

# Chapter

# 14

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### Key Terms

Concept Check

Self-Assessment

Management Decision

Management Team Decision

Develop Your Career Potential

Take Two Video

## STUDENT RESOURCES

### ThomsonNOW

**Xtra!** Seven exhibit worksheets, author FAQs, quiz, Management News, and the video clips from the chapter with exercises

**Web** (<http://williams.swlearning.com>) Quiz, PowerPoint slides, and glossary terms for this chapter

**Study Guide** Pre-test, study questions, and a management scenario

### 43rd Floor, Tyco Headquarters, New York City.<sup>1</sup>

Your previous boss, the CEO of Motorola, was stunned when you took this job. Your wife said you were crazy. Maybe they were right, as things have been wild right from the start. On your first day as the new CEO of Tyco, you received a surprise visit from seven shareholders who owned 15 percent of the company's stock. They demanded that you replace most of the members of the board of directors, whom they ultimately held responsible for the company's astonishing problems—problems that are now yours to fix.

These problems include \$28 billion in debt, \$11.3 billion of which is due next year, with \$2.5 billion due in just four months. Over the last eight years, the previous CEO, Dennis Kozlowski, spent \$63 billion acquiring 1,000 companies and turning Tyco into a massive conglomerate that makes thousand of products in five general areas: health care, electronics, fire and security systems, plastics, and engineered products. Unfortunately, he overpaid by 52 percent on average. So, with

## What Would You Do?

huge debt payments looming and little cash flow, rumors are circulating on Wall Street that Tyco will file for bankruptcy.

Another problem is the expensive office suite, with one of the best views in New York City overlooking Central Park. Many *Fortune* 500 companies have offices in Manhattan, but

this one is special. Kozlowski spent lavishly to adorn the office with thick Persian carpets and expensive marble floors, an executive kitchen where the corporate chef could prepare gourmet meals, a massive boardroom with a mural reminiscent of a medieval castle covering one of the walls, and an expansive office for the CEO with its own separate kitchen “the size of a New York one-bedroom apartment.” Your first reaction was that Donald Trump would be jealous. Your second reaction was, “This is embarrassing.”

And then there are the problems of greed and fraud. According to the criminal charges brought against him, Kozlowski treated Tyco as “his personal piggy bank,” using over \$400 million for personal expenditures, including \$6,000 for a gold-laced shower curtain, \$15,000 for an umbrella stand, \$12 million for art for his homes, \$29 million for an estate in Florida, and \$16.8 million for a Fifth Avenue apartment in New York City, not including \$3 million in improvements and

\$11 million in furnishings. Steven Cutler, chief of enforcement for the Securities and Exchange Commission, said that the total amount was “staggering.” Kozlowski was able to hide his spending for seven years by using two corporate accounts: one was supposed to pay the relocation and moving expenses for Tyco managers, and the other was supposed to be used for loans for top employees.

But, where do you start? You wouldn't have taken the job if you didn't believe that Tyco's underlying businesses were essentially sound. Having studied the company's finances, you knew the reports of impending bankruptcy are exaggerated. But how can you get people inside and outside the company to see what you see—that with sound management, Tyco can not only turn around, but can be an exceptional company? What do you need to do as a leader to fix that problem? Next, things clearly went wrong when Kozlowski was in charge. Accountability, checks and balances, legal requirements, and basic issues of right and wrong were ignored. Personal avarice replaced corporate responsibility. But, how many managers besides Kozlowski were involved in the fraud and deception? In other words, how far does the “rot” go? Will you have to “amputate,” or will it be enough to trim away the “infected” parts of the organization? What does an ethical leader do in this situation? Finally, after the initial cleanup, what do you need to do to make sure that such illegal behavior and ethical lapses never occur again to this extent at Tyco? **If you were in charge at Tyco, what would you do?**

### STUDY TIP

Your professor and TA are the most valuable resources in your course. If you have questions on the fundamental concepts of leadership, go to office hours. Report back to your study partner or group.

Do I have what it takes to lead? What are the most important things leaders do? How can I transform a poorly performing department, division, or company? Do I need to adjust my leadership depending on the situation and the employee? Why doesn't my leadership inspire people? If you've ever been "in charge," or even just thought about it, chances are you've considered similar questions. Well, you're not alone—millions of leaders in organizations across the world struggle with these fundamental leadership issues on a daily basis.

We begin this chapter by discussing what leadership is, who leaders are, meaning their traits and characteristics, and what leaders do that makes them different from people who aren't leaders. Next we examine four major contingency theories of leadership that specify which leaders are best suited for which situations or how leaders should change their behavior to lead different people in different circumstances. The chapter ends with a review of strategic leadership issues, such as charismatic and transformational leadership, which are concerned with working with others to meet long-term goals and with creating a viable future for an organization.

## What Is Leadership?

Southwest Airlines flies two to three times as many passengers per employee as other airlines at a cost 25 to 40 percent below its competitors'.<sup>2</sup> One of the keys to Southwest's performance is that it empties its planes; refills them with passengers, crews, fuel, and food (peanuts and soft drinks); and has them back on the runway in 20 minutes, compared to an hour for most airlines. This allows Southwest to keep each of its planes filled with paying passengers about three more hours a day. Why is Southwest able to achieve such incredible results? Herb Kelleher, Southwest's chairman and cofounder, answers the question this way: "We pay just as good wages and benefits as other airlines, but our costs are lower because our productivity is higher, which is achieved through the dedicated energy of our people. It's sheer willpower—no mechanical tricks. We've got exactly the same equipment. The difference is, when a plane pulls into a gate, our people run to meet it. Ponce de Leon was looking for the Fountain of Youth in the wrong place—he should have come to Southwest Airlines." As Kelleher and the rest of the managers at Southwest Airlines have discovered, **leadership** is the process of influencing others to achieve group or organizational goals. For Southwest Airlines, that means influencing employees to keep costs low by getting planes back on the runway in 20 minutes.

### leadership

The process of influencing others to achieve group or organizational goals.

*After reading the next two sections, you should be able to*

- 1** explain what leadership is.
- 2** describe who leaders are and what effective leaders do.

## **1** LEADERSHIP

In Chapter 1, we defined *management* as getting work done through others. In other words, managers don't do the work themselves. Managers help others do their jobs better. By contrast, *leadership* is the process of influencing others to achieve group or organizational goals. What then are the key differences between leaders and managers? Another question that goes to the nature of leadership is whether it's required in every situation. Does leadership always matter? Or are there situations when leadership isn't needed or may even make things worse?

Let's learn more about leadership by exploring **1.1 the differences between leaders and managers** and **1.2 substitutes for leadership**.

### 1.1 Leaders versus Managers

According to Professor Warren Bennis, the primary difference between leaders and managers, as shown in Exhibit 14.1, is that leaders are concerned with doing the right thing, while managers are concerned with doing things right.<sup>3</sup> In other words, leaders begin with the question, “What should we be doing?” while managers start with “How can we do what we’re already doing better?” Leaders focus on vision, mission, goals, and objectives, while managers focus on productivity and efficiency. Managers see themselves as preservers of the status quo, while leaders see themselves as promoters of change and challengers of the status quo in that they encourage creativity and risk taking. One of the reasons for Dell, Inc.’s long-term success and profitability is that founder and chairman Michael Dell never accepts the status quo. He fervently believes that everything the company does can be changed and improved. Says Dell, “Celebrate for a nanosecond. Then move on.”<sup>4</sup>

Another difference is that managers have a relatively short-term perspective, while leaders take a long-term view. When Dell opened its first factory in Asia, Michael Dell congratulated the plant manager by sending him one of his old running shoes to stress that opening that plant was just the first step in the company’s strategy of opening manufacturing plants in that part of the world.<sup>5</sup> Managers are also more concerned with *means*, how to get things done, while leaders are more concerned with *ends*, what gets done. Managers are concerned with control and limiting the choices of others, while leaders are more concerned with expanding people’s choices and options.<sup>6</sup> Finally, managers solve problems so that others can do their work, while leaders inspire and motivate others to find their own solutions.

Though leaders are different from managers, in practice, organizations need them both. Managers are critical to getting out the day-to-day work, and leaders are critical to inspiring employees and setting the organization’s long-term direction. That’s why Dell, Inc. follows a “two-in-a-box” philosophy in which founder and chairman Michael Dell and CEO/president Kevin Rollins never make a major decision without checking with each other. Michael Dell leads the company while Rollins, the “day-to-day general,” manages it. Their offices are right next to each other, separated only by a glass wall. Says Dell, “This company is much stronger when the two of us are doing it together.”

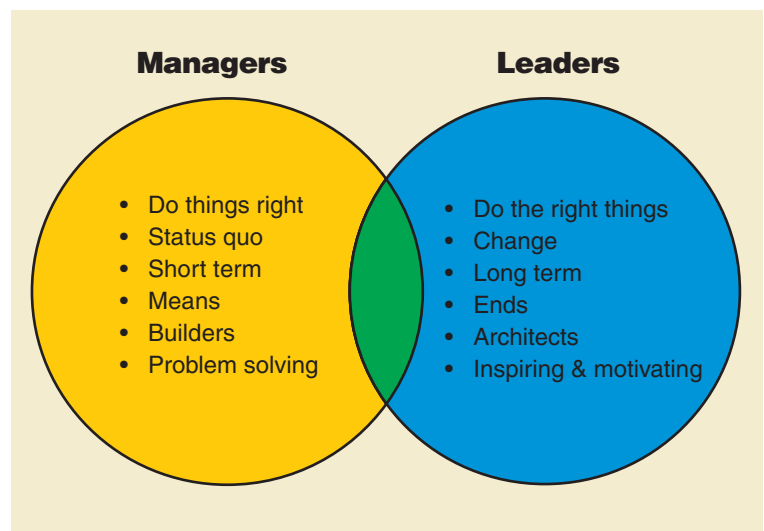
The key issue for any organization is the extent to which it is properly led and properly managed. As Warren Bennis said in summing up the difference between leaders and managers, “American organizations (and probably those in much of the rest of the industrialized world) are under led and over managed. They do not pay enough attention to doing the right thing, while they pay too much attention to doing things right.”<sup>7</sup>



AP PHOTO/HARRY CABLUCK

Every year, Michael Dell spends time working the phones at Dell, Inc.’s U.S. consumer department. He makes a point not to mention his last name.

**Exhibit 14.1**  
Managers versus Leaders



**THE THREE M'S: MISSION, MENTOR, AND MIRROR**

Doctors take the Hippocratic oath. Lawyers swear to protect and enforce the law. Leaders . . . well, there's no equivalent for business leaders. That's why Harvard professor Howard Gardner says that business leaders can develop personal ethics by focusing on their mission, a mentor, and the mirror.

- First, leaders need to develop a personal mission statement by asking themselves these questions: Why are you doing what you're doing? What do you want from work? What are your personal goals? Let your personal mission statement, and not the company's, guide your ethical behavior.
- Second, take care in choosing a mentor. An interesting study compared 20 business leaders selected at random with 20 "good" business leaders nominated by businesspeople, business school professors, and deans. The randomly selected business leaders focused on short-term goals exclusively, worrying only about next quarter's results. By contrast, 18 of the 20 "good" executives focused on the long term, on doing what was right for the company in the long run. So, when choosing a mentor, choose a "good" one.
- Third, periodically stand in front of the mirror to assess your ethical performance as a business leader. Are you proud or ashamed of what you accomplished and how you accomplished it? Are you proud or ashamed of your company? What needs to change to make you proud?

So, do the right thing. Develop a personal mission statement. Choose the right mentor. And look hard at yourself in the mirror.<sup>10</sup>

**leadership substitutes**

Subordinate, task, or organizational characteristics that make leaders redundant or unnecessary.

**leadership neutralizers**

Subordinate, task, or organizational characteristics that can interfere with a leader's actions or make it impossible for a leader to influence followers' performance.

**1.2 Substitutes for Leadership: Do Leaders Always Matter?**

One of the basic assumptions about leadership is that leaders always matter. According to this thinking, without sound leadership, organizations are sure to fail. In fact, when companies struggle, their leaders are almost always blamed for their poor performance. When Hewlett-Packard struggled, it fired CEO Carly Fiorina. The *Wall Street Journal* wrote:

*Ms. Fiorina's ouster reflects increasingly clear strategic problems at H-P. The company faces fierce competition from Dell Inc. in personal computers and International Business Machines Corp. in computer services and corporate computing. . . . Ms. Fiorina's leadership was also marked by a drop in morale at a company with a legendary history of a collegial culture. She had a compelling public persona that gained her many fans in the business world. Yet inside H-P, she was a highly polarizing figure who stirred deep animosity from many veteran employees. Her abrupt—some said autocratic—management style won few fans. In recent months, several high-level executives had quit for positions elsewhere, something that increasingly concerned the board, according to people familiar with the matter. . . . Some H-P employees reacted to the news of Ms. Fiorina's ouster by holding champagne toasts, according to several employees, who described the scenes as "jubilant."<sup>8</sup>*

In some situations and circumstances, however, leadership isn't necessary, is unlikely to make much of a difference, or isn't to blame for poor performance. These are known as leadership substitutes and leadership neutralizers.<sup>9</sup> Exhibit 14.2 lists a number of subordinate, task, or organizational characteristics that can act as leadership substitutes or neutralizers (some can act as both) for either people-related or task-related leader behaviors. Leaders' people-related behaviors, such as being approachable, supportive, or showing concern for employees, affect how satisfied people are with their jobs. Leaders' task-related behaviors, such as setting goals, giving directions, and providing resources, affect the extent to which people are able to perform their jobs well.

**Leadership substitutes** are subordinate, task, or organizational characteristics that make leaders redundant or unnecessary. For instance, when subordinates have ability, experience, training, and knowledge about their jobs (see subordinate characteristics in Exhibit 14.2), task-related leader behavior that specifies goals, task assignments, and how to do the job is unlikely to improve a subordinate's work performance. Think about it.

Workers already have the capability to do their jobs. And the job itself provides enough information to let them know how well they're doing or what they might do to correct performance problems. In situations like this, where leadership substitutes are strong, leaders don't need to tell workers what to do or how to do their jobs.

**Leadership neutralizers** are subordinate, task, or organizational characteristics that can interfere with a leader's actions or make it impossible for a leader to influence followers' performance. Unlike substitutes, which simply take the place of leaders, leadership neutralizers create an "influence vacuum." In other words, ironically leadership neutralizers create a need for leadership by preventing leadership from working. For example, when subordinates are indifferent toward organizational rewards (see subordinate characteristics in

CHARACTERISTICS	PEOPLE-RELATED LEADERSHIP BEHAVIORS	TASK-RELATED LEADERSHIP BEHAVIORS
<b>SUBORDINATE</b> <ul style="list-style-type: none"> <li>Ability, experience, training, knowledge</li> <li>Need for independence</li> <li>Professional orientation</li> <li>Indifference toward organizational rewards</li> </ul>	Neutralize Neutralize Substitute, Neutralize Neutralize	Substitute, Neutralize Neutralize Substitute, Neutralize Neutralize
<b>TASK</b> <ul style="list-style-type: none"> <li>Unambiguous and routine tasks</li> <li>Performance feedback provided by the work itself</li> <li>Intrinsically satisfying work</li> </ul>	No effect No effect Substitute, Neutralize	Substitute, Neutralize Substitute, Neutralize Neutralize
<b>ORGANIZATIONAL</b> <ul style="list-style-type: none"> <li>Formalization, meaning specific plans, goals, and areas of responsibility</li> <li>Inflexibility, meaning rigid, unbending rules and procedures</li> <li>Highly specified staff functions</li> <li>Cohesive work groups</li> <li>Organizational rewards beyond a leader's control</li> <li>Spatial distance between supervisors and subordinates</li> </ul>	No effect No effect No effect Substitute, Neutralize Neutralize Neutralize	Neutralize Neutralize Neutralize Substitute, Neutralize Neutralize Neutralize

Source: S. Kerr & J. M. Jermier, "Substitutes for Leadership: Their Meaning and Measurement," *Organizational Behavior and Human Performance* 22 (1978): 375–403.

Exhibit 14.2), there may be nothing that a leader can do to reward them for good performance. Likewise, inflexible rules and procedures (see organizational characteristics in Exhibit 14.2), such as union contracts that specify that all employees be paid the same, organizational policies that reward employees by seniority, and salary and raise processes that don't give leaders enough money to substantially reward good performers, effectively neutralize the ability of leaders to reward workers.

Spatial distance (see organizational characteristics in Exhibit 14.2) can also neutralize leadership. Spatial distance arises when supervisors and subordinates don't work in the same place, as occurs with telecommuters or people working thousands of miles away in overseas offices. Spatial distance typically results in infrequent feedback, little or no face-to-face contact, and being "out of sight and out of mind," all of which make it very difficult for leaders to lead. Because of those problems, John Yeros, founder and CEO of Hyperspace Communications, a software company, lets only one of his employees, a programmer, work from home. Yeros says that when everyone is at the office, it's easier to "keep on the same page." Plus, it's easier for him as a leader. "I like to see them, feel them, touch them, and have them around," he says.<sup>11</sup> In fact, some companies find telecommuting to be so disruptive to leadership processes that they require their telecommuters to come into the office at least once or twice a week.

So do leaders *always* matter? Leadership substitutes and neutralizers indicate that sometimes they don't. This doesn't mean that leaders never matter, though.

### Exhibit 14.2 Leadership Substitutes and Neutralizers

Quite the opposite. Leaders do matter, but they're not superhuman. They can't do it all by themselves. And they can't fix every situation. In short, leadership is very important. But poor leadership isn't the cause of every organizational crisis, and changing leaders isn't the solution to every company problem.

### Review 1: Leadership

Leadership is the process of influencing others to achieve group or organizational goals. Leaders are different from managers. The primary difference is that leaders are concerned with doing the right thing, while managers are concerned with doing things right. Furthermore, managers have a short-term focus and are concerned with the status quo, with means rather than ends, and with solving others' problems. By contrast, leaders have a long-term focus and are concerned with change, with ends rather than means, and with inspiring and motivating others to solve their own problems. Organizations need both managers and leaders. But, in general, companies are overmanaged and underled. While leadership is important, leadership substitutes and neutralizers create situations in which leadership isn't necessary or is unlikely to make much of a difference. Leadership substitutes are subordinate, task, or organizational characteristics that make leaders redundant or unnecessary. By contrast, leadership neutralizers are subordinate, task, or organizational characteristics that interfere with a leader's actions or make it impossible for a leader to influence followers' performance.

## 2 WHO LEADERS ARE AND WHAT LEADERS DO

Every year, *Fortune* magazine conducts a survey to determine corporate America's "most admired" companies.<sup>12</sup> And, every few years, as part of that study, it takes a look at the leaders of those companies. Interestingly, the last time it did this, it found that the CEOs of its 10 most admired companies were surprisingly different. In fact, said *Fortune*, "Every conceivable leadership style is represented by these CEOs."<sup>13</sup> General Electric's then CEO was described as "combative," as someone who "tilts his head, and thrusts out his chin as if to say, 'Go ahead, take your best shot'—and is never happier than when you do." Southwest Airlines' then CEO was described as "a prankster and a kisser so unabashedly affectionate that his company's ticker symbol is LUV, so hands-on he has loaded baggage and served peanuts to passengers." In fact, Southwest's CEO admitted that he was terrible at understanding the financial side of business, something that no regular CEO would ever admit. Finally, Coca-Cola's then CEO was the mirror image of Southwest's CEO. *Fortune* described him as "undemonstrative and a 'financial wizard.'"

So, if the CEOs of *Fortune's* "most admired" corporations are all different, just what makes a good leader? Let's learn more about who leaders are by investigating **2.1 leadership traits** and **2.2 leadership behaviors**.

### 2.1 Leadership Traits

Trait theory is one way to describe who leaders are. **Trait theory** says that effective leaders possess a similar set of traits or characteristics. **Traits** are relatively stable characteristics, such as abilities, psychological motives, or consistent patterns of behavior. For example, according to trait theory, leaders are commonly thought to be taller and more confident and to have greater physical stamina (i.e., higher energy levels) than nonleaders. Trait theory is also known as the "great person" theory because early versions of the theory stated that leaders are born, not made. In other words, you either have the "right stuff" to be a leader, or you don't. And if you don't, there is no way to get "it."

For some time, it was thought that trait theory was wrong and that there are no consistent trait differences between leaders and nonleaders, or between

#### trait theory

A leadership theory that holds that effective leaders possess a similar set of traits or characteristics.

#### traits

Relatively stable characteristics, such as abilities, psychological motives, or consistent patterns of behavior.

effective and ineffective leaders. However, more recent evidence shows that “successful leaders are not like other people,” that successful leaders are indeed different from the rest of us.<sup>14</sup> More specifically, as shown in Exhibit 14.3, leaders are different from nonleaders in the following traits: drive, the desire to lead, honesty/integrity, self-confidence, emotional stability, cognitive ability, and knowledge of the business.<sup>15</sup>

*Drive* refers to high levels of effort and is characterized by achievement, motivation, initiative, energy, and tenacity. In terms of achievement and ambition, leaders always try to make improvements or achieve success in what they’re doing. Because of their initiative, they have strong desires to promote change or solve problems. Leaders typically have more energy, and they have to, given the long hours they put in and followers’ expectations that they be positive and “up.” Thus, leaders must have physical, mental, and emotional vitality. Leaders are also more tenacious than nonleaders and are better at overcoming obstacles and problems that would deter most of us.

Successful leaders also have a stronger *desire to lead*. They want to be in charge and think about ways to influence or convince others about what should or shouldn’t be done. *Honesty/integrity* is also important to leaders. *Honesty*, being truthful with others, is a cornerstone of leadership. Without honesty, leaders won’t be trusted. When leaders have it, subordinates are willing to overlook other flaws. For example, one follower said this about the leadership qualities of his manager: “I don’t like a lot of the things he does, but he’s basically honest. He’s a genuine article, and you’ll forgive a lot of things because of that. That goes a long way in how much I trust him.”<sup>16</sup> *Integrity* is the extent to which leaders do what they said they would do. Leaders may be honest and have good intentions, but if they don’t consistently deliver on what they promise, they won’t be trusted.

*Self-confidence*, believing in one’s abilities, also distinguishes leaders from nonleaders. Self-confident leaders are more decisive and assertive and are more likely to gain others’ confidence. Moreover, self-confident leaders will admit mistakes because they view them as learning opportunities rather than a refutation of their leadership capabilities. This also means that leaders have *emotional stability*. Even when things go wrong, they remain even-tempered and consistent in their outlook and in the way they treat others. Leaders who can’t control their emotions, who anger quickly or attack and blame others for mistakes, are unlikely to be trusted.

Leaders are also smart. Leaders typically have strong *cognitive abilities*. This doesn’t mean that leaders are geniuses, far from it. But it does mean that leaders have the capacity to analyze large amounts of seemingly unrelated, complex information and see patterns, opportunities, or threats where others might not see them. Finally, leaders also “know their stuff,” which means they have superior technical knowledge about the businesses they run. Leaders who have a good *knowledge of the business* understand the key technological decisions and concerns facing their companies. More often than not, studies indicate that effective leaders have long, extensive experience in their industries.

How does Anne Mulcahy, the CEO who turned around Xerox, measure up on these traits? In general, quite well. *Fortune* magazine said this about her: “She is straightforward, hard-working, disciplined. She is fiercely loyal to Xerox—the company, the brand, the people. She has the integrity of the Catholic schoolgirl she was for 16 years. Her coworkers describe her as both compassionate and tough. She is not afraid of bad news. . . . Her willingness to work shoulder to shoulder with subordinates gives her unusual credibility and the ability to galvanize her team.”<sup>17</sup>

**Exhibit 14.3**  
Leadership Traits





# WHAT REALLY WORKS

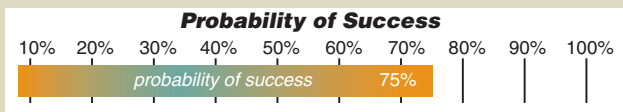
## Leadership Traits Do Make a Difference

For decades, researchers assumed that leadership traits, such as drive, emotional stability, cognitive ability, and charisma were *not* related to effective leadership. More recent evidence, however, shows that there are reliable trait differences between leaders and nonleaders. In fact, 54 studies based on more than 6,000 people clearly indicate that in terms of leadership traits, “successful leaders are not like other people.”

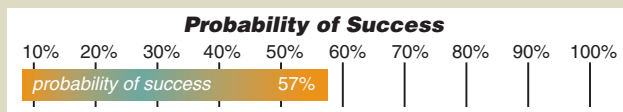
### TRAITS AND PERCEPTIONS OF LEADERSHIP EFFECTIVENESS

Several leadership models argue that successful leaders will be viewed by their followers as good leaders. (This is completely different from determining whether leaders actually improve organizational performance.) Consequently, one test of trait theory is whether leaders with particular traits are viewed as more or less effective leaders by their followers.

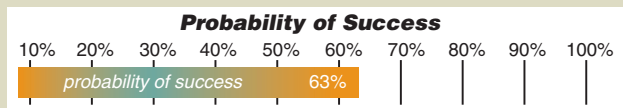
**Intelligence.** On average, there is a 75 percent chance that intelligent leaders will be seen as better leaders than less intelligent leaders.



**Dominance.** On average, there is only a 57 percent chance that leaders with highly dominant personalities will be seen as better leaders than those with less dominant personalities.



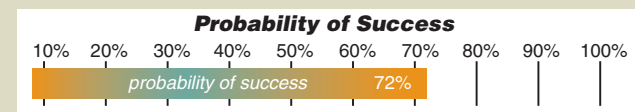
**Extroversion.** On average, there is a 63 percent chance that extroverts will be seen as better leaders than introverts.



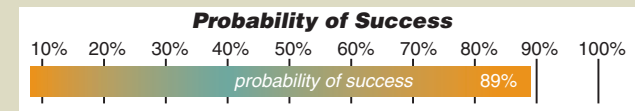
### CHARISMA AND LEADERSHIP EFFECTIVENESS

As discussed at the end of the chapter, *charismatic leadership* is the set of behavioral tendencies and personal characteristics of leaders that creates an exceptionally strong relationship between leaders and their followers. More specifically, charismatic leaders articulate a clear vision for the future that is based on strongly held values or morals; model those values by acting in a way consistent with the company's vision; communicate high performance expectations to followers; and display confidence in followers' abilities to achieve the vision.

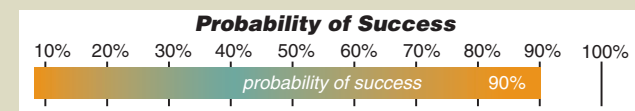
**Charisma and Performance.** On average, there is a 72 percent chance that charismatic leaders will have better-performing followers and organizations than less charismatic leaders.



**Charisma and Perceived Leader Effectiveness.** On average, there is an 89 percent chance that charismatic leaders will be perceived as more effective leaders than less charismatic leaders.



**Charisma and Leader Satisfaction.** On average, there is a 90 percent chance that the followers of charismatic leaders will be more satisfied with their leaders than the followers of less charismatic leaders.<sup>18</sup>



Initially, however, Mulcahy had a clear weakness: because her experience was limited to sales, she lacked knowledge of the entire business. And since Xerox was \$14.1 billion in debt and had only \$154 million in cash on hand, she had to learn fast. So she asked Joe Mancini, Jr., the director of corporate financial analysis, to give her a course in “Balance Sheet 101.” Mulcahy said, “It was an unusual situation for him—tutoring the CEO. But there wasn’t a lot of time for false pride.”<sup>19</sup> Every night she took home binders full of information to study, and eventually she transformed her knowledge of the financial side of the business from a weakness into a strength.

## 2.2 Leadership Behaviors

Thus far, you’ve read about who leaders *are*. Traits alone are not enough to make a successful leader, however, though they are a precondition for success. After all, it’s hard to imagine a truly successful leader who lacks all of these qualities. Leaders who have these traits (or many of them) must then take actions that encourage people to achieve group or organizational goals.<sup>20</sup> Accordingly, we now examine what leaders *do*, meaning the behaviors they perform or the actions they take to influence others to achieve group or organizational goals.

Researchers at the University of Michigan, Ohio State University, and the University of Texas examined the specific behaviors that leaders use to improve subordinate satisfaction and performance. Hundreds of studies were conducted and hundreds of leader behaviors were examined. At all three universities, two basic leader behaviors emerged as central to successful leadership: initiating structure (called *job-centered leadership* at the University of Michigan and *concern for production* at the University of Texas) and considerate leader behavior (called *employee-centered leadership* at the University of Michigan and *concern for people* at the University of Texas).<sup>21</sup> In fact, these two leader behaviors form the basis for many of the leadership theories discussed in this chapter.

**Initiating structure** is the degree to which a leader structures the roles of followers by setting goals, giving directions, setting deadlines, and assigning tasks. A leader’s ability to initiate structure primarily affects subordinates’ job performance. In helping to turn around Xerox, Ursula Burns, head of manufacturing, focused on nuts-and-bolts initiating structure issues. She granted freedom and authority to those meeting goals and paid personal visits on those who didn’t. CEO Anne Mulcahy described Burns’s approach this way: “She’d say, ‘Jim, you blew it; tell us what happened.’”<sup>22</sup> The message was clear: Meet your goals, and you control your destiny. Meet them late or fail to meet them, and you’ll have to defend your actions. With Xerox near bankruptcy, Burns didn’t have time for anything else. After all, Mulcahy had given Burns a tough goal of her own to meet—increase manufacturing productivity while cutting \$1 billion in costs.

**Consideration** is the extent to which a leader is friendly, approachable, and supportive and shows concern for employees. Consideration primarily affects subordinates’ job satisfaction. Specific leader consideration behaviors include listening to employees’ problems and concerns, consulting with employees before making decisions, and treating employees as equals. Twenty-five years ago Wal-Mart’s CEO, Lee Scott, received a lesson in the importance of consideration from founder Sam Walton. Scott, who was then in charge of a transportation unit, was known for his tough management style and for sending “blistering memos.” When “Mr. Sam” called him into his office, Scott found nine of his truck drivers there waiting for him. The drivers, who were taking advantage of Wal-Mart’s “open door” policy, had complained to Walton about the way Scott treated them and asked that he be fired. According to Scott, “They just wanted to do their work and be appreciated for it. So Mr. Walton

### initiating structure

The degree to which a leader structures the roles of followers by setting goals, giving directions, setting deadlines, and assigning tasks.

### consideration

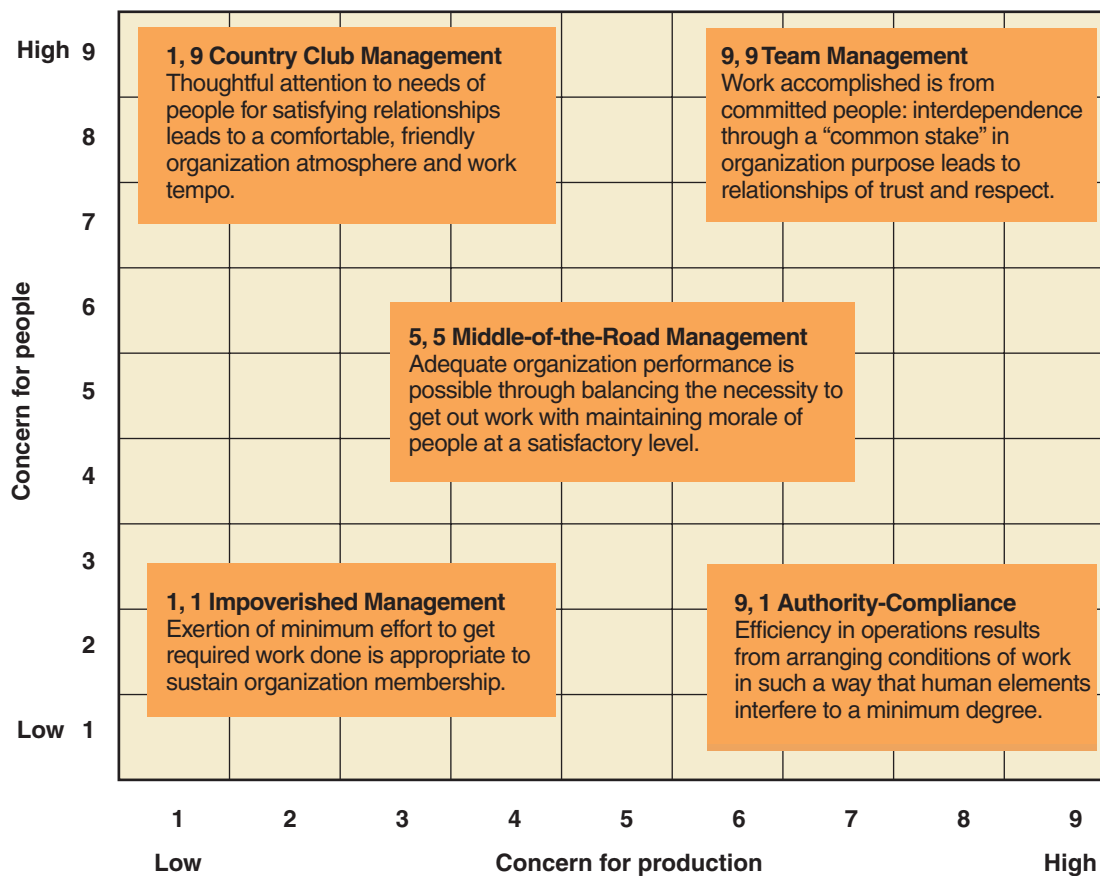
The extent to which a leader is friendly, approachable, and supportive and shows concern for employees.

asked me, with them there, if I could do it differently.”<sup>23</sup> After agreeing that he could, Scott said that Walton “had me stand at the door as they were leaving and thank each one for having the courage to use the open door, which is one of the very basic principles of Wal-Mart.”<sup>24</sup> That office is now Scott’s, and Wal-Mart has the same open door through which any Wal-Mart employee can walk to talk with the CEO.

Although researchers at all three universities generally agreed that initiating structure and consideration were basic leader behaviors, they differed on the interaction and effectiveness of these behaviors. The University of Michigan studies indicated that initiating structure and consideration were mutually exclusive behaviors on opposite ends of the same continuum. In other words, leaders who wanted to be more considerate would have to do less initiating of structure (and vice versa). The University of Michigan studies also indicated that only considerate leader behaviors (i.e., employee-centered) were associated with successful leadership. By contrast, researchers at Ohio State University and the University of Texas found that initiating structure and consideration were independent behaviors, meaning that leaders can be considerate and initiate structure at the same time. Additional evidence confirms this finding.<sup>25</sup> The same researchers also concluded that the most effective leaders were strong on both initiating structure and considerate leader behaviors.

This “high-high” approach can be seen in the upper right corner of the Blake/Mouton leadership grid, shown in Exhibit 14.4. Blake and Mouton used two leadership behaviors, concern for people (i.e., consideration) and concern for production (i.e., initiating structure), to categorize five different leadership styles. Both behaviors are rated on a 9-point scale with 1 representing “low” and 9 representing “high.” Blake and Mouton suggest that a “high-high” or 9,9

**Exhibit 14.4**  
Blake/Mouton Leadership Grid



Source: R. R. Blake & A. A. McCanse, “The Leadership Grid®,” *Leadership Dilemmas—Grid Solutions* (Houston: Gulf Publishing Company), 21. Copyright © 1991, by Scientific Methods, Inc. Reproduced by permission of the owners.

leadership style is the best. They call this style *team management* because leaders who use it display a high concern for people (9) and a high concern for production (9). By contrast, leaders use a 9,1 *authority-compliance* leadership style when they have a high concern for production and a low concern for people. A 1,9 *country club* style occurs when leaders care about having a friendly enjoyable work environment but don't really pay much attention to production or performance. The worst leadership style, according to the grid, is the 1,1 *impoverished* leader, who shows little concern for people or production and does the bare minimum needed to keep his or her job. Finally, the 5,5 *middle-of-the-road* style occurs when leaders show a moderate amount of concern for both people and production.

Is the team management style, with a high concern for production and a high concern for people, the “best” leadership style? Logically, it would seem so. Why wouldn't you want to show high concern for both people and production? Nonetheless, nearly 50 years of research indicate that there isn't one “best” leadership style. The “best” leadership style depends on the situation. In other words, no one leadership behavior by itself and no one combination of leadership behaviors works well across all situations and employees.

### Review 2: Who Leaders Are and What Leaders Do

Trait theory says that effective leaders possess traits or characteristics that differentiate them from nonleaders. Those traits are drive, the desire to lead, honesty/integrity, self-confidence, emotional stability, cognitive ability, and knowledge of the business. Traits alone aren't enough for successful leadership, however, leaders who have these traits (or many of them) must also behave in ways that encourage people to achieve group or organizational goals. Two key leader behaviors are initiating structure, which improves subordinate performance, and consideration, which improves subordinate satisfaction. There is no “best” combination of these behaviors. The “best” leadership style depends on the situation.

## Situational Approaches to Leadership

Imagine that you're the director of emergency medicine at a major hospital and you've just learned that one of your doctors broke hospital policy by ordering a series of expensive tests for an emergency room patient without first getting approval from the hospital's cardiologist. The tests were for an extremely rare heart condition that could prove fatal if not detected. When you learn that the doctor involved is a new intern with just two months of experience, you become incensed at the flagrant violation of the rules and insist that the doctor didn't know what he was doing! But what if the physician who ordered the tests was your most experienced emergency room physician? Instead of being angry and doubting the diagnosis, you probably would think, “Great catch! I wonder what tipped her off?” In other words, you would react differently depending on the situation and the person involved.

After leader traits and behaviors, the situational approach to leadership is the third major method used in the study of leadership. There are four major situational approaches to leadership—Fiedler's contingency theory, path-goal theory, Hersey and Blanchard's Situational Leadership theory, and Vroom and Yetton's normative decision model. All assume that the effectiveness of any **leadership style**, the way a leader generally behaves toward followers, depends on the situation.<sup>26</sup> Accordingly, there is no one “best” leadership style. Nonetheless, these theories differ in one significant way. Fiedler's contingency theory assumes that leadership styles are consistent and difficult to change. Therefore, leaders must be placed in or “matched” to a situation that fits their leadership style. In contrast, the other three situational theories all assume that

### leadership style

The way a leader generally behaves toward followers.

leaders are capable of adapting and adjusting their leadership styles to fit the demands of different situations.

After reading the next four sections, you should be able to

- 3** explain Fiedler's contingency theory.
- 4** describe how path-goal theory works.
- 5** discuss Hersey and Blanchard's Situational Leadership theory.
- 6** explain the normative decision theory.

### **3** PUTTING LEADERS IN THE RIGHT SITUATION: FIEDLER'S CONTINGENCY THEORY

#### **contingency theory**

A leadership theory that states that in order to maximize work group performance, leaders must be matched to the situation that best fits their leadership style.

Fiedler's **contingency theory** states that in order to maximize work group performance, leaders must be matched to the right leadership situation.<sup>27</sup> More specifically, as shown in Exhibit 14.5, the first basic assumption of Fiedler's theory is that leaders are effective when the work groups they lead perform well. So, instead of judging leaders' effectiveness by what the leaders do (i.e., initiating structure and consideration) or who they are (i.e., trait theory), Fiedler assesses leaders by the conduct and performance of the people they supervise. Second, Fiedler assumes that leaders are generally unable to change their leadership styles and that they will be more effective when their styles are matched to the proper situation. Third, Fiedler assumes that the favorableness of a situation for a leader depends on the degree to which the situation permits the leader to influence the behavior of group members. Thus, Fiedler's third assumption is consistent with our definition of leadership, which is the process of influencing others to achieve group or organizational goals.

Let's learn more about Fiedler's contingency theory by examining **3.1 the least preferred coworker and leadership styles**, **3.2 situational favorableness**, and **3.3 how to match leadership styles to situations**.

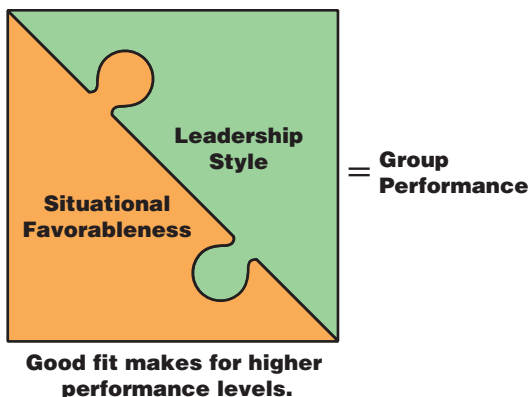
#### **3.1 Leadership Style: Least Preferred Coworker**

When Fiedler refers to *leadership style*, he means the way that leaders generally behave toward their followers. Do the leaders yell and scream and blame others when things go wrong? Or do they correct mistakes by listening and then quietly, but directly making their point? Do they take credit for others' work when things go right? Or do they make sure that those who did the work receive the credit they rightfully deserve? Do they let others make their own decisions and hold them accountable for the results? Or do they micromanage, insisting that all decisions be approved first by them? Fiedler also assumes that leadership styles are tied to leaders' underlying needs and personalities. And since personality and needs are relatively stable, he assumes that leaders are generally incapable of changing their leadership styles. In other words, the way that leaders treat people now is probably the way they've always treated others. So, according to Fiedler, if your boss's first instinct is to yell and scream and blame others, chances are he or she has always done that.

Fiedler uses a questionnaire called the Least Preferred Coworker (LPC) scale to measure leadership style (sample shown in exhibit 14.6). When completing the LPC scale, people are instructed to consider all of the people with whom they have ever worked and then to choose the one person with whom they "have worked LEAST well." Fiedler explains, "This does not have to be the person you liked least well, but should be the one person with whom you have the most trouble getting the job done."<sup>28</sup>

**Exhibit 14-5**

Fiedler's Contingency Theory



<b>Pleasant</b>	8	7	6	5	4	3	2	1	<b>Unpleasant</b>
<b>Friendly</b>	8	7	6	5	4	3	2	1	<b>Unfriendly</b>
<b>Supportive</b>	8	7	6	5	4	3	2	1	<b>Hostile</b>
<b>Boring</b>	1	2	3	4	5	6	7	8	<b>Interesting</b>
<b>Gloomy</b>	1	2	3	4	5	6	7	8	<b>Cheerful</b>
<b>Insincere</b>	1	2	3	4	5	6	7	8	<b>Sincere</b>

Source: F. E. Fiedler & M. M. Chemers, *Improving Leadership Effectiveness: The Leader Match Concept*, 2nd ed. (New York: John Wiley & Sons, 1984). Available at [http://depts.washington.edu/psych/faculty/\\*cv/fiedler\\_cv.pdf](http://depts.washington.edu/psych/faculty/*cv/fiedler_cv.pdf), 23 March 2002. Reprinted by permission of the authors.

Would you describe your LPC as pleasant, friendly, supportive, interesting, cheerful, and sincere? Or would you describe the person as unpleasant, unfriendly, hostile, boring, gloomy, and insincere? (The Self-Assessment Appendix contains the full LPC scale on page 622.) People who describe their LPC in a positive way (scoring 64 and above) have *relationship-oriented* leadership styles. After all, if they can still be positive about their least preferred coworker, they must be people oriented. By contrast, people who describe their LPC in a negative way (scoring 57 or below) have *task-oriented* leadership styles. Given a choice, they'll focus first on getting the job done and second on making sure everyone gets along. Finally, those with moderate scores (from 58 to 63) have a more flexible leadership style and can be somewhat relationship oriented or somewhat task oriented.

**Exhibit 14.6**  
Sample from Fiedler's Least Preferred Coworker Scale

### 3.2 Situational Favorableness

Fiedler assumes that leaders will be more effective when their leadership styles are matched to the proper situation. More specifically, Fiedler defines **situational favorableness** as the degree to which a particular situation either permits or denies a leader the chance to influence the behavior of group members.<sup>29</sup> In highly favorable situations, leaders find that their actions influence followers, but in highly unfavorable situations, leaders have little or no success influencing the people they are trying to lead.

Three situational factors determine the favorability of a situation: leader-member relations, task structure, and position power. The most important situational factor is **leader-member relations**, which refers to how well followers respect, trust, and like their leaders. When leader-member relations are good, followers trust the leader and there is a friendly work atmosphere. Such was the case under Gordon Bethune, CEO of Continental Airlines for ten years. Joe Caudle, a Continental employee, says, "I've worked under a lot of presidents and CEOs. When the others came around, the employees would be ducking out. But with him, it's 'Hey, Bethune's upstairs!' They start smiling and want to shake his hand."<sup>30</sup> **Task structure** is the degree to which the requirements of a subordinate's tasks are clearly specified. With highly structured tasks, employees have clear job responsibilities, goals, and procedures. **Position power** is the degree to which leaders are able to hire, fire, reward, and punish workers. The more influence leaders have over hiring, firing, rewards, and punishments, the greater their power.

**situational favorableness**  
The degree to which a particular situation either permits or denies a leader the chance to influence the behavior of group members.

**leader-member relations**  
The degree to which followers respect, trust, and like their leaders.

**task structure**  
The degree to which the requirements of a subordinate's tasks are clearly specified.

**position power**  
The degree to which leaders are able to hire, fire, reward, and punish workers.

Leader-Member Relations	Good	Good	Good	Good	Poor	Poor	Poor	Poor
Task Structure	High	High	Low	Low	High	High	Low	Low
Position Power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak
Situation	I	II	III	IV	V	VI	VII	VIII
	<b>Favorable</b>			<b>Moderately Favorable</b>			<b>Unfavorable</b>	

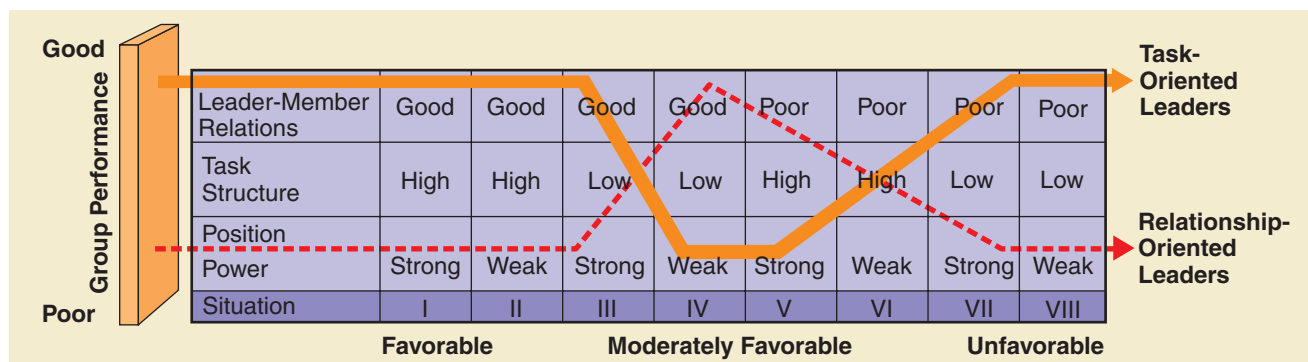
**Exhibit 14.7**  
Situational Favorableness

Exhibit 14.7 shows how leader-member relations, task structure, and position power can be combined into eight situations that differ in their favorability to leaders. In general, Situation I, on the left side of Exhibit 14.7, is the most favorable leader situation. Followers like and trust their leaders and know what to do because their tasks are highly structured. Also, the leaders have the formal power to influence workers through hiring, firing, rewarding, and punishing them. Therefore, in Situation I, it's relatively easy for a leader to influence followers. By contrast, Situation VIII, on the right side of Exhibit 14.7, is the least favorable situation for leaders. Followers don't like or trust their leaders. Plus, followers are not sure what they're supposed to be doing, given that their tasks or jobs are highly unstructured. Finally, leaders find it difficult to influence followers because they don't have the ability to hire, fire, reward, or punish the people who work for them. In short, it's very difficult to influence followers given the conditions found in Situation VIII.

### 3.3 Matching Leadership Styles to Situations

After studying thousands of leaders and followers in hundreds of different situations, Fiedler found that the performance of relationship- and task-oriented leaders followed the pattern displayed in Exhibit 14.8.

Relationship-oriented leaders with high LPC scores were better leaders (i.e., their groups performed more effectively) under moderately favorable situations. In moderately favorable situations, the leader may be liked somewhat, tasks may be somewhat structured, and the leader may have some position power. In this situation, a relationship-oriented leader improves leader-member relations, which is the most important of the three situational factors. In turn, morale and performance improve. How did Gordon Bethune turn around Continental Airlines and its previously poisonous labor-management relations? Bethune explained it this way: "When I was a mechanic, I knew how much faster I could fix an airplane when I wanted to fix it than when I didn't. I've tried to make it so our guys want to do it."<sup>31</sup> By contrast, as Exhibit 14.8 shows, task-oriented leaders with low LPC scores are better leaders in highly favorable and unfavorable situations. Task-oriented leaders do well in favorable situations where leaders are liked, tasks are structured, and the leader has the power to hire, fire, reward, and punish. In these favorable situations, task-oriented leaders effectively step on the gas of a well-tuned car that's in perfect running condition. Their focus on performance sets the goal for the group, which then charges forward to meet it. But task-oriented leaders also do well in unfavorable situations where leaders are disliked, tasks are unstructured, and the leader doesn't have the power to hire, fire, reward, and punish. In these unfavorable situations, the task-oriented leader sets goals, which focus attention on performance, and clarifies what needs to be done, thus overcoming low task structure. This is enough to jump-start performance, even if workers don't like or trust the leader. Finally, though not shown in Exhibit 14.8, people with moderate LPC scores, who can be somewhat relationship oriented or somewhat task oriented, tend to do fairly well in all situations because they can adapt their behavior. Typically, though, they don't perform quite as well as relationship-oriented or task-oriented leaders whose leadership styles are well matched to the situation.



**Exhibit 14.8**  
Matching Leadership Styles to Situations

Recall, however, that Fiedler assumes that leaders are incapable of changing their leadership styles. Accordingly, the key to applying Fiedler’s contingency theory in the workplace is to accurately measure and match leaders to situations or to teach leaders how to change situational favorableness by changing leader-member relations, task structure, or position power. Though matching or placing leaders in appropriate situations works particularly well, practicing managers have had little luck with “reengineering situations” to fit their leadership styles. The primary problem, as you’ve no doubt realized, is the complexity of the theory. In a study designed to teach leaders how to reengineer their situations to fit their leadership styles, Fiedler found that most of the leaders simply did not understand what they were supposed to do to change their leadership situations. Furthermore, if they didn’t like their LPC profile (perhaps they felt they were more relationship oriented than their scores indicated), they arbitrarily changed it to better suit their view of themselves. Of course, the theory won’t work as well if leaders are attempting to change situational factors to fit their perceived leadership style and not their real leadership style.<sup>32</sup>

**Review 3: Putting Leaders in the Right Situation: Fiedler’s Contingency Theory**

Fiedler’s theory assumes that leaders are effective when their work groups perform well, that leaders are unable to change their leadership styles, that leadership styles must be matched to the proper situation, and that favorable situations permit leaders to influence group members. According to the Least Preferred Coworker (LPC) scale, there are two basic leadership styles. People who describe their LPC in a positive way have relationship-oriented leadership styles. By contrast, people who describe their LPC in a negative way have task-oriented leadership styles. Situational favorableness, which occurs when leaders can influence followers is determined by leader-member relations, task structure, and position power. In general, relationship-oriented leaders with high LPC scores are better leaders under moderately favorable situations, while task-oriented leaders with low LPC scores are better leaders in highly favorable and unfavorable situations. Since Fiedler assumes that leaders are incapable of changing their leadership styles, the key is to accurately measure and match leaders to situations or to teach leaders how to change situational factors. Though matching or placing leaders in appropriate situations works well, “reengineering situations” to fit leadership styles doesn’t because of the complexity of the model, which makes it difficult for people to understand.

**4 ADAPTING LEADER BEHAVIOR: PATH-GOAL THEORY**

Just as its name suggests, **path-goal theory** states that leaders can increase subordinate satisfaction and performance by clarifying and clearing the paths to goals and by increasing the number and kinds of rewards available for goal attainment. Said another way, leaders need to clarify how followers can achieve

**path-goal theory**  
A leadership theory that states that leaders can increase subordinate satisfaction and performance by clarifying and clearing the paths to goals and by increasing the number and kinds of rewards available for goal attainment.



- Clarify paths to goals.
- Clear paths to goals by solving problems and removing roadblocks.
- Increase the number and kinds of rewards available for goal attainment.
- Do things that satisfy followers today or will lead to future rewards or satisfaction.
- Offer followers something unique and valuable beyond what they're experiencing or can already do for themselves.

Source: R. J. House & T. R. Mitchell, "Path-Goal Theory of Leadership," *Journal of Contemporary Business* 3 (1974): 81–97.

### Exhibit 14.9 Basic Assumptions of Path-Goal Theory

#### directive leadership

A leadership style in which the leader lets employees know precisely what is expected of them, gives them specific guidelines for performing tasks, schedules work, sets standards of performance, and makes sure that people follow standard rules and regulations.

#### supportive leadership

A leadership style in which the leader is friendly and approachable, shows concern for employees and their welfare, treats them as equals, and creates a friendly climate.

In addition to being a directive leader, Audi president Martin

Winterkorn has deep technical knowledge in his field, which gives him credibility when he assigns work and sets goals and procedures.

Winterkorn is shown here giving a lecture on car design concepts at the Budapest Technical University.



organizational goals, take care of problems that prevent followers from achieving goals, and then find more and varied rewards to motivate followers to achieve those goals.<sup>33</sup>

For path clarification, path clearing, and rewards to increase followers' motivation and effort, however, leaders must meet two conditions. First, leader behavior must be a source of immediate or future satisfaction for followers. Therefore, the things you do as a leader must please your followers today or lead to activities or rewards that will satisfy them in the future. For example, Carla Jones, who works in marketing for Edward Jones, the St. Louis–based investment company that has been near the top of *Fortune's* list of the top 100 companies to work for, hasn't looked outside the company for career opportunities since she joined the company 14 years ago. Indeed, Edward Jones' management does such a good job of satisfying its workers that a phenomenal 83 percent of its associates plan to work there until they retire.<sup>34</sup>

Second, while providing the coaching, guidance, support, and rewards necessary for effective work performance, leader behaviors must complement and not duplicate the characteristics of followers' work environments. Thus, leader behaviors must offer something unique and valuable to followers beyond what they're already experiencing as they do their jobs or what they can already do for themselves. Exhibit 14.9 summarizes these basic assumptions of path-goal theory.

In contrast to Fiedler's contingency theory, path-goal theory assumes that leaders can change and adapt their leadership styles. Exhibit 14.10 illustrates this process, showing that leaders change and adapt their leadership styles contingent on their subordinates or the environment in which those subordinates work.

Let's learn more about path-goal theory by examining **4.1 the four kinds of leadership styles that leaders use**, **4.2 the subordinate and environmental contingency factors that determine when different leader styles are effective**, and **4.3 the outcomes of path-goal theory in improving employee satisfaction and performance**.

## 4.1 Leadership Styles

As illustrated in Exhibit 14.10, the four leadership styles in path-goal theory are directive, supportive, participative, and achievement oriented.<sup>35</sup> **Directive leadership** involves letting employees know precisely what is expected of them, giving them specific guidelines for performing tasks, scheduling work, setting standards of performance, and making sure that people follow standard rules and regulations. For example, "each month, Audi's compulsive chief executive, Martin Winterkorn, rolls up his sleeves and leads a trouble-shooting session with managers and engineers at the company's electronics center, zeroing in on faulty systems and problem parts. Winterkorn's rules: no shifting the blame to anyone else, such as suppliers. No phone calls to subordinates—the brains to remedy the defects better be in the room. And no one leaves until a fix is found."<sup>36</sup> Why is Winterkorn so demanding (i.e., directive)? As he explains, "We want [Audi] to be the No. 1 premium [car] brand," and you don't achieve that goal easily when you're competing with Lexus, Mercedes, BMW, and Acura.

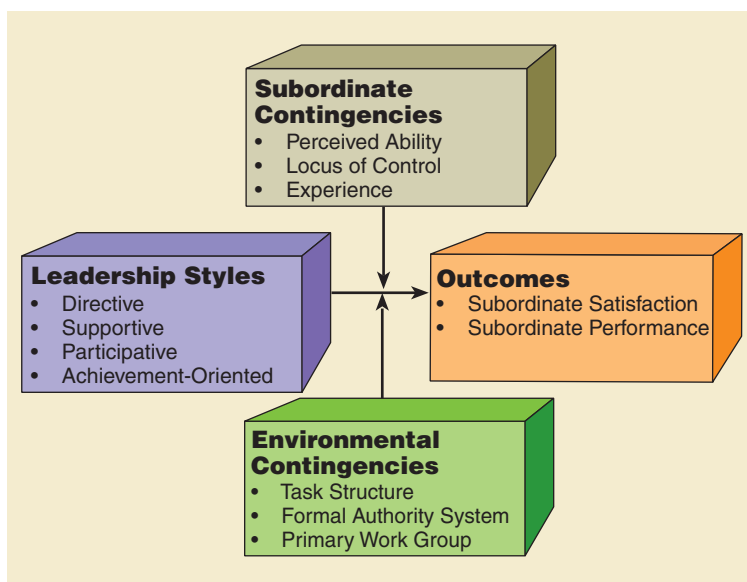
**Supportive leadership** involves being friendly to and approachable by employees, showing concern for them and their welfare, treating them as equals, and creating a friendly climate. Supportive

leadership involves being friendly to and approachable by employees, showing concern for them and their welfare, treating them as equals, and creating a friendly climate. Supportive

leadership is very similar to considerate leader behavior. Supportive leadership often results in employee satisfaction with the job and with leaders. This leadership style may also result in improved performance when it increases employee confidence, lowers employee job stress, or improves relations and trust between employees and leaders.<sup>37</sup> For example, husband and wife Shane and Allison Alexander both work for Wal-Mart in Madisonville, Kentucky. Over the years, the Wal-Mart managers in their store have shown concern for them in a number of important ways. For example, since the Alexanders had only one car, Wal-Mart managers scheduled them for alternating shifts, which also allowed them to care for their baby without outside help, and made sure the couple had some Saturdays off to spend time as a family.<sup>38</sup>

**Participative leadership** involves consulting employees for their suggestions and input before making decisions. Participation in decision making should help followers understand which goals are most important and clarify the paths to accomplishing them. Furthermore, when people participate in decisions, they become more committed to making them work. At the customer call center at United Kingdom-based Kwik-Fit Financial Services, managers were overly aggressive, annual employee turnover was 52 percent, and employees were not consulted about anything. When Kwik-Fit changed to a highly participative approach, managers met with all 650 employees in small groups and asked them what it would take to make the call center a good place to work. After those initial discussions, seven project groups, which included people from across the company, began addressing problems in facilities, incentives, pay, management style, management processes, and customer service. Today, because of those project groups, Kwik-Fit has an improved flexible benefits plan; flextime work scheduling; a “chillout” room with a TV, video game machine, pool table, and air hockey table; a concierge to take care of employees’ nonwork tasks (dry cleaning, running to the bank); and new phone/customer software for doing their jobs. As a result of these employee-suggested changes, employee turnover has fallen to 35 percent, 66 percent of employees (up from 40 percent) recommend Kwik-Fit as a place to work, customer complaints are down 50 percent, customer satisfaction has risen from 90 to 94 percent, and profits are up by 50 percent.<sup>39</sup>

**Achievement-oriented leadership** means setting challenging goals, having high expectations of employees, and displaying confidence that employees will assume responsibility and put forth extraordinary effort. After GM announced it would close its Wilmington, Delaware plant to cut costs, plant manager Ralph Harding told his 3,500 workers, “There may be nothing we can do to affect this decision. But there is something we can do: We can make them feel really stupid! Because they are going to be closing the best plant in General Motors!”<sup>40</sup> “Be the Best!” slogans were posted throughout the plant, and “Be the Best!” jackets were given to all employees. Responding to Harding’s challenge, employee groups began systematically making changes to increase quality and lower costs. Two years later GM decided to keep the plant open because it now had the company’s lowest costs and highest quality (as measured by warranty claims).



**Exhibit 14.10**

Path-Goal Theory

**participative leadership**

A leadership style in which the leader consults employees for their suggestions and input before making decisions.

**achievement-oriented leadership**

A leadership style in which the leader sets challenging goals, has high expectations of employees, and displays confidence that employees will assume responsibility and put forth extraordinary effort.

## 4.2 Subordinate and Environmental Contingencies

As shown in Exhibit 14.10, path-goal theory specifies that leader behaviors should be fitted to subordinate characteristics. The theory identifies three kinds of subordinate contingencies: perceived ability, experience, and locus of control. *Perceived ability* is simply how much ability subordinates believe they have for doing their jobs well. Subordinates who perceive that they have a great deal of ability will be dissatisfied with directive leader behaviors. Experienced employees are likely to react in a similar way. Since they already know how to do their jobs (or perceive that they do), they don't need or want close supervision. By contrast, subordinates with little experience or little perceived ability will welcome directive leadership.

*Locus of control* is a personality measure that indicates the extent to which people believe that they have control over what happens to them in life. *Internals* believe that what happens to them, good or bad, is largely a result of their choices and actions. *Externals*, on the other hand, believe that what happens to them is caused by external forces beyond their control. Accordingly, externals are much more comfortable with a directive leadership style, while internals greatly prefer a participative leadership style because they like to have a say in what goes on at work.

Path-goal theory specifies that leader behaviors should complement rather than duplicate the characteristics of followers' work environments. There are three kinds of environmental contingencies: task structure, the formal authority system, and the primary work group. As in Fiedler's contingency theory, *task structure* is the degree to which the requirements of a subordinate's tasks are clearly specified. When task structure is low and tasks are unclear, directive leadership should be used because it complements the work environment. When task structure is high and tasks are clear, however, directive leadership is not needed because it duplicates what task structure provides. Alternatively, when tasks are stressful, frustrating, or dissatisfying, leaders should respond with supportive leadership.

The *formal authority system* is an organization's set of procedures, rules, and policies. When the formal authority system is unclear, directive leadership complements the situation by reducing uncertainty and increasing clarity. But, when the formal authority system is clear, directive leadership is redundant and should not be used.

*Primary work group* refers to the amount of work-oriented participation or emotional support that is provided by an employee's immediate work group. Participative leadership should be used when tasks are complex and there is little existing work-oriented participation in the primary work group. When tasks are stressful, frustrating, or repetitive, supportive leadership is called for.

Finally, since keeping track of all of these subordinate and environmental contingencies can get a bit confusing, Exhibit 14.11 provides a summary of when directive, supportive, participative, and achievement-oriented leadership styles should be used.

## 4.3 Outcomes

Does following path-goal theory improve subordinate satisfaction and performance? Preliminary evidence suggests that it does.<sup>41</sup> In particular, people who work for supportive leaders are much more satisfied with their jobs and their bosses. Likewise, people who work for directive leaders are more satisfied with their jobs and bosses (but not quite as much as when their bosses are supportive) and perform their jobs better, too. Does adapting one's leadership style to subordinate and environmental characteristics improve subordinate satisfaction and performance? At this point, because of the difficulty of completely testing this complex theory, it's too early to tell.<sup>42</sup> However, since the data clearly show that it makes sense for leaders to be both supportive *and* directive, it also makes

DIRECTIVE LEADERSHIP	SUPPORTIVE LEADERSHIP	PARTICIPATIVE LEADERSHIP	ACHIEVEMENT-ORIENTED LEADERSHIP
Unstructured tasks	Structured, simple, repetitive tasks	Experienced workers	Unchallenging tasks
Inexperienced workers	Stressful, frustrating tasks	Workers with high perceived ability	
Workers with low perceived ability	When workers lack confidence	Workers with internal locus of control	
Workers with external locus of control	Clear formal authority system	Workers not satisfied with rewards	
Unclear formal authority system		Complex tasks	

sense that leaders could improve subordinate satisfaction and performance by adding participative and achievement-oriented leadership styles to their capabilities as leaders.

**Exhibit 14.11**  
Path-Goal Theory: When to Use Directive, Supportive, Participative, or Achievement-Oriented Leadership

**Review 4: Adapting Leader Behavior: Path-Goal Theory**

Path-goal theory states that leaders can increase subordinate satisfaction and performance by clarifying and clearing the paths to goals and by increasing the number and kinds of rewards available for goal attainment. For this to work, however, leader behavior must be a source of immediate or future satisfaction for followers and must complement and not duplicate the characteristics of followers’ work environments. In contrast to Fiedler’s contingency theory, path-goal theory assumes that leaders can and do change and adapt their leadership styles (directive, supportive, participative, and achievement oriented), depending on their subordinates (experience, perceived ability, internal or external) or the environment in which those subordinates work (task structure, formal authority system, or primary work group).

**5 ADAPTING LEADER BEHAVIOR: HERSEY AND BLANCHARD’S SITUATIONAL LEADERSHIP® THEORY\***

Have you ever had a new job that you didn’t know how to do and your boss was not around to help you learn it? Conversely, have you ever known exactly how to do your job but your boss kept treating you as though you didn’t? Hersey and Blanchard’s Situational Leadership theory is based on the idea of follower readiness. Hersey and Blanchard argue that employees have different levels of readiness for handling different jobs, responsibilities, and work assignments. Accordingly, Hersey and Blanchard’s **situational theory** states that leaders need to adjust their leadership styles to match followers’ readiness.<sup>43</sup>

**situational theory**  
A leadership theory that states that leaders need to adjust their leadership styles to match their follower’s readiness.

Let’s learn more about Hersey and Blanchard’s situational theory by examining **5.1 worker readiness** and **5.2 different leadership styles**.

**5.1 Worker Readiness**

**Worker readiness** is the ability and willingness to take responsibility for directing one’s behavior at work. Readiness is composed of two components. *Job readiness* consists of the amount of knowledge, skill, ability, and experience people have to perform their jobs. As you would expect, people with greater skill, ability, and experience do a better job of supervising their own work. *Psychological readiness*, on the other hand, is a feeling of self-confidence or

**worker readiness**  
The ability and willingness to take responsibility for directing one’s behavior at work.

\* Situational Leadership® is a registered trademark of the Center for Leadership Studies.

self-respect. Likewise, confident people are better at guiding their own work than insecure people are. Job readiness and psychological readiness are combined to produce four different levels of readiness in Hersey and Blanchard's Situational Leadership theory. The lowest level, R1, represents insecure people who are neither willing nor able to take responsibility for guiding their own work. R2 represents people who are confident and willing but not able to take responsibility for guiding their own work. R3 represents people who are insecure and able but not willing to take responsibility for guiding their own work. And R4 represents people who are confident and willing and able to take responsibility for guiding their own work. It's important to note that a follower's readiness is usually task specific. For example, you may be highly confident and capable when it comes to personal computers, but know nothing about setting up budgets for planning purposes. Thus, you would possess readiness (R4) with respect to computers and but not with respect to budgets.

## 5.2 Leadership Styles

Similar to Blake and Mouton's managerial grid, situational theory defines leadership styles in terms of task behavior (i.e., concern for production) and relationship behavior (i.e., concern for people). These two behaviors can be combined to form four different leadership styles: telling, selling, participating, and delegating. Leaders choose one of these styles depending on the readiness a follower has for a specific task.

A *telling* leadership style (high task behavior and low relationship behavior) is based on one-way communication, in which followers are told what, how, when, and where to do particular tasks. Telling is used when people are at the R1 stage. For instance, someone using a telling leadership style would identify all the steps in a project and give explicit instructions on exactly how to execute each one.

A *selling* leadership style (high task behavior and high relationship behavior) involves two-way communication and psychological support to encourage followers to "own" or "buy into" particular ways of doing things. Selling is used most appropriately at the R2 stage. For instance, someone using a selling leadership style might say, "We're going to start a company newsletter. I really think that's a great idea, don't you? We're going to need some cost estimates from printers and some comments from each manager. But that's pretty straightforward. Oh, don't forget that we need the CEO's comments, too. She's expecting you to call. I know that you'll do a great job on this. We'll meet next Tuesday to see if you have any questions once you've dug into this. By the way, we need to have this done by next Friday."

A *participating* style (low task behavior and high relationship behavior) is based on two-way communication and shared decision making. Participating is used with employees at R3. Since the problem is with motivation and not ability, someone using a participating leadership style might solicit ideas from a subordinate about a project, let the subordinate get started, but ask to review progress along the way.

A *delegating* style (low task behavior and low relationship behavior) is used when leaders basically let workers "run their own show" and make their own decisions. Delegating is used for people at R4. For instance, someone using a delegating leadership style might say, "We're going to start a company newsletter. You've got 10 days to do it. Run with it. Let me know when you've got it done. I'll email you a couple of ideas, but other than that, do what you think is best. Thanks."

In general, as people become more "ready," and thus more willing and able to guide their own behavior, leaders should become less task oriented and more relationship oriented. Then, as people become even more "ready," leaders

should become both less task oriented and less relationship oriented until people eventually manage their own work with little input from their leaders.

How well does Hersey and Blanchard's situational theory work? Despite its intuitive appeal (managers and consultants tend to prefer it over Fiedler's contingency theory because of its underlying logic and simplicity), most studies don't support situational theory.<sup>44</sup> While managers generally do a good job of judging followers' readiness levels, the theory doesn't seem to work well, except at lower levels, where a telling style is recommended for people who are insecure and neither willing nor able to take responsibility for guiding their own work.<sup>45</sup>

### Review 5: Adapting Leader Behavior: Hersey and Blanchard's Situational Leadership Theory

According to situational theory, leaders need to adjust their leadership styles to match their followers' readiness, which is the ability (job readiness) and willingness (psychological readiness) to take responsibility for directing one's work. Job readiness and psychological readiness combine to produce four different levels of readiness (R1–R4), which vary based on people's confidence, ability, and willingness to guide their own work. Situational theory combines task and relationship behavior to create four leadership styles—telling (R1), selling (R2), participating (R3), and delegating (R4)—that are used with employees at different readiness levels.

## 6 ADAPTING LEADER BEHAVIOR: NORMATIVE DECISION THEORY

For years, your company has insisted on formal business attire for men and women. Now, however, you want to make a change to casual wear. Do you make the decision yourself and announce it, or do you consult your employees before making the decision?

To keep up with the exponential growth in one of your sales regions, you're going to cut the region in half, add staff, and effectively reduce the earnings of its sales representatives and managers. Do you make the decision yourself, announce it, and then live with the backlash? Do you consult all of your regional managers before making this decision? Or do you go straight to the people in the region to let them know about your concerns?

Many people believe that making tough decisions is at the heart of leadership. Yet experienced leaders will tell you that deciding how to make decisions is just as important. The **normative decision theory** (also known as the *Vroom-Yetton-Jago model*) helps leaders decide how much employee participation (from none to letting employees make the entire decision) should be used when making decisions.<sup>46</sup>

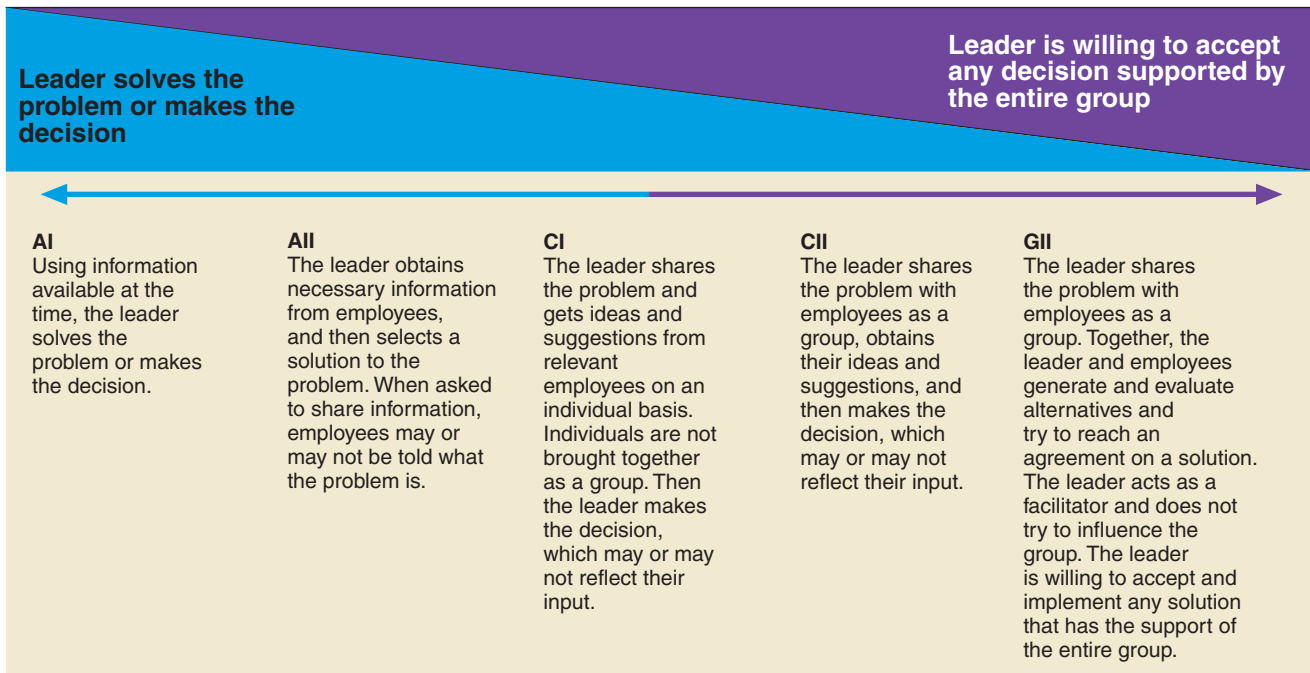
### normative decision theory

A theory that suggests how leaders can determine an appropriate amount of employee participation when making decisions.

Let's learn more about normative decision theory by investigating **6.1 decision styles** and **6.2 decision quality and acceptance**.

### 6.1 Decision Styles

Unlike nearly all of the other leadership theories discussed in this chapter, which have specified leadership styles, that is, the way a leader generally behaves toward followers, the normative decision theory specifies five different decision styles or ways of making decisions. (See Chapter 5 for a more complete review of decision making in organizations.) As shown in Exhibit 14.12, those styles vary from *autocratic decisions* (AI or AII) on the left, in which leaders make the decisions by themselves, to *consultative decisions* (CI or CII), in which leaders share problems with subordinates but still make the decisions themselves, to *group decisions* (GII) on the right, in which leaders share the problems with



Source: Adapted from V. H. Vroom & P. W. Yetton, *Leadership and Decision Making* (Pittsburgh: University of Pittsburgh Press, 1973), 13.

**Exhibit 14.12**  
Decision Styles and Levels of  
Employee Participation

subordinates and then have the group make the decisions. GE Aircraft Engines in Durham, North Carolina, uses this approach when making decisions. According to *Fast Company* magazine, “At GE/Durham, every decision is either an ‘A’ decision, a ‘B’ decision, or a ‘C’ decision. An ‘A’ decision is one that the plant manager makes herself, without consulting anyone.”<sup>47</sup> Plant manager Paula Sims says, “I don’t make very many of those, and when I do make one, everyone at the plant knows it. I make maybe 10 or 12 a year.”<sup>48</sup> “B” decisions are also made by the plant manager, but with input from the people affected. “C” decisions, the most common type, are made by consensus, by the people directly involved, with plenty of discussion. With “C” decisions, the view of the plant manager doesn’t necessarily carry more weight than the views of those affected.”<sup>49</sup>

## 6.2 Decision Quality and Acceptance

According to the normative decision theory, using the right degree of employee participation improves the quality of decisions and the extent to which employees accept and are committed to decisions. Exhibit 14.13 lists the decision rules that normative decision theory uses to increase decision quality and employee acceptance and commitment. The quality, leader information, subordinate information, goal congruence, and problem structure rules are used to increase decision quality. For example, the leader information rule states that if a leader doesn’t have enough information to make a decision on his or her own, then the leader should not use an autocratic decision style.

The commitment probability, subordinate conflict, and commitment requirement rules shown in Exhibit 14.13 are used to increase employee acceptance and commitment to decisions. For example, the commitment requirement rule says that if decision acceptance and commitment are important, and the subordinates share the organization’s goals, then you shouldn’t use an autocratic or consultative style. In other words, if followers want to do what’s best for the company and you need their acceptance and commitment to make a decision work, then use a group decision style and let them make the decision.

DECISION RULES TO INCREASE DECISION QUALITY
<b>Quality Rule.</b> If the quality of the decision is important, then don't use an autocratic decision style.
<b>Leader Information Rule.</b> If the quality of the decision is important, and if the leader doesn't have enough information to make the decision on his or her own, then don't use an autocratic decision style.
<b>Subordinate Information Rule.</b> If the quality of the decision is important, and if the subordinates don't have enough information to make the decision themselves, then don't use a group decision style.
<b>Goal Congruence Rule.</b> If the quality of the decision is important, and subordinates' goals are different from the organization's goals, then don't use a group decision style.
<b>Problem Structure Rule.</b> If the quality of the decision is important, the leader doesn't have enough information to make the decision on his or her own, and the problem is unstructured, then don't use an autocratic decision style.
DECISION RULES TO INCREASE DECISION ACCEPTANCE
<b>Commitment Probability Rule.</b> If having subordinates accept and commit to the decision is important, then don't use an autocratic decision style.
<b>Subordinate Conflict Rule.</b> If having subordinates accept the decision is important and critical to successful implementation and subordinates are likely to disagree or end up in conflict over the decision, then don't use an autocratic or consultative decision style.
<b>Commitment Requirement Rule.</b> If having subordinates accept the decision is absolutely required for successful implementation and subordinates share the organization's goals, then don't use an autocratic or consultative style.

Sources: Adapted from V. H. Vroom, "Leadership," in *Handbook of Industrial and Organizational Psychology*, ed. M. D. Dunnette (Chicago: Rand McNally, 1976); V. H. Vroom & A. G. Jago, *The New Leadership: Managing Participation in Organizations* (Englewood Cliffs, NJ: Prentice Hall, 1988).

### Exhibit 14.13

Normative Theory Decision Rules

As you can see, these decision rules help leaders improve decision quality and follower acceptance and commitment by eliminating decision styles that don't fit the decision or situation they're facing. Normative decision theory then operationalizes these decision rules in the form of yes/no questions, which are shown in the decision tree displayed in Exhibit 14.14. You start at the left side of the model and answer the first question, "How important is the technical quality of this decision?" by choosing "high" or "low." Then you continue by answering each question as you proceed along the decision tree until you get to a recommended decision style.

Let's use the model to make the decision of whether to change from a formal business attire policy to a casual wear policy. The problem sounds simple, but it is actually more complex than you might think. Follow the yellow line in Exhibit 14.14 as we work through the decision in the discussion below.

### Problem: Change to Casual Wear?

1. *Quality requirement: How important is the technical quality of this decision?* High. This question has to do with whether there are quality differences in the alternatives and whether those quality differences matter. Although most people would assume that quality isn't an issue here, it really is, given the overall positive changes that generally accompany changes to casual wear.
2. *Commitment requirement: How important is subordinate commitment to the decision?* High. Changes in culture, like dress codes, require subordinate commitment or they fail.
3. *Leader's information: Do you have sufficient information to make a high-quality decision?* Yes. Let's assume that you've done your homework. Much has been written about casual wear, from how to make the change to the effects it has in companies (almost all positive).



4. *Commitment probability: If you were to make the decision by yourself, is it reasonably certain that your subordinate(s) would be committed to the decision?* No. Studies of casual wear (see item 3, leader information) find that employees' reactions are almost uniformly positive. Nonetheless, employees are likely to be angry if you change something as personal as clothing policies without consulting them.
5. *Goal congruence: Do subordinates share the organizational goals to be attained in solving this problem?* Yes. The goals that usually accompany a change to casual dress policies are a more informal culture, better communication, and less money spent on business attire.
6. *Subordinate information: Do subordinates have sufficient information to make a high-quality decision?* No. Most employees know little about casual wear policies or even what constitutes casual wear in most companies. Consequently, most companies have to educate employees about casual wear practices and policies before making a decision.
7. *CII is the answer:* With a CII, or consultative decision process, the leader shares the problem with employees as a group, obtains their ideas and suggestions, and then makes the decision, which may or may not reflect their input. So, given the answers to these questions (remember, different managers won't necessarily answer these questions the same way), the normative decision theory recommends that leaders consult with their subordinates before deciding whether to change to a casual wear policy.

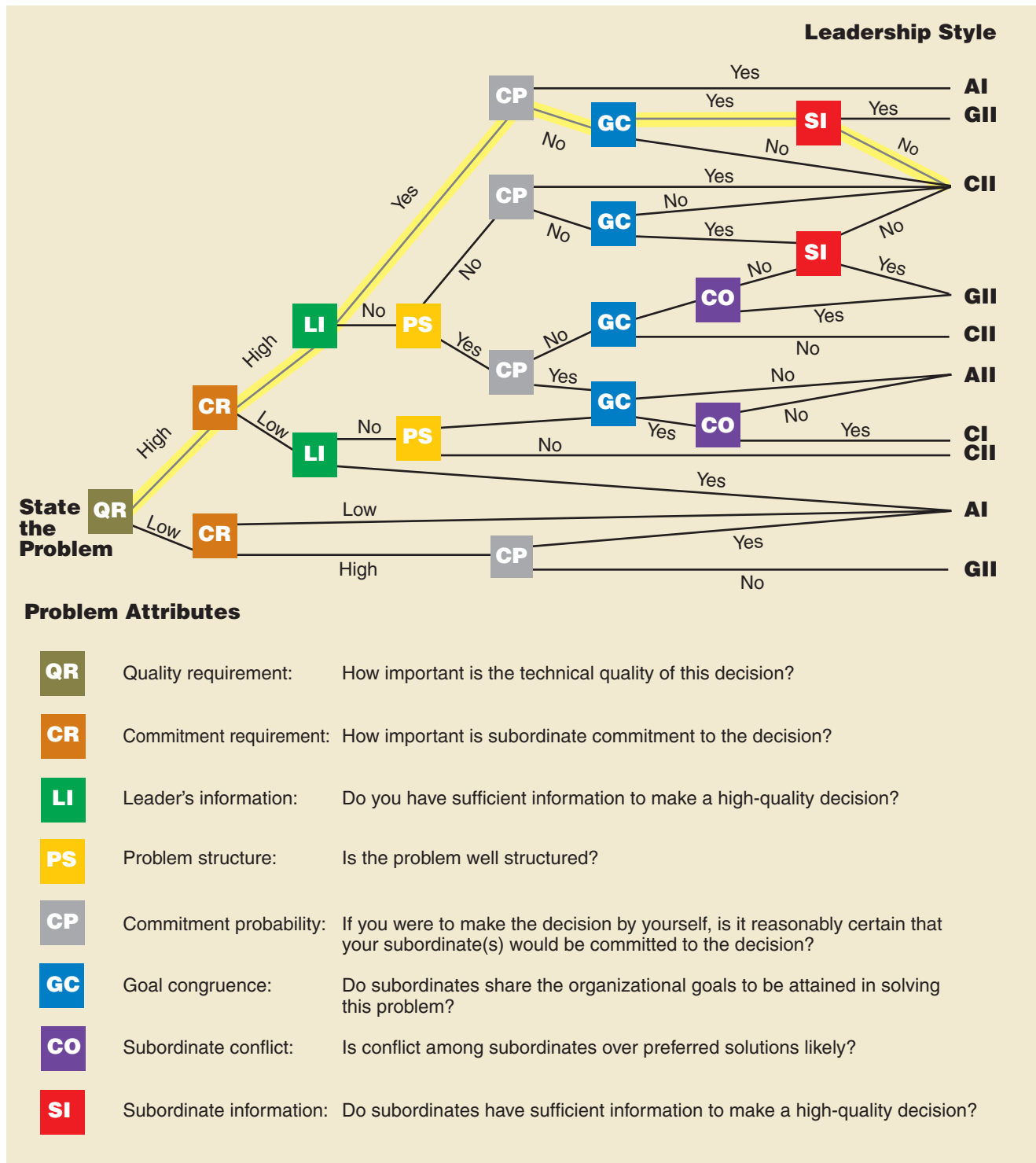
How well does the normative decision theory work? A prominent leadership scholar has described it as the best supported of all leadership theories.<sup>50</sup> In general, the more managers violate the decision rules in Exhibit 14.13, the less effective their decisions are, especially with respect to subordinate acceptance and commitment.<sup>51</sup>

### Review 6: Adapting Leader Behavior: Normative Decision Theory

The normative decision theory helps leaders decide how much employee participation should be used when making decisions. Using the right degree of employee participation improves the quality of decisions and the extent to which employees accept and are committed to decisions. The theory specifies five different decision styles or ways of making decisions: autocratic decisions (AI or AII), consultative decisions (CI or CII), and group decisions (GII). The theory improves decision quality via the quality, leader information, subordinate information, goal congruence, and unstructured problem decision rules. The theory improves employee commitment and acceptance via the commitment probability, subordinate conflict, and commitment requirement decision rules. These decision rules help leaders improve decision quality and follower acceptance and commitment by eliminating decision styles that don't fit the decision or situation they're facing. Normative decision theory then operationalizes these decision rules in the form of yes/no questions, as shown in the decision tree displayed in Exhibit 14.14.

## Strategic Leadership

Thus far, you have read about three major leadership ideas: traits, behaviors, and situational theories. Leader *traits* are relatively stable characteristics, such as abilities or psychological motives. Traits capture who effective leaders are. Leader *behaviors* are the actions leaders take to influence others to achieve group or organizational goals. Behaviors capture what effective leaders do (i.e., initiate structure and consideration). And *situational theories* indicate that the effectiveness of a leadership style, the way a leader generally behaves toward followers, depends on the situation. Situational theories capture what leaders



Source: V. H. Vroom & P. W. Yetton, *Leadership and Decision Making* (Pittsburgh, University of Pittsburgh Press, 1973). Adapted and reprinted by permission of University of Pittsburgh Press.

**Exhibit 14.14**  
Normative Decision Theory Tree for Determining the Level of Participation in Decision Making

need to do or not do in particular situations or circumstances. This final part of the chapter introduces a fourth major leadership idea—strategic leadership—and its components: visionary, charismatic, and transformational leadership.

**Strategic leadership** is the ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a positive future for an organization.<sup>52</sup> Over the last 25 years, every dollar invested in Walgreen's—that's right, plain old Walgreen's, the drugstore

**strategic leadership**  
The ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a positive future for an organization.

chain—would be worth twice as much as a dollar invested in Intel, five times as much as a dollar invested in General Electric, eight times as much as a dollar invested in Coca-Cola, and 15 times as much as a dollar invested in the general stock market. During that time, CEO Charles Walgreen III transformed the company by focusing Walgreen’s managers and employees on the strategic objective of “providing the best drugstore service in America.” While that seems rather unremarkable today given Walgreen’s current success, adopting that objective completely changed the company because it led to the sale of its historic and highly profitable food service division started by his grandfather (for over 70 years, every Walgreen’s had a food counter that served breakfast, lunch, and dinner). Despite objections that this would destroy the company, Walgreen sold the profitable food division precisely because it didn’t fit the new strategic objective. Food service had nothing to do with drugstores and was a business in which Walgreen’s could not be “the best.” Furthermore, in achieving this remarkable transformation and success, “not once did Mr. Walgreen stand in front of the mirror and point to himself as a key factor, preferring instead to point out the window to credit the great people he had on his team.”<sup>53</sup> Thus, strategic leadership captures how leaders inspire their companies to change and their followers to give extraordinary effort to accomplish organizational goals.

*After reading the next section, you should be able to*

- 7** explain how visionary leadership (i.e., charismatic and transformational leadership) helps leaders achieve strategic leadership.

## **7** VISIONARY LEADERSHIP

In Chapter 5, we defined *vision* as a statement of a company’s purpose or reason for existing. Similarly, **visionary leadership** creates a positive image of the future that motivates organizational members and provides direction for future planning and goal setting.<sup>54</sup>

Two kinds of visionary leadership are **7.1 charismatic leadership** and **7.2 transformational leadership**.

### **7.1 Charismatic Leadership**

*Charisma* is a Greek word meaning “gift from God.” The Greeks saw people with charisma as divinely inspired and capable of incredible accomplishments. German sociologist Max Weber viewed charisma as a special bond between leaders and followers.<sup>55</sup> Weber wrote that the special qualities of charismatic leaders enable them to strongly influence followers. For example, Richard Scrushy, a founder and the former CEO of HealthSouth, a worldwide provider of health care (outpatient surgery, diagnostic imaging, and rehabilitation), was undoubtedly a charismatic leader. Scrushy, who had a magnetic personality, personally recruited many of HealthSouth’s employees and top managers. Said one employee, “When he was talking, you could be hypnotized by him.”<sup>56</sup> Dean Thomas Ratcliffe of Troy State University’s business school said, “Heck, I get goosebumps listening to him.”<sup>57</sup> Weber also noted that charismatic leaders tend to emerge in times of crisis and that the radical solutions they propose enhance the admiration that followers feel for them. Indeed, charismatic leaders tend to have incredible influence over their followers, who may be inspired by their leaders and become fanatically devoted to them. From this perspective, charismatic leaders are often seen as larger-than-life or uniquely special.

Charismatic leaders have strong, confident, dynamic personalities that attract followers and enable the leaders to create strong bonds with their followers. Followers trust charismatic leaders, are loyal to them, and are inspired to work toward the accomplishment of the leader’s vision. Followers

#### **visionary leadership**

Leadership that creates a positive image of the future that motivates organizational members and provides direction for future planning and goal setting.

who become devoted to charismatic leaders may go to extraordinary lengths to please them. Therefore, we can define **charismatic leadership** as the behavioral tendencies and personal characteristics of leaders that create an exceptionally strong relationship between them and their followers. Charismatic leaders also

- articulate a clear vision for the future that is based on strongly held values or morals,
- model those values by acting in a way consistent with the vision,
- communicate high performance expectations to followers, and
- display confidence in followers' abilities to achieve the vision.<sup>58</sup>

Does charismatic leadership work? Studies indicate that it often does. In general, the followers of charismatic leaders are more committed and satisfied, are better performers, are more likely to trust their leaders, and simply work harder.<sup>59</sup> Nonetheless, charismatic leadership also risks that are at least as large as its benefits. The problems are likely to occur with ego-driven charismatic leaders who take advantage of fanatical followers.

In general, there are two kinds of charismatic leaders, ethical charismatics and unethical charismatics.<sup>60</sup> **Ethical charismatics** provide developmental opportunities for followers, are open to positive and negative feedback, recognize others' contributions, share information, and have moral standards that emphasize the larger interests of the group, organization, or society. For example, Reuben Mark, the CEO of Colgate for two decades, is a very successful ethical charismatic (\$10,000 invested in Colgate when he became CEO would now be worth \$335,000).<sup>61</sup> According to the *Wall Street Journal*, Mark "meets regularly with Colgate employees and is the corporate cheerleader, discussing Colgate's core values: caring, continuous improvement and teamwork. 'Love,' he has said, according to people who have worked for him, 'is a better motivator than fear.'"<sup>62</sup> As you would expect, ethical charismatics produce stronger commitment, higher satisfaction, more effort, better performance, and greater trust.

By contrast, **unethical charismatics** control and manipulate followers, do what is best for themselves instead of their organizations, want to hear only positive feedback, share only information that is beneficial to themselves, and have moral standards that put their interests before everyone else's. Because followers can become just as committed to unethical charismatics as to ethical characteristics, unethical characteristics pose a tremendous risk for companies. Why? According to *Fast Company*, "We're worshipful of top executives who seem charismatic, visionary, and tough. So long as they're lifting profits and stock prices, we're willing to overlook that they can also be callous, cunning, manipulative, deceitful, verbally and psychologically abusive, remorseless, exploitative, self-delusional, irresponsible, and megalomaniacal."<sup>63</sup>

John Thompson, a management consultant, warns, "Often what begins as a mission becomes an obsession. Leaders can cut corners on values and become driven by self-interest. Then they may abuse anyone who makes a mistake."<sup>64</sup> In terms of cutting corners and self-interest, it's hard to top the unethical charismatic behavior of former Enron Chief Financial Officer, Andrew Fastow, who *Fast Company* described as follows: "He pressured his bosses for a promotion to CFO even though he had a shaky grasp of the position's basic responsibilities, such as accounting and treasury operations. Suffering delusions of grandeur after just a little time on the job, Fastow ordered Enron's PR people to lobby *CFO* magazine to make him its CFO of the Year. But Fastow's

### charismatic leadership

The behavioral tendencies and personal characteristics of leaders that create an exceptionally strong relationship between them and their followers.

### ethical charismatics

Charismatic leaders who provide developmental opportunities for followers, are open to positive and negative feedback, recognize others' contributors, share information, and have moral standards that emphasize the larger interests of the group, organization, or society.

### unethical charismatics

Charismatic leaders who control and manipulate followers, do what is best for themselves instead of their organizations, want to hear only positive feedback, share only information that is beneficial to themselves, and have moral standards that put their interests before everyone else's.

Under Reuben Mark's direction, Colgate-Palmolive launched mobile dental vans designed to teach oral hygiene to children around the country. Mark enlisted the help of prominent figures, such as Olympian Jackie Joyner-Kersey and professional baseball player Gary Sheffield, who participated in the "100 Million Smiles"





WIDE WORLD PHOTOS COLGATE

master manipulation was a scheme to loot Enron. He set up separate partnerships, secretly run by himself, to engage in deals with Enron. The deals quickly made tens of millions of dollars for Fastow—and prettified Enron's financials in the short run by taking unwanted assets off its books. But they left Enron with time bombs that would ultimately cause the company's total implosion—and lose shareholders billions. When Enron's scandals were exposed, Fastow pleaded guilty to securities fraud and agreed to pay back nearly \$24 million and serve 10 years in prison."<sup>65</sup>

Exhibit 14.15 shows the stark differences between ethical and unethical charismatics on several leader behaviors: exercising power, creating the vision, communicating with followers, accepting feedback, stimulating followers intellectually, developing followers, and living by moral standards. For example, in terms of creating a vision, ethical charismatics include followers' concerns and wishes by having them participate in the development of the company vision. By contrast, unethical charismatics develop a vision by themselves solely to meet their personal agendas. One unethical charismatic said, "The key thing is that it is my idea; and I am going to win with it at all costs."<sup>66</sup>

So, what can companies do to reduce the risks associated with unethical charismatics?<sup>67</sup> To start, they need a clearly written code of conduct that is fairly and consistently enforced for all managers. Next, companies should recruit, select, and promote managers with high ethical standards. Also, companies need to train leaders to value, seek, and use diverse points of view. Leaders and subordinates also need training regarding ethical leader behaviors so that abuses can be recognized and corrected. Finally, companies should

**Exhibit 14.15**  
Ethical and Unethical Charismatics

CHARISMATIC LEADER BEHAVIORS	 ETHICAL CHARISMATICS	 UNETHICAL CHARISMATICS
Exercising power	Power is used to serve others.	Power is used to dominate or manipulate others for personal gain.
Creating the vision	Followers help develop the vision.	Vision comes solely from leader and serves his or her personal agenda.
Communicating with followers	Two-way communication: Seek out viewpoints on critical issues.	One-way communication: Not open to input and suggestions from others.
Accepting feedback	Open to feedback. Willing to learn from criticism.	Inflated ego thrives on attention and admiration of sycophants. Avoid or punish candid feedback.
Stimulating followers	Want followers to think and question status quo as well as leader's views.	Don't want followers to think. Want uncritical, intellectually unquestioning acceptance of leader's ideas.
Developing followers	Focus on developing people with whom they interact. Express confidence in them and share recognition with others.	Insensitive and unresponsive to followers' needs and aspirations.
Living by moral standards	Follow self-guided principles that may go against popular opinion. Have three virtues: courage, a sense of fairness or justice, and integrity.	Follow standards only if they satisfy immediate self-interests. Manipulate impressions so that others think they are "doing the right thing." Use communication skills to manipulate others to support their personal agenda.

Source: J. M. Howell & B. J. Avolio, "The Ethics of Charismatic Leadership: Submission or Liberation?" *Academy of Management Executive* 6, no. 2 (1992): 43–54.

celebrate and reward people who exhibit ethical behaviors, especially ethical leader behaviors.<sup>68</sup>

## 7.2 Transformational Leadership

While charismatic leaders are able to articulate a clear vision, model values consistent with that vision, communicate high performance expectations, and establish very strong relationships with their followers, **transformational leadership** goes further by generating awareness and acceptance of a group's purpose and mission and by getting employees to see beyond their own needs and self-interest for the good of the group.<sup>69</sup> Like charismatic leaders, transformational leaders are visionary, but they transform their organizations by getting their followers to accomplish more than they intended and even more than they thought possible.

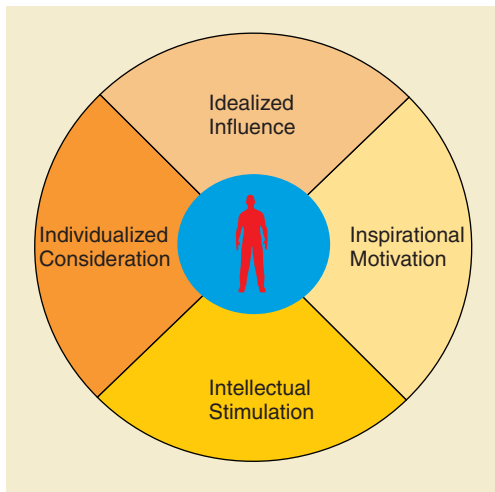
Transformational leaders are able to make their followers feel that they are a vital part of the organization and help them see how their jobs fit with the organization's vision. By linking individual and organizational interests, transformational leaders encourage followers to make sacrifices for the organization because they know that they will prosper when the organization prospers. As Exhibit 14.16 shows, transformational leadership has four components: charismatic leadership or idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.<sup>70</sup>

*Charismatic leadership or idealized influence* means that transformational leaders act as role models for their followers. Because transformational leaders put others' needs ahead of their own and share risks with their followers, they are admired, respected, and trusted, and followers want to emulate them. Thus, in contrast to purely charismatic leaders (especially unethical charismatics), transformational leaders can be counted on to do the right thing and maintain high standards for ethical and personal conduct. For example, CEO Alan Lacy didn't hesitate to fire two top managers when they misled him about the revenue and profit outlook for Sears' credit business (i.e., credit cards and loans), which accounted for more than half of Sears' profits. Lacy explained his actions, saying, "There's a higher standard today. As a CEO, I've got to sign a certificate affirming that our financial reporting is not just in conformance with GAAP [Generally Accepted Accounting Principles] but that it fairly presents the business."<sup>71</sup>

*Inspirational motivation* means that transformational leaders motivate and inspire followers by providing meaning and challenge to their work. By clearly communicating expectations and demonstrating commitment to goals, transformational leaders help followers envision future states, such as the organizational vision or mission. In turn, this leads to greater enthusiasm and optimism about the future. Medtronic's mission is "To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that *alleviate pain, restore health, and extend life* [emphasis added]."<sup>72</sup> Because Medtronic designs and makes life-altering products, it has an opportunity to inspire the managers and workers who work there. Every December for the holiday party, Medtronic flies in six patients to demonstrate that the company is accomplishing its mission to "alleviate pain, restore health, and extend life." The patients give testimonials describing the difference that Medtronic's products have made to them and their loved ones. Production supervisor Karen McFadzen says, "We have patients who come in who would be dead if it wasn't for us. I mean, they sit right up there and they tell us what their lives are like. You don't walk away from them not feeling anything." *Fortune* magazine described the annual event this way: "It's a teary, communal reminder that what goes on here day after day is not the same as making VCRs."<sup>73</sup>

### transformational leadership

Leadership that generates awareness and acceptance of a group's purpose and mission and gets employees to see beyond their own needs and self-interests for the good of the group.



**Exhibit 14.16**

Components of Transformational Leadership

*Intellectual stimulation* means that transformational leaders encourage followers to be creative and innovative, to question assumptions, and to look at problems and situations in new ways, even if their ideas are different from the leader's. CEO Anne Mulcahy encourages a questioning approach by regularly meeting with Xerox's 500 top managers in groups of 80 managers at a time. Mulcahy says that the meetings, which last for several days, are "designed to be critical," to encourage honest, unfiltered discussions, and to realistically face up to problems that need solving. She asks the managers to tell her what Xerox's weaknesses are and what their major concerns are. In general says Mulcahy, "They worry about growth, and whether our strategy is sufficient to deliver growth, especially with the economy we're in."<sup>74</sup> In return, Mulcahy uses these meetings to be brutally candid with her managers regarding their performance and where Xerox stands. Said one manager, "Part of her DNA is to tell you the good, the bad, and the ugly."<sup>75</sup>

*Individualized consideration* means that transformational leaders pay special attention to followers' individual needs by creating learning opportunities, accepting and tolerating individual differences, encouraging two-way communication, and being good listeners. Roy Pelaez, who supervises 426 Aramark employees who clean airplanes, believes in attending to employees' needs. He says, "Managers are not supposed to get involved with the personal problems of their employees, but I take the opposite view."<sup>76</sup> With morale low and turnover high, he hired a tutor to improve his employees' English skills. To keep absences low, he found government programs that provided certified babysitters for his low-paid employees. And, he set up three computers so that employees could teach each other to use word processors and spreadsheets. Says Pelaez, "All of these things are important, because we want employees who really feel connected to the company." Clearly, they do. Turnover, once almost 100 percent per year, dropped to 12 percent after Pelaez began paying attention to his employees' needs.

Finally, a distinction needs to be drawn between transformational leadership and transactional leadership. While transformational leaders use visionary and inspirational appeals to influence followers, **transactional leadership** is based on an exchange process, in which followers are rewarded for good performance and punished for poor performance. When leaders administer rewards fairly and offer followers the rewards that they want, followers will often reciprocate with effort. A problem, however, is that transactional leaders often rely too heavily on discipline or threats to bring performance up to standards. Though this may work in the short run, it's much less effective in the long run. Also, as discussed in Chapters 11 and 13, many leaders and organizations have difficulty successfully linking pay practices to individual performance. As a result, studies consistently show that transformational leadership is much more effective on average than transactional leadership. In the United States, Canada, Japan, and India, and at all organizational levels, from first-level supervisors to upper-level executives, followers view transformational leaders as much better leaders and are much more satisfied when working for them. Furthermore, companies with transformational leaders have significantly better financial performance.<sup>77</sup>

### Review 7: Visionary Leadership

Strategic leadership requires visionary, charismatic, and transformational leadership. Visionary leadership creates a positive image of the future that motivates organizational members and provides direction for future planning and goal setting. Charismatic leaders have strong, confident, dynamic personalities that

#### **transactional leadership**

leadership based on an exchange process, in which followers are rewarded for good performance and punished for poor performance.

attract followers, enable the leader to create strong bonds, and inspire followers to accomplish the leader's vision. Followers of ethical charismatic leaders work harder, are more committed and satisfied, are better performers, and are more likely to trust their leaders. Followers can be just as supportive and committed to unethical charismatics, but these leaders can pose a tremendous risk for companies. Unethical charismatics control and manipulate followers and do what is best for themselves instead of their organizations. To reduce the risks associated with unethical charismatics, companies need to enforce a clearly written code of conduct; recruit, select, and promote managers with high ethical standards; train leaders to value, seek, and use diverse points of view; teach everyone in the company to recognize unethical leader behaviors; and celebrate and reward people who exhibit ethical behaviors. Transformational leadership goes beyond charismatic leadership by generating awareness and acceptance of a group's purpose and mission and by getting employees to see beyond their own needs and self-interest for the good of the group. The four components of transformational leadership are charisma or idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

## Key Terms

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## Concept Check

1. What are the differences between leaders and managers?
2. Do leaders always matter? Explain your answer in terms of substitutes and neutralizers.
3. How does the Blake-Mouton leadership grid depict leaders based on the leadership behaviors of initiating structure and consideration?
4. Explain how Fiedler's contingency theory works.
5. Describe the implications of situational favorableness.
6. What is path-goal theory?
7. Identify the four leadership styles of path-goal theory and explain when they are most appropriately used.
8. What is Situational Leadership theory?
9. Explain normative decision theory (the Vroom-Yetton-Jago Model).
10. What is the difference between transformational leadership and transactional leadership?



## Self-Assessment

### LEADERSHIP ORIENTATION

Think of everyone you have ever worked with in jobs, clubs, volunteer positions, student projects—everything. Now that you have all those situations in mind, try to identify the one person with whom you least liked to work. Who was the most difficult person to work with to get a job done? For whatever reason, you had

trouble working with this person. The person can be a peer, boss, or subordinate. When you have the person in mind, turn to page 622 of the Self-Assessment Appendix to complete Fiedler's Least Preferred Coworker scale and gain some insights into your leadership orientation.

## Management Decision

### UNIQUE LEADERSHIP DECISION

In an industry not known for generous benefits, you have long stood out.<sup>78</sup> As the president and owner of Unique Restaurant Corporation, you have become Detroit's peerless culinary celebrity in part by attracting the best managers, waiters, busboys, and bartenders to work for you. The company, with \$40 million in annual revenue, attracts such talent by providing excellent benefits. For example, you began providing health insurance 17 years ago, making the plan available not only to all full-timers, including hourly staff, but also to part-timers who had been with the company for three years and worked three shifts a week. But with the auto industry slumping and health-care costs soaring, you have recently found yourself considering the once unthinkable: dropping employee health-care coverage.

Unique's plan was a so-called self-insurance package run by the baby food maker Gerber. For a few dollars per employee per month, you could tap into a health maintenance organization or preferred provider organization on Gerber's network. The costs were reasonable. If an employee had a baby and the hospital bill came to \$8,000, Unique paid about \$3,000. As the company grew, however, so did the buffet of benefits it offered. First, you added dental coverage. Next came a prescription drug plan that covered the full cost of medications. Then, a few years ago Unique began to pay a portion of its employees' child-care costs. And these programs were on top of paid vacations and the company's 401(k) plan!

For a long time, everyone was happy. But when Detroit's economy began to sputter, people cut back on entertaining, both lavish catered events and casual dining out. Even as sales receipts shrank (sometimes close

to 15 percent below previous years), Unique's medical expenses were climbing 10 to 15 percent a year, and the prescription drug plan alone jumped from \$3,000 a month to \$9,000. The employee loyalty you had worked so hard to inspire was soon a double-edged sword, ultimately slicing into your bottom line. When you began offering medical coverage, your workers were generally young, healthy, and cheap to insure. After more than two decades in business, however, many of Unique's employees have grown up with the company—and so have their medical expenses. And then there is the sheer size of Unique's work force: 800 people.

After six months of ignoring the problem, you finally realize you need to act. You've got three options, none of them particularly savory. First, you could eliminate all health benefits. The idea is repellent, but you've got to admit that many of your competitors don't offer health insurance, especially to hourly staff. Or you could try to find a cheaper plan that would cover less, perhaps only providing emergency insurance. Finally, you could pass along the rising cost to your employees, who might not be able to afford it. You're not sure how your staff will react, and they're really the secret ingredient that makes your company work.

### Questions

1. Can you retain your leadership style and still make the tough decision the company needs?
2. How involved should your employees be in making the decision? (Hint: Consider using the decision tree in Exhibit 14.14 to determine the appropriate level of employee participation in this decision.)
3. What do you do to manage the soaring health-care costs that are crippling your business?

## Management Team Decision

### TRANSITION AT HABITAT FOR HUMANITY

With 500 full-time employees, roughly 500,000 unpaid volunteers, 2,303 affiliates worldwide, and upwards of \$160 million in annual donations, Habitat for Humanity International (HFHI) is the nineteenth largest nonprofit organization in the United States.<sup>79</sup> Since it was founded in 1976 by Millard and Linda Fuller, HFHI has built some 175,000 houses around the world, 20,000 of them in 2004 alone. Clearly, what started as a straightforward, ecumenical Christian ministry has grown into a global force for housing the poor and one of the world's most renowned nonprofit organizations. And that success is due in large part to the efforts of Millard Fuller, an avid fund-raiser, prolific author (he has written nine books), sought-after public speaker, and an all-around passionate spokesperson for the cause.

When Fuller's tenure as president was set to end after 28 years at the helm of HFHI, he and the board of directors had serious disagreements about the transition of leadership. Fuller feared that the board was moving toward a culture of "bean-counting" and away from a strong Christian commitment. He charged that many board members were not spiritually grounded. The board defended its Christian focus, but recognized that the organization's mission had become much larger than the influence of a single individual.

After 11 months of wrangling, Fuller, who was approaching 70 years of age, agreed to step down as CEO and hire an interim CEO. Fuller took a new position with the title Founder/President and became the chief spokesperson for Habitat. Taking the CEO position was Paul Leonard, who couldn't have been more different from his predecessor. Leonard, a retired real estate and construction industry executive, had expertise in organizational development and a deep knowledge of the construction industry. He accepted the position and with it responsibility for the overall management of HFHI for a period of two years.

Only three months after naming Leonard as CEO, however, the HFHI board of directors fired Fuller

altogether for a pattern of "divisive and disruptive" public comments and went so far as to lock him out of the HFHI building. In the face of soaring land costs and growing housing regulations, Leonard will have to contend with a changing external environment that requires more careful planning. At the same time, HFHI's five-year plan calls for the organization to seek exponential annual growth, rather than the 5 to 10 percent annual growth it has been experiencing in recent years.

As a member of the board, you face significant challenges as well. Even though Leonard was a solid choice for interim CEO, the board is conducting an executive search to fill the permanent position. Should the permanent CEO be more like Fuller, a passionate and charismatic evangelist not afraid of setting tremendous stretch goals (like eradicating substandard housing in 20 years), or like Leonard, a methodical executive who can manage and grow Habitat's sprawling, decentralized organization? Or should the permanent CEO fit an altogether different profile?

Assemble a team of four to five students to act as the board of directors of Habitat for Humanity International. As a group, discuss each of the following questions to identify the chief characteristics the new CEO of HFHI will need to possess.

### Questions

1. Does Habitat for Humanity need a leader or a seasoned manager? In other words, do you look to fill the CEO position with a visionary leader (like Fuller) or a seasoned manager (like Leonard) whose strengths lie more in organizational development than charismatic passion?
2. The new CEO will need to work with both the employees of HFHI and its hundreds of thousands of volunteers and donors. What leadership style will you look for in prospective candidates to meet the needs of those two constituencies?

## Develop Your Career Potential

### LEADERSHIP REVISITED

You can learn a lot about leadership traits, behaviors, and styles by reading books, but until you're actually in charge, you won't be able to test those ideas for yourself. Likewise, you can learn a tremendous amount about leadership by studying and observing the people who lead you. Until you are actually in the position of leading, however, you won't know if their leadership practices and styles will work for you. In short, when learning about leadership, there is no substitute for leadership experience.

Fortunately, many people are leaders, even if they don't have the title. Many people have younger brothers or sisters, friends, or family members who look up to them and follow their lead. Many employees are respected for their wisdom, knowledge, and ability to solve difficult problems, even though they are not the formal supervisor. You may be able to think of a time when you have assumed the role of leader in a job, at school, or possibly as a member of an extracurricular club, fraternity, sorority, or social organization. As you remember that leadership experience, try to determine what type of a leader you were. Think about how you helped solve problems or worked to inspire and motivate those around you. Were you more of a leader or a manager? Did you consistently apply the same leadership style with all people and in all situations, or did you change leadership styles to fit a specific problem or situation? Did your leadership style work? Was it accepted by those around you? What was the context of the situation or job? Were the individuals self-motivated and self-directed, or did you have to provide direction and assistance every step of the way? As you think back on this experience, consider using the Internet resources listed below to deepen your understanding of your own leadership style and potential. Then answer the questions that follow.

### Internet Resources

You can learn more about your personal leadership style by visiting some or all of the following Web sites:

- <http://www.nsba.org/sbot/toolkit/LeadSA.html>  
This is a good Web site illustrating qualities of effective leaders.
- <http://www.trans-act.com/forms/leadership.htm>  
This site offers a quick quiz to determine your individual propensity to lead.
- <http://www.emode.com/emode/tests/leader.jsp> At this site, you can take a 17-question quiz that ranks your ability to lead.
- <http://www.stevesullivan.com> This site features a 10-question test that determines your knowledge about leadership and provides review material to increase your awareness regarding leadership theories and applications.

To learn more about leadership and to see current articles discussing leadership theories and techniques, visit some or all of the following Web sites:

- <http://www.nwlink.com/~donclark/leader/leader.html> Big Dog's Leadership page provides a basic background on leadership designed for new supervisors and managers.
- <http://www.articles911.com> The leadership category at this site contains free articles on leadership development, improvement, practices, and assessment styles.
- <http://www.personal-development.com/articles.htm> This Web site contains many free articles aimed at developing an individual's leadership style, teaching time management techniques, increasing self-esteem, overcoming public speaking anxiety, and much more.

### Questions

After reviewing some of the informative Web sites listed above, use your knowledge of leadership, your personal leadership style, and information gleaned from previous experiences to answer the following questions:

1. Describe a situation in which you became a leader or assumed a leadership role.
2. What surprises did you discover when assuming this role?
3. Did you initially fear any aspect of being a leader that turned out to be much easier than you expected? If so, describe your experience.
4. What was the most difficult thing about being a leader?
5. After reading this chapter on leadership, what information could you use that would make you a better leader today than you were back then?



## BIZ FLIX

### U-571

This action-packed thriller deals with a U.S. submarine crew's efforts to retrieve an Enigma encryption device from a disabled German submarine during World War II. After the crew gets the device, the U.S. submarine sinks, and they must use the German submarine to escape from enemy destroyers. The film's nonstop action and extraordinary special effects powerfully illustrate the challenges facing the leadership on board the submarine.

This scene is an edited composite of scenes that appear early in the film. The S33, an older U.S. submarine, is embarking on a secret mission. Before departure, the S33's officers receive a briefing on their mission from Office of Naval Intelligence representatives on board. Executive officer Lt. Andrew Tyler (Matthew McConaughey) reports on the submarine's status to Lt. Commander Mike Dahlgren (Bill Paxton). The film continues with the S33 finding the disabled German submarine.

#### What to Watch for and Ask Yourself

1. What aspects of leadership does Dahlgren say are important for a submarine commander?
2. Which leadership behaviors or traits does he emphasize?
3. Are these traits or behaviors right for this situation? Why or why not?



## Management Workplace

### Auntie Anne's Pretzels

In 1987, Anne Beiler managed a small pretzel and pizza concession at the Lancaster County (Pennsylvania) Farmer's Market. She eventually convinced her manager to focus only on selling pretzels, and under Anne's leadership, the stand became a business with 850 locations and \$232 million in annual revenue in less than 15 years. In today's business environment, the formula for Anne's success is as important as the secret ingredients in her pretzels.

#### What to Watch For and Ask Yourself

1. How does Anne Beiler exhibit the behaviors of a successful leader?
2. What evidence do you see in the segment that Anne Beiler uses multiple situational approaches to leadership?
3. What makes Anne Beiler a visionary leader?

Take  
Time