



Better leadership? Ask the right questions

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Chapter 5: Better Leadership? Ask the Right Questions

Ken Parry

Executive summary

Recent studies have proven that effective leadership runs a course through an organisation that ultimately flows through to benefit the bottom line. But what is effective leadership and what must a manager do to be a good leader?

This chapter approaches the leadership dilemma by asking and exploring the answers to six questions: what, who, when, where, why and how? These are questions that managers are encouraged to ask of themselves and to examine in the light of the leadership challenges that they face.

[*What is leadership?*](#) explores the transformational, developmental and ethical nature of managerial leadership, vis-a-vis the corrective transactional nature of the conventional management challenge.

[*Who is a leader?*](#) discusses the proposal that potential and informal leaders exist at any and all levels of the organisations. But these are not to be confused with the organisational psychopaths who are sometimes mistaken for leaders.

Leadership exists *when* we have willing following from the troops. As to *where* leadership is found, it is found in the hearts and minds of people all over our organisations, and in the cultural soul of the organisation itself.

But *why* should we bother with leadership at all? It is here that the soul of our organisation is laid bare. Leadership is an investment in the social capital of our organisations. This social capital complements the financial capital to give a true value to our managerial endeavours. Social capital is a worthwhile investment in its own right, and it helps the bottom line.

The chapter then summarises *how* individuals and organisations can realise the leadership potential within them, and concludes by asking a seventh and personal question for the manager who seeks to be a better leader: [*What does leadership mean to you?*](#)

Introduction

So, you are a manager. Like many managers, you probably strive to be a better one. You also may want to be a good leader. Perhaps you want your managers to be good leaders as well.

Sounds good so far, but how do you make it happen?

Start by asking yourself some questions about leadership: what, who, when, where, why and how? More specifically, spend some time investigating:

- What is leadership?
- Who is a leader?
- When does leadership exist?
- Where do you find leadership?
- Why should we bother about leadership?
- How do we 'do' leadership better?

The answers to these questions will give you insight into what it takes to be a better leader in corporate Australia. Just as importantly, this exercise may help you to answer the question: *What does leadership mean to me?*

What is leadership?

Essentially, *leadership is about getting others to follow*. Obviously, you cannot have leadership without a following. But why do people follow, and what is it about a leader that makes people want to follow?

Unfortunately, there is no one universal theory of leadership. There are literally thousands of leadership theories for thousands of possible situations. There are hundreds of definitions of leadership. Many have similarities, but the experts simply cannot agree on what leadership actually is (though nearly everyone can point to it when they witness or experience it).

Components of leadership

We cannot define leadership easily, but we can break it down into component parts. For example, depending on the situation, leadership can be said to involve a *transformation* (in the hearts and minds of followers), a *developmental exchange* (an investment in the development of people) or a *transaction* (positive or negative, between individuals). [Table 5.1](#) outlines the characteristics of each of these three components of leadership.

Table 5.1 : Components of leadership
1 Transformational leadership
Role modeling Leaders are seen as respected, trusted role models. They can be counted on, and demonstrate high moral and ethical standards. They are accountable. They are ethical.
Inspiration and vision Leader's behaviour motivates and inspires followers, team spirit is aroused, enthusiasm and optimism are displayed and both leaders and followers create positive

visions for the future.

Intellectual stimulation

Leaders stimulate and encourage innovation, creativity and questioning of old assumptions. New ideas are welcomed and there is no fear of mistakes or going against the grain.

2 Developmental exchange leadership

Individual attention

Special attention is paid to each individual or work group's needs and differences. Effective listening and developing potential and personalised interactions are components of this leadership style.

Contingent reward

A constructive transaction where leader and follower agree on what needs to be done and for what reward. Performance is recognised and acknowledged.

3 Transactional (corrective avoidant) leadership

Active monitoring and controlling

Leaders actively monitor for errors, mistakes or any deviations from standards and norms.

Passive monitoring and controlling

Leaders passively wait until problems or mistakes arise, then takes corrective action.

Laissez-faire

Non-transactional, necessary decisions are left unmade and responsibilities of leadership are ignored.

All three components of leadership are necessary, *depending on the situation*. There are no hard and fast rules as to when you should use each component. In Australia, New Zealand and around the world, however, research has consistently shown that leaders who display *transformational* and *developmental exchange* leadership as often as possible (and transactional corrective avoidant leadership only when necessary) are the most effective.

All three types of *transformational leadership* are the most effective, closely followed by *individual attention*.

Contingent reward is a forward-looking and constructive style of leadership, usually operationalised through performance-management programs, management-by-objectives systems and performance contracts. It is almost as effective as transformational leadership and individual attention.

By contrast, the *corrective avoidant* transaction is a backward-looking style, wherein mistakes or exceptions are corrected *after* the event. As a result, people are motivated only to avoid making mistakes or to maintain the status quo. Research has consistently found that this leadership style limits commitment, performance and innovation. It is still surprisingly frequent in organisations throughout Australasia.

In summary, to be a leader, you may have to *transform* the hearts and minds of people and *develop* them, as well as managing your *transactions* with them (depending on the situation).

What leadership is not

While leadership is difficult to define, in some ways it is easier to say what leadership is not:

- it is not the restructuring of the organisation; and
- it is not organisational transformation.

Transforming an organisation usually involves some form of alteration to, or reallocation of, staff levels, reporting lines, responsibilities, and so on. These are certainly part of good management practice, but they are not leadership. This is because these activities do not necessarily generate *following*. Let's face it, you can transform or restructure an organisation without leadership. However, if you transform or restructure an organisation with transformational leadership, the restructuring is much more likely to succeed.

Transactional and transformational leadership

The following illustrates the difference between the transactional and transformational components of leadership.

1. If someone does you a favour, ask yourself to whom you owe the debt. If you owe the debt back to that same person, you are engaging in a *transactional* relationship. When you repay the favour, the transaction is complete.
2. On the other hand, if you owe the debt to the next person who needs a favour, you are engaging in a *transformational* and developmental relationship. The transaction is never complete, but rather builds forward over time to grow the total human, social and intellectual capital of the organisation.

The following non-work scenario clarifies this point.

A friend has suffered a loss or bereavement. You help your friend out by making meals, doing the housework, mowing the lawn and being there when your friend needs a shoulder to cry on. Your friend then wishes to express their gratitude to you.

1. You may consider that your friend owes you a debt of gratitude. 'That's OK. I expect you will do the same for me in the future.' In this case, the two of you are doing no more than engaging in a *transaction*. Your friend owes you a favour for which you will expect repayment.

2. Alternatively, you may consider that any debt owed should be paid to the next person who suffers a loss or bereavement. ‘That’s OK. Just do the same for someone else in the future.’ In effect, your friend now owes a debt to society (not to you) to help the next person who needs them. In this way, there is no transactional debt hanging over your relationship. Instead, your friend is almost obligated to add to the social capital of the community by being of service to the next person who needs help. Your friend owes you nothing but owes society everything—partly because of what you did for them, partly because it is the right thing to do. The transaction is restricted to two people, but the *transformation* occurs right across the community.

Transaction is a self-serving debt of obligation between two parties. By contrast, transformation is the heart and soul of the community, society and the organisation. It really follows the principle that *what goes around, comes around*. If you repay a debt only to the person who helped you, then the value stops going around. But if you repay the obligation by assisting the next person in need, the value is compounded for the total good of the community. Instead of paying back, you *pay forward*.

It is a bit like the parent–child relationship (and in reality, parenting is one of the ultimate manifestations of leadership). Parents raise and develop their children. The children do not owe a debt to their parents. Instead, the children owe a debt to their own children to in turn raise them with integrity, honesty, and so on.

Transforming hearts and minds

Transformational leadership is a style of leadership *that generates a transformation in the hearts and minds of followers*, such that those followers generate higher than expected levels of motivation, commitment and self-sacrificing behaviour. Transformational leadership is closely aligned to developmental exchange leadership, and is contrasted with corrective avoidant transactional leadership.

What do we know about transformational leadership in the Australian corporate context? Based on my recent research with my colleagues,^[1] I can make the following claims with great confidence:

- We are generally pretty good at transformational and developmental exchange leadership, but there is often so much corrective transactional management that the transformational leadership is negated.
- Both transformational and developmental exchange leadership have a consistent positive effect on the bottom line. By contrast, corrective transactions, if used to excess, have either a zero or negative impact on the bottom line. This has been found across all countries, all industries and all cultures.^[2]
- When managers concentrate on doing more transformational and developmental exchange leadership, corrective avoidant behaviours come back down to their natural sustainable level.^[3]
- The more managers are transformational, the more they are seen to possess integrity.^[4]
- Managers in transformational cultures experience less role conflict than those in predominantly transactional cultures.^[5]

- Women are at least as good as men at transformational leadership, and more often than not are better.
- Transformational leadership can, and often does, occur at all levels of an organisation.
- Australian managers can train for transformational leadership (and have done so successfully).

Good leadership

Like everywhere else in the world, in Australian organisations leadership manifests in all sorts of forms (both good and bad). But what are the crucial characteristics of *good leadership* in an Australian corporate context?

As stated earlier, leadership is about following. Often, however, people follow someone who has socially irresponsible, self-serving and morally indefensible motives in mind. Leadership, therefore, is not necessarily good. Examples of *bad leadership* include tyrants and despots like Adolf Hitler and Pol Pot. In a business sense, history shows that some of the failed corporate raiders of the 1980s were bad leaders. They generated enthusiastic following at the time from employees and the public. Their motives and actions, however, were difficult to sustain morally and were even illegal at times. Good leadership is about possessing integrity as well as about generating following.

The possession of *integrity* permeates through all the best manifestations of leadership. In 1987, a survey was conducted of several thousand managers from Australia and around the world.^[6] It found that integrity was consistently the most admired and looked for quality in superiors. What those managers meant by *integrity* when they were surveyed is possibly open to conjecture. What people generally mean, however, is a character trait whereby one behaves in an ethical way. Because ethics is the study of right and wrong, integrity leads people to behave in a morally sustainable or right way.

Leadership, integrity and the bottom line

Integrity in leadership is now recognised as an essential component of successful organisations. Indeed, research has shown that ethically led organisations have increased effectiveness due to a strengthened organisational culture, lower labour turnover levels and increased employee effort.^[7]

Integrity and ethical leadership benefit the organisation through the building of trusting relationships. Research has identified trust within an organisation and between workers as a core contributor to effective organisational practices,^[8] and integrity is a core determinant of that trust. Leader integrity aids the development of trust and also creates relationships of respect and increased reciprocity between leaders and followers.

Integrity is also important for both effective leadership and successful organisational performance. As stated earlier, the presence of transformational leadership and developmental exchange leadership in an organisation has positive effects on the organisation's bottom line. As *perceptions* of integrity increase, so do satisfaction

with leadership, perceptions of leader effectiveness, worker motivation and extra effort. As these outcomes increase, so too does organisational effectiveness, and there is a corresponding positive impact on the organisation's bottom-line achievement.

Corrective avoidant leadership has the reverse impact. This is because corrective avoidant transactions are geared towards improving organisational performance, but are not geared towards the development, motivation or intellectual stimulation of employees. Hence, employees have a subliminal suspicion of the motivations of leaders who engage in this style of leadership too frequently. Their suspicion is that the leaders are engaging in selfish or self-serving behaviour. Consequently, employees fear that their leaders might be unethical. Because 'unethical' people are not motivating or satisfying to work for, individual and organisational performance falters.

I need to emphasise that corrective avoidant leadership is not unethical *per se*. Rather, employees have suspicions about the motivations of leaders who use it to excess.

Perceptions of integrity

The relationship between integrity and good leadership has actually been tested. In New Zealand in 1999, at the Centre for the Study of Leadership, we surveyed over 1300 managers regarding their perceptions of the integrity of the colleagues with whom they worked.^[9] We were attempting to find the relationship between perceptions of integrity and the display of leadership. We found that when managers displayed transformational and developmental exchange leadership they were perceived as having integrity. On the other hand, managers who used corrective avoidant leadership methods were perceived to have lower levels of integrity.

The extent to which managers are perceived to possess integrity is similar throughout Australasia and across North America. It is interesting to note from our integrity research that just over 6 per cent of managers who are above average in displaying leadership traits are perceived to be below average in integrity. In other words, they are behaving like leaders but certain interactions have led colleagues to doubt their integrity. This figure is consistent with previous research, which found that approximately one in 20 people are *aberrant self-promoters*, a milder form of the organisational psychopath. The remainder act ethically and morally.^[10] This small group of managers represents the *dark* side of leadership, or those charismatic leaders who influence people for self-serving and non-socially responsible motives (more about this later in the chapter).

It appears that perceptions of low integrity may arise when a leader either does the wrong thing (for example, exhibits unethical conduct) or does not do what is expected and valued by followers. Perceptions of high integrity (and development of trust) are based on a critical threshold of active and positive leadership (doing the right thing). Conversely, not being *seen* to do the right thing may be sufficient to support assumptions of immoral and unethical intentions. Thus, in the case of corrective avoidant behaviours, where there is a lack of manifest leadership, followers will assume low integrity *even if the leader is not actually doing the wrong thing*.

Can we train for integrity? No. Can we test people for integrity prior to selection? No. What we can do is continue to train and develop people to be better transformational leaders, confident in the knowledge that they will be perceived to be ethical by their troops, and will lead organisations that have a better chance of being successful.

^[1]K. W. Parry (ed.), *Leadership Research and Practice: Emerging Themes and New Challenges*, Pitman/Woodslane, Melbourne, 1996; and K. W. Parry (ed.), *Leadership in the Antipodes: Research, Implications and a Leader Profile*, Victoria University Institute of Policy Studies, Wellington, 2001. There are literally hundreds of references that can be cited here, but these books are the best recent summations of Australian research.

^[2]For the ‘world’ view, see B. M. Bass, *Transformational Leadership: Industry, Military and Educational Impact*, Lawrence Erlbaum Associates, Mahwah, NJ, 1998.

^[3]We have found this consistently in leadership training conducted through the Centre for the Study of Leadership in New Zealand.

^[4]K. W. Parry and S. B. Proctor, ‘The Integrity of Transformational Leaders in Organisational Settings’, *Journal of Business Ethics*, vol. 17, no. 15, 2001.

^[5]This was found in a national leadership survey conducted in New Zealand in 1999. See K. W. Parry and S. B. Proctor, *The New Zealand Leadership Survey 1999*, The Centre for the Study of Leadership, Wellington, 2000. Based on experience across Australasia, we would find the same in Australia.

^[6]J. M. Kouzes and B. Z. Posner, *The Leadership Challenge: How to Get Extraordinary Things Done in Organizations*, Jossey-Bass, San Francisco, 1987.

^[7]K. W. Parry and S. B. Proctor, 2001, as above; and K. W. Parry and S. B. Proctor, 2000, as above.

^[8]P. M. Doney, J. P. Cannon and M. R. Mullen, ‘Understanding the Influence of National Culture on the Development of Trust’, *Academy of Management Review*, vol. 23, no. 3, 1998, pp. 601–20; and R. C. Mayer, J. H. Davis and F. D. Schoorman, ‘An Interactive Model of Organizational Trust’, *Academy of Management Review*, no. 20, 1995, pp. 709–34.

^[9]K. W. Parry and S. B. Proctor, 2001, as above; and K. W. Parry and S. B. Proctor, 2000, as above.

^[10]S. B. Gustafson and D. R. L. Ritzer, ‘The Dark Side of Normal: A Psychopathy-Linked Pattern Called Aberrant Self-Promotion’, *European Journal of Personality*, no. 9, 1995, pp. 147–183; and P. Babiak, ‘Psychopath Manipulation in Organizations: Pawns, Patrons and Patsies’, in D. J. Cooke, A. E. Forth, J. P. Newman and R. D. Hare (eds.), *Issues in Criminology and Legal Psychology: No. 24, International Perspectives on Psychopathy*, British Psychological Society, Leicester, 1996, pp. 1–17.

Who is a leader?

Anyone can be a leader. Well, not quite—it is not that absolute. To be more accurate, anyone can be a *better* leader, and leaders can come from anywhere within the organisation.

Research in Australia, New Zealand and North America has shown that, in general, women are at least as good as men at displaying effective leadership.^[11] Women are marginally better at transformational and developmental exchange leadership, and men display marginally more corrective avoidant leadership. This is an important finding for both women and organisations, because transformational and developmental exchange leadership are the styles that are best for organisational health and profitability. To generalise based on gender, however, would be to discriminate against the many exceptions to the rule. Each person must be evaluated on their own merits. There are many men who are very transformational, and many women who are very transactional.

Research has consistently shown that transformational leadership is exhibited *at all levels* of the organisation.^[12] Men and women throughout our organisations are able to transform the hearts and minds of their fellow workers. Moreover, transformational leadership does not rely on positional power or formal authority to weave its magic. Workers at any level can contribute to transformation through the power of their talk and their actions.

In short, *leaders are all around us*. The really beautiful thing is that we have ways to identify these people in our organisations, even if it is only with questionnaires (these are discussed later). We also know that those people who exhibit leadership without formal position or authority are the ones with the most potential for senior leadership positions in the future.

The role of the manager requires formal authority from the organisation because it often involves enacting corrective transactional leadership. On the other hand, transformational leaders within an organisation do not require formal authority in order to achieve their goals effectively. In many cases, such leaders will not be managers or hold any formal or recognised position of power or influence.

Developing leadership talent

There can be a vast pool of leadership potential in our organisations—managers and workers. To make the most of this potential, it is important for organisations to:

1. identify the leadership talent present within the organisation, from both genders, across all levels and inside and outside the formal authority structure;
2. ensure that there are opportunities for such talented people to gain management experience and to move upwards into positions of formal leadership (if this is what they want); and
3. identify any organisational roadblocks in the way of the above leadership development.

Roadblocks to leadership development

The identification of roadblocks should be the top priority if the organisation is serious about getting the best and most suitable people into more responsible positions. Some roadblocks to leadership include the following:

- Not identifying leadership capability adequately—this is a human resource management functional issue.
- Not providing potential leaders with access to people, information and activities. Among other things, this isolation results in potential leaders feeling (justifiably) that they have little power or control. In addition, this will mean that they are unable to contribute ideas, actions or influence outside of their immediate area of work. Therefore, the opportunity to realise their leadership potential is lost.
- Organisational systems rewarding conformity and compliance, rather than quality and achievement. Consequently, high-quality achievers, questioners and innovators are less likely to get ahead than conformists.
- Lack of connection between the message given out by management and the language of the desired audience. For example, administrators in hospitals might talk a form of managerial-administrative-rationalist-speak, while the nursing staff listen for messages about care, welfare and the good of the nation. The dialogue breaks down, and people are disenfranchised. As a result, they don't get access to the information that they need to develop or progress.
- Management's reasons for doing things are not clear to workers. In other words, the big picture (the benefit of actions for workers, the company or Australia) and management's rationale are not clear to workers—they cannot see why they have to do things. So, motivation and incentive to progress and achieve within the organisation break down.
- Workers perceive that their personal goals have nothing to do with the organisation's goals (or conversely, the workers' personal goals are similar to the organisation's but they are not recognised or supported). The result is that they take their personal goals (and skills, talent and organisational knowledge) elsewhere.
- Employees are told the solutions to problems, rather than being helped to understand them (let alone to participate in the problem-solving process). So, they either have no commitment to the solution or are not allowed to be part of the implementation. Either way, they cannot demonstrate leadership.
- There is a lack of trust of management, probably stemming from a perception of a lack of management integrity (and probably arising from poor leadership). The result is that people clam up, hunker down and defend, and, as a consequence, they do not fulfil their management and leadership potential.
- There is little incentive to take risks. This may be because: incentives are for workers to conform rather than to develop and achieve; failure is punished rather than treated as an opportunity to develop and learn; or managers look for problems to correct rather than for goals to achieve jointly. Without risk there is little opportunity for learning and development, and, therefore, progression to leadership.

Once the roadblocks to leadership development have been identified, remedial action must be taken to remove these roadblocks (see ‘How do we do leadership better?’ later in the chapter). Generally speaking, removing the roadblocks involves:

- *Human resource management changes*, such as leadership capability identification, changes to reward mechanisms, career management and leadership skills training.
- *Organisational process changes*, including examining the extent to which there is internal competition for resources, the extent to which a financial value is placed on things, the question of which issues are explicitly or implicitly valued or rewarded by management, and the physical layout of the work environment.

Responsibility for development

Not all problems with leadership development are caused by the organisation. Sometimes, individuals don’t realise that they have a leadership role to play. There is a case to be put that the key to leadership development in organisations rests with each worker’s self-analysis or self-assessment of their own leadership reputation, philosophy, capabilities and behaviours.^[13]

A person cannot be trained to be a leader against their will. That person must want to be a leader, and be prepared to understand, acknowledge and accept the perceptions of others in order to make the changes necessary to become a better leader. After all, the outcomes of such development are good for the individual as well as the organisation. The same argument holds true whether the person works for a large corporation or a small enterprise. Leadership is about influencing others, and you don’t have to be in a large corporation to do that.

It is important to note that the responsibility for the development of potential leaders lies with both the organisation *and* the individual. If individuals are solely responsible for their ongoing professional development, they will feel fewer obligations to their organisation and have fewer qualms about leaving in order to realise a return on their personal developmental investment. In addition, they may justifiably become self-serving and perhaps lesser leaders. Both outcomes will eventually affect the bottom line.

The dark side of leadership

Informal leaders can be found in all levels of the organisation. But not all leadership is good or beneficial for the organisation. So a corollary to this discussion of the development of good leaders is sifting out those who are actually *bad* leaders. I have already mentioned the aberrant self-promoter, or the mild organisational psychopath. Personality flaws such as this do exist, and we must be prepared for them. These people take on the image of being ‘tough’ leaders, but they have precisely the opposite effect to good leadership. Not always in formal positions of authority, they tear out the heart and soul of organisations, as well as making us go a little bit crazy at times!

A contemporary problem for corporate Australia is that organisational psychopaths do well in turbulent environments characterised by high levels of change and uncertainty. Such environments are the norm these days. Organisational psychopaths are able to manipulate and misuse people. Often before senior management identifies them, they move on to greener pastures in another organisation. Even worse, as a result of their work, other healthy managers often move on to different pastures and leave the psychopaths to their prey.

Organisational psychopaths leave behind a legacy of bitterness and mistrust that can undo years of conscientious leadership and teambuilding. Needless to say, such outcomes are detrimental to organisational performance.

Identifying the bad guys

Psychopaths have two characteristics. One is narcissism or a *self-serving world view*, characterised by a remorseless, guilt-free lack of integrity, the shameless manipulation of others, grandiosity, pathological lying and deception, and superficial charm. Starting to ring alarm bells yet? The second characteristic is *anti-social behaviour*. It is excessive anti-social behaviour that gets many clinical psychopaths into jail. These characteristics are outlined in [Table 5.2](#).

Type of psychopath	Narcissistic behaviour	Anti-social behaviour
	<ul style="list-style-type: none"> • Grandiosity • Self-serving behaviour • Lying • Ruthless, remorseless and guilt-free exploitation of others • Superficial charm 	<ul style="list-style-type: none"> • Bizarre, violent and destructive behaviour • Harassment and vilification of others
Clinical psychopath	Very high	Very high
Organisational psychopath	High	Moderate
Aberrant self-promoter	Moderate to high	Low

While organisational psychopaths exhibit lower anti-social behaviour than clinical psychopaths, in an organisational context they are equal in their shameless, self-serving use of others.

Clinical psychopaths constitute perhaps 1 per cent of the population. Most of them are in jail (we hope). True organisational psychopaths constitute perhaps another 1 per cent or more of the population.

A lesser kind of organisational psychopath (but just as dangerous to an organisation) is the *aberrant self-promoter*. Self-promotion is a good activity to engage in. It is a positive form of marketing oneself. When that self-promotion is done to the detriment of others, however, and in an unethical way, it becomes an aberrational form of self-promotion. Aberrant self-promoters constitute perhaps 3 to 4 per cent of the population, with higher numbers in organisationally politicised and entrepreneurial environments. They are not in jail. They are in our workplaces. They look after themselves to the detriment of everyone else. They move into management positions at least as frequently as well-adjusted people do.

One symptom of the presence of psychopaths is when a workforce becomes polarised between those who think someone is wonderful and those who think that same person is detestable and abhorrent. Ring any alarm bells now? Organisational psychopaths have this effect on the perceptions of others. Such polarisation of attitudes is not proof of the presence of an organisational psychopath, but it certainly is evidence of a potential problem.

Surviving the organisational psychopath

The management of these issues provides a great challenge for organisations. You cannot change the personality of the psychopath or the aberrant self-promoter. But you can manage the employment relationship. If you are the victim of an organisational psychopath, remember that either they go, or you do. You will not change them.

So, what can we do?

1. Be aware that these people exist. Don't hold witch-hunts, inquisitions or McCarthyist crusades, but be aware of the issues. It helps.
2. Differentiate between self-promoting self-servers on the one hand and selfless people-managers (transformational leaders) on the other. Ultimately, the solution is to select and develop people who have potential for transformational leadership, not the aberrant self-promoters.
3. Groom for leadership succession those who achieve the bottom line *and* are transformational leaders (not target-achieving, aberrant self-promoters).

These challenges reside mainly in the areas of selection, performance management and career development.

[11] K. W. Parry (ed.), 1996, as above; and K. W. Parry and S. B. Proctor, 2000, as above.

[12] K. B. Lowe, K. D. Kroeck and N. Sivasubramaniam, 'Effectiveness Correlates of Transformational and Transactional Leadership: A Meta-Analytic Review of the MLQ Literature', *Leadership Quarterly*, vol. 7, no. 3, 1996, pp. 385–425.

[13] K. W. Parry, 'The New Leader: A Synthesis of Leadership Research in Australia and New Zealand', *Journal of Leadership Studies*, vol. 5, no. 4, 1998, pp. 82–105.

When does leadership exist?

Basically, leadership exists when there is following. If following is the criterion for leadership, however, then many tyrants and psychopaths fall into the same category as genuine leaders. Just because people followed them, can we put Hitler and Stalin in the same leadership category as Gandhi and Churchill? If we do, then the ends would justify the means, leadership would become anything and everything, and it would be 'open slather'.

Quite simply, the ends do not justify the means. If they did, then we could justify exploitation and lying as bona fide strategies of leadership. They might be the strategies of many managers, but they are not a part of leadership. They tear out the heart and soul of organisations, and ultimately affect the bottom line.

As touched on earlier, integrity, social responsibility, ethical behaviour and mutual benefit are part of leadership. In this way, we can differentiate leadership from the mere exercise of power. So leadership requires all these things *and* following.

[Figure 5.1](#) shows that leadership becomes a means (strategy) to achieve the ends of the organisation (and the individuals within that organisation, and indeed the whole community).

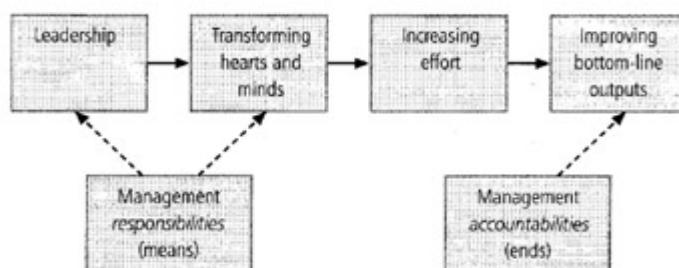


Figure 5.1: Management responsibilities and accountabilities

So, in summary, leadership exists when people are prepared to follow someone else down a socially responsible and ethically defensible course of action towards some future goal that is mutually beneficial.

Where do you find leadership?

I have already discussed how leadership can be found at all levels in our organisations, from people of both genders and all cultures. Let's delve deeper. Leadership is found in the *hearts and minds* of followers, and in the *souls* of our organisations and communities.

Hearts and minds

North America goes more for the *hearts* of potential followers, and Australasia goes more for the *minds*. This differentiation has been the source of much of the confusion and cynicism about American leadership rhetoric and its relevance to Australia. People in the United States are more passionate about the role of their leaders, and

rhetorical role-playing is a strong part of that attitude. In the United States, much is made of the accomplishments of certain key individuals, whose names often recur throughout management writings. The achievements of people like Steven Jobs, Jack Welch and Lee Iacocca still count as role models in American corporate life. Moreover, the language used by such people and by management scholars resounds with inspirational calls for the good of the organisation. In Australia, by contrast, we tend to be cynical about what we hear from those in leadership positions. Australian minds have to be won over with persuasive arguments before their hearts will follow.

Research into transformational leadership in Australia has presented some interesting findings for managers of Australian businesses. It seems that Australians are as good as anyone anywhere at being managers and leaders, but that we do not give our leaders a 'fair go'.^[14] As followers, Australians are less ready to give their managers credit for leadership capability.

American managers were reported by their workers to be performing transformational leadership behaviours up to 40 per cent more often than Australian followers reported of their managers. This is in spite of the fact that it was found that these leadership behaviours are often more effective in Australia than in North America.^[15]

Even though Australians and Americans seem to be similar in so many ways, there are deep-seated cultural differences. These are reflected in the relationship between leaders and followers. The widely publicised 'tall poppy syndrome' is an illustration of this difference. Australians don't like people to stand up above the crowd, whereas American corporate culture admires and respects those who do.

Australian followers seem to start with a negative attitude towards their managers—managers must earn their respect. Ironically, it is the American followers who give their managers a 'fair go' until such time as the managers show that they do not deserve it. The challenge for Australian managers, therefore, is to change their leadership style to tap into the values that Australians hold dear. This may mean ignoring or adjusting some of the conventional wisdom that comes from mainstream (North American) leadership research, and that often features rhetoric that tugs at the heartstrings.

Australian leaders must earn the respect of the troops—they cannot assume it. Australian research has shown the importance of role modelling, intellectual stimulation and developmental exchange leadership strategies.^[16] Inspirational and visionary leadership is very important, but in a more hard-headed and clinical way than in North America.

In summary, leadership is found in the hearts and minds of followers, but in an Australian business context, it must be earned.

The soul of the organisation

Leadership is also located in the *souls* of our organisations and communities. Just as it can be said that the soul of a society is determined by social capital, likewise internal social capital forms *the soul of the organisation*.

Social capital is a concept normally associated with the broader community and includes:

- social networks that help a society to function effectively;
- a level of voluntary association that provides linkages between people; and
- a sense of connectedness between citizens.

These three components enable citizens to be effective in their business and social activities. Social capital requires trust, voluntary association between groups and individuals, and opportunities to meet and discuss. As such, it is traditionally considered to be external to an organisation and to be concerned with 'community' development.

The component parts of external social capital, as listed above, can also be found within our organisations. The *internal social capital* of organisations is reflected in such phenomena as:

- *Social processes*: the linkages, interactions and outputs over time of social interaction, found to be crucial to understanding of effective leadership.
- *Organisational citizenship*: willingly doing more than is normally expected for the good of the organisational community.
- *Transformational leadership*: behaving ethically and with integrity, generating trust, being a role model, transforming motivations to higher and less self-serving levels of endeavour, encouraging performance beyond expectations.

The level of social capital in an organisation can be first audited and then improved (see 'Auditing social capital' later in the chapter). Leadership is just one example of the means by which social capital can be invested and accumulated in our organisations. In fact, it is probably the major strategy for doing so.

Organisational soul and the bottom line

Why are organisational soul and social capital important? It is not only because they are right and just, but also because they help the bottom line.

Trends in restructuring, reform and downsizing have generated a number of outcomes in the perceptions, attitude, motivation, commitment and behaviour of workers. When assessed collectively, these outcomes amount to an increased sense of job insecurity and worker alienation from within large sections of the workforce. This results in:

- less time for the development of social networks;
- less discretionary time at work to engage in 'organisational citizenship' behaviours;
- less 'connectedness'; and
- less trust.

In short, the climate of work is largely characterised by a selfish, cynical, short-term transactional, contractual attitude to social networks and relationships. This of course leads to less social capital and less soul. Furthermore, the bottom line is seriously at risk.

While leadership has a role to play in reversing these negative attitudes, it should be noted that, at the same time, the negative attitudes will often negate and undermine much genuine leadership (whether formal or informal) throughout the organisation. This paradox is a challenge for those in leadership positions. It is also a challenge for organisational systems and processes to maintain positive social outcomes in the face of rising job insecurity and worker alienation. Whichever way you look at it, good and effective leadership, with its attendant perceptions of integrity, can help to reverse this situation and thereby improve the bottom line.

^[14]K. W. Parry, *Transformational Leadership: Developing an Enterprising Management Culture*, Pitman/Woodslane, Melbourne, 1996.

^[15]K. W. Parry and J. C. Sarros, 'An Australian Perspective on Transformational Leadership', in K. W. Parry (ed.), *Leadership Research and Practice: Emerging Themes and New Challenges*, Pitman/Woodslane, Melbourne, pp. 105–12.

^[16]K. W. Parry (ed.), 1996, as above.

Why should we bother about leadership?

This is an important question and has been perplexing managers for decades.

We know that effective and 'good' leadership can improve the bottom line. In fact, from the transformational leadership research conducted through the 1980s and 1990s, we know that effective leadership consistently has a positive impact on a number of financial and other measures of organisational performance.^[17] Furthermore, while managers need to be transactional, those who are also transformational and engage in developmental exchange are the most effective at improving the bottom line.

We also know that effective leadership is a source of sustained competitive advantage. Leadership is a long-term investment in the future, not a quick fix for the balance sheet. And, because the investment is long term, the advantages are also long term.

[Figure 5.2](#) shows that effective leadership has a positive impact on the bottom line of organisational output. While the impact is not always direct, it will have an immediate effect on the hearts and minds of the workforce. Effective leadership improves the motivation, perceptions, attributions, commitment, persistence, understanding, organisational citizenship, integrity and satisfaction of the workforce. Improvements in these psychological outcomes will improve the behaviours and performance of the workforce, and in turn will improve the bottom line.

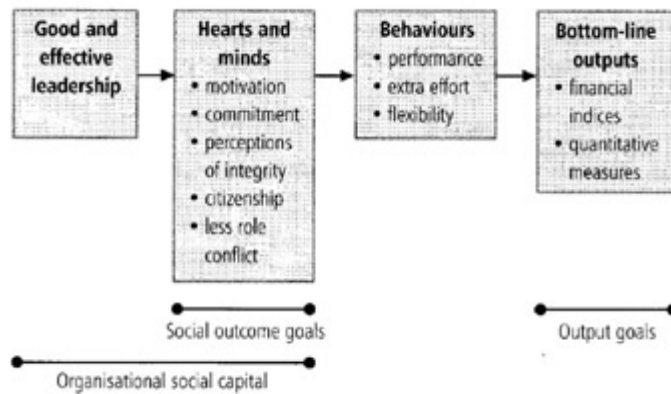


Figure 5.2: Leadership and its impact on the bottom line

[Figure 5.2](#) emphasises that we must ensure the organisation is meeting both its intermediate social outcome goals (that is, investment in social capital, citizenship and work satisfaction) as well as the bottom-line output goals (such as financial indices and other quantitative measures of organisational performance). This is for three reasons:

1. Meeting the social outcome goals indicates that effective leadership exists, and we know that good leadership has positive outcomes for the organisation.
2. The social outcome goals are important in their own right. They are a reflection of the social capital of the organisation and the community.
3. Meeting the intermediate social outcome goals helps to ensure the achievement of the bottom-line goals at a later date.

It is true that outputs may be achieved when a manager concentrates only on the bottom line, and not on leadership or the hearts, minds and commitment of the workers. But these results are usually due to short-term and unsustainable actions. For example, in the past 10 years many organisations pursued restructuring and downsizing strategies that had an immediate and quantifiable impact on the accounting bottom line. In the long term, however, the loss incurred to the social capital of the organisation often outweighed any short-term financial gain. It is akin to an athlete taking painkillers for an injury: performance is achieved in the short term, but the real problems are merely disguised. The athlete knows that sustained long-term advantage will accrue through a longer-term investment in treatment for the injury, so that their career might be salvaged and lengthened.

[17] B. M. Bass, as above; and K. W. Parry and S. B. Proctor, 2000, as above.

How do we do leadership better?

We have covered the necessary what, who, when, where and why questions, so now we can ask: *How do we do leadership better?*

In many ways, this question is the crux of the whole leadership issue. Many managers go straight to this question before using the preceding questions to map out their own personal understanding of their leadership challenge.

As discussed, leadership is not just the preserve of individual people. Certainly, individuals must exhibit leadership, but *organisational culture* must demonstrate leadership as well. In this way, leadership becomes a competitively advantageous resource for the organisation as well as a competency of individuals.

The manifestation of transformational leadership by individuals is closely linked to the generation of a transformational leadership *culture* within the organisation.

Leadership culture

A transformational leadership culture is characterised by a sense of purpose and a feeling of family. Leaders within a transformational culture are role models, mentors and coaches. They consistently espouse organisational goals, and assist others to understand the organisation's vision. A transformational culture encourages and supports innovation and open discussion of issues and ideas so that challenges become opportunities rather than threats. People in a transformational culture go beyond their self-interests and strive towards organisational goals.

By contrast, a purely transactional culture focuses on everything in terms of explicit and implicit contractual relationships. In such a culture, everything is worth a certain value and there is a set price for everything. Individualism is very strong and self-interest is prime, rather than the organisation's aims. Furthermore, commitment is often short term and is contingent on the extent of the rewards provided by the organisation.

It is true that successful cultures need a base of transactional elements upon which the transformational qualities are built. Neither purely transactional nor purely transformational cultures are likely to be successful. In general terms, however, the optimum cultural profile is *high transformational* and *moderate to low transactional*. Such a profile is sometimes called an adaptive culture.^[18] We also know that adaptability to change is a characteristic of successful leadership.

Public sector organisations are usually slightly higher in transactional culture than private sector organisations.

Developing a transformational culture

But how do you develop a transformational culture? A good starting point is to conduct an audit of the current culture, giving particular attention to levels of *social capital* and existing *leadership*. An assessment of the current state of the organisation will provide a springboard for better leadership practices.

Auditing social capital

As discussed earlier, leadership improves the organisation's bottom line via social capital. Therefore, it is just as important to audit the social capital of the organisation as it is to audit the financial capital.

There are a number of dimensions of social capital that the organisation can measure and audit. These are outlined below. (See the further research section at the end of the book for recommended diagnostic tools.)

- *Organisational citizenship*: citizenship is crucial to the social capital of organisations. Levels may vary considerably.
- *Level of follower commitment*: may be high or low.
- *Nature of organisational culture*: may be functional or dysfunctional.
- *Degree of understanding of organisational vision*: vision uptake by the troops may or may not exist. And if in existence, it may or may not be accurate. Vision uptake can be identified via interview, although it is not easily measured.
- *Nature of leader values and follower values*: may or may not be congruent or even ethically defensible.
- *Perceived leader and follower integrity*: employee perceptions about the integrity of their leaders can be measured. These perceptions may or may not reflect the actual actions of the leaders.
- *Employee attitudes*: can be positive or negative.
- *Transformational leadership*: it is possible to measure the level of display of transformational and developmental exchange leadership by individuals.

Auditing leadership

Leadership audits are allied with social capital audits. The challenge is to identify the presence and outcomes of good leadership. Fortunately, there are a number of instruments that can be used to gauge the presence of leadership (see the further research section at the end of the book). Areas to be measured include the frequency of transformational, developmental exchange and transactional behaviours, at both an individual and team level.

- *Level of follower motivation*: increased motivation has long been identified as an outcome of effective leadership.
- *Follower perceptions*: the perceptions of followers and others about leader effectiveness are important, as are employee perceptions about leader integrity.
- *Nature of follower attributions*: it is an established phenomenon that followers attribute very successful and very unsuccessful organisational outcomes to leadership, while they attribute moderate organisational success to factors other than leadership.
- *Employee satisfaction with their leadership* (as opposed to job or work satisfaction surveys): refers to satisfaction with the leader and the leadership.

Better leadership? Ask the followers

Leadership is about following, so it is necessary that leadership feedback comes from the followers as well as from the leaders themselves. Leadership feedback should be sourced from people throughout the organisation. Self-ratings should be avoided, except as a comparison or contrast with follower ratings.

The leadership legacy is to develop leaders and leadership throughout the organisation. Also, leadership is about developmental impact on workers, so we need to get data about the impact that has been achieved on the workers. For example, we often gather data about CEOs from CEOs, and we regularly gather data from CEOs about their followers. But we lack data about CEOs from followers and about followers from followers.

Training to do leadership better

There have been successful examples of training and developing leadership capability, and generating desirable social process outcomes in organisations. Unfortunately, leadership development and training is not easy and it takes time. The good news is that it does not take a lifetime and it may take as little as a few months (depending on the intensity of the training and development program).

An example of transformational leadership training that works is listed in the further research section at the end of the book. In general, it requires 360-degree profiling, based on the perceptions of the people with whom the trainee works. It requires the trainee to self-analyse, based on the profiling results and their own pre-existing leadership style.

It takes time to learn a new leadership model. It takes time to put into practice the changes that the individual is committed to make. It takes time and effort to have on-site coaching and mentoring to maximise the benefits from doing leadership better at work. It also takes time to reflect on those experiences that work, and to change again based on that feedback. But it often only takes a few months to do all this, and the result is much better leaders who will generate higher motivation, performance, commitment and social capital from their colleagues.

[18] J. P. Kotter and J. L. Heskett, *Corporate Culture and Performance*, The Free Press, New York, 1992.

What does leadership mean to you?

If you, as an individual, wish to become a better leader, then you must first determine what leadership means for you. You need to develop your own individual theory and definition of leadership.

If you are in any sort of management position, then you will have followers. They may follow your ideas, instructions, actions, values, innovations or even your pricing strategy. Your followers may be subordinates, peers, senior managers, competitors or even customers.

As part of this process, it is vital to understand who your followers are and why they actually follow you (or conversely, why they don't). Among other things, this information will enable you to alter your behaviour, language and decision making for more effective leadership.

Leadership: what you make it

As discussed earlier, there is no one universal theory of leadership. There are literally thousands of leadership theories for thousands of possible situations. So, because the experts cannot give you one theory that always works in every situation, the onus is on you, the manager, to develop your own theories for your own unique situations. After all, you are the one who has to make it work, and in all likelihood you will make better sense of your own theory than one that is given to you.

Leadership research in Australia has shown that leadership development is definitely a *self-development* challenge.^[19] Sending you off on a training course and expecting you to come back a better leader is unrealistic, unless you take responsibility for your part of the process. Leadership can't be taught, but it can be learned. Part of the self-developmental challenge is for you to create your *own* understanding of the phenomenon of leadership and how it pertains to you.

This is an opportunity for you to create a leadership role that fits your own style and your own situation—defined by you and that really works for you. So, start by asking yourself another series of questions:

The answers to these questions will take you a long way towards developing your own theory and definition of leadership, and will make you a better leader. They are hard questions, and they require you to be brutally honest and truthful about yourself and your followers.

1. *Who are my followers?* For example: my followers are my subordinates (they could also be customers, competitors, senior managers and other managers in other departments).
2. *Where are they following me to?* For example: to a more competitive future state for our department.
3. *What do they follow?* For example: they follow my attitudes and behaviours in terms of humility, modesty and equity.
4. *When will we get to where we are going?* For example: when we can see the evidence that our position is better than certain competitors (or within a certain time frame, measured in months or years; or perhaps we will *never* reach the ideal for which we strive).
5. *Why do they follow?* For example: because there is something in it for them, as well as something in it for the organisation (this is a critical question, and you must ask it of yourself before asking it of the troops).
6. *How do they follow?* Always ask this question last. So often people go straight for the *how* and flounder, but the answer to it becomes so much clearer if the preceding questions are answered first. The answer to this will allow you to consider techniques and strategies to generate better leadership and higher rates of following.

Don't be afraid of difficult answers. As a manager, you have to ask hard questions and cop unpalatable answers—that is part of the job.

The best people to ask about your leadership, of course, are the troops, the workers, your existing followers. For some, this will be the most difficult part of the process. What if you have your leadership qualities 'tested' by your workers, only to find that their perspective of you is much less positive than your own or your peers'? What if you discover that, in fact, you have no followers at all?

Also ask a number of close associates or peers about your leadership. What about the people who you would like to be your followers in the future?

While this process may be very confronting and challenging, it also offers an extraordinary opportunity if you truly wish to learn about yourself and become a more effective leader.

^[19]K. W. Parry, 1998, as above.

Conclusion

So, how do we become better leaders? In essence, managers need to engage in a developmental exchange with, and transform the hearts and minds of, their followers. If they concentrate on this, the corrective transactions will become as frequent as they need be.

Individuals can be trained and developed to become better, transformational leaders. After all, leadership must be a personal journey before it can become an organisational one. But it must be a personal journey *and* an organisational one. If people can see a culmination to the journey for themselves and for the organisation, they will be committed to their own future and that of the organisation, and they will see the reciprocal destiny between the two.

Leadership is a long-term investment, and it has long-term benefits. We need to think long term. We need to get away from a short-term transactional mindset. We need to get away from a contractual mindset. We need to invest in the social, human and intellectual capital of our organisations and country, not just the financial capital that is reflected in the bottom line and monthly accounts.

Finally, organisations must develop their social capital. This social capital includes leadership, of course. The social capital of our organisations reflects a long-term investment in not just the hearts and minds of our people, but also their souls. Organisational soul is enriched when all people can see that what they are doing is good for them, good for their managers, good for the organisation, good for Australia, and good per se. When people can see this, we all have a truly powerful force at our disposal.

About the author

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