

Decision making & Leadership

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Lecture 6



What Is Leadership?



Leadership: The ability to influence a group toward the achievement of goals.

Management: Use of authority inherent in designated formal rank to obtain compliance from organizational members.

Both are necessary for organizational success.

Trait Theories of Leadership

- Theories that consider personality, social, physical, or intellectual traits to differentiate leaders from non-leaders.
- Not very useful until matched with the Big Five Personality Framework.
- Leadership Traits
 - Sociability
 - Conscientiousness
 - Openness
 - Emotional Intelligence (Qualified)
- Traits can predict leadership, but they are better at predicting leader emergence than effectiveness.



Behavioral Theories of Leadership

- Theories proposing that specific behaviors differentiate leaders from non-leaders.
- Differences between theories of leadership:
 - Trait theory: leadership is inherent, so we must identify the leader based on his or her traits.
 - Behavioral theory: leadership is a skill set and can be taught to anyone, so we must identify the proper behaviors to teach potential leaders.

Contingency Theories

- While trait and behavior theories do help us understand leadership, an important component is missing: the environment in which the leader exists.
- Contingency Theory deals with this additional aspect of leadership effectiveness studies.
- Three key contingency theories:
 - Fielder's Model
 - Hersey and Blanchard's Situational Leadership Theory
 - Path-Goal Theory

Fiedler's Model

- Effective group performance depends on the proper match between leadership style and the situation.
 - Assumes that leadership style (based on orientation revealed in LPC questionnaire) is fixed.

Least-Preferred Coworker :is a management heuristic that assigns an individual's leadership style as either task-oriented or relationship-oriented. The scale utilizes a subjective evaluation of an individual's attitudes toward their least favorable co-worker.

- Considers three situational factors:
 - Leader-member relations: degree of confidence and trust in the leader.
 - Task structure: degree of structure in the jobs.
 - Position power: leader's ability to hire, fire, and reward.
- *For effective leadership: must change to a leader who fits the situation or change the situational variables to fit the current leader.*

Fiedler's Model (cont'd) Assessment

Positives

- Considerable evidence supports the model, especially if the original eight situations are grouped into three.

Problems

- The logic behind the LPC scale is not well understood.
- LPC scores are not stable.
- Contingency variables are complex and hard to determine.



Fiedler's Model (cont'd) Cognitive Resource Theory

A refinement of Fiedler's original model:

- Focuses on stress as the enemy of rationality and creator of unfavorable conditions.
- A leader's intelligence and experience influence his or her reaction to that stress.

Stress Level	Intellectual Abilities	Leader's Experience
• Low • High	• Effective • Ineffective	• Ineffective • Effective

- Research is supporting the theory.

Hersey & Blanchard's Situational Leadership

A model that focuses on follower 'readiness'

- Followers can accept or reject the leader.
- Effectiveness depends on the followers' response to the leader's actions.
- **Readiness** is the extent to which people have the *ability* and *willingness* to accomplish a specific task.

Hersey & Blanchard's Situational Leadership (cont'd)

A paternal model

- As the child matures, the adult releases more and more control over the situation.
- As the workers become more ready, the leader becomes more *laissez-faire*.

An intuitive model that does not get much support from the research findings.

House's Path–Goal Theory

Builds from the Ohio State studies and the expectancy theory of motivation.

The theory

- Leaders provide followers with information, support, and resources to help them achieve their goals.
- Leaders help clarify the 'path' to the worker's goals.
- Leaders can display multiple leadership types.

House's Path–Goal Theory (cont'd)

Four types of leaders

- *Directive*: focuses on the work to be done.
- *Supportive*: focuses on the well-being of the worker.
- *Participative*: consults with employees in decision-making.
- *Achievement-Oriented*: sets challenging goals.

House's Path–Goal Theory (cont'd)

Path-Goal Model

Two classes of contingency variables:

- Environmental are outside of employee control.
- Subordinate factors are internal to employee.

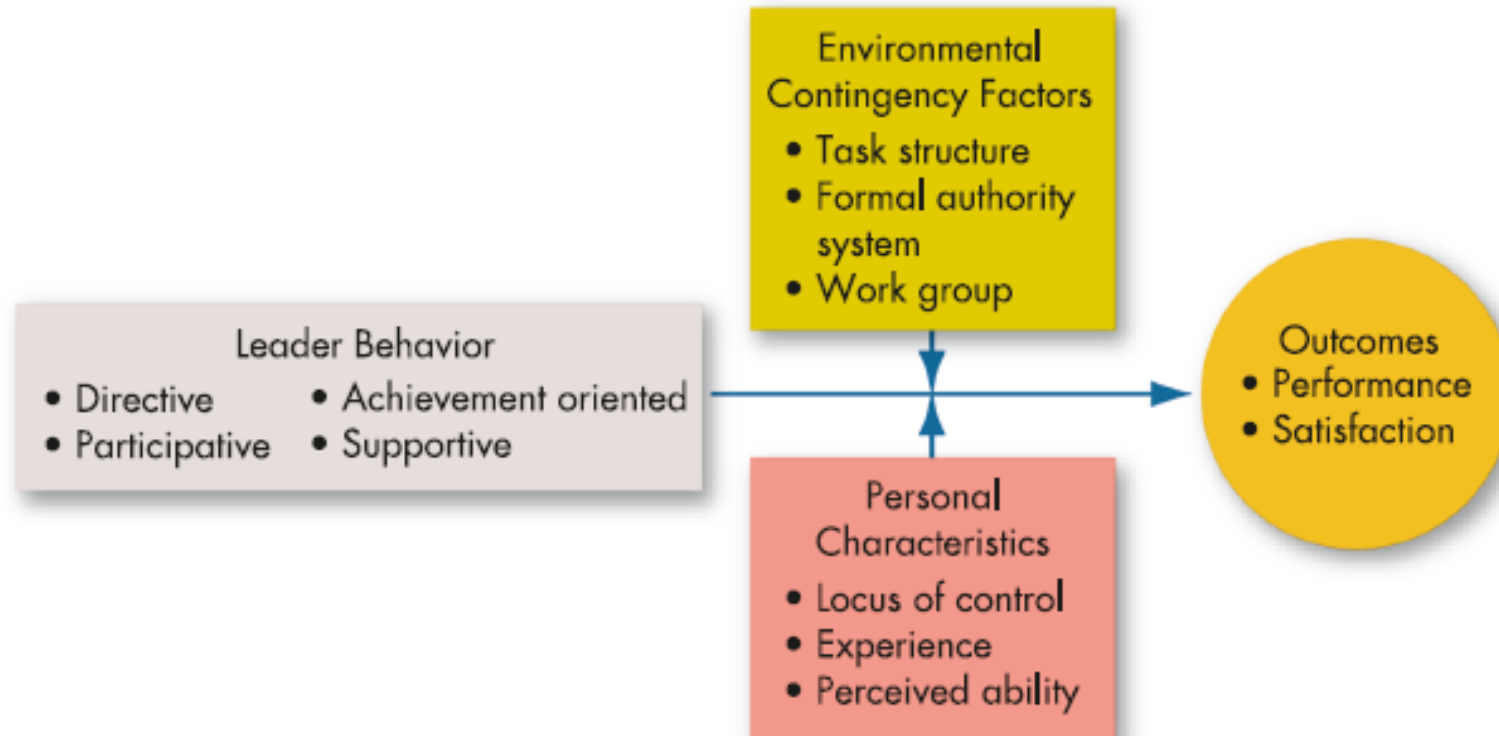
There is mixed support in the research findings.

House's Path–Goal Theory (cont'd)

Path-Goal Model

Figure 10-2

Path-Goal Theory



Vroom and Yetton's Leader-Participation Model

How a leader makes decisions is as important as *what* is decided.

Premise:

- Leader behaviors must adjust to reflect task structure.
- 'Normative' model tells leaders how participative to be in their decision making of a decision tree.
 - Five leadership styles
 - Twelve contingency variables

Research testing for both original and modified models has not been encouraging.

- Model is overly complex.

Vroom and Yetton's Leader-Participation Model

BOX 10-1

Contingency Variables in the Revised Leader-Participation Model

1. Importance of the decision
2. Importance of obtaining follower commitment to the decision
3. Whether the leader has sufficient information to make a good decision
4. How well structured the problem is
5. Whether an autocratic decision would receive follower commitment
6. Whether followers 'buy into' the organization's goals
7. Whether there is likely to be conflict among followers over solution alternatives
8. Whether followers have the necessary information to make a good decision
9. Time constraints on the leader that may limit follower involvement
10. Whether costs to bring geographically dispersed members together is justified
11. Importance to the leader of minimizing the time it takes to make the decision
12. Importance of using participation as a tool for developing follower decision skills

Inspirational Approaches to Leadership

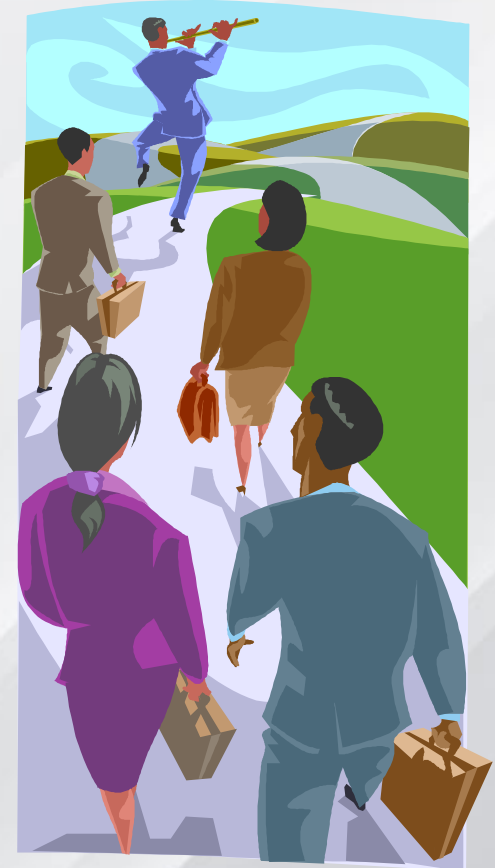
The focus is leader as communicator.

Framing

- A way of communicating that shapes meaning.
- Selective highlighting of facts and events.
- Ignored in traditional leadership studies.

Two contemporary leadership theories

- Charismatic Leadership.
- Transformational Leadership.



Charismatic Leadership

House's charismatic leadership theory:

- Followers make attributions of heroic or extraordinary leadership abilities when they observe certain behaviors.

Four characteristics of charismatic leaders:

- Have a vision.
- Are willing to take personal risks to achieve the vision.
- Are sensitive to follower needs.
- Exhibit behaviors that are out of the ordinary.

Charismatic Leadership

- Traits and personality are related to charisma.
- People can be trained to exhibit charismatic behaviors.

BOX 10-2

Key Characteristics of Charismatic Leaders

1. *Vision and articulation.* Has a vision—expressed as an idealized goal—that proposes a future better than the status quo; and is able to clarify the importance of the vision in terms that are understandable to others.
2. *Personal risk.* Willing to take on high personal risk, incur high costs, and engage in self-sacrifice to achieve the vision.
3. *Sensitivity to follower needs.* Perceptive of others' abilities and responsive to their needs and feelings.
4. *Unconventional behavior.* Engages in behaviors that are perceived as novel and counter to norms.

Source: Based on J. A. Conger and R. N. Kanungo, *Charismatic Leadership in Organizations* (Thousand Oaks, CA: Sage, 1998), p. 94.

How Charismatic Leaders Influence Followers

A four-step process:

1. Leader articulates an attractive vision.
 - Vision Statement: A formal, long-term strategy to attain goals.
 - Links past, present, and future.
2. Leader communicates high performance expectations and confidence in follower ability.
3. Leader conveys a new set of values by setting an example
4. Leader engages in emotion-inducing and often unconventional behavior to demonstrate convictions about the vision.

Charismatic Leadership Issues

Charismatic effectiveness and situation

- Charisma works best when:
 - the follower's task has an ideological component;
 - there is a lot of stress and uncertainty in the environment;
 - the leader is at the upper level of the organization;
 - followers have low self-esteem and self-worth.

Charismatic Leadership Issues (cont'd)

Importance of vision

Must be inspirational, value-centered, realizable, and given with superior imagery and articulation.

Dark side of charisma

Ego-driven charismatics allow their self-interest and personal goals to override the organization's goals.

Beyond Charisma: Level-5 Leaders

Very effective leaders who possess the four typical leadership traits

- Individual competency
- Team skills
- Managerial competence
- Ability to stimulate others to high performance

Beyond Charisma: Level-5 Leaders

Plus one critical new trait...

- A blend of personal humility and professional will.
- Personal ego needs are focused toward building a great company.
- Take responsibility for failures and give credit to others for successes.

Transactional & Transformational Leadership

Transactional leaders

- Leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements.

Transformational leaders

- Inspire followers to transcend their own self-interests for the good of the organization; they can have a profound and extraordinary effect on followers.

Characteristics of the Two Types of Leaders

Transactional Leaders

Contingent reward

- Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments.

Management by exception

- Active: watches and searches for deviations from rules and standards, takes corrective action.
- Passive: intervenes only if standards are not met.

Characteristics of the Two Types of Leaders

Transformational Leaders

Idealized influence

- Provides vision and sense of mission, instills pride, gains respect and trust.

Inspiration

- Communicates high expectations, uses symbols to focus efforts, expresses important issues simply.

Intellectual stimulation

- Promotes intelligence, rationality, and problem solving.

Individualized consideration

- Gives personal attention, coaches, advises.

Authentic Leadership: Ethics and Trust

Authentic leaders

- Ethical people who know who they are, know what they believe in and value, and act on those values and beliefs openly and candidly.
- Primary quality is trust.

Build trust by:

- sharing information;
- encouraging open communication;
- sticking to their ideals.

Still a new topic; needs more research.



Ethics, Trust, and Leadership

Ethics touch on many leadership styles

- As the moral leaders of organizations, CEOs must demonstrate high ethical standards.
- Socialized charismatic leadership: leaders who model ethical behaviors.

Trust

- The positive expectation that another person will not act opportunistically.
- Composed of a blend of familiarity and willingness to take a risk.
- Five key dimensions: integrity, competence, consistency, loyalty, and openness.

Ethics, Trust, and Leadership (cont'd)

Figure 10-5

Trust Dimensions



Five Key Dimensions of Trust

1. Integrity

- Honesty and truthfulness.

2. Competence

- An individual's technical and interpersonal knowledge and skills.

3. Consistency

- An individual's reliability, predictability, and good judgment in handling situations.

Five Key Dimensions of Trust (cont'd)

4. Loyalty

- The willingness to protect and save face for another person.

5. Openness

- Reliance on the person to give you the full truth.

Three Types of Trust

Deterrence-based trust

Trust based on fear of reprisal if the trust is violated.

Knowledge-based trust

Trust based on behavioral predictability that comes from a history of interaction.

Identification-based trust

Trust based on a mutual understanding of one another's intentions and appreciation of the other's wants and desires.

Contemporary Leadership Roles

Mentoring

A **mentor** is a senior employee who sponsors and supports a less-experienced employee.

- Good teachers present ideas clearly, listen, and empathize
- Two functions:
 - Career
 - Coaching, assisting, sponsoring.
 - Psychosocial
 - Counseling, sharing, acting as a role model.
 - Can be formal or informal.
- Mentors tend to select protégés who are like them in background: may restrict minorities and women.

Contemporary Leadership Roles

Self-Leadership

- A set of processes through which individuals control their own behavior.
- Effective leaders (super-leaders) help followers to lead themselves.
- Important in self-managed teams.

To engage in self-leadership:

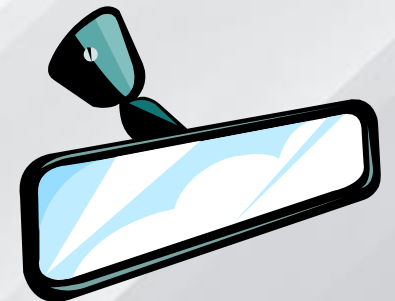
- Make a mental chart of your peers and colleagues.
- Focus on influence and not on control.
- Create opportunities; do not wait for them.



Challenges to the Leadership Construct

Attribution theory of leadership

- The idea that leadership is merely an attribution that people make about other individuals.
- Qualities attributed to leaders:
 - Leaders are intelligent, outgoing, have strong verbal skills, are aggressive, understanding, and industrious.
 - Effective leaders are perceived as consistent and unwavering in their decisions.
 - Effective leaders project the appearance of being leaders.



Finding and Creating Effective Leaders

Selection

- Review specific requirements for the job.
- Use tests that identify personal traits associated with leadership, measure self-monitoring, and assess emotional intelligence.
- Conduct personal interviews to determine candidate's fit with the job.
- Keep a list of potential candidates.

Finding and Creating Effective Leaders

Training

- Recognize that all people are not equally trainable.
- Teach skills that are necessary for employees to become effective leaders.
- Provide behavioral training to increase the development potential of nascent charismatic employees.

Summary and Managerial Implications

- Companies are looking for transformational leaders—even if they only ‘look the part’.
- Transformational style crosses borders reasonably well.
- Effective managers must build trust with those they lead.
- Leadership selection and training are important to long-term success.





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