Leadership and Succession: The Challenge to Succeed and the Vortex of Failure

Bryan J. Poulin, Michael Z. Hackman and Carmen Barbarasa-Mihai, *Lakehead University, Canada, University of Colorado, USA and Lakehead University, Canada*

Abstract *Despite a large number of studies concerned with leadership and leadership succession – of which more than 200 have addressed the latter – results have been inconsistent and inconclusive. One suggestion from the literature was to conduct more qualitative case research as a supplement to the many empirical survey studies which have been published. The present study explored, at first hand, eight firms that opinion leaders had identified as successful (six in New Zealand, one in Canada, one in the United States) and another seven US firms studied by others that had once been touted as successful. Two patterns emerged: (1) socialized leadership relationships succeeded in transforming the firm by applying leadership and management principles to serve the needs of others, and enlisting support throughout and beyond the firm; and (2) personalized leadership relationships promised much and either achieved success, narrowly defined, or failed completely. The conclusion: socialized leadership relations matter critically. Recommendations are offered for leadership succession and future research.*

Keywords *case study approach; leadership succession; personalized leadership relationships; socialized leadership relationships*

Introduction

Identifying the attributes or characteristics of the effective leader constitutes one of the prominent topics of leadership research. Over the years, diverse characteristics have been proposed as essential for an effective leader. One way to isolate the unique characteristics of leadership is to look at how others have defined the term. According to Burns (1978: 2), 'leadership is one of the most observed and least understood phenomena on Earth'. Indeed, Rost (1991) found there were 221 definitions of leadership published in books and articles between 1900 and 1990; a number that, given the recent interest in leadership, has likely doubled since his review. With so many definitions of leadership in print it is helpful to classify these conceptions into broader categories. According to Hackman (2006) four primary definitional themes emerge:

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1. *Leadership is about who you are*: this definitional theme focuses on leader traits and attributes and is one of the oldest ways of conceptualizing leadership. The emphasis is on identifying the characteristics that define natural or born leaders. Examples of such definitions of leadership published in the early part of the twentieth century focus on personality (Bogardus, 1934) and personal traits and character (Bingham, 1927).
2. *Leadership is about how you act*: from this perspective leadership is defined as the exercise of influence or power. To identify leaders, we need to determine who is influencing whom. For example, Hersey (1984) defines leadership as 'any attempt to influence the behavior of another individual or group' (p. 14). Bass (1960) argues that an effort to influence others is attempted leadership. When others actually change, then leadership is successful.
3. *Leadership is about what you do*: this definitional thread focuses on the role that leaders play. Hemphill (1949) suggested that leadership may be defined as the behavior of an individual while he or she is involved in directing group activities.
4. *Leadership is about how you work with others*: this definitional theme emphasizes collaboration. Leaders and followers establish mutual purposes and work together as partners to reach their goals. Success is the product of leaders' and followers' joint efforts. Rost (1993) highlights the interdependence of leaders/followers while others such as Block (1993) and Greenleaf (1977) discuss concepts such as stewardship and servant leadership in defining leadership as a partnership.

Recently, Howell (1988), House and Howell (1992), Howell and Shamir (2005), and Weierter (1997) extended the definitional approach by making a distinction between personalized and socialized leadership relationships. Personalized leaders act in self-interest, exploit others, and reject those who do not comply with their agenda; on the other hand, socialized leaders serve the interests of others, develop and empower followers, and tend to be altruistic.

Leadership succession

The pioneering research on leadership succession was Gouldner's (1954) study, followed in less than a decade by Guest (1962). Other major studies pertaining to leadership succession were conducted by Kohler and Strauss (1983), Vancil (1987) and de Vries (1993). In 1994, Kesner and Sebora comprehensively reviewed the extant literature (more than 200 major articles) and identified distinct phases, only to conclude that the literature lacked consistent results with many additional aspects yet to be investigated. This review, however, established a foundation for investigating the linkages between leadership succession and its consequences that others would follow. For example, Leibman et al. (1996), Metz (1998) and Santora and Sarros (1995) looked at the linkages and looked *to models of leadership succession*.

Another aspect of leadership succession that attracted much attention was *successor origin*. Such studies debuted as early as the 1960s but it wasn't until 1983 that the research of Dalton and Kesner explored in depth the implications of insider versus outsider succession and the link with organizational size. Hambrick et al. (1993) re-affirmed the tendency for the incumbent CEO to pick a successor that reflected his/her main characteristics, a process coined as 'self-cloning'. Zajac and Westphal (1996) continued this line of investigation and found that successors were usually demographically similar to the Board of Directors or to the current CEO. Santora et al. (1997) raised questions about the Board's choice for successors in philanthropic organizations.

In 2000, Bennis and O'Toole proposed a 'CEO-picking recipe' to avoid the faults of the selection process and select a leader who will deliver long-term results. This was based on their observation that, all too often, a leader is not matched by his/her successor. Thus, despite many studies published on leadership succession over many decades, the results are mixed and most models proposed have not been thoroughly tested. Important issues that have yet to be addressed adequately include:

- The general call for researchers to resolve the inconsistencies and inconclusive results on leadership and leadership succession;
- The felt need to pursue basic questions on leadership succession by, for example, using more longitudinal, qualitative case-based research; and,
- The ability to differentiate among those who would foster healthy leadership, and those who would not, and the means to act on the difference.

Research question and study method

The present study began by considering what might make for effectiveness in business and a narrow range of businesses was selected to start: a group of six well-performing small- to medium-sized manufacturing firms in New Zealand where the primary data had been collected either by or under the supervision of authors of this article, from 1990 to 1992. This was an interesting time because these firms faced increasing international competition as New Zealand dismantled virtually all of its protectionist measures for imports and exports, over a five-year period, 1987 to 1992.

These six firms had survived the competition, though most changed leaders in doing so. Later we added two more cases from North America, to examine long-term consequences of leader selection. Finally, we reviewed another seven well-known US firms that had been once touted as successful, on the basis of case studies written by others, resulting in an exploration of 15 different cases in all. Our observations led to the following question that became the focus of this study: *who are those who will make for complete leadership and how can they, and not others, be appointed to the seats of power in business organizations?*

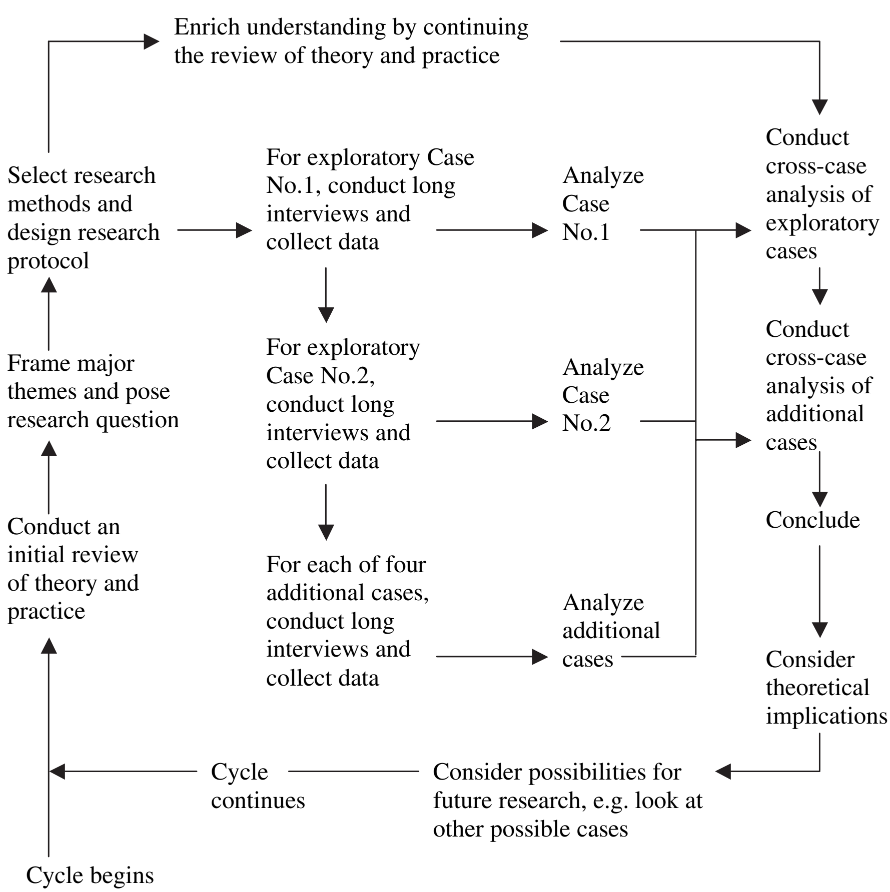
The method to investigate enterprise effectiveness in general involved developing a simple framework to capture important dimensions of leadership and management theory. The three major dimensions of the framework were: (1) *identity* or vision and values (Bennis, 1989); (2) *systems* or functional level competencies (Prahalad & Hamel, 1990; Senge 1990); and (3) *structure* or roles assigned and responsibilities taken in the division of labor and coordination of effort (Mintzberg, 1983). Issues along each of these three dimensions were classified by social and task orientation, as suggested in the leadership literature (e.g. Stogdill, 1974). The social and task issues from each case were then loaded on to the same major dimensions of the framework, to allow for easy comparison between the cases, as suggested by Yin (1989).

A cultural approach was chosen both to collect and to analyze the data, as this was consistent both with the exploratory nature of the research and with making sense of what might be found (Hofstede et al., 1990; Shockley-Zalabak & Morley, 1989; Weick, 1987). As such, our study was exploratory, qualitative and case based. The overall case research design, as represented in Figure 1, generally followed Yin's (1989) approach to comparative case research.

The focus of the study changed from investigation of effectiveness, along the dimensions of the model, to leadership, after the initial data were analyzed. Details of the New Zealand research are as follows:

- Open-ended interviews were conducted in the reflective style suggested by Weick (1979), following specific suggestions by Hofstede et al. (1990) on

Figure 1 *Flow chart of the case research design*



Source: Adapted from Yin (1989).

whom to interview: top manager, top manager's personal assistant, old timer, new comer, employee representative. After support from the top manager was obtained, both the employee representative and personal assistant were co-opted as liaison persons, to ensure confidentiality and good response rates (e.g. respective response rates for the first and second cases were 58 and 79%).

- Rule-like statements or rules were extracted from the interviews, organized into a questionnaire and administered to all employees and managers. Each rule was rated on a 5-point Likert scale, twice, once for 'actual' and then for 'ideal' practice. Standard *t*-tests were used to separate rules into two groups: those rules where actual practices matched what people considered ideal practices (labeled settled rules) and those where actual practices did not match ideal practices (unsettled rules). These data collection and analyses procedures followed the cultural communication research of Shockley-Zalabak and Morley (1989).
- Results of the study, including perceived importance of the settled and unsettled issues and the rules were summarized in a report delivered to and discussed with the top manager(s) of each organization. These results included correlations of absolute differences of rule discrepancies and job satisfaction and perceived communication requirements, to assess the seriousness of discrepant rules, as suggested by Shockley-Zalabak and Morley (1989) and also Heyne (1994). No advice was offered to mangers beyond the obvious advantages of closing the gaps in perception or practice or both. What we came to find as 'model cases' were those firms led by leaders who embraced the findings, shared these with their managers and employees freely, and were able to close the gaps with the help of others. One of these went on to win the top export award, three years beyond the study. Leaders of the contrary cases were typically unwilling or unable to close the gaps.
- Progress of the six New Zealand enterprises was also followed over the next three years beyond the study as reported by the popular and business press. Two cases were again followed in the popular press – one of the contrary cases (led by a personalized leader) and one of the model cases (led by a socialized leader) in 2003, ten years after the initial study.

The focus became more particularly leadership succession when two additional North American cases were added to the study in 2000 and 2004, and all eight cases were considered as a whole. Case studies of the T. Eaton Company of Canada and Nucor Corporation of the United States also followed the Hofstede et al. (1990) criteria on whom to interview where practical. For example, again the opinions of top managers, and other managers and employees were sought. Though preferable, it was judged impractical and unnecessary to survey all employees as in the New Zealand cases, as documented and credible, historical books had been written on both companies. However, archival records were sought and reviewed, and the recollections of top managers and others were tested, when details needed to be clarified, especially in the Nucor case which soon became our 'model' case, from which others were compared in terms of inclusive leadership and the succession process by which the top manager-leaders were chosen.

Reflecting on the combined results, much of what was learned from the study of the eight cases was apparent in the first two exploratory cases in New Zealand that were studied, although this did not become clear until after completion of the two North American cases ten years later. For this reason, more details are presented of the first two New Zealand cases and two North American cases.

Findings from the two exploratory cases in New Zealand

The first exploratory case was Healtheries New Zealand, a manufacturer of health food (e.g. organic stoneground flour, wholewheat rice wafers and herbal teas) and nutritional supplements (e.g. vitamin pills). Healtheries began in 1904 as a small flour mill and operated as such for 60 years when in 1967 the company was purchased by Burt Macartney, a food technologist interested in nutritional supplements. By the end of the 1970s, Healtheries was the largest manufacturer and distributor of nutritional supplements in New Zealand.

However, like many manufacturers in the 1980s, Macartney and his management team became side-tracked by the extraordinary incentives offered by the New Zealand government to export, setting up a chain of events that resulted in Healtheries pursuing export incentives rather than continuing to reliably supply customers with existing products and developing new products, the very things that had resulted in past success.

As the company slipped towards bankruptcy, Board of Directors withdrew support from Macartney and turned to its young finance officer, Mark Mathews, a graduate of a four-year commerce program, with about seven years of management experience before joining Healtheries two years earlier. Mathews immediately fronted up to the bankers of Healtheries and arranged to manage the company until it turned around, rather than actually be placed in receivership by the bank or creditors. Mathews then arranged the sale of the company to outside investors who left the company in his hands. Mathews drew his top management team (TMT) from the same management group established by Macartney, as much as possible, and together they agreed to sell off all subsidiaries to buyers who intended to keep former employees employed. Profitability was soon restored. Later Mathews would describe the turnaround this way:

> We addressed every cost and we made do with what we had. We reduced people and tasks, focused on key products and marketing areas, and changed people we put extra effort into all external relationships and over-compensated on stocks to ensure delivery. And we worked through a priority list of what was most important to do at this time.
>
> I had to do something to gain their confidence. I spent some time with them and I worked through my thinking with them to get them feeling positive about the company. Our Australian distributor was one and our financier was another. Our track record was dismal. To get us the opportunity to turn around we had to put time and effort into convincing them that we had the business plan, the

> resources, the management skills and the business base to make the program work. (Personal interview, 1991; also reported in Poulin et al., 1998: 85)

Mathews and his TMT agreed that some people had to be laid off, and other divisions sold to make the turnaround work, and they followed all reasonable requirements for severance. For those who remained, Mathews made a commitment to be loyal and he asked for loyalty in return. This principle of reciprocal fairness was apparent in other ways as well. For example, Mathews continued to behave in exactly the same way when the firm started earning profits as he had before this, driving his same ordinary Commodore automobile (equivalent to a full-sized Chevrolet) and did not flaunt success.

The company may have been rescued by 1990 but the present study clearly indicated the situation was far from ideal. For example, only about 70 per cent of the things people thought ought to happen, actually did happen. These gaps were associated with negative outcomes including job dissatisfaction among managers and employees. Correlations between the gaps in rules and outcomes are presented in Table 1.

The evidence in Table 1 indicates that job satisfaction was significantly and negatively correlated with gaps between ideal and actual practices, or rule discrepancies. Better communication was perceived as one possible remedy. However, Mathews's description of the turnaround process does suggest generally good communication, specifically in terms of regular progress updates and so on. The areas where there were, or were not significant gaps between the ideal and actual practices, or issues, along each of the three dimensions, are summarized in the following Table 2.

As shown in Table 2, issues were organized under three general dimensions or categories (identity, control and structure) and two sub-categories (social and task). Shortly after these data were collected and analyzed, a summary report of the study was presented to Mathews. His response to the feedback was to embrace it and seek help from everyone in the company to close the gaps in the unsettled rules or issues. He established what he and his team labeled the Joint Consultative Committee, represented by a similarly diverse group of people who Hofstede et al. (1990) had said were important in communicating the culture of a company. The committee's job was to resolve the gaps, or discrepancies found in the survey and, at the same time, improve productivity wherever possible. One of the committee's early recommendations supported by Mathews and ratified by the Board, was that profits from productivity increases would be shared 50 per cent company and 50 per cent

Table 1 *Correlations between rule discrepancies at Healtheries in the early 1990s*

	CEOD	E&MD	JobSat	SendD	RecD
CEO discrepancies (CEOD)	1.00	0.52**	–0.48**	0.43	0.41**
E&M discrepancies (E&MD)++		1.00	–0.38*	0.48**	0.30
Job satisfaction (JobSat)			1.00	–0.43**	–0.40*
Send discrepancies (SendD)				1.00	0.38*
Receive discrepancies (RecD)					1.00

* $p < .05$; ** $p < .01$.

++ E&MD indicate discrepancies (D) among employees (E) and managers (M) as a group.

Table 2 *Settled and unsettled issues at Healtheries New Zealand in the early 1990s (ranked order of perceived importance)*

	Settled issues	Unsettled issues
Identity		
Social:	manufacturer of health products reputation and success	appreciation positive behavior future direction excellence truthfulness
Task:	profitability and growth	product value competence
Control		
Social:	progress updates brand name development	understanding success and failure communication people before process supplier relations decision consistency
Task:	beating targets	market and customer feedback training quality and financial control
Structure		
Social:	personal responsibility respect for CEO	leadership by example servant leadership teamwork responsibility beyond position involvement
Task:	positional authority and responsibility	clear line of responsibility competence of authority

employees. Soon productivity increases became the norm at Healtheries. This is an example of setting an aggressive and relevant goal, and setting in place incentives for the many who would find ways to meet it. Later we would see confirming evidence of the efficacy of this approach at, for example, at Nucor steel under the direction of a particularly effective leadership team.

By 1994, about three years after the initial study, the company had been transformed. A new state-of-the-art manufacturing facility had been built that included an in-house laboratory to test the quality of all products distributed by Healtheries through its growing customer base and increased productivity and profitability.

In summary, Mathews was an effective leader, though the best he and his advisors could do *alone* was develop about 30 per cent of the answers, at which point he welcomed the information on where help was most needed, and he did call for and found help in his employees at all levels. Mathews was the first top executive we found who was about as competent as anyone could be, and yet could not complete the leadership role in which he was cast until he and his TMT began rewarding people at many levels for helping out.

After Healtheries New Zealand, we were surprised to find an opposite pattern in the second exploratory case, a company that had recently won New Zealand's top business award, the Governor General's Award for Export Excellence, and had been given rave reviews from opinion leaders from within the business community. We call the second exploratory case 'Company D' to reflect the wishes of the CEO that results not be published for at least five years and that the company not be named.

Before the appointment of the current CEO, Company D was in a position similar to Heatheries, in that it too had been a high-profile company that was drawn into the export incentive scheme of the New Zealand Government and needed to turn around. At first, the two CEOs seemed to operate in similar ways, controlling costs, jettisoning unnecessary businesses and making better products more efficiently and more reliably. The CEO of Company D was brilliant, and had been so successful at the turnaround as to win the top business award in New Zealand just before the study began in 1991.

However, unlike Mathews, who shared the results widely, the top manager of Company D did not share the results and drove people to perform on his instructions. The results of the study of Company D are summarized in Table 3 and Table 4.

For a time this seemed to work, though in 2003, ten years later, the Board was no longer impressed with the performance of Company D or with the top manager and it was taking action to remove him. Comparisons between Healtheries and Company D indicated these similarities and marked differences in control, structure and culture:

- The number of settled issues at the second exploratory case, Company D, was comparable with that of the first exploratory case, Healtheries, with Company D enjoying some advantage in settled issues of task with Healtheries having some advantage in settled issues that were more social in nature.
- The structure was more flexible and open at Healtheries and contrasted with the more directive and authoritarian structure of Company D. The aggressive behavior of the top manager of Company D was associated with some distrust, although his behavior came to be questioned by the Board only after performance of the company suffered. In contrast, the Healtheries manager enjoyed wide respect throughout his tenure.
- The culture of the companies was different even at the time of the study, with Healtheries being only security conscious in terms of maintaining conditions necessary to guarantee that products were manufactured in a facility that was

Table 3 *Correlations between rule discrepancies at Company D in the early 1990s*

	CEOD	E&MD	JobSat	SendD	RecD
CEO discrepancies (CEOD)	1.00	0.71**	–0.61**	0.17	0.41**
E&M discrepancies (E&MD)++		1.00	–0.43*	0.42**	0.52**
Job satisfaction (JobSat)			1.00	–0.17	–0.62**
Send discrepancies (SendD)				1.00	0.33
Receive discrepancies (RecD)					1.00

* $p < .05$; ** $p < .01$.
++ E&MD indicate discrepancies (D) among employees (E) and managers (M) as a group.

Table 4 *Settled and unsettled issues at Company D in the early 1990s (ranked order of perceived importance)*

		Settled issues	Unsettled issues
Identity			
	Social:	leadership in products and markets manufacturer of instrumentation importance of each customer	excellence ethical behavior honesty trust motivation values from CEO
	Task:	profitability and margins competitiveness	professional behavior innovation
Control			
	Social:	strategic accountability	incentives flexibility of system support for learning organizational development customer contact
	Task:	control of technology market pricing control of distribution budget control	technology planning task competence measurement
Structure			
	Social:	none settled	responsibility beyond position teamwork leadership by example family structure cooperation sharing power
	Task:	positional authority and responsibility	(negative) reporting to CEO decisions only made by CEO

> clean and safe, entirely consistent with production of healthful food and nutritional products. Company D was more closed and maintained strict security over most everything.

After the study, the top manager of Healtheries set about closing the gaps along all three dimensions – identity, control and structure – in both task and social areas, while the top manager of Company D seemed mostly interested in closing gaps in the task or technical areas, and generally avoided the more social issues.

In short, the most significant differences were in how the two managers viewed and accepted the feedback from the study, and how the one shared the leadership task and rewards, and the other did neither. Interestingly, concern to the Board of Company D only appeared over profitability. These similarities and differences also were apparent in the other four New Zealand cases.

Findings from the four additional New Zealand cases

The four other New Zealand cases, in alphabetical order, were Instrument Supplies Limited (ISL), a manufacturer of instruments to administer preventive and medicinal treatments to farm animals, either orally or topically; Moontide, a manufacturer of award-winning swimwear; Tatua Dairy, a dairy cooperative known for its value-added products (e.g. dairy-whip dessert toppings); and Tidco International, a manufacturer of innovative rock crushers for the mining and construction industries.

Andi Lusti, the top manager of Tidco International, was appointed to turn around the company and behaved in the similarly inclusive manner of Mathews at Healtheries. Tidco had even been able to resolve most of the likely rule discrepancies before the initial study began in 1992, and by 1997 had gone on to win New Zealand's top export award. Then through a series of ownership and senior management changes, the performance of Tidco slipped such that, by 2003, it looked nothing like the high-performing, dynamic company that it had been at the time of the 1993 study. By then, the previous CEO was no longer the top manager, one result of a very large corporate merger that saw a restructuring of subsidiary firms and divisions.

Instrument Supplies Limited (ISL) followed a pattern similar to the other turnarounds and, like Tidco, had closed many of the gaps in the rules before the study began. One other similarity between the cases was that the top managers of both consulted regularly about decisions with other managers, and worked more like a team than a single decision maker. Also like at Tidco, ISL failed to continue to excel after the departure of the inclusive top management team that at ISL left in frustration to start a competing firm. In both the Tidco and ISL cases, long-term leadership failure appeared to be brought on by corporate ownership changes beyond the top managers' control.

Tatua Dairy and Moontide swimwear were cases where dependence on outside ownership interests was not a factor. Tatua and Moontide were much like the two exploratory cases in that the majority of issues were unresolved in 1993. The difference was in the fact that the top managers either could not or chose not to address the issues of the study. For example, the top manager of the innovative Tatua co-operative was about to retire and believed it was the job of a successor to make any changes deemed necessary. Ten years later, in 2003, Tatua Dairy was reported in the press as regularly outperforming its much larger rivals, and today proudly states that it is 'the only dairy co-operative remaining in New Zealand that has never been part of any amalgamation', adding that 'this has resulted in a distinctive culture of independence and a strong sense of identity' (from http://www.morrinsville-info.co.nz/tatua/).

In the case of Moontide swimwear, the top manager and founder continued to adopt a non-inclusive, entrepreneurial style and did not close the gaps in actual and ideal rules. Some years after the study, there were ownership and management changes, surviving today as 'New Zealand's most successful fashion (swimwear) exporters, recognized for innovative marketing and design' (from http://www.fashion.co.nz/).

In summary, two of the four additional New Zealand cases, ISL and Tidco, were of a similar pattern to the first exploratory case, Healtheries, in that gaps between actual and ideal practices were addressed by the top managers, at least during their tenure. The remaining two cases, Tatua and Moontide, were of a similar pattern to the second exploratory case, Company D, in that gaps between actual and ideal practices were not addressed by the top managers during their tenure.

The differentiating issues in the six New Zealand cases emerged as issues of leadership more than management, with structures and systems appearing to follow the leadership style of the top managers who were either socialized (inclusive and appreciative of others, with incentives for employees to help make the firm more productive), or personalized (exclusive and demanding of others, with incentives for the favored few, most especially themselves). The implications of the difference in the two patterns within these six New Zealand cases became even clearer with another cycle of case research involving two illustrative organizations in North America.

Findings in two North American cases

In the early 2000s, around ten years after our initial investigations in New Zealand, two North American case study analyses were initiated. These cases were purposely chosen to identify important similarities and distinguishing differences between two well-known businesses, one having gone from being very effective to ineffective and another having gone from ineffective to effective.

The seventh case was Eaton's of Canada, the once proud icon of Canadian retail, founded by Timothy Eaton in 1869, arguably the greatest retailer that Canada had ever known (McQueen, 1998). Timothy Eaton won over Canadians by including most everyone in his retail efforts, and by rewarding employees for their contributions though shares in the company and other benefits that were unsurpassed in their time. This included reduction of the work week to eight hours a day, five and a half days a week, from 10–12 hours a day and a six-day working week that was the norm in the early 1900s. The chain of stores grew and flourished for 40 years beyond its founder's death in 1910.

By the mid 1950s, Eaton's accounted for an astounding 58 per cent of all Canadian retail sales (compared to Wal-Mart's market-leading 15 per cent today), when it lived on the reputation established by Timothy Eaton half a century earlier: unparalleled selection, value, service, trust and a money-back guarantee. Through a series of succession decisions that were recorded by McQueen (1998), all but the money-back guarantee were slowly wound down under top managers with generally narrower views and values. By 2000 Eaton's ceased to operate as an independent company, bought out by Sears for $60 million. Timothy Eaton had said of succession, 'All depends on the integrity of those who follow' (McQueen, 1998: 26).

What struck us with the Eaton's case was how important the issue of leadership succession turned out to be (Poulin & Hackman, 2001). Still, we were unprepared for the same succession issue to come up in the way that it did in the eighth and final case, Nucor Corporation, a company identified for top honors among Fortune 500 companies in Collins's best-selling book on business leadership, *Good to Great* (2001).

Interpreting the findings: the model Nucor case and other cases

We had considered leadership to be an important consideration in enterprise effectiveness as early as 1993, and more important than strategy by 1995, but it was not until ten years later that we would come to believe that the succession of a particular type of leader was so important to cause remarkably different outcomes, or consequences. This lesson on succession came from not only the seven cases that we had studied in detail but also from the Nucor case we, and others, had studied. It was confirmed in seven additional well-known cases distributed through the Harvard Business School.

In 2005, just after the final edits were being made to the eighth, and exemplary or model Nucor case – one of the highest-performing companies in the USA over the period 1965 to 1995 – we noted the similarity of pattern to the Healtheries New Zealand case, in terms of how a new leadership team reversed the fortunes of particular firms. It was as if history was repeating itself with each case, turning toward success in one season only to turn toward relative and sometimes outright failure in another, all triggered by leadership succession decisions. For example, the company that became Nucor barely survived under a series of top managers for 40 years, nearly went bankrupt in the 1960s under a personalized top manager and then in 1965 changed leaders to enjoy unparalleled success in the US steel industry for the next 30 years, only to face a succession challenge again in the 1990s. What was not so apparent in all of this was how long or short the cycles could be, either toward success or failure. This made it particularly difficult to judge in the short term and from the outside, be it by remote board members or analysts, as will be explained later.

Brief history of the Nucor Corporation

The story of Nucor can be traced to Ransom E. Olds who founded Olds Motor Works in 1891 to manufacture cars. Notably, R. E. Olds was the first to export a US-made automobile, his steam-powered Oldsmobile, to a London firm in 1893. The Oldsmobile brand was later sold to General Motors in 1908, though by this time R. E. Olds had gone on to manufacture cars with Reo Motor Works under the REO (from his initials) brand. Reo Motors Works went through a series of trials and failures and ended up merging in 1955 with a company called Nuclear Consultants. Nuclear Consultants had been 'vaguely formed to capitalize on the possibilities of nuclear power' (Rodengen, 1997: 16).

The merged Nuclear Corporation of America drifted along until the Board chose Dave Thomas, an articulate, flashy and ego-driven manager in 1960. By 1961, Thomas was engaged in directing a 31-year old certified public accountant named Sam Siegel to acquire businesses in an effort to grow the company. By 1964, Nuclear Corporation was comprised of seven businesses with seven different products and services. One of these businesses, the Vulcraft steel joist business, managed by Ken Iverson, earned $927,000 in profits while the other six businesses, combined, lost $864,000, leaving only $63,000 in total profits. These meager profits were expected to be wiped out by the mounting losses in the six, money-losing businesses.

Through the next six months, actions by investor Donald Lillis, the new Chairman of the Board, and Sam Siegel resulted in the appointment of a new top management team for the company, namely Ken Iverson and Sam Siegel. In fact, as a result of this top management change, Nucor became so illustrative of the difference between effective and ineffective leadership that it was deemed worthy of more detailed study and detailed review and analysis. This was to find out how and why the transformation took place and to hypothesize the extent to which this model case reflects or refutes what was found in other detailed case studies. The following are two major observations that emerged from this effort.

How top managers used principles to simplify complex decision making

What was not obvious to even Collins (2001) was how important ethical principles guided Iverson and Siegel in establishing their goals at Nucor, in the elegantly simple and inclusive strategy and structure, and in the resulting vibrant culture that they developed with the help of others. For example, decisions were made on the basis that these were 'equitable, right and practical' (Iverson, 1998: 172), and the strategy was expressed in terms of two simple and aggressive goals: 'to build facilities cost effectively and operate these productively' (Siegel, 2004: 7). The three decision-making criteria are a remarkably concise way of summarizing three ethical platforms – equity, justice and utility – translated into benefits for others: customers who received 'best in industry' quality, service and value; employees who received 'best in industry' career opportunities, pay and benefits, with knowledge that the TMT was fair and 'not greedy'. Shareholders enjoyed high returns, suppliers enjoyed well-earned loyalty, and community and nation also enjoyed significant benefits, for example, Nucor became the largest recycler well before it became the USA's largest steel maker.

How a new Board Chair and principled manager led a successful succession

Also not obvious, but critical, was how important it was that the new, fair and independent Board Chair, Donald Lillis, took advice on succession from a socialized manager. Finance manager Siegel's condition for accepting Lillis's offer to stay was that the Board hires Iverson as the new CEO. How many people might there be like Siegel, who would choose another when a chance arose to head the company, and then work alongside the CEO as a supportive second for 25 years, and then another 10 years after the CEO became ill and could no longer function at peak form?

Here we see a prime example of a socialized and sharing leadership relationship. Nucor is hardly alone in this team leadership. The possible dangers and benefits of partnership in leadership were explored at length by Heenan and Bennis (1999). These authors brought forward a dozen cases of famous or inconspicuous leadership sharing, drawing lessons from leadership alliances with potential for success in the new millennium.

Findings revisited

What we learned from Nucor, and the other cases, was that leadership and succession were the critical issues in all of these organizations. For a time – three or even five years or ten years or longer – all eight companies, large and small, appeared to flourish, some winning major national awards under skilled personalized and socialized top managers alike. The question remained, what was the deeper significance of the apparent differences in style and consequences between these two types?

After reviewing the cases at length, we noted similarities between leaders exhibiting more personalized characteristics as described by House and Howell (1992) and those with a socialized leadership approach. Socialized leaders seek out principles, and people, to make their lives and the lives of others better, fairer, and more workable. We view the use of principles as the distinguishing hallmark among those who were, are and will become leaders, whether they become CEO or not. When socialized leaders are present at the CEO level, the other parts of the organization – identity, structure and system – can be properly balanced in task and social orientation and the organization will likely stand for what it needs to be most about: equity, individual human dignity and, of course, valued products and services produced and supplied by productive people, efficiently and cost effectively.

The principles of the socialized leader also allow us to understand why these individuals do not care about status and recognition. These leaders exhibit humility, even when this means overlooking themselves, as when Sam Siegel recommended Ken Iverson for the post of CEO of the company that became Nucor. These leaders are determined that things are done properly and, with others, they are willing to join a leadership team to see this is done. It is as if they are guided by, and subservient to powers greater than themselves. This kind of humble determination was lacking whenever a personalized leader occupied the seat of power.

We think that the pointless search for an ‘ideal’ or ‘heroic’ leader explains much of why so few companies are within the ranks of high-level leadership. For example, Collins (2001) found only 11 highest, ‘level-five leaders’ among more than 1400 companies who had made the *Fortune 500* listing over a 15-year period. The best of these top managers were not the ‘ideal’ or ‘heroic’ leaders of myth and legend. They did not credit ‘greatness’ to their efforts toward success, as much as the persistence and hard work of others and, in the case of Nucor, setting a standard for others to follow. This pattern was also apparent not only in the best of the six New Zealand but also in the best of the seven Harvard cases (eight if the common Nucor case is included), or 15 cases in all (see Tables 5 and 6 for a summary of all cases analyzed in the present study, along major dimensions of identity, control and structure, plus other dimensions of strategy, culture and leadership).

Answering the research question

The first part of the research question, on *who* will make for complete leadership, appears clear from our analysis: it is the leader who engages in socialized leadership relationships with his/her followers. Perhaps the rise to the top of the personalized leader, the antithesis of socialized leaders, can be avoided when people at all levels, starting with the Board, look not for perfection in a leader but to those who will engage the minds, the hearts, the skills and the diversity of people, and who will be a good steward of resources. The distinction between these two leadership styles is outlined in Table 7.

As indicated by the profiles in Table 7, it is often no easy task to separate personalized and socialized leaders. For example, how might real vision be distinguished

Table 5 *Eight original cases (4 socialized, 1 in transition, 3 personalized)*

Firm and time frame		Identity	Control systems	Structure	Strategic position	Culture	Leadership
Healtheries NZ	1991	Manufacturer of nutritional & health products	Goals, systems & incentives for employees	Simple & delegating teamwork	Differentiated	Egalitarian meritocracy	Socialized
Tidco NZ	1992	Manufacturer of specialized equipment	Goals, systems & incentives for employees	Simple & delegating teamwork	Focus differentiated	Meritocracy	Socialized
ISL NZ	1992	Manufacturer of specialized instruments	Goals, systems & incentives for employees	Simple with TMT 'partnership'	Focus differentiated	Meritocracy	Socialized
Nucor USA	1995	Manufacturer of low-cost steel products	Goals, systems & incentives for employees & customers	Divisional with TMT 'partnership'	Low cost	Egalitarian meritocracy	Socialized
Tatua NZ	1992	Manufacturer of dairy products	Objectives & systems	Simple & directive	Differentiated	In transition	In transition
Moontide NZ	1992	Manufacturer of swimwear	Objectives & systems	Simple & directive	Focus differentiated	Utilitarian	Personalized
Company D NZ	1992	Manufacturer of specialized instruments	Objectives & systems	Simple & directive	Differentiated	Competitive & aggressive	Personalized
Eaton's Canada	2000	Retailer of consumer goods	Dysfunctional systems	Directive	No lasting position in 2000	Utilitarian	Personalized

Table 6 *Eight 'Harvard' business cases (4 socialized and 4 personalized)*

Firm and time frame		Identity	Control systems	Structure	Strategic position	Culture	Leadership
Lincoln Electric 9-376-028	1974	Manufacturer of welding products	Systems & incentives	Simple & involved	Low cost	Egalitarian meritocracy	Socialized
Johnson & Johnson 384-053	1983	Manufacturer of health products & pharmaceuticals	Credo & systems	Divisional	Differentiated	Meritocracy	Socialized
Nucor 9-793-039	1986	Manufacturer of steel products	Goals, systems & incentives	Divisional, flat & involved	Low cost	Egalitarian meritocracy	Socialized & team-based
SAS Institute Stanford HR6	1997	Developer of software services	Goals & incentives	Simple & involved	Differentiated	Egalitarian meritocracy	Socialized & team-based
General Electric 9-399-150 9-307-056	2001	Diversified manufacturer & financial services	Objectives, systems & internal competition	Divisional & direct	Differentiated	Competitive & aggressive	Personalized
Wal-Mart 9-704-430	2003	Discount retailer	Objectives & systems	Simple & direct	Low cost	Competitive & aggressive	Personalized
Enron 9-905-048	2001	Energy & utilities services provider	Objectives	Simple & direct	No lasting position	Aggressive & acquisitive	Personalized
WorldCom 9-104-071	2002	Communication services provider	Objectives	Simple & direct	No lasting position	Aggressive & acquisitive	Personalized

Table 7 *Personalized versus socialized leaders*

Personalized leader	Socialized leader
Egoistic adaptiveness	Principled adaptiveness
Facile communicator of evident goals	Communicator of meaningful vision
Storyteller playing to audience	Humble, honest and generous character
Seller of past or future glories	Realistic, optimistic and innovative
Willing to sell out for short-term advantage	Willing to persist for long-term self-respect

from a personalized leader's wish list? That the model Nucor case had problems with successors following on from CEO Iverson suggests that avoiding failure is a great part of successful succession.

Ways to fail and how these may be avoided

Despite many leadership successions and much experience, corporations fail to establish effective CEOs consistently. The succession literature and the illustrative case studies together suggest the following five ways to fail and possible remedies:

1. *Deception*: appearances are deceiving. The incumbent CEO and Chair of the Board and other Board members can fall under the spell of a personalized leader with an ability to oversell. Possible remedy: check references carefully, to determine if the person fits the profile of the personalized leader presented earlier, including the exercise of how much or little he or she helps and trusts others, shares in their successes, and so on.
2. *Nepotism*: one of the most frequent instances of malfunction relates to nepotism or cronyism. This is the exercise of influence based on who smiles upon whom, and for what reason, as in the Nucor case, when the successor may have been chosen by self-garnered favoritism. Possible remedy: be clear on what is looked for, and test on merit, not familiarity.
3. *Homosocial reproduction*: this is the tendency of the current CEO and/or Board to choose someone who appears demographically or otherwise socially similar. Here decision makers are often misled by a particularly convincing but incorrect argument, and become subject to 'groupthink'. Possible remedy: look to vision and competencies, and test for behavior and psychological growth; how has the person learned to look out for themselves *and* others?
4. *Invulnerability*: 'Mais où sont les neiges d'antan?' says a beautiful ballad of 15th-century French Poet, François Villon, evoking glorious days of the past. A false sense of invulnerability occurs when past success is associated with an incumbent CEO, especially one who is Chair of the Board and willing to stay on beyond any reasonable time. Even a strong and appropriate culture, built up over many decades, is vulnerable to decay and cultism. This kind of slow decay and death was evidenced in the Eaton's case. In other cases, Enron and WorldCom in particular, the cultural basis for sustained success was never there, despite appearances of functionality brought about by the personalized leaders. Possible remedy: the experience of new Chair, Donald

Lillis, at Nucor in appointing Iverson and Siegel suggests that the Chair be a person of integrity and foresight, and be on the lookout for potential leadership talent within.

5. *Seduction by promise of immediate or short-term gain*: this temptation obviously plays to the decision makers' ignorance, insecurity, or both. Possible remedy: look out for the leader who plays to base motives, and offers false hope, and distinguish between these selfish, personalized leaders and the humble yet determined leaders who offer real performance over the long term.

Another reason why false leaders are chosen may be because they have the greater incentive than true leaders to rise to the top, and fast, since the best cover for a personalized leader is to be in charge. And such false leaders can be expected to move on from one assignment to another before his or her true colors are known, so it will be difficult to tell from short-term assignments. If chosen, a personalized leader will appear confident even when chaos reigns, often covering up damage to the company, securing personal benefits while avoiding difficult questions.

A recent study supports the notion that there are two potential types normally chosen for leadership relationships: personalized and socialized. Popper (2002) conducted empirical psychological research, among already well-screened leadership trainees in the Israel Defense Forces. She found that preferred leader choice among peers was based more on their show of confidence rather than on whether the leadership trainees were personalized or socialized, as these terms are described by House and Howell (1992). Confidence is no reliable guide when choosing a new CEO or top manager. Table 8 indicates possible consequences under both the personalized and the socialized leader. These possible consequences provide for serious reservations in deciding too soon and not checking out past performance including checking with references and associates, very carefully, especially with apparently stellar performance over short periods of time.

Conclusions and recommendations

Leadership is complex and, in practice, it is not as clear cut as the present analyses may seem to indicate. As Collins (2001) notes, a paradoxical combination of humility and professional will are important in leadership success. This all supports the proverbial wisdom that only 'hindsight is 20/20', and as such, it is much easier to

Table 8 *Leadership types and consequences*

Consequences under personalized leadership	Consequences under socialized leadership
Identity compromised for immediate gain	Identity clear in short and long term
System unbalanced in key area or areas	System balanced in all key areas
Structure dictatorial with unfair decisions	Structure inclusive with equitable decisions
Employees 'used up' as factor inputs	Employees empowered and given incentives
Climate toxic with unhealthy infighting	Culture healthy with input and follow-through

judge past rather than present challenges. Caveats aside, the cases and literature on leadership and succession do point to the importance of selecting leaders who are socialized, rather than personalized, and are competent in the many leadership roles they are called upon to fill. On the surface, our observations may seem to be no more than common sense – to somehow distinguish the personalized leader, as mainly for him or herself, from the socialized leader, as mainly to become a leading citizen of the organization and beyond, and then to appoint the socialized as opposed to personalized leader.

The challenge (and this is where more research effort needs to be focused) is to find what it would take for a Board to become competent enough, and prepared enough, to make this determination before history becomes the judge. In other words, the difficulty is in knowing the motivation and potential of would-be leaders, in real time.

Luck can play a part as well, for even in the pressured circumstances of impending bankruptcy, good decisions may be reached, as in the cases of Nucor in 1965 and Healtheries in 1987. However, this is leaving too much to chance, as the demise of Eaton's sadly illustrated. Further, the model Nucor case, from 1965 to 1995, suggests that the mission of the firm needs to be documented before succession decisions are presented to the Board of Directors. We believe it would be wise to conduct a 'cultural communication' analysis on a regular basis (say, a major study every five years with a survey done every year or two) with the results being used to inform the organization and the Board, so knowledge is kept open and available at all levels. Our preference would be to form a consultative team to make recommendations on CEO, like other major decisions, to an independent Chair and the Board, and have the team engage an outside independent consultant to conduct the cultural study, such as in the cases here. This would certainly mean appointment of a new Chair if the CEO is the current Chair.

We further argue for leader selection based on such criteria as suggested by Bennis and Thomas (2002): ability to adapt, shared meaning, and communication skills and, we would add, other skills that make for all-round leadership competency. However, as stated previously, it will be difficult to separate the real and false leaders, even on these important dimensions, since the motivation of potential leaders will not generally be known until well after the appointment and, then it may be too late.

Thus our first suggestion on succession is to build a consultative committee that sets out to evaluate the candidates on certain characteristics and competencies, summarized by Collins (2001) as humility and will, and what Timothy Eaton and Bennis call integrity or, in terms of House and Howell (1992), socialized relationships. The committee might well be small, comprised of a new Board Chair who is independent of incumbent management, a range of managers and employees throughout the organization, and perceptive individuals who have some insight about what it takes to be top executives of integrity, vision, adaptability, humility, professional will, and competences, including communication (see Hofstede et al. (1990) for criteria on selecting people who, collectively, can know the organization, where it stands and what it ought to stand for). This committee can start by thorough tracking and checking of the past records of candidates, on the four criteria of Bennis and Thomas (2002): adaptiveness, engaging others in shared meaning, distinctive and compelling voice, and integrity. These seem as good as any, and better than most, for what true leaders are about, though we would place the emphasis in this order: first integrity, followed by the other three – compelling voice, shared meaning and adaptiveness, followed by those social attributes identified by Collins, namely the paradoxical combination of humility and resolve. This may not seem new or revolutionary but it is, for business leaders who left behind a legacy of effectiveness, decades *after* retirement, were socialized not personalized leaders.

Our second suggestion is directed toward what the organization needs to do to continue creating the kind of culture that will be required for people to perform well in the future. This again involves data collection and analyses similar to those used in this study: finding out from everyone where there are gaps in actual and preferred practices. Using such a device would bring concerned parties, especially the Board, up to speed and serve as a good basis for what the successor needs to see accomplished such as, for example, was done at Healtheries under the guidance of Mark Mathews and his team.

Third, we recommend, particularly in turbulent times, that the vision remains true to ethical principles and is interpreted and applied appropriately. Such ethical vision provides assurance that the past is viewed equitably and correctly, and the future is seen with ‘a fresh eye’. This was true in, for example, both the Healtheries and Nucor cases, and not true for Company D or similar cases.

Fourth, we suggest that the search team give short shift to one proposal. Avoid any forms of favoritism that would preclude appointment of people to the CEO or top CFO position who possess the distinguishing principles that were found to be so important in the model Nucor case and in the other cases during their seasons of effectiveness: a sense of fairness that was reflected in equitable treatment, the right to be heard and treated with respect, and the opportunity to contribute meaningfully.

We reserve our fifth and last concern about selection. It is our observation, supported by the literature and the eight original cases, and supplemented by the evidence in seven other cases, that competent socialized leaders hold the greatest opportunity for sustainable success and that these individuals will provide the best record of performance over the long term. Success is first about weeding out the pretenders and choosing a CEO and top management team who have the capacity to involve people of diversity to complete the challenge of leadership, and that means doing something meaningful for oneself and others: customers, suppliers, employees, communities, and shareholders, who also should do well in the long term.

Finally, we have only made a start on what to look for and how to appoint socialized leaders. This means there is a great need for more studies which track firms over time, perhaps 30 years or more, so that important aspects of these findings on the state of leadership succession can be confirmed and more successful examples can be found. In other words we need more reliable means of assessing and choosing leaders with socialized potential. In this way, well-selected Boards can be sufficiently aware of what to look for in whom, and attract, screen and select socialized leaders and not others. Until then, we need many others to continue the search to increase our ability, to *a priori* assess the potential of leaders in every field including business. This suggests starting with case studies such as these, and looking beyond the definitional to the psychological and motivational themes of leadership.

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Bryan Poulin is an Associate Professor in the Faculty of Business Administration, Lakehead University, Canada. From 1975 to 1983, he managed an engineering consulting firm in Canada. He has taught and conducted case study research in the areas of strategy and leadership in business for 20 years, 11 years at the University of Waikato and, more recently, 9 years at Lakehead University, Canada. Bryan Poulin has been called as an expert witness on strategy and innovation by the Canadian Federal Government, and he has consulted to both private and public sectors. His current research focus includes ethical leadership, business strategy and cultural. Dr Poulin is author in a variety of journals including *Pacific Accounting Review*, *Canadian Public Policy* and *The Journal of Leadership Studies*, and co-author (with Bob Mills and Dorothy Spiller) of *Strategy and Management: A New Zealand Casebook.*

Michael Z. Hackman is a Professor in the Department of Communication at the University of Colorado, Colorado Springs. He teaches courses in communication and leadership at both the undergraduate and graduate levels. Since 1991, Dr Hackman has served as a Visiting Professor at the University of Waikato in Hamilton, New Zealand, served as an adjunct Professor at the University of Siena (Italy) and the University of Vienna (Austria). Dr Hackman also has extensive experience as a consultant for numerous public and private sector organizations throughout the United States and in Australia, Austria, Canada, Italy, Luxembourg, the Netherlands, and New Zealand. Dr Hackman's research focuses on a wide range of issues, including impact of gender and culture on communication and leadership behavior, instructional communication in mediated contexts, and creativity. Dr Hackman is author in a variety of journals and co-author (with Craig Johnson) of two books, *Leadership: A Communication Perspective* and *Creative Communication: Principles and Applications*.

Carmen Barbarasa-Mihai began her career at the University of Isai, in Romania, where she taught management, management of human resources, management of current aspects of agribusiness, and rural tourism. From 2002 to 2007, Carmen was Assistant Professor and she taught in both the graduate and undergraduate programss at Lakehead University, in the fields of human resource management, organizational behavior and organizational change. She has also taught human resource management at the University of New Brunswick and her long term research interests include areas where she has taught, particularly HRM and organizational change. Currently, Carmen is consulting and working for the Government of Canada, helping internationally trained professionals, with Masters and PhD degrees develop and obtain diploma credential accreditation for sector specific employment. Dr Barbaras-Milhai holds a Masters of Developmental Economics degree from Dalhousie University, Nova Scotia, Canada and a PhD in Management, University of Iasi, the oldest university in Romania.