

# Management Decision

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Journal of Management History

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**Management**  
HISTORY

**Leadership decisions**



## Leadership decisions

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# Abstracts & keywords

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## Educating managers for decision making and leadership

*Victor H. Vroom*

**Keywords** Leadership, Decision making, Teambuilding, Decision trees, Management development, Delegation

This paper describes a research program, spanning three decades, on the development of a model of leadership style – specifically, the form and degree to which managers should involve team members in decision making. The model distinguishes five levels of participation and, in its current form, 11 situational factors which influence the effects of participation on decision quality, implementation, time, and team development. Pencil and paper and computer-based representations of the model are described and compared. Finally, the paper concludes with a discussion of the use of the model in management development. Based on experience in training managers in many countries around the world, the author argues that didactic expositions of the model are largely ineffective in producing behavior change unless accompanied by experiential activities which enable managers to examine their own implicit assumptions about the consequences of sharing their decision making power.

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## Guidelines for management and leadership decision

*Erwin Rausch*

**Keywords** Leadership, Decision making, Management information systems

This paper presents an eight-questions model for leadership and management decisions. The eight questions provide a comprehensive and integrated system that can help managers become more competent as managers, and as leaders, by bringing more thoroughly considered decisions. They are based on managerial responsibilities and on existing motivation and leadership theories, as reported in the literature. Managers who develop the habit to ask these eight question with all decisions that affect stakeholders, will find them easy to apply as guidelines to better decisions. The model also applies to individuals who are not in managerial positions but find themselves in leadership roles in teams or projects at work, in their professions, or at home. For thinking about leadership and managerial functions, and for higher education and human resource development, the eight-questions model provides a more practical and actionable guide than the Fayol cycle of planning, organizing, leading (or influencing or directing), and controlling, that has been a foundation concept for more than 80 years.

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## Intuition in decisions

*John R. Patton*

**Keywords** Decision making, Intuition, Leadership

To maintain and sustain competitive work organizations, leadership is necessary to help organizations develop a new vision, and rapidly manage organizational change to position themselves for pursuit of the new vision. Leaders need competent and motivated employees to serve as the catalysts of change as the workforce is mobilized to shift gears and adapt to a changing environment. Part of the changing environment is the Internet and the global economy where the speed of communications and business transactions has increased tremendously. It leaves decisive leaders with no choice in extraordinary circumstances other than to make decisions without all of the data and the time to consult with others. This paper summarizes relevant literature and analyzes some previously suggested foundations for intuitive knowledge. It offers a simplification of these presumed sources and suggests what education, leadership development and self-development might do to bring about planned improvement in intuitive decision making. It concludes with some implications for the future.

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## Discovery mindset: a decision-making model for discovery and collaboration

*Joy Benson and Sally Dresdow*

**Keywords** Decision making, Decision theory, Mindsets

This paper explores a mental model for decision making that is focused on discovery and collaboration. The model consists of six components: self-awareness, development orientation, systems perspective, emotional orientation, complexity dynamics, and generative conversation. As an interactive model, the components create a mental frame that enables the decision maker to achieve greater insight and develop creative opportunities that enhance the ability to see decision making as a complex process.

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## Leadership, decision making, and organizational justice

*B. Charles Tatum, Richard Eberlin, Carin Kottraba and Travis Bradberry*

**Keywords** Leadership, Transformational leadership, Transactional leadership, Decision making, Justice

The article integrates three lines of research with regard to leadership, decision making, and organizational justice. First the theoretical perspective, it is argued that

transformational and transactional leaders adopt different approaches to decision making. Transformational leaders appear to prefer a comprehensive style of decision making that uses many input sources and considers many optional pathways. Transactional leaders, by contrast, are more prone to use a more limited information base, and consider fewer alternative routes. The study reported on here concludes that transformational and transactional leaders focus on different aspects of organizational justice. Transformational leaders tend to emphasize the social dimensions of fairness in the workplace. Transactional leaders are oriented toward the structural features of workplace justice. Some practical issues are addressed, such as what should be considered when managers are selected for specific assignments with leadership requirements, and issues pertaining to changing leadership styles.

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### **Does sex of the leader and subordinate influence a leader's disciplinary decisions?**

*Robert D. Bisking, Malcolm Ree, Mark Green and Lamar Odom*

**Keywords** Decision making, Discipline, Sex and gender issues

This study, conducted in 2002, investigated the impact of sex on a leader's decisions involving employee disciplinary situations. All leaders would like to believe that they make fair and impartial decisions. Some of the most difficult decisions leaders make involve people (i.e. subordinates), because careers may be at risk. This research examined the impact sex may have on decisions made by leaders in four different disciplinary scenarios, sexual harassment, drug test violation, insubordination and theft. A scenario-based survey instrument, developed by the author, and the Bem Sex-Role Instrument (BSRI) short-form, were used in the data collection. It was determined from the data collected that the sex of the employee was an influence in decision making and that the sex of the leader (i.e. decision maker) was of no influence. It was further determined that the BSRI Femininity and Masculinity scores were not accurate predictors of disciplinary actions.

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### **Gender influences in decision-making processes in top management teams**

*Karin Klenke*

**Keywords** Women, Management attitudes, Organizational politics, Conflict resolution, Sex and gender issues

Top management teams (TMT) were initially introduced almost 20 years ago but recently have rekindled the interest of researchers whose experience with organizations has demonstrated that the arrangement of the single omnipotent CEO at the apex of the firm has outlived its utility at a time when it is impossible for one individual to command all the knowledge necessary to effectively lead an organization. This article describes a model that examines gender related influences, which are hypothesized to affect the decision making process in TMTs. More specifically, it is postulated here that it is not gender *per se* that accounts for differences in decision making among senior female and male executives, but that four constructs, namely power, political savvy, conflict management and trust mediate the hypothesized relationships explicated in the model. Implications for increased participation of women on TMTs are explored.

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### **Explaining executive integrity: governance, charisma, personality and agency**

*Louise Tourigny, William L. Dougan, John Washbush and Christine Clements*

**Keywords** Leadership, Ethics, Charisma, Personality, Stakeholders, Decision making

The recent significant occurrences of dysfunctional, and perhaps unethical, decision making and actions by a number of highly successful corporate executives suggest that there are systematic explanations for the questionable managerial behaviors that go beyond simple attributions of individual character flaws. This paper draws from four management research streams to identify some enabling conditions that constitute plausible mechanisms that may have exacerbated the present situation. Research traditions include the literature pertaining to the primacy of the rights of shareholders in equity capital financed corporate organizations, the literature describing the mechanisms whereby charisma is socially constructed and institutionalized, the literature attributing the gravitation toward positions of power on the part of individuals with predispositions to act in an unethical manner and the literature describing conditions which limit the ability of principals to fully specify the provisions of contracts with agents who are in positions of control of corporate organizations.

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### **CEO and ethical reputation: visionary or mercenary?**

*Peter A. Stanwick and Sarah D. Stanwick*

**Keywords** Ethics, Chief executives, Financial performance, Compensation, Business performance

This study examines the relationship between ethical reputation, CEO compensation and firm performance for the top corporate citizens as rated by *Business Ethics* magazine. The results show that there was not a direct relationship between CEO compensation and firm performance, that a high level of CEO compensation combined with a high ethical reputation did not impact the financial performance of the firm, and firms with a high ethical reputation had only average financial results, while firms with low ethical reputations displayed both high and low financial performance. Furthermore, CEOs of unfirms had, on average, higher compensation levels than firms that were profitable. These findings bring useful inputs for CEO on how they can justify high levels of compensation even during periods when the firm is not profitable or has a low level of profitability. An interesting sidelight of the study is that three CEOs in the sample whose firms were profitable did not accept any compensation during 2002, probably because the financial performance was below expectations.

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### **The special challenges of academic leadership**

*Daniel James Rowley and Herbert Sherman*

**Keywords** Higher education, Academic staff, Leadership, Role conflict

Effective leadership in any organization is a crucial component of overall organizational success. While many aspects of management and leadership are common to most organizations, colleges and universities present special challenges in both their fundamental character and in practice. The presence of faculty and non-academic personnel in leadership roles in the same organization can create ambiguity and confusion. This is particularly an issue when units of the institution seek to achieve the highest possible level of performance, cooperation and mutual trust among and between them. This article looks at the challenges involved and seeks to provide guidelines for leadership decisions and practices that can be effective in institutions of higher learning.

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### **Management by site-based teams: a statistical approach**

*Carolyn E. Predmore, Salah E. Khelifaoui and Anthony Serio*

**Keywords** Team management, Stakeholders, Leadership, Team working, Decision making

There is a constant evaluation of managerial techniques ranging from the military leadership style to self-motivated self-management. Team management has gone from an American concept, to a Japanese enhanced technique back to a US management and leadership tool. It can be useful for both traditional businesses as well as non-profit organizations such as educational institutions. Teams comprised of administrators, teachers, parents, and staff (and students when age appropriate) can effectively drive the site-based management shared decision making approach to restructure education. Working as a team is very complex and requires training for the participants for the team to work well together and to thrive. This study looks at identifying factors and variables for team building that can bring good team function as a basis for sound leadership decisions. It was found that incorporating representatives of each of the stakeholder groups was essential for the creation of effective team-based management. Respect for the foci of the various stakeholder groups is critical to the application of the leadership decisions of the teams.

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### **Leadership theory and practice: a "case" in point**

*Barry Armandi, Jeannette Oppedisano and Herbert Sherman*

**Keywords** Leadership, Leaders, Psychology, Management styles

Leadership theory has little value if it cannot be applied to real world situations. A summary review of the literature on leadership theory is provided here first. A disguised real case concerning Ted Shade, a Vice-President at Galactic Chips, Inc. is then provided which describes a manager who is extremely task-oriented. The case analysis follows. It includes questions and answers which connect leadership theory to case specifics and requires learners to analyze the case using differing leadership models.

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# Editorial

The idea for this special edition originated from a growing awareness that, despite the extensive published writing on leadership, there is little that addresses a fundamental issue – the specific decisions that shape leadership effectiveness. A related, more fundamental topic, receives even less attention. It concerns the issues which people in leadership roles could or should consider when they make the decisions that then affect their behavior and actions. It is these considerations that are fundamental to the impact that leaders have on their environment and especially on their ability to influence stakeholders. The issues that are involved apply at all organizational levels, to leaders who are managers, and to those individuals who are leaders temporarily, on issues, in teams, or on projects.

In an attempt to shed light on current thinking along these lines, calls for papers were sent to prominent scholars, centers active in leadership organizations, and a number of discussion groups concerned with leadership issues. It stated that the call was for a special edition of this journal which would focus on various aspects of leadership decisions. The specific topic areas were to depend, to some extent, on the views of the group who responded to the call. Some of the areas might be:

- quality criteria for leadership decisions;
- ethical considerations in leadership decisions;
- the role of intuition;
- gender influences on leadership decisions;
- social influences on leadership decisions; and
- distinguishing leadership decision considerations from management decision considerations, etc.

From the submissions, 11 papers were selected, as well as a case study and a book report. A few submitters of early proposals of papers on leadership dropped out when they were reminded that the issue was intended to emphasize leadership decisions, not just leadership.

Of the 11 papers, five focus on various aspects of decisions in general, two address gender influences and two are on ethical issues. The last two are on the special situations in academic leadership and on decision making by teams. The case study is included in part because it sheds light on thinking of an individual in a leadership role, and because it provides very concise

summaries of leadership theories for the benefit of those readers who might find such synopses useful. The book review covers a book with an interesting new thought – leaderful organizations – and what that implies for leadership decisions.

Though most of the papers do provide insights into the issues that individuals in leadership positions do, could, or should, consider, only two – the one by Victor Vroom and mine – provide specific, actionable guidelines for managerial decisions that impact on the quality of leadership. The other papers address issues to consider in a less direct way, but they nevertheless point to issues that should be in the minds of decision makers who find themselves in the respective situations.

Two of the papers brought comments by reviewers that deserved serious consideration though they are on controversial topics. To make the papers more complete, they were expanded with appendices that present both the reviewer comments and the authors' responses.

While the result of the call for papers is only a small sample of writing on leadership, and not even a crude survey, it still seems to confirm the lack of interest in a serious exploration of the foundation for leadership decisions.

A similar indication exists in the two Internet conferences which I convened in 1998 and 1999, under the sponsorship of MCB University Press (the previous name of Emerald). Volume 10, Number 6/7 (1998) of *The Journal of Workplace Learning* published the papers of the conference on "New approaches to management education and development". Volume 4, Number 3 (1999) of *Career Development International* published the papers from the second conference – "Leadership in management". At neither conference was there one paper (other than those submitted by me alone or with a co-author) that addressed questions pertaining to the issues that should be considered in decisions, by managers who are competent leaders and by those who wish to enhance their leadership competence.

The lack of interest in the practical, actionable side of leadership is not easy to understand, especially in light of the great concentration of thinking, research and writing on many other aspects of leadership, and on the impact of leadership decisions at work and in the personal environments.

Still it is apparently the rule. As I wrote in the Editorial to the issue which published the papers from the “Leadership in management” conference:

As has to be expected, no consensus was reached. In fact, there was little focused discussion on any of the issues raised by the papers.

That is not too surprising. The conference is bound by the way our society, and especially academia, approaches the topic.

There are a number of academic programs devoted to leadership, leading to post baccalaureate degrees, as is shown by the Liberty/Prewitt paper, and there is a vast literature on the topic.

However, there is no forum where research on leadership is discussed and analyzed to summarize, consolidate, and to provide direction, or to serve as a foundation for focused research. It would seem that there is a need to gradually shape a consensus on what leadership is, how it is to be defined, how it differs between cultures and applications, how it changes with time and with changes in the environment, and what attributes, knowledge, abilities, and skills, contribute to effective leadership.

Most important, especially for the benefit of management students and practicing managers, there is a need to define what they should know, and be able to do, so they can be better managers by being better leaders.

Defining leadership involves many subjective considerations. Defining what individuals, and especially managers, need to know and apply is a far more limited subject. It would seem that it should have become apparent that research on leadership, in a general sense, is not likely to bring meaningful results, except possibly with superhuman effort. There are just too many variables and external influences to control.

On the other hand, to empirically validate the impact of individual decision considerations, to specify what leaders need to consider in their decisions, can be done with the limited resources of an organization or researcher. Victor Vroom with many years of effort, alone and with collaborators, has gone a long way to demonstrate that, as can be seen from his paper in this issue.

Far more could be done with the many very specific issues raised by the questions in my eight-questions model (see “Guidelines for management and leadership decisions” in this issue).

It is hoped that this issue of *Management Decision* will help to raise awareness of unexplored opportunities. They undoubtedly exist in studying and debating what issues people in leadership roles should consider so that their decisions will lead to more effective behavior and actions, and more favorable reactions from stakeholders.

**Erwin Rausch**



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# Educating managers for decision making and leadership

**Victor H. Vroom**

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## Keywords

Leadership, Decision making,  
Teambuilding, Decision trees,  
Management development,  
Delegation

## Abstract

This paper describes a research program, spanning three decades, on the development of a model of leadership style – specifically, the form and degree to which managers should involve team members in decision making. The model distinguishes five levels of participation and, in its current form, 11 situational factors which influence the effects of participation on decision quality, implementation, time, and team development. Pencil and paper and computer-based representations of the model are described and compared. Finally, the paper concludes with a discussion of the use of the model in management development. Based on experience in training managers in many countries around the world, the author argues that didactic expositions of the model are largely ineffective in producing behavior change unless accompanied by experiential activities which enable managers to examine their own implicit assumptions about the consequences of sharing their decision making power.

In a recent article Professor Paul Nutt (2002) reported results from a study of over 400 decisions that had been made by managers in medium to large organizations in the USA, Canada and Europe. He had interviewed key participants (including the manager making the decision) over a two-year period after the decision was made. Surprisingly, over half of the decisions failed. The decisions were never implemented or subsequently unraveled during the two-year observation period.

What was the cause of these failed decisions? To answer these questions, Professor Nutt collected data on many aspects of the decision process which were subsequently used to predict the ultimate success or failure of the decision.

Some of the predictors of decision success pertained to deficiencies in the technical aspects of the decision process. Inadequate framing of the problems and premature closure on a solution are typical examples, but the best predictors of success or failure could be found not in cognitive processes but in social ones. These included the degree of involvement and participation of key stakeholders in the development of the problem solution. Decisions that used participation to foster implementation succeeded more than 80 per cent of the time.

Nutt's findings remind us that effective decision making is not merely a matter of decision quality but also of ensuring that the decision will have the necessary support and commitment for its effective implementation. In this sense decision making merges with issues of leadership, particularly the degree and manner in which a leader involves others in the decision-making process.

Participation in decision making has a long history in both social psychology and management theory. Empirical work on the effects of participation began with Kurt Lewin, who became interested in the topic after escaping from Nazi Germany just prior to the outbreak of the Second World War. His experiments, and those of his disciples, on the effects of autocratic, democratic, and *laissez-faire* leadership styles (Lewin *et al.*, 1939) and on overcoming resistance to change (Coch and French, 1948) remain classics to this date.

Several decades later participation became a key ingredient of several management theories, including those of Likert (1967), Maier (1970), and Hersey and Blanchard (1982). Most of these theorists were advocates of participation based largely on beliefs about its motivational properties.

My interest in participation dates back to my days as a graduate student. Reading a detailed account of the Lewin *et al.* experiments (1939), I discovered a description of one of the participants, a son of an army officer, who, unlike the others, preferred the structure and discipline of autocratic leadership to the discretion of its democratic counterpart. On the premise that the motivational benefits of participation were not universal, I did my doctoral dissertation on the interaction of the personality characteristics of followers with the degree of participation afforded by the leader. The results (Vroom, 1960) were quite striking. I was able to identify the personality characteristics of those who responded to participation with much greater job satisfaction and greater job performance, as well as the characteristics of those who were unaffected. Unlike others who cast doubt on the usefulness of participation as an explanatory variable, I



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became convinced that the key was to identify the conditions under which participation “worked” and those under which it “did not”. Writing in the *Handbook of Social Psychology*, I wrote that:

The critics and proponents of participative management would do well to direct their efforts toward identifying the properties of situations in which different decision making approaches are effective rather than wholesale condemnation or deification of one approach (Vroom, 1969, Vol. 5, p. 40).

Several years later, I began a program of research aimed at developing a normative model to guide managers through the task of matching their decision processes to the nature of the problem to be solved. This research has now spanned several decades, during which I have had many collaborators, both proximal and distal. The proximal contributors were Philip Yetton and Arthur Jago, both former students, who made enormous contributions at different times to the work (Vroom and Yetton, 1973; Vroom and Jago, 1988). The distal contributors include those social scientists in North America, Europe, and Asia who were stimulated to do research on various facets of the model. Several years ago Jago counted 150 publications in scientific journals and 47 doctoral dissertations each using our concepts and/or methodologies in the exploration of the link between decision making and effective leadership.

Various versions of the model have appeared beginning in 1973. Each of these begins with the assumption that the unit of analysis should be a specific decision problem rather than a generalized work role. Managers encounter a wide range of challenges in the course of a day, week, or month that may require very different decision processes.

We also assume that there are a finite number of such processes by which challenges or decision problems can be addressed. Throughout our research, we have distinguished five degrees of participation, the most recent of version of which is shown in Table I. The numbers at the top of the column describing each of the five processes refer to experts’ beliefs about the relative amounts of opportunity to influence the decision afforded group members.

>After reviewing the empirical evidence (Vroom, 1969; Vroom and Yetton, 1973), we identified four potential outcomes of participation. Two of these, the quality of the

decision and the manner in which it is implemented, are components of decision effectiveness. Quality refers to the analytical aspect of the decision. A high-quality decision is one in which the action chosen is consistent with the goals of the organization and with potentially available information about the probabilities of actions leading to the attainment of these goals. Implementation of the decision is influenced by the degree to which group members understand and support the decision.

Apart from decision effectiveness, there are two other consequences of participation identifiable from the literature. Participation slows down the decision making process. The elapsed time required to make the decision generally increases with amount of participation. This is of particular importance in emergency situations where rapid action is a crucial component of success. In addition, group meetings, particularly those seeking consensus among divergent views, can “use up” endless hours, leaving proportionally less time available for implementing decisions or meeting the other requirements of one’s job (Vroom, 1969). Both of these aspects of time represent potential costs of the participative side of the decision making spectrum.

While participative decision processes consume time, they may increase human capital. It can provide a “training ground” in which people can think through the implications of decisions in anticipation of a later time in which they may be responsible for making them. Participation can also perform a team-building function building positive relationships among group members and helping to meld them into a team. Finally, participation can aid in aligning the individual goals of group members with the goals of the organization. We consider these factors, time and development, to be components of the efficiency of the decision making process.

As one moves from the left hand side to the right of Table I, each of these four outcomes (quality, implementation, time, and development) changes but seldom in a manner that is independent of the situation. Thus, in some situations, increased participation may jeopardize decision quality instead of enhancing it. There are occasions in which participation may elicit destructive conflict that will weaken teams rather than build them. And there are situations where decisiveness on the part of the leader is welcomed to a far greater

**Table 1**

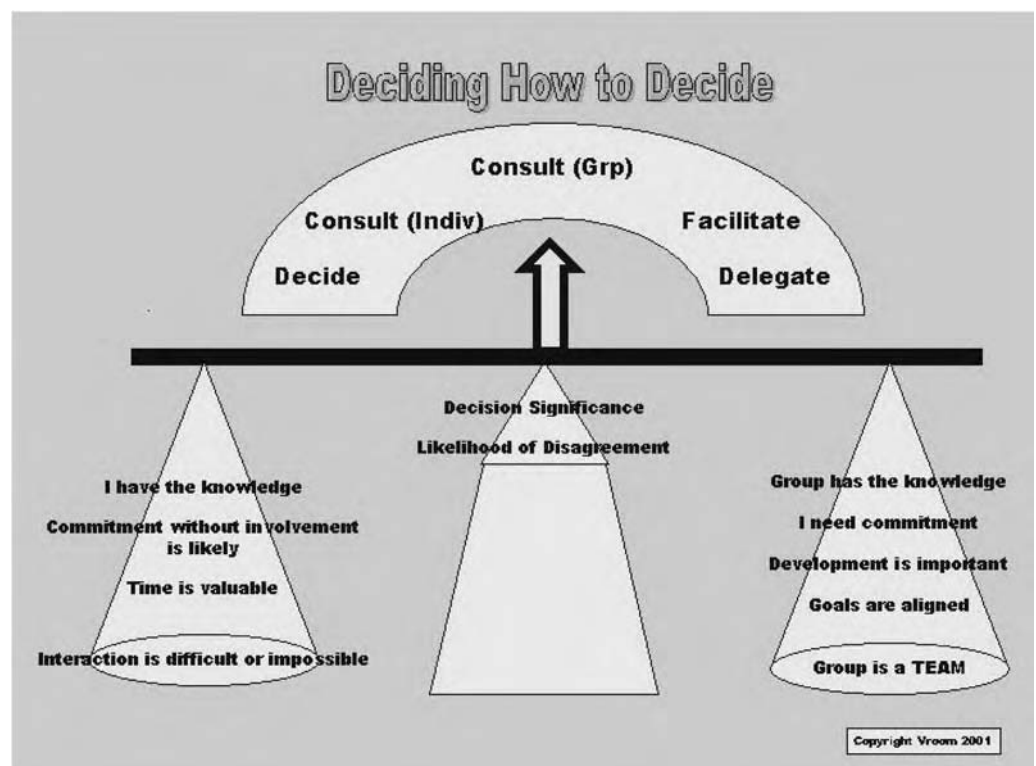
<b>0 Decide</b>	<b>3 Consult (individually)</b>	<b>5 Consult (group)</b>	<b>7 Facilitate</b>	<b>10 Delegate</b>
You make the decision alone and either announce or "sell" it to the group. You may use your expertise in collecting information from the group or others that you deem relevant to the problem	You present the problem to group members individually, get their suggestions, and then make the decision	You present the problem to group members in a meeting, get their suggestions, and then make the decision	You present the problem to the group in a meeting. You act as facilitator, defining the problem to be solved and the boundaries within which the decision must be made. Your objective is to get concurrence on a decision. Above all, you take care to ensure that your ideas are not given any greater weight than those of others simply because of your position	You permit the group to make the decision within prescribed limits. The group undertakes the identification and diagnosis of the problem, developing alternative procedures for solving it, and deciding on one or more alternative solutions. While you play no direct role in the group's deliberations unless explicitly asked, your role is an important one behind the scenes, providing needed resources and encouragement

degree than the opportunity to participate in the process.

Figure 1 presents 11 situational factors which should, and do, influence managers'

choices of decision process. Using a simple scale of the kind used to measure weight as a metaphor, I depict the four conditions at the left as tilting the scale toward the autocratic

**Figure 1**



or non participative side. Similarly, the five conditions at the right would tilt the scale toward the participative side.

But what about the two remaining factors (decision significance and likelihood of disagreement) at the fulcrum? These have more complex effects which can be thought of as the sharpness of the point of the fulcrum. Thus, increasing the significance or organizational importance of the decision increases its sensitivity to one or more factors on either the left or right. Similarly, increasing the likelihood of conflict or disagreement among team members can signal the need for more or less participation depending on the presence or absence of factors on the left or right.

Figure 1 shows the “building blocks” of a normative model, but is not itself a usable model. In the earliest phases of this work, our models were represented on a piece of paper. The most famous of these, the Vroom-Yetton model (1973), was represented as a decision tree with a set of situational factors represented as nodes and branches corresponding to the presence or absence of each factor leading to a recommended decision-making process. Jago and I published, 15 years later, a substantial revision (Vroom and Jago, 1988), which in turn led to the most recent version (Vroom, 2000; 2003). The two later versions capitalize on recent research and critical evaluations by managers who had used it on real decision problems.

These models are substantially more complex than that of Vroom-Yetton. While they can be reduced to a single piece of paper, such use requires “detuning” of their rather complex structures. On paper, less important attributes are eliminated, and other attributes are varied across diagrams rather than within a single diagram. Figures 2 and 3 illustrate the point. Arranged along the top of each of these decision matrices are seven situational factors. Two of the factors shown in Figure 1 (likelihood of disagreement and interaction constraint) have been eliminated, and two others (importance of time and importance of development) are treated as separate matrices. Figure 2 contains a time-driven matrix and Figure 3 a development-driven matrix.

To use either matrix you must have a decision problem in mind which is within your area of freedom or discretion. You must also have a specific group in mind which could potentially be involved in the solution of the problem. Originally we thought of the group as consisting of a manager’s direct reports or subset thereof, but experience has

shown that the model also produces meaningful results for other relationships ranging from a CEO’s decision about whether and how to involve his or her board of director, to a parent’s decision about involving family members in planning the family vacation.

The time-driven matrix is intended for situations in which time is important and development is not a consideration. Likewise, the development-driven matrix is intended where there is abundant slack time and one wishes to invest in the development of the group.

To use either matrix, one starts at the left-hand side and looks for the presence or absence of each situational factor, selecting H (high) where the attribute is present, or L (low) where it is absent. In doing so, you may not cross any horizontal line. Thus you are forging a path toward the right-hand side of the matrix which, when reached, contains a recommended process.

In Table II, I have selected three cases to illustrate the use of the decision matrices. While they are very diverse in terms of their institutional setting, each depicts a manager faced with a decision problem and a group which could conceivably be involved in its solution. Submitting the same case to both matrices can be interesting. Sometimes the two matrices yield identical recommendations. When they differ, the development-driven model recommends a more participative process. If the two recommended processes do not represent adjacent points on the scale of participation, it means that the intermediate processes are also acceptable although not the fastest or the most developmental.

The recommended processes in the matrices shown in Figures 2 and 3 are not the result of armchair speculation. They are produced by four equations corresponding to the four outcomes of participation: decision quality, implementation, cost, and development. For example, predictions of the quality of the decision resulting from each of the five decision processes are based on where the problem-relevant knowledge resides (in the leader, in the group, both, or neither), the extent to which the goals of group members are aligned with the organization, and the competence of the team members in working together.

The final step involves combining the results of the four equations to yield a single recommendation. We make the non-arbitrary assumption that decision quality and implementation (the two components of an effective decision) are primary and the two

**Figure 2**

		→							
		Decision Significance	Importance of Commitment	Leader Expertise	Likelihood of Commitment	Goal Alignment	Group Expertise	Team Competence	
P R O B L E M  S T A T E M E N T	H	H	H	H	-	-	-	Decide	
			H	L	H	H	H	H	Delegate
			H	L	H	L	L	L	Consult (Group)
		L	H	H	H	H	H	Facilitate	
		L	H	H	L	L	L	Consult (Individually)	
		L	L	H	L	L	L	Consult (Group)	
	L	H	H	-	-	-	-	Decide	
			L	-	H	H	H	Facilitate	
			L	-	L	L	L	Consult (Individually)	
		L	H	-	-	-	-	Decide	
			L	-	-	-	-	Delegate	
			L	-	-	-	-	Facilitate	

**Instructions:** The matrix operates like a funnel. You start at the left with a specific decision problem in mind. The column headings denote situational factors which may or may not be present in that problem. You progress by selecting High or Low (H or L) for each relevant situational factor. Proceed down from the funnel, judging only those situational factors for which a judgment is called for, until you reach the recommended process.

components of efficiency (time and development) are secondary. Within those limits, the relative weights attached to the four factors are determined by judgments made by the decision maker.

It should be apparent that the decision matrices are a very crude device for accessing the potential power and usefulness of a model such as I have described. They are limited not only in the number of situational factors but

also in the number of levels of each factor. In the real world these factors vary in degree, not just in their presence or absence.

For many years we have experimented with alternative devices that might be superior to paper representations. Back in the late 1970s, a Bell Labs engineer, Peter Fuss, developed a black box that looked promising. On the front of the box were a set of switches corresponding to the situational factors. The

**Figure 3**  
 Development-driven model

	Decision Significance	Importance of Commitment	Leader Expertise	Likelihood of Commitment	Goal Alignment	Group Expertise	Team Competence			
H	H	H	-	H	H	H	H	Delegate		
						L	L	Facilitate		
						L	-	Consult (Group)		
						L	-	Consult (Group)		
						H	H	Delegate		
						L	L	Facilitate		
H	L	-	-	H	H	H	H	Delegate		
						L	L	Facilitate		
						L	-	Consult (Group)		
						L	-	Consult (Group)		
						H	H	Delegate		
						L	L	Facilitate		
L	H	-	H	-	-	-	-	Decide		
								L	L	Delegate
								L	-	Decide
								L	-	Decide
								L	-	Decide
								L	-	Decide

decision problem was described by throwing the switches, at which point one pressed a button which turned on one or more lights corresponding to feasible alternatives appropriately described.

Now, in the era of personal computers, the black box has been replaced with a CD-ROM. Figure 4 shows the introductory screen of a Java-based expert system. At the left-hand side are a set of menu options which explain various facets of the model (e.g. decision processes, situational factors, theory, equations, bibliography, etc.) or ancillary routines dealing with problem framing or team size and composition.

The heart of the program is labeled Situational Analysis shown in Figure 5. Here one rates the 11 factors (typically five levels on each factor) and then clicks the calculate button to get a bar graph showing the relative effectiveness of each of the decision processes. The ratings of the situational factors in Figure 5 correspond to the R&D problem from Table II. To further explore the tradeoffs among the four outcome variables, one can produce separate bar graphs for each

outcome separately by selecting the tabs on the right-hand side of the screen.

Over the last 30 years, I have personally taught a version of the model to many thousands of managers in most developed countries in the world. On rare occasions I have had as little as half a day for what amounted to be a largely cognitive exposition of the model. In other instances I have had as much as five days to develop an understanding of the model and its underlying processes in more experiential fashion.

Earlier (Vroom and Jago, 1988) we described a systematic evaluation of effectiveness of a four to five day workshop in a single organization after a time interval of one to three and a half years. Data obtained for participants, superiors and subordinates, pointed to increases in use of participation, greater flexibility in leadership style across situations, and more concern with development of subordinates. Particularly encouraging was the lack of evidence of a decline in effects with the passage of time. Those who had been trained three and a half

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years earlier were indistinguishable on all quantitative measures from those who had taken the workshop the previous year. These results are largely consistent with those obtained in three additional studies carried out by others (Zimmer, 1978; Smith, 1979; Böhnisch, 1991). Here I will offer a few more casual observations based on a wider range of experiences.

Most managers find the model impressive and the basic idea of modifying the process with the situation fits with their preconceptions.

Furthermore, the rational way in which the model analyzes the decision and generates recommendations has a high degree of face validity. One CEO of a large organization sent a memorandum to all senior managers attaching a copy of a pencil-and-paper version of the model and recommending it as a guide for making effective decisions. Another senior government executive gave CD-ROMs to each of his managers and insisted that they run the "Vroom analysis" before making all major decisions. However, there

**Table II**

<b>Setting: Pulp and Paper Industry</b> <b>Your position: R&amp;D Director</b>	<b>Setting: Repertory Theatre</b> <b>Your position: Executive Director</b>	<b>Setting: Suburban High School</b> <b>Your position: Principal</b>
<p>After receiving your PhD in chemistry from a major university, you joined a large pulp and paper firm and have gradually worked your way up to the position of director of research. Several years ago you persuaded top management to allocate the funds necessary to build a brand new research facility and to hire the brightest research scientists that you could persuade to work in the forest products industry. The scientists that you were able to hire are technically excellent but, unfortunately, have a strong preference for working on basic rather than applied research. You have succumbed to that pressure in order to keep this highly cohesive team satisfied. However, the pulp and paper industry, as a whole, has fallen on hard times, and you are finding it increasingly difficult to justify the contributions made by R&amp;D to the bottom line.</p> <p>Recently, a new research problem with considerable promise has been promised by one of the operating divisions. Your group would be ideally qualified to work on the problem, but unfortunately, they are likely to regard it as devoid of scientific interest, while the projects on which they currently work provide them with much intellectual satisfaction.</p> <p>It will be necessary to get back to the operating division soon with a decision concerning what resources, if any, you can devote to their problem. In the past you have found this group of scientists to speak with one voice. If you can find a solution that satisfied one team member, it would probably go a long way to satisfying everyone on the team.</p> <p>Analysis:            Time-driven:            H H L L L – consult group            DVPT-driven:            H H – L L – consult group</p>	<p>You are the executive director of a repertory theater affiliated to a major university. You are responsible for both financial and artistic direction of the theater. While you recognize that both of these responsibilities are important, you have focused your efforts where your own talents lie – on insuring the highest level of artistic quality to the theater's productions. Reporting to you is a group of four department heads responsible for production, marketing, development, and administration, along with an assistant dean who is responsible for the actors who are also students in the university. They are a talented set of individuals, and each is deeply committed to the theatre and experienced in working together as a team.</p> <p>Last week you received a comprehensive report from an independent consulting firm commissioned to examine the financial health of the theater. You were shocked by the major conclusion of the report: The expenses of operating the theater have been growing much more rapidly than income, and by year's end the theater will be operating in the red. Unless expenses can be reduced, the surplus will be consumed, and within five years the theater might have to be closed.</p> <p>You have distributed the report to your staff and are surprised at the variety of reactions that it has produced. Some dispute the report's conclusions, criticizing its assumptions or methods. Others are more shaken, but even they seem divided about what steps ought to be taken and when. None of them or, in fact, anyone connected with the theater, would want it to close. It has a long and important tradition both in the university and in its surrounding community.</p> <p>Analysis:            Time driven:            H H L L H H H – facilitate            DVPT driven:            H H L H H H – delegate</p>	<p>This morning the tranquillity of your suburban high school was shattered by an event beyond comprehension. A young, male student entered the school with a semiautomatic pistol and killed three classmates and wounded three others.</p> <p>Despite your many years as principal, there has been nothing in your background that has prepared you for the magnitude of this tragedy. The police have now left, and the students returned to their homes, but the task remains of figuring out what needs to be done in order to restore a sense of normalcy to the educational process.</p> <p>The problem seems enormous. The press is quickly descending on your small town and seeking statements from you and from your academic staff. There is the inevitable process of grieving that must be managed, and there are also curriculum matters, including the final examinations, which were set to begin next week.</p> <p>It is important to have a coordinated plan. You have summoned the department heads to a meeting in your office at 4 p.m. None of them is likely to have had experience in dealing with crises such as this. Furthermore, they are unaccustomed to working together to solve school-wide problems, preferring instead to leave them to your direction. However, you know that this event has had a unifying effect on the entire community.</p> <p>Analysis:            Time-driven:            H H L H H L – consult individually            DVPT-driven:            H H – H H L – consult group</p>

**Figure 4**

Decision Making for Leaders — An Expert System
Situation Analysis

**Welcome**

**Framing the Problem**

**Team Formation**

**Criteria for Effective Decision Making**

**Decision Processes**

**Situational Factors**

**Theoretical Considerations**

**Technical Data**

**Bibliography**

**Welcome**

DECISION MAKING FOR LEADERS was developed by Professor Victor H. Vroom and his colleagues at Yale University. If you have questions or comments, you may contact me by e-mail at the following address:

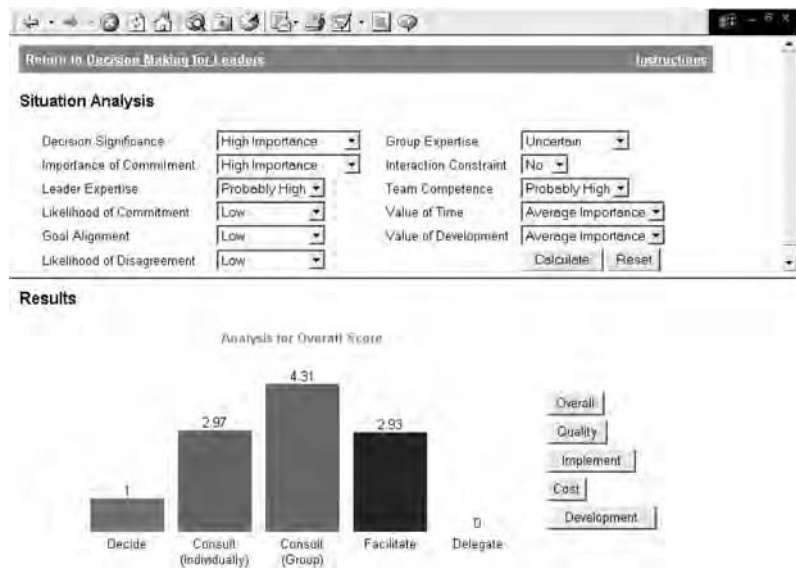
[victor.vroom@yale.edu](mailto:victor.vroom@yale.edu)

This software is intended as a decision aid or expert system. It deals with ways in which you can involve others in helping solve problems or make decisions. It is intended primarily for use by managers in selecting decision processes which will result in decisions that are both efficient and effective. You may also find it useful in decision making in families or in any situation in which decisions that you are called upon to make may impact others.

To benefit from the program, you should have a specific problem or decision in mind. To be most useful, you should choose a decision which you are about to make. To keep that problem or decision firmly in mind, you may wish to write it down in a few sentences on a piece of paper. If you are having difficulty in doing this and would like help in framing your problem, click [Framing the Problem](#).

Now identify a group that you might wish to involve in the process of solving the problem or making the decision. If you are a manager, it may be a group made up of your direct reports, peers, or even vendors or customers. It is helpful to choose the group which is most relevant to this problem in the sense that they possess relevant knowledge or are going to be significantly affected by the action taken. If there is more than one such group, you may wish to run the analysis more than once with different groups in mind.

**Figure 5**



is a distinct possibility that teaching the model has affected managers' "espoused theories" rather than their theories in action. Argyris (1980) has cogently observed the lack of relationship between what managers say they do and what they do in fact. Since the inputs to the model are managers' judgments of their environment rather than its actual properties, there is much room for using the model to rationalize one's actions rather than to make one's actions more rational.

For example, a manager with an exalted vision of his or her own expertise relative to

a group would be led by the model to more autocratic choices than a manager more modest in assessment of his or her talents. Vroom and Yetton (1973) studied this potential limitation. They took a set of real cases modified so as to be easily and unambiguously coded by experts trained in the use of the model. The cases were then given to a group of managers, each of whom was asked to specify what they would do if they were the leader depicted in each case, and second, rate each case on the situational factors.

When managers accurately perceived the features of the case, their choices agreed with



the model two thirds of the time. However, when they perceived the case incorrectly, the level of agreement between the model and their choices declined to only 17 per cent. It is not clear whether managers' perceptions drive their actions or the reverse. Either way, it imposes limitations on the use of any model that relies on accurate and unbiased perceptions. Other analyses of the data reveal that perceptual errors were not the only source of ineffective choices. Of equal or greater significance was the way in which judgments were combined into choices. This represents the domain addressed by the model.

The lesson is clear. Didactic expositions of the model, exhortations to use it by their bosses, and/or user-friendly CD-ROMs are limited by their ability to address only the second source of errors. Those errors attributable to misperceptions require a different pedagogical approach.

One method that we have found to be useful involves the use of social comparison processes. Managers are given a set of cases (usually five or six in number) and asked to pick the leadership style that they would use in each. They are then organized into teams of five to eight managers with the instruction to attempt to reach agreement on the best style.

The cases are carefully selected so as to evoke different ways of thinking, and managers are encouraged to use the differences as the basis for learning about their own and others' perception of the cases and beliefs about the consequences of participation. Teams are instructed to reach agreement, if possible, and, if not possible, to vote. The results of each team are then posted along with those of other teams. Since each situation is real, the facilitator is able to describe what was actually done and the outcome, which in some instances was a great success and, in others, a remarkable failure. At this point, the facilitator assigns to each team the task of applying the model to each case. Typically, teams agree on the situational factors in each case and on the model's recommendation even though it differs from their own choice. They are then instructed to consider the factors that they overlooked that influenced the model, and any factors that they might have considered that the model overlooked.

A similar method has been used by managers with their own teams back on the job. A case is selected to be read by each person prior to a staff meeting. The case might be a written case or a real decision faced by one of the participants – including

the manager. Prior to the meeting, each person decides on what they believe to be the best decision process. In the staff meeting, they compare choices and their respective rationales. Finally they "test" their instincts against the model, usually in its computer-based form. These processes typically encourage managers to reflect on their biases and assumptions about leadership. Learning that others view situations differently can serve to reduce the perceptual errors which cause misuses of the model.

Even more effective in educating managers in the effective use of participative methods is a device that we call a problem set. It is composed of a set of 30 cases similar to those shown in Table II. Each case depicts a manager faced with a decision problem and a group or team of associates who could potentially be involved in its solution. For each case, the manager must choose from the alternatives shown in Table I the processes that he or she would employ. The cases vary in institutional setting and in the nature of the challenge faced by the manager.

Of greatest import is the fact that the cases vary in eight of the 11 situational factors used in the model. Furthermore, each factor is varied independently of each other factor, resulting in a multi-factorial experimental design. This feature makes it possible to estimate which factors influence each manager's choices and which he or she ignores.

Managers are instructed to read the 30 cases in advance of the workshop and to record their choices on a form provided for the purpose. Then the manager's choices are entered into a computer program which we call LESTAN (Leadership Style Analysis). Usually the managers' choices are entered into a file along with those of the other participants in the workshop. However it is technically possible to compare a manager's choices with hundreds of files corresponding to many different kinds of organizations in many different countries.

LESTAN produces a detailed five-page report for each participant. The first page shows where the manager stands in relation to his or her peer group on the scale of participation shown in Table I. The second page compares his or her choices with the normative model. This is done separately for each of the 30 cases. Then the equations built into the model are used to evaluate the extent to which the manager's pattern of choices are likely to produce high-quality decisions and effective implementation of those decisions. These two components of

decision effectiveness are largely independent of one another. Many managers involve others mainly to secure needed facts and information, and thus do very well on achieving high-quality decisions but pay insufficient attention to implementation. Others involve their team primarily to motivate others and gain their support but, in so doing, may risk decision quality.

Managers are also evaluated in terms of their efficiency in reducing the time required to make decisions as well as the extent to which their choices are likely to further develop the capabilities of their teams.

Pages three and four make use of the experimental design features of the problem set to reveal the situational factors that each manager ignores and those that influence his or her choices. Such influence is typically in the direction indicated by the model, but in some instances is in the wrong direction for optimal effectiveness.

The fifth and final page shows the manager his or her most problematic choices among the 30 cases and indicates whether the risks taken are likely to jeopardize decision quality or implementation. Finally, each manager is given individualized recommendations about changes in their behaviors that would help them to be more effective. There are over 20 "red flags" which can be triggered in LESTAN, reflecting consistent patterns of choices which are believed to be ineffective. Each red flag is linked to a specific recommendation about behavior change. Sometimes managers' choices are such as to avoid triggering any red flags, and they get a congratulatory message. However, the vast majority receives as few as one, but as many as eight or nine, recommendations.

The feedback typically occurs toward the end of a workshop, well after managers have been trained in the concepts of the model. It is commonplace to see managers who believe that the model is the way in which they naturally operate, discover from the feedback that such is far from the case.

In recent years I have become convinced that cognitive expositions of the model and computer programs like Expert System are largely ineffective in producing behavior changes unless accompanied by experiential activities such as those that have been described. The models that my colleagues and I have developed are interesting tools but become effective in changing behavior only when accompanied by a pedagogy aimed at encouraging thought and self reflection by managers.

Much behavior becomes a matter of habit rather than choice. Methods and actions are selected without reflecting on their consequences. Habituation of action obviously has a function. It reduces the need for choice and enables us to act quickly. However, habits typically reflect the learning environment at the time the habit was formed. As long as the environment is unchanging, this property is fine. But in a changing world, such as that which most managers currently experience, habits can be troublesome.

Educating managers to think intelligently about participation and its uses and pitfalls is critical to reducing the high failure rate in decisions reported by Professor Nutt at the beginning of this paper. Having models of when and when not to employ participation can be a useful guide, but its real utility is likely to be realized with educational activities designed to encourage managers to examine and reflect upon their own assumptions about leadership and the ways in which their existing behavior patterns may fall short of what is needed in today's world.

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# Guidelines for management and leadership decision

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## Keywords

Leadership, Decision making, Management information systems

## Abstract

This paper presents an eight-questions model for leadership and management decisions. The eight questions provide a comprehensive and integrated system that can help managers become more competent as managers, and as leaders, by bringing more thoroughly considered decisions. They are based on managerial responsibilities and on existing motivation and leadership theories, as reported in the literature. Managers who develop the habit to ask these eight questions with all decisions that affect stakeholders, will find them easy to apply as guidelines to better decisions. The model also applies to individuals who are not in managerial positions but find themselves in leadership roles in teams or projects at work, in their professions, or at home. For thinking about leadership and managerial functions, and for higher education and human resource development, the eight-questions model provides a more practical and actionable guide than the Fayol cycle of planning, organizing, leading (or influencing or directing), and controlling, that has been a foundation concept for more than 80 years.

## Introduction

The ability to manage, and to lead, can be significantly improved with high quality decisions in all managerial responsibilities because decisions are the foundation for action. Looking at that from the opposite side, effective actions are based on sound decisions, and sound decisions pay attention to all controllable matters which impact on their outcomes.

In many ways, Henry Fayol's view of managerial work (Fayol, 1916), as a cycle of activities has served as a major guide for the thinking of managers and thereby as a foundation for decisions. More than 80 years after its original publication in French, the cycle still continues to serve as one of the pillars of most basic management courses.

Fayol divided a manager's duties into five primary functions: planning, organizing, commanding, coordinating and controlling.

Though the word "commanding" strikes us as somewhat odd, today, in the early 1900s it was a fairly accurate description of the relationship between manager and "subordinate".

Current textbooks use more relevant words for the cycle, primarily planning, organizing, leading (or influencing or directing) and controlling.

Drawing a set of practical and actionable guidelines for managerial decisions from these complex functions is difficult, however. This is especially true when "leading" is one of them, because leadership is such a complex matter.

This paper suggests a more practical model of leadership and managerial functions by looking at a leader's and manager's responsibilities from a different perspective. It can thus serve to provide more specific guidelines for high quality decisions.

Interestingly, these guidelines can be useful to managers at all levels but also to all others who find themselves in leadership roles at work, in their professions, and also at home.

## The eight-question model

The model consists of eight major questions which are not meant to be the only set of questions that could be used for the purpose of improving decision quality. Though at the moment there does not seem to be another equally comprehensive, integrated and actionable set available, such a set could serve the same purpose. Below the major questions are several levels of more specific ones which lead to increasingly clearer views of the situation. Unfortunately the model does not seem to lend itself to graphic presentation. It will however be shown in a matrix to demonstrate how it provides an even more comprehensive picture of managerial responsibilities and functions than the Fayol cycle.

Managers and others who may be in leadership roles, should consider the suggested questions whenever they develop a plan, solve a problem, meet a challenge, or seek to exploit an opportunity. The eight questions (the initial words in italics are key words that will be used in the matrix for comparing the model with the Fayol cycle which follows the questions) are:

- 1 *Goals* (outcome). What do we want to accomplish by solving this problem (meet this challenge, or gain full advantage of this opportunity)? That question sets the stage for consideration of approaches to the situation, including what goals might be useful to set formally, how, and with whom.
- 2 *Communications*. What do we need to do so that information which internal and



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external stakeholders, including us, need to have, and maybe also would like to have, is effectively communicated to them? That question prepares the way for other people to become involved, and for effective responses to the other questions that follow.

- 3 *Participation.* How do we ensure appropriate participation by those who can and/or should contribute to the decision (or plan)?
- 4 *Competence.* What, if anything do we have to do so we will have the highest possible competence levels for all activities?
- 5 *Satisfaction.* How do we ensure that all stakeholders, staff members as well as others, will be as satisfied as possible with what we decide?
- 6 *Co-operation.* How do we achieve the highest possible levels of coordination and cooperation?
- 7 *Norms.* How will organizational and individual norms, including those on ethics and diversity, be affected? And finally:
- 8 *Reviews.* Where do we need progress or performance reviews, and how will performance evaluations be affected?

considerable overlap among the eight questions as well as between the four elements of the cycle. Interestingly, this overlap can be beneficial since it reduces the chance that something is overlooked during application.

The beauty of the eight-questions model lies with its practicality and comprehensiveness, and with the ease and speed with which it can be applied. That is especially true if the habit is developed to give it a mental glance whenever a significant management or leadership decision has to be made. A word of caution: it should be noted that the questions lead only to matters that should be *considered* – they can not specify what should be *done*. This is so because the questions apply to all problems, challenges and opportunities, in every environment, as does what should be considered. What should be done is unique to the specific situation.

The Fayol cycle, in contrast to the eight-questions model, is not actionable and does not lend itself to use with every decision because it refers to the managerial functions in a general way. The eight questions can be used with every decision and they lead to (but do not identify) specific alternatives to consider. An example expansion of one of the questions can help to illustrate how that occurs.

### Comparison of the Fayol cycle with the eight-question model

As pointed out above, these are broad questions. They lead to more specific questions which provide more precise guidelines for a decision. However, even these broad questions, if asked with every relevant decision, are likely to ensure that all aspects will be considered that can contribute to achieving the plan, meeting the challenge, or taking advantage of the opportunity (see Table I).

In Table I, the X's are, of course, somewhat subjective. Nevertheless they are based on the many levels of meaning that the eight questions can reveal, once they are thoroughly understood. There is also

### Expansion of the participation question

Participation is likely to be an important element of a decision on a plan, a problem, or an opportunity. An expansion of question 3, the participation question (*Participation.* How do we ensure appropriate participation by those who can and/or should contribute to the decision or plan?), with second level questions shows how it can bring specific guidance for decision alternatives and provide foundation for selection of the most desirable one. Then,

**Table I**

Comparing the Fayol cycle with the eight-question model

	Planning	Organizing	Leading (influencing or directing)	Controlling
<b>Goals</b>	X	X	X	
<b>Communications</b>	X	X	X	X
<b>Participation</b>	X	X	X	
<b>Competence</b>	X	X	X	
<b>Satisfaction</b>	X		X	
<b>Co-operation</b>	X		X	X
<b>Norms</b>			X	
<b>Reviews</b>			X	X

third level questions lead to still more precise guidance for the participation issues.

All levels apply to participation of individuals at work or at home, groups of managerial or non-managerial staff members, and individuals outside the respective team or department. Four sets of second level questions need answers:

- 1 *Who*, specifically – one or more than one person – should be involved in this decision or plan?
- 2 *How* – with what role – with little input as would happen if only notified of the decision, with a request to cooperate, after it has been made, or with more impact on the decision, up to full authority (power) to make the decision?
- 3 *When* – at the start of the deliberation, or at some later time?
- 4 *Where* – in meetings, in individual face-to-face contacts, or in some other medium?

Please note that the authority referred to here could be seen as the extent to which making of the decision was delegated to the staff member or to a group of staff members

Whom to involve in the decision, when, and with how much of a voice, leads to thought to the following third level questions:

- What specific relevant expertise is needed?
- What is the respective work-maturity of the individuals being considered? (Work maturity of an individual or of a team is not a function of age but of the ability and willingness to assume responsibility for the outcome of the decision and for the implementation steps.)
- How strongly do they feel that they should be involved?
- How accurately are they likely to predict the reaction of one or more groups of stakeholders?
- How urgent and important is the decision?
- What is the time and cost of participation (to the organization and to the participants)?
- What is the likelihood of conflict?
- What information is available or can be made available?
- To what extent is the decision predetermined by procedures and policies?
- What is the impact of the decision on the participants?

It should be clear that rapid consideration of the issues mentioned above points to specific selection of an individual or individuals, and to the how and when they should be asked to participate in a decision. In a way they add to

the intuitive selections that managers make and that often exclude individuals who could or would contribute significant thoughts.

Hopefully this brief example has broadened awareness of the ways in which attention to successively more detailed, relevant issues can help to bring thoroughly considered decisions. At the same time, thinking of the more specific issues brings reminders of concepts, theories, and research findings that can be used to lend confidence to specific answers.

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### **Practical use of the eight-question model**

Does a manager, as manager or as leader, need all this depth of understanding? Of course not. Just developing the habit to ask the questions will undoubtedly bring better plans and approaches to problems, challenges, and opportunities. However, every manager who finds the eight questions useful, and will develop the habit to use them, will undoubtedly, over time, come to acquire at least that much depth and apply it with lightening speed.

That such rapid consideration is possible seems questionable at first, until one considers chess masters who meet the many challenges they face almost simultaneously, in tournaments against many competent opponents. They can assess the situation on each board, and make decisions about their next moves much faster, as a rule, than the accomplished chess players who oppose them and who are thoroughly familiar with their respective single boards.

For leadership and management decisions, the key lies in the consistent application of the eight questions.

The hypothetical but realistic scenario that is analyzed below, demonstrates how extensive detail, similar to that described above for participation, exists behind the question pertaining to goals, and somewhat less behind each one of the remaining six questions.

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### **The scenario**

XYZ Company, the manufacturer of small appliances, has recently introduced a new product. Soon after shipments to customers began, there were quality complaints and a number of units had been returned for replacement.

The president called a management meeting to consider what to do. Like at the regular weekly meeting, it was attended by the vice presidents of administration,

manufacturing, engineering, sales, marketing, and finance.

After reviewing the extent of the returns, the president instructed both engineering and manufacturing to investigate the cause of the complaints and report back to him as quickly as possible. No further shipments of the new appliance were to be made, and no further units were to be produced, pending corrective measures based on the results of the problem analysis. Marketing and finance were to prepare estimates of the impact on sales, market position, and anticipated profit. Sales assumed the responsibility to follow up with customers who had complained, to ensure that they were satisfied with the replacements that had been shipped. There were no comments from the other members of the team.

Two days later, manufacturing and engineering presented different conclusions to the president. Engineering blamed the problem solely on manufacturing errors. Manufacturing conceded that there were production errors but claimed that design problems were behind most of those errors. It also became apparent during the investigation that a quality control inspector had reported the possibility of product failures in the field to his manager who did not take them seriously enough to report them up the line to the VP of administration. Instead he mentioned them to both the production supervisor on duty at the time and to one of the engineers.

To briefly describe management practices:

- The president is somewhat autocratic as was evident from the brief description of the management meeting. He is, however, a considerate and reasonable person.
- Most managers (staff members in charge of teams and departments) tend to display similar characteristics.
- All managers are expected to set semi-annual goals for themselves and for the members of their teams. These are recorded and reviewed quarterly. For some goal achievements, those with direct impact on profits, managers and staff members often receive small bonuses. Mainly because failure to achieve goals has negative impact on performance evaluations, staff members feel that the procedures are too rigid and that there is inadequate support by the respective next higher level of management.
- Competence development for managerial staff and for professionals such as engineers is primarily in public seminars that are offered or sometimes are required. New employees are given

extensive on-the-job training and there is group and individual training on matters that pertain to new products.

## Scenario analysis

A sound approach to decision making and problems solving starts with thought about desirable outcome conditions for the decision, and proceeds from there to:

- 1 identification of alternatives;
- 2 reviewing these in light of available information and additional information that can reasonably be obtained; and
- 3 evaluating the alternatives to select the best one.

The eight questions apply to each of these steps.

### Identifying desirable outcome conditions

The obvious primary condition is resolution of the quality problem. It is useful to note that this is a technical issue that even managers who are not competent as leaders would easily identify.

Most managers would also recognize that satisfaction of customers is a related desired outcome.

For a thorough solution of this quality problem, however, the outcome conditions should also consider leadership issues (as are highlighted by the eight questions):

- high level competence of engineering and manufacturing staffs especially in early identification of potential and actual quality problems;
- satisfaction of stakeholders other than customers, specifically those staff members who have had unpleasant experiences as a result of customer complaints and possibly as a result of conflicts between engineering and manufacturing; and
- high level coordination and cooperation, particularly between engineering and manufacturing.

Once the outcome conditions have been identified, the eight questions can be used to point to matters that should be considered:

Q1. Should goals be set, how, and on what?

The issues behind this question would indicate that it might be desirable to establish, with appropriate participation of course, criteria that would bring greater achievements and satisfaction from the use of goals. These criteria would be on:

- matters on which goals would be appropriate;
- quality of goals;

- the process for reviewing progress toward goals; and
- the respective responsibilities of individuals and the person to whom they report.

Specifically, in the scenario, use of the model would lead to questions whether goals could or should be considered for:

- development of a plan to rectify the quality problem;
- preparation of procedures that would ensure better coordination between engineering and manufacturing on design of new products;
- review of quality control procedures, and possible modifications; and
- review of training procedures of production and quality control staff on new products, and possible modifications, etc.

**Q2. Could communications be improved?**

The questions that the model might prompt with every decision, goal and action is: who should communicate what, to whom, and how?

In other words, in the scenario, as anywhere, the extent to which there is 360-degree two-way communications on all matters on which information is needed, or possibly just expected or desired, deserves constant review. Clarification may be necessary for each organizational segment, on what types of information should be passed directly between staff members in different departments, and what information should go through the respective managers.

In the scenario, the communications question might have raised issues pertaining to:

- What steps could be considered to improve communications between engineering and manufacturing?
- How could communications on quality matters be improved so that problems are acted on before a product leaves the factory?
- How could awareness of staff member roles in communications be improved? etc.

**Q3. Who should be involved, in what role (with how much influence), in the various decisions that had and have to be made?**

As previously described, the selection of individuals for participation, and the extent of authority and responsibility for the actual decision to grant, has to be made by the manager in charge of the respective decision or project, based on the technical expertise

needed for the decision, the information needed to ensure highest possible acceptance of the decision, and the work maturity of the individual(s) involved.

The participation selection applies, and could have applied, to all significant decisions such as, in the scenario, to the best choices for people to involve in identifying the cause of the quality problem. Might consideration of this issue have led to assigning primary responsibility of the investigation to someone less committed to a departmental point of view? Any team which that person would have assembled would likely have involved staff members of the two departments. It might, however, have brought a more useful report than the two that now have to be reconciled with as little conflict and repercussions, as possible.

Serious consideration of participation issues, if done by a President with knowledge of the eight-questions model might bring thought about a more active role for Vice Presidents in decisions at the management meetings, beyond comments on the President's decisions. That, in turn might lead to similar review of manager roles in meetings.

**Q4. What can be done so the organization has the necessary competence in every position?**

This question involves the competence development efforts that might be indicated. It also concerns the quality of new hires for open positions, and the effectiveness with which internal talents are used through transfers, and selection to teams and projects.

For the scenario the model would suggest the following:

- If the president were aware of the eight-questions model, he might consider self-development in leadership skills and decision-making for himself, and stimulation of similar self-development by the vice presidents and managers further down the line.
- Questioning of the usefulness of public seminars for manager development; alternatives might be reviewed such as the use of brief internal seminars, coaching and mentoring.
- Identification of learning needs of staff members in all departments and appropriate forms of learning programs where indicated.
- Consideration of learning programs on conflict management and team development involving both engineers and manufacturing professionals, to bring clearer understanding of factors that



- make easier and faster high quality manufacturing of new product designs.
- Review of the extent to which coaching and/or more on-the-job training may be needed.
- Review of procedures being used to assign staff members to teams and projects, such as the teams to investigate the quality problem, etc.

Q5. Ensuring that all stakeholders, staff members as well as others, will be as satisfied as possible with decisions.

For this question, more detailed issues suggested by the model involve thought of the needs of staff and non-staff stakeholders. For staff members they suggest consideration of psychological and tangible ways in which evidence of appreciation could best be provided to staff members. That would help offset the incessant barrage of negative feelings that stem from deadlines, quality problems, cooperation failures, inadequate communications and misunderstandings. In addition the model suggests that work-related stress levels be monitored by the respective managers, and that steps are taken to hold them within reasonable bounds.

Here, possibly more so than elsewhere in the model does it become evident how extensive the interdependence of the questions is. High level of satisfaction by staff members requires consideration of all questions including appropriate participation, communications, developmental support, cooperation and good coordination, an environment of positive discipline, appropriate rewards, regular supportive reviews, and fair performance evaluations.

For the scenario, the model suggests questions about managerial competence in providing signs of appreciation, and that steps might be considered to reduce excessive work-related stress where it may exist. Little information is available from the scenario description about stress levels except that it would seem reasonable that the goals process and the quality problem do generate stress that might possibly be reduced.

Q6. How could better coordination be achieved, with greater cooperation?

This questions concerns issues pertaining to the adequacy of procedures, the attention given to prevent lack of cooperation with people and procedures, and steps for identifying and resolving potentially damaging conflicts.

In the scenario, the question would raise subsidiary questions pertaining to:

- appropriateness and adequacy of procedures being used to bring new products from the design stage to pilot and full manufacturing;
- what steps could be considered to defuse any lingering resentment between manufacturing and engineering;
- whether the competence is adequate for identifying potentially damaging conflict situations and to effectively resolve emerging conflicts; and
- how dissatisfactions could be identified as early as possible and what appropriate steps might be to reduce or eliminate them, etc.

Q7. How will organizational and individual norms, including those on ethics and diversity, be affected?

For this question the model suggests that it is important for all leaders to recognize that there are three types of norms: those held by management; those held by staff members that correspond to the management norms; and norms that are held by staff members which differ from the management norms. Leaders should also be aware that positive discipline exists when, like in a sports team, every member of the organization puts great value on the organization achieving its goals. Positive discipline is based on:

- an open communications climate;
- a common understanding of the rules of the “game” – with fair and uniform application of standards of quality, performance, morality, work ethic, cooperation, behavior limits, and attitude toward diversity;
- staff members who deserve commendation and privileges will receive them;
- those who violate accepted norms receive help at first and then are subject to a fair disciplinary procedure; and
- counseling is used competently to reduce, to a minimum, the use of the disciplinary procedure.

In the scenario, this question could raise issues pertaining to:

- the norms of shop people with respect to quality issues;
- the views of engineers about manufacturing staff attitudes toward new designs, and vice versa;
- the quality and application of the disciplinary procedure; and
- appropriateness of efforts to maintain (or establish) positive discipline in all organizational units, etc.

Q8. Where are progress or performance reviews needed, and how will performance evaluations be affected?

The model considers progress reviews (for projects and toward goals) and performance reviews (for all work) to have two purposes – to identify support needs (including competence development) from the respective leader/manager and, to ensure that performance evaluations will have a factual and fair basis

Since there is little information in the scenario description on which to base comments, it can be assumed that this question would be dealt with by raising issues such as:

- What, if any, changes in the existing progress and performance review procedures might be useful and should be communicated?
- What, if any, changes in the existing performance evaluation system might be useful and should be communicated? etc.

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## Conclusions

As should be evident and has been hinted at previously, the questions in the model overlap extensively and thus reinforce each other. Furthermore, any one could provide reminders for something that may have been overlooked when another one was considered.

While at first the use of the model may seem as a formidable and time-taking task to perform with every decision, that is not even true after the second or third time. Once the habit to think of questions for decisions begins to take hold, the process speeds up greatly and soon equals any alternative decision-making approach.

Anyone who doubts that reviewing the set of eight questions can be done with lightning speed might first realize that not all are relevant to each decision and some can be pruned immediately on inspection, especially if they have been dealt with in a previous decision. It might also be useful to consider the incredible feats of chess masters, referred to previously, who can play, and win, many simultaneous games. They can do that because they have developed the habit to consult a list of strategies for most situations they have encountered – essentially a model of issues not fundamentally different from those to which the eight questions lead.

Developing the habit to use several questions, the same ones, possibly with changes that experience shows to be more in line with personal views, is most important in improving decision-making competence.

The eight-question model presented in this paper is one good set of questions to use, and in any case, can be a good model with which to start.

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## Applicability of the eight-question model to other cultures

Every one of the eight questions adapts readily to any culture. For the US culture they would best be interpreted on the basis of the existing literature. In a more autocratic environment, all questions from those pertaining to goal setting to progress reviews may have significantly different meaning. Still, to consider them in decisions is no less important.

Part of the reason for the automatic adaptation, not only to different cultures but also to new research findings, is that the model does not lead directly to specific conclusions. It merely points to the issues that should enter the decision makers' minds. Obviously, the conclusions from the specific questions offered here, or from any other one, will bring different guides to action in different cultures, and in light of any new research findings or otherwise valid theories.

As is pointed out at various places in this paper, the list of questions that are described here, are not meant to be universal. Individuals and possibly organizations are encouraged to modify them or even develop entirely different lists that might better fit their respective needs. What is important is the cumulative effect of using the same set of specific questions that cover all responsibilities, with every decision.

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### Appendix. Comments from the reviewer, and responses

This paper was reviewed by Ken Rossi (Ed.D) who is on the faculty of Hawaii Pacific University, Honolulu, Hawaii. He has pointed out, and I wholeheartedly agree, that the issues he raises will undoubtedly come up in the minds of many readers. He and I therefore decided to add this Appendix to the paper which provides his comments and my responses. I hope that it will give readers a more complete picture than the paper alone (Erwin Rausch).

### Overall author response to the comments

While disagreeing with some points in the review, I would like to first express my appreciation for Dr Rossi’s thoughtful comments to the previous and the current version of the paper. I have made many specific corrections he suggested. However, I have not acted on the statements below though I feel that they deserve attention. Specifically, I am responding to three issues and my responses follow each one.

### Issue 1 – reviewer statements

As stated in an earlier review, the author mentions the literature but fails to cite the paper very well. I think it would be much stronger if the origin of the decision questions were identified and any support (either empirical or proposed) were indicated. The big issue here is that a reader does not know where these questions come from and if and how they were ever applied or tested. The example is fictional or appears so and the link between theory or some applied research is missing. By indicating sources or actual field tests the author would greatly enhance the model ...

... Using the model for research would definitely require a much better grounding in empirical study or the literature to support the concepts ...

... ground the paper in the literature, in other words, describe where these questions came from and possibly provide an example of its use in an actual decision making situation or a research study of decision making ...

... I believe this paper could contribute to the knowledge of leadership decision making if it provided the support I indicated above. We need to know where it came from so we know where our starting point is to use it and to improve it as a tool.

### Issue 1 – author response

The reviewer certainly has a good point about the need for specific citations in the paper. Maybe some of the response here should be part of the paper. While I had considered doing so, and did have them in a previous version, some informal reviews by associates discouraged me because it introduced thoughts that some readers (especially practitioners) might consider distracting.

I agree with the desirability of providing strong evidence of successful application of the concept, or better yet, empirical validation. Unfortunately there is no “smoking gun” support, only “circumstantial evidence”.

That evidence is of two kinds – literature foundations and undocumented use.

### 1 Literature foundations

Literature foundation for the *Participation* question can be found in the insights offered by Tannenbaum and Schmidt (1958), Maier (1967), Fiedler (1967), Hersey and Blanchard (1969; 1982), and others. Outstanding work on this issue has been and continues to be done by Victor Vroom and his associates (Vroom and Yetton, 1973; Vroom and Jago, 1988). The collaborators have worked on this challenge for years and have made considerable progress. There is a paper by Vroom in this issue of *Management Decision*.

In a similar vein, House, Hughes, Latham, Locke, Odiorne, Rausch, Yukl, (House and Terence, 1974; Hughes, 1965; Latham and Yukl, 1975; Locke and Latham, 1990; Odiorne, 1968; Rausch, 1978; 1980; 2002; Yukl, 1998), and others, have independently developed some more or less specific criteria that can help to bring sound decisions pertaining to the effective use of *Goals* (objectives) in an organization.

With respect to *Satisfaction* there is the rich literature on motivations stemming from, and expanding on Mayo's Hawthorne experiments, from Maslow's hierarchy of needs (Maslow, 1954), and Herzberg's motivation/hygiene theory (Herzberg, 1959; 1968). (There are readers who may feel that the citations in these paragraphs are too dated to be of full value and that newer writing should have been cited. The answer to this concern is that what has been quoted are the foundation writing on these topics. There does not appear to be anything in later literature that adds significant value to the concepts. However, should something emerge, it is highly unlikely that it will affect the eight-questions model, since it would automatically become part of the subsidiary information for the respective question.)

On other fronts, there are vast literature resources that bring foundation for decisions pertaining competence development, specifically in books and papers on processes, techniques, and conditions for learning, and learning styles. The same is true for communications, for norms related to work, ethics, and biases, for coordination and cooperation, and for appropriate performance evaluation based on regular performance/progress reviews.

### 2. Undocumented use

The eight-questions concept has developed from my many years of designing and testing simulation games on practically all management functions. At first, Didactic Systems' staff provided the responses to attendee/participant decisions in human resource development programs. These were

based on our staff views and were then revised as necessary during pilot use. I was dissatisfied with such haphazard, mainly subjective responses and searched for an integrated, comprehensive foundation. The foundation concept, based on manager and leader responsibilities has been presented in different but similar models, without any substantive challenges, contradictions, and change, in 25 years of use. That use has been in human resource programs for the entire Federal Prison System, the training arms of the US Office of Personnel and the Alberta Government, continuing use in fire departments in many states, JCPenney, the Girl Scouts, several hospitals, seminars of the American Management Associations, and many other lesser programs. It has been depicted in the West Point Academy book on leadership, in Heyel's *Encyclopedia of Management* and in General Electric's summary handout to management learners at all levels.

Still, there are undoubtedly sets of questions, other than those in the model described here, that could serve the same purpose, provided they are equally integrated, comprehensive, specific and actionable, and supported by more detailed questions based on the literature, that lead the user closer to the most desirable aspects of the decision alternative under consideration. However, in light of the literature support it seems undeniable that definition of desired outcome (in effect the thinking about goals), appropriate participation and communications, thought about necessary competencies, and satisfaction of stakeholders, would have to be components of any set of questions to ask when making decisions.

There is no specific empirical evidence of the eight-question model's effectiveness in bringing "better management or leadership" except as extension of the research reported on in the literature. Validating the enormously complex concept would take generations and huge financial resources, in light of the many uncontrollable factors. That is demonstrated by the many years that Victor Vroom and his associates have worked on a still incomplete set of guidelines for selection of participation level. However, the fact that its application to real situations and hypothetical scenarios in many different environments, almost inevitably brings some improvement to the decisions, could also be considered at least partial validation of the concept.

One more thought. If a substantive objection were to arise, in light of the flexibility of the model, that point could

undoubtedly be incorporated, either as part of a related question, or possibly even as a ninth question.

### **Issue 2 – reviewer statement**

There appears to be very little support for much of what is written. There is no description of the process used to develop the model. It is difficult to determine if this came about from just a review of the literature, a series of interview, case studies, etc. or from an empirical study. Rigor is suspect without a description of the foundation or background.

### **Issue 2 – author response**

As outlined above, the concept evolved simultaneously from literature review and from the extensive use of segments in simulation game trials, with subjective validation based on the views of literally thousands of managers. Throughout the many years, since before 1978 when the first book was published, not one substantive objection or contradiction has been raised.

There was one thought that was not in the original model, but has since been added. It concerned the role of values in norms. This addition, incidentally, attests to the flexibility of the model and the ease with which it can adapt to new inputs.

### **Issue 3 – reviewer statement**

The author(s) state that the model, in its described form, is applicable to other cultures. In the same section the paper points out that it might need modification and that the components of the model are not universal. None of the statements are supported by research, theory or literature. This makes its global use or applicability suspect.

### **Issue 3 – author response**

a. The model does adapt to other cultures. Seminar attendees and graduate students from many regions of the world, including

European, Indian, Pacific Rim, and South American countries, have confirmed that.

However, logic can also confirm this universal applicability. If one actually applies any of the eight questions, and their subsidiary ones, to an issue, it becomes apparent that it is the orientation of the decision-maker that shapes the answers. A US manager/leader's answer to the participation questions is likely to be more democratic than the answer of a South American. Still, the answer would be equally valid because it would be appropriate to the environment and relationships.

Moreover, the model automatically adjusts to new research findings because such new findings would become part of the background information behind the respective question – or possibly add another question to the list of questions that the decision-maker uses. The addition of the thoughts on values to the question on norms confirms this ease of adjustment.

Finally, the seeming contradiction between universal application and desirable modifications is understandable. However, (1) the model is not a final, ultimate, version of a decision-assisting one, and (2) minor and possibly even major modifications could possibly make the model more useful to an individual user. That would be true even if the specially adapted model might not be quite as solidly based on the literature, or be equally comprehensive and consistent. *It is meant to be a major point of the paper, that the habit to consistently apply a series of appropriate questions to every problem, challenge, and opportunity, will bring significantly better decisions than a less disciplined approach.* Obviously, the more comprehensive, integrated, actionable, and otherwise valid the questions, the more effective they are likely to be.

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# Intuition in decisions

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## Keywords

Decision making, Intuition, Leadership

## Abstract

To maintain and sustain competitive work organizations, leadership is necessary to help organizations develop a new vision, and rapidly manage organizational change to position themselves for pursuit of the new vision. Leaders need competent and motivated employees to serve as the catalysts of change as the workforce is mobilized to shift gears and adapt to a changing environment. Part of the changing environment is the Internet and the global economy where the speed of communications and business transactions has increased tremendously. It leaves decisive leaders with no choice in extraordinary circumstances other than to make decisions without all of the data and the time to consult with others. This paper summarizes relevant literature and analyzes some previously suggested foundations for intuitive knowledge. It offers a simplification of these presumed sources and suggests what education, leadership development and self-development might do to bring about planned improvement in intuitive decision-making. It concludes with some implications for the future.

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## Introduction

The focus of this paper is on organizational leadership where, from time-to-time, extraordinary circumstances arise where leaders of these organizations are called upon to make quick, accurate decisions. Leaders of all stripes, business, military, and non-profit organizations, for example, all resort to intuitive decision making. The same is true for individuals involved in occupations that involve crises (police officers, fire fighters, paramedics) since they too may gain many decision-making habits and enhanced ability to respond intuitively to sudden emergency situations, as a result of extensive drill training. As will be discussed in this paper, rigorous repeated drill brings almost involuntary (intuitive) decisions and actions as a result of past learning/practice/drill so that the action becomes "second nature". In addition to describing the process of intuitive decision making, how it applies in the full spectrum of decision considerations is discussed in this exploratory paper. The paper concludes with some concrete suggestions on what leaders can do to enhance their own decision making as well as that of others in the organization.

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## Background

Intuition has increasingly fascinated researchers. It has a role in response to crises, in decisions with elements of uncertainty, and when there is great complexity with large volume of information to be processed. Intuition presents itself in a continuum. At one extreme is the instantaneous, purely emotional, often irrational reaction to a situation. At the other

is intuition that complements and augments fairly thorough analytical reasoning about the options available to the decision maker, based on his or her experience and learning about relevant issues. In between are an infinite number of possible combinations and/or intensities of these two extremes (Bonabeau, 2003; Burke and Miller, 1999; Landry, 2003).

The literature looks at intuition from many perspectives. At least since the 1950s, it has been known that organization of material in the brain provides neural receptors and prepares pathways for storing new information (Bass and Vaughan, 1966; Bloom, 1956). The information that has been built on the receptors makes all of it more readily available as foundation for decisions. It creates the structure for the chunks and blocks of information to which the more recent research refers, which is outlined below.

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## Pattern association

Nobel laureate Herbert Simon has studied human decision making for decades and has come to the conclusion that experience enables people to chunk information so that they can store and retrieve it easily. Although little research has examined experts in the business arena, few dispute Simon's contention that "intuition and judgment are simply analysis frozen into habit" (Hayashi, 2001; Simon, 1987, 1997).

There are three limits to the power of human reasoning that could turn years of practice and experience into expertise and into thinking by pattern association and "chunking" of the related data. The first is the limit on attention span and the lack of multitasking capabilities or parallel



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processing to any great extent. The second obstacle to effective problem solving, from a solely analytical point of view, is the limit to the working memory. Finally, there is a limit on an individual's long-term memory access. Experts, however, appear to absorb and evaluate large quantities of information quickly. They do not necessarily scan the environment or process information any faster than an inexperienced person; rather they have learned to grow the meaning of certain patterns of operation and activity. The seasoned veteran recognizes and reacts to operational patterns by chunking (Agor, 1988, 1989; Best, 1989; Chase and Simon, 1973; Cox and Summers, 1987; Davenport and Prussic, 1998; de Groot, 1965; Dreyfus and Dreyfus, 1986; Isenberg, 1984; Johnson and Daumer, 1993; Laughlin, 1997; Prietula and Simon, 1989; Simon, 1965, 1987, 1999, 1997; Vaughan, 1979, 1989; Wild, 1988; Wind and Main, 1998).

Expertise is a mixture of analysis and intuition. The expert begins to see how the problems and challenges that arise are not always new and independent of each other. Simon (1965) suggests picturing an organization as a three-layered cake. In the bottom layer, the basic work processes are performed. In the middle layer, programmed or routine decisions occur. In the top layer, the truly novel, non-programmed decisions are processed. When examining the middle layer we see experts learning to ignore irrelevant patterns of activity and instead, concentrate on the critical ones. Eventually the veteran is able to group the relevant patterns together as a chunk of understanding and to link that chunk to others. Once chunked, the linked patterns are viewed as a single unit – taking up less working memory and attention. The veteran can also automatically activate any related knowledge chunks from long-term memory for use in working memory, thus alleviating the access problem. Collectively, this rich store of ever-changing chunks forms the human database of knowledge and provides the ability to respond intuitively and often very rapidly (Bar-Tel *et al.*, 1999; Prietula and Simon, 1989; Schoemaker and Russo, 1993; Simon, 1997).

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### **Expertise and professional judgment**

At the top layer of the cake, people regularly use simplifying heuristics (processes that lead toward discovery) to make sense of their world. Psychologist Karl Weick has written extensively on “sense-making” in

organizations and he calls intuition “compressed expertise”, a phrase that vividly suggests how knowledge works and what it can do (Cox and Summers, 1987; Davenport and Prussic, 1998; Griffith, 1999; Simon, 1987; Tversky and Kahneman, 1974; Weick, 2001). Knowledge works through rules of thumb (call them scripts) that can be played so quickly that they occur as subconscious mind transactions. These scripts are flexible guides to action that decision makers have developed through trial and error and over long experience and observation. Some leaders have so thoroughly learned what they need for effective decisions that they can apply the relevant scripts automatically, without conscious thought and at great speed (Arvidson, 1997; Becharang *et al.*, 1997; Dawson, 1993; Eisenhardt, 1999, 2002; Isenberg, 1984; Prietula and Simon, 1989; Shapiro and Spence, 1997; Simon, 1997).

Much of the research on intuition has focused on chess masters in tournaments or in multiple contests. These chess experts can play simultaneous games, sometimes against as many as 50 opponents, and exhibit only a moderately lower level of skill than when playing under one-on-one tournament conditions. When asked about their multiple, split-second game decisions when playing many simultaneous games, these chess virtuosos attribute their performance stimuli in their game to professional “judgment” (intuition). Through frequent play, chess players gain the ability to recognize and process information in patterns or blocks that form the basis for intuit decisions. The chess master's mental structure not only organizes the pieces but also suggests which lines of play should be explored. This helps the chess player immensely. By establishing simple sub-goal heuristics, one can prune the branches of the choice-of-action-step-tree, making the problem much more manageable. In effect, this is what a chess master's schematic knowledge enables him or her to do. Chess masters play at a higher level than novices, in part because the chess master does not waste so much time and cognitive effort exploring unproductive pathways (Eisenhardt, 1999; Prietula and Simon, 1989; Simon, 1997).

According to Simon, when we use our gut, we are drawing on rules and patterns that we can not quite articulate. We are reaching conclusions on the basis of things that go on in our perceptual system, where we are aware of the result of the perception but not aware of the steps. Simon claims that intuition is merely those steps, that in-between mechanism, that is mysterious

because we do not yet understand how it works. According to him, even extremely sophisticated decision making processes can, in principle, be broken down into patterns and rules. Executives routinely rely on their intuitions to solve complex problems when logical methods simply would not do. However, when choosing between relying on past experience and having to make an intuitive prediction or relying wholly on a statistical prediction rule, a combination of the two is indeed superior to the use of either (Dawes, 2002; Hayashi, 2001; Schoemaker and Russo, 1993).

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### **Intuition in management and other domains**

Eisenhardt (1989) wrote that the literature on artificial intelligence (AI) indicates that intuition relies on patterns developed through continual exposure to actual situations (Hayes, 1981; Simon, 1987). There also appears to be a relationship between sensitivity to a continuing flow of information and intuition. It seems that executives who are well attuned to real-time information are better at developing effective intuitive talents.

And, aided by intuition, they can react quickly and accurately to changing stimuli in their firm or its environment.

Eisenhardt further writes in 1989:

... although the data are limited, the CEOs who relied most heavily on real-time information were also most frequently described as being intuitive.

Others also report on effective intuitive decision making in organizational environments. For instance, Maxwell (1998) writes about Steve Jobs in Chapter 8 of his book where he announces a "law of intuition". He relates the success story of Apple Computer, which was founded in 1976 by Steve Jobs and Steve Wozniak and went public in 1980. Jobs left, and returned to reinvent the company in 1997, forming an alliance with Microsoft apparently with a decision making process that contained a significant element of intuition. From that, and other examples, the author concludes that there are executives at three levels of leadership intuition:

- 1 those who naturally experience it;
- 2 those who nurture it to acquire and improve it; and
- 3 those who never can make intuitive decisions effectively.

It should be obvious that, when it comes to good quality intuitive decisions, there is a close relationship between natural ability to sense the essential elements of a sound decision, and nurturing the ability to do so. Even executives with considerable natural talent will make better intuitive decisions if they consciously develop decision making habits, which lead to decisions that intuitively consider more of the issues that are critical to the situation.

It would, of course, not be easy to perform all this entirely by intuition. Some systematic procedure is also needed. The degree of difficulty increases greatly as the amount of information increases. That is why a leader who is a good decision maker at a low level of organization may not be as effective at some higher level and may require extensive learning either in learning environments or alone as a result of personal determination. Not only is the amount of information that must be considered at higher levels considerably greater and carry greater consequences, but also at these levels the decisions are usually more numerous. Development of sound decision making habits, either as a result of natural inclination to do so, or due to conscious effort is the key to success in that regard.

There are a number of other important points that need to be considered when looking at intuition. According to Simon (1997) it appears exceedingly doubtful that there are two discreet types of managers (at least, of good managers) – one who rely almost exclusively on recognition (intuition), and another who focuses solely on analytical techniques. More likely, there is a continuum of decision making styles involving an intimate combination of the two kinds of skills. It is also likely that the nature of the problem to be solved will be the principal determinant of what mix will be most efficacious.

A growing understanding of the organization of judgmental and intuitive processes, of the specific knowledge that is required to perform particular judgmental tasks, and of the cues that evoke such knowledge in situations that are relevant, brings a powerful tool for improving expert intuitive judgment. Crossan *et al.* (1999) stress that the subconscious is critical to understanding how people come to discern and comprehend. According to the authors, the process of intuiting (a largely subconscious process) is important to a theory of learning. It may be possible to specify the knowledge and the recognition capabilities that experts in a domain need to acquire. These specifications can then be



used for designing appropriate learning procedures.

It is most important to recognize in this context, that the intuition of the emotion-driven leader is very different from the intuition of the expert. The latter's behavior is a product of learning and experience and is largely adaptive; the former's behavior is a response to more primitive urges and an emotion-narrowed span of attention. It can thus be inappropriate, more often than not. It would be dangerous to confuse the "non-rational" decisions of the experts – the decisions that derive from expert intuition and judgment – with the irrational decisions that stressful emotions may produce.

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### **Rapid responses to situations**

People in occupations that involve crises (police officers, fire fighters, paramedics) gain many decision making habits and their ability to respond intuitively to sudden emergency situations, as a result of extensive drill training. Rigorous repeated drill brings almost involuntary (intuitive) decisions and actions as a result of past learning/practice/drill so that the action becomes "second nature". These intuitive responses are, therefore, a requirement in these occupations. They also manifest themselves in recall of lyrics when one hears a melody, or the recall of a poem segment in reaction to certain stimuli. The situation is not much different in sports and in the performing arts, where the ability to react correctly on split-second timing is clearly intuitive. All this is true even though thorough analysis leading to appropriate decisions and actions involves highly complex issues that would require considerable time for effective conclusions – were it not for the learned intuitive responses. During the early learning stages these decisions often do take a significant amount of time.

Intuitive reactions are necessary, or beneficial, whenever we are exposed to the need for sudden, instantaneous and correct behavior/actions, or when the situation is very complex. While most of this is learned, there is undoubtedly also an innate component because some people can stand out from others no matter how hard the others try.

In an even more simplistic sense, the process of acquiring intuitive reasoning is apparent in learning how to read. It starts with practice in recognizing letters and then

proceeds from there to recognition of words and even of entire phrases until the ability to read matures from stringing together letters to fluent voicing of extensive written material.

It is, however, important to keep in mind that intuitive decisions are not necessarily instantaneous but that there can be, and often is, an intuitive component in carefully considered decisions. A decision maker, who is aware of intuitive influences and their impact on the choice of alternatives, is likely to strike an effective balance between consideration of analyzed data and alternatives, and the intuitive component.

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### **Sources of intuition**

The discussion above identified three sources of intuition:

- 1 Innate response – the instinct that brings subconscious but usually still appropriate reactions to situations. It is not learned, but inborn. The flight or fight instinct, is a good example. Animals and infants, even adults, have this response to threats or danger that they have never encountered before. Special talents that bring intuitive superior behavior are also inborn, as is the instinctive like or dislike reaction of infants to certain sounds, to foods never before tasted, or to the revulsion which many small children experience when seeing wounds.
- 2 General experience – the learning that occurs in the normal process of aging and of accumulating experience (like the foreman in the factory, or a salesperson in the field).
- 3 Focused learning – the learning that stems from deliberate efforts to develop habits and achieve intuitive reactions (and decisions) to certain situations.

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### **Enhancing intuition**

Little if anything can be done to strengthen the innate component of intuitive thinking and action. However, it is obvious that the other two components can be sharpened and enhanced. To make general experience, the first of these two components, more effective, requires heightened sensitivity to the situations, events and decisions that are encountered. Developing the habit to regularly analyze successful and unsuccessful outcomes of decisions can bring such greater awareness. If, at the same time, the assumptions, which prompted the

decision, are also examined, the impact of general experience on future decisions will automatically be more beneficial. How much of that added insight will be intuitive and how much will be the result of analysis at that time is a mute question. However, whether intuition adds only a small proportion of the beneficial impact, or most of it, is really of little importance. The point is that, developing desirable habits, which add to intuition and to better analysis of situations, will improve decision making.

Focused learning, the second component of intuitive thinking, is the one where most improvement is possible. Whether it is for instantaneous, subconscious, correct responses to, or actions in emergencies, or for enhancing the quality of considered decisions, development of habits is the key. For the instantaneous reactions where conscious thought is only a small determinant of action, regular drill is the road to habits that reach the "gut-level" or become part of "muscle-memory" (Karges, 1999).

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### **Managerial decision-making habits**

In the more complex decisions in private life and even more so in management, greater personal discipline is needed to develop desirable habits. One such habit is to follow the formal decision making process of looking at available data, which consists of a series of steps such as: formulating preliminary alternatives often with the use of formulae or established procedures, evaluating the alternatives with the available data while keeping an eye on possible new alternatives that the evaluation might suggest, and finally selecting the preferred alternative based on that analysis and any appropriate intuitive input.

This habit is not necessarily easy to develop. Still most professionals in technical fields, and competent managers, use such a process, intuitively, or at least rely on their intuition to remind them to follow it when it is indicated by the importance of the decision.

Managers usually have similar, more or less formal guidelines to use in their respective technical fields (finance, marketing, sales, production, engineering, health care, MIS, etc. as relevant to the type of private or public organization) on which they rely, more or less intuitively, to ensure sound decisions. However, an equally effective set of guidelines does not now exist for the decision component that addresses

the non-technical considerations in managerial decisions. This is the component that covers the issues that used to be considered to belong to the "behavioral" science aspects of management. That term is not widely used any more today, nor does it effectively describe all of the issues. For that reason, the term "leadership" issues, or considerations, will be used here.

It is important to keep in mind that these "leadership" considerations can, and should, enter every leadership (and even many private-life) decisions, together with the technical ones. In light of the broad range of situations to which these considerations should be applied effectively, the guidelines for intuitive thinking cannot be as clean and clear as formulae, tables, policies, and procedures, which serve this purpose in the technical fields. Instead the habits that need to be developed are to ask questions that can serve as reminders of all the issues that should be considered.

Fortunately, though there are a large number of issues to consider, they group themselves into several tiers and the habit that enhances intuitive decision making can start with the simplest tier of only a few questions. These initial questions can be reminders to groups of issues, which need not be separated into their components during the early stages of habit-development. They can then be gradually expanded to fit the needs of the individual manager and situation. The point is that this process of developing question-asking habits during decision making can be initiated during management education courses or management development programs. Thereafter, individual managers can continue on their own and take it as far as their individual needs and interests will take them.

An example of an initial list of reminder guideline questions is provided in Erwin Rausch's paper in this issue, entitled "Guidelines for management and leadership decisions". When they are developed into habitual use, they can improve intuitive decision making for leadership decisions the way the chess master's storing of strategies does. The list there is, of course, not the only list of questions, which can remind of the issues to consider, but it is a list that covers all the leadership in management responsibilities of a manager. Individual managers or educators can build on it, they can modify it to better fit their respective situations, or they can create their own lists. The point is that the habit to use reminder guideline questions with every significant

decision will significantly enhance the intuitive component of decisions.

## Conclusions

Four discipline fields – emotions, neuroscience, evolutionary psychology, and cognitive science are all studying intuition and decision making analysis. They all have their own literature, their own set of concepts, and each enjoys generalizing its findings to the others. The separatism remains the standard paradigm and makes research in this field of study difficult. There exist ample opportunities for future research in all four-discipline fields and perhaps some mega-analysis and cross-cultural studies as well (Hammond, 2000). The research, hopefully, will lead to more decisive-intuitive business leaders who are needed, especially in light of the impact of globalization. The ability to make fast, widely accepted and high quality decisions on a frequent basis is the cornerstone of good leadership (Eisenhardt, 1999; Grint, 2000; Ragas, 2001). The primary actors in organizational leadership are called upon to make these types of quick decisions and that makes it obvious that we need to train leaders and their staff members in ways to enhance intuitive decision making (Gregory, 2000; Hargrove, 2001; Pehrson and Mehrrens, 1997).

There is a shortage of good advice on making tough leadership decisions. The approaches typically proposed by management gurus tend to advocate performing careful analyses rather than trusting intuition or deciding issues with a combination of rational analysis and intuition because analyses are insufficient. However, in order to make good decisions when constrained by time and uncertainty, slogans and analytical tricks are no substitute for good intuition, effectively developed from experience (Allwood and Granhog, 1999; Klein and Weick, 2000; Lovallo and Kahneman, 2003).

At least since the mid-1970s, it has been understood that leaders could have major effects on the emotions, motives, preferences, aspirations and commitment of followers, as well as on the structure, culture, and performance of complex organizations. This represented a paradigm shift away from bureaucratic organizations, and improved the effectiveness of decision making, as more and more decisions were “pushed” lower in “reengineered” organization.

The opportunity to create a climate where followers are empowered and involved and

important is at the heart of strengthening others. To create this climate, employees’ self-efficacy or feeling “able” comes from a deep sense of being in control. The New Age leadership practices that increase followers’ sense of self-confidence, self-determination, and personal effectiveness makes the rank-and-file employee more powerful and greatly enhances his power of success and future leadership (Kouzes and Posner, 1999).

A reliance on formal positions within a hierarchy is supplemented by a demonstrated ability to facilitate and encourage everyone to participate in the decision making process. Leaders’ roles have changed to become more complex and even more critical to success. The new leadership style requires leaders to handle complexity and ambiguity. Studies suggest true leadership often lies in knowing how to embrace uncertainty. Intuition helps to cope with that uncertainty. Some leaders can and do deliberately work to improve intuition by constantly learning in their business environments. They thus gain greater confidence in their intuitive powers and their ability to improve them.

## Outcomes of intuition versus logic-based decisions

Certainly, there are limitations to intuitive decisions but as more is learned from cognitive science and experiential dimensions, the more training, usage and understanding of intuitive decision making will be commonplace, and this will undoubtedly become much more widespread in business administration and management (Boucouvalas, 1997; Klein, 2003).

Because self-checking and feedback are crucial for sound intuitive decisions, some organizations have made these processes part of the culture in managerial jobs. Gut instincts can be wrong. As such, successful intuition should also incorporate these techniques to tweak out as much accuracy as possible. One should never make a decision based solely on intuition. Intuitive impressions alone do not provide enough information to make a fully informed decision. But then, neither does logic or emotion. To make your best decisions, you must use all three together. Only by combining our intuition, logic, and emotions can we operate at our most effective levels. Nevertheless, people can substantially increase their decision making prowess by tapping more into the right brain hemisphere (the one that is intuitive and subjective – not like the rational, analytical and objective left). But perhaps the greatest power of intuitive decision making is that the process

can be learned and enhanced into an effective management style for quick action (Hayashi, 2001).

Confident decision makers blend logic and intuition (of thought and feeling), the so-called two wings that allow leaders to soar. Increasingly, over the past decade, it has become more and more apparent that the results of analytical thinking may arrive too late for the non-stop (24-hours a day, seven-days a week) global marketplace. Effective intuitive inputs are more and more essential. The two processes complement one another in the making of effective decisions. Leaders can acquire, by drawing and reflecting on experience, the ability to seemingly instantly recognize patterns and consequences of alternative actions. This often appears as the “aha” quality as analyses from expertise and habit bring the chance for a rapid response through recognition. In a quest for an edge, executives seem to become ever more receptive to the reliance of intuition and its conscious development.

It is fallacy to contrast “analytic” and “intuitive” styles of management decision making. Expert intuition is simply analyses frozen into habit and into the capacity for rapid response through recognition of familiar kinds of situations – it involves some sort of pattern recognition. Because adequate data for fully analytical decision making is rarely available, managers therefore face the choice between making the best decision on the basis of available information, using considerable intuitive judgment, or delaying the decision, obtaining more data and accepting all the tangible and intangible costs that entails. Effective managers/leaders exhibit good batting averages in choosing, from the whole range between the two extremes of purely analytical and purely intuitive options, the combination that is best for the situation.

For appropriate instinctive, intuitive decisions and actions (the knee-jerk reactions) to crises and to situations requiring instantaneously correct response, extensive practice, even drill, is the best possible preparation. For decisions where more time is available, the development of sound decision making habits that consider all relevant issues quickly and effectively appears to be the best preparation.

To solidly confirm the validity of the points in this paper, a very large amount of empirical research would be required. Such research cannot come from any one source since highly complex issues have to be isolated and tested. It is hoped that this paper will stimulate inquiry into one or more of the following:

- The adequacy of considering only three sources/foundations of intuitive thinking (innate response, general experience, and focused learning).
- The impact of habit development on intuitive thinking and actions
- The performance benefit of thought habit development.

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# Discovery mindset: a decision-making model for discovery and collaboration

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Decision making, Decision theory, Mindsets

## Abstract

This paper explores a mental model for decision making that is focused on discovery and collaboration. The model consists of six components: self-awareness, development orientation, systems perspective, emotional orientation, complexity dynamics, and generative conversation. As an interactive model, the components create a mental frame that enables the decision maker to achieve greater insight and develop creative opportunities that enhance the ability to see decision-making as a complex process.

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## Introduction

A central component of leadership is the ability to make effective decisions in a wide variety of situations. This is emphasized in the traditional literature on decision making. There the focus is on differences in the scope of decision making and different decision making characteristics. As a result, decision making is frequently viewed as a prescriptive process focused on discrete choices at a single point in time (Garvin and Roberto, 2001). This orientation can produce a mindset (frame of reference) that is action oriented and that limits the extent to which the decision maker engages in thinking about the process of thinking. Therefore, decision outcomes are often less than optimal. While a number of factors interact to produce these outcomes, the mental model held by the decision maker is a significant factor since it helps determine the decision making process and ultimately the success or failure of it. This paper presents a model of a decision making mindset that is drawn from five schools of thought:

- 1 complexity;
- 2 emotional intelligence;
- 3 learning;
- 4 dialogue; and
- 5 systems thinking.

The dynamics of the model increase the opportunity for discovery and collaboration, which in turn reduces the likelihood of a "failed decision" outcome. While other organizational factors (i.e. culture, power and politics, group dynamics, motivation) are part of the decision making dynamics, the scope of this paper is on the individual leader and how the integration of the model's

components can enhance the decision making process.

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## Why decision processes may result in failure

Paul C. Nutt's (2002) 20-year research on the decision making process found that over 50 per cent of the decisions made by the corporate leaders he interviewed failed. His study further indicated that the decisions failed because the decision makers imposed, rather than explored, the problem and the course of action. This approach (idea-imposition) to making decisions results in less than optimal outcomes. To improve decision making, Nutt proposed a "best practice" approach (a discovery approach) based upon the exploration of multiple perspectives derived from the involvement of relevant stakeholders. Key differences between the idea-imposition process and the discovery process are outlined in Table I.

In a climate where timeliness and pragmatism (Nutt, 2002) are frequently valued, the idea-imposition process is the most frequently used decision making process. It has a strong cultural and intuitive appeal. Even when a discovery process is used, it is likely that the decision maker will switch to idea-imposition somewhere in the process. While idea-imposition may streamline decision making, its limitations are illustrated in the decision traps shown in Table II (Nutt, 2002). What is the advantage of expanding the decision making effort to the more complex discovery process? According to Nutt (2002), the answer is as simple as the engagement is complex. Decision makers will avoid falling into one or more of the seven decision traps.



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To effectively avoid the issues raised in Table II, decision makers need to expand not only their frame of reference but also their mental model of what constitutes effective decision making. Doing so can help them be more effective in leading a process of discovery that is focused on expanding the search for ideas and exploring multiple alternatives. It also encourages the collaboration and engagement of those affected by the decision making process and its outcomes. Focusing on discovery and collaboration requires that decision makers:

- have a good sense of self-awareness;
- are cognizant of the role of learning in the decision making process;
- look at issues systemically; understand the role of emotions in the decision making process; and
- be able to effectively use conversation to uncover and manage the complex nature of decisions.

These components will be used to develop a model for discovery thinking.

### **Model of discovery and collaboration**

The proposed model encourages the decision-maker to challenge or change the framework used when engaged in the decision making process. Schoemaker and

Russo (2001, p. 134) define a decision frame as being derived from mental models and providing “a stable, coherent cognitive structure that organizes and simplifies the complex reality that a manager operates in”. Frames are powerful since they exert a strong influence over the decision maker’s perception of a situation and can generate blindness resulting in narrowing the decision maker’s focus and placing an artificial boundary that keeps some elements within the frame while excluding other elements (Russo and Schoemaker, 1989). The idea-imposition frame is comprised of activities related to: speed, action, acceptability, power, persuasion, pressure, lack of exploration, the tangible, relying on untested assumptions, focusing on a limited perspective, and neutrality. The content in this frame ignores discovery activities related to: reflection; engagement; listening; qualitative inclusion; and sharing. It thus ignores the complexity of most decisions. To incorporate discovery activities into a decision making frame a mental model that captures the dynamics of the activities is required.

Mental models are rich networks of concepts and relationships that represent a generalization of the “world” in which we live, work, and make decisions (Senge, 1990a, b). Frequently, a decision maker’s

**Table I**

Differences between idea-imposition and discovery processes of decision making

	<b>Idea-Imposition</b>	<b>Discovery</b>
<b>When decision options are identified</b>	Identified as soon as it is determined that action needs to be taken	Identified only after multiple points of view including complementary and conflicting concerns and considerations are assessed
<b>Speed at which an idea is generated and responded to</b>	Ideas generated very early in the process and are almost immediately acted on, which is consistent with a satisficing or implicit favorite approach Implementation fits a traditional perspective, that of putting in place what it is that you have decided to do Evaluation means the decision-maker justifies the value of the selected option	Ideas not generated before a thorough assessment of what is wanted is considered; and even then, there is latitude to incorporate emergent ideas and change Implementation refers to assessing what can block action and, therefore, provides an opportunity to look at the social and political dynamics that surround the issue Decision makers are given an opportunity to document and verify the benefits of the idea in relation to the desired outcomes
<b>Decision maker’s mental model</b>	Based upon satisficing and pragmatism Quick-fix Focused on a single idea and/or course of action that is frequently pre-determined Quick implementation Resources not expended on evaluating the merits of ideas or on developing multiple perspectives	Focuses on complexity A developmental and emergent process Focuses on interdependencies and understanding of the emotional involvement of multiple stakeholders Resources allocated for evaluating the merits of ideas and developing multiple perspectives Short-term sacrifice for long-term gain Risk-tolerant

mental model includes activities related to the functions of decision making. These activities include: setting objectives; searching for alternatives; comparing and evaluating alternatives; choice; implementation; and follow-up/control (Harrison, 1999). The quantitative/action orientation of these activities leads to a reduction in the likelihood that discovery activities will be important to the decision maker. To develop a discovery decision making frame, the mental model needs to include components of exploration and collaboration. The later is significant in that decisions can fail when stakeholders are not engaged in the decision making process. Figure 1 depicts a mental model for generating discovery and collaboration.

discovery and collaboration. The components and their interaction are briefly described below.

- 1 Better self-awareness (including understanding the strengths and limitations of one's preferred approach to decision making, and the ability to recognize one's assumptions and the role they play in the decision making process) increases the decision maker's ability to understand their impact on the issue for which a decision needs to be made.
- 2 With enhanced self-awareness comes:
  - an awareness of the emergent and developmental nature of effective decision making;
  - an enhanced willingness to see the system that is involved – how all elements in the decision interact; and
  - a greater sensitivity to the way emotions affect the decision making process.
- 3 The above three help to develop an awareness of complexity and the chaotic

### Components of the model

As presented in Figure 1, the model is comprised of five interactive components whose dynamics are managed through generative conversation to enhance

**Table II**  
 Seven failed decision traps

Failing to reconcile claims	Decision traps					
	Ignoring barriers to action	Providing ambiguous direction	Limiting search	Misusing evaluation	Overlooking ethical questions	Failing to learn
Decision maker assumes that support for a stated position and desired action exists	Decision maker uses power, persuasion and edicts to implement a decision	Direction and expected results are assumed and are not made clear	A quick fix or modification of what someone else has done is used	Evaluation is based on judgmental or subjective tactics	Decision-making process is rooted in self-indulgence, self-righteousness, self-protection and self-deception	Original expectations "demand" good outcomes, so resources not used to evaluate outcomes or the actions that produced the outcomes
Leverage or importance of the person presenting the claim validates the claim	Decisions based on personal interests	Limited resources spent on identifying desired results	Focus on only one option	Decision maker engaged in defensive evaluation of the "obvious" solution	Absence of ethical consideration: who pays, benefits, and decides	Focus is on deflecting blame and protecting privileges
The first claim [position] that seems important is accepted	Decision maker remains silent about own considerations and what the decision is really about	Directions are misleading and discussion focuses on the merit of an "idea"	Pressure is on how best to search	Focus is on costs rather than on benefits	Narrow definition of who is a stakeholder	Risk-averse behaviors designed to prevent exposure of mistakes
Decision maker fails to look for hidden concerns and the critical issues they imply	Action is taken before social and political ramifications are known	Setting of unrealistic objectives	Limited resources are used to search for and develop multiple ideas	Focus on quantitative measurement and avoidance of qualitative measurement	Focus on selectivity not inclusion	Failure to understand the affect of "perverse" incentives – actions that reward what is not in the best interests of stakeholders
	Stakeholder commitment is not obtained and their positions are not explored	Over-analysis of "problems" rather than a focus on causes		Limited resource use to identify and understand risk	Resources are not used to uncover the values associated with the claim or course of action	
		Focus on responding to concerns with an immediate remedy				

Source: Modified from Nutt (2002)



- nature of the interdependencies that exist in the issue and the decision making process used to address the issue.
- 4 While the above components address the dynamic nature of the mental model, their synergy comes from an awareness of the need to engage in generative conversation to maximize discovery and collaboration.
  - 5 Engaging in the discovery and collaboration process enables the decision-maker to make a more effective decision.

It is important to note that while the narrative presents a linear flow, the first five components interact in a reciprocal manner that reinforces and increases the awareness of each.

**Self-awareness**

Schoemaker and Russo (2001, p. 154) write: ... managers must learn to recognize the limits of their own frames [or models] ... and learn how to recognize and challenge other people's frames.

Yet, to do this, leaders need to first understand what their own decision making frames are and, more importantly, what their own mental models are. This is critical since the most significant leverage-point for improving the quality of decision making is to change one's own perspective (Senge *et al.*, 1994).

Gaining understanding of one's mental model of decision making requires taking a look at what comprises the current model and reflecting on how it developed. The time required for this level of reflection yields a significant return when compared to the cost of failed decisions. The gain is compounded when it is recognized that the decision

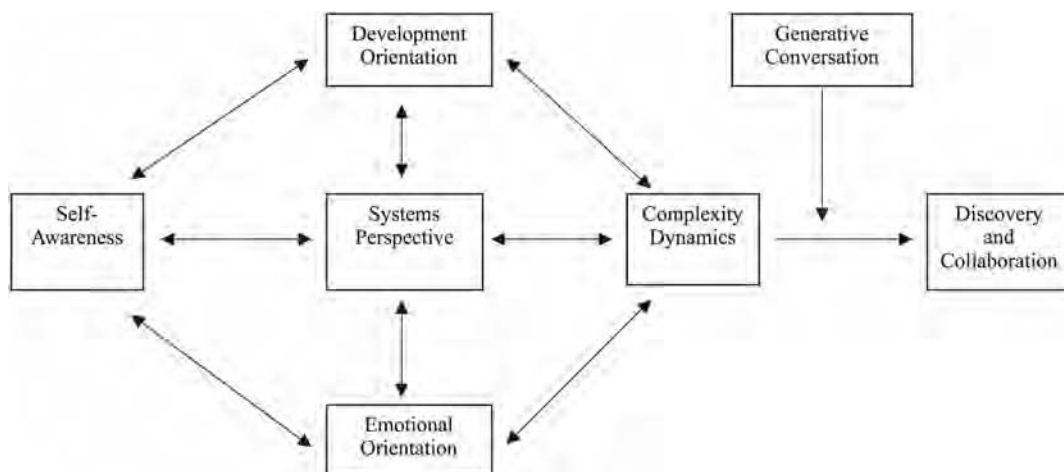
maker's orientation to the process is what shapes the perception that the person brings toward the complexity of the decision making issue and the degree of interpersonal interdependencies necessary to make an effective decision.

After identifying the components of the mental model, it is critical for decision makers to think about their assumptions toward the decision making process. How do their assumptions reinforce and limit the scope of the information used? Identifying assumptions about the decision making process helps the decision-maker understand how their assumptions interact with the information used in assessing the situation and the environment. Thus, the decision maker can see the impact the interaction has on the entire decision process (Senge *et al.*, 1994).

Gaining a better understanding of the assumptions provides the decision maker with an opportunity to assess the values imbedded in the assumptions and their preferences toward: risk; how the decision making process is structured; the diversity of individuals included in the process; and the likely effectiveness of the desired outcomes (Irwin and Baron, 2001; Kunreuther, 2001).

Self-awareness overcomes decision blunders and traps by increasing the decision maker's ability to generate a new decision making mental model that more effectively fits with the realities of complex decisions. Self-awareness also increases the opportunity for discovery and collaboration. As decision makers become more self-aware, their ability to "see" organizational barriers increases and they then can influence the barriers, and, as a result, ultimately influence the decision making process. Enhanced self-awareness also increases

**Figure 1**



understanding of their risk tolerance and comfort level with bringing issues to the surface, exploring multiple perspectives, and encouraging collaboration. In addition, as people better understand themselves and become more skilled at expressing their assumptions about how they are shaping their cognitive and emotional responses to the issue, they may become less dependent on the use of power to “push” a single perspective.

### **Development orientation**

Decisions produce outcomes with consequences, therefore, it is important for the decision maker to be aware of the role of learning in the decision making process. This does not mean simply learning from the outcomes of past decisions but learning before, during, and after the decision making process. To effectively “learn” requires that decision makers be aware of their own (and others’) processes of reflecting, connecting, deciding, and acting, as well as the need to engage in learning in a public environment (Senge *et al.*, 1994). It also requires a mental model that encourages: emergent learning and risk taking; exploring both success and failure; a willingness to engage in trial and error learning/experimentation; avoiding a push for a quick final solution; encouraging contradiction and improvisation; engaging in reflection; and a willingness to diffuse the learning to the additional learning cycles that are generated (Levitt and March, 1988; Redding and Catalanello, 1994).

Building on the learning component is the need to hold a development orientation. That requires focusing on enhancing the talents of the people involved. This approach helps instill a sense of self-esteem, advocacy and partnership into the process that leads to accountability, trust, and a more transformative view of the decision making process (Gilley and Maycunich, 2000).

A development orientation overcomes decision blunders and traps by treating all decisions as learning experiences. With a development orientation, the decision maker is more likely to encourage exploration of multiple perspectives and claims as well as thinking about the political and social dimensions of the issue. A development orientation also means thinking about the desired results and changing them as new information or insight emerges, while depending less on defensive evaluation and justification.

### **Systems perspective**

Kim (1999, p. 2) defines a system as:

... any group of interacting, interrelated, or interdependent parts that form a complex and unified whole that has a specific purpose.

At its heart, this definition requires that the decision maker’s mental model moves from a focus on events and patterns to a holistic view of the issue and the environment in which it is occurring. This mental shift means that what is important is looking for, and making decisions based on, interconnections and interdependencies, or what Sherwood (2002, p. 2) calls “a community of connected entities”. A systems perspective means that the decision maker needs to be aware that actions do not occur in isolation but rather they affect a system or systems. A decision pertaining to an event is not what is needed, but a decision that works on the system is (Kim, 1999).

To enhance the above awareness Gharajedaghi (1999) states that the decision maker must understand the dynamics of the environment in which the system is found and that this environment is comprised of multiple systems with controllable and uncontrollable elements. In addition, both the system and its environment are dynamic, not static, and an interplay of factors can emerge that affects the system during the decision making process. It is also important to recognize that systems capture the past, the present, and the future and that they are comprised of cycles not linear relationships. Overall, a systems perspective requires that the decision maker: focuses on processes rather than blame; understands cause and effect separated by time and space; understands where the leverage points lie and where small changes positively affect the whole system; and derives solutions that resolve the problem rather than a quick fix that only addresses symptoms (Mintzberg, 2003).

A systems perspective overcomes decision blunders and traps by increasing the likelihood that the decision maker will look for hidden concerns as well as for generic structures that would help clarify the problem before evaluating diverse claims. In addition, it enhances the willingness to define results in terms of the system not from an individual perspective. This, in turn, is likely to increase the resources expended to search for ideas and evaluate proposals based on the overall costs and benefits to the entire system. Finally, a systems perspective increases the inclusion of multiple stakeholders and diverse perspectives.

### Emotional orientation

Emotions have a significant impact on how people perceive an issue and how they respond to its dynamics and the process of resolving the issue. Anger, frustration, exhilaration and ambivalence influence how decision making is approached. It is important for decision makers, in their mental models, to recognize their own emotions as well as those of others since this helps the decision maker see the importance of leveraging emotions to empower relationships and make effective decisions (Duxbury and Anderson, 2000). Since the data used to make decisions seldom is complete and is often ambiguous, emotions can play a role in the decision making process (Cherniss, 2001). Ambiguity, in turn, can lead to stakeholders holding emotional beliefs that weaken the decision making process. Such beliefs include: a perception that decision making is done in secret; feeling there is limited feedback and opportunity to make decisions, and a perception that mixed messages are being sent (Cooper and Sawaf, 1996).

Understanding the power of emotions and increasing one's sensitivity to them allows decision makers to "tune into the emotions that are the most accurate and helpful when making difficult decisions" (Cherniss, 2001, p. 6). For decision making, it is crucial to build on Goleman's emotional intelligence (EI) skills related to personal competence (self-awareness, self-regulation, and motivation) and social competence (empathy, building bonds, cooperation, conflict management, influence, and an ability to catalyze change) (Duxbury and Anderson, 2000). The latter believe that EI helps people feel more balanced thus capable of making effective decisions and that EI facilitates both collective and individual learning thereby helping decision makers develop a more complete systems perspective.

An emotional orientation overcomes decision blunders and traps by enabling the decision maker to be more sensitive to the ethical impact of the decisions as well as to the needs and interests of multiple stakeholders. An emotional orientation also limits the use of authority, power and political actions to achieve a preferred course of action. It helps decision makers look at both the costs and benefits across stakeholder groups. Decision makers also spend time to clarify directions to reduce ambiguity and its consequences, and more effectively use emotions to maximize emergent learning.

### Complexity

At times, decision making can feel chaotic, however, most situations are not chaotic but are complex. Therefore, the concept of complexity is crucial to hold in the mental model of decision making (Pascale *et al.*, 2000). Within the concept of complexity, Pascale *et al.* (2000) believe that several key principles emerge. First, an approach to decision making that values the status quo has a high element of risk associated with it since it makes the decision maker less responsive to change and adaptation. Second, to survive, living systems self-organize or adapt to their environment. They cannot be forced into a linear path, so there are unforeseen consequences that arise in most situations. Third, while stability is not desired neither is complete chaos; rather the aim is to function at the edge of chaos.

Balancing at the edge of chaos requires that the decision makers' mental models allow them to see the decision making process as one of change and instability rather than a predictable path which is something that is not always achieved or desired. Balance also requires that decision makers understand and accept, even if they do not understand, that "dynamic structures do conform to some form of organizing influence" (Hite, 1999, p. 207). In addition, balancing requires a shift in perspective from autocratic and rigid planning to an uncontrolled and emergent flow of decision making (Brown and Eisenhardt, 1998). Finally, balancing requires that decision makers accept short-term inefficiencies, the need for continuous proactive behavior, (Brown and Eisenhardt, 1998) and encourage reciprocal relationships among stakeholders (Pascale *et al.*, 2000).

Having an awareness of the many interacting aspects of complexity (holding a complexity dynamics perspective) overcomes decision blunders and traps by more effectively using and extending the interaction created by the other five components of the model. It moves beyond only thinking in terms of systems as they currently exist, but rather builds in a stronger understanding of the transformational potential of the systems (Stacey, 2001). A complexity dynamic includes recognizing that the stakeholders' ability to integrate and differentiate work together to prevent chaos and does so by integrating feelings and thoughts, and thoughts with action, in order to maintain the balance (Gharajedaghi, 1999; Stacey, 2001). The complexity approach strengthens

the decision maker's ability to solve the "right" problem within the multiple contexts that have shaped it, based on the behavior of the systems. As such, holding a complexity perspective reduces the likelihood that a decision maker will engage in any of the behaviors listed in Table II.

### **Generative conversation**

Conversation is a "core business process" (Brown and Isaacs, 1996) and one that has tremendous impact on how effectively value is added to and derived from the decision making process. As such, generative (or transformative) conversation is the link that allows the other components of the model to interact to help decision makers achieve a high level of effectiveness. Brown and Isaacs (1996) describe the power that mutual respect, reflection, listening and asking questions, suspending judgment, strengthening of relationships, deriving shared meaning, and the development of mutual commitment has to transform the stakeholders and to generate ideas. This power is reflected in Garvin and Roberto's (2001, p. 10) writing that decision making is: ... rife with discussion and debate and requires a structure that allows for the identification and consideration of a wide range of ideas.

A mental model based on the above (an inquiry approach to conversation) helps to achieve effective decisions.

At its heart, inquiry is about asking questions and seeking information rather than only stating and advocating for one's position. It assumes that the individual is not automatically right and, in fact, may miss some important issues. Inquiry also assumes that people act in ways that make sense to them so it is important for the decision maker to engage in actions that uncover the assumptions that underlie the behaviors (Pegasus, 1998). While inquiry is important, it is not sufficient. Rather advocacy (stating one's views and disclosing feeling, expressing ideas, and proposing courses of action) and inquiry must be balanced (Senge *et al.*, 1994). Thereby, it creates an opportunity for generative conversation, which "allows for diverse perspectives and interests within a system to interrelate with one another" (Gerard and Ellinor, 2001, p. 4). This interaction allows for seeing the whole by being able to see the interconnections between the parts that make the whole (Ellinor and Gerard, 1998).

Generative conversation overcomes decision blunders and traps by allowing

multiple points of views to surface, making hidden agendas visible, developing shared meaning, building relationships, creating opportunities for people to be heard, helping to build a sense of connection, allowing undiscussables to be addressed, and enabling the creation of a positive rather than adversarial decision making climate (Preskill and Torres, 1999; Whitney and Trosten-Bloom, 2003). This lessens the chance that the decision maker will simply assume that all the claims are understood and that the first claims stated would be the ones acted upon. Balancing inquiry and advocacy encourages the clarification of direction, looking for hidden concerns, and developing the interests and commitments of multiple stakeholders. Generative conversation helps to ensure that ethical concerns are raised and addressed, and it helps capture emergent learning during the decision making process. All together, using generative conversation lessens the likelihood that a "quick-fix" will be applied.

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### **Discovery and collaboration: an emergent process for "living" decision-making complexity**

The components of the model create a mental network that generates insight and the development of creative opportunities that lessen the likelihood of seeing decision making as an "event" but rather seeing it as a complex process (Garvin and Roberto, 2001). Thus, the decision making process is structured around discovery (exploring multiple perspectives and engaging in idea generation) and collaboration (awareness that others can help to develop joint creativity rather than individual creativity) (Ricchiuto, 1997). This combination produces a "think-first" (Nutt, 2002) approach that increases the chance of success based on a strategy of leveraging diverse insight and talent while garnering ownership of the decision making process and outcomes. Overall, discovery and collaboration provide a richer approach from which to develop a frame that allows the decision maker to avoid (Meyer and Hutchinson, 2001):

- decision traps that lead to failure;
- being near-sighted;
- starting with an analogy that does not fit with the issues to be addressed;
- failing to assess the penalties for underestimating failure; and

- not learning from the emergent feedback received during the decision making process.

The discovery and collaboration orientation has a significant impact on the success of the decision making process, in part, because it helps to avoid the blunders and traps. However, the power comes from what avoiding the traps produces. Namely, staying focused on the issue and approaching its resolution with increased creativity, inquiry, and discernment in an environment of freedom to learn from emergent activity (Nutt, 2002; Ricchiuto, 1997). The orientation also encourages searching for the right questions to ask as well as encouraging reflection, both of which increase the likelihood of a fundamental rather than quick fix to the issue. It also strengthens the decision maker's ability to deal with contradictions that complex, systemic decision making generates, such as, to be flexible and consistent, proven and innovative, and new and non-threatening (Ricchiuto, 1997).

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# Leadership, decision making, and organizational justice

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Decision making, Justice

## Abstract

The article integrates three lines of research with regard to leadership, decision making, and organizational justice. First the theoretical perspective, it is argued that transformational and transactional leaders adopt different approaches to decision making. Transformational leaders appear to prefer a comprehensive style of decision making that uses many input sources and considers many optional pathways. Transactional leaders, by contrast, are more prone to use a more limited information base, and consider fewer alternative routes. The study reported on here concludes that transformational and transactional leaders focus on different aspects of organizational justice. Transformational leaders tend to emphasize the social dimensions of fairness in the workplace. Transactional leaders are oriented toward the structural features of workplace justice. Some practical issues are addressed, such as what should be considered when managers are selected for specific assignments with leadership requirements, and issues pertaining to changing leadership styles.

Borrowing a metaphor from Duke (1998), understanding leadership is like watching a parade; what we see depends upon where we stand. If we stand on the street, we get a very narrow, but detailed, view of the activities. From the street we can see individual marchers, and can admire the exactness of their movements and the precision of their timing. On the other hand, if we stand on the roof of a nearby building, we miss the nuances of the individual performers, but we now see the larger spectacle. From the roof, we can observe the panorama of elegantly choreographed formations and appreciate the parade from a more expansive perspective. Leaders of all stripes, but especially organizational leaders, must be concerned with the immediate, day-to-day scene (the street view) and the broader sweep of the landscape (the roof view). Likewise, leadership scholars must be concerned with leader behavior from the proximal view (e.g. how leaders make day-to-day decisions, or resolve immediate problems) and from the distal view (e.g. the historical context, or future projections).

This article addresses the interrelationship between three facets of leadership that entail both a narrow perception of individual leaders and a wider awareness of leadership in general. Leadership is examined from the viewpoint of leadership styles, decision making, and organizational justice. Drawing on both historical and contemporary theory and research, it will be shown how different leadership styles embrace different decision making processes and organizational justice patterns. Evidence is reported from a recent study conducted by the authors using 360-degree feedback methodology that supports some of the views presented in this article.

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## Transactional and transformational leadership

Leadership has been studied from many perspectives (e.g. personality traits, power relationships, behavior change) and by many different disciplines (e.g. sociology, psychology, political science). An approach that has received much attention within the past 25 years, and encompasses many viewpoints, is the theory that leadership is both transformational and transactional depending on the needs of the situation (Bass, 1985; Burns, 1978). This view maintains that transformational leaders are charismatic. They create a vision of the future and inspire their followers to question the status quo, see beyond the here and now, and pursue a new purpose. Transactional leaders, by contrast, represent efficient managers who can focus on the task at hand, communicate clear expectations to their subordinates, solve immediate problems, and reward performance. Recent research suggests that there may be a third type of leader: the *laissez-faire* leader. The *laissez-faire* leader tends to lead by staying out of the way and letting people either manage themselves or, alternatively, be managed "by the book". The *laissez-faire* leader adopts a style of leadership that is sometimes characterized as passive-avoidant, management by exception, or administrative. Some might argue that this is not really leadership at all, but research shows that this style emerged as a distinct leadership component in a factor analysis of survey results from 3,786 subjects (Avolio *et al.*, 1999). In this article, we will sometimes lump the transactional and *laissez-faire* leadership styles together as one because these two styles have similar



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characteristics with respect to the issues on which we focus.

### Decision-making styles

Given the different styles of leadership described above, it is natural to ask whether transformational, transactional, or *laissez-faire* leaders have different decision making styles as well. As with leadership, decision making has been studied from multiple perspectives, and there is no universally accepted classification of decision making styles. One well-regarded approach to decision making has been developed by Driver and his colleagues (e.g. Driver *et al.*, 1990; Driver and Streufert, 1969). This approach is somewhat complex, but has a strong theoretical base and intuitive appeal. The details of the theory are presented in Appendix 1, but the fundamental idea is that people have different decision styles. These styles differ with respect to the amount of information people use, the number of alternatives they consider, and the extent to which they attempt to integrate and coordinate multiple sources of input.

Eisenhardt (1989), in a theory similar to Driver *et al.* (1990), also proposed that decision makers differ with respect to information use, alternatives considered, and the integration of multiple inputs. One interesting feature of Eisenhardt's theory is the notion that, contrary to traditional decision theory, decision speed is not necessarily slow when decision makers use more information, consider many options, and attempt to integrate input. When a person has intimate knowledge of an area, rapid decisions can be made even when multiple sources of input are considered.

Theoretically, different leadership styles (transformational, transactional, *laissez-faire*) should gravitate to different decision styles. As noted earlier, transformational leaders are charismatic, and inspire their followers to question the status quo and seek new possibilities. It is reasonable to assume that transformational leaders try to synthesize and integrate as much information as possible in order to form their vision and galvanize their followers. Drawing on the research cited below, it is reasonable to conclude that transformational leaders adopt a more integrative or comprehensive decision style. Transactional (and *laissez-faire*) leaders, on the other hand, tend to focus on the task at

hand and try to solve (or avoid) immediate problems. These characteristics of transactional/*laissez-faire* leaders should be associated with a less comprehensive decision style and reflect a style that restricts the amount of information that is processed.

Kedia *et al.* (2002) present arguments that strongly suggest a connection between the leadership styles identified by Avolio *et al.* (1999) and the decision styles described by Driver *et al.* (1990) and Eisenhardt (1989). They argued that transformational leaders, as opposed to transactional leaders, consider a wider range of inputs and alternatives prior to making a decision (e.g. they will listen to suggestions of others and examine several alternatives). The arguments by Kedia *et al.* (2002) support the contention that transformational leaders are more likely than transactional/*laissez-faire* leaders to display a comprehensive style of decision making. Likewise, transactional/*laissez-faire* leaders are likely to adopt a more restricted form of decision making.

Figure 1 shows the connection between leadership and decision styles that is consistent with the theories discussed above. The use of the term "restricted" in the figure is not meant to imply that these are inferior decision styles. There are many situations where decisions do not require complex cognitive processing and, in fact, spending too much time coming to a decision may be disadvantageous. As Kahneman and Tversky have demonstrated, people often use heuristics (shortcuts) that reduce the mental demands and time requirements for making a decision (Kahneman and Tversky, 1972; Tversky and Kahneman, 1974). By the same token, the term "comprehensive" should not imply that the decision maker exerts more time and energy than required. As suggested by Eisenhardt (1989), sometimes these integrative, systemic styles can lead to more rapid decision times when the person has "deep personal knowledge" of the subject matter. This rapid decision making process was clearly shown by the early work of de Groot (1965), who demonstrated that chess masters, because of their deep knowledge of the game, could look at a board position and "see" which move was best with far more ease than novice players.

### Organizational justice

Many of the decisions that leaders are required to make in an organization revolve



**Figure 1**

Hypothetical relationship between leadership style and decision-making style

		Decision Style	
		Restricted	Comprehensive
Leadership Style	Transactional/ <i>Laissez-Faire</i>	Strong Relationship C	Weak Relationship
	Transformational	Weak Relationship	Strong Relationship C

around policies and issues of fairness and just treatment of people. Over the last ten years, organizational justice has emerged as a major research area in industrial and organizational psychology. Organizational justice refers to the just and ethical treatment of individuals within an organization (Cropanzano, 1993), and is intimately tied to leadership and decision processes. Leaders are expected to create organizational systems that members perceive as fair, caring, and open. In a just and ethical organization, the decisions that leaders make should reflect fair treatment of people and concern for their welfare.

Organizational justice research has a long history, and several classification schemes have been proposed over the years (see Cropanzano, 1993). Greenberg (1993) has proposed a useful model of organizational justice that attempts to integrate the various viewpoints into a single taxonomy. Greenberg's classification includes four specific justice categories, and recent investigations support the construct and predictive validity of this taxonomy (Colquitt, 2001; Colquitt *et al.*, 2001; Greenberg, 1993; Tatum *et al.*, 2002). Rather than describe the four specific categories outlined by Greenberg (see Appendix 2 for details), the present article focuses on two broad areas of justice that subsume the more specific categories. These broader areas are called "structural" and "social" justice (Greenberg, 1993). In general, structural justice refers to the structural elements of the organization that allow for employee involvement in decision making and provide for the fair distribution of outcomes. Social justice, by contrast, refers to the employee's perceptions that

the organization openly shares information with them and cares about their well-being.

Just as different leadership styles are likely to demonstrate different decision styles, it is possible that different types of leaders will focus on different forms of justice. For example, it seems reasonable that the transactional/*laissez-faire* leader would be more concerned with issues of structural justice than social justice. The transactional leader, in particular, is the efficient manager who focuses on clear communication, solving immediate problems, and rewarding subordinates. It is natural that the transactional leader would be mainly concerned with how the organization distributes rewards and involves the employees in decision making. The transactional leader would be focused on creating the policies and support elements that foster structural justice. Transformational leaders, on the other hand, who inspire others, could be expected to be more concerned with social than structural justice because they care about the needs and well-being of the followers and will want to be open and responsive (Iles, 2001).

This hypothesized relationship between leadership style and organizational justice follows logically from the respective theories. The authors also have empirical data to support this proposed connection between leadership and justice (Bradberry and Tatum, 2002; Tatum *et al.*, 2002, 2003). Our research suggests that leaders who tend toward the transformational style are given higher ratings on social justice (by their subordinates) than leaders who are more transactional or *laissez-faire* in style. The study, reported in several papers by the authors (e.g. Bradberry and Tatum, 2002; Tatum *et al.*, 2002, 2003), assessed the

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managerial performance and organizational justice of 40 executives using a 360-degree feedback survey. Staff members who reported directly to the leader rated the executives using scales that measured the leader's performance and the extent to which the leaders promoted social and structural justice. The leaders were classified as transformational if their self-assessment of their performance agreed with the subordinates' assessment of the leader's performance. If the leaders' self-assessment was inflated relative to the ratings received by the subordinates, they were classified as transactional/*laissez-faire*.

The logic of this classification follows from the work of Alimo-Metcalfe (1996) and Sosik *et al.* (2002). These researchers show that leaders who self-monitor and are self-aware (whose self-perceptions match those of their subordinates), are more likely to display transformational tendencies. As Sosik *et al.* (2002, p. 212) note:

... [c]onsistency between self-and others' expectations enables a leader to respond appropriately to followers ... leaders must display behaviors and articulate visions that are socially acceptable to gain follower support.

Likewise, Alimo-Metcalfe (1996, p. 24) states that:

... studies have found a direct link between how managers perceive themselves and how they are perceived by their staff ... It would appear that the stronger their agreement, the more likely it is that the manager is perceived as transformational.

Our study showed that, generally, leaders were rated higher on social than structural justice. However, the self-aware (transformational) leaders received higher scores on social justice than the unaware (transactional/*laissez-faire*) leaders (see Figure 2). Moreover, the difference between social and structural justice was greater for the transformational leaders than the transactional leaders. Additional research by one of the co-authors will test the hypothesis by a more direct approach (Eberlin, 2003). Specifically, Eberlin will attempt to measure leadership style directly with one of the standard leadership scales (e.g. the multi-factor leadership questionnaire – Bass and Avolio, 1995) and determine if transactional leaders adopt a more structural justice orientation and transformational leaders adopt a more social orientation.

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## Combining leadership, decision making, and justice

Thus far we have examined the possible relationship between leadership styles (as developed by Avolio *et al.*, 1999) and decision styles (as described by Driver *et al.*, 1990; Eisenhardt, 1989). We also proposed that leadership styles might reflect different orientations to organizational justice. Figure 3 attempts to portray how these tendencies might emerge for different combinations of leadership, decision style, and justice orientation. A zero (0) in a cell reveals that there is no, or very little, expectation that a leader would adopt this tendency. For example, it is unlikely that a transformational leader would adopt a restricted decision making style and focus on the structural elements of justice within the organization. A double plus sign (++) in a cell indicates a very strong tendency in that direction (e.g. a transactional leader is very likely to use a restricted decision style and be oriented toward structural forms of justice). A single plus sign (+) suggests a moderate tendency toward the combination represented by that cell (e.g. a transformational leader may be very comprehensive in making decisions, and highly concerned about structural justice, but this would not typically be the case, and would not be the preferred approach).

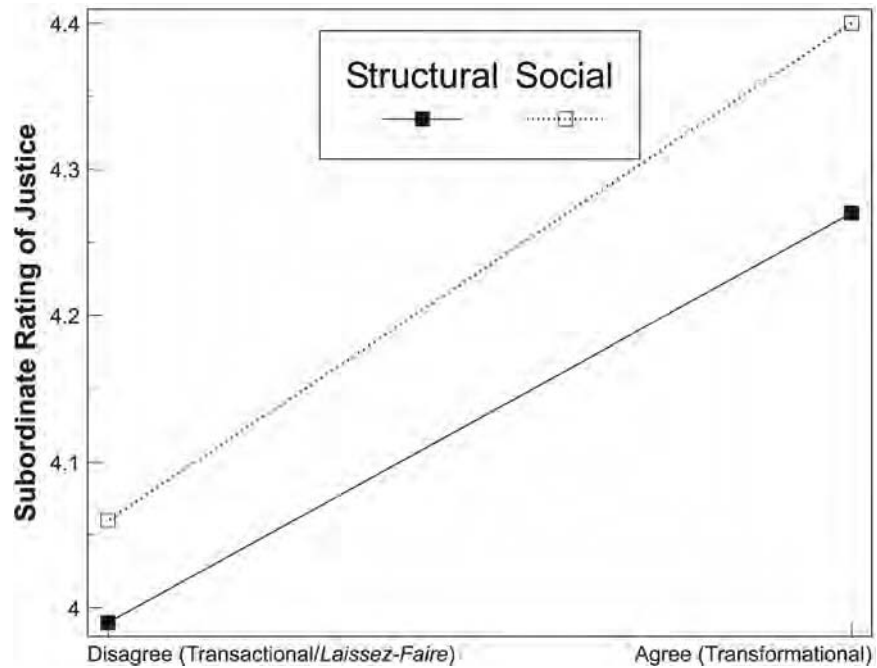
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## Practical examples

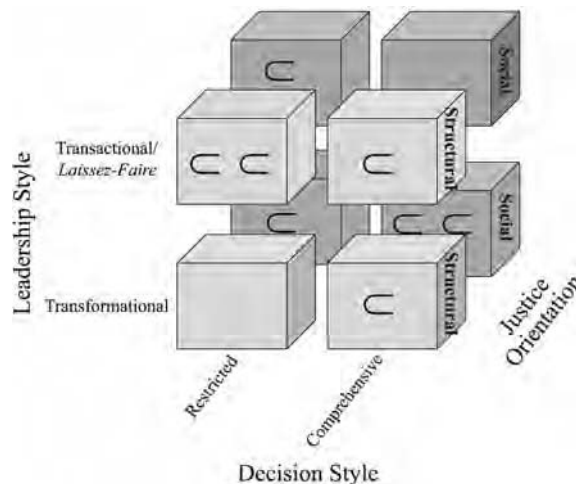
### Planning for future growth

How might leaders adopting different styles and orientations approach a typical managerial task? Suppose the head of a large business unit wanted to plan the future growth of the unit. How would the transformational leader, who adopts a comprehensive decision style with a social justice perspective, differ from a transactional leader using a restricted decision style focused on structural justice? Several differences are likely. First, the transformational leader would do a more systematic job of researching the possibilities and trying to integrate multiple sources of information. In contrast, the transactional leader would be more concerned with finding answers to a few selected questions that would provide enough information to make a reasonable, if not optimal, set of plans. Which of these approaches is better would depend on

**Figure 2**  
 The relationship between perceptions of justice (structural versus social) by subordinates as a function of leadership style (transactional/*laissez-faire* style shown by self-other disagreement, transformation style shown by self-other agreement)



**Figure 3**  
 Relative tendency to adopt different combinations of leadership, decision making, and justice



many variables, including how quickly decisions must be made and whether the plans must be highly detailed or more general in nature.

Another difference might be that the transformational leader will be very concerned about obtaining employee input and participation in developing the plan, with the main goal being that employees feel like their voice has been heard and that the organization cares about their well being.

The transactional leader would also consult with the employees, but the object of soliciting their input would be to ensure that people feel the planning process was fair and that everyone gets a fair share of the rewards. Again, which of these approaches will yield the best plan for the future will depend on a host of circumstances, such as the amount of trust the employees have in their leader and how radical the changes will be.

### **Controlling employee stress**

How effective at managing worker stress are leaders who adopt different styles and orientations? Research shows that stress in the workplace is a large problem (Dobrevva-Martinova *et al.*, 2002). Much of this occupational stress is a consequence of ambiguous, conflicting, and overloaded roles that people must assume in the workplace (Kahn *et al.*, 1964). Moreover, research has linked role stress to employee burnout and the decline in the workers' physical and mental functioning (Rowe, 2000). Consequently, high role stress reduces employee performance and organizational effectiveness.

The literature shows that leaders with different styles and orientations differ in how effectively they manage and control employee role stress. Stordeur *et al.* (2001) found that the behaviors displayed by transformational leaders (e.g. showing faith and respect for people, treating each employee as an individual, finding innovative ways to solve problems, focusing on values and ethic, and communicating a vision of the future) tends to decrease employee's experience of role ambiguity. Other research (Kottraba, 2003) has shown that employee's perceptions of high social justice (informational and interpersonal justice in Greenberg's 1993 taxonomy) are strongly related to reports of low role stress. For example, Kottraba showed that employees had lower levels of role stress when their managers expressed high regard for their individual circumstances and clearly explained why specific procedures were followed. Both of these studies suggest that transformational leaders who focus on social justice will be more effective at controlling stress in the workplace than leaders who adopt a more transactional style that emphasizes the structural, rather than social, elements of justice.

### **Some practical issues**

This model, like all models, would greatly benefit from further empirical testing. However, the theory on which it is based is very sound, and it is not premature to discuss some practical concerns and applications of the classification we have presented.

### **The best way**

A common question that is asked is: Which style is best? The answer to that question must be: It depends. It is tempting to assert that transformational leaders, with a comprehensive decision style, who direct their energies toward social justice, are the

epitome of enlightened, twenty-first century leadership. From a practical standpoint, however, such a statement would be very simplistic and misleading. As Iles (2001) notes, it is dangerous to think in terms of a "one best way" model. As attractive as this combination of styles and orientations might be, there are circumstances in which these individuals would not be effective. As Fielder (1967) argued over 30 years ago, leader effectiveness is the product of many variables related to the followers, the task, and the organization. The particular combination of knowledge, skills, orientation, style, and abilities that a person has will interact with the people being led, the nature of the task, and the structure of the organization to determine whether that person will be an effective leader at that place during that time. There is nothing simple about leadership, and there is no mathematical formula that can be used to identify good leaders. But, there are some useful guidelines. The model in Figure 3 can serve a useful role in answering several important questions; some of these questions are addressed below.

### **Selecting the right person**

One issue that frequently arises in organizations is how to identify the right person for a job or assignment. If we know something about the styles and orientations of our people, will this help us create the best person-job fit? The short answer is yes, provided we know enough about the people and the jobs. Certain jobs require one kind of person and other jobs demand another style or orientation. For example, the literature suggests that if the job or assignment involves psychologically immature or inexperienced workers, then the manager should adopt a highly task-oriented approach, and be very direct and decisive (Hackman and Oldham, 1975, 1976; Hersey and Blanchard, 1969). In this case, a transactional leader, with a restricted decision style, who focuses on the structural elements of justice, should be the most effective manager.

On the other hand, if the workers are highly experienced and can be trusted to work autonomously, leaders will probably be more successful if they are concerned with social justice and use a more comprehensive decision style. Whether the leader should be transactional or transformational with this more mature group would depend on whether the group needs an administrator or a coach. If these mature workers simply need

someone to make sure that there are funds and resources to do the job (an administrator), then a transactional (or even *laissez-faire*) leader is sufficient. If the workers need someone to inspire, guide and coach them, then a transformational leader would be most appropriate.

### **Adapting styles and orientations**

Sometimes it is not possible to find a leader with just the right combination of styles and orientations. In this case, the question may become: Can someone with one prevailing style modify that style to meet new circumstances? How malleable are these styles? Again, the literature suggests that people are adaptable and can change when the situation requires a different approach. For example, Driver *et al.* (1990) make the case that people can either "tone down" their primary style, or, if necessary, change their style completely. These researchers caution against making radical shifts in one's style, and suggest a better approach might be to make minor alterations in the techniques a leader uses in response to certain situations without attempting major changes in the prevailing style.

Granted that it is difficult to change predominant styles and orientations, in many cases it is necessary and beneficial. For example, our research shows that there is a connection between the use of social justice and job performance (Tatum *et al.*, 2002). Leaders can improve their performance if they shift from a structural form of justice to a more social justice orientation. This shift must start by giving the leaders feedback regarding their current justice practices (e.g. provide them with information on how their pattern of justice is viewed by coworkers, supervisors, subordinates, etc.). A common way of supplying this information is through the use of 360-degree feedback (Conway and Huffcut, 1997; Harris and Schaubroeck, 1988). Examples of using 360-degree feedback to identify justice orientations can be found in our research (Tatum *et al.*, 2002, Bradberry and Tatum, 2002). Once leaders gain some insight into their justice patterns, they can then attempt to alter these patterns in more productive ways. In particular, if a leader is currently focused on distributing resources fairly (structural justice), but does not express sensitivity to the needs and feelings of the employees (social justice), he or she should receive training or coaching to develop more skill in behaviors that reflect social justice.

As another example of adapting a prevalent style, it is sometimes useful to

switch from being a transactional leader to being a transformational leader. It may be difficult to make this switch because transformational leaders tend to have certain traits that are intrinsic to the person (e.g. charisma, creativity, insight). Nevertheless, it seems reasonable that a transactional leader can learn to focus more on the future and try to inspire others if the situation calls for these characteristics. For instance, a transactional style of leadership may be appropriate in a stable organization that is well adjusted to its environment. However, if the situation changes and the organization becomes stagnate and loses its capacity to adapt to a rapidly changing environment, the leaders need to become more transformational in style if the organization is to survive.

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### **Conclusions**

This article attempts to make the case that leadership, decision making, and organizational justice are intimately connected. The authors contend that certain styles of leadership (transformational, transactional, *laissez-faire*) tend to be associated with particular styles of decision making (restricted and comprehensive) and general orientations toward organizational justice (structural and social). It is important to bear in mind that the linkages between categories of leadership, decision making, and justice represent tendencies and not absolute certainties. In other words, it is unreasonable to expect that leaders always sort themselves in to the boxes shown in Figure 3. If our reasoning is sound, the general tendency should be in the direction proposed in this article, but certainly there will be exceptions depending upon the interplay of many variables.

The above caveat notwithstanding, the model presented here should prove to be useful as both a research tool and a guide to practitioners. As a research tool, the model integrates several previously disparate, but related, fields and suggests a number of testable hypotheses. If these hypotheses are confirmed by empirical research, our understanding of the dynamic relationships between these areas of inquiry will be significantly advanced. As a practical guide, managers and administrators can use the model to help select the right people for specific jobs and assignments. In addition, individuals in any organization, when faced with a situation that requires a different approach than the one they are currently

using, can refer to the model for guidance in how to adapt their methods to get better results.

Leadership has been studied extensively for the past 50 years. During that time, researchers have attacked the issues from many different angles. No single perspective has proven to be more successful than others in advancing our understanding of this complex and multi-faceted field. Like a young child watching a parade, our understanding of leadership (like the child's enjoyment of the parade) will depend upon where we stand. If we want a complete understanding of the phenomenon, then we must view it from many positions (e.g. from the decision making point of view or from the perspective of organizational justice), just as the child must see the parade from the street and from atop the tall buildings. The authors have examined leadership from several new angles. We hope we have provided new insights and new ways of thinking about the research and practice of leadership.

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### Appendix 1. Extended discussion of Driver's theory of decision-making style

Driver and his co-authors (Driver *et al.*, 1990; Driver and Streufert, 1969) divide decision styles into four categories depending on the particular combination of information use and solution focus. Information use refers to a person's inclination to seek either minimal amounts of information ("satisficers") or large amounts of information ("maximizers") prior to making a decision. Solution focus, on the other hand, refers to a person's preference either to home in on a single solution to a problem ("unifocus") or entertain multiple courses of action simultaneously ("multifocus"). Information use and solution focus can be displayed as a two-by-two grid (see Figure A1) to produce four dynamic decisions styles (decisive, flexible, hierarchic, and integrative). A fifth style (systemic) has also been proposed by these researchers that represents decision makers who attempt to combine the other styles (especially integrative and hierarchic) into a highly complex, methodical decision process. This rather complex set of decision styles can be simplified, as noted in the body of this article, by classifying the decisive, flexible, and hierarchic styles into a category called "restrictive", and classifying the integrative and systemic styles into a category called "comprehensive". This reclassification does not do complete justice to the subtle differences among the styles, but does maintain the essential idea that some styles attempt to restrict the use of available information (i.e. decisive, flexible, and hierarchic) and other styles attempt to pull together as much

**Figure A1**  
Classification of decision making styles

		Information Use		Systemic
		Satisficer	Maximizer	
Focus	Uni	Decisive	Hierarchic	
	Multi	Flexible	Integrative	

Source: Driver *et al.* (1990)

information as possible (i.e. integrative and systemic).

The decision styles described by Driver and his colleagues are related to other theories of decision making and personality. For example, the decisive style is similar to, in many ways, the notions of the authoritarian and dogmatic personality developed by Adorno *et al.* (1964) and Rokeach (1960), respectively. The concepts of the satisficer and the unifocused decision maker have their origins in the work by Simon (1955; 1956) on rational choice and the limitations of human cognitive capacity. The more restrictive styles (i.e. decisive, flexible, and hierarchic) often take advantage of the heuristics (decision shortcuts) described by Kahneman and Tversky (Kahneman and Tversky, 1972; Tversky and Kahneman, 1974). The different decision styles can also be related to several of the Myers-Briggs type indicators (Briggs *et al.*, 1985), such as intuitive, thinking, and judging, despite the fact that the validity and reliability of these traits remain in doubt (Zemke, 1992).

## Appendix 2. Extended discussion of organizational justice

Employees are rightfully concerned with the fairness with which they are treated by their organizations. Organizational justice is the term commonly used by organizational psychologists to refer to the just and fair manner in which organizations treat their employees (Greenberg, 1990). One concern often expressed by employees regards the distribution of resources and outcomes, which is referred to as distributive justice (Greenberg, 1993). Distributive justice alone, however, does not capture the full range of justice issues. Employees also

express concern about the procedures used to determine the distribution of resources and outcomes within an organization. Employee perceptions of fairness of the means that organizations use to determine outcomes is commonly referred to as procedural justice (Williams, 1999).

Both distributive and procedural justice are associated with key organizational outcomes. For example, a study by Tremblay *et al.* (2000) found that employee perceptions of different levels of organizational justice were linked to employee pay and benefit satisfaction. Tremblay *et al.* (2000) found that perceptions of distributive justice were good predictors of pay satisfaction and perceptions of procedural justice were good predictors of employee benefit satisfaction. In addition, perceptions of unfair distributive justice are related to employee anger (Williams, 1999).

It is commonly understood that there is also a social side to both procedural and distributive justice, but until recently there was no general consensus as to how this aspect of justice should be defined and categorized. A model by Greenberg (1993) has proposed a taxonomy that incorporates a social dimension to both procedural and distributive justice. He named the social component of distributive justice "interpersonal justice" and the social component of procedural justice "informational justice". Greenberg's four part classification is summarized in Table AI. As shown in Table AI, Greenberg's classification includes four justice categories: systemic (employees have influence in decision processes), configural (employees believe that the distribution of organizational outcomes is fair), informational (employees believe that information is reliable and widely



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**Table A1**  
Taxonomy of organizational justice

Focal determinant	Procedural	Category of justice Distributive
<b>Structural</b> <b>Social</b>	Systemic justice Informational justice	Configural justice Interpersonal justice

**Source:** Greenberg (1993)

available), and interpersonal (employees feel that the organization has concern for, and sensitivity to, their needs). Several recent investigations support the construct and predictive validity of this taxonomy (Colquitt, 2001; Colquitt *et al.*, 2001;

Greenberg, 1993; Tatum *et al.*, 2002). Of all the models developed to date, Greenberg's (1993) theory provides the most comprehensive description of the fundamental components of organizational justice.

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# Does sex of the leader and subordinate influence a leader's disciplinary decisions?

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## Keywords

Decision making, Discipline, Sex and gender issues

## Abstract

This study, conducted in 2002, investigated the impact of sex on a leader's decisions involving employee disciplinary situations. All leaders would like to believe that they make fair and impartial decisions. Some of the most difficult decisions leaders make involve people (i.e. subordinates), because careers may be at risk. This research examined the impact sex may have on decisions made by leaders in four different disciplinary scenarios, sexual harassment, drug test violation, insubordination and theft. A scenario-based survey instrument, developed by the author, and the Bem Sex-Role Instrument (BSRI) short-form, were used in the data collection. It was determined from the data collected that the sex of the employee was an influence in decision making and that the sex of the leader (i.e. decision maker) was of no influence. It was further determined that the BSRI Femininity and Masculinity scores were not accurate predictors of disciplinary actions.

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## Introduction

All leaders would like to believe that they make fair and impartial decisions. Some of the most difficult decisions leaders make involve people. Careers often hang in the balance of leader's decisions. This research examined the impact that the sex of the leader and the sex of the employee may have on decisions made by leaders in the area of employee disciplinary situations. Four scenarios were used in this study, sexual harassment, drug test violation, insubordination and theft.

## Statement of the problem

When faced with decisions involving employee discipline, leaders rely heavily on the facts and tangible evidence of the situation before them. However, are intangible influences at work in the decision making processes that affect a leader's decisions? The main purpose of this study was to determine the influence, if any, that sex may have on a leader's decisions regarding discipline of an employee. A secondary purpose of the study was to determine if the decision maker's sex-role orientation, as measured by the Bem sex-role inventory (BSRI) could be used a predictor of the decisions that were made.

In an effort to determine the extent that sex may influence a leader's decisions, eight research questions emerged that resulted in ten null hypotheses. The null hypotheses are provided in Appendix 1. The eight research questions provided the foundation for the design of the data collection methodology. The research questions were:

1 Given the same infraction, would a male leader impose the same disciplinary action on male and female subordinates?

- 2 Given the same infraction, would a female leader impose the same disciplinary action on male and female subordinates?
- 3 Given the same infraction, would a female leader impose the same disciplinary action on female subordinates as a male leader would on male subordinates?
- 4 Given the same infraction, would a female leader impose the same disciplinary action on male subordinates as a male leader would on female subordinates?
- 5 Given the same infraction, would a male and female leader impose the same disciplinary action on male subordinates?
- 6 Given the same infraction, would a male and female leader impose the same disciplinary action on female subordinates?
- 7 Do female and male leaders impose the same discipline on subordinates regardless of the type of infraction?
- 8 Is it possible to predict how female and male leaders will impose disciplinary actions based on their respective BSRI femininity and masculinity scores?

In a review of the literature, there was no research discovered that examined the influence of sex upon leader's decisions in employee disciplinary scenarios using:

- leaders currently employed in the workplace;
- disciplinary scenarios; and
- the Bem sex-role inventory (BSRI).

The limited research in the area of employee discipline does support the idea that the sex of the manager (i.e. leader) has no measurable effect on the decision. However, depending on the situation, the sex of the employee does seem to have measurable impact (Larwood *et al.*, 1979; Hartman *et al.*, 1994). Hartman *et al.* (1994), indicated that



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females received harsher punishment than males in discipline scenarios.

### **Definitions for use in this paper (the word "leader" uses a very restrictive definition)**

- *Leader* – someone acting in a management position with supervisory responsibilities.
- *Sex* – biological male or female.
- *Disciplinary action* – a decision made by a leader when an apparent workplace infraction occurs.
- *Sex-role orientation* – measured by the Bem sex-role inventory (BSRI). Measures the degree of femininity, masculinity, and androgyny of the respondent.

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## **Review of literature**

Much research has been done examining the influence of sex on decision making. However, there is limited research examining the influence of sex on a leader's decisions involving employee disciplinary actions. Only two studies were found that examined the influence of sex in employee disciplinary situations. No studies were found that used the Bem sex-role instrument (BSRI) scores as a predictor of employee disciplinary decisions. A summary of the two relevant studies is provided.

### **Theoretical literature on employee disciplinary decisions**

The two studies that were identified which specifically addressed the influence of sex on employee disciplinary decisions are:

- 1 Larwood *et al.* (1979) studied the personnel actions recommended by managers who examined vignettes (i.e. written scenarios) in which an employee had made a serious error in judgment. In the vignettes, the employee, identified as male or female, was shown in a traditional male position (i.e. construction supervisor) or in a traditional female position (i.e. executive secretary). Two surveys were used. One placed males and females in their respective traditional roles and the other placed them in opposite-sex work roles. The researchers received 109 responses to their surveys. According to Larwood *et al.* (p. 542): "76 were complete and were used in the correlational analyses. Some data were randomly eliminated prior to analysis of variance in order to achieve equal group size (13 respondents per sex for each of the two forms)". The results of Larwood *et al.* are summarized as follows:

- Men in traditional male positions were least likely to receive punishment.
- Men and women in non-traditional male and female positions, respectively, received harsher punishment.
- The sex of the subjects was not significant.

This research seems to support the hypothesis that sex of the employee does influence a leader's decisions; however, the sex of the leader is not an influence. 2 The research conducted by Hartman *et al.* (1994) supported the findings of Larwood *et al.* (1979). The researchers used a sample of 360 graduate and undergraduate students as participants. The results are summarized as follows:

- Female employees received harsher punishment than men, regardless of the decision maker's sex.
- Men and women decision makers gave similar punishments. In other words, the sex of the decision maker was not significant.

The research by Hartman *et al.* concurs with the findings of Larwood *et al.* in that the sex of the decision maker is of no significance, but the sex of the employee appears to have an influence on the decision maker.

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## **Method**

### **Statistical analysis and research design**

The data collected in this study included categorical data and continuous data. The categorical data came from two sources. The first source of categorical data was the multiple choice responses (i.e. A-D) for each of the four discipline scenarios. The second source of categorical data was the demographic data provided by each subject that completed a survey instrument. The continuous data were the femininity and masculinity scores (i.e. numerical range of 2-72) from the BSRI survey instrument.

Chi-square tests were performed on the categorical data to test null hypotheses 1-7. Discriminant function analysis was used to test null hypotheses 8-10.

### **Variables**

There were 16 dependent variables examined in this study. They were the four categorical, multiple choice, responses for each of the four discipline survey questions. The independent variables examined were sex and BSRI femininity and masculinity scores.

### Participants

The sample included a total of 267 subjects from two utility companies in central Texas. Survey 1 was distributed to the Gas Systems Division of City Public Service, San Antonio, Texas, and Survey 2 was distributed to the New Braunfels Utilities, New Braunfels, Texas.

### Instrument

The survey instrument consisted of three parts. Part 1 contained four questions each involving a disciplinary scenario. Part 2 contained demographic information questions. Part 3 was the BSRI short-form survey.

The authors developed part 1 of the survey instrument, the disciplinary scenario survey. Four scenarios were developed each involving a different situation. The scenarios for questions 1-4 were drug test violation, insubordination, sexual harassment, and theft, respectively. Care was taken to eliminate the possible influence of stereotypical male/female work role dependency by not indicating in the scenarios the work role of the actors other than that they are subordinates.

The four categorical, multiple choice, responses for each question were identical, with the exception of the employee's name and were listed in the same order to ensure consistency from question to question.

Two forms of the survey instrument were constructed. The two forms were identical with the exception that the sex of the employees differs. In other words, if Survey 1, Question 1 has a female actor, then Survey 2, Question 1 has a male actor, and so on. With the exception of sex, the surveys are identical. Appendix 2 contains the four scenarios used in the study.

### Data collection

The sample size used in this study was 267. The sample contained 63 female subjects and 204 male subjects. Each subject was given an unmarked envelope that contained the four-page survey with a cover letter from management explaining that participation was voluntary. The subjects who chose to participate in the study returned the survey in sealed envelopes.

### Data analysis

The raw data were input into SPSS. A  $\chi^2$  goodness of fit test was performed to compare the distributions of responses of six possible distribution combinations for each of the four survey scenarios. The six possible distribution combinations are presented in Appendix 3 in the form of questions.

In addition, a  $\chi^2$  test was performed to determine if the distribution of responses of the four disciplinary scenarios were similar. This was done in order to determine if discipline was imposed in a similar manner, regardless of the type of infraction.

Finally, a discriminant function analysis was performed on the data resulting from the BSRI. The BSRI data provides a feminine score and a masculine score for each respondent which is a continuous variable. The discriminant function analysis was performed to determine if the BSRI feminine/masculine score data could be used as a predictor of which of the four mutually exclusive categorical responses would be selected.

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## Results

### Overview

There were four different scenarios used in this study. A total of six  $\chi^2$  goodness of fit tests were performed on each of the four scenarios for a total of 24 tests. Significance was found in eight of the 24  $\chi^2$  goodness of fit test results for null hypotheses 1-6. This means that in eight  $\chi^2$  tests, the distribution of responses were dissimilar. Details of these results are discussed below. It was determined that the significance discovered was due to the sex of the employee and that the sex of the subject (i.e. leader) was of no influence. Significance was found in null hypothesis 7, indicating that there was a difference in the distributions of the responses for the disciplinary scenarios.

Although significance was found in four of the 12 discriminant analysis tests for null hypotheses 8-10, it was determined from the correctly predicted group membership results that the BSRI femininity and masculinity scores were not accurate predictors of disciplinary actions. The BSRI scores were of minimal effect.

### Conclusions from research questions 1-6

The differences found in research questions 1-4 indicated that sex did seem to influence the way a leader imposed discipline on employees. However, those results did not identify whether it was the sex of the leader, sex of the employee or both that caused the differences that were discovered. To clarify what was causing the influence, the sex of the employee was held constant in research questions 5 and 6. The results indicated that there were no differences in how male and female leaders made decisions of male and female employees. This result clearly indicated that the sex of the subject (i.e.

leader) was not an influence. Therefore, the differences that were observed were a result of the sex of the employee.

In addition to the previous important finding, three additional conclusions concerning the specific differences were observed. First, the possibility exists in sexual harassment scenarios that both male and female leaders would be more lenient with female employees than male employees. In the sexual harassment scenario, the majority of the leaders (> 76 per cent) chose to counsel the employee. The disparity in the distribution of responses appears to have occurred in the choices of "Do nothing" and "Terminate", as shown in Table I.

These results indicated that male and female leaders, selecting an option other than to counsel the employee, appeared to be more lenient with the female employees in the area of sexual harassment. This is contradictory to the findings of Hartman *et al.* (1994) who found that male and female decision makers were more inclined to be harsher with female employees than male employees in labor arbitration cases. The Hartman *et al.* study used a labor arbitration case study involving the termination of two employees, one male and one female for violating alcohol and drug policies. Hartman *et al.* made the generalization from their study that given the same infraction and culpability, female employees would receive harsher punishment. This was not the case in the current study. It is possible the outcome of this study that both male and female leaders would be more lenient with female employees, hence, more harsh with male employees is consistent with the generally accepted concept that females are more subject to sexual harassment in the workplace. This is supported by the fact that the overwhelming majority of sexual harassment cases, 86.3 per cent in 2001 (US Equal Employment Opportunity Commission, 2002), involve women as the victim.

The final two conclusions, involving the differences observed with the theft and drug violation scenarios, indicate that male and female leaders are more lenient with male than female employees, which is consistent with the Hartman *et al.* findings.

In the theft scenario, the majority of the leaders (> 60 per cent) chose to counsel the employee. Termination was the second most popular option chosen. The first conclusion is the possibility exists in theft scenarios that male and female leaders would be more lenient with male employees than female employees, as shown in Table II.

In the drug violation scenario, the possibility exists that male and female leaders would be more lenient with male employees than female employees, as shown in Table III.

The reason(s) why the sex of the employee is an influence in these instances are indeterminable from this study. However, it is possible a reason that male employees would not be terminated as often as female employees could be due to the concept in our society of males filling the traditional "breadwinner" role. Reluctance to terminate male employees could be influenced by this concept.

#### **Do female and male leaders impose the same discipline on subordinates regardless of the type of infraction?**

In an attempt to answer research question 7, a  $\chi^2$  goodness of fit test was used to determine if discipline was imposed uniformly, regardless of the type of infraction. Significance was found in this test, indicating that the discipline imposed was dependent on the infraction. This result was expected since there were differing degrees of severity in the four scenarios. For example scenario 1 involved a drug test violation where company policy stated immediate termination if this infraction occurred. However, in scenario 3 involving possible sexual harassment, the degree of harassment was not as clearly defined. Due to the varying degrees of severity in the infractions, the researcher did not expect to observe similar distributions of discipline in the scenarios.

#### **Is it possible to predict how female and male leaders will impose disciplinary actions based on their respective BSRI femininity and masculinity scores?**

In an attempt to answer research question 8, discriminant function analyses of the BSRI femininity and masculinity scores was

**Table I**  
Sexual harassment scenario

Scenario response	Male leaders		Female leaders	
	Males (%)	Females (%)	Males (%)	Females (%)
Do nothing	8.3	18.8	0	15.4
Terminate	12.0	2.1	8.1	0

**Table II**  
Theft scenario

Scenario response	Male leaders		Female leaders	
	Males (%)	Females (%)	Males (%)	Females (%)
Terminate	7.3	21.3	19.2	29.7

**Table III**  
Drug violation scenario

Scenario response	Male leaders		Female leaders	
	Males (%)	Females (%)	Males (%)	Females (%)
Terminate	47.2	67.7	64.9	84.6

performed. Significance was found in the drug test violation and insubordination scenarios. However, examination of the correctly predicted group membership percentages resulted in the conclusion that using the BSRI femininity and masculinity scores as a predictor of which response would be chosen was no better than the expected probability of 25 per cent (i.e. chance). In other words, use of the BSRI femininity and masculinity scores as a predictor of which category of punishment would be chosen would yield no better result than randomly choosing a selection. Therefore, the authors can not support using the BSRI scores as predictors of disciplinary action decisions.

## Discussion

According to Drucker (1985, p. 143):

A decision is a judgment. It is a choice between alternatives. It is rarely a choice between right and wrong. It is at best a choice between "almost right" and "probably wrong" ... Most books on decision making tell the reader: "First find the facts". But executives who make effective decisions know that one does not start with the facts. One starts with opinions. These are, of course, nothing but untested hypotheses and, as such, worthless unless tested against reality.

It would be nice if all decisions were a choice between right and wrong. Unfortunately that is not reality. It is the author's opinion that most leaders would like to believe that all of their decisions are based on the facts of the situation. The author agrees with Drucker. Decision makers have pre-conceived opinions concerning situations before the facts are ever collected and reviewed. Could sex-bias be an influence in forming pre-conceived opinions?

It is clear through the results of this study that possibility exists. This study found at least one underlying factor could influence a leader's decisions imposing discipline on

employees, the employee's sex. This influence could result in flawed, sex-biased decisions. If a leader does not consider the possibility of this influence, the result could be a leader doling out punishment unfairly. Leader's viewed by subordinates as being inconsistent in the way they impose punishment lose credibility, trust and subsequently their effectiveness as leaders. Therefore, it is necessary that leaders consider the potential influence for sex-bias to occur and take precautions to eliminate its" existence.

One approach to eliminating sex-biased decisions is for the leader to simply challenge themselves, once they have made a decision in an employee discipline scenario, by asking: "would my decision be the same if the sex of the employee were different?" A second approach would be for the "management team" to consciously and proactively develop a list of norms used in decision making that should be followed by everyone. As a result of this study, the researcher suggests the first norm as:

All decisions involving employee discipline will be based on the norm of equal treatment of employees regardless of their sex.

It is left to the reader to develop any additional norms of decision making for their respective workplaces.

In conclusion, leaders need to be consciously aware that the possibility exists that the sex of an employee can influence their decision making and this influence could bias their decisions in imposing discipline on employees.

## Potential limitations of the research

The following potential limitations are provided for consideration:

- Because the leaders were working professionals in the utility industry, generalization of the results to other industries is not encouraged.
- Approximately 25 per cent of the leaders were female. Having a sample with a more

even distribution of males and females would have been preferred.

- The leaders were from the Southwest region of the USA. The results may not be indicative of the results from other regions.

### Recommendations for further research

The following recommendations for further research are provided for consideration:

- Conduct the same study with utility companies in other regions of the USA.
- Conduct the same study in other industries (e.g. retail, manufacturing and construction).
- Modify the scenarios to make the infractions more closely resemble one another in terms of the degree of the infraction.
- Modify the collection methodology by introducing a third survey that removes any reference to the sex of the employee. In other words, remove the employee name and any references to "him" or "her". Having a neutral gender survey could serve as a quasi-control group.

Finally, the author strongly recommends the topic of sex-biased decision making be included in professional development programs and workshops for managers and executives. Biases that occur in decision making are not always made consciously. Therefore, awareness, through training, that biases exist coupled with internal reflection on personal biases would be another positive step in the direction of reducing the frequency of biased decision making in the workplace.

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### Appendix 1

#### Null hypotheses

There were ten null hypotheses tested in this study:

*H01.* Given the same infraction, there is no difference in the distributions of responses of how male leaders discipline male and female subordinates.

*H02.* Given the same infraction, there is no difference in the distributions of responses of how female leaders discipline male and female subordinates.

*H03.* Given the same infraction, there is no difference in the distributions of responses of how female leaders would discipline female subordinates then male leaders would discipline male subordinates.

*H04.* Given the same infraction, there is no difference in the distributions of responses of how female leaders would discipline male subordinates then male leaders would discipline female subordinates.

*H05.* Given the same infraction, there is no difference in the distributions of responses of how male and female leaders discipline male subordinates.

*H06.* Given the same infraction, there is no difference in the distributions of responses of how male and female leaders discipline female subordinates.

*H07.* There is no difference in the distributions of responses of the four discipline scenarios, based on sex of the participant and the sex of the employee in the scenario.

*H08.* There is no relationship between the BSRI femininity score and the disciplinary decision.

*H09.* There is no relationship between the BSRI masculinity score and the disciplinary decision.

*H10.* There is not a joint relationship between the BSRI femininity and masculinity score and the disciplinary decision.

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### Appendix 2

Please circle the letter of the action you would choose.

- 1 You are the CEO of a company. Company policy states, "Immediate termination will occur for any employee who tests positive for illegal drugs as determined by random testing". Susan, a 20-year employee, tested positive for an illegal drug in a random test. Until this incident, she had no previous violations, a consistent history of excellent performance and someone you value as a trusted employee. You are the only one who has seen the results. What do you do?  
A. Do nothing.

- B. Counsel Susan and inform her there will be zero-tolerance from now on.  
C. Terminate Susan immediately.  
D. Give Susan three days suspension, without pay.
- 2 You are a vice president in a company. Bob is a long-term employee and within one year of retirement. You were just informed by your secretary that Bob was shouting and yelling at his immediate supervisor, in the company cafeteria. You pull Bob's personnel file and find there are six memos, over the past 18 months, indicating he has been counseled for being disrespectful, argumentative and insubordinate. The last incident was three months ago. His performance evaluations are excellent except in the area of interpersonal skills. Bob's supervisor is on the way to your office to discuss what to do. Your advice to the supervisor will be to ...  
A. Do nothing.  
B. Counsel Bob again and inform him there will be zero-tolerance from now on.  
C. Terminate Bob immediately.  
D. Give Bob three days suspension, without pay.
- 3 You are a department supervisor in a company. Your company has a zero-tolerance policy on sexual harassment. Mary has only been with the company for six weeks. You have noticed that she has begun, in your opinion, flirting with male employees. She leans over them while they are at their desks, bumps against them in hallways and seems to joke around with them frequently. No one has complained to you about her behavior. What do you do?  
A. Do nothing.  
B. Counsel Mary that this behavior is inappropriate and there will be zero-tolerance from now on.  
C. Terminate Mary immediately.  
D. Give Mary three days suspension, without pay.
- 4 You are a division manager in a company. John has been with the company just over a year. It has been three months since you completed his annual performance review, which was better than average.

However, you have noticed the quality of his work decline since the review. The Accounting Department conducted an internal audit of your division and several pieces of equipment signed out to John could not be found. When it is clear to you that the equipment cannot be found on company premises, you confront John about the missing equipment. He becomes irate and denies any knowledge of the equipment's whereabouts. He claims he is shocked that you would suspect he has stolen the equipment. What do you do?  
A. Do nothing.  
B. Counsel John this behavior is inappropriate and there will be zero-tolerance from now on.  
C. Terminate John immediately.  
D. Give John three days suspension, without pay.

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### Appendix 3

- 1 Will the distribution of responses of male leaders evaluating a female match the distribution of responses of male leaders evaluating a male in the same scenario (i.e. question)?
- 2 Will the distribution of responses of female leaders evaluating a male match the distribution of responses of female leaders evaluating a female in the same scenario (i.e. question)?
- 3 Will the distribution of responses of male leaders evaluating a female match the distribution of responses of female leaders evaluating a male in the same scenario (i.e. question)?
- 4 Will the distribution of responses of female leaders evaluating a female match the distribution of responses of male leaders evaluating a male in the same scenario (i.e. question)?
- 5 Will the distribution of responses of male leaders evaluating a male match the distribution of responses of female leaders evaluating a male in the same scenario (i.e. question)?
- 6 Will the distribution of responses of male leaders evaluating a female match the distribution of responses of female leaders evaluating a female in the same scenario (i.e. question)?



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# Gender influences in decision-making processes in top management teams

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## Keywords

Women, Management attitudes, Organizational politics, Conflict resolution, Sex and gender issues

## Abstract

Top management teams (TMT) were initially introduced almost 20 years ago but recently have rekindled the interest of researchers whose experience with organizations has demonstrated that the arrangement of the single omnipotent CEO at the apex of the firm has outlived its utility at a time when it is impossible for one individual to command all the knowledge necessary to effectively lead an organization. This article describes a model that examines gender related influences, which are hypothesized to affect the decision making process in TMTs. More specifically, it is postulated here that it is not gender *per se* that accounts for differences in decision making among senior female and male executives, but that four constructs, namely power, political savvy, conflict management and trust mediate the hypothesized relationships explicated in the model. Implications for increased participation of women on TMTs are explored.

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## Introduction

In many contemporary organizations managers recognize that a good team organization helps to give can be the most valuable of their firm's competitive advantage. The top management team (TMT), some call it the "dream team", assembles the best and brightest who are brought together in the hopes that their individual talents will add up to something more than the sum of its parts. The TMT may be viewed the aggregate informational and decisional entity through which the organization operates and which forms the inner circle of executives who collectively formulate, articulate and execute the strategic and tactical moves of the organization (Eisenhardt *et al.*, 1997). Many organizations have created a leadership layer or tier at the apex of the organization, which typically consists of the CEO, vice presidents and senior executives that make up the top five positions in the managerial hierarchy. For example, Microsoft's leadership consists of an Office of the President which not only includes the CEO and VPs but also some long-term employees as well and Martha Stewart's Omnimedia has an all female TMT consisting of the VPs for publishing, selling, merchandise and TV. The CEO is also a female executive.

Research on TMTs goes back to the watershed article by Hambrick and Mason (1984) who argued that very few single individuals at the top really run a large organizations, and more scholarly attention should be given to the team or coalition of senior managers that operate at the decision making pinnacle of the organization. According to Hambrick and Mason, the organization is: a reflection of its top executives, and the characteristics and functioning of the TMT have a far greater

potential for predicting organizational outcomes than do the characteristics of the CEO. In other words, the fundamental premise of this seminal article was that top managers as a coalition are influential in affecting organizational outcomes, which have to be viewed as distinct from the outcomes individual CEOs produce. Now, after almost two decades of relative neglect, the collectivity of individuals at the helm of the organizations has once again become a focal interest for organizational researchers.

More specifically, Hambrick and Mason (1984) introduced the "upper echelon perspective" arguing that executives make decisions based upon their idiosyncratic experiences, values, and dispositions. Upper echelon theory builds on the idea of the dominant coalition (TMT) and postulates that executives influence performance through the decisions they make jointly. Moreover, upper echelon theory suggests that executives make decisions that are consistent with their cognitive base or executive orientation, which consists of two elements: psychological (including values, cognitive models and other personality factors) and observable experience. The upper echelon perspective and the concept of TMT represent important refinements of earlier executive leadership theory not only because they shift the focus from the singular CEO as the sole decision maker to a dominant coalition or team of senior executives. As a result, a growing number of scholars have considered the TMT as the appropriate unit of analysis with respect to strategy. The limited available evidence on whether the top person or the entire top team is a better predictor of organizational outcomes clearly supports the view that the team has greater effects (Hambrick and D'Aveni, 1992). A highly integrated senior team is a critical organizational resource



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tasked with major responsibilities to collectively formulate strategies, orchestrate transformational changes and implement them.

### Decision making in organizations

Successful corporate transformation depends on effective decision making, which ultimately involves the CEO, TMT, and the Board of Directors, which has legal responsibility for the governance of the firm. The CEO is the executive who has the overall responsibility for the conduct and performance of the firm; clearly his or her mindset, imagination, and vision have a definite effect on corporate adaptation to constantly changing internal and external environments. Ultimately, however, senior leadership is a shared endeavor, extending beyond the CEO to other top executives, which make up the TMT. Thus, the senior management coalition, widely referred to as the TMT, plays a central and critical role in formulating and executing corporate decisions and transformations. The TMT is not simply an aggregation of individual executives. Rather, the dynamics and complementarities that exist within the team greatly influence corporate outcomes, determine corporate governance and are instrumental in achieving "corporate coherence" or unity of purpose and action (Hambrick *et al.*, 1998, p. xii).

The existing body of research on gender differences in managerial decision making continues to be inconclusive (e.g. Powell and Ansic, 1997; Carter *et al.*, 1997). The growing proportion of women in managerial and entrepreneurial firms has accelerated this body of research and, as a result, increased the number of contradictory findings. Some studies report no significant gender differences in managerial decision making (e.g. Powell, 1990) while others conclude that women place greater emphasis on non-financial and personal goals and are more likely than men to see their contributions to the quality of the decision making cycle as their competitive edge (e.g. Carter *et al.*, 1997). In addition, despite the gains women have made in mid-level management, the number of women in top executive positions continues to remain very small. Presently six women are at the helm of *Fortune* 500 corporations and within the seven largest companies with female CEOs, there are nine men for every woman taking home the biggest paycheck (Jones, 2003) This means that the seven largest companies with

female CEOs, there are nine men for every women taking home the biggest paycheck.

### Propositions

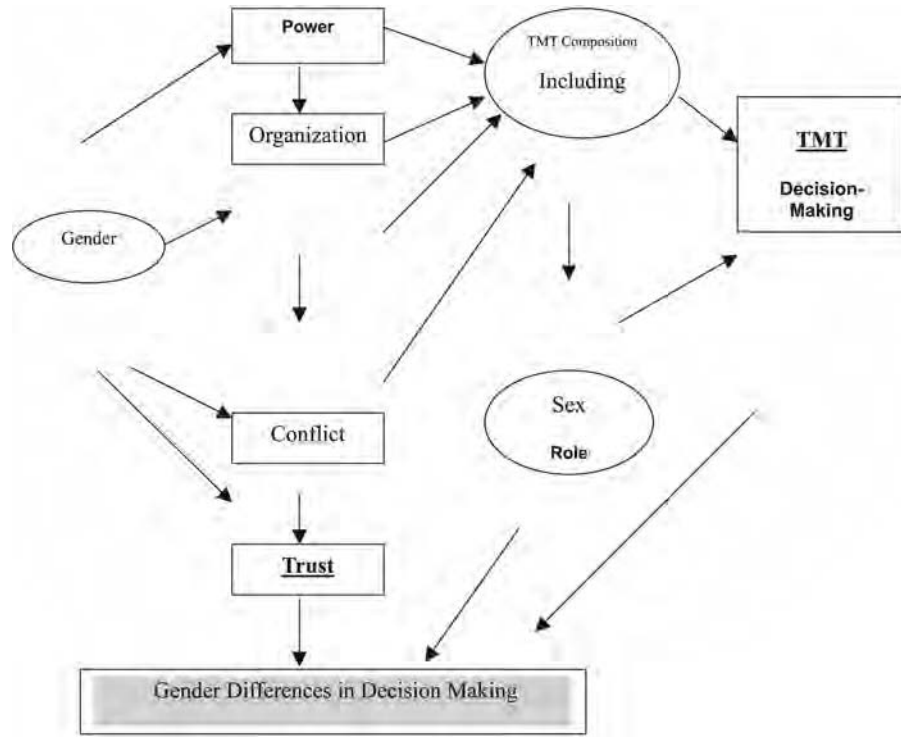
Faced with confusing and often contradictory research results regarding gender differences in managerial decision making, and findings which link TMT composition to organizational performance, recent research on TMTs has begun to explore hitherto unexplored variables that might influence the hypothesized relationships (e.g. Amason, 1996; Barsade *et al.*, 2000; Kisfalvi, 2000). The concept and model discussed in this paper is in line with this emergent stream of investigations. The fundamental premise underlying the model is that it is not gender *per se* that influences and determines differential decision making processes of male and female executives in TMTs. Instead gender works indirectly through power, organizational politics/political savvy, conflict management and trust and produces differences between female and male top executives' approaches to decision making thereby exerting influence on the decision making cycle.

Given the exploratory nature of this research, no specific hypotheses were formulated. Instead, the following general propositions are postulated:

- P1. Female and male members of TMTs exercise different types of power in the strategic decision making process.
- P2. Female and male members of TMTs differ in the extent in which they employ political savvy in the strategic decision making process.
- P3. Male and female members of TMTs manage conflict in strategic decision making situations differently.
- P4. Female and male members of TMTs utilize different types of trust in the decision making process.

These four propositions treat power, politics, conflict management, and trust as intervening variables, which may attenuate the direct relationships between gender and TMT decision making processes and/or any gender differences that are observed in managerial decision making. In other words, it is not gender *per se* that matters but rather the power structure in the team or the consensus versus conflict orientation of the TMT that account for the observed differences. The four propositions led to the model depicted in Figure 1. The

**Figure 1**  
 Model parameters



components of the models are theoretically derived and explicated in the remainder of the paper.

Regardless of gender, strategic decision making is affected by power which in turn serves as a major foundation of organizational politics. To deal with many situations effective conflict management is needed. How conflict is handled affects trust between the members of the organization. This process, and the decisions it involves, are affected by gender differences. These differences are implied, and are the reasons why the diagram is initiated by the circle labeled "gender".

All four elements of the process affect the composition of the TMT, as well as the gender of its members. Sex role congruence means that jobs are consistent with male/female stereotyping of occupations. For example, until recently we had policeman because it was perceived as a man's work. Now we have police officers. Certain professions – engineering, aeronautics, are still very much male bastions because the SKAs (skills, knowledge and abilities) required for these jobs such as mathematical fluency or spatial abilities are competencies that women have traditionally been believed to lack.

### Power

Power in corporate culture has often been portrayed as a zero-sum game, especially in the upper ranks of corporations and has evolved as a focal construct in research on TMTs. Every interaction and social relationship in an organization involves an exercise of power. Power in this research has been defined as the capacity of leaders to exert their will or the ability to get others to do what they want them to do.

In an organization in which the CEO wields dominant power, studying only the CEO may provide sufficient information regarding the sources and distribution of power in the firm since power is centralized. However, in organizations in which power is less polarized, consideration of the coalition of managers is necessary to fully capture the range of power orientations. In addition to the structural power of the TMT as the nerve center of the organization, which is distributed internally among the members of the coalition of senior executives, other sources of power are available to members of the TMT. They include ownership power or the capacity of senior managers to act on behalf of stakeholders, as well as expert and prestige power (Finkelstein, 1992).

When making leadership decisions, a manager and executive usually considers the power of others affected by, or involved. Less frequent is consideration of issues that impact on the decision maker's power within the organization. It would seem wise to add these to the matters to consider in significant decisions.

### **Women and power**

According to Kanter (1979), power is America's last dirty word. Power has become a gendered concept in organizations since gender is the primary field within which, or by means of which, power is articulated. In other words, the extent to which references to gender imply unequal distributions of power and differential control over access to material or symbolic resources, which facilitate the exercise of power, gender becomes implicated in the perception of power itself (Scott, 1989). For men the path to power and leadership is straightforward: join the usual clubs, board of directors, civic associations, visible charities or national leadership groups; then leverage ties with financiers, power brokers, ranking politicians, competitor CEOs, opinion leaders, or potential venture partners to establish a power base. For women, on the other hand, access to power and executive leadership is less clearly defined and more limited.

Research on women in management suggests that women show a greater concern for interpersonal relationships and a reliance on the rules of fairness in the exercise of power whereas men's power orientation is toward maximizing individual gains. However, despite the general assumption that women are more cooperative and relationship-oriented, empirical support regarding the differential use of power by women and men is far from conclusive. It has been argued that women's more cooperative and compliant behavior in power-oriented situations arises from their experience of having to adapt to low-power, low-status positions in organizations and in society in general, not from their gender or internalized gender roles (Kanter, 1977). More recent research indicates that high power managers, regardless of gender, feel more confident, more competitive and achieve high quality outcomes.

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### **Organizational politics**

Politics is as central to the functioning and effectiveness TMTs as is power. Most strategic decision processes are ultimately

political in that they involve decisions with uncertain outcomes, actors with conflicting views and resolutions brought about through exercise of power (Allison, 1971). Organizational politics has been defined either as an intentional process in which behavior is strategically designed to maximize short-term or long-term interests (Ferris *et al.*, 1989; Gray and Ariss, 1985). Others have restricted their conceptualizations to self-serving and organizationally non-sanctioned behavior (Gandz and Murray, 1980). Mintzberg (1983) argued that, distilled to its essence, politics refers to individual or group behavior that is informal, ostensibly parochial, typically divisive, and, above all, in the technical sense, illegitimate – sanctioned neither by formal authority, accepted ideology, nor certified expertise. Organizational politics can include decision making processes on the organizational level, power building on the group or unit level and a range of political behaviors at the individual level.

Politics go hand-in-hand with corporate life. Organizations are political systems consisting of coalitions of people with competing interests and goals and in which decisions follow the desires of the most powerful people. Manifestations of organizational politics include manipulation, self-serving behaviors, control and hoarding of information, controlling agendas, offline lobbying, opportunism, cooptation attempts and behind-the-scenes coalition formation. These behind-the-scenes coalitions typically develop on the basis of factors such as age, office location, similarity of titles, prior experience together or belonging to the same country club. Effective executives and business leaders exhibit well-honed political skills, namely those of persuasion, manipulation, negotiation, and so on, without which they would not have made it to the top.

Given the perceptions of organizational politics as a dysfunctional aspect of corporate life, much of the research on the affective and behavioral consequences associated with organizational politics reported negative concomitants such as reduced job satisfaction and commitment, turnover, absenteeism, stress and anxiety (e.g. Kacmar and Baron, 1999; Ferris and Kacmar, 1992). According to Mintzberg (1983), organizational politics interfere with organizational processes, subvert progress toward organizational goals and serve self and parochial interests and therefore result in negative consequences for both the individual and the organization.

Obviously, like consideration of power in decisions, issues related to politics deserve some thought, at least in leadership decisions that might have political consequences.

### **Women and organizational politics**

Politically savvy women in organizations have to walk a fine line between reassuring their subordinates about their toughness and not appearing too aggressive. For example, during the past three years, Carly Fiorina, CEO of Hewlett-Packard, has been called the most powerful businesswoman in America who used her political savvy and astuteness, playing some of the political games men employ to get selected for the top position in the firm and used her political savvy again to negotiate the merger with Compaq. However, such examples of female business leaders are still relatively rare. Although many subordinates of both sexes do not feel comfortable with a woman who is aggressive, ambitious, and outspoken, these are the very qualities female executives need who aspire to a seat at the table of the company's TMT. But for women there is a price to pay. Women who use political tactics and games to advance their positions in organizations are often ostracized by their peers and constantly attract media attention. Organizational politics sometimes allows for the most blatant display of raw power from which many female executives shy away.

Researchers investigating the relationship between gender and perceptions of organizational politics have reported equivocal results. For example, Ferris and Kacmar (1992) found that gender of the respondent did not significantly predict score on a measure of organizational politics while Ferris *et al.* (1996), found support for a significant gender effect.

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### **Conflict management**

Along with effective use of power and political savvy, conflict management skills are a necessary and integral part of effectively functioning TMTs. Conflict management in the most general sense refers to how well members of a TMT manage disagreements among team members about the content of their decisions and resolve differences in viewpoints, ideas, cognitions and strategic choices. Conflict is dynamic in that it unfolds as senior executives gain a deeper understanding of their business and their preferences for actions through constant immersions of alternative viewpoints when they approach decision making situations.

A review of the history of research on conflict (Deutsch, 1990) revealed two basic conflict resolution styles described as cooperative conflict management, which is characterized by friendliness and trusting attitudes. Individuals who approach conflict management from this ideological perspective view conflict as mutual problem solving to be achieved through a cooperative effort. Conversely, competitive conflict resolution styles are characterized by suspicious and hostile attitudes and a willingness to exploit others' needs as much as possible. Today, however, a much wider range of conflict management styles is discussed in the literature including adaptive, cognitive, affective, avoiding, compromising, integrating, accommodating and task and relationship conflict, most of which have differential affects on decision quality and organizational performance. How to approach potential and emerging conflicts is another consideration that undoubtedly should enter a leader's decision making process regardless of the individual's level in the organization, but especially for members of the TMT.

### **Women and conflict management**

The increasing numbers of women in decision making positions in organizations coupled with the importance of conflict management skills has provided the impetus for the growing focus on gender differences in executives' ability to manage conflict (Klenke, 1996). Shockley-Zalabak (1981) noted that perceptions of how females handle crisis and conflict are often cited as blocks to women managers' ascent to the executive suite and boardroom. According to cultural stereotypes, women are expected to be more obliging, considerate, and compassionate in conflict resolution situations compared to men who adopt an aggressive, dominant, independent style in such situations.

As a result, the two major conflict management styles, cooperative and competitive, were split along gender lines with women preferring the cooperative and men the competitive style. Results on gender and choice of conflict resolution strategies have often shown women to prefer more collaborative, compromising, avoidant and accommodative strategies while men tend to exhibit competitive styles (e.g. Miller, 1989; Todd-Mancillas and Rossi, 1985). Cupach and Canary (1995), in their review of conflict management styles, concluded that while there may be some gender difference in regard to conflict resolution behaviors, the findings remain inconsistent and inconclusive. Furthermore, there is research

that has shown that women are more likely to engage in conflict than men, suggesting that they may be more competitive than commonly believed (Noller, 1993). In today's competitive work environments, senior executive women rarely conform to the typical female stereotype (Korabik, 1990) and hence some of the gender differences in conflict management styles are disappearing. Nevertheless, women's tendency to embrace a flexible, mediating approach to conflict management may play a vital role in America's heterogeneous workforce, with its increasingly varied cultural ground rules.

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## Trust

Recently researchers (i.e. Jones and George, 1998; McKnight *et al.*, 1998; Brower *et al.*, 2000) have devoted considerable attention to clarifying the meaning of trust in different social contexts, identify determinants and antecedents of trust and the conditions under which trust develops in organizations. Trust is defined here as:

... an individual's belief, or a common belief among a group of individuals that another person or group (a) makes good-faith efforts to behave in accordance with any commitments, both explicit or implicit, (b) is honest in whatever negotiations preceded such commitment, and (c) does not take excessive advantage of another even when the opportunity is available (Cummings and Bromiley, 1996, p. 302).

Given the competitive challenges resulting from rapid organizational growth, globalization, and interorganizational systems through strategic alliances, trust established in cross-functional teams, temporary groups, and socially embedded partnerships is essential for successful collaboration and organizational survival. Thus building trust between individuals, within teams, and throughout organizations is a critical responsibility of organizational leaders that make up the TMT.

Executive behavior is an important determinant of the development of trust between managers and employees. Managers who engage in trustworthy behaviors increase the likelihood that employees will reciprocate and trust them and also follow their example. This notion has been supported across a wide range of organizations, managers and subordinates in different contexts. If group members trust each other, they will be more likely to accept stated disagreements at face value and less likely to misinterpret opposing views by inferring hidden agendas or personal attacks as the driving force behind the behavior

(Mishra, 1996). In high-trust teams, the norms of reciprocity include expressing differences of opinion, stating feelings of encouragement and disappointment, exploring ideas outside of one's own function, providing high give and take, and giving support. In low-trust teams, the opposite applies. Because trust facilitates cooperation and reduces negotiation costs, it is invaluable to organizations that depend on cross-functional teams, inter-organizational partnerships and TMTs.

There should be little doubt that questions concerning issues which affect trust are important ones to consider in leadership decisions.

## Women and trust

Klenke (2002), using case analyses and organizational narratives of women who launched and lead virtual organization, recently proposed that one of the distinguishing features of these organizations is the female leader's desire, and efforts, to build a culture of trust, particularly in the absence of cues that typically enhance the development of trust in brick-and-mortar organizations. In the absence of empirical research, it is suggested here that female members of TMTs build trust using transformational strategies such as visioning, impression management for organizational and individual good, and empowering members of the team – while their male counterparts build trust relying on their contractual arrangements with the organization (position power) and their abilities and experience as senior managers. This premise is derived from a distinction between transformational trust and transactional trust, respectively, which was recently proposed by Raina and Raina (1999).

Taken together, these four variables: power, organizational politics, conflict management and trust – are proposed as predictors of decision making processes in TMTs. In the next section, I present a set of factors that are treated as moderator variables in the model to include the composition of the TMT and perceived sex role congruence.

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## Moderator variables

### Composition of TMTs

Much of this research has examined the composition of TMTs by looking at demographics such as age, tenure, education and functional background, which are indicators of the extent to which the team possesses a variety of decision making skills,

based on the similarity or diversity of backgrounds (Elron, 1997). Despite existing large-sample research in this area, consistent and robust results are yet to emerge.

TMTs can be either homogeneous or heterogeneous in composition with regard to gender, ethnicity, cognitive and behavioral complexity, leadership and decision making styles. Research on TMT demography has produced mixed results. Some studies reported positive effects of homogeneity such as better team communications (Zenger and Lawrence, 1989), faster decision implementation (O'Reilly and Flatt, 1989), and better financial performance (Smith *et al.*, 1994). Other researchers, however, have obtained results that indicated that heterogeneity at the top leads to greater creativity and innovation (Bantel and Jackson, 1989) and a diversity of perspectives resulting in higher decision qualities (Eisenhardt and Schoonhoven, 1990). Several authors (e.g. O'Bannon and Gupta, 1992) suggested that both homogeneity and heterogeneity may coexist in TMTs. More specifically, these authors argue that creativity and decision making will be enhanced through heterogeneity of diverse backgrounds while, at the same time, social cohesion, which fosters similarity of attitudes and values and results from the homogeneity at the top. That homogeneity is, among other things, based on similarity in background (age, gender, etc.). Functional experience and values, on the other hand, exert positive effects. Similarly, Jackson (1992) reported that heterogeneity is important in decision making, conferring breadth of perspective, on the one hand and the potential for team dissent and inefficiency on the other. While heterogeneity improves decision quality, it can also make implementation more difficult. Finkelstein and Hambrick (1996) in their comprehensive review of TMT diversity and strategic variables of interest such as innovation, diversification, and performance, noted that 65 per cent of the relationships tested showed insignificant results, and many of the significant results were contradictory. Ancona and Caldwell (1992), after reviewing the contradictory evidence, concluded that although heterogeneity may produce greater cognitive resources, it also creates gulfs and schisms that make the exchange of information, and hence decision making, more difficult. Thus heterogeneity may be a double-edged sword.

The main reason for the reliance on demography has been that measures of heterogeneity in TMTs are difficult to come by. Therefore, most prior research has relied

on the demography of the team, according to which the executives' functional backgrounds, educational experiences, and firm tenure can be used to serve as proxies for their ideologies, belief systems, values, dispositions and other more elusive psychological properties (Jackson, 1992; Hambrick, 1994). Many researchers have jumped on the demographics bandwagon attracted by the reliability and accessibility of such information. Demographic data on top managers are easy to come by and their accuracy in various reference sources can be easily assessed. Thus, there is little question about the reliability of demographic data. However, although demography-based research on top managers has been successful in identifying relationships between TMT demographics and firm outcomes, including firm performance, e.g. Bantel and Jackson (1989) and Eisenhardt and Schoonhoven (1990) has shown clearly that top managers do matter. (Many people believe that the concept of leadership has been romanticized and that it is not the lone ranger CEO at the apex of the organization who makes the major contribution to organizational performance. Instead. Market forces, economy and political climate are factors in organizational successes and failures). Limitations inherent in demography-based studies preclude their use in showing just how top managers influence their firms (Priem, 1999).

In this model, TMT demography includes gender. Because until recently there were few female executives on corporate TMTs, gender influences on the decision making processes of TMTs have not been analyzed. As more women are moving into decision making positions in organizations, the issue of whether there are gender differences in the ability to make effective decisions at the top has become an important theoretical, empirical, and practical concern. As the annual surveys of the 50 most powerful women in business conducted by *Fortune* magazine indicates, the number of women in senior executive position is growing although they accounted for only 6 per cent of the *Fortune* very top executives – senior vice president and above. The increase in female corporate officers is facilitated by the fact that business leaders are beginning to realize that organizational credibility begins with how an organization looks in terms of gender and ethnic diversity.

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## Sex role congruence

Sex role congruence refers to the extent to which men and women behave in a manner that is consistent with the sex role stereotypes society holds for them and socially prescribed expectations for both genders (Nieva and Gutek, 1982). Research on the evaluation of male and female leaders, for example, has shown that as long as women leaders adopted a leadership style congruent with gender expectations (e.g. a style based on relationships, cooperation, sharing and inclusion), they were evaluated favorably. Conversely, when women adopted the stereotypical masculine leadership style, behaved in an aggressive and dominant manner, in other words, lead like men, they received unfavorable evaluations of their effectiveness as leaders (e.g. Eagly and Johnson, 1990; Eagly and Karau, 1991). This line of research suggests that as long as female executives on TMTs embrace a decision making style and adopt decision making strategies that are congruent with socially accepted gender expectations, they will be accepted as members of the senior management coalition and play an equal role in the decision making process. However, if they adopt a decision making style that is incongruent with gender role expectation, they may be fighting a losing battle and find it difficult to get their voices heard. Carly Fiorina is an example of a senior female executive whose behaviors illustrate sex role incongruence which grew to a crescendo during the proxy fight over her plan to combine HP and Compaq when she was booed at her own company's special shareholders' meeting. (Though the conclusions from this single example are a little broad, the example does illustrate the concept of sex role congruence – Fiorina exhibits qualities – aggressiveness bordering on abrasiveness, hard-driving, lack of sensitivity to the existing organizational culture that are usually associated with male executive behavior and are incongruent with the female styles – caring, sensitive, nurturing. Jones' analysis of companies' top executives (Jones, 2003) showed that three of the six female CEOs have no women reporting to them among the next four highest paid executive. The other three – including Fiorina have one women in the next four spot. This seems to indicate that female executives are exhibiting traces of the old "Queen Bee" syndrome and create organizational climates at the top that are not particularly hospitable to women. One of the reasons for this, as I discovered in my own research, is that risk taking diminishes up

the chain of command. Female CEOs are reluctant to risk their own careers by promoting other women to their executive teams.)

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## Conclusions and implications

The TMT is a highly visible embodiment of the organization – its strategic direction, values, credibility, and staying power (Canella, 2001). Adding women to the mix is critical because TMT heterogeneity is increased and the visibility of senior female executives is enhanced. Top-level women in corporations, politics, and the media are slowly gaining visibility. In order for senior executive women to gain a seat on TMTs, they must build what Kanter (1977) called "reputational capital" – become highly visible public figures both inside and outside their organizations, develop personal currency, make it into the information loop and learn to project authority, leadership and character to a wide range of constituencies. For most senior executive women, the leadership status they have achieved is not limousines, golf clubs memberships and golden parachutes, but the chance to make a difference in their organizations and communities.

*(Editor's note: The Editor objected to the preceding statement and to several others in the Conclusions and implications, on the ground that they were author opinions and not supported with either empirical or literature support. The author's response is: "I think authors are entitled to opinions and hunches, especially if they can generate testable hypotheses. For example, 'reputational capital' like emotional intelligence are constructs that can be operationalized by translating it into a series of statements that, after some extensive psychometric research, make up an instruments that purports to measure 'reputational capital'").*

This article presented a conceptual model of gender differences in TMT decision making processes, which proposes that gender impact is exerted through differences in male/female use of power, organizational politics, conflict management style and trust which affect decision making outcomes. In addition, it is suggested that TMT diversity and gender role congruence function as moderator variables, which mediate the relationships between the proposed antecedents of decision making and decision making outcomes. For each of the constructs



in the model, instruments have been developed that measure them.

The authors cited below have used these instruments and others have developed alternative measures or refined the original ones

Power is measured using Rahim's (1988) leader power inventory; organizational politics is measured using the perceptions of organizational (POPS) instrument developed by Kacmar and Ferris (1991) for the conflict management construct, the Thomas-Kilman (1996) conflict mode instrument has been selected as a reliable and valid measure of conflict management and trust is operationalized using the short form of the organizational trust inventory (OTI-SF) (Cummings and Bromiley, 1996). Of the two moderator variables, TMT composition is measured by demographics and sex role congruence by a six-item instrument designed by the author for this research that assesses the extent to which TMT members believe their positions are consonant with societal expectation for women and men. Finally, TMT decision making processes are operationalized using the decision style instrument constructed by Rowe and Masson (1987) that measures directive, analytical, conceptual and behavioral decision making styles. Although portions of this model have been tested, the model in its entirety has not been examined empirically.

Although considerable progress has been made over the past two decades in the advancement of women in organizations, in the executive suite women are still vastly underrepresented on TMTs and corporate boards. Women's absence on TMTs in the ranks of senior management and in the position of CEO are a telling signal that the whole process of selection, recruitment and promotion in large corporations is in need of a major overhaul.

Many companies continue to lack seriousness about being gender blind when it comes to the selection of senior female executive talent.

In the final analysis, increased participation of female executives will depend on the willingness of women who have made to the top to hire and promote to other women to top positions on the TMT. Jones (2003) pointed out that not only do women at the top remain scarce, but even when CEOs are female, they do not necessarily develop, mentor and place other women on their TMTs. According to one source, *Fortune* 500 companies, even those with female CEOs, remain very "hostile to women". Women seeking positions on TMTs in big companies may be looking in the

wrong places. In addition, the double standard continues at the top. A man can legitimately and unquestioningly surround himself with other men, but a woman who selects or promotes other women to the TMT is heavily scrutinized. The bottom line: the number of female CEOs is unlikely to increase unless more women are hired or promoted for the top five executive positions. At the present time, the few executive women who hold top-level jobs and are represented on TMTs are an elite handful who have beaten the odds.

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# Explaining executive integrity: governance, charisma, personality and agency

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Leadership, Ethics, Charisma, Personality, Stakeholders, Decision making

## Abstract

The recent significant occurrences of dysfunctional, and perhaps unethical, decision making and actions by a number of highly successful corporate executives suggest that there are systematic explanations for the questionable managerial behaviors that go beyond simple attributions of individual character flaws. This paper draws from four management research streams to identify some enabling conditions that constitute plausible mechanisms that may have exacerbated the present situation. Research traditions include the literature pertaining to the primacy of the rights of shareholders in equity capital financed corporate organizations, the literature describing the mechanisms whereby charisma is socially constructed and institutionalized, the literature attributing the gravitation toward positions of power on the part of individuals with predispositions to act in an unethical manner and the literature describing conditions which limit the ability of principals to fully specify the provisions of contracts with agents who are in positions of control of corporate organizations.

*(Editor's note. Ethics is a highly controversial topic. It is therefore no surprise that reviewers of papers on this topic are likely to take a different view than that of the authors. After careful consideration, it was decided to include the reviewer's comments as well as replies from the authors and a final word from the reviewer in the Appendix. It was felt that this addition to the paper brings to readers a richer exploration of the topic.)*

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## Introduction

The surprising, spectacular processes leading to the financial demise of a number of major corporate organizations in the USA in 2002 has been well documented (Khurana, 2002; Kochan, 2002). For companies such as Adelphia, Tyco, Worldcom, and Enron, blame for disaster is widely attributed to unethical actions on the part of senior executives (Cohan, 2002). Generally available information suggests that key decision-makers behaved in self-serving ways in all of these cases. The dominant discourse in the popular press points, at least in part, to questionable decision making on the part of members of corporate boards, who are obligated to employ appropriate screening processes for the selection of executives and to use rigorous processes in evaluating executive performance (Khurana, 2001; 2002; Lorsch and Khurana, 1999). Given the frequency of occurrence and the widespread, significant nature of the consequences of unethical decisions and actions by executives (see Kochan, 2002), there is a need to probe more deeply to discover what actually provides incentives for and enables unethical leadership behavior among some chief executives and inaction on the part of those charged with the responsibility for oversight of their actions.

The problem is not new. For example, the illegal contributions of corporations such as ITT, Associated Milk Producers Inc., and Gulf Resources and Chemical Co. Inc. to the electoral campaign of Richard Nixon in 1972 constitute another illustration of such misdeeds. These contributions raised the question as to whether Congress and the Securities and Exchange Commission (SEC) should mandate specific rules regarding political contributions by corporations (see Hamilton, 2000). This example also shows that several corporations can display the same misbehavior simultaneously when it is part of the prevailing norms to do so.

In this paper, we seek to enhance and disseminate knowledge on the effectors of unethical decision making by corporate executives and to offer explanations of why there may be many simultaneous examples of a particular type of unethical or illegal behavior. The term ethics refers to terminal moral values, such as the constitutional values that provide clearly delineated, preferred end-states and purposes, and instrumental values, such as the humanitarian values that delineate modes of conduct in the exercise of discretionary power (Rokeach, 1968; 1973). Kantian principles of obligation, which state that an individual should not treat another person as a means to achieve one's own goals, serve as the theoretical foundations for our arguments concerning the stakeholder model. That is, one may choose to pursue terminal moral values such as profitability, but an action will not be considered as morally right if others are used as means to achieve those ends even if that action creates a net balance of positive value. Thus, the term ethics is not used to refer to the pursuit of the greatest utility. A leader's motives for action are evaluated in terms of making the right decisions for the right reasons.



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Clarkson (1991) and Goodpaster (1991) argue that responsibilities of leaders include satisfying multiple stakeholder needs while responding to the economic interests of shareholders. Clarkson indicates that when leaders act ethically, the corporation's economic orientation does not take precedence over its social and moral orientation. After Boatright (1994), we posit that the interests of all stakeholders are ends to be served by corporations and that the interests of some stakeholders cannot be ignored to serve the financial ends of others. A lack of balance among stakeholder interests in decision making yields potential for unethical actions. We further propose that the conditions that enable unethical decisions and actions, if not addressed, may reduce the extent to which all stakeholders can trust equity capital financed corporate organizations to respond to their needs.

We propose four areas in the management literature that, together, can be advanced to offer plausible reasons why some corporate executives can and do make personal and professional decisions that may be unethical or may be perceived as unethical. First, explanations for unethical leadership can be found in the "conception of control" (Fligstein, 2001) that prescribes the maximization of shareholder wealth and influences the leadership mindsets of executives. Second, the literature on attributions of charisma (Meindl *et al.*, 1985) suggests that the efforts of followers and observers to construct the power of corporate executives enable the abuse of power and trust by those who are predisposed to unethical choices. A third important explanatory principle is grounded in the field of political psychology, which highlights the notion that personality characteristics of leaders (e.g. Deluga, 1997; Simonton, 1987) are important determinants of leadership behaviors (e.g. Cox and Cooper, 1989; Ginn and Sexton, 1990; Miller and Toulouse, 1986) that affect the governance of corporate organizations (Khurana, 2002). Finally, agency theory and the specification of principles of compensation for top executives and board members are other important considerations that offer insight into the conditions enabling unethical leadership among executives (Fama and Jensen, 1983; Holmström, 1979; Holmström and Milgrom, 1991; Jensen and Meckling, 1976; Sirgy, 2002).

Although the character of corporate executives is crucial to the well-being of organizations (e.g. Aronson, 2001; Ciulla, 1998; Kanungo and Mendonca, 1996; Liebig, 1990; McFarland, 1986) scholars and practitioners must be cognizant of

environmental, contextual, organizational, and other personal determinants of decision making behavior that departs from the ethical standard we have described previously. Investigating whether current dominant paradigms in organizations may induce and enable individuals with potentially problematic personality characteristics to reach executive decision making positions in corporate organizations should highlight the need to consider paradigm changes. We present our positions on each of the previously identified approaches in the sections below.

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### **The shareholder-wealth-maximizing model**

Conventional management scholars (e.g. Chandler, 1977) and stakeholder theorists (e.g. Boatright, 1994; Donaldson and Preston, 1995; Freeman, 1984; Goodpaster, 1991; Mitchell *et al.*, 1997) agree on the basic premise that organizations must balance the needs and interests of multiple stakeholders. These scholars establish a clear distinction between the shareholder-wealth-maximizing model and the stakeholder model. According to Kochan and Rubinstein (2000), a key distinction stems from the fact that the shareholder-wealth-maximizing model focuses on the single, super-ordinate goal of profitability as the ultimate moral end of corporate organizations. This view stands in opposition to the stakeholder model, which recognizes that organizations must satisfy the needs and interests of a variety of stakeholders. The stakeholder model holds that the profits derived from value creation serve as means that enable the satisfaction of multiple stakeholders, constituting the ultimate moral end of corporate activity, and also that the balanced satisfaction of the needs of all stakeholders is essential.

The shareholder-wealth-maximizing model constitutes a dominant discourse that is often emphasized in response to pressure from shareholders (Kochan, 2002). For example, the stock market bubble of the 1990s induced in many investors the belief that portfolios should constantly improve. Reality has harshly demonstrated regression to the mean in returns, and a large number of investors regularly incur significant financial losses as a result of large-scale swings in market values. Thus, executives experience pressures from investors to concentrate on shareholder interests. Additionally, those controlling important shareholder blocks, such as the managers of major pension funds, have decided to exert persistent and growing

pressure for continuously increasing earnings, and, consequently, have critically considered the decision making performance of senior executives. Many such shareholder critics bear fiduciary responsibilities to their own investors and are equally pressured for superior performance. Thus, considerable executive attention is focused on both annual and short-term quarterly financial performance. Explicit and veiled threats made by major shareholders are often directed toward corporate boards and senior executives. The message is clear, perform now or else! Predictably, executives who face the threat of criticism and dismissal by corporate board members on the basis of poor short-term financial performance will make decisions in such a way as to respond to those powerful pressures. The message transmits subtle cues and induces perceptual sets among executives (Simon, 1976) as to what actions will yield the financial results that will meet shareholder demands. The pressure pushes executives to make whatever decisions appear instrumental in enhancing the bottom line. When the dominant discourse places financial targets ahead of corporate strategic objectives and social responsibility, shareholder wealth becomes the ultimate moral end of the corporation, and, consequently, any decisions made in the name of financial criteria are construed as moral (Friedman, 1970). There is no doubt that profitability is a desirable means by which corporate responsiveness to stakeholder groups can be sustained. However, one should consider that stakeholder welfare remains an arguably preferable outcome for corporate decision making (Boatright, 1994).

Unfortunately, the dominant discourse fosters present ethical concerns by favoring tunnel-vision mindsets (Nwankwo and Richardson, 1996) among some executives who currently use shareholder wealth maximization as a guide for executive decision making. Such mindsets induce a pluralist view of stakeholder interests, implying that when some stakeholders make political gains, some others lose out. Fligstein (2001) argues that this mindset becomes institutionalized in a generally accepted "conception of control" which executives do not question and which resists change. From a political standpoint, satisfying the interests of powerful shareholders, who present legitimate and urgent claims, is the right thing to do. The political mindsets of executives influence the practical decisions regarding governance that directly affect multiple stakeholders. The shareholder-wealth-maximizing

paradigm can shift the attention of executives, from principles of decision making based in the consideration of the consequences of their actions for all stakeholders, to more pragmatic and utilitarian concerns. Selecting which stakeholder interests will be satisfied using a narrow view of "who or what really counts" (Mitchell *et al.*, 1997, p. 856) for the core economic interests of an organization is a direct consequence of such a focus on wealth maximization.

Executives may be influenced to adopt this decision framework for two reasons. First, they may fully uphold the shareholder-wealth-maximizing paradigm and may receive positive and negative reinforcing signals from stockholders as a result. These positive signals constitute positive reinforcement (Skinner, 1969) for shareholder-wealth-maximizing decisions. Also, executives may react to criticisms from powerful stockholders for failures to promote shareholder wealth. The criticisms are removed when the desired behaviors are displayed. This constitutes negative reinforcement (Skinner, 1969) for shareholder-wealth-maximizing behavior. Both effects raise the likelihood of repeating these responses should similar circumstances occur in the future.

More critically, the dominance of the shareholder-wealth-maximizing paradigm can induce questionable decision making and behavior. For example, in order to meet financial targets and satisfy powerful shareholders, some executives pressure financial professionals inside and outside the firm to alter policies and decision rules in ways that allow unethical behaviors (Small, 2002). Concerns for "making the numbers" in order to show desirable short-term financial results often precipitate the use of accounting practices, such as "cooking the books" which may be unethical, illegal or both. Accounting rules have become more complex and less intuitive, making it easier to commit fraud (Militello and Schwalberg, 2003). Moreover, "corporate misdeeds are often the result of the culmination of a series of small steps" that are considered unimportant until a major ethical breach occurs (Militello and Schwalberg, 2003, p. 51), which is often the first occasion where the widespread consequences of questionable behaviors are publicly revealed. After the bubble has burst, lower-than-expected corporate financial performance will likely lead to calls for investigations by those individuals who have incurred serious losses. Such investigations often reveal questionable accounting practices and low executive

moral integrity, both of which can be concealed by a rising market. The problem is exacerbated when some external auditors, who have a mandate to prevent fraudulent financial reporting, fail in their responsibilities.

### **Ineffectiveness of internal and external checks on behavior**

Ideally, checks on executive behavior exist within corporate organizations in the form of independent boards of directors (Bass and Steidlmeier, 1999). However, Bavaria (1991), formerly an executive with Citicorp and Bank of Boston, has cautioned that the independence of boards cannot be achieved when most board members are themselves CEOs who also have their own sets of outside directors on their own boards. When CEOs sit simultaneously on each other's boards, on executive compensation committees and other committees responsible for oversight of corporate strategy, there are important limitations to the actual independence of the Directors (Bavaria, 1991; Carpenter and Westphal, 2001; Sonnenfeld, 2002).

Some boards of directors may ignore the moral consequences of their decisions and cultivate a sense of invulnerability in decision making. Boards of directors are frequently very isolated groups where members may not challenge espoused beliefs in the inherent morality of pursued ends, especially when those ends are conceived as socially desirable. Often, boards do not include outsiders who are likely to play the role of the devil's advocate in the decision making processes (see Sonnenfeld, 2002). Unchallenged agreement is more likely to occur when a majority of directors have significant friendship or business relationships with other board members. Boards of Directors may thus ignore important warnings, hold negative, stereotypical views of stakeholder groups who present strong opposition to their prescribed courses of action, and exercise pressure on one another to conform to group norms. Such behaviors would reflect the presence of groupthink (Janis, 1972; Cohan, 2002), a phenomenon that can lead to spectacularly defective decisions.

Enforcement of external checks and balances from legislative, administrative and judicial authorities is likely to have more substantial impact on political power and executive decision making within organizations than internal checks and balances (Bass and Steidlmeier, 1999). However, these external checks and balances may not be strictly or consistently enforced. Together, ineffective internal and external

checks on executive behavior create conditions where the substantial power associated with the offices of those executives can be abused. An unhealthy concentration of power in the hands of a few executives can seriously impinge on the rights of minority stakeholders, making it unlikely that those executives will act to serve the interests of all stakeholders.

For some executives, the tradeoff between sound managerial leadership practices and financial performance may seem like an inevitable and mutually exclusive choice. However, Deming (1986) vigorously and repeatedly cautioned executives that an obsessive focus on profitability, creative accounting and finance, rather than on customer satisfaction and quality is a self-inflicted problem that can foster dysfunctional outcomes that preclude the long-term health and survival of the business. The Deming philosophy challenges executives to define and follow decision making principles that incorporate a broad stakeholder orientation.

### **Bounded rationality as an exacerbating condition**

Another key factor that contributes to the case against the shareholder-wealth-maximizing model is the reality of bounded rationality in decision making (Simon, 1976). Inherent perceptual and cognitive limitations in decision makers force them to resort to decision strategies that rest on incomplete and imperfect information and simplified models of reality that also reflect time constraints and political and social concerns. Thus, managers resort to making "satisficing" decisions, inevitably falling short of perfect rationality and optimality. As noted above, powerful stakeholders play an important role in sending cues that influence the determination of priorities, the definition of problems and the premises for decisions. An emphasis on financial targets and the use of linear statistical models can also induce the illusion that optimal solutions to problems are easily found. If such solutions are not achieved, people who assume that decision makers can predict and exercise direct control over all contingencies, may accuse senior-level managers of making poor decisions that led to poor financial results. Moreover, these views of executive responsibilities are grounded in the assumption that executives are rational decision makers, have access to objective data and control the consequences of their decisions irrespective of environmental uncertainties. The inability to recognize the unavoidable cognitive limitations in the

analysis and interpretation of available data, the lack of analytic sophistication and power, and the influences of environmental uncertainties considerably restrict realistic performance assessments of corporate executives.

Thus, there are considerable pressures on executives to project socially desirable images as rational optimizers. These pressures are reinforced by stockholders who are more likely to be interested in financial targets as ends to be achieved rather than in the ethicality of the means used to achieve the ends. The next section addresses how the construction of such images is important to the functioning of organizations, how images are expressed in the exercise of control and how the power that derives from the social construction of charisma can enable the abuse of power.

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### **Charismatic leadership**

The projection of favorable images of leaders to other individuals inside and outside of an organization serves an important organizational purpose. These images aid the leader in efforts to prevail in conflicts, to persuade suppliers, customers, employees and capital providers to place confidence in the organization, and to convince holders of resources to release them to the organization. Success in these efforts can result in positive outcomes for the organization as well as for the individual leaders themselves.

When a leader is concerned about serving the needs of all of the stakeholder groups in an organization, the behavior is consistent with our definition of ethics. When the emphasis is on serving the needs of the individual leader or a single stakeholder group, the potential for dysfunctional or unethical decision making arises. Because the intentions of leaders are not observable, behaviors that serve organizational ends and behaviors that serve individual ends cannot easily be distinguished. Thus, it is important to consider how charisma can have both functional and dysfunctional consequences for management decisions. The phenomenon of charisma is elusive in that it refers to attributions made by observers and organizational participants. Thus, we need to clarify the grounds for such attributions and analyze how attributions of charisma provide power to leaders who may act in an unethical manner.

#### **Attributions of charisma**

Attributions of charisma increase the power of executives. Furthermore, the phenomenon

of charisma is “elusive and enigmatic”, and its “direct potency . . . on organizational outcomes have vastly outstripped reality” (Meindl *et al.*, 1985, p. 78). Charisma is socially constructed and imbued with mysticism. External observers, participants in organizations, and the popular press can create a romanticized and almost heroic view of leaders (see Chen and Meindl, 1991). The initial success of a business organization can actually accelerate and empower efforts to construct a heroic image of a CEO. Performance cues are used to make attributions regarding the charismatic qualities of the CEO. Correspondingly, inconsistent cues pertaining to the ethical conduct of CEO’s can be distorted to fit a socially constructed, positive image representing the executive as a highly successful, charismatic leader. Attribution theory posits that cues are often distorted so as to maintain consistency with past attributions. Thus, past success will determine how other cues will be interpreted. Explanations that identify the leader as a cause of organizational outcomes serve to maintain an idealistic perspective that hinders sound executive performance assessment (Chen and Meindl, 1991; Meindl *et al.*, 1985).

Once a CEO’s image has been construed as positive, it is unlikely to change (Chen and Meindl, 1991), even if the leader is unlikely to be adaptive to changing environmental conditions (Conger and Kanungo, 1998). Consistent with the groupthink phenomenon (Janis, 1972), self-appointed mind-guards will filter cues and manipulate language and symbolism so as to allow leaders to maintain power and manage the political processes in the face of contradictory evidence. Indeed, dysfunctional behavior of leaders may be strongly influenced by and enabled by these and other dysfunctional behaviors on the part of followers (Clements and Washbush, 1999). The masterful or enabled leader who can use imagery to enhance mystical status and engage in impression management tactics will shift observer attention away from controversial ethical issues toward the socially desirable end of profitability. Unless a major and visible ethical breach occurs, decisions made and means used by leaders will not be investigated, thereby protecting unethical and illegitimate actions (Elsbach and Sutton, 1992).

Some explanations for the social construction of charismatic leaders can be found in analogy to the *deus ex machina* phenomenon. Greek dramas commonly used the device of the god of the machine, who would be lowered to the stage from above and



then, using godly powers, would solve all the otherwise unsolvable problems present. The actors in modern organizations imitate this approach when things appear to have gone irretrievably bad. Whether it is a sports team, a political entity, or a business, institutional powers will commonly seek out someone who can come to the rescue and who can radically alter existing conditions in the ailing organization. The popular mantra of “turnaround” is often used in making reference to this process.

Some executives have consciously developed reputations as turnaround specialists. These executives, perceived as highly charismatic, have built their reputations by acting boldly and decisively, making the “tough” decisions. External observers attribute the accomplishments of turnaround specialists to the personal capabilities of these executives, minimizing the role of external circumstances (Khurana, 2002). The prevailing tendency is to invest considerable trust in these executives and to provide them with ample freedom of action. Imbued with trust rooted in previous success and empowered to take action, turnaround specialists tend to see any action taken to clean out the Aegian stables as justified by a crisis. Unfortunately, impatience can lead to unwise decisions and precipitous change, and trust can be misplaced and abused.

Bass (1985) and House and Howell (1992) stress the value neutrality of charismatic leadership but point out that it is prone to power abuse because it is quite often conceived of as positive by both affected individuals and observers (see Keely, 1995).

Charisma is an attribution that is partly inferred from organizational performance. However, words, deeds, and actions of leaders are also considered in the attribution process. Leaders who are conscious of this and care about their public images will engage in impression management techniques to project a socially desirable image so as to be perceived as charismatic. However, impression management can be manipulative when leaders use techniques solely to bolster their self-aggrandized image. For example, leaders can exaggerate their exploits and use convenient paradigms to justify their actions. These leaders will usually display significant levels of intellectual integrity, and, consequently, will appear consistent and credible. They will polish their appearances and minimize truth telling when it may endanger their positions. Furthermore, these leaders tend to change their positions and commitments as circumstances change, which provides one explanation for the high degree of turnover of

CEOs in many organizations. The point is that these leaders need to protect their images above all, and they will prefer to leave their organizations rather than to see their images destroyed. Planning when to leave before bad news is revealed is part of a consciously orchestrated progression in an opportunist’s career. Contrary to expectations, such leaders display many virtues, including courage, self-control, and sociability. However, these virtues may serve less than moral ends. Self-interest dictates their decisions and actions, which constitute essential determinants of their many successes. Impression management can take the form of false pretenses and can be used in an unethical manner so as to maintain a desired image (Bass and Steidlmeier, 1999).

Leaders are socially constructed, but they also contribute to the development of their own images. Executives who fit the image of the great charismatic leader are likely to have some personality characteristics that allow them to feel comfortable in and to actively seek out the circumstances described in the previous two sections. Those personality characteristics are the subject of the next section.

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### **Personality characteristics**

The desires of persons who actively pursue executive positions are influenced by the dominant paradigms that empower, enable and reinforce those individuals. Ideally, leaders who are concerned with the needs and interests of multiple stakeholders should have high levels of altruism. They should display a socialized power orientation that is collectively oriented, egalitarian, and non-exploitative as opposed to a more personalized power orientation that is self-aggrandizing, non-egalitarian, and exploitative (Conger and Kanungo, 1998; House and Howell, 1992; McClelland, 1975). These leaders should seek the common good as a way to satisfy multiple stakeholder needs and interests. However, the dominant shareholder-wealth-maximizing paradigm and the attribution of charisma may work contrary to the purposes of individuals with ideal characteristics who aspire to executive positions.

Tourigny (2001) finds that leaders who are likely to use impression management tactics in order to project the socially desirable image of a great charismatic leader are also high in narcissism and Machiavellianism. We describe these personality characteristics in the following sections.

### **Narcissism**

Narcissism is an important personality characteristic that is reflected in the means used by leaders who engage in impression management. The essential features of the narcissistic personality are a:

... grandiose sense of self importance or uniqueness and preoccupation with fantasies of unlimited success and power; hypersensitivity to criticism; and a lack of empathy (Post, 1993, p. 100).

The construct of narcissism is composed of seven dimensions (Deluga, 1997): authority (seeking position of power), exhibitionism (enjoying being the center of attention), superiority (viewing one's self as a special person), entitlement (possessing a strong need for power), exploitativeness (being selfish in persuading others to pursue one's own goals), self-sufficiency (displaying a high need for achievement), and vanity (judging one's self as attractive). Holland (1985) suggests that there are two types of narcissism: adaptive and maladaptive. The latter type emphasizes the dimensions of exploitativeness and entitlement. In practice, maladaptive narcissism can be detrimental to sound managerial leadership practices. Leaders who are high in maladaptive narcissism may deny the usefulness of stakeholders' inputs in decision making, become dogmatic, and lack altruistic concerns for others (Post, 1993).

Research indicates that there is a positive relationship between maladaptive narcissism and Machiavellianism (McHoskey, 1995), which is defined as a:

... strategy of social conduct that involves manipulating others for personal gain, often against (others') interest(s) (Wilson *et al.*, 1996, p. 285).

In other words, narcissism can predispose a leader to use manipulative techniques to achieve one's personal ends at the expense of others.

### **Machiavellianism**

Leaders who are high in Machiavellianism (referred to as High-Mach leaders) are not likely to act according to appropriate ethical principles of governance in all circumstances (Wilson *et al.*, 1996). Indeed, they are masterful in acting in a cooperative manner when it is in their best interest and using defecting sub-strategies along with a set of rules for when and how to use them whenever necessary. High-Mach leaders know how to convince others without overt hostility (Geis and Christie, 1970). They have the ability to use others' emotions in their social interactions and simultaneously to maintain a "cool and aloof posture toward

others" (McHoskey *et al.*, 1998, p. 197). Using their abilities, high-mach leaders know how to circumvent organizational systems in order to achieve their personal objectives and make political gains.

In the shareholder-wealth-maximizing organization, many stakeholders may be seen as obstacles that must be circumvented in order to increase profits. High-mach leaders are likely to be highly successful whenever there are obstacles and a high level of ambiguity as to how objectives can be achieved (Tourigny, 2001). The need to project the image of a rational optimizer will provide the justification to circumvent systems in order to achieve optimal results. Thus, high-mach leaders are likely to be perceived as unconventional and innovative in the manner in which they accomplish their objectives, important characteristics of leaders considered as charismatic (Conger and Kanungo, 1998).

One may now question how the expectations of these leaders will be satisfied through executive compensation. This suggests a discussion of agency relationships between the shareholders of the firms and the executives.

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### **Agency theory and executive compensation**

Another potential explanation for the malaise of leadership emphasizes the chronic under-specification or misspecification of regulations regarding the compensation and behavior of executives and the tardiness with which revisions in the regulations are made, thereby creating ambiguous situations that high-mach leaders can exploit to their personal advantage.

Jensen and Meckling (1976), Fama and Jensen (1983) and Eisenhardt (1989) summarize many of the basic explanatory theoretical positions in their expositions of agency principles. These theories represent the employment relationship as a contract between a principal (the owner of an asset such as a corporate organization) and an agent (the individual who is empowered to make decisions on the part of the principal). The principal creates a contract with the agent in order to complete tasks that the principal cannot do for lack of time or expertise. Critical concerns in this approach are the specification of employment contracts in such a way as to induce the appropriate behavior on the part of an agent and the degree to which information regarding the behaviors of the agent and the

contracts are properly and completely communicated to the principal.

The principal-agent relationship becomes problematic when contracts between a principal and an agent are deficient because:

- they are under-specified (i.e. they do not account for a sufficient number of potential conditions);
- they are misspecified (i.e. they reward inappropriate behavior on the part of the agent); and
- societal rules regarding contracts allow the construction of contracts that permit inappropriate behavior on the part of the agent.

The likelihood of these problems increases when a task becomes more difficult to define. Difficulty in definition of a task may occur because of the following reasons:

- the task is inherently non-programmable (Eisenhardt, 1989);
- the contingent nature of the decision making process makes it impossible or prohibitively expensive to specify appropriate behavior for all possible conditions in advance; and
- there are difficulties associated with measuring corporate or executive performance or outcomes (Holmström, 1979; Holmström and Milgrom, 1991; Sirgy, 2002).

All of these conditions are almost universally present in corporate organizations (Berle and Means, 1932).

Furthermore, top executives of a firm (agents) often accumulate extraordinary amounts of financial, legal and political power that can give them the ability to control information and influence negotiations between themselves and principals (Jensen, 1986). This power can manifest itself as an unfair ability to control the creation of compensation contracts. From this point of view, the history of executive decision making plays out like an arms race. Principals and regulators struggle to define effective contracts and effective rules for contract construction. Executives struggle to act in their own interests by opportunistically interpreting existing contracts and by exploiting limits in the stated regulations. Attempts to create legislated controls such as the Sarbanes-Oxley Act of 2002 (US House Resolution 3763; US Public Law 107-204), which was initiated as a means of increasing the accuracy and reliability of corporate financial disclosures, are chronically late or are not sufficient to accommodate the complexities involved. Often, shareholders do not have a clear understanding of the true

value of the compensation packages being offered to top executives. Corporations usually provide only the information they are compelled to provide, and the true nature of a contract can be hidden from shareholders because law does not require strict disclosure of all provisions of a contract.

One approach to inducing an agent to make decisions on the part of the principal is to provide the agent with partial ownership of the asset in question (Demsetz and Lehn, 1985). In the case of top managers of organizations, this is often accomplished by awarding stock or options to purchase stock to top decision makers in the firm. This increases the incentive to act in the service of owners by aligning the interests of managers and shareholders. A special case of this situation may occur when an entrepreneur sells a portion of a firm to others while retaining a portion. In order to reduce the cost of compensation, options or warrants are often used instead of stock. This strategy is further used because of the heightened sensitivity of the value of these instruments to gains or losses in income. However, when stock options become the most significant source of executive compensation, a misalignment of incentives occurs between executives and owners. The extreme variability of the values of options in reaction to changes in the performance of firms creates an incentive on the part of executives to make decisions and take actions that produce rapid, short-term profitability. The executives then sell their options before the negative consequences of short-term decisions are manifested in share prices.

This is exacerbated by the nature of the methods used to account for options awarded as compensation. Until recently, executives found ways to circumvent rules intended to inform shareholders by allocating options for repurchased shares. Because of Federal Accounting Standards Board rules (Accounting Principles Board Opinion 25; FASB Statement 123) the shareholder approval requirement for many compensation plans was exempted in these cases. Thus, incentives of which the shareholders were not aware were put in place. This was tantamount to a contract of which the principals were not aware.

Executive compensation can also constitute a reinforcement of undesirable behaviors (Kerr, 1995) on the part of executives who adopt the shareholder-wealth-maximizing organization paradigm to justify their actions. External and internal organizational and individual

controls can contribute to dysfunctional outcomes while reinforcing strong beliefs in the dominant paradigms that set up the conditions for unethical leadership decision making and behavior, thereby demonstrating the perverse effects of some existing control mechanisms.

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## Discussion

In this paper, we have stressed that the dominant paradigm of the shareholder-wealth-maximizing model is favored by factors such as share-price fluctuations, and pressure exercised by stockholders. When executives refer to the shareholder-wealth-maximizing paradigm, it affects the principles of governance of organizations, thereby minimizing stakeholder inclusiveness in the selection of organizational priorities. A strong emphasis on profits, coupled with inadequate control mechanisms and dysfunctional compensation, can provide incentives to executives to favor decisions focused on short-term financial targets and neglect the long-term performance of organizations, and well being of stakeholders.

We have highlighted the importance of the attribution of charisma, which enables clever executives, who possess certain personality characteristics, to benefit themselves by circumventing regulatory systems, altering policies and rules, and deceiving principals, rather than acting as moral agents. This paper has described how the self-selection of executives can be strongly influenced by the dominant paradigm, thus creating expectations regarding how executives should behave. Individuals who are likely to be attracted to the highest positions in organizations may possess personality characteristics, such as narcissism, that predispose them to behave in questionable and even unethical ways under enabling conditions.

Furthermore, in times of organizational crisis, human beings express their needs for saviors, and aggrandize their selected leaders to the point that these are conceived as godlike. However, these constructed gods are collective illusions that serve the purpose of escaping individual obligation toward the collective well-being. Organizational participants look for gods and think they find them. However, are the constructed gods the only ones who are culpable when things go wrong? Leaders and followers cannot really be separated. Both are intimate participants in a cooperative interaction that involves more balanced power positions than most

people are willing to accept. Acknowledging this would be one way, perhaps a preliminary way, to begin the process of creating a critical paradigmatic shift in the way leadership is viewed.

Unfortunately, very little has been done to examine differences in follower behavior across a number of potentially relevant individual traits, and much more could be done to identify differences in perceptions of leader behavior. While there is some literature pointing toward these issues (for example see Clements and Washbush, 1999; Hirschhorn, 1997; Kelly, 1992; Kets de Vries, 1989) a great deal more study needs to be done to explore and define dysfunctional followership and its influence on leadership dysfunction. Such studies would complement the assertions expressed quite clearly and repeatedly in this paper, that leadership ethical lapses are not due exclusively to the character and actions of leaders themselves.

From a professional perspective, we have made a strong case for the argument that, for every ethically questionable managerial decision, ethical options exist. Unfortunately, promotion of ethical decisions and behaviors in practical ways is not an easy task.

The ideas and concepts presented in this paper do suggest some practical alternative actions that should be considered. For example, quarterly financial reporting requirements (applicable to publicly held corporations) and the emphasis placed by Wall Street on current financial results have contributed to misguided mindsets in investors and those exercising fiduciary responsibilities. Changing these mindsets will require the education of decision makers and courage from those who seek to redefine the prevailing norms. There is a need to educate leaders about how demands for performance can warp judgment. More attention must be given to providing public information reporting how executives plan to build sustaining value, particularly on the part of powerful fiduciaries.

Boards of directors, perhaps aided by a shift to larger numbers of outside and independent directors, need also to become more concerned about and to send clear messages that building long-term value and behaving ethically are mutually, inalterably important. Boards must also become more careful in selecting senior executives and writing contracts to avoid, first, falling victim to the wiles of self-serving executives and second, sending signals that anything done to effect a quick turnaround will be tolerated. Performance assessments conducted by boards must include consideration of both organizational

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Louise Tourigny,  
William L. Dougan,  
John Washbush and  
Christine Clements  
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governance, charisma,  
personality and agency*

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performance and the ethicality of executives' decisions and behaviors. Of course, if members of boards are themselves ethically irresponsible, little hope for change exists. It is unlikely that stakeholders are themselves capable of enforcing the demand that boards refocus themselves, but outside agencies and especially the Securities and Exchange Commission (SEC) and professional accounting organizations and accounting boards do have substantial power to reorient thinking. As we have argued previously, when shareholders must resort to litigation to effect responsible behavior, they derail ethical decision making by driving attention away from all other stakeholders in an organization.

Senior executives must also examine the signals they send to their subordinates and the organization as a whole. A popular phrase used to refer to how these signals are most commonly expressed is "tough-minded management". Far too often, this style produces a decision environment in which "meeting the numbers" and "saying what the boss wants to hear" are all that matter. Executives need to spend time and effort assessing the moral consequences of their decisions and behaviors and of the decisions and behaviors of subordinates. This is not likely to happen if the executives themselves are recipients of repeated and emphatic signals that expediency and immediacy are demanded.

There is an urgent need for the accounting profession to take actions to improve how it polices itself. In addition to giving lip service to the importance of considerations such as auditing, ethics and transparency, the profession must understand that its integrity and behaviors are under question, perhaps as never before. Failure to act in aggressive, purposeful and well-publicized ways will only increase the likelihood of legislative actions that may eliminate some targeted problems in the short run but may also muddy the waters in the long run.

There is also a role for education, training and organizational development (Rausch and Washbush, 1998; Rausch *et al.*, 2001). Education and training programs designed to improve executives' awareness and knowledge of both the technical and contextual environments of decision making can contribute to a reduction of dysfunctional choices. Managers should also learn to be critical self-assessors, open to examining and understanding their abilities, personalities, interpersonal skills, and shortcomings. However, we are not very sanguine that there will be a renaissance in values and business education in the

foreseeable future. Business schools have been, supposedly, teaching and talking ethics for years, but it appears that the effort may not have consistently borne good fruit. However, business school faculties should be both concerned and proactive in renewing and reinforcing messages about what ethical behavior means and how ethical decisions can and should be made.

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## Conclusion

This paper highlights how the dominant, shareholder-wealth-maximizing paradigm sustains both external and internal organizational conditions that can contribute to the failure of organizational leaders to make executive decisions and to act according to appropriate principles of governance and ethical standards. We argue that both scholars and practitioners should engage in a cooperative endeavor to determine what paradigmatic changes should be identified and implemented, and how those changes should be accomplished. Education can certainly play a role in developing executive mindsets. Control mechanisms and compensation can provoke behavioral changes. However, generally shared assumptions concerning the role and performance of executives cannot be modified without considering the value system and beliefs of those who implement the controls and determine the rules of transactional relationships between principals and agents. There is a need to continue to study the behavior of executives so as to understand the conditions that enable and motivate dysfunctional behavior and unethical action. There is also a critical need for a determined effort to study leader-follower processes objectively and rigorously and to begin a discussion of how followers must be more realistic in their assessments of leaders and more involved in the process of organizational leadership.

We can perhaps best illustrate the breadth of causality of the problem by noting again that demands on executives for improved financial performance and criticism of them for failing to deliver gains establish conditions for a two-pronged reinforcement of ethical lapses. Those who fail in morality but succeed in producing excess returns are likely to be praised and rewarded on the basis of those outcomes, however they are achieved. At the same time, the level of criticism drops as profits improve.

We have shown that many plausible causes of executive behavior come from outside the executive suite and, more importantly,

outside of the organization. Without conscious and concentrated efforts to understand the influences on and the impact of senior-level management decision making, change is not likely to be demanded or to occur. In the end, we are all part of the problem and we must all participate in finding ways to become part of the solution.

One might argue that we should offer additional and specific practical, pragmatic, legalistic, programmatic and educational solutions to these problems. Unfortunately, if individuals in positions of power decide to act in ways that violate mandated, legal, ethical, or moral boundaries of action, they can easily do so for their own purposes as well as for the purposes of their shareholders, their companies, their boards or other significant power groups. Thus, prospects for the creation of completely effective responses to these problems are extremely dim. However, we cannot turn our backs on the battle. We must continue to confront this challenge grudgingly, but with all of the enthusiasm that we can muster. Better understanding of the influences on dysfunctional behavior is an ongoing pre-requisite for even limited success.

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### Appendix

As mentioned in the "editor's note" following the Abstract, this Appendix contains the comments of the reviewer, Herbert Sherman, PhD Professor, Division of Business, Long Island University, the responses of the authors and a final word from the reviewer.

### Comment

The problem, which I think is quite important to this paper, deals with the authors' definition of ethical behavior. Their current definition, that of balancing the needs of all of the firm's stakeholders, is impossible to operationalize (determine right from wrong) since each stakeholder group is going to have a differing perspective on whether they have been treated fairly or not by the firm. Putting it another way, not only is ethics going to be determined in a situation-specific modality, it is going to be a composite of differing groups' perspectives. This creates tremendous difficulties for the decision maker since he or she may not be aware of all the stakeholder groups involved in a particular decision, nor their positions on the decision to be made. This definition casts the manager as the benevolent autocrat who makes the best decision for all. With the authors' definition of what is ethical, it is clear why managers and CEOs grasp unto profit-maximizing behavior; it's simpler and

easier. The problems inherent with the definition of ethics seems to be a fatal flaw since the paper deals with discussing factors that impact ethical behavior as well as possible ways of increasing ethical behavior.

### Response

We have presented, not a paper on ethics *per se*, but a discussion of how the narrow, shareholder-wealth paradigm, rather than fostering ethical behavior, can become an influence for, and justification of, unethical behavior. The stakeholder paradigm, on the other hand, assists the decision maker by forcing that person to be or become sensitive to all those who have a legitimate interest in the effective performance of the organization – in effect, an ethical perspective of the greatest good for the greatest number. That is precisely what our definition of ethics proposes. While legalities form a substantial basis of our perspective, they do not tell the whole story. The stakeholder perspective does not ask the executive to be a "benevolent autocrat". Quite the opposite is true. The stakeholder perspective asks the executive to make the effort to fully consider all the relevant aspects of the open system that is the organization. It wars against the exclusive "profit-maximization" focus. We believe that it is the shareholder-wealth perspective that fosters narrow perspectives. Executives are typically well-compensated and expected to be able to deal with the complexities of organizational realities. Taking the easy way out is not ethically genuine. We believe (and many executive education and training programs teach) that the executive must coordinate and control a myriad forces in determining plans of action, ensure the presence of able, capable and effectively motivated organizational members, and build an environment sensitive to the needs of all those interacting in and with the organization. The stakeholder perspective assumes that the executive needs to be aware that the claims and influences of different parties and must effectively reconcile these according to legal, professional, and fairness standards. These stakeholders and their influences: not necessarily in priority order since that order may be affected by the circumstances) are:

- *Customers or those using the services provided by the organization.* Most people often forget that without this group the organization would not exist. The exchange of value between the organization and these people forms the essential condition if the organization is to endure. The organization cannot survive in the long term if it fails to offer



products or services that are considered to be useful and fairly priced. Treating these people ethically and well is essential to the organization's future.

- *Those working in and for the organization.* Effective selection, training, and compensation are vital to the organization's ability to serve its customers or clients. They provide a foundation for ethical treatment.
- *Ownership.* If the claims of the prior two groups are effectively understood and accounted for, within legal, procedural and economic limits, the claims of ownership should be considered. Placing this group first in precedence, as in the shareholder-wealth perspective, puts emphasis in the wrong place. Rather than spurring management to find better ways to satisfy customers and clients and those working for the organization, shareholder-wealth can become both end and means. If anything is true, this perspective relies on the executive to be the "benevolent autocrat", instead of the stakeholder approach.
- *Society at-large* – legal requirements and professional standards. Government, regulatory agencies, legal precedents and procedures, and standards promulgated by professional bodies are supportive of the claims of the above stakeholders but also reflect the legitimate claims of the broader society. Legalists might infer that these claims are the primary basis for organizational action, and they are indeed important, but legalism cannot be considered the sole basis for ethical behavior by executives.
- *Competitors.* Competitors make their own claims on the marketplace. They may dominate, compete, or fail, but they too have a legitimate claim on fair treatment – here, legal constraints are quite compelling, and one major foundation for ethical behavior.

Our paper takes the perspective that effective organizational management is demanding and hard to do. Those who look for shortcuts are likely to be tempted to cut corners and give less than appropriate attention to ethical considerations, in the name of expediency. At this writing, there is more than ample evidence that the social and economic costs of questionable executive decision making can be very large indeed. We cannot, of course, suggest an absolute benchmark for right and wrong that will simply and easily cover all circumstances in a formal sense. However, we can say that the executive should not lie, cheat or steal. Beyond that,

however, we believe that attention to the stakeholder perspective will certainly not make executive decision making any easier, but potentially more adequately based. That, in turn would make it better for all concerned, we believe. Unfortunately, executives who are determined to lie, cheat, or steal will find ways to do so no matter what perspective they employ.

#### **Reviewer's response**

I appreciate the response that clarifies the stakeholder perspective and its impact on ethical decision making. I clearly agree with the authors that a stakeholder perspective provides a broader context for CEO decision making and that the aforementioned groups do impact CEO's decisions. However, it is certainly not clear how the stakeholder model would yield results that produce "in effect, an ethical perspective of the greatest good for the greatest number" nor that the greatest good for the greatest number produces an ethical decision.

Let me address the stakeholder model first. This model is predicated upon the notion that differing interests impact decision makers and may act to influence or check corporate decision making. Yet this is not a true check and balance system, like our government, in that each group does not have either the power to veto other groups' interests or to veto CEO actions. CEOs are left with the unenviable task of sifting through the myriad of interests and discerning what is equitable and right for all concerned (assuming they want an equitable decision in the first place). Stakeholder groups have differing interests and points of view and inevitably some stakeholder groups will "win" and some will "lose" when a CEO makes a decision (i.e. to shut down a plant and move to another location). So how should a CEO balance these differing factions warring for their own interests? The CEO must choose, based upon his or her own values (ethics), and which groups interests are more important than others to the CEO given the rights of each group; in essence the CEO creates a cognitive map or hierarchy of interests based upon his or her predisposition and decision circumstances. Inevitably, groups like customers, stockholders, and employees tend to be at the top of the hierarchy while groups like competitors and society-at-large are at the bottom given issues of proximity to the decision, legal and business obligations. Yet corporate greed highlights the fact that personal values may outweigh any consideration of others' interests including traditional "profit-maximization." In summary, my opinion is that the CEO is

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confronted with an “ethical jungle” (kudos to Harold Koontz) created by numerous factions vying for their own interests, leaving the CEO to interpret those interests through his or her value system.

Coming back the notion that doing the greatest good for the greatest number is ethical from a stakeholder’s perspective, is not ethics a matter of perspective even within this model? Madison, in the *Federalist Papers*, No. 10, cautioned that in a democracy we did not want mob rule (in essence majority rule) but that we had to protect the minority from the majority in order to guarantee the fundamental rights of all individuals. In business, do not stockholders have a fundamental and legal right to make a profit derived from their economic investment although they represent a minority group? An alternative value system, as proposed by John Rawls, is distributive justice; making sure that those who are least socially and economically advantaged are benefited first while those most well off

benefit least. Would this mean that CEOs should institute compensation programs that distributes bonuses and pay raises based upon employee economic need, or customer prices based upon customers’ ability to pay?

Does the stakeholder perspective “not make executive decision making any easier, but potentially more adequately based. That, in turn would make it better for all concerned . . .” Certainly the model obfuscates the decision making process by adding layers of complexity and moving CEO decisions away from profit maximization (a rational, economic decision) to interest group appeasement (a political decision); here I concur with the authors. Does the model increase the quality, potential equity or fairness in CEO decision making? That is much harder to determine given the numerous definitions of what constitutes a “better [decision] for all concerned” and how the CEO’s value system impacts each decision.

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# CEO and ethical reputation: visionary or mercenary?

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## Keywords

Ethics, Chief executives, Financial performance, Compensation, Business performance

## Abstract

This study examines the relationship between ethical reputation, CEO compensation and firm performance for the top corporate citizens as rated by *Business Ethics* magazine. The results show that there was not a direct relationship between CEO compensation and firm performance, that a high level of CEO compensation combined with a high ethical reputation did not impact the financial performance of the firm, and firms with a high ethical reputation had only average financial results, while firms with low ethical reputations displayed both high and low financial performance. Furthermore, CEOs of unfirms had, on average, higher compensation levels than firms that were profitable. These findings bring useful inputs for CEO on how they can justify high levels of compensation even during periods when the firm is not profitable or has a low level of profitability. An interesting sidelight of the study is that three CEOs in the sample whose firms were profitable did not accept any compensation during 2002, probably because the financial performance was below expectations.

In a post Enron/WorldCom corporate world, corporate ethical values as reflected in the behavior of firms have become a major point of discussion. Within this context, the role of the CEO in ethical issues has come under increased scrutiny. This study looks at ethics of a firm from a CEO leadership perspective by examining whether the CEOs of firms with a high ethical reputation demonstrate ethical leadership from both an individual and corporate level perspective. In other words, do CEOs not only talk the talk but also walk the walk? In order for CEOs to take a leadership role from an ethics perspective, they must lead by example. One of the critical responsibilities of the CEO is to be a symbolic representation of the values and beliefs of the firm. Therefore, if a firm strives to achieve a high ethical reputation from a corporate perspective, the CEO must also ensure that the individual decisions of the CEO are consistent with the overall ethical philosophy of the firm. There must be consistency in the ethical values of the firm to “talk the talk” as well as the ethical decisions of the CEO to “walk the walk”.

Previous studies have examined corporate social responsibility and CEO compensation (Stanwick and Stanwick, 2001). However, a study which examines the relationship between CEO compensation, ethical reputation and financial performance of the firm has not yet been done. This relationship is the focus of this study.

The specific purposes of this study are to examine: first, whether there is a direct positive relationship between a firm’s ethical reputation and the level of CEO compensation and second, whether there is a strong positive relationship between ethical reputation, CEO compensation and firm performance. This study examines these relationships using the 100 firms with the

highest ethical evaluations as presented in *Business Ethics* magazine.

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## CEO compensation and ethics

Previous studies on CEO compensation have focused primarily on the direct relationship between CEO compensation, size and financial performance (Jensen and Murphy, 1990; Lambert *et al.*, 1991; Tosi and Gomez-Mejia, 1994; Veliyath, 1999). Other areas of research on CEO compensation have focused on the CEO’s demographics and other background information (Finkelstein and Hambrick, 1988; Fisher and Govindrajana, 1992) as well as on the strategic focus of the firm (Balkin *et al.*, 2000; Gomez-Mejia, 1992).

As was shown by Cordeiro and Veliyath, (2003), a more effective approach to examine the relationship between CEO compensation and the firm is to look at it from a holistic perspective – how the individual executive and the firm affect the level of CEO compensation. As Diacon and Ennew (1996) showed, the dominant corporate culture influences the ethical standards of the organization. Therefore, a corporate culture that encourages high ethical standards should also bring ethical behavior of the CEO as it concerns the relationship between the executive’s compensation and the financial performance of the firm. At the same time, the cultural beliefs of the firm protect it and also give guidance to employees on appropriate behavior when explicit directions of policies do not exist (Hausman and McPherson, 1993).

The actions of the CEO and the Board of Directors provide a role model and, thus, help foster and entrench the ethical belief system for all the employees. In addition, they reflect the responsibilities of the Board of Directors and the CEO to guide the



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corporate culture of the firm so it will help ensure that the firm will achieve the best possible financial performance (Murphy, 1989). Furthermore, the CEO must ensure that the corporate culture does not sanction bypassing of the monitoring and control systems implemented by the firm (Walsh and Seward, 1990). As Williamson (1980) states, by incorporating ethical values in the cultural belief system, the self-interests of the employees will not take precedence over the overall interests of the firm. Thus, employees at all levels of the organization are guided and encouraged to adjust their norms to the legal and organizational standards established by the firm (Graves, 1986).

As Stead *et al.* (1990) state, in order to successfully develop a strong ethical culture or climate within a firm, there must be ethical leadership from the top-level managers. In their study, Diacon and Ennew (1996) found that, in 77 per cent of the firms in their sample, the Chairman or CEO led in establishing the ethical standards for the firm. (The Board of Directors is, of course, also involved.) With input from the CEO, it is responsible for developing a corporate code of ethics. In addition, it is the responsibility of the Board of Directors to help guide the behavior of the CEO. One method of control is the determination of the level of compensation of the CEO. Through the compensation committee, the Board of Directors determines what performance measurements will be used to evaluate the performance of the CEO. Those performance measurements are then used to determine the level of total compensation that is awarded annually to the CEO.

One of the ways for top managers, especially CEOs, to reinforce positive ethical decisions by other employees and to ensure a strong ethical position of the firm, is to lead by example. However, as Williamson (1964) points out – managers, including CEOs, protect their self-interests, often without regard to those of other stakeholders. This finding has led to the development of agency theory which depicts that managers act as agents for the interested parties who traditionally have been primarily the stockholders (Keasey and Wright, 1993).

Wood and Jones (1995) suggest that, when making decisions affecting social responsibility, including those that impact ethical conduct, the potential impact on stakeholders should be considered on any actions implemented by the firm. These stakeholders include any affected and interested party – people and

organizations. Traditionally stakeholders include:

- stockholders;
- employees;
- customers;
- suppliers;
- government;
- local communities; and
- society as a whole.

Wood and Jones (1995) also speak of stakeholder mismatching that can take place when the actions of the CEO and the firm are directed at satisfying some, but not all, of the stakeholders.

Therefore, incorporated into the decision making process of the CEO should be the consideration of how it will impact various stakeholders. The decisions of the CEO should be consistent with the overall ethical standards established by the firm and that includes the responsibility to view customers, employees, the environment and other stakeholders as having a vested interest in the operations of the firm.

If the viewpoints of these stakeholders are incorporated in the decision making process of the CEO, it will result in a strong positive relationship with these stakeholders. These strengthened relationships are likely to yield higher individual rewards for the CEO in the form of CEO compensation, and higher corporate rewards for the firm in the form of better financial performance.

While the environment is not a stakeholder *per se*, the impact of the environment on local, regional, national and international communities does play a role in the strategic decision making of CEOs. A previous study by Stanwick and Stanwick (2001) shows the challenges that CEOs face when addressing the relationship between CEO compensation and the environment. The study found that there was an inverse relationship between CEO compensation and corporate environmental reputation. Therefore, there is an inherent disincentive for CEOs to consider the environment in their decisions, at least for the short term. In the long run, high ethical standards, including attention to environmental issues may bring a more positive relationship between CEO compensation and corporate reputation for environmental concerns, especially if a favorable ethical reputation accompanies it. Therefore, it may be in the best interest of CEOs to include a positive environmental focus in their decision making process even if it would result in temporarily lower levels of compensation.

The role of diversity in the decision making and hiring process is also critical to

ensure consistent ethical behavior of the firm. By having a well diverse workforce, CEOs can rely on alternative viewpoints in the decision making process. Furthermore, diversity helps a firm to better address the diverse need of the customers (Maitland, 2003). Maitland cites a survey conducted by Amin Rajan of Create which found that:

... executives tend to be more committed if their remuneration is tied to how well they manage people with different backgrounds, styles or beliefs (Maitland, 2003, p. 8).

However, Maitland warns that forcing diversity on a corporate culture that is not prepared for it could be counterproductive. In an example he refers to a firm that had male middle managers mentor women management trainees. The beliefs of the men were not supportive and the training program was a failure. Therefore, it is important for CEOs to encourage diversity in the development and implementation of all aspects of corporate strategy.

There is a complex relationship between CEO compensation, financial performance, and ethical behavior of the firm. In this study, the authors have attempted to identify the inter-connecting components of that the relationship for large firms. A fundamental distinction of this study from previous studies is that this relationship between CEO compensation, ethical reputation and financial performance is examined using firms that have been identified to have a high ethical reputation. The firms in this study were chosen based on the criteria identified by *Business Ethics* magazine as having high ethical standards and a high ethical reputation.

Within the sub-set of the 100 firms with the highest ethical reputation, it might be expected that firms with poor financial performance would compensate CEOs at a lower level than firms who were profitable. Therefore, this study investigated whether firms with a high ethical reputation have a strong relationship between CEO compensation and firm performance.

It may also be expected that there is a positive relationship between a firm's ethical reputation and financial performance since it would seem that one of the leadership responsibilities of the CEO is to ensure that strong ethical standards contribute to the firm's profitability.

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## Methodology

The sample used for the study was selected from the "100 best citizens of 2003" as published in *Business Ethics* magazine.

*Business Ethics* magazine annually evaluates companies based on their service to the environment and the level of support to various stakeholders including suppliers and the community at large. *Business Ethics* used, in part, the rankings of the level of social commitment developed by KLD Research and Analysis Inc as the basis for the rankings. KLD evaluates each company's commitment to seven different stakeholder groups by using information obtained from lawsuits, government regulations issues, awards and other publicly available information pertaining to the company. KLD evaluates these variables for the Russell 1,000 which includes the 1,000 largest publicly traded firms and also 150 firms that are not in the Russell 1,000 but are included in the socially screened Domini stock index.

The editors of *Business Ethics* use this evaluation as a starting point for their analysis. The magazine reviews the impact of organizational behavior with respect to: the community at large, the level of service toward minorities and women within the firm, the treatment of employees, the firm's commitment to the environment, the proportion of non-US stakeholders and the level of commitment to customers that have been evaluated by KLD. Stockholders are not included in the *Business Ethics* evaluation. A description of the types of issues examined under the environment, community relations, employee relations, diversity, and customer relations are shown in Table I.

KLD evaluates each company on those seven variables as either strengths or concerns based on the firm's actions. KLD assigns a number to these strengths and concerns for each firm. *Business Ethics* subtracts the numerical value of the concerns from the numerical value of the strengths to give a numerical evaluation. It supplemented this initial evaluation by doing a comprehensive search of information pertaining to each company and develops an overall numerical evaluation of each firm's ethical reputation.

For this paper, all six variables were standardized to establish a standard deviation from the mean. The standard deviation from the mean was used to establish the relative position of each firm in the sample. The unweighted average score for all the variables was added together to produce an overall score for each firm. The average for each of the variables is unweighted since the editors of *Business Ethics* wanted each stakeholder to have equal impact on the ethical reputation calculation. Consideration of shareholder interests, based on the 2001 total return to shareholders, is

**Table I**

Description of components of stakeholder variables

Variable	
<b>Environment</b>	Looks at positive programs in place such as pollution reduction, recycling, and energy-saving measures; as well as negative measures such as level of pollutants, EPA citations, fines, lawsuits, and other measures
<b>Community relations</b>	Looks at philanthropy, any foundation the company has, community service projects, educational outreach, scholarships, employee volunteerism, and so forth
<b>Employee relations</b>	Looks at wages relative to the industry, benefits paid, family-friendly policies, parental leave; team management, employee empowerment, and so forth
<b>Diversity</b>	Looks at per cent of minority and women among employees, managers and board members; any EEOC complaints; diversity programs in place; lawsuits, and so forth
<b>Customer relations</b>	Might include quality management programs, quality awards won, customer satisfaction measures, lawsuits, and so forth

included in the final calculation of the ethical reputation number. Therefore, seven variables are included in the final calculation for ethical reputation.

CEO compensation is based on the total level of compensation given to the CEO for 2002. The year 2002 was selected since the ranking of ethical reputations are presented in 2003 but are based on the evaluation of 2002 data. Total compensation is calculated based on the CEO's salary, stock options and other benefits. Total compensation was used as the measure of CEO compensation since it best reflects the short and long term rewards offered to the CEO as an incentive to represent all the relevant stakeholders (as suggested by Cordeiro and Veliyath, 2003). Salary represents the short term rewards for the CEO, while the exercising of stock options represents the rewarding of longer term performance objectives that have been established by the Board of Directors. Other benefits such as club memberships, company cars and the use of a corporate jet could be considered both short and long term in nature.

The financial performance is calculated based on using the ratio of net income/sales for 2002. This ratio was used to control for the size of the firms in the sample. Previous studies on the CEO compensation (Callahan and Rutledge, 1995; Balkin *et al.*, 2000; Stanwick and Stanwick, 2001; Ramcharran, 2002; Cordeiro and Veliyath, 2003) have used sales as a proxy for the firm's size.

Of the 100 firms in the *Business Ethics* sample, the authors were able to obtain CEO compensation and financial performance data on 90; ten firms were not included in the sample because they were either privately held or 2002 financial data were not publicly available. A listing of the firms in the sample is shown in Table II.

## Results

For each of the three variables in the study, CEO compensation, ethical reputation and financial performance, three categories of high, medium and low were established. The authors separated the variables into the three categories based on the numerical values of each of the variable. For each variable, the top 30 firms were placed in the high category, the middle 30 firms were placed in the medium category and the bottom 30 firms were placed in the low category. This classification was used due to the relatively low sample size of 90 firms. The results are shown in Tables III-VI.

Analysis of the data shows some interesting relationships. Although not statistically significant, the results show some general trends. Comparison of CEO compensation with financial performance (Table III) highlights the inconsistent nature of this relationship. The highest and lowest paid CEOs were in companies that were in the medium financial performance category, while the firms with the lowest financial performance had the highest number of medium paid CEOs. This supports past research that demonstrated no link between CEO compensation and financial performance (Kerr and Bettis, 1987; Jensen and Murphy, 1990; Dillard and Fisher, 1990).

Comparison of CEO compensation with ethical reputation of the firm (Table IV) also shows an inconsistent relationship. As was expected, CEOs with the highest compensation were also in firms with the highest ethical reputation. However, the results also showed that firms with a medium score on ethical reputation had the highest number of CEOs with low compensation and firms with the lowest ethical reputation had the highest number of

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**Table II**

Firms examined in the study

3M Company	Herman Miller
Adaptec	Hewlett-Packard
Adolph Coors	IBM
Aetna	Ikon Office Solutions
Agere Systems	Imation
Air Products & Chemicals	Intel
Amgen	ITT Industries
Apogee Enterprises	J.M. Smucker
Arrow Electronics	Kinder Morgan
AT&T	Lexmark International
Autodesk	MBIA
Avon	Medtronic
Bank of America	Merck
Becton Dickinson	Microsoft
Brady	Minerals Technologies
Champion Enterprises	Modine Manufacturing
Chittenden	Moody's
Cisco Systems	Motorola
Clorox	National City
Computer Associates International	<i>New York Times</i>
Cummins Inc.	Nordson
Deere & Company	Northern Trust
Dell Computer	Northwest Natural Gas
Delphi	Nvidia
Deluxe	Pep Boys
Dow Jones & Company	Pitney Bowes
Eastman Chemical	Procter & Gamble
Eastman Kodak	Rouse
Ecolab	St Paul
Eli Lilly & Company	Scholastic
Fannie Mae	Sonoco Products
FedEx	Southwest Airlines
First Tennessee National	Spartan Motors
Firstfed Financial	Staples
FleetBoston Financial	Starbucks
General Mills	State Street
Gillette	Sun Microsystems
Golden West Financial	Supervalu
Graco	Symantec
Great A & P Tea	Thermo Electron
Green Mountain	WGL Holdings
Guidant	Whirlpool
Harman International Industries	Whole Foods Market
Hartford Financial Services Group	Wild Oats Markets
Hasbro	Worthington Industries

CEOs with a medium range of CEO compensation.

In the relationship between ethical reputation and financial performance

**Table III**

CEO compensation and financial performance

CEO compensation	High	Financial performance		Total
		Medium	Low	
High	10	13	7	30
Medium	11	6	13	30
Low	9	11	10	30
<b>Total</b>	30	30	30	90

(Table V), the results were also mixed. Firms with the highest ethical reputation did not have the best financial performance, but firms in the middle of the pack had high ethical reputation. However, firms in the middle of ethical reputation had the highest number of highly paid CEOs and firms with the lowest level of ethical reputation were split between high and low paid CEOs.

The relationship between ethical reputation and financial performance was further examined by combining the two categories – see Table VI. The results showed

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that the highest number firms with a high ethical reputation were in the group with average financial performance. However, it is also interesting to note that for firms with a low ethical reputation, there was equal representation in high and low financial performance. Again, this result shows the inconsistent nature of the relationship between ethical reputation and financial performance. Table VI shows how CEO compensation relates to the relationship between ethical reputation and financial performance. It demonstrates some additional interesting results. The number in parentheses represents the different CEO compensation levels within each component in Table VI.

The results show the inconsistent reward distribution for CEOs when compared with ethical reputation and financial performance. Firms with high ethical reputation and high financial performance did have more CEOs with high levels of compensation. Yet, firms with low ethical

reputation and low financial performance have as many CEOs with high compensation as were categorized as low levels of compensation.

A potentially more interesting analysis of the study is based on looking at some post hoc evaluations of the data. For CEO compensation, there was an extremely large variance. Within the 90 firms in the sample, the range of annual CEO total compensation was from 0 to \$82.306 million, with the average CEO compensation being \$6.051 million.

It is interesting to note that of the 90 firms, 74 firms were profitable in 2002 and 16 were not. The average CEO compensation for the profitable firms was \$5.957 million, while the average CEO compensation for the unprofitable firms was \$6.487 million. It appears that the CEOs of the firms with the top ethical reputation do not transfer those ethical beliefs to their own compensation levels. The results show that the self-interests of the CEOs may supersede the ethical standards for the firm. Another interesting result is that the CEOs from Eli Lilly, Cisco Systems and Kinder Morgan did not receive any CEO compensation in 2002. All three of those companies were profitable (\$2.708 billion, \$1.893 billion, \$302.7 million respectively). The range in CEO compensation for the 16 unprofitable firms is from \$29.3 thousand to \$25.824 million. As Table VI shows, even among the 11 companies in the low ethical reputation/low financial performance, there were three in the high compensation category and 5 more in the medium range. The compensation is thus likely to have been better than that for the companies who also have poor financial results, but high ethical reputation – one wonders whether that is an indication of the low value that boards of directors assign to ethical issues.

**Table IV**

CEO compensation and ethical reputation

Ethical reputation	CEO compensation			Total
	High	Medium	Low	
High	12	9	9	30
Medium	9	9	12	30
Low	9	12	9	30
<b>Total</b>	30	30	30	90

**Table V**

Financial performance and ethical reputation

Ethical reputation	Financial performance			Total
	High	Medium	Low	
High	6	15	9	30
Medium	13	7	10	30
Low	11	8	11	30
<b>Total</b>	30	30	30	90

**Table VI**

CEO compensation for combinations of ethical reputation and financial performance

<i>High ethical/high financial</i>	<i>High ethical/medium financial</i>	<i>High ethical/low financial</i>	<i>Total</i>
6 (5,0,1) <sup>a</sup>	15 (7,5,3) <sup>a</sup>	9 (0,5,4) <sup>a</sup>	30
<i>Medium ethical/high financial</i>	<i>Medium ethical/medium financial</i>	<i>Medium ethical/low financial</i>	
13 (3,7,3)	7 (2,0,5)	10 (5,3,2)	30
<i>Low ethical/high financial</i>	<i>Low ethical/medium financial</i>	<i>Low ethical/low financial</i>	
11 (2,5,4)	8 (4,2,2)	11 (3,5,3)	30
30	30	30	90

**Note:** <sup>a</sup>The first number (the one before the parentheses) under each combination refers to the number of organizations in the respective category and the numbers within the parentheses refer to high, medium, and low CEO compensation levels



## Conclusions

The results of this study have highlighted two significant contributions pertaining to the relationship between ethical reputation, CEO compensation and financial performance. The first is that a strong ethical reputation does not always transfer into improved financial performance of the firm, but it seems that CEOs are rewarded with a higher ethical reputation. The second is that ethical conduct at a corporate level is not always transferred to specific CEO behavior.

The study showed that firms that lost money actually had a higher overall CEO compensation level than firms that were profitable. This highlights the obvious disconnect between the actions of the firm ethical standards and the individual ethical standards of the CEO. It is surprising since it is expected that the CEO be the ethical leader both in word and deed.

The reaction of the public is highlighted in a recent poll by the *Financial Times* which showed that the British public viewed CEOs as liars who are overpaid and can not be trusted to protect the pension plans of the employees (Skapinker, 2003). Finkelstein *et al.* (2003) likened the extreme anti-social behavior to some CEOs with that of people who are considered sociopaths. Although these conclusions may be too harsh, it is easy to understand the level of frustration in the general public to the perception that CEOs will always look after their own self interests before the interests of the stakeholders.

Finkelstein *et al.* (2003) wonder where the shame of CEOs is who are not leading to either strong financial performance nor high ethical reputation and still will not reduce their own compensation packages. The same authors conclude that CEOs are not constrained by ethical norms and will always put their self interests first. Maybe they are on the right track, but have the wrong diagnosis. Since CEOs state they have high ethical standards but do not always implement high ethical actions, the correct diagnosis for CEOs could be stronger, maybe even resembling schizophrenia.

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# The special challenges of academic leadership

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## Keywords

Higher education, Academic staff, Leadership, Role conflict

## Abstract

Effective leadership in any organization is a crucial component of overall organizational success. While many aspects of management and leadership are common to most organizations, colleges and universities present special challenges in both their fundamental character and in practice. The presence of faculty and non-academic personnel in leadership roles in the same organization can create ambiguity and confusion. This is particularly an issue when units of the institution seek to achieve the highest possible level of performance, cooperation and mutual trust among and between them. This article looks at the challenges involved and seeks to provide guidelines for leadership decisions and practices that can be effective in institutions of higher learning.

Leadership is an essential ingredient of positions with supervisory responsibilities in any organization. It is the element that organizations rely on to translate goals and objectives into accomplishments (Simon, 1976). This is as true for colleges and universities as it is for other organizations. Colleges and universities, however, present unique challenges for scholars and practitioners who seek to better understand and/or practice it, because leadership has to be applied in a variety of different settings including administrative departments, academic departments, and in student and faculty organizations (Lewis and Smith, 1994).

In academic administrative positions, there are many individuals who, like their business counterparts, seek positions of leadership with supervisory responsibilities. They are in the top ranks of campus administration (presidents, chancellors, vice presidents and vice chancellors) as well as throughout the support functions such as a campus finance office, registrar's office, maintenance, and food services. The people who hold management positions in these departments do so because the leadership opportunities hold a high level of satisfaction for them, and because they normally offer greater financial rewards (Maslow, 1943). Incumbents are expected to be capable leaders, and they usually accept their responsibilities with hope of helping to steer the campus toward higher goals and accomplishments.

However, in academic departments, leadership is required for both administrative and academic functions. In contrast to the administrative departments, the faculty members who find themselves in these roles do not necessarily aspire to managerial or leadership positions. This can be especially true for faculty who serve as

department chairs. It is important to point out that most faculty members are at a college or university because they have been educated for, and want to, teach and/or do research. Because academia follows the principle of shared governance, decision making involves both the central administration and the faculty members of a campus. To fulfill its role, the faculty must first supply, and then develop members as leaders to help assure that individuals who have the expertise in the respective disciplines guide the academic programs. Many faculty members thus end up in both managerial and leadership roles without ever having aspired to them. This creates the unique challenge of campus leadership.

While it has extensive advantages, the unusual mix of academic and non academic leaders also has the potential to bring confusion and lost opportunities. In today's academic environment of continually decreasing resources, it is important for all members of the campus community who have management responsibilities to have a clear understanding of their leadership roles and responsibilities and to step up to the challenges they face to help the campus weather hard times and progress toward mission fulfillment. This article looks at the basic leadership issues in academic settings and seeks to suggest approaches for leadership decisions that can bring the most desirable climate throughout the campus.

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## Leadership in academic and administrative units

As in businesses, not-for-profit, and governmental organizations, leadership in colleges and universities is an important requirement of managerial positions. Top administrators, staff members, and even



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faculty members are often called on to assume leadership roles in their respective functions and as members of teams or projects (Dyer, 1977). In academia, these responsibilities come in addition to normal educational duties in the respective disciplines. As one would expect, the role of the academic leader (department chair and/or dean) is very different from that of regular faculty members even though faculty members often are asked to serve in these capacities. These roles are also different from those of the more formalized administrative activities of the top levels of college and university administration – people who themselves may, at one time, have been faculty members.

To a degree, one can view the entire campus as having some similarity to professional service firms such as legal, accounting, engineering, and even medical firms, which also consist of professional and support staff. However, while there are similarities, there are also significant differences. Specifically, the professional staff members in an academic department, the faculty, have far more autonomy in doing their work (especially in leading their classrooms) than do the attorneys, accountants and others in their respective firms. This autonomy presents the faculty-peer-manager-leader with a set of unique problems that can be far more severe than those in the professional organizations referred to.

The unique circumstances also impact the decision making activities of leaders in academic departments, colleges, or universities who assume leadership roles of an. Still, specific decisions that academic leaders make that are similar to the decisions made by their counterparts in more traditional business settings, follow a number of steps:

- 1 identification of desired outcome conditions;
- 2 the determination of one or more alternatives; and
- 3 the evaluation of the alternatives to select the most desirable one (Smith, 1776).

In academic and non-academic settings, making a satisfactory decision based on these three steps, is dependent upon the decision maker gathering as much relevant information as is available or can be reasonably obtained. The steps apply regardless of whether the decisions are being made on the basis of rational considerations or, as Machiavelli (1966) suggested when he outlined the subjective and political environment within which managers make

decisions, that decisions are often made based on irrational considerations.

### **Different levels and different requirements of academic leadership**

For an understanding of academic leadership it is important to recognize that there are important differences between departmental leadership and that at the college, school and university levels. In the department, management/leadership may well be temporary because department chairs may only serve for a few years and will then return to their regular teaching and research duties as regular members of the faculty. For example, when accepting the responsibilities of a chair, department members do not feel that they are really leaving the faculty. Rather, they feel that they are taking on the additional managerial responsibilities only for a short period of time and that doing so is a part of an obligation through which all members of the department will eventually cycle. It is somewhat obvious why leadership is a problem here. The person who is responsible for providing leadership is not necessarily willing to be a leader, and knows that leadership must be highly collegial or it will be very difficult to return to a faculty position once the time in the chair concludes.

The dean, on the other hand, may also be a faculty member, but one who willingly gives up all teaching and research responsibilities to become a full-time administrator. Depending on campus policy, it may also be for a limited period of time. Most deans return to the faculty when their terms in office have expired. For them, leadership in the dean's job is complicated by the desire to lead the school or college to new levels of accomplishment and excellence (Peters, 1977) while keeping in mind that she/he will have to return to the same faculty he/she is shaping. For those deans who do not return to the faculty, attention to leadership is more managerial/professional in nature and thus is similar to that of their business counterparts.

Finally, college and university presidents or chancellors (as well as vice presidents or vice chancellors) began their careers as faculty members (in most cases), probably have entered management at the dean's level but have moved into top administrative positions because of the promise of higher salaries, greater power, and the opportunity to improve the overall position of the institution. These faculty-turned-more-permanent-managers

look at their jobs as synonymous to top level managers in large corporations and adapt a leadership style that reflects that type of position. Interestingly enough, while some top administrators go on to other campuses to pursue higher levels of responsibility and authority, some of them do return to the faculty when it is time for them to leave their institutional positions. Like the dean who returns to the faculty, a college president who seeks to return to the faculty as well may adopt a leadership style that is different from the president who looks to move to another campus or retire altogether. So, one can see that there are commonalities and differences between the different levels of academic managers, and to the way leadership is exercised.

Interestingly enough, many instructors see the role of administration as what Thompson (1967) referred to as buffering them from the annoyances of participation in running a college or university. At its best, administration facilitates the teaching and research processes by providing the resources, facilities, and technologies necessary to achieve academic excellence. At its worst, college administrations become the bane of faculties' existence by placing obstacles in the way that faculty attempt to accomplish their goals and objectives. Many faculty members reject the opportunity to enter into leadership positions because of these stereotypical sentiments and in doing so, they miss very real opportunities to impact policy, change scenarios, and bring positive impacts for themselves, as well as for the campus as a whole.

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### **Basics of good academic leadership**

Despite the differences between the various levels of leadership in academic institutions and the sentiments attached to them, there are still several common considerations that should guide the activities of all academic managers in leadership positions. First are the generic responsibilities of the leader. One can think of these in the traditional sense of ensuring that the functions of planning, organizing, and implementing are applied appropriately to all problems, challenges and opportunities. These functions can serve as broad guides to decisions, when the other issues discussed in this paper are appropriately taken into consideration.

All academic leaders from the department chair all the way up to the president or chancellor must be mindful of a number of stakeholder issues to consider. This is

especially true of the self-perception of PhDs, union relations, views and likely reactions of administrative departments, and the organizational learning that could be stimulated by the problem-solving/challenge-meeting/opportunity-exploiting that can occur within the department, the college, and the institution itself. Academic leaders also need to be attuned to the effect the decision making styles will have on all of the members of the unit. Honesty and practicing appropriate participation in involving stakeholders in decision making, are all high on the list of traits that a competent leader will display.

There is often a fine line between meeting organizational needs and catering to the needs and desires of the faculty, and this reality challenges managerial precepts with more practical political behaviors. Leadership is an issue of matching organizational needs with human resource capabilities (traditional business model). However, when dealing with political realities of the campus, these leaders will tend to act in such a manner that allows academic leaders to return to the ranks of the various university faculties. This is very different from the business model and a unique and severe challenge to academics in higher college and university administrative positions.

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### **Leadership in academic units**

There are two clearly different roles that department chairs fulfill and therein lies a particular challenge to the job. When assigning tasks such as ordering supplies, maintaining the course assignment and schedule records, and making copies, there is little, if anything, that the chairperson of a department has to consider, that is different from a supervisor/manager in any other environment. Operational matters of any department, academic or non-academic are very similar. However, there are different challenges in the transactions that take place between the chairs and the departments' faculty, other department chairs, and the respective deans. In these examples, the interactions must be collegial, and the chairs are expected to provide effective leadership and help guide the departments toward positive goals while not compromising collegiality. There may be a need for a chair to take a position on an important issue that is controversial, but that must be addressed. The temptation to take the easy way out and not make a decision that will be seen negatively by the faculty members, even

when there are compelling reasons to face the issue. Such quandaries are precisely those that many faculty-turned-department-chair wish to avoid. Some chairs will step up to such challenges to collegiality and show great leadership capabilities in listening, communicating, gathering data, and working directly with the department's faculty to arrive at the best possible decision. Other chairs do nothing controversial and leave the problems to the dean or the next person in line for the chair position.

As we stated earlier, one major characteristic of the academic environment is the challenge created by the fact that the leader is not only a leader, but also an immediate peer (which is not particularly true upper levels of academic leadership). It may be trite, but two old sayings seem to fit here:

- 1 it is also true that prophets are generally not recognized by their own people; and
- 2 familiarity breeds contempt.

Both of these sayings seem to properly address the problems associated with chairing an academic department. It may be very difficult for faculty members to follow unpopular requests or even directions of a highly department chair, knowing the fact that this person is also a colleague from their own department. After all, faculty members know each other's academic activities and are likely to have worked with each other at least from time to time. This makes it hard to easily put aside camaraderie and to subordinate one's views to those of a former colleague. From the opposite perspective, it is also difficult to exercise supervisory responsibilities with coworkers with whom the role of leadership may be interchanged. What many chairs and faculty members alike tend to fear is that these conditions could lead to negative politics and even inadvertently result in inequitable treatment of dissenting faculty members.

These unique circumstances in academic departments can create complex issues for a chairperson when attempting to lead the departmental faculty in developing the most appropriate class schedules, find the most appropriate next faculty hire, select a new staff members, or make a hard decision about reducing courses or faculty positions. These are not just matters of ensuring that the operational aspects of the department are satisfied (such as the availability of classrooms and time-slots, or the schedule of the last semester). They also involve more difficult issues to adequately consider student needs for access to classes, and the entire spectrum of departmental offerings. In

these and similar operational issues, the chair must develop mutual trust, mutual respect, concern for collegiality and good peer relations as primary tenets for her/his leadership style and the ability to make proper decisions.

High level leadership capabilities are needed to do all these things while maintaining a high level of collegiality within the department. And, these are responsibilities that make a job difficult job for any faculty member who perhaps never wanted it to begin with.

Still another consideration for the leadership requirements of a departmental chair concerns the non-academic staff members of the department. For example, if there is an administrative assistant, the workload at the moment and the urgency of the specific task need to be considered in the chair's decision since they can positively or negatively affect the assistant's reaction to the assignment.

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### **Successful leadership: commanding trust and respect**

Trust cannot be commanded. Trust must always be earned. Leaders and managers earn trust by being thoroughly honest in every respect, by distributing resources fairly and openly, and by maintaining a positive relationship with peers and subordinates. It goes without saying that, when good leaders make mistakes, they accept responsibility and do not try to find a scapegoat on whom to pin failure. Building trust requires being open, forthright and by owning one's own decisions. Given the many possible misunderstandings and misinterpretations that can occur in complex communications, trust-building may be difficult to achieve. Yet, the benefits in developing a strong team spirit and the resulting opportunities for achieving high level goals certainly deserve the effort (Dyer, 1977).

Another leadership consideration, is that of The Golden Rule – treat others as you yourself would wish to be treated – applies when managing in an academic setting. All of the faculty members are experts in their own fields and deserve the respect of the leader because they have earned it through the most traditional of academic methods – completion of a dissertation and continued research in their own fields.

Still another challenge to leadership in academic environments is to assure that collegiality extends in both directions. Academic leaders must apply their decision

making skills to lead faculty members in such a way that they will accept the competency of their administrators, and they can only do this by being participative leaders. That means that faculty and administrative leaders need to establish common grounds for resolving disagreements, solving problems, creating a common view for the future, and striving for academic excellence. This is often difficult, particularly on those campuses where dissension between faculty members and administrators has been traditionally the norm. Here, leaders need to understand and practice sound dispute resolution techniques, starting with willingness to listen to viewpoints and concern and striving to find creative solutions, or at least compromises that are acceptable to all parties.

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### **Successful leadership: creating the collegial environment**

Interestingly, despite the far more complex task that leadership of faculty groups presents, as compared to administrative staff, there are a great many similarities in the issues that a leader should consider when making decisions. As we suggested above, a leader should think of the impact of a decision on enhancing trust, respect, teamwork, good union relations, and smooth relations with administrative departments, when making decisions affecting any of the stakeholders. If these issues are raised with every important decision, then that department, and even an entire institution, should achieve the desired atmosphere of high levels of mutual trust and respect.

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### **Embracing leadership, not fighting it within academic settings**

What many academics who are thrust into leadership positions tend to overlook is that leadership is an important part of the process of organizational growth and learning. This is an extremely important process that academic and non-academic leaders should embrace and support. By being part of the learning process, academic leaders exercise a significant right and responsibility to make the college or university a better place. When faculty members reject leadership opportunities, they send the message that they do not support institutional innovation and creativity. They also send the message that the way to survive is to just do the job – not necessarily well, just get it done (Wick and Leon, 1993).

Leadership is partially an unemotional process of problem- solving and other

decision making activities that add to organizational learning, especially if steps are taken to stimulate reflection on past decision. This means that, as the college or university continues its journey, it will continuously equip itself with new ideas and tools that will help it compete more effectively in the academic community (Porter, 1985). Since problems are inevitable human organizations, academic leaders need to see to it that learning is a focal part of their leadership if they want it to be effective. Being prepared for problems, and solving them quickly and objectively, are two marks of an outstanding leader. Being good at that is one of the rewards many faculty members overlook when rejecting the opportunity to serve in a leadership capacity or when they fail to support those in leadership positions.

A final point that needs to be considered is that a certain amount of basic faculty responsibility does involve a degree of management and leadership. Faculty members do manage, they manage their own classroom (even in an Internet or distance learning setting) and their research projects. Faculty members also perform numerous leadership functions in guiding students and helping them to learn effectively. However, even without the US Supreme Court ruling that has disavowed faculty as classroom managers, faculty members in the classroom do not act in a traditional business leadership capacity. In other roles, such as an academic chair or director of a research unit leader, their functions do become those of traditional leaders and they must become much more concerned with all the traditional trappings and activities that are attributable to business-style supervisory leadership.

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### **Bottom line: many academics must become better leaders**

In the end, then, why would faculty members want to enter the ranks of management and give up their teaching and research? What motives could be attributed to a colleague who forgoes the robes in place of a suit and/or a desk job? Because many academics hold administration in rather low regard and would tend to shun those academics who sought administration positions, many academics dread the day that they must assume the department chair's position. As a result, many colleges and universities rotate the position to make the position appear less administrative and more egalitarian with other faculty members in a department since everyone knows that they must serve their time in the chair. There are, however, many faculty

members, however, who see the opportunity of service in a leadership position as a real opportunity to make significant changes in departmental direction and in departmental function. Even if it is for a small amount of time (a year or two, compared to a potentially longer period of time for a dean, institutional officer, or institutional head), the opportunity to serve and be involved in meaningful change is enticing.

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# Management by site-based teams: a statistical approach

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## Keywords

Team management, Stakeholders, Leadership, Team working, Decision making

## Abstract

There is a constant evaluation of managerial techniques ranging from the military leadership style to self-motivated self-management. Team management has gone from an American concept, to a Japanese enhanced technique back to a US management and leadership tool. It can be useful for both traditional businesses as well as non-profit organizations such as educational institutions. Teams comprised of administrators, teachers, parents, and staff (and students when age appropriate) can effectively drive the site-based management shared decision making approach to restructure education. Working as a team is very complex and requires training for the participants for the team to work well together and to thrive. This study looks at identifying factors and variables for team building that can bring good team function as a basis for sound leadership decisions. It was found that incorporating representatives of each of the stakeholder groups was essential for the creation of effective team-based management. Respect for the foci of the various stakeholder groups is critical to the application of the leadership decisions of the teams.

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## Statement of problem

Education reform legislation has provided the opportunity for parents, community and school staff to engage in school improvement. Teams comprised of administrators, teachers, parents, and staff (and students when age appropriate) drive the site based management shared decision making approach to restructure education. In Massachusetts and Kentucky, School Governance Councils are hallmarks of the legislation. The teams are provided various names and varying degrees of decision making power to improve education depending on legislative act (Massachusetts Education Reform Act, 1993; Kentucky Education Reform Act, 1990).

Working as a team is very complex and requires training for the participants in order for the team to work well together and to thrive. Factors and variables for team building can be considered in a well thought out introductory plan supported by superintendent, school committee (school board) and administration. Understanding the importance of these variables to team function must be the consideration of school district leadership.

Teams are entrusted with responsibilities for special education and education reform. The teams require evaluation from superintendents of schools and other central office administrators. These administrators must be aware of their responsibilities to the team as support, supervisors and evaluators. They must be able to recognize activities of a functioning team and must understand how to help a team that is not functioning.

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## Literature review

Various authors have developed team training suggestions and reported a number of factors, which would lead to successful team development and implementation. The literature dates back to the special education movement in the late 1970s and early 1980s. Stage development theory of groups, the change process, group process and dynamics and methods for providing consultation and collaboration were cited (Carew *et al.*, 1988; Hall, 1980; Idol-Maestas and Ritter, 1985; Stokes and Axelrod, 1981). These factors have been reported qualitatively and in narrative descriptive forms.

The research of the late 1980s and 1990s addresses consensus building, conflict resolution, risk taking, school improvement planning, brainstorming, problem solving, and decision making as significant components of team training. In each decade, group process and activities of properly functioning teams were cited. The research points to the importance of administrative support (Carew, 1988; David, 1992; Hess, 1995; Minkoff, 1995; Digate and Rhodes, 1995; Schacter-Rees, 1989).

Recent literature has focused on the role of culture in support and acceptance of innovations. Teams are an innovation of special education and reform. Teams have to establish their own culture to build and support team activities, membership and operating procedures. Schools must become more aware of the need to change their organizational culture to accept innovations including team practices (Dolan, 1994; Senge, 1990; Sergiovanni, 1992; 1994; Teitel, 1994). The emphasis placed on the perception of the consumer or actual team participant leads to a need for team self-evaluation.



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Hammond (1993) reports on a second wave of reform as the decentralization of power and the professionalization of teaching to improve education. Teams have to develop from a group of constituents. Staff members should participate in shared decision making along with community members, parents and, where applicable, students. Teams are becoming increasingly important to bring quality education to all students. It is these authors' opinion that, while the concept of working as a team is essential to education reform, the process of developing, initiating, implementing and eventually becoming a team is a difficult task. This process must be understood and established in the foundation of any site based team practice. Evaluation must be a part of this process, whether it is performed by the administrator or by team members.

The mandate and guidelines given to establish team practices have met with moderate success in the past. Teams have been suggested in special education since the late 1970s through the early 1990s. The use of team practices, while suggested in special education regulation and, at times, legislated, were implemented, thrived, functioned or failed depending on the introductory support and acceptance of the team practice in individual schools and districts. Parent and staff participation was dependent on the role the team had in the school's operating procedure. The principal's behavior, activity and attitude toward the team had significance in the effectiveness of team function (Goldring and Rallis, 1993; Rallis, 1989). Building-based teams met with success if they were fully supported by higher authorities within the school district. The superintendent and school committee must develop and adopt a plan to train, implement, support and evaluate team practices (Chalfant, 1984; Comer, 1985; Oches, 1989; Stokes and Axelrod, 1981).

The Massachusetts Business Alliance for Education has recommended management training and improving leadership skills of principals, training of teams in group process skills, group dynamics, shared decision making, consensus building, and conflict resolution as ways to make teams more effective. Teams need basic activities to occur such as regular meeting times, written agendas, and meeting notifications to be posted. Complex areas of leadership, decision making responsibility, team goals and a vision for the team need attention as these variables have been found to be problematic if not addressed during the development of the team. The balance of power between team and principal, team members to one another

and the ability to represent constituents and still interact as individuals in a team process are confounding and competing dynamics. Establishing team norms and specific roles for team membership can control these dynamics (David, 1992; Hess, 1995; Minkoff, 1995; Digate and Rhodes, 1995; Teitel, 1994). Superintendents', school committees and principals must work together with staff and constituents to prepare for the implementation of site based team practices. As education reform legislation progresses toward the vision of restructured schools, team development and maintenance through evaluation will need to be addressed.

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### **Purpose of this research**

In order to determine how well team based management is functioning, there is a need to establish a method by which the decision-makers and evaluators, i.e. superintendents, special education directors and other school administrators, can evaluate these teams. Insofar, there has been much research done to determine the important factors in evaluating team performance. However there is little done in terms of developing an evaluation and assessment instrument.

This study reports on descriptor variables and activities of functioning teams so that evaluation and action plans for training teams can be understood by school administration. In this study the authors have combined both a literature review and quantitative analysis of team functioning factors and variables. This study further presents a framework and procedure to design an evaluation instrument. Specific experimental designs and statistical design methods are discussed.

### **Methodology**

This study follows a four-step process. Step one was to develop general guidelines derived from established research and theory in the field. Step two was to develop a list of evaluation factors based on an open-ended survey of administrators from the public schools in the Commonwealth of Massachusetts. The rationale in selecting central office administrators was due to their role as evaluators in charge of assessing the teams' performance. Step three was a cross analysis of the first two steps, resulting in a list of variables derived from the survey of the evaluators and validated by the literature review. Step four was a statistical analysis of

the rating of these factors by the administrators and team members.

### **Step 1: development of general guidelines and identification of variables**

Utilizing the literature review the authors prepared a general list of activities and variables of training and support associated with the development, implementation and maintenance of functioning teams. This list was made up of a total of 105 factors. Of these variables, 65 dealt with areas of support, planning, cultural acceptance, consultation skills, group process, team values, group dynamics, collaboration, visibility and team building. A total of 20 variables were concerned with the area of training; 12 dealt with the role of the principal and eight with the role of parents.

### **Step 2: the administrators' open-ended survey**

The administrators referred to in this survey are usually the school administrators called upon to evaluate the different school teams. These evaluators include for the most part superintendents, special education directors and occasionally other school administrators. The administrators were asked to provide descriptive factors and variables that they utilize to assess their teams.

### **Stratified sample**

During the 1996-1997 school year, a stratified sample of 60 school districts was selected among all public school departments in Massachusetts. For the purpose of this study, Massachusetts is divided into six regions, Berkshire, Pioneer Valley, Central, Metropolitan Eastern regions Cape Ann and Cape Cod. These regions are in some ways different in their socioeconomic and demographic traits, thus the choice of a stratified sampling. In this survey, all superintendents and central office administrators representing these districts were asked to list all the factors they used in measuring the performance of their teams. The responses came in several forms. Some were simple words such as "compatibility", "humor". Others were grouped words such as "equal talk time", "referrals from staff to team". A few answers were small phrases and sentences such as "conflicts can be managed without disrespectful behaviors or discussions". These answers were initially grouped, as to their relevance, in three different groups; 41 factors in building based support teams, 37 in school governance

councils and another 37 in a common list to both teams.

### **The teams**

The teams in the study usually comprised two teachers, two students, two or three parents and one to two school administrators. The composition of the teams was meant to represent the different stakeholders of the school and its operations.

The teams had been created to work with issues brought to them, such as budgetary issues of creating a class, dropping certain classes, need to increase numbers of teachers, need to decrease the number of teachers, interactions between students (subordinates), interactions between students and teachers (subordinate and supervisor issues), interactions between teachers and interactions between teachers and administration, need for new programs, etc. The administration set up the parameters of how many people were to be on the team, and that all stakeholders must be represented.

The teachers were volunteers nominated by their departments. The parents were volunteers who were able to work the team meeting schedules into their own. When there were too many parent volunteers, the parent-teacher association was asked to recommend the participants. Student volunteers were nominated by their teachers and chosen by a sub-group of the parent-teacher association. The students' level of commitment in their academic work as well as extra-curricular activities were taken into account. Students who were more active were more likely to be chosen since they were more likely to be familiar with more of the activities that the school offered and more likely to be aware of problems in the present system.

The methods that were at their disposal for deciding issues were:

- referring the issue to the administration for deciding on the best course of action;
- leaving the decision to the discretion of the teacher in matters of course curriculum and program development; and
- allowing the parents to become involved in issues that dealt with student health and well-being.

Usually students were not involved in the decision process except as people who may discover a problem and as agitants. These methods of partial inclusion in the educational system decision process had varying degrees of success for programs

(class changes/program changes) but often left one or more groups of stakeholders unhappy. This was particularly true of rule changes that dealt with students. Parents and students were often not made aware of all of the factors in rule decisions and were merely given the rule changes without good explanations.

Without effective teams, either a stakeholder group did not believe that their particular point of view was being considered or they were not aware of all the contingencies, issues and environments that needed to be addressed within the decision process and therefore did not view the outcomes as carrying maximum utility for the group of stakeholders. Soundly organized and operating teams are intended to give all of the stakeholders a voice in the possible decision process and end product. The work of the teams therefore needs to be evaluated by the administration to see if the decisions made about course changes, program changes/enhancements are appropriate and beneficial.

### **Step 3: the cross-analysis**

The survey of central office administrators across the Commonwealth of Massachusetts provided very few directly descriptive factors associated with school culture. All other variables in the general theory review were either directly or indirectly addressed. These administrators also defined other variables considered to be relevant to functioning teams.

Variables of cultural acceptance which had been referenced in the literature review were staff involvement in selection of standard operating procedure, team model, and team mission/vision. The literature review had indicated the importance of cultural acceptance of the team. The issue of culture must be isolated and reviewed as a separate study in which team functioning can be compared to the school culture's willingness to adopt the concept of team practices.

Administrators provided descriptors for evaluating team performance, which matched with the variables in the literature search. For example, set agendas, setting a time to meet, clearly defined mission, shared goals, guidelines, members role, diversity in group composition, compatibility, ability to collaborate and conflict resolution, were given by administrators as descriptive factors as has recent literature on functioning teams (Teitel, 1994; David, 1992; Digate and Rhodes, 1995).

Some variables were similar to those described in stage development theories of

groups, group process and group dynamics. Administrators listed items, such as communication in a common language, problem solving, synthesizing of information, risk taking, valued effort of team members, equal talk time, respect, trust, open discussion, and ability to listen to and accept each member's point of view (David, 1992; Stokes and Axelrod, 1981).

Administrators did add descriptive factors, which were not explicitly referenced in the general literature review but may be seen as products of team functioning. These included, special education reports, parental community program, annual strategic plans development and reports to school committee. These may be factors viewed as important to central office administrators since an emphasis has been placed on school improvement plans produced by school governance councils. The role of parents warrants further definition beyond parent relations. The work of Comer (1985), Burello and Stephenson (1981) and Van Deverder (1988) merit review as to how parents are initiated and brought into school activities and volunteer programs.

Central office administrators listed administrative support and relations as descriptive factors. These descriptors require further definition based upon the emphasis placed on the role of the principal in the adoption of the team practice and leading school innovation.

### **Random sample**

Through further analysis, it was noted that many of these 105 factors (see Step 1) were actually the same measures, but were phrased differently; for example, "ability to stay on task" and "ability to stay focused". Therefore, once thoroughly analyzed the set of 105 factors or variables was reduced to a set of 71 variables grouped in seven categories:

- 1 internal school relations;
- 2 product of team: school governance council (SCG);
- 3 product of team: building based support team (BBST);
- 4 product outgrowth of both BBST and SCG;
- 5 descriptive factors of a thriving functioning team;
- 6 descriptive factors of team process/dynamics; and
- 7 descriptive factors of dynamics in the school community.

A new questionnaire for the practitioners was then developed (see Appendix 1). The questionnaire included a brief statement

indicating its purpose. Respondents were asked the question:

In your own assessment, please indicate the relevancy of the variable (how important it is), using a score of one to ten; the higher the score the more important is the variable.

### **Step 3: statistical analysis**

This questionnaire was administered to two different groups, a random sample of evaluators (i.e. administrators) and a random sample of team members. When examining the results, the consistency of the results becomes apparent, with the exception of few variables (student interest in team, discussions outside of meetings and connection with other school councils), all variables had a substantially high average score, six or above. Most were actually seven or above. Overall, the lowest average score was obtained for variable student interest in team at 4.688 for the evaluators and 4.830 for the team members.

It is often argued that in similar opinion surveys the median value, representing the midpoint may be a better representation. Again in both samples, evaluators and members, the same variables seem to be weak, student interest in team and discussion outside of meetings. All the other variables had a high median score ranging from seven to ten, except very few variables which had a median score of six. These are variables connection with other school councils, report to school committee and more than one leader in the case of the evaluators sample and interaction with other school councils only for the members sample. A further evaluation of the individual data entries clearly shows that overall support for variable student interest in team is generally lacking. The similarity of the low average scores of 4.688 and 4.830 in both samples, clearly support this view.

From the above consistent high scores, except for student interest in the team, we conclude that the list of evaluation variables has generally been well received and accepted by the practitioners in the field, evaluators and team members alike.

### **Hypothesis testing**

It is often accepted practice in decision making situations to set a threshold value instead of a population mean. The rationale is that in order to gain acceptance for any one variable we are more interested to test its mean score against a preset acceptable value rather than against what the population mean value might possibly be, which in this case is unknown.

Mean tests confirm the earlier observations that the statistical insignificance of student interest, out of meeting discussion and connection with other school councils. This was the case in both samples, evaluators and members alike.

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## **Discussion of results**

The lack of support for student interest can be attributed to the young age of the student population, generally five to 18 years old. Unlike college students, students of that age rarely participate in the management of their schools. It is worth mentioning that student interest has not been usually referenced in the literature review except for high school students occasional participation in site based management teams. In the case of out of meeting discussion the issue of school culture must be considered. Does the culture allow for team members to carry on discussion as to what occurred in the school governance council or building based support team? The issue of school culture influence on site based teams is yet to be determined.

While the literature points to the importance of networking with other teams in and out of the school district, the issue of time provided for this activity may explain the lack of support for it. Often there is a lack or no time at all provided for networking. Traditionally students have been left out of the decision process when it comes to most issues, this study supports the construction of teams that have students as alternate members to be included when the issues are more immediately student related such as with school uniforms, behavioral codes or the ability of students to leave campus during the school day.

The most successful group traits are those that show that the inclusion of stakeholders into the decision process seems to give the decisions validity and respect from the population that needs to follow the decision. Group characteristics such as having a relationship with the administration and the staff are easy to accomplish when members of those groups are included in the team composition. Leaders should remember that the opinions of the group members are important indicators of the desires of their constituents and should be accorded respect even if the final decisions do not incorporate all of the desired components of one group. Good leaders of effective groups had an eye to focusing on the task and developing a meaningful plan for the goal. This focus allowed the successful groups to follow

through on their decisions through collaboration and the effective use of the members talents.

Inclusion of stakeholders in the decision making process is vital to the successful running of school systems in contrast to the top-down leadership that is often portrayed as being the most effective. Plans that work to implement student concerns are best constructed with students on the planning committee to ensure that the views of the students are fully considered and the students learn the constraints that the administration and staff operate under. Good leadership incorporates effective communication so that all in the operating team understand the goals and the group behavior is goal directed. The work that is performed in the group can then be discussed by constituent groups more easily when all understand that their opinions and wishes were given a respectful hearing.

Teams worked well when they worked within procedures that have been agreed upon by the staffs of the schools. That way, the staff was somewhat assured that multiple views were considered before an action was recommended. Similarly, if a school was a charter school with a focus on the arts or on science the teaching model could be adjusted to include more people with expertise in those areas by the selection committee of the PTA.

The team leader is critical in ensuring that the team sets realistic goals for its work. Often student members of strategic planning groups are disappointed in their team work experience as they do not perceive much of consequence evolving from their experience. Setting realistic goals lets all involved understand what is supposed to be accomplished and reduces the extremely high expectations of members who are less experienced in team work.

Brainstorming of ideas allowed members to hear all ideas without evaluation and aided in garnering some new ideas. The team then considered all ideas and evaluated them as possible action plans as a group with the leadership of the team leader noting the budget limits, staff limitations, etc. The team leader was very important in keeping the team on task which if successful led to member satisfaction with the team. The team members must have an understanding of the environment into which the action plans will be implemented. Without that understanding, the work will be reported but may not be acted on and the team members will not feel needed. The issues brought to the team for decision are those brought by members of the team as well as the

administration. The ability of the team members to bring issues to the notice of the team for action was another element of the ability of the team to be perceived as having real power and authority to solve problems. It gave the team stature and that is important in the implementation of the action plans as well as important in the perception and evaluation of the team work.

Primary to successful team management and work is the ability for the stakeholders who will be governed by the actions of the team to be represented on the team, to have the ability to bring issues and problems to the team, set goals for the team, and to recommend action plans that are then implemented by the appropriate group within the school. Stakeholder analysis notes that when all are considered and involved, then the action plans developed are more likely to be implemented.

While school decisions on funding of such things as team sports, club meetings, extra-curricular sports, length of school day, upgrading of school technology may not be the types of decisions that business leaders engage in, they represent the decisions that have an impact on multiple stakeholders and show that reasoned discussion among representatives of the stakeholders can be very effective in uncovering workable plans that can be put into operation easily.

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## Future implementations

Resulting from the analysis reported on in this paper is a final list of 70 variables that would be used in a questionnaire on the level of occurrence of the activities they represent. Additionally, a new question pertaining to the assessment of the team functioning will be added as well. This questionnaire will serve as an evaluation tool in further studies of team functioning (see Appendix 2).

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## Appendix 1. Practitioners' questionnaire

We are in the process of researching what makes a successful team. We are reviewing many variables, behaviors and training which go into the development, implementation and maintenance of team practices. As a superintendent, you can assist us by stating the value you would place on each of the factors listed below in evaluating a functioning team.

The lists that follow are characteristics suggested by superintendents that they use to assess the level at which their BBST and SGCT function. The information has been arranged into cells as a means of organization based upon literature research utilized for this study.

In your own assessment, please indicate the relevancy of the variable (how important it is), using a score of 1 to 10; the higher the score the more important is the variable.

Score (1 to 10)	Variable Description
	<b>Internal School Relationships</b>
1	Parental involvement
2	Administration relations
3	Staff relations
4	Parents relations
5	Teacher satisfaction with team
6	Student interest in team
7	Out of meeting discussion
8	Participation of staff on team
	<b>Product of Team: School Governance Council (SCG)</b>
9	Input on school governance
10	Connection with other school councils (interschool)
11	Cooperation planning with PTO, Title I PAC (intraschool)
12	Maintain clear lines of authority and responsibility for ed reform law
13	Willingness to advocate in a public forum for resources
14	Follow through with decisions made
15	Goal oriented
16	Student progress/problem resolution
17	Amount of workable ideas generated
	<b>Product of Team: Building Based Support Team (BBST)</b>
18	Pre-referral vs. referral (SPED)
19	IEP evaluations
20	Special Education reports
21	Referrals from staff to team
22	Success of students referred to team
23	Fewer referrals to special education
24	Amount of workable ideas generated
	<b>Product Outgrowth of both BBST and SCG</b>
25	Meaningful school improvement plan

(continued)



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<b>Score (1 to 10)</b>	<b>Variable Description</b>
26	Parental community program
27	Report to school committee
28	Annual strategic plan development
29	Training
30	Personnel/professional growth
31	Visibility of ideas generated
32	Instructional/curricular leadership
33	Management skills
<b>Descriptive Factors of a Thriving Functioning Team</b>	
34	Ability to follow through
35	Feedback from constituents
36	Length of meeting
37	Perception of level of knowledge
38	Members' self perception of their effective involvement
39	Clearly defined process/mission/guidelines/roles
40	Regular attendance at meetings
41	Ability to collaborate
42	Shared goals
43	Setting a time to meet
44	Diversity in group composition
45	Set agendas
46	Agreed upon minutes
47	Ability to stay focused
48	More than one leader
49	Periodic self evaluation
50	Use of expertise
51	Compatibility
52	Administrative support
53	Action on behalf of students' interest
<b>Descriptive Factors of Team Process/Dynamics</b>	
54	Ability to act within district parameters
55	Ability to communicate in common language
56	Ability to problem solve
57	Ability to synthesize important information
58	Willingness to accept consensus
59	Members take risks
60	Efforts valued
61	Equal time
62	Ability to listen to and accept each member's point of view
63	Respect for team members
<b>Descriptive Factors of Dynamics in the School Community</b>	
64	High level of participation between teams
65	Honesty/sincerity
66	Open communication
67	Respect
68	Trust
69	Open discussion encouraged
70	Conflict can be managed without disrespectful behaviors
71	Positive words - "thank you"

**Appendix 2. Activities questionnaire**

The following questions refer to activities of site teams. Please rate your perception as to the level the activity occurs in your site team. The rating is done a 5-point scale from low to high.

#	<u>Question</u>	Occurrence of Activity				
		Low	.....	High		
1	There is a plan for a periodic evaluation of team progress.	1	2	3	4	5
2	The team is supported by administration.	1	2	3	4	5
3	Team members have a positive relationship with staff members in the site.	1	2	3	4	5
4	Team members are perceived as having knowledge and expertise.	1	2	3	4	5
5	The staff respects team members.	1	2	3	4	5
6	The team maintains clear line of authority and responsibility in line with the Education Reform Law.	1	2	3	4	5
7	The team has a stated mission.	1	2	3	4	5
8	The team sets shared goals.	1	2	3	4	5
9	Team members have the ability to communicate in a common language.	1	2	3	4	5
10	The team members have the ability to problem solve.	1	2	3	4	5
11	Team members utilize open communication in the team process.	1	2	3	4	5
12	Team members have the ability to come to problem resolution.	1	2	3	4	5
13	Team members exhibit instructional curricular leadership.	1	2	3	4	5
14	Team members generate an amount of workable ideas.	1	2	3	4	5
15	Team members willingly accept consensus.	1	2	3	4	5
16	The team has the ability to follow through with decisions made.	1	2	3	4	5
17	The team is willing to advocate for resources in public forums.	1	2	3	4	5
18	The team members have a positive relationship to administration.	1	2	3	4	5
19	Team members have defined roles.	1	2	3	4	5
20	The team has the ability to act within district parameters.	1	2	3	4	5
21	The team develops a meaningful school improvement plan.	1	2	3	4	5
22	The team has contact with other school teams.	1	2	3	4	5
23	The team members are goal oriented.	1	2	3	4	5

*(continued)*

24	Team members have trust in one another.	1	2	3	4	5
25	Team members collaborate with one another.	1	2	3	4	5
26	The team manages conflict without disrespectful behaviors.	1	2	3	4	5
27	Team members alternate roles so that there is more than one leader.	1	2	3	4	5
28	The team members perceive their involvement in conducting effective meetings.	1	2	3	4	5
29	The team is supported through training.	1	2	3	4	5
30	The team members are willing to take risks.	1	2	3	4	5
31	Staff of the school conveys satisfaction about the team.	1	2	3	4	5
32	Team decisions are made on behalf of student interest.	1	2	3	4	5
33	Team members and staff are provided a consistent time for team meetings.	1	2	3	4	5
34	The team agenda is set prior to the meeting.	1	2	3	4	5
35	The team is flexible and meets in time block to meet the school's needs.	1	2	3	4	5
36	Staff values the team's efforts.	1	2	3	4	5
37	Team members are provided the opportunity to share opinions and concerns equitably during meetings.	1	2	3	4	5
#	<b>Question</b>	<b>Occurrence of Activity</b> <b>Low</b> ..... <b>High</b>				
38	Team members listen to and support one another's opinions and point of view.	1	2	3	4	5
39	Team members synthesize important information.	1	2	3	4	5
40	The school team process increases parental community Programming.	1	2	3	4	5
41	Team members respect one another.	1	2	3	4	5
42	The team members represent diversity of opinions.	1	2	3	4	5
43	Team members are actively involved in annual strategic planning.	1	2	3	4	5
44	Parents are members of school teams.	1	2	3	4	5
45	Team members have a positive relationship to parents.	1	2	3	4	5
46	Team members have out-of-meeting discussions about team activities between self and staff.	1	2	3	4	5
47	School staff have open participation on the team	1	2	3	4	5
48	The team gives input on school governance.	1	2	3	4	5
49	The team carries out cooperative planning with PTO, Title I, PAC and other parent groups.	1	2	3	4	5

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50	Team members act as a pre-referral resource instead of the federal step to special education Evaluation.	1	2	3	4	5
51	Team activities reduce IEP evaluation.	1	2	3	4	5
52	The team develops reports on special education.	1	2	3	4	5
53	The team receives referrals from staff.	1	2	3	4	5
54	The staff perceives success for students referred to the team.	1	2	3	4	5
55	The team has fewer referrals to special education evaluation.	1	2	3	4	5
56	The team develops reports to the school committee.	1	2	3	4	5
57	The team plans personnel professional growth activities.	1	2	3	4	5
58	The team demonstrates management skills.	1	2	3	4	5
59	The team seeks feedback from constituents.	1	2	3	4	5
60	The team gains visibility by the ideas it generates.	1	2	3	4	5
61	The team follows a procedure.	1	2	3	4	5
62	Team members have regular attendance at meetings.	1	2	3	4	5
63	The team has agreed upon minutes.	1	2	3	4	5
64	The team has the ability to stay focused.	1	2	3	4	5
65	The team can use its expertise.	1	2	3	4	5
66	The team demonstrates compatibility.	1	2	3	4	5
67	There is a high level of participation between teams at the site.	1	2	3	4	5
68	There is honesty and sincerity between the team members.	1	2	3	4	5
69	The team uses positive words like "than you" when addressing one another.	1	2	3	4	5
70	The team has guidelines to follow.	1	2	3	4	5

Rate the overall performance of your team. Select one of the following : Non Functioning = NF, Functioning with Problems = FP, Functioning = F, Thriving = T,	NF	FP	F	T
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# Leadership theory and practice: a “case” in point

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**Keywords**

Leadership, Leaders, Psychology, Management styles

**Abstract**

Leadership theory has little value if it cannot be applied to real world situations. A summary review of the literature on leadership theory is provided here first. A disguised real case concerning Ted Shade, a Vice-President at Galactic Chips, Inc. is then provided which describes a manager who is extremely task-oriented. The case analysis follows. It includes questions and answers which connect leadership theory to case specifics and requires learners to analyze the case using differing leadership models.

*(Editor’s note. Though this issue of Management Decision is intended to explore various issues related to leadership decisions, there are three reasons why this case study and the related discussion is included:*

- 1 The case provides brief summaries of major groups of leadership theories for the benefit of readers who are not familiar with them.
- 2 The case provides insight into staff member reactions to a manager’s leadership style and the manager’s self-perception. It thus shows how the norms and other thoughts in a manager’s mind influence leadership decisions and resulting behavior, and the influence they have on staff members.
- 3 Teaching leadership decisions can be enhanced with cases, even if the leadership behavior(s) are so bad as to be almost absurd.)

affecting leadership behavior and actions. Leadership theories would have little value if they could not be applied to real world situations.

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## An overview to leadership theory

Organizations are increasing their reliance on employee involvement because their success depends on the firm’s ability to harness employee skills and knowledge. In order to remain competitive these companies must nurture employees and encourage their initiative. These companies must nurture employees and encourage their initiative. This proactive climate requires more than just traditional managers – it requires managers who also are leaders – who can help develop employees and instill a sense of commitment and engagement.

While many people use the terms “manager” and “leader” interchangeably, they refer to different functions. A manager is appointed by the organization and is given formal authority to direct the activity of others in fulfilling organization goals. A leader is a person who influences others because they willingly do what he or she requests. A leader can be appointed formally by an organization or may emerge informally as “the people’s choice.” A leader can be a manager, but a manager is not necessarily a leader. If a manager is able to influence people to achieve company goals, without using his or her formal authority to do so, then the manager is demonstrating leadership.

The key point in differentiating between these two concepts is the idea that employees willingly do what leaders ask – or follow leaders – because they want to – not because they have to. Leaders may not possess the formal power to reward or sanction

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## Introduction

There is an age-old debate that we, like many other management instructors, love to engage our students in; are leaders naturally born or can anyone be trained to become a leader? Although this discussion sometimes takes on a tenor similar to the question “which comes first, the chicken or the egg” it is an important discussion because it requires students to first define leadership, then to connect their definition to theories from the literature, and lastly to determine whether the theories have practical application. More specifically, students are confronted with the issue that if leadership is a competency, that is, if leadership can be learned, then which theories make the most sense to learn and how can these theories then be taught as foundations for decisions



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performance; however, followers give the leader power by complying with what he or she requests. On the other hand, managers may have to rely on formal power to get subordinates to accomplish goals (Barnard, 1938).

Leadership is the ability to influence people toward the achievement of a common goal. Early leadership theories were content theories, focusing on "what" an effective leader is, and not on "how" to effectively lead. Leader trait and behavioral theories tried to identify these characteristics and behaviors.

### Trait theories

In the 1920s and 1930s, research focused on trying to identify the traits that differentiate leaders from non-leaders. The goal was to identify sets of traits to assist in selecting the right people for positions requiring effective leadership. None of the six traits that were found to be associated with leadership (drive, the desire to lead, honesty and integrity, self-confidence, intelligence, and job-relevant knowledge), however, consistently distinguished leaders from followers (Kirkpatrick and Locke, 1991). A major reason for the failure of trait theories is that they do not take into account leader-subordinate interactions or situational conditions.

### Behavioral theories

The intention of the behavioral theorists was to identify determinants of leadership so that people could be trained to be leaders. Studies conducted at the Ohio State University, and the University of Michigan identified two behavioral dimensions that point to two general types of leader behaviors. The first – consideration, or employee orientation suggest emphasis on employee's feelings and interpersonal relationships. The second – initiating structure, or production orientation – suggested a focus on tasks to achieve goals. Research findings on which dimension is most important for satisfaction and productivity were inconclusive. However, employee oriented leaders appeared to be associated with high group productivity and job satisfaction.

Another approach to leader behavior focused on identifying the best leadership styles. Work at the University of Iowa identified democratic (participation and delegation), autocratic (dictating and centralized) and *laissez-faire* styles (group freedom in decision making). Research findings were also inconclusive.

The dimensions identified at University of Michigan provided the basis for the development of a managerial style grid based

on the dimensions; concern for people and concern for production (Blake and Mouton, 1964). Five styles were identified:

- 1 impoverished leader;
- 2 task management;
- 3 middle of the road;
- 4 country club management; and
- 5 team management.

Managers who scored high on both these dimensions simultaneously, labeled team management, performed best (Wren, 1994).

These theories failed as it became apparent that appropriate leader types are moderated by situational constraints. Contingency and transformational theories of leadership dominate current leadership thinking (DuBrin, 1998).

### Contingency leadership

*The Fiedler model (Fiedler et al., 1994)*

This first comprehensive contingency model proposes that effective group performance depends on the match between the leader's style of interacting with subordinates and the degree to which the situation allowed the leader to control and influence.

Building on the findings from behavioral approaches, Fiedler suggested that leadership styles were either relationship or task oriented. He created the least-preferred co-worker (LPC) questionnaire for managers to complete, to measure their leadership styles. Respondents were asked to describe the co-worker with whom they have worked that they liked the least by responding to a list of adjectives. If the least preferred co-worker is responded to in relatively positive terms (high LPC score), the style is labeled "relationship oriented." If the co-worker is described in relatively negative terms (low LPC), the style is labeled "task oriented". Fiedler believed that a person's leadership style was fixed, and that the right style needed to be matched with the right situation. Fiedler suggested three contingency variables for defining situations:

- 1 *Leader-member relations*: the degree of confidence, trust and respect subordinates have for their leader.
- 2 *Task structure*: the degree of formalization and standard operating procedure in job assignments.
- 3 *Position power*: the leader's influence over power-based activities such as hiring, firing, discipline, promotions, and salary increases.

Each leadership situation resulting from these contingency variables could be classified as "very favorable," "favorable," and "unfavorable" for the leader.

Task-oriented leaders tended to perform better in situations that were very favorable or very unfavorable. Relationship-oriented leaders performed better in moderately favorable or moderately unfavorable situations. Because leadership behavior is fixed, according to Fiedler, effectiveness could only be improved by restructuring tasks or changing the amount of power the leader had over organizational factors such as salary, promotions, and disciplinary action.

While this model has had some success, it also has notable weaknesses. Additional contingency variables are needed to describe situations, and the one's that are used are complex. The least preferred coworker (LPC) and assumed similarity between opposites (ASO) measures are difficult to understand, and the LPC and ASO scores are not stable over time (unreliable). Also, people can change their style. The value in this theory though is its pioneering attempt to create a fit between leader style and situation.

#### *Path-goal theory (Bass, 1990)*

Based on the expectancy theory of motivation, path-goal theory suggested that it's the leader's job to assist followers in attaining goals, and to provide direction and support needed to ensure that their goals were compatible with the organization's. Effective leaders clarify the path to help their followers get from where they are to achieving their goals and making the journey easier by reducing roadblocks and pitfalls (expectancy and instrumentality linkages).

A leader's behavior is acceptable to subordinates when viewed as a source of satisfaction, and motivation when need satisfaction is contingent on performance. The leader facilitates, coaches, and rewards effective performance. There are four possible leader behaviors:

- 1 *Directive*: lets subordinates know what is expected of them, schedules work, and provides guidance regarding task accomplishment.
- 2 *Supportive*: is friendly and demonstrates concern for employee needs.
- 3 *Participative*: consults with subordinates and uses their suggestions before making a decision.
- 4 *Achievement-oriented*: sets challenging goals and expects subordinates to perform at their best.

Path-goal theory assumes that leaders are flexible and that they can change their style as situations require. The theory proposes two contingency variables that moderate the leader behavior-outcome relationship:

- 1 *Environment*: outside the control of subordinates-task structure, authority system and work group; and
- 2 *Subordinate characteristics*: locus of control, experience and perceived ability.

Environmental factors determine the type of leader behavior required if subordinate outcomes are to be maximized; personal characteristics of subordinates determine how the environment and leader are interpreted. Research has demonstrated that employee performance and satisfaction are likely to be positively influenced when the leader compensates for the shortcomings in either the employee or the work setting.

#### *Leader participation model*

Field and House (1990) and Vroom and Yetton (1973) related leadership behavior and participation to decision-making. The leader participation model is normative, providing a set of sequential rules to determine the form and amount of participative decision making in different situations. The model is a decision tree, requiring yes and no answers that incorporates seven contingencies about task structure and five alternative styles. The revised model, Vroom and Jargo (1988), extended contingency variables to 12. Research indicates that the model is a good tool for determining the optimal degree of employee participation in decision making.

#### *Comments on contingency leadership*

The managerial lesson from these theories is that there doesn't appear to be one best leader behavior that is appropriate across situations. However, the question surfaces as to whether these are theories of leadership or management? Do they explain why employees follow, or do they prescribe the correct behavior for different situations? In an effort to explain the "follower-ship" phenomenon, the section that follows reviews the theory on leader types.

#### *Attribution theory and charismatic leadership theory (Yukl, 1994; Conger and Kanungo, 1998)*

Attribution theory is a theory that suggests a particular way of understanding the judgments people make about behavior. The attribution theory of leadership proposes that leadership is merely an attribution that people make about other individuals. Regardless of situation, people tend to judge people high in task and high in relationship behavior as the best leaders. The perception of effective leaders is that they are consistent and unwavering in their decisions.

Charismatic leadership theory has its roots in attribution theory and suggests that followers make attributions of heroic or

extraordinary leadership abilities when they observe certain behaviors. Charismatic leaders have certain traits and characteristics including self-confidence, vision, ability to articulate the vision, strong convictions about the vision, behavior that is out of the ordinary, and environmental sensitivity.

Research has demonstrated that charismatic leadership correlates significantly with follower performance and satisfaction. People working for charismatic leaders are motivated to exert extra effort and, because they like their leader, express greater satisfaction. Research also demonstrates that people can be trained to display more charismatic traits such as maintaining eye contact, having a relaxed posture, and animating facial expressions.

Charismatic leadership may not always be needed to achieve high levels of performance. It is most appropriate when employees' tasks have an ideological component. In fact, this leadership style can become a liability when an organization is in crisis and needs a dramatic change. The charismatic leader's self confidence may render him or her unable to listen to others and uncomfortable with challenging assumptions.

#### *Visionary and transformational leadership theory (Hughes et al., 1999)*

Visionary leadership goes beyond charismatic leadership by its ability to create and articulate a realistic, credible, and attractive vision for the future of the organization that improves upon the present situation. This vision energizes followers to engage all of their skills, knowledge, and abilities to make the vision happen.

A vision taps people's emotions, has clear imagery, and is the "glue" that holds organizational members together. Visionary firms have been found to outperform comparison companies six-fold on standard financial criteria, and their stocks outperformed the general market by fifteen times (Hughes *et al.*, 1999).

The key properties of a vision are inspirational, and value-centered. The visionary leader can articulate the vision and direct employees in innovative ways to meet the challenges of the future. Once the vision is articulated, visionary leaders display three qualities:

- 1 ability to explain the vision to others;
- 2 ability to express the vision verbally and through behavior; and
- 3 ability to extend or apply the vision to different leadership contexts.

Bill Gates has been called a visionary leader and has articulated a very clear vision:

A computer on every desktop and in every home.

To fulfill this vision, employees are provided with the resources and goals necessary to challenge their creativity by developing user-friendly practical software.

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### **Transactional versus transformational leadership**

Transactional leaders, such as those identified previously in contingency theories, guide followers in the direction of established goals by clarifying role and task requirements. However, those who are charismatic and visionary can inspire followers to transcend their own self-interest for the good of the organization.

Transformational leaders pay attention to the concerns and developmental needs of followers, help them look at old problems in new ways, and are able to excite and inspire followers to achieve goals. The transformational leader has charisma but differs from the charismatic leader in that he or she encourages subordinates to question established views including those of the leader.

Overall research evidence (Hater and Bass, 1988) indicates that transformational leadership, when compared to transactional leadership, is more strongly correlated with lower turnover rates, higher productivity, and higher employee satisfaction. Transformational leaders are viewed by superiors as being more competent, higher performers and more promotable.

This discussion has focused on leadership as a personal characteristic that impacts others regardless of task or situation. Perhaps transactional leadership or those processes discussed in contingency theories are really focusing on being a good manager – matching behavior to situations. The charismatic, visionary, and transformational leaders behave as such because they inspire or excite individuals to perform based on their belief in the person, his or her viewpoint, and/or vision for the future. These types of leaders are relevant to today's workplace which is characterized by flexibility, change, and innovation. While it is important to have people with the appropriate orientation defining tasks and managing interrelationships, it is even more important to have individuals lead who can bring organizations into futures they have not yet imagined. This is the essence of creating and sustaining competitive advantage.



## Case method and instruction

As used within education, case study is a pedagogical method based on inquiry into or research about a real-life or true-to-life situation (a "slice of life" so to speak). This situation usually contains an in-depth description which usually details a critical decision facing key organization members. The inherent problems (or some times the lack of such problems) are usually complex enough to require students to bring a great deal of past experience and text-driven knowledge to bear so as to provide a range of satisfactory answers.

The case study method of instruction has been most widely utilized in the academic disciplines of business, education, and medicine. This certainly does not mean, however, that its use has been confined to these disciplines, since the case method has been employed by a rather vast array of academic fields (including anthropology, political science, psychology, sociology, etc.) examining a host of varied situations.

As to the case method's effectiveness as an instructional instrument, it has been widely accepted as a training tool for decision making (Willings, 1968). The Harvard MBA program is taught completely from the case method and many schools of business rely heavily upon this instructional technique. The case method has been recognized by AACSB as an appropriate research vehicle (when the teaching note is included with the actual case), a rather drastic change in attitude toward that method from Allen's (1981) study which noted that case writing carried the same low weight with deans of colleges of business as:

... papers presented at regional meetings ...  
articles in non-refereed journals, ... and book  
reviews.

In terms of corporate management development, Carroll *et al.* (1972) surveyed 117 training directors as to their opinion as to the relative effectiveness of different training techniques and found that the case method (as compared with the lecture method, conferences, business games, films, programmed instruction, role playing, sensitivity training and television lecture) was highly rated in teaching problem-solving skills, imparting knowledge, and participant acceptance.

Critics of the method, as reported by Campbell *et al.* (1970), felt that this method is not useful for learning general principles of management and that the lack of guided instruction that normally characterizes the group process inherent in the case method is detrimental to the learning experience.

Argyris (1980) uncovered several faults with the case method:

- most trainers dominate the classroom by advocating positions so as to control the learning process; trainers often get to reduce the confrontation atmosphere so as to save face for participants and themselves; trainers' behaviors are inconsistent with training objectives in that although there are not right and wrong answers some trainers do take positions and give answers; and
- trainers select views in a way that suggests a "better" or "worse" method although there are supposedly numerous views possible via the case method.

Notwithstanding the case method's limitations, the widespread use of the method comes from the case method's high degree of adaptability to both varied situations and to varied pedagogical needs.

## The case of Ted Shade

(This scenario description is an adaptation of a much more detailed case write-up of a real situation. The corporation and individual names have been changed to provide confidentiality.)

Ted Shade is Vice President of Supplier Management at Galactic Chips, Inc. Supplier Management is an important segment of the manufacturing organization, responsible for supplier negotiations and monitoring of the parts supply that is so critical to effective manufacturing. Recently Ted Shade described his leadership style with these words:

I have an open-door policy. If a person has an issue, they can always come in and see me; they don't have to go through channels. However, I don't like to wave people in if they're passing by because I don't want to waste their time.

Still, David Ming, Senior Vice President of Operations, considers Ted's operation, which reports to him, a problem. "I don't know what to do with Ted" he said, when he discussed Ted with the VP of Human Resources.

## Company background

Located in the New York metropolitan area, Galactic Chips, Inc. is a small manufacturer of microchips for diverse specialty products such as personal computers (PCs), printers, fax machines, telephones, and submarines which had grown rapidly since it was formed in the early 1970s by Patrick Rivers.

From the beginning, Rivers' vision was to create and maintain an organizational commitment to satisfying customer needs,

staying on the cutting edge of technology, and fostering mutual respect among and between employees. Under his leadership, the company grew to a comfortable \$150 million in annual revenues over a 25 year period, before he sold a large part of the company. He relinquished CEO responsibilities to a new, externally recruited executive because he wanted to spend more time with his family and felt that "new blood" should take over to further grow the business. Rivers remained Chair of the Board of Trustees. The new CEO's leadership style was rather autocratic and thus drastically different from Rivers' much more participative approach. Morale plummeted and, over the next three years, Rivers regularly heard complaints from employees. Revenues and profits also dropped, gradually at first and then more briskly; Galactic was no longer keeping pace with the swiftly changing dynamics of the chip industry. The board strongly requested that Rivers return as CEO, and he accepted this new challenge.

#### **Organizational assessment**

Rivers moved on all fronts. He asked the respective vice presidents for assessments of the market strategy and opportunities, product comparisons with those of competitors, and operations effectiveness. From the Vice President for Human Resources, Alex Donovan, he requested an analysis of morale, attitudes, and culture.

Donovan immediately pointed out that many managers needed to hone their interpersonal skills. He recommended coaching and counseling by an industrial psychologist for managers who wanted such assistance and suggested that some managers should be urged, possibly strongly, to participate. One of these was Ted Shade, the Vice President of Supplier Management, whom David Ming considered a "problem".

#### **Shade's background**

Ted Shade is a 49 year old white male, who was born and raised in Abilene, Texas. His father was an oil field mechanic who died of a massive heart attack when Ted was 16. His mother, a school lunchroom attendant, was left to raise Shade along with his older brother and sister. Before he graduated McMurray College, a Methodist institution, he lost his brother to an illness and his sister in an accident. Despite the traumatic impact on him, Shade managed to complete both his undergraduate program and a Master's degree in Chemistry at Virginia Polytechnic Institute. Following this, Shade served as a Second Lieutenant for three years in the US Army; he was an environmental and

chemical supervisor of nerve gas. He pointed out:

I like my work ethic, my Texas heritage, and the fact that I'm tall.

After leaving the military, he went to work for Texas Instruments (TI) as a production supervisor. Shade was in charge of 30 operators who primarily made silicon wafer chips. "TI was a burnout company," he pointed out:

... most supervisors and managers were exposed to great stress, but TI would help by facilitating transfers, and in other ways.

In 1980, Shade left TI and took a position as a wafer fabrication manager at Galactic. He was impressed with his first boss though he was not well organized and a "shouter" who berated subordinates even for small errors "He got things done," Shade remarked. At that time, Galactic was riding the crest of the PC wave; orders were coming in faster than it seemed that they could be met. Still, somehow they were, despite the fact that most departments appeared to Shade to be very laid back.

Galactic was also under a great deal of pressure to get newly designed chips out to the customer. They were also beginning to have some quality problems and needed to deal with the resulting customer concerns. As Ming, the Vice President of Operations saw it, Shade was always there. He helped get the chips manufactured and met the customers' deadlines. He also helped in resolving the customer complaints. Shade would show up early in the morning before the third shift left to get feedback from the night's production, and he would stay very late at night to help the production supervisors on the second shift, working most Saturdays, and when needed even Sundays. Ming remembered that people used to joke at the time about Ted being married to a saint since he hardly ever saw the wife and kids. Looking back at those years, Shade said:

I didn't spend enough time with my two daughters as they were growing up ... Now it's too late. They're grown up and have their own lives.

When the VP of manufacturing position opened up, David Ming recommended to Pat that it be given to Ted.

Just before Rivers took over at Galactic again, five supervisors from supplier management quit their jobs in just three months. Human resource management (HRM) staff conducted exit interviews. Ming described the results:

We were surprised to hear some of the reasons. We had always assumed people were

leaving for promotional opportunities or compensation, but we discovered that it had more to do with the quality of leadership and the enormous job stress they were feeling.

In particular, the departing supervisors said that the directors reporting to Ted and even Ted, were reprimanding them severely, sometimes even in front of their subordinates. When Ming looked at the performance reviews of these employees, they were quite good, overall. It was then decided that HRM would interview all of the employees in Shade's operation. He concurred willingly.

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### **Results of employee interviews**

Shade's management group received mostly negative comments from the non-exempt staff (those who were paid by the hour). The most damning responses centered on inaccessible management, which was viewed as very strict and highly authoritarian. The interviews with the exempt (salaried) employees echoed a number of the same concerns and could be summed up in this response from one of them:

We place too much stress on objectives/goals achievement. Instead of commanding people, they should be given the support they need.

The predicament for Ming concerned what to do with Ted Shade who had given many years of loyal service and exceptional effort. After considerable soul searching, Ming promoted Chuck Richards, a younger manager who had shown considerable competence in team building and contemporary management practices, to Vice President of Manufacturing and made Shade Vice President in charge of Supplier Management, a new position leaving him at the same level as before, but with reduced responsibilities

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### **Selected director and manager comments about Ted Shade**

#### **1. Positive comments**

Ted helped me to better structure my logical thought process. He stands by his people. He supports them if they follow his advice. He really respects the people who work hard and put in long hours.

Ted's very sincere. He's also very unselfish. He has the best interests of the company in mind, even to the extent of hurting himself. I have a lot of respect for him because he is honest and not self-serving. His motives are basically good. Ted is a good soldier. He listens very well to directions and orders given to him from the top.

Ted is a technically competent person. He knows his business. He is very analytical and supportive of his people, especially when it comes to personnel decisions. He's not an unreasonable man, as long as you communicate with him and tell him when things are going to get done.

#### **2. Neutral or mixed comments**

He saw many people over in the corporate building that would come in at nine and leave at five. He thought that was wrong and spoke to their managers about it. That's probably what got him into trouble. He's really not a bad guy, but I would rather not work for him. He's too strict especially on specifications and procedures.

He's so gung-ho on work that I think he lets his personal appearance go. He takes a great deal of pride in being in at 6 am and working every Saturday.

He doesn't question management, just follows them. For example, last year there was a fifteen-percent decrease in salary across the board. He passed this information along to all his subordinates and a good rationale for the decision. Essentially he sold us on it.

#### **3. Negative comments**

At meetings he would sometimes attack people, even calling their ideas or thoughts stupid. He's very insensitive about people's feelings. He's often a nitpicker, always involved in the small details. It is often better for someone to solve a problem without going to Ted. He would be prone to blow things out of proportion. But one can truly trust him.

He doesn't act or dress like a VP. His grooming is poor. His hair is always messed up and I think he goes for months without a haircut. I don't even think he showers every day.

Meetings are terrible with him. If it's his meeting, we don't have agendas; nobody takes minutes so we don't have a record. If it's someone else's meeting, he sometimes seems to be spaced out, like he's not really there. I've heard he has even fallen asleep once at one of Pat's senior staff meetings.

He has a lot of preconceived notions about the way things should be. He usually has his mind made up, although he thinks he practices participative management.

Some people could get a "know it all" impression from him.

You need to be direct and not try to put one over on him. He many times will be unclear in what he wants. He doesn't get to the point and doesn't focus on concerns. He goes off in different directions and at times is ambiguous. This wastes a lot of time.

Ted doesn't listen very well, probably because he talks too much. And he used to curse a lot to the point where people really got turned

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*Leadership theory and  
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off. That's inappropriate for a vice president and especially in public at meetings. He also doesn't look at people when he talks with them. He seems to be preoccupied with his thoughts. He shows no interest in the person or what they are saying. People would stop him and ask him a question and he would not give them an answer.

Ted doesn't communicate well. He doesn't let his people know the systems, procedures, and policies he has in his mind.

Ted is not a good role model for me. He's not professional. He's not a people person. He's abrasive and rude. He's accusatory. He criticizes in public. He can be sarcastic. He used to curse a lot, but seems to have stopped recently. When he got mad, he used to pound his fist.

He also uses words to hurt people. For example, at a meeting with the planning group, he told them they didn't know how to forecast. How can you have respect for him when he says things like that or when he argues publicly with another vice president?

Ted uses a lot of sexist comments such as "the girls in sales" or "the little ladies in Taiwan". And when he uses e-mail, he always uses too many exclamation points! My worst experience with him was at a meeting with Marie. I had put something on hold and the next day on a conference call with some suppliers, he told the suppliers that he and the suppliers didn't have very competent people working for them and to call him personally and immediately if it happened again. I was totally embarrassed.

He's very much a chain-of-command type of person. He's very rigid on follow-ups to previous items. He has his own set of priorities and doesn't realize that the product is important. Once, he bypassed me and took one of my staff members for an important project. He never told me, but when I found out and confronted him, he said, "That's the way it is always done around here."

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### **Ted Shade's self-view**

Ted Shade met with the industrial psychologist, often on a weekly basis. They looked at Shade's personal characteristics and competencies, basic beliefs, management style, and plan for personal change.

Excerpts of Ted Shade statements during discussions with the psychologist:

I have a very conservative background. There must be rules and boundaries not only in work, but in life. Rules don't change everyday.

An organization needs to be run in a very tight manner. There can be no variance allowed. You can't do a 99 per cent job. It

must be 100 per cent because if you have 1 per cent error, and you have 300 steps in a manufacturing project, you can see the amount of resulting compounded error. We need to draw a line in the sand and tell those people who stand for quality to come over to this side and the rest can just go away.

"Teamwork" is like apple pie and motherhood. How can anyone be against it? But it is not just a statement; it must be ingrained within the entire organization. But the organization needs to first identify what the team is then let it operate. Don't force it. You need a team to identify what the customer/supplier needs but then, after that, do you really need the team?

In manufacturing, once the system has been set up, you can just let the people run it. You don't need teams all the time.

We need to operate like relay runners with a hand-off to someone else along the way. But we need to make certain that the hand-off is solid and a good one. We shouldn't be passing faulty designs or products along the process. It needs to be corrected immediately.

We should set up a plan to handle the problems. That's really a funny word around here "planning." Our planning is terrible. Management doesn't see the small stuff and how things get done. They are only concerned with the results.

At Galactic, people tend to abuse other people. They beat the heck out of them. That's why there are unions. Unions are there to constrain people policies.

Everyone here in Building 80 (the headquarters building) is very formal. Over in Building 35 (the manufacturing plant) it is really informal. When I was there, I organized a Friday afternoon softball game. Everyone showed up. We had a number of teams and other people just came to watch. It was a lot of fun. But here, when I tried to organize one, I had to send out a memo and get it cleared with a lot of people who didn't care. After awhile it became too much and we stopped it. I sure miss those days when we were all in one building.

The best way of handling a problem is getting rid of people who should be let go. You can't keep deadwood. It wastes resources.

People I like working with are truly cooperative and are team players. I work well with team players who get their hands dirty. I like people who have a positive attitude, who don't have a façade and are honest. I like people who have a natural ability that they have obtained either through training, experience, or that is part of their personalities.

What I dislike about myself is that I am overweight and didn't spend enough time with my kids. As a manager, I dislike that I

show my frustrations easily. I'm quite open and people can read me like a book.

Three things I would like to change about myself are my ability to communicate and work with my kids better; being able to accept other peoples' shortcomings and walk away from them without getting upset; and never have to worry about my weight.

I really prefer communicating with others via e-mail. I don't like speaking to people one-on-one. I don't know what it is; I just feel more comfortable sending them a message. Also, I have a hard copy saved just in case someone says I never told him or her. You can't do that with oral communications. If it's in black and white, they can't say I didn't understand or I wasn't listening. There are no excuses.

If I were to do a performance evaluation on myself, I would criticize me as not working well with "children". In other words, those people who are not very bright. Also, I know people say I don't work well with others in the company, but I disagree with that. I work well with others if they work well with me. You know I haven't seen many people change in this company. It is difficult to change people from black to white.

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### Case analysis

As the main character in the case, Ted shade is portrayed as a dedicated managerial employee who works conscientiously and ardently for his company. However, his rather poor leadership style has contributed extensively to turnover and low employee morale.

The case description offers many clues to how a manager can maintain and develop effective leadership practices.

For the purpose in this issue, only two questions are raised and discussed below that students could be asked to consider and a brief discussion follows each one. These two questions focus specifically on leadership issues:

- 1 Briefly analyze Ted Shade's behavior as a manager – does he seem to demonstrate leadership characteristics?
- 2 Describe Ted Shade's leadership style employing trait, contingency, path-goal and transformation leadership theories. Do these models help to understand Ted Shade's management problems?

Discussion of the case in a management class is likely to be enhanced by including David Ming, Ted's superior, in the these two questions, and with additional questions such as:

- What human relation skills are needed in this type of work environment? Does Ted Shade have these skills?

Or, even more specific questions such as:

- Given Ted Shade's work behavior, determine if Ming can re-engineer either the man or a job to create a better employee-task fit.
- Discuss the organization's tendency to tolerate Ted Shade's and others' ineffective leadership style. Is this a function of David Ming's personal management style or does it indicate more systemic problems?

Now, to the two questions that will be discussed here (as they would appear in the instructor's guide for the case):

1. Briefly analyze Ted Shade's behavior as a manager – does he seem to demonstrate leadership characteristics?

Ted Shade was a technical specialist, trained as a chemist, served in the military, and was first hired at TI as a wafer fabrication supervisor. His first exposure to broader management responsibilities, outside the military, was at Galactic where he found himself in a highly stressful environment under a tough disciplinary style of management. Managers who met scheduled deadlines wrote their own ticket and rose through the ranks, including Ted Shade. Ted was eventually appointed as the VP of manufacturing and given formal authority to direct the activity of others in fulfilling organization goals.

In light of the comments that were made about him and even his self-view, Shade does not seem to share characteristics with successful leaders. As a manager, his performance was considered to be quite good, but he achieved the favorable results primarily with the use of his disciplinary powers. He seemed to be ineffective as a leader in that he was unable or incapable of influencing and empowering others to accomplish their goals. His methodology for influencing others, not surprising given his prior work experiences, seemed to be punitive in nature and his ability to communicate with his staff was minimal. While he appeared to be highly organized, hard working, and technically competent, he lacked the people-skills necessary in order to create a team environment and positive employee morale. His staff members did not perceive him as a good role model and they questioned his selection as a vice president.

It appears that Ted Shade did not have much knowledge of leadership concepts or what can be learned from the leadership

research and the theories that sprung from them. He did not seem to give much thought to what he should consider when he made his day-to-day decisions so he would help his staff members work smarter rather than harder – by helping them develop greater competence – and so they would gain higher levels of satisfaction from their work:

2. Describe Ted Shade's leadership style employing trait, contingency, path-goal and transformation leadership theories. Do these models help to understand Ted Shade's management problems?

As can be seen from the discussion below, knowledge of these theories could have helped Ted Shade gain broader perspective on his behavior and on the issues that should influence his decisions – especially those that pertain to his relationships with staff members.

From the perspective of trait theory Ted is not a good leader and he knows it. He could be rated quite highly on drive, honesty, and intelligence but seems to lack the desire to lead, integrity, self-confidence, and job-relevant knowledge.

When his actions are rated on the basis of behavioral theories Ted clearly comes across as production oriented and autocratic. The job always got done, even if Ted had to work late hours and weekends and berate and verbally abuse his employees in order to get them to work harder and meet deadlines. He clearly does not work well with others and does not seem to understand the value of a democratic, considerate leader.

Employing the Fiedler contingency model results in the following findings. Ted Shade describes his co-workers and employees in a very negative manner and would therefore probably receive a low score on the least-preferred co-worker (LPC) questionnaire. Given Shade's low LPC score, his leadership style would be labeled as "task oriented." A task-oriented leader is appropriate, according to Fiedler, when the three contingency variables (leader-member relations, task structure, and position power) create very favorable, and also very unfavorable managerial situations.

#### **Leader-member relations**

Given the comments of Ted Shade's staff members and the fact that Ted has described his current dealings with his associates as being very formal and poor in nature, one could classify these relationships as very unfavorable.

#### **Task structure**

The task structure of Ted's staff members is not described in the case. However, it has to

include supplier capacity, delivery dates, and final destination of the purchased products. Production and the manufacturing cycle of microchip involves highly stressful activities as a result of the time pressures. It can therefore be assumed that the task is fairly structured.

#### **Position power**

Ted Shade's power position within the organization has recently decreased (change in job title and reduction of duties) dropping his relative position power within the organization from managing five division to managing just one position. He is still a vice president, however, and is still two levels down the hierarchy from the president and therefore holds a strong power position within the firm. Inasmuch as he thinks that "... You can't keep deadwood. It wastes resources." It would appear that Ted would fire his "lazy" workers if he had the authority to do so. Given this lack of authority his position power has to be rated either as unclear or slightly favorable.

In summary, leader-member relationships are very unfavorable, task structure is favorable and position power is unclear, leaning toward favorable.

The cumulative effect of the three variables is that Ted Shade is managing in a "mixed" (between favorable and unfavorable) situation – a situation that calls for, according to Fiedler, a relationship oriented leader. Fiedler's theory, given the fixed nature of leadership, leads to the conclusion that Ted's effectiveness can only be improved by changing the amount of power the leader has over organization factors such as salary, promotions and disciplinary action or by moving him into a leadership position that better matched his style of leadership.

This analysis highlights an inherent weakness of Fiedler's leadership contingency theory in that the option of management development (training Ted Shade in differing approaches to leadership) is not an option under Fiedler's approach. Ted Shade would have to either be removed from the organization completely (fired) or demoted to a position in the organization where his behaviors would have a more benign effect. However, one could argue that a task-oriented leader was necessary in a pressure-packed environment where the increasing demand for the product seemed to outstrip the company's capacity to produce it and where the higher level managers seemed to take a laid back, hands off approach. Given the consistent amount of employee overtime, stress, lack of planning, and the absence of rules, it is not surprising that an executive

such as Ted Shade would have tried to impose more structure in what seemed to be a chaotic situation. It is not likely, however, that he did so based on an analysis of the situation, and with deliberate decisions, rather than as emotional reactions to situations as they presented themselves.

It is interesting to note that the application of House's path-goal leadership theory leads to a differing set of analyses. In the path-goal theory, the leader's job is to modify his or her style of leadership in order to assist followers in attaining goals, and to provide direction and support needed to ensure that their goals are compatible with the organization's vision (Bass, 1990). This differs from Fiedler's theory which treats leadership style as a fixed or "given" in the leadership equation. For House, a leader's behavior is acceptable to subordinates when viewed as a source of satisfaction, and motivational when need satisfaction is contingent on performance, and the leader facilitates, coaches and rewards effective performance.

It is apparent from the case that Ted Shade's leadership style could at best be described as achievement-oriented since he set challenging goals and expected subordinates to perform at their highest levels. It is also obvious from the case that the staff members were highly dissatisfied with Ted Shade's leadership style given their perceptions of their own abilities to do the job, coupled with their work experience – they wanted more control of their work environment.

Second, the highly stressful nature of the work environment (caused by the need to meet production schedules as dictated by industry competitiveness), as described by the subordinates, necessitated providing emotional support (empathy). Since employee performance and satisfaction are likely to be positively affected when the leader compensates for the shortcomings in either the employee or the work setting, Ted Shade's leadership style needed to be more supportive to defray the stress in the work environment. The application of path-goal theory to the case yields far more interesting results than those derived from applying Fiedler's contingency theory – it gets at the nature of the problem associated with Shade's leadership style, specifically Shade's lack of people skills.

Transformational leadership, the ability to create and articulate a realistic, credible, and attractive vision for the future of the organization that improves upon the present situation, is certainly not evident in Ted Shade's behavior and actions. The CEO of the company had a vision of "to create and

maintain an organizational commitment to satisfying customer needs, staying on the cutting edge of technology, and engendering a mutual respect among and between employees", however, his departure and subsequent return did not engender inspiration or a particular value system.

One may question the applicability of transformation leadership theory to managers below the CEO – like Ted Shade – who else but the CEO should articulate the vision of the firm? This introduces an excellent discussion point, as articulated by Lussier and Achua (2001), that leadership should focus on accomplishments because they are the key to leadership. That, then shows that "transformational leaders can emerge from different levels of the organization" (Lussier and Achua, 2001, p. 382) since they try to transform the organization (or the part they particularly are involved with) through trust, sensitivity to others' needs, and risk-taking in order to increase organizational performance.

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### **Out of the leadership theory jungle**

It is apparent from the discussion in Question 2 that different leadership theories may yield varying results making it more difficult for managers to bridge the gap between leadership theory and practice. Managers must accept the notion that theories, by definition, are imperfect. There is no one best leadership theory, no magic bullet that will produce optimum leadership conditions. Consequently managers must use their own experience and training not only to analyze their situations from a range of theoretical perspectives but to use this experience and training to select the solution strategy that best fits the situation at hand.

The way out of the leadership theory jungle is not an easy task but it requires managers to:

... take a walk in the jungle, get lost, learn how to read the signs, and finally discover the way out.

In other words, managers must:

- first, learn about leadership theories;
- second, reflect on, but not be overwhelmed by the number of theories and the fact that they, in many cases, contradict one another;
- third, use their own experiences and judgment to try to make sense out of the amalgam of theories; and
- fourth, use leadership literature (those theories that have meaning for them and their work situation) to analyze and change their work environment.

## Concluding comments

We hope that we have demonstrated that, through case analysis, learners can develop the foundation for bridging the gap between leadership theory and practice. We have shown that the application of leadership theory to practice can be used to enhance leadership decisions and bring leadership behavior that is more competent, and appropriate for the environment and the respective situation. Managers, with some training, should be able to develop a set of questions or guidelines (see Rausch and Washbush, 1998) that can help them analyze their own and their firm's leadership styles and approaches based upon the leadership literature.

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## Book review

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### **Creating Leaderful Organizations: How to Bring Out Leadership in Everyone**

**Joseph A. Raelin**

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*250 pages*

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Our conceptions of how organizations work and what constitutes leadership are constructions of the social systems in which we live. The implication of this is that we should be very cautious about using notions of organization and leadership developed in the past without considering whether they are still valid. Joseph Raelin argues that too many of our ideas about leadership still exhibit the remnants of models based on a top down, hierarchical and heroic models, which if they were ever appropriate, have outlived their purpose. People will not defer to authority as they once did. They expect to be valued and the related issues we face are so complex that they require all the intellectual resources available to us, not those of a small elite.

Raelin's aim in this book is to set out a new paradigm of leadership that is more appropriate to modern society and challenge some deeply embedded views of leadership. Many of the elements of this new paradigm are built on foundations drawn from a wide variety of existing sources. One of the strengths of the book is that it develops a number of interesting arguments by building on evidence and thinking as reflected in the literature. Some are derived by an engaging dialectic technique of presenting a familiar argument about leadership, deconstructing it, illustrating that it in fact fails to go far enough, or follow its own logic and then presenting a new take on it. This is a particularly enjoyable aspect of the book and also means that it critically reviews a wide range of sources. I particularly liked a trenchant attack on the idea that there is a wide and fundamental difference between managers and leaders. Raelin's characterization of the leader in these models as aloof, brooding and a possible social misfit slightly caricatures the view for rhetorical purposes but is valid and makes an important point in an engaging and memorable way. He also challenges the idea

of followership as implicitly acknowledging the pre-eminence of a leadership figure. His implied criticism is that both these views are deficit models that define others by what they lack and, in doing so, miss the point that many different people within organizations can exercise leadership and need to do so. He also points out, with some relish, that even some of the proponents of much more modern ideas about leadership frequently fall back into ways of thinking that are infected by the idea that leaders are "out in front". There is a slight feeling that in a few cases he may be picking more a fight than is warranted, but the result is memorable, entertaining, and does not stray from being intellectually honest.

A second interesting device that the book employs is mapping useful conceptual frameworks on to each other. For example it shows how Belbin's team roles map on to stages in the critical leadership process, the relationship between situational leadership and team development, and how a model of conflict handling relates to models of influencing.

The first chapter presents Raelin's version of the old model of heroic and charismatic leadership he is challenging, which he characterizes as being serial (passed from person to person), individual, controlling and dispassionate. He argues that this concept should be replaced with what he calls leaderful practice in which leadership is distributed across all members of a community. This notion of community is clearly very important to Raelin and it recurs in his analysis at a number different stages in the book. For those who are comfortable with this idea his analysis will seem natural and compelling. However, there will be those who work in one of the many organizations, where leadership is still heavily oriented toward a command and control style, who find these ideas rather difficult, unintuitive and a recipe for chaos. However, unlike many writers who are passionate about their ideas, and Raelin clearly IS, HE does not claim that this is the only solution. He stresses continually that organizations and people need to be well prepared to adopt the model he is proposing and to change their leadership practice and their relationship with subordinates. Also, unlike many authors with a strong idea he is not arguing that all ideas about leadership need to be replaced with his own, for example he

explicitly states that he is not suggesting that there is no need for appropriate hierarchy or division of responsibilities.

The first part of the book sets out the case for the new paradigm, explains what it is, how it is distinctive, the challenges involved, how to develop leaderful practice and the benefits. The text is nicely illustrated with references to research, other authors and short stories and quotes from the “real world” that keep the analysis grounded. Some of the argument overlaps so there is some repetition that will help the casual browser catch up on points made elsewhere.

The second section of the book sets out the four Cs of leaderful practice which he defines as being concurrent, collective, collaborative and compassionate:

- 1 Concurrent leadership embodies the idea that people in the group can exercise leadership at the same time as the positional leader. The first key to this is situational leadership – the ability to accurately diagnose situations and respond appropriately. The second key is the skill of facilitating the work of the group, promoting its development and growth and managing its boundaries. The power sharing implied by this idea will be challenging to many managers and staff and so the chapter puts considerable stress on the need for personal and team development.
- 2 In the chapter on Collective leadership Raelin develops this idea and explores the implications of different people within the community being able to contribute by assuming a measure of authority for decisions based on their knowledge rather than simply their position. The key to this is developing learning as a way of life for the organization, including examining the fundamental assumptions we use from time to time – a sort of triple loop learning. This, of course, has very significant implications for the traditional model of the decisive CEO or other high level manager who “has all the answers”. Raelin is honest about the bravery required to step away from this model towards one that is based more on stewardship, on admitting what one does not know, and on asking subordinates and colleagues for help. A second key component of collective leadership is the role of positional leaders in creating meaning. This is unlike the more traditional model in which vision is created at the top and “rolled out” or “pushed down” the organization but one

in which it is co-created. There is still a clear role for positional leaders. The book, though it does not state so, clearly implies that in many ways this is a more subtle and difficult role for the leader than in the traditional model.

- 3 Collaborative leadership again stresses non-judgmental inquiry, reflection and the participation of all members of the community. There are three useful sections on creating change, influence and dialogue. In all these cases there is still an important role for the positional leader – but also for others. Since the underlying assumption is that these processes are taking place in a community, there is perhaps not enough consideration of those situations where there are fundamental disagreements about objectives or values. Raelin might respond (correctly, I believe) that these cases are not true communities though they are the reality of many organizations. This reminds us that creating communities is a first step toward effective leaderful organizations.
- 4 The chapter on Compassionate leadership is strongly argued and calls for authenticity, in the social system and for a number of values and behaviors including listening, sincerity, inner peace and a joyful spirit. Whilst the prescription seems to me to be right, this is undoubtedly the most challenging section of the book. The tendency to slip back to old modes of behavior is strong and while Raelin implies that these new ways can be acquired he makes no secret of the obstacles and he continually stresses humility, reflection and learning. The book could be enhanced with more on how to develop leaderful practice. However, like Henry Mintzberg’s, writings, which are close to themes in this book, Raelin’s answer might be that the book is not a traditional MBA program.

My abiding feeling was that the type of organization that Raelin was describing would be one that most people would aspire to work in and the communities he envisages would be rich and rewarding. His prescription may not suit everyone but for my own field, healthcare and for other knowledge based enterprises, it is probably essential.

His work is polemical, optimistic and as a result perhaps does not pay quite enough attention to problems of pluralism, disputes about fundamental values, contested objectives or the potential for defectors from

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the values of the community to exploit the collaborative instincts of others for their own purposes. His optimism leads him to downplay these behaviors or to dismiss them as inappropriate. In his defense he does acknowledge the fact that some individuals, communities or organizations are not ready for his approach and it is likely that the type of leaderful communities he proposes would be much better able to deal with these

issues than many of our current organizations.

These are minor shortcomings in what is an engaging, interesting, and well written, manifesto for a more humane and sustainable approach to how we live in organizations and communities.

**Nigel Edwards**

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