women as more effective leaders.

BEST PRACTICES

Focus on Skills

USS Benfold

Keeping good employees is tough for businesses, but for the U.S. Navy, it has been a nightmare in recent years. Forty percent of recruits wash out before their first four-year term is up. Considering it costs \$35,000 to recruit one sailor and put him or her through nine weeks of boot camp, that's an expensive problem. In addition, only 30 percent of people who make it through their first tour reenlist for a second. When D. Michael Abrashoff took command of the destroyer USS Benfold, he came face to face with the biggest leadership challenge of his Navy career. Despite the fact that the Benfold was a technological marvel, most of its sailors could not wait to leave. People were so deeply unhappy and demoralized that walking aboard ship felt like entering a deep well of despair. Abrashoff knew that he needed to be a different kind of leader to turn things around and tap into the energy, enthusiasm, and creativity of his sailors.

To do so meant casting aside the long Navy tradition of relying on formal position power and authority. Abrashoff led with vision and values instead of command and control. Rather than issuing orders from the top, he started listening to ideas from below. He also made an effort to get to know each and

every sailor as an individual. When the Benfold's sailors saw that Abrashoff was sincere, they responded with energy, enthusiasm, and commitment. Good ideas that came from the bottom up were implemented immediately, and many of them have now become standard throughout the U.S. Navy. Abrashoff also began handing over responsibility so that people could learn and grow. "If all you do is give orders, then all you get are order takers," he says. Abrashoff wanted to develop strong leaders at all levels and help people understand that they were the ones who made the ship successful. Under Abrashoff's leadership, the Benfold set all-time records for performance and retention. However, neither Abrashoff nor the crew are worried about what will happen when the captain moves on. "This crew . . . [knows] what results they get when they play an active role," Abrashoff says. "And they now have the courage to raise their hands and get heard. That's almost irreversible."⁵²

SOURCES: D. Michael Abrashoff, "Retention through Redemption," *Harvard Business Review* (February 2001), 136-141; and Polly LaBarre, "The Most Important Thing a Captain Can Do Is to See the Ship from the Eyes of the Crew," *Fast Company* (April 1999), 115-126.

FOCUS ON SKILLS

Leading Women

Women started pouring into the workplace 30 years ago and soon discovered the glass ceiling. The solution many tried was to act more like men: talk sports, wear power suits, don't show too much emotion. Recent studies are shedding new light on the topic and suggest that men ought to be the ones doing the imitating. Their conclusions suggest: If you want a quality executive, hire a woman.

A wide range of studies of leaders in companies ranging from consumer products to high tech show that when bosses, colleagues, and employees are surveyed, they by-and-large give higher scores to females on many skills, from goal setting, to mentoring, to producing high-quality work. Though researchers weren't originally looking at gender issues, they discovered that women were rated higher on almost every index, in 42 of 52 skills measured. Women are more collaborative, think through issues more clearly, and are less inclined to seek personal glory, says the head of IBM's Global Services, Doug Elix. Management guru Rosabeth Moss Kanter says, "Women get high ratings on exactly those skills needed to succeed in the global Information Age, where teamwork and partnering are so important."

If women are so great, why aren't they running the world? Well, they are...almost, at the middle level, where they make up 45 percent of managers. At the CEO level, though,

there are only a handful. It's a pipeline problem, or a bottleneck of women work their way up, but it is still compounded by the lack of mentors and being kept outside the inner communication circle. Also, too many women get stuck in PR—career tracks that don't go anywhere. Because women's unique skills were underappreciated, they weren't often noticed much until recently. In fact, people skills were often seen as less important than so-called business skills. These dynamics have frustrated millions of capable women, who sometimes bail out of "corporate America" and start their own companies—9 million companies in the United States are female-owned, a 100 percent increase in 12 years. Another reason women haven't gotten ahead is that they are more team-focused, rather than looking for what makes them individually look better. "You should be looking out for yourself, not your people," one woman was told.

What makes the results of these studies compelling is that they come directly from bosses and coworkers in the corporations, not from a simulated situation in the research laboratory. Still, the investigators were not prepared for what they learned. Researcher Janet Irwin said, "We were startled by the results."

SOURCE: Rochelle Sharp, "As Leaders, Women Rule," *Business Week* (November 20, 2001), 74-84.

interactive leadership

A leadership style characterized by values such as inclusion, collaboration, relationship building, and caring.

This approach has been called interactive leadership.⁵² This means that the leader favors a consensual and collaborative process, and influence derives from relationships rather than position power and formal authority. For example, Nancy Hawthorne, former chief financial officer at Continental Cablevision Inc., felt that her role as a leader was to delegate tasks and authority to others and to help them be more effective. "I was being traffic cop and coach and facilitator," Hawthorne says. "I was always into building a department that hummed."⁵³ It is important to note that men can be interactive leaders as well. The characteristics associated with interactive leadership are emerging as valuable qualities for both male and female leaders in the new workplace. A Finnish leader has learned how important interactive leadership is in sports, as described in the Digital, Inc. box.

Virtual Leadership. The virtual workplace, in which employees work remotely from each other and from leaders, is becoming more common in today's organizations, bringing new leadership challenges. In today's workplace, many people may work from home or other remote locations, wired to the office electronically. Sometimes people come together temporarily in virtual teams to complete a project and then disband, as we described in Chapter 7. In a virtual environment, leaders face a constant tension in trying to balance structure and accountability with flexibility.⁵⁴ They have to provide enough structure and direction so that people have a clear understanding of

DIGITAL, INC.

PK-35 Soccer Teams

Soccer coach Janne Viljamoa knows a thing or two about delegation. He lets 300 fans determine plays, using cell-phone text messages and the Internet. Finnish entrepreneur Jussi Rautavirta had an idea to give power to the fans. Searching for a coach who'd be willing to delegate some decisions to fans, he found his answer in amateur team PK-35, which had recently fallen from glory and its coach, Viljamoa. Started in 1935, PK-35 was split apart when its A-team was sold, leaving the remainder of players (students, factory workers, and postmen) to start over at the bottom of Division III.

Coach Viljamoa gives three to ten questions for fans to answer about team selection, training, and game tactics. The soccer friends get three minutes to answer the questions, and get responses back in another three minutes. Sometimes fan decisions bring dramatic results. Their recommendation to bring out substitute Hannu Takala resulted in a last-minute goal which won an end-of-season game.

Why would any coach agree to such an arrangement, to share his power and control? "Because it had never been done

before, because I choose all the questions, and because it was a chance for PK-35 and me to share a little fame and income." He's learned lessons that apply for other businesses, as well: The more power you share with customers, vendors, and employees, the better the bottom line; don't share too much information—find a middle road; make the outcome very visible so information is meaningful; focus on the team, not individual goals.

As the new season starts, Rautavirta expects 1,000 fans to sign up for Club Manager, and have a say in more areas, such as which players to sign. The fans have proved that this concept is engaging. Additional backer Arturo Vallila notes the unique ability of Finland to foster such an experiment. "Because of our high rate of cell-phone usage," he says, "Finnish soccer can serve as a test-bed before taking the concept to the rest of the world."

SOURCE: Ian Wylie, "Who Runs This Team, Anyway?" *Post Company* (April 2002), 32-33.

what is required of them, but they also have to trust that virtual workers will perform their duties responsibly without close control and supervision. Effective virtual leaders set clear goals and timelines and are very explicit about how people will communicate and coordinate their work. However, the details of day-to-day activities are left up to employees. This doesn't mean, however, that virtual workers are left on their own. Leaders take extra care to keep people informed and involved with one another and with the organization.

People who excel as virtual leaders tend to be open-minded and flexible, exhibit positive attitudes that focus on solutions rather than problems, and have superb communication, coaching, and relationship-building skills.⁵⁵ Good virtual leaders never forget that work is accomplished through people, not technology. Although they must understand how to select and use technology appropriately, leaders emphasize human interactions as the key to success. Building trust, maintaining open lines of communication, caring about people, and being open to subtle cues from others are essential in a virtual environment.⁵⁶

Servant Leadership. In the new workplace, the best leaders operate from the assumption that work exists for the development of the worker as much as the worker exists to do the work.⁵⁷ Servant leadership, first described by Robert Greenleaf, is leadership upside down because leaders transcend self-interest to serve others and the organization.⁵⁸ Servant leaders operate on two levels: for the fulfillment of their subordinates' goals and needs and for the realization of the larger purpose or mission of their organization. Servant leaders give things away—power, ideas, information, recognition, credit for accomplishments. They truly value other people, encourage participation, share power, enhance others' self-worth, and unleash people's creativity, full commitment, and natural impulse to learn. Servant leaders bring the follower's higher motives to the

servant leader

A leader who works to fulfill subordinates' needs and goals as well as to achieve the organization's larger mission.

work and connect them to the organizational mission and goals. Frances Hesselbein, former CEO of the Girl Scouts, exhibits many of the qualities of a servant leader, as described below. Servant leaders bring the follower's higher motives to the work and connect them to the organizational mission and goals. They are devoted to building the organization rather than acquiring things for themselves. The leader who wants to be a single actor, a hero seeking personal recognition and resources, cannot build a learning organization.

The Girl Scout Way

<http://www.gusa.org>

Frances Hesselbein currently runs the Drucker Foundation, a small organization dedicated to sharing the leadership thinking of Peter Drucker. But she got her start more than 40 years ago as a volunteer scout leader. She eventually rose to CEO of the Girl Scouts, inheriting a troubled organization of 680,000 people, only 1 percent of whom were paid employees. By the time she retired in 1990, Hesselbein had turned around declining membership, dramatically increased participation by minorities, and replaced a brittle hierarchy with one of the most vibrant organizations in the nonprofit or business world.

How did she do it? By developing a leadership philosophy that emphasizes helping other people meet their needs. Hesselbein describes how she works with others as a circle in which everyone is included. Business and nonprofit leaders learn from Hesselbein's leadership style. George Sparks, manager of Hewlett-Packard's measuring-equipment business, says the time he spent following Hesselbein around was "the best two days of my career." As Sparks observed Hesselbein in action, he noted her ability to sense people's needs on an emotional level. Hesselbein listens carefully and then links people with matching needs and skills so that their personal needs are met at the same time they are serving the needs of the organization. She recognizes that the only way to achieve high performance is through the work of others, and she consistently treats people with care and respect. Hesselbein doesn't believe in forcing change on others. She draws her power from moral values, not from her position. For example, when she proposed that five-year-old girls from single-parent households be included as Girl Scout members (the minimum age was six), most of the councils opposed the plan. Even though the change was important because it would expand the Girl Scouts' reach into the minority community, Hesselbein didn't impose the change. She began working with the few councils who agreed with her and let the others continue their own way. Within a year, two-thirds of the councils had adopted the new age limit.

Hesselbein says her definition of leadership was "very hard to arrive at, very painful. . . [it] is not a basket of tricks or skills. It is the quality and character and courage of the person who is the leader. It's a matter of ethics and moral compass, the willingness to remain highly vulnerable." To Frances Hesselbein, leadership means serving others, helping employees meet their personal needs at the same time they serve the organization.⁵⁹