

Chapter 1

The Nature of Effective Leadership

Within any industry some companies consistently outperform other companies with similar opportunities and constraints. Even when industry conditions are poor, some businesses are able to remain profitable while others barely survive. Dell Computer and Southwest Airlines are two examples of companies that have been more successful than their competitors in the same industry in both good and bad times.

Many factors could explain why companies like Dell and Southwest are able to produce consistently superior performance. One factor is *competitive strategy*. Dell decided to sell directly to the consumer without the additional cost of an intermediary distribution network. Southwest focused on short-haul flights that were point-to-point rather than the hub-and-spoke model that is used by other major airlines. Another factor is *operating costs*. Dell developed an efficient production process that makes it possible to build computers to a customer's specifications and maintain very low inventory. Southwest uses only one type of aircraft, the Boeing 737, which is more economical to fly and enables them to maintain lower inventory and maintenance costs. Unlike their competitors, Southwest mechanics only have to learn and be certified on one aircraft and only have to stock parts for one type of plane.

However, even after taking into account competitive strategy and operating costs, companies like Dell and Southwest Airlines have significantly better performance than their competitors. Why these factors alone do not explain the superior performance of Dell

and Southwest can be seen by comparing each company with a similar but less successful company in the same industry.

Dell and Gateway Computers provide one such comparison. Founded within a year of each other, they both use the same business model—taking orders directly from customers, building PCs according to their specifications, loading the software, then shipping the machines directly to the purchaser. Both companies have been confronted with the commoditization of their product and a slowdown in demand. Yet Dell has consistently outperformed Gateway on all key measures of performance. Dell's return on assets (ROA), return on equity (ROE), and return on investment (ROI) as of July 2003 were 15.44 percent, 47.78 percent, and 35.9 percent, respectively, while the figures for Gateway were -15.44 percent, 31.58 percent, and -24.91 percent.¹ Dell had a 109.3 percent inventory turnover rate for the twelve months ending July 2003; Gateway's was 34.0 percent.²

Southwest Airlines and America West provide another comparison. Both airlines operate in the same market, having entered it at roughly the same time. Both airlines fly only Boeing 737s. Both airlines fly point to point, instead of on the more expensive hub-and-spoke routes used by other major airlines. In the beginning, America West looked as though it might outperform Southwest. The airplanes it used were newer, its ticketing and payment system was more convenient for passengers, and there were assigned seats (Southwest had open seating only). Yet year after year, Southwest's profits have been higher, its on-time record has been better, and it has had many fewer cancellations. Southwest has also been the industry leader in customer satisfaction.³

Why are Dell and Southwest more successful than competitors confronted with the same opportunities and constraints? Is it merely a matter of good luck? We believe the key factor in explaining the difference in company success is the *quality of leadership* and how effectively it responds to a set of industry and competitive conditions. Clearly some companies have leaders who demonstrate greater flexibility. They adapt to changing situations, maintain efficient and reliable operations, provide products and services that

customers want, and maintain high levels of employee morale and productivity. These leaders assess the situation, identify key determinants of performance, and find a way to balance the tradeoffs involved in meeting these challenges.

What leaders actually do to enhance the survival and prosperity of companies such as Dell and Southwest has long been a subject of interest to scholars and practitioners. In this chapter we will examine some popular myths about leadership and then introduce a model that can provide a better explanation of the ways leaders can influence organizational processes and performance.

Leadership: Fact and Myth

To say that leadership is important for the success of a company does not mean that a chief executive can single-handedly determine the fate of the company, as suggested by some journalists and leadership gurus. Consider these headlines from the business press:

- Pat Russo's Lucent Vision: The new CEO must turn Lucent around in the midst of a brutal storm. Can she deliver?⁴
- Work your magic, Herr Dirmann; ABB faces meltdown—so this CEO isn't wasting time⁵
- Meet Mr. Nissan—is Carlos Ghosn a savior?⁶
- Can Jamie Dimon restore Bank One's lost luster?⁷
- Ingram Micro's future lies in new CEO's hands.⁸
- The King of Storage—After fixing EMC's service problems, Michael Ruetters put the company on a stellar growth path and built it into an industry powerhouse.⁹
- Prada Goes Shopping: Patrizio Bertelli transformed Prada from a stuffy family company into a fashion powerhouse. And he's just warming up.¹⁰

By now we are so used to seeing corporate leaders described in such terms that we hardly even notice anything odd about it. But

when you stop to think about it, there is something a little askew about the assumption behind these headlines and countless others like them. Is it really Pat Russo alone who is going to turn Lucent around? Did Patrizio Bertelli really transform Prada all by himself? Does Ingram Micro's future really depend entirely on the new CEO? If you work in an organization yourself, you know that any transformation, any turnaround, depends on many people. The future of a large organization does not depend on a single leader, however powerful, clever, and visionary.

The Myth of the Heroic Leader

Organizations are complex social systems of patterned interactions among people. In their effort to understand the causes, dynamics, and outcomes of organizational processes, people interpret results in simple, human terms. Stereotypes, implicit theories, and simplified assumptions about causality aid people in making sense out of events that would otherwise be incomprehensible. One especially strong and prevalent explanation of organizational events is to attribute causality to the influence of individual leaders.

Depicting a senior executive as a heroic individual is a dramatic, romantic notion of leadership, similar to that of other stereotyped heroes in our culture, such as the lone cowboy who single-handedly vanquishes the bad guys or the secret agent who acts alone to save the world from nuclear destruction by terrorists. These images have particularly strong appeal to people in a culture of celebrity like our own. They also make excellent copy in the business press. There is something satisfying about the fairy-tale character of the knight on the white horse who will slay the dragon and thereby ensure triumphant victory for the organization. But like any fairy tale, this heroic conception of leadership does not quite align with reality. It greatly exaggerates the influence of a single leader on organization performance, and it has some negative consequences.¹¹

One negative consequence is overreliance on the heroic leader to make decisions and solve important problems. Because no single leader has the necessary knowledge and expertise to solve difficult problems for an organization, it is essential to involve other people with relevant knowledge and diverse perspectives. However, members are unlikely to become involved if they believe the leader has superhuman abilities to singlehandedly find the right path. Nor is high involvement likely to be encouraged by a leader with an exaggerated self-image who wants to appear to have all the answers. If there is strong reliance on the chief executive and the culture reinforces obedience to directives from the top, then the organization will be less likely to respond successfully to events in the environment. As a result, it is not uncommon for an organization with a string of earlier successes to suddenly experience a major disaster.¹²

It is by no means clear that today's employees really want to be led by a figure on a white horse, except perhaps in a dire emergency that requires a decisive leader who knows how to prevent a looming disaster. Many commentators have observed that people born after World War II are much less willing to follow orders or accept someone else's ideas on how they should be doing their jobs. As an article in *Business Week* puts it, "Saying 'just do it' no longer works because a new generation of workers has been groomed to think instead of react. The new CEOs, baby boomers themselves, understand that."¹³ A survey conducted by the Families and Work Institute, a New York-based research institution, would seem to support the idea that employees prefer more empowerment. The study showed that workers' perceptions of control over their jobs increased significantly between 1977 and 1997. During those twenty years, the percentage of workers who said they had the freedom to decide what they do on the job increased from 56 percent to 74 percent.¹⁴

One commentator goes so far as to declare that, nowadays, "Leadership is about following."¹⁵ That assertion may be a slight exaggeration, but it seems clear that the old, paternalistic concept

of leadership, with the leader as the strong father figure, needs to be replaced. In today's world, a model of leadership in which leaders guide the organization through enlisting cooperation and consulting with others, rather than making unilateral decisions, may be more appropriate. Lee Iacocca, who embodied the old ideal of the charismatic, paternalistic CEO, was widely viewed as a great leader until his much more accessible and consultative successor, Bob Eaton, got dramatically better results at Chrysler. While Iacocca was effective in leading the company through the immediate crisis, his style of leadership was not the best one for rebuilding the company and preventing a similar crisis in the future.

The Myth of the Born Leader

One of the dangers of viewing senior executives as heroic leaders is that it makes leadership sound like a mystical quality, something innate to certain special people, rather than anything people simply *do*. The business press frequently encourages this idea by telling us, for example, that the “e-factor” (short for executive factor) is a “neuropsychologically determined propensity to lead.”¹⁶

We are often told about the importance of that indefinable leadership quality called charisma, as though some people are literally born to lead others. The importance of having “the right stuff” is an idea that many corporate leaders also appear to accept. The Yale School of Management and the Gallup Organization recently surveyed 130 prominent chief executives and found that 26 percent of them felt that “great leaders are born and not made.”¹⁷

For decades now, leadership scholars have been trying to define exactly which traits are associated with effective leadership. Some of the attributes that have been cited as prerequisites to great leadership include unflagging energy, uncanny foresight, and great persuasive skill. But despite hundreds of studies over the past seventy years comparing more and less effective leaders, researchers have failed to identify any specific traits that guarantee leadership success.^{18,19} Moreover, studies of successful chief executives find that

most of them do not have the type of personality characteristics or superhuman image usually associated with charisma.^{20,21}

Although a charismatic figure at the top can help to enlist enthusiastic support for a necessary change, it may be counterproductive to think of leadership in those terms. How do you acquire charisma or become visionary? What does a visionary leader do to inspire others, and what makes the vision compelling? To understand the reasons for effective leadership, inherent traits and abilities are much less useful than observable behavior and concrete knowledge. A trait theory of leadership emphasizes inherent qualities that are difficult to change, such as needs, temperament, energy level, emotional stability, extroversion, and intelligence. In contrast, a behavior theory emphasizes specific types of behavior that, however difficult, can be learned by most people who desire to become better leaders. When the focus of research is on what leaders actually do, it is easier to understand the situational nature of leadership and the importance of flexible leadership. We are not saying that personality traits and inherent abilities are irrelevant for understanding why some people want to become leaders or which people are most likely to be successful as leaders, only that traits are less useful than concrete behaviors for understanding what leaders must do to be effective in a given situation.

The Myth of the Celebrity Leader

The cult of personality is so pervasive in depictions of organizations that, according to a recent survey, CEOs now represent 45 percent of a company's reputation.²² According to a study conducted in 2001 by consulting firm Burson-Marsteller, 90 percent of Wall Street analysts and institutional investors said they were more likely to buy or recommend a stock based on a good CEO reputation. That figure was up from 70 percent five years before.²³ How powerful is the impact of a celebrity CEO? Several examples over the years would indicate that investors put a great deal of faith in the CEO as savior. In 1996 shares of Sunbeam went up by half

in a single day when Al Dunlap was hired. In 1997, \$3.8 billion was added to the value of AT&T's stock when C. Michael Armstrong was brought on board. In 2002, shares of Tyco International increased 46 percent the day after a respected Motorola executive, Ed Breen, was hired to lead the troubled company.²⁴

However, in a company with a celebrity leader, a single highly publicized mistake or misdemeanor by a senior executive can have a catastrophic effect on a company's profits. The case of Martha Stewart, who built a lifestyle empire that includes magazines, cookbooks, television shows, designer sheets, and endorsements of other domestic products, is a perfect example. When it was learned in December 2001 that an insider-trading charge was being brought against her for selling her shares in another company, her own company's stock plunged by 54 percent and profits declined by 45 percent in the third quarter of the fiscal year.²⁵

Fortunately, there are not many high-profile cases of companies spiraling downhill after their famous CEOs are accused of wrongdoing. A more common problem is unrealistic expectations for the CEO. When a celebrity leader is appointed the CEO for a troubled company, expectations (and stock prices) are dramatically raised, only to be rapidly deflated if no miracles occur shortly afterward. Consider what happened when Gary Wendt was selected to be the new CEO of the insurance company Conseco after a successful tenure running GE Capital. When the appointment was announced, Wendt was hailed as a savior for Conseco, and its stock price rose by almost 50 percent. The stock rose even more dramatically when he started issuing upbeat reports to investors. However, just over two years later, Wendt stepped down, having failed to rescue Conseco from its doldrums. The stock sank by more than 99 percent from its high, and Conseco was left with the burden of paying Wendt millions of dollars per year for the rest of his life.²⁶

The idea that leadership is something provided only by those at the top is dangerous for another reason. In today's volatile business environment, the need to be responsive to rapidly changing conditions is too urgent to wait until all the information possessed

by people at different levels of the organization filters up to the senior executives and penetrates the cocoon in which many such figures live. In an increasingly dynamic, competitive environment, it is essential to understand what customers need, what competitors can do, and how potential customers view a company's products and services. Front-line personnel and lower-level managers will obtain much of this essential information long before it arrives in the senior executive's office. If people depend entirely on top management to identify emerging problems or threats or to recognize promising opportunities, it may not be possible to make a timely, successful response.

The Myth of Leaders and Managers

Many scholars and practitioners view leadership as a different and more important process than management. Some writers^{27,28} contend that the two processes are mutually exclusive and cannot occur in the same person, because the values and personality traits essential for leadership are incompatible with those essential for management. Managers value stability, order, and efficiency, whereas leaders value flexibility, innovation, and adaptation. Managers are concerned about how things get done, and they try to get people to perform better. Leaders are concerned with what things mean to people, and they try to get people to agree about the most important things to be done. The idea that leaders and managers are different kinds of people is taken to an extreme by writers who offer a very negative stereotype of managers that portrays them as controlling, micro-managing, "bean-counting" bureaucrats.

Other scholars^{29,30,31,32} view leading and managing as distinct processes or roles. Although this perspective does not preclude the possibility that leading and managing can be done by the same person, the two processes have some incompatible elements that are difficult to reconcile. As noted by Kotter,³³ strong leadership can disrupt order and efficiency, and strong management can discourage risk taking and innovation. The popularity of books about

leadership suggests that practitioners consider leading a more interesting and relevant process than managing. The omission of effective managerial behaviors from the currently popular leadership theories suggests that the theorists do not consider this process necessary for understanding effective leadership.

A broader perspective is needed to understand how leaders can influence organizational processes and outcomes. We agree with Kotter,³⁴ who proposed that both processes are necessary for the success of an organization. Strong management alone can create a bureaucracy without purpose, but strong leadership alone can create change that is impractical. To be effective, managers must also be leaders, and leaders must manage. Misconceptions about leading and managing have impeded progress in understanding how to integrate the two types of processes and balance the inherent tradeoffs.

The Myth of Easy Answers

An astounding number of books about leadership sold each year indicate the importance of this subject to people. Most of these books take a relatively narrow approach to the subject, and few of them are based on solid research. The best-selling books usually offer simple answers for complex problems, such as “one minute” actions or a list of “leadership secrets” that can be applied in any situation. Books written by celebrity leaders (and their ghostwriters) also sell well. Readers probably assume that, “If it worked for a famous leader, it will work for me also.” The popularity of leadership books seems to indicate a widespread belief that a few best practices or secret remedies can easily transform the reader into an effective leader. The appeal is not unlike many products and services that promise to make people attractive, healthy, and happy with minimal effort.

A similar situation can be found in fads surrounding the use of management programs over the past three decades. Examples of these programs include management by objectives, profit sharing plans, quality circles, self-managed teams, re-engineering, multi-

source feedback, and outsourcing. Every few years we see a new set of programs that vendors and consultants claim will help managers deal with important problems. The millions of dollars companies spend each year on such programs with little or no proof they are relevant suggests a strong belief in easy answers. The popularity of the programs and other “remedies” such as downsizing and reorganization may also reflect the desire of worried leaders to appear as if they are dealing with the problem. Unfortunately, most management programs and structural changes are difficult to implement and require a significant investment of time and effort to have any hope of success. Although some companies report success with these programs or changes, in a majority of companies they fail after a year or two and are abandoned, only to be replaced by the next faddish remedy.

The reality is that there are few, if any, easy answers. Leadership is difficult and demanding, and leaders need to be flexible because the situation is constantly changing. What worked well last year may no longer be successful. Problems that appear to have been solved often reappear again in new form. Solutions to one problem can create another that is much worse. What seems a minor problem may be only the tip of a deadly iceberg. The number of problems is endless, and they seem to appear out of nowhere, like waves crashing on the shore. And like waves, they can drag you under if you disregard them or underestimate the danger. Best practices, improvement programs, and other remedies can be useful, but they are only tools, not solutions. To be successful, leaders must understand the challenges they face and the relevance of different ways to meet these challenges. A good leadership model can be immensely helpful to improve understanding and guide action.

Model of Flexible Leadership

The model of flexible leadership featured in this book provides a comprehensive explanation of the challenges facing leaders and the requirements for effective leadership. The core of the model is

an explanation of the organizational processes that determine the success of an organization and an explanation of the ways leaders at all levels in the organization can influence these processes. The emphasis is on behavioral aspects of leadership that can be learned, not on mysterious gifts that only a few heroic leaders possess. Key themes are (1) flexible leadership in response to continually changing situations, (2) the need to find an appropriate balance among competing demands, and (3) the need for coordinated action by leaders across levels and subunits. The model does not offer easy answers, but it can help leaders understand complex challenges confronting them and how to deal with them more effectively.

The different components of the model are depicted in Figure 1.1. The first component is organization performance, which can be measured in a variety of different ways. Some examples of performance indicators include net earnings, profit margin, growth in profits, increase in stock price, return on investment, or equity and debt ratios. The second component is composed of three determinants of organizational performance: (1) efficiency and reliability of work processes, (2) timely adaptation to changes in the external environment, and (3) strong human resources and relations. Each type of performance determinant provides a unique leadership challenge.

Indicators of efficiency include employee productivity, direct cost of operations, cost of sales, and return on assets (ROA). Indicators of process reliability include number of product defects caused during production, errors or omissions in providing products or services, avoidable delays in production or delivery of products or services, customer complaints, and accidents or injuries to employees or customers. Indicators of adaptation include sales growth, market share, customer satisfaction, percentage of sales from repeat customers, research discoveries (e.g., patents, inventions), number of new products and services, and percentage of sales from new products or services. Indicators of human resources include employee skills, job satisfaction, loyalty and commitment to the organization, absenteeism, turnover, grievances or lawsuits initiated by employees, and employee theft or sabotage.

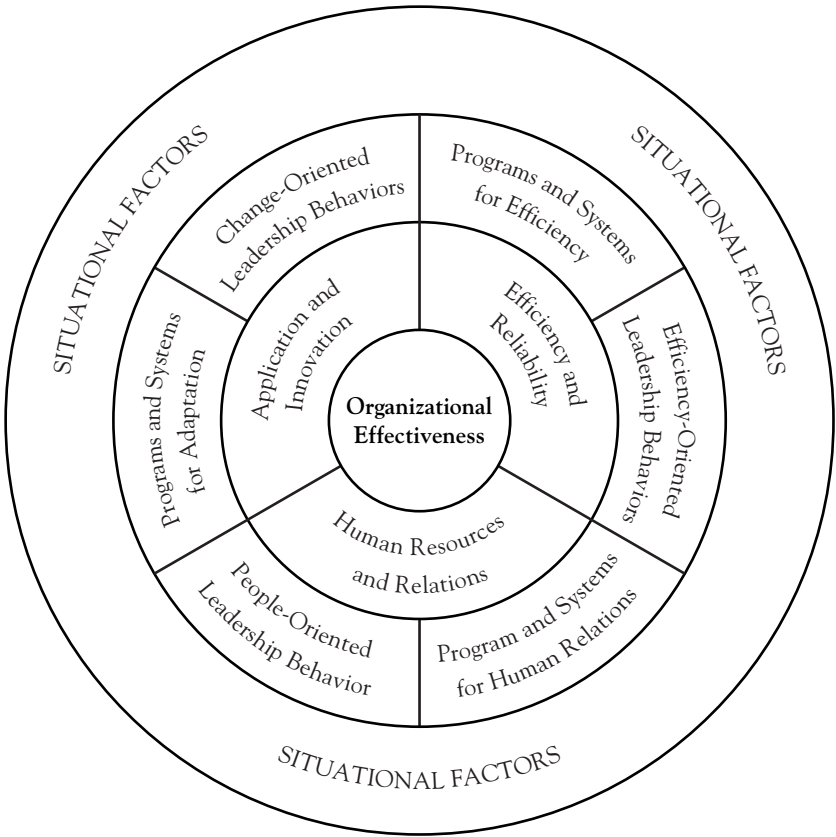


Figure 1.1. Model of Flexible Leadership

The third component of the model consists of the situational variables that determine which challenge or challenges are most important to the organization at any given time. Examples include environmental uncertainty and the nature of the competition. The last component consists of the direct and indirect forms of leadership used to influence the performance determinants. Each component of the model will be explained in more detail.

The Performance Determinants

The effectiveness of an organization depends on the three performance determinants identified earlier, which we regard as distinct leadership challenges. *Efficiency* involves the use of people and resources to carry out essential operations in a way that minimizes cost without sacrificing established standards of quality and safety. *Process reliability* involves the production and delivery of products and services in a way that avoids unnecessary delays, errors, quality defects, or accidents. *Adapting to the external environment* involves responding in appropriate ways to threats and opportunities resulting from changes in technology, competitor actions, and changes in customer needs and expectations. Adaptation also involves finding ways to acquire necessary materials and resources and doing things to increase the sale of products and services to customers. *Human relations and resources* involve recruiting, developing, and retaining people with the skills and commitment to do their jobs effectively and maintaining mutual trust and cooperation in the performance of collective work.

Direct Leader Behavior

The three types of direct leadership behaviors are differentiated by their primary objective, namely efficiency, adaptation, or human resources. The behaviors are listed in Table 1.1. The “task-oriented” behaviors are concerned primarily with improving efficiency and process reliability. These behaviors include planning

Table 1.1. Direct Leadership Behaviors*Task-Oriented Behavior*

- Plan short-term operations
- Clarify roles and objectives
- Monitor operations and performance
- Solve operational problems

Relations-Oriented Behavior

- Provide support and encouragement
- Provide recognition for achievements and contributions
- Develop skills and confidence among unit members
- Consult with relevant people when making decisions
- Empower unit members to take initiative in doing their work
- Build mutual trust, cooperation, and identification with the organization

Change-Oriented Behavior

- Monitor the external environment
- Identify a competitive strategy relevant to core competencies and the environment
- Articulate an appealing vision of what can be accomplished
- Build internal and external support for necessary change
- Implement necessary changes in the organization
- Encourage innovative thinking
- Facilitate collective learning

how to use personnel and resources to conduct operations, clarifying responsibilities and task objectives, monitoring operations and performance, and taking decisive action to identify and resolve problems that disrupt operations. The “change-oriented” behaviors are concerned primarily with adaptation to the external environment. These behaviors include monitoring the external environment to identify threats and opportunities, strategic planning, initiating and leading change, encouraging innovative thinking, and facilitating collective learning. The “relations-oriented” behaviors are concerned primarily with improving human relations and resources.

These behaviors include developing individual skills and confidence, providing recognition for contributions and achievements, involving people in decisions that affect them, empowering people to do their work better, and providing the support needed to make the job satisfying to people.

Although each leader behavior can be categorized according to its primary objective to improve efficiency, adaptation, or human relations, a behavior can have implications for more than one of these performance determinants. For example, clarifying behavior may have a positive influence on employee task commitment as well as on efficiency. Sometimes a leader behavior will influence all three types of performance determinants. For example, when a leader consults with team members about the action plan for a project to be done for an important client, the possible benefits may include more individual and team commitment to the project (human relations), better use of available personnel and resources (efficiency), and more effort to find innovative ways to satisfy the client (adaptation).

The relevance of each behavior at any given time depends on the leadership situation and the extent to which a performance determinant can be improved. Some of the specific types of behavior are more useful than others in a particular situation. The relevance of the behavior also depends on the type of leadership position. For example, some of the change-oriented behaviors are used more by higher-level leaders than by lower-level leaders.

Indirect Leadership

Leaders can indirectly influence the performance determinants with the use of formal programs, management systems, and aspects of formal structure. Table 1.2 lists programs, management systems, and structural features that have been widely used to influence each performance determinant. CEOs and leaders of major subunits often have the authority to implement such programs, but low-level leaders seldom have this option. As with the specific types of

Table 1.2. Formal Programs, Management Systems, and Structural Forms

Efficiency and Reliability

- Goal setting programs (for example, MBO, zero defects)
- Quality and process improvement programs (business process improvement, reengineering, TQM, Six Sigma)
- Cost reduction programs (downsizing, outsourcing, just-in-time inventory)
- Performance management systems (goal setting, feedback, appraisal)
- Structural arrangements (functional specialization, formalization, standardization)
- Recognition and reward systems (focused on reinforcing efficiency and reliability)

Human Resources and Relations

- Human resource planning (talent management, succession planning, recruiting and selection programs)
- Employee development programs (training, education subsidies, mentoring program, 360-degree feedback, assessment centers)
- Empowerment programs (employee ownership programs, self-managed teams, employee councils)
- Recognition and benefit programs (focused on reinforcing loyalty, service, skill acquisition)
- Quality of work life (flextime, job sharing, child care, fitness center)
- Orientation and team-building programs (socialization and assimilation programs, company events and celebrations, systematic use of symbols, rituals, and ceremonies)

Innovation and Adaptation

- Innovation programs (intreprenurship programs, formal goals for innovation and commercialization, budgets for research and new product development)
- Programs for understanding competitors (comparative product testing, external benchmarking of competitor products and services)
- Programs for understanding customers and markets (market surveys, focus groups, customer panels, customer relations teams)
- Knowledge acquisition (hiring consultants, joint ventures, importing best practices from other organizations)

(Continued)

Table 1.2. (Continued)

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- Collective learning programs (controlled experiments, after-activity reviews)
 - Knowledge management systems (expert directories and networks, best practices forums, knowledge sharing data bases and groupware)
 - Recognition and reward systems (focused on reinforcing innovation and adaptation)
 - Structural arrangements (small product/client divisions, product managers, cross-functional project development teams, design of facilities and work sites, R&D departments)
 - Growth and diversification strategies (acquisitions, strategic alliances, foreign subsidiaries)
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leadership behavior, these formal programs and systems are likely to have consequences for more than one type of performance determinant. Some programs may improve more than one performance determinant simultaneously. For example, a well-designed incentive system may improve reliability, innovation, and employee satisfaction. However, some programs used to enhance one performance determinant can adversely affect another performance determinant. For example, downsizing programs may improve efficiency at the expense of employee satisfaction and commitment. Ensuring that different programs are mutually compatible is another challenge facing top-level leaders in organizations.

Balancing Competing Demands and Tradeoffs

Talking about leadership in terms of what effective leaders do rather than what they are is a good beginning, but it is not enough. It is important to remember that what works in one situation may be less effective in a different situation or when circumstances change. For that reason, leaders at all levels should determine what types of behavior, programs, management systems, and structural forms are relevant at any given time. Leadership has sometimes

been defined as “doing the right thing”; but a better definition is “doing the right thing at the right time.” Deciding to use a particular type of behavior or approach because it proved successful in the past, or has proved successful for others, may not lead to the desired results. Instead, it is crucial to assess each situation on its own merits and act accordingly.

The key to flexible leadership is the ability to balance the competing and sometimes contradictory demands related to the performance determinants. A leader who puts too much emphasis on efficiency and reliability may make adaptation more difficult to achieve, and vice versa. An overemphasis on motivating employees may adversely affect operational efficiency and increase costs. The most effective leaders understand that flexible leadership starts with knowing what to do, how to do it, and when to do it. Effective leadership requires skills in diagnosing the situation, evaluating the challenges, balancing competing demands, and integrating diverse leadership activities in a way that is relevant for meeting the challenges.

Origins of the Model

The model of flexible leadership reflects decades of research and the convergence of related discoveries in several distinct areas of study. In this section we will briefly describe the origins of the model, how it evolved, and sources of supporting evidence.

A major obstacle to progress in learning about effective leadership has been the narrow perspective taken in much of the theory and research. Most leadership theories try to explain how a leader can influence direct reports to be enthusiastic about the work and accomplish more than they initially expected. Motivating direct reports is important, but so too are aspects of managing, such as selecting and developing capable employees, organizing and coordinating work processes, obtaining necessary resources and approvals, monitoring operations and performance, tracking changes in the external environment, and finding a good

competitive strategy. To understand effective leadership in organizations requires a model that incorporates relevant aspects of both leading and managing.

Another obstacle to understanding effective leadership behavior has been a lack of agreement about how to classify behavior into separate categories. In the past half-century there has been a bewildering proliferation of models of leadership behavior, making it difficult to compare results from different studies. Sometimes different terms have been used to refer to the same type of behavior, and at other times, various theorists have defined the same term differently. Key concepts in one model are absent from another. The many different models that have emerged from the research on leading and managing make it difficult to translate from one set of concepts to another. One way to reduce the confusion is to find broadly defined “meta-categories” or “underlying dimensions” that can be used to sort and classify specific types of behavior in a way that is relevant for explaining effective leadership.³⁵

The two meta-categories involving task-oriented and people-oriented behavior were identified in the 1950s,^{36,37} but something important was still missing. The two meta-categories did not include behaviors directly concerned with encouraging and facilitating innovation and change. By the 1980s, change-oriented behavior was implicit in some theories of charismatic and transformational leadership, but it was still not explicitly recognized as a separate dimension or meta-category. That discovery was made independently in the 1990s by researchers in Sweden³⁸ and the United States.³⁹ With the three meta-categories, it was now possible to classify most leading and managing behaviors into a hierarchical taxonomy.⁴⁰ The meta-categories make it easier to find general relationships between leadership and organizational processes (to “see the forest for the trees”), but using them does not mean that the specific behaviors can be ignored. Much of the research on leader effectiveness indicates that for a given situation some of the specific behaviors in a meta-category are more relevant than others. Thus, to determine what form of leadership is appro-

appropriate in particular situation, it is still necessary to study the specific behaviors rather than merely looking at the meta-categories.

Having a better way to view leadership behavior was not sufficient to explain how leaders can affect organization performance. Two more things were needed to clarify this connection. First, it was necessary to understand the internal processes and external events that determine whether an organization will survive and prosper. Second, it was necessary to understand how leaders are able to influence these processes in a significant way. Insights about these issues were provided by literature on organization theory,^{41,42} change management,^{43,44,45} strategic management,^{46,47,48} and strategic leadership.^{49,50,51,52} These distinct but overlapping areas of research provided support for three key propositions of the model: (1) efficiency, adaptation, and human relations are distinct but interrelated determinants of organization performance; (2) events in the external environment can affect the importance of these performance determinants; and (3) leaders at all levels can have a significant influence on the performance determinants. When the different types of variables were considered together, it became apparent that most of the direct leadership behaviors affect one performance determinant more than the others and are more relevant in some situations than in others. A similar pattern was found for formal programs, management systems, and structural features.

Although the entire model is difficult to test in a single study, evidence for the proposed relationships can be found in hundreds of relevant studies conducted by scholars over the past half-century. In addition, the model incorporates insights provided by our own research and consulting over the past thirty years. Interacting with teams and individuals in working sessions, feedback workshops, and training programs has yielded useful insights about effective leadership, and we have incorporated these insights into the book as well. At various times we have analyzed data from the behavior description questionnaires and behavior importance ratings used in the feedback workshops, and these studies provide additional support for some of the proposed links between leader behavior and

effectiveness.^{53,54,55,56,57} Finally, many of the insights, guidelines, and best practices found in practitioner books on effective leadership also appear consistent with the theory.

Overview of the Book

In this first chapter we reviewed some of the myths of leadership and introduced a model of flexible leadership. In the chapters that follow, we will look in detail at each type of leadership challenge, explain when it is most important, and offer practical guidance on the specific processes and leader activities that are most useful in meeting the challenge effectively. Examples of effective and ineffective behavior are used throughout the book to illustrate key points. These examples come from industry and trade journals as well as over thirty years of our own consulting work with a wide variety of businesses in a range of industries.

There is a separate section for each of the three performance determinants, and the organization of the three chapters in each section is similar in terms of what is covered. Section I (Chapters 2 through 4) deals with efficiency and process reliability. Section II (Chapters 5 through 7), deals with innovation and adaptation. Section III (Chapters 8 through 10), deals with human resources and relations. The first chapter in each section explains the underlying processes, describes the conditions that make the performance determinant especially important, provides examples of companies that have been successful or unsuccessful in improving the performance determinant, and introduces ways leaders can directly and indirectly influence it. The second chapter in each section describes the direct leadership behaviors that are relevant for influencing the performance determinant and includes examples of what these behaviors look like when they are done well and when they are done poorly. The third chapter in each section describes indirect forms of leadership that are relevant, such as programs, management systems, and structural arrangements. The leader's role in implementing these processes and making them successful is also discussed.

The last section of the book has two chapters to integrate the different components of the model. Chapter 11 explains how the three challenges are interrelated, the tradeoffs among them, and how their absolute and relative importance can change. We also describe other challenges that make it important for the leader to be flexible, such as the need to balance short-term and long-term objectives, stability and change, control and empowerment, and competing demands from different stakeholders. In Chapter 12 we provide guidelines on how to be flexible and adaptive in balancing the performance determinants and dealing with the other tradeoffs and competing demands. This final chapter also has examples of individuals who were successful in meeting these challenges.

Conclusions

Despite the many years of research devoted to the study of leadership, there is still a lack of consistency in how effective leadership is defined. Among the many myths associated with the subject is the belief that leaders are born not made, the belief that a single heroic individual determines the fate of an organization, the belief that leadership and management are mutually exclusive processes, and the belief that effective leadership can be easily attained with a few secret remedies. We believe that all of these myths are incorrect.

The model of flexible leadership we present in this book focuses on behavioral aspects of leadership that can be learned. Key themes are that flexible leadership is a response to continually changing situations, that leaders need to find an appropriate balance among competing demands, and that leadership must be coordinated and consistent across levels and subunits. The model is comprised of four components: organizational performance, performance determinants, situational variables, and direct and indirect forms of leadership. Effective leaders understand what must be done to facilitate performance by the organization. They use an appropriate pattern of direct and indirect leadership, and they find ways to balance competing demands and adjust to changing situations.

