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Learning Objectives

After completing this chapter, you should be able to:

- Discuss the functions of leading through the use of power, leadership, and motivation.
 - Apply theories of leadership to various management circumstances.
 - Motivate employees to achieve at high levels.
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5.1 Introduction

One fundamental goal of effective leadership involves obtaining extraordinary results from ordinary people. Leading, in a business context, consists of all activities undertaken to help people achieve the highest level of performance. This chapter presents three main topics related to leading:

1. The use of power
2. Leadership
3. Motivation

The process of leading integrates these three concepts into a series of coordinated activities designed to achieve higher levels of performance. In addition, Chapter 6 examines the roles that teams and groups play in leading, along with ideas related to communication at the individual and system-wide levels.

Leadership entails influencing behaviors in organizations. Effective leaders influence behaviors in positive ways. Ineffective leaders also influence behavior, but they do not achieve desirable results. Leadership takes place at all levels in many organizations. Leadership as a concept can be interpreted in various ways. To different individuals, leadership can be exhibited as vision, enthusiasm, trust, courage, passion, coaching, developing others, intensity, love, and even serving as a parent figure. Effective leaders use every tool at their disposal to help others achieve their goals, as we will see in this chapter.

Leading Versus Managing

The terms *leading* and *managing* are often used interchangeably; however, there are differences. Harvard Business School professor John Kotter (2001) suggests that one is not better than the other, but rather that the two concepts are actually complementary. He suggested two differences between leading and managing:

1. Managing is about coping with complexity.
2. Leadership is about coping with change.

Managing as Coping With Complexity

Management is necessary because without it, organizations may become riddled with chaos. Indeed, a company without effective management is destined to fail. One significant reason managers are necessary to a company is that those in management processes deal with complexity throughout the organization in vital ways:

- Managers do what needs to be done through planning and budgeting.
- Managers provide people to accomplish organizational agendas through organizing and staffing.
- Managers help ensure that people can do their jobs through control processes and problem solving.

Planning and budgeting activities take care of what needs to be done. These activities establish goals for the future, prescribe methods to achieve those goals, and provide the resources necessary

MANAGEMENT IN PRACTICE

Aetna's John Rowe: Transformational Leadership

You have probably heard that “one person can make a difference.” In the case of Aetna Insurance, the “one person” was John Rowe, who took the reins of the company in a time of crisis. When Rowe arrived, Aetna was losing \$1 million per day. Five years later, the same company enjoyed profits of over \$1.4 billion.

As a health and medical insurance company, Aetna had gotten into trouble due to poor relationships with every key group served by the company. A series of doctors and health care providers had become so disenchanted with the firm that they filed a class action lawsuit over unsavory billing practices. The problems quickly extended to patients and plan sponsors. Eventually, company employees became demoralized.



Victoria Arocho/Associated Press

▲ John Rowe was able to restore trust between Aetna and health care providers.

Rowe began by distinguishing between management and leadership. He believed that to operate effectively, a leader had to be self-aware and know his or her strengths and weaknesses. In his own case, Rowe was self-confident enough to select people with complementary talents and expertise. He also had to remove nearly 75% of the former staff.

Rowe's leadership style began with a strategic vision to rebuild the organization by rebuilding relationships. He knew it would take time.

To improve relations with physicians, Rowe went against a great deal of advice and quickly settled the lawsuits related to billing practices. He was highly criticized due to the already existing cash problems in the company, but the effort paid off.

The next step was to rebuild relationships with Aetna's customers. Rowe established tactics to deliver high-quality insurance and supporting services. He redirected employees toward the culture that had built the company in the first place. That culture was based on integrity and protection of the company's customers.

To return to the core culture, Rowe relied on constant communication. As he put it, “A company cannot communicate too much. If I'd done the managerial tasks, I wouldn't have been out communicating.” The outcome from his efforts was that *Fortune* magazine gave Aetna the Turnaround of the Year Award. John Rowe has moved on from Aetna, but the sound principles he established through his transformational style of leadership continued to pay dividends well beyond his tenure with the company (Katzenbach Partners, 2006; Clow & Baack, 2010, pp. 395–396).

Discussion Questions

1. How was John Rowe distinguishing between managing and leading?
2. Rowe began by fixing relationships with outside groups and then worked on those within the firm. Was this a risky approach? Explain your reasoning.
3. Explain why you think this style of leadership would or would not be effective in all types of companies.

to accomplish them. Planning focuses employees on the future and gives them a stronger sense of direction, because they know how their efforts fit into the overall design of the company.

Organizing and staffing are the functions that carry out the process of finding people to accomplish organizational agendas. Management accomplishes its plans and goals through effective organizing and staffing. Creating organizational structures and hiring qualified people to fill the needed roles are key parts of management.

Ensuring that people do their jobs occurs through controlling and problem solving. To reach organizational goals, managers monitor results by comparing the plan in detail and by producing reports, holding meetings, and using other reporting mechanisms. They then identify and solve problems as they arise.

Leading as Coping With Change

As the business world continues to change, grow, and evolve, it is no longer enough to conduct business the way it has always been done. Many changes are often needed for organizations to survive and grow in an ever-increasing, competitive global market. Making necessary changes even when they involve difficult decisions is at the very heart of leadership. Kotter (2001) identified three ways that leaders deal with change. Note the subtle differences between managing complexities and coping with change:

1. Do what needs to be done by providing direction.
2. Provide the people to accomplish organizational agendas by aligning people.
3. Ensure that people do their jobs by motivating and inspiring them.

Leaders provide the direction in order to do what needs to be done. Leaders set the stage for positive change by providing direction. Top-level leaders and managers develop a vision for the future of the organization in conjunction with strategies for realizing the needed changes.

Providing the people to accomplish organizational agendas is the result of a leader's ability to align people. While managers focus on organizing and staffing people, leaders focus more on aligning people. Leaders communicate a new direction to people to help in understanding the vision and to build the necessary change agents that will help realize the vision.

Leaders ensure that people do their jobs by motivating and inspiring them. While managers concentrate their efforts on controlling and problem solving, leaders focus on trying to achieve their vision by motivating and inspiring. They tap into employees' values and emotions. Leaders attempt to keep people moving the change initiative forward despite the obstacles that arise.

Managers hold the legitimate power that we will look at next. It comes from the positions they hold within their organizations. Possessing this power allows them to hire, fire, reward, and punish. Many managers plan, organize, and control, but they do not necessarily have to exhibit the characteristics required to be leaders.

Some view the leadership function as being more visionary than that of management. Leaders inspire others, provide necessary emotional support, and work to rally employees around a common goal or vision. Leaders also create a vision and strategic objectives for the organization, while managers are tasked with implementing the vision and strategic objectives.

Ideally, a person in a managerial role has both management skills and leadership skills. Organizations count on both skill sets to accomplish objectives and continue operations.

Leading as Ethical Role Models

Beyond Kotter's conceptualizations that leaders cope with complexity as well as with change, one important dimension remains: Leaders either serve, or fail to serve, as ethical role models in organizations. Leaders hold the responsibility of balancing the interests of a variety of stakeholders and constituents, including investors, employees, suppliers, customers, and even rival organizations. Various writers have noted the relationships between leadership with regard to ethical role modeling as opposed to leadership as a political force or tool. In ethical role modeling, the leader seeks to foster good citizenship in those who follow by example and to assist followers in achieving their goals (Kacmar, 2011). In leadership as a political force, the leader seeks to achieve his or her own personal ends, even at the expense of followers and others (Neubert et al., 2009).

The case can be made that ethical activities constitute the primary element of a leader's set of tasks. Those who fail in their ethical responsibilities can have a negative impact on the organization for many years. Those who build an ethical climate help foster circumstances in which both individuals and the overall organization can achieve long-term success.

Leadership and Power

One significant part of leadership presents a key challenge: the exercise of power in the context of a business. Almost everyone has encountered someone who is "into power" and exerts it at any opportunity. These people generate resentment, which inhibits their ability to lead. Thus, to have a more complete understanding of leadership, we need to examine the concept of power. **Power** is control over formal and informal means of influence. Within organizations, leaders may use five sources of power, or means of influence: legitimate, reward, coercive, expert, and referent power (French & Raven, 1959).



Courtesy Everett Collection

▲ Charismatic leaders like Martin Luther King Jr. might be said to possess a great deal of referent power.

Legitimate Power

Legitimate power arises from an individual's formal position in an organization. Managers hold legitimate power over their employees due to their positions in the organizational hierarchy. Those at the highest rank (CEO and vice presidents) possess the greatest degree of legitimate power. The major factor with legitimate power, regarding its impact on a leader's effectiveness, is how the manager uses it. Some seek to achieve organizational goals while others try to demonstrate personal authority, which can be counterproductive to their ability to lead.

Reward Power

Power rests with those who can influence behavior by promising or providing rewards. Managers possess reward power that results from their authority to reward employees. Organizational rewards range from praise to pay raises and from recognition to promotions. One way a manager can reward an employee is with a simple and sincere thank-you. Reward power also has informal sources. Someone who lets you in on key organizational gossip is also using reward power.

Informal groups reward people by including them in group activities. The individual who decides who is and is not included in a formal or informal group's activities has access to reward power.

Coercive Power

The ability to influence behavior by threatening or punishing creates coercive power. Managers possess the coercive power that results from the ability to punish employees through verbal or written reprimands, demotions, or even termination. Some organizations also allow managers to fine or suspend subordinates. Coercive power can easily be misused. Managers who are constantly negative and punishing quickly produce resentment and ill will among employees.

The informal side of coercive power can be equally damaging. Any person who can make a coworker the butt of jokes or harass someone through intimidation exerts coercive power. Part of being an effective leader includes eliminating this type of coercive activity on the job. Remember that those who engage in negative coercive power often experience a backlash from coworkers and supervisors. No one likes being bullied, whether on the job or elsewhere.

Expert Power

Some workers are able to influence behavior due to their expertise. Expert power emerges from specialized information or expertise, which can take different forms. Knowing answers to questions can make you appear to be an expert. One person who can possess expert power is an administrative assistant, especially if that individual has been in the position a long time and knows all the necessary contacts. Expert power can also stem from having specialized knowledge such as medical or technology expertise. Informal power also results from expertise when people see someone as a role model or mentor.

Referent Power

Referent power results from a person's attributes. This type of power characterizes strong, visionary leaders who are able to influence their followers by their personality, attitudes, and behaviors. Referent power can lead to being promoted through the formal organization or to becoming an informal leader among peers. Being well liked by others creates referent power, even at the lowest ranks in an organization.

In summary, legitimate power has only a formal side. The other four kinds of power—reward, coercive, expert, and referent—have both formal and informal sources and uses. An important part of leadership involves influencing the behaviors of other people. Power can be used to lead others to get things done. It is the ability to make things happen for the good of the group.

Other Sources of Power

Additional sources of power have been identified by various authors:

- *French and Raven*: legitimate, reward, coercive, expertise, referent
- *The Aston Group*: closeness to production
- *J. D. Thompson*: boundary spanning
- *Others*: control over policy making; control over funding decisions; control over status symbols

The Aston Group (Hickson, Hinings, Lee, Schneck, & Pennings, 1971) suggests that any person or group with control over the production process possesses a great deal of power. This viewpoint explains the power labor unions hold due to the ability to employ tactics such as strikes and work slowdowns that can inhibit the production process. It also suggests that support staff

positions not directly related to the production process (such as janitorial) will have substantially less power.

J. D. Thompson (1967) argues that anyone who serves as a go-between has boundary-spanning power. Someone who bargains with other organizations, including suppliers, retail outlets, and the government, has power by translating the uncertainty that has been created by external forces. When the government investigates a business practice, the person dealing with governmental authorities has power. Boundary spanning also takes place across internal boundaries. Mediators who negotiate between union leaders and management have power because they have access to both sides. Also, a manager who resolves differences between internal departments holds boundary-spanning power by having access to information from both sides of the dispute.

Control over policies, funding, and status symbols also generates power. These factors influence the conduct of work and employee jobs. Individuals with control over them can exert power. Effective leaders use that power wisely. The use of power may be found in various leadership theories. In the next section, the ability of a leader to build positive relationships with subordinates through the effective use of power is implied by some of the modern theories that have become popular in the academic and professional worlds.

5.2 Leadership Theories

The ability to lead has been observed and reported on for centuries. Many ancient writings tell tales of leaders who served in battle, commanded nations, or taught religious ideas. More recently, researchers seeking to identify leader characteristics, as well as develop programs to train leaders and improve their skills, have studied leadership. Four main categories of leadership theories have appeared in the literature over time:

1. Trait theories
2. Behavioral theories
3. Situational theories
4. Transformational theories

Trait Theories

Early in the study of leadership, two prevailing assumptions seemed to dominate thinking about leadership. The first assumption was that the ability to lead is universal. In practical terms, this means writers assumed that a person who was a successful business entrepreneur would be equally successful as the leader of a major, established corporation, or as a military general, or as a governor or governmental leader. In essence, leadership becomes transferrable across situations. Notice that such an assumption still exists today. Donald Trump, successful businessman, sought to become president of the United States without any prior governmental experience, as did Herman Cain, former CEO of Godfather's Pizza. Both presented the idea that success in the



Justin Hayworth/Associated Press

▲ Donald Trump supports the concept of universal leadership. He believes that an individual who is a successful business leader will also be a successful political leader.

world of business would transfer to effective leadership of a government. In an earlier generation, military generals—such as President Eisenhower in the 1950s—were often considered to be potential governmental leaders. War heroes Wesley Clark and John McCain also sought political office based on military achievements.

The second assumption builds from the first: If the ability to lead is universal, then all successful leaders must have things in common. Those “things” were assumed to be leader traits and characteristics. This line of thinking became known as the *great man theory of leadership*. Research could then be dedicated to discover the common traits and characteristics of all great leaders (notice that being male would be one trait), because the theory was built on the assumption that great men, or great leaders, were born that way.

Trait theory became the successor to the great man theory of leadership. It modified the approach by suggesting that through experience and learning, leaders can be developed. Still, leader traits are physical, and personality characteristics would differentiate leaders from followers (Kinicki & Kreitner, 2009, p. 347).

These early approaches in leadership studies involved the search for universal traits that separate effective and ineffective leaders. Table 5.1 displays the traits and characteristics that were studied over a period of nearly 60 years.

Table 5.1 Potential traits and characteristics of effective leaders

Physical characteristics	Personal traits	Personality traits	Social traits
height	verbal skills	ambition	empathy
strength	wisdom	confidence	tact
physical attractiveness	judgment	initiative	patience
stamina	intellect	persistence	trust
vitality	capacity for work	imagination	status

Sources: Adapted from Baack, D. (1998). *Organizational Behavior*. Houston: DAME Publications, p. 282; and Yukl, G. (1981). *Leadership in Organizations*. Englewood Cliffs, NJ: Prentice-Hall.

Clearly, many of these are admirable traits and personal strengths. Unfortunately, a great deal of research indicates that they are not universal for successful leaders. They may be found in many leaders, but leaders can be successful without them. Further, no one specific, universal trait or characteristic is found in every leader.

The Big Five

In more recent times, researchers have discovered the presence of certain traits associated with leadership and employee performance on the job. The five-factor model of personality, or what is often called the Big Five, suggests that the following factors contribute to the ability to lead:

1. *Extraversion*. This factor covers a person’s comfort level with relationships. People who are extroverts tend to be outgoing, assertive, and sociable. Introverts tend to be reserved, timid, and quiet.
2. *Agreeableness*. This factor refers to the tendency to defer to others. Highly agreeable people are cooperative, warm, and trusting. People who are less agreeable tend to be disagreeable, cold, and untrusting.

3. *Conscientiousness*. This factor refers to reliability. A highly conscientious person is responsible, organized, and persistent. Less conscientious people are easily distracted, disorganized, and unreliable.
4. *Emotionally stable*. This factor refers to a person's ability to deal with stress. Emotionally stable people tend to be calm, self-confident, and secure. Less emotionally stable people tend to be nervous, anxious, depressed, and insecure.
5. *Open to different experiences*. This factor refers to a person's range of interests and fascination with unique experiences and adventures. Open people are creative, curious, and ask many questions. People who are less open tend to be conventional, a bit rigid, and like the status quo (Goldberg, 1993).

Of these factors, extraversion appears to be the best predictor of managerial performance, due to the high degree of social interaction involved (Barrick & Mount, 1991). The Big Five also appeared to be closely related to job performance, most notably in the area of conscientiousness. At the same time, to be most effective, leaders must recognize the importance of displaying an appropriate mix of the Big Five traits, because an overreliance on any one trait can result in less than optimal personal and organizational performance.

Attribution Models

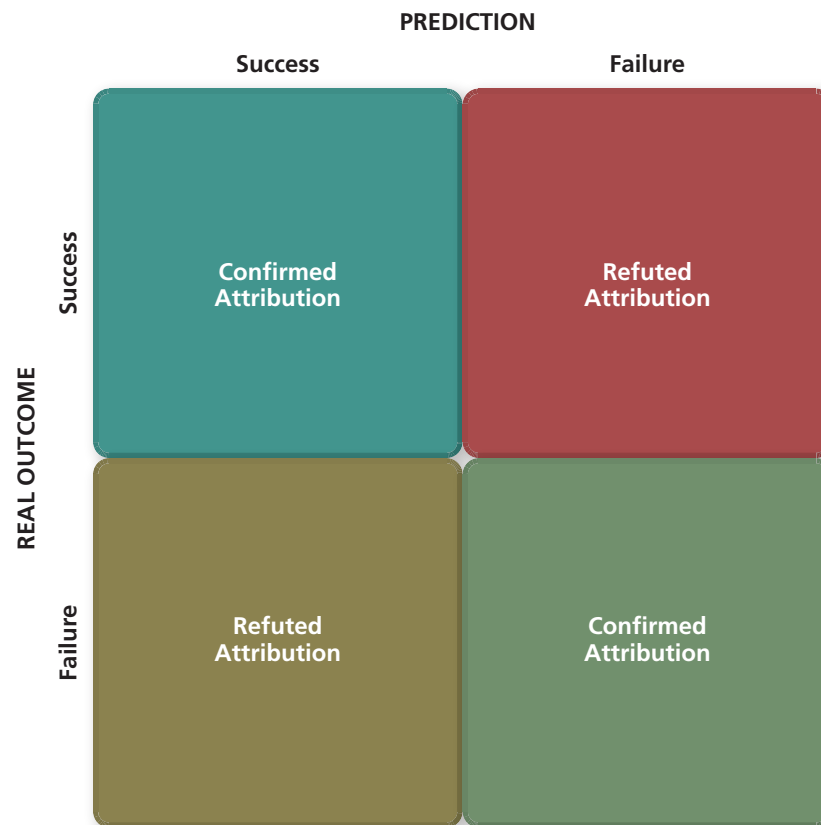
Attribution theory is an umbrella term that covers a series of theories. It is based on the concept that people cannot see what might be termed the "real world." Instead, perceptions hold the key to what people believe they have observed. These observations lead to attributions, or beliefs about cause and effect. A simple attribution would be, "If I eat right and exercise, I will lose weight." Remember, however, that an equally plausible attribution is, "No matter what I do, I can't lose weight." Both are valid attributions because these perceptions are simply based on an individual's experience of reality.

The attribution model of leadership seeks to discover the cause–effect relationships that apply to leaders or potential leaders. It can be summarized as follows:

1. Every individual has what is essentially an implicit theory of leadership, which represents his or her thoughts about the nature of, and traits displayed by, effective leaders.
2. Individuals constantly test their own theories and attributions. Figure 5.1 displays such a test.
3. If the test is confirmed, as shown in the two boxes of Figure 5.1, two personal attributions are strengthened:
 - the individual's belief about the specific person's ability to lead or not lead
 - the individual's attribution about the nature of an effective leader
4. If the test is refuted, as shown in the boxes of Figure 5.1, the individual will
 - modify his or her theory
 - ignore the test

The essence of each person's theory is the observation of behaviors. Most of these behaviors reflect leader traits and characteristics. When someone is promoted to the role of leadership, elected to a role such as governor or president, or made a high-ranking manager in a company, each person decides if that individual "acts like a leader." Over time, evidence will surface to indicate whether the individual was a success or failure. Those who predicted success and observe success experience confirmed attributions. Those who predicted failure and observe failure also

Figure 5.1 Test of attribution



experience confirmed attributions. They then believe they were right about the person involved as well as their understanding of leadership.

When a test does not reveal accurate results, the attribution is refuted. The person will either modify his or her own personal theory to account for new circumstances or simply ignore the results of the test. For example, think about the most recent presidential election. You probably studied the two candidates and concluded one was the better choice because that individual appeared to be the “most presidential,” based on the person’s traits and characteristics. If your choice was elected, four years would pass and then you would be able to pass judgment. If you predicted that your president would be successful and the country did well during his administration, then a confirmed attribution would lead you to say, “I was right about the traits and characteristics a president needs, and I was right when I chose my candidate, because he had those traits and characteristics.” Conversely, if your candidate won, but experienced failure over the next four years, then the test of your idea was refuted. In that instance, you would either modify your views about what is needed to become a successful president or ignore the case, possibly by saying, “It was Congress’s fault he couldn’t get anything done.”

On the other hand, if the other candidate won, you would predict failure, because the candidate did not display the traits and characteristics you thought were needed. If that candidate did indeed fail, another confirmed attribution took place. If, however, the candidate succeeded, you would be in the same situation: modify your views on what is needed to become a successful president or ignore the case, attributing the success to luck or some other variable.

The attribution model helps us understand who is most likely to be promoted or moved into a leadership role. And this is the person who is perceived as having characteristics of a successful leader, especially if that leader was the person being replaced. Unfortunately, many characteristics associated with effective leadership have no basis in fact. Height, attractiveness, gender, race, and other traits have already been discounted as universal leadership qualities (Baack, 1998, pp. 283–284; Myers, 1990).

Still, trait theories remain popular to this day. People apparently wish to believe something universal about leadership exists. To the contrary, effective leaders come in all shapes, sizes, nationalities, age groups, levels of attractiveness, and gender. It is not useful to continue with stereotypes that hold no basis in fact. There is some evidence, for example, that the Big Five are common in effective leaders, although not in every single case.

Behavioral Theories

The onset of World War II resulted in a series of new leadership research initiatives in the United States. The types of theories that emerged have been characterized as the behavioral era of leadership study (Yukl, 1981). Two studies that provided a new foundation to the investigation of leadership behavior were conducted at the University of Michigan and The Ohio State University.

The University of Michigan Study

In the late 1940s, researchers at the University of Michigan developed what came to be known as the University of Michigan Leadership Model. A team studied the effects of leader behavior on job performance by interviewing a number of managers and subordinates. As a result of their research, the investigators identified two leadership styles: job centered and employee centered (Likert, 1961).

Job-centered behaviors occur when managers pay more attention to the job and related work behaviors. Their principal concerns are meeting production goals, keeping costs in line, and meeting schedules. The researchers discovered that some manager-leaders tend to focus more on tasks and less on their employees.

Employee-centered behaviors take place when managers pay more attention to employee satisfaction and making work groups more cohesive. By focusing on employees' needs, managers seek to build effective and high-achieving work groups. Again, some manager-leaders tend to favor employees over the tasks involved.

The net result was that these studies identified two types of leader behaviors. These categories could then be applied to more complex leadership theories over time.

The Ohio State Study

Another study that examined leadership behavior took place at Ohio State University (Stogdill & Coons, 1957). From surveys of leadership behavior, two major dimensions of leader behavior were identified: initiating structure and consideration (Shartle, 1979).

Initiating structure is a set of leadership behaviors that organize and define what group members should be doing. It involves the efforts the leader makes to get things done, such as providing instruction, offering feedback (positive and negative), and rewarding productivity. This dimension is similar to the job-centered behaviors identified in the University of Michigan study.

Consideration is a set of leadership behaviors that expresses concern for employees by establishing a warm, supportive, friendly climate. This behavior, which is similar to employee-centered

behavior identified in the University of Michigan study, is sensitive to employee ideas, feelings, and trust.

The Ohio State University study leaders concluded that effective leaders demonstrated both initiating structure and consideration. Effective leaders tended to have positive, supportive, employee-centered relationships and used group rather than individual methods of supervision that encouraged setting high performance goals. At the same time, they were able to focus on the accomplishment of tasks.

Situational Theories

In the 1950s, the concept emerged that no single universal style of leadership is effective. Instead, leaders can be chosen because they “fit” a situation or can adapt their leadership styles to individual circumstances. As a result, theories in this area are known as the situational approaches to leadership.

Theory of Leader Effectiveness

Robert Tannenbaum and Warren Schmidt (1973) were among the first to suggest the third key leadership variable: effectiveness. Their view of leadership expresses leader style based on the delegation of authority. At one extreme, an authoritarian leader retains total control. At the other

is the leader who pushes for employee participation and autonomy. In between, varying degrees of delegation of authority would dictate the amount of production-oriented or people-oriented leadership that would be most effective.

William Reddin (1970) identified the two main dimensions of leadership as being relationship oriented and task oriented. In a manner similar to the original Ohio State studies, Reddin combined the two orientations to create four outcomes. Reddin prescribed the same concept as Tannenbaum and Schmidt—that the potential for effectiveness should determine the mix of task and relationship orientation.



Alexey Klementiev© Kuzma/Thinkstock

▲ Some situations, such as leading troops in the military, require an authoritarian style of leadership.

To apply the situational approach, consider various situations. A sergeant in the military must insist on compliance to regulations and orders. Consequently, the approach that would appear to fit would be more authoritarian in nature. In contrast, the director of production of a theatrical play would probably find an authoritarian approach would inhibit creativity and reduce the quality of the performance. Instead, the leader would find participation and autonomy to be the most valuable. As a leader, your first responsibility is to investigate the nature of the situation you are about to manage or lead and then adjust your style to the specifics of that situation. Even in the same industry, such as restaurants, degrees of authority might be adjusted for leaders directing those preparing fast-food meals as opposed to highly talented and creative chefs in high-end establishments.

Fiedler’s Contingency Model

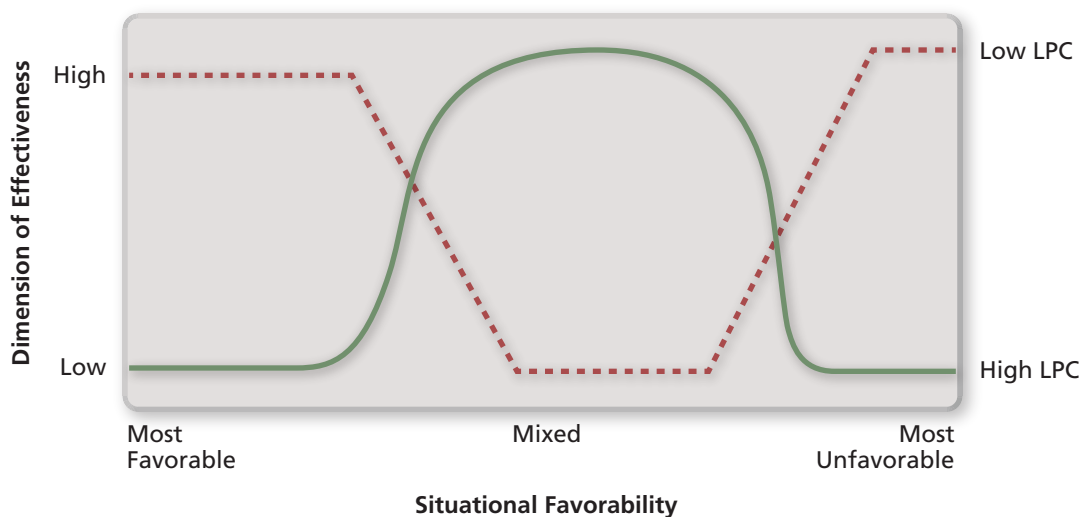
Fred E. Fiedler’s (1967, 1974) contingency model also suggests that leadership success depends on a match between the leadership style and the demands of the situation. Rather than try to train leaders to adapt to a new style, Fiedler believes that leaders should match their styles with situations that are the best fit.

According to the theory, people’s leadership styles tend to be either task or relationship oriented. To determine which style a firm’s leaders tend to exhibit, they may be given a least preferred coworker (LPC) test. The test asks respondents to think about the coworker they like the least. Then, they are presented with a set of adjective choices from two extremes, such as *friendly* or *unfriendly* and *accepting* or *rejecting*. The more times a respondent answers with a positive adjective (*friendly, accepting*), the higher that leader’s LPC score. Thus people-oriented leaders tend to get high scores on the test, and production-oriented leaders get generally low LCP scores. Fiedler (1967, 1974) suggests that neither style is effective all the time; instead, each is most effective when used in the right situation. To effectively diagnose leadership situations, three contingency variables must be identified:

1. *Leader–member relations*. The extent to which a leader has, or does not have, the support and loyalty of the work group.
2. *Task structure*. The extent to which tasks are routine, unambiguous, and easily understood. The more structured a task is, the more influence a leader holds.
3. *Position power*. The degree of power a leader has to reward and punish. More power equates to more control and influence.

Using these three dimensions, Fiedler constructed the “dimension of favorability,” as shown in Figure 5.2. The research Fiedler and many others conducted led to the construction of the

Figure 5.2 Fiedler’s contingency theory results



Situational Favorability Based on: (Where: High = Most Favorable)

- Low vs. High Leader-Member Relations
- Low vs. High Task Structure
- Low vs. High Position Power

Source: Adapted from Fiedler, F. E. (1974, Autumn). The Contingency Model—New Directions for Leadership Utilization, *Journal of Contemporary Business*.

“dimension of effectiveness.” As shown in the figure, at the two extremes, effectiveness is higher for production-oriented leaders. In mixed favorability situations, people-oriented leaders become more likely to succeed. The concept was that managers should understand their situations and then restructure that situation to fit personal leadership styles.

The contingency theory approach generated considerable debate regarding its value. The primary complaint was that most leaders would be unable to truly restructure their situations, thus giving the theory little practical value. Also, a series of challenges to the research methods were raised.

Contingency theory moved the study of leadership more into the realm of collecting and analyzing data to support or refute various propositions. It also added to our understanding of the conditions under which leaders operate.

Hersey and Blanchard's Situational Leadership Model

The situational theory leadership model described by Paul Hersey and Ken Blanchard (Blanchard, Hersey, & Natemeyer, 1979) reflects how a leader should adjust his or her leadership style according to the readiness of the followers. The model suggests that a leader should be flexible in choosing a leadership behavior style and become sensitive to the readiness of the follower. Readiness refers to the extent to which a follower possesses the ability and readiness to perform a given task. Employees with a high level of readiness require a different leadership style than do employees with a low level of readiness. Table 5.2 identifies the possible leadership styles that result from different combinations of task-oriented and relationship behaviors.

Table 5.2 Matching situations to leader styles

Situation characteristics	Leadership style
High task behavior/low relationship	Telling and directing
High task behavior/high relationship	Selling and coaching
Low task behavior/high relationship	Facilitating and counseling
Low task behavior/low relationship	Delegating

A manager who employs the telling and directing style uses one-way communication patterns in which the leader tells the follower what, how, when, and where to accomplish various tasks. The style best fits when the work to be performed is straightforward and simple, and when the leader does not wish to bond or relate to followers.

The selling and coaching style is characterized by the direction the leader provides. The leader introduces two-way communication to get the followers to “buy into” decisions. It matches situations where the work is straightforward and uncomplicated but the leader wants to build bonds with followers.

Leaders who display the facilitating and counseling style share decision making with followers, because the emphasis is on building relationships. The leader exhibits facilitation behaviors, or works to make it easier for employees to make decisions, because the followers have the ability and knowledge to perform these tasks.

In a delegating style, the leader basically allows his or her followers to “run the show.” No strong relationships are built, and the followers have the ability and are both willing and able to perform the task at hand.

Leaders using the situational leadership approach must be able to implement alternative leadership styles as needed. The model implies that if the correct styles are used in lower readiness situations, followers will mature and grow in ability, willingness, and confidence. This allows the followers to grow and the leader to become less directive. As you can see, the approach has a great deal in common with earlier situational theories. It once again suggests a continuum ranging from a more directive or authoritarian style at one end and a more participative and inclusive approach at the other. Leaders must understand the situation at hand to respond correctly and achieve the highest levels of performance.

Path–Goal Theory

Robert House (1971) proposed the path–goal theory. It suggests that an effective leader is one who clears and clarifies paths for employees to accomplish both personal and professional goals. Clearing the path refers to a leader who helps people move toward their goals, removes barriers, and provides appropriate guidelines for accomplishing assigned tasks. House identifies four leadership behaviors associated with the theory: directive leadership, supportive leadership, achievement-oriented leadership, and participative leadership.

The directive leadership style is one in which the leader lets employees know what is expected by giving directions for how and what to do. The directive leader also maintains standards of performance, and clarifies his or her role in the group. Supportive leadership is a style in which the leader treats group members as equals by being approachable and by showing concern for the well-being of employees. Achievement-oriented leaders set challenging goals, expect a high level of performance, and emphasize continuous improvement in performance. Participative leadership involves including employees in decision making, consulting with employees, and implementing employee suggestions when making decisions.

Path–goal leadership theory suggests that a manager should use leadership styles that complement the needs of the situation. Two contingency factors are employee characteristics and environmental factors. Five employee characteristics include focus of control, task ability, the need for achievement, experience, and the need for clarity. Two environmental factors are independent task structures and interdependent task structures.

In essence, effective managers clarify paths to goals by clarifying jobs and assignments, by understanding the goals and desires (including preferred rewards) of employees, and then by rewarding successful performance with the items they value. Each employee might express a slightly different preference in terms of rewards; therefore, the leader would need to make sure positive outcomes are tailored to individual workers when they achieve the desired results. This simplified explanation of the model explains the primary ways to improve your leadership style (Baack, 1998, pp. 298–299).

Transformational Leadership Theory

Transformational leaders garner trust, seek to develop leadership in others, exhibit self-sacrifice, and serve as moral agents. They tend to focus on objectives that transcend the more immediate needs of the work group (Dumdum, Lowe, & Avolio, 2002). The following key leader behaviors have been identified in the transformational leadership literature:

- inspirational motivation
- idealized influence
- individualized consideration
- intellectual stimulation

Inspirational motivation establishes an enticing vision of the future with persuasive and emotional arguments combined with enthusiasm and optimism. Idealized influence refers to sacrificing for the good of the group, acting as a role model, and displaying high ethical standards. Individualized consideration includes providing support, giving encouragement, enabling empowerment, and coaching employees. Intellectual stimulation means that transformational leaders encourage employees to question the status quo and seek innovative and creative solutions to organizational problems.

The transformational leader exhibits these behaviors, which can result in powerful effects on followers and improved outcomes, as described in Table 5.3.

Table 5.3 Transformational leadership effects

Followers and work groups	Outcomes
Increased intrinsic motivation, achievement orientation, and goal pursuit	Personal commitment to leader and his or her vision
Increased identification and trust with the leader	Self-sacrificial behavior
Increased identification and cohesion with group members	Organizational commitment
Increased self-esteem, self-efficacy, and intrinsic interest in goal accomplishment	Task meaningfulness and satisfaction
Shared perceptions of goal importance	Increased individual, group, and organizational performance

Transformational leadership theory has gained a great deal of traction in the new millennium. Many companies believe finding such leaders and training others in these behaviors are true keys to organizational success. In summary, notice that each category of leadership theory has contributed to our understanding of the process. The trait theories indicate that while there are no ironclad rules, certain leader characteristics may be desirable in various situations. The behavioral model helps explain how certain individuals end up in leadership roles. The Ohio State University and University of Michigan studies teach us that some leaders tend to be more interested in the job, while other leaders are more in tune with their followers. The situational theories note that sometimes company circumstances favor task-oriented leaders and at other times a people-oriented approach works best. Path-goal theory explains the basic steps to becoming a better leader. Transformational leadership theory builds on this idea by establishing relationships between various behaviors and eventual organizational outcomes.

5.3 Leadership and Motivation

Another key aspect of the leading function is motivating workers. Effective leaders motivate individuals to increase the level, direction, and persistence of effort expended at work. Motivation may be defined as what starts behaviors, what maintains behaviors, and what stops behaviors. Leaders are interested in inspiring employees to engage in various behaviors. Table 5.4 provides some examples.

Table 5.4 Motivated behaviors at work

Start and maintain	Stop
Punctuality (arrive on time)	Unhealthy habits (smoking, drugs)
Attendance (arrive every day)	Unethical activities
Effort/productivity	Conflicts
Cooperativeness	Politics
Share information	Inattentiveness

To achieve these goals, leaders can take lessons from the many types of theories of motivation. Three categories of motivation theories are content theories, process theories, and goal-setting theories.

Content Theories of Motivation

Content theories explain the specific factors that motivate people, most notably in the area of human needs. They help explain what drives human behavior, because people will act to fulfill unsatisfied needs, especially the ones they feel are the most urgent. Three major content theories of motivation include Maslow's hierarchy of needs, Herzberg's motivation-hygiene theory, and McClelland's acquired needs theory.

Maslow's Hierarchy of Needs

Abraham Maslow's hierarchy of needs (1954) provides an important foundation of leadership thinking. The model shown in Figure 5.3 employs a satisfaction-progression approach. A person will not progress to the next level of needs until the immediate need has been routinely satisfied.

Lower-order needs include physiological needs, safety needs, and social concerns for belongingness and love. Physiological needs on the job include rest breaks, physical comfort, and reasonable work hours. Safety needs include safe working conditions, job security, base compensation, and benefits. Social needs are met by interactions with friendly coworkers, customers, and a supportive supervisor.

The higher order needs include self-esteem and self-actualization concerns. Self-esteem needs include responsibility for an important job, being promoted, and receiving praise and recognition from the leader. Self-actualization results from creative and challenging work, active participation in decision making, and job autonomy. Self-actualization is realized only if an employee performs tasks and work that express his or her inner self—the person the individual wishes to become.

Maslow's hierarchy has been criticized for several reasons. Commentators suggest that the theory does not explain how strongly a need must be satisfied before progression to the next level can occur. Others suggest that this order of needs is far too rigid and that many people experience them in a far different order. For example, some people's social needs for belongingness and love are far more important than self-actualization. Another problem is that Maslow's hierarchy may not be a comprehensive list of needs. Additional needs exist, including the desire or need for power. Finally, the theory has been criticized for being too vague and not truly explaining how someone would seek to fulfill a need.

Figure 5.3 Maslow's hierarchy of needs

Source: From Abraham Maslow, Robert Frager, James Fadiman, *Motivation and Personality*, 3rd ed. Copyright © 1987. Reprinted by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

Despite these criticisms, Maslow's hierarchy built the foundation for other theories of motivation. It stresses the roles that needs play in motivation. It seems clear that, in some way, individuals seek to meet or satisfy needs through various factors that are present in the workplace.

Herzberg's Motivation-Hygiene Theory

Frederick Herzberg's motivation-hygiene theory (1964), also known as the two-factor theory, proposed that work satisfaction and dissatisfaction arise from two different factors. Work satisfaction is associated with motivating factors, and work dissatisfaction comes from hygiene factors. Hygiene factors are those things not directly related to the actual work done, but they play a critical role in either creating or preventing employee dissatisfaction. Table 5.5 presents the hygiene factors and the motivation factors.

Table 5.5 Herzberg's two-factor theory

Hygiene factors (dissatisfiers)	Motivators (satisfiers)
Wages	Achievements
Hours	Recognition
Working conditions	Chance for advancement
Supervisory practices	Responsibility
Rules and procedures	Meaningful work

The factors leading to job satisfaction are separate and distinct from those leading to job dissatisfaction. Leaders who eliminate factors that create job dissatisfaction may bring about peace but not necessarily motivation. They may be attempting to appease rather than motivate the work force. When these factors are satisfactory, employees will not be dissatisfied; neither will they be satisfied. The term *hygiene* was chosen with a hospital in mind. A clean and germ-free hospital does not necessarily make you well; however, an unsanitary hospital can make you sick. The best leaders can hope for with the hygiene factors is to keep them neutral. In other words, a company that offers fair wages and has a reasonable vacation policy likely will not contribute to an employee's dissatisfaction, whereas the absence of these factors is likely to cause employee dissatisfaction.

In contrast, the factors associated with the work itself are those that inspire motivation in workers. Herzberg believed employees find these characteristics intrinsically rewarding. One management program that can help build motivators, job enrichment, is designed to add higher levels of the motivators to jobs. Job enrichment involves increasing the amount of the following characteristics in jobs:

Skill variety	Number of skills used to perform the job
Task identity	Degree to which the work constitutes something "complete and identifiable"
Task significance	Degree of human interaction
Autonomy	Ability to work without supervision
Feedback	Knowledge regarding performance

As you can see, all these factors would contribute to an employee's finding the work more exciting or challenging. Herzberg believed motivation would result from incorporating them into every job possible.

The two-factor motivation-hygiene theory has been criticized for assuming that motivation and satisfaction are the same thing. In reality, it is possible to be either unmotivated and satisfied or motivated and dissatisfied. The theory does not account for those circumstances. Also, the data was collected from a sample group of professional engineers and accountants. Many have speculated that if Herzberg were to ask the same research questions of a different group, such as unskilled or semiskilled blue-collar workers, the answers might have been quite different.

The motivation-hygiene theory does explain many factors that make people unhappy on the job. Leaders and managers can work to eliminate these issues and find other means to motivate employees. Herzberg's recommendation would be to make each job more interesting and challenging, and many management experts agree with such a recommendation.

McClelland's Acquired Needs Theory

David McClelland developed another motivation theory that is also based on individual needs: the acquired needs theory. The need for achievement is the desire to do something better or more efficiently to master complex tasks. The need for power is the desire to control other people, to influence that behavior, or to be responsible for them. The need for affiliation is the desire to establish and maintain positive and supportive relationships with other people. People develop these needs over time through individual life experiences.

For leaders, the implications of these needs are found in three areas. First, high needs for achievement are associated with performance on the job. McClelland believed it was possible

to instill greater needs for achievement within workers by using the proper training techniques (Heckhausen & Krug, 1982). Second, people should be placed on jobs that match their levels of need for achievement, power, and affiliation. Someone who has high affiliation needs should work with people. Someone with achievement needs will be more successful in a job that provides consistent feedback. Third, managers can create challenging task assignments and goals in order to build goal commitment. This effort, in turn, leads to higher levels of performance (Kinicki & Kreitner, 2009, p. 147).

Process Theories of Motivation

Process theories of motivation explain how reasoning processes are associated with motivated (and unmotivated) behaviors. People need to see “what is in it for them” and have a sense that fairness is extended to all involved. Two major process theories include Adams’s equity theory and Vroom’s expectancy theory.

Adams’s Equity Theory

The equity theory of motivation was developed by J. Stacy Adams (1963). The premise of the theory is that perceived equity or inequity plays a major role in motivational processes. The theory may be explained in five steps.

Step one. At work, people exchange inputs for outputs. Inputs are the elements workers trade to the organization, such as time, effort, training, and creative ideas. Outputs are what the organization trades to workers in the forms of pay, praise, the chance to be promoted, challenging work, and other items.

Step two. People have a natural tendency to compare themselves to one another. At work, one special comparison will be made with a referent other, who has been singled out.

Step three. The nature of the comparison is between input-output ratios, as follows:

$$\frac{\text{Inputs of employee}}{\text{Outputs of employee}} \quad \text{versus} \quad \frac{\text{Inputs of referent other}}{\text{Outputs of referent other}}$$

Step four. If the comparison of input-output ratio seems in balance, equilibrium, or equity, then behavior will be maintained. In essence, motivation continues when employees believe they are being treated fairly or equitably.

Step five. If the comparison of input-output ratio seems unequal or inequitable, then there will be a strong motivation force to reestablish equilibrium. To restore equilibrium, employee behaviors can be adjusted in various ways, including the following:

- Change work inputs by putting less effort into their jobs.
- Change work outputs by asking for better treatment, a pay raise, or other rewards.
- Attempt to change the work outputs of a referent other, causing the individual to give lesser or greater effort.
- Change the comparison by finding ways to make things seem better.
- Change the situation by transferring from the job or quitting.

Effective leaders anticipate perceived negative inequities whenever rewards such as pay or promotions are allocated. Instead of letting inequities get out of hand, they carefully communicate the reasons for giving out the rewards. For example, think about a situation in which your friend,

who manages a local ice cream parlor, invites you to work part-time hours at a rate of \$7.50 per hour. The job's responsibilities include waiting on customers, helping to stock items, and cleaning and closing the store at night. Your friend earns \$9.00 per hour, but she also takes care of payroll, hiring and firing workers, purchasing advertising for the store, attending community events, and other managerial activities. In that situation, the comparison of inputs to outputs yields a perception of equity, that the difference in pay is fair based on your friend's additional responsibilities. In that situation, you would be content to maintain your level of effort.

If, however, you discovered that one of your coworkers, who you consider to be a real slacker, earns \$8.00 per hour, then suddenly inequity exists. Your response might be to give less effort, to ask for a raise, to give your coworker a hard time about "doing his fair share," by reconsidering his level of effort and productivity and concluding that the differences aren't that big, or by looking for another job and eventually quitting.

Equity theory explains when behavior is maintained on the job (equity) and when dissatisfaction leads to negative outcomes (when inequity is present). As a manager-leader, your job is to create circumstances in which all employees believe they are being treated fairly. You probably will pay special attention to your most valuable employees, making sure that their sense of equity is satisfied. After all, they are the people you are most interested in keeping.

Critics point out that people often make unreasonable comparisons. Suppose that someone in your store is comparing his rate of pay to a friend's salary in a union shop, where wages are much higher. The comparison is not reasonable, yet the person becomes dissatisfied because he believes that things are inequitable. Managers can do little to resolve these sorts of conclusions based on false assumptions.

Also notice that part of the theory says a person may change his or her comparison points. In other words, the individual might reappraise the situation and reach an entirely different conclusion. This process may lead a person to perceive inequity for a time and then change his or her mind and decide that things are equitable after all. Once again, this behavior creates complications for managers seeking to motivate employees.

Vroom's Expectancy Theory

Victor Vroom (1964) introduced the expectancy theory of motivation, which asks the question: What determines the willingness of an individual to work hard on tasks important to the organization? Vroom posited that people will do what they can do when they want to do it. Three expectancy factors affect motivation:

- **Expectancy (E).** An employee's belief that working hard will result in a desired level of task performance being achieved.
- **Instrumentality (I).** An employee's belief that successful performance will be followed by rewards and other desirable outcomes.
- **Valence (V).** The value an employee assigns to the possible rewards and other work-related outcomes.

Vroom suggests that for motivation to be present, expectancy, instrumentality, and valence must all be present at the same time. In other words:

$$\text{Motivation} = E \times I \times V$$

If any of the three expectancy factors were missing, zero motivation would be present. The higher the values of E, I, and V, the more powerful the motivational force becomes. Leaders

can take advantage of the principles of expectancy theory by understanding worker valences (knowing what employees value); clarifying the work situation (making it seem more likely to the employee that successful performance is possible); and rewarding successful performance with the valences held by employees. Expectancy theory has received a great deal of favorable research results. Leaders enjoy the benefit of an easy-to-apply system of motivation using the theory.

MANAGEMENT IN PRACTICE

Expectancy Theory

As an example of expectancy theory, suppose that a manager in a local food establishment works directly with four employees. The four employees have widely different goals for the job. One only wants to pick up a paycheck, because he attends college as well. A second wants to learn the business, because someday she hopes to open her own restaurant. The third wants to make as much money as possible, because he is helping to support a family. The fourth wants to have fun and make friends because she is still in high school, works for spending money, and has strong social needs.

As a manager, you should notice that each employee expresses different valences. Your role would be to tailor rewards to each person's desired outcome. Then, you should clear the path to those rewards by establishing clear expectations about how to do the job well and by providing consistent feedback, both when employees perform well and when they make a mistake. Then, it would be your responsibility to make sure that those employees who achieve and do their jobs correctly and at high levels receive the rewards they desire. The first simply wants to keep matters as uncomplicated as possible and may wish to have certain nights free to study for exams or prepare term papers. The second craves additional instruction and insight into the restaurant business, which can be delivered with one-on-one coaching sessions. The third can be taught methods for receiving the best tips and other ways to earn extra money, including being assigned to shifts when the restaurant is the busiest. The fourth can be moved into situations where she works with her friends and engages with the public. These four rewards should then result in the best performance possible for all four workers, so long as you carry out the other aspects of the theory.

Further consider the relationship between expectancy theory in this section and the leadership theories discussed in Section 5.2. Many elements of path-goal theory correspond to the ideas put forth in expectancy theory. Both stress the importance of relations between the manager-leader and the followers. Strong, positive relationships lead to increased motivation in the employee and successful outcomes for the leader.

Discussion Questions

1. Describe the connections that you observe between expectancy theory and the path-goal theory of leadership.
2. Explain how you would connect all three elements of expectancy theory (valences, instrumentality, expectancy) to your efforts in managing each of the four employees described in this section.
3. Can you identify any problems or complications that would keep you, as a manager, from using expectancy theory in this situation?

Locke's Goal-Setting Theory

Goals in the form of clear and important performance targets are the basis of Edwin Locke's (1968) goal-setting theory. A **goal** is the object or aim of an action; it is what an individual is trying to accomplish. The theory is based on the premise that task goals can be highly motivating if they are properly set and well managed. Goal-setting theory includes four concepts:

1. Goals direct attention toward relevant activities and away from unnecessary activities.
2. Goals regulate effort by focusing on the most important action to be taken.
3. Goals increase persistence, leading the worker to stay on task.
4. Goals foster the development and application of task strategies and action plans.

Goals clarify performance expectations, establish a frame of reference for feedback, and provide a basis for self-management. In these ways, Locke believed that goal setting can enhance work performance and job satisfaction.

A key component of the theory is that managers and leaders must work with others to set the right goals in the right ways. Goals must be difficult but achievable, specific, measurable, realistic, and timely. It is important for both the leader and follower to participate in setting the desired goals.

A substantial amount of research supports goal-setting theory. One system companies use to establish and support goal setting for all employees is management by objective. This is a participative goal-setting program in which supervisors and employees negotiate goal lists and performance objectives on an annual basis. In general, effective leaders inspire motivation by understanding worker needs and helping employees satisfy those needs by creating a supportive work environment. Leaders know that workers compare themselves to one another. In response, effective leaders strive to make the reward system as fair and equitable as possible. Effective leaders comprehend the relationship between knowing what workers want, showing them how to effectively complete assigned tasks, and rewarding successful employees with the things they want. Goal-setting systems allow leaders to establish meaningful performance targets and reward subsequent performance. A program such as management by objectives can institutionalize the goal-setting process throughout the organization.

Relationships Between Theories

In case you are wondering if it is possible to incorporate all of these ideas into a systematic approach to leading, the answer is yes. Effective managers take concepts from each of these theories and models and apply them to their own situation, organization, and followers.

The primary approaches to leadership include traits and characteristics models, people and production (behavioral and situational) theories, and more recent views including path-goal theory and transformational leadership theory. The common ground for all these theories resides in two basic notions. First, some leaders are especially talented at working with people in various ways, either through displays of traits and characteristics that are people centered, by helping people achieve the best outcomes by clarifying paths for them, or by leading people by setting a transformational example. Second, the leadership theories note the role that work performance plays. Effective leaders display the traits and characteristics that guide people to achieve at higher levels. They clarify paths related to effective performance, and they challenge others to do their best through the transformational skills they exhibit. Perhaps the original Ohio State study authors said it best: Effective leadership has both job-centered and people-centered components.

The motivational theories include those oriented to needs, those that focus on thought processes, and those that focus on goals. Once again, these theories have common bonds. Needs are quite similar to valences in that both express a positive desired outcome experienced by an employee. One such need or valence would be feeling that you are treated fairly. Another would result from the sense of personal satisfaction associated with achieving your goals. In other words, each of the categories of motivation theories focus on doing things that fulfill basic desired outcomes (satisfy a need, achieve a valence, have a sense of being treated fairly, or reach personal goals).

As a result, connections between leadership theories and motivational theories can be readily drawn. An effective, people-centered leader takes the time to understand what his or her workers want. This includes knowing about basic employee needs, fine-tuning a leading style to incorporate individual valences into a reward system, and treating people fairly and equitably. Finally, the good leader knows that only when promises are kept will the people under his or her direction be motivated. There is nothing worse than a leader who holds out a reward for desired performance and then does not deliver the reward when the follower succeeds or achieves a desired outcome. There is nothing better than a consistent leader who always delivers what he or she promises to employees who succeed.

Then, an effective job-centered leader can tie concepts regarding rewards and need fulfillment with methods designed to improve job performance. The leader delivers quality instruction, corrects errors in a positive fashion, seeks employee involvement in improving the work process, sets clear, meaningful, and achievable goals, and takes other steps to make sure each individual can perform at the highest level. Chances are, if you do these things, you will be perceived as having the traits and characteristics of an effective leader.

Summary

Leading, in a business context, consists of all activities undertaken to help people achieve the highest level of performance. These include using power, applying leadership theories, and providing motivational approaches. Leading also includes establishing effective teamwork and communication systems. Two differences between leading and managing are that managing focuses on coping with complexity while leadership emphasizes coping with change.

Power is control over formal and informal means of influence. Within organizations, five sources of power, or means of influence, that leaders may use include legitimate, reward, coercive, expert, and referent power. Additional sources of power include closeness to production, serving as a boundary spanner, and control over items such as budgets and status symbols in the organization.

Leadership entails influencing behaviors in organizations. Trait theories of leadership assumed that the ability to lead is universal or transferrable across situations. Further, if the ability to lead is universal, then all successful leaders must have things in common. Unfortunately, no single trait or characteristic applies to every successful leader, although the Big Five characteristics are somewhat able to predict employee performance and the potential ability to lead. Attribution models help us understand who is most likely to be promoted into a position of leadership and why.

Behavioral theories of leadership identified two tendencies: job-centered and employee-centered activities. Situational and contingency leadership theories add the concept of effectiveness, suggesting that leaders can be adapted to each unique organizational circumstance. Path-goal theory argues that effective leaders understand the things workers value, clarify paths to performance,

and reward employees who succeed. Transformational leaders garner trust, seek to develop leadership in others, exhibit self-sacrifice, and serve as moral agents by focusing on activities that include inspirational motivation, idealized influence, individualized consideration, and intellectual stimulation.

Content theories of motivation explain how needs result in employee behaviors. Maslow's hierarchy notes five stages of motivation. Herzberg's two-factor theory notes items that satisfy and dissatisfy employees.

Process theories of motivation explain how reasoning processes are associated with motivated and unmotivated behaviors. Equity theory explains how perceptions of fairness create either satisfied or dissatisfied employees, along with potential responses to circumstances when inequity occurs. Expectancy theory suggests that motivation results from a combination of valence, expectancy, and instrumentality, when all three factors are high.

Locke's goal-setting theory suggests that task goals can be highly motivating if they are properly set and well managed. A system that supports goal setting is management by objectives.

The concepts presented in this chapter have many common elements. Effective leaders use power in constructive ways. They understand that both people and production are important. They use their talents to understand each person's goals and desires, knowing that these outcomes can become part of a motivational system that will achieve at the highest levels. These tactics increase the perception that the potential leader has the transformational traits and characteristics needed to succeed at all levels in the organization and beyond.

CASE STUDY

Who's Next?

Jim Logan was at the end of a long and successful career as an entrepreneur and manager. He started his business 30 years earlier by purchasing what was a small brokerage service for farm animals (farm futures, plus auctions of cattle and horses) and turning it into a significant Midwestern empire. The firm had expanded into shipping, oil futures, chemical products, trucking, and several smaller ventures.

The eclectic nature of the operation had taught Jim the value of delegating, although he kept an eye on all activities. He was quick to demand a full report if a problem developed. He often made firsthand inspections and conducted one-on-one meetings when he was told a difficulty was evolving with any one of his subsidiaries. At the same time, he was not known as a dictator. He did command respect due to his expertise and manner of treating employees.

Jim's style of leadership was based on delegation and rewards. He paid his "lieutenants" handsome salaries for their loyalty and expertise. The company offered a bonus plan based on departmental return on investment. Any dishonest or unethical tactics received harsh treatment. Jim wanted only positive publicity for the company.

As he pondered retirement, Jim knew the biggest issue was to choose a successor. None of his children were interested in the job. Jim had four viable candidates: Marcie Benson, Vincent Will, Richard Jorgenson, and John Cullen.

(continued)

Marcie Benson was the youngest of the group at 47. She had single-handedly broken down the company's "good old boy" network. She held a powerful role as director of Logistics. She was a strong advocate for women, minorities, and any other person she deemed underutilized. Her efforts had resulted in tremendous profits for the company. She had won several community awards.

Marcie was small and dynamic. She tended to see the world in terms of accomplishment. She was kidded for "keeping score" on every front. Her manner was direct and to the point. She was not prone to smiling or laughing, although Jim had been told that, away from work, Marcie was a completely different person. Marcie was also the classic team player, able to subsume her own ego for the betterment of the group. Her technical skills were excellent.

Vincent Will was a technocrat. His understanding of computers and systems exceeded everyone else's. Vincent was impatient with people who failed to understand his systems. On the other hand, he had bailed out people who had made mistakes and saved the company from several major problems with their computer systems.

Vincent was 53 years old. He held a master's degree in computer science. He was a workaholic with limited interpersonal skills. His technical skills, combined with his knowledge of the company's operations, made him a finalist for the CEO position.

Richard Jorgenson was 51 years old. He was probably the most different from Vincent Will. Richard was director of Sales, a loose title that matched his fluctuating job description. Richard was a people person, gifted at making people feel comfortable and happy. His style worked well with members of the sales force who were willing to put in long hours to keep things moving. Richard rewarded his staff with happy hours that included lunches, dinners, and small parties that he paid for out of his own pocket.

Richard was quick moving, funny, and a back slapper. Some considered him a chauvinist, because he used lots of "Little Missy" type language when dealing with female employees. Jim found it interesting that Marcie Benson reported having "no problem" with Richard, because he was willing to identify talented, successful female sales reps and promote them to supervisory positions. Richard's other liabilities included inattention to detail and less sophisticated understanding of how the organization functioned. Employee loyalty and human relations skills were his strongest selling points.

John Cullen was Jim's right-hand man. Most employees assumed John would be the successor, because he had the most complete knowledge of how Jim ran the firm. John was 63 years old, however, and on the verge of retirement. He had experienced one heart attack and openly talked about moving on. At the same time, he had more than once voiced his pleasure at the idea of being able to "take the reins" for a time.

On the surface, John seemed to be the ideal choice as a transitional leader. He was mature, intelligent, experienced, and good with people as well as a tremendous organizer and implementer. Because he was approachable and easygoing, John was also probably the most popular senior staff member.

Jim knew each candidate would be surrounded by high-quality senior staff members who would help keep the company running smoothly. He also had time to train the new CEO. After speaking with the people in human resources and formulating a series of criteria, Jim was ready to make the choice.

(continued)

Discussion Questions

1. Apply the trait theories of leadership to the four candidates.
2. Apply the contingency theories of leadership to the four candidates.
3. Apply the transformational theory of leadership to the four candidates.
4. What are the communication styles of the four candidates? Which is best for this position?
5. Which candidate appears to have the best team-building skills? Which would have the worst?
6. Which person should Jim choose? Defend your answer.

Key Terms

consideration A leadership behavior that expresses concern for employees by establishing a warm, supportive, friendly climate.

content theories Explanations of the specific factors that motivate people, most notably in the area of human needs.

expectancy An employee's belief that working hard will result in a desired level of task performance being achieved.

goal What an individual is trying to accomplish; the object or aim of an action.

initiating structure A leadership behavior that organizes and defines what group members should be doing.

instrumentality An employee's belief that successful performance will be followed by rewards and other desirable outcomes.

leadership Influencing behaviors in organizations.

power Control over formal and informal means of influence.

transformational leaders Individuals who engender trust, seek to develop leadership in others, exhibit self-sacrifice, and serve as moral agents; they focus themselves and their followers on objectives that transcend the more immediate needs of the work group.

valence The value an employee assigns to the possible rewards and other work-related outcomes.

Critical Thinking

Review Questions

1. Define leading, and explain how it is different from managing.
2. What is power, and what are the five main sources of power?
3. What are the four main categories of leadership theories?
4. Name the three trait theories of leadership.
5. Explain how someone deals with a confirmed and a refuted test when using the attribution theory of leadership.
6. What two schools are associated with the behavioral theories of leadership?

7. Name the situational theories of leadership.
8. What are the four styles of leadership in the Hersey and Blanchard situational leadership model?
9. What are the four styles of leadership in path–goal theory?
10. Define motivation.
11. What are the five needs in Maslow’s hierarchy?
12. What are the two factors in Herzberg’s theory, and how do they influence workers?
13. What three needs are present in McClelland’s need theory?
14. What are the five steps in Adams’s equity theory?
15. What three motivational factors are present in expectancy theory?
16. Explain the relationships between goals and motivation in Locke’s approach.

Analytical Exercises

1. Explain whether each of these activities is an example of leadership or management:
 - creating a budget
 - making a speech to employees about a vision for the future
 - setting the goal to hire four new high-quality employees
 - comforting an employee who has just lost a loved one and was informed at work
2. Three tactics employees use to gain power include acclaiming, visibility, and impression management. Acclaiming is taking credit for someone else’s work or success. Visibility is making sure you are seen with the right people and in the right places. Impression management involves manipulating people to think you hold greater status than you actually possess. Relate these tactics to the sources of power described in this chapter.
3. Name five personal traits that you believe would make you an effective leader. Ask three of your friends or classmates to make a similar list about you. Does your list agree with their list? What can you learn from this?
4. How do the concepts provided in the attribution model of leadership explain why it is harder for women and minority group members to be perceived as having “leadership potential”?
5. What common elements are present in Hersey and Blanchard’s situational leadership model, path–goal theory, and transformational leadership theory? How do these theories differ from one another?
6. Are there any common elements in Maslow’s hierarchy of needs, Herzberg’s motivation-hygiene theory, and McClelland’s need theory? How are they related? What are the primary differences between the three theories?
7. Explain how the concepts contained in Locke’s goal-setting theory can be incorporated into Vroom’s expectancy theory. Explain how the concepts in Adams’s equity theory can be incorporated into expectancy theory.