

9

Leadership and Decision Making

Leadership Stretched to the Brink

It isn't easy leading a U.S. business these days. Leaving aside the global recession, the passion for "lean and mean" operations means that there are fewer workers to do more work. Globalization means keeping abreast of cross-cultural differences. Knowledge industries present unique leadership challenges requiring better communication skills and greater flexibility. Advances in technology have opened unprecedented channels of communication. Now more than ever, leaders must be able to do just about everything and more of it. As U.S. Senator and former presidential candidate John McCain puts it, "[Leadership is] a game of pinball, and you're the ball." Fortunately, a few of Corporate America's veteran leaders have some tips for those who still want to follow their increasingly treacherous path.

First of all, if you think you're being overworked—if your hours are too long and your schedule's too demanding—odds are, you're right: most people—including executives—are overworked. And in some industries, they're *particularly* overworked. U.S. airlines, for example, now serve 100 million more passengers annually than they did just four years ago—with 70,000 fewer workers. "I used to manage my time," quips one airline executive. "Now I manage my energy." In fact, many high-ranking managers have realized that energy is a key factor in their ability to complete their tasks on tough schedules. Most top corporate leaders work 80 to 100 hours a week, and a lot of

After reading this chapter, you should be able to:

- 1 Define *leadership* and distinguish it from management.
- 2 Summarize early approaches to the study of leadership.
- 3 Discuss the concept of situational approaches to leadership.
- 4 Describe transformational and charismatic perspectives on leadership.
- 5 Identify and discuss leadership substitutes and neutralizers.
- 6 Discuss leaders as coaches and examine gender and cross-cultural issues in leadership.
- 7 Describe strategic leadership, ethical leadership, and virtual leadership.
- 8 Relate leadership to decision making and discuss both rational and behavioral perspectives on decision making.

them have found that regimens that allow them to rebuild and refresh make it possible for them to keep up the pace.

Carlos Ghosn, who's currently president of Renault and CEO of Nissan, believes in regular respites from his workweek routine. "I don't bring my work home. I play with my four children and spend time with my family on weekends," says Ghosn. "I come up with good ideas as a result of becoming stronger after being recharged." Google VP Marissa Mayer admits that "I can get by on four to six hours of sleep," but she also takes a weeklong vacation three times a year. Many leaders report that playing racquetball, running marathons, practicing yoga, or just getting regular exercise helps them to recover from overwork.

Effective leaders also take control of information flow—which means managing it, not reducing the flow until it's as close to a trickle as you can get it. Like most executives, for example, Mayer

Toru Yamanaka/AFP/Getty Images/Newscom

WHAT'S IN IT FOR ME?

In Chapter 8 we described the primary determinants of employee behavior and noted that managers can influence the behavior and enhance the motivation of employees. It is time to examine in detail how leaders—who may or may not also be managers such as Carlos Ghosn or Marissa Mayer—actually go about affecting employee behavior and motivating employee performance. We shall place these strategies and tactics in the context of various approaches to leadership throughout the years, including the situational perspective accepted today. Understanding these concepts will help you function more effectively as a leader and give you more insight into how your manager or boss strives to motivate you through his or her own leadership.

We start this chapter by taking a look at the nature of leadership. We then describe early approaches to leadership, as well as the situational perspective accepted today. Next, we examine leadership through the eyes of followers as well as alternatives to leadership. The changing nature of leadership and emerging issues in leadership are discussed next. Finally, we describe the very important related concept of decision making.

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can't get by without multiple sources of information: "I always have my laptop with me," she reports, and "I adore my cell phone." Starbucks CEO Howard Schultz receives a morning voice mail summarizing the previous day's sales results and reads three newspapers a day. Mayer watches the news all day, and Bill Gross, a securities portfolio manager, keeps an eye on six monitors displaying real-time investment data.

On the other hand, Gross stands on his head to force himself to take a break from communicating. When he's upright again, he tries to find time to concentrate. "Eliminating the noise," he says, "is critical....I only pick up the phone three or four times a day....I don't want to be connected—I want to be disconnected." Ghosn, whose schedule requires weekly intercontinental travel, uses bilingual assistants to screen and translate information—one assistant for information from Europe (where Renault is), one for information from Japan (where Nissan is), and one for information from the United States (where Ghosn often has to be when he doesn't have to be in Europe or Japan). Clothing designer Vera Wang also uses an assistant to filter information. "The barrage of calls is so enormous," she says, "that if I just answered calls I'd do nothing else....If I were to go near e-mail, there'd be even more obligations, and I'd be in [a mental hospital] with a white jacket on."¹

Our opening story continues on page 236.

1 Define leadership and distinguish it from management.

The Nature of Leadership

Because *leadership* is a term that is often used in everyday conversation, you might assume that it has a common and accepted meaning. It is also, however, a word that is often misused. We define **leadership** as the processes and behaviors used by someone, such as a manager, to motivate, inspire, and influence the behaviors of others. One of the biggest errors people make is assuming that leadership and management mean the same thing when they are really different concepts. A person can be a manager, a leader, both, or neither.² Some of the basic distinctions between the two are summarized in Figure 9.1. As illustrated in the circle on the left, management focuses primarily on the activities of planning, organizing, leading, and controlling. Leadership, in contrast, is much more closely related to activities such as agenda

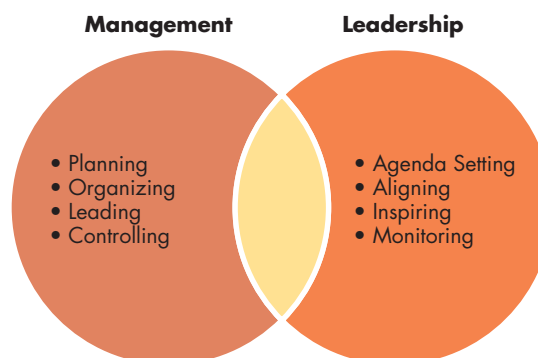


Figure 9.1 Distinctions Between Management and Leadership

setting, aligning, inspiring, and monitoring. As also illustrated in the figure, management and leadership may occasionally overlap but each is also a discrete and separate set of activities. Hence, a person may be a manager (but not a leader), a leader (but not a manager), or both a manager and a leader.

Consider the various roles of managers and leaders in a hospital setting. The chief of staff (chief physician) of a large hospital, though clearly a manager by virtue of his position, may not be respected or trusted by others and may have to rely solely on the authority vested in the position to get people to do things. On the other hand, an emergency-room nurse with no formal authority may be quite effective at taking charge of a chaotic situation and directing others in dealing with specific patient problems. The chief of staff is a manager but not really a leader, while the nurse is a leader but not really a manager.

Finally, the head of pediatrics, supervising a staff of 20 other doctors, nurses, and attendants, may also enjoy the staff's complete respect, confidence, and trust. They readily take her advice and follow directives without question, and often go far beyond what is necessary to help carry out the unit's mission. Thus, the head of pediatrics is both a manager (by virtue of the position she occupies) and a leader (by virtue of the respect she commands from others and their willingness to follow her direction).

Organizations need both management and leadership if they are to be effective. Management in conjunction with leadership can help achieve planned orderly change, and leadership in conjunction with management can keep the organization properly aligned with its environment.

Early Approaches to Leadership

2 Summarize early approaches to the study of leadership.

Although leaders and leadership have profoundly influenced history, careful scientific study of them began only about a century ago. Early studies focused on the *traits*, or personal characteristics, of leaders. Later research shifted to examine actual leader *behaviors*.

Trait Approaches to Leadership

Early researchers believed that notable leaders had some unique set of qualities or traits that distinguished them from their peers and endured throughout history. This **trait approach to leadership** led researchers to focus on identifying the essential leadership traits, including intelligence, dominance, self-confidence, energy, activity (versus passivity), and knowledge about the job. Unfortunately, the list of potential leadership traits quickly became so long that it lost any practical value. In addition, the results of many studies were inconsistent. For example, one argument stated that the most effective leaders were tall, like Abraham Lincoln. But critics were quick to point out that neither Napoleon Bonaparte nor Adolf Hitler was tall, but both were effective leaders in their own way.

Although the trait approach was all but abandoned several decades ago, in recent years, it has resurfaced. For example, some researchers have again started to focus on a limited set of traits. These traits include emotional intelligence, mental intelligence, drive, motivation, honesty and integrity, self-confidence, knowledge of the business, and charisma. Some people even believe that biological factors, such as appearance or height, may play a role in leadership. However, it is too early to know whether these traits really do relate to leadership.

Leadership the processes and behaviors used by someone, such as a manager, to motivate, inspire, and influence the behaviors of others

Trait Approach to Leadership focused on identifying the essential traits that distinguished leaders

Behavioral Approaches to Leadership

In the late 1940s, most researchers began to shift away from the trait approach and to look at leadership as a set of actual behaviors. The goal of the **behavioral approach to leadership** was to determine what *behaviors* were employed by effective leaders. These researchers assumed that the behaviors of effective leaders differed somehow from the behaviors of less effective leaders, and that the behaviors of effective leaders would be the same across all situations.

This research led to the identification of two basic forms of leader behavior. While different researchers applied different names, the basic leader behaviors identified during this period were

- **Task-focused leader behavior:** Task-focused leader behavior occurs when a leader focuses on how tasks should be performed in order to meet certain goals and to achieve certain performance standards.
- **Employee-focused leader behavior:** Employee-focused leader behavior occurs when a leader focuses on the satisfaction, motivation, and well-being of his or her employees.

During this period, people believed that leaders should always try to engage in a healthy dose of both behaviors, one to increase performance and the other to increase job satisfaction and motivation. Experts also began to realize that they could train managers to engage in these behaviors in a systematic manner. But they also discovered that there were other leader behaviors that needed to be considered, and that there were circumstances in which different combinations of leader behavior might be more effective than other combinations.

For instance, suppose a new manager takes over a work site that is plagued by low productivity and whose workers, while perhaps satisfied, are not motivated to work hard. The leader should most likely focus on task-focused behaviors in order to improve lagging productivity. But now suppose the situation is different—productivity is very high, but workers are stressed out about their jobs and have low levels of job satisfaction. In this instance, the manager should most likely concentrate on employee-focused behaviors to help improve job satisfaction. This line of thinking led to the creation of *situational theories*.

3 Discuss the concept of situational approaches to leadership.

The Situational Approach to Leadership

The **situational approach to leadership** assumes that appropriate leader behavior varies from one situation to another. This approach is shown in Figure 9.2. The trait and behavioral approaches to leadership were both universal in nature—they attempted to prescribe leader behaviors that would lead to a set of universal set of outcomes and consequences. For instance, proponents of these universal perspectives might argue that tall and intelligent people or people who are always employee-focused will always be good leaders. In reality, though, research has found this to simply be untrue. So, the situational approach to leadership attempt to identify various forms of leader behavior that result in contingent outcomes and consequences. By contingent, we mean that they depend on elements of the situation and characteristics of both the leader and followers.

Leadership characteristics include the manager's value system, confidence in subordinates, personal inclinations, feelings of security, and actual behaviors. Subordinate characteristics include the subordinates' need for independence, readiness to assume responsibility, tolerance for ambiguity, interest in the problem, understanding of goals, knowledge, experience, and expectations. Situational characteristics that affect decision making include the type of organization, group effectiveness, the problem itself, and time pressures.

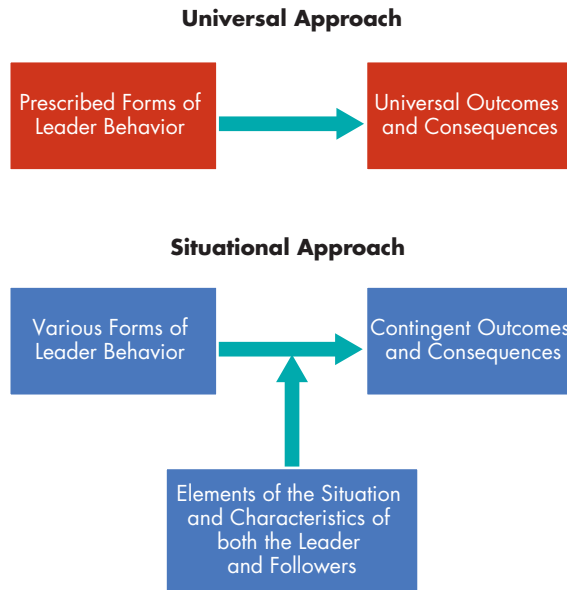


Figure 9.2 The Situational Approach to Leadership

Leadership Through the Eyes of Followers

4 Describe transformational and charismatic perspectives on leadership.

Another recent perspective that has been adopted by some leadership experts focuses on how leaders are seen through the eyes of their followers. The two primary approaches to leadership through the eyes of followers are *transformational leadership* and *charismatic leadership*. Barack Obama’s successful bid for the U.S. presidency in 2008 was fueled in part by many people’s perceptions that he was both a transformational and charismatic leader. Indeed, during the campaign, he frequently talked about the need to transform the way the United States addressed issues such as health care, education, and foreign policy. And his personal charisma undoubtedly attracted support from many people as well.

Transformational Leadership

Transformational leadership focuses on the importance of leading for change (as opposed to leading during a period of stability). According to this view, much of what a leader does involves carrying out what might be thought of as basic management “transactions”—assigning work, evaluating performance, making decisions, and so forth. Occasionally, however, the leader has to engage in transformational leadership to initiate and manage major change, such as managing a merger, creating a new work team, or redefining the organization’s culture.

Thus, **transformational leadership** is the set of abilities that allows a leader to recognize the need for change, to create a vision to guide that change, and to execute the change effectively. Some experts believe that change is such a vital organizational function that even successful firms need to change regularly to avoid becoming

- Behavioral Approach to Leadership** focused on determining what behaviors are employed by leaders
- Task-Focused Leader Behavior** leader behavior focusing on how tasks should be performed in order to meet certain goals and to achieve certain performance standards
- Employee-Focused Leader Behavior** leader behavior focusing on satisfaction, motivation, and well-being of employees
- Situational Approach to Leadership** assumes that appropriate leader behavior varies from one situation to another
- Transformational Leadership** the set of abilities that allows a leader to recognize the need for change, to create a vision to guide that change, and to execute the change effectively

complacent and stagnant. In contrast, **transactional leadership** is essentially the same as management in that it involves routine, regimented activities. Only a leader with tremendous influence can hope to perform both functions successfully. Some experts believe that change is such a vital organizational function that even successful firms need to change regularly to avoid becoming complacent and stagnant; accordingly, leadership for change is extremely important.

Some leaders are able to adopt either transformational or transactional perspectives, depending on their circumstances. For instance, Rupert Murdoch, CEO of News Corp., has a long history of transforming the media properties he acquires in order to expand their reach and turn a profit. Early in his career Murdoch relaunched *The Sun*, a British daily newspaper, as a tabloid notorious for its sensationalistic focus on sex. On the other hand, he has generally avoided retooling another of his British acquisitions, the well-regarded *Times*. When he purchased the struggling *Wall Street Journal* in 2007, he pledged to remain a hands-off manager. In the months since, the paper's signature coverage of U.S. business news has decreased to make room for increased coverage of politics and foreign events, and it remains to be seen how Murdoch will balance transformational and transactional leadership at the *Journal*.³

Charismatic Leadership

Charismatic leadership is a type of influence based on the leader's charisma, a form of interpersonal attraction that inspires support and acceptance. Charismatic leaders are likely to have a lot of confidence in their beliefs and ideals and a strong need to influence people. They also tend to communicate high expectations about follower performance and to express confidence in their followers. Many of the most influential leaders in history have been extremely charismatic, including entrepreneurs Mary Kay Ash, Steve Jobs, and Ted Turner; civil rights leader Martin Luther King, Jr.; and Pope John Paul II. Unfortunately, charisma can also empower leaders in other directions. Adolf Hitler, for instance, had strong charismatic qualities.

Most experts today acknowledge three crucial elements of charismatic leadership:⁴

- 1 Charismatic leaders *envision* likely future trends and patterns, set high expectations for themselves and for others, and behave in ways that meet or exceed those expectations.
- 2 Charismatic leaders *energize* others by demonstrating personal excitement, personal confidence, and consistent patterns of success.
- 3 Charismatic leaders *enable* others by supporting them, empathizing with them, and expressing confidence in them.

Charismatic leadership ideas are quite popular among managers today and are the subject of numerous books and articles.⁵ Unfortunately, few studies have specifically attempted to test the meaning and impact of charismatic leadership. Lingering ethical concerns about charismatic leadership also trouble some people. They stem from the fact that some charismatic leaders inspire such blind faith in their followers that they may engage in inappropriate, unethical, or even illegal behaviors just because the leader instructed them to do so. This tendency likely played a role in the unwinding of both Enron and Arthur Andersen, as people followed orders from their charismatic bosses to hide information, shred documents, and mislead investigators.

Taking over a leadership role from someone with substantial personal charisma is also a challenge. For instance, the immediate successors to very successful and charismatic athletic coaches like Vince Lombardi (Green Bay Packers) and Phil Jackson (Chicago Bulls) each failed to measure up to their predecessors' legacies and were subsequently fired.

Special Issues in Leadership

5 Identify and discuss leadership substitutes and neutralizers.

Another interesting perspective on leadership focuses on *alternatives* to leadership. In some cases, certain factors may actually *substitute* for leadership, making actual leadership unnecessary or irrelevant. In other cases, factors may exist that *neutralize* or negate the influence of a leader even when that individual is attempting to exercise leadership.

Leadership Substitutes

Leadership substitutes are individual, task, and organizational characteristics that tend to outweigh the need for a leader to initiate or direct employee performance. In other words, if certain factors are present, the employee will perform his or her job capably, without the direction of a leader. Table 9.1 identifies several basic leadership substitutes.

Consider, for example, what happens when an ambulance with a critically injured victim screeches to the door of a hospital emergency room. Do the ER employees stand around waiting for someone to take control and instruct them on what to do? The answer is no—they are highly trained and well-prepared professionals who know how to respond and work together as a team without someone playing the role of leader. When a U.S. Airways flight crashed into the Hudson River in 2009, all members of the flight crew knew exactly what to do, without waiting for orders. As a result of their effective and prompt actions, a disaster was averted, and all passengers on the plane were quickly rescued.

Leadership Neutralizers

In other situations, even if a leader is present and attempts to engage in various leadership behaviors, those behaviors may be rendered ineffective—or neutralized—by various factors that can be called **leadership neutralizers**. Suppose, for example, that

Individual factors	<ul style="list-style-type: none"> • Individual professionalism • Individual ability, knowledge, and motivation • Individual experience and training • Indifference to rewards
Job factors	<ul style="list-style-type: none"> • Structured/automated • Highly controlled • Intrinsically satisfying • Embedded feedback
Organization factors	<ul style="list-style-type: none"> • Explicit plans and goals • Rigid rules and procedures • Rigid reward system not tied to performance • Physical distance between supervisor and subordinate
Group factors	<ul style="list-style-type: none"> • Group performance norms • High level of group cohesiveness • Group interdependence

Transactional Leadership comparable to management, it involves routine, regimented activities

Charismatic Leadership type of influence based on the leader’s personal charisma

Leadership Substitutes individual, task, and organizational characteristics that tend to outweigh the need for a leader to initiate or direct employee performance

Leadership Neutralizers factors that may render leader behaviors ineffective

MANAGING IN TURBULENT TIMES

No More Secrets?

As the public faces of their companies, CEOs are subject to intense scrutiny and take the heat from critics and consumer advocates for any company fault or misdeed. As a result, many CEOs take a very cautious and calculated approach to communicating with consumers. Many companies have strict guidelines regarding employees' blogging and reporting on internal issues. This kind of closed-doors approach keeps competitors in the dark and presumably minimizes public scrutiny.

However, a realistic evaluation of today's limitless capacity for information dissemination might lead a CEO to doubt the effectiveness of this policy. Some CEOs have embraced a philosophy of accessibility. In lieu of a carefully worded press release, they are using blogs and websites like YouTube to personally deliver messages to the public. In a YouTube video, the CEO of Jet Blue apologized to passengers who had been trapped for hours in planes grounded by bad weather, and Microsoft now allows its engineers to write about current projects in blogs. Glenn Kelman, CEO of the real estate brokerage firm Redfin, started a blog to air his frustrations regarding real estate sales practices that he judged unfair to the consumer. His blog elicited angry responses in the comments section, to which he posted his own rebuttals. Redfin's customer base expanded, suggesting that Kelman's personal approach made his sympathy for the consumer more believable.

A strategy of transparency may have a humanizing effect on a company, making it more sympathetic to consumers who feel alienated by the trend toward an increasingly automated customer service experience. All firms have flaws and commit errors, and an admission of culpability, frustration, or weakness can make a company more relatable. Responsive, accessible CEOs may not be able to prevent criticism or scrutiny, but they may take a little air out of free-swinging



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critics used to hammering faceless offenders. Occasionally, the CEO may even beat the critics to the punch. And, indeed, people today are increasingly expecting managers to be forthright and candid when problems arise. Some employees of a national pizza chain recently made a disgusting video in which they were shown appearing to add unsavory ingredients to pizzas. When this video attracted national attention after it was posted on YouTube, the company did not respond for several days. Many critics were angered by the lack of response, and in the eyes of some experts the public damage was greater than if the firm had responded immediately. So, the challenge for managers during turbulent times is to find the right blend of timely candor and considered deliberation. And sometimes, only the leader's instincts can serve as a guide.⁶

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a relatively new and inexperienced leader is assigned to a work group composed of very experienced employees with long-standing performance norms and a high level of group cohesiveness. The norms and cohesiveness of the group may be so strong that there is nothing the new leader can do to change things.

In addition to group factors, elements of the job itself may also limit a leader's ability to "make a difference." Consider, for example, employees working on a moving assembly line. Employees may only be able to work at the pace of the moving line, so performance quantity and quality are constrained by the speed of the line and simplicity of each individual task.

Finally, organizational factors can also neutralize at least some forms of leader behavior. Suppose a new leader is accustomed to using merit pay increases as a way to motivate people. But in his or her new job, pay increases are dictated by union contracts and are based primarily on employee seniority and cost of living. The leader's previous approach to motivating people would be neutralized, and new approaches would have to be identified.

The Changing Nature of Leadership

6 Discuss leaders as coaches and examine gender and cross-cultural issues in leadership.

Various alternatives to leadership aside, many settings still call for at least some degree of leadership, although the nature of that leadership continues to evolve. Among the recent changes in leadership that managers should recognize are the increasing role of *leaders as coaches* as well as *gender and cross-cultural patterns* of leader behavior.

Leaders as Coaches

We noted in Chapter 6 that many organizations today are using teams. Many other organizations are attempting to become less hierarchical—that is, to eliminate the old-fashioned command-and-control mentality often inherent in bureaucratic organizations and to motivate and empower individuals to work independently. In each case, the role of leaders is also changing. Whereas leaders were once expected to control situations, direct work, supervise people, closely monitor performance, make decisions, and structure activities, many leaders today are being asked to change how they manage people. Perhaps the best description of this new role is for the leader to become a *coach* instead of an *overseer*.⁷

From the standpoint of a business leader, a coaching perspective would call for the leader to help select and train team members and other new employees, to provide some general direction, and to help the team get the information and other resources it needs. Coaches from different teams may play important roles in linking the activities and functions of their respective teams. Some leaders may function as *mentors*, helping less experienced employees learn the ropes and better preparing them to advance within the organization; they may also help resolve conflicts among team members and mediate other disputes that arise. But beyond these activities, the leader keeps a low profile and lets the group get its work done with little or no direct oversight, just as during a game an athletic coach trusts his or her players to execute the plays successfully.

Gender and Leadership

Another factor that is clearly altering the face of leadership is the growing number of women advancing to higher levels in organizations. Given that most leadership theories and research studies have focused on male leaders, developing a better understanding of how women lead is clearly an important next step. Some early observers, for instance, predicted that (consistent with prevailing stereotypes) female leaders would be relatively warm, supportive, and nurturing as compared to their male counterparts. But research suggests that female leaders are not necessarily more nurturing or supportive than male leaders. Likewise, male leaders are not systematically harsher, more controlling, or more task focused than female leaders.

The one difference that has arisen in some cases is that women may be slightly more democratic in making decisions, whereas men have a tendency to be more autocratic.⁸ However, much more work needs to be done in order to better understand the dynamics of gender and leadership. In the meantime, high-profile and successful female leaders, such as Andrea Jung (CEO of Avon Products) and Angela Merkel (chancellor of Germany), continue to demonstrate the effectiveness with which women can be exceptional leaders.

Cross-Cultural Leadership

Another changing perspective on leadership relates to cross-cultural issues. In this context, *culture* is used as a broad concept to encompass both international differences and diversity-based differences within one culture. For instance, Japan is generally characterized by *collectivism* (group before individual), whereas the United

States is based more on *individualism* (individual before group). So when a Japanese firm sends an executive to head up the firm's operation in the United States, that person will likely find it necessary to recognize the importance of individual contributions and rewards and the differences in individual and group roles that exist in Japanese and U.S. businesses.

Similarly, cross-cultural factors also play a growing role in organizations as their workforces become more diverse. As African Americans, Asian Americans, Hispanics, and members of other ethnic groups achieve leadership positions, it may be necessary to reassess how applicable current theories and models of leadership are when applied to an increasingly diverse pool of leaders.

7 Describe strategic leadership, ethical leadership, and virtual leadership.

Emerging Issues in Leadership

Finally, there are also three emerging issues in leadership that warrant discussion. These issues are *strategic leadership*, *ethical leadership*, and *virtual leadership*.

Strategic Leadership

Strategic leadership is a new concept that explicitly relates leadership to the role of top management. **Strategic leadership** is a leader's ability to understand the complexities of both the organization and its environment and to lead change in the organization so as to enhance its competitiveness.

To be effective as a strategic leader, a manager needs to have a thorough and complete understanding of the organization—its history, its culture, its strengths, and its weaknesses. In addition, the leader needs a firm grasp of the organization's external environment. This needs to include current business and economic conditions and circumstances as well as significant trends and issues on the horizon. The strategic leader also needs to recognize the firm's current strategic advantages and shortcomings.

Ethical Leadership

Most people have long assumed that business leaders are ethical people. But in the wake of recent corporate scandals at firms like Enron, Boeing, and AIG, faith in business leaders has been shaken. Perhaps now more than ever, high standards of ethical conduct are being held up as a prerequisite for effective leadership. More specifically, business leaders are being called on to maintain high ethical standards for their own conduct, to unfailingly exhibit ethical behavior, and to hold others in their organizations to the same standards—in short, to practice **ethical leadership**.

The behaviors of top leaders are being scrutinized more than ever, and those responsible for hiring new leaders for a business are looking more closely at the backgrounds of those being considered. And the emerging pressures for stronger corporate governance models are likely to further increase the commitment to select only those individuals with high ethical standards for leadership positions in business and to hold them more accountable than in the past for both their actions and the consequences of those actions.

Virtual Leadership

Finally, **virtual leadership** is also emerging as an important issue for organizations. In earlier times, leaders and their employees worked together in the same physical location and engaged in face-to-face interactions on a regular basis. But in today's world, both leaders and their employees may work in locations that are far from one another. Such arrangements might include people telecommuting from a home office one or two days a week to people actually living and working far from company headquarters.

Increasingly, then, communication between leaders and their subordinates happens largely by telephone and e-mail. One implication may be that leaders in these situations must work harder at creating and maintaining relationships with their employees that go beyond words on a computer screen. While nonverbal communication, such as

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An Apple a Day

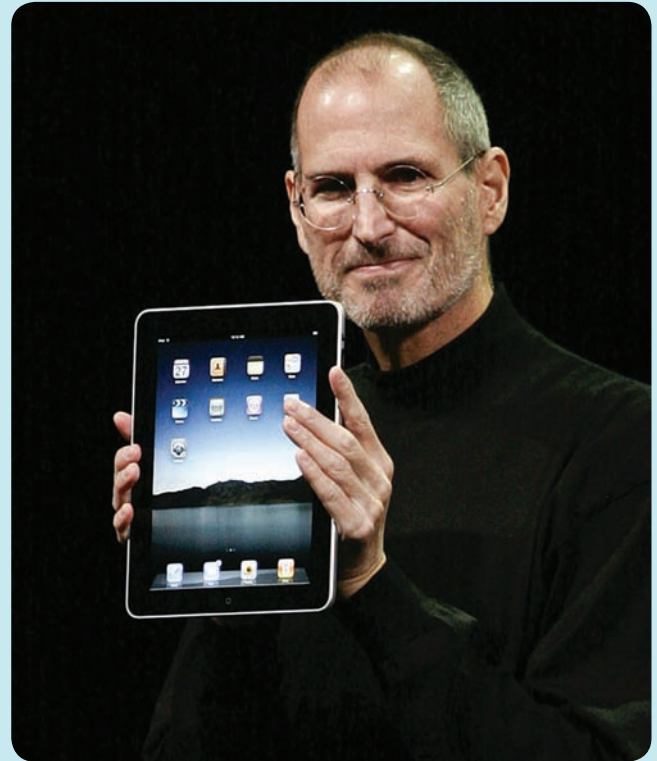
As CEO of Apple Inc., Steve Jobs developed a reputation for brilliance, originality, and charm. His leadership style was criticized as well. One industry observer portrayed Jobs as intimidating and power hungry, while others said he commanded “a cult-like following from employees and consumers.” Yet Jobs was clearly a leader who could deliver success in businesses that are evolving, highly technical, and demanding. Writer Steven Berglas says, “Jobs, the *enfant terrible* widely reputed to be one of the most aggressive egotists in Silicon Valley, has an unrivaled track record when it comes to pulling development teams through start-ups.”

But how did Jobs’s charisma, confidence, and vision shape his leadership style during times of prosperity and success? In a recent interview, Jobs discussed how his passion and focus enable the company to succeed in any type of situation or environment. “Lots of companies have tons of great engineers and smart people,” said Jobs. “But ultimately, there needs to be some gravitational force that pulls it all together....That’s what was missing at Apple for a while. There were bits and pieces of interesting things floating around, but not that gravitational pull.”

Before his recent death, Jobs was riding high, as he focused on bringing Apple’s unique blend of hi-tech gadgetry and cool design to applications reaching far beyond the computers that first made his fortune. The company has released several versions of the iPod, its hugely popular digital music player, supported by Apple’s online music store, iTunes. The iPhone, a mobile phone that connects to the Internet, was named 2007’s Invention of the Year by *TIME Magazine*. And Jobs’s confidence and excitement for the future was always

growing. “Apple is doing the best work in its history,” he said, “and there’s a lot more coming.”⁹

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Ryan Anson/AFP/Getty Images/Newscom

smiles and handshakes, may not be possible online, managers can instead make a point of adding a few personal words in an e-mail (whenever appropriate) to convey appreciation, reinforcement, or constructive feedback.

Leadership, Management, and Decision Making

We noted earlier the differences and similarities between managing and leading. **Decision making** is another important related concept. Indeed, decision making is a fundamental component of both leadership and management—managers and leaders must frequently make decisions.

8 Relate leadership to decision making and discuss both rational and behavioral perspectives on decision making.

Strategic Leadership leader’s ability to understand the complexities of both the organization and its environment and to lead change in the organization so as to enhance its competitiveness

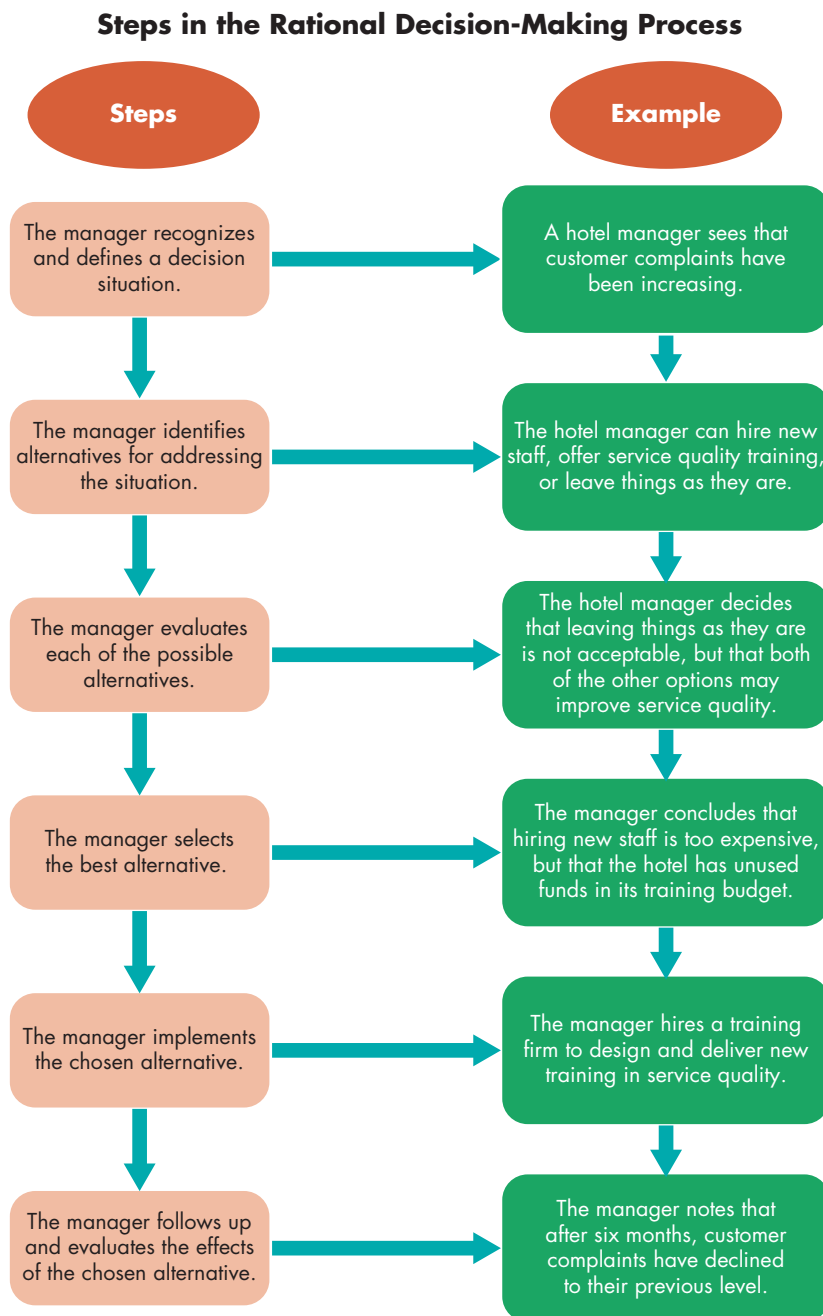
Ethical Leadership leader behaviors that reflect high ethical standards

Virtual leadership leadership in settings where leaders and followers interact electronically rather than in face-to-face settings

Decision Making choosing one alternative from among several options

Figure 9.3 Steps in the Rational Decision-Making Process

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Rational Decision Making

Managers and leaders should strive to be rational in making decisions. Figure 9.3 shows the steps in the rational decision-making process.

Recognizing and Defining the Decision Situation The first step in rational decision making is recognizing that a decision is necessary—that is, there must be some stimulus or spark to initiate the process. The stimulus for a decision may be either positive or negative. Managers who must decide how to invest surplus funds, for example, face a positive decision situation. A negative financial stimulus could involve having to trim budgets because of cost overruns.

Inherent in making such a decision is the need to define precisely what the problem is. Consider the situation currently being faced in the international air travel industry. Because of the growth of international travel related to business, education, and tourism, global carriers need to increase their capacity. Because most major

international airports are already operating at or near capacity, adding a significant number of new flights to existing schedules is not feasible. As a result, the most logical alternative is to increase capacity on existing flights. Thus, Boeing and Airbus, the world's only manufacturers of large commercial aircraft, recognized an important opportunity and defined their decision situations as how best to respond to the need for increased global travel capacity.¹⁰

Identifying Alternatives Once the decision situation has been recognized and defined, the second step is to identify alternative courses of effective action. Developing both obvious, standard alternatives and creative, innovative alternatives is useful. In general, the more important the decision, the more attention is directed to developing alternatives. Although managers should seek creative solutions, they must also recognize that various constraints often limit their alternatives. Common constraints include legal restrictions, moral and ethical norms, and constraints imposed by the power and authority of the manager, available technology, economic considerations, and unofficial social norms. After assessing the question of how to increase international airline capacity, Boeing and Airbus identified three different alternatives: They could independently develop new large planes, they could collaborate in a joint venture to create a single new large plane, or they could modify their largest existing planes to increase their capacity.

Evaluating Alternatives The third step in the decision-making process is evaluating each of the alternatives. Some alternatives may not be feasible because of legal or financial barriers. Limited human, material, and information resources may make other alternatives impractical. Managers must thoroughly evaluate all the alternatives in order to increase the chances that the alternative finally chosen will be successful. For example, Airbus felt it would be at a disadvantage if it tried simply to enlarge its existing planes because the Boeing 747 was at the time already the largest aircraft being made and could readily be expanded to remain the largest. Boeing, meanwhile, was seriously concerned about the risk inherent in building a new and even larger plane, even if it shared the risk with Airbus as a joint venture.

Selecting the Best Alternative Choosing the best available alternative is the real crux of decision making. Even though many situations do not lend themselves to objective, mathematical analysis, managers and leaders can often develop subjective estimates and weights for choosing an alternative. Decision makers should also remember that finding multiple acceptable alternatives may be possible; selecting just one alternative and rejecting all the others might not be necessary. For example, Airbus proposed a joint venture with Boeing. Boeing, meanwhile, decided that its best course of action was to modify its existing 747 to increase its capacity. As a result, Airbus decided to proceed on its own to develop and manufacture a new jumbo jet. Boeing then decided that in addition to modifying its 747, it would develop a new plane to offer as an alternative, albeit one not as large as the 747 or the proposed Airbus plane.

Implementing the Chosen Alternative After an alternative has been selected, managers and leaders must put it into effect. Boeing set its engineers to work expanding the capacity of its 747 by adding 30 feet to the plane's body; the firm also began developing another plane intended for international travel, the 787. Airbus engineers, meanwhile, developed design concepts for a new jumbo jet equipped with escalators and elevators and capable of carrying 655 passengers. Airbus's development costs alone were estimated to exceed \$12 billion.

Managers must also consider people's resistance to change when implementing decisions. The reasons for such resistance include insecurity, inconvenience, and fear of the unknown. Managers should anticipate potential resistance at various stages of the implementation process. However, even when all alternatives have been evaluated as precisely as possible and the consequences of each alternative have been weighed, unanticipated consequences are still likely. Employees may resist or protest change; they may even quit rather than agree to it. Other factors, such as unexpected cost increases, a less-than-perfect fit with existing organizational subsystems, or unpredicted effects on cash flow or operating expenses, could develop

after implementation has begun. Both Boeing and Airbus were plagued by production delays that pushed back delivery of their respective aircrafts by years and could end up costing each company billions of dollars. Airbus got its plane to market first (it began flying in late 2007), but profits have been pushed far into the future as the global recession of 2008–2010 caused many airlines to cancel or delay orders for several years.

Following Up and Evaluating the Results The final step in the decision-making process requires that managers and leaders evaluate the effectiveness of their decision—that is, they should make sure that the chosen alternative has served its original purpose. If an implemented alternative appears not to be working, they can respond in several ways. Another previously identified alternative (the original second or third choice, for instance) could be adopted. Or they might recognize that the situation was not correctly defined to begin with and start the process all over again. Finally, managers and leaders might decide that the original alternative is in fact appropriate but either has not yet had time to work or should be implemented in a different way.

At this point, both Boeing and Airbus are nearing the crucial period when they will learn whether they made good decisions. Airbus's A380 made its first commercial flight in 2007, though delays continue to push back its production schedule. The plane has also been hampered by technical problems. Meanwhile, Boeing's 787 faced numerous delays, and widespread use of the plane is not unexpected until at least 2012. The expanded 747 was launched on schedule, however, and was in service in 2011. Most airlines have been willing to wait patiently for the 787s, which are designed to be much more fuel efficient than other international airplanes. Given the dramatic surge in fuel costs in recent years, a fuel-efficient option like the 787 could be an enormous success. Indeed, Airbus has begun developing its own fuel-efficient jet, the A350.¹¹

Behavioral Aspects of Decision Making

If all decision situations were approached as logically as described in the previous section, more decisions would prove successful. Yet decisions are often made with little consideration for logic and rationality. Some experts have estimated that U.S. companies use rational decision-making techniques less than 20 percent of the time. Of course, even when organizations try to be logical, they sometimes fail. For example, when Starbucks opened its first coffee shops in New York, it relied on scientific marketing research, taste tests, and rational deliberation in making a decision to emphasize drip over espresso coffee. However, that decision proved wrong, as it became clear that New Yorkers strongly preferred the same espresso-style coffees that were Starbucks mainstays in the West. Hence, the firm had to reconfigure its stores hastily to meet customer preferences.

On the other hand, sometimes a decision made with little regard for logic can still turn out to be correct.¹² Important ingredients in how these forces work are behavioral aspects of decision making. These include *political forces*, *intuition*, *escalation of commitment*, and *risk propensity*.

Political Forces in Decision Making Political forces contribute to the behavioral nature of decision making. One major element of politics, *coalitions*, is especially relevant to decision making. A **coalition** is an informal alliance of individuals or groups formed to achieve a common goal. This common goal is often a preferred decision alternative. For example, coalitions of stockholders frequently band together to force a board of directors to make a certain decision.

The New York Yankees once contacted three major sneaker manufacturers—Nike, Reebok, and Adidas—and informed them that they were looking to make a sponsorship deal. While Nike and Reebok were carefully and rationally assessing the possibilities, managers at Adidas quickly realized that a partnership with the Yankees made a lot of sense for them. They responded very quickly to the idea and ended up hammering out a contract while the competitors were still analyzing details.¹³

When these coalitions enter the political arena and attempt to persuade lawmakers to make decisions favorable to their interests, they are called *lobbyists*. Lobbyists may also donate money to help elect a candidate who is more likely to pursue their agendas. A recurring theme in U.S. politics is the damaging influence these special interest groups have on politicians, who may feel unduly obligated to favor campaign donors when making decisions.

Intuition Intuition is an innate belief about something, often without conscious consideration. Managers sometimes decide to do something because it “feels right” or they have a hunch. This feeling is usually not arbitrary, however. Rather, it is based on years of experience and practice in making decisions in similar situations. Such an inner sense may help managers make an occasional decision without going through a full-blown rational sequence of steps.

That said, all managers, but most especially inexperienced ones, should be careful not to rely too heavily on intuition. If rationality and logic are continually flouted for “what feels right,” the odds are that disaster will strike one day.

Escalation of Commitment Another important behavioral process that influences decision making is **escalation of commitment** to a chosen course of action. In particular, decision makers sometimes make decisions and then become so committed to the course of action suggested by that decision that they stay with it, even when it appears to have been wrong.¹⁴ For example, when people buy stock in a company, they sometimes refuse to sell it even after repeated drops in price. They choose a course of action—buying the stock in anticipation of making a profit—and then stay with it even in the face of increasing losses. Moreover, after the value drops they may rationalize that they can’t sell at such a low price because they will lose money.

Risk Propensity and Decision Making The behavioral element of **risk propensity** is the extent to which a decision maker is willing to gamble when making a decision. Some managers are cautious about every decision they make. They try to adhere to the rational model and are extremely conservative in what they do. Such managers are more likely to avoid mistakes, and they infrequently make decisions that lead to big losses. Others are extremely aggressive in making decisions and willing to take risks.¹⁵ They rely heavily on intuition, reach decisions quickly, and often risk big investments on their decisions. As in gambling, these managers are more likely than their conservative counterparts to achieve big successes with their decisions; they are also more likely to incur greater losses.¹⁶ The organization’s culture is a prime ingredient in fostering different levels of risk propensity.

Coalition an informal alliance of individuals or groups formed to achieve a common goal

Intuition an innate belief about something, often without conscious consideration

Escalation of Commitment condition in which a decision maker becomes so committed to a course of action that she or he stays with it even when it appears to have been wrong

Risk Propensity extent to which a decision maker is willing to gamble when making a decision



Toru Yamanaka/AFP/Getty Images/Newscom

Continued from page 222

Stemming the Tide

Not surprisingly, Microsoft chairman Bill Gates integrates the role of his assistant into a high-tech information-organizing system:

For example, he uses three computer monitors on his desk, integrated to form a single desktop. This allows him to drag items from one screen to another. The screen on his left is his email inbox, listing all of the items he has received. He uses his assistant to screen his incoming emails, so he only gets about a 100 or so per day.

The filter on his inbox allows him to directly receive emails from people he has previously corresponded with from Microsoft, Intel, HP, other key Microsoft business partners, and his personal contacts. All others are directed to his assistant.

The screen in the center of his desk opens the email that he selects to read and respond to. And the screen to his right displays his browser. This allows him to see new email that arrives (on his left) while he is reading and responding to another email (in the center). Further, if he needs to bring up a link related to his email he can do so (on the right) while he still sees the original email.

Of course, not all leaders have access to the same technology employed by Bill Gates. Most must still manage their time using mainstream techniques—delegation and staff support, for example. But for those leaders willing to work at it, most find they can effectively deal with the demands of their job and lead their organizations to success.

QUESTIONS FOR DISCUSSION

- 1 What does this case illustrate about the nature of leadership?
- 2 What does this case illustrate about the situational nature of leadership?
- 3 In what ways has information technology changed the work of leaders?
- 4 How do you think the work of leaders will change in the future?

SUMMARY OF LEARNING OBJECTIVES MyBizLab

1. Define *leadership* and distinguish it from management. (pp. 222–223)

Leadership refers to the processes and behaviors used by someone to motivate, inspire, and influence the behaviors of others. While leadership and management are often related, they are not the same thing. Leadership involves such things as developing a vision, communicating that vision, and directing change. Management, meanwhile, focuses more on outlining procedures, monitoring results, and working toward outcomes.

2. Summarize early approaches to the study of leadership. (pp. 223–224)

The *trait approach to leadership* focused on identifying the traits of successful leaders. The earliest researchers believed that important leadership traits included intelligence, dominance, self-confidence, energy, activity (versus passivity), and knowledge about the job. More recent researchers have started to focus on traits such as emotional intelligence, drive, honesty and integrity, self-confidence, and charisma. The *behavioral approach* identified two basic and common leader behaviors: *task-focused* and *employee-focused* behaviors.

3. Discuss the concept of situational approaches to leadership. (pp. 224–225)

The *situational approach to leadership* proposes that there is no single best approach to leadership. Instead, situational factors influence the approach to leadership that is most effective. This approach was proposed as a continuum of leadership behavior, ranging from having the leader make decisions alone to having employees make decisions with minimal guidance from the leader. Each point on the continuum is influenced by *characteristics of the leader, his or her subordinates, and the situation*.

4. Describe transformational and charismatic perspectives on leadership. (pp. 225–226)

Transformational leadership (as distinguished from *transactional leadership*) focuses on the set of abilities that allows a leader to recognize the need for change, to create a vision to guide that change, and to execute the change effectively. *Charismatic leadership* is influence based on the leader's personal charisma. The basic concept of charisma suggests that charismatic leaders are likely to have self-confidence, confidence in their beliefs and ideals, and a need to influence people. They also tend to communicate high expectations about follower performance and to express confidence in their followers.

5. Identify and discuss leadership substitutes and neutralizers. (pp. 227–228)

Leadership substitutes are individual, task, and organizational factors that tend to outweigh the need for a

leader to initiate or direct employee performance. In other words, if certain factors are present, the employee will perform his or her job without the direction of a leader. Even if a leader attempts to engage in leadership behaviors, there exist *leadership neutralizers* that may render the leader's efforts ineffective. Such neutralizers include group cohesiveness as well as elements of the job itself.

6. Discuss leaders as coaches and examine gender and cross-cultural issues in leadership. (pp. 229–230)

Many organizations expect their leaders to play the role of *coach*—to select team members, provide direction, train and develop, but otherwise allow the group to function autonomously. Another factor that is altering the face of leadership is the number of women advancing to higher levels. While there appear to be few differences between men and women leaders, the growing number of women leaders suggests a need for more study. Another changing perspective on leadership relates to cross-cultural issues. In this context, *culture* encompasses international differences and diversity-based differences within one culture.

7. Describe strategic leadership, ethical leadership, and virtual leadership. (pp. 230–231)

Strategic leadership is the leader's ability to lead change in the organization so as to enhance its competitiveness. Business leaders are also being called on to practice *ethical leadership*—that is, to maintain high ethical standards for their own conduct, and to hold others in their organizations to the same standards. As more leaders and employees work in different settings, a better understanding of *virtual leadership* is also becoming more important.

8. Relate leadership to decision making and discuss both rational and behavioral perspectives on decision making. (pp. 231–235)

Decision making—choosing one alternative from among several options—is a critical management and leadership skill. The *rational perspective* prescribes a logical process for making decisions. It involves six steps (1) recognizing and defining the decision situation, (2) identifying alternatives, (3) evaluating alternatives, (4) selecting the best alternative, (5) implementing the chosen alternative, and (6) following up and evaluating the results. The *behavioral perspective* acknowledges that things like *political forces, intuition, escalation of commitment, and risk propensity* are also important aspects of decision making.

KEY TERMS MyBizLab

behavioral approach to leadership (p. 224)	ethical leadership (p. 230)	strategic leadership (p. 230)
charismatic leadership (p. 226)	intuition (p. 235)	task-focused leader behavior (p. 224)
coalition (p. 234)	leadership (p. 222)	trait approach to leadership (p. 223)
decision making (p. 231)	leadership neutralizers (p. 227)	transactional leadership (p. 226)
employee-focused leader behavior (p. 224)	leadership substitutes (p. 227)	transformational leadership (p. 225)
escalation of commitment (p. 235)	risk propensity (p. 235)	virtual leadership (p. 230)
	situational approach to leadership (p. 224)	

QUESTIONS AND EXERCISES

QUESTIONS FOR REVIEW

1. What are the basic differences between management and leadership?
2. Summarize the basic premises underlying the trait, behavioral, and situational approaches to leadership.
3. What are leadership substitutes and neutralizers?
4. List and briefly explain the steps in rational decision making.

QUESTIONS FOR ANALYSIS

5. Identify five people you would consider to be excellent leaders. Explain why you feel that way about each.
6. What factors are present in your job that motivate you to perform without the direction of a leader? Are there factors that neutralize the efforts of your leader?
7. The impact of virtual leadership is likely to grow in the future. As a potential “follower” in a virtual leadership situation,

what issues would be of most concern to you? What would the issues be from the perspective of the “leader” role in such a situation?

8. Identify and discuss examples of how your decision making has been affected by at least two of the behavioral processes noted in the chapter.

APPLICATION EXERCISES

9. Interview a senior manager at a local company. Ask that manager if he or she believes that leadership can be taught. What are the key implications of his or her position?
10. Review the running example in the textbook regarding the decisions made by Airbus and Boeing regarding new long-haul aircraft. Research the most current information available about the status of both planes. Based on the information you have available, which firm seems to have made the best decision?

BUILDING YOUR BUSINESS SKILLS

Learning to Lead

Goal

To encourage you to appreciate your own strengths and weaknesses as they relate to critical leadership skills.

Background Information

While not all experts agree, most believe that businesses can teach their managers to become more effective leaders. Indeed, most large businesses devote considerable resources to identifying those managers with the most leadership potential and providing training and development opportunities for those managers to enhance and refine their leadership skills. One major U.S. energy company, for instance, has identified the following traits, characteristics, and skills as reflecting how it sees leadership:

- Personal integrity
- Decision-making skills
- Interpersonal skills
- Communication skills
- Strategic thinking skills

- Global awareness skills
- Financial management skills

Method

Step 1

Working alone or with classmates (as directed by your instructor), develop or describe indicators and measures a business could use to assess each of these traits, characteristics, and skills in managers so as to most effectively select those with the strongest potential for leadership. That is, describe how you would go about selecting managers for special leadership training and development.

Step 2

Working alone or with classmates (again, as directed by your instructor), develop or describe the techniques and methods that might potentially serve to best enhance the traits, characteristics, and skills noted above. That is, having chosen those managers with the strongest potential for growth as leaders, describe how you would go about teaching and developing those individuals so as to enhance their leadership potential and capability.

FOLLOW-UP QUESTIONS

1. Comment on the traits, characteristics, and skills used by the energy company. Do you agree or disagree that these would differentiate between those who might be described as both managers and leaders versus those best described simply as managers? Are there others you might include?
2. How simple or easy would you expect it to be to select managers for leadership and development at this company?
3. Do you believe that leadership can be taught? What are the assumptions underlying your answer?
4. If you personally were selected for a program such as this, what would you expect to encounter during the training and development? What would you expect to be different after the training and development were complete?

EXERCISING YOUR ETHICS: INDIVIDUAL EXERCISE**Exercising Charisma****The Situation**

Assume that you are the owner and CEO of a small but growing business. You see yourself as a mild and laid-back kind of person—one that is honest and effective as a manager, but not necessarily someone who strongly inspires and motivates others. This has never been a barrier to your success. You have made excellent decisions since founding your company and are respected by both your employees and the firm's external stakeholders.

Because your business is growing, about a year ago you found it necessary to hire some additional managers. One of these has been increasingly causing you concern. The manager in question, Bill Jackson, is a dynamic and charismatic person—all of the things you are not. Indeed, these qualities have already made him enormously liked by most people in the business. So far, though, Jackson has not really distinguished himself as a manager. He basically makes reasonable decisions and understands how to run his unit, but does not seem to be a real strategic thinker.

The Dilemma

A new competitor has just entered your market area. While you do not see this as a major long-term threat, you have decided that you need for your business to "tighten its belt" a bit. You anticipate,

for example, that your business revenues will shrink a bit this year (due to the new company) but will likely start to grow again within a year or so. Your senior financial manager has convinced you that the best course of action would be to terminate one of the newer managers you hired last year.

Your inclination is to terminate Jackson. The basis for this is your concern for how others in the business see him. For example, if you were to decide to retire (which you may want to do in a few years), you suspect there would be a strong and immediate groundswell of support for appointing Jackson as the CEO to take your place. You truly believe that this support would be based on his charisma and dynamic personality, but you also think that while he would be an adequate replacement, there are others in the business who would do a better job actually managing the firm. But given Jackson's enormous popularity, anyone else picked to replace you would at least initially have to work hard to overcome skepticism and disappointment. You are leaning toward terminating Jackson.

QUESTIONS TO ADDRESS

1. What are the ethical issues in this situation?
2. What do you think most managers would do in this situation?
3. What would you do?

EXERCISING YOUR ETHICS: TEAM EXERCISE**Forcing the Hand****The Situation**

The Edda Corporation is a large manufacturing company that is assessing the market potential of four new products it has acquired the rights to produce.

The Dilemma

After some preliminary discussions, it seems apparent that two of the new products have market potential, but the others do not. However, the company's CEO, Lucy Shaw, wants to produce all the new products. After all, she is the one who approved the costly acquisition of rights, and it is she who will have to explain to the board of directors why some of the products she approved

do not, after all, have market potential. But it is also she who will be accountable if the products are all manufactured but end up performing poorly.

Edda Corporation's top managers have identified several options:

1. Approve all four products for production
2. Be completely frank and recommend approval of only two of the products.
3. Form a coalition with a team of engineers and work toward a proposal to modify the two less attractive products. The management team thinks this is viable, but it will also add some costs for product development and delay product introduction for about six months.

Team Activity

Assemble a group of four students and assign each group member to one of the following roles:

- Lucy Shaw (CEO)
- A member of the top management team
- An Edda Corporation stockholder
- A member of the Edda Corporation board of directors

ACTION STEPS

- 1 Before hearing any of your group's comments on this situation, and from the perspective of your assigned role, which option do you think is best for the company? Write down the reasons for your position.
- 2 Before hearing any of your group's comments on this situation, and from the perspective of your assigned role, what are the underlying ethical issues, if any, in this situation? Write down the issues.
- 3 Gather your group together and reveal, in turn, each member's comments on the three options. Next, reveal the ethical issues listed by each member.
- 4 Appoint someone to record main points of agreement and disagreement within the group. How do you explain the results? What accounts for any disagreement?
- 5 From an ethical standpoint, what does your group conclude is the most appropriate action that should have been taken by the Edda Corporation in this situation?
- 6 Develop a group response to the following question: Regardless of your current opinion of Lucy Shaw as a leader, what actions on her part now would cause you to think less of her as a leader? What actions would cause you to think more of her as a leader?

VIDEO EXERCISE MyBizLab**Southwest****Learning Objectives**

The purpose of this video is to help you:

- 1 Differentiate between task- and employee-focused behavior.
- 2 Identify the characteristics of transformational and charismatic leaders.
- 3 Describe the rational decision making process.

Synopsis

Southwest Airlines is a relative newcomer to the airline industry, having been around only 40 years. However, they are an industry leader in customer service, innovation, and price performance. In many ways, the organization reflects the values of its founders, Rollin King and Herb Kelleher. King and Kelleher were more than managers; they were leaders. Over the years, Southwest has demonstrated the ability to develop unique solutions to problems and to exceed the expectations of their customers and industry analysts. Many years ago, Southwest implemented an innovative solution to assigning seats to customers and loading the airplane. Rather than having reserved seating, customers were assigned to seating groups and allowed to select their seats as they entered the plane. Surprisingly, this method resulted in quicker turnaround times for planes and improved on-time performance. Over the years, this model has been modified to address customer concerns by continuing to evaluate every alternative and adopting innovative solutions.

DISCUSSION QUESTIONS

- 1 What is the difference between management and leadership? Does the CEO of Southwest need to be a manager, a leader, or both?
- 2 Managers may exhibit task- or employee-focused behavior. Describe the types of decisions or activities where managers at Southwest likely exhibit task-focused behavior.
- 3 Describe the types of decisions or activities where managers at Southwest likely exhibit employee-focused behavior.
- 4 How were Herb Kelleher and Rollin King transformational leaders? How was their style different from typical transactional leadership?
- 5 The rational decision making process can be described as having six steps. List the six steps and describe how each step relates to Southwest's decision to have open seating.

Online Exploration

While most people visit Southwest's website www.southwest.com to book travel, the site is also a source of insight into the company and its culture. At the bottom of the home page, click on the link on the left for the company's mission statement. Do a little additional exploration to understand the company's values and culture. You should also read the message from the CEO, Gary Kelly. What does the company's website reveal about the leadership style at Southwest? Be sure to provide several specific examples.

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