

Chapter

14

Leadership and Change

Introduction

There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain of success, than to take the lead in the introduction of a new order of things.

**Niccolò
Machiavelli, writer**

Organizations today face myriad potential challenges. To be successful they must cope effectively with the implications of new technology, globalization, changing social and political climates, new competitive threats, shifting economic conditions, industry consolidation, swings in consumer preferences, and new performance and legal standards. Think how technology affected James Cameron's ability to make *Avatar* or the changes the U.S. military had to make as it shifted from stemming the tide of communism to fighting more regionalized conflicts. And consider how the events of 9/11/2001, the wars in Iraq and Afghanistan, the threats of global terrorism, the emergence of the European Union, the growth of the Chinese and Indian economies, the economic recession of 2008–2010, and global warming have affected leaders in both the private and public sectors around the world. Leading change is perhaps the most difficult challenge facing any leader, yet this skill may be the best differentiator of managers from leaders and of mediocre from exceptional leaders. The best leaders are those who recognize the situational and follower factors inhibiting or facilitating change, paint a compelling vision of the future, and formulate and execute a plan that moves their vision from a dream to reality.

The scope of any change initiative varies dramatically. Leaders can use goal setting, coaching, mentoring, delegation, or empowerment skills to effectively change the behaviors and skills of individual direct reports. But what would you need to do if you led a pharmaceutical company of 5,000 employees and you had just received FDA approval to introduce a revolutionary new drug into the marketplace? How would you get the research and development, marketing, sales, manufacturing, quality, shipping, customer service, accounting, and information technology departments to work together to ensure a profitable product launch? Or what would you do if you had to reduce company expenses by 40 percent for the next two years or deal with a recent acquisition of a competitor?

It is not necessary to change. Survival is not mandatory.

**W. Edwards
Deming, quality
expert**

Obviously change on this scale involves more than individual coaching and mentoring. Because this chapter builds on much of the content of the previous chapters, it is fitting that it appears toward the end of the text. To successfully lead larger-scale change initiatives, leaders need to attend to the situational and follower factors affecting their group or organization (Chapters 9, 10, and 12). They must also use their intelligence, problem-solving skills, creativity, and values to sort out what is important and formulate solutions to the challenges facing their group (Chapters 5–7). But solutions in and of themselves are no guarantee for change; leaders must use their power and influence, personality traits, coaching and planning skills, and knowledge of motivational techniques and group dynamics in order to drive change (Chapters 2, 3, 4, 8, 9, 11, and 16). An example of what it takes to drive large-scale organizational change can be found in Highlight 14.1.

As an overview, this chapter begins by revisiting the leadership versus management discussion from Chapter 1. We then describe a rational approach to organizational change and spell out what leaders can do if they want to be successful with their change efforts. This model also provides a good diagnostic framework for understanding why many change efforts fail. We conclude the chapter with a discussion of an alternative approach to change—charismatic and transformational leadership. The personal magnetism, heroic qualities, and spellbinding powers of these leaders can have unusually strong effects on followers, which often lead to dramatic organizational, political, or societal change. Unlike the rational approach to change, the charismatic and transformational leadership framework places considerable weight on followers' heightened emotional levels to drive organizational change. Much of the leadership research over the past 30 years has helped us better understand the situational, follower, and leader characteristics needed for charismatic or transformational leadership to occur. The chapter concludes with an overview of these factors and a review of the predominant theory in the field, Bass's theory of transformational and transactional leadership.¹

The Rational Approach to Organizational Change

A number of authors have written about organizational change, including O'Toole,² Pritchett,³ McNulty,⁴ Heifetz and Linsky,⁵ Moss Kanter,^{6,7} Krile, Curphy, and Lund,⁸ Ostroff,⁹ Rock and Schwartz,¹⁰ Kotter,¹¹ Curphy,^{12,13} Burns,¹⁴ Marcus and Weiler,¹⁵ Bennis and Nanus,¹⁶ Tichy and Devanna,¹⁷ Bridges,¹⁸ Collins and Porras,¹⁹ Treacy and Wiersma,²⁰ Beer,^{21,22} Heifetz and Laurie,²³ and Collins.^{24,25} All these authors have unique perspectives on leadership and change, but they also share a number of common characteristics. Beer^{21,22} has offered a rational and straightforward approach to

Change in the Waste Industry

HIGHLIGHT 14.1

Even something as mundane as trash disposal can present some significant leadership challenges. One company, Waste Management, acquired over 1,600 smaller waste disposal companies from 1995 to 2004. All of the acquired companies had their own financial systems, pay scales and benefits, trucks and equipment, and operating procedures. None of the IT or financial systems could “talk” to each other, drivers followed different operating procedures and had different performance standards and compensation packages, many of the companies were former competitors that now had to collaborate in order to achieve overall company goals, and few if any supervisors had been through any type of leadership training. The board of directors brought in an outsider, Maury Myers from Yellow Freight, to integrate all these acquisitions into a single company. As CEO, Maury’s first task was to create a common financial system so that all the company’s revenues and expenses could be consolidated into a single financial statement. And given the large number of acquired companies, this in itself was no small task. He also created a system that allowed supervisors and drivers to set goals and measure daily productivity and customer satisfaction rates and introduced other major organizational change initiatives to improve safety and vehicle maintenance, optimize vehicle use, and reduce operating expenses.

The results of these change initiatives have been nothing short of spectacular. Waste Management is now the industry leader in the waste industry, consisting of approximately 50,000 employees who create \$1.5 billion in profits on a \$12 billion annual revenue stream. Driver productivity, customer satisfaction, and driver safety have improved over 50 percent, and operating expenses have been dramatically reduced. Maury Myers retired from the CEO role in November 2004 and was replaced by David Steiner, the former CFO.

Since taking the reins at Waste Management David Steiner has focused on three critical initiatives, which include operational excellence, growth, and rebranding. In terms of operational excellence, the company has implemented a number of companywide initiatives to improve the safety and productivity of employees. Some of these include the Mission for Success Safety program, the Business Process Improvement initiative, and Waste Route, a route optimization program. These programs have helped Waste Management to become the best in the industry in terms of safety and worker productivity. The company is vigorously pursuing a number of organic growth opportunities to generate additional profits, such as capturing landfill gases to fuel garbage trucks, taking the lead in electronic recycling and disposal, placing power generating windmills at landfills, and developing new waste-to-energy power plants. In terms of rebranding, Waste Management has been repositioning itself with its “Think Green” television, radio, and magazine ads; the use of natural gas-powered trucks; and an aggressive landfill remediation program. It is looking at how it can play a lead role in sustainability because many companies, such as Walmart, have corporate goals of reducing store waste by 95 percent in the next five years. If these customers dramatically reduce their waste streams, what will Waste Management have to do to remain a good investment for shareholders? Although Waste Management has seen some dramatic changes over the past 10 years, waste stream reduction, alternative energy sources, and global warming may force Waste Management to undergo even more dramatic changes. What would you do if you were running a waste disposal company that made most of its money from landfills and the country adopted a strong sustainability mind-set?

Change in a Rural Community

HIGHLIGHT 14.2

There is no limit to what an organized group can do if it wants to.

George McLean, newspaper editor

Change does not just happen in organizations; it also occurs in communities. Whereas many suburbs are experiencing dramatic growth, most urban and rural communities are experiencing declines in population and business. Some rural communities are working hard to attract new businesses, such as ethanol plants, and build new schools or new community centers; others are organizing to prevent Walmart or other large retailers from building stores in their communities. One of the real success stories of how a community transformed itself is Tupelo, Mississippi. Tupelo is famous for being the birthplace of Elvis Presley; in 1940 it also had the distinction of being the county seat of the poorest county in the poorest state in the country. But Lee County now has a medical center with over 6,000 employees, boasts 18 *Fortune* 500 manufacturing plants, and has added 1,000 new manufacturing jobs in each of the past 13 years. Tupelo now has a symphony, an art museum, a theater group, an 8,000-seat coliseum, and an outstanding recreational program. Its public schools have won national academic honors, and its athletic programs have won several state championships.

So how was Tupelo able to transform itself from a poor to a vibrant rural community? The town had no natural advantages, such as a harbor or natural resources, which would give it a competitive advantage. It also had no interstate highways, and the closest metropolitan centers were over 100 miles away. The key to Tupelo's success was the ability of

the town's citizens to work together. More specifically, the citizens of Tupelo were able to (1) collaborate effectively in identifying the problems and needs of the community; (2) achieve a working consensus on goals and priorities; (3) agree on ways and means to implement goals and priorities; and (4) collaborate effectively in the agreed actions.

Tupelo's success started when local community members pooled resources to acquire a sire bull. The bull's offspring were used to start local ranches. Farmers shifted from planting cotton to growing crops needed to support the ranchers and local populace, and farming and ranching equipment distributors started up local operations. George McLean, the local newspaper publisher, kept the community focused on economic development and helped local entrepreneurs by subsidizing office and warehouse space. With various tax breaks and incentives from local bankers, furniture manufacturers started moving to town. A number of other businesses then sprang up to support the manufacturers, and community leaders made a concerted effort to expand and improve local health care and educational facilities to support the new workforce. Despite the successes to date, Tupelo is now facing even bigger challenges, as many of the local furniture manufacturers are being threatened by low-cost manufacturers in China. But if any community were to succeed in the face of challenge, it would likely be Tupelo. The community seems to have the leaders needed to help citizens fully understand these new challenges and what to do to meet them. What would you do to preserve jobs and attract new businesses if you were the mayor of Tupelo?

Source: V. L. Grisham Jr., *Tupelo: The Evolution of a Community* (Dayton, OH: Kettering Foundation Press, 1999).

organizational change that addresses many of the issues raised by the other authors. Beer's model also provides a road map for leadership practitioners wanting to implement an organizational change initiative, as well as a diagnostic tool for understanding why change initiatives fail. According to Beer,

$$C = D \times M \times P > R$$

We've long believed that when the rate of change inside an institution becomes slower than the rate of change outside, the end is in sight. The only question is when.

Jack Welch,
former CEO of
General Electric

The *D* in this formula represents followers' **dissatisfaction** with the current status quo. *M* symbolizes the **model** for change and includes the leader's vision of the future as well as the goals and systems that need to change to support the new vision. *P* represents **process**, which concerns developing and implementing a plan that articulates the who, what, when, where, and how of the change initiative. *R* stands for **resistance**; people resist change because they fear a loss of identity or social contacts, and good change plans address these sources of resistance. Finally the *C* corresponds to the **amount of change**. Notice that leaders can increase the amount of change by increasing the level of dissatisfaction, increasing the clarity of vision, developing a well-thought-out change plan, or decreasing the amount of resistance in followers. You should also note that the $D \times M \times P$ is a multiplicative function—increasing dissatisfaction but having no plan will result in little change. Likewise, if followers are content with the status quo, it may be difficult for leaders to get followers to change, no matter how compelling their vision or change plan may be. This model maintains that organizational change is a systematic process, and large-scale changes can take months if not years to implement.^{15,21,22} Leadership practitioners who understand the model should be able to do a better job developing change initiatives and diagnosing where their initiatives may be getting stuck. Because change is an important component of leadership, we will go into more detail about each of the components of Beer's model.

Dissatisfaction

Followers' level of satisfaction is an important ingredient in a leader's ability to drive change. Followers who are relatively content are not apt to change; malcontents are much more likely to do something to change the situation. Although employee satisfaction is an important outcome of leadership, leaders who want to change the status quo may need to take action to *decrease* employee satisfaction levels. Follower's emotions are the fuel for organizational change, and change often requires a considerable amount of fuel. The key for leadership practitioners is to increase dissatisfaction (*D*) to the point where followers are inclined to take action, but not so much that they decide to leave the organization. So what can leaders do to increase follower dissatisfaction levels? Probably the first step is to determine how satisfied followers are with the current situation. This information can be gleaned from employee satisfaction surveys, grievance records, customer complaints, or conversations with followers. To increase dissatisfaction, leaders can talk about potential competitive, technology, or legal threats or employee concerns about the status quo. They can also capitalize on or even create some type of financial or political crisis, compare benchmarks against other organizations, or substantially increase performance standards. All of these actions can potentially heighten followers' emotional levels; however, leaders must ensure that

The ultimate curse is to be a passenger on a large ship, to know that the ship is going to sink, to know precisely what to do to prevent it, and to realize that no one will listen.

Myron Tribus,
Massachusetts
Institute of
Technology

Constructive Dissatisfaction and Employee Engagement

HIGHLIGHT 14.3

As stated earlier, it may be difficult to drive organizational change if employees are happy with the status quo. And as described in Chapter 9, employees can have high levels of job satisfaction and low levels of job performance. The key ingredients in organizational change may be constructive dissatisfaction and employee engagement. **Constructive dissatisfaction** defines a state where followers are unhappy with their current situation and are willing to do something to change it. They are not so happy to be content with the status quo or so demoralized to think the situation is hopeless. Leaders implementing the rational approach to change want to create a state of constructive dissatisfaction in followers, where followers willingly suggest ideas and exert energy to change the status quo.

Another factor leaders need to be aware of when driving organizational change is **employee engagement**. Engaged employees are those who

- Exert high levels of effort that go beyond expectations.
- Persist with difficult tasks.
- Help others.
- Voice recommendations for improvement.
- Readily adapt to change.

A leader's ability to drive change will depend to a large extent on the degree to which he or she

manages a highly engaged workforce. Those who create teams of engaged employees are more likely to make organizational change happen; those who do not are likely to see their organizational change efforts fail. So what should leaders do to create engaged employees? Some of the key things leaders can do to engage followers is to have them do meaningful work, create work cultures where followers feel safe raising difficult issues with leaders, treat people fairly, and give them the training and resources needed to get work completed. Employee engagement is a huge buzzword in corporate America these days, but there is some uncertainty whether employee engagement (and the actions needed to create engaged employees) is really anything new. How do employee engagement and the key leadership behaviors relate to the material described in Chapters 7 and 9?

Sources: B. Schneider, W. H. Macey, K. M. Barbera, S. A. Young, and W. Lee, *Employee Engagement: Everything You Wanted to Know about Engagement but Were Afraid to Ask* (Rolling Meadows, IL: Valtera Corporation, 2006); W. H. Macey and B. Schneider, "The Meaning of Employee Engagement," *Industrial and Organizational Psychology: Perspectives on Science and Practice* 1, no. 1 (2008), pp. 3–30; J. K. Harter and F. L. Schmidt, "Conceptual versus Empirical Distinctions among Constructs: Implications for Discriminant Validity," *Industrial and Organizational Psychology: Perspectives on Science and Practice* 1, no. 1 (2008), pp. 36–39.

these emotions are channeled toward the leader's vision for the organization (see Highlight 14.3).

Model

There are four key components to the model (*M*) variable in the change formula, and these include environmental scanning, a vision, the setting of new goals to support the vision, and needed system changes. As discussed earlier, organizations are constantly bombarded with economic, technological, competitive, legal, and social challenges. Good leaders constantly scan the external environment to assess the seriousness of these threats. They are also adept at internal scanning; they understand where the organization is doing well and falling short. Thus keeping up to date

Without a compelling vision, there is no way for people who lose the most to reconcile their losses.

**Bill Mease, Mease
& Trudeau**

on current events, spending time reviewing organizational reports, and taking time to listen to followers' concerns are some techniques leaders use to conduct external and internal scans.^{2,8,11,12,15,22,26} This information in turn is used to formulate a vision for the change initiative. What would a new organization look like if it were to successfully counter the gravest external threats, take advantage of new market opportunities, and overcome organizational shortcomings? What would be the purpose of the new organization, and why would people want to work in it? A good vision statement should answer these questions. Fortunately a vision statement does not have to be a solo effort on the part of the leader. Often leaders will either solicit followers for ideas or work with a team of followers to craft a vision statement.^{8,15-17,27,28} Both of these actions can help to increase followers' commitment to the new vision.

Without a clear vision and an explicit set of goals, all decisions are based on politics.

Pete Ramstad, Toro

It is important to understand the difference between an organization's vision and goals. Just as ancient mariners used the stars to navigate, so should a vision provide guidance for an organization's actions. A vision helps an organization make choices about what it should and should not do, the kind of people it should hire and retain, the rules by which it should operate, and so on.^{10,20,27-29} But just as the stars were not the final destination for the mariners, a vision is not the final destination for an organization. An organization's goals are the equivalent of the mariners' final destination, and they should spell out specifically what the organization is trying to accomplish and when they will get done.^{2,8,19,26-29} Depending on the organization, these goals might concern market share, profitability, revenue or customer growth, quality, the implementation of new customer service or information technology systems, the number of patents awarded, school test scores, fund-raising targets, or the reduction of crime rates. Thus an organization's goals can be externally or internally focused or both, depending on the results of the environmental scan and the vision of the organization. Highlight 14.4 provides an example of a vision statement and organizational goals for a waste-to-energy power company. (This company burns trash to create electricity.)

After determining the organization's goals, the leader will need to determine which systems need to change for the organization to fulfill its vision and accomplish its goals. In other words, how do the marketing, sales, manufacturing, quality, human resource, shipping, accounting, or customer service systems need to change if the organization is to succeed? And does the current organizational structure or culture support or interfere with the new vision? Leaders wanting their organizational change initiatives to succeed will need to take a systems thinking approach after setting organizational goals.^{15,26,27,30} A **systems thinking approach** asks leaders to think about the organization as a set of interlocking systems, and explains how changes in one system can have intended and unintended consequences for other parts of the organization. For example, if a company wanted to grow market share and revenue, it might change the

An Example of a Vision Statement and Organizational Goals

HIGHLIGHT 14.4

Vision Statement

To be the industry leader in waste-to-energy operating companies.

Selected Organizational Goals

- Increase profitability growth from 5 to 8.5 percent.
- Hold maintenance and repair spending to 2011 levels.
- Maintain 92 percent boiler availability rate across all plants.
- Reduce unscheduled boiler downtime by 29 percent.

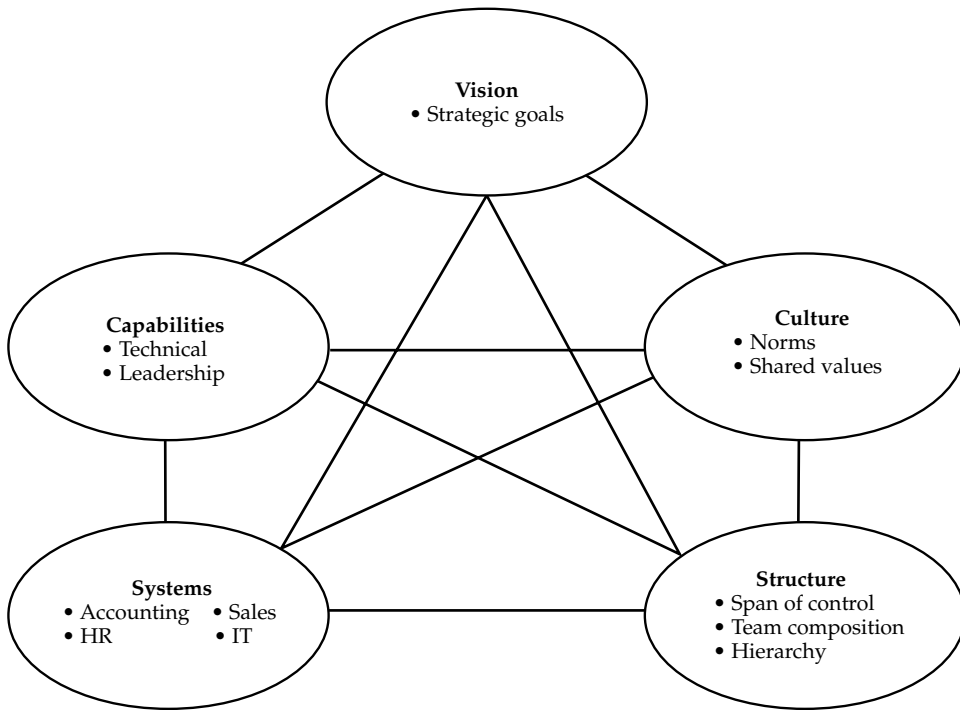
- Reduce accounting costs by 12 percent by centralizing the accounting function.
- Achieve zero recordables and zero lost time safety incidents across all plants.
- Implement a metals recovery system across all plants in order to boost recycle revenues by 26 percent.
- Win five new waste-to energy plant operating contracts in 2011.

Source: G. J. Curphy, *The Competitive Advantage Program for Wheelabrator Technologies Incorporated* (North Oaks, MN: Author, 2010).

compensation system to motivate salespeople to go after new customers. However, this approach could also cause a number of problems in the manufacturing, quality, shipping, accounting, and customer service departments. Leaders who anticipate these problems make all of the necessary systems changes to increase the odds of organizational success. Leaders may need to set goals and put action plans in place for each of these system changes. These actions can be contrasted to **siloed thinking**, where leaders act to optimize their part of the organization at the expense of suboptimizing the organization's overall effectiveness.^{15,26,27,30} For example, the vice president of sales could change the sales compensation plan if she believed her sole concern was annual revenues. This belief could be reinforced if her compensation was based primarily on hitting certain revenue targets. If she were a siloed thinker, she would also believe that profitability, quality, or customer service were not her concerns. However, this mode of thinking could ultimately lead to her downfall: quality and order fulfillment problems might cause customers to leave faster than new customers buy products.

Figure 14.1 is a graphic depiction of a systems model for leadership practitioners. All the components of this model interact with and affect all the other components of the model. Therefore, leaders changing organizational vision or goals will need to think through the commensurate changes in the organization's structure, culture, systems, and leader and follower capabilities. Similarly, changes in the information or hiring systems can affect the organization's capabilities, culture, structure, or ability to meet its goals. One of the keys to successful organizational

FIGURE 14.1
The Components of Organizational Alignment



change is ensuring that all components in Figure 14.1 are in alignment. A common mistake for many leaders is to change the organization's vision, structure, and systems and overlook the organization's culture and leader and follower capabilities. This makes sense in that it is relatively easy to create a new vision statement, organizational chart, or compensation plan. Leaders either discount the importance of organizational culture and capabilities, falsely believe they are easy to change, or believe they are a given because they are so difficult to change. It is possible to change the culture and capabilities of an organization, but it takes considerable time and focused effort. Unfortunately about 70 percent of change initiatives fail, and the underlying cause for many of these failures is the leader's inability or unwillingness to address these culture and capabilities issues.^{5-8,11,22,23,27,31-35}

Process

At this point in the change process, the leader may have taken certain steps to increase follower dissatisfaction. She may also have worked with followers to craft a new vision statement, set new team or organizational goals, and determined what organizational systems, capabilities, or

Organizational change initiatives will only succeed when the changes are specified down to the individual employee level. Employees need to understand which old attitudes and behaviors are to be discarded and which new ones are to be acquired.

**Jerry Jellison,
University of
Southern California**

structures need to change. In many ways, the *D* and *M* components of the change model are the easiest for leadership practitioners to alter. The process (*P*) component of the change model is where the change initiative becomes tangible and actionable because it consists of the development and execution of the **change plan**.^{8,12,27,33,36} Good change plans outline the sequence of events, key deliverables, timelines, responsible parties, metrics, and feedback mechanisms needed to achieve the new organizational goals. They may also include the steps needed to increase dissatisfaction and deal with anticipated resistance, an outline of training and resource needs, and a comprehensive communication plan to keep all relevant parties informed.

Depending on the depth and breadth of change, change plans can be detailed and complicated. For example, the waste-to-energy company described earlier could no longer do what it had always done if it were to reach its goals outlined in Highlight 14.3. The company needed new behaviors, metrics, and feedback systems to achieve these goals. The company's change plan was quite extensive and consisted of an overall plan for the company as well as plant-specific goals and change plans. Each of these plans outlined the action steps, responsible parties, metrics, and due dates; progress against the plans was regularly reviewed in monthly plant business and operational reviews. The goals and change plans were constantly adjusted in these meetings to take into account unforeseen barriers, sooner-than-expected progress, and so on.

Of course the plan itself is only a road map for change. Change will occur only when the action steps outlined in the plan are actually carried out. This is another area where leadership practitioners can run into trouble. One of the reasons why CEOs fail is an inability to execute, and this is also one of the reasons why first-line supervisors through executives derail.^{36–39} Perhaps the best way to get followers committed to a change plan is to have them create it. This way followers become early adopters and know what, why, when, where, who, and how things are to be done. Nevertheless, many times it is impossible for all the followers affected by the change to be involved with plan creation. In these cases follower commitment can be increased if the new expectations for behavior and performance are explicit, the personal benefits of the change initiative are made clear, and followers already have a strong and trusting relationship with their leader.^{8,15,28} Even after taking all of these steps, leadership practitioners will still need to spend considerable time regularly reviewing progress and holding people accountable for their roles and responsibilities in the change plan. Followers face competing demands for time and effort, and a lack of follow-through will cause many followers to drop the change initiative off of their radar screens. Leaders should also anticipate shifts in followership types once the change plan is implemented. Self-starters may shift to become criticizers, brown-nosers to slackers, or slackers to criticizers. Leaders who address these shifts in types and inappropriate

Joel Klein

PROFILES IN LEADERSHIP 14.1

The comment that best summarized the situation as I moved into the chancellor's role was when somebody told me that the Department of Education was there not to serve the kids, but to serve the employees.

Joel Klein, Chancellor, New York City Department of Education

Prior to becoming the chancellor of the Department of Education in New York City, Joel Klein was the head of the Antitrust Division in the Department of Justice during the Clinton administration and played the role of lead prosecutor during the Microsoft antitrust case. Klein received his BA from Columbia University and his law degree from Harvard. After graduating from Harvard, Klein worked as a clerk for U.S. Supreme Court Justice Lewis Powell and then went into private practice and specialized in appellate cases. Immediately prior to the chancellor position, he was the general counsel for Bertelsmann.

Upon getting elected as the mayor of New York City, Michael Bloomberg determined that upgrading the public education system was his number one priority. The department was spending approximately \$15 billion a year to educate over 1.1 million students, yet only 48 percent were graduating from high school. Because the department was spending nearly twice as much per pupil than other school districts but achieving much lower graduation rates, Bloomberg determined that giving the department more money would not improve results. Bloomberg needed someone who could change the way education was delivered by the department and asked Joel Klein to be the lead change agent for the department.

Upon assuming the chancellor position, Klein noted that the Department of Education was subdivided into different school districts, with each district having its own school board, administration, teachers, and students. The school districts were run autonomously and had dramatically different educational goals and curriculums. However, internal politics, favoritism, poor district–community relationships, and a lack of results and accountability seemed to permeate all the districts. One of the first things Klein did was to eliminate the school districts

and their boards and create one consolidated board for the Department of Education. The next thing Klein did was to create common reading, writing, and math educational standards and curriculum across all 1,400 schools in the department. Needless to say, these changes caused a considerable amount of conflict within the department and became grist for the New York City media. But as dramatic and unpopular as these changes were, they were nothing compared to what Klein did next.

The next major change Klein introduced was to create charter schools. These schools were often located within an existing school, but students had to achieve set educational goals and adhere to strict behavioral standards. Teachers and administrators were freed from many of the rules and regulations governing education but had to achieve specific educational goals. Students, teachers, and administrators were held accountable to these goals and standards and would be dismissed from the charter school if they failed to achieve results. Due to the popularity of the program the department now has over 400 charter schools. This program was even more unpopular than those earlier changes, with much of the resistance coming from the 80,000 members of the United Federation of Teachers. The department had 3,000 teachers whom no one wanted, but because of seniority rules many young and motivated teachers were bumped to make room for older and unmotivated teachers. The charter school system eliminated the seniority system, and the United Federation of Teachers generated a lot of negative publicity to kill the charter school concept. Despite this negative publicity from the teachers' union, the charter schools have continued to deliver superior results and the public remains firmly behind this approach to education.

What would you do to improve the quality of primary and secondary education in your area? What steps would you need to take? Who would be the key stakeholders? How would you overcome resistance to change?

Sources: J. Alter, "Stop Pandering on Education," *Newsweek*, February 12, 2007; G. J. Curphy, *Team 100 Leadership Program for the New York City Department of Education* (North Oaks, MN: Author, 2005); http://en.wikipedia.org/wiki/Joel_Klein.

follower behaviors in a swift and consistent manner are more likely to succeed with their change initiatives.

Resistance

Why would followership styles shift as a result of a change initiative? One reason is that it may take some time before the benefits of change are realized. Leaders, followers, and other stakeholders often assume that performance, productivity, or customer service will immediately improve upon the acquisition of new equipment, systems, behaviors, and so on. However, there is often a temporary drop in performance or productivity as followers learn new systems and skills. This difference between initial expectations and reality is called the **expectation–performance gap** and can be the source of considerable frustration (see Figure 14.2). If not managed properly, it can spark resistance (*R*), causing followers to revert back to old behaviors and systems to get things done. Leaders can help followers deal with their frustration by setting realistic expectations, demonstrating a high degree of patience, and ensuring that followers gain proficiency with the new systems and skills as quickly as possible. Good change plans address the expectation–performance gap by building in training and coaching programs to improve follower skill levels.^{27,28,39}

Another reason why followers might resist change is a fear of loss.^{3–5,8–10, 21,23,27,33,34,40} Because of the change, followers are afraid of losing power, close relationships with others, valued rewards, and their sense of identity or, on the other hand, being seen as incompetent. According to Beer,²¹ the fear of

In terms of barriers to change, there is not a single rural community that wouldn't benefit from a few timely deaths.

Jim Krile,
community
researcher

Everybody resists change, particularly those who have to change the most.

James O'Toole,
Aspen Institute

FIGURE 14.2
The Expectation–
Performance Gap

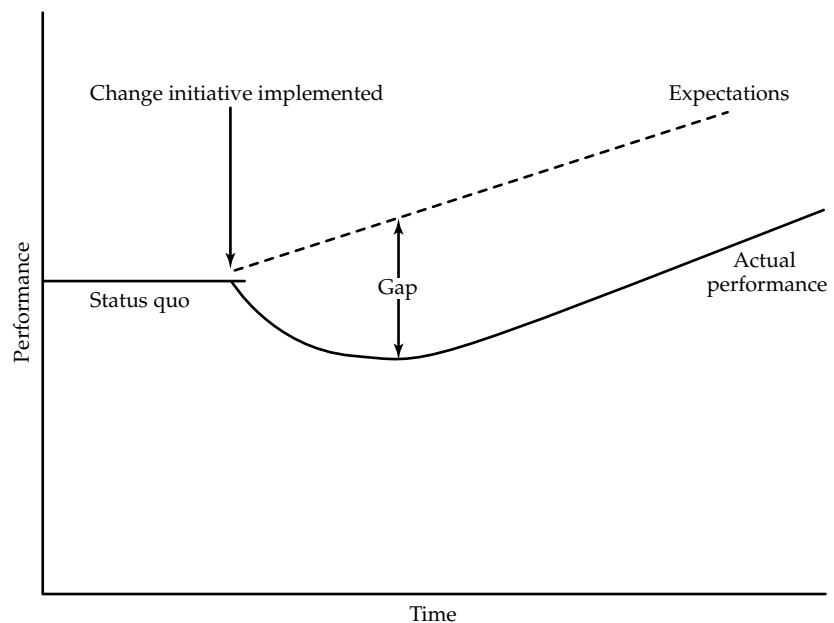


TABLE 14.1
Common Losses
with Change

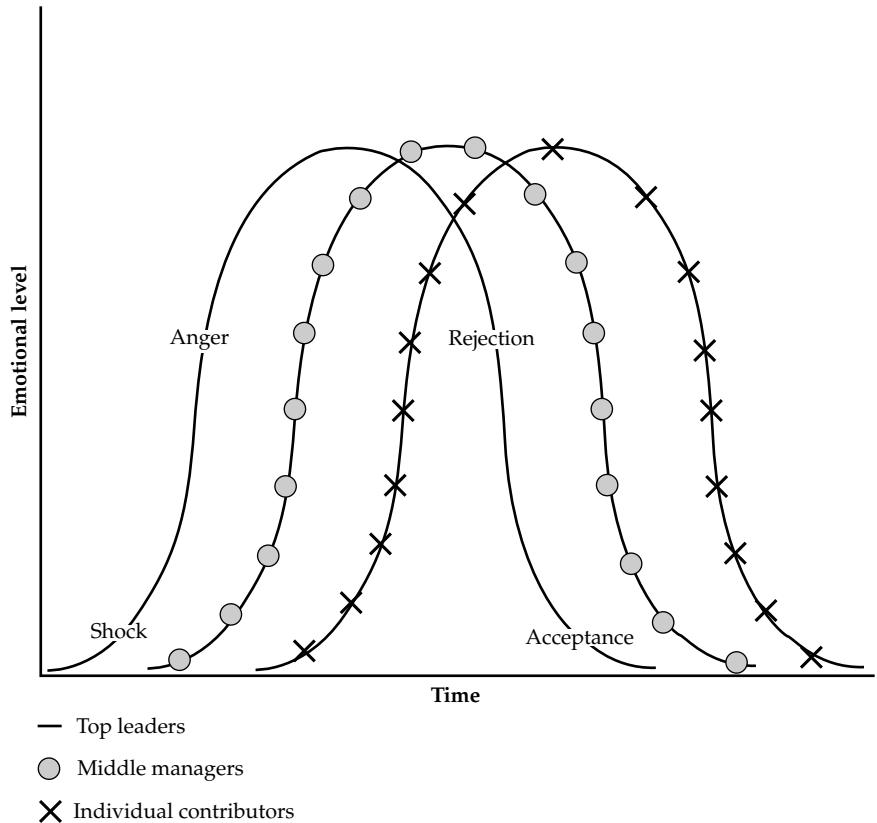
Source: M. Beer, *Leading Change* (Boston: Harvard Business School Press, 1988). Reprinted by permission of Harvard Business School Publishing. Copyright © 1988 by the Harvard Business School Publishing Corporation, all rights reserved.

Loss of	Possible Leader Actions
Power	Demonstrate empathy, good listening skills, and new ways to build power.
Competence	Coaching, mentoring, training, peer coaching, job aids, and so forth.
Relationships	Help employees build new relationships before change occurs or soon thereafter.
Rewards	Design and implement new reward system to support change initiative.
Identity	Demonstrate empathy; emphasize value of new roles.

loss is a predictable and legitimate response to any change initiative, and some of a leader's responses to these fears can be found in Table 14.1. Change initiatives are more likely to be successfully adopted if their change plans identify and address potential areas of resistance. People also seem to go through some predictable reactions when confronted with change. An example might help to clarify the typical stages people go through when coping with change. Suppose you were working for a large company that needed to lay off 30 percent of the workforce due to a slowdown in the economy and declining profits. If you were one of the people asked to leave, your first reaction might be shock or surprise. You might not have been aware that market conditions were so poor or that you would be among those affected by the layoff. Next you would go through an anger stage. You might be angry that you had dedicated many long evenings and weekends to the company and now the company no longer wanted your services. After anger would come the rejection stage. In this stage you would start to question whether the company really knew what it was doing by letting you go and perhaps rationalize that they would probably be calling you back. In the final stage, acceptance, you would realize that the company might not ask you back, and you would start to explore other career options. These four reactions to change—shock, anger, rejection, and acceptance—make up what is known as the **SARA model**.⁴¹ Most people go through these four stages whenever they get passed over for a promotion, receive negative feedback on a 360-degree report, get criticized by their boss, or the like.

But what should a leadership practitioner do with the SARA model? Perhaps the first step is to simply recognize the four reactions to change. Second, leaders need to understand that individual followers can take more or less time to work through the four stages. Leaders can, however, accelerate the pace in which followers work through the four stages by maintaining an open door policy, demonstrating empathy, and listening to concerns. Third, it is important to note that people are not likely to take any positive action toward a change initiative until they reach the acceptance stage. This does not mean they are happy with the change—only

FIGURE 14.3
Reactions to Change



*Commitment is nice,
but doses of compliance
may be necessary.*

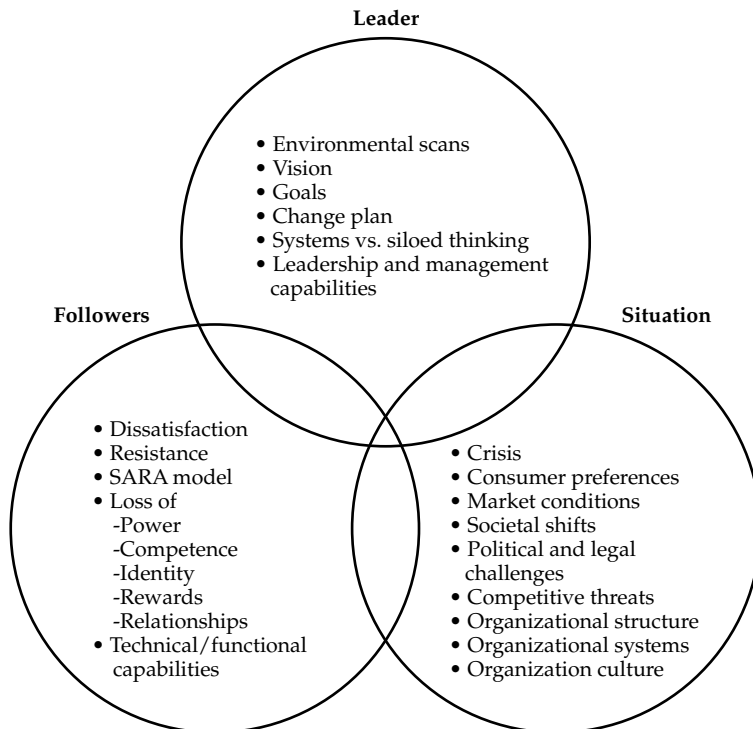
Michael Beer,
Harvard Business
School

that they accept the inevitability of the change. Fourth, leaders also need to understand that where people are in the SARA model often varies according to organization level. Usually the first people to realize that a change initiative needs to be implemented are the organization's top leaders. Like everyone else, they go through the four stages, but they are the first to do so. The next people to hear the news are middle managers, followed by first-line supervisors and individual contributors. These three groups also go through the emotional stages of the SARA model but do so at different times. These differences in emotional reactions by organizational level are depicted in Figure 14.3. What is interesting in Figure 14.3 is that just when top executives have reached the acceptance stage, first-line supervisors and individual contributors are in the anger or rejection stages. By this time top leaders are ready to get on with the implementation of the change initiative and may not understand why the rest of the organization is still struggling. Because they are already at the acceptance stage, top leaders may fail to demonstrate empathy and listening skills, and this may be another reason for the depressed performance depicted in Figure 14.2.

Concluding Comments about the Rational Approach to Organizational Change

The situational, follower, and leader components of the rational approach to organizational change are shown in Figure 14.4. Although organizational vision, goals, and change plans are often a collaborative effort between the leader and followers, they are the primary responsibility of the leader. Leaders also need to think about the importance of critical mass for driving change.^{8,15,27,29,35} They may be more successful by initially focusing their change efforts on early adopters and those on the fence rather than on those followers who are the most adamant about maintaining the status quo. Once a critical mass is reached, the adopters can exert peer pressure on followers who are reluctant to change.^{8,22,27,29} This approach also maintains that the leader needs both good leadership and good management skills if a change initiative is to succeed over the long term. Leadership skills are important for determining a new vision for the organization, increasing dissatisfaction, coaching followers on how to do things differently, and overcoming resistance. Management skills are important when setting new goals and creating, implementing, and reviewing progress on change plans. Both sets of skills not only are important components in organizational change but also may play a key role in determining

FIGURE 14.4
The Rational Approach to Organization Change and the Interactional Framework



whether a new company will succeed or fail. Because of their strong leadership skills, entrepreneurs are often good at starting up new organizations. Many of these individuals can get people excited about their vision for the new company. However, if entrepreneurs fail to possess or appreciate the importance of management skills, they may not create the systems, policies, and procedures necessary to keep track of shifting consumer preferences, revenues, customer satisfaction, quality, and costs. As a result, these individuals may not have the information they need to make good operational and financial decisions, and their companies eventually file for bankruptcy. On the other hand, it is hard to see how planning and execution skills alone will result in the formation of a new company or drive organizational change. It is almost impossible to start up a new company—or for an organization to successfully change—if the person in charge does not have a compelling vision or fails to motivate others to do something different. Many of the other reasons why organizational change initiatives fail have their roots in underdeveloped leadership or management skills.^{11,37}

Although both sets of skills are important, leadership practitioners should recognize that there is a natural tension between leadership and management skills. In many ways management skills help to maintain the status quo; they help to ensure consistency in behaviors and results. Leadership skills are often used to change the status quo; they help to change the purpose and processes by which an organization gets things done. Leaders who overuse or overemphasize either set of skills are likely to suboptimize team or organizational performance. Nonetheless, two leadership and management skills seem vitally important to driving change and are worth discussing in more detail. **Adaptive leadership** involves behaviors associated with being able to successfully flex and adjust to changing situations. Change, challenge, and adversity seem to be part of most organizations today, and the most effective leaders are those who readily adapt their leadership styles to changing situational demands.^{42,43} And because of the constant bombardment of change, learning agility also seems to play a vital role in leadership effectiveness. **Learning agility** is the capability and willingness to learn from experience and apply these lessons to new situations.⁴⁴ The most effective leaders are those with high levels of learning agility and adaptability—not only do they know how to build teams and get results through others in changing situations, but also they can flex and adjust their behavior as needed to adapt to situational demands. The first part of this chapter was designed to help leadership practitioners better understand when to use leadership and management skills in the change process, and education and experience can help leadership practitioners improve both sets of skills.

Finally, it is worth noting that the rational approach gives leaders a systematic process for driving change and increasing understanding of why change initiatives succeed or fail in their respective organizations. Leadership practitioners can use the $C = D \times M \times P > R$ model as a road map for

A Tool for Understanding Rational Change: Force Field Analysis

HIGHLIGHT 14.5

If you really want to understand something, then try to change it.

Kurt Lewin, researcher

Force field analysis (FFA) is a tool that can be used to gain a better understanding of organiza-

tional change. FFA uses vectors to graphically depict the driving forces and the barriers to an organizational change. Stronger forces and barriers are represented by larger vectors; weaker forces and barriers are represented by smaller vectors. Here is an example of an FFA for a rural school district trying to improve third grade student achievement test scores in math:

Drivers	Barriers
Compelling Vision —————→	←———— Budget Reductions
SMART Goals —————→	←———— Poor Math Curriculum
Board Support —————→	←———— Lack of Parental Involvement
Teacher Buy-In —————→	←———— Reduced Number of Teachers
Open Enrollment —————→	←———— Increased Class Size
Published Test Results —————→	←———— No Mentor Program
	←———— Current State

The first step in an FFA is to graphically depict the current state as shown here. In many cases the drivers and barriers to change in the current state should more or less balance out because they represent the current status quo. The second step in an FFA is to formulate strategies to increase the drivers or reduce the barriers to organizational change. (Leaders will often get better results if they focus on reducing barriers rather than increasing the number or size of the drivers for change.) The third and final step in an FFA is to create and implement

change plans that outline the steps, accountable parties, and timelines for increasing drivers and reducing the barriers to change.

Use an FFA to depict a change initiative going on at your school or in the local community. What would you recommend doing to drive change based on your FFA?

Source: K. Lewin, "Field Theory and Experiment in Social Psychology: Concepts and Methods," *American Journal of Sociology* 44 (1939) pp. 868–96.

creating a new vision and goals, changing the products and services their organizations provide, or changing the IT, financial, operations, maintenance, or compensation systems used to support organizational goals. Likewise, leadership practitioners can also use this model to diagnose where their change initiatives have fallen short—perhaps followers were reasonably satisfied with the status quo or did not buy into the new vision and goals, critical systems changes were not adequately identified, or change plans were incomplete or improperly implemented. Given the explanatory power of the model, the rational approach to change gives leaders a useful heuristic for driving organizational and community change.

The Emotional Approach to Organizational Change: Charismatic and Transformational Leadership

The world of the 1990s and beyond will not belong to “managers” or those who can make numbers dance. The world will belong to passionate, driven leaders—people who not only have enormous amounts of energy but can energize those they lead.

**Jack Welch,
former CEO of
General Electric**

Although the rational approach provides a straightforward model for organizational change, it seems that many large-scale political, societal, or organizational changes were not this formulaic. For example, it is doubtful that Jesus Christ, Muhammad, Joan of Arc, Vladimir Lenin, Adolf Hitler, Mahatma Gandhi, Mao Zedong, Martin Luther King Jr., the Ayatollah Khomeini, Nelson Mandela, Fidel Castro, Hugo Chávez, or Osama bin Laden followed some change formula or plan, yet these individuals were able to fundamentally change their respective societies. Although these leaders differ in a number of important ways, one distinct characteristic they all share is charisma. Charismatic leaders are passionate, driven individuals who can paint a compelling vision of the future. Through this vision they can generate high levels of excitement among followers and build particularly strong emotional attachments with them. The combination of a compelling vision, heightened emotional levels, and strong personal attachments often compels followers to put forth greater effort to meet organizational or societal challenges. The enthusiasm and passion generated by charismatic leaders seems to be a dual-edged sword, however. Some charismatic movements can result in positive and relatively peaceful organizational or societal changes; some examples might include the Falun Gong movement in China, Al Gore and the global warming awareness movement, and Louis Farrakhan’s Million Man March. On the downside, when this passion is used for selfish or personal gains, history mournfully suggests it can have an equally devastating effect on society. Examples here might include David Koresh of Waco, Texas, Adolf Hitler, the Serbian leader Slobodan Milosevic, or Zimbabwe President Robert Mugabe.

What is it about charismatic leadership that causes followers to get so excited about future possibilities that they may willingly give up their lives for a cause? Even though many people conjure up images of charismatic individuals when thinking about leadership, the systematic investigation of charismatic leadership is relatively recent. The remainder of this chapter begins with a historical review of the research on charismatic leadership and the leader–follower–situation components of charismatic leadership. We will then review the most popular conceptualization of charisma: Bass’s theory of transformational and transactional leadership. We conclude this chapter by comparing and contrasting the rational and emotional approaches to organizational change.

Charismatic Leadership: A Historical Review

Prior to the mid-1970s charismatic leadership was studied primarily by historians, political scientists, and sociologists. Of this early research,

Nelson Mandela

PROFILES IN LEADERSHIP 14.2

South Africa was ruled by a white minority government for much of the past 200 years. Although blacks made up over 75 percent of the populace, whites owned most of the property, ran most of the businesses, and controlled virtually all the country's resources. Moreover, blacks did not have the right to vote and often worked under horrible conditions for little or no wages. Seeing the frustration of his people, Nelson Mandela spent 50 years working to overturn white minority rule. He started by organizing the African National Congress, a nonviolent organization that protested white rule through work stoppages, strikes, and riots. Several whites were killed in the early riots, and in 1960 the police killed or injured over 250 blacks in Sharpeville. Unrest over the Sharpeville incident caused 95 percent of the black workforce to go on strike for two weeks, and the country declared a state of emergency. Mandela then orchestrated acts of sabotage to further pressure the South African government to change. The organization targeted installations and took special care to ensure that no lives were lost in

the bombing campaign. Mandela was arrested in 1962 and spent the next 27 years in prison. While in prison he continued to promote civil unrest and majority rule, and his cause eventually gained international recognition. He was offered but turned down a conditional release from prison in 1985. After enormous international and internal pressure, South African President F. W. de Klerk "unbanned" the ANC and unconditionally released Nelson Mandela from prison. Nonetheless South Africa remained in turmoil, and in 1992 4 million workers went on strike to protest white rule. Because of this pressure, Mandela forced de Klerk to sign a document outlining multiparty elections. Mandela won the 1994 national election and was the first democratically elected leader of the country.

Do you think Nelson Mandela is a charismatic leader? Why or why not?

Sources: M. Fatima, *Higher Than Hope: The Authorized Biography of Nelson Mandela* (New York: Harper & Row, 1990); S. Clark, *Nelson Mandela Speaks: Forming a Democratic, Nonracist South Africa* (New York: Pathfinder Press, 1993).

An institution is the lengthened shadow of one man.

Ralph Waldo Emerson, writer

Max Weber arguably wrote the single most important work. Weber was a sociologist interested primarily in how authority and religious and economic forces affected societies over time. Weber maintained that societies could be categorized into one of three types of authority systems: traditional, legal-rational, and charismatic.⁴⁵

In the **traditional authority system**, the traditions or unwritten laws of the society dictate who has authority and how this authority can be used. The transfer of authority in such systems is based on traditions such as passing power to the first-born son of a king after the king dies. Historical examples would include the monarchies of England from the 1400s to 1600s or the dynasties of China from 3000 BC to the 1700s. Some modern examples of the traditional authority system include Saudi Arabia, Kuwait, Syria, North Korea, Brunei, and Libya. But these examples should not be limited to countries—many of the CEOs in privately held companies or publicly traded companies that are controlled by a majority shareholder are often the children or relatives of the previous CEO. Examples include Ford, Marriott, Anheuser-Busch, Cargill, Marriott Hotels, Amway, and Carlson Companies (owners of T.G.I. Friday's restaurants and Radisson Hotels).

In the **legal-rational authority system** a person possesses authority not because of tradition or birthright but because of the laws that govern the position occupied. For example, elected officials and most leaders in nonprofit or publicly traded companies are authorized to take certain actions because of the positions they occupy. The power is in the position itself rather than in the person who occupies the position. Thus Hillary Clinton can take certain actions not because of whom she is or is related to but because of her role as U.S. Secretary of State.

These two authority systems can be contrasted to the **charismatic authority system**, in which people derive authority because of their exemplary characteristics. Charismatic leaders are thought to possess superhuman qualities or powers of divine origin that set them apart from ordinary mortals. The locus of authority in this system rests with the individual possessing these unusual qualities; it is not derived from birthright or laws. According to Weber, charismatic leaders come from the margins of society and emerge as leaders in times of great social crisis. These leaders focus society both on the problems it faces and on the revolutionary solutions proposed by the leader. Thus charismatic authority systems are usually the result of a revolution against the traditional and legal-rational authority systems. Examples of these revolutions might be the overthrow of the Shah of Iran by the Ayatollah Khomeini, the ousting of the British in India by Mahatma Gandhi, the success of Martin Luther King Jr. in changing the civil rights laws in the United States, or the economic and social change movements led by Hugo Chavez in Venezuela. Unlike traditional or legal-rational authority systems, charismatic authority systems tend to be short-lived. Charismatic leaders must project an image of success in order for followers to believe they possess superhuman qualities; any failures will cause followers to question the divine qualities of the leader and in turn erode the leader's authority.

A number of historians, political scientists, and sociologists have commented on various aspects of Weber's conceptualization of charismatic authority systems. Of all these comments, however, probably the biggest controversy surrounding Weber's theory concerns the locus of charismatic leadership. Is charisma primarily the result of the situation or social context facing the leader, the leader's extraordinary qualities, or the strong relationships between charismatic leaders and followers? A number of authors have argued that charismatic movements could not take place unless the society was in a crisis.⁴⁶⁻⁴⁸ Along these lines, Friedland, Gerth and Mills, and Kanter have argued that before a leader with extraordinary qualities would be perceived as charismatic, the social situation must be such that followers recognize the relevance of the leader's qualities.⁴⁹⁻⁵¹ Others have argued that charismatic leadership is primarily a function of the leader's extraordinary qualities, not the situation. These qualities include having extraordinary powers of vision, the rhetorical skills to communicate this vision, a sense of mission, high self-confidence and intelligence, and setting high expectations for followers.^{52,53} Finally,

Kleptocracies and Authority Systems

HIGHLIGHT 14.6

The difference between a kleptocrat and a wise statesman, between a robber baron and a benefactor, is merely one of degree.

Jared Diamond, researcher

In the book *Guns, Germs, and Steel* author Jared Diamond describes the historic, geographic, climatic, technologic, demographic, and economic factors that have caused human societies to emerge, thrive, or disappear. One phenomenon that appears across many groups as they grow to 100 or so people is the emergence of some form of government. Sometimes this government is based on the power of a family (traditional authority); other times it is more formalized (legal-rational authority); and at times it is based on a single leader (charismatic authority). Governments emerge because groups this size begin to recognize that they can solve common problems, such as finding food and shelter and defending against enemies by pooling resources rather than working as individuals. Thus members of the group give up certain liberties and resources but gain services they could ill afford on their own. Some people perceive this exchange to be relatively fair; the services they receive seem to offset their costs in terms of taxes, food, and so on. But at other times these governments appear to be nothing more than kleptocracies—people pay large tributes to a small group of people at the top but get little in return. Kleptoc-

racies can be found in traditional authority systems; what do British citizens get in return for paying taxes to support having a queen? Kleptocracies can also be found in legal-rational systems; the collapse of the financial services and automobile industries in 2008–2009 are examples of executives ripping off customers, employees, and shareholders. Charismatic leaders can also head up kleptocracies. At one time Robert Mugabe was seen as a charismatic leader by many of his citizens, but with his \$2 million birthday party, poverty rates at an all-time high, and inflation hovering at 8,000 percent per year, it seems that most citizens of Zimbabwe are not enjoying the same fruits of success.

Because charismatic leaders are more likely to emerge in a crisis, they may be more likely to appear when citizens believe their fees, taxes, goods, cattle, or people payments are misaligned with the benefits they are getting by keeping their government in place. This is precisely what happened when Mao, Lenin, and Castro led their communist revolutions in China, Russia, and Cuba. More recently this same phenomenon has allowed charismatic leaders to be elected into the presidential suites in Venezuela and Ecuador. And the (un)fairness of the tax versus service exchange is often used by politicians in the United States to gain votes and get elected into office.

Is your current government a kleptocracy? Why or why not? What information would you use to justify your answer?

Source: J. Diamond, *Guns, Germs, and Steel: The Fates of Human Societies* (New York: W.W. Norton, 1999).

several authors have argued that the litmus test for charismatic leadership does not depend on the leader's qualities or the presence of a crisis, but rather on followers' reactions to their leader. According to this argument, charisma is attributed only to those leaders who can develop particularly strong emotional attachments with followers.⁵⁴⁻⁵⁸

The debate surrounding charismatic leadership shifted dramatically with the publication of James MacGregor Burns's *Leadership*. Burns was a prominent political scientist who had spent a career studying leadership in the national political arena. He believed that leadership could take one of two forms. **Transactional leadership** occurred when leaders and

followers were in some type of exchange relationship to get needs met. The exchange could be economic, political, or psychological, and examples might include exchanging money for work, votes for political favors, loyalty for consideration, and so forth. Transactional leadership is common but tends to be transitory in that there may be no enduring purpose to hold parties together once a transaction is made. Burns also noted that while this type of leadership could be quite effective, it did not result in organizational or societal change and instead tended to perpetuate and legitimize the status quo.¹⁴

The second form of leadership is **transformational leadership**, which changes the status quo by appealing to followers' values and their sense of higher purpose. Transformational leaders articulate the problems in the current system and have a compelling vision of what a new society or organization could be. This new vision of society is intimately linked to the values of both the leader and the followers; it represents an ideal that is congruent with their value systems. According to Burns, transformational leadership is ultimately a moral exercise in that it raises the standard of human conduct. This implies that the acid test for transformational leadership might be the answer to the question "Do the changes advocated by the leader advance or hinder the development of the organization or society?" Transformational leaders are also adept at **reframing** issues; they point out how the problems or issues facing followers can be resolved if they fulfill the leader's vision of the future. These leaders also teach followers how to become leaders in their own right and incite them to play active roles in the change movement (see Profiles in Leadership 14.1–14.5).

All transformational leaders are charismatic, but not all charismatic leaders are transformational. Transformational leaders are charismatic because they can articulate a compelling vision of the future and form strong emotional attachments with followers. However, this vision and these relationships are aligned with followers' value systems and help them get their needs met. Charismatic leaders who are *not* transformational can convey a vision and form strong emotional bonds with followers, but they do so to get their own (that is, the leader's) needs met. Both charismatic and transformational leaders strive for organizational or societal change; the difference is whether the changes are for the benefit of the leader or the followers. Finally, transformational leaders are always controversial. Charismatic leadership almost inherently raises conflicts over values or definitions of the social good. Controversy also arises because the people with the most to lose in any existing system will put up the most resistance to a transformational change initiative. The emotional levels of those resisting the transformational leadership movement are often just as great as those who embrace it, and this may be the underlying cause for the violent ends to Martin Luther King Jr., John F. Kennedy, Mahatma Gandhi, Joan of Arc, and Jesus Christ. Burns stated that transformational leadership always involves conflict and change, and transformational leaders must be willing to embrace conflict,

make enemies, exhibit a high level of self-sacrifice, and be thick-skinned and focused to perpetuate their cause (see Profiles in Leadership 14.3).⁵⁹⁻⁶⁵

Leadership researchers Gary Yukl, Jerry Hunt, and Jay Conger have all maintained that the publication of *Leadership* played a key role in renewing interest in the topic of leadership.⁶⁶⁻⁶⁸ As a result, research over the past 35 years has explored cross-cultural, gender, succession, leader, follower, situational, and performance issues in charismatic or transformational leadership. From these efforts we now know that charismatic or transformational leadership is both common and rare. It is common because it can occur in almost every social stratum across every culture. For example, a high school student leader in France, a military cadet leader at the U.S. Naval Academy, a Kenyan community leader, an Indonesian hospital leader, or a Russian business executive could all be perceived as charismatic or transformational leaders. But it is also rare because most people in positions of authority are not perceived to be charismatic or transformational leaders. We also know that females such as Sarah Palin, Carly Fiorina, or Oprah Winfrey tend to be perceived as more charismatic than their male counterparts and that transformational leadership results in higher group performance than transactional leadership.⁶⁹⁻⁸⁸ Although charismatic or transformational leadership often results in large-scale organizational change and higher organizational performance, there is little evidence that these changes remain permanent in organizational settings after the leader moves on.^{89,90} In addition, some researchers have found that charismatic or transformational leaders did not result in higher organizational performance, but they did earn higher paychecks for themselves.^{89,91-93} In other words, these leaders were good at garnering attention, hogging credit, and changing their respective organizations, but many of these changes did not result in higher organizational performance.

As a result of this research, we also have three newer theories of charismatic or transformational leadership. Conger and Kanungo used a stage model to differentiate charismatic from noncharismatic leaders. Charismatic leaders begin by thoroughly assessing the current situation and pinpointing problems with the status quo. They then articulate a vision that represents a change from the status quo. This vision represents a challenge and is a motivating force for change for followers. The vision must be articulated in a way that increases dissatisfaction with the status quo and compels followers to take action. In the final stage, leaders build trust in their vision and goals by personal example, risk taking, and their total commitment to the vision.⁹⁴ The theory developed by House and his colleagues describes how charismatic leaders achieve higher performance by changing followers' self-concepts. Charismatic leaders are believed to motivate followers by changing their perceptions of work itself, offering an appealing vision of the future, developing a collective identity among followers, and increasing their confidence in getting the job done.⁹⁵⁻⁹⁷ Avolio and Bass's theory of transformational and transactional leadership is essentially an extension of Burns's theory. Unlike Burns, who viewed transactional and

Osama bin Laden

PROFILES IN LEADERSHIP 14.3

Osama bin Laden is a member of the prestigious bin Laden family in Saudi Arabia and is the founder of al-Qaeda. Bin Laden was born in Riyadh, Saudi Arabia, and was brought up as a devout Sunni Muslim. He attended the Al-Thager Model School in Jeddah, “the school of the elite,” and was exposed to many teachings of the Muslim Brotherhood while growing up. He attended university after his secondary schooling, but it is uncertain what he majored in or whether he obtained a degree. At the age of 17 he married his first wife and reportedly has had up to four wives and fathered anywhere between 12 and 24 children. In person he is said to be soft-spoken, charming, respectful, and polite. He appears to live a life of discipline, simplicity, and self-sacrifice, preferring that his wealth be used to benefit al-Qaeda rather than improve his personal lifestyle.

Bin Laden first engaged in militant activities in the late 1970s, when he moved to Pakistan to help the mujahedeen fight a guerilla war to oust the Soviet Union from Afghanistan. His family connections and wealth helped to fund many of the mujahedeen’s efforts over the next 10 years. Some of his money and arms may have come from the Central Intelligence Agency: the United States also wanted to get the Soviet Union out of Afghanistan.

After Iraq invaded Kuwait in 1990, bin Laden offered to protect Saudi Arabia with 12,000 armed men, but his offer was rebuffed by the Saudi royal family. Shortly thereafter bin Laden publicly denounced the presence of coalition troops (“infidels”) on Saudi soil and wanted all U.S. bases on the Arab peninsula to be closed. He eventually left Saudi Arabia to take up residence in Sudan, where he established a new base for mujahedeen operations. The purpose of his African organization was to propagate Islamist philosophy and recruit new

members to the cause. In 1996 bin Laden left Sudan and went to Afghanistan to set up a new base of operations, where he forged a close relationship with the leaders of the new Taliban government.

Bin Laden issued fatwas in 1996 and 1998 that stated that Muslims should kill civilians and military personnel from the United States and allied countries until they withdraw support for Israel and withdraw military forces from Islamic countries. It is believed he was either directly involved with or funded the 1992 bombing of the Gold Mihar Hotel in Aden, Yemen; the massacre of German tourists in Luxor, Egypt, in 1997; the 1998 bombings of two United States embassies in Africa; and the World Trade Center and Pentagon bombings on 9/11/2001. He, al-Qaeda, and its splinter movements have been involved with the London subway bombing, the wars in Afghanistan and Iraq, and unrest in the Philippines, Thailand, Indonesia, and Somalia. Given his ability to evade capture and track record, it is likely the world will see more violence from these groups.

It is clear that bin Laden has a following, and that following has grown into the tens of thousands over the past 20 years. These followers are very devoted; some are so committed that they volunteer to be suicide bombers. A much larger group may not play active roles in al-Qaeda but are clearly sympathetic to its cause. But as strong as these followers’ feelings are about bin Laden, others are just as intent to see him dead or behind bars.

Is Osama bin Laden a charismatic leader or a transformational leader? Would your answer to this question change if you were sympathetic to the al-Qaeda cause?

Sources: http://topics.nytimes.com/reference/timestopics/people/b/osama_bin_laden/index.html;
<http://www.infoplease.com/spot/osamabinladen.html>.

transformational leadership as the extremes of a single continuum, Avolio and Bass viewed these two concepts as independent leadership dimensions. Thus leaders can be transformational and transactional, transactional but not transformational, and so on. Transformational leaders are believed to achieve stronger results because they heighten followers’ awareness of goals and the means to achieve them, they convince followers to take action

for the collective good of the group, and their vision of the future helps followers satisfy higher-order needs. Because Avolio and Bass created a questionnaire to assess a leader's standing on transactional and transformational leadership, this theory is by far the most thoroughly researched and will be discussed in more detail later in this chapter.⁹⁸

The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands in moments of challenge and controversy.

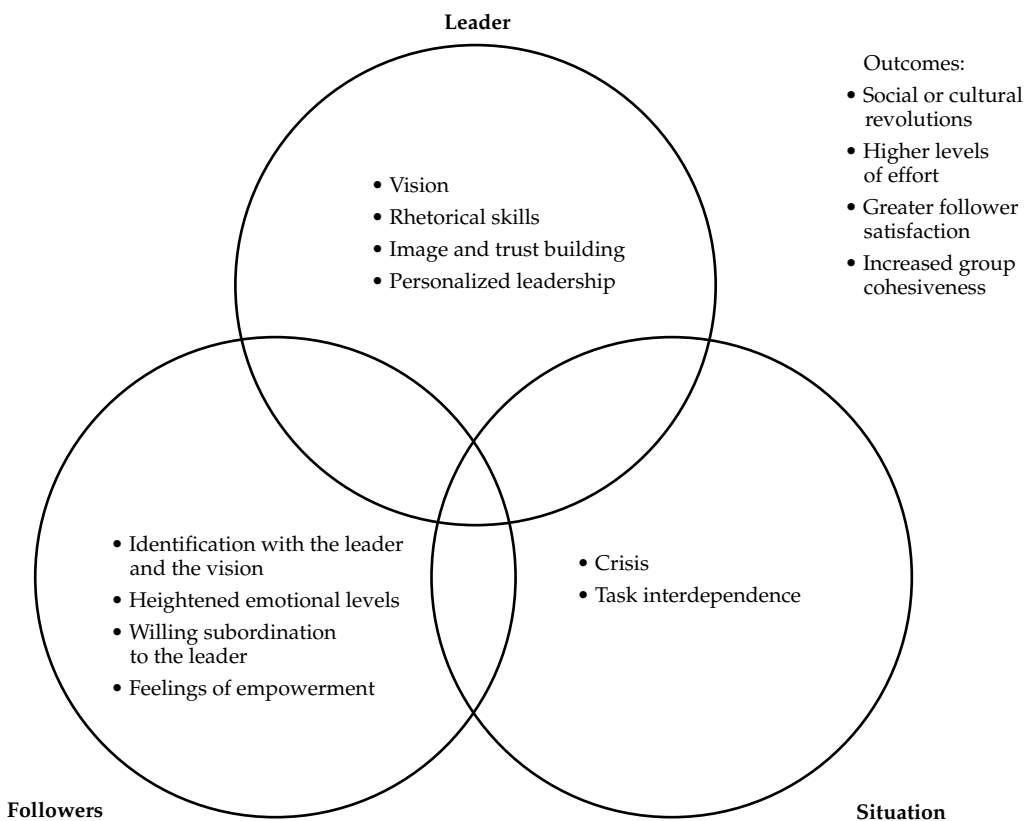
Martin Luther King Jr., civil rights leader

What Are the Common Characteristics of Charismatic and Transformational Leadership?

Although there are some important differences in the theories offered by Conger and Kanungo, House, and Avolio and Bass, in reality they are far more similar than different. These researchers either do not differentiate charismatic from transformational leadership, or see charisma as a component of transformational leadership. Therefore, we will use these terms somewhat interchangeably in the next section, although we acknowledge the fundamental difference between these two types of leadership. A review of the common leader, follower, and situational factors from Burns and the three

FIGURE 14.5

Factors Pertaining to Charismatic Leadership and the Interactional Framework



more recent theories can be found in Figure 14.5. Like the past debates surrounding charismatic leadership, modern researchers are divided on whether charismatic leadership is due to the leader's superhuman qualities, a special relationship between leaders and followers, the situation, or some combination of these factors. Irrespective of the locus of charismatic leadership, the research provides overwhelming support for the notion that transformational leaders are effective at large-scale societal or organizational change.

Leader Characteristics

Charismatic leaders are meaning makers. They pick and choose from the rough materials of reality and construct pictures of great possibilities. Their persuasion then is of the subtlest kind, for they interpret reality to offer us images of the future that are irresistible.

Jay Conger,
University of
Southern California

Leadership researchers have spent considerably more time and effort trying to identify the unique characteristics of charismatic leaders than they have exploring follower or situational factors. This is partly because some researchers believe that it is possible to drive higher levels of organizational change or performance through the selection or training of charismatic leaders.^{64,70,76,77,82,83,99,100} Although some scholars have argued that the leader's personal qualities are the key to charismatic or transformational leadership, we do not believe the leader's qualities alone result in charismatic leadership.^{101,102} We do, however, acknowledge several common threads in the behavior and style of both charismatic and transformational leaders, and these include their vision and values, rhetorical skills, ability to build a particular kind of image in the hearts and minds of their followers, and personalized style of leadership.

Vision

Both transformational and charismatic leaders are inherently future-oriented. They involve helping a group move "from here to there." Charismatic leaders perceive fundamental discrepancies between the way things are and the way things can (or should) be. They recognize the shortcomings of the present order and offer an imaginative **vision** to overcome them. A charismatic leader's vision is not limited to grand social movements; leaders can develop a compelling vision for any organization and organizational level. This vision can have both a stimulating and a unifying effect on the efforts of followers, which can help drive greater organizational alignment and change and higher performance levels by followers (see Figure 14.6).¹⁰³⁻¹⁰⁵ Paradoxically, the magic of a leader's vision is often that the more complicated the problem, the more people may be drawn to simplistic solutions.

Rhetorical Skills

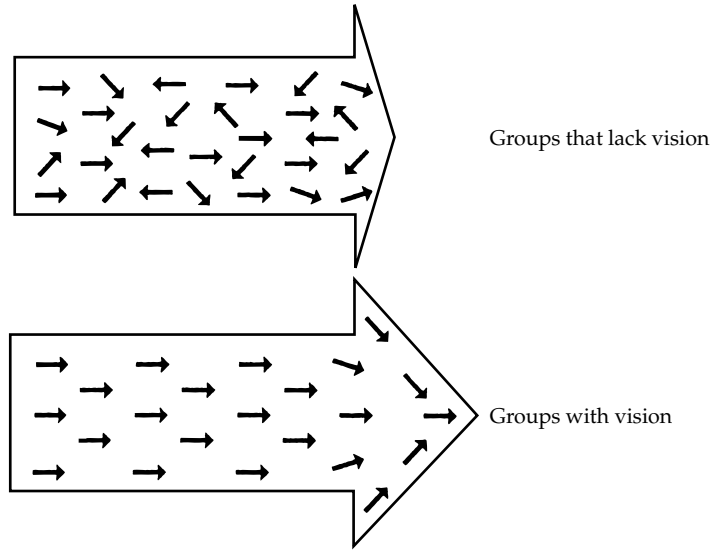
In addition to *having* vision, charismatic leaders are gifted in *sharing* their vision. As discussed earlier, charismatic and transformational leaders have superb **rhetorical skills** that heighten followers' emotional levels and inspire them to embrace the vision. As it turns out, both the content of

Never underestimate the power of purpose.

Price Pritchett,
consultant

FIGURE 14.6
A Leader's Vision of the Future Can Align Efforts and Help Groups Accomplish More

Source: Adapted from P. M. Senge, *The Fifth Discipline* (New York: Doubleday, 1990).



Facts tell, but stories sell.

**Bob Whelan,
 NCS Pearson**

a transformational leader's speeches and the way they are delivered are vitally important.¹⁰⁴⁻¹¹⁴ Charismatic leaders make extensive use of metaphors, analogies, and stories rather than abstract and colorless rational discourse to reframe issues and make their points. Often the delivery of the speech is even more important than the content itself—poor delivery can detract from compelling content. Adolf Hitler mastered his delivery techniques so well that his speeches can have hypnotic power even to people who do not understand German. Similarly, many people consider Martin Luther King Jr.'s "I Have a Dream" speech one of the most moving speeches they have ever heard. Note his use of different speech techniques and his masterful evocation of patriotic and cultural themes in the speech found at www.mlkonline.net/video-i-have-a-dream-speech.html.

Image and Trust Building

As demonstrated in Profiles in Leadership 14.2 and 14.3, transformational leaders build trust in their leadership and the attainability of their goals through an **image** of seemingly unshakable self-confidence, strength of moral conviction, personal example and self-sacrifice, and unconventional tactics or behavior.^{63,95,115-120} They are perceived to have unusual insight and ability and act in a manner consistent with their vision and values. Whereas transformational leaders **build trust** by showing commitment to followers' needs over self-interest, some charismatic leaders are so concerned with their image that they are not beyond taking credit for others' accomplishments or exaggerating their expertise.¹¹⁵

Setting an example is not the main means of influencing another; it is the only means.

**Albert Einstein,
 physicist**

Political Campaigns and the Attribution of Charisma

HIGHLIGHT 14.7

Political campaigns are a big business in the United States. It is estimated that the 2008 presidential election alone cost candidates over \$1 billion in campaign funds. Most of this money was used for various types of advertisements with the lion's share going to television commercials. These commercials tend to be of two extremes. At one extreme, if the commercial is sponsored by the candidate (or a group that supports the candidate), it contains only information that paints the candidate in a favorable light. This positive spin is intended to leave a favorable impression on the audience so they will vote for the candidate in the upcoming election. At the other extreme, negative attack ads usually consist of half-truths, unflattering photographs, or comments and video clips that are taken out of context and/or modified so the audience questions the integrity, competence, judgment, and personality of candidates. For example, negative attack ads questioned the integrity, bravery, and legitimacy of 2004 U.S. presidential candidate John Kerry, a decorated Vietnam War veteran. Curiously enough, the Democratic party did not run negative ads about George W. Bush's Vietnam record, who avoided fighting in the Vietnam War by "protecting Texas from Oklahoma" as part of the Texas Air National Guard. People tend to remember negative attack ads more than those with positive spin,

so candidates have been using them with more and more frequency.

Given the unflattering nature of negative attack ads, we must wonder if it is possible to perceive political candidates as charismatic leaders. Followers' perceptions are critical in the attribution of charisma, and in the day and age of negative attack ads, unverified blogs, and unflattering video clips and cell phone photos, it may be impossible for anyone wanting to hold an elected office to be seen as charismatic. With technology it is far too easy to catch candidates saying or doing something that destroys their image and trust-building capabilities. On the other hand, positive spin campaigns may help to create the perception of charisma when candidates are anything but charismatic. What does seem true is that technology will give voters more information about candidates than they ever had in the past and that candidates need to be mindful of how anything they say or do can show up on the Internet and national television in just a few hours.

How have technology and the media affected the attribution of charisma to Sarah Palin? Barack Obama? Evo Morales? Kim Jong-Il?

Source: R. E. Riggio, "It's the Leadership, Stupid—An I/O Psychology Perspective on the 2004 U.S. Presidential Election," *The Industrial-Organizational Psychologist* 42, no. 3 (2005), pp. 21–25.

Personalized Leadership

One of the most important aspects of charismatic and transformational leadership is the personal nature of the leader's power. These leaders share strong, personal bonds with followers, even when the leader occupies a formal organizational role. It is this **personalized leadership** style that seems to be responsible for the feelings of empowerment notable among followers of charismatic or transformational leaders. Charismatic leaders seem more adept at picking up social cues and tend to be emotionally expressive, especially through such nonverbal channels as their eye contact, posture, movement, gestures, tone of voice, and facial expressions. Transformational leaders also empower followers by

Never tell people how to do things. Tell them what to do, and they will surprise you with their ingenuity.

George S. Patton,
U.S. Army general

giving them tasks that lead to heightened self-confidence and creating environments of heightened expectations and positive emotions.^{1,61,62,64,77,89,116,119,121-124}

Follower Characteristics

Being attacked by Rush Limbaugh is like being gummed by a newt. It doesn't actually hurt but it leaves you with slimy stuff on your ankle.

Molly Ivins, writer

If charismatic leadership were defined solely by a leader's characteristics, it would be relatively easy to identify individuals with good vision, rhetorical, and impression management skills and place them in leadership positions. Over time we would expect that a high percentage of followers would embrace and act on these leaders' visions. However, a number of leaders appear to possess these attributes yet are not seen as charismatic. They may be good, competent leaders, but they seem unable to evoke strong feelings in followers or to get followers to do more than they thought possible. In reality, charisma is probably more a function of the followers' reactions to a leader than of the leader's personal characteristics. If followers do not accept the leader's vision or become emotionally attached to the leader, then the leader simply will not be perceived to be either charismatic or transformational. Thus **charisma** is in the eyes and heart of the beholder; it is a particularly strong emotional reaction to, identification with, and belief in some leaders by some followers. Note that this definition is value-free—leaders seen as charismatic may or may not share the same values as their followers or meet Burns's criteria for transformational leadership. A recent example of followers' divergent reactions can be seen with U.S. President Barack Obama. Some followers, particularly those in the Democratic party, perceive President Obama to be a very charismatic leader. Most Republicans think he does not share the same values as the American people and is out to destroy the United States, yet he is clearly the same person. Many of the more popular conceptualizations of charisma and charismatic leadership today also define charisma in terms of followers' reactions to the leader.^{1,77,94,111,125-127} Defining charisma as a reaction that followers have toward leaders makes it reasonable to turn our attention to the four unique characteristics of these reactions.

Identification with the Leader and the Vision

Two of the effects associated with charismatic leadership include a strong affection for the leader and a similarity of follower beliefs with those of the leader. These effects describe a sort of bonding or **identification with the leader** personally and a parallel psychological investment to a goal or activity (a "cause") bigger than oneself. Followers bond with a leader because they may be intensely dissatisfied with the status quo and see the implementation of the vision as a solution to their problems. Being like the leader, or approved by the leader, also becomes an important part of followers' self-worth.¹²⁸⁻¹³⁴

Heightened Emotional Levels

Charismatic leaders are able to stir followers’ feelings, and this **heightened emotional level** results in increased levels of effort and performance.^{61,62,64,122,132,135-138} Emotions are often the fuel driving large-scale initiatives for change, and charismatic leaders will often do all they can to maintain them, including getting followers to think about their dissatisfaction with the status quo or making impassioned appeals directly to followers. But charismatic leaders need to keep in mind that some people will become alienated with the vision and movement and can have emotions just as intense as those of the followers of the vision. This polarizing effect of charismatic leaders may be one reason why they tend to have violent deaths: those alienated by a charismatic leader are almost as likely to act on their emotions as followers within the movement.¹³⁹

Willing Subordination to the Leader

We’re not worthy; we’re not worthy!

**Wayne and Garth,
“Wayne’s World”**

Whereas the preceding factor dealt with followers’ emotional and psychological closeness to the leader, **willing subordination to the leader** involves their deference to his or her authority.¹³⁰ Charismatic leaders often seem imbued with superhuman qualities. As a result, followers often naturally and willingly submit to the leader’s apparent authority and superiority. Followers seem to suspend their critical thinking skills; they have few doubts about the intentions or skills of the leader, the correctness of the vision or change initiative, or the actions they need to take in order to achieve the vision.

Feelings of Empowerment

Followers of charismatic leaders are moved to expect more of themselves, and they work harder to achieve these higher goals. Charismatic leaders set high expectations while expressing confidence in their abilities and providing ongoing encouragement and support. Somewhat paradoxically, followers feel stronger and more powerful at the same time they willingly subordinate themselves to the charismatic leader. These **feelings of empowerment**, when combined with heightened emotional levels and a leader’s vision of the future, often result in increases in organizational, group, or team performance or significant social change.^{81,116,122,140} (See Table 14.2 for typical reactions to change requests.)

TABLE 14.2
Followers’
Responses to
Change

Source: B. Yager (Boise, ID: The Bryan Yager Group, 2003).

Malicious compliance: This occurs when followers either ignore or actively sabotage change requests.
Compliance: This takes place when followers do no more than abide by the policies and procedures surrounding change requests.
Cooperation: Followers willingly engage in those activities needed to make the change request become reality.
Commitment: Followers embrace change requests as their own and often go the extra mile to make sure work gets done. Charismatic and transformational leaders are adept at getting followers committed to their vision of the future.

Barack Obama

PROFILES IN LEADERSHIP 14.4

Barack Obama is the president of the United States and rode into office on a promise of change. Born of a Kenyan father and a white mother from Kansas, Obama spent most of his formative years in Hawaii and Indonesia. Upon graduation from high school, Obama attended Columbia University, where he graduated with a BA in political science. He then moved to Chicago and spent three years working for a nonprofit organization that helped local churches provide job training programs. He next attended Harvard Law School, where he was the first black man to be elected class president in the school's 104-year history. He graduated magna cum laude with a JD and moved back to Chicago to work in a law firm.

While in Chicago Obama organized voter registration drives, lectured on constitutional law at the University of Chicago, and was elected to represent the Hyde Park district in the Illinois State Senate. He spent eight years as a state senator before running for United States senator in 2004. While in the Senate Obama sponsored or supported legislation on immigration and election reform, tightening the rules for lobbying and the use of corporate jets for legislator travel, the reduction of greenhouse gases, the creation of a universal health care program, continuing sanctions against Iran's nuclear enrichment program, and ending the war in Iraq. He gained national prominence with an electrifying keynote address at the 2004 Democratic National Convention.

A smart, articulate, engaging, and charismatic public speaker, Obama has been able to leverage these assets to become the president of the United States.

Since taking office in early 2009 Obama has faced a number of major crises. The U.S. economy continued in a major recession, the financial services and automobile industries had failed, the country was fighting wars in both Iraq and Afghanistan, Iran continued pursuing a nuclear agenda, North Korea threatened the United States and South Korea, there was a major environmental disaster in the Gulf of Mexico, health care costs continued to escalate, and immigration became a major political issue. To address some of these issues, the Obama administration spearheaded major economic recovery and stimulus packages, passed landmark financial services and health care reform legislation, drew down troops in Iraq while adding another 30,000 to the Afghanistan campaign, and ran up the largest national debt in U.S. history. President Obama's approval ratings have dropped over 30 percent since he took office, and there is some doubt whether he will be elected for a second term.

How do these situational factors and the media play into Barack Obama being perceived as a charismatic leader? Is he an effective leader? What would you use to evaluate his performance as a leader?

Sources: <http://www.reuters.com/people/barack-obama>; http://www.ontheissues.org/barack_obama.htm; <http://www.biography.com/articles/Barack-Obama-12782369>.

Situational Characteristics

Many researchers believe that situational factors also play an important role in determining whether a leader will be perceived as charismatic. Perhaps individuals possessing the qualities of charismatic leaders are perceived as charismatic *only when confronting certain types of situations*. Because the situation may play an important role in the attribution of charisma, it will be useful to review some of the situational factors believed to affect charismatic leadership.

Crises

Perhaps the most important situational factor associated with charismatic leadership is the presence or absence of a **crisis**. Followers who are content

with the status quo are relatively unlikely to perceive a need for a charismatic leader or be willing to devote great effort to fundamentally change an organization or society. On the other hand, a crisis often creates “charisma hungry” followers who are looking for a leader to alleviate or resolve their crisis. Leaders are given considerably more latitude and autonomy and may temporarily (or sometimes permanently) suspend accepted rules, policies, and procedures to pull the organization out of the crisis. Some leaders may even create or manufacture crises to increase followers’ acceptance of their vision, the range of actions they can take, and followers’ level of effort. Although a crisis situation does not necessarily make every leader look charismatic, such a situation may set the stage for particular kinds of leader behaviors to be effective.^{80,82,92,101,102,121,142-144}

*Communication is the
currency of leadership.*

**David Lee,
Personal Decisions
International**

Social Networks

Social networks can also affect the attribution of charisma. Attributions of charisma will spread more quickly in organizations having well-established social networks, where everybody tends to know everyone else. And more often than not charismatic leaders have bigger social networks and play a more central role in their networks than leaders seen as less charismatic.^{145,146}

Other Situational Characteristics

Two other situational characteristics may help or hinder the emergence of a charismatic leader. One of these is outsourcing and organizational downsizing. Many people believe that downsizing destroys the implicit contract between employer and employee and leaves many employees disillusioned with corporate life. Because charismatic or transformational leadership is intensely relational in nature, destroying the implicit contract between leaders and followers greatly diminishes the odds of charismatic leadership emergence. But of all the situational variables affecting charismatic leadership, perhaps the most important and overlooked variable is **time**. Charismatic or transformational leadership does not happen overnight. It takes time for leaders to develop and articulate their vision, heighten followers’ emotional levels, build trusting relationships with followers, and direct and empower followers to fulfill the vision. A crisis may compress the amount of time needed for charismatic leadership to emerge, whereas relatively stable situations lengthen this period.

*Rules are good servants,
but not always good
masters.*

**Russell Page,
master landscaper**

Concluding Thoughts about the Characteristics of Charismatic and Transformational Leadership

Several final points about the characteristics of charismatic leadership need to be made. First, although we defined charisma as a quality attributed to certain leaders based on the relationships they share with followers, charismatic leadership is most fully understood when we also

consider how leader and situational factors affect this attribution process. The special relationships charismatic leaders share with followers do not happen by accident; rather, they are often the result of interaction between the leader's qualities, the degree to which a leader's vision fulfills followers' needs, and the presence of certain situational factors. Second, it seems unlikely that all the characteristics of charismatic leadership need to be present before charisma is attributed to a leader. The bottom line for charisma seems to be the relationships certain leaders share with followers, and there may be a variety of ways in which these relationships can develop. This also implies that charisma may be more of a continuum than an all-or-nothing phenomenon. Some leaders may be able to form particularly strong bonds with a majority, others with a few—and still others may not get along well with any followers. Third, it seems that charismatic leadership can happen anywhere—schools, churches, communities, businesses, government organizations, and nations—and does not happen only on the world stage.

Fourth, given that there are a number of ways to develop strong emotional attachments with followers, one important question is whether it is possible to attribute charisma to an individual based solely on his or her position or celebrity status. Some individuals in positions of high public visibility and esteem (film stars, musicians, athletes, television evangelists, or politicians) can develop (even cultivate) charismatic images among their fans and admirers. In these cases it is helpful to recognize that charismatic leadership is a two-way street. Not only do followers develop strong emotional bonds with leaders, but leaders also develop strong emotional bonds with followers and are concerned with follower development.^{14,81,140} It is difficult to see how the one-way communication channels of radio and television can foster these two-way relationships or enhance follower growth. Thus, although we sometimes view certain individuals as charismatic based on media manipulation and hype, this is not transformational leadership.

So what can leadership practitioners take from this research if they want to use an emotional approach to drive organizational change? They will probably be more successful at driving organizational change if they capitalize on or create a crisis. They also need to be close enough to their followers to determine their sources of discontent and ensure that their vision provides a solution to followers' problems and paints a compelling picture of the future. Leaders must passionately articulate their vision of the future; it is difficult to imagine followers being motivated toward a vision that is unclear or presented by a leader who does not seem to really care about it. Leadership practitioners also need to understand that they alone cannot make the vision a reality; they need their followers' help and support to create organizational or societal changes. Along these lines, they will need to be a role model and coach followers on what they should (and should not) be doing, provide feedback and encouragement, and

Good to Great: An Alternative Framework to the Rational and Emotional Approaches to Organizational Change

HIGHLIGHT 14.8

An alternative conceptualization of organizational change comes from the book *Good to Great*. Collins and his research team reviewed the financial performance of 1,435 companies that appeared on the *Fortune* 500 list from 1965 to 1995. From this list, 11 companies made the leap from being a good to a truly great company—a company that yielded financial returns much higher than those for the overall stock market or industry competitors for at least 15 consecutive years. For example, a dollar invested in these 11 companies in 1965 would have yielded \$471 in January 2000, whereas the same dollar invested in the stock market would have returned \$56. Collins's research indicates that these 11 companies all followed the same six rules:

1. *Level 5 leadership*: The *Good to Great* companies were led not by high-profile celebrity leaders but rather by humble, self-effacing, and reserved individuals who also possessed an incredibly strong drive to succeed.
2. *First who, then what*: Before developing a future vision or goals, these leaders first made sure they had the right people with the right skills in the right jobs. Leadership talent management was a key focus of these top companies.
3. *Confront the brutal facts (yet never lose faith)*: These leaders met reality head-on—they did not sugarcoat organizational challenges or difficulties. But they also had an unshakable faith in their organizations' ability to meet these challenges.
4. *The hedgehog concept*: These companies all focused on being the best in the world at what they did, were deeply passionate about their business, and identified one or two key financial or operational metrics to guide their decision making and day-to-day activities.
5. *A culture of discipline*: Companies that had disciplined people did not need hierarchies, bureaucracies, or excessive controls because the people in the field knew what they needed to do and made sure it happened.
6. *Technology accelerators*: All these companies selectively used technology as a means for enhancing business operations, but they were not necessarily leaders in technical innovation.

There were several other surprising findings in Collins's research. First, none of these top-performing companies was led by transformational or charismatic leaders. Second, because these top companies were constantly undergoing small but noticeable changes, they did not need to launch major change initiatives or organizational restructuring programs. Third, companies need to abide by all six of these rules to go from good to great; three or four of the six rules were not enough for companies to make the leap to becoming top performers.

How do you think a *Good to Great* leader would perform in a crisis? What would he or she do differently than a charismatic leader? What role does talent play in *Good to Great* companies versus those led by charismatic leaders?

Source: J. Collins, *Good to Great* (New York: Harper-Collins, 2001); J. Collins, "Level 5 Leadership: The Triumph of Humility and Fierce Resolve," *HBR on Point* (Boston, MA: Harvard Business School Press, 2004).

persuade followers to take on more responsibilities as their skills and self-confidence grow. Finally, leadership practitioners using this approach to organizational change also need to be thick-skinned, resilient, and patient (see Highlight 14.8). They will need to cope with the polarization effects of charismatic leadership and understand that it takes time for the effects of this type of leadership to yield results. However, the rewards appear to be

well worth the efforts. There appears to be overwhelming evidence that charismatic or transformational leaders are more effective than their non-charismatic counterparts, whether they be presidents of the United States,¹⁴⁷ CEOs,^{80,84,148} military cadets and officers,^{78,79,149,150} college professors,¹⁵¹ or first-line supervisors and middle-level managers in a variety of public and private sector companies.^{77,82,85,86-88,122,152,153}

Bass's Theory of Transformational and Transactional Leadership

Much of what we know about the leader, follower, and situational characteristics associated with charismatic or transformational leaders comes from research on Bass's **theory of transformational and transactional leadership**.^{1,117,121} Bass believed that transformational leaders possessed those leader characteristics described earlier and used subordinates' perceptions or reactions to determine whether a leader was transformational. Thus transformational leaders possess good vision, rhetorical, and impression management skills and use them to develop strong emotional bonds with followers. Transformational leaders are believed to be more successful at driving organizational change because of followers' heightened emotional levels and their willingness to work toward the accomplishment of the leader's vision. In contrast, transactional leaders do not possess these leader characteristics, nor are they able to develop strong emotional bonds with followers or inspire followers to do more than followers thought they could. Instead transactional leaders were believed to motivate followers by setting goals and promising rewards for desired performance.^{1,98,116,117,119,124} Avolio and Bass maintained that transactional leadership could have positive effects on follower satisfaction and performance levels, but they also stated that these behaviors were often underutilized because of time constraints, a lack of leader skills, and a disbelief among leaders that rewards could boost performance.^{77,98} Bass also maintained that transactional leadership only perpetuates the status quo; a leader's use of rewards does not result in the long-term changes associated with transformational leadership.¹¹⁷

Like the initiating structure and consideration behaviors described in Chapter 7, Bass hypothesized that transformational and transactional leadership comprised two independent leadership dimensions. Thus individuals could be high transformational but low transactional leaders, low transformational and low transactional leaders, and so on. Bass developed a questionnaire, known as the **Multifactor Leadership Questionnaire (MLQ)**, to assess the extent to which leaders exhibited transformational or transactional leadership and the extent to which followers were satisfied with their leader and believed their leader was effective. The MLQ is a 360-degree feedback instrument that assesses five transformational and three transactional factors and a nonleadership

Bill Roberts

PROFILES IN LEADERSHIP 14.5

Although transformational leaders come from all walks of life, one common characteristic they share is their ability to drive change and get things done. One of the best examples of a transformational leader is Bill Roberts, the vice president of operations for Wheelabrator Technologies, Inc. (WTI). Wheelabrator Technologies runs a fleet of 22 waste-to-energy facilities—power plants that burn trash to create electricity and steam for residential and commercial customers. These plants are environmentally friendly in that only 10 percent of the trash they burn is returned to landfills; they have much lower air pollution emissions than coal-fired plants; and all the metals in the trash are recovered and recycled. As the vice president of operations, Roberts is responsible for the financial, operational, safety, and environmental performance of the fleet. When he took over operations three years ago, Roberts recognized that the fleet was not performing nearly as well as it could. Boiler availability (a measure of operating capacity) was down, safety performance was eroding, and the fleet's financial performance had substantial room for improvement. At about the same time WTI embraced an aggressive growth strategy and was looking to expand both domestically and internationally. The fleet needed to perform at a much higher level to fund these business development efforts as well as provide the operating, safety, and environmental statistics needed to give WTI a competitive advantage when bidding for new business.

Since taking over Roberts has driven a number of major changes across the fleet. An engaging and dynamic speaker, Roberts painted a compelling picture of the future of WTI and set clear expectations of performance for all his plant managers. He empowered his plant managers to find ways to improve boiler availability, safety, and financial performance and provided training to help them think more like business owners. By constantly reviewing results with the plant managers, Roberts kept challenging and encouraging his staff to find ways to continuously improve performance. He rewarded plant managers who improved plant performance and coached or removed those who could not meet his expectations. By getting plant managers to work together to solve mutual problems, Roberts also broke down the walls that had previously existed between his staff and got them to work together as a high-performing team.

From an operational perspective, the 22 plants are running about 10 percent better than they were when he took over. The fleet now has an impeccable environmental and safety record, and the plant managers have a much stronger understanding of plant financials. Because of these efforts, WTI has achieved world-class operational, safety, and environmental performance and has been able to use these results to expand the business in the United States, the United Kingdom, and China.

Given this description of Bill Roberts, do you think he is more of a charismatic or Level 5 leader? What other information would you need to make this assessment?

factor.^{117,154-158} The transformational leadership factors assess the degree to which the leader instills pride in others, displays power and confidence, makes personal sacrifices or champions new possibilities, considers the ethical or moral consequences of decisions, articulates a compelling vision of the future, sets challenging standards, treats followers as individuals, and helps followers understand the problems they face. The three transactional leadership factors assess the extent to which leaders set goals, make rewards contingent on performance, obtain necessary resources, provide rewards when performance goals have been

met, monitor followers' performance levels, and intervene when problems occur. The MLQ also assesses another factor called laissez-faire leadership, which assesses the extent to which leaders avoid responsibilities, fail to make decisions, are absent when needed, or fail to follow up on requests.

Research Results of Transformational and Transactional Leadership

To date, over 350 studies have used the MLQ to investigate transformational and transactional leadership across a wide variety of situations. These results indicated that transformational leadership can be observed in all countries, institutions, and organizational levels, but it was more prevalent in public institutions and at lower organizational levels.^{70,77,78,82,119} In other words, there seemed to be more transformational leaders in the lower levels of the military or other public sector organizations than anywhere else. Second, there is overwhelming evidence that transformational leadership is a significantly better predictor of organizational effectiveness than transactional or laissez-faire leadership. Transformational leaders, whether they are U.S. presidents, CEOs, school administrators, or plant managers, seem to be more effective than transactional leaders at driving organizational change and getting results. Avolio and Bass also believed that transformational leadership augments performance above and beyond what is associated with transactional leadership.⁷⁷ Third, as expected, laissez-faire leadership was negatively correlated with effectiveness.

Given that the MLQ can reliably identify transformational leaders and that these leaders can drive higher levels of organizational change and effectiveness than their transactional counterparts, it seems reasonable to ask whether it is possible to train or select charismatic leaders. Fortunately researchers have looked at the effects of transformational leadership training on the performance of military, public sector, and private industry leaders in the United States, Canada, and Israel. Usually these training programs consisted of several one- to five-day training sessions in which participants learned about the theory of transformational and transactional leadership; received MLQ feedback on the extent to which they exhibit transformational, transactional, and laissez-faire leadership; and then went through a series of skill-building exercises and activities to improve their leadership effectiveness. This research provided strong evidence that it is possible for leaders to systematically develop their transformational and transactional leadership skills.^{70,77,82,83,99,156,159,160}

An alternative to training leaders to be more transformational is to select leaders with the propensity to be transformational or charismatic in the first place. Several researchers have looked at the importance of childhood experiences, leadership traits, and even genetics in transformational

TABLE 14.3 Correlations between Five Factor Model Dimensions and Charismatic Leadership Characteristics for 125 Corporate CEOs and Presidents

Source: D. Nilsen, "Using Self and Observers' Ratings for Personality to Predict Leadership Performance," unpublished doctoral dissertation, University of Minnesota, Minneapolis, 1995.

Personality Dimension	Transformational Leadership Characteristics			
	Visionary Thinking	Empowering Others	Inspiring Trust	High-Impact Delivery
Extraversion	.32	.33	.16	.47
Conscientiousness	-.08	-.01	.06	-.04
Agreeableness	.02	.52	.48	.35
Neuroticism	-.03	.29	.38	.22
Openness to experience	.47	.30	.14	.40

leadership. Zacharatos, Barling, and Kelloway reported that adolescents who were rated by coaches and peers to be more transformational were also more likely to have parents who were transformational leaders.¹⁶¹ There is also evidence that certain Five Factor Model (FFM) leadership traits (Chapter 6) can be reliably used to identify transformational leaders.^{76,124,139,162-166} Some of the most compelling evidence comes from Nilsen, who looked at the relationships between FFM personality traits and 125 CEOs. As shown in Table 14.3, not only are the FFM personality dimensions strongly correlated with certain components of transformational leadership, but the pattern of high and low correlations seems to make sense.¹⁶⁵ Given that certain leadership traits are related to transformational leadership, and that leadership traits have a genetic component, it is not surprising that some researchers also believe that some aspect of transformational leadership is heritable.¹⁰⁰

Despite this evidence that it may be possible to select and train transformational leaders, the fact remains that charisma ultimately exists in the eye of the beholder. Thus there can be no guarantee that leaders who have the right stuff and are schooled in the appropriate techniques will be seen as charismatic by followers. As discussed earlier, follower and situational variables play a key role in determining whether leaders are perceived as transformational and drive organizational change. Certain leaders may get higher transformational leadership scores as a result of a training program; but do they actually heighten followers' emotional levels, get followers to exert extra effort, and as a result achieve greater organizational change or performance after the program? Given what we know about individual differences and leadership skills training, it seems likely that a leader's personality will also play a major role in determining whether he or she will benefit from such training.

Finally, several other important comments about the theory of transformational and transactional leadership are worth noting. First, and perhaps most important, this theory has generated a considerable amount of interest among leadership researchers. This research has helped leadership practitioners better understand the leader, follower, and situational components of charismatic or transformational leadership, whether transformational leaders are born or made, and so forth. Nevertheless, this approach to leadership may be more a reflection of socially desirable leadership behaviors than the full range of skills needed by leaders. For example, it seems likely that business leaders wanting to drive organizational change or performance need to have a good understanding of the industry, business operations, market trends, finance, strategy, and technical or functional knowledge; they also need to effectively cope with stress, negotiate contracts with vendors, demonstrate good planning skills, and develop and monitor key metrics. Yet none of these attributes and skills is directly measured by the MLQ. This leads us to another point, which is that a primary problem with this theory is that there is only one way to be an effective leader, and that is by demonstrating transformational leadership skills. The contingency theories of leadership no longer matter, and situational or follower factors have little impact on leadership effectiveness. In all likelihood leaders probably need to do more than just exhibit transformational leadership skills if they wish to achieve greater organizational change and performance.

Summary

This chapter has reviewed two major approaches to organizational change. Although independent lines of research were used to develop the rational and emotional approaches to change, in reality these approaches have several important similarities. With the rational approach, leaders increase follower dissatisfaction by pointing out problems with the status quo, systematically identifying areas of needed change, developing a vision of the future, and developing and implementing a change plan. In the emotional approach, leaders develop and articulate a vision of the future, heighten the emotions of followers, and empower followers to act on their vision. Charismatic leaders are also more likely to emerge during times of uncertainty or crisis, and may actually manufacture a crisis to improve the odds that followers will become committed to their vision of the future. The rational approach puts more emphasis on analytic, planning, and management skills, whereas the emotional approach puts more emphasis on leadership skills, leader-follower relationships, and the presence of a crisis to drive organizational change. This chapter also described the steps leadership practitioners must take if they wish to drive organizational change. There is ample evidence to suggest that either the rational or the emotional approach can result in organizational change, but the effectiveness of the change may depend on which approach leadership practitioners are most comfortable with and the skill with which they can carry it out.

Key Terms

$C = D \times M \times$	learning agility, 571	charisma, 584
$P > R$, 559	force field analysis	identification with
dissatisfaction, 560	(FFA), 572	the leader, 584
model, 560	traditional authority	heightened emotional
process, 560	system, 574	level, 585
resistance, 560	legal-rational	willing subordination
amount of change, 560	authority system, 575	to the leader, 585
constructive	charismatic authority	feelings of
dissatisfaction, 561	system, 575	empowerment, 585
employee	transactional	crisis, 586
engagement, 561	leadership, 576	social networks, 587
systems thinking	transformational	time, 587
approach, 562	leadership, 577	theory of
siloe thinking, 562	reframing, 577	transformational
change plan, 565	vision, 581	and transactional
expectation-	retorical skills, 581	leadership, 590
performance gap, 567	image, 582	Multifactor
SARA model, 568	build trust, 582	Leadership
adaptive	personalized	Questionnaire
leadership, 571	leadership, 583	(MLQ), 590

Questions

1. Are Sarah Palin, Barack Obama, and Andrea Merkel transformational or charismatic leaders? What data would you need to gather to answer this question?
2. Are Vladimir Putin and Hamid Karzai charismatic or transformational leaders? Would your answers differ if you were a Russian or Afghanistan citizen?
3. Research shows that females are seen as more transformational leaders, yet they hold relatively few top leadership positions compared to men. Why do you think this is the case? What, if anything, could you do to change this situation?
4. How does the model of community leadership (Chapter 7) compare to the rational and emotional approaches to organizational change?
5. Can leaders lack intelligence (as described in Chapter 6) and still be seen as charismatic?
6. How do charismatic and transformational leadership relate to the four followership types described in the "Focus on the Followers" section of this book?
7. Suppose you wanted to build a new student union at your school. What would you need to do to make this happen if you used a rational versus an emotional approach to organizational change?

Activities

1. Break into teams and identify something that needs to change at your school or at work. Use the rational approach to change ($C = D \times M \times P > R$) to develop a plan for your change initiative.
2. Interview a midlevel leader or executive and ask about the biggest change initiative she or he was ever a part of. Did this leader use more of a rational or emotional approach to organizational change, and was the change initiative successful? Why or why not?
3. Create a force field analysis diagram for a change you would like to see happen at your work or school.

Minicase

Keeping Up with Bill Gates

Bill Gates inherited intelligence, ambition, and a competitive spirit from his father, a successful Seattle attorney. After graduating from a private prep school in Seattle, he enrolled in Harvard but dropped out to pursue his passion—computer programming. Paul Allen, a friend from prep school, presented Gates with the idea of writing a version of the BASIC computer language for the Altair 8800, one of the first personal computers on the market. Driven by his competitive nature, Gates decided he wanted to be the first to develop a language to make the personal computer accessible for the general public. He and Allen established the Microsoft Corporation in 1975. Gates's passion and skill were programming—he would work night and day to meet the extremely aggressive deadlines he set for himself and his company. Eventually Gates had to bring in other programmers; he focused on recent college graduates. “We decided that we wanted them to come with clear minds, not polluted by some other approach, to learn the way that we liked to develop software, and to put the kind of energy into it that we thought was key.”

In the early days of Microsoft, Gates was in charge of product planning and programming while Allen was in charge of the business side. He motivated his programmers with the claim that whatever deadline was looming, no matter how tight, he could beat it personally if he had to. What eventually developed at Microsoft was a culture in which Gates was king. Everyone working under Gates was made to feel they were lesser programmers who couldn't compete with his skill or drive, so they competed with each other. They worked long hours and tried their best to mirror Gates—his drive, his ambition, his skill. This internal competition motivated the programmers and made Microsoft one of the most successful companies in the computer industry, and one of the most profitable. The corporation has created a tremendous amount of wealth—many of its employees have become millionaires while working at Microsoft, including, of course, Bill Gates, currently one of the richest men in the world. During

the 1990s Bill Gates's net worth grew at an average rate of \$34 million per day; that's \$200 million per week!

Gates needed a castle for his kingdom, so he built a much-talked-about house on Lake Washington. The house lies mainly underground and looks like a set of separate buildings when viewed from above. The house was conceived as a showcase for Microsoft technology—it took \$60 million, seven years of planning and construction, and three generations of computer hardware before it was finally finished. A feature of the house that reveals a lot about its owner is the house's system of electronic badges. These badges let the house computers know where each resident and visitor is in the house. The purpose of the badges is to allow the computer to adjust the climate and music to match the preferences of people in the house as they move from room to room. What happens when more than one person is in a room? The computer defaults to Gates's personal preferences.

1. Would you classify Bill Gates as a charismatic or transformational leader? Why?
2. Consider the followers and employees of Gates. What are some unique characteristics of Gates's followers that might identify him as charismatic or transformational?

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<http://ei.cs.vt.edu/~history/Gates.Mirick.html>;
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