

CHAPTER 10

Leadership

CHAPTER OUTLINE

MANAGERS AND LEADERS: ARE THEY DIFFERENT?

HOW LEADERS INFLUENCE OTHERS

Sources of leader power

Effective use of leader power

SEARCHING FOR LEADERSHIP TRAITS

IDENTIFYING LEADER BEHAVIOURS

DEVELOPING SITUATIONAL THEORIES

Fiedler's contingency models

Normative leadership model

Situational leadership theory

Path-goal theory

MANAGING DIVERSITY

Female versus male leader behaviours

Leadership styles across cultures

PROMOTING INNOVATION: TRANSFORMATIONAL LEADERSHIP

Team leadership

ARE LEADERS NECESSARY?

Substitutes for leadership

Leadership and the organisational life cycle

USING COMMUNICATION TO ENHANCE LEADERSHIP

How managers communicate

Managerial communication preferences

Communication challenges from technology

LEARNING OBJECTIVES

AFTER STUDYING THIS CHAPTER, YOU SHOULD BE ABLE TO:

- Compare and contrast the characteristics of managers and leaders.
- Outline the major sources of leader power and explain how leaders can use power to encourage subordinate commitment.
- Describe the efforts to identify leadership traits.
- Explain the different findings of studies of leader behaviours and discuss their implications.
- Describe the Leadership Grid approach to leadership and assess the extent to which females and males behave differently as leaders.
- Delineate Fiedler's contingency theory of leadership.
- Contrast the following situational approaches to leadership: normative leadership model, situational leadership theory and path-goal theory.
- Describe transformational leadership and explain its link to innovation.
- Evaluate the extent to which leaders are needed in organisations.
- Distinguish between major organisational communication channels and explain their role in managing effectively.



STRIVING FOR EXCELLENCE

CEO
FORUM

Article reprinted with the permission of *CEO Forum* magazine: Australia's first magazine produced specifically to share ideas and experiences within Australia's CEO community. Published quarterly in March, June, September and December, the aim of *CEO Forum* magazine and the www.ceoforum.com.au website has always been simple, but elusive: to capture the essence of CEO-to-CEO dialogue.

Watch what I do: Leadership behaviour and cultural change— Leigh Clapham

Most CEOs recognise that a functional and constructive organisational culture has an important role to play in ensuring their organisations perform to their potential. Yet culture can be frustratingly elusive to define, measure and change. Leigh Clapham, General Manager and Senior Vice-President, MasterCard International, describes his approach which has led to significant market share growth locally over the past two years.

ceoforum.com.au: Could you describe how and why you targeted culture change as a management priority at MasterCard?

Leigh Clapham: There was a recognition within the company that we needed to do something, as we were forever running second in our key markets, and in some cases slowly losing market share. As we examined the company, we felt our strategy and people were fine, so we really focused on culture almost by a process of elimination. We just felt our leadership and our execution could be much better, and culture was really at the heart of that.

Once we decided to focus on culture, we then needed to look at an approach that we thought would work for us. We eventually chose a consultancy, PCD, who employed tools from Human Synergistics International as part of a comprehensive change program, largely because the emphasis on measurement, behavioural change and systems alignment seemed both workable and achievable.

ceoforum.com.au: What were the main elements of this approach to culture?

LC: The approach basically divides leadership impact and behaviour into three categories. The first is constructive, which

promotes achievement-focused, team-orientated behaviours that most organisations, including our own, would want their managers to demonstrate. The second is passive-defensive behaviours, which often means avoiding personal responsibility and simply attempting to make everything rule-based. The third category deals with aggressive-defensive styles typified by overly-competitive, perfectionist and devil's advocate type behaviours, which can divert a lot of energy into unproductive conflict.

The basic idea is to measure the current profile of the organisation and its leaders, see where they are at, and then develop individual and team plans for changes in leadership impact to move over time to a situation where there is more of the first category of behaviours and less of the other two. Our approach was to initially concentrate on changing the impact of the 14 top leaders in the company, as we felt that would give us the most organisational leverage. We have since extended the program to all their direct reports as well, which is a total of around 50 people in the organisation.

ceoforum.com.au: What did you find when you first measured the culture of your organisation?

LC: Like a lot of organisations, we thought we were already fairly strong in the constructive behaviours, but in fact the measures showed our behaviours were too compliance-oriented. The effect of this type of behaviour, of course, is that it is often demotivating for those exposed to it, and even those doing it! It really can drain morale and energy from the organisation.

Another interesting thing was that, when we compared the measures of the collective behaviour of the 14 key leaders with that of the organisation as a whole, the measures were very congruent. That highlighted to us that leadership behaviours really do drive the culture of an organisation, for better or worse. The upside here, of course, was that, if we could change impact of our leaders, we could reshape the culture of the organisation as a whole.

ceoforum.com.au: What were some examples of the types of behavioural changes you needed to make?

LC: A lot of them were quite minor things, but the lesson for us was that a lot of quite simple behavioural changes can make a big difference. One thing that I changed, for instance, was spending more one-on-one time with my direct reports. The feedback



got was that, while I was working quite effectively with these colleagues in a group situation, I needed to spend more time with each individual as well. This was an easy change to make, and almost immediately began paying dividends.

ceoforum.com.au: What was the reaction of people to being confronted about their personal styles of management? I would imagine some people would become quite defensive.

LC: You do see something of a sequence of reactions: from initial denial, through rationalisation and then on to acceptance. We were fairly fortunate in that we moved through to the acceptance phase fairly quickly, as we really wanted to get on with the actions needed to move the organisation forward.

We were also lucky that most of us were new to this type of program, so there wasn't the cynicism that apparently you can get in other situations. One thing that definitely did help was the sharing of our personal impact profiles, a lot of which contained personally revealing information. This definitely helped us bond together, and ensured that we did strongly embrace the program of change. We also shared a lot of the behavioural profiles with the organisation as a whole, all of which created a lot of positive energy around the program. People were really impressed that we were being that open with them, and sharing that kind of information with them. There was a genuine sense of 'Well, we

haven't seen that kind of thing done here before' and that in and of itself created a lot of momentum for change.

ceoforum.com.au: Is there a danger these types of programs become overly prescriptive in terms of what is acceptable behaviour, and forces everyone to conform to an overly narrow definition of what a good manager is?

LC: I don't think so. That's really a key part of my role: to be supportive of everyone's right to have their own personal style. At the same time, this program highlights the fact that leaders' behaviour does impact on the organisation as a whole, so it is our responsibility to understand what that impact is and make sure it is a positive one. In addition, when we asked our

company action plans, focusing on the achievable behavioural changes needed to get the culture to where you want. Thirdly, you need to align the organisation's systems, structures and symbols to your ideal culture so that positive behavioural changes are supported and reinforced. Finally and most importantly, you need to implement this type of program with enormous energy. Our initial program was over 18 months, and for the first few months of that we were having weekly meetings to review our progress. So many of these programs start off with great ideas, but simply don't get implemented with the energy, passion and transparency they need to be successful.

Source: ceoforum.com.au, *CEO Forum*, March 2006.

'You need to implement this type of program with enormous energy ...'

leaders how they would 'ideally' like to impact the organisation, everyone came up with a very constructive picture so the change imperative became hard to deny once we got the results.

ceoforum.com.au: What would be your advice to other CEOs looking to change their own organisation's culture?

LC: The first thing is you need an approach where you can measure your current culture and leadership impact and track changes over time. Second, use that understanding to build individual, team and

ISSUES FOR YOU TO THINK ABOUT

- 1 What were the key challenges faced by Leigh Clapman?
- 2 What were the most important actions taken?
- 3 How was the level of success of the turnaround measured?

ACTIVITIES FOR YOU TO UNDERTAKE

Undertake a web search on Leigh Clapman. What can you find out about his career path? Is he still with the same company? If so, what has he achieved? If not, what directions has his career taken?

THIS CHAPTER EXPLORES METHODS THAT LEADERS CAN USE TO INFLUENCE OTHERS. Leadership is difficult to pin down, so we present a number of frameworks to help you think about how managers can lead effectively. We consider the possibility that leaders have common traits, and universal behaviours they can use in any situation. We then examine how situational influences help leaders decide when certain types of behaviour are applicable. Next, we consider transformational leadership and its link to innovation. We also discuss whether leaders are always needed. Finally, we consider the importance of communication and the communication processes needed for effective leadership.

Managers and leaders: Are they different?

In Chapter 1, we defined management as a process of achieving organisational goals by involving in planning, organising, leading and controlling. We argued that managers at every level (top, middle or lower) or type (functional, general or project) are involved in these four managerial functions. In other sections, we have identified the importance of leadership for managing change and fostering innovation. Leaders have important roles to play when transforming traditional hierarchical organisations into contemporary organisations.

Porter (2006) portrays leaders as strategists. Former US Secretary of State Colin Powell described leadership as the art of accomplishing more than management science says is possible and motivating people to get 110 per cent from them (Powell 2006). Great leaders display a range of behaviours, traits and intelligence to gain commitment, model behaviour, motivate people, time their actions and know their opponents' strength. Their personal characteristics include honesty, competence, trustworthiness, influence and inspiration (Orme 2004). Based on the work of Buckingham (2005), Duecy (2005), Fleischer (2005), Zaleznik (2004), Colvard (2003), Witzel (2003) and Kotter (1999), Table 10.1 presents a comparison of manager and leader characteristics.

TABLE 10.1 CHARACTERISTICS OF MANAGERS AND LEADERS

NO.	MANAGERS	LEADERS
1	Are concerned with planning and budgeting within specified time frames	Are concerned with an open-ended approach and work to create a vision and strategies of the future
2	Are responsible for organisation form	Stress communication
3	Focus on problem solving	Inspire and motivate people
4	Focus on targets and aim to achieve predictability	Create and manage unpredictable change
5	Focus on individual strengths and unique abilities of employees	Cut through individual differences to capitalise on universal desires
6	Great managers are willing to break rules, to step outside the boundaries and engage their employees	Rally people to a better future, innate optimism, a belief things can get better; practise public speaking, prepare answers to unexpected questions
7	Are tactical and just administer things	Are strategic and transform people
8	Control	Collaborate
9	Are concerned with finding facts	Are concerned with making decisions
10	Are concerned with doing things right	Are concerned with doing the right things
11	Focus on efficiency	Focus on effectiveness
12	Create policies	Establish principles
13	See and hear what is going on	Hear when there is no sound and see when there is no light
14	Focus on answers and solutions	Focus on problem identification
15	Look for similarities between current and previous problems	Look for differences

How leaders influence others

Why do people accept a leader's influence? Often they do so because the leaders have power, although, as Katharine Graham notes, 'Nobody ever has as much power as you think they do' (*Forbes* 1987). This section examines the major power sources used by leaders.

Sources of leader power

Power is the capacity to affect the behaviour of others (Mintzberg 1983; Pfeffer 1981) or to influence people (Yukl 1998). A leader's power comes from their position, and what they know and can do; their individual knowledge and skills (Cohen and Bradford 2002). Leaders can draw on six major power types (French & Raven 1959; Raven 1993).

- **Legitimate power** comes from the authority vested in a position in the managerial hierarchy. Normally, we accept these directions as legitimate, as they come from people who hold positions of authority.
- **Reward power** is based on the ability to control and provide valued rewards to others (Fierman 1995). In most organisations, rewards are under a manager's control, including pay rises, bonuses, interesting projects, promotion recommendations, positive feedback and time off etc.
- **Coercive power** depends on the ability to punish others if they do not display the behaviours desired. Punishments include criticism, reprimands, suspension, warning letters for a personnel file, negative performance appraisals, demotions, withheld pay raises and terminations.
- **Expert power** is based on possession of expertise valued by others (Lopez 1994; Pottinger 1994). Managers often have knowledge, technical skills and experience crucial to their subordinates' success.
- **Information power** comes from access to and control over distribution of information about organisational operations and future plans (Raven & Kruglanski 1970; Bielous 1995). Managers usually have more information than subordinates and can decide how much is passed on.
- **Referent power** comes from being admired, personally identified with, or liked by others (Fierman 1995; Bird 1994). When we admire people, want to be like them, or feel friendship towards them, we follow their directions more willingly and are loyal to them.

Leadership power can be increased through two other sources of power. One is affiliation, where the right connections enable them to get things done (Bielous 1995). The second is departmental power, which comes from the relative importance of a department to the organisation (Kohli 1989).

Effective use of leader power

Although all power types are influential, they prompt different levels of subordinate motivation (Yukl 1994; Phillips-Carson, Carson & Roe 1993). Subordinates may react with commitment, compliance or resistance. Committed employees are enthusiastic and work hard towards organisational goals. Compliant employees put in minimal effort for average, but not outstanding performance. Resistant employees seem to comply but do the absolute minimum, or may even sabotage goal attainment.

The relationship between a leader's use of different power sources and likely subordinate reactions is shown in Table 10.2. You will see that expert and referent power generally lead to subordinate commitment, while legitimate, information and reward power lead to compliance. Coercive power often leads to subordinate resistance (Norman 1988; Washington 2003). Unsurprisingly, effective leaders use little coercive power (Rose 1993).

TABLE 10.2 MAJOR SOURCES OF LEADER POWER AND LIKELY SUBORDINATE REACTIONS			
	RESISTANCE	COMPLIANCE	COMMITMENT
Power source	Coercion	Legitimate Information Reward	Referent Expert

power

Capacity to affect the behaviour of others

legitimate power

Power stemming from a position's placement in the managerial hierarchy and the authority vested in the position

reward power

Power based on the capacity to control and provide valued rewards to others

coercive power

Power depending on the ability to punish others when they do not engage in desired behaviours

expert power

Power based on possession of expertise valued by others

information power

Power resulting from access to and control over the distribution of important information about organisational operations and future plans

referent power

Power resulting from being admired, personally identified with or liked by others

Empowerment

Many managers integrate an important aspect of power use into their leadership styles: they empower subordinates. Subordinates are given the power to assume some leadership responsibility and authority, including the right to enforce quality standards, check their own work and schedule activities. Empowerment strategies are part of contemporary practice, as in total quality management (Powell 1995; Sharma 2006) and learning organisations (Evans 1998).

Empowerment supports leadership in several ways.

- Managers' ability to get things done with the support and help of subordinates with specialised knowledge is increased.
- Worker involvement, motivation and commitment, and inclination to work towards organisational goals are increased.
- Managers have increased opportunities to concentrate on significant issues, while less time is spent on daily supervision.

Effective managers see significant benefits from empowerment, whereas ineffective managers control decision making and force their subordinates to agree. Empowering subordinates develops their decision-making ability. The leader's role is to coach, guide and inspire (Burton 1995; Nakarmi 1995; Bateman & Snell 2007).

Effective managers usually combine different power types (Rapaport 1993). While power helps to explain leader influence, other factors, such as the leader's own traits and behaviours, contribute to their organisational influence.

Searching for leadership traits

Early researchers identified traits that differentiated effective leaders from non-leaders (Jago 1982).

Traits are a person's internal qualities or characteristics, such as physical (e.g. height, weight, appearance, energy), personality (e.g. dominance, extroversion, originality), skills and abilities (e.g. intelligence, knowledge, technical competence) and social factors (e.g. interpersonal skills, sociability and socioeconomic position). Thornton (1990) identified six leadership traits: flexibility, sense of humour, patience, resourcefulness, positive regard and technical competence.

Other traits that differentiate leaders from non-leaders include drive (achievement, motivation, ambition, energy, tenacity and initiative), leadership motivation (desire to lead but not seek power), honesty and integrity, self-confidence (including emotional stability), cognitive ability (intelligence) and business/industry knowledge (Kirkpatrick & Locke 1991). While understanding the traits that contribute to leadership is useful, early researchers concluded that they did not necessarily make leaders effective (Stogdill 1948), nor were traits easy to change. Leadership research then moved on to examine the impact of leaders' behaviour on their effectiveness.

Identifying leader behaviours

Several researchers focused on finding specific behaviours that made some leaders more effective than others (Richman 1988). If researchers could identify universally effective behaviours that contributed to successful leadership, people could learn these. Three particular schools of thought emerged and focused on different combinations of leader and subordinate behaviours. These still contribute to our understanding of leadership practice.

At the University of Iowa, Kurt Lewin and colleagues considered three leader behaviours or styles: **autocratic**, **democratic** and **laissez-faire** (Lewin & Lippitt 1938). Autocratic leaders make unilateral decisions, dictate work methods, limit worker knowledge of goals to the next step and give punitive feedback. In contrast, democratic leaders involve the group in decision making, let them decide on work methods, make overall goals known and use feedback for coaching. Laissez-faire leaders generally give the group absolute freedom, give materials needed, participate only to answer questions and avoid giving feedback—in other words, do little.

Lewin & Lippitt (1938) found that democratic leadership sometimes resulted in better performance than autocratic leadership, but not always. Follower responses were more consistent and

traits

Distinctive internal qualities or characteristics of an individual, such as physical characteristics, personality characteristics, skills and abilities and social factors

autocratic

Behavioural style of leaders who tend to make unilateral decisions, dictate work methods, limit worker knowledge about goals to just the next step to be performed and sometimes give feedback that is punitive

democratic

Behavioural style of leaders who tend to involve the group in decision making, let the group determine work methods, make overall goals known and use feedback as an opportunity for helpful coaching

laissez-faire

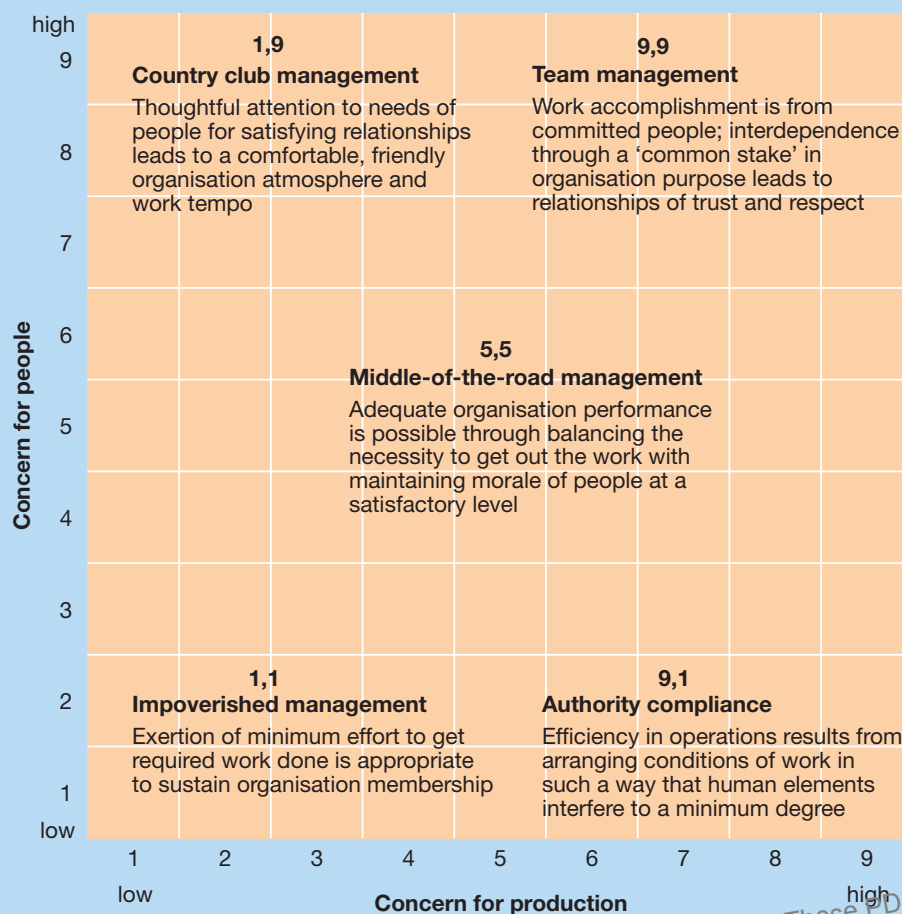
Behavioural style of leaders who generally give the group complete freedom, provide necessary materials, participate only to answer questions and avoid giving feedback

demonstrated higher satisfaction with a democratic leadership style (Bass 1981; Rue & Byars 2003). Tannenbaum and Schmidt (1973) at the University of Michigan developed a continuum of leader behaviours for decision-making, which allowed for changes in leadership behaviour, ranging from autocratic (boss-centred) decisions, to democratic (subordinate-centred) decisions. Autocratic leaders could soften and sell an idea to employees, or invite their ideas and discussion in some situations. Results indicated that subordinates preferred the democratic approach but performance outcomes were mixed (Bass 1981; Rue & Byars 2003).

The Ohio State University researchers' results added to this finding (King 1995; Kirby 2003) and identified that two separate issues were important; they called these initiating structure and consideration (Kerr et al. 1974). This separated managers' roles into two functions; the first (called *initiating structure*) was the basic managerial functions of planning, organising and directing, and focused on task issues (Taylor 1993). The second (called *consideration*) was the need to involve and value employee contributions. This relates to how much a leader trusts and respect subordinates' ideas and shows concern for their feelings. Another similar model was Blake and Mouton's (1964) Leadership Grid®, as shown in Figure 10.1. This model captures and adds to the elements of the earlier models. Blake and Mouton also emphasised leader behaviours in relation to task and people issues, but depending on concern for people and production levels, a manager can be anywhere on the grid. A leader could be high on a task focus and consideration, or low on both, or have a combination of high and low or gradations of both.

Overall, the behavioural research showed that increased subordinate involvement in decisions increased employee motivation, decision quality, teamwork, morale and employee development, but

FIGURE 10.1 The Leadership Grid® (reprinted from Blake & McCanse 1991, p. 29)



CASE IN POINT
CASE IN POINT
CASE IN POINT
CASE IN POINT
CASE IN POINT
CASE IN POINT
CASE IN POINT
CASE IN POINT

CASE IN POINT

Coming back to lead in Australia

The chairman of Shell Australia, Russell Caplan, has had many careers since graduating from Melbourne University in 1968—but all in one company. Most recently, Caplan led the restructuring of the company's oil and chemical distribution and marketing into a global business from late 2004. Shell Australia's profit before interest and tax increased almost 70 per cent, to \$1.23 billion, in 2005 after reforms at Victoria's Geelong and Sydney's Clyde refineries added to oil and gas production profits. But Caplan is facing a considerable test in helping Shell's Gorgon gas joint-venture partners gain final approval from the West Australian Government for the project, after concerns were raised by the WA Environmental Protection Agency. Here is what he says:

'In all of my time with Shell, the one constant is change. I say to my people, "You had better get used to it because that's the way we work." The contribution I can make is to express things as simply and clearly as I can. People react positively if they are shown a clear way forward—it doesn't have to be a new or profoundly brilliant way; it just has to be clear. I find people have difficulty with priority setting, so giving them some guidance makes it legitimate to focus on some things more than others.

'When it comes to the challenges of depletion of natural resources and reducing emissions facing the oil industry, the first thing is to recognise sustainable development as a fundamental part of our philosophy. Triple-bottom-line reporting is real for us, not just talk. We would not be involved with the Gorgon project unless we could meet the social and environmental consequences too. I have personal targets associated with my remuneration. Triple-bottom-line reporting is embedded in our company, and that sometimes makes me a little sharp with some people who wish to take the view that we are big industry and therefore we couldn't recognise those issues.

'I have been continually surprised and pleased by the opportunities that I have had at Shell, and many were not of my choosing. If I said, when I joined in 1968, "I could have planned this," that would be fatuous. I think that you should have two principles. The first is do the best you can. It annoys me when people focus on what they are going to do next rather than what they are doing now. I am very

attracted to someone who delivers a little more than they say they are going to deliver, a little faster and is very determined to succeed at what they are currently doing. That is the greatest indicator of what they can do. You also need a sense of good and bad. If you want to be in a legitimate business, Shell is a good place to be. There is a lot of good in Shell ... it's not perfect, but there's a lot of good and it gives you opportunities.

'In terms of my leadership style, I can think of a number of influences. I learned the importance of pushing yourself and doing the best you can do. I learnt from former Shell executive and Rio Tinto chairman Paul Skinner the benefit of clarity, consistency and moderation. I have also learnt something remarkable from my wife; that is, the ability to stick to core values and express them simply.

'Finally, I am conscious of the fact that I have come back to Australia after ten years away, and it is critically important to my effectiveness as a leader to reconnect with the Australian community, because my role as a leader is to bridge outside and inside. You get very remote if you are living away and following Australia by Internet, as opposed to smelling the dust—and seeing the pain of St Kilda losing.'

Russell Caplan

Position: Chairman

Organisation: Shell Australia

Staff: 3200

Direct reports: Four

Time in position: Four months

Time in company: 39 years

Activities for discussion, analysis and further discussion

- 1 Would you consider Russell Caplan to be an effective leader? Why? What characteristics of effective leadership do you identify in him from the case material above?
- 2 What characteristics does he appear to value in subordinates who he believes will be promotable?
- 3 Would you be prepared to work for this manager? Why?

Source: Adapted from Tandukar, A. 2006, The good oil, *Business Review Weekly*, John Fairfax Holdings Limited, 22 June, p. 44.

These PDFs are for marketing purposes only and may not be reproduced without the prior permission of the publisher © McGraw-Hill Australia 2008

did not necessarily improve productivity. Separating the two roles was useful, but the models were still too simplistic (Larson, Hunt & Osborn 1976). The other thing researchers had identified was that situational elements, such as subordinate expectations and task nature, affected the success of leadership behaviours (Kerr et al. 1975; Greene 1979). Bolman and Deal (2006) cite recent research in the US, which suggests that effective leaders can be categorised by their behaviour, in terms of how determinedly they fight for the organisation and its survival, their ability to nurture and look after others and their ability to take a long-range view.

Developing situational theories

The search for effective leader behaviours found that what worked in one situation could be ineffective in another. As a result, emerging leadership theories involved situational factors. Called **situational theories**, these are also known as contingency leadership theories, as they hold appropriate leader traits or behaviours to be contingent, or dependent, on situational elements. Since many factors influence leader effectiveness, different approaches have evolved. Prominent among these were Fiedler's contingency model, the normative leadership model and Hersey and Blanchard's situational theory and path-goal theory. Each gives useful guidance, but the most applicable was the path-goal theory.

situational theories

Theories of leadership taking into consideration important situational factors

Fiedler's contingency model

Fred Fiedler and associates (Fiedler 1967; Fiedler & Garcia 1987) developed a **contingency model**. He argued that leaders differ in their degree of orientation towards either the task or the people; and the better the fit between the leader and situation, the more successful the leader would be (Rue & Byars 2003). The contingency model is based on a leader's **LPC orientation**, a personality trait measured by having the leader describe their least-preferred co-worker (LPC) across a range of negative or positive terms; the more negative the descriptors, the more likely the manager was task motivated.

Fiedler's contingency model

Situational approach (developed by Fiedler and his associates) which suggests leaders differ in the degrees of their orientation towards the task versus towards the people

Assessing the situation

The model identified three situational factors affecting how favourable the leader would be in a given situation.

- **Leader-member relations** is how much support a leader has from group members. This is assessed by asking, 'Will the group members do what I tell them, are they reliable, and do they support me?'
- **Task structure** is how clearly task goals, methods and performance standards are specified. It is harder to assess progress and know what should be done if the assignment is vague. Low task structure lowers a leader's favourableness, or situational control, while high task structure raises it. This is assessed by asking, 'Do I know what I am supposed to do and how the job is to be done?'
- **Position power** is the amount of power the organisation gives the leader to accomplish a task. It is related to the ability to reward and punish. To evaluate this, a leader asks, 'Do I have the support and backing of the "big boss" and the organisation in dealing with subordinates?'

LPC (least preferred value on co-worker) orientation

Personality trait indicating the extent to which an individual places a higher priority on task accomplishment than on personal relationships

Matching leadership style and situation

The logic of the model was that in unfavourable situations, leadership should strongly focus on task accomplishment, whereas in favourable ones, subordinates would be more willing, so even task-oriented leaders would gain co-operation. In less favourable situations, either because of poor leader-member relations or an unstructured task, the leader needed to focus on the relationship (Fiedler & Chemers 1976; Rubello 1995). Fiedler thought managers could change the task or the situation, but this is not always possible, so the normative model sought for a greater range of options.

Normative leadership model

The **normative leadership model** was designed to help leaders assess how much they should involve subordinates in decisions (Vroom & Jago 1988). As such, it extends the Tannenbaum and Schmidt continuum described on page 299.

This model offers five choices for management decisions dealing with group problems. The choices range along a continuum from 'A' (autocratic) to 'C' (consultative) to 'G' (group decision), as shown in these PDFs and may not be reproduced for marketing purposes only and used without the prior permission of the publisher © McGraw-Hill Australia 2008

MANAGERIAL DILEMMAS
MANAGERIAL DILEMMAS
MANAGERIAL DILEMMAS
MANAGERIAL DILEMMAS
MANAGERIAL DILEMMAS
MANAGERIAL DILEMMAS
MANAGERIAL DILEMMAS
MANAGERIAL DILEMMAS
MANAGERIAL DILEMMAS
MANAGERIAL DILEMMAS

MANAGERIAL DILEMMAS

Big CEO mistakes

An annual CEO turnover survey, taking in the top 2500 companies globally and the top 200 in Australia, finds that about 15 per cent turn over each year. That means most CEOs have a five- to seven-year window in which to make a difference.

Below are six common mistakes that CEOs make and things that CEOs fail to do.

Decision point

- 1 Find an article about a decision made by a CEO in your home country. Determine if that action

could be identified under the classifications in the Table 10.3

- 2 Why is it important for a CEO to take an outside view? Find an example of a CEO who appears to have done this and describe the outcomes of such an attitude.

Reflection point

If you were a CEO, how might you avoid some of the common mistakes that CEOs make? Give examples.

COMMON MISTAKES OF CEOS	CLARIFICATION
Not acting early or boldly enough	Even CEOs tend to pretend it is not happening when they see new competition emerging, or a format shift, or something that is really going to change the business. But the earlier and more decisively you can react, the better it is.
Losing focus on the main	Within two days of being appointed as CEO, their calendar is full for the next six game months, and if they are not careful they spend all their time doing urgent but not critical things—fighting fires. CEOs only have five to seven years, so focusing on the five main things needing to be done is crucial.
Getting stuck in the ivory tower	The CEO's job operates under a shortened time frame and immense pressures and it is all too easy to get stuck behind a desk. It is often difficult to identify the last time the CEO visited a customer. In the absence of this closeness, the CEO is trying to make decisions from 35 000 feet and relying on others.
Not getting the team right	The CEO has high performers, low performers, and those people in the middle. CEOs need to spend their time on the middle group, trying to get competent but unco-operative people on board. In my experience, no CEO ever regretted acting quickly on an unco-operative team member
Not giving due weight to the company's history	The way the organisation will react to a change in strategy will be driven by what has happened in the past. The organisational structure as it is today was determined by what it was in the past, and will determine how it operates in the future. Many organisations are filled with people who have seen multiple ideas come and go and are now waiting for this one to fail.
Believing one's own press	Most people who interact with a CEO have their own agenda. The press doesn't have any original ideas. So CEOs tend to operate in a reality vacuum where it is difficult to pick up unfiltered, unbiased information.
THINGS CEO FAIL TO DO	CLARIFICATION
Set themselves up for success	CEOs need a 100-day plan that sets the agenda for what they are going to achieve in that time and how they are going to achieve it. They need a vision for the next two or three years. They need to have control of the numbers, set clear objectives and evaluate the team. All within the first 100 days.
Have a robust, fact-based strategy	Take an outside-in perspective. It is very easy to take the existing management team's view and have no frank and objective perspective. Who are your most profitable customers and why? Who are your most dangerous competitors and what are their strategies? These are the issues that can't readily be seen from inside the organisation—CEOs need to step outside.
Design your organisation for the decisions that need to be made	Only 15 per cent of CEOs think their organisation enables them to out-perform other companies. There are a lot of leaders out there who think their organisation is only OK. The ones who are the happiest with their organisations are the ones that have set them up for decision making.

Source: Hanley, M. 2006, Big CEO mistakes, *Business Review Weekly*, copyright John Fairfax Holdings Limited, 14 July, p. 26

These PDFs are for marketing purposes only and may not be reproduced without the prior permission of the publisher © McGraw-Hill Australia 2008

TABLE 10.3 NORMATIVE LEADERSHIP MODEL DECISION STYLES

SYMBOL	DEFINITION
AI	You solve the problem or make the decision yourself, using the information available to you at the present time.
AII	You obtain any necessary information from subordinates, then decide on a solution to the problem yourself. You may or may not tell subordinates the purpose of your questions or give information about the problem or decision on which you are working. The input provided by them is clearly in response to your request for specific information. They do not play a role in the definition of the problem or in generating or evaluating alternative solutions.
CI	You share the problem with relevant subordinates individually, getting their ideas and suggestions without bringing them together as a group. Then you make the decision. This decision may or may not reflect your subordinates' influence.
CII	You share the problem with your subordinates in a group meeting. In this meeting you obtain their ideas and suggestions. Then you make the decision, which may or may not reflect your subordinates' influence.
GI	You share the problem with your subordinates as a group. Together you generate and evaluate alternatives and attempt to reach agreement (consensus) on a solution. Your role is that of chairperson, co-ordinating the discussion, keeping it focused on the problem, and ensuring critical issues are discussed. You can provide the group with information or ideas that you have, but you do not try to 'press' them to adopt 'your' solution, and you are willing to accept and implement any solution supported by the entire group.

Source: Reprinted from Vroom & Yetton (1973).

in Table 10.2. Autocratic and consultative methods can further be split into two, designated I and II; the model becomes more participative as it progresses from AI (decide yourself) to GI (let the group decide).

The next step involves asking eight questions that are mapped as a decision tree. When the development of subordinates is more important in the decision process than speed, a development-driven decision tree is used; if speed is more important, a time-driven decision tree is used. The questions are straightforward and asked in the following order:

- 1 How important is the technical quality of this decision?
- 2 How important is subordinate commitment to the decision?
- 3 Does the leader have sufficient information to make a high-quality decision?
- 4 Is the problem clear, in terms of the task, method and outcome?
- 5 Does commitment to the decision depend on who makes the decision?
- 6 Do subordinates share the organisation's goals in solving this problem?
- 7 Is conflict among subordinates likely over preferred solutions?
- 8 Do subordinates have sufficient information to make a quality decision?

This model is useful because it recognises the different approaches for dealing with more complex situations. Structured problems, where the task goal and methods are clear (e.g. deciding when to schedule manufacture of extra batches of an existing product) are easy to solve. Unstructured problems are 'fuzzier' in regard to understanding the present situation, formulating goals and deciding how to achieve them (e.g. deciding what new products to develop). The choice is about what delivers the best outcome.

For example, McDonald's in Australia (and elsewhere in the region) is trying to reduce the 'fuzziness' that has emerged in its market. The market is becoming bored with the 'taste' of the fast food giant's offerings and is also more concerned about healthier eating habits. The perception that McDonald's high-fat, high-salt foods encourage unhealthy eating habits has led to McDonald's introducing frequent small innovations and moving to fresher, low-fat, low-salt foods and 'interesting' foods (Shoebridge 2003b). An example of this is the introduction of the McCafé—which offers a wide range of salads, low-fat muffins and drinks.

situational leadership theory

Theory (developed by Hersey and Blanchard) based on the premise that leaders need to alter their behaviours depending on one major situational factor: the readiness of followers

Situational leadership theory

The **situational leadership theory**, developed by Hersey and Blanchard (1988), has been extensively used and is widely accepted (Irgens et al. 1998; Yeakey 2000). It is based on the idea that leader behaviours need to change to suit follower readiness.

Situational theory focuses on two independent dimensions and considers behaviours similar to the initiating-structure and consideration behaviours identified by the Ohio State researchers (see page 299), and similarly is measured across four quadrants (see Figure 10.2).

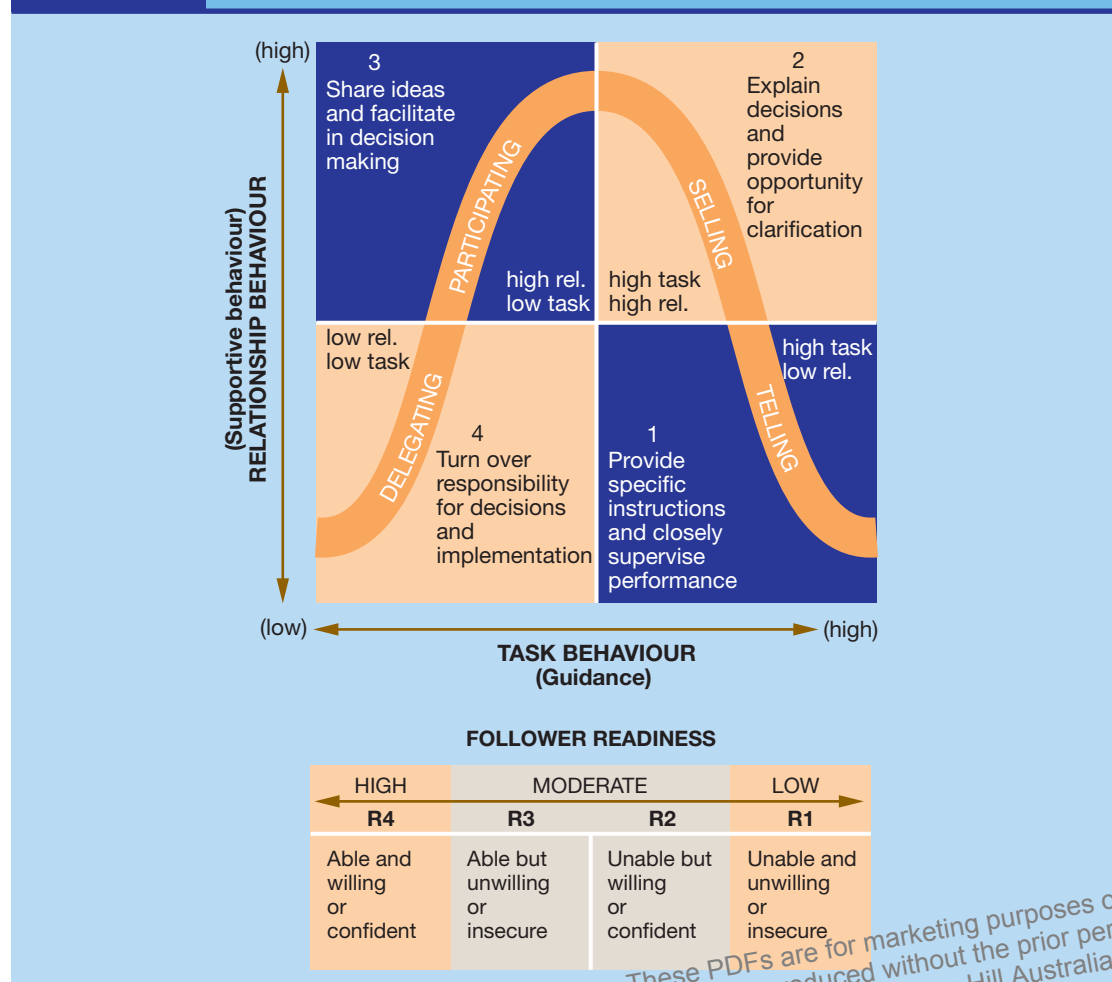
- **Task behaviour** is how much the leader spells out duties and responsibilities of a person or group. It includes telling people what to do, how to do it, when to do it, where to do it and who is to do it.
- **Relationship behaviour** is how much the leader uses two-way or multiway communication. It includes listening, facilitating and supportive behaviours.

To determine the combination of leader behaviours for a situation, the leader must assess follower readiness. This is a follower's ability and willingness to accomplish a task. *Ability* (job readiness) includes ability, skill, knowledge and experience needed for a specific task. *Willingness* (psychological readiness) consists of confidence, commitment and motivation to complete a task.

As can be seen at the bottom of Figure 10.2, the readiness continuum has four levels: low (R1), low-to-moderate (R2), moderate-to-high (R3) and high (R4).

The bell-shaped curve running through the four leadership quadrants specifies the leadership style appropriate to a given readiness level.

FIGURE 10.2 Situational leadership theory® (adapted from Hersey & Blanchard 1993, p. 197)



- **Telling** is used in low-readiness situations, with followers unable and unwilling or too insecure to be responsible for a given task. Leaders should give directions on what to do and how to do it.
- **Selling** is used for low to moderate readiness, with followers unable to take responsibility but willing or feeling confident to do so. Leaders should give specific directions, but support individual willingness and enthusiasm.
- **Participating** is used for moderate to high readiness, with followers able to take responsibility but unwilling or too insecure to do so. Since they can perform, a supportive, participating style emphasising two-way communication and collaboration is most effective.
- **Delegating** is used for high readiness, with followers able and willing or confident enough to take responsibility. At this point, they need little support or direction; so the delegating style is best.

Leaders need to decide the task areas they want to influence, assess the person's readiness level and select the corresponding leadership style. Underpinning the model is the idea that leaders should increase followers' task-related readiness by changing their leadership style to move the follower through the cycle from telling to delegating. Evidence suggests that newly hired staff, or those in new jobs, benefit most from the telling style's highly structured leadership behaviour (Graeff 1983; Blank, Weitzel & Green 1990; McShane & Travaglione 2003). Overall, the model provides a useful rule of thumb for many situations.

Path-goal theory

The last situational leadership theory we consider, **path-goal theory**, explains how leader behaviour can influence subordinates' motivation and job satisfaction (House & Mitchell 1974). It is called path-goal theory because it focuses on how leaders influence subordinates' perception of work goals and paths to achieve both work (performance) and personal goals (intrinsic and extrinsic rewards) (Evans 1970; Wofford & Liska 1993).

Path-goal theory is based on expectancy motivation theory. As discussed in Chapter 9, expectancy theory has three main elements: effort-performance expectancy (the probability that our efforts will lead to the required performance level), performance-outcome expectancy (the probability that our successful performance will lead to certain outcomes or rewards) and valence (the anticipated value of outcomes or rewards). Path-goal theory uses expectancy theory to find ways a leader might make the achievement of work goals easier or more attractive.

Leader behaviours

To affect subordinates' perception of paths and goals, this theory focuses on four major leader behaviours.

- **Directive leader behaviour** means letting subordinates know what is expected of them, guiding work methods, developing work schedules and the basis for outcomes or rewards. It is similar to task orientation.
- **Supportive leader behaviour** means showing concern for subordinates' status, well-being and needs; doing things to make work more pleasant; and being friendly and approachable. The behaviour is similar to relationship-oriented or consideration behaviour.
- **Participative leader behaviour** is characterised by consultation with subordinates, encouraging their suggestions and carefully considering their ideas in decision making.
- **Achievement-oriented leader behaviour** means setting challenging goals, expecting subordinates to perform at their highest level, and conveying a high level of confidence in them.

Situational factors

Leaders must consider two situational factor types: subordinate and context characteristics. *Subordinate characteristics* are subordinates' personality traits, skills, abilities and needs. For example, directive leadership will motivate subordinates with low task skills, while highly skilled workers will appreciate a participative leader.

Context characteristics fall into three categories: task, work group and the organisation's formal authority system (hierarchical levels, degree of centralisation and the nature of the formal reward system). For example, supportive leadership may help motivation on a boring task, while achievement orientation may increase motivation on an interesting one.

path-goal theory

Theory that attempts to explain how leader behaviour can positively influence the motivation and job satisfaction of subordinates

directive leader behaviour

Leader behaviour involving letting subordinates know what is expected of them, providing guidance about work methods, developing work schedules, identifying work evaluation standards and indicating the basis for outcomes or rewards

supportive leader behaviour

Leader behaviour that entails showing concern for the status, well-being and needs of subordinates; doing small things to make work more pleasant; and being friendly and approachable

participative leader behaviour

Leader behaviour characterised by consulting with subordinates, encouraging their suggestions and carefully considering their ideas when making decisions

achievement-oriented leader behaviour

Leader behaviour involving setting challenging goals, expecting subordinates to perform at their highest level and conveying a high degree of confidence in subordinates

Choosing leader behaviours

To select appropriate leader behaviours with path-goal theory, leaders need to diagnose the effects of various situational factors on the expectancy theory elements (the path) and desired end results (the goals). A practical approach involves three steps. First, think in expectancy-theory elements (expectancy, performance and outcomes). Second, diagnose situational factors that must be changed to improve expectancy-theory elements (to increase motivation). Third, initiate appropriate leader behaviours to change situational factors (Norton 1994; Argus 2003). Several examples of the application of path-goal theory are shown in Figure 10.3.

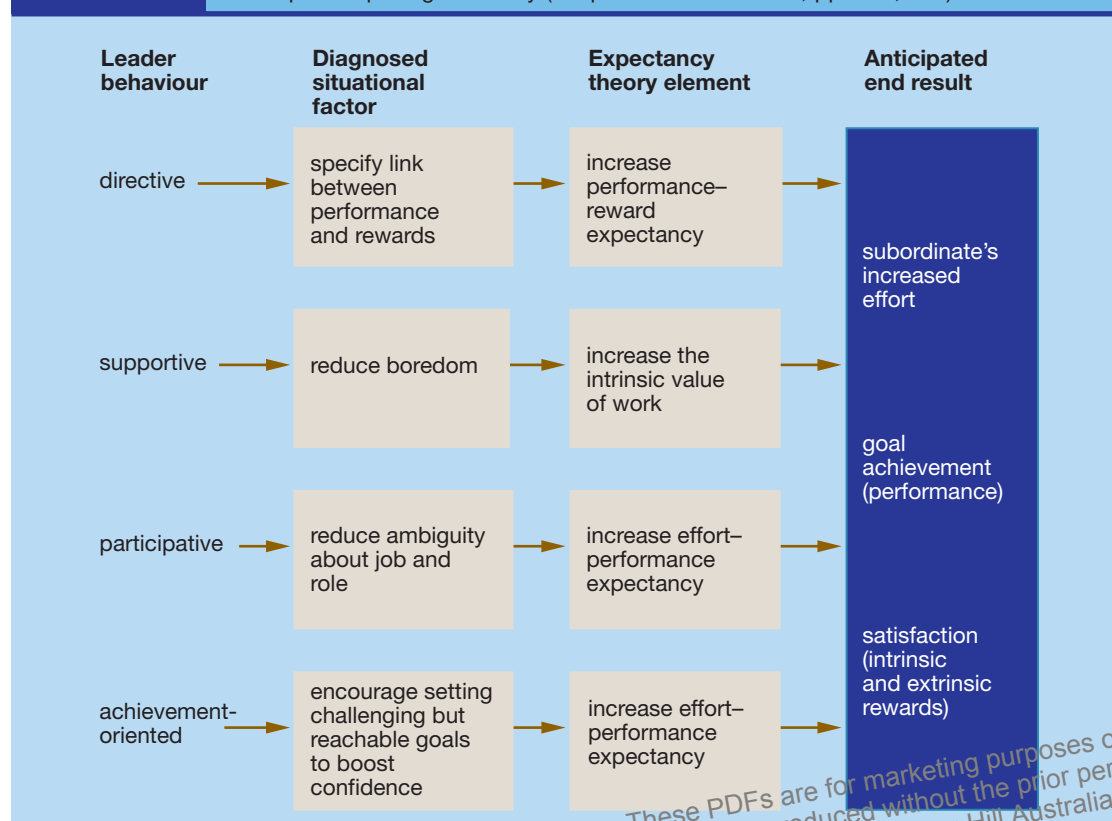
As a situational approach, path-goal theory argues that leader behaviour that is effective in one situation is not necessarily so in another. For example, using directive leadership to clarify an already clear task will have a negative rather than positive effect. Employees may get frustrated, which reduces their intrinsic valence. Unlike Fiedler, path-goal theory assumes leaders can be flexible and learn to use any of the four leader behaviours as needed (Gabor 1994). Its flexibility gives managers a framework to consider the impact of their behaviour on subordinate motivation, goal attainment and job satisfaction (Yukl 1994). The behaviour and leadership style of an organisation's leaders has a strong influence on its culture (Tombaugh 2005).

Managing diversity

Female versus male leader behaviours

Early thinking on gender differences was that females, because of their focus on interpersonal issues, were less suited to leadership roles than males, who were generally more focused on task issues (Bass, Krusell & Alexander 1971; Rosen & Jerdee 1978). Both stereotypes are incorrect. Most studies show

FIGURE 10.3 Examples of path-goal theory (adapted from Yukl 1981, pp. 148, 150)



female and male leaders are similar in interpersonal and task behaviours or have small differences. Both are effective in achieving subordinate job satisfaction and performance (Bartol & Martin 1986; Dobbins & Platz 1986; Powell 1993). Some studies have rated female managers more highly on interpersonal behaviours, such as teamwork, shared goal setting, mentoring employees and task leader behaviours (Bartol, Martin & Kromkowski 2003; Sharpe 2000; Sharma & Hede 2006). This is believed to give females an advantage for contemporary management of relationships, but again there were no performance differences.

Leadership styles across cultures

Leadership styles also vary across countries or cultures. European managers are more people-focused than either Japanese or Americans (Calori & Dufour 1995). Japanese business culture emphasises groups rather than individuals, so personalities and individual needs and desires are less important. Business culture in the US also downplays individual needs, but does so because of the profit orientation. Time horizons also differ across cultures. For example, US firms focus on short-term profits, so managers' leadership styles value short-term outcomes. Japanese firms focus on long-term growth, so leaders value long-term outcomes (Calori & Dufour 1995). Australian managers also focus on the short term, but with stability and efficiency outcomes (James 2003).

Promoting innovation: Transformational leadership

Managers and leaders are not necessarily one and the same (Zaleznik 1990). One view is that managers 'do things right', but leaders innovate and 'do the right things'; they bring in major changes, and inspire followers to high levels of effort (Holloman 1968; Zaleznik 1977). In studying this, Bernard M. Bass and colleagues distinguish between transactional and transformational leaders (Burns 1978; Bass 1985; Hater & Bass 1988).

Transactional leaders motivate subordinates to perform as expected. They help them recognise task responsibilities, identify goals, become confident about desired performance levels and understand that their needs and desired rewards are linked to goal achievement. This is allied to path-goal leadership theory, which like other situational theories in this chapter, is a transactional leadership approach.

In contrast, **transformational leaders** motivate individuals to perform above expectations by inspiring them to: focus on broader missions that transcend their own immediate self-interest; concentrate on intrinsic, high-level goals (achievement and self-actualisation) rather than extrinsic, low-level goals (safety and security); and be confident in their abilities to achieve the missions articulated by the leader (*Wall Street Journal* 1995). This concept revolves around transforming organisations, as well as individuals, to produce significant and positive change. Jones (2006) identifies four characteristics of transformational leaders: influencing, inspiring, engaging and challenging. The *influencing* dimension 'creates a sense of mission, stimulates, persuades and motivates employees to perform more than they otherwise would be able to do' (p. 84). *Inspiring* means communicating the vision so that employees understand their role and want to achieve the vision. *Engaging* is achieved through mentoring and coaching to bring out the best in employees and provide an environment where they can develop. The *challenging* leader 'stimulates creativity and innovation by encouraging employees to question their models and paradigms' (p. 85).

Transformational leaders seek to stimulate change in individuals, unlike transactional leaders who view leadership as a 'transaction' between leader and follower (Jones 2006). Transactional leaders exchange rewards based on performance and use positional resources to encourage desired behaviours (Shivers-Blackwell 2004). Transformational leaders, on the other hand, assess the environment continually, focus on outcomes, gain and build support of people and execute plans in a disciplined way to achieve organisational objectives (Newcomb 2005).

Transformational leadership does not replace transactional leadership, but should have an add-on effect: performance above expectations (see Figure 10.4). The logic is that successful transformational leaders need transactional skills to effectively manage day-to-day events (Hooper 2004).

According to Bass, transformational leadership has three significant factors: charisma, individualised consideration and intellectual stimulation. **Charisma** is the leader's ability to inspire pride, faith and respect; see what is really significant; and explain a sense of mission, or vision and

transactional leaders

Leaders who motivate subordinates to perform at expected levels by helping them recognise task responsibilities, identify goals, acquire confidence about meeting desired performance levels, and understand how their needs and the rewards they desire are linked to goal achievement

transformational leaders

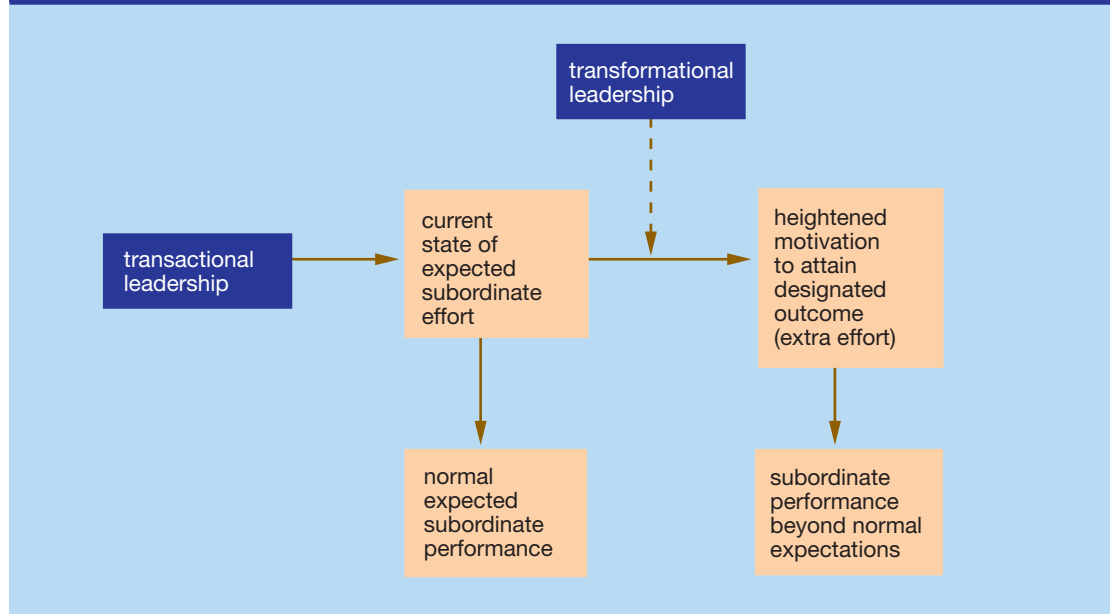
Leaders who motivate individuals to perform beyond normal expectations by inspiring subordinates to focus on broader missions transcending their own immediate self-interests, to concentrate on intrinsic higher-level goals rather than extrinsic lower-level goals, and to have confidence in their abilities to achieve the extraordinary missions articulated by the leader

charisma

Leadership factor comprising the leader's ability to inspire pride, faith and respect; to recognise what is really important; and to articulate effectively a sense of mission, or vision that inspires followers

FIGURE 10.4

Add-on effect of transformational leadership (adapted from Bass 1985, p. 23)

**emotional intelligence**

The ability to regulate one's own emotional responses, relate to others and make accurate assessments of reality

individualised consideration

Leadership factor involving delegating projects to help develop each follower's capabilities, paying personal attention to each follower's needs and treating each follower as an individual worthy of respect

intellectual stimulation

Leadership factor that involves offering new ideas to stimulate followers to re-think old ways of doing things, encouraging followers to look at problems from multiple vantage points and fostering creative breakthroughs in obstacles that seemed insurmountable

inspire followers (Sprout 1995). Martin Luther King, Mahatma Gandhi, John F. Kennedy, Franklin D. Roosevelt and others have been described as charismatic (House & Singh 1987). For example, speeches by Martin Luther King and John F. Kennedy fascinated and inspired followers (Tan & Wee 2002, p. 318). Charismatic leaders usually have self-confidence, excellent communication skills to articulate and build commitment to their vision, high energy and enthusiasm levels and strong convictions that allow them to be risk takers and change agents. They encourage and recognise follower accomplishments and create emotional challenges (Lee & Chang 2006; Groves 2005; Javidan & Waldman 2003).

These leaders try to change the status quo and have been shown to rely on referent and expert power, as they share their vision for radical change (Conger & Kanungo 1987). Some recent research suggests female leaders, in general, fare better than males as charismatic leaders, because their social and emotional skills are often more highly developed than males (Groves 2005).

In addition, there is no consensus on the importance of charisma *per se*, but there is strong support for having a clear vision of the desired state to mobilise commitment (Howell & Frost 1989; Tichy & Ulrich 1984). Rather than charisma, it might be better to say such leaders require high levels of **emotional intelligence**. This is demonstrated in their ability to regulate their own emotional responses and relate to others, and their ability to make accurate assessments of reality (Tombaugh 2005).

The second transformational leadership factor, **individualised consideration**, means to delegate projects to enhance follower capabilities, pay attention to their needs and treat them with respect. The third factor, **intellectual stimulation**, means to offer new ideas to stimulate rethinking old ways of doing things, encourage followers to look at problems from several vantage points and foster creative breakthroughs.

Transformational leaders can be found in many spheres. In Chapter 7 we referred to entrepreneurs Sir Richard Branson and Tony Fernandes. In a study of Taiwanese companies, Wang, Chou & W. Jiang (2005) identified that a transformational leadership style was most effective for promoting team cohesiveness. In a similar US study, Bolman and Deal (2005) attribute these qualities to Proctor and Gamble's chief G. A. Lafley.

Team leadership

Our complex, sophisticated and knowledge-based environment makes teamwork more important than ever, so many firms organise their work around teams. Consistent with notions of organisations being learning entities, team roles, boundaries and processes are becoming more transparent as they become

more self-directed (Thamhain 2004). Leaders face many challenges in creating and managing effective teams, as was discussed in Chapter 8. The role of a leader is one of the elements that influences overall team effectiveness (Kuo 2004).

Huszczko (2004) argues that team member performance is a function of 'ability, motivation and opportunity', and therefore team leaders need to focus on member strengths and abilities, make their expectations clear and use appropriate reinforcement. Leaders also need to allow members to perform (Mothersell 2006), by being a motivator, not a supervisor. As in all leadership roles, effective delegation, being a role model, using open two-way communication, having the people skills to encourage, persuade and negotiate are just some of the skills needed (Hughes 2004). Team effectiveness and performance often hinges on the level of team cohesion and consensus, and the leader has a critical role in shaping this. Trent (2004) sets out a four-phase process of preparation, presentation, discussion and agreement to guide a team to a consensus decision (see Table 10.4).

Are leaders necessary?

While some argue that leadership is overrated and in many contexts makes little difference (Yukl 1989), we would argue that it is always so, and this is never more obvious than when it is lacking. Nonetheless, there are situations where substitutes can take the place of leadership; and we consider the applicability of different leadership styles at different stages of the organisational life cycle.

TABLE 10.4 FOUR-PHASE PROCESS OF CONSENSUS DECISION MAKING

PHASE	DESCRIPTION	CHARACTERISTICS
Preparation	Members consider their personal position about a decision prior to discussion	<ul style="list-style-type: none"> All members prepare individually to participate
Presentation	Members present their positions completely and openly during formal team interaction	<ul style="list-style-type: none"> Team does not challenge individual positions Questions to clarify individual positions can occur Presenter must state supporting reasons for a position along with its advantages and disadvantages Team members are obliged to listen actively to each member's position
Discussion	Team leader establishes the forum for discussion and constructive challenges to positions	<ul style="list-style-type: none"> Team leader or other member acts as a discussion facilitator Allocate adequate time and avoid emotional debate Team members explore differences between positions through open discussion Team members challenge merits of an argument, forward sound arguments for or against, and test the logic behind a course of action
Agreement	Team members work to achieve a consensus decision	<ul style="list-style-type: none"> Strive for substantial but not necessarily unanimous agreement Avoid compromising or trading as a way to reach easy or fast decisions Periodically summarise and test decisions Consensus exists when members say they either agree with a decision or have had a fair opportunity to convince others of their viewpoint

Source: Adapted from Trent, R.J. 2004, Team leadership at the 100-foot level, *Team Performance Management*, Vol. 10, Nos. 5 & 6, pp. 94–103.

These PDFs are for marketing purposes only and may not be reproduced without the prior permission of the publisher © McGraw-Hill Australia 2008

substitutes for leadership

Approach attempting to specify some main situational factors likely to make leader behaviours unnecessary or to negate their effectiveness

neutralisers

Situational factors that make it impossible for a given leader behaviour to have an impact on subordinate performance and/or satisfaction

substitutes

Situational factors that make leadership impact not only impossible but also unnecessary

Substitutes for leadership

An interesting aspect of path-goal theory is that situational factors may make some leader behaviours unnecessary and/or ineffective. The **substitutes for leadership** approach tries to specify some situational factors that are likely to make leader behaviours unnecessary or negate their effectiveness (Kerr & Jermier 1978; Podsakoff et al. 1993).

This approach labels the situational factors that stop a leader behaviour from influencing subordinate performance and/or satisfaction as **neutralisers**. These neutralisers include subordinates' high need for independence, low subordinate valence for available rewards (see Chapter 9) and physical distance between a leader and subordinates. When managers detect the presence of neutralisers, they need to adopt appropriate leader behaviours. For instance, a manager may develop new rewards, such as training, for subordinates with low valence for current rewards.

On the other hand, **substitutes** are situational factors that limit leadership impact or make it unnecessary (Kerr & Jermier 1978; Podsakoff et al. 1993). Substitutes for relationship-oriented behaviour include interesting, satisfying work and subordinates with a professional work orientation. Substitutes for task-oriented behaviour include able and experienced subordinates and routine work, with clearly specified methods and/or feedback. The presence of substitutes lets the leader concentrate on other areas (Brady 1987; Hooper 2004).

Managers must also consider the broader perspective of organisational life cycle.

Leadership and the organisational life cycle

The idea of companies having predictable development stages or life cycles, as discussed in Chapter 7, guides the appropriateness of transactional or transformational leadership (see Table 10.5) (Baliga & Hunt 1987). At the entrepreneurial, or beginning, stage, transformational leadership helps create a vision so the organisation is born and takes its first steps. At the collectivity stage, other workers join the initial group, and transactional leadership allows growth to accelerate. By the formalisation-and-control stage, growth places greater emphasis on transactional leadership to maintain direction and control. The elaboration-of-structure stage brings high formalisation and control that reduces innovation, so the emphasis needs to swing back to transformational leadership. Both transactional and transformational leadership styles can help at every stage, but emphasis differs (Roberts 2003). Managers must understand both leadership approaches to effectively function. Inherent in these is the need to be well versed in organisational communication processes, a subject we turn to next.

Using communication to enhance leadership

As we discussed in Chapter 8, organisational communication and interpersonal processes are crucial to organisational effectiveness (Goldhaber 1993). Effective communication is vital to all major management functions; this is especially so for leaders, as it is the channel by which they interact with and impact on others. Without effective communication, even brilliant strategies and best-laid plans fail (Thomas & Sireno 1980; Hildebrandt et al. 1982). Managers are estimated to spend about 85 per cent of their day in some communication activity (Adams, Todd & Nelson 1993). When communication is ineffective, accidents and potentially risky activities increase (Winslow 1995; *Wall Street Journal* 1995).

TABLE 10.5 LEADERSHIP AND THE ORGANISATIONAL LIFE CYCLE

ORGANISATIONAL LIFE-CYCLE STAGE	MOST IMPORTANT LEADERSHIP EMPHASIS
Entrepreneurial	Transformational
Collectivity	Transactional
Formalisation and control	Transactional
Elaboration of structure	Transformational

These PDFs are for marketing purposes only and may not be reproduced without the prior permission of the publisher © McGraw-Hill Australia 2008

How managers communicate

Managers use verbal and non-verbal communications to transmit organisational messages. **Verbal communication** pervades organisations and comes in many forms, from letters to memoranda, reports, manuals and, increasingly, via e-mails. Written communications have the advantage of providing a record; they are easy to circulate widely and the sender can carefully consider their intended message. The disadvantages include preparation expenses, impersonality, potential misunderstanding by the receiver and delayed feedback on the message's effectiveness (Lewis 1980). The estimated current cost of producing a single-page letter or memo has risen to \$114.66 (ABS 2006).

Oral or spoken communication occurs in conversations and meetings etc. It is fast, generally more personal and gives rapid feedback to participants. It can also be time-consuming, sometimes hard to finish, and may still need to be documented (Lewis 1980).

Managers also need to be aware of their **non-verbal communication**. This uses elements and behaviours not coded into words, including kinesic behaviour (body language), proxemics (the impact of proximity and space), paralanguage (how something is said, rather than what is said) and object language (the use of material things to influence the communication). Studies estimate 65 to 93 per cent of what is communicated is non-verbal (Birdwhistell 1972). These cues often give valuable insights into the organisation's culture and the managers' leadership styles. Consider how communications demonstrate either the autocratic style, or concern for people, that were discussed in the situational and behavioural leadership approaches.

Managerial communication preferences

Studies show managers prefer oral to written communication because oral communication is two-way, more informal and timely (Mintzberg 1973; Kurke & Alrich 1983). One study found top managers in four different organisation types spent 74 per cent of their working hours communicating orally, through informal and formal meetings, telephone calls and organisation tours (see Figure 14.1) (Smeltzer & Fann 1989; Mintzberg 1975). They spent about 50 per cent of their time interacting with subordinates. Most of the rest was spent with the board of directors, peers, trade organisations, clients and suppliers. Similar evidence suggests other managers also prefer spoken over written communication (Lewis 1980; Smeltzer & Fann 1989; Bateman & Snell 2007).

As discussed in Chapter 1, managers are at the hub of communications in their roles as co-ordinators, monitors, disseminators and spokespersons. If managers communicate ineffectively, the result can be serious, for both their work unit and the organisation (Petzinger 1997). On the other hand, effective communication can be a key to organisational success.

Effective managers seek to have two-way communication, up and down the organisation's hierarchical layers, and communication patterns often match the organisation's structure (see Chapter 6). Approximately two-thirds of the manager's communication is with subordinates (Porter & Roberts 1976; Rue & Byars 2003). The most common, **downward communication**, involves information in one of five categories: (1) job instructions on specific tasks, (2) job rationales explaining relationships between tasks, (3) organisation procedures and practices, (4) feedback on individual performance and (5) attempts to encourage a sense of mission and dedication to organisational goals (Katz & Kahn 1978).

Upward communication provides feedback or information from the organisation, and typically relates

verbal communication

Written or oral use of words to communicate

non-verbal communication

Communication by means of elements and behaviours that are not coded into words

downward communication

Vertical communication flowing from a higher level to one or more lower levels in the organisation

upward communication

Vertical flow of communication from a lower level to one or more higher levels in the organisation



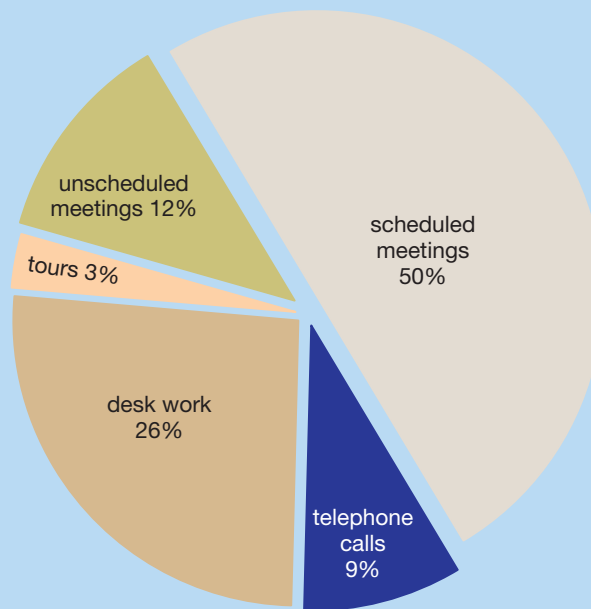
Communication is critical to every manager's job and managers are estimated to spend about 85 per cent of their day in some communication activity. Without effective communication, even brilliant strategies and best-laid plans are much more likely to fail. As a result, accidents and potentially risky activities increase. Electronic advances have given managers new communication methods, channels and concerns, but have also brought with them new risk factors in miscommunication.

Photo: iStock Photo

These PDFs are for marketing purposes only and may not be reproduced without the prior permission of the publisher © McGraw-Hill Australia 2008

FIGURE 10.5

Proportion of time top managers spent on various activities (based on Kurke & Aldrich 1983, p. 979)



to (1) current work project progress, (2) unsolved problems and situations where subordinates need help from superiors, (3) new developments within or affecting the work unit or organisation, (4) suggestions for improvement and innovation, (5) employee attitudes, morale and efficiency (Planty & Machaver 1952; Cranwell 1969; Goldhaber 1986). Co-ordinating cross-functional activities and teams also requires horizontal communication.

We have briefly discussed the formal processes of managerial communication, but managers should also be aware of the tone of informal communications. Informal communication, or the **grapevine**, occurs without reference to hierarchy or task requirements and relates to interpersonal issues (Pace 1983). Grapevines carry large amounts of information, and the data they yield is 50 to 90 per cent accurate (Friedman 1981; Goldhaber 1986; Zaremba 1988). They can create problems if they carry gossip and false rumours, but have many good aspects if managed properly. Grapevines help identify problems and concerns; they manifest the organisation's culture by communicating organisational rules, values, morals, traditions and history. Leaders can use the grapevine to give employees time to consider potential changes, monitor commitment and satisfaction, and identify ideas that contribute to the organisation's goals (March & Sevon 1984; Weick & Browning 1986; Mishra 1990).

grapevine

Another term for informal communication

Communication challenges from technology

Electronic advances have given managers new **communication channels** and concerns. Electronic mail systems, the Internet, voice mail, teleconferencing and videoconferencing and groupware provide opportunities for high-speed information sharing and improved decision making. Email and Internet access have facilitated the rapid growth of tele-working, hot-desking and virtual teams (discussed in Chapter 8). For example, in 2007, 70.2 per cent of Australians, 66.3 per cent of Singaporeans and 68.2 per cent of people in Hong Kong use the Internet regularly (*Internet World Stats* 2007). The Internet is a boon for e-business, allowing communication between suppliers and contractors, access to customers and potential customers, for recruitment, communicating with the general public and finding competitor information (GCC Group 2000).

communication channels

Patterns of organisational communication flow representing potential established conduits through which managers and other organisation members can send and receive information

However, a downside is the amount of time it takes to respond to emails, deal with poorly written, ambiguous emails that lack communication richness (Griffin 2000), concerns about security and dealing with unsolicited emails (spam). Employees who make inappropriate use of the Internet on company time—surfing the Net or downloading illegal materials such as pornography or copyright-protected materials—are another problem, causing costs to rise (Bryan 2000; Kirby 2000). This is becoming such a problem that some organisations resort to turning their email off to recover time (Ellis 2003).

SUMMARY

- Leadership is the process of influencing others to achieve organisational goals. Leaders use six major types of power to affect others' behaviour: legitimate, reward, coercive, expert, information and referent. Leaders must use their power carefully to encourage commitment and increase power, not diminish it. Researchers have identified some common traits distinguishing leaders from non-leaders. General traits include intelligence and dominance; some other leadership traits are only applicable in specific situations.
- Studying leader behaviours gave a more promising research direction. The Iowa, Michigan and Ohio State studies attempted to identify effective leadership behaviours, or styles. The Ohio State researchers found that two leadership styles, initiating structure and consideration, can be viewed as independent dimensions not opposite ends of a continuum. Unfortunately, leaders showing both high initiating structure and high consideration did not always get the best results. The Leadership Grid® emphasised concern for people and production. Studies indicate female and male managers display similar levels of exhibited interpersonal and task behaviours.
- Situational leadership theories grew from realising leader behaviours that work well in one situation are often not as effective in another. Fiedler's contingency model holds a leader's effectiveness depends on whether their LPC orientation fits the situation as set by leader-member relations, task structure and position power.
- The normative leadership model helps leaders determine how much to involve subordinates in decisions. Situational leadership theory argues leaders must alter their combination of task and relationship behaviours according to the task readiness of followers. The path-goal leadership theory relies on expectancy motivation theory and attempts to explain how leader behaviour influences subordinate motivation and job satisfaction.
- Transformational leadership can be important in innovation, as it motivates individuals to perform above normal expectations in pursuit of new visions. Transformational leaders influence, challenge, inspire and engage their followers. To do this effectively, managers benefit from having high levels of emotional intelligence so they can regulate their own emotional responses, relate to others and accurately assess reality. Transformational attributes add on to transactional leadership, as both are needed.
- Team leadership is growing in importance, due to the greater use of teamwork in today's organisations.
- In some contexts, there is some evidence that leadership may make little or no difference. Reasons for its decreased importance are because of substitutes or neutralisers for leadership. Also, the organisational life cycle may affect the emphasis placed on transactional and transformational leadership.

- Managers must be concerned with information flows among the various parts of the organisation. Formal communication follows channels specified by the official hierarchical organisation structure and related task requirements. Communication can be upward, downward or horizontal. Informal communication—the grapevine—takes place without regard to hierarchical or task requirements or organisational position. Electronic mail systems, voice mail, teleconferencing and videoconferencing are examples of the communication aids available to managers through advances in electronic communication.



QUESTIONS FOR DISCUSSION AND REVIEW

- 1 Distinguish between managers and leaders.
- 2 Outline the major power types available to managers. Think of a situation in which you were a leader. What power types were available to you? Which ones did you use most? What follower commitment, compliance and resistance did you experience?
- 3 Explain the status of current research efforts identifying leader traits. What traits can you identify in someone you see to be a good leader? Do other, familiar leaders possess any of the same traits?
- 4 Describe the continuum of boss-centred (authoritarian) and subordinate-centred (democratic) behaviours. Identify situations in which you have seen a democratic leader in action and situations in which you have seen an authoritarian leader. How did followers react? Did situational factors make a difference to followers' reactions?
- 5 Explain the different findings of Iowa, Michigan and Ohio State researchers in their investigation of leadership. Use these findings to advise managers on how to lead more effectively.
- 6 Outline the basic ideas in Fiedler's contingency leadership model. Analyse a student association or other leadership situation in terms of leader-member relations, task structure and position power. On the basis of Fiedler's model, what type of leader behaviour would the situation need?
- 7 Describe the normative leadership theory. Consider a leadership situation you have experienced in which a decision had to be made. Use the appropriate decision tree to determine how much the group should have been involved. How closely does the decision tree's recommendation match what was done? What were the results?
- 8 Explain the basic ideas comprising path-goal leadership theory. How might a leader use it to improve motivation in a familiar group?

- 9 Contrast transactional and transformational leadership. Identify a transactional and a transformational leader. To what extent is each one's leadership emphasis appropriate, given their organisation's life-cycle stage?
- 10 Identify the characteristics of charismatic leaders.
- 11 Identify the factors that influence team effectiveness.
- 12 Assume you are a team leader, and describe how you would achieve superior team performance.
- 13 Differentiate between neutralisers and substitutes for leadership. Give two examples of each in a familiar organisation.
- 14 Explain how leadership relates to organisational life cycle. Analyse a familiar organisation in terms of appropriate use of transactional and transformational leadership.
- 15 Why is it so important that leaders are effective communicators? What strategies and challenges do they face in communicating with staff?

CRITICAL THINKING QUESTIONS

To answer some of these questions you will need to do further research. Useful references are given below each section of the questions.

This chapter of the textbook examined the question of whether leadership is an inherent quality or whether it can be learned. The answers to this debate help in developing an appreciation of the role leadership plays in a successful organisation. Below is a brief review of the work of three current theorists in the area.

Rosabeth Moss Kanter is one of the world's foremost academics in change management and globalisation. In an interview with Stuart Crainer, she described her latest initiative, the 'Change Toolkit'. This is a web-based tool to aid executives in successfully leading change within their organisations.

- 1 A primary focus of Moss Kanter's Change Toolkit is the fact that it is a web-based format. Why do you think she sees this as an important feature?
- 2 One of the questions asked of Moss Kanter was whether we have unrealistic expectations of our corporate leaders. What do you think she answered and why?
- 3 What issues do we need to address to be able to re-think our understanding of leadership?

The interview goes on to discuss the Western, heroic view of leadership. Moss Kanter dismisses the tough, heroic style once dominant as no longer very appropriate. Instead, she opts for a view of leadership as more Confucian than cowboy.

- 4 What do you think she means by this?
- 5 How should organisations respond to the challenge of rising expectations?
- 6 In typical Moss Kanter style, she explains one of the major causes of leadership failure as the tendency towards 'putting lipstick on a bulldog' (Crainer 2003, p. 43). What do you think she means by this?

(Material relevant to these questions may be found in Crainer, S. 2004, Rosabeth Moss Kanter—on cowboys and Confucius, *New Zealand Management*, February, p. 43.)

Another perspective on leadership is provided by long-time leadership guru, Harvard Business School professor John Kotter. In his article discussing transformational leaders, he claims that many attempts at transformation fail for some basic reasons:

- Leaders announce the vision and expect employees to 'buy in' just because they have been told about it.
- The reasons for change and the vision are not communicated in a sufficiently convincing manner.
- Success is announced before it is achieved.
- When looking for people to blame, the search is usually in the wrong places.

7 Why is it so important for organisations to get employee buy-in to the vision?

8 What strategies can a leader use to ensure that employees do understand and are likely to buy in to the corporate vision.

9 Kotter argues that success shouldn't be announced before it is achieved, but isn't there an advantage to providing early feedback; that is, to encourage employees and celebrate progress? What choice do you think leaders should make and what other factors do they need to take into account?

10 What do you think Kotter means, by making the statement that leaders look to place blame in the wrong places?

Kotter goes on to suggest that there are three key tasks that leaders need to manage if they wish to effectively implement change: managing multiple timelines, building coalitions and creating a vision.

11 What are the issues involved in creating multiple timelines when you are trying to implement change? How might these be dealt with?

(Material relevant to these questions may be found in Kotter, J. P. 2006, Transformation, *Leadership Excellence*, Vol. 23, No. 1. p. 14.)

A different perspective on Australian leaders is offered in the results of a recent survey undertaken by Professor Andrew Hede, Professor of Management, University of the Sunshine Coast. The study was undertaken in collaboration with the Australian Institute of Management. Professor Hede conducted a survey of 560 Queensland managers, many of them CEOs, to try to identify if there were patterns of leadership behaviours across several dimensions. The findings suggest that the managers viewed themselves as very supportive of employees, and what Hede describes as 'nurturing' traits were predominant.

12 From your experience, would you agree with Professor Hede's findings?

At the beginning of this chapter, we introduced a range of power bases from which managers can operate. However, Professor Hede's findings suggest that many managers operated from a very low use of power.

13 Why do you think this might be so?

14 What other issues need to be taken into account to help explain such findings?

15 Do you think there might be a difference between the power bases that male and female leaders use?

(Material relevant to these questions may be found in Hede, A. 2005, Patterns of power and leadership: Understanding total behaviour leadership. White paper from the Australian Institute of Management. Article available at www.aim.com.au/research/hede.html (accessed 12 June 2007).)

MANAGEMENT EXERCISES

EXERCISE 1 Self-assessment: Do you have charisma?

Charisma has helped many leaders in accomplishing goals. It may assist you in the future. The following questions will help in identifying your current charisma level.

- 1 I worry most about:
 - a my current competitors
 - b my future competitors
- 2 I'm most at ease thinking in:
 - a generalities
 - b specifics
- 3 I tend to focus on:
 - a our missed opportunities
 - b opportunities we've seized
- 4 I prefer to:
 - a promote traditions that made us great
 - b create new traditions
- 5 I like to communicate an idea via:
 - a a written report
 - b a one-page chart
- 6 I tend to ask:
 - a 'How can we do this better?'
 - b 'Why are we doing this?'
- 7 I believe:
 - a there's always a way to minimise risk
 - b some risks are too high
- 8 When I disagree with my boss, I typically:
 - a coax him/her nicely to alter his/her view
 - b bluntly tell him/her, 'You're wrong'
- 9 I tend to sway people by using:
 - a emotions
 - b logic
- 10 I think this quiz is:
 - a ridiculous
 - b fascinating

Source: *Fortune* (1996).

EXERCISE 2 Management exercise: The question of subordinate involvement

You have just been appointed director (purchasing) for a manufacturing firm. The company has seven plants, all in the eastern states. The company has historically operated in a highly decentralised way with each plant manager encouraged to operate with only minimal control and direction from head office. In the purchasing area, each purchasing executive who reports to the plant manager does the purchasing for their plant. There is little or no co-ordination among them, and relationships are largely competitive.

These PDFs are for marketing purposes only and may not be reproduced without the prior permission of the publisher © McGraw-Hill Australia 2008

Your position was created when it appeared to the chief executive the company could have difficulty securing certain essential raw materials. To protect the firm against this possibility, the present haphazard decentralised arrangement must be abandoned or at least modified to meet current problems.

You were chosen for the position because of your extensive background in corporate purchasing with another firm which operated in a much more centralised way. Your appointment was announced in the last issue of the company house magazine. You are anxious to get started, particularly as the peak buying season is just three weeks away. A procedure must be set up to minimise likelihood of serious shortages, and secondarily achieve economies from the added power of centralised purchasing (Vroom & Jago 1988).

Instructions

Get together with a group designated by your instructor and use the normative leadership model to determine the degree to which you should involve subordinates in the purchasing decision.

END-OF-CHAPTER CASE ON THE RIM

Margarine or butter?

Something a little odd is happening down Windsor way. Ian G. McNally is doing new things to his traditional product. Putting something extra in—not leaving something out.

For three-quarters of a century, Australia's oldest margarine, Nuttex, has been famous for what it does NOT contain. Astonishingly, a thriving private business has been built around serving the niche requirements of the minority religions, the allergically challenged, the old-fashioned health-obsessed, the vegetarian and the vegan.

The list of ingredients absent from Nuttex now occupies a whole side of a tub. You almost wonder what could be left. Nothing is genetically modified. There's no form of milk or dairy product. No lactose or sucrose. No cholesterol. No gluten. No soybean or cottonseed oil. No eggs or egg products. No yeast, animal fats or animal products, sugar, calcium, preservatives, artificial colours or flavours. And, amazingly for a product called Nuttex, no nuts. They went long ago, despite the squirrel on the packaging, and even though it created a bit of a brand-name marketing quandary. There's no connection with the hazelnut spread Nutella, either.

But the inevitability of modernity has arrived for Mr McNally, who ten years ago took over from Nuttex's founder, his late father, Gordon, who kept control almost until his death aged 91 in 1996. Not a lot has changed around his 1950s-style office, reached just off the James Street plant floor, and Ian McNally, 62, has preserved a tradition and style that mostly disappeared long ago.

A gaggle of loyal and trusty women are working away in the anteroom, and look up in surprise when a visitor dares disturb the dust, as it were. 'Margaret has been here 30 years,' says Mr McNally, 'and other people have been here a long time, too. Joyce, who just retired recently, she'd been with us longer than that.' On the wall, there's a framed certificate of appreciation from G.J. Coles and Coy in 1962, signed by Sir Edgar and Sir George Coles, no less. But now, on the olde worlde desk that his father used, are the plastic tubs containing the diversifications from the basic product into a five-pack range.

Today, as well as normal, basic Nuttex, there's the fawn kosher pack, made under special Jewish supervision, there's the new lite in a blue pack, the olive spread and an all-new product, Nuttex Pulse. Joining the trend to make a margarine containing cholesterol-reducing plant sterols, Pulse is already in warehouses and about to be launched onto the market.

It is Mr McNally's response to Goodman Fielder's Meadow Lea Logicol, Unilever's Flora Pro Activ and Peerless' Smart Balance,

products for which it is claimed regular consumption will reduce cholesterol after about three weeks.

Nuttex has always had much of the health market sewn up, and Mr McNally sees this as a natural progression, as well as appealing to a non-speciality market.

'Also,' he says, 'the supermarkets want a variation. "Have you got a new product coming out?" they keep asking you.'

Almost reluctantly joining the modern era, Mr McNally and his son, Stuart, 33, the third generation in the business, went to Werribee laboratories to come up with variations on their traditional oil theme.

Mr McNally is a little shocked at the price of Pulse.

'Pulse is going to be in the middle range between Pro Activ and Logicol, about \$7.50 a tub,' he says. 'It's very expensive. The sterols are like liquid gold you're putting in there, about \$36 a kilo. It frightens me every time I see it, the price.'

Yet it is unlikely to be only Pulse that will have a high price. Mr McNally sees the effects of drought flowing through into shortages of sunflower and canola oil, forcing up prices for general margarines and perhaps driving manufacturers to import the raw material they need from the US or South America.

If potential price rises frighten him, imagine what it would do to his father, a cost accountant with a feisty record.

In the early 1990s, the octogenarian Gordon McNally, still firmly in control of his 'baby', publicly rebuked supermarket giants Coles and Safeway for putting up the price of Nuttex with no justification.

Taking out a newspaper advertisement, Mr McNally pointed out that the wholesale price had not moved, and if Safeway and Coles did not drop it immediately, he urged consumers to get Nuttex at Franklins or Jewel instead.

The tactic was immediately successful. The price was dropped, although Safeway's general manager was furious.

Mr McNally shrinks from the thought of a confrontation like that today, where there are only two large supermarket chains each representing about 45 per cent of his business; he knows which side his bread is margined.

'If he were sitting here now, he'd probably have a go, and that's probably where we're a bit different,' he says. 'If we tried it now, they could say "forget about it".'

With plenty of competition, including the increasing development of own-brands by supermarkets, one of the biggest challenges is keeping in good with the supermarket buyers and ensuring the all-important product listings. 'It's all this jockeying for position on the shelves,' he says.

These publications are for marketing purposes only and may not be reproduced without the prior permission of the publisher © McGraw-Hill Australia 2008

Gordon McNally also made headlines when he jacked up over being asked for \$30 000 a year by the National Heart Foundation to put its red tick of approval on his product. With just a single line, he felt it was too big an impost.

But he was not unsympathetic to the cause, and to this day Nuttex supports the Heartbeat organisation, another fund-raising group. He also set up a house in Hawthorn Road, Caulfield, for the use of the families of patients having heart operations.

Today, Nuttex makes about 3500 tonnes of margarine each year, holds about 8 per cent of the Australian market and also exports a bit, mostly to South-East Asia.

In the past three years, Mr McNally has spent \$4 million to install shiny new stainless steel Danish-made machinery, which can treble his daily output from one tonne an hour to three.

Ian McNally left Monash University after only one year to join his father in the business in 1967, working in the laboratory, driving the cash-vans loaded with margarine around to the grocers, but mostly concentrating on matters to do with the plant. To him, the product is all-important—he gets help with marketing and accounting.

Even today, he keeps his white coat handy in the cupboard and relishes a tour through the premises in Windsor, where giant tubs of oil are turned into margarine through various processes.

There's an animal fats side to his business, a product called Frize that goes out to fish and chip shops, but all its operations are kept at the opposite end of the plant to ensure Nuttex products remain uncontaminated.

Not surprisingly, everything seems a bit slippery, and you don't run in this place. There are non-skid steps stuck to the floor to help in navigation.

Mr McNally is heir to a fascinating Melbourne manufacturing and retailing legacy, a business that was founded in the Depression and has survived despite obstacles placed in its path.

The biggest, of course, was butter. Getting around the dairy industry's clout was like trying to overtake a herd of jerseys on the road to the milking shed.

Mr McNally remembers his father going to meet politicians to see if he could get quotas increased, but things only improved marginally.

Not until 1990 was the last quota on margarine production lifted in Victoria, where dairy farmers had always had an extraordinary

influence in Spring Street, especially under conservative country-dominated governments.

It was a system Gordon McNally had to live with from his business's inception in the 1930s, and the story is told in the company history by Ian McNally's son-in-law, Colin Kirkham.

Margarine was developed in France under Napoleon III by a food chemist, Hippolyte Mege-Mouries, but only appeared in Australia in the late 19th century, when the 1893 Margarine Act in Victoria required that it not be coloured to look like butter.

Under a 1936 law, it had to be saffron-coloured so it could be distinguished from butter, and soon afterwards, licences and quotas were imposed to limit margarine's competitive position with butter.

In 1941, with the backing of Unilever, Gordon McNally and a partner, Ted Mayes, acquired the Nuttex licence and business from a Hugh Halpin, who had begun it in 1932.

But the partnership was dissolved in 1947 after a disagreement of some sort.

The enterprising Mr Mayes went on to buy up other licences and founded the MeadowLea brand, which now claims almost half the Australian market, as well as Colvan chips and other products, and Gordon McNally stayed the course with Nuttex.

It has served his family well. Gordon McNally drove a Mercedes until his 90th birthday, supported the Melbourne Football Club, enjoyed playing sport and going to the horse races, and lived in a nice part of Elsternwick. Ian McNally lives in East Brighton.

McNally says he also plans on being around a few years yet to see son Stuart settle in. There have been offers to buy the company out—but it's not for sale at this time.

Source: Heinrichs, P. 2006, The Family Spread, *The Sunday Age*, November 5, p. 23.

Activities for discussion, analysis and further research

- 1 Log on to the Nuttex and MeadowLea websites and read up on their founders' histories. Identify the characteristics that made each man a leader.
- 2 Consider the materials of the above case and compare the characteristics of both Gordon and Ian McNally that have made them leaders in their own right. In what ways do you consider that their leadership styles are different?
- 3 Identify the leadership and managerial roles that each of the McNallys have carried out.

FURTHER READING

- Bolman, L. G. and Deal, T. E. 2006, Wizard and warrior: neglected leadership roles, *Strategy and Leadership Journal*, Vol. 34, No. 5, pp. 46–8.
- Catlette, B. and Hadden, R. 2003, Increasing employee performance, *Security Management*, May, Vol. 47, No. 5, pp. 26–8.
- Idris, F., Abdullah, M., Idris, M.A. and Hussain, N. 2003, Integrating resource-based view and stakeholder theory in developing the Malaysian excellence model: A conceptual framework, *Singapore Management Review*, 2nd Half, Vol. 25, No. 2, pp. 91–100.

- Krause, T. and Hidley, J. 2003, The role of senior leaders in safety performance, *Industrial Safety & Hygiene News*, February, Vol. 37, No. 2, p. 45.

- Nursing Management—UK* 2004, Developing nurse leaders for today and tomorrow, February, Vol. 10, No. 9, pp. 8–10.

- Sharma, A.K. and Talwar, B. 2004, Business excellence enshrined in Vedic (Hindu) philosophy, *Singapore Management Review*, 2nd Half, Vol. 26, No. 1, pp. 1–20.

These PDFs are for marketing purposes only and may not be reproduced without the permission of the publisher © McGraw-Hill Australia 2008

VIDEO CASES RELATING TO THIS PART MAY BE ACCESSED THROUGH THE ONLINE LEARNING CENTRE AT www.mhhe.com/au/bartol5e OR ON THE INSTRUCTOR'S RESOURCE CD THAT ACCOMPANIES THIS TEXT.

VIDEOCASES



MOTIVATION: RED BARON

Red Baron is a joy flight business employing a range of specially trained pilots on a part-time basis. Because pilots in this industry are in high demand, Red Baron's owner, Joel Haski, is looking for ways to keep his pilots engaged in his business and thus minimising the chances of them being poached by rivals.

Financial expert Julia Bickerstaff discusses a phantom share scheme that will provide incentives for the pilots. The features of the scheme and how it might benefit the business and also help it to grow are discussed.

Website www.redbaron.com.au

Activities for discussion, analysis and further research

- 1 Go to the company website to find out more about Red Baron and its recent developments.
- 2 How will a phantom share scheme provide incentives to keep the pilots happy?
- 3 In what ways is such a scheme a win-win situation?
- 4 Make a list of key performance indicators (KPIs) that will allow Red Baron's owner to measure the individual pilot's involvement in the business.

TRANSFORMATIONAL LEADERSHIP: INTERVIEW WITH DAVID MORGAN, CEO, WESTPAC

Westpac CEO, David Morgan, discusses the importance placed on employee job satisfaction. He describes the company scheme whereby executives are sent to remote indigenous communities to teach financial management skills to individual householders and small business owners. These initiatives benefit the communities involved but they also have a transformational effect on the executives involved in terms of their humanity and leadership skills as well as their corporate engagement.

Website: www.westpac.com.au

Activities for discussion, analysis and further research

- 1 Visit the Westpac website to find out more about the company's Indigenous Partnerships Scheme.
- 2 What are the benefits of such a scheme to the individual executive and the Westpac organisation?
- 3 In what other ways is big business able to demonstrate global corporate responsibility?
- 4 In what ways can small businesses demonstrate their global corporate responsibility?

These PDFs are for marketing purposes only and
may not be reproduced without the prior permission of
the publisher © McGraw-Hill Australia 2008