



THE STRATEGIC MANAGEMENT COLLECTION

William Q. Judge, *Editor*

# Moral Leadership

*A Transformative Model  
for Tomorrow's Leaders*

**Cam Caldwell**



[www.busessexpertpress.com](http://www.busessexpertpress.com)

# Moral Leadership



BUSINESS EXPERT PRESS



# Moral Leadership

## *A Transformative Model for Tomorrow's Leaders*

Cam Caldwell



BUSINESS EXPERT PRESS



*Moral Leadership: A Transformative Model for Tomorrow's Leaders*

Copyright © Business Expert Press, 2012.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopy, recording, or any other except for brief quotations, not to exceed 400 words, without the prior permission of the publisher.

First published in 2012 by  
Business Expert Press, LLC  
222 East 46th Street, New York, NY 10017  
[www.businessexpertpress.com](http://www.businessexpertpress.com)

ISBN-13: 978-1-60649-253-6 (paperback)

ISBN-13: 978-1-60649-254-3 (e-book)

DOI 10.4128/9781606492543

Business Expert Press Strategic Management collection

Collection ISSN: 2150-9611 (print)

Collection ISSN: 2150-9646 (electronic)

Cover design by Jonathan Pennell

Interior design by Exeter Premedia Services Private Ltd.,  
Chennai, India

First edition: 2012

10 9 8 7 6 5 4 3 2 1

Printed in the United States of America.

## Abstract

Trust in leaders has reached its low point in recent years as employees, peers, and the public-at-large voice their disapproval of decisions made by those who head corporations, government, churches, and public institutions in virtually every country throughout the world. In a society that Princeton scholar David Callahan has labeled “the cheating culture,” people of every class, culture, and country yearn for leaders whom they can believe, respect, and follow.

Although the search for effective leadership may often be disappointing for many, the problems of leadership are not new and more has been written about leadership than any other management concept. Over 70 years ago Chester Barnard, President of New Jersey Bell and one of the most respected executives in America, spoke to Harvard College in a series of lectures and declared that most organizations were poorly run and that most leaders were ineffective. Barnard’s compiled remarks were formalized in the landmark business text *The Functions of the Executive*—generally acknowledged to be the most quoted business text ever written.

Over the years, other highly regarded scholars have reaffirmed the dearth of leadership skills and the failure of managers to effectively guide organizations. Nobel Prize winner Herbert Simon decried the “proverbs of administration” or the misapplied and misunderstood principles of management that passed in his day for correct leadership concepts. Simon spent much of his career focusing on helping organizations to become more effective at decision-making. More recently, Stanford’s Jeffrey Pfeffer has observed that many leaders apply “conventional wisdom” about management, which not only is the cause of business failures but that lacks empirical validation.

Following the theme of Barnard, Simon, Pfeffer, and other scholars, this book has been written to identify the need for tomorrow’s leaders to become more effective. In a world that is crying out for men and women who will honor their word, build powerful relationships, and guide their organizations in the quest to create successful and honorable organizations, this book offers useful tools and helpful insights.

Virtually every corporation, community, and country is searching for leaders to follow who will add value, improve the quality of life, and create

long-term wealth for present and future generations. The premise of this book is that leaders owe a profound set of moral duties to stakeholders—and it is in fulfilling these duties that leaders earn the commitment and trust that is key to achieving organizational success.

Today's society and tomorrow's organizations need highly moral leaders who have the courage to make tough decisions, the creativity to develop better solutions, a deep belief in the principles and values that guide their choices, and the moral intelligence to create wealth for society while doing no harm to others. Such leaders must, as Robert Quinn advocates, "care enough to risk dying for organizations that would kill them for caring." Quinn's insight confirms the reality that, although many organizations among us may still not be ready for moral leadership, we desperately need to "discover the leader within" ourselves and become the transformative leaders and role models whom others can trust.

This book presents a new model of moral leadership and incorporates current research from highly regarded experts in ethics and leadership. Its message is that leaders owe "covenantal" duties to their followers, to their organizations, and to society to revitalize a world that has suffered from leadership that has undermined the world in which we live. My hope is that this book will inspire each one of us to recognize the need to be transformative leaders and to put that understanding into action.

## Keywords

transformative leadership, ethical stewardship, trustworthiness, theory of reasoned action, covenantal leadership, transformational leadership, servant leadership, level 5 leadership, principle-centered leadership, charismatic leadership, six beliefs model

# Contents

<i>Acknowledgments</i> .....	ix
Chapter 1 An Introduction to Moral Leadership .....	1
Chapter 2 Leadership and Trust.....	23
Chapter 3 Leadership and Governance: The Obligations of Stewardship .....	47
Chapter 4 Leadership and Culture .....	65
Chapter 5 New Paradigms for the 21st Century: Why Traditional Leadership Models Fail .....	87
Chapter 6 Leadership, Goal Setting, and Performance Measurement .....	105
Chapter 7 Strategic Leadership and Competitive Advantage.....	125
Chapter 8 Leadership and Sustainability.....	139
Chapter 9 Leadership in an International Context.....	157
Chapter 10 Transformative Leadership—Discovering Your Personal Greatness .....	175
<i>Notes</i> .....	189
<i>References</i> .....	203
<i>Index</i> .....	215





# Acknowledgments

Writing a book is often a labor of love, a self-discovery, and an opportunity to raise what we subconsciously believe from the unrealized to the conscious level of our understanding. Such has been the case for the process involved in writing this book. The past five months have allowed me to go through the greatest period of personal learning that I have ever experienced.

This book is the byproduct of my relationships with other people and the insights that I have discovered in learning from them. I am convinced that those relationships bless us with “moments of insight” that allow us to see truth clearly. The learning process seems to be much like a child’s kaleidoscope. Moments of insight are much like additional pieces of glass within the kaleidoscope of our minds that, combined with other pieces, allow us to recognize amazing new patterns that can add value to our lives. So this book is really an integration of gifts from others—and those gifts are those moments of insight received from the ideas, examples, and contributions that many people have made to my life. Often, people have not realized the importance of those contributions. Upon reflection, however, I realize that I would be greatly remiss if I did not acknowledge the many who have contributed to this book.

Stephen R. Covey, my favorite instructor in my Master’s program at Brigham Young, had the most profound impact on my thinking about leadership and his value-based and principle-centered ideas have been the underlying foundation of my thinking as a practitioner, educator, and scholar. I consider Dr. Covey to be profoundly wise and caring and an exemplar of his teachings and his recent death is a great loss to those who knew him. As I begin to reach my golden years, I have sought to “find my voice” and “live life in crescendo” as Dr. Covey has encouraged. Everything that Stephen Covey taught reflects his commitment to ethical leadership and to achieving our God-given potential.

Kim Cameron, a man with whom I served as a student leader at Brigham Young University, has been someone I have admired for 50 years. Kim personifies great leadership and always has. His insights

about Positive Organizational Scholarship and his wisdom about virtuous leadership reflect his brilliant thinking. I was honored to have him serve as Chair of my Master's Committee when I earned my third Master's degree, and it was his encouragement that motivated me to pursue a PhD in Organizational Behavior.

Other brilliant scholars have also caused me to reflect and helped me to discover new truths. Moses Pava's ideas about the covenantal nature of leadership and the pursuit of new learning have made a profound impression. David Whetten's work on identity inspired me to create the Six Beliefs Model described in this book. Jim Collins' work on organizational greatness and level 5 leadership made me reexamine my assumptions about the leader's role. Jeffrey Pfeffer's *The Human Equation* and Peter Senge's *The Fifth Discipline* have taught me about the importance of trust and commitment. Robert Quinn's writings about the fundamental state of leadership and the need for leaders to act with moral courage have rung true and have profoundly influenced my thinking as well. Edgar Schein's brilliant work about organizational culture and leadership has linked those key concepts in my mind.

Several inspiring scholars are no longer with us. Sheri Bischoff, Rolf Dixon, and Pat Primeaux—three beloved colleagues—were taken by cancer. Sheri was a mentor and co-author of my first journal publication. Rolf and I worked for five years on the concept of transformative leadership that forms the foundation of this book. Pat was a co-author and constant support in his role in leading the Vincentian Business Ethics Conferences held each year. Robert Solomon's *Ethics and Excellence* and Deming's *Out of the Crisis* have also greatly influenced my thinking about the leader's duties and their profound ethical implications.

Diane Swanson of Kansas State University was a great help and co-author of the paper we wrote that introduced the concept of transformative learning contained in this book. Alex Michalos of the *Journal of Business Ethics* and Deborah Poff of the *Journal of Academic Ethics* have been great editors who have helped me to get my work on ethics and leadership published.

My thanks go to David Parker of Business Expert Press for his faith in my ability to write this book, and to the members of his staff who have helped to polish my writing and publish this book. Special thanks go to

my dear friend, Don Wright, who thoughtfully read each chapter draft and offered suggestions for improving my writing. I am also grateful to Georgia Southwestern State University for the opportunity to be granted release time to write this book. I am also grateful to Kathy Caldwell whose personal example of transformative leadership inspired me to learn more about the ethical duties that we owe to each other.

Len Jessup, Dean of the Eller College of Management at the University of Arizona, and David Sprott, Associate Dean of the Washington State University School of Business and Economics, have both been kind friends and supporters throughout my academic career. Len was Dean at Washington State University when I earned my PhD and David was a member of my dissertation committee. Both of these fine men were key in helping me to obtain my doctoral degree.

I would be profoundly remiss, however, if I did not also thank my Heavenly Father for the moments of insight with which I have been blessed as I have written this book. I have had the remarkable experience of feeling his love and guidance as I have pondered what to write, and I believe that this book contains principles of universal truth. I join with those who believe that “God is always a good God.” I have come to believe that He would have all of us strive to love one another, to create value for others and for the world in which we live, to avoid doing harm to others, and to become transformative leaders.





## CHAPTER 1

# An Introduction to Moral Leadership

Over 50 years ago, Warren Bennis observed that “more has been written and less known about leadership than any other topic in the behavioral sciences.”<sup>1</sup> Since that wise observation, Bennis has become one of the most widely read and most respected leadership scholars in the world. Although leadership continues to be a topic that is written about extensively in the public press and by respected scholars, few of those books focus on both personal self-assessment and the specific application of the principles of leadership to help readers to become great leaders. Let’s begin the task of helping you to not only understand more about leadership but also to determine how you can become more effective as a leader in the world around you.

Moral leadership is the effective achievement of shared goals by honoring duties owed to a multitude of stakeholders. Leaders who are perceived as moral earn the trust of others and are more effective in earning high commitment from followers. Nearly everyone struggles in their quest to be an effective leader, but we universally depend upon leaders as we strive to create a world that adds value to ourselves and to others. The relationship between leaders and followers is a two-way obligation that is implicitly built upon mutual trust, shared understanding, and the honoring of express and implied obligations.

Despite the acknowledged importance of leadership, the evidence from recent public surveys confirms that employees across all industries lack trust in their companies’ senior leaders, their direct managers, and their co-workers as well.<sup>2</sup> This widespread distrust is typically the result of a leader’s failure to honor duties which others feel are owed to them. Whether leaders lack competence, skill in bridging the interpersonal gap with others, or other qualities, their failure to honor perceived

commitments and duties owed destroys a leader's reputation. Such leaders are viewed as unethical, dishonest, incompetent, and not worthy of trust or the followership that is key to creating value in organizations and society.<sup>3</sup>

The highly regarded business consultant, Stephen R. Covey and his co-authors, remind us that we all seek four outcomes in our lives: (1) *To Live*—We seek a meaningful high-quality life that brings us personal joy and satisfaction; (2) *To Love*—We yearn for connection with people who bring out the best in us, who we love and who love us as well; (3) *To Learn*—We seek to know more and to discover vital answers on questions and topics that we find to be worthy of our time and effort; (4) *To Leave a Legacy*—We want to leave a mark in life and we recognize that we have a responsibility to others who will carry on after we depart.<sup>4</sup>

Although leadership is critical to achieve change, it has also been described as “the management of meaning.”<sup>5</sup> These four outcomes identified by Covey ultimately come to have great meaning to each of us in our personal lives and in our careers, and wise leaders recognize that helping others to achieve these outcomes builds high commitment and honors the covenantal obligation to assist others to become their best.

The underlying premise of this book is that each of us seeks to become an effective and successful leader, although we may not always be consciously aware of that desire. Understanding the concept of leadership, however, is often elusive. Indeed, we are sometimes unsure of what it means to be a leader or what leadership requires of us. Leadership is filled with complexity, and is decidedly an undertaking fraught with duties owed to others. Recognizing and honoring this broad array of duties that are required of leaders are difficult tasks. The reality is that most leaders underperform. They fail to recognize what is required to become a person worthy of the commitment, the respect, and the trust of others. They overlook the often unrecognized obligations that leaders owe to themselves and to others.

The approach taken in this book is to help you, the reader, in your journey to becoming a truly great leader. Throughout this book you will be asked to not only reflect on concepts that are presented herein but to personalize them in your life. You will be asked to capture your insights and discoveries in writing because great leadership requires personal

insight and self-awareness. Such leadership is rarely achieved without a high degree of self-examination, personal effort, and a willingness to transform oneself. Change only comes with work. This book requires you to invest in yourself—certainly one of the most important investments that we each make in life.

This journey to become a more complete leader will require you to define how you view yourself and your identity. You will have the opportunity to reflect on your core beliefs, your underlying assumptions that drive your actions, and the values that actually control your choices. Surprisingly, those beliefs, assumptions, and values are rarely consciously understood by most people. The failure to recognize our own values and assumptions typically creates a blind spot that impairs our ability to earn the trust of others. This book will challenge you as you undertake the learning process. You will be asked to develop a personal action plan for changing your life, realizing your potential, and discovering your greatness as a leader.

The process of personal growth will ask you to look into the mirror and confront things about yourself that you have put off, or that you deny about yourself to others. Congratulations if you have the courage to do that. Discovering yourself is necessary in becoming a better leader. Leadership begins “from the inside out.”<sup>6</sup>

## Transformative Learning

To become a better leader, you can expect that you will actually transform yourself. Becoming a great leader requires much more than learning new ideas and the vocabulary, the definitions, the theories, and the principles of leadership. This book adopts a learning model called “Transformative Learning,” which explains that change occurs at four distinct levels.<sup>7</sup>

*Cognitive Learning*—Until we understand the core concepts of a subject, it is difficult to use information effectively. The cognitive learning process is necessary but far from sufficient to becoming a better leader. As we are exposed to new ideas we add to our understanding.

*Affective Learning*—Our attitudes determine how we feel about ideas. Attitudes are a product of the experiences, insights, and hopes we have



about life, ourselves, and the world in which we live. What we cognitively believe is largely affected by how we feel.

*Intention-Based Learning*—Our intentions are sometimes subconscious and unexpressed. We struggle in acknowledging what we unconsciously intend to do because it would embarrass us to admit to ourselves or to others what our actual intentions are. Understanding what we really intend to do requires self-awareness that people are often unwilling to experience.

*Behavioral Learning*—We also learn by doing. Behavioral change requires that we integrate the cognitive, the affective, and the intention-based dimensions and take action. Until what we believe, how we feel, and what we intend to do are aligned, our behavior is unlikely to change in any meaningful way in the long term.

Effective leadership requires that we understand the underlying foundations that drive our behavior. For that reason, we begin this book with an explanation of the Transformative Learning process upon which this book is based. Becoming a better leader will require you to discover truths about yourself at all four levels of Transformative Learning. Throughout this book you will be asked to complete short assignments that address these four levels of learning. If you complete these tasks, you will find that what you learn creates a panorama of new options that will help you to discover the greatness within you. If you skip these assignments, your learning process is likely to diminish and you may lose an opportunity to achieve your potential . . . but the importance of investing in opportunities for self-improvement is a lesson you have undoubtedly learned in your life already. Perhaps the important question is, “*So . . . how will you use this book?*” The choice, of course, is yours.

The nature of learning is that it requires a conscious effort to become more self-aware. Learning is ultimately about personal choices in changing our lives, how we think, how we choose to feel, what we intend to do, and how we actually behave with regard to what we learn. Thus, this book will follow a predictable pattern.

*Presentation of Information*—Ideas and information about leadership and its accompanying elements will be presented to you. This sharing of information introduces the cognitive learning element of the book.

You will then be asked to think about and even research key ideas and complete a short writing assignment.

*Reflection and Assessment*—In an effort to assist you to discover how you feel about ideas presented, you will then be presented with an actual situation or event related to the concepts presented. You will be asked to reflect on how you feel about a conflict or dilemma that often occurs in a leadership situation. You will be asked to weigh your underlying values and your unspoken assumptions.

*Leadership Commitment*—Leadership requires choices. You will be asked periodically to write down your specific intentions and to make a commitment about what you think and feel—to translate those thoughts and desires into a personal philosophy that reflects the guidelines and principles that you would like to set for your life.

*Action Plan*—Opportunities will be presented to help you to translate your philosophy into a plan of action. How you respond in articulating and carrying out this action plan is a measure of your integrity as a leader.

Learning requires a cycle of continuous improvement. That cycle invites you to articulate what you believe about a concept (Cognitive Learning), reflect on how those beliefs fit with your values (Affective Learning), decide how you wish to apply the concept in your life (Intention-based Learning), and implement a measurable plan of action for actually changing your behavior (Behavioral Learning).

The process outlined in this book is not intended for those who simply want to learn a few ideas about leadership. Instead, this book is action oriented and seeks to help you to transform your life and to discover your inner greatness. Stephen R. Covey has written that leadership is about “communicating to people their worth and potential so clearly that they come to see it in themselves.”<sup>8</sup> This book is written to help you to more fully appreciate your potential and to achieve the greatness that lies within you.

## Defining Leadership and Laying the Foundation

Leadership and moral behavior are much like the two sides of the same coin. Covey noted that leadership required both competence

and character.<sup>9</sup> Competence involves a range of technical abilities, knowledge, skills, and the integrative capacity to apply that combination of qualities in achieving a desired goal. Character is largely about recognizing, understanding, and honoring duties owed to others and requires the ability to discern the leader's responsibility to others within an organization, a community, and society. Implicit in the role of every leader is an absolute set of obligations, duties, and responsibilities that are rarely understood and often overlooked. Leaders who are widely respected are becoming increasingly unusual in a world where personal shortcomings and imperfections are fodder for the nightly news. Let's begin a pattern that will be constantly repeated throughout this book by asking you to take a few minutes to define a few often used terms and answer a couple of relatively simple questions. Take no more than five minutes to begin your learning process by addressing the following definitions and questions.

### What Do You Think?

1. **How do YOU define leadership?** (What do leaders do that make them unique?) \_\_\_\_\_  
\_\_\_\_\_
2. **Every year Gallup polls Americans and asks them who they admire most. Who is on your list?**  
\_\_\_\_\_
3. **Why do you admire each of these particular leaders?** \_\_\_\_\_  
\_\_\_\_\_
4. **What have you learned so far?** \_\_\_\_\_

Before we proceed further, let's now ask you to get serious about your quest. The following is a list of definitions of leadership provided by several different experts. Please review these definitions and think about each one. Then, in the space below please write down a working definition of leadership that you think integrates the key elements of the term.

Leadership is

- . . . . . the exercise of influence in a group context.<sup>10</sup>
- . . . . . the ability to persuade people to do what they don't want to do, or what they are too lazy to do, and like it.<sup>11</sup>
- . . . . . behavior that emphasizes cooperation over competition, intuition as well as rational thinking in problem solving, team structures where power and influence are shared within the group.<sup>12</sup>
- . . . . . the capacity to translate vision into reality.<sup>13</sup>
- . . . . . the ability to inspire others to dream more, learn more, do more, and become more.<sup>14</sup>
- . . . . . “power with” rather than “power over” others.<sup>15</sup>
- . . . . . leaders are those who empower others.<sup>16</sup>
- . . . . . the growth and development of others is the highest calling of leadership.<sup>17</sup>

### What is Your Working Definition of Leadership?

---



---

As you reflect on what you have learned so far, you may discover that you disagree somewhat with what others have written. Congratulations! Part of the Transformative Learning process is to recognize that the so-called “experts” don't agree. Obviously, they can't all be correct! Recognizing that so-called “experts” may not always be correct is a key to help you to consciously recognize that human perception is a powerful part of understanding what constitutes leadership. There is a great diversity as to what leadership is all about. Later, we will address that fact in much more detail. For now, simply note that extensive variation exists about what it means to be a leader. What's most important is to recognize that you now have a working definition that you can use, polish, build on, and continue to modify as you think about your journey to becoming an ethical leader.

In addition, please recognize that the learning process requires you to actually unlearn many ideas that you used to believe were correct. Management scholar Jeffrey Pfeffer emphasizes that “conventional wisdom” about people and organizations is often a root cause of organizational failure!<sup>18</sup> A growing number of well-regarded scholars have recognized that many widely accepted management ideas are actually incorrect. In addition, experts of learning theory remind us that we often need to achieve a learning threshold to be able to understand ideas correctly and to prepare to learn more. Albert Einstein observed that “(t)he significant problems we face cannot be resolved at the level we were at when we created them.”<sup>19</sup> Einstein’s reminder helps us to be willing to think about problems in new ways in the pursuit of better solutions.

### Common Ideas about Leadership

Leadership has been viewed from many perspectives as experts have attempted to understand how people lead effectively. A frequent attempt is made to describe leadership in terms of the traits of those who lead. An exhaustive study of thousands of respondents over many years found that, overwhelmingly, the most frequent trait that people indicated that they look for in leaders is honesty.<sup>20</sup> Unfortunately, daily we see evidence that leaders in government as well as business are not only perceived as untrustworthy but lacking in moral courage.

Although a desire to lead was identified as a critical leadership trait in a prominent article written 20 years ago, simply wanting to lead is not enough. Leaders must also possess the interpersonal skills and situational awareness to know how to deal effectively with others. That “social intelligence” is a sophisticated combination of four qualities:<sup>21</sup>

- (1) The awareness of one’s values, strengths, and weaknesses that make up a personal identity;
- (2) The self-control and skill required to monitor one’s response to specific situations;
- (3) The ability to understand others and to recognize their needs that apply in a specific context;
- (4) The skill to respond appropriately and strategically to achieve desired goals that add value.

Responsiveness to others, technical knowledge associated with a business, and persistence also have been frequently described as key leadership traits. Experts in leadership acknowledge that possessing a combination of these four traits is necessary, but far from sufficient.

Leadership behavior, or what leaders actually do, has also been cited as critical for successful leaders. In their study of leadership practices, James Kouzes and Barry Posner identified five practices that they identified as both universal to effective leaders and essential for organizational success.<sup>22</sup> Leaders *Challenge the Process*. They have the courage to question the status quo and rock the boat, although they are wise in how they choose the appropriate time to push for change. Leaders *Inspire a Shared Vision*. They have a clear insight about what is needed to achieve desired result and communicate that vision in a way that captures the imagination of others. Leaders *Model the Way*. They are great personal examples of what they believe and they help others to become effective by developing within others the skills to succeed. Leaders *Encourage the Heart*. They create relationships that demonstrate to others that they have great value, and they inspire within others the ability to reach deeply within to discover their inner capabilities. Finally, leaders *Enable Others to Act*. They understand problems, remove barriers, provide resources, and create aligned organizational policies and systems that help people to accomplish what needs to be done.

These leadership behaviors help leaders to demonstrate that they “get it” with regard to the needs of people and organizations. Warren Bennis and Bert Nanus noted that in accomplishing desired goals leaders focus on leading people to create transformative change, rather than simply managing the tasks of an organization.<sup>23</sup> Leaders focus on effectiveness, in addition to efficiency.

As you examine yourself as a leader, take just five minutes to write down your strengths and weaknesses and your best traits and practices, as well as those that you would like to improve. (Because your assessment is a subjective and personal self-evaluation, please note that I have asked you to respond in the affective domain.)

Throughout this book you will have the opportunity to revisit the notion that leaders possess key traits and demonstrate specific behaviors

## How Do You Feel?

1. **Now that you have read a little more about leadership traits and practices, how do you think others would describe you as a leader? What leadership traits do you think you possess?**

---



---



---

2. **Of these five leadership practices just described by Kouzes and Posner, which of them are you best at?** \_\_\_\_\_

---

3. **In which of these areas would you like to personally improve as a leader and learn more?**

---

related to these simple ideas presented so far. Right now, let's just acknowledge that your personal quest to become a better leader has just entered a new phase. What you have written so far is just the beginning, but it is a place to start and a point from which you can look back and recognize that you have evolved in your thinking. (You may wish to share your thoughts about your leadership qualities with a friend to ask her/him about how (s)he evaluates you as a leader to obtain an additional point of view.)

## A Framework for Understanding Your Values

Since the evidence informs us that a leader's integrity is considered to be essential for a leader to be perceived as credible, anyone who would want to be thought of as a leader must understand what it means for a leader to be considered to be ethical. Realistically, the problem with the nature of ethics is that we all assume that we are ethical.

Each person's self-perceptions reflect the reality that our ethical viewpoint reflects how we each view six key factors that frame virtually every individual's point of view. The framework that determines how you view both your ethical perspective and your individual values is known as the Six Beliefs Model.<sup>24</sup> The six factors that make up this Six Beliefs Model include

(1) *Beliefs about Self*—One’s personal experiences, self-esteem, strengths and weaknesses, hopes and dreams, and perceptions about one’s roles make up the central, enduring, and distinctive elements of one’s identity; (2) *Beliefs about Others*—Perceptions about duties owed to and from others, one’s place in organizations and society, and the significant people in one’s life are essential to this belief set; (3) *Beliefs about the Divine*—One’s religious or spiritual commitment, faith, world view, and beliefs about the nature of God, and the standards expected by the Divine are encompassed in this belief; (4) *Beliefs about the Past*—The significant events of one’s life, one’s history, and one’s perceptions about the legacy left by others frame this important set of beliefs; (5) *Beliefs about Current Reality*—One’s perceptions about the present, choices made about causation, and the priorities to which one gives attention are key elements in defining reality; (6) *Beliefs about the Future*—Goals established, hopes and dreams envisioned, and fears about what the future might bring are all encompassed within this belief set.

This Six Beliefs Model can be used as a matrix for self-discovery, self-improvement, and coming to terms with key issues, values, roles, and relationships that influence one’s personal choices.<sup>25</sup> Your willingness to ponder and then articulate how you feel about the key elements of your life takes personal integrity, courage, and a desire to become a healthier and more complete individual. It is far easier to avoid confronting one’s feelings and experiences and engaging in self-denial and self-deception. Individuals who have the courage to use the Six Beliefs Model to discover more about themselves acknowledge that their efforts to utilize this model can create thresholds of learning, new insights, and greater long-term contentment. Throughout this book you will be asked to use this model to examine a variety of topics as you learn about the complex nature of ethical leadership.

To explain to you how to use this Six Beliefs Model as a personal self-discovery tool, please quickly review how this framework can be used to document a specific topic or issue that is important to you. I have provided you with an example for you to look at about an issue that is important to me. Take a look at the two examples that I have provided below and then take about five minutes and fill in your own boxes. Feel free to choose one of the three topics that I have suggested or a different topic that is important to you. This exercise is intended to familiarize you with using this simple matrix, and to discover how this tool can be helpful to you.



Topic	Self	Others	The divine	The past	Current reality	The future
Key Strength (Writing)	I have found that writing down my ideas helps me to discover what I know. Making the effort to write down ideas seems to help me to clarify my thinking and helps me discover how I feel.	I enjoy sharing ideas with others and have worked hard to develop my writing skills in order to express my thoughts. Writing has been key to me as a student, as a management practitioner, and as an academic.	Because writing helps me to get clear about how I think and feel, I have discovered that capturing my thoughts and feelings in written form brings me closer to God. I use my writing to also share ideas with others in honoring my obligation to serve others. Virtually everything I write has an underlying moral message that reflects my feelings about Man's divine nature and potential.	I discovered that the ability to write was a skill that I took for granted. I learned that I could improve my writing ability and have sought to do that in order to have a greater influence on others and honor duties that I have felt that I owed them.	Writing this book has been a personal challenge and an adventure. This is my first attempt to write a book, although I have written nearly 50 academic articles about topics closely related to leadership and ethics.	I have set a personal goal of writing 100 articles about leadership and ethics. Writing those articles will help me to discover new insights that I can then share with students. Great writing requires research. I love the learning process and I learn when I write.
Favorite Avocation (Golf)	Playing good golf is a challenge about self-discipline and the ability to manage pressure.	I enjoy playing golf with others and love the social aspect of the game. I also love competing, but I am realistic about my skill levels.	Often as I play golf I think about my goals in life and the duties that I owe to others. Playing golf by myself is something I enjoy almost as much as playing with others because of the opportunity to reflect.	I began caddying for others as a 13-year-old boy. I fell in love with the game. I enjoy being outside and find that a golf course is always a beautiful place.	I occasionally shoot in the 70s, which is always a thrill. Like most golfers, my short game (i.e., chipping and putting) is most difficult.	I plan to take good care of my body so that I can continue to play golf for many years. I plan to play about 100 nine-hole rounds of golf per year for the next decade.

These examples should give you an idea of how you can use this framework in capturing your thoughts and ideas about topics that are part of your life. Take a few minutes and use the space below to write about any of the topics from the list below. Later, you will have the opportunity to use this Six Beliefs Model to write in more depth about other topics.

Topic	Self	Others	The divine	The past	Current reality	The future

**Possible topics:** Your biggest strength, your biggest weakness, a favorite avocation or activity. (Choose one of those topics but feel free to also choose an alternative topic that you think is more important for you!)

The space is limited within each of these boxes and you may find that you are actually excited about writing much more about your chosen topic for one or more of these Six Belief components. Please do that. Capture in writing what you think and feel about each of these six beliefs because this process of taking ideas from the subconscious to the conscious level will help you to understand yourself more completely.

## Ethics, Morality, and Values

Ethics, morality, and values are intertwined. Our assumptions about justice, fairness, and the ground rules for life cannot be separated from our ethical perspectives and the values that are most important to us. It is important here to distinguish ethics from morality, although the terms are often used interchangeably.

There are a multitude of ethical perspectives, each of which may be philosophically based upon a defensible set of logical premises. For example, it is widely understood that there are 14 distinguishable ethical perspectives in business ethics alone.<sup>26</sup> The highly regarded University of Michigan scholar, LaRue Hosmer, frequently cites ten separate ethical perspectives in papers that he has written.<sup>27</sup>

Morality is about a universally acknowledged set of duties that transcend cultures and that do not vary. Moral leadership pursues the creation of value and long-term wealth and honors stewardship responsibilities owed to all stakeholders. Throughout this book the focus of leadership will be on this honoring of duties that is part of the moral covenant that leaders make when they accept the responsibility to govern. This stewardship responsibility puts “service over self-interest” in honoring the obligations owed by organizations to stakeholders and to society.<sup>28</sup>

We will revisit each of these constructs throughout this book, but simply note that your ethical lens incorporates all of your values and is derived from your Six Beliefs Model. In general we think we know what we value most. However, the esteemed psychologist Milton Rokeach has suggested that our values are often much more subtle and complex than we consciously perceive.<sup>29</sup>

Rokeach developed a list of terminal values that he asked people to rank, and this next assignment is to take three minutes and determine which of these values make up your “top five.” Take a look at the list that is presented in alphabetical order here, and from that list identify your top five values in the space below.

### Rokeach Value Survey

A comfortable life	An exciting life	Equality for all	Family security
Freedom	Health	Inner harmony	Mature love
National security	Pleasure	Salvation	Self-respect
Sense of accomplishment	Social recognition	True friendship	Wisdom
World peace	World of beauty		

#### Your Top Five

Most Important: \_\_\_\_\_

Second: \_\_\_\_\_

Third: \_\_\_\_\_

Fourth: \_\_\_\_\_

Fifth: \_\_\_\_\_

I will always remember the surprise I felt when I first completed this exercise and discovered my “top five” values. Perhaps you have just had a similar experience. In the alternative, this exercise may have simply confirmed to you what you were already clear about. (Note that the values that are on this list are your claimed or “espoused values” and may actually differ from those values that others perceive you to be living in your life.<sup>30</sup>)

In either case, please take a few minutes and reflect on two perspectives of these values. Which of your values are primarily *instrumental* or outcome-oriented? Which are *normative* or primarily based upon more abstract values? How much of the instrumental and the normative overlap for your values?

Ethics has its roots in both normative and instrumental values. Based upon what you know at this point, please take just a minute and write down what you think makes up your ethical philosophy below. (An ethical philosophy encompasses the duties that you think you owe yourself, others, society, and God and is a touchstone by which you may wish to evaluate your personal choices. Note that you may never have actually written down your ethical philosophy, and this exercise may enlighten you a great deal.)

My ethical philosophy is \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### More about Moral Leadership

Seldom are our values really identical with those of others—even within the same organization, family, church, or community. We see the world through our own unique mediating lens, derived from our individually complex Six Beliefs Models. Because our combination of experiences is personal and unique, those experiences affect us in ways that are bound to produce subtle or severe differences in priorities, values, and ethical preferences.

In distinguishing ethics from morality, Hosmer noted a variety of well-accepted ethical perspectives that he identified. Each has a philosophical basis that calls out a different set of “answers” about what constitutes ethical behavior.<sup>31</sup> For example, leaders may base their ethical perspective on relationships, treating people fairly, following the law, maximizing a positive outcome, or achieving a desired set of virtues or personal qualities.

Please reflect for a minute or two about leader-related ethical perspectives and answer the questions that follow. (If you would like to read more about the various perspectives, please go to pages 396 and 397 of the article cited by LaRue Hosmer in the footnote provided.)

1. Which of these ethical perspectives *best applies* to your perceptions about the duties of a leader? \_\_\_\_\_  
\_\_\_\_\_
2. Do several of these perspectives, or even all of them, apply to a leader? \_\_\_\_\_  
\_\_\_\_\_
3. Which of these ethical perspectives is most important to you in someone you would want to follow in an organization? \_\_\_\_\_  
\_\_\_\_\_
4. As you reflect on what you want to become, which of these ethical perspectives would you like to develop that may not be as strong as you would like it to be? \_\_\_\_\_  
\_\_\_\_\_
5. What have you learned, confirmed, or discovered about leadership and ethics so far? \_\_\_\_\_  
\_\_\_\_\_

Scholars affirm that ethics refers to any of a multitude of philosophical perspectives about duties, relationships, principles, and beliefs associated with human behavior. Morality, on the other hand, applies to those universal principles and standards that are accepted as right and wrong in human relationships. By this definition, there are relatively few

overriding moral principles—simply because there are so many diverse cultures and points of view.

### Universal Principles

Can you think of what you consider to be “universal” principles or standards? Take just a moment to write down what those standards or principles might include.

---



---



---

We will revisit the concepts of ethics and morality throughout this book, but the important point right now is to simply distinguish ethics and morality. The key dilemma in recognizing that there are so many ethical perspectives is that we must also acknowledge that those many differences make it so difficult for us to agree on what it means to be ethical. Thus, leaders who want to be perceived as ethical have the difficult task of trying to meet multiple sets of standards, or risk being perceived as unworthy of being trusted and followed. In the appendix is a reading list that includes sources that you may consult for additional research about each of these ethical perspectives.

The American psychologist Lawrence Kohlberg attempted to describe morality in terms of six stages with three levels of moral development and each level containing two separate stages. Kohlberg offered a framework in which he described these stages to provide a simple but helpful tool for understanding morality and moral choices. Kohlberg proposed that moral development progressed from stage to stage and reflected the motivating factors that governed individual choices.<sup>32</sup> His six stages are briefly explained as follows.

The first level of moral development was called the Pre-conventional Level. In this first level people begin at Stage One, which Kohlberg labeled *Obedience and Punishment Orientation*. In this stage people act to avoid punishment or pain. This level also contained Stage Two, which Kohlberg called a *Self-Interest Orientation*. In this second stage, people act in pursuit of a personal gain or benefit.

The second level of moral development Kohlberg called the Conventional Level. The first stage of moral development at this level is *Interpersonal Accord and Conformity*. People are motivated at this stage to want to look good to others, especially to their friends or colleagues. The second stage of moral development in the Conventional Level is *Authority and Social-Order Maintaining Orientation*. In this stage people obey the laws of society and view those laws as defining what constitutes moral conduct.

The third level of moral development Kohlberg called the Post-conventional Level. The first stage of this third and highest level of moral development is *Social Contract Orientation*. Kohlberg indicated that those who adopted this stage of moral conduct sought to follow the rules of their church, religion, or organization. The final and the highest stage of moral conduct was called *Universal Ethical Principles*. In this stage people follow their inner conscience to pursue what they believe to be morally correct, based upon universal truths. Kohlberg suggested that the highest level of moral conduct required us to closely follow this ideal of universal ethical principles. Throughout this book we will refer back to Kohlberg's framework.

### Reflecting on Kohlberg

As you think about your daily actions and Kohlberg's framework, how do you equate that model with your choices? Take a minute to write down how Kohlberg's framework applies to your own choices.

---



---



---

### Applying the Theory

So far, you have had the opportunity to reflect on a number of important ideas associated with leadership, ethics, and yourself. The goal of this

book is to assist you in discovering more about yourself so that you can transform your capability to influence others in a positive way. To help you to reflect on and apply what you have learned so far, the following is an actual scenario that a friend of mine recently faced that may give you the opportunity to appreciate the real world problems that leaders face.

John B. is the Human Resource Manager of a small manufacturing plant in a struggling community in one of the southern states. His plant has been facing many of the same pressures of other American manufacturers. Recently, one of his employees came to him and said, “John, I have an opportunity to buy a house in town. I want to make sure my job is secure.”

John knows that the plant will not only have to downsize, but is concerned that this employee may actually lose her job as part of the next reduction in force. However, John knows that if the word about a possible downsizing occurs the value of the firm’s stock will drop and many of the best employees will leave for other jobs.

What is John’s obligation? To whom does he owe duties as a leader? Please write your response below.

---



---



---

John’s problem is real and complex. He owes obligations to many stakeholders as a leader in his organization. Unfortunately, those obligations are often in conflict. What is in John’s best interests, and in the best interests of his company—both long term and short term? Is there a possible conflict here? How would you counsel John?

---



---



---



---



---



## Using this Book

Although the chapters in this book have been laid out in a logical way to provide a foundation for understanding leadership and its ethical components, you may choose to read any of the chapters in the order that most appeals to your specific interests. Each chapter addresses an important element of the leader's role in achieving excellence, in honoring duties, in building commitment, and in becoming a more complete and healthy individual. Every chapter utilizes the Transformative Learning model to challenge you to think about key concepts, learn more about their potential impacts, recognize how those concepts are translated into behavioral choices, and decide how to incorporate those choices into your own life. It is in deciding how to make the difficult choices of leadership that this book can help you to make better decisions. In the last analysis, becoming a more effective leader will enable you to achieve your personal goals and create greater value for yourself and for others to whom you owe duties.

This first, introductory chapter has established the foundation for your learning process, introduced the Transformative Learning model, identified key characteristics of leadership, and provided a framework for understanding ethical and moral behavior. You may wish to periodically revisit this chapter and your perceptions about yourself as you reflect on this chapter and its contents.

Chapter 2 focuses on the importance of trust as the essential glue that holds organizations together and that creates long-term wealth. The characteristics of high performance work systems are also described and evidence is presented to demonstrate why organizational systems need to be aligned if leaders are to build trust.

Chapter 3 explains the governance process and describes five theories of organizational governance that apply to today's management environment. Ethical stewardship is introduced as a leadership and governance concept and its six elements are introduced and explained. Ten barriers are identified that limit the effectiveness of organizational leaders in governing.

Chapter 4 identifies the key elements that are part of creating an effective organizational culture and explains the leader's role in creating a culture that reinforces organizational values and priorities. This chapter also

explains the importance of building a culture that promotes creativity and encourages team members to be innovative.

Chapter 5 identifies seven new paradigms or models for rethinking about the leader's role. In addition, this chapter explains why conventional thinking about management and leadership is ineffective. Chapter 5 also enumerates six myths about organizational leadership that actually impair the ability of leaders to be effective.

Chapter 6 explains the importance of goal setting in ethical leadership and integrates the critical relationship between normative values and instrumental goals in achieving an organization's mission. This chapter also addresses problems with measurement systems used by organizations and explains why performance appraisal needs to focus on a performance coaching approach to build trust and commitment.

Chapter 7 clarifies the nature of strategic leadership and strategic competitive advantage and explains how organizations can achieve excellence to sustain long-term wealth creation. This chapter also identifies why the process of continuous improvement is absolutely essential for great leaders and for successful organizations.

Chapter 8 explains the nature of sustainability as a leadership obligation in a world that has been short term in its focus. The nature of the Triple Bottom Line approach to evaluating organizational effectiveness is explained, and the limitations of that approach are also identified.

Chapter 9 describes the nature of leadership within a global context and explains how leadership dimensions must be contextually responsive in order to optimize the achievement of organizational objectives across international cultures. The dimensions of culture are explained within the context of the leader's roles.

Chapter 10 identifies a leadership model called Transformative Leadership as a new paradigm for the 21st-century leader. This ethical model of leadership is presented as a resource to help individuals and organizations to optimize their ability to compete effectively in tomorrow's highly competitive global economy while honoring duties owed to stakeholders.

Along the way, each chapter will enable you to reevaluate how you think about leadership, ethics, and your personal goals. As I noted to you earlier in this chapter, Albert Einstein is famous for the insightful

observation, “The significant problems we face cannot be resolved at the level of thinking that we were at when we created them.” So it is with you and your quest to become an ethical leader. Each one of us must be willing to reinvent ourselves as we strive to serve others and to become our best.

### Self-Assessment

Please take just a moment to reflect on what you have read so far and answer the questions in the spaces provided below.

- 1. What have you learned? What do you now think that you may not have thought before you picked up this book?**

---

---

---

- 2. What ideas appeal to you? From your initial impressions, where do you want to focus in your quest to become a more effective leader?**

---

---

- 3. What are your goals for reading this book? What approach do you intend to use?**

---

---

- 4. Are there other people that you would like to involve in the process to improve your ability to become a more effective leader as you read and apply the ideas in this book? If so, who will you involve and how do you think that they can help you?**

---

---

---

## CHAPTER 2

# Leadership and Trust

Leaders create relationships with others based upon a foundation of mutual trust and respect. Trust has frequently been described as the “glue” that holds organizations together. The purpose of this chapter is to explain the nature of trust and how leaders earn the trust of others. Understanding trust, trustworthiness, and the importance of high trust and high performance work systems can enable leaders to create more successful relationships and more effective organizations.

High trust in relationships reduces the likelihood of poor performance and the need to constantly monitor others.<sup>1</sup> When trust is low, people withhold commitment and engage in self-protective behaviors that impede the achievement of organizational goals.<sup>2</sup> Leaders rely on the trust and cooperation of their organization members to achieve goals. When employees believe that their leaders can be trusted they are more likely to be fully committed to giving their best efforts in the pursuit of those goals. Thus, high trust and commitment are key derivatives of effective leadership and leaders who are perceived as worthy of that trust play a key role in enabling their organizations to achieve a competitive advantage.<sup>3</sup>

Although much has been written about the nature of trust, there continues to be an ongoing disagreement about the exact nature of this important concept. Even highly regarded “experts” disagree about the precise nature of trust and fail to properly distinguish trust from trustworthiness.<sup>4</sup> Often trust and trustworthiness are used interchangeably, and academic and practitioner publications frequently disagree on what the terms mean or how trust is achieved. There is agreement, however, about the importance of trust in relationships—even if the argument persists about its exact nature. As Judge has wisely observed, “nothing happens without organizational trust.”<sup>5</sup>

As a potential leader, it is important for you to develop a working knowledge of trust and how it can be achieved. Please take a minute to write down how you define trust and trustworthiness, based upon your own personal experiences, and describe how you think the two terms differ.

**Your definition of *trust*** \_\_\_\_\_

\_\_\_\_\_

**Your definition of *trustworthiness*** \_\_\_\_\_

**How do YOU distinguish the two terms?** \_\_\_\_\_

Although there has been an ongoing lack of consensus about the precise nature of trust, there is clear agreement that one person trusts another because that other party is perceived as trustworthy. Similarly, we are reluctant to trust someone else if the likelihood of that trust being reciprocated is low.<sup>6</sup> A major focus of this chapter is to clarify the definition of trust and to provide you with the tools to become a more trustworthy leader.

Both trust and trustworthiness are associated with the willingness to risk.<sup>7</sup> This willingness varies widely among people of different backgrounds, cultures, and personality types. The “propensity to trust” is considered to be an individual willingness or likelihood of trusting.<sup>8</sup> The comfort level in dealing with uncertainty and with taking action with incomplete information can be a barrier that impedes the development of trust. The reality about decision making in the modern organization, however, is that information is often imperfect and many decisions must be made without many key facts. For that reason, leaders who are able to gain the trust and confidence of others are able to increase collaboration and cooperation and reduce the withholding of commitment caused by low trust.

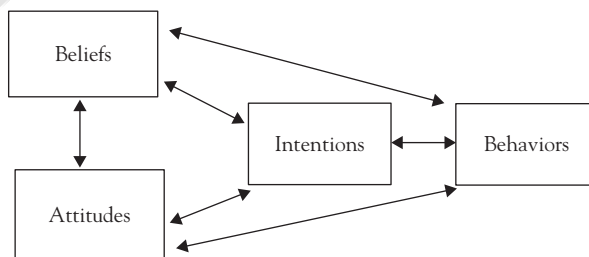
Our need to “control” the situations we face and to feel safe in relationships is often a defining dimension that affects our relationships with others. In relationships we depend upon the actions of others.

Entrepreneurs who have a huge investment in the success of their new venture often find it difficult to “let go of the reins” and delegate to others. Similarly, new supervisors have been frequently accused of micromanaging those with whom they work. Often, leaders are unwilling to delegate because they think that others with whom they work don’t have the ability to do as good a job as they can do themselves.

Each of these choices in withholding trust reflects the fear that giving others the responsibility to perform a task will result in an unsatisfactory result with associated costs that one cannot afford. That fear that others might fail and that unwillingness to risk reflect low levels of trust. The willingness to trust others is essential if organizations are to grow and if leaders are to be effective.<sup>9</sup>

A helpful framework for understanding trust and for recognizing its key elements was developed by Fishbein and Ajzen and is known as the Theory of Reasoned Action. Because understanding trust is so vital for leaders, this framework bears careful study. Figure 2.1, provided below, is a simple portrayal of the Theory of Reasoned Action and the framework for understanding trust that it provides.<sup>10</sup>

In this figure Beliefs represent our thinking process in collecting, sorting, and evaluating information at the cognitive level. What we believe about a person, an organization, or some other object is a function of what we rationally understand. That understanding is informed in a variety of ways, including our personal experiences. But at the conscious level we have the opportunity to sort through information and assess its consistency in developing a cognitive opinion.



**Figure 2.1. Theory of Reasoned Action.**

Attitudes reflect our feelings or intuition at the emotional or affective level about people, information, and situations.<sup>11</sup> It is well established that our sense making process is often heavily dependent upon our feelings about a person or a situation at this affective level. This sense making process often involves making an intuitive assessment, often at the unconscious level, and then explaining or rationalizing those feelings at the rational or cognitive level.<sup>12</sup> As noted by the arrows in Figure 2.1, our attitudes interact with our beliefs constantly. Our beliefs and attitudes are highly correlated about many ideas at the conscious level, but we are sometimes incongruent at the subconscious level.<sup>13</sup>

Intentions include our expressed desire or commitment to take action in a situation that requires an action or response.<sup>14</sup> Although our intentions may often be well meaning, we frequently recognize that we fail to accomplish what we articulate as what we intend to do. Our goals, both spoken and unspoken, reflect this commitment. The dissonance, or conflict between our intentions and our behavior, is common for virtually everyone but this dissonance is often difficult for us to consciously acknowledge.<sup>15</sup> The conflict between what we say we intend to do and how we perform is often a source of distrust within organizations and between individuals.<sup>16</sup>

Behaviors, however, are the actual actions or choices that we make. These behaviors reflect the degree of effort and commitment that we put into accomplishing a specific task and reflect how we think and feel about the context of a situation. In examining the correlation between what we say we intend to do and how we actually behave, Edgar Schein observed that our unspoken feelings and assumptions about reality actually correlate with how we behave.<sup>17</sup> As with our beliefs, attitudes, and intentions, our behaviors are heavily influenced by what we believe at the subconscious and unconscious levels.

The arrows in the figure indicate that our behaviors, intentions, beliefs, and attitudes are constantly interactive and mutually dependent. Social intelligence includes the ability to be self-aware and to understand ourselves more completely.<sup>18</sup> Our ability and our willingness to explore the incongruities between our behaviors and our actions enable us to become healthier individuals.<sup>19</sup> It is a common human experience to

recognize that our behaviors are not consistent with our ideals. Often we prefer to carefully avoid acknowledging the conflict between two conflicting beliefs.<sup>20</sup> This holding of two conflicting ideas without acknowledging that conflict is at the heart of self-deception.<sup>21</sup>

This Theory of Reasoned Action explains that our actions or behaviors are a result of what we believe or think, how we feel, and what we intend to do. What we think and how we feel are sometimes consciously understood but they are also often subconscious or even unconscious perceptions about others and the world around us. Similarly, our intentions are often articulated as our attempts to present ourselves in the best possible light but may actually be weakly supported by underlying assumptions. We may not acknowledge or admit to others—or to ourselves—those assumptions and we may not be fully aware that we have underlying conflicted feelings about a choice of action. In relationships, trust is ultimately measured by our behavior—a point that is rarely acknowledged and even fiercely debated in the scholarly literature.<sup>22</sup>

## The Trust Relationship in Leadership

It is well established that leadership is a relationship based upon the faith and confidence that another person is committed to one's best interests. Leaders earn the trust of others by demonstrating that they will work in the interests of those whom they lead and serve. For each of us we depend upon others and rely on the genuineness and congruence of their actions in establishing meaningful relationships. This confidence or assurance that another person has our interests in mind and can be counted on to do that which is in our best interests is at the heart of leadership and interpersonal trust.<sup>23</sup>

Earning the trust of others requires that we act in the interests of those other people so that they can be confident of our desire to promote their welfare. The relationship of trust has often been described as a “covenantal” obligation between two parties that has implications that rise to the level of a sacred responsibility.<sup>24</sup> When people think of the leadership relationship, they view great leaders in terms of their ability to inspire great confidence, hope, and commitment.



## Confidence and Trust

Please take a few minutes to identify why confidence in a leader is so important in creating a relationship of high trust.

---



---



---

Can you think of personal experiences in your own life in which you had high confidence and trust in another person? How important was your confidence in that person in your relationship?

---



---



---

As you reflect on your personal desire to be thought of as a leader, what personal traits do you have that would cause others to be more or less confident about you?

---



---



---

## Trust and the Commitment—Compliance Continuum

Trust is best measured on a continuum.<sup>25</sup> The degree of trust behavior reflects the confidence that we have in another party, as well as our willingness to risk. Peter Senge suggested that this continuum of compliance and commitment helps to clarify the nature of trust in relationships.<sup>26</sup> That continuum is represented in the table provided below.<sup>27</sup>

The degree or level of trust is reflected by the extent to which one party responds in meeting the needs of the other party. Compliance and personal commitment are actions that benefit the other party and the organization's efforts to achieve shared goals. Organizational citizenship behavior, the extra-role behavior that demonstrates an individual's highest level of personal commitment, is behavior that corresponds with the highest level of trust. In performing at this highest level, an individual

**Table 2.1. Levels of Commitment/Compliance and Application to Trust**

Level	Application to trust
<b>Noncompliant</b> —Does not see the benefits of an expected behavior and does not do what is expected.	Noncompliance occurs because the individual does not trust the other party. Behaviors that coincide with organizational expectations may be coincidental, intermittent, or situational. Reluctant compliance may occur when a leader or supervisor is present.
<b>Grudging compliance</b> —Does not see the benefits of an expected behavior but complies because of a sense of obligation or duty.	Compliance reflects a conditional willingness to relinquish control, and only to a degree required to avoid the termination of the relationship. Trust is minimal and is combined with distrust with the likely creation of transaction costs.
<b>Formal Compliance</b> —Recognizes the benefits of an expected behavior. Does what is expected but no more.	Compliance is based upon an express or implied arms-length social contract that exists in an exchange relationship that is typically in writing and enforced through transaction costs. Trust and distrust both coexist.
<b>Genuine Compliance</b> —Recognizes the benefits of an expected behavior. Does what is expected and more.	Compliance is present but commitment is intermittent. Level of trust reflects willingness and support, but bounds exist with regard to the degree of personal responsibility included in one's role—with ownership viewed as primarily the responsibility of management. Some distrust may still be present but is typically latent.
<b>Enrollment</b> —Wants to perform expected behaviors and does so with a workmanlike effort. Supports goals but at a lower level than full ownership.	Compliance reflects buy-in but below full commitment. Willingness to participate actively is present, but limits exist with regard to the degree of personal ownership. The degree of trust is relatively high with a shared sense of ownership reflecting partial commitment. Distrust, if present, is reflected only by minor transaction cost assurances.
<b>Commitment</b> —Seeks to perform beyond the expected level and looks for ways to increase effectiveness. Will do whatever is necessary to achieve desired outcomes. Not only enrolled but feels personally responsible for achieving desired outcomes.	Commitment level includes organizational citizenship behavior characterized by full ownership of outcomes, extra-role behavior, and extra mile support. Trust is high and distrust is not evident. No additional transaction costs are incurred.

Source: Caldwell and Hansen, 2010.

demonstrates the commitment to go beyond what is normally expected—acting as an “owner and partner” in pursuing the best possible organizational outcomes. The commitment demonstrated by this citizenship behavior is widely acknowledged to be a key element in achieving organizational profitability and creating wealth. This extra-role behavior reflects trust in the leader and a commitment to the organization and is a key to creating wealth and competitive advantage.

My colleagues and I have defined trust as “*the relinquishing of personal control in the expectant hope that the other party will honor the duties of a social contract.*”<sup>28</sup> This definition of trust contains eight specific elements. *Relinquishing*—Trust is not an intention to act or a willingness to act. Relinquishing encompasses an action, an entire yielding without holding back. *Personal control*—One gives up a right, a choice, or a power to choose and follows a path that one might not have chosen. There is no partial commitment withheld if the personal control is complete. *Expectant*—The nature of the relationship implies a duality and an assumption about the relationship based upon a perceived set of mutual obligations. *Hope*—There are no guarantees. The hope clearly acknowledges both a risk and a vulnerability with a potential loss that might result if expectations are not fulfilled. *Other Party*—Interpersonal trust is between one person and another, but there may be more than one person, persons, or organizations involved. *Honor*—The obligation of integrity or the shared commitment implies honesty in the mutual nature of the relationship. If this obligation or commitment is not honored, the bond of trust between the parties is likely to be seriously impacted. *Duty*—The two parties have an express or implied moral responsibility to act in the interests of each other in ways that the trusting party clearly anticipates. *Social Contract*—This contract may not always be mutually understood. Sometimes it is not clear. Great leaders confirm that they understand the expectations of the other party and seek to honor those expectations.

This definition of trust and the accompanying explanation of the eight elements that make up trust clarify the complex nature of trust as a behavior. A person who demonstrates high trust behaviors is clearly engaged in more than just a willingness to cooperate or an intention but has taken action that benefits the organization and the other party.

The importance of trust as a behavior is clearest when we think how we feel when we find ourselves in a situation in which we are dependent upon the performance of another person. From a practical standpoint, it is far less important to us if someone says that they will do something that we are counting on them to do, or if we know that they intended to honor a commitment. When we rely on someone, we are dependent upon their actual performance. Similarly, in a work situation we do not want an employee to try hard or to want to do a good job. Ultimately, business success depends upon delivering actual results if deadlines are to be met, customer commitments are to be honored, and we are to retain their business.

### Reflecting on Trust

Please take a few minutes to reflect on this definition of trust, the eight elements that are presented as essential to the decision to trust. Then answer the questions below, which identify the importance of trust in the leadership relationship.

**As you compare your original definition of trust with the definition just presented in this book, what did you notice about the differences in those definitions?** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Does the idea of trust as a behavior make sense to you? If not, how do YOU view trust?** \_\_\_\_\_  
 \_\_\_\_\_

**Which of the eight elements of the definition of trust resonates most with you?** \_\_\_\_\_  
 \_\_\_\_\_

**Is trust the opposite of distrust, or are they two separate ideas?**  
 \_\_\_\_\_  
 \_\_\_\_\_

**Based upon what you have read about trust, how has your understanding of trust and its relationship to leadership changed?**  
 \_\_\_\_\_  
 \_\_\_\_\_

## Trust and the Mediating Lens

The elements of trust encompass a complex set of tacit ethical responsibilities that leaders may sometimes overlook but that are vital to the trust relationship. For a leader to retain the trust of others, (s)he must understand the expectations of the other party and the express or implied obligations that are perceived to be owed. A leader must then deliver on those obligations to the other party as well—if the mutuality of trust is to be reinforced and the leader is perceived to be trustworthy.

In making the commitment to trust another person or party, each of us views the world through a subjective mediating lens.<sup>29</sup> That lens enables us to put into context the behaviors of that person or party and to evaluate whether we are willing to trust. That lens consists of six key characteristics: (1) *Both Cognitive and Affective*—Our decision to trust incorporates both our rational beliefs and our intuitive feelings and attitudes; (2) *Contextually Interdependent*—The context of the situation and our relationship with other parties affects our willingness to trust; (3) *Ethically Founded*—Our ethical filter and personal ethical philosophy about duties, relationships, and principles profoundly impact our perceptions about the social contract between the parties; (4) *Goal Directed*—We make decisions to trust or to withhold commitment based upon the conscious or subconscious set of goals that motivate us to act; (5) *Systemically Dynamic*—Decisions made about trust and the behaviors of others are made based upon an ongoing set of inputs, outputs, analysis, assessment, and feedback that are constantly changing; (6) *Six Beliefs Based*—The Six Beliefs Model involving the self, others, the divine, the past, the present, and the future plays a key role in influencing our values and priorities.

The decision to trust is an individual decision made by each person, based upon that person's expectations about the relationship between the parties involved. Distrust is the withholding of one's personal commitment which involves self-protecting behaviors. Distrust occurs when a relationship is weak and the other party is perceived as untrustworthy and likely to act in opposition to one's self-interest. This self-protecting behavior ultimately works to the detriment of the organization, as well as the individuals involved, and creates an increasing downward cycle of distrust.<sup>30</sup>

## Trust and Distrust

As you think about trust and distrust, please answer the following self-assessment questions.

**Think about a leader who you have worked for who you really trusted. What was it about that leader that caused you to have confidence and trust in that leader?** \_\_\_\_\_

\_\_\_\_\_

**Now, think about a leader who you have not trusted. What was different? What could that leader have done to make him/her easier to trust?** \_\_\_\_\_

\_\_\_\_\_

**Do others trust you? How do you know?** \_\_\_\_\_

\_\_\_\_\_

**Put yourself in the position of someone with whom you work who you would like to demonstrate a higher level of commitment. What would that person tell you about what you need to do to become someone that (s)he could find easier to trust?** \_\_\_\_\_

\_\_\_\_\_

**What plans do you have to change your relationships with others as a result of what you have read in this chapter so far?** \_\_\_\_\_

\_\_\_\_\_

## Understanding Trustworthiness

Like trust, trustworthiness is also measured on a continuum and is defined as “the subjective evaluation of another party’s worthiness to be trusted based upon the values of the individual who assesses those qualities.<sup>31</sup> Trustworthiness is generally acknowledged to be based upon four factors that are inferred from the actions and behaviors of the party being observed.

The continuum of trustworthiness is generally acknowledged to be based upon four factors. Those four factors are briefly identified. (1) *Ability or Competence*—This factor reflects the knowledge, skills, and capabilities exhibited by a leader in demonstrating an understanding of the technical elements required to be successful in leading an organization. It includes the ability of a leader to balance the external and strategic factors required to compete in a constantly changing world with the skill to create aligned internal systems that create efficiency and effectiveness; (2) *Benevolent Actions*—This factor encompasses the leader’s skill not only in creating relationships that connect and resonate, but in demonstrating a commitment to the welfare, growth, and wholeness of others. Leaders who exhibit benevolent behavior treat others as valued “owners and partners” rather than as commodities or costs to be controlled or minimized. Their ability to care about others is perceived as authentic and genuine; (3) *Integrity or Honesty*—This factor incorporates not only telling the truth but honoring commitments. Integrity encompasses honoring the intent of commitments rather than just the letter of the law; (4) *Openness or Accessibility*—This factor includes sharing information and keeping people informed in addition to being personally available. It also includes appropriately acknowledging mistakes and taking corrective action and giving others the opportunity to be heard.

Trustworthiness is viewed through the individual lens of each person with whom a leader associates. Effective leaders not only pay attention to what others consider to be trustworthy behaviors, but seek to clarify the expectations of others about what they expect of the leader.

Take a moment to identify how you assess yourself in each of these four areas. Then answer the questions below.

### Assessing Your Trustworthiness

**In which of these four areas do you think you are strongest and most trustworthy?** \_\_\_\_\_

\_\_\_\_\_

**In which of these four areas are you most in need of improvement?**

---



---



---

**What indicators or behaviors do you think best reflect your trustworthiness in each area of trustworthiness?**

**Ability or Competence** \_\_\_\_\_

**Benevolent Actions** \_\_\_\_\_

**Integrity or Honesty** \_\_\_\_\_

**Openness and Accessibility** \_\_\_\_\_

**How would you best assess how others see you in each of these areas?** \_\_\_\_\_

---



---



---

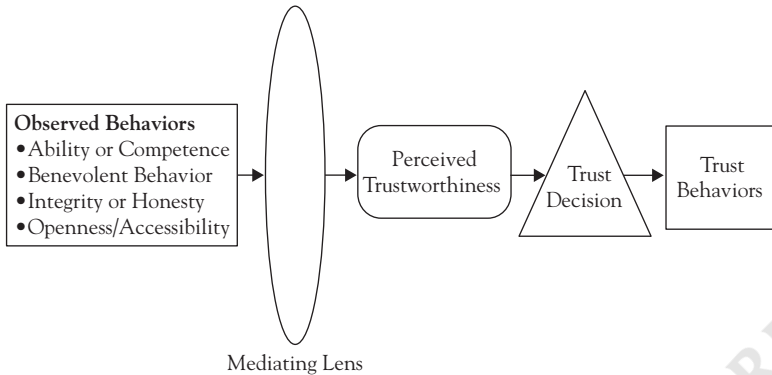
## Trust, Trustworthiness, and the Mediating Lens

The figure below integrates the process by which each of us makes the decision to trust. This model incorporates what we know about trust, trustworthiness, and the mediating lens.

Figure 2.2 puts into context the nature of the decision to trust and clarifies the distinction between trust and trustworthiness. As indicated, the observed behaviors of one party are viewed through the mediating lens of another party and interpreted as the perceived trustworthiness of that individual. The observing party makes a decision to trust and then responds with trust behaviors. Those behaviors reflect the compliance and commitment continuum described herein. High perceived trustworthiness generates reciprocated behavior that leads to clearer communication, more effective problem solving, greater cooperation between parties, reduced turnover, and increased innovation.<sup>32</sup>

The process by which we individually make the decision to trust is a conceptual calculus that is typically made at the subconscious level, but is nonetheless powerful in determining how we each choose to respond.<sup>33</sup>





**Figure 2.2. Model of trust, trustworthiness, and the mediating lens.**

Source: Caldwell & Clapham, 2003.

Figure 2.2 and our description of the mediating lens also help to explain why two people can observe the same leader and interpret that leader's behavior in two different ways. This model in Figure 2.2 also explains the importance of a leader taking the time and effort to clearly understand how others interpret the factors that make up the criteria for evaluating the perceived trustworthiness of the leader. Only when a leader clearly understands the elements that are valued and that comprise the perceived set of duties owed in the other person's social contract is the leader able to meet those criteria.<sup>34</sup>

## The Follower's View of Trust and Trustworthiness

Both leaders and followers use this same process of subjectively assessing the trustworthiness of the other party in the decision to trust. Followers view the social contract with leaders based upon their own subjective mediating lens. Often, followers construe the obligations owed to them in ways that are far different than the organization or their individual leader may view the social contract. Inevitably, the variance in perceptions about this social contract is susceptible to perceptions of betrayal by a person who has attributed a duty owed that (s)he has not had met by the other party.<sup>35</sup>

In acknowledging the importance of avoiding distrust, leaders must invest in formal mechanisms as well as informal processes to clarify to

employees what they can reasonably expect in the relationships between the parties. Almost without exception, the social contract between leaders and followers will be viewed differently by the parties involved. Both parties have the obligation to clarify their understanding of their expectations, but leaders typically have the most to lose if they are perceived as lacking trustworthiness and failing to honor their obligations to others. Employees who are organizational citizens or extra-role performers owe their employers a complex set of duties in honoring their obligations to their organizations, just as duties are owed by leaders and organizations to them and to other employees.<sup>36</sup>

Almost inevitably, our human tendency is to project our own perceptions in making inferences about the social contract and to assume that those perceptions are mutually understood. The risk, of course, is that when perceptions of the parties are misaligned, trust will deteriorate and will be replaced by self-protective distrust behaviors with negative consequences for those involved. In contrast, of course, when trust is perceived as high, risk taking and innovation are also more likely to occur.<sup>37</sup>

## Trust and Other Virtues

Trust is based upon a commitment to the welfare, growth, and wholeness of others. That same description also applies to the definition of love—and both love and trust require an authentic commitment to others' best interests.<sup>38</sup> Solomon and Flores compare trust to love in offering a powerful insight about both concepts.

We learn that trust, like love, may seem to fail us, but truly we fail at trust or love. But then we get more sophisticated. We learn that trust, like love, is an emotional skill. It requires judgment. It requires vigilant attention. It requires conscientious action. It involves all of the intricate reciprocities of a human relationship (even in cases in which it remains “unrequited”).<sup>39</sup>

Caring leaders treat employees as valued partners, rather than as an inconvenience, a commodity, or a cost to be minimized. Indeed, the

obligation to care about the welfare of employees is reverently described as an act of giving which the leader owes to others in an organization. James Kouzes and Barry Posner also describe the leader's role in terms of love.

Developing others, helping others, increasing others' self-esteem, and expressing genuine concern are all behaviors of credible leaders. Could it be that love is the ultimate act of earning credibility?<sup>40</sup>

Others describe the obligations of leaders in similar ways, noting that the leader's commitment to the welfare of others rises to the level of a "covenantal" relationship of almost sacred proportions.<sup>41</sup> If love is also the authentic caring for the welfare, growth, and wholeness of others, then a leader has an obligation to love his/her employees if (s)he expects to earn their trust, commitment, and followership.

In the same way that leaders must raise their level of caring and trust to encompass love, they must also demonstrate the ability to forgive. Forgiveness also involves a genuine commitment to the welfare, growth, and wholeness of others. Forgiveness is the choice to accept and look past the faults or mistakes of another and to continue to trust that person despite those errors. Forgiveness allows another person to regain his/her self-esteem and to move forward to continue to improve.<sup>42</sup>

Forgiveness is a consummate act of trusting another, despite their shortcomings, and enables the other person to begin anew. Leaders and organizations that allow people to make mistakes and to learn from past errors earn the trust of others and create a culture that encourages both innovation and creativity. Forgiveness is essential in repairing damaged relationships, and the leader who can forgive others also creates an opportunity for others to forgive him or her if (s)he makes a mistake. Forgiveness creates an atmosphere of mutual trust and caring and produces freedom for both parties.<sup>43</sup>

Forgiveness does not mean that leaders are willing to compromise the standards that they set for themselves, for others, or for the organization. It does not encompass a relaxing of the standards of

accountability, allowing sloppy or careless work, or a half-hearted effort. However, forgiveness acknowledges that good people may not yet be perfect. The standard of excellence requires constant and continuous improvement and a passion for always getting better. Only in a learning organization that strives for such improvement and innovation can greatness be achieved. But a culture of forgiveness enables followers and leaders to make mistakes, put those mistakes behind them, and learn from them. Forgiveness in organizations builds trust in leaders and fosters an organization that values people.

Great leaders demonstrate that they care for others and their welfare, in addition to being deeply committed to the success of an organization. Trust and trustworthiness are both enhanced when leaders demonstrate that they treat their colleagues and employees as important individuals rather than simply as the organization's "human resources."

### **What is Your Opinion?**

Although you may not have thought of trust in terms of love and forgiveness, please take a moment and respond to the questions below.

**How can forgiveness and love build trust within a work context?**

---



---



---

**What is the message that you want to communicate to those who you would like to lead with regard to your commitment to their welfare, growth, and wholeness?** \_\_\_\_\_

---



---

**As you think about your desire to become a more effective leader, how do love, forgiveness, and trust fit within your future plans in creating meaningful relationships with others at work?**

---



---



---

## Applying Your Six Beliefs Model

Using the Six Beliefs Model can be a helpful way for you to identify or surface insights about your willingness to trust others, your ability to be trusted, and any concerns that you have about your own trustworthiness. Take a few minutes to write down your thoughts about trust and trustworthiness.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Willingness or Comfort Level in Trusting Others						
Your Experience in being Trusted						
Concerns about Your Own Trustworthiness						

There may be other topics that you would like to reflect on and write about as you contemplate trust, leadership, love, forgiveness, or other topics associated with your life and your desire to become a more complete person. Feel free to copy the Six Beliefs Model provided in the appendix and complete each box for those other topics as well.

## High Trust and High Performance Work Systems

Research about modern business affirms the great value of creating organizations that are based upon high trust. Pfeffer has described both the misconceptions of most organizations and the importance of creating high trust and high performance work systems. He has noted the great benefits accruing to organizations led by leaders that treat their employees well and that create aligned organizational systems with programs and policies based upon high trust. Such organizations are more profitable than organizations that lack aligned systems or a trust-based focus and are typified by higher employee commitment, increased creativity, and greater innovation.

High Performance Work Systems (HPWS) have been studied extensively to identify the key elements that lead to greater profitability and increased performance. High Performance Work Systems align human resource practices, reward team rather than individual performance, provide greater job security, decentralize decision making, incorporate profit sharing, encourage innovation, share information, and empower employees as full partners in the process of improving the organization. The foundation of these systems is a commitment to treating employees as valued contributors and partners.

A growing body of empirical evidence suggests that leaders and organizations who adopt an HPWS approach create added value and increased profitability.<sup>44</sup> This “evidence-based” approach to leadership begins with understanding how and why people are motivated and why they choose to trust. The foundation of HPWS is the commitment to treating employees as valued contributors and partners.

The underlying valuing of people is demonstrated by leaders who show genuine concern for employees, rather than simply making the claim that “employees are our most important asset.” This distinction between genuinely caring and simply professing concern for employees is the foundation of authentic leadership. Authentic leadership combines (1) an internalized moral perspective about one’s obligations to others, (2) high self-awareness about one’s personal motivations, (3) a willingness to share information and be transparent in dealing with others, and (4) assessing information openly and objectively before making decisions.<sup>45</sup> Leaders who care about their employees and who communicate their interest in employee well-being are perceived as authentic and earn the high commitment of followers that is the key to creativity, innovation, and a willingness to go the extra mile. Leaders who trust employees view people as individual, important, and capable. If an individual lacks that perspective, (s)he may become a successful manager but is unlikely to ever be perceived as an effective leader.

## Trust and the Fundamental State of Leadership

Robert Quinn, a scholar from the University of Michigan who has written extensively about leadership and trust, has proposed that outstanding

leaders can achieve “moments of greatness” when they enter a fundamental state of leadership.<sup>46</sup> Quinn notes that we achieve this fundamental state when we discover our own authenticity and focus on our own fundamental values, rather than attempting to copy the leadership traits of others. Literally, we trust ourselves in achieving this fundamental state of leadership.

Quinn suggests that there are four key questions and four corresponding qualities that guide us to discovering this fundamental state of leadership—a leadership that he describes as “transformative.”<sup>47</sup> The table below provides those four questions, the qualities that Quinn advocates, and a brief comment about the application of these qualities in building trust as a leader.

Quinn's questions	Corresponding quality	Application to trust
“What results do I want to create?”	Results-centered rather than comfort-centered.	Maintaining the status quo and staying within our comfort zones is “hypocritical, self-deceptive, and normal.” Quinn explains that we must focus on the outcomes and results that we know represent excellence, rather than being satisfied with the status quo or weak improvements.
“Whose needs are most important?”	Others-focused rather than self-focused.	Great leaders build trust by being deeply committed to the needs of the organization, rather than focused on their own self-interest. Greatness is achieved by working for the good of others and the collective good of the organization.
“Whose values guide my actions?”	Internally directed rather than externally directed.	Quinn emphasizes that we must learn from others and be responsive to their values, but that we must ultimately be directed by core values that we know to be virtuous and that are consistent with the results that need to be achieved if we are to be viewed as trustworthy.
“Am I open to learning?”	Externally open rather than internally closed.	Leaders must constantly be attentive, open to learning, and pay attention to the need for continuous change. Denying the need for change and discounting information that requires us to rethink our assumptions destroys trust.

Quinn notes with a certain amount of ironic humor that “(w)e are all masters of claiming we want change while doing all we can to avoid it.”<sup>48</sup> He distinguishes between our “natural state” and this fundamental state of leadership, noting that “(e)xcellence is a form of deviance, doing things that are not normal.”<sup>49</sup> Quinn summarizes the importance of raising the bar and adopting the four qualities essential to this fundamental state. He writes

When we honestly ask and answer these (four) questions, they alter our psychological condition. We increase our own levels of intention, integrity, love, and learning. We feel different, we act different, and we are different. We become uniquely creative, positive deviants.<sup>50</sup>

Each of us owes it to ourselves to become the best possible leader that we can and to raise the bar that we set for our actions, intentions, and relationships. As Quinn suggests, we not only owe this obligation to ourselves but to the organizations in which we work, to the people that we lead and serve, and to a world that desperately needs greatness in individuals and organizations.<sup>51</sup>

Quinn's concept of the fundamental state of leadership may be new to you. Take a minute to do a simple self-assessment and answer the following questions.

#### **Where Are You?**

**Are you comfortable with Quinn's ideas about this fundamental state of leadership?** \_\_\_\_\_

\_\_\_\_\_

**Which of these questions and qualities are most comfortable and least comfortable for you?** \_\_\_\_\_

\_\_\_\_\_

**To what degree are you committed to becoming a "positively deviant" leader?** \_\_\_\_\_

\_\_\_\_\_

**What action steps do you plan to take to increase your ability to be perceived as trustworthy, authentic, and more effective as a leader?**

\_\_\_\_\_

\_\_\_\_\_



## Applying Theory

Again in this chapter you have had the opportunity to consider a great many ideas about leadership. To help you to think more about the practical application of these ideas, here is another scenario for you to ponder. Take a few minutes to read this brief scenario and answer the questions that follow.

Arnold is the newly appointed Dean of the School of Business at a small regional university in the southeastern United States. He has worked for the university for over 20 years and is “comfortable with the way we do things around here.” He has just hired a new faculty member and to his chagrin this faculty member has proposed new ideas and a new way of thinking about working with students. Although this new faculty member is well qualified and has a great deal of practical experience, Arnold is frustrated with the faculty member’s efforts to “raise the bar for students.” Students in this new faculty member’s classes have come to him and complained that this new faculty member is asking them to become involved with consulting projects for which they feel unqualified and to engage in community service activities that require them to spend time in the community. Other students have complained that this new faculty member has asked them to do a personal self-assessment and to “document their opinions by citing experts” in written assignments. “Why is this new faculty member making my job more difficult?” Arnold asks himself. Why can’t she just be like other faculty?

What thoughts do you have about the Dean’s leadership relationship with his new faculty member? How should he plan to respond to this faculty member? How can he most effectively establish a relationship of trust? How do concepts like HPWS and the fundamental state of leadership apply to this scenario?

---



---



---



---

## Developing Your Action Plan

This chapter has provided you with a varied combination of ideas and insights about trust, trustworthiness, commitment, and leadership. Undoubtedly, many of these ideas are new to you. Rather than simply going on to the next chapter, please take a few minutes and respond to the following questions.

**What have you discovered about yourself and how you view your strengths and weaknesses as a leader as a result of reading about trust and trustworthiness?** \_\_\_\_\_

---



---



---

**To what degree is your organization a High Performance Work System and a High Trust organization?** \_\_\_\_\_

---



---

**We will spend more time focusing on the elements of organizations in future chapters, but what elements of these systems are present where you currently work?**

---



---



---

**How do you plan to increase your understanding and application of the principles and ideas presented in this chapter over the next month? What, specifically, do you plan to do to improve your leadership skills and your ability to be perceived as a trustworthy and authentic leader?** \_\_\_\_\_

---



---



---

**What commitments are you willing to make to yourself as a result of reading this chapter?** \_\_\_\_\_

---



---



## CHAPTER 3

# Leadership and Governance: The Obligations of Stewardship

Leaders guide organizations in the pursuit of shared goals within a constantly changing global environment. Implicit within that governance role is a complex set of ethical obligations, responsibilities, and duties that are owed to each of the stakeholders that have an interest in the organization. Leaders earn the trust of these stakeholders by recognizing, honoring, and balancing the sometimes conflicting goals and priorities of these stakeholders.<sup>1</sup>

The purpose of this chapter is to examine the nature of organizational governance and its application to the role of leaders in guiding organizations. After defining organizational governance and its primary objectives, I introduce five models of organizational governance and describe the differences that characterize each of these governance models. I then explain the concept of stewardship as a governance responsibility of the modern leader and identify ten recurring barriers that need to be overcome for leaders to govern effectively in order to honor their responsibilities to society and to the multiple stakeholders whom they serve.

Let's begin with defining the concept of governance. What do you think "governance" is all about? What factors are included in the responsibilities, obligations, and duties of leaders as they create systems that govern organizations?

Take a moment and write down your impressions, understanding, and personal opinions about the responsibilities of leaders and organizations as they govern.

---



---



---



---

## The Role of Governance

Governance is the process by which the owners and leaders of a firm guide an organization to accomplish its purposes and to perpetuate the ongoing continuation of the organization. Governance translates the beliefs, values, perspectives, and assumptions about the world into the goals, actions, and organizational systems that those who govern establish. To govern presupposes the willingness to assume the responsibilities of leadership and their accompanying duties and obligations. Each of the responsibilities of governance and each business decision include an ethical obligation.<sup>2</sup> Thus, to govern effectively requires a clear vision of desired priorities and outcomes, an underlying philosophy about the nature and purpose of organizations, a perspective about human nature, assumptions about the role of people within organizations, and the management capability to create policies and systems that translate our perceptions and philosophy into action.

Governance blends purpose and performance to create value for a firm. A critical governance-based question for every organization is, *“How can we best create the greatest possible long-term value for the organization while honoring duties owed to those who are stakeholders of the firm?”* This question articulates the underlying purpose of governance. The choices made to address this question reflect the assumptions, theories, and values that constitute one’s philosophy about business in society.<sup>3</sup>

Governance includes four important elements that are both normative, or value-based, and instrumental, or outcome-based: (1) How

an organization is managed to optimize performance and accountability; (2) How values and goals are reflected by the systems and structures that are created; (3) How leaders establish relationships that engender the commitment of those who work with them and for them; and (4) How the application of leadership is formally applied in the conduct of organizational business.<sup>4</sup>

Each of these elements enables the firm to achieve the strategic agenda of an organization. That strategic agenda requires adapting to the constant change of the external marketplace while developing and integrating internal organization systems that enable the firm to be both efficient and effective.<sup>5</sup> Those who lead an organization must “invest in the time and resources” to implement a governance strategy and a matching organizational structure.<sup>6</sup>

Effective governance integrates both the management of the organization to ensure the achievement of measurable results and effective leadership to provide vision, direction, and focus.<sup>7</sup> Practice must support philosophy for governance to be aligned and congruent. The leadership role is to send a clear message and to match philosophy with action. A critical element of governance is transparency, which includes the timeliness, accuracy, and accessibility of information provided to stakeholders.<sup>8</sup> This transparency is “the key bridge between the leader and ethical governance” in both building trust and providing accountability.<sup>9</sup>

Although some scholars have suggested that governance has an uncertain dependent variable,<sup>10</sup> all agree that the purpose of organizations is to create value that benefits society.<sup>11</sup> The obligation of those who govern is to add value now and in the future, while avoiding doing harm to society.<sup>12</sup>

How does this more detailed summary of the role of governance fit with your initial response?

---



---



---

## Governance and Trust

Stakeholder governance and organizational leadership depend on trust to create relationships in the same way that interpersonal relationships rely on trust.<sup>13</sup> Governance involves articulating the expectations of social contracts, fulfilling ethical obligations, creating organizational systems that affirm values, and then honoring the obligations of corporate social responsibility.<sup>14</sup> Finally, corporate governance is operationalized by not one single element but requires an aligned set of key elements “practiced simultaneously such that they reinforce one another and are integrated into the various policies and practices”.<sup>15</sup>

Governance incorporates the variety of principles, practices, values, and procedures that affect the core processes and relationships implemented by the owners, directors, managers, and leaders of an organization in its dealings with its various stakeholders.<sup>16</sup> As with interpersonal relationships, governance at the corporate level too is dependent upon attitudes and behaviors in its implementation.<sup>17</sup>

### Governance Applied

How does a company communicate its assumptions and philosophy of management to its employees? How important is it for companies to articulate and honor their values in building trust?

---



---



---

Why should organizational policies, practices, systems, and programs match a company’s stated values?

---



---



---

## Five Perspectives of Governance

The governing of organizations is based upon an underlying perspective or set of unifying values that are the basis for those who govern to make

decisions. This governance perspective is adopted by owners and leaders to both guide the organization and to establish ongoing organization control.

Although agency theory and stakeholder theory are the two perspectives that have historically dominated the landscape in defining governance,<sup>18</sup> there have been five perspectives of organization governance defined that describe the underlying philosophical assumptions about people and organizations and the governance-related duties owed to stakeholders and society.<sup>19</sup> Presenting these five underlying perspectives helps to clarify and distinguish the assumptions upon which leaders view the obligations of governance and provide a clear ethical perspective about the leader's role in governing organizations.<sup>20</sup>

### *Agency Theory*

Agency theory describes the relationship between the principals or owners of a firm and the agent or professionally qualified manager selected by the principals to manage their organization. As firms grow in size, managers are hired to ensure that a firm is guided by someone who is professionally trained. Owners hire agents to guide their firm but are concerned about the agent taking advantage of his or her superior knowledge to pursue his or her self-interest.<sup>21</sup>

Agency theory assumes that the owners or financial shareholders of the firm deserve the profits of the firm because they have taken the associated risks in creating and financing the firm.<sup>22</sup> Agency theory notes that owners of the firm need to take protective action in order to preserve their economic self-interest.<sup>23</sup> To protect these interests, shareholders and owners incur "transaction costs"<sup>24</sup> to monitor the agent's performance and to provide financial incentives for the agent to create wealth for the owners.<sup>25</sup> The problem of governance in agency theory lies in the information asymmetry or inequality that exists between the owners of the firm and the highly qualified and professionally trained agents whom they hire to lead the firm.<sup>26</sup> Moral hazard, or a conflict of interest, between the agent's financial gain and his or her duty to the principals is a difficult issue for owners of a firm to control.

An agent/manager is rewarded to the degree that optimum profits are achieved, but those profits are typically viewed on a short-term basis.



The risk for the principals is that the agent may pursue his or her own self-interest to achieve firm growth and thereby achieve a higher compensation rate—but in so doing may create an unwarranted risk for the owners. Similarly, the agent may withhold key information to create the principals' dependence upon the agent's expertise. In either of these two cases, the fear for the principals and shareholders is that the agent may violate his ethical duty to optimize shareholder profit.<sup>27</sup>

One of the shortcomings of an agency theory perspective is that the pursuit of profits for the principals and shareholders may result in relationships with employees and other stakeholders that treat people like commodities. The pursuit of short-term profits may also cause principals and owners to make decisions that actually undermine the long-term best interests of the organization.

The 2007 mortgage crisis and Merrill Lynch's demise is a useful example of CEO agent, Stanley O'Neal taking unjustified risks (along with a long list of other highly paid executives) in creating Collateralized Debt Obligations (CDOs) to accrue high-risk paper profits that literally resulted in a world financial crisis. Although O'Neal, like many of those who head large firms, was personally protected financially and had negotiated a contract providing him with a huge severance bonus, Merrill Lynch was ultimately a casualty of O'Neal's high-risk decisions.<sup>28</sup>

### *Stakeholder Theory*

Stakeholder theory bases its governance philosophy on the assumption that the leader of a firm owes an economic duty to all of the firm's stakeholders. In the stakeholder perspective, employees and other stakeholders have a stake or interest in the actions of a corporation but those interests may often conflict, especially over the short term.<sup>29</sup> Stakeholder theory provides a means for reconciling the conflicting economic interests of the respective stakeholders.<sup>30</sup>

Stakeholder theory acknowledges that each stakeholder shares in the economic objectives of the organization and is owed a complex set of ethical duties.<sup>31</sup> The stakeholder perspective requires the leader/agent to consider the priorities of each stakeholder in the decision making process.<sup>32</sup> The role of the leader in the stakeholder perspective is to coordinate or

integrate the interests of all parties in what may be a compromise of priorities.<sup>33</sup>

According to this perspective, a leader has an obligation to balance the owner/principal's interests with the interests of other stakeholders to ensure that the rights and legitimate interests of all stakeholders are protected.<sup>34</sup> The complex network of duties that exist between each stakeholder group and its leader become the equivalent of a series of social contracts.<sup>35</sup> Stakeholder theory assumes a shared beneficiary focus that goes beyond the short term and that provides a voice for all parties with regard to organization decisions.<sup>36</sup>

Collins identified the dangers of stakeholder theory's suboptimizing strategy by compromising long-term interests to achieve short-term priorities. In contrasting great companies with 15 comparison companies, Collins noted that high performing companies were led by leaders committed to optimizing organizational potential, rather than adopting a strategic position that was satisfied with a lower standard of organizational performance. Similarly, Covey noted that the failure to pursue creative solutions that achieve synergistic outcomes and to be satisfied with an accommodating lower standard undermines the economic strength of organizations.<sup>37</sup>

### *Stewardship Theory*

Stewardship theory defines the leader as a steward of the organization who is committed to benefiting the collective interests of all parties. In the stewardship perspective the leader or agent maintains a stewardship relationship with all the parties—a commitment that goes far beyond simply assigning benefits or resources.<sup>38</sup> Wealth creation in stewardship theory is defined as a “variable sum opportunity” that is both practical and synergistic.<sup>39</sup> The stewardship role is closely akin to Burns' description of the transformational leader who incorporated a quest for honoring duties owed to all parties.<sup>40</sup> The obligation of leaders and organizations to society is not a new idea but was an obligation of the Greek city-state dating back to the writings of Aristotle.<sup>41</sup>

The stewardship responsibility pursues putting “service over self-interest.”<sup>42</sup> If given a choice between self-interest and the welfare

of the organization, the leader as steward will seek that which benefits the organization.<sup>43</sup> Block suggested that in the stewardship relationship employees assumed the role of “owners and partners” in their opportunity to have a voice, receive the benefits of the organization, and work in pursuit of shared goals.<sup>44</sup> The stewardship perspective emphasizes the importance of a systemic fit between the organization and its environs.<sup>45</sup>

Max DePree, former CEO of Herman Miller, is widely acknowledged to have incorporated this stewardship perspective in his relationships with employees and other stakeholders. DePree viewed the leader’s role as a “covenantal” relationship in which the leader was “a servant and a debtor” who owed a profound set of duties to employees.<sup>46</sup> Herman Miller is consistently cited by *Fortune* as one of the “most admired” companies to work for as a result of adopting DePree’s governance philosophy.<sup>47</sup>

### *Principal Theory*

Principal theory is “a model of organizational governance in which organizational owners and shareholders are ethically opportunistic and authoritarian in taking advantage of employees who serve them.”<sup>48</sup> Principals create a transactional relationship with the agent/manager, employees, and other stakeholders. Under this perspective the principals govern the firm with a commitment to short-term profit taking at the expense of other parties as they pursue their own self-interest.<sup>49</sup>

Principal opportunism is not unusual for companies who engage employees in international assignments. For example, expatriate employees are often hired to complete overseas assignments with little thought of any future commitment to those employees and their careers after the assignment is completed.<sup>50</sup> The redefining of the new psychological contract at work has also exemplified the short-term self-interest of principals to reduce costs at the expense of their employees.<sup>51</sup>

In the same way, principals who drive down the prices of suppliers and vendors based upon their ability to leverage the relationship often destroy trust and impair the ability of themselves and their suppliers and vendors to profit long term.<sup>52</sup> Pfeffer noted that these self-serving behaviors were irrational and destroyed trust and long-term profitability, a point often overlooked by principals and their managers.<sup>53</sup> Principals

hire manager/agents to act in the short-term interest of the principals. This principal theory model is often adopted by venture capitalists who seek to acquire a company to sell off its parts or to turn the company over to make a quick profit.

“Chainsaw Al” Dunlap is an example of a manager/agent hired by Sunbeam’s principals to create short-term profitability for the owners. According to Dunlap, the notion that the organization owed a responsibility to employees, customers, suppliers, or local community residents was “total rubbish.”<sup>54</sup> Hired to inflate the stock price of Sunbeam, Dunlap eliminated thousands of jobs, subjected subordinates to unrealistic performance expectations, and inflated sales figures. Dunlap’s philosophy of governance led to the ultimate demise of Sunbeam and, although the principals initially saw a spike in the price of their stock, the company created no added value. Sunbeam filed for bankruptcy and eventually was acquired by another company.

### *Principle Theory*

Principle theory is a governance perspective that defines the purpose of an organization in terms of its guiding principles. These principles are often viewed as more important than the organization members. Employees are considered as contributing means by which the organization pursues its mission, rather than as valued ends.<sup>55</sup>

Under the principle theory governance model decision makers may easily become so committed to a set of ideals that they get out of balance. Broader organizational duties may be ignored or overlooked and the guiding principles may become a law unto themselves.<sup>56</sup> The good within the underlying principles may actually be lost or misapplied and may become a detriment that impairs the organization in the misguided attempt to unwaveringly follow a set of rules that sometimes get misunderstood.

The classic example of the failure of a company that got out of balance with the application of a guiding principle is the Wallace Company, a manufacturer and distributor of industrial pipe. The Wallace Company is a Texas firm that earned the Malcolm Baldrige Award, which is given to a business that most successfully demonstrates a commitment to Total

Quality Management. The Wallace Company devoted itself to constantly improving the quality of its manufacturing process, which they defined in terms of “conformance to specifications” for their industrial pipes. They continued to reduce this variance from conformance but ended up producing a product that their customers viewed as too expensive and of a higher standard than their customers actually required. Two years after receiving the Baldrige Award, Wallace Company filed for protection under Chapter Eleven of the Bankruptcy Act in an attempt to refocus the company and regain perspective.<sup>57</sup>

This brief review of the five perspectives of governance theory offers insights about the challenges that face organizations and their leaders as they evaluate their obligations and responsibilities of governance and as they translate their philosophy into actions. Making that transition from theory to practice is the most difficult part of leadership and requires reflecting extensively on the values and assumptions that a leader has about people. Those values and assumptions must be translated into the context of practical situations, however, and that transition is the most difficult part of leadership.<sup>58</sup>

### Governance in Today’s Organization

As you think about these five theories, what insights strike you as most significant as you consider the role that governance plays within the modern organization? Please take a minute and write down your observations in the space provided.

---



---



---



---

### Ethical Stewardship

Ethical stewardship incorporates the general stewardship model introduced by other scholars but takes the duties of the leader to a higher

level of obligation to optimize long-term wealth creation. The assumption of ethical stewardship is that optimizing long-term wealth serves the needs of all stakeholders. Ethical stewardship argues that pursuing short-term profits while compromising the ability of the firm to generate greater wealth long term is a morally bankrupt strategy.

Ethical stewardship adopts the commitment to honor relationships with all stakeholders and incorporates several important elements of leadership. Ethical stewardship treats employees as individuals and as ends rather than as means. Each person is valued. Ethical stewardship also honors unspoken as well as acknowledged obligations. Both types of obligations occur and leaders need to clarify the nature of the unspoken social contract that may exist between parties.

Ethical stewardship emphasizes the importance of long-term wealth creation rather than focusing on short-term profit taking. Finally, ethical stewardship demands the constant management of meaning and works constantly to clarify expectations about assumptions, roles, and obligations. Overall, the goal of ethical stewardship is to encourage others to raise the bar for their expectations and performance in pursuit of excellence.<sup>59</sup>

As a governance perspective, ethical stewardship seeks to transform people and organizations in pursuit of creating the greatest possible virtuous outcomes for stakeholders. In seeking unparalleled excellence, ethical stewardship is transformative in its pursuit of long-term value. According to this perspective long-term wealth creation benefits all parties and contributes to the welfare of society.<sup>60</sup>

In its pursuit of the optimum possible benefits for stakeholders and society, ethical stewardship holds leaders and organizations to a standard of performance that demands a commitment to excellence that asks individuals to constantly improve. Ethical stewardship aligns with the message of business scholars like Jim Collins who noted that “Good is the enemy of great.”<sup>61</sup> This standard of excellence imposes on leaders the obligation to recognize that creating organizational wealth is a necessary but far from sufficient responsibility of the governance process.<sup>62</sup> The moral dimension of ethical stewardship equates the power to govern with the responsibility of leadership to pursue the welfare of others.<sup>63</sup>

## Examining Your Perspective

As you reflect on the role of the leader in guiding organizations, please think about the concept of ethical stewardship and wealth creation in addressing the following issues.

1. **What do you think is the most effective way to create organizations that adopt the governance perspective of ethical stewardship?** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
2. **How does the ethical stewardship perspective “fit” with the concept of a high trust or high performance work system?**  
 \_\_\_\_\_
3. **What factors need to be overcome in the modern organization and in society to create a context that is more supportive of the ethical stewardship governance perspective?**  
 \_\_\_\_\_

## Barriers to Effective Governance

The obligations, responsibilities, and duties of effective governance have become increasingly complex and business leaders have struggled to match their philosophy of governance with the demands required in the modern organization. The conflicting demands of stakeholders and the press of global competition have seemed to require a philosophy of governance that eludes most executives. Even exemplary and once highly successful organizations that have been cited for their achievements by highly regarded business books such as *In Search of Excellence* and *Built to Last* have failed to adapt and many of those businesses simply no longer exist.

The reasons why leaders fail to govern effectively are varied and result from a mix of off-target assumptions about people and organizations. In this section I will identify 10 common mistakes in the mental paradigm of leaders, managers, and shareholders that cause them to make faulty judgments about governing their organizations.

**Short-term Focus**—A classic error made by many organization leaders and their boards of directors is to pursue short-term profits rather than long-term wealth creation. Wall Street’s knee-jerk response to penalize or reward the quarterly report as the measure of corporate worth is a misguided indicator.<sup>64</sup> Sacrificing the future for a short-term spike in stock price ends up being an ineffective proposition that undermines investing in the future, but it has been a choice of self-serving executives for many years.

**Devaluing Employees**—Treating employees as commodities or costs to be minimized devalues the importance of employees as individuals. Leaders who fail to acknowledge the importance of employee–customer relationship in a knowledge-, wisdom-, and information-based service economy demonstrate that they do not understand the importance of employees in delivering a timely and personalized response that meets customer needs and retains a competitive advantage.<sup>65</sup>

**Unfocused Hiring**—Hiring the right persons in the organization, particularly for positions that add unique value or that fill key leadership roles, is a critical skill and ensures that the organization can achieve its mission effectively.<sup>66</sup> New hires must not only possess critical knowledge and skills, but must match the organization’s values and fit within its culture. Many organizations fail to adopt policies that enable them to hire and retain the people they need.

**Misreading Competitive Advantage**—Competitive advantage requires understanding the tasks customers are trying to accomplish, rather than simply adding features to a product.<sup>67</sup> Failing to recognize and focus on improving the customer’s ability to perform important tasks results in producing the wrong product at the wrong price.

**Pursuit of Self-Interest**—When corporate leaders focus on profit making or their personal self-interests rather than on what the company needs to succeed, they actually reduce the profitability of their firms and diminish their own long-term income potential.<sup>68</sup> The most successful firms are led by leaders who have a passionate commitment to helping the company to be excellent.<sup>69</sup>

**Contentment with Mediocrity**—Being satisfied with being “good” is a recipe for disaster.<sup>70</sup> Benchmarking to be “as good as” other companies



creates no distance between competitors and makes a company vulnerable to disruptive innovation.<sup>71</sup> Failing to recognize that customers demand continuing excellence undermines the standards required for today's organizations.

**Organizational Misalignment**—Companies send a mixed message to employees when policies, programs, and systems are out of alignment and fail to mesh with the goals and values of the organization.<sup>72</sup> Leading people effectively demands creating human resource systems wherein all of the policies, programs, systems, and rules are properly aligned with the organization's priorities.<sup>73</sup>

**Deficient Moral Courage**—Moral courage is about doing the right thing even when we know there may be negative consequences.<sup>74</sup> When leaders keep commitments and honor moral obligations, despite the costs, they demonstrate this courage. The willingness to be accountable and to make decisions for the right reasons is essential for society and the new economy.<sup>75</sup>

**Reluctance to Change**—Despite the fact that customer demands are constantly increasing and competitors are innovating, leaders, managers, and employees at all levels are reluctant to acknowledge that constant change is required to compete in a global economy.<sup>76</sup> This resistance to change seriously inhibits the ability of organizations to be timely, responsive, and innovative.<sup>77</sup>

**Unclear Identity**—Firms that have a clear identity and who understand what makes them unique are able to build on their strengths to sustain a competitive advantage.<sup>78</sup> Companies that lack a clear understanding of who they are, what they do that adds value, and where they fit in the marketplace are destined to fail.<sup>79</sup>

Companies that are burdened by these often recurring but self-imposed paradigmatic barriers find that they underperform and struggle to retain a sustainable market position. Each of these errors is a function of fuzzy thinking about the leader's governance obligation.

Stephen Covey reminds us that great leadership in governing organizations begins with a journey within in which we discover our identity, nurture our innate greatness, and transform ourselves and the

world around us. It demands that we recognize our responsibility to add value, to create wealth, to honor our potential, and to help others to realize their own greatness as well. Great leadership demands that we honor the obligation to do no harm, to create value now, and to create value in the future. As we let go of our fears and inhibitions about ourselves and others we suddenly free ourselves to invest in our dreams—dreams that empower us to create a better world and to redefine ourselves by letting go of our mistakes, our shortcomings, and our past weaknesses.

As you reflect on the barriers that impede ethical stewardship, which of these problems do you think most apply to you and for your current organization?

---



---



---



---

From what you know about yourself, about ethical leadership, and about governance so far, what do you plan to do to increase your understanding of ethical stewardship?

---



---



---

### Applying the Theory

Here is a case study that gives you an opportunity to think about the issues involved in applying what has presented in this chapter about governance. Take a few minutes to think about the information provided. Then write down what you would do if you faced this same situation.

Mark Elwood, the CEO of a new start-up company that had just developed a new technology for dispensing medical products in the

pharmacology industry, had just met with his Board of Directors. “Hmmm,” he said to himself. “I seem to be getting mixed messages here.”

The Board consisted of a representative of the bank who had originally financed the new venture, three members of the Henderson family who had developed the new technology, the accountant who had prepared taxes for the Henderson family for the past 15 years, the Henderson’s attorney, and a new investor. “The Hendersons want to grow the firm and expand into new markets. The bank is concerned about the state of the economy. The accountant wants to defer new expenditures. The attorney wants to avoid making a decision until he clears everything. The new investor seems to be concerned about making sure we benchmark all our systems to match “best practices” in the industry,” Elwood thought.

“They’ve asked me for my recommendations in setting direction for the firm. I understand the industry and think the new products have terrific potential, but we need to move quickly and avoid possible missteps,” Elwood said to himself. “What information do I need and how do I frame recommendations for the Board?”

How would you proceed if you were Mark Elwood?

---



---



---



---



---



---

## Using Your Six Beliefs Model

As you reflect on your effectiveness as a leader, please take a few minutes and fill in your Six Beliefs Model for the topics identified below.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Governance Assumptions						
Your Governance Perspective						
Your Strengths as an Ethical Steward						
Your Weaknesses as an Ethical Steward						
Barrier Your Organization Needs to Address						

### Personal Action Plan

The importance of this chapter lies in its ability to assist you to reflect on how you approach the governance process and the underlying assumptions upon which governance is based. As you contemplate how you will use the insights from this chapter, what are your plans as you strive to become a more effective leader?

---



---



---

Who would you like to include or involve in carrying out this action plan, and what action steps are you planning on taking?

---



---



---

Although the standards of ethical stewardship are challenging, the pay-off for leaders and for their organizations can be greater trust, higher commitment, and improved performance. Ethical stewards are leaders who honor the duties and responsibilities that they owe their organizations, their employees, other stakeholders, and society. In addition, ethical stewards develop the qualities that can only help them to become better, healthier, and happier individuals. Ethical stewards honor a multitude of obligations, become better individuals, and meet the needs of today's organizations and tomorrow's world.



BUSINESS EXPERT PRESS

## CHAPTER 4

# Leadership and Culture

One of the most important tasks of leaders is to create the culture that guides an organization, and to utilize that culture to reinforce organizational values and priorities.<sup>1</sup> Leaders create cultures that make it easier for organization members to work together, to accomplish organizational goals, and to understand how to respond as members of a united team. Chapter 4 identifies the three key elements that define every organizational culture and explains the nature of that culture in achieving organizational goals. The chapter also explains the leader's role in establishing a culture that reinforces organizational values and priorities. Building a culture that promotes continuous learning, creativity, and innovation enables an organization to compete successfully in a business environment that depends on the contributions of people to sustain a competitive advantage.

### Understanding Culture

“Culture” has been defined from a multitude of perspectives but the importance of an organization's culture is consistently recognized as an important factor in defining an organization. The term sometimes gets confused with other concepts. Culture has sometimes been used to mean an organization's climate, the atmosphere, or feeling that is conveyed within a group due to the way in which people interact. Culture also has been used to mean the varying customs and rituals that societies develop. In addition, culture has been used to describe the values that organizations establish that make their organization distinctive, as in “a culture of service” or “a culture of quality.”<sup>2</sup>

## Your Definition

Please take a moment and write down your thoughts about organizational culture, what that term means, and how you think it affects organizations and their members.

---



---



---



---

An organization's culture is made up of the basic assumptions that are shared by its members as they work together to compete successfully with other companies.<sup>3</sup> Those assumptions represent the organization's accumulated learning about the problems that it faces. The culture in an organization provides members with patterns that are fundamental for developing workable solutions to problems and these patterned methods are taught to new members. Thus, a culture consists of the basic ground rules that govern an organization.<sup>4</sup>

Although we often speak of one organizational culture, a culture is an amalgam of the different perspectives of the various organization members and there is rarely unanimity as to the complex sets of beliefs and values that are held.<sup>5</sup> Organizations consist of multiple subgroups that have their own behavioral expectations about how the work of the organization is to be performed and how people are to relate to each other. The ground rules and assumptions of each subgroup may differ from the overall or macro culture of the organization, but each group's perspective contributes to the larger culture and the ways that the organization works.

An organization's culture is subjectively perceived by each member. Those perceptions vary and are based upon each individual's unique background, experiences, and values which determine the lens through which (s)he sees the world.<sup>6</sup> Interpreting an organizational culture can be critically important for new members to be able to transition successfully into the organization. The socialization process by which new members are brought into an organization sends a message to that person about how the organization operates.<sup>7</sup> This introduction to the organization informs an employee about what is required to perform the organization's work,

to establish relationships with other organization members, and to avoid the pitfalls that may result from a possible misstep.

This socialization process sends a powerful message to organization members that can profoundly affect their previously established values. Cultural influences in the socialization process have been known to subtly influence organization members to choose a behavioral path that may conflict with the moral choices that they would normally make. For example, Lewis reported that the culture that existed at Salomon Brothers motivated its brokers to distort the facts to clients to unload financial instruments that were unprofitable to the firm, even when the duty of those brokers was to protect their clients' financial interests.<sup>8</sup> Similar socialization pressures are common and have resulted in creating "cognitive scripts" for decision making that override the moral codes of individual employees and encourage them to subconsciously act in conflict with their previously established belief systems.<sup>9</sup>

The elements that make up an organization's culture are extensive and demonstrate the complexity of organizational cultures. Table 4.1 identifies and briefly describes some of these elements but is far from an exhaustive list.<sup>10</sup>

**Table 4.1. Elements of Culture**

Element	Description
Language Used	The type of formal or informal language, the use and definition of key terms, and the choice of topics discussed are all part of this complex element.
Meanings	These are the special definitions of key terms and the shared meanings that are part of a group.
Metaphors	The selected comparisons and phraseology of a group provide a symbolic representation of the group's self-image.
Customs and Traditions	The customs and traditions of organizations may reflect the importance that they put on formality and their country of origin.
Rituals	These are patterned, repetitive, systematic, and often symbolic behaviors that typify an organization.
Norms	Norms are expected standards that may be either explicit or implicit.
Behaviors	Behaviors are the generalized and specific actions of individuals and group members in carrying out the work of the organization.
Celebrations	The events used to commemorate achievements or that represent priorities for a group.

(Continued)



**Table 4.1. Elements of Culture—(Continued)**

Element	Description
Values	Values are priorities and preferences that are expressed by a group and are typically more abstract than norms and behaviors.
Philosophy	Philosophies include the ideological principles that guide a group's actions toward others.
Mental Models	These are patterns of thinking and speaking that provide context and that are often used to socialize new members.
Ground Rules	The rules for getting along in the organization; may be written or implicit and unwritten.
Habits	Recurring patterns of people that reflect values and that can become more formalized
Climate	The general feeling that results from the physical layout and the ways in which groups and individuals interact.
Embedded Skills	These are special competencies that group members demonstrate in carrying out their work.
Dress	The way people dress conveys a message about roles and relationships.

The many elements that make up a culture are patterned, comprehensive, and central to a group. These elements may be both tangible and intangible, both stable and enduring, and are often distinctive to the identity of the organization. These elements of culture are important not only to a group's identity but to the identities of the individuals who make up the organization.

### Elements of Culture

As you reflect on organizations in which you have been a member, think about how these elements in Table 4.1 have influenced those organizations. Based upon your own observations, which of these elements have been most important in forging that organizational identity in the organizations in which you have been a member?

---



---



---



---

## External Adaptation and Internal Integration

Each element of an organization's culture helps an organization to perform two critical organizational tasks that are essential for the success of every organization. These two strategic tasks that are ingrained within and a necessary part of every organizational culture are external adaptation and internal integration.<sup>11</sup> In carrying out the processes to compete successfully with other organizations, both of these tasks must be accomplished simultaneously to ensure long-term survival and sustainability of a firm. Both of these tasks are well established as absolutely necessary to the strategic success of an organization.

External adaptation involves the tasks required to compete in the marketplace against other competitors. This external adaptation requires monitoring and responding to a wide range of economic, political, and social factors. Competitors, suppliers, distributors, and customers must all be kept track of and their actions must be properly understood. Each external stakeholder and competitor may play an important role in impacting the short-term and long-term success of a company. Competitors introduce new products, suppliers and distributors affect the production and sale of products, and the needs of customers constantly change. The goal of external adaptation is to identify how the firm can create wealth by meeting customers' needs in a constantly evolving economic environment.

The internal integration of an organization requires coordination within the firm to produce efficiently the products or services that add value. Internal integration combines both leadership and management in the implementation of processes, systems, goals, program, and activities. The manner in which this integration function is carried out largely determines the organization culture. The effective coordination of the activities of a firm ensures that each department performs its role in a manner that enables the organization to maximize desired results. Wise leaders focus on developing within their organization the skills that are critical to performing these internal integration strategies.<sup>12</sup>

Internal integration centers on the employees of the company and the tasks that they perform, while external adaptation focuses on the stakeholders and customers of the firm outside the organization. An organization's culture must incorporate the ability to perform the broad variety of tasks essential to adapting to its external world while developing

internal systems that enable it to efficiently produce products and services that add value. Creating this culture and providing it with direction, focus, and the resources to succeed is the task of organizational leadership. Leading an organization requires an understanding of the intricate relationship between the levels that make up that culture as well as the underlying assumptions upon which decisions are made.

## Levels of Organization Culture

In his landmark book about organizational culture, Edgar Schein identified three levels at which culture can be understood. Schein explained that an organization's culture included both tangible and overt characteristics of the firm that were plainly evident as well as a multitude of tacit, subtle, and unspoken elements that were often not only unacknowledged but were typically not discussable. The three levels of organizational culture include the artifacts, espoused beliefs and values, and basic underlying assumptions. Between each of these layers is a broad array of norms, rules of behavior, expectations, and events. Each of the three levels affects how people make decisions, view behaviors, and perform their jobs.

### *Artifacts*

Artifacts include the visible, observable, and measurable structures, processes, and physical characteristics of the firm that are encountered within an organization. Artifacts are varied and extensive. The physical environment of the firm, from the windows in offices, the layout of working spaces, the type and use of technology, and the carpeting on the floors to the size of the desks, number of secretaries, and pictures on the walls are all part of the physical artifacts of a company. However, there are also other more subtle artifacts that also make up an organizational culture.

These other factors also include such things as the style of clothing worn by employees, the published list of corporate values, the manner of address used in conversations, the paper memos and electronic communications between members, and a variety of organizational rituals and ceremonies. The behaviors of employees, the organizational policies and processes, job descriptions and job evaluation forms, organizational structure, and other visible elements of the organization are also included under the category

of artifacts. Each of these artifacts plays a role in the organization's culture and plays a subtle part in achieving the organization's goals.<sup>13</sup>

Although artifacts may be observable, they can sometimes be difficult to interpret, particularly if someone has not experienced the culture of an organization from within. Artifacts reflect the complex and evolving history of the firm and must be understood in the context of its history. To the people of the organization its artifacts are symbols that communicate much about the organization's values, norms, relationship, and ground rules.

### *Espoused Beliefs and Values*

Formal mission statements, statements of organizational values, and similar articulations of an organization's intended purposes and goals are included in a firm's espoused beliefs and values. These espoused beliefs and values communicate what the organization considers to be its priorities in its internal relationships and in its dealings with outside stakeholders. Espoused beliefs and values encompass those norms, standards, and priorities to which a firm claims to adhere. Typically, the leader or the top management team of an organization will formalize a statement about the direction, goals, or values, which ostensibly is the firm's commitment to action. However, transforming that formal statement from an espoused belief or stated intention to an action does not automatically occur—and often that transformation process results in a substantially different outcome than the stated goals and values that are formalized.

There are many reasons why espoused beliefs and values are difficult to actualize. Typically, a belief or value may be formalized out of an idealistic desire to achieve a beneficial outcome. Despite the fact that an outcome may be deemed highly desirable, the organization may lack the resources or the commitment to follow through in order to make the goal a reality. Unanticipated problems may also arise that make achieving a goal more difficult than anticipated. The implementation of a strategy to achieve a desired goal may face resistance that cannot be easily overcome. Stated values and outcomes may also be an expressed statement by the leadership of an organization that is intended to communicate how the organization would ideally like to perform. Under the stresses of a difficult economy, cost overruns, time pressures, or an encroaching competitor, an organization may find that it “believes in” a set of ideals or

goals that it cannot actually accomplish. Espoused beliefs and values may communicate the desired intent of an organization without adequately reflecting the current capability of the organization.

Similarly, espoused values may fail to acknowledge that achieving a specific set of outcomes is financially or technically out of reach, given available resources. It is not uncommon, for example, for companies to claim that they value people and have high quality standards for their products—but their actual performance may contradict those claims. Similarly, organizations may claim that they encourage risk taking but will, nonetheless, penalize individuals who attempt to innovate unsuccessfully.

The espoused values of a firm reflect its acknowledgment of the importance of ideals and standards, but the actual behaviors of individuals and the performance of the firm may not be reflected in the treatment of people or in relationships with key stakeholders. In addition, some espoused beliefs and values may actually be mutually conflicting or contradictory—as when a company seeks simultaneously to achieve highest quality and lowest cost for a new product for which the kinks have not been worked out.

### ***Basic Underlying Assumptions***

Basic underlying assumptions actually guide an organization's behavior. These “theories in use” reflect what the organization and its leaders really believe regarding the espoused beliefs and values that they formally articulate.<sup>14</sup> The tricky part about underlying assumptions is that they are often neither confrontable nor debatable, despite the fact that they reflect the real values of leaders.<sup>15</sup>

In describing the nature of basic underlying assumptions, Schein provides a helpful explanation that provides an insightful context about how the mind works in the formation of assumptions.

The human mind needs cognitive stability. Therefore, any challenge or questioning of a basic assumption will release anxiety and defensiveness. In this sense, the shared basic assumptions that make up the culture of a group can be thought of both at the individual and group level as psychological cognitive defense mechanisms that permit the group to continue to function.<sup>16</sup>

Schein provides a window of insight that allows us to recognize that organization leaders struggle in bridging the gap between what they really believe possible and what they are actually willing to admit. Organizations and their leaders use the same defense mechanisms that most other individuals adopt in attempting to make sense of their worlds.

Without extensive familiarity with the organization and how it really operates it is difficult to interpret an organization's culture and its meanings. The patterned and basic taken-for-granted assumptions of a group are the foundation of an organization's culture and the essence of what the organization "really believes." But it is at this level of analysis of basic assumptions that a culture is most subtle and most difficult to understand. Basic underlying assumptions, although unspoken, work much like a "mental map" that guides those who understand the culture. Assumptions about how to perform help members to avoid the missteps and landmines in maintaining membership in the organization.

Organization members seek stability and meaning to guide their behaviors, to enable them to feel a sense of safety and security, and to help them to fit into the organization as fully accepted members. In an attempt to interpret information or events that are in conflict with organizational values and beliefs, members may unconsciously or subconsciously distort input that conflicts with their basic underlying assumptions.

Members of the organization who point out that there is a conflict between what the organization says and how it actually behaves may quickly find themselves in the position where they are forced to leave the organization. These organization members may also find that their effectiveness is negated, their contributions are ignored, or they are no longer acknowledged as legitimate participants. Organization members who observe peers who are "excommunicated" from the organization for confronting the conflicts between espoused values and what the organization actually does quickly learn not to point out those inconsistencies. Candidly and objectively looking at the organization and the lack of consistency between its espoused values and its actual performance is a behavior that is often not tolerated.

The artifacts, espoused beliefs and values, and underlying assumptions of organizations are not only useful levels of analysis by which to evaluate an organization's culture but can also be productively incorporated, when properly understood, to implement changes within an organization.

### Reflecting on Culture

As you think about the ideas presented in earlier chapters about the importance of creating high trust and high performance work systems, how does this information about organizational cultures fit with the goal of creating an organization based upon high trust?

---



---



---



---



---

### Leadership, Culture, and Change

Recognizing the important elements of culture is vital if leaders are to initiate change in an organization and any change usually requires a change in that culture. Creating a high trust organizational culture can be a difficult or nearly impossible task to accomplish. Building trust is unlikely if the organizations actions are not congruent with the commitments made to employees. A major disconnect between claims and performance automatically indicates that the organization and its leaders are not in touch with what they really believe or are not acting with integrity about what they claim to value.

Creating a guiding organizational vision is also difficult if the underlying beliefs and values articulated by the leaders do not match their actions. The challenge for leaders necessitates developing the ability to be congruent and consistent and to mesh the basic underlying assumptions of the firm with actual performance. Organization leaders must also realize that attempting any significant change in an organization will create predictable anxiety and resistance. Change has always been a struggle for organizations and resistance can be powerful. Making a culture change is a complex task that requires extensive careful planning, adequate resources, and reinforcing systems if that change is to be effective.

Harvard scholars John Kotter and Leonard Schelisinger have explained that successful change requires a thoughtful and adaptive approach that

fits the culture and that is responsive to the types of resistance that can be anticipated.<sup>17</sup> Support for change must be responsive to the reality that successful change must take place at the emotional level. Before being willing to change, people have to buy in to the change process and feel that they personally are better off.

In Kotter's best-selling *Leading Change* he identifies eight important steps to successful change. Each of the following elements is essential to achieving a lasting organizational change, and many organizations fail to change their culture by omitting one or more of these steps.

***Create a Sense of Urgency***—People are reluctant to make any change unless they recognize an immediate need. Failure to make a case for immediate change and to identify the costs resulting from failure to change is a major cause of resistance.

***Build the Guidance Team***—Key organization members who are critical for the change to occur successfully must become owners and partners in the change process. A guidance team plays a major supporting role to ensure that a desired change has the required resources.

***Develop the Change Vision and Strategy***—There is no room for either a lack of clarity or a lack of commitment in a successful change. Organization leaders must have a clear understanding of what needs to be accomplished, an implementable strategy, and a clear understanding of what needs to be accomplished, and be committed to the change.

***Communicate for Understanding and Buy-in***—At all levels of the organization people must be kept informed, involved in the change process as appropriate, and given the opportunity to provide input to make the change more effective.

***Empower Action***—Change is happening constantly and people need to have the resources required to make change successful. Empowerment and delegation are not the same and people need to be given the tools required to make a change happen.

***Create Short-term Wins***—Celebrating early accomplishments is a psychological reward for those who are supportive of a change and strengthens member commitment. Documenting that the change process is underway and making progress also sends a message to the organization that the commitment to change is real.



***Don't Let Up***—Premature celebration and changing the agenda before the change is fully in place is the cause of many poorly implemented organizational changes. Attention to detail must be a priority and commitments made must be followed up on.

***Create a New Culture***—Formalizing a new culture and changing the basic underlying assumptions of the organizations demand top management team commitment, organization support at all levels, and a substantial amount of organizational resources.<sup>18</sup>

Leaders utilize change to communicate the direction, scope, and values of an organization. Those changes, and the accompanying changes in culture required for a successful organizational transition, must be carefully planned, supported at every step, and implemented carefully if the change is to become permanent.

### Assessing Your Experiences

The process of leading change requires a complex set of factors and a thorough understanding of an organization and its context. As you reflect on the experiences you have had with organizations, please take a few minutes to reflect on your Six Beliefs Model in responding to the issues indicated.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Experience with a Successful Change						
Your Experience with a Change that was not Successful						
Your Biggest Concerns about a Past Change Process						
Feedback You would have Given a Change Leader if you could have had the Opportunity						

Schein has emphasized that managing an organization's culture is a major responsibility of a successful leader. Only when leaders are able to demonstrate that they are dedicated to honoring their commitments to employees and to other stakeholders are those leaders likely to be perceived as trustworthy and authentic.<sup>19</sup>

## Leader Behaviors that Reinforce Change

In choosing their strategy to support culture change, leaders need to establish organizational systems and programs that reinforce the changes that they seek to implement. In describing how change occurs, Kurt Lewin explained that to successfully introduce change, leaders must following a three-step process of unfreezing, changing, and refreezing an organization environment.<sup>20</sup> Schein utilized Lewin's change model to the process of creating cultural change. Each of these three steps must be carefully incorporated in achieving a successful cultural change.

***Unfreezing or creating the motivation to change.*** Transformative change requires that the leader recognize the difficulties associated with change. It is difficult for a group or individual to acknowledge the need to change, even in cases when existing behaviors are not producing desired outcomes. Existing patterns of behavior have a payoff for those who engage in those behaviors, even if those behaviors do not produce optimum results. Leaders must help employees to recognize that new behaviors are likely to result in outcomes that are more attractive than old dysfunctional behaviors.

***Learning a new paradigm to replace old models.*** The process of change requires that participants understand, recognize the superior value of, and are committed to replacing old models and systems with a new paradigm. This learning process must not only occur at the cognitive level but at the emotional level as well. Participants must be convinced that the new model is more than a conceptualized concept, but that support systems will be in place to make change feasible.

***Internalizing new concepts, meanings, and standards.*** The intended change must be clearly defined in terms of a specific outcome or problem to resolve, rather than simply as a "culture change." For a culture change

to be embraced, it must produce outcomes that are psychologically valued and that have meaning to employees. Reward systems, including psychological rewards associated with the change, must be identified by participants as being superior to the benefits accrued from the old systems that were previously in place.<sup>21</sup>

This three-step approach to change respects organization participants as valued partners rather than simply as organizational commodities.<sup>22</sup> Effective leaders recognize that culture change occurs because participants are personally committed to a change, rather than expected to be compliant simply because a leader has requested that change behavior occurs.

### Reflecting on Lewin's Model of Change

As you think about changes that have been introduced in organizations in which you have worked, how was Kurt Lewin's model of introducing change applied in that organization? If the result was successful, why was it successful? If change could have been handled more effectively, what do you think could have been done differently?

---



---



---



---



---



---

### Creating a Learning Culture

Leaders who recognize that change requires “unlearning” as well as “new learning” are likely to be far more successful in introducing cultural change. Virtually all cultural change requires an understanding of the importance of creating a “learning organization” environment. Creating organizational relationships that value employees and that create high interpersonal trust build employee commitment and increase the positive impacts associated with employee learning.<sup>23</sup>

To create an effective learning organization environment, leaders need to integrate human resource systems that communicate an integrated message to employees.

Schein has suggested that learning cultures incorporate each of the following elements.

**A Compelling Positive Vision**—The focus of learning must be on creating a learning outcome that improves the status quo and that is a better way of thinking and working than current approaches. This vision must be shared by the top management team and articulated in behavioral terms.

**Integrated Formal and Informal Training**—Members need to be provided with high quality training in formal settings and supervisors must be prepared in advance to deliver follow-up training in more informal on-the-job contexts.

**Participant Involvement**—Learners should be given the opportunity to be fully involved in their own learning process. The approach to the learning process should acknowledge that participants often learn in different ways. Although the goals of a learning process may not be negotiable, the method of learning can be flexible.

**Follow-up Learning in Teams**—Because the implementation of learning typically occurs within a team context, the learning process should also include additional follow-up training within that same team setting.

**Positive Role Models**—Respected formal and informal leaders who have put the new learning concepts into practice should be in place to help team members to develop new skills and to model how that behavior is operationalized.

**Support Group Creation**—Learners should have the opportunity to talk with a support group about their experiences as they attempt to acquire and to implement learning concepts and skills. Additional assistance should be provided, as needed.

**Creation of Aligned Systems**—Performance measurement, reward systems, and aligned programs and policies need to be established that are integrated with the learning culture and desired learning outcomes.<sup>24</sup>

In creating learning cultures, leaders need to clearly define operational problems to be addressed and the behavioral goals to be achieved as a result of the desired change. In addition, measurement systems should be established to monitor the outcomes to be achieved and to convey that information on a timely basis to the top management team.

Although creating a learning culture is frequently acknowledged as important in an information-based economy wherein knowledge doubles every four years, the highly competitive global economy has caused many organizations to decide not to invest in organizational learning.<sup>25</sup>

## Encouraging Innovation and Creativity

Establishing a culture that encourages creativity enables organizations to maintain a competitive advantage and to keep pace with innovating competitors. The importance of innovation and creativity has been increasingly recognized as necessary for organizations to achieve high levels of profit.<sup>26</sup> Creating high trust cultures that focus on constant learning, innovation, and creativity requires open communication and sharing of information at all levels of the organization.<sup>27</sup>

Innovative cultures rely on top management support to be effective. Successfully implementing an innovative organizational culture requires a leadership paradigm that is distinctly different from traditional management models.

Stanford scholar Jeffrey Pfeffer identified 10 contributing factors for creating an organizational culture that encourages creativity and innovation.

**Sharing information**—Innovation and creativity increase when employees at all levels understand what customers are trying to accomplish and what organizational competitors are doing.

**Refocusing supervisors**—Helping supervisors to understand that their role includes constantly encouraging improving the organization enables employees to feel supported in being innovative rather than restricted or controlled.

**Rewarding innovation**—Timely and meaningful recognition and reward of creativity and rewarding risk-taking reinforces the importance of those activities.

**Focusing on customers**—Keeping track of the outcomes that customers are seeking to achieve and looking for ways to help them accomplish those outcomes must be at the heart of innovation.

**Decentralizing decisions**—Empowering employees and making them part of the decision-making process enables them to become owners and partners in the innovation process.

**Facilitating pilot testing**—Creating opportunities to test new ideas and making the innovation process easy to engage in makes innovation more likely.

**Eliminating micromanagement**—Establishing parameters and then giving employees the opportunity to experiment is far better than riding herd on employees and micromanaging.

**Restructuring measurement**—Knowing what to measure and tracking the factors that encourage creativity communicate management's commitment to innovation.

**Integrating creativity**—Building in opportunities for employees to devote a significant portion of their time to innovation and creativity enables those employees to become more innovative.

**Aligning systems**—Aligning high-performance works systems elements is far more effective than implementing individual factors in achieving culture change.

These 10 factors enable leaders to communicate a consistent message about the importance of creativity and innovation. These factors also help leaders to establish a culture that is congruent with the basic underlying assumptions, espoused values, and artifacts of the organization. Developing the leadership capacity to create organizations that incorporate these 10 factors requires a clear understanding of the importance of each of the factors as well as the ability to translate that insight into action.

Effectively utilizing human resource management systems to implement these 10 factors is an essential part of creating high trust and high performance cultures in organizations. The “knowing–doing” gap is

widely acknowledged to be the most difficult part of creating effective organizations.<sup>28</sup> Knowing what needs to be done is far different than developing the organizational capacity to actually put that knowledge into action.

### Blind Spots to Creating an Aligned Culture

Although many leaders may acknowledge the importance of creating an aligned culture, there are blind spots that are common to individuals that impede the ability of even the most well-intentioned leaders from establishing a high trust culture.<sup>29</sup> Table 4.2 identifies 12 blind spots with which leaders struggle in their efforts to create effective organizations.

**Table 4.2. Blind Spots Affecting Culture**

Blind spots	Description of impact on culture change	Comments
Bounded Rationality	Limiting the number of options in evaluating information limits choices and restricts opportunities.	Information overload and premature evaluation contribute to cultures that underperform.
Leader Hubris	The leadership role sometimes generates a false sense of infallibility and a presumption that the leader's perspective is always correct.	Maintaining an openness to good ideas from other sources enables leaders to create a culture of collaboration.
Lack of Tact	Leaders who deal with others discourteously or abruptly convey the message that others are not valued.	Despite the press of business and the urgency to accomplish desired outcomes, leaders must treat others in way that always values individuals.
Focus on Strategy	Organizations that focus on creating great strategies may miss key issues required for implementing more realistic strategies.	Implementation is far more difficult than strategy development and effective implementation creates cultural alignment.
Bounded Ethicality	Restricting the consideration of ethical options and impacts may overlook duties owed to stakeholders.	Examining the ethical implications of choices demands thoroughness and identification of all stakeholder interests.

(Continued)

**Table 4.2. Blind Spots Affecting Culture—(Continued)**

<b>Blind Spots</b>	<b>Description of Impact on Culture Change</b>	<b>Comments</b>
Attribution Error	Attributing malicious intent to others while justifying one's own behaviors based upon situational context undermines relationships.	Acknowledging that many factors can impact individual performance creates a more tolerant and more realistic assessment of others.
Emphasis on Process	Focusing on processes and activities, rather than on results and outcomes, misdirects organization priorities.	Emphasizing results and outcomes must begin with being sure that the goals established really fit organization purpose.
Present Orientation	An emphasis on "this quarter's results" or short-term outcomes often results in a misalignment of priorities.	Keeping focused on the future creates a culture that recognizes the importance of short-term and long-term wealth creation.
Misread Social Contracts	Failing to clarify the social contract perceived by other parties creates a leader-centered focus that results in overlooking duties owed.	Paying attention to others' perceptions about duties owed is critical to building a culture based on trust.
Accepting the Status Quo	Being satisfied with current performance levels freezes the organization and undermines the urgency to improve.	Organizational cultures need to focus on continuous improvement rather than resisting change.
Control Orientation	Establishing organizational systems focused on control restricts flexibility and impedes growth.	Cultures need to emphasize creating commitment while maintaining standards of quality.
Overemphasizing Consensus	Cultures need to validate the importance of different perspectives and allow for constructive conflict.	Recognizing that high performers may have valid insights creates opportunities for constant improvement.

This table also includes a brief description of each blind spot and comments about how these blind spots may be mitigated.

The challenge with blind spots is that leaders are, by definition, largely insensitive to them and unaware that the blind spots exist. For that reason, perhaps the most effective way to assess one's blind spots requires that a leader seek feedback from trusted sources that will candidly provide feedback.<sup>30</sup> Creating a relationship with a trusted confidante is not always



easy but is usually well worth the effort. Unfortunately, because leaders tend to be blind to their shortcomings they do not always recognize that they need to assess their shortcomings. A failure to evaluate one's shortcomings makes it difficult, of course, to change one's ability to be perceived as more trustworthy.

### **What's Your Plan?**

Given the fact that, like everyone else, you probably have a blind spot or two, what plans do you have to identify your weaknesses in being perceived as trustworthy and in being effective at creating a high trust organizational culture?

---



---



---



---

Leaders utilize organizational culture to communicate the direction, scope, and values of the organization. Making an effort to constantly assess your values, beliefs, and opportunities to improve yourself as a leader is an investment that will help you to be perceived as a more effective leader.

### **Applying the Theory**

The application of theory about organizational culture is most effective when the three levels of culture are integrated. After reading this case, think about the key issues facing the leader in this situation. What steps do you think you would take in a similar position?

Bryan Flynn, the brand new CEO of a growing pest exterminator company, was concerned. He had just met with his VP of Finance who indicated that the firm had been growing at a double figure rate for the last four years and had just exceeded \$8 million in business. The company employed 855 employees and did its business mainly in Louisiana and Georgia.

Flynn's concern was because the company was turning over an average of 45% of its employees each year and employees who left did not have good things to say about the company. Cory Bush, Flynn's VP of Human Resources, reported that the company seemed to be constantly fielding employee complaints about poor supervisors. "We've got to do something," Bush had told Flynn. "Although most of our employees are high school graduates and can be relatively easily replaced, it costs us about \$15,000 per employee and six months to get each new trainee to the point where he or she is profitable. We can't continually be turning over employees if we want to keep growing."

Flynn thought to himself, "The Board of Directors didn't say anything about problems with turnover when they offered me the job. I wonder what else I need to learn."

#### **What's Your Assessment?**

What would you do in Flynn's position?

---



---



---



---



---

### **Developing Your Action Plan**

Becoming a more successful leader is a constant process of self-assessment and improvement. Leaders who are most effective recognize that they earn trust by serving others and working for their success as well as the success of the organization. Ultimately, leadership is earned and not demanded.

Take a minute to identify two or three things that you would like to do to become more effective at positively influencing the organization culture where you work. What action steps do you think you should include in your plan?

**Action Steps for Influencing Your Organization**

---

---

---

---

---

**Closing Comments**

We live and work in a world where successful leaders create organizational cultures that value people, build others' esteem, and help others to discover their potential. Great leaders seek to create organizations that are constantly learning, pursuing greatness, and never being content with the status quo. Great organizations create wealth and value for their stakeholders and for society. Becoming a truly outstanding leader requires a willingness to care about others and to honor duties owed to them. Each of us can become better leaders by becoming better, more committed, and more ethical people. Creating strong, healthy, enduring organizations demands that leaders understand how to establish organizational cultures that are well conceived, aligned, and committed to excellence.



## CHAPTER 5

# New Paradigms for the 21st Century: Why Traditional Leadership Models Fail

The thinking of many of today's leaders about the principles of leadership is based upon theories and assumptions that are often incomplete, out of context, unclear, or incorrect. This weakness in conventional thinking has plagued the management literature for more than seven decades<sup>1</sup>—and has been the subject of specific emphasis of Stanford scholar Jeff Pfeffer. Pfeffer has been sharply critical of organizational leaders who persist in applying “conventional wisdom” about organizations that is neither correct nor properly understood.<sup>2</sup> Pfeffer noted that misapplied theories often destroy trust, undermine employee commitment, and reduce long-term profitability.<sup>3</sup>

Pfeffer has long been an advocate of evidence-based management and the importance of differentiating between “wrongheaded notions” about people and organizations, which he calls “expensive fictions.”<sup>4</sup> In this chapter I identify eight such fictions or myths about leaders and leadership. These leadership myths have been commonly accepted by many consultants, practitioners, and scholars but are often a cause of much organization dysfunction. Nonetheless, these misunderstood leadership-related concepts are commonly followed in many modern organizations, usually to the detriment of employees and the reduction of long-term wealth creation. While identifying and briefly describing each of these eight myths, I present alternative paradigms that serve as a valuable counterpoint that may help you to personally assess and reevaluate your own assumptions about leadership.

## Assessing Your Assumptions

Transformative Learning is a learning model that recognizes that we must often “unlearn” what we once thought to be true.<sup>5</sup> That process of unlearning requires a willingness to be open to new ideas, a commitment to discovering the truth, and a personal identity that is healthy enough to acknowledge that one might have been wrong in the past.<sup>6</sup> An essential part of the transformative learning process is the willingness to explore what has previously been considered “undiscussable” by organization members.<sup>7</sup>

### Learning and Unlearning

Before I present these eight leadership myths, please take the opportunity to identify what you have learned or unlearned about leadership thus far in your quest to become a better leader by answering the following questions.

1. How has your definition of leadership evolved since you have begun reading this book?

---



---



---

2. Have you identified any ideas about leadership that have caused you to conclude that other commonly accepted ideas are really myths and fictions about leadership?

---



---



---

3. As you reflect on how you assess principles about becoming a more effective leader, to what evidence will you give preference in deciding to accept or reject leadership principles that you incorporate?

---



---



---

## Myth #1: Leadership is about Exercising Control over Others

Leaders often find themselves in situations where their organizations need to achieve predictable results. Quality must be maintained or enhanced. Deadlines must be met. Costs associated with producing a product or service need to be reduced. To ensure that customers' needs are met, contracts are honored, and obligations are achieved, organizational discipline and employee compliance must be achieved. However, although performance results are critical to an organization's ongoing success, leadership is not just about exercising control over others. How leaders interact with others to obtain compliance and commitment is essential to maintaining relationships and achieving the best possible organizational results.

Pfeffer is well known for his extensive research about the importance of power as a critical element in achieving organizational goals.<sup>8</sup> At the same time he also has written extensively about the importance of creating high performance and high trust work systems that focus on creating employee commitment rather than on imposing control. Commitment is created from establishing a relationship based upon mutual respect.<sup>9</sup> Understanding key insights about power, authority, influence, and commitment helps to clarify the nature of leadership.<sup>10</sup> Gardner defined power as "the capacity to bring about certain intended consequences in the behavior of others."<sup>11</sup> Although this ability to influence others is critically important and a defining element of leadership,<sup>12</sup> the ability of leaders to impact others is derived from being trustworthy rather than by simply expecting that others will follow a leader's commands.<sup>13</sup>

Mary Parker Follett, a Boston social worker turned management consultant in the 1920s, described the leadership relationship based upon "power with" rather than "power over" others.<sup>14</sup> Follett's observations turned upside down the thinking of many management theorists and explained that people need to be treated as individuals rather than as commodities. In describing the mental model required to be an effective leader, Pfeffer built upon that notion of "power with" people in explaining that competitive success involves fundamentally rethinking the employment relationship and how we view people. Pfeffer explained

that this mental model meant “achieving success by working *with* people, not by replacing them or limiting the scope of their activities.”<sup>15</sup> Pfeffer explained that only by empowering people can they become a source of strategic advantage, rather than a cost to be avoided or minimized.<sup>16</sup>

The antithesis of the myth that leadership is about control is the paradigm that leadership is about creating high commitment that is based upon high trust.<sup>17</sup> Peter Senge has observed that commitment creates “a world of difference” in the level of performance of an individual in contributing to organizational outcomes and in creating “energy, passion, and excitement” in organizations.<sup>18</sup> That high level of employee commitment is the key to strategic competitive advantage in a knowledge- and service-based economy.<sup>19</sup>

As you reflect on the role of control and commitment and the nature of power in organizational relationships, please take a moment to incorporate your Six Beliefs Model to capture how these key factors have played a role in creating your personal mediating lens by completing the information in the boxes below.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Thoughts about your Need to Control Others as a Leader						
The Importance that you Place on Creating High Commitment						
Your thoughts about the Importance of Exercising Power in Your Relationships						

## Self-Assessment

What have you learned about yourself as you have reflected on these issues?

---



---



---

### Myth #2: Leadership Ethics is Simple and Just Good Common Sense

The myth that leadership ethics is simple and straightforward is commonly shared by many individuals. Many of those same people argue that “right and wrong is as simple as the Golden Rule.” The biggest difficulty in attempting to “do unto others” as we would wish them to do unto ourselves is that each one of us has a subjective perception about what we expect from others. That perspective is dependent upon a complex set of factors that affect our ethical filter and our subjective mediating lens.<sup>20</sup> Although we tend to overrate our own ethical behaviors and interpret them to be the standard for moral conduct, we quickly discover that our individualized perceptions about right and wrong are far different from the perceptions of others.<sup>21</sup> In addition, our scripts or mental guidelines for assessing our own ethical conduct may be substantially impacted by the context of our situations and the subtle but compelling pressures of the organizations in which we work.<sup>22</sup>

LaRue Hosmer, the founder of the University of Michigan ethics program and Professor Emeritus, has noted that decision making is a critical value of leaders and a numbingly complex process that is based upon carefully weighing the impact of decisions on multiple stakeholders. Hosmer noted that ethical decision making requires carefully assessing the impacts of decisions economically, legally, and ethically.<sup>23</sup>

Similarly, Harvard scholar Lynn Paine has noted that today’s leaders can no longer navigate based purely upon financial outcomes but must incorporate legal and moral perspectives into their decision making.<sup>24</sup> Describing the ethical decision making process as a Venn diagram of



overlapping circles, Paine noted that today's leaders and managers must focus on those factors that simultaneously produce outcomes that are deemed to be morally appropriate, financially profitable, and legally consistent with both the letter and spirit of the law.<sup>25</sup>

Increasingly, scholars are defining the duties of leaders as demanding the pursuit of virtuous actions, rather than simply avoiding being dishonest or illegal.<sup>26</sup> These scholars argue that virtuous leadership can result in organizational outcomes that are more profitable and that produce higher quality and greater customer satisfaction as well.<sup>27</sup> The complexities of a virtue-based ethical perspective take traditional thinking about moral leadership to a new level and suggest a paradigm of virtuous behavior that goes far beyond simplistic assumptions about ethical responsibilities for leaders.

### Duties of Leaders

As you reflect on the duties and obligations of leaders, how have these insights impacted your thinking about duties owed by those who lead?

---



---



---

### Myth #3: Leaders are Tough-minded, Objective, and Impersonal

The highly competitive global economy and the fierce competition for financial survival have created tremendous pressure on companies. "Tough-minded management" has been glorified in the business press and high profile leaders like Jack Welch of General Electric have been exemplified as outstanding leaders who pump up profits by cutting employees to motivate survivors. The fad of more than 80% of the Fortune 500 companies to engage in downsizing often resulted in a short-term blip in the bottom line but rarely resulted in a net benefit to the companies or the actual creation of long-term wealth.<sup>28</sup>

“Objective” management became code for a rational and purely economic approach to profit taking and the pursuit of revenues and an increased bottom line. Ironically, the data confirmed in a well-regarded study of outstanding businesses by Collins and Porras that simply focusing on generating increased revenues actually resulted in reduced profits long term.<sup>29</sup> The evidence suggests that focusing on providing quality products and services to customers actually results in greater long-term profitability than totally emphasizing the pursuit of those profits.<sup>30</sup>

Similarly, the idea that leaders must treat employees impersonally and at arm’s length became a prominent management mantra. That leadership perspective was based upon the theory that employees were commodities to be managed and that the ideal organization minimized labor costs by avoiding paying for healthcare and other benefits.<sup>31</sup> The economic model that became predominant argued that firm leaders had the primary obligation to increase the stock price of the firm at all costs by reporting the highest possible quarterly profits.<sup>32</sup> A leadership approach that pursued profits at all costs and that depersonalized duties owed to employees and other stakeholders has, of course, been cited as the driving force behind many of the scandals that have occurred over the past decade at Enron, WorldCom, and the companies involved in the 2007–2008 financial crisis.<sup>33</sup>

In proposing a powerful counterpoint to this myth about financially and economically driven leadership, Paine noted that today’s leaders have an absolute obligation to achieve both economically sound and ethically sound outcomes. Paine acknowledged the need for a different approach to leadership than has been advocated by old paradigms.<sup>34</sup> Rather than adopting a purely rational and economically driven model, Paine noted that leaders have the moral obligation to be sensitive to key relationships in organizations—including obligations to deal ethically with employees and other stakeholders.

Other leadership experts also emphasize the critical importance of establishing relationships that inspire employees and that demonstrate that leaders are humane and authentic in dealing with employees.<sup>35</sup> Quinn has noted that leaders must demonstrate that they are committed to creating organizations that highly value people, while simultaneously pursuing profitability.<sup>36</sup> Leaders who fail to “encourage the hearts” of others leave employees wondering whether they are viewed as people or

as commodities. Building trust and creating high commitment demand that leaders demonstrate that they care about the welfare, growth, and wholeness of their employees and other stakeholders as well.<sup>37</sup>

### What's Your Preference?

When you think about the type of leader for whom you would prefer to work, how does that preference affect your future mental models as you anticipate being in a position to lead others?

---



---



---

### Myth #4: Leaders should not Admit Mistakes

The supposition that “leaders do not admit mistakes” is based upon a hierarchical view of the organization that has its roots in the bureaucratic theory of organizations.<sup>38</sup> Infallibility of leadership has historically been deemed as critical in the military to maintain discipline in battle and in the church to avoid heresy or apostasy.

Leadership infallibility in both the military and the church was often enforced with an iron hand. Leaders in the military and the church were also typically more educated than those whom they commanded. In addition, an unspoken organizational premise was that the mission of the organization was more important than the welfare of individual members and individual organization members primarily existed to accomplish the organization's mission.<sup>39</sup> If a leader were to admit mistakes, doing so would be thought to weaken organizational compliance and undermine authority and discipline.

In some modern organizations, hierarchical leaders still act with disdain for individual employees and appear to act under the assumption that they are owed obedience by those who work for them. Although Chester Barnard made it clear over 70 years ago that authority was granted by followers, rather than demanded by hierarchical right or organizational role,<sup>40</sup> a large percentage of today's managers “did not get the memo.”

Micromanagement and abusive treatment from management are legendary in many of today's organizations. Those behaviors unfortunately result in a predictable set of dysfunctional employee responses as well as organizational underperformance.<sup>41</sup> Organizational leaders who act as if they are infallible and who treat employees as organizational chattel are thought of by many as "organizational terrorists"<sup>42</sup> and worse<sup>43</sup>—both by employees who despise such leaders and by the humorists who mock their dysfunctional behavior.<sup>44</sup>

In contrast to the organization undermining hubris that typifies many leaders, Edgar Schein has noted that effective leaders recognize that they must adopt a supportive role with employees and acknowledge that achieving organization success is a collaborative process. Schein offers this advice to future leaders.

As the world becomes more complex, networked, interdependent, multicultural, and ideologically diverse you will increasingly find yourself in situations where you will need help from subordinates, and in which subordinates will ask for help in areas where you are not an expert. To manage either situation effectively you will have to develop a degree of humility and the process skills that will enable you to accomplish the following things:

1. Create a climate in which subordinates will come to you and offer help, where they can be comfortable in recognizing that their expertise is greater than yours and that you need help.
2. Be able to accept help without feeling a loss of face.
3. Be able to respond to subordinates' requests for help with enough inquiry to find out what they actually need and how you could actually be helpful.<sup>45</sup>

Whatever else you think about or do, do not oversimplify the helping process. Rather, recognize how complex the helping relationship is, especially across hierarchical boundaries. And most difficult of all, perhaps, accept that you will eventually become obsolete in many content areas and develop the process skills that will enable you to manage and help your technically superior subordinates.

The ability to help employees in a serving and supporting role has increasingly been recognized as a critical skill of the modern leader<sup>46</sup> and serves as a powerful counterpoint to leaders who view themselves as the infallible scions of the corporate world. In his research about great organizations, Collins noted that the leader who gave credit to others for successes but accepted personal responsibility for failures characterized those who led the best of the best organizations.<sup>47</sup>

Take a minute and complete the boxes in your own Six Beliefs Model about your own perspectives associated with this responsibility of leaders to be thought of as helping others, rather than as demanding authority figures.

Topic	Self	Others	The divine	The past	Current reality	The future
What You Think Leaders Owe Employees in "Helping"						
The Importance of Leadership Humility						

### Myth #5: Employee Empowerment Means Sharing of Responsibility

For many leaders and managers “empowerment” means that employees have been asked to be responsible for achieving outcomes, even when those same employees have not been given the accompanying resources to achieve what is expected of them.<sup>48</sup> One of the most common failings of organizational leaders is to expect employees to achieve performance goals, even when organizational systems and shortcomings actually impede the employees’ capability to accomplish those results.

W. Edwards Deming, the highly regarded Father of Total Quality Management, told Ford Motor Company executives that 85% of all the problems which they were experiencing in developing better cars were problems that were actually due to management’s actions.<sup>49</sup> Holding

employees accountable for achieving results for which they are not properly empowered is not only organizationally ineffective in producing desired outcomes but is destructive of employee trust, morale, and commitment.<sup>50</sup>

Empowerment is far more than being asked to be responsible for outcomes but includes the degree to which employees actually feel psychologically prepared and capable of performing a set of tasks that they believe to be meaningful and important to their job.<sup>51</sup> A growing body of empirical evidence suggests that leaders who provide support systems assist employees to be more effective in producing outstanding organizational results.<sup>52</sup> Unfortunately, many employees feel neither properly prepared nor supported by their organizations to be empowered but feel “set up” for failure.<sup>53</sup>

Leaders owe employees a broad set of moral duties, including helping employees to achieve desired outcomes by providing the resources, training, and organizational systems that make the accomplishment of results possible.<sup>54</sup> Max DePree, the former CEO of the highly regarded Herman Miller furniture company, called this leadership support obligation a “covenantal” duty that was part of the social contract that existed between an organization and its employees.<sup>55</sup>

Using your Six Beliefs Model, please take a minute to identify your responses to the two topics listed below.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Positive Personal Experiences with Empowerment						
Your Disappointing Experiences in Feeling Unempowered						

### Myth #6: Leaders Avoid Conflict

Conflict in organizations can be destructive when poorly managed and can become a source of toxic divisiveness.<sup>56</sup> Many leaders believe that conflict is “intrinsically bad” and seek to avoid its occurrence at all costs.<sup>57</sup>

Although there is some variance of opinion as to what constitutes conflict, there is a general consensus that organizational conflict encompasses disagreement, opposition, or lack of consensus about desired outcomes or the best way to achieve those results.<sup>58</sup>

Although conflict can require an investment in time and resources, the resolution of disagreements about organizational options can also spur the organization to achieve new innovations, improve performance, and resolve problems that impede long-term organizational progress.<sup>59</sup> Despite the fact that conflict can sometimes be dysfunctional, resolving conflicts can nonetheless be absolutely essential if a company is to reach new heights in performance.<sup>60</sup>

The increasingly diverse makeup of organizations that has occurred over the past 30 years has had a twofold impact on organizations. The diversity of cultural backgrounds as organizations expand into other countries has made it more difficult for organizations to integrate people without predictable differences in perspective and values. At the same time, organizations that are able to effectively integrate the differences in viewpoints of people with differing backgrounds are also more successful at responding to corresponding perspectives of the organization's customers.

In minimizing the negative potential impacts of conflict, four powerful questions can be used to focus organization members and assist the organization to resolve differences.

**How can conflict be brought out into the open so that it can be productively discussed?** Unfortunately, the most common approach to dealing with conflict is denying that it exists.

**How can we ensure that people understand each other's points of view?** Dominating participants can chill communication and cause others to withdraw—resulting in the loss of candor and commitment.

**How can we develop trust so that conflicts that do occur can be resolved without organizational dysfunction?** Creating effective processes for dealing with conflicts requires an investment in training individuals, teams, team facilitators, and organizational leaders. Constantly monitoring organization systems and processes helps build trust and perceived trustworthiness.

**How can we get people with different abilities in dealing with conflict to teach each other?** The ability to listen and the ability to articulate a point of view are just two of the critical skills that are essential in the mutual learning process associated with conflict resolution. People with differing points of view must feel safe before they are willing to deal with others candidly.<sup>61</sup>

We live and work in a world where organizations are under ever-increasing competitive pressure, decision making has been sped up, and diversity is increasingly common.<sup>62</sup> Effective leaders must acquire the ability to not only become comfortable with conflict but skilled in surfacing disagreements about the best course of action so that constructive conflict resolution can contribute to the achievement of organizational goals.

### Dealing with Conflict

How do you assess your skills in dealing with conflict? Where can you improve?

---



---



---

What, specifically, do you plan to do to enhance your abilities in understanding more about resolving conflicts and become more effective in this important area of leadership?

---



---



---

### Myth #7: Men are Better Leaders than Women

A common misconception about leadership is that leadership effectiveness is gender specific, and that men are inherently more effective leaders than women.<sup>63</sup> One incorrect argument supporting this assumption is, “Because more men than women are supervisors and CEOs, therefore men are acknowledged to be more effective than women.” This latter



argument simply reflects a cultural and historical artifact, rather than confirming or disconfirming the relative leadership competence of either gender.<sup>64</sup>

A substantial body of empirical evidence does suggest that men tend to be somewhat more focused on instrumental or task-based outcomes than women. In contrast, women are more likely to be normative or value-based in their leadership behaviors.<sup>65</sup> In addition, women generally tend to be more likely to adopt an ethic of care based upon valuing people in relationships, whereas men are more likely to be utilitarian in their ethical focus and centered on making decisions based upon the cumulative economic benefits of the alternative choices.<sup>66</sup>

In carefully examining the relationship between gender and leadership outcomes, the highly regarded ethics scholar, Pat Werhane, has argued that in today's highly global world economy a feminine leadership style that is responsive to relationships tends to be more effective in working with others to create collaborative relationships.<sup>67</sup> Werhane noted that female leaders are also more comfortable than male leaders in working with others who are smarter and more capable than they are. Female leaders are also more effective than males at seeking out and working with their organizational successors, thereby accruing greater benefits to their organizations.<sup>68</sup> In summarizing the requirements demanded for successful global leadership, Werhane noted the following about preferred leadership characteristics.

(G)lobal leaders must be multicultural systems thinkers, if not by background at least by the leadership skills they exhibit. In such a world one must be adaptable to new situations, flexible, and inclusive and collaborative, or failure is inevitable.<sup>69</sup>

Tomorrow's leaders, Werhane concluded, must be highly ethical leaders who "embody their values in all they do and promote" and women whom Werhane and her colleagues studied exemplified all of these leadership virtues.<sup>70</sup> Although men may also possess these same leadership traits, research by other scholars confirms that men are less likely to be as

effective in building relationships, working collaboratively with others, and demonstrating personal empathy.<sup>71</sup>

### Assessing Your Leadership Approach

Please take a couple of minutes to reflect on your own leadership style, traits, and tendencies. In what ways are you more “masculine” or more “feminine” as a leader, based upon your current understanding of the leadership traits that typify male and female leaders?

---



---



---

### Myth #8: Anyone can be a Leader

Many scholars claim that “leadership is an influence process” or that “leadership can be developed.”<sup>72</sup> Although people may enhance their capabilities and improve their leadership qualities, becoming a skilled and trusted leader is profoundly difficult and the process is anything but simple. The evidence suggests that today’s leaders often struggle in building trust.<sup>73</sup> Many leaders struggle in even understanding the complex ethical implications of the social contract in the leader–follower relationship.<sup>74</sup>

In a society labeled “The Cheating Culture,” many of today’s leaders face the same problems in creating relationships of trust that recent survey results indicate many organizations, institutions, and occupational groups struggle to attain.<sup>75</sup> If being a highly regarded leader were easy, those who seek to lead would find their efforts to be far more successful. In addition, the businesses, governmental units, churches, and universities that struggle to earn the respect of their constituents and customers would also be more highly regarded.

Leadership takes integrity—as perceived by followers who each see the world through their own subjective lenses.<sup>76</sup> Leaders must demonstrate

competence in a broad set of areas—both within the organization and in assessing an increasingly complex and difficult to track external environment.<sup>77</sup> Leaders must treat people with beneficence and a commitment to their best interests.<sup>78</sup> Although leaders may perceive themselves to be moral and ethical, rarely do those same leaders measure up to the virtuous standards imposed by the followers who hold them to be accountable. Despite their hard work and good intentions, many leaders fall far short of what their followers expect.<sup>79</sup> Becoming an authentic, committed, and effective leader requires a rare combination of skills, personal insight, and contextual awareness that few leaders possess—or that many leaders even acknowledge as important.<sup>80</sup>

As you reflect on your own leadership capabilities, please complete the boxes in the Six Beliefs Model below and identify how you think and feel about the following issues.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Leadership Strengths						
Your Possible Leadership Blind Spots						
“Myths” about Leadership that Apply Most to You						

Becoming a great leader is in many ways a lifetime quest. Although it makes little sense to be discouraged because you have faults, shortcomings, and blind spots that may limit your current effectiveness, the good news is that there are opportunities available for you to become a more effective leader. Becoming a more insightful leader will allow you to achieve more productive results and to build more mutually satisfying relationships with others. Leadership is ultimately a relationship that you establish one-on-one with each individual organization member.<sup>81</sup>

## Applying Theory

Here is another case for you to think and respond to as you apply the concepts from this chapter.

Karen Smurthwaite had just met with her colleague, Beth Floyd. “Beth,” Karen said, “How can we create an organization culture that will best motivate our small consulting firm?”

Beth, Karen, and two other colleagues from Midwestern State University had formed a consulting firm that served the south Texas region surrounding Wichita Falls. The firm, just barely two weeks old, had been started by Karen and Beth. “I really am more a partner than a CEO,” Karen said to herself. “Where should I begin, and how do I lead our team?”

### Insights for Karen

What would you do if you were Karen? How would you create a successful firm and provide leadership to your small group?

---



---



---



---

### Developing Your Action Plan

This chapter has provided you with insights about the challenges and complexities of becoming a highly effective and moral leader. If this chapter has done nothing else, perhaps it has helped you to reflect on the difficulties that leaders face in deciding what is and is not true about leadership. Ultimately, how will you apply the principles of Transformational Learning that require you to be evidence-based in confirming what you know or don't know about leadership? How can you be sure that you have a clear understanding of what is and is not true about leadership?

### Taking Action

Take a few minutes to write down what you have learned from this chapter and identify how you can apply the chapter in developing your personal action plan.

---

---

---

---

---

---



BUSINESS EXPERT PRESS

## CHAPTER 6

# Leadership, Goal Setting, and Performance Measurement

Great leaders articulate a shared vision that clearly communicates expected outcomes and inspires the hearts of others.<sup>1</sup> Setting clear goals integrates the critical relationship between normative values and instrumental outcomes in achieving an organization's mission. This chapter identifies the contribution of the goal setting process and the outcomes of goals as important parts of the leader's role in helping an organization to achieve unprecedented excellence. The importance of creating effective measurement systems to evaluate organizational results is also explained as a means for helping organization members to focus their efforts as they strive to achieve their organization's mission and develop their own capabilities as individuals.

Organizations achieve the greatest success when they recognize that they not only fulfill an important purpose in society, but satisfy a broad array of individual needs of their members along the way.<sup>2</sup> Wise leaders recognize that their responsibility to their organization and their employees honors the leader's "covenantal relationship" with those whom they serve and creates both long-term wealth and increased organizational commitment.<sup>3</sup>

### Identifying Your Perspective

Please take a minute to describe in your own words how you think the process of establishing organizational goals and measures of performance contribute to a leader's effectiveness. In responding,

*(Continued)*

*(Continued)*

please identify experiences that you may have personally had in setting goals or measuring performance in the organizations where you have worked or in your personal life.

---



---



---



---



---

## Goal Setting and the Leader's Role

Articulating a clear direction for an organization is most effective when leaders inspire a shared vision that appeals to the hearts and minds of others.<sup>4</sup> In addition, leaders contribute to the success of their followers when they understand the nature of goals and the factors that significantly affect goal accomplishment.

Goals are most likely to be achieved when they meet the characteristics outlined below.

**Well-defined.** Understanding specifically what is to be accomplished helps organization members to focus their purpose.

**Meaningful.** Individuals value the desired outcome and consider it to be worthy of their efforts.

**Achievable.** The goal is not so difficult that individuals feel that it is beyond their capability within a reasonable time.

**Supported.** Adequate resources are provided that help individuals to recognize that the organization and its leaders are committed to their success.

**Consistent.** When organizational goals are reinforced and reemphasized on a repeating basis, individuals are more likely to appreciate their importance.

**Aligned.** Goals that match organizational purpose, systems, and policies are perceived to be internally consistent.

**Mission-focused.** Goals that enable an organization to achieve its overriding mission focus organizational efforts.

**Meaningful.** Goals that achieve a result that is personally valued and viewed as worthy of effort motivate individual organization members.

**Timely.** Goals that address a pressing organization need or that produce a timely outcome provide an immediate reinforcement.

**Appreciated.** Goals that are acknowledged and valued by the organization tend to be viewed as very important and worthy of individual effort.

Wise leaders recognize that among their most important tasks are articulating the goals to be achieved by the organization and creating support systems that reinforce and sustain the accomplishment of these goals.

### Leaders and Goals

As you think about the leader's role in articulating organizational goals in your own personal experience, where do you think leaders most typically fall short in creating goals that meet these criteria?

---



---



---



---

### Five Questions for Leaders

To accomplish organizational goals, the leadership process requires the ability to focus the efforts of individuals within the organization to accomplish a meaningful and significant organizational purpose. Unfortunately, it is common for individuals and organizations to get off track and to lose perspective about what they are really trying to achieve.<sup>5</sup> This inability to stay focused infects each one of us, results in wasted time and efforts, and consumes valuable resources. The consequence is that organizations and their members frequently find themselves both disappointed and frustrated.

Stephen R. Covey used an insightful metaphor to describe the struggle to set the right goals in organizations. He compared the failure to set the correct goals with attempting to climb to the top of a ladder but, having done so, discovering that the ladder has been placed against the wrong wall.<sup>6</sup> This failure to properly “begin with the end in mind” is a critical issue in the goal setting process.<sup>7</sup>



The good news is that leaders and organizations can exponentially improve their ability to achieve success if they focus on five key goal-related questions. These five questions also provide a valuable checklist to help leaders and their stakeholders to keep focused despite the many distractions that inevitably occur as organizations juggle a multitude of priorities. Table 6.1 provides those five questions, identifies predictable pitfalls that cause organizations to underperform, and suggests additional insights that can help leaders to provide direction and clarity to those whom they serve.

**Table 6.1. Five Questions for Leaders**

Key question	Barriers to overcome	Clarifying comments
What is the goal?	Lack of clarity or precision about desired outcomes often leads to an uncertain direction and purpose for the organization. The organization's mission must be articulated in terms of terminal results that create added value for society if that mission is to adequately motivate employees and other stakeholders. Goals and outcomes are most meaningful when they create a sense of pride within organization members.	Often the goal setting process becomes vague and lacks specificity. Organizational mission statements commonly lack the precision to communicate what needs to be accomplished and how the organization expects to contribute to society.
What should we measure?	What is measured tends to be given special attention and extra emphasis by organization members as they perform their jobs. Established measurement systems send a message to organization members about what they should emphasize. Measuring performance and equating measurement with desired outcomes may be a difficult task but getting very specific about what is to be measured can make the difference between good and great performance.	The classic reality with measurement problems is that organizations frequently overemphasize outcomes that can be counted. In addition, organizations tend to focus on implementation objectives rather than performance objectives or organizational outcomes.

(Continued)

**Table 6.1. Five Questions for Leaders—(Continued)**

Key question	Barriers to overcome	Clarifying comments
What do we reward?	Organizational reward systems send a powerful message about the underlying assumptions of the organization and the outcomes that its leaders consider to be most significant. The failure to understand how to design reward systems that are congruent with organization priorities is frequently recognized as a mistake made by leaders.	Unfortunately, reward systems tend to send mixed messages. Compensation and performance measurement are typically poorly managed in most organizations and point employees in the wrong directions.
Who should we involve in the process?	Although there are times when organizational decisions need to be made from the top, particularly in circumstances that are crisis-related, the decision making process often suffers by not involving employees and other key stakeholders. In today's knowledge-, wisdom-, and information-based economy, employees who deal directly with customers are often more able to identify the need to make modifications to organizational goals to respond adequately to the changing market or the needs of those customers.	The service economy is often dependent upon being able to customize a response to customers and that ability to respond based upon the customers' needs is increasingly the measure of value added and quality that distinguishes a service. Making employees, customers, and suppliers "owners and partners" in the decision-making process is increasingly recognized as critical to organization success.
What are our governing values?	Organizational values must address instrumental and normative outcomes. The critical nature of values is their ability to guide the organization at moments of truth when ethical dilemmas present themselves. Governing values serve as a touchstone for evaluating the organization and its priorities. Adherence to the proclaimed values of an organization ultimately defines the integrity of its leaders.	Unfortunately, the governing values of an organization tend to be undiscussable when underlying assumptions about what is really important conflict with the "advertised" or espoused values of the organization.

### Key Questions

As you reflect on these five questions and the obligations that they impose on leaders, which of these questions do you personally consider as most important in the relationship between leaders and those with whom they work? In responding, please indicate how the question you identified can improve organizational relationships and the ability of organizations to achieve their goals.

---

---

---

---

Each of these five questions and the barriers associated with them are fraught with a multitude of underlying obligations about duties owed to stakeholders and to society. However, it is unfortunately very common for the implications of these questions to be overlooked due to the press of business and the many tasks that leaders must undertake. Notwithstanding the pressures that leaders face, it is the leader's responsibility to create organizations in which members are guided by a clear direction, measurable outcomes to achieve, and systems that reinforce and facilitate the achievement of an organization's mission and goals.

### Reflecting on Priorities

As you reflect on your personal experiences working in organizations, you may have experienced some personal insights about the importance of these five questions. Please take a few minutes and address each of the topics identified below using the Six Beliefs Model format.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Insights about the Importance of Clear Goals						
Problems with Measurement						
The Importance of Well Chosen Rewards						
Importance of Involving Team Members						
The Role of Consistent Values						

## Measuring Results

Individual employee responsibilities and organizational goals must be closely related if each employee is to be effective. W. Edwards Deming, the acknowledged Father of Total Quality Management, has noted that leaders and organizations often fail to appreciate the importance of measuring results that accurately reflect organizational accomplishments. Deming emphasized that organizational leaders must develop five key insights, which he called “profound knowledge,” related to measurement.<sup>8</sup>

**Knowledge of the Organization’s Systems.** Leaders must have a thorough and complete understanding of the systems that produce their organization’s products and services and the ways that each of those systems adds value to the final end product. Measuring and monitoring system performance is essential for maintaining consistency and product quality.

**Needs of Present and Future Customers.** Leaders must understand the key tasks that customers are trying to accomplish in addition to the

features that they desire in the products and services delivered to them. Both the current customer and potential future customers must be understood and metrics must be created to assess customer needs.

**Competition in the Changing Market.** Leaders must understand their competitors and the products and services that their competitors are providing, as well as the many innovations that are being introduced in the market. In today's highly competitive global market, innovation is constantly occurring and flexibility and responsiveness are critical measures of organizational success.

**Barriers Impeding Employee Success.** Leaders must be aware of how and why employees are struggling to be successful and be highly skilled at helping to eliminate the root causes of problems, rather than simply addressing the symptoms that may be identifiable. Measuring the right problems and identifying the true causes of errors must be understood.

**Resources Employees Need to be More Effective.** Leaders must clearly understand how key resources can be provided in the correct amount, at the right time, and in the right way to help employees to achieve the goal of most effectively meeting customer needs. The monitoring process for measuring results and assessing resources required is critical.

These five measurement-related factors are each important in identifying the best way for an organization to succeed in its market. Deming noted that organizations frequently measured the wrong indicators and often failed to understand the nature of statistical variation and other key measurement-related concepts.<sup>9</sup> By measuring and emphasizing the wrong factors, organizational leaders may send the wrong message to employees about outcomes that are most important in their jobs and to the company's customers. Without the knowledge required in each of these five areas, leaders are unlikely to create the internal organizational systems necessary to support employees or to effectively accomplish organizational goals.

## Guiding Individual Performance

One of the universally acknowledged critical roles that leaders, managers, and supervisors perform is the assessment of and feedback provided to individual employees.<sup>10</sup> The ability to provide clear direction to employees and to help them to perform their jobs well is an essential function of every

organization. At the same time, employees and supervisors acknowledge that performance appraisals are often done poorly and may actually undermine the relationships that are so important for long-term organizational success.

Deming was famous for his description of performance appraisal as a dysfunctional management process. Deming suggested that “annual ratings are a disease, annihilating long-term planning, demobilizing teamwork, nourishing rivalry and politics, leaving people bitter, crushed, bruised, battered, desolate, despondent, unfit for work for weeks after receipt of rating, unable to comprehend why they are inferior.”<sup>11</sup> Deming emphasized that effective leadership was the key to improved performance coaching and explained that performance measurement was dependent upon leaders acquiring profound knowledge about their organization and its employees and demonstrating a genuine commitment to the welfare of each employee.

Performance appraisal systems are ineffective for a multitude of reasons. Table 6.2 below identifies six types of errors made in conducting the

**Table 6.2. Errors and Suggestions for Improvement**

<b>Error category</b>	<b>Consequences</b>	<b>Suggested improvements</b>
Failure to adequately prepare supervisors for the process	Interviews conducted by supervisors who are not well prepared often result in the problems identified by Deming.	Extensive training about the process used, the desired outcomes, the role of the performance interview in building a strong relationship with employees, and the duties owed by organizations to employees should be provided to all organizational supervisors.
Attempting to accomplish multiple objectives	Using the performance interview to attempt to achieve multiple objectives inevitably results in a bad result. The purpose of the interview should be narrowly focused.	The purpose of the performance interview should be to help the employee to improve his or her performance and should be focused on that specific task. Avoid using the meeting to address compensation issues, discipline the employee, or other administrative purposes. Address those important objectives at another time.
Utilizing a “one size fits all” assessment instrument	Using a general organization-wide instrument that is not customized for each position sends mixed messages.	The goals, performance, individual needs, skills, and other key job factors that are part of the supervisor–employee relationship need to be thoughtfully incorporated into the performance interview.

(Continued)

**Table 6.2. Errors and Suggestions for Improvement—(Continued)**

Error category	Consequences	Suggested improvements
Establishing unrealistic measurement criteria	Imposing goals that cannot be realistically accomplished and expecting employees to be held accountable to achieving those goals is not fair to the employee and undermines trust.	Leaders and supervisors who want employees to achieve outstanding performance should recognize that a major part of their role is to assist individual employees in achieving that performance. Great leaders recognize that employee success is often dependent upon the support and resources provided to them by their supervisors.
Evaluating employees based upon results they cannot control	If employees are unable to control the factors associated with expected outcomes, the assessment process is perceived as arbitrary and unfair.	Recognizing the factors that actually control expected results and assisting employees to effectively address those factors improves the effectiveness of those employees and the ability of an organization to achieve desired results. Leaders help employees to be successful.
Misunderstanding the purpose of the performance interview	The most important purpose of the performance interview is to help employees to be successful. Honoring that role also and to build organization effectiveness and commitment.	Treating the performance interview as simply an evaluation of past achievements fails to build upon the opportunity to create stronger relationships within the organization and more effective employees. This interview process is most successful when it is focused on helping employees to achieve their potential and to accomplish desired organizational results.

performance appraisal process, together with the resulting consequences and specific ways in which those errors may be mitigated by organizational leaders and supervisors.

Redefining the traditional performance interview process to emphasize helping the employees to achieve their potential creates a win/win relationship for the employees and the organization.<sup>12</sup> In addition, this collaborative approach to improving individual performance is what will best enable employees to contribute to their organization's success.

## Performance Coaching

Redefining the performance interview process and incorporating a performance coaching model honors the leader's transformational

responsibility to pursue both the best interests of the organization and the welfare, growth, and wholeness of each employee. A performance coaching relationship demonstrates that a leader or supervisor is focused on continuous improvement of performance and helping the individual employee to achieve excellence.<sup>13</sup>

Table 6.3 provides a four-step coaching process that I have labeled the GOAL model that enables a supervisor to assist employees to maintain personal ownership for their own job responsibilities while also providing management support and assistance that reflects a high level of organizational and personal commitment. Table 6.3 describes each step in this coaching process, offers specific questions that can be used as part of that step, and provides a summary comment about the focus and outcomes to be achieved at each step in this performance coaching relationship.

**Table 6.3. The GOAL Model of Performance Coaching**

Coaching step	Examples of questions to ask	Comments
<p><b>G—Identify the Game Plan.</b> Determine what the person being coached considers to be the path forward and identify the key outcomes that this individual is seeking to achieve.</p>	<ul style="list-style-type: none"> <li>• What do you see as your game plan for the next six months?</li> <li>• What are the key outcomes that you want to accomplish?</li> <li>• What do you consider to be your major priorities?</li> <li>• How do you see your game plan fitting into the organization's overall mission?</li> <li>• What additional resources can I provide that might help you to be successful?</li> </ul>	<p>The Coach's role is to confirm that the employee clearly understands the organization's goals and priorities. A person who describes outcomes that do not fit the direction of the organization should be provided with clarifying training. The focus, however, is to confirm that the employee is responsible for the desired results and that the Coach is there to help.</p>
<p><b>O—What have you Observed?</b> Check the individual's perceptions of the variables that affect his or her ability to accomplish key outcomes.</p>	<ul style="list-style-type: none"> <li>• As you think about the key factors that you need to incorporate in your game plan, what have you noticed?</li> <li>• What obstacles seem to be the biggest issues that will need to be addressed or overcome?</li> <li>• What information do you need that you do not currently have?</li> <li>• How can I help you as you assess your situation?</li> </ul>	<p>The Coach is a resource to ensure that the key variables about the status quo are clearly understood. If issues are omitted by the employee in addressing key elements that need to be included in achieving organizational goals, the Coach has the opportunity to provide additional training about those key elements.</p>

(Continued)



**Table 6.3. The GOAL Model of Performance Coaching—(Continued)**

Coaching step	Examples of questions to ask	Comments
<p><b>A—What Alternatives have you Considered?</b> Identify these various action steps to consider the most effective alternative.</p>	<ul style="list-style-type: none"> <li>• What are the different options have you identified that will enable you to accomplish your goals?</li> <li>• What are the advantages and disadvantages of each of these choices?</li> <li>• Are there features of the different options that might be integrated into a hybrid alternative?</li> <li>• How can I assist you in identifying or evaluating alternatives?</li> </ul>	<p>The Coach continues to keep the employee in charge of evaluating which of the available alternatives best accomplishes the desired outcomes. The Coach helps the employee to consider advantages and disadvantages but remains in the supporting role and allows the employee to develop a solution that achieves intended results.</p>
<p><b>L—What is Your Leadership Path?</b> Confirm the action plan and the steps to be included in achieving desired outcomes.</p>	<ul style="list-style-type: none"> <li>• What are the key factors that you have decided to include in your action plan?</li> <li>• What are the resources that you will need to put that plan into effect?</li> <li>• As you implement this plan, what are the key checkpoints along the way that will help you to know that you are on schedule?</li> <li>• How can I assist you along the way as you carry out your plan of action?</li> </ul>	<p>The Coach continues to help the employee focus on how (s)he will accomplish the employee’s goals. The Coach’s role remains supportive and the Coaching relationship is to serve the employee so that the employee achieves the best possible success. At the same time, the employee maintains ownership of his or her responsibilities.</p>

### Comparing Coaching

As you think about this Performance Coaching role described in Table 6.3, how is it different from the traditional relationship in the performance appraisal process?

---



---



---



---

A part of the new relationship created by this approach to performance improvement is that the Coach must clearly develop the knowledge of the

employee's responsibilities required to assist the employee to be optimally successful. But the relationship between the Coach and the employee empowers the employee to succeed and enables the Coach to be thought of as a resource and a source of help, rather than as the controlling partner in the relationship.

## Goals, Rewards, and Expectancy Theory

The setting and achieving of personal goals is acknowledged to be a major factor that provides meaning and a sense of self-worth for people and that makes up an important part of each individual's personal identity.<sup>14</sup> Organizational leaders must tune in to the individual members of their organization in creating performance incentives and rewards.

For most individuals, however, the decision to pursue an organizational goal with a specific organizational reward promised is typically based upon three factors.

**Can I achieve the goal?** Each one of us is consciously or unconsciously evaluating whether we have the skills, resources, and organizational support required to accomplish a goal. A goal that we believe we cannot accomplish does not motivate us to undertake the effort required to achieve it. The goal seems to be an elusive shadow that has been formalized but that is not realistic.

**Do I believe a promised reward will actually be given?** The credibility of the organization and its leaders in honoring a commitment and rewarding individuals for achieving a goal is a factor that is considered before a person initiates the effort to perform a challenging task. If there is a question about the integrity of the organization in delivering on its promises, the likelihood of an individual making the effort required to achieve a result will diminish.

**Do I value the reward offered?** If a reward is not viewed as worth the effort required to achieve a goal, the incentive has little actual influence in motivating an individual's behavior. Leaders must understand how individuals are motivated and provide rewards that meet with their values.

### Creating Incentives

As you think about the leader–follower relationship, how do you think leaders can most effectively address these three issues in establishing performance incentives for employees?

---



---



---



---

A wise leader will recognize the importance of each of these three factors in setting goals and creating incentives for organization members.<sup>15</sup> Honoring express and implied promises made in creating organizational rewards is essential if leaders and organizations are to be trusted.<sup>16</sup> Without that trust leaders are unlikely to establish long-term commitment or to create cultures that result in high performing organizations.<sup>17</sup>

A key factor in helping employees to be successful and in earning their long term trust is to ensure that employees are truly empowered with the resources they need to be successful.<sup>18</sup> In addition to honoring commitments, leaders must also understand the individual and collective motivating factors that influence employees to give their best efforts to achieve organization goals.

### Problems with Measurement

Although measuring results is obviously an important issue in achieving organizational goals, problems with measurement frequently occur, even in highly regarded organizations.<sup>19</sup> In a classic description of the problems that organizations face in setting goals and measuring performance, Stephen Kerr explained that many leaders fail to link the real purpose of the organization with performance objectives that are established. Kerr described this problem as “rewarding A while hoping for B” and offered

numerous examples of the failure of organizations and their leaders to properly focus their organization members.<sup>20</sup>

People tend to do that which is rewarded, typically to the exclusion of those activities that are not rewarded. Problems with measurement repeatedly occur in organizations for 10 predictable and often recurring reasons.<sup>21</sup> Table 6.4 identifies the reasons why organizational measurement systems are ineffective, briefly describes the nature of the problem, and offers a brief summary commentary about resolving the root causes of each of these problems.

The most effective leaders recognize that measurement and reward systems send powerful messages to employees about the organization's values, the degree to which top management truly understands the needs of the organization, and the leaders' commitment to dealing fairly and equitably with organization members.<sup>22</sup> Unfortunately, organization leaders often have so many items on their plate that they fail to recognize the consequences of their actions in creating and implementing these systems in their organizations.

### Assessing Reward Systems

Please take a moment to reflect on organizations for which you have worked or for which you are now working. How effective or ineffective are the measurement and reward systems in those organizations?

---



---



---

### Measurement and Reward Policies and Systems

A key human resource management function in every organization is the creation, implementation, and monitoring of measurement and reward policies and systems within that organization.<sup>23</sup> The policies and systems of human resource management must be aligned and consistent in communicating to employees the organization's values. In addition, those

**Table 6.4. Predictable Problems with Measurement**

<b>The problem</b>	<b>Summary description</b>	<b>Comments about solutions</b>
Goals are purposely vague	Intentionally vague goals are established to avoid creating conflict about the desired outcome, which may actually be controversial if goals become specific.	Leaders may lack integrity in addressing the consequences of goals and may smooth over potential costs to achieve results.
Goals do not match personal interests	An organization's goals may require a personal sacrifice that exceeds the level of commitment of organization members. The willingness to make a personal sacrifice suffers because of a lack of clarity about the desired outcome.	Idealistic goals may require people to sacrifice for the good of others, but the nature of the desired benefit is not explained or valued adequately.
Goals increase personal risk	An organization's goals may put people at personal risk and make them vulnerable to outcomes that are not in their interests.	Failing to achieve a goal may make people look bad or make them feel guilty.
Reward systems are misaligned	Reward systems that compensate individuals for interpreting information at a variable rate depending upon the individual's interpretation of that data tend to produce a self-serving bias that favors a judgment based upon the higher compensated interpretation.	Leaders need to examine whether incentives for interpreting information create a built-in bias that favors one interpretation over another.
Reward systems result in unbalanced outcomes	When multiple outcomes are deemed important but only one of those outcomes leads to a more variable personal benefit, participants will give more effort to achieve the outcome that leads to the variable benefit.	Leaders need to carefully assess the reward systems they create to ensure that they appropriately reward all intended outcomes.
Societal reward systems make maintaining measurement standards difficult	When society places high importance on subjectively determined outcomes, those who are accountable for measuring those outcomes are under tremendous pressure to compromise or soften the outcome criteria in order to appease those members of society who would otherwise be punished for failing to meet the criteria for meeting the highest standard.	Measurement systems for those who measure and evaluate outcomes need to be created so that those who may be benefited or denied a benefit are not given the opportunity to reward or punish the evaluators based upon whether a strict or loose evaluation criterion is applied by the evaluator.

<p>Evaluation of programs should not be undertaken by those who approve those programs</p>	<p>When individuals who choose whether to implement a program are given unmonitored responsibility for evaluating that program's outcomes, there is a natural incentive for those outcomes to be overvalued to protect the self-interests of the decision makers who authorized the program's original implementation—rather than to objectively critique those outcomes.</p>	<p>Measurement systems for programs that are initiated should be administered by individuals who are objective and who are not able to be influenced either positively or negatively by the decision makers who have actually approved the program.</p>
<p>Rewarding individual performance often impedes team results</p>	<p>Tracking of outcomes tends to focus on individual data that do not always equate with overall organizational success but which frequently result in individuals pursuing individual statistics while their team suffers.</p>	<p>Emphasizing team outcomes and rewarding all team members for results achieved tends to create greater team cohesion and higher overall team performance.</p>
<p>Monitoring systems fail to differentiate key results and overemphasize those that are more visible</p>	<p>The focus of monitoring systems is often on performance indicators that can be easily counted, rather than on outcomes that are more difficult to measure but that reflect whether work is performed at a high level of quality, efficiency, or effectiveness.</p>	<p>Developing monitoring systems that focus on more meaningful indicators of effectiveness takes time and effort but addresses tasks that often determine whether an organization will really meet the needs of its customers.</p>
<p>Meaningful differentiators of excellence are rarely given, except to top executives</p>	<p>Reward systems tend to compensate employees with relative small differences in pay increases and emphasize seniority or time in grade rather than actual contributions made to the key performance outcomes sought by the organization. The exception is at the top of the organization where CEOs and other organizational leaders are often given bonuses and salaries that are extremely high but that may not reflect their actual contributions to organization results.</p>	<p>Creating meaningful compensation systems requires an in-depth understanding of the factors that contribute to value added and the creation of organizational wealth. Performance factors are not typically well understood by those who create these compensation systems and the result is that the systems that are in place have little correlation with the relative contribution made by organization members.</p>

policies and systems must also be aligned with the strategic management goals of the organization.

Although the human resource management function is often underappreciated in many organizations, its role can be essential in creating high trust and high performance organization cultures that demonstrate the organization's valuing of people. Extensive business research has confirmed that the creation of aligned human resource policies and the implementation of high trust and high performance organizational cultures creates added value for organizations. Cameron has noted that treating employees with great regard can result in increased profitability, improved quality, reduced turnover, and higher customer satisfaction.<sup>24</sup>

As Deming has noted, there is no "instant pudding" in creating the management systems and processes required to establish effective and well-implemented policies of effective organizations.<sup>25</sup> The effort demanded necessitates the development of profound knowledge about each element of the organization, but the payoff of establishing carefully crafted and on target measurement and reward systems is well worth the effort. In addition, leaders who establish policies and systems that are aligned and consistent and that reflect organizational values build organizational trust and commitment while honoring the "covenantal" duties owed to organizational members.<sup>26</sup>

### Building Commitment

Take a minute to reflect on the importance of aligned policies and systems that effectively measure and reward organization performance. In what ways do you think such systems might be more likely to build high trust and commitment?

---



---



---



---



---

## Applying the Theory

Here is another case study for you to think about as you reflect on the leadership tasks associated with establishing goals and measurement systems in your role as an organizational leader.

Langley Hatcher pondered thoughtfully as she reflected on her assignment as the new CEO of Progress Associates, a management consulting firm that six recent MBA graduates of a highly regarded regional business school had just established. “We are fortunate to have several good clients who should keep us busy for the next 15 months,” Hatcher thought. “Although our plate is pretty full, I know I have to begin to formalize goals, policies, and systems to guide this organization—but where do I begin?”

### Helping Ms. Hatcher

If you were Ms. Hatcher, how would you prepare yourself to establish the goals, measurement systems, and rewards for a new organization? What approach would you use and how would you implement your ideas?

---



---



---



---



---

### Developing Your Action Plan

This chapter is about the difficult and challenging tasks of not only formalizing organizational and personal goals, but developing systems for measuring the accomplishment of those goals and rewarding their accomplishment. Most leaders find that the tasks of implementation are far more difficult than the more abstract activities of conceptualizing good ideas.



### Action Steps

What do you plan to do that will enable you to become more knowledgeable and capable in the important areas covered in this chapter? Take a few minutes to identify a short-term action plan.

---

---

---

---

---

How will you keep track of and monitor your progress, so that this action plan is actually something that you will implement in your life?

---

---

---



## CHAPTER 7

# Strategic Leadership and Competitive Advantage

In today's global marketplace effective leaders address a multitude of strategic issues in order to assist their firms to achieve a sustainable competitive position. Leaders must focus their organizations on providing products and services that enable customers and clients to perform tasks that add value in ways that their competitors cannot match. The purpose of this chapter is to identify the nature of strategic leadership and strategic competitive advantage in creating and sustaining long-term profits for their organizations and their stakeholders.

Before examining the information in this chapter about competitive advantage and the leader's role, please take a minute to capture in writing your answers to the following important questions about strategic competitive advantage.

### What's Your Opinion?

Based upon your experiences, what do you think "competitive advantage" actually means? What does it take for a firm to acquire such an advantage?

---

---

---

What do you think are the consequences to a firm if it doesn't happen to have a competitive advantage?

---

---

---

*(Continued)*

*(Continued)*

What role does a strategic leader play in ensuring that his or her company or organization creates or maintains a competitive advantage over its rivals?

---



---



---

## Strategic Leadership

Strategic leadership focuses on creating organizational meaning and purpose, in addition to creating systems that enable organizations to guide the efforts of organization members to achieve defined goals.<sup>1</sup> It is the ability to focus a firm and to clearly identify its unique role within a highly competitive marketplace that makes obtaining a competitive advantage possible. At the heart of strategic leadership are three critical capabilities, (1) the ability to create a learning culture that is constantly applying knowledge; (2) the ability to adapt and to respond to a turbulent world; and (3) the ability to innovate to develop new solutions that serve the needs of current and potential customers.<sup>2</sup> These three abilities enable organizations to position themselves within a market in a manner that is knowledge acquiring, adaptive, and in tune with customers' priorities.

The effective strategic leader combines the ability to assess economic factors of the external environment with a clear understanding of the tasks that customers are striving to accomplish in a world that is constantly evolving.<sup>3</sup> To meet the needs of a fast-changing world, effective leaders integrate this understanding of external market conditions with a spot-on awareness of the complex internal organizational needs of a knowledge-oriented workforce.<sup>4</sup> Understanding the external environment and responding to market needs by adapting within the organization are both required for organizations to accomplish their strategic objectives.<sup>5</sup>

Leaders create effective relationships with employees by understanding their needs, recognizing their concerns, caring about their welfare, and earning employee commitment and trust. Successful leaders perceive the

world more clearly than their competitors and create organizations that share their commitment to excellence and that are equipped to deliver products and services that customers require.

Strategic leadership anticipates and responds appropriately to the psychological pressures and multifaceted factors that constantly affect all of an organization's employees. Today's organizational requirements demand not only a high level of *cognitive* skill that is essential to track changes in the external environment, but an equal or greater *affective* ability to understand people, to value them, to develop their talents, and to empower them. Strategic leaders bring together organization members who recognize opportunities that other organizations overlook, and who deliver products and services that create value for customers.<sup>6</sup>

These leaders create organizations that quickly adapt to changing conditions, rather than resisting change and losing the opportunity to establish an adaptive advantage. The effective workforce creates value by being responsive, timely, and insightful in meeting the evolving needs of customers. Strategic leaders create a flexible organization of members who recognize that responsiveness, creativity, and constant improvement are at the very heart of innovation and profitability.

As you think about the skills required to be an effective leader, please take a minute and apply the Six Beliefs Model to the factors that are so important to strategic leadership. In this process, identify your own personal capabilities as a strategic leader and incorporate into your responses your thoughts about how you might expand those capabilities.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Ability to Assess the Economic Market						
Your Knowledge of Customers and their Needs						
Your Strengths in Creating a Learning Culture						
Your Experience in Creating Flexible Organizational Systems						
Your Understanding of Creative Innovation						

## Defining Competitive Advantage

Competitive advantage is achieved by clearly understanding what an individual or an organization does better than anyone else, as well as identifying what others can do better than we can do.<sup>7</sup> In a very real sense, we must “define reality” by having a clear recognition of ourselves, our competitors, and our areas of expertise. The expertise that we develop must create wealth that benefits our customers and society at large in order for a strategic competitive advantage to actually exist.<sup>8</sup> Competitive advantage also requires the ability to continually respond to new requirements that add value in order to adapt to constant change and to both anticipate and satisfactorily meet the needs of fickle customers.<sup>9</sup>

The ability of a firm to distinguish itself from its competitors by providing better products, services, or experiences for its customers is at the heart of competitive advantage. Firms create an advantage by offering a product that is not available from other firms, that is less expensive or that is provided to customers on a timely basis, that is higher in quality and more suited to the tasks required, that is considered to be more dependable and free of defects, or that creates greater value for the customer. The characteristics of competitive advantage are well established and include five essential qualities.

**Value to Customers.** A product or service facilitates the ability of customers to accomplish important tasks and achieve their goals more effectively, more inexpensively, or more quickly than with the products or services offered by competitors. Value, however, is always subjectively determined and is defined as “fitness for use” based upon each individual customer’s tasks to be accomplished and their individual subjective perceptions.

**Rareness of Resources.** The resources that make up the product or service are most likely to establish an advantage when those resources are rare, unusual, and not commonly found in the market. Scarcity of resources makes them difficult to acquire and eliminates the ability of competitors to enter the market and compete for customers.

**Difficulty to Imitate.** Processes, systems, and features of the product, service, or experience are difficult to copy or imitate. Competitors lack the insights, resources, or abilities to duplicate an organization’s unique

capabilities in incorporating key elements of a product, service, or experience. Skills, relationships, or systems may be hard to understand and the precise nature of a competitive advantage may be elusive.

**Uniqueness Organizationally.** The nature of the organization providing the product or service may be tacit and not easily replicated by competitors. The capabilities, knowledge, key personnel, reputation, and systems of an organization may also differentiate it from its competitors in creating unique relationships with customers.

**Nonsubstitutability.** There is no practical substitute available for the product, service, or experience provided that is as valued by the customer in facilitating the accomplishment of important tasks or outcomes. Competitors are not able to create an equivalent that is able to serve the needs of customers in achieving customer goals.<sup>10</sup>

These five characteristics allow a firm to create added value or wealth for customers. By creating this incremental added value a company is able to charge a premium and earn higher profits than are available to other competitors and competitors are unable to satisfactorily meet the needs of customers.

Obtaining a competitive advantage is ultimately a necessary requirement for long-term survival in today's highly competitive economy. Without such an advantage, the issue for a business is not whether it will struggle to survive but how soon it will eventually be put out of business by its competitors.<sup>11</sup> In reality, the pursuit of a strategic competitive advantage is an ongoing task that never ends in a world where competitors are constantly seeking to move into a market and to earn a profit for a product or service where demand is high. The threat of new competitors increases the need to constantly improve systems and processes and to introduce new products or services that add additional value for existing customers and that create new customers.

An often believed misunderstanding of many organizations is that they are competitive when they maintain the "best practices" of their industry. In fact, keeping up with the best practices of competitors does not create any competitive advantage but is at best an attempt to catch up to those practices of industry leaders.<sup>12</sup> Clearly, in order to create a competitive advantage successfully, organizations and their leaders must be constantly improving, innovating, and developing more effective

processes and products. Simply being “as good as” other competitors offers no advantage and adds no incremental value to customers.

Jim Collins has noted that “(g)ood is the enemy of great” and that being a good organization is insufficient to be successful in today’s highly competitive economy.<sup>13</sup> Collins has explained that businesses must become world class at what they are doing in order to create a sustainable advantage, and must then constantly seek to improve their systems and processes and the quality of their products and services provided to customers.<sup>14</sup>

Thus, a competitive advantage is the ability of a company to outperform all of its competitors by providing its present and future customers with a product, service, or experience that enables its customers to perform tasks that they value in ways that other competitors are not able to duplicate. A strategic leader provides ongoing guidance to help an organization create, sustain, and improve upon the perceived value of the products, services, and experiences that it provides to its customers.

### Your Evolving Perceptions

How does this definition of competitive advantage compare with your understanding of that term before you read this chapter? What did you add to your definition that has increased your understanding of this important leadership concept?

---



---



---

### Barriers to Strategic Competitive Advantage

Although attaining a competitive advantage is a highly sought after objective, organizations often get in their own way by taking missteps that impede organizational progress. These recurring errors are found in organization after organization and reflect a misguided focus on factors that waste resources. The following are 10 common barriers to success that inhibit the creation of a strategic competitive advantage, together with a brief explanation as to why each barrier undermines the competitive position of an organization.

**Failing to Focus.** For a business to be optimally successful it must clearly define its purpose and be clear about its guiding values. The ability to translate those values into concepts that employees can understand and apply enables a company to be united in achieving a common purpose.<sup>15</sup>

**Hiring Ineffectively.** The employee selection process is often handled poorly but “getting the right people on the bus” is critical if organizations are to distinguish themselves from their competitors.<sup>16</sup> Hiring people with high levels of knowledge, skill, and a commitment to excellence can contribute significantly to achieving a competitive advantage.<sup>17</sup>

**Misaligning Systems.** Policies, systems, and programs that fail to align with strategic goals send conflicted messages to employees and divert the effectiveness of organization efforts.<sup>18</sup> Human resource systems in particular need to be integrated with corporate goals in order to create high performance work systems.<sup>19</sup>

**Overlooking Opportunities.** Failing to identify the value of innovations has caused many companies to miss the opportunity to introduce important new products that other companies have subsequently introduced. Xerox, for example, invented the first personal computer but determined that it was a product with little commercial value that was unlikely to generate public interest.<sup>20</sup>

**Overemphasizing Tasks.** Focusing on tasks and activities sends the message to employees that these elements of the job are of primary importance. Although efficiency in accomplishing work tasks is important and activities need to be performed properly, the primary focus in achieving a competitive advantage must be on achieving outcomes valued by customers.<sup>21</sup>

**Underemphasizing Relationships.** Strategic competitive advantage is often based upon a tacit set of relationship-based qualities that are the basis for trust between parties.<sup>22</sup> Recognizing the importance of relationships as the source of mutual trust and creating commitment that is based upon personal trustworthiness are leadership skills that are often vital to sustaining competitive advantage.<sup>23</sup>

**Thinking Short Term.** Firms that pursue short-term profit taking or that emphasize maximizing a firm’s quarterly financial statement for the purpose of creating a favorable Wall Street financial rating often fail to invest in more long-term firm needs that contribute to obtaining a competitive advantage.



**Focusing on Technology.** Although technology can be a useful tool in the delivery of a product or service, almost without exception technology can be readily duplicated and is rarely a source of competitive advantage.<sup>24</sup>

**Emphasizing Profit Making.** Businesses are most successful when they focus on becoming excellent at meeting customer needs, rather than on making the maximization of their profits their main priority.<sup>25</sup> Although putting customers' needs first may be counterintuitive for many companies, the evidence suggests that firms that emphasize providing excellent value to customers actually have earned greater profits long term.<sup>26</sup>

**Underinvesting in Training.** In a knowledge-, wisdom-, and information-based economy, creating a learning culture is an absolute requirement to keep up to date with an evolving market.<sup>27</sup> Creating this learning culture is a necessary component in initiating and responding to innovations that constantly occur.<sup>28</sup>

Increasingly, competitive advantage is dependent upon developing the human capital of organizations and the ability to meet the needs of customers who have constantly increasing expectations.<sup>29</sup> Creating this competitive advantage means recognizing that excellence demands that "good" is never good enough.<sup>30</sup>

### What's Your Experience?

As you reflect on what you have learned about leadership and competitive advantage, which of these barriers have you found to be most difficult to overcome in the organizations in which you have worked?

---



---



---

Why do you think organizations have such a difficult time in overcoming these barriers?

---



---



---

*(Continued)*

(Continued)

Which of these barriers do you find to be personally most imposing as you think about your role as an organizational leader?

---



---



---

## From Effectiveness to Greatness

Stephen R. Covey has noted that individuals and organizations must move from effectiveness to greatness if they wish to compete successfully in today's highly competitive global environment.<sup>31</sup> Achieving that greatness is the objective of every organization and the hope of each individual. Covey has noted that for both businesses and individuals the key to achieving our highest potential is through "finding our voice." One's voice is achieved by the overlapping of four parts of our nature to identify where we can create a unique contribution.<sup>32</sup>

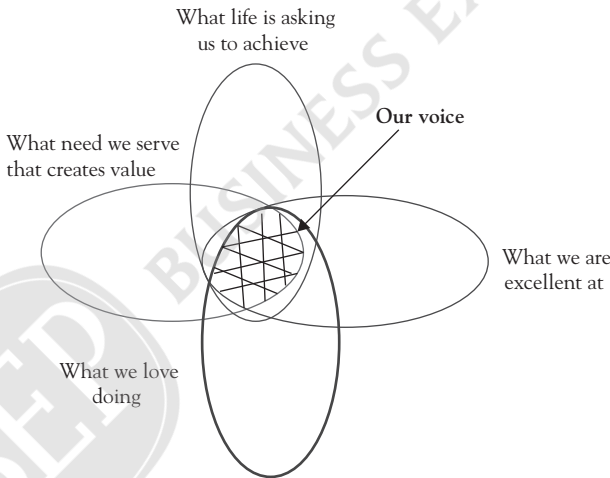
**What we are excellent at.** We begin by identifying what we are able to do better than anyone else. We must clearly understand that our abilities must be truly excellent and that the products or services that we create and provide to our customers cannot be duplicated by our competitors.

**What we love doing.** When we love what we are doing, our efforts are personally and collectively fulfilling and energizing. What we are doing is no longer work but a means of achieving our identity. Having a passion for what we are doing provides an inner fire and a motivation to constantly improve. This passion includes never being satisfied with the status quo.

**What need we serve that creates value.** We recognize the tasks to be accomplished by current and potential customers and we recognize how the products, services, or experiences that we create add value by helping customers to accomplish those tasks more efficiently or more effectively. Our competence creates wealth and adds value in ways that are also unique.

**What life is asking us to achieve.** Listening to our inner conscience, or the voice within us, we respond by seeking to achieve our highest potential. We then view our efforts as fulfilling a compelling moral purpose that honors our obligation to ourselves in addition to benefiting our customers and society. By these efforts we are true to our individual and collective identities.

Figure 7.1 is a visual portrayal of how these four factors combine to identify an individual or an organization's voice. Each of the four factors is identified by a different color and the overlapping hash mark of the diagram reflects that area which is common to all four factors. It is this overlapping area of high skill, high value, personal passion, and conscience that can become the focus for individuals and organizations as they seek to create a competitive advantage and optimal satisfaction.<sup>33</sup>



**Figure 7.1. Finding our voice.**

These four key factors enable us to not only play a contributing role in the economic marketplace but are essential in our quest to achieve our highest and best potential as organizations or as individuals. Strategic leaders recognize that they create synergistic power when their efforts meet these four criteria.

As you contemplate the importance of these four factors, your Six Beliefs Model is a helpful tool to assess how each of the factors applies in

your own life as you strive to find your voice and clarify your individual identity. Please take the time to address each of these factors in the space below.

Topic	Self	Others	The divine	The past	Current reality	The future
What You Personally are Really Good At						
What You Really Love to do Most						
What Needs You Serve That Create Economic Value						
What Your Conscience and Life Asks You to Achieve						

The greatest quality of strategic leaders is their ability to address these needs in helping an organization to establish its identity. As importantly, however, great leaders provide an opportunity for individual employees to also achieve their personal best. Teaching others to discover their own greatness enables a leader to demonstrate that (s)he is personally dedicated to the welfare, growth, and wholeness of others and earns the trust, commitment, and followership of employees. The Six Beliefs Model can be a useful tool for a leader to share with others in helping them to discover their identities and to find their own voice.

### Competition and Competitive Advantage

The constant threats facing firms in virtually every market are that a new entrant will enter the scene with new technology or that a current competitor will introduce innovations that make existing products obsolete.<sup>34</sup> The ability of firms to respond to such changes typically determines whether those firms will be able to meet these challenges and retain their profitability. Because of the dependence of most publicly held firms upon constantly increasing their growth rate in order to protect their stock value, most large firms follow the policy of competing for high-end customers by incrementally adding new features to existing products.<sup>35</sup>

However, competition at the high end of the market may become so competitive that those firms who are jockeying for supremacy in that highly competitive market often find that there is actually little profit to be made when competition is so intense.

Although adopting enabling technology may allow a firm to keep pace with industry innovations, simply adopting the latest technology is not sufficient to increase profitability.<sup>36</sup> Christensen and Raynor found that firms that develop “disruptive technologies” that develop technologically inferior products at a sharply lower price actually are more likely to earn higher profits. Typically, firms who create such products are able to attract new customers who previously could not afford higher end products but do not require all of the features of existing product lines.<sup>37</sup> Because other firms are not competing for these newly created customers served by a new but less costly product or service, the profitability for disruptive innovations is typically excellent. As firms continue to enhance their technology at the low end of the market, they are often able to quickly begin to capture more and more of the entire market.<sup>38</sup> Businesses that had previously focused on incremental innovation improvements at the high end of the market often find that they are now competing not only with high-end competitors but with previous low-end competitors who have begun to attract their high-end customers.

This brief summary of the nature of competition in today’s marketplace has evolved from the high technology industries to now include a broad variety of other industries as well.<sup>39</sup> Competition for business has become fierce at both the national and international market levels and has placed additional pressure on leaders and organizations.

### Where Should You Focus?

In thinking about your personal commitment to becoming excellent, where do you think you need to give your primary focus in developing your knowledge and skills associated with competitive advantage and strategic leadership?

---



---



---

## Applying the Theory

To give you the opportunity to reflect on the application of the information presented in this chapter in another practical situation, here is another case study for you to think about and respond to in the space provided below.

Sheila Bates found herself in a delightful but perplexing position. As the top student in a highly regarded MBA program in the southern United States, she had several outstanding job offers. Many of the firms with whom she had interviewed were well-established firms that had been successful for many years in highly competitive industries. In interviewing with these firms, Sheila noted that the leaders of these firms tended to be highly competent but uniformly conservative in their approach to their markets.

“I am not sure I am really a good fit for these older firms,” Sheila told herself. “They have certainly been well run in the past, and they clearly have been profitable. I just don’t know that I think the same way as they do.”

Sheila had met several recent MBA graduates who currently worked for some of those firms. Many of those new graduates had come from great schools and had outstanding academic pedigrees. “My biggest concern is that those recent graduates seemed to roll their eyes when I asked them about the amount of opportunity they had to make a significant contribution to decisions made at their companies,” Sheila thought. “Am I naïve in thinking that these older established firms will give me the opportunity to learn and grow?”

### Advising Ms. Bates

Based upon what you have learned from this chapter, how would you advise Ms. Sheila Bates?

---



---



---



---



---



---



---

## Developing Your Action Plan

Throughout this chapter you have been given an extensive amount of information that is related to the relative success of an organization as it strives to become competitive in today's increasingly challenging global market place. In addition, you have learned about the nature of "voice" and the factors that are critical for each of us as we examine where we can best make a contribution to the world in which we live and work.

### Applying this Chapter to YOU

What indicators should YOU be thinking about as you reflect on the type of organization for which you want to work?

---

---

---

---

---

---



BUSINESS EXPERT PRESS

## CHAPTER 8

# Leadership and Sustainability

In a world where business has been widely criticized for its negative impacts on the environment, the economy, and employees, sustainability in leadership is an important factor. As the business world has focused on short-term profit taking, the demand for business leaders to rethink duties owed to society has increased exponentially.<sup>1</sup> In this chapter the importance of sustainability is explained as a leadership duty. The Triple Bottom Line approach to evaluating organizational effectiveness is also explained as an element of corporate social responsibility and the limitations of that three-part approach to sustainability are identified.

### Initial Insights

What do you know about sustainability as a leadership responsibility?

---

---

What do you think that sustainability means as a practical matter?

---

---

What duties do leaders and organizations owe to stakeholders and society?

---

---

### Sustainability as a Leadership Obligation

Before we explore the importance of sustainability in the modern business, please reflect on what you know about that concept. Take a few minutes to briefly address the questions provided below.



Leadership sustainability encompasses a leader's responsibility to create long-term organizational wealth for stakeholders and society while honoring the duty to avoid doing harm or by mitigating any damage resulting from an organization's social, economic, and environmental impacts.<sup>2</sup> It is by honoring the obligations owed to stakeholders that leaders demonstrate that they merit the trust and respect of those whom they serve.<sup>3</sup> Leaders who understand the importance of sustainability have developed a refined ability to perceive, analyze, discuss, and create new and more effective solutions to address the problems facing society that are directly or indirectly affected by businesses.<sup>4</sup>

Leadership sustainability requires a broad array of insights and skills in a world that has grown increasingly turbulent, more economically challenged, and in many ways less capable of responding to conflicting stakeholder demands. The tasks facing leaders are more difficult to achieve and require more sophisticated skills than leaders have historically demonstrated when resources were more abundant and competition was less frenetic.<sup>5</sup> Amidst the increasingly difficult demands of competition, leaders find themselves facing a growing set of expectations from a society that is well informed and that has access to information about organizations and their impacts on society, the economy, and the environment.<sup>6</sup>

Dr. Mary Ferdig of the Sustainability Leadership Institute has suggested that leaders who understand the problems of sustainability recognize three "critical and interrelated areas that require thoughtful attention."<sup>7</sup>

**The Viability of Natural Systems and Services.** These systems and services range from environmental and ecological systems to the complex social, economic, and political systems that affect each one of us in a society that is constantly consuming resources and creating outcomes that often have a negative impact.

**Unacceptable Social Conditions.** The threats to the social condition and to the way that individuals and groups are treated in society have a residual impact on each one of us and are part of our responsibility as we acknowledge our role as a member of the human family.

**Local and Global Economies.** In a world that is increasingly interrelated, competitive, and chaotic, the economic factors that affect one community or one nation typically have a residual and interrelated

effect upon others as well. Moreover, our ability to influence others positively or negatively is often unacknowledged.<sup>8</sup>

It is the interrelatedness of these three key areas that makes sustainability important to a world in which we are interconnected in so many critical areas that affect our lives. In a world that has become more “hot, flat, and crowded,” the ground rules by which we interrelate may need to be seriously reconsidered if we are to pass on to future generations a world that is economically healthy, environmentally livable, and socially responsible.<sup>9</sup>

### Compare and Contrast

As you compare the notion of sustainable leadership with the narrower focus of most organizational leaders, what are the differences that quickly come to mind?

---



---



---

Can you think of examples that you are personally aware of in which leaders and organizations have either adopted a sustainable leadership approach or could have adopted such an approach to avoid problems that had a devastating short-term or long-term impact? Take just a minute to write down examples that come to mind.

---



---



---

### Sustainability and Corporate Social Responsibility

Defining sustainability as a commitment to corporate social responsibility reflects the growing recognition of the obligations of business to society that have evolved over the past six decades. Corporate social responsibility is generally regarded as the willingness of a business to comply with a broad set of ethical criteria as that business monitors its impact upon society and the duties that it owes to its stakeholders.<sup>10</sup> The stakeholders to whom an organization owes duties have been broadly defined and include

far more than simply its employees and customers. Stakeholders to whom duties are owed include any groups or individuals who have an interest in the outcomes of a firm.<sup>11</sup> Not only society at large, but those who are impacted in future generations may be considered stakeholders.<sup>12</sup>

The hope with regard to corporate social responsibility is that firms will embrace their moral obligation to their stakeholders. By taking responsibility for their companies' actions, firms will both mitigate potential negative impacts and contribute in a positive way to creating an environmentally, ecologically, and economically healthier world. Unfortunately, the evidence suggests that many businesses are not only denying accountability but are attempting to get by with their minimum legally mandated obligations, rather than honoring the spirit and intent of the law and the long-term needs of society.<sup>13</sup>

Three-time Pulitzer Prize winning author and New York Times columnist Thomas L. Friedman has emphasized that long-term sustainability and a more viable world depend upon businesses recognizing their moral obligations to both the present and the future. But Friedman notes that American business leaders have lost their focus and their sense of moral responsibility. The consequences of this loss of focus are that enormous economic, environmental, and social obligations are being created that must be repaid by future generations.<sup>14</sup>

Because the world has become increasingly transparent, humankind has come to understand more clearly the risks involved with consuming natural resources, deferring the costs of our infrastructures, creating a burden of debt for future generations, and ignoring problems associated with pollution and global warming. The approach of many scholars has been to view the sustainability issue in terms of five interrelated global issues:

***Ecosystem Decline.*** The environment has suffered the depletion of forests worldwide, the steady extinction of plant and animal species, and a change in the ecological balance as the human population has increased.

***Energy Depletion.*** The depletion of natural resources, particularly fossil fuels, has distorted the political balance of power and created financial pressures on the world economy. Residents of the United States use roughly 27 times more resources than residents of the rest of the world.

***Population Growth.*** The estimated world population exceeded 7 billion people on March 12, 2012 and is expected to reach as high as

10.5 billion by 2050. Most of that population is unprepared to compete in a global marketplace.

***Economic Disparity.*** Economic inequality between income levels has reached alarming proportions with a growing gap occurring between the wealthy and the relatively poor. On an international level, billions of the world's population are living far below the poverty level and lack basic sanitation, housing, or adequate nutrition.

***Climate Change.*** Global warming, the increase in greenhouse gases, the increase in the average surface temperature, the rising global average sea level, and the widespread melting of snow and ice portend future climate changes.<sup>15</sup>

### Individual Focus

Although these problems are certainly not entirely the responsibility of any individual business, to what degree do you think businesses should focus on their obligations in these five areas?

---



---



---

Which of these five problems do you consider to be most challenging for tomorrow's difficult world?

---



---



---

Although the Nobel Prize winning economist Milton Friedman argued in 1970 that “the social responsibility of business is to increase its profits,” as long as it does so within the bounds of legality,<sup>16</sup> that viewpoint has largely been acknowledged to be archaic. Today most scholars have acknowledged that Friedman's perspective failed to recognize the obligation of business to add value to society and to create long-term wealth.<sup>17</sup>

Harvard's Lynn Paine has argued that the key to corporate social responsibility and economic success requires a “value shift” that integrates a commitment to both economically sound and ethically sound business

practices. Paine has suggested that successful businesses must establish a “zone of sustainability” that incorporates both the requirements of financial effectiveness and morally sound conduct since a firm’s actions that fall outside that zone will tend to be unsustainable in the long term.<sup>18</sup>

This zone of sustainability serves the best economic interests of a business while fulfilling the organization’s duties owed to society. Paine notes that outside this zone of sustainability lie two other areas. “One represents actions that are ethically problematic but financially attractive. The other area represents actions that are ethically attractive but financially problematic.”<sup>19</sup> Corporate social responsibility lies within the overlapping zone of sustainability that Paine describes as both moral and financially profitable.

Paine suggests that social responsibility is achieved as businesses comply with a “ladder of commitment” which consists of three levels:

**A minimum set of standards incorporating basic justice.** This level incorporates an ethic of compliance or mutual forbearance and is the basic standard required by all responsible members of society.

**A more far-reaching level of commitment encompassing not only basic justice but also basic humanity and higher order precepts of justice.** This level encompasses the ethic of consideration or positive mutuality involving mutual gains and cooperation.

**A higher level that incorporates the first two levels and adds a contribution beyond what strict mutuality would require.** Companies solve problems they did not create and take the lead in defining better practices for society. This is the level of active leadership and self-improvement or an ethic of contribution.<sup>20</sup>

Paine suggests that the moral obligation owed by business leaders in tomorrow’s economy is to achieve this third and highest level of duty, a level of commitment that equates with the leader’s long-term responsibilities to society at large, as well as duties owed to other stakeholders. By achieving this third level of commitment, leaders become ethical stewards who offer a virtuous contribution to the world in which they live and work.<sup>21</sup> In a world where the obligation to add value has been ignored, the importance of this stewardship focus is critical to our future.

In describing the duties owed by business to society, many scholars have cited the ethical obligations that are universally shared and that make up the components of moral intelligence:

**To Do No Harm.** This obligation has been the foundation of moral discussion for millennia and imposes on business the same responsibility that prevails in individual relations. None of us has the right to do that which inappropriately creates a loss or imposes on the rights of others.

**To Create Value Now.** The responsibility of those who consume resources is to create added value by exchanging those resources or transforming them into something of greater value. By creating present value, businesses contribute to the quality of life of those around them and honor their transactional and transformational duties to the larger community.

**To Create Future Value.** Our duty as citizens of the world is to add long-term value and create wealth for society, avoiding creating burdens for future members of society. We do not have the moral right to impose on others a future cost but are obligated to add value and be responsible for our actions and their consequences.<sup>22</sup>

### Moral Duties

In light of what you have learned in this chapter and your previous experiences, how do you feel about these ethical elements that have been described as the duties of moral intelligence?

---



---



---

As you reflect on your abilities as a leader, how can you carry out these ethical responsibilities in honoring your obligations of sustainability?

---



---



---

### Insights of Sustainable Leaders

Leaders who fully recognize their obligations to future stakeholders and who honor those obligations view themselves and their roles in ways that are typically similar to but subtly different than the obligations assumed

**Table 8.1. Eight Differences of Sustainable Leaders**

Leadership factor	Sustainable leaders	Other leaders
Personal Identity	Sustainable leaders view their identity as citizens of a world community to which they owe a responsibility to create a better world. Their personal identity is to become their best so that they may fulfill their obligations to others.	Other leaders tend to be focused on their ability to accomplish personal goals. Their personal identity may include becoming their best but the purpose of self-development is focused on what they are individually able to accomplish.
Wealth Creation	The creation of wealth is viewed in terms of adding value for society, for the organization where they work, and for the world community rather than simply for themselves. The focus is on creating a better society overall.	Wealth creation includes creating value for the organization for which they work as a means of measuring their personal value. Wealth creation tends to be focused on short-term outcomes rather than viewed within a long-term perspective.
The Leader's Role	The leader's role is highly normative and focuses on both ends and means. The leader owes covenantal duties to others to help them to become their best. The leader also owes an absolute duty to organizations and society to optimize long-term wealth creation.	The leader's role is primarily to create profitable organizations and to add value to shareholders. The leader's worth is measured by the achievement of instrumental outcomes as a measure of the leader's ability to add value.
Time Focus	Leaders focus on both the short-term impacts of outcomes and long-term impacts. The measures of success must be evaluated in terms of both short-term and long-term consequences and wealth creation must include long-term costs and consequences.	Focus tends to be short term, with particular interest in meeting quarterly report profit goals consistent with the Capital Asset Pricing Model or Wall Street focus on stock pricing. Long-term implications of cost and revenue are frequently undervalued.
The Employment Contract	Leaders view the employment contract with employees as encompassing an obligation that is transformational and that pursues the best interests of the employees as well as that of the organization. Employees are viewed as valued in and of themselves and as the source of profit.	The employment contract with employees is often viewed as transactional and employees are primarily looked upon as the means by which organizations are able to accomplish their goals and as a cost to control and minimize whenever possible.

*(Continued)*

**Table 8.1. Eight Differences of Sustainable Leaders—(Continued)**

Leadership factor	Sustainable leaders	Other leaders
Duty to the Environment	Organizations owe an obligation to not only avoid creating environmental problems but to actually improve conditions and add value whenever possible. Organizations have a stewardship obligation to the environment and must conserve resources.	Organizations must comply with laws regarding the environment but fulfill their obligations when they are in compliance—even if their actions may have a long-term deleterious impact. The requirement is a legal obligation.
Ethical Emphasis	The ethical focus is on pursuing highly moral and virtuous outcomes that add value and create a better world. The leader is an ethical steward with an influence that can be far-reaching.	The ethical focus is on complying with the law and creating value for shareholders. The ethical responsibility is to honor contractual obligations.
Leader's Legacy	The leader has the opportunity to engage others in an effort to redefine what the world can become and to help others to discover their individual greatness, in addition to optimizing long-term wealth for organizations and for society.	The leader has a responsibility to achieve his or her personal best and to maximize the profitability of the organization for which (s)he works. Achieving personal success is the means by which leaders create a better world.

by other leaders. In an effort to clarify those differences, Table 8.1 identifies eight specific differences that distinguish the sustainable leader from other leaders who lack their sense of moral perspective.

### What Do YOU Notice?

Although this table is not all-inclusive in describing sustainable leadership, it provides a perspective that may cause you to rethink your own assumptions about the responsibilities and duties of leadership. As you reflect on this table, what do you notice?

---



---



---

(Continued)



*(Continued)*

As you reflect on each of these eight leadership factors, how do you personally measure up as a “sustainable leader” as measured by your own behaviors and actions?

---



---



---

Are there assumptions, beliefs, or insights that you would like to incorporate about sustainable leadership in your own life? If so, what are the changes that you would like to make? If not, what do you struggle with regarding the eight factors that are described in this sustainable leadership model?

---



---



---

What action plans do you have, either in learning more about sustainable leadership or in applying its concepts in your own life? Who will you involve, or what specifically do you plan to do as a result of what you have learned?

---



---



---

### Keys to Sustainable Leadership

Sustainable leadership requires a visionary commitment to the future as well as the ability to touch lives and inspire hearts in the present. The ability to make a long-term difference in organizations requires that a leader understand the need to create an organizational capacity to achieve excellence, rather than to simply provide direction and focus in the here and now. Hargreaves and Fink suggest seven guiding principles of sustainable leadership that enable leaders to create the capacity to make a lasting contribution to organizations.

**Sustainable leadership creates and preserves sustained learning.** Such learning enables organizations to identify opportunities for continuous improvement and for focusing on long-term and short-term outcomes.

**Sustainable leadership secures success over time.** The nature of our information-based society demands that we refine the ability to gather, process, and interpret a vast amount of information, and that we emphasize the need to prepare organization members to assume the responsibilities of future leadership.

**Sustainable leadership sustains the leadership of others.** Sustainable leadership must be a shared responsibility that is decentralized and that recognizes the role of others as owners and partners in the governance process.

**Sustainable leadership addresses issues of social justice.** The focus of such leadership is on all parties, rather than on just a few. Leaders who recognize the obligations of sustainable leadership acknowledge that more than just a privileged few need to be served, and that solutions must be crafted that benefit all parties.

**Sustainable leadership develops rather than depletes human and material resources.** Sustainable leadership is transformational and recognizes the long-term obligation to serve individuals, the organization, and society. Sustainability includes preserving and enhancing resources and acknowledges the moral obligation to create value.

**Sustainable leadership develops environmental diversity and capacity.** Sustainable diversity recognizes that standardization of ideas and approaches channels and limits thinking. Sustainable leadership encourages creativity and innovation.

**Sustainable leadership undertakes activist engagement with the environment.** Partnerships and strategic alliances are created to facilitate the development of new ideas and to encourage cross-fertilization and experimentation with other stakeholders.<sup>23</sup>

Although these seven principles of sustainable leadership were developed for application within an educational administration context, they have application for business as well. These seven principles honor the observation made by Nathan Tanner that “(s)ervice is the rent we pay for living in this world of ours.”<sup>24</sup> Great leaders understand the

concept of sustainability and honor the obligations of service in creating a better world.

### Principles of Sustainability

How do these seven principles fit with leadership concepts that you have adopted to guide your personal leadership philosophy? Take a moment and identify which of these principles mesh with or conflict with what you have previously perceived as the leader's responsibility.

---



---

As you reflect on your future, how can you more effectively prepare yourself to apply the principles of sustainability leadership?

---



---

### Understanding the Triple Bottom Line

The Triple Bottom Line focuses leaders and organizations on creating economic value while also pursuing the creation of environmental and social value for society.<sup>25</sup> The Triple Bottom Line extends the obligation of business to require values, systems, processes, and priorities that consider all of an organization's stakeholders.<sup>26</sup> In articulating the elements of this Triple Bottom Line, Elkington described a business' obligations in terms of three factors.

**People.** People includes the establishment of fair business practices toward both employees and the people in the community or region served by a business. No groups or individuals may be exploited. In addition to providing a safe working environment with fair salaries and reasonable working conditions, a business will acknowledge its obligation to "give back" to the community in which its employees work by supporting health care, education, and other community needs.

**Planet.** Planet refers to sustainable environmental practices and the protection of natural capital. A company successful minimizes its

“ecological footprint” by managing its consumption of energy and other natural resources and by minimizing its environmental wastes. Firms conduct a life-cycle assessment to determine the environmental impact of the resources that are used in the production of its products as well as in the eventual disposal of the product by end users. A responsible business should bear the costs of disposing of toxic or nondegradable by-products, rather than passing those costs along to other parties.

**Profits.** Profits are appropriate and necessary to sustain businesses but profits should also include the net positive impact, including all costs and benefits, of a business’ activities, services, and products on society. The shifting of costs associated with the creation of these products and services must be fully accounted for in determining their value added.

Quantifying the impacts of the Triple Bottom Line is often difficult and subject to variable perspectives. As Hawken has noted, sustainable leadership follows the moral obligation to “(l)ease the world better than you found it, take no more than you need, try not to harm life or the environment, make amends if you do.”<sup>27</sup>

Honoring each element of the Triple Bottom Line requires that a business carefully monitor the comprehensive nature of its impacts on society, rather than focusing only on its financial and legal responsibilities. Sustainable leaders view their responsibilities in terms of honoring their obligations to society—as opposed to simply meeting the minimum requirements of the law.<sup>28</sup> Sustainability encompasses a virtuous commitment to add value, rather than to simply maintain the status quo.

## Expanding Your Six Beliefs Model

Becoming a sustainable leader often requires careful reflection, serious analysis of the roles one plays in an organization, and awareness of the impacts of one’s actions on society over the long term. Using the Six Beliefs model framework, please complete your personal Six Beliefs model for the three elements of the Triple Bottom Line indicated below.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Sustainable Commitment to the Needs of People						
Your Sustainable Commitment to the Needs of the Planet						
Your Sustainable Commitment to the Profits of Your Company						
Issues to Address in Balancing the Triple Bottom Line						

The challenges facing sustainable organizations require the ability to understand the complex set of duties owed to multiple stakeholders, the factors that affect each of the elements of sustainability, and the skills required to develop and implement a plan of action that makes achieving that plan possible.

### Problems with the Triple Bottom Line

Critics of the Triple Bottom Line approach have offered a variety of arguments suggesting that wise organizations should avoid using this model. Opposition to the Triple Bottom Line often focuses on the difficulty in achieving all of the goals implied by the model. The following is a brief summary of the major arguments against the Triple Bottom Line.

***Diverting of Business Focus.*** Those who have argued that the primary focus of business must be to generate profits oppose the obligation of business to attempt to achieve social goals. This argument suggests that efforts to engage in socially beneficial outcomes may divert business from its primary purpose of creating profits.

***Societal Preferences.*** Those who oppose the Triple Bottom Line on these grounds argue that the members of poorer societies are far less concerned about societal and environmental outcomes than they are in acquiring the basic economic necessities of life. Advocates of this particular position note that members of such communities are more

focused on present conditions and their own basic survival than they are on the future impacts of choices.

***Narrowness of Focus.*** Focusing on a Triple Bottom Line requires a company, a region, or a country to look downstream at the impacts of their actions on others. Those who oppose the Triple Bottom Line are often unwilling to sacrifice their own personal self-interests for benefits that would accrue to others.

***Problems with Measurement.*** Those who oppose the Triple Bottom Line often wish to avoid being held accountable for outcomes that they create and argue against claims made as to the true costs of mitigating those outcomes. The reality is that it is often difficult to accurately measure those costs if information is incomplete or outcomes are uncertain.

***Assigning Causality.*** Where multiple contributors exist to create a problem, the parties who are assigned responsibility often may disagree as to the degree that they ought to be responsible for outcomes that occur. A corollary of this argument is that those who contribute to a condition or problem wish to limit the time period for which they are held accountable for damages or the degree to which causality for subsequent problems is determined.

***Political Posturing.*** Leaders in countries that have limited resources or that have little likelihood of actually contributing to a potential environmental or economic problem may use the Triple Bottom Line as a political tool for posturing on an issue or for arguing that they are realistically not prepared to assume the costs associated with implementing a solution.

***Valuing Costs of Damages.*** The impacts of damages that result from the loss of use of a resource are often argued vociferously by the differing parties who assess those damages. Environmentalists are particularly strident in their criticism of businesses for harming the environment.<sup>29</sup>

Other arguments are also offered regarding the obligations and duties of organizations and their leaders against the requirements of the Triple Bottom Line, and the issues associated with the ethical duties of business to society. In advocating that business and government leaders have a moral duty to be accountable to future generations, Thomas L. Friedman has broadly criticized American business and governmental leaders for their failure to acknowledge the long-term costs that they have passed on to tomorrow's stakeholders.

The key for long-term sustainability in a world that has created tremendous financial and environmental liabilities is for leaders to be willing to make the tough decisions required to address the present and future costs associated with the decisions that they make.<sup>30</sup> Although many business leaders willingly acknowledge their obligation to be ethical stewards with regard to the social, political, environmental, and economic implications of governing their organizations, the Triple Bottom Line approach to organizational leadership has not been universally adopted and the consequences of the actions taken by many industries remain unacknowledged.

Scholars such as Robert Reich have been writing about the problems of sustainability for more than three decades. In his most recent book, Reich has noted that business and government are in dire straits that threaten the long-term economic future but that have been consistently ignored by public policy makers. Reich's call for action reflects a growing recognition of the need for business leaders to become better community citizens if our future generations are to enjoy a high quality of life.<sup>31</sup>

### Applying the Theory

Honoring the obligations of a sustainable leader is often a challenging task when leaders are faced with conflicting demands from stakeholders with strongly divergent agendas. Take a few minutes to think about the following case study and then answer the questions below.

Gwen Richman was concerned as she reflected on her challenges as the new Chief Executive Officer of Rothschild's Plastics, Inc. (RPI). RPI was a family-owned business owned by the Rothschild family and had been in business for nearly 50 years. "How do I deal with this problem?" Gwen asked herself. "No one saw this coming."

RPI had just been contacted by the regional offices of Greenpeace who claimed that the polymers released by RPI into the soil and aquifer surrounding three of its plants were toxic and contained carcinogens that affected the fish, wildlife, and human populations in the adjacent communities.

"Balderdash!" commented Harrison Rothschild, Chairman of the Board and head of the RPI family. "We have had waste treatment plants

that filtered our effluent at every single plant we have ever built and we have always met EPA standards.”

Unfortunately, Richman held in her hand a letter she had just received earlier that day from the Environmental Protection Agency (EPA), informing her that, although the RPI plants had been compliant in the past, the EPA was about to conduct hearings following public outcry in response to high profile Greenpeace publicity criticizing RPI for polluting the environment and endangering lives.

“How do I best frame our approach to the Board of Directors?” Richman asked herself. “What should our response be in dealing with the community while keeping the company profitable?”

### Advising Ms. Richman

How would you respond to Harrison Rothschild in Gwen Richman’s position?

---



---



---

Who are the stakeholders to whom RPI owes duties?

---



---



---

What are the obligations owed to each of these stakeholders, consistent with what you know about sustainable leadership?

---



---



---

### Developing Your Action Plan

Again we have covered a number of important topics that have a real world application on your own future and your responsibilities as a future leader. Clearly, the issues involved in sustainable leadership are complex and challenging.



### Applications for You

As you reflect on the issues involved with being a sustainable leader, what subject areas do you think you would like to learn more about as you reflect on your abilities in honoring duties owed to stakeholders?

---

---

---

How will you create an action plan to obtain this information and to be sure that your obligations as a sustainable leader aren't overlooked?

---

---

---

---



BUSINESS EXPERT PRESS

## CHAPTER 9

# Leadership in an International Context

The challenges of leadership are made more complex due to the globalization of business and the obligation of leaders who work in global businesses to respond to the unique differences of employees, customers, and stakeholders. This chapter explains the nature of leadership within a global context and clarifies why leadership must be contextually responsive in order to optimize the achievement of organizational objectives across international cultures. The dimensions of international culture are explained within the context of the leader's roles, and guidelines are offered to improve leadership effectiveness within an international setting.

### Assessing Your Perspectives

Let's begin by asking you to reflect on the issues that you think might impact the nature of leadership within an international context. What do you think are the key challenges facing a leader who works within an international organization?

---

---

---

### Leadership and International Culture

The global expansion of business over the past three decades has created a world that has been described as “flat,” or that has been leveled and shrunk by a combination of political, technological, and economic factors.<sup>1</sup> International leadership explains how leaders guide change and

influence others within a multinational context. Effective leadership responds to the varying needs of people with differing backgrounds and is a contextually and culturally variable construct.<sup>2</sup>

Geert Hofstede found that leadership style and cultural characteristics vary substantially in his extensive analysis of the cultural characteristics of IBM employees from more than 50 countries. Hofstede's analysis of the values, beliefs, styles, and preferences of IBM employees led him to conclude that cultural characteristics were relatively predictable and significantly influenced interpersonal relationships.<sup>3</sup> Hofstede defined culture in an international context as "the collective programming of the mind that distinguishes the members of one group or category of people from another."<sup>4</sup>

Effective leaders respond to the cultural context of their organization. That context is made up of the norms, values, and attitudes that reflect shared meaning and the patterned ways in which people interact.<sup>5</sup> Researchers have found that the cultural styles of international groups are "relatively static" and a central, enduring, and distinctive part of a group's identity.<sup>6</sup> Hofstede and colleagues provide a widely recognized framework for classifying international cultures that identifies five dimensions that explain how people respond to their internal and external environments.

***Individualism versus Collectivism***—This dimension focuses on the relationship between individuals and groups in a society. Individualistic societies place great value on individual achievement and autonomy. The degree of freedom and the ties between individuals are comparatively loose. Collectivistic societies place greater value on group relationships, and the goal achievement tends to focus on group-oriented achievements rather than individual accomplishments.

***Masculinity versus Femininity***—This dimension focuses on the correlation between work roles and gender. Masculine cultures sharply differentiate appropriate work roles for men and women and generally restrict opportunities to choose a profession or obtain educational training based on gender. Masculine cultures also value achievement and the effective exercise of power. Feminine cultures make few distinctions between the appropriateness of roles or the pursuit of education based on gender.

***Uncertainty Avoidance***—This dimension reflects the relative comfort or discomfort that people feel in unstructured situations and the efforts that they make to control external factors. Uncertainty avoidance also involves the extent to which cultures socialize their members into tolerating uncertainty and ambiguity. Cultures with high uncertainty avoidance have a strong need for rules and regulations and tend to prefer clear and detailed instructions. These cultures also value job security and stable career patterns. Cultures characterized by low uncertainty avoidance tend to be more willing to take risks and are more comfortable with change and ambiguity.

***Power Distance***—This dimension values rank, social status, skill sets, educational achievement, and family lineage. It also focuses on the extent to which people are perceived to be unequal in physical and intellectual capabilities. High power distance cultures give great emphasis to distinctions regarding role, power, and wealth. Power distance may create barriers between social groups that cannot be crossed and that have lifetime ramifications. Cultures that are low in this cultural dimension tend to play down the importance of status, roles, and social or economic distinctions.

***Confucian Dynamism***—This dimension emphasizes attitudes toward time, respect for tradition, the protection of face, and the reciprocation of gifts and favors. These values are derived from and congruent with Confucian teachings. Cultures in which this dimension predominates have a high regard for tradition and accompanying high expectations about the formalities expected in social settings. Time is typically viewed on a long-term basis—often as long as a generation or more.<sup>7</sup>

The variation of characteristics within groups is often broader than the variation between groups for these five dimensions, but nonetheless this five-factor model is widely acknowledged as a valuable framework for understanding differences in the way people see the world and determine their priorities.<sup>8</sup>

Wise leaders who work within a global culture recognize that they must pay attention to differences in culture if they are to serve their organizations and relate effectively with employees.<sup>9</sup> The failure to respond to the unique differences of people from a different national culture demonstrates a self-centered insensitivity to the important leadership

duty to care authentically about the interests and welfare of others. The ability to demonstrate a genuine interest in others and to frame responses in ways that “fit” culturally are key skills of social intelligence but are unfortunately often lacking when leaders are poorly prepared by their employers to work in leadership positions in international settings.<sup>10</sup>

### Reflecting on Your Experiences

As you think about the Hofstede model that explains the differing characteristics of people from different cultures what experiences have you personally had in working with people of different international backgrounds?

---



---

How do you feel when people treat you with a high sensitivity to your unique values and beliefs, as contrasted with people who lack that skill?

---



---

As you reflect on what you can do as a leader to demonstrate high interpersonal sensitivity to others, how can the Hofstede model help you to become more effective in working with people from other countries?

---



---

### Leadership Tasks and the Chemers Model

The nature of leadership and its cultural implications can be understood more clearly in context with three leadership tasks. Leadership scholar, Martin Chemers, offers a valuable description of three tasks that he explained are universally important if leaders are to contribute to the success of their organizations.<sup>11</sup> Chemers noted that all leaders are involved in relationship development, resource utilization, and image management. These tasks are briefly summarized below.

**Relationship Development**—Relationship development emphasizes creating the personal connection with organization members that builds trust, increases individual commitment, and shares ownership.<sup>12</sup> Building these relationships enables leaders to enhance people’s skills and obtain their best efforts in the pursuit of organizational goals.<sup>13</sup>

**Resource Utilization**—Resource utilization focuses on “getting things done” strategically and operationally in managing the resources of an organization.<sup>14</sup> Acquisition of information and the application of profound knowledge are essential in effectively utilizing organization resources. Acquiring resources, directing subordinates with clear roles and goals, and enforcing standards are key elements of this task.<sup>15</sup>

**Image Management**—Managing one’s image integrates performing in ways that are perceived as consistent with the values and beliefs that one advertises. Having the courage to follow core ideology and values reinforces the leader’s image and perceptions about his or her integrity.<sup>16</sup>

The first two tasks are widely acknowledged by a multitude of leadership scholars and have been documented in the research literature as critical elements of leadership for more than 60 years.<sup>17</sup> Image management is a far less frequently identified leadership task, but recent empirical evidence supports its importance in creating high trust relationships that are key to achieving outstanding organizational performance.

As you reflect on your own strengths and limitations as a leader, your abilities in achieving results in the three areas identified by Chemers are important to your future success. Please take a few minutes to complete a Six Beliefs Model self-assessment for each of these areas in the space provided below.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Abilities in Relationship Development						
Your Abilities in Resource Utilization						
Your Abilities in Image Management						

As you continue to reflect on your skills and your opportunities to enhance those abilities in each of these three areas, you will benefit tremendously by continuing to learn about the most effective ways to incorporate these skills within differing cultural contexts.

## Integrating Cultural Categories and Leader Tasks

Effective leadership within an international context demands that leaders have the ability to accomplish the three tasks identified by Chemers in any cultural setting. The table below integrates the five categories of Hofstede's model of culture with the three tasks identified by Chemers.

Assumptions about a "one-size-fits-all" approach to leadership relationships are acknowledged to be badly out of touch with the realities about differences in international cultures. The ability of leaders to adapt their approach to situational conditions, including the cultural values and assumptions of those with whom they work, has been recognized to be increasingly important in the modern organization.<sup>18</sup>

### Understanding Cultural Differences

Take a minute to examine this table to identify how perceptions about the relative importance of leadership behaviors vary by organizational culture. What are the most significant differences in cultural perception that affect the leader's effectiveness that you notice?

---



---



---

To what degree do you think the three leadership tasks vary from culture to culture with regard to the likelihood that leaders will be perceived as highly trustworthy?

---



---



---

Table 9.1. Integrating Hofstede's Cultural Categories and Three Leadership Tasks

Hofstede culture category	Resource utilization	Relationship development	Image management
Individualism–Collectivism	Individualistic and Collectivist cultures both place high value on acquiring and utilizing resources effectively to achieve desired results. Collectivist cultures focus more on team-oriented results while Individualistic cultures are more willing to empower individuals to use scarce resources in pursuit of an individual goal or project.	Collectivist cultures put high priority on team relationships, often operating under the theory that “It’s the nail that sticks up that gets hammered down.” Relationships in Collectivist cultures are far more focused on treating people equally. Individualistic cultures tend to base relationships on the contributions of the individual.	The leader’s effort to manage his or her image is focused on personal competence in the Collectivist culture where the leader’s role is often considered to be hierarchical and differentiated. In an Individualistic culture, image management is often related to the leader’s success in achieving goals and a leader’s “command presence.”
Masculinity–Femininity	Masculine cultures focus on task accomplishment and resource utilization as high priority and view formalized rules and structures of organizations as key. Feminine cultures are more focused on outcomes based upon competence rather than gender but value effective utilization of resources.	Masculine cultures tend to develop more formalized transactional relationships with colleagues. Feminine cultures develop relationships that are more likely to consider others from a holistic perspective and place more emphasis on interpersonal relationships.	Masculine cultures view gender and role as closely integrated elements of one’s image. Feminine cultures view building trust, competence, and the achievement of results as key factors in affirming one’s image and abilities.

(Continued)



**Table 9.1. Integrating Hofstede’s Cultural Categories and Three Leadership Tasks—(Continued)**

Hofstede culture category	Resource utilization	Relationship development	Image management
<p>Uncertainty Avoidance</p>	<p>The focus on resource utilization is on insuring that resources and people are available and best suited to accomplish key tasks and roles.</p>	<p>Relationships are heavily dependent upon competence-based or relationship-based trust to improve predictability.</p>	<p>Competence and integrity are key factors in maintaining a leader’s image. Consistency between a leader’s claims and his behavior strengthens perceptions of predictability.</p>
<p>Power Distance</p>	<p>Decisions about resource utilization are made primarily because of the leader’s role or the technical expertise of experts.</p>	<p>Relationship development is heavily impacted by perceived social status and rank within a culture or organization. Differentiation between “high” and “low” status people is emphasized.</p>	<p>Image management is closely related to economic, educational, social, and family factors. Leaders make decisions and followers comply. Involving low status people in decision-making reduces leader status.</p>
<p>Confucian Dynamism</p>	<p>Resource utilization focuses on respect for what has worked well in the past and what most benefits society as a whole. A long-term approach is often emphasized.</p>	<p>Respect for others involves allowing others to save face. Age and education are highly regarded. Tradition plays a major role in relationship development.</p>	<p>Personal honor is considered a dominant value and image management reflects a concern for others, for the big picture, and for society.</p>

## Ethical Implications of International Culture

The subjective perceptions inherent in the lenses of the many international cultures each call out slightly different priorities for leaders in honoring ethical and moral obligations to the stakeholders who leaders serve. As Hofstede has noted, variations exist both within groups and between groups and the task of the leader is to be sensitive to the interests, needs, priorities, and values of his or her colleagues, customers, and other stakeholders.<sup>19</sup>

The table below summarizes the cultural values of each of Hofstede's cultural categories and includes both ethical questions that are implicit for each category. I have also provided a comment about the leadership approach that leaders might choose as they work with individuals and groups who represent each category.

Socially intelligent leaders who understand the implications of cultural categories will develop responses to stakeholders that demonstrate sensitivity to cultural values and will implicitly address the ethically related questions that are shown in this table.

This table also helps to demonstrate why focusing on moral behavior that is universally applicable to all cultures is so important in guiding leaders. Although there are a multitude of ethical perspectives, moral behavior that honors relationships, builds trust, and treats others as valued ends rather than as means allows leaders to strengthen relationships and enhance their image and reputation.<sup>20</sup>

### What Have You Noticed?

In reviewing this table, what have you noticed about the relationship between cultural category, cultural values, and a leader's response?

---



---



---

### The Leader's Response

In anticipating the most effective way to interrelate with stakeholders, leaders must acknowledge the importance of creating connections with others in a way that is responsive to a multitude of organizational

**Table 9.2. Cultural Categories, Values, Ethically Related Questions, and Leadership Approach**

Hofstede culture category	Cultural value	Ethical questions	Leadership approach
Individualism–Collectivism	Outcomes that benefit the individual, the group, and society.	*What are appropriate roles of individuals in society? *Do individual benefits supersede group or societal outcomes?	Leaders must adapt their approach in dealing with individuals and organizations to appropriately involve people and groups. Knowing when and how to make decisions must fit expectations of organization members.
Masculinity–Femininity	Roles that are appropriate for men and women in society	*Should societal roles be based upon gender or some other factor? *To what degree should societal roles be controlled by gender-based tradition?	Leaders must be sensitive to gender-based perceptions in personnel decisions and in organizational relationships. Constant training is necessary to insure that organization members meet accountability standards based upon their performance rather than their gender.
Uncertainty Avoidance	Safety, predictability, and control	*To what extent should resources, people, organizations, or society be put at risk? *How should risk be balanced with control?	Risk is always a relative factor in decision making, and timeliness and responsiveness often are critical variables in responding to customer demands and disruptive innovations within an industry. Sharing information may be critical to help people to feel comfortable and in control.
Power Distance	Roles that are based upon rank, education, family origin, or social status	*To what degree should people of lower status be empowered? *Are equality and the inherent worth of people adequately valued?	The treatment of people must show respect for their inherent worth and value. People at all levels need to be provided with adequate training, information, and resources in today's knowledge-, wisdom-, and information-based economy.
Confucian Dynamism	Tradition and respect for individuals and their self-regard	*How can short-term and long-term priorities be properly balanced? *How should respect for individuals and the needs of organizations and society be balanced?	Understanding the nature of trust and its related factors (e.g., guanxi) within an international culture can be critical elements in creating leadership relationships and in dealings with stakeholders. Respecting tradition and understanding perceptions about roles enable a leader to establish credibility and build trust.

objectives and environmental conditions—in addition to the challenges created by cultural differences.<sup>21</sup> In examining the most effective way for leaders to respond to people of various cultures, leaders often faced cross-cultural taboos that impair relationships.<sup>22</sup>

To be effective in dealing with people of other cultures, leaders must carefully prepare and thoroughly research those people and their cultural characteristics. To make decisions based on a strictly Western or American set of assumptions about people can be a major mistake and can immediately destroy credibility with others.<sup>23</sup> After their extensive research of leadership strategies that were found to be effective in a global or international context, Javidan and colleagues identified six dimensions that they have suggested apply across all cultures.<sup>24</sup>

***Charismatic/Value-Based Leadership***—Leadership that creates personal connection with others based upon shared values was found to inspire, motivate, and resonate with followers from a high to a moderate degree.

***Team Oriented***—A leadership style that emphasized building team relationships and establishing team goals was found to produce outstanding results.

***Participative***—A leadership approach that involves others in making joint decisions was generally found to be very successful, although there was notable variance in some cultures.

***Humane-Oriented***—This dimension reflects supportive and considerate leadership that also includes generosity and compassion. It contributes moderately to outstanding leadership in some cultures and is neutral in others.

***Autonomous***—Independent and individualistic leadership has a positive impact in some cultures but actually impedes outstanding leadership in other cultures.

***Self-Protective***—This dimension focuses on preserving the safety and security of the individual and can be self-serving and face saving. Although this dimension has some positive impacts on leadership in some cultures, it actually may actually impede outstanding leadership in others.<sup>25</sup>

### Integrating the Models

As you think about the six dimensions of the cultural categories identified by Hofstede, which of those culture categories do you think are most likely to fit with each of the six leadership dimensions suggested by Javidan and his colleagues?

---



---



---



---



---



---

Although there may be leadership approaches that generally promote the followership and trust of followers, the evidence clearly shows that the most effective leaders are adept at understanding the needs of those with whom they work—especially within an international context. The message for those who seek to serve others in a leader's role is that the ability to differentiate between situations is a key factor that determines a leader's success.<sup>26</sup> Clearly, within an international leadership context leaders who are high in social and emotional intelligence are much more likely to be effective.<sup>27</sup>

### Guidelines for International Leadership

The evidence provided by highly regarded scholars suggests that although leadership effectiveness can be an elusive goal within an international context, there are nonetheless helpful guidelines that can improve the likelihood of achieving positive results. In an effort to bring together the thinking of outstanding scholars, I have provided 10 guidelines that I offer as a set of general principles to apply as you prepare to serve in a leadership role in an international context.

***Do Your Homework.*** Defining the factors that will determine your effectiveness within an international business context means understanding the market, the culture of the country, the history of the business, the competitors, the many problems facing the organization, and the

opportunities available to your organization. This data gathering process is far more complex than is often anticipated and is a constant obligation of the competent leader.<sup>28</sup>

**Identify Strategic Intent.** Strategic intent involves recognizing the realities facing the organization and incorporating them into realistic goals, as opposed to establishing naïve and uninformed strategic objectives that are on the wish list of someone who lacks contextual insight about the realities of economic conditions in the country in which international business is being conducted.<sup>29</sup>

**Recognize Hidden Agendas.** In international mergers and partnerships, it is not uncommon for foreign partners to have an unarticulated hidden agenda. Foreign companies have been known to create international business partnerships to familiarize themselves with an industry and to then take that knowledge and become a major local competitor in the home nation. Wise leaders are sensitive to potential opportunism to protect a competitive advantage and protect stakeholder interests.<sup>30</sup>

**Prepare Participants.** The classic error made by most companies is the failure to adequately prepare expatriates regarding the culture and context of an international assignment. Expatriate preparation takes many months, but host country stakeholders also need to be properly trained if expatriate assignments are to optimize value creation.<sup>31</sup>

**Confirm/Disconfirm Perceptions.** Effective leaders track performance outcomes and stakeholder perceptions constantly. Monitoring systems that track behavioral, interpersonal, environmental, and economic objectives need to be in place to confirm what is and is not occurring.<sup>32</sup>

**Decipher Meanings.** Many cultures guard their communications to a home country in the well-intended effort to tell leaders “what they want to hear” or to save face. Cultural context and expectations can cause extensive distortion that organizational leaders cannot afford. Build in multiple sources of data for key factors that need to be assessed.<sup>33</sup>

**Think Long-Term.** It is typically difficult for change to take place and for an organizational culture to be created in fewer than five years. Be realistic about expectations for expected accomplishments, particularly during the start-up process of any venture. The “instant pudding” focus of top management can be disastrous in implementing any change or in creating a start-up international projects.<sup>34</sup>

**Honor Relationships.** Leaders who keep commitments retain trust.<sup>35</sup> Honoring social contracts and the intent of relationships, rather than simply adhering to the letter of the law, are essential elements in building organizational- and individual-level trustworthiness, particularly within an international context.<sup>36</sup> Perceptions about trust, trustworthiness, and just treatment are closely related concepts and are critical factors in maintaining follower commitment.<sup>37</sup>

**Protect Stakeholders.** Leaders have historically been guilty of often overlooking the importance of long-term duties owed to stakeholders.<sup>38</sup> This oversight is particularly evident in the failure of organizations to adequately prepare for the reentry of expatriates into their home countries after assignments.<sup>39</sup> Most organizations fall down in honoring this implicit duty.<sup>40</sup> Duties owed to all stakeholders are essential in building relationships of trust.

**Evaluate Contextually.** In dealing with international markets, the factors of competition are in constant flux and need to be assessed within that context.<sup>41</sup> Effective leaders understand the importance of identifying and tracking key indicators of effectiveness and recognize that those factors are often behavioral as well as economic and financial.<sup>42</sup> Protecting the ability of the organization to optimize long-term wealth creation demands that leaders clearly understand the context of competition—especially within the international arena.<sup>43</sup>

This list of 10 guidelines guarantees no “quick solutions” in addressing the many issues that must be faced in international leadership. However, these guidelines are a useful beginning that can help you to be effective in a future assignment. What is perhaps most discouraging is that many major organizations consistently fail to follow these guidelines.

### What Do You Think?

In your opinion, why is it that the leaders of today’s most successful organizations might fail to address the issues contained in this list of 10 helpful guidelines?

---



---



---

(Continued)

*(Continued)*

If leaders of highly regarded and extremely successful global organizations overlook the guidelines and principles contained in this list, what are the implications for you?

---



---



---

How might you avoid making the same mistakes that are frequently made by major corporate leaders in your career?

---



---



---

### Applying the Concepts

The complexity of yet another dimension makes applying the concepts of leadership even more challenging when multinational cultural issues are involved. Nonetheless, the realities of today's complex business world mean that many leaders must integrate the variable of international culture into the "calculus of decision-making" that is modern leadership in the 21st century.<sup>44</sup> The case study provided in this chapter offers you the opportunity to incorporate many leadership variables as you develop recommendations that merit serious consideration.

Khalid Hafeez, a relatively new MBA graduate from a prestigious top 10 business school, was cautiously optimistic as he reflected on the meeting he had just attended. Although he had obtained an undergraduate degree in the United States, along with his MBA degree, Khalid was originally from Dubai in the United Arab Emirates (UAE). Employed by Nestlé Corporation, the world's leading nutrition, health, and wellness company for a six-figure salary, Khalid Hafeez was enthused about the opportunity to prove himself on his first major assignment.

"Khalid, we want to expand our product line into the Emirates," Ashlee Langino told him. "We want your ideas as to how to best create



an impact in that market and your recommendations about preparing the person who we want to send into the country.”

Khalid Hafeez was concerned. The top four candidates on the list of individuals being considered for the new post in the UAE were outstanding individuals—but all four were women. “Hmmm,” Hafeez thought to himself as he reviewed the resumes of each candidate. “Do these women know what they are getting into going to a male-dominated culture like Dubai?”

### Advising Khalid

How should Khalid Hafeez respond in preparing his recommendations to Ashlee Langino? What factors should he include in his report to his supervisor, and how can he help Nestlé Corporation to optimize its ability to succeed in introducing new products in the UAE?

---



---



---



---



---



---



---



---



---



---

### Reflecting On Your Future

The likelihood is that the world in which we all live and work will continue to become more complex, more culturally diverse, and more dependent upon the ability of organizational leaders to address issues that are reflected in the Khalid Hafeez/Nestlé Corporation case analysis.

In contemplating your strengths and weaknesses as you anticipate the possibility of holding a leadership position in a multinational organization at some point in your career, please take a few minutes and identify your strengths and weaknesses associated with international leadership by completing the Six Beliefs Model provided below.

Topic	Self	Others	The divine	The past	Current reality	The future
Your Biggest Strengths Associated with International Leadership						
Your Biggest Weakness Associated with International Leadership						
Another International Leadership "Opportunity Area" that you Would Like to Improve						

### Developing Your Action Plan

What can you begin doing now to prepare yourself for a future leadership role that may involve your skills in international leadership? Take a few minutes and outline a realistic action plan for the next three years.

---



---



---



---



---



---





## CHAPTER 10

# Transformative Leadership— Discovering your Personal Greatness

The underlying goals of transformative leadership are to enable you to discover your own greatness and to help you to fulfill that potential as a leader. Throughout these chapters you have been asked to examine your own beliefs, reflect on key ideas, challenge your prior assumptions about leadership topics, and apply ideas associated with leadership that have been presented in this book. In this concluding chapter you will learn about the six key elements of transformative leadership and how you can apply those key elements as you strive to honor the duties owed by leaders to others.

### What's Your Perspective?

At this point, you may have some understanding of transformative leadership. Take just a minute to define that term—based upon what you may have learned thus far.

---

---

---

### Defining Transformative Leadership

As my colleagues and I have formally explained it, transformative leadership is “*an ethically based leadership model that integrates a commitment to values and outcomes by optimizing the long-term interests of stakeholders and society and honoring the moral duties owed by organizations to their*

*stakeholders.*" Transformative leaders earn the trust and commitment of followers required to create a competitive advantage by living the highest standards of moral leadership.

Transformative leadership reflects the ability of leaders to combine ethics and excellence. It is this commitment to excellence and dedication to the highest standards of integrity that enable leaders to convert followers to people of action in a turbulent world that demands everyone's best efforts. Transformative leadership integrates important ethically related elements of six highly regarded leadership perspectives. Each of those elements and their corresponding leadership perspectives are explained in the sections that follow. You may be somewhat familiar with one or more of these leadership perspectives already, but this review will allow you to focus on the ethically based contribution that each perspective contributes to transformative leadership.

## Transformational Leadership and Synergistic Change

Transformational leadership is a leadership perspective that seeks to inspire others to achieve the optimal outcomes for both the organization and the individuals within it. Both the organization's success and the welfare and growth of its employees are the priorities of transformational leaders. Transformational leadership demonstrates a commitment to excellence in the pursuit of synergistic change. Grounded in a highly moral set of four criteria, this leadership perspective seeks to redefine the greatness of an organization and the people who make it great. The four elements of transformational leadership include the following.

***Idealized Influence***—Idealized influence models the standards of an organization as a personalized role model for others. Idealized influence incorporates the pursuit of the highest standards of moral conduct.

***Inspirational Motivation***—Inspirational motivation helps colleagues to discover the best within themselves.<sup>2</sup> Leaders who inspire others challenge them to transform their lives and redefine their greatness.

***Intellectual Stimulation***—By creating a culture that is constantly learning, pursuing creative solutions, and developing new approaches to solving organizational problems, transformational leaders help organizations to

produce the disruptive innovations that distinguish companies from their competition.<sup>3</sup>

***Individualized Consideration***—Transformational leaders value each individual as a worthy end, rather than simply as a means to achieve organizational purposes. Individualized consideration of each individual creates the high organizational trust that is a key to great performance.<sup>4</sup>

Transformational leaders integrate these four elements to assist colleagues to discover a higher potential than they have ever previously achieved. These high-performing colleagues are then able to forge new and better organizational solutions to address the demands of an ever-changing world. Incorporating the capabilities of highly committed team members, these organizations pursue innovative and synergistic paths that enable organizations to achieve their potential.

The ethical foundation of transformational leadership is based upon the recognition of duties owed to all stakeholders and is an ethic of duty that cares about means as well as ends.<sup>5</sup> This commitment to duty enables organizations to create high performance work systems that have been empirically shown to add great value to organizations.<sup>6</sup> Transformational leadership's commitment to synergistic change is its contribution to transformative leadership.

## Leaders and Transformation

As you reflect on the nature of leadership that transforms both people and organizations, to what degree do you think leaders and organizations owe duties to their employees to help them to become their best?

---



---

How is the transforming of organizations and their employees an interrelated process?

---



---



---

*(Continued)*

*(Continued)*

To what degree do you consider managing change and creating synergy to be critical parts of the leader's duties?

---



---



---

## Charismatic Leadership and Personal Relationships

Charismatic leadership creates highly personal connections with followers based upon the leader's ability to obtain commitment to accomplish a noble purpose.<sup>7</sup> Typically, this connection is based upon the leader's perceived moral character and "the leader's skill at paying attention, inspiring hearts, touching souls, and affirming the best in others."<sup>8</sup>

Charismatic leaders articulate a vision that transcends current realities to create a future that fulfills great ideals that are often perceived as akin to a calling or destiny.<sup>9</sup> The charismatic leader extends that calling to his or her followers and defines a set of standards, rules, and precepts that are often quasireligious in their mandate.<sup>10</sup> The value congruence, or set of shared beliefs between the leader and the followers, is the basis of the deep personal connection that compels followers to give great value to the mission or purpose that members share.<sup>11</sup>

The charismatic leader serves as a personification of the high ideals that (s)he espouses. In serving as this role model, the charismatic leader is most effective when (s)he creates an authentic personal relationship that touches and inspires hearts and resonates with the souls of individuals.<sup>12</sup> This ability to create powerful personal relationships is based upon a love for, compassion for, and trust in others that resonates with employees and motivates them to achieve a noble purpose. The leader's virtue-based ethical standards are the foundation for this personal relationship. The ability to connect at the personal level is at the heart of charismatic leadership—and contributes to the transformative leadership model.

## Duties of Charismatic Leaders

Many leaders are perceived as naturally charismatic, but charismatic leadership can also persuade people to follow paths that may actually be to the detriment of followers or to the detriment of other parties. How can leaders best honor their duty to achieve an inspired goal while also working for the welfare of individuals?

---



---



---

How does the personal virtue of a leader impact followers' perceptions of a charismatic leader?

---



---



---

## Level 5 Leadership and Personal Humility

Level 5 leadership is a leadership perspective that combines personal humility with an unrelenting and fierce resolve to accomplish previously unachieved organizational outcomes.<sup>13</sup> The level 5 leader “looks in the mirror” or takes personal responsibility for the problems that occur within their organization but quickly “looks out the window” and willingly gives credit to others for successes achieved. This leader is neither self-serving nor self-aggrandizing and seeks a low profile role rather than the spotlight.<sup>14</sup>

Level 5 leaders recognize that organizational problems and errors are more often caused by ineffective management systems than the shortcomings of individual employees.<sup>15</sup> These leaders are passionately committed to achieving organizational greatness, rather than seeking personal credit for success. This passion for excellence, coupled with an impressive sense of what makes an organization truly effective, distinguishes the level 5 leader as unique.<sup>16</sup>

The ethical basis for level 5 leadership is a teleological or outcome-based foundation that recognizes that greatness in organizations comes from the



shared efforts of organization members. It is the combination of personal humility and ferocious resolve that level 5 leadership contributes to transformative leadership.

### The Level 5 Leader

In many ways the level 5 leader is much different than the charismatic leader. How do you reconcile those differences?

---



---



---

How does a leader's humility and his or her willingness to give credit to others for success rank in your own set of priorities in terms of what you consider to be important in a leader?

---



---



---

### Principle-Centered Leadership and Values and Principles

Principle-centered leadership is a value-based and principle-centered leadership approach for governing oneself and for honoring implicit duties in maintaining relationships with others.<sup>17</sup> Principle-centered leaders maintain high ideals for becoming their personal best while adopting the responsibility to create better organizations and a better society based upon moral principles.<sup>18</sup> Highly regarded leadership scholar John C. Maxwell has noted that there are “irrefutable laws” that follow this value-based and principle-centered model and that are based upon moral duties owed to others.<sup>19</sup>

The underlying assumption of principle-centered leadership is that there are universal truths that apply across all cultures which govern interpersonal and organizational relationships and that apply to leadership obligations.<sup>20</sup> Leaders have the moral obligation to view each person as a valued partner, rather than as an instrument for achieving organizational objectives.<sup>21</sup>

Principle-centered leadership is widely attributed to be a leadership perspective that has its roots in virtue ethics. Principle-centered leaders clarify the values and principles that govern organizations and model the application of those concepts by treating people as ends rather than as means. It is their commitment to honoring principles and values that principle-centered leadership contributes to transformative leadership.

### Principle-Centered Leadership

What are the universal principles and values that you think apply across cultures and societies?

---



---



---

How does a leader's effectiveness at modeling the principles and values espoused by an organization create perceptions of trust toward a leader?

---



---



---

What principles and values are most important to you as you develop your leadership philosophy?

---



---



---

### Servant Leadership and Stakeholders

Servant leadership is a leadership perspective that treats each stakeholder as a valued individual to whom an organization owes a complex set of moral duties.<sup>22</sup> The servant leader seeks to understand the needs and priorities of stakeholders and to honor and respect them by putting service to them above his or her own self-interest.<sup>23</sup>

The stewardship obligation of servant leadership combines helping others to achieve their individual goals while simultaneously achieving

obligations owed to the organization and society. Building relationships with individuals in organizations allows the servant leader to honor the obligation to be “a servant and a debtor” to organization members, but the leader’s duty to the organization also includes a “covenantal” responsibility to achieve the best possible organizational outcomes.<sup>24</sup> The responsibility to simultaneously achieve the highest and best organizational and individual results demands that a leader “define reality” in achieving outcomes that are creative and synergistic, yet also feasible.<sup>25</sup>

The servant leader follows an ethic of care that values each individual and recognizes each person’s inherent worth. In their relationships with others, servant leaders demonstrate a commitment to the welfare, growth, and wholeness of employees that is the key to establishing high trust and high performance organizational cultures.<sup>26</sup> The servant leader’s devotion to the integrated needs of all stakeholders is its contribution to transformative leadership.<sup>27</sup>

### The Leader as Servant

The concept of the leader as servant to others may initially seem to be counter-intuitive to you. To what degree is this idea new?

---



---



---

How does serving others in a leadership role build trust?

---



---



---

### Covenantal Leadership and Creating Meaning

Covenantal leadership is a truth-based leadership perspective by which a leader pursues opportunities to create new meaning with others. Creating new meaning enables organization members to benefit themselves, society, and the organizations for which they work.<sup>28</sup> Covenantal leaders

transcend the role of teacher, servant, and exemplar to facilitate the creation of meaning that benefits all parties.

It is the pursuit of new meaning and higher trust that allows covenantal leaders to “unleash the great human potential which is often dormant and silent” in organizations.<sup>29</sup> Creativity, innovation, and increased understanding of the profound knowledge upon which organizations are dependent are widely acknowledged as the essence of organizational greatness in today’s learning organization.<sup>30</sup>

Based upon a truth-based ethical perspective, covenantal leadership motivates individuals and organizations to continually learn, to apply what they learn, and to share what they learn with others to create a better world.<sup>31</sup> This commitment to the creation of meaning and the dedication to the truth is covenantal leadership’s greatest contribution to transformative leadership.

### The Covenantal Relationship

Covenantal leadership suggests that the leadership relationship is both formal and sacred in its obligations. To what degree do you perceive a covenant to fit with the leader’s role?

---



---



---

How is the creation of new meaning like the honoring of a covenant?

---



---



---

Covenantal leadership emphasizes that learning is a process for which all members are responsible and to which all members may contribute. Based upon your experiences, how should this concept of creating meaning work most effectively in the modern organization?

---



---



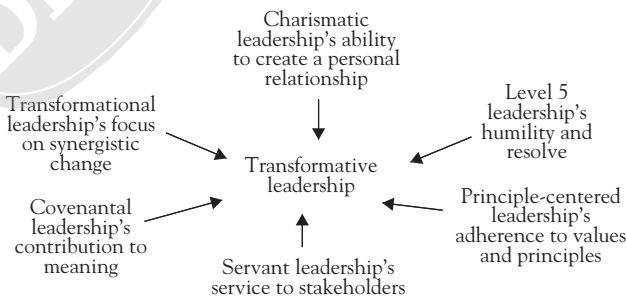
---

## The Transformative Leadership Model

Figure 10.1, which is provided below, summarizes the transformative leadership model and its dependence upon the ethically based elements of the six other leadership perspectives briefly described in this chapter.

As you reflect on these six key elements of transformative leadership, how do you evaluate your personal capabilities as a transformative leader within the context of your Six Beliefs Model?

Topic	Self	Others	The divine	The past	Current reality	The future
Transformational Leadership and Synergistic Change						
Charismatic Leadership and Resonating Personal Relationships						
Level 5 Leadership's Humility and Resolve						
Principle-Centered Leadership's Principles and Values						
Servant Leadership and Commitment to Stakeholders						
Covenantal Leadership and Creating New Meaning						



**Figure 10.1. Transformative leadership.**

## Assessing Your Leadership Future

Developing your own personalized action plan and involving others in implementing that plan is absolutely critical to the lifelong effort of becoming a transformative leader. Take a moment and reflect on the kind of leader you want to be. To what degree can you see yourself becoming a transformative leader?

---



---



---

Stephen R. Covey has suggested that a useful exercise to go through is to reflect on your 90th birthday celebration or the eulogy presented at your funeral and to contemplate what you would like to be said about you at either of those important events in your life. Covey has encouraged others to recognize the importance of living a “life in crescendo” that continues to add value and that contributes to the good of others.

## Summarizing Your Contributions

Take a moment to make a brief list of what you hope others would say about you at a future celebration of your contribution to their lives.

---



---



---



---



---



---



---



---

## Applying the Concepts

This concluding case provides you with an opportunity to reflect on a situation that many leaders will face in their careers. As you reflect on how to best advise the central character of this case, you may be able to prevent or mitigate future problems of trust and trustworthiness in your own career.

Jan Sherman was second in command at a major corporation and had achieved her success by creating a reputation as a tough, action-oriented, and well-connected administrator. Looking back at her relationships with others, however, Sherman noted that in many ways she was not satisfied. “I would have to admit that, although I am respected, I am not really admired or even liked,” Sherman said to herself. “Along the way, I would have to admit that I have focused on my own success and that of the organization at the expense of people.”

Sherman was at the point in her career where future success meant either doing the same things better in her current organization or finding another place to work. “At this point, I must either figure out a way to get people to put in a greater effort or I must find another mountain to climb at another organization,” she admitted to herself. “Either way, I guess it’s in my interest to become a more trustworthy leader.”

### Advising Jan Sherman

If you were called upon to advise Jan Sherman, what suggestions would you offer her that would allow her to most effectively achieve her goals?

---

---

---

---

---

---

---

---

---

---

How might applying the principles of transformative leadership fit with Ms. Sherman's action plan?

---



---



---



---

## Reflecting on Your Future

The message of transformative leadership and the challenge to you is “It is not enough to be good. You must become great ... and ‘(g)ood is the enemy of great.’”<sup>32</sup> Transformative leadership asks you to genuinely love others and be committed to their welfare, growth, and wholeness.<sup>33</sup> It demands that you constantly strive to improve yourself, to fulfill your own potential, and to help others and the organizations that you serve to achieve their own personal greatness as well.<sup>34</sup>

Transformative leadership is a daunting ethical standard that many prospective leaders will find difficult to attain—but in a world where trust in leaders has deteriorated, tomorrow's leaders must earn the respect and commitment of others by honoring a broad array of ethical duties. Recognizing those duties and the nature of the social contract that others expect enables leaders to create the bonds of trust that are critical to building great organizations.

Transformative leadership recognizes that despite the pessimistic and skeptical world in which we live, leaders must work untiringly to create wealth and to add value. In an increasingly competitive modern marketplace, transformative leaders earn the commitment of others by virtuous personal conduct, honoring commitments, and constancy in maintaining the highest possible personal standards. Transformative leadership balances duties owed to employees, investors, customers, business partners, communities, and future generations.

Ultimately, transformative leaders create in others optimism about the future, despite the sometimes overwhelming problems that the world faces. At a time when the world desperately needs leaders who inspire hope, provide clear direction, and help others to discover their own greatness, transformative leaders have great opportunities.



## Transformative Leadership and You

As you reflect on this book and what you have learned about yourself as you have read it, what kind of leader are you going to be?

---

---

---



BUSINESS EXPERT PRESS

# Notes

## Chapter 1

1. Bennis (1959), pp. 259–260.
2. Maritz Research (2010).
3. Senge (2006).
4. Covey, Merrill, and Merrill (1994).
5. Shamir and Hooijberg (2008).
6. Covey (1992), pp. 62–64.
7. Caldwell, Swanson, Floyd, and Singley (2011).
8. Covey (2004).
9. Covey (2004).
10. Bass (1990).
11. This definition is attributed to the 33rd President of the United States, Harry S. Truman.
12. This definition of feminine leadership is attributed to Marilyn Loden, President of a management consulting firm.
13. This definition is attributed to Warren Bennis at a University of Maryland leadership symposium in 1988.
14. This definition is attributed to the sixth President of the United States, John Quincy Adams.
15. This definition summarizes the philosophy of Mary Parker Follett and is found in Graham (2003).
16. Attributed to Bill Gates, founder of Microsoft.
17. Attributed to Harvey S. Firestone, founder of Firestone Tire and Rubber Company.
18. Pfeffer (1998).
19. Einstein, A. found at Leadership Now Main Page (<http://www.leadership-now.com/problemsolvingquotes.html>). Accessed on February 4, 2012.
20. Kouzes and Posner (2011).
21. Goleman (2007).
22. Kouzes and Posner (2008).
23. Bennis and Nanus (2003).
24. Caldwell and Hayes (2007), pp. 261–278.

25. If you would like to learn more about this model you may wish to also read Caldwell, Bischoff, and Karri (2002) in which a Five Beliefs Model was initially introduced.
26. Carroll and Buchholtz (2012).
27. Hosmer (1995), pp. 396–397.
28. Block (1993).
29. Rokeach (1979).
30. This distinction between “espoused values” and lived values is addressed in some detail in Schein (2010).
31. Hosmer (1995), pp. 396–397.
32. Kohlberg (1981).

## Chapter 2

1. Castaldo, Premazzi, and Zerbini (2010), pp. 657–668.
2. Vlaar, van den Bosch, and Volberda (2007), pp. 407–429.
3. Caldwell and Hansen (2010), pp. 173–188.
4. Caldwell, Davis, and Devine (2009), pp. 103–114.
5. Judge (1999), p. 158.
6. Judge (1999).
7. Mayer, Davis, and Schoorman (1995), pp. 709–729.
8. Mayer, Davis, and Schoorman (1995), p. 715.
9. Christensen (2007), p. 26.
10. Fishbein and Ajzen (1975).
11. Fishbein and Ajzen (1975).
12. Weick, Sutcliffe, and Obtsfield (2005), pp. 409–421.
13. Weick, Sutcliffe, and Obtsfield (2005), pp. 409–421.
14. Fishbein and Ajzen (1975).
15. Fiske (2009), pp. 253–258.
16. Schein (2010).
17. Schein (2010).
18. Goleman (2006).
19. Warner (2001).
20. Sosik, Potosky, and Jung (2001), pp. 211–232.
21. Caldwell (2009), pp. 393–406.
22. Caldwell and Hansen (2010), pp. 173–188.
23. Mayer, Davis, and Schoorman (1995), pp. 709–729.
24. Pava (2003).
25. Mayer, Davis, and Schoorman (1995), pp. 709–729.
26. Senge (2006).
27. Caldwell and Hansen (2010), pp. 173–188.

28. Caldwell, Davis, and Devine (2009), pp. 103–114.
29. Caldwell and Hayes (2007), pp. 261–281.
30. Whitney (1994).
31. Mayer, Davis, and Schoorman (1995), pp. 709–729.
32. Judge (1999), p. 161.
33. Creed and Miles (1996), pp. 16–38.
34. Rousseau (1995).
35. Reina and Reina (2006).
36. Caldwell, Floyd, Atkins, and Holzgrefe (2012).
37. Judge (1999), p. 160.
38. Caldwell and Dixon (2010), pp. 91–101.
39. Solomon and Flores (2003), p. 6.
40. Kouzes and Posner (2008), p. 77.
41. DePree (2004).
42. Caldwell and Dixon (2010), pp. 91–101.
43. Caldwell and Dixon (2010), pp. 91–101.
44. Pfeffer (1998).
45. Hannah, Avolio, and Walumbwa (2011), pp. 555–578.
46. Quinn (2005) pp. 74–83.
47. Quinn (2005), pp. 74–83.
48. Quinn (2004), p. 25.
49. Quinn (2004), p. 25.
50. Quinn (2004), p. 25.
51. Quinn (1996).

### Chapter 3

1. Carroll and Buchholtz (2012).
2. Freeman and Harrison (2010), p. 6.
3. Goodstein (2004), pp. 167–181.
4. Caldwell and Hansen (2010), pp. 178–179.
5. Schein (2010), pp. 78–80, 93–97.
6. Douglas and Judge (2001), p. 168.
7. Bandsuch, Pate, and Thies (2008), pp. 99–127.
8. Bandsuch, Pate, and Thies (2008), pp. 99–127.
9. Bandsuch, Pate, and Thies (2008), pp. 99–127.
10. Judge (2008), p. ii.
11. Manville and Ober (2003).
12. Lennick and Kiel (2008), p. 209.
13. Bandsuch, Pate, and Thies (2008), pp. 99–127.
14. Bandsuch, Pate, and Thies (2008), pp. 99–127.

15. Bandsuch, Pate, and Thies (2008), pp. 99–127.
16. Bandsuch, Pate, and Thies (2008), pp. 99–127.
17. Bandsuch, Pate, and Thies (2008), pp. 99–127.
18. Goodstein (2004), pp. 167–181.
19. Caldwell, Karri, and Vollmar (2006), pp. 207–223.
20. Caldwell, Hayes, Karri, and Bernal (2008), pp. 153–164.
21. Eisenhardt (1989), pp. 57–74.
22. Jensen and Meckling (1976), pp. 305–360.
23. Eisenhardt (1989), pp. 57–74.
24. Williamson (1985).
25. Canella and Monroe (1997), pp. 213–237.
26. Canella and Monroe (1997), pp. 213–237.
27. Freeman (1984).
28. Lowenstein (2011).
29. Freeman and Reed (1983), pp. 88–107.
30. Carroll and Buchholtz (2012).
31. Donaldson and Preston (1995), pp. 65–91.
32. Goodstein (2004), pp. 173–174.
33. Freeman and Evan (1990), pp. 337–359.
34. Smith (2003), pp. 85–90.
35. Caldwell and Karri (2005), p. 251.
36. Caldwell and Karri (2005), p. 254.
37. Covey (2011).
38. Davis, Schoorman, and Donaldson (1997), pp. 20–47.
39. Caldwell, Karri, and Vollmar (2006), p. 214.
40. Burns (1978).
41. Solomon (1992).
42. Block (1993).
43. Block (1993).
44. Block (1993).
45. Caldwell and Karri (2005), p. 251.
46. DePree (2004).
47. CNN Money (2011).
48. Caldwell, Karri, and Vollmar (2006), p. 209.
49. Pfeffer (1998).
50. Yan, Guorong, and Hall (2002), pp. 373–391.
51. Pfeffer (1998).
52. Gullett, Canuto-Carranco, Brister, Turner, and Caldwell (2009), pp. 329–341.
53. Pfeffer (1998).
54. Johnson (2004), p. 70.
55. Johnson (2004), p. 70.

56. Caldwell, Karri, and Vollmar (2006), p. 212.
57. Kretchmar (1992), p. 153.
58. Pfeffer (1998).
59. Caldwell, Hayes, Karri, and Bernal (2008), pp. 153–164.
60. Caldwell, Dixon, Floyd, Chaudoin, Post, and Cheokas (2012).
61. Collins (2001).
62. Solomon (1992).
63. Keitner, Langner, and Allison (2006), pp. 177–194.
64. Reich (2011).
65. Pfeffer (1998).
66. Collins (2001).
67. Christensen and Raynor (2003).
68. Collins and Porras (2004).
69. Collins (2001).
70. Collins (2001), p. 1.
71. Christensen and Raynor (2003), pp. 32–39.
72. Pfeffer (1998).
73. Caldwell, Truong, Linh, and Tuan (2011), pp. 171–182.
74. Messick (2006), p. 106.
75. Reich (2011).
76. Cameron (2003), pp. 185–194.
77. Collins and Porras (2004).
78. Albert and Whetten, (1985), pp. 263–295.
79. Collins (2001).

## Chapter 4

1. Gerard, Sleeth, and Siders (1999), pp. 545–560.
2. Schein (1996) pp. 229–240.
3. Schein (2010), p. 18.
4. Schein (2010), p. 18.
5. Schein (2010), chap. 4.
6. Caldwell, Karri, and Vollmar (2006), pp. 207–223.
7. Cooper-Thomas, Anderson, and Cash (2012), pp. 41–55.
8. Lewis (1989).
9. Gioia (1992), pp. 379–389.
10. Schein (2010), pp. 14–17.
11. O’Cass and Ngo (2007), pp. 11–20.
12. Schulz (2011), p. 17.
13. Higgins, McAllaster, Certo, and Gilbert (2006), pp. 39–415.

14. Argyris and Schon (1995).
15. Schein (2010), pp. 27–31.
16. Schein (2010), p.29.
17. Kotter and Schlesinger (2008), pp. 130–138.
18. Kotter (2008), p. 34.
19. Quinn (2005), pp. 74–83.
20. Lewin (1947).
21. Schein (2010), pp. 300–318.
22. Block (1993).
23. Song, Kim, and Kolb (2009), pp. 147–167.
24. Schein (2010), pp. 305–307.
25. Pfeffer (1998).
26. Christensen and Raynor (2003).
27. Agin and Gibson (2010), pp. 52–55.
28. Pfeffer and Sutton (2000).
29. Bazerman and Tenbrunsel (2011), pp. 5–6.
30. Malandro (2009).

## Chapter 5

1. Gulick (1937).
2. Pfeffer (1998a), chap. 1.
3. Pfeffer (1998a), chap. 1.
4. Pfeffer (1998b), p. 110.
5. Caldwell, Swanson, Floyd, and Singley (2011).
6. Caldwell, Swanson, Floyd, and Singley (2011).
7. Schein (2010).
8. Pfeffer (1992), pp. 29–50.
9. Kouzes and Posner (2008).
10. Pfeffer (1992), pp. 29–50.
11. Gardner (1990), p. 55.
12. Pfeffer (1992), pp. 29–50.
13. Barnard (1938).
14. Graham (2003).
15. Pfeffer (1995), p. 16.
16. Pfeffer (1995).
17. Caldwell and Hansen (2010), pp. 173–188.
18. Senge (2006), p. 221.
19. Covey (2004).
20. Caldwell and Hayes (2007), pp. 261–278.
21. Brady (1999), pp. 309–318.

22. Gioia (1992), pp. 379–389.
23. Hosmer (2008).
24. Paine (2003), p. 221.
25. Paine (2003), p. 223.
26. Cameron (2003), pp. 48–65.
27. Cameron (2003), pp. 48–65.
28. Pfeffer (1998a).
29. Collins and Porras (2004).
30. Collins and Porras (2004).
31. Pfeffer (1998a).
32. Reich (2011).
33. Friedman (2009).
34. Paine (2003), p. 61.
35. Fuda and Badham (2011), pp. 145–148.
36. Quinn (1996).
37. Cameron and Winn (2012), pp. 231–243.
38. Weber (1922/1968).
39. Simon (1997).
40. Barnard (1938).
41. Chambers (2004).
42. Caldwell and Canuto-Carranco (2010), pp. 159–171.
43. Sutton (2007).
44. Adams (2010).
45. Schein (2009), p. 5.
46. DePree (2004).
47. Collins (2001).
48. Chambers (2004), p. 57.
49. Walton (1986), pp. 138–139.
50. Zeffane and Al Zarooni (2012), pp. 332–351.
51. Pieters, van Knippenberg, Schippers, and Stam (2010), pp. 612–613.
52. Pfeffer, 1998, *op. cit.*
53. Chambers (2004), pp. 57–60.
54. DePree (2004).
55. DePree (2004).
56. Dana (2001).
57. Guttman (2009), pp. 32–39.
58. Singleton, Toombs, Taneja, Larkin, and Pryor (2011), pp. 148–150.
59. Flanagan and Runde (2009), pp. 20–22.
60. Flanagan and Runde (2009), pp. 20–22.
61. Singleton, Toombs, Taneja, Larkin, and Pryor (2011), p. 152.
62. Cameron (2003b), pp. 185–194.



63. Ayman and Chemers (2012).
64. Lussier and Achua (2012), p. 162.
65. Ayman and Chemers (2012).
66. Ayman and Chemers (2012).
67. Werhane (2007), pp. 425–435.
68. Werhane (2007), p. 433.
69. Werhane (2007), p. 433.
70. Werhane, Posig, Gundry, Powell, Carlson, and Ofstein (2006), pp. 1–30.
71. Ayman and Chemers (2012).
72. Blanchard (2011), p. 7.
73. Maritz Research (2010).
74. Rousseau (1995).
75. Callahan (2004).
76. Caldwell and Hayes (2007), pp. 261–281.
77. Caldwell and Hansen (2010), pp. 173–188.
78. Caldwell and Hansen (2010), pp. 173–188.
79. Cameron and Winn (2012), pp. 231–243.
80. Quinn (2005), pp. 74–83.
81. Kouzes and Posner (2008).

## Chapter 6

1. Kouzes and Posner (2008).
2. Barnard (1938).
3. Caldwell, Hayes, Karri, and Bernal (2008), pp. 153–164.
4. Kouzes and Posner (2008).
5. Pfeffer (1998).
6. Covey (1998).
7. Covey (1998).
8. Deming (1986).
9. Deming (1986).
10. Coe, Zehnder, and Kinlaw (2007).
11. Coe, Zehnder, and Kinlaw (2007).
12. Covey (2004).
13. Coe, Zehnder, and Kinlaw (2007).
14. Radosevich, Levine, Sumner, Knight, Arendt, and Johnson (2009), pp. 186–192.
15. Green (1992).
16. Rousseau (1995).
17. Pfeffer (1998).
18. Pfeffer (1998).

19. Deming (1986).
20. Kerr (1975), pp. 769–783.
21. Kerr (1975), pp. 769–783.
22. Kerr (1975), pp. 769–783.
23. Pfeffer (1998).
24. Cameron (2003), pp. 48–65.
25. Deming (1986).
26. Pava (2003).

## Chapter 7

1. Boal and Hooijberg (2001), pp. 515–549.
2. Boal and Hooijberg (2001), pp. 515–549.
3. Schein (2010).
4. Gavetti (2011), pp. 118–125.
5. Schein (2010).
6. Gavetti (2011), pp. 118–125.
7. Collins (2001), p. 95.
8. Simon, Hitt, and Ireland (2007), pp. 273–292.
9. Pettigrew, Woodman, and Cameron (2001), pp. 697–713.
10. Barney (1991), pp. 99–120.
11. Collins (2001).
12. Pfeffer (1998).
13. Collins (2001), p. 1.
14. Collins (2001).
15. Collins and Porras (2004).
16. Collins and Porras (2004), chap. 3.
17. Caldwell, Atkins, and Holzgrefe (2011), pp. 343–356.
18. Caldwell, Truong, Linh, and Tuan (2011), pp. 171–182.
19. Pfeffer (1998).
20. Christensen and Raynor (2003).
21. Christensen and Raynor (2003).
22. Reed and DeFillippi (1990), pp. 88–102.
23. Caldwell and Hansen (2010), pp. 173–188.
24. Collins (2001).
25. Collins and Porras (2004).
26. Collins and Porras (2004), chap. 3.
27. Senge (2006).
28. Christensen and Raynor (2003).
29. Hsu (2007), pp. 983–998.
30. Collins (2001).

31. Covey (2004).
32. Covey (2004).
33. Covey (2004).
34. Christensen and Raynor (2003).
35. Christensen and Raynor (2003).
36. Raynor (2011), pp. 31–34.
37. Raynor (2011), pp. 31–34.
38. Raynor (2011), pp. 31–34.
39. Yu and Hang (2010), pp. 435–452.

## Chapter 8

1. Friedman (2009).
2. Hosmer (2010).
3. DePree (2004), chap. 1.
4. Ferdig (2012).
5. Mangan, Carlson, and Moser (2008), pp. A-12–A-14.
6. Mangan, Carlson, and Moser (2008), pp. A-12–A-14.
7. Ferdig (2007), 26.
8. Ferdig (2007), pp. 25–35.
9. Friedman (2009).
10. Carroll and Buchholtz (2012).
11. Carroll and Buchholtz (2012), chap. 2.
12. Carroll and Buchholtz (2012), chap. 3.
13. Friedman (2009), chap. 1.
14. Friedman (2009), chap. 1.
15. Edwards and McKibben (2010), p. 4.
16. Friedman (1970).
17. Solomon (1993).
18. Paine (2003).
19. Paine (2003), p. 61
20. Paine (2003), p. 72
21. Caldwell, Hayes, Karri, and Bernal (2008), pp. 153–164.
22. Lennick, Kiel, and Jordan (2011).
23. Hargreaves and Fink (2004), pp. 8–13.
24. This quote has also been attributed to Marian Wright Edelman in a series of letters published to her children in the 1992 book, *The measure of our success: A letter to my children and yours*. Boston, MA: Beacon Press but Tanner is believed to be the originator of the quotation and it is attributed to him and found on his bust in the Marriott School at Brigham Young University. Tanner passed away in 1982.

25. Elkington (1998).
26. Elkington (1998).
27. Hawken (1994).
28. DePree (2004).
29. Dhiman (2008), pp. 51–57.
30. Friedman (2009).
31. Reich (2012).

## Chapter 9

1. Friedman (2007).
2. Peterson and Hunt (1997), pp. 203–231.
3. Hofstede (1980).
4. Hofstede (1999), pp. 34–44.
5. Litvin, Crotts, and Hefner (2004), pp. 29–37.
6. Dixon, Caldwell, Chatchutimakorn, Gradney, and Rattanametangkul (2010), pp. 22–32.
7. Hofstede, Neuijen, Ohayv, and Sanders (1990), pp. 286–316.
8. Dixon, Caldwell, Chatchutimakorn, Gradney, and Rattanametangkul (2010), pp. 22–32.
9. Dixon, Caldwell, Chatchutimakorn, Gradney, and Rattanametangkul (2010), pp. 22–32.
10. Katiyar, Thomas, and Caldwell (2011), pp. 103–114.
11. Chemers (1997).
12. Kolp and Rea (2006).
13. Goelman (2007), p. 27.
14. Caldwell, Hayes, and Long (2010), p. 499.
15. Lussier and Achua (2004).
16. Collins (2001).
17. Caldwell, Hayes, and Long (2010), pp. 497–512.
18. Chemers (1997).
19. Hofstede (1980).
20. Hosmer (2010).
21. Chemers (1997).
22. Graen (2006), pp. 95–101.
23. Gutierrez, Spencer, and Zhu (2008), p. 1–6.
24. Javidan, Dorfman, De Luque, and House (2006), pp. 67–90.
25. Javidan, Dorfman, De Luque, and House (2006), pp. 67–90.
26. Peterson and Hunt (1997), pp. 203–231.
27. Gardner, Fischer, and Hunt (2009), pp. 466–482.
28. Christensen (2011).

29. Dowling, Festing, and Engle (2009).
30. Hansen, Hoskisson, and Barney (2008), pp. 191–208.
31. Katiyar, Thomas, and Caldwell (2011), pp. 103–114.
32. Pfeffer (1998).
33. Schein (2010).
34. Deming (2000).
35. Caldwell, Hayes, and Long (2010), pp. 497–512.
36. Caldwell and Clapham (2003), pp. 349–364.
37. Colquitt and Rodell (2011), pp. 1183–1206.
38. Pfeffer (1998).
39. Katiyar, Thomas, and Caldwell (2011), pp. 103–114.
40. Katiyar, Thomas, and Caldwell (2011), pp. 103–114.
41. Christensen (2011).
42. Katiyar, Thomas, and Caldwell (2011), pp. 103–114.
43. Hansen, Hoskisson, and Barney (2008), pp. 191–208.
44. Creed and Miles (1996), pp. 16–38.

## Chapter 10

1. Caldwell, Dixon, Floyd, Chaudoin, Post, and Cheokas (2012), p. 2.
2. Covey (2004), p. 98.
3. Christensen and Raynor (2003).
4. Covey (2004).
5. Groves and LaRocca (2011), pp. 511–528.
6. Pfeffer (1998).
7. Conger (1989).
8. Caldwell, Dixon, Floyd, Chaudoin, Post, and Cheokas (2012), pp. 2–3.
9. Caldwell, Dixon, Floyd, Chaudoin, Post, and Cheokas (2012), pp. 2–3.
10. Conger (1989).
11. Brown and Trevino (2006), p. 595.
12. Boyatzis and McKee (2005).
13. Collins (2001).
14. Caldwell, Dixon, Floyd, Chaudoin, Post, and Cheokas (2012).
15. Deming (1986).
16. Collins (2001).
17. Caldwell, Dixon, Floyd, Chaudoin, Post, and Cheokas (2012), p. 5.
18. Covey (2004).
19. Maxwell (2007).
20. Caldwell, Dixon, Floyd, Chaudoin, Post, and Cheokas (2012).
21. Buber (2008).
22. Caldwell, Dixon, Floyd, Chaudoin, Post, and Cheokas (2012), pp. 6–7.

23. Block (1993).
24. DePree (2004), chap. 1.
25. DePree (2004), chap. 1.
26. Pfeffer (1998).
27. Caldwell, Dixon, Floyd, Chaudoin, Post, and Cheokas (2012), pp. 7–8.
28. Pava (2003).
29. Pava (2003).
30. Senge (2006).
31. Caldwell, Dixon, Floyd, Chaudoin, Post, and Cheokas (2012), pp. 7–8.
32. Collins (2001), p. 1.
33. Caldwell and Dixon (2010), pp. 91–101.
34. Caldwell, Dixon, Atkins, and Dowdell (2011), pp. 473–487.



BUSINESS EXPERT PRESS



# References

- Adams, S. (2010). *Problem identified: And you're probably not part of the solution*. Kansas City, MO: Andrew McMeel Publishing.
- Agin, E., & Gibson, T. (2010). Developing an innovative culture. *T + D* 64(7), 52–55.
- Albert, S., & Whetten, D. (1985). Organizational identity. In L. L. Cumming & M. M. Staw (Eds.), *Research in organizational behavior*, 7 (pp. 263–295). Greenwich, CT: JAI Press.
- Argyris, C., & Schon, D. A. (1995). *Organizational learning II: Theory, method, and practice*. New York: Addison Wesley.
- Ayman, R., & Chemers, M. M. (2012). *An integrative theory of leadership*. New York: Psychology Press.
- Bandsuch, M., Pate, L., & Thies, J. (2008). Rebuilding stakeholder trust in business: An examination of principle-centered leadership and organizational transparency in stakeholder governance. *Business and Society Review* 113(1), 99–127.
- Barnard, C. I. (1938). *Functions of the executive*. Boston, MA: Business School Press.
- Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management* 17(1), 99–120.
- Bass, B. M. (1990). *Bass and Stodgill's handbook of leadership* (3rd ed.). New York: Free Press.
- Bazerman, M., & Tenbrunsel, A. (2011). Blind spots: Build ethical behavior. *Leadership Excellence* 28(3), 5–6
- Bennis, W. G. (1959). Leadership theory and administrative behavior: The problem of authority. *Administrative Science Quarterly* 4(3), 259–260.
- Bennis, W. G., & Nanus, B. (2003). *Leadership: Strategies for taking charge* (2nd ed.). New York: HarperCollins.
- Blanchard, K. (2011). Leaders by design. *Leadership Excellence* 28(12), 7.
- Block, P. (1993). *Stewardship: Putting service over self-interest*. San Francisco, CA: Berrett-Koehler Publishers.
- Boal, K. B., & Hooijberg, R. (2001). Strategic leadership research: Moving on. *Leadership Quarterly* 11, 515–549.
- Boyatzis, R. E., & McKee, A. (2005). *Resonant leadership: Renewing yourself and connecting with others through mindfulness, hope, and compassion*. Boston, MA: Harvard Business School Press.



- Brady, N. (1999). A systematic approach to teaching ethics in business. *Journal of Business Ethics* 19(3), 309–318.
- Brown, M. E., & Trevino, L. (2006). Ethical leadership: A review and future directions. *Leadership Quarterly* 17(6), 595.
- Buber, M. (2008). *I and thou*. New York: Hesperides Press.
- Burns, J. M. (1978). *Leadership*. New York: Harper and Row.
- Caldwell, C., Floyd, L. A., Atkins, R., & Holzgrefe, R. (2012). “Transformative Leadership: Achieving Unparalleled Excellence.” *Journal of Business Ethics*, 109, 175–187.
- Caldwell, C., & Hayes, L. (2007). Leadership, trustworthiness, and the mediating lens. *Journal of Management Development* 26(3), 261–281.
- Caldwell, C., Hayes, L., Karri, R., and Bernal, P. (2008). Ethical stewardship: The role of leadership behavior and perceived trustworthiness. *Journal of Business Ethics* 78(1/2), 153–164.
- Caldwell, C. (2009). Identity, self-awareness, and self-deception: Ethical implications for leaders and organizations. *Journal of Business Ethics* 90(3), 393–406.
- Caldwell, C., & Canuto-Carranco, M. (2010). ‘Organizational terrorism’ and moral choices: Exercising voice when the leader is the problem. *Journal of Business Ethics* 97(1), 159–171.
- Caldwell, C., & Clapham, S. (2003). Organizational trustworthiness: An international perspective. *Journal of Business Ethics* 47(4), 349–364.
- Caldwell, C., & Dixon, R. D. (2010). Love, forgiveness, and trust: Critical values of the modern leader. *Journal of Business Ethics* 93(1), 91–101.
- Caldwell, C., & Hansen, M. (2010). Trustworthiness, governance, and wealth creation. *Journal of Business Ethics* 97(2), 178–179.
- Caldwell, C., & Hayes, L. (2007). Leadership, trustworthiness, and the mediating lens. *Journal of Management Development* 26(3), 261–278.
- Caldwell, C., & Karri, R. J. (2005). Organizational governance and ethical systems: A covenantal approach to building trust. *Journal of Business Ethics* 58(1), 249–259.
- Caldwell, C., Atkins, R., & Holzgrefe, R. (2011). Duties owed to organizational citizens: Ethical insights for today’s leaders. *Journal of Business Ethics* 102(3), 343–356.
- Caldwell, C., Davis, B., & Devine, J. A. (2009). Trust, faith, and betrayal: Insights from management for the wise believer. *Journal of Business Ethics* 89(1), 103–114.
- Caldwell, C., Dixon, R. D., Atkins, R., & Dowdell, S. M. (2011). Repentance and continuous improvement: Ethical implications for the modern leader. *Journal of Business Ethics* 102(3), 473–487.
- Caldwell, C., Floyd, L. Atkins, R., and Holzgrefe, R., (In Press). “Ethical Duties of Organizational Citizens: Obligations Owed by Highly Committed Employees.” Paper forthcoming and approved for publication in the *Journal of Business Ethics*.

- Caldwell, C., Hayes, L. A., Karri, R., & Bernal, P. (2008). Ethical stewardship: Implications for leadership and trust. *Journal of Business Ethics* 78, 153–164.
- Caldwell, C., Karri, R., & Vollmar, P. (2006). Principal theory and principle theory: Ethical governance from the follower's perspective. *Journal of Business Ethics* 66(2/3), 207–223.
- Caldwell, C., Swanson, D. L., Floyd, L. A., & Singley, K. (2011). "Rethinking the learning model: Introducing a transformative learning approach to teaching business ethics." Paper presented on October 29, 2011 at the St. John's University International Conference Promoting Ethics in Business and currently under review in the *Journal of Business Ethics*.
- Caldwell, C., Truong, D., Linh, P., & Tuan, A. (2011). Strategic human resource management as ethical stewardship. *Journal of Business Ethics* 98(1), 171–182.
- Caldwell, C., Hayes, L., & Long, D. (2010). Leadership, trustworthiness, and ethical stewardship. *Journal of Business Ethics* 96(4), 499.
- Callahan, D. (2004). *The cheating culture: Why more Americans are doing wrong to get ahead*. Orlando, FL: Mariner Books.
- Cameron, K. S. (2003a). Ethics, virtuousness, and constant change. In N. M. Tichy & A. R. McGill (Eds.), *The ethical challenge: How to lead with unyielding integrity* (pp. 185–194). San Francisco, CA: Jossey-Bass.
- Cameron, K. S. (2003b). Ethics, virtuousness, and constant change. In N. M. Tichy & A. R. McGill (Eds.), *The ethical challenge: How to lead with unyielding integrity* (pp. 185–194). San Francisco, CA: Jossey-Bass.
- Cameron, K. S. (2003c). Organizational virtuousness and performance. In K. S. Cameron, J. E. Dutton & R. E. Quinn (Eds.), *Positive organizational scholarship: Foundations of a new discipline* (pp. 48–65). San Francisco: Berrett-Koehler Publishers.
- Cameron, K. S., & Winn, B. (2012). Virtuousness in organizations. In K. S. Cameron & G. M. Spreitzer (Eds.), *The Oxford handbook of positive organizational scholarship* (pp. 231–243). Oxford: Oxford University Press.
- Canella, A. A., & Monroe, J. M. (1997). Contrasting perspectives on strategic leaders: Toward a more realistic view of top managers. *Journal of Management* 23(3), 213–237.
- Carroll, A. B., & Buchholtz, A. C. (2012). *Business and society: Ethics, sustainability, and stakeholder management* (8th ed.). Mason, OH: South-Western.
- Castaldo, S., Premazzi, K., & Zerbini, F. (2010). The meaning(s) of trust. A content analysis on the diverse conceptualizations of trust in scholarly research on business relationships. *Journal of Business Ethics* 96, 657–668.
- Chambers, H. (2004). *My way or the highway: The micromanagement survivor's guide*. San Francisco, CA: Berrett-Koehler.
- Chemers, M. M. (1997). *An integrative theory of leadership*. East Sussex, UK: Psychology Press.

- Christensen, J. E. (2007). Leadership and the issue of trust. *Phi Kappa Phi Forum* 87(4), 26.
- Christensen, C. (2011). *The innovator's dilemma: The revolutionary book that will change the way you do business*. Boston, MA: Harvard Business School Press.
- Christensen, C. M., & Raynor, M. E. (2003). *The innovator's solution: Creating and sustaining successful growth*. Boston, MA: Harvard Business School Publishing.
- CNNMoney (2011). *World's most admired companies*. Retrieved February 19, 2012. Found at <http://money.cnn.com/magazines/fortune/mostadmired/2011/snapshots/772.html>
- Coe, C., Zehnder, A., & Kinlaw, D. C. (2007). *Coaching for commitment: Achieving superior performance from individuals and teams*. San Francisco, CA: Jossey-Bass.
- Collins, J. (2001). *Good to great: Why some companies make the leap . . . and others don't*. New York: HarperCollins.
- Collins, J., & Porras, J. I. (2004). *Built to last: Successful habits of visionary companies*. New York: HarperBusiness.
- Colquitt, J. A., & Rodell, J. B. (2011). Justice, trust, and trustworthiness: A longitudinal analysis integrating three theoretical perspectives. *Academy of Management Review* 54(6), 1183–1206.
- Conger, J. A. (1989). *The charismatic leader: Behind the mystique of exceptional leadership*. San Francisco, CA: Jossey-Bass.
- Cooper-Thomas, H., Anderson, N., & Cash, M. (2012). Investigating organizational socialization: A fresh look at newcomer adjustment strategies. *Personnel Review* 41(1), 41–55.
- Covey, S. R. (1992). *Principle-centered leadership*. New York: Fireside.
- Covey, S. R. (2004). *The 8th habit: From effectiveness to greatness*. New York: Free Press.
- Covey, S. R. (2011). *The 3rd alternative: Solving life's most difficult problems*. New York: Free Press.
- Covey, S. R., Merrill, A. R., & Merrill, R. R. (1994). *First things first: To live, to love, to learn, to leave a legacy*. New York: Simon & Schuster.
- Creed, W. E. D., & Miles, R. E. (1996). Trust in organizations: A conceptual framework linking organizational forms, managerial philosophies, and the opportunity costs of controls. In R. M. Kramer & T. R. Tyler (Eds.), *Trust in organizations: Frontiers of theory and research* (pp. 16–38). Thousand Oaks, CA: Sage.
- Dana, D. (2001). *Conflict resolution—Mediation tools for everyday worklife*. New York: McGraw-Hill.
- Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of Management Review* 22(1), 20–47.

- Deming, W. E. (1986). *Out of the crisis*. Cambridge, MA: Massachusetts Institute of Technology Press.
- Deming, W. E. (2000). *Out of the crisis*. Cambridge, MA: MIT Press.
- DePree, M. (2004). *Leadership is an art*. New York: Broadway Business.
- Dhiman, S. (2008). Products, people, and planet: The triple bottom-line sustainability imperative. *Journal of Global Business Issues* 2(2), 51–57.
- Dixon, R. D., Caldwell, C., Chatchutimakorn, A., Gradney, K., & Rattanametangkul, K. (2010). Managing justly across cultures: The problem of fairness in international business. *Journal of Management and Strategy* 1, 22–32.
- Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review* 20, 65–91.
- Douglas, T., & Judge, W. (2001). Total quality management implementation and competitive advantage. *Academy of Management Journal* 44(1), 168.
- Dowling, P. J., Festing, M., & Engle, A. D., Sr. (2009). *International human resource management: Managing people in a multinational context*. Mason, OH: South-Western Publishing.
- Edwards, A. R., & McKibben, B. (2010). *Thriving beyond sustainability: Pathways to a resilient society*. Gabriola, BC: New Society Publishers, p. 4.
- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review* 14, 57–74.
- Elkington, J. (1998). *Cannibals with forks: The triple bottom line of 21st century business*. Gabriola Island, BC: New Society.
- Ferdig, M. A. (2007). Sustainability leadership. *Journal of Change Management* 7(1), 25–35.
- Ferdig, M. A. (2012). Sustainability Leadership definition found at the following website on April 11, 2012. <http://www.sustainabilityleadershipinstitute.org/atomic.php>.
- Fishbein, M., & Ajzen, I. (1975). *Belief, attitude, intention, and behavior: An introduction to theory and research*. New York: McGraw-Hill.
- Fiske, S. (2009). *Core motives in social psychology*. New York: Wiley & Sons, pp. 253–258.
- Flanagan, T., & Runde, C. (2009). How teams can capitalize on conflict. *Strategy & Leadership* 37(1), 20–22.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Belmont, CA: Pitman Publishing.
- Freeman, R. E., & Evan, W. M. (1990). Corporate governance: A stakeholder interpretation. *The Journal of Behavioral Economics* 19(4), 337–359.
- Freeman, R. E., & Reed, D. L. (1983). Stockholders and stakeholders: A new perspective in corporate governance. *California Management Review* XXV(3), 88–107.

- Freeman, R. E., & Harrison, J. S. (2010). *Stakeholder theory: The state of the art*. New York: Cambridge University Press, p. 6.
- Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits. *New York Times Magazine*, p. 32.
- Friedman, T. (2007). *The world is flat: A brief history of the 21st century 3.0*. New York: Picador.
- Friedman, T. L. (2009). *Hot, flat, and crowded: Why we need a green revolution—and how it can renew America*. New York: Picador.
- Fuda, P., & Badham, R. (2011). Fire, snowball, mask, movie: How leaders spark and sustain change. *Harvard Business Review* 89(11), 145–148.
- Gardner, J. (1990). *On leadership*. New York: Free Press, p. 55.
- Gardner, W. L., Fischer, D., & Hunt, J. G. (2009). Emotional labor and leadership: A threat to authenticity? *Leadership Quarterly* 20(3), 466–482.
- Gavetti, G. (2011). The new psychology of strategic leadership. *Harvard Business Review* 89(7/8), 118–125.
- Gerard, G., Sleeth, R. G., & Siders, R. G. (1999). Organizing culture: Leader roles, behaviors, and reinforcement mechanisms. *Journal of Business & Psychology* 13(4), 545–560.
- Gioia, D. A. (1992). Pinto fires and personal ethics: A script analysis of missed opportunities. *Journal of Business Ethics* 11, 379–389.
- Goleman, D. (2006). *Social intelligence: The new science of human relationships*. New York: Bantam.
- Goelman, D. (2007). *Social intelligence: The new science of human relations*. New York: Bantam Publishing, p. 27.
- Goodstein, J. (2004). Integrity-based governance: Responding to the call for corporate governance reform. In R. J. Burke & C. L. Cooper (Eds.), *Leading in turbulent times* (pp. 167–181). Malden, MA: Blackwell Publishing Ltd
- Graen, G. B. (2006). In the eye of the beholder: Cross-cultural lesson in leadership from Project GLOBE: A response viewed from the third culture bonding (TCB) model of cross-cultural leadership. *Academy of Management Perspectives* 20(4), 95–101.
- Graham, P. (Ed.). (2003). *Mary Parker Follett: Prophet of management*. New York: Beard Books.
- Green, T. B. (1992). *Performance and motivation strategies for today's workers: A guide to expectancy theory applications*. Westport, CT: Quorum Books.
- Groves, K., & LaRocca, M. (2011). An empirical study of leader ethical values, transformational and transactional leadership, and follower attitudes toward corporate social responsibility. *Journal of Business Ethics* 103 (4), 511–528.
- Gulick, L. (1937). Notes on the theory of organization. In L. Gulick & L. Urwick (Eds.), *Papers on the science of administration* (pp. 1–50). New York: Institute of Public Administration (Columbia University).

- Gullett, J., Canuto-Carranco, M., Brister, M., Turner, S., & Caldwell, C. (2009). The buyer-supplier relationship: An integrative model of ethics and trust. *Journal of Business Ethics* 90(3), 329–341.
- Gutierrez, B., Spencer, S., & Zhu, G. (2008). Thinking globally, leading locally: Chinese, Indian, and Western leadership. *Academy of Management Annual Proceedings*, p. 1–6.
- Guttman, H. (2009). Conflict management as a core competency for HR professionals. *People and Strategy* 32(1), 32–39.
- Hannah, S. T., Avolio, B. J., & Walumbwa, F. O. (2011). Relationships between authentic leadership, moral courage, and ethical and pro-social behaviors. *Business Ethics Quarterly* 21(4), 555–578.
- Hansen, M. H., Hoskisson, R. E., & Barney, J. B. (2008). Competitive advantage in alliance governance: Resolving the opportunism minimization-gain maximization paradox. *Managerial & Decision Economics* 29(2/3), 191–208.
- Hargreaves, A., & Fink, D. (2004). The seven principles of sustainable leadership. *Educational Leadership* 61(7), 8–13.
- Hawken, P. (1994). *The ecology of commerce: A declaration of sustainability*. New York: HarperBusiness.
- Higgins, J. M., McAllaster, C., Certo, S. C., & Gilbert, J. P. (2006). Using cultural artifacts to achieve a change and perpetuate strategy. *Journal of Change Management* 6(4), 397–415.
- Hofstede, G. (1980). *Culture's consequences*. Beverly Hills, CA: Sage Publications.
- Hofstede, G., Neuijen, B., Ohayv, D. D., & Sanders, G. (1990). Measuring organizational cultures: A qualitative and quantitative study across twenty cases. *Administrative Science Quarterly* 35(2), 286–316.
- Hofstede, G. (1999). Problems remain, but theories will change: The universal and the specific in 21st-century global management. *Organizational Dynamics* 238(1), 34–44.
- Hosmer, L. T. (1995). Trust: The connecting link between organizational theory and philosophical ethics. *Academy of Management Review*, 20(2), 396–397.
- Hosmer, L. T. (2008). *The ethics of management* (5th ed.). Chicago, IL: Irwin.
- Hosmer, L. T. (2010). *The ethics of management* (7th ed.). New York: McGraw-Hill.
- Hsu, S.-H. (2007). Human capital, organizational learning, network resources, and organizational innovativeness. *Total Quality Management & Business Excellence* 18(9), 983–998.
- Javidan, M., Dorfman, P. W., De Luque, M. S., & House, R. J. (2006). In the eye of the beholder: Cross-cultural lessons in leadership from Project GLOBE. *Academy of Management Perspectives* 20(1), 67–90.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics* 3, 305–360.

- Johnson, C. E. (2004). *Meeting the ethical challenges of leadership: Casting light or shadow*. Thousand Oaks, CA: Sage Publication, p. 70.
- Judge, W. Q. (1999). *The leader's shadow: Exploring and developing executive character*. Thousand Oaks, CA: Sage Publications.
- Judge, W. (2008). What is the dependent variable in corporate governance research? *Corporate governance: An International Review* 16(5), ii.
- Katiyar, A., Thomas, K., & Caldwell, C. (2011). Ethical issues in international human resource management. *Journal of Global Business Development* 3(1), 103–114.
- Keitner, D., Langner, C. A., & Allison, M. L. (2006). Power and moral leadership. In D. L. Rhode (Ed.), *Moral leadership* (pp. 177–194). San Francisco, CA: Jossey-Bass.
- Kerr, S. (1975). On the folly of rewarding A while hoping for B. *Academy of Management Journal* 18(4), 769–783.
- Kohlberg, L. (1981). *The philosophy of moral development: Moral stages and the idea of justice*. New York: Harper & Row.
- Kolp, A., & Rea, P. (2006). *Leading with integrity: Character-based leadership*. Cincinnati, OH: Atomic Dog Publishing.
- Kotter, J. (2008). Developing a change-friendly culture: An interview with John Kotter. *Leader to Leader* 2008(48), 34.
- Kotter, J., & Schlesinger, L. A. (2008). Choosing strategies for change. *Harvard Business Review* 86(7/8), 130–138.
- Kouzes, J. M., & Posner, B. Z. (2008). *The leadership challenge* (4th ed.). San Francisco, CA: Jossey-Bass.
- Kouzes, J. M., & Posner, B. Z. (2011). *Credibility: How leaders gain and lose it, why people demand it*. San Francisco, CA; Jossey-Bass, Chapter One.
- Kretchmar, L. (1992). Oh, the pity of a Baldrige award. *Fortune* 125(5), 153.
- Lennick, D., & Kiel, F. (2008). *Moral intelligence: Enhancing business performance & leadership success*. Upper Saddle River, NJ: Wharton School Publishing, p. 209.
- Lennick, D., Kiel, F., & Jordan, K. (2011). *Moral intelligence 2.0: Enhancing business performance and leadership success in turbulent times*. Boston, MA: Pearson Education, Inc.
- Lewin, K. (1947). Frontiers in group dynamics. In D. Cartwright (Ed.), *Field theory in social science* (pp. 301–336). London: Social Science Paperbacks.
- Lewis, M. M. (1989). *Liar's poker*. New York: W. W. Norton Co.
- Litvin, S. W., Crofts, J. C., & Hefner, F. L. (2004). Cross-cultural tourist behavior: A replication and extension involving Hofstede's uncertainty avoidance dimension. *International Journal of Tourism Research* 6(1), 29–37.
- Lowenstein, R. (2011). *The end of wall street*. New York: Penguin Publishing.
- Lussier, R. N., & Achua, C. F. (2004). *Leadership: Theory, application, skill development*. Eagan, MN: South-Western Publishing.

- Malandro, L. (2009). *Fearless Leadership: How to Overcome Behavioral Blindspots and Transform Your Organization*. New York: McGraw-Hill.
- Mangan, K., Carlson, S., & Moser, K. (2008). Leadership expectations, sustainability takes center stage at chronicle forum. *Chronicle of Higher Education* 54(41), A-12–A-14.
- Manville, B., & Ober, J. (2003). *A company of citizens: What the world's first democracy teaches leaders about creating great organizations*. Boston, MA: Harvard Business School Press.
- Maritz Research. (2010). *Managing in an era of distrust: Maritz poll reveals employees lack trust in their workplace*. Retrieved January 30, 2012. Found at <http://www.pitchengine.com/maritz/managing-in-an-era-of-mistrust--maritz-poll-reveals-employees-lack-trust-in-their-workplace>
- Maxwell, J. C. (2007). *The irrefutable laws of leadership: Follow them and people will follow you* (10th anniversary ed.). Orange, CA: Thomas Nelson, Inc.
- Mayer, R. C., Davis, J. D., & Schoorman, F. D. (1995). An integration model of organizational trust. *Academy of Management Review* 20, 709–729.
- Messick, D. (2006). Ethical judgment and moral leadership. In D. L. Rhode (Ed.), *Moral leadership: The theory and practice of power, judgment, and policy* (p. 106). San Francisco, CA: Jossey-Bass.
- O' Cass, A., & Ngo, L. V. (2007). Balancing external adaptation and internal effectiveness: Achieving better brand performance. *Journal of Business Research* 60(1), 11–20.
- Paine, L. S. (2003). *Value shift: Why companies must merge social and financial imperatives to achieve superior performance*. New York: McGraw-Hill.
- Pava, M. L. (2003). *Leading with meaning: Using covenantal leadership to build a better organization*. New York: Palgrave Macmillan.
- Peterson, M. F., & Hunt, J. G. (1997). International perspectives on international leadership. *Leadership Quarterly* 8(3), 203–231.
- Pettigrew, A. M., Woodman, R. W., & Cameron, K. S. (2001). Studying organizational change and development: Challenges for future research. *Academy of Management Journal* 44(4), 697–713.
- Pfeffer, J. (1998a). *The human equation: Building profits by putting people first*. Boston, MA: Harvard Business School Press.
- Pfeffer, J. (1998b). Six dangerous myths about pay. *Harvard Business Review* 76(3), 110.
- Pfeffer, J. (1992). Understanding power. *California Management Review* 34(2), 29–50.
- Pfeffer, J. (1995). *Competitive advantage through people: Unleashing the power of the work force*. Boston, MA: Harvard Business School Press.
- Pfeffer, J., & Sutton, R. I. (2000). *The knowing-doing gap: How smart companies turn knowledge into action*. Boston, MA: Harvard Business School Press.



- Pieters, A. N., van Knippenberg, D., Schippers, M., & Stam, D. (2010). Transformational and transactional leadership and innovative behavior: The moderating role of psychological empowerment. *Journal of Organizational Behavior* 31(4), 612–613.
- Quinn, R. E. (1996). *Deep change: Discovering the leader within*. San Francisco, CA: Jossey-Bass.
- Quinn, R. E. (2004). Building the bridge as you walk on it. *Leader to Leader* 2004, 25.
- Quinn, R. E. (2005). Moments of greatness. *Harvard Business Review* 83(7/8), 74–83.
- Radosevich, D. J., Levine, M. S., Sumner, K. E., Knight, M. B., Arendt, L. A., & Johnson, V. A. (2009). The role of expectancy theory in goal striving processes. *Journal of the Academy of Business & Economics* 9(4), 186–192.
- Raynor, M. E. (2011). Disruptive innovation: The Southwest Airlines case revisited. *Strategy & Leadership* 39(4), 31–34.
- Reed, R., & DeFillippi, R. (1990). Causal ambiguity, barriers to imitation, and sustainable competitive advantage. *Academy of Management Review* 15(1), 88–102.
- Reich, R. B. (2011). *Aftershock: The next economy and America's future*. New York: Vintage.
- Reich, R. B. (2012). *Beyond outrage: What has gone wrong with our economy and democracy and how to fix them*. New York: Knopf Publishing.
- Reina, D. S., & Reina, M. L. (2006). *Trust and betrayal in the workplace: Building effective relationships in your organization* (2nd ed.). San Francisco, CA: Berrett-Koehler.
- Rokeach, M. (1979). *Understanding human values*. New York: Free Press.
- Rousseau, D. M. (1995). Psychological contracts in organizations: Understanding written and unwritten agreements. Thousand Oaks, CA: Sage Publications.
- Schein, E. A. (2009). Helping: An urgent new role for leaders. *Ivey Business Journal* 73(5), 5.
- Schein, E. A. (2010). *Organizational culture and leadership*. San Francisco, CA: Jossey-Bass.
- Schein, E. A. (2010). *Organizational culture and leadership*. San Francisco, CA: John Wiley & Sons.
- Schein, E. H. (1996) Culture: The missing concept in organization studies. *Administrative Science Quarterly* 41(2), 229–240.
- Schulz, W. C. (2011). Leadership, top to bottom. *Leadership Excellence* 28(6), 17.
- Senge, P. (2006). *The fifth discipline: The art & practice of the learning organization*. New York: Doubleday, p. 221.
- Shamir, B., & Hooijberg, R. (2008). *Strategic leadership as management of meanings*. Retrieved January 30, 2012. Perspectives for Managers, No.

- 154, January. Found at [http://www.imd.org/research/publications/upload/PFM154\\_LR\\_Hoojberg\\_Shamir.pdf](http://www.imd.org/research/publications/upload/PFM154_LR_Hoojberg_Shamir.pdf)
- Simon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review* 32(1), 273–292.
- Simon, H. A. (1997). *Administrative behavior* (4th ed.). New York: Free Press.
- Singleton, R., Toombs, L. A., Taneja, S., Larkin, C., & Pryor, M. G. (2011). Workplace conflict: A strategic leadership imperative. *International Journal of Business & Public Administration* 8 (1), 148–150.
- Smith, H. J. (2003). The shareholders vs. stakeholders debate. *Sloan Management Review* 44(4), 85–90.
- Solomon, R. C. (1992). *Ethics and excellence: Cooperation and integrity in business*. New York: Oxford University Press.
- Solomon, R. C., & Flores, F. (2003). *Building trust: In business, politics, relationships, and life*. New York: Oxford University Press, p. 6.
- Song, J. H., Kim, H. M., & Kolb, J. A. (2009). The effect of learning organization culture on the relationship between interpersonal trust and organizational commitment. *Human Resource Development Quarterly* 20(2), 147–167.
- Sosik, J., Potosky, D., & Jung, D. I. (2001). Adaptive self-regulation: Meeting others' expectations of leadership and performance. *Journal of Social Psychology* 142(2), 211–232.
- Sutton, R. I. (2007). *The no asshole rule: Building a civilized workplace and surviving one that isn't*. New York: Warner Business Books.
- Vlaar, P. W., van den Bosch, F. A. J., & Volberda, H. W. (2007). On the evolution of trust, distrust, and formal coordination and control in interorganizational relationships: Toward an integrative framework. *Group & Organization Management* 32(4), 407–429.
- Walton, M. (1986). The Deming management method. New York: Penguin Group, pp. 138–139.
- Warner, C. T. (2001). *Bonds that make us free: Healing our relationships, coming to ourselves*. Salt Lake City, UT: Shadow Mountain Publishing.
- Weber, M. (1922/1968). *Economy and society: An outline of interpretive sociology* In G. Roth & C. Wittich (Eds.) and E. Fischoff (Trans.). New York: Bedminster Press.
- Weick, K., Sutcliffe, K. M., & Obstfeld, D. (2005). Organizing and the process of sensemaking. *Organization Science* 16(4), 409–421.
- Werhane, P. H. (2007). Women leaders in a globalized world. *Journal of Business Ethics* 74(4), 433.
- Werhane, P. H., Posig, M., Gundry, L, Powell, E., Carlson, J., & Ofstein, L. (2006). Women leaders in corporate America: A study of leadership, values, and methods. In M. F. Karsten (Ed.), *Gender, race, and ethnicity in the workplace*, Vol. 1. (pp. 1–30). Westport, CT: Praeger.

- Whitney, J., O. (1994). *The trust factor: Liberating profits and restoring corporate vitality*. New York: McGraw-Hill.
- Williamson, O. E. (1985) *The economic institutions of capitalism: Firms, markets, relational contracting*. New York: Free Press.
- Yan, A., Guorong, Z., & Hall, D. T. (2002). International assignments for career building: A model of agency relationships and psychological contracts. *Academy of Management Review* 27(3), 373–391.
- Yu, D., & Hang, C. C. (2010). A reflective view of disruptive innovation theory. *International Journal of Management Reviews* 12(4), 435–452.
- Zeffane, R., & Al Zarooni, H. A. M. (2012). Empowerment, trust, and commitment: The moderating role of work-unit centrality. *International Journal of Management* 29(1), 332–351.



BUSINESS EXPERT PRESS

# Index

- A
- Ability/competence,
    - trustworthiness, 34
  - Achievable goals, 106
  - Affective learning, 3–4
  - Affective trust, 32
  - Agency theory, 51–52
  - Aligned goals, 106
  - Appreciated goals, 107
  - Artifacts, 70–71
  - Attitudes, theory of reasoned action, 26
  - Autonomous leadership, 167
- B
- Behavioral learning, 4
  - Behaviors, theory of reasoned action, 26
  - Beliefs, theory of reasoned action, 25
  - Benevolent actions,
    - trustworthiness, 34
- C
- Character, 6
  - Charismatic leadership, 178
  - Chemers model of culture, 160–162
  - Cognitive learning, 3
  - Cognitive trust, 32
  - Commitment, 29
  - Competence, 6
  - Competitive advantage
    - action plan, 138
    - application of theory, 137
    - barriers to strategic, 130–132
    - characteristics
      - difficulty to imitate, 128–129
      - nonsubstitutability, 129–130
      - rareness of resources, 128
      - uniqueness organizationally, 129
    - value to customers, 128
    - competition and, 135–136
    - definition, 128
    - from effectiveness to greatness, 133–135
- Compliance continuum, 28–31
- Confucian dynamism, 159–160
- Consistent goals, 106
- Contextually interdependent trust, 32
- Corporate governance, 50
- Corporate social responsibility
  - definition, 141–142
  - sustainability
    - commitment levels, 144
    - global issues, 142–143
    - moral intelligence components, 144–145
    - zone of sustainability, 144
- Covenantal leadership, 182–183
- Culture. *See also* international culture; organization culture
  - blind spots, 82–84
  - definition, 65
  - elements of, 67–68
  - learning, 78–80
  - Lewin's change model, 77–78
  - socialization process, 66–67
- D
- Disruptive technologies, 136
  - Distrust, 32
  - Duty, trust element, 30
- E
- Empowerment, 96–97
  - Enrollment, 29
  - Espoused beliefs and values,
    - organizational culture, 71–72
  - Ethically founded trust, 32
  - Ethical stewardship, 56–57, 64

## Ethics

- description, 13
- vs.* morality, 16–17

Expectant, trust element, 30

## F

Forgiveness, 38–39

Formal compliance, 29

*Fortune*, 54

## G

Genuine compliance, 29

Goal directed trust, 32

Goal setting, 106–107

## Governance

- barriers to, 58–61
- corporate, 50
- definition, 48
- elements, 48–49
- ethical stewardship, 56–57, 64
- organization
  - agency theory, 51–52
  - principal theory, 54–55
  - principle theory, 55–56
  - stakeholder theory, 52–53
  - stewardship theory, 53–54

Six Beliefs Model, 62–63

transparency, 49

and trust, 50

Grudging compliance, 29

## H

High performance work systems  
(HPWS), 41

High trust, 23, 40

Hofstede's model of culture, 162–164

Honor, trust element, 30

Hope, trust element, 30

HPWS. *See* high performance work systems

Humane-oriented leadership, 167

## I

Impersonal management, 93

Individualism *vs.* collectivism, 158

Infallibility of leadership, 94

Innovative organizational culture,  
80–82

Integrity/honesty,

trustworthiness, 34

Intention-based learning, 4

Intentions, theory of reasoned  
action, 26

International culture. *See also* culture;

organizational culture

application of theory, 171–172

Chemers model, 160–162

ethical implications, 165

general principles of leadership,  
168–170

Hofstede's model, 162–164

internal and external environments

Confucian dynamism,

159–160

individualism *vs.* collectivism,  
158

masculinity *vs.* femininity, 158

power distance, 159

uncertainty avoidance, 159

leadership strategies, 165–168

Interpersonal trust, 30

## L

## Leaders

action plan, 123

application of theory, 123

goal-related questions, 107–110

goal setting, 106–107

guiding individual performance,  
112–114

measurement and reward policies

and systems, 119, 122

measuring results, 111–112

performance coaching GOAL  
model, 114–117

problems with measurement,  
118–121

reward factors, 117–118

strategic, 127, 134–135

sustainability, 140

sustainable, 145–147

## Leadership

character, 6

charismatic, 178

competence, 6

covenantal, 182–183

- culture and change, 74–76
- definition of, 7
- effectiveness, 9–10
- ethics, 13
- morality, 14
- outcomes of, 2
- practices for efficiency, 9
- principle-centered, 180–181
- servant, 181–182
- Six Beliefs Model, 10–13
- social intelligence, 8
- sustainable, 148–150
- trust, 27, 41–43
- values, 15
- Leadership myths
  - myth #1 exercising control over others, 89–90
  - myth #2 ethics is simple and just good common sense, 91–92
  - myth #3 tough-minded, objective, and impersonal leaders, 92–94
  - myth #4 leaders do not admit mistakes, 94–96
  - myth #5 employee empowerment, 96–97
  - myth #6 leaders avoid conflict, 97–99
  - myth #7 men are better leaders than women, 99–101
  - myth #8 anyone can be a leader, 101–102
- Learning cultures, 78–80
- Level 5 leadership, 179–180
- Lewin's change model, 77–78
- Low trust, 23
- M
- Masculinity *vs.* femininity, 158
- Meaningful goals, 106
- Mission-focused goals, 106
- Morality
  - description, 14
  - vs.* ethics, 16–17
- N
- Noncompliance, 29
- O
- Objective management, 93
- Openness/accessibility,
  - trustworthiness, 34
- Organizational culture. *See also* culture; international culture
  - action plan, 85–86
  - application of theory, 84–85
  - artifacts, 70–71
  - basic underlying assumptions, 72–73
  - creativity, 80–82
  - definition of, 66
  - elements of, 67–68
  - espoused beliefs and values, 71–72
  - external adaptation, 69
  - innovative, 80–82
  - internal integration, 69–70
  - organizational change, 74–76
- Organizational rewards, 117–118
- Organization governance. *See also* governance
  - agency theory, 51–52
  - principal theory, 54–55
  - principle theory, 55–56
  - stakeholder theory, 52–53
  - stewardship theory, 53–54
- P
- Participative leadership, 167
- Performance appraisal systems, 113–114
- Performance coaching GOAL model, 114–117
- Personal control, trust element, 30
- Personal self discovery tool. *See* Six Beliefs Model
- Power distance, 159
- Principal theory, 54–55
- Principle-centered leadership, 180–181
- Principle theory, 55–56
- Propensity to trust, 24
- R
- Relinquishing, trust element, 30
- Reward policies and systems, 119, 122

## S

- Self-protective leadership, 167
- Servant leadership, 181–182
- Six Beliefs Model
  - Chemers model, 161–162
  - description, 10–13
  - governance, 62–63
  - international leadership, 172–173
  - leadership myths, 89–102
  - strategic leadership, 127, 134–135
  - sustainable leader, 151–152
  - transformative leadership model, 184–185
  - trust, 32, 40
- Social contract, trust element, 30
- Social intelligence, 8
- Stakeholder theory, 52–53
- Stewardship theory, 53–54
- Strategic competitive advantage, 130–132
- Strategic leadership
  - action plan, 138
  - application of theory, 137
  - critical capabilities, 126–127
  - from effectiveness to greatness, 133–135
  - Six Beliefs Model, 127
- Supported goals, 106
- Sustainability
  - action plan, 155
  - application of theory, 154–155
  - corporate social responsibility
    - commitment levels, 144
    - definition, 141–142
    - global issues, 142–143
    - moral intelligence components, 144–145
    - zone of sustainability, 144
  - leadership obligation, 139–141
  - principles of leadership, 148–150
  - Triple Bottom Line
    - approach, 150–151
    - problems with, 152–154
- Sustainable leaders, 145–147
- Sustainable leadership, 148–150
- Systemically dynamic trust, 32

## T

- Team oriented leadership, 167
- Theory of reasoned action
  - attitudes, 26
  - behaviors, 26
  - beliefs, 25
  - intentions, 26
- Timely goals, 107
- Tough-minded management, 92
- Transformative leadership
  - application of theory, 186
  - charismatic leadership, 178
  - covenantal leadership, 182–183
  - definition of, 175–176
  - elements of, 176–177
  - in future, 187
  - level 5 leadership, 179–180
  - principle-centered leadership, 180–181
  - servant leadership, 181–182
  - Six Beliefs Model, 184–185
- Transformative learning model
  - action plan, 5
  - affective learning, 3–4
  - behavioral learning, 4
  - cognitive learning, 3
  - commitment, 5
  - intention-based learning, 4
  - presentation of
    - information, 4–5
    - reflection and assessment, 5
- Triple Bottom Line approach, 150–154
- Trust
  - action plan development, 45
  - applying theory, 44
  - characteristics, 32
  - commitment/compliance levels, 29
  - as continuum, 28–29
  - definition of, 30
  - elements, 30
  - follower's view, 36–37
  - forgiveness and, 38–39
  - and governance, 50
  - high, 23, 40
  - high performance work systems, 41

- leadership, 27, 41–43
- love and, 37–38
- low, 23
- Six Beliefs Model, 32, 40
- theory of reasoned action
  - attitudes, 26
  - behaviors, 26
  - beliefs, 25
  - intentions, 26
- vs.* trustworthiness, 35–36
- Trustworthiness
  - continuum factors, 34
  - definition, 33
  - follower's view, 36–37
  - vs.* trust, 35–36
- Truth-based leadership. *See* covenantal leadership
- U
  - Uncertainty avoidance, 159
- W
  - Well-defined goals, 106
- Z
  - Zone of sustainability, 144



BUSINESS EXPERT PRESS





# Advance Quotes About This Book...

“In our contemporary sociopolitical economy, there is a demand that leaders be women and men of integrity. This book is a response to that clarion call. Leadership, as Cam Caldwell poignantly acknowledges, is as much about external efforts as interior discernment. This book on transformative leadership rich with its insightful discussion, case studies, and thought-provoking, and, at times, challenging exercises is an incredible resource to build honorable leadership.”

— **Patrick Flanagan**, *Catholic Priest at St. John's University  
who coordinates the International Conference  
Promoting Business Ethics*

“Has there ever been a time of greater need than now for leadership to arise? This enjoyable and compelling read is just the call we need to take action and be bold. Whether in the private or public sector there are lessons to be learned from this work to assist us in our responsibilities, and in guiding us to raise up a new generation of leaders.”

— **John Patterson**, *City Manager of Casper, WY*

“Unlike any other work in the field, Cam Caldwell takes you by the hand and forces you to stare into the mirror. It is a hands-on, practical guide for taking what you see in your reflection to the next level as a leader. You will never use the word ‘leader’ again without feeling the word ‘ethical’ echo in your soul.”

— **John Blake**, *Human Resource Manager, Cooper Industries*

“Professor Caldwell straightforwardly conveys what it takes to be an effective leader, while he deftly helps readers discover their own leadership potential. This book is a ‘must read’ for anyone interested in transforming leadership in the 21st century.”

— **Diane Swanson**, *Ph.D., Chair,  
Business Ethics Education Initiative,  
Kansas State University*

“Caldwell has written a book that is both a mine of good information about his subject and a practical guide for aspiring young leaders. He begins his treatise by asserting that ‘The challenge facing leaders in the 21st century is to restore stakeholder trust, build employee commitment, and create organizations that are able to sustain long-term competitive advantage.’ On this rock he builds an edifice of what he calls ‘Transformative learning’ that covers recent research on essential topics, buttressed by a provocative array of exercises helping his readers discover what they believe, feel, intend to do, and actually do. It is difficult to imagine anyone reading this book without some measure of a transformative experience.”

— **Alex C. Michalos**, *Professor Emeritus, political science,*  
*University of Northern British Columbia*



BUSINESS EXPERT PRESS

# Announcing the Business Expert Press Digital Library

## *Concise E-books Business Students Need for Classroom and Research*

This book can also be purchased in an e-book collection by your library as

- a one-time purchase,
- that is owned forever,
- allows for simultaneous readers,
- has no restrictions on printing, and
- can be downloaded as PDFs from within the library community.

Our digital library collections are a great solution to beat the rising cost of textbooks. e-books can be loaded into their course management systems or onto student's e-book readers.

The **Business Expert Press** digital libraries are very affordable, with no obligation to buy in future years. For more information, please visit [www.businessexpertpress.com/librarians](http://www.businessexpertpress.com/librarians). To set up a trial in the United States, please contact **Adam Chesler** at [adam.chesler@businessexpertpress.com](mailto:adam.chesler@businessexpertpress.com) for all other regions, contact **Nicole Lee** at [nicole.lee@igroupnet.com](mailto:nicole.lee@igroupnet.com).

---

## OTHER TITLES IN OUR STRATEGIC MANAGEMENT COLLECTION

Collection Editor: **William Q. Judge**

- *An Executive's Primer on the Strategy of Social Networks* by Mason Carpenter
- *Building Strategy and Performance Through Time: The Critical Path* by Kim Warren
- *Sustainable Business: An Executive's Primer* by Nancy Landrum and Sally Edwards
- *Mergers and Acquisitions: Turmoil in Top Management Teams* by Jeffrey Krug
- *Positive Management: Increasing Employee Productivity* by Jack Walters
- *Business Goes Virtual: Realizing the Value of Collaboration, Social and Virtual Strategies* by John Girard and JoAnn Girard
- *Fundamentals of Global Strategy: A Business Model Approach* by Cornelis de Kluyver
- *The Strategic Management of Higher Education Institutions: Serving Students as Customers for Institutional Growth* by Hamid Kazeroony
- *A Stakeholder's Approach to Issues Management* by Robert Boutilier
- *Operational Leadership* by Andrew Spanyi
- *Succeeding at the Top: A Self-Paced Workbook for Newly Appointed CEOs and Executives* by Bernard Liebowitz
- *Top Management Team Impact on Organizations* by Anneloes M.L. Raes
- *Business Intelligence: Making Decisions Through Data Analytics* by Jerzy Surma
- *A Manager's Guide for Ethical Decision Making: Doing Right, Doing Good* by Abe Zakhem and Daniel Palmer



## Moral Leadership

### *A Transformative Model for Tomorrow's Leaders*

**Cam Caldwell**

"The most elusive aspect of leadership is that our influence is a function of who we are becoming now. Here is a masterful book that guides the necessary transformation within. It is a must read."

— **Robert E. Quinn**, *Margaret Elliott Tracy Collegiate Professor in Business Administration & Professor of Management and Organizations*

"At the heart of successful, entrepreneurial leadership is a person who well understands who they are, what they hope to accomplish, and who they want to become. The personal transformation is part and parcel in the transformation of the team and the organization. Cam has provided a guide for just such transformation, and better yet he has framed it within ethical leadership. This is a must read for leaders, for entrepreneurs, for anyone hoping to grow."

— **Len Jessup**, *Professor of Entrepreneurship and Innovation, and Halle Chair in Leadership at the Eller College of Management at the University of Arizona*

"Dr. Caldwell is an established, leading scholar in the field of business ethics. His book on ethical leadership builds upon a vast literature on ethics and ethical behavior, while providing the reader an opportunity to link this knowledge to his or her own personal experiences. The combination is certainly a powerful one that is will have a major influence on the field of business ethics and anyone reading the book."

— **David Sprott**, *Associate Dean of the Washington State University School of Business and Economics*

**Cam Caldwell** earned his PhD in Management from Washington State University (WSU) after a 25-year career as a municipal manager, human resource director, and management consultant. At WSU, he was a Thomas S. Foley Graduate Fellow and as a PhD candidate he co-authored a paper cited by BOSS Financial Review as one of the six "best articles on leadership from the past ten years." Dr. Caldwell has published more than 40 articles about business ethics, and was the Phi Kappa Phi Faculty Honoree at the University of Houston, Victoria in 2004. Dr. Caldwell currently serves on the editorial boards of four academic journals and is an Associate Professor of Management at St. Thomas University in Miami Gardens, Florida.

## THE STRATEGIC MANAGEMENT COLLECTION

**William Q. Judge**, *Editor*



[www.businessexpertpress.com](http://www.businessexpertpress.com)

ISBN: 978-1-60649-253-6



9 781606 492536