

Leadership and Decision Making

chapter 9

PHIL SKINNER/MCT/News.com



Not all managers are leaders. But if an organization
can develop capable managers who are

also leaders, they

will be formidable competitors in any market.

After reading this chapter,
you should be able to:

- 9-1** **Define** *leadership* and distinguish it from management.
- 9-2** **Summarize** early approaches to the study of leadership.
- 9-3** **Discuss** the concept of situational approaches to leadership.
- 9-4** **Describe** transformational and charismatic perspectives on leadership.
- 9-5** **Identify** and discuss leadership substitutes and neutralizers.
- 9-6** **Discuss** leaders as coaches and examine gender and cross-cultural issues in leadership.
- 9-7** **Describe** strategic leadership, ethical leadership, and virtual leadership.
- 9-8** **Relate** leadership to decision making and discuss both rational and behavioral perspectives on decision making.



Cinna- Yum

Perhaps you've been lucky enough to visit a Cinnabon bakery—the creator of a cinnamon bun on steroids. Cinnabon's signature product has been labelled a “gut bomb” by the *Dallas Observer*, but it's hard to deny the appeal. From the tender pastry, to their proprietary Indonesian korintje cinnamon and brown sugar mix, to the cream cheese topping, a Cinnabon is an indulgence that everyone should taste at least once. A Cinnabon fan described their appeal in a recent tweet, “Just ate a Cinnabon while staring through a window of a gym while watching people work out. This is what heroin must be like.”

At the helm of Cinnabon is Kat Cole, the president since 2010. Kat's career path has been less than conventional. At 17, she took a job as a hostess at a Hooters restaurant in Jacksonville, Florida, becoming a waitress when she turned 18. Shortly after this, an impromptu strike by kitchen employees inspired Kat to exercise her leadership skills when she convinced several coworkers to join her in the kitchen. She explains, “If the food didn't get made, it wouldn't get delivered, and I wouldn't get paid, and I couldn't pay my bills. I did it because I wanted to be helpful. But I also did it because I was curious to see if I could do it.” Cole continued to step up—she filled in when a bartender left early to pick up her child and when a manager was late and needed someone to open the restaurant. She quickly gained the eye of management, although she certainly didn't see Hooters as a career. She was working there to pay her bills while her goal was to complete a degree in engineering at the University of North Florida. It wasn't long, however, before Hooters recruited her to act as a trainer for other franchises and moved her into a regional manager position.

At the young age of 19, Cole was contacted by the corporate office—they wanted her to join a team opening the first Hooters franchise in Australia. “I had never been on a plane. I didn't have a passport, I had never been out of the country, and I had only been out of the state two times in my life for cheerleading competitions on a school bus. But despite all that, I still said yes.” She returned from Australia and went on to assignments in Mexico City and Buenos Aires. By this time, Cole was just 20, but she realized that she would not be able to complete her undergraduate degree in engineering while pursuing this unexpected career. She bravely dropped out of college, moving full steam ahead with her prestigious, but lower-paying job. Fortunately, the move from the restaurant to the corporate office paid off and she was vice president by age 26.

Along the way, Cole broadened her knowledge base by networking. She joined the Women's Foodservice Forum and began to see that it was possible for a woman to become a CEO. She volunteered on committees and nurtured relationships with people she

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what's in it for me?

Is your boss a manager? A leader? What does she or he do to inspire you to work harder? Do you aspire to be a manager or a leader? When you have a leadership position, what will you do to inspire your employees to work harder? Do you think management and leadership are the same thing? These are some of the issues we'll explore in this chapter. In Chapter 8, we described the primary determinants of employee

behavior and noted that managers can influence the behavior and enhance the motivation of employees. Now it's time to examine in detail how leaders—who may or may not also be managers such as Kat Cole—actually go about influencing employee behavior and motivating employee performance. We will place these strategies and tactics in the context of various approaches to leadership through the years, including the situational perspective accepted today. Understanding these concepts will help you function more effectively as a leader and give you more insight into how your manager or



boss strives to motivate you through his or her own leadership.

We start this chapter by taking a look at the nature of leadership. We then describe early approaches to leadership, as well as the situational perspective accepted today. Next, we examine leadership through the eyes of followers as well as alternatives to leadership. The changing nature of leadership and emerging issues in leadership are discussed next. Finally, we describe the important related concept of decision making.

met. While her involvement in the WFF was voluntary and unpaid, she sees it as a key to her success. “Because I was being curious and helpful ... I amassed a resume of leadership skills that I never would have gotten that fast if I only worked one job.” She also was the cofounder of Changers for Commerce, “a group of leaders that identify with mixing money and meaning and making as much of a difference in the world as they make a profit.” These experiences help to shape Cole at a young age. She explains to *Real Simple* magazine, “I always had a bit of insecurity because I had dropped out of college, so as I moved up, I would get every certification I could. And I started volunteering in industry groups. I ended up getting on boards of directors of nonprofits at a very young age. That gave me leadership experience and it helped me build relationships.”

By 2010, Hooters was being sold and Cole was approached by a number of organizations, in spite of the fact that she had not yet completed her MBA. Ultimately, she decided to take a position as Group President for Cinnabon, which has more than 1,000 stores in 35 countries. Cinnabon is just one of the brands behind Atlanta-based FOCUS brands. In addition to Cinnabon, FOCUS operates Carvel, Scholotzsky’s, Moe’s Southwest Grill, Auntie Anne’s, and McAlister’s Deli.

Cole provides keen insight into what it takes to be a leader. Throughout her career, Cole has demonstrated her leadership skills by focusing on meeting the needs of customers and employees rather than trying to impress her boss. In a post to the Leadership Online community, she explains, “Your boss wants to see results, the right relationships being built, and an approach that is complementary to the company’s culture. Be clear on any early objectives and align your time and focus with those. And one more thing: If results are one of the most important drivers for perceived success, it’s typically your team and your customers that help you deliver results much more so than your boss—don’t ever forget that.” In addition, Cole encourages leaders to be careful how they measure success. “Rarely do people question success in the same way they do failure. That’s a mistake. When you fail, the lessons smack you in the face. But you might misdiagnose the things that drive success. I learned that in restaurants. People would say, ‘That manager is so great. His restaurant is up 50 percent,’ when he’s a really bad manager and they’re just located on a street with a new strip mall. You can reward the wrong behaviors and duplicate the wrong things if you don’t dig deep behind success.”¹ (After studying the content of this chapter, you should be able to answer the set of discussion questions found at the end of the chapter.)

OBJECTIVE 9-1

Define

leadership and distinguish it from management.

Leadership the processes and behaviors used by someone, such as a manager, to motivate, inspire, and influence the behaviors of others

The Nature of Leadership

Because *leadership* is a term that is often used in everyday conversation, you might assume that it has a common and accepted meaning. It is also, however, a word that is often misused. We define **leadership** as the processes and behaviors used by someone, such as a manager, to motivate, inspire, and influence the behaviors of others.

Leadership and Management

One of the biggest errors people make is assuming that leadership and management mean the same thing when they are really different concepts. A person can be a manager, a leader, both, or neither.² Some of the basic distinctions between the two are summarized in Figure 9.1. As illustrated in the circle on the left, management (as discussed in Chapter 5) focuses primarily on the activities of planning, organizing, leading, and controlling. Leadership, in contrast, is much more closely related to activities such as agenda setting, aligning, inspiring, and monitoring. As also illustrated in the figure, management and leadership may occasionally overlap but each



FIGURE 9.1 Distinctions between Management and Leadership

is also a discrete and separate set of activities. Hence, a person may be a manager (but not a leader), a leader (but not a manager), or both a manager and a leader.

Consider the various roles of managers and leaders in a hospital setting. The chief of staff (chief physician) of a large hospital, though clearly a manager by virtue of his position, may not be respected or trusted by others and may have to rely solely on the authority vested in the position to get people to do things. On the other hand, a nurse in the emergency department with no formal authority may be quite effective at taking charge of a chaotic situation and directing others in dealing with specific patient problems. The chief of staff is a manager but not really a leader, whereas the nurse is a leader but not really a manager.

Finally, the head of pediatrics, supervising a staff of 20 other doctors, nurses, and attendants, may also enjoy the staff's complete respect, confidence, and trust. They readily take her advice, follow directives without question, and often go far beyond what is necessary to help carry out the unit's mission. Thus, the head of pediatrics is both a manager (by virtue of the position she occupies) and a leader (by virtue of the respect she commands from others and their willingness to follow her direction).

Organizations need both management and leadership if they are to be effective. Management in conjunction with leadership can help achieve planned orderly change, and leadership in conjunction with management can keep the organization properly aligned with its environment.

Leadership and Power

To fully understand leadership, it is also necessary to understand *power*. **Power** is the ability to affect the behavior of others. Of course, one can have power without actually using it. For example, a football coach has the power to bench a player who is not performing up to par. The coach seldom has to use this power because players recognize that the power exists and work hard to keep their starting positions. In organizational settings, there are usually five kinds of power: legitimate, reward, coercive, referent, and expert power.³

Legitimate power is power granted through the organizational hierarchy; it is the power defined by the organization to be accorded to people occupying a particular position. A manager can assign tasks to a subordinate, and a subordinate who refuses to do them can be reprimanded or even fired. Such outcomes stem from the manager's legitimate power as defined and vested in her or him by the organization. Legitimate power, then, is authority. All managers have legitimate power over their subordinates. The mere possession of legitimate power, however, does not by itself make someone a leader. Some subordinates follow only orders that are strictly within the letter of organizational rules and policies. If asked to do something not in their job descriptions, they refuse or do a poor job. The manager of such employees is exercising authority but not leadership.

Power the ability to affect the behavior of others

Legitimate Power power granted through the organizational hierarchy

Reward Power the power to give or withhold rewards

Coercive Power the power to force compliance by means of psychological, emotional, or physical threat

Referent Power power based on identification, imitation, loyalty, or charisma

Expert Power power derived from information or expertise

Reward power is the power to give or withhold rewards. Rewards that a manager may control include salary increases, bonuses, promotion recommendations, praise, recognition, and interesting job assignments. In general, the greater the number of rewards a manager controls and the more important the rewards are to subordinates, the greater is the manager's reward power. If the subordinate values only the formal organizational rewards provided by the manager, then the manager is not a leader. If the subordinate also wants and appreciates the manager's informal rewards, such as praise, gratitude, and recognition, however, then the manager is also exercising leadership.

Coercive power is the power to force compliance by means of psychological, emotional, or physical threat. Physical coercion in organizations was once relatively common. In most organizations today, however, coercion is limited to verbal reprimands, written reprimands, disciplinary layoffs, fines, demotion, and termination. Some managers occasionally go so far as to use verbal abuse, humiliation, and psychological coercion in an attempt to manipulate subordinates. (Of course, most people agree that these are not appropriate managerial behaviors.) James Dutt, a "legendary" former CEO of a major company, once told a subordinate that if his wife and family got in the way of his working a 24-hour day seven days a week, he should get rid of them.⁴ More recently, Charlie Ergen, founder and Chairman of the Board of Dish Network, has a reputation for yelling at employees, belittling managers in front of their peers, and imposing harsh penalties on those who disagree with him.⁵ The more punitive the elements under a manager's control and the more important they are to subordinates, the more coercive power the manager possesses. On the other hand, the more a manager uses coercive power, the more likely he is to provoke resentment and hostility and the less likely he is to be seen as a leader.⁶

Compared with legitimate, reward, and coercive power, which are relatively concrete and grounded in objective facets of organizational life, **referent power** is abstract. It is based on identification, imitation, loyalty, or charisma. Followers may react favorably because they identify in some way with a leader, who may be like them in personality, background, or attitudes. In other situations, followers might choose to imitate a leader with referent power by wearing the same kind of clothes, working the same hours, or espousing the same management philosophy. Referent power may also take the form of charisma, an intangible attribute of the leader that inspires loyalty and enthusiasm. Thus, a manager might have referent power, but it is more likely to be associated with leadership.

Expert power is derived from information or expertise. A manager who knows how to interact with an eccentric but important customer, a scientist who is capable of achieving an important technical breakthrough that no other company has dreamed of, and an administrative assistant who knows how to unravel bureaucratic red tape all have expert power over anyone who needs that information. The more important the information and the fewer the people who have access to it, the greater is the degree of expert power possessed by any one individual. In general, people who are both leaders and managers tend to have a large amount of expert power.

OBJECTIVE 9-2 Summarize

early approaches to the study of leadership.

Trait Approach to Leadership
focused on identifying the essential traits that distinguished leaders

Early Approaches to Leadership

Although leaders and leadership have profoundly influenced history, careful scientific study of them began only about a century ago. Early studies focused on the *traits*, or personal characteristics, of leaders. Later research shifted to examine actual leader *behaviors*.

Trait Approaches to Leadership

Early researchers believed that notable leaders had some unique set of qualities or traits that distinguished them from their peers and endured throughout history. This **trait approach to leadership** led researchers to focus on identifying the essential leadership traits, including intelligence, dominance, self-confidence, energy, activity

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When asked to identify important leaders, people often mention influential historical figures such as Winston Churchill, Abraham Lincoln, Martin Luther King, Jr., and Mother Teresa.

(versus passivity), and knowledge about the job. Unfortunately, the list of potential leadership traits quickly became so long that it lost any practical value. In addition, the results of many studies were inconsistent. For example, one argument stated that the most effective leaders were tall, like Abraham Lincoln. But critics were quick to point out that neither Napoleon Bonaparte nor Adolf Hitler was tall, but both were effective leaders in their own way.

Although the trait approach was all but abandoned several decades ago, in recent years, it has resurfaced. For example, some researchers have again started to focus on a limited set of traits. These traits include emotional intelligence, mental intelligence, drive, motivation, honesty and integrity, self-confidence, knowledge of the business, and charisma. Some people even believe that biological factors, such as appearance or height, may play a role in leadership. However, it is too early to know whether these traits really do relate to leadership.

Behavioral Approaches to Leadership

In the late 1940s, most researchers began to shift away from the trait approach and to look at leadership as a set of actual behaviors. The goal of the **behavioral approach to leadership** was to determine what *behaviors* were employed by effective leaders. These researchers assumed that the behaviors of effective leaders differed somehow from the behaviors of less effective leaders, and that the behaviors of effective leaders would be the same across all situations.

This research led to the identification of two basic forms of leader behavior. Although different researchers applied different names, the following are the basic leader behaviors identified during this period:

- **Task-focused leader behavior:** Task-focused leader behavior occurs when a leader focuses on how tasks should be performed to meet certain goals and to achieve certain performance standards.
- **Employee-focused leader behavior:** Employee-focused leader behavior occurs when a leader focuses on the satisfaction, motivation, and well-being of his or her employees.

During this period, people believed that leaders should always try to engage in a healthy dose of both behaviors, one to increase performance and the other to increase job satisfaction and motivation. Experts also began to realize that they could train

Behavioral Approach to Leadership focused on determining what behaviors are employed by leaders

Task-Focused Leader Behavior leader behavior focusing on how tasks should be performed to meet certain goals and to achieve certain performance standards

Employee-Focused Leader Behavior leader behavior focusing on satisfaction, motivation, and well-being of employees

managers to engage in these behaviors in a systematic manner. But they also discovered that other leader behaviors needed to be considered, and that, in some circumstances, different combinations of leader behaviors might be more effective than other combinations.

For instance, suppose a new manager takes over a work site that is plagued by low productivity and whose workers, although perhaps satisfied, are not motivated to work hard. The leader should most likely emphasize task-focused behaviors to improve lagging productivity. But suppose the situation is different—productivity is high, but workers are stressed out about their jobs and have low levels of job satisfaction. In this instance, the manager should most likely concentrate on employee-focused behaviors to help improve job satisfaction. This line of thinking led to the development of *situational theories*.

The Situational Approach to Leadership

OBJECTIVE 9-3 Discuss

the concept of situational approaches to leadership.

Situational Approach to Leadership assumes that appropriate leader behavior varies from one situation to another.

The **situational approach to leadership** assumes that appropriate leader behavior varies from one situation to another, as shown in Figure 9.2. The trait and behavioral approaches to leadership were both universal in nature. They attempted to prescribe leader behaviors that would lead to a set of universal set of outcomes and consequences. For instance, proponents of these universal perspectives might argue that tall and intelligent people or people who are consistently employee-focused will always be good leaders. In reality, though, research has found this simply is not true. So, the situational approach to leadership attempts to identify various forms of leader behavior that result in contingent outcomes and consequences. By contingent, we mean that they depend on elements of the situation and characteristics of both the leader and followers.

Consider, for example, how Jeff Smisek, CEO of United Airlines, has to vary his leadership style when he is interacting with different kinds of people. When he is dealing with investors, he has to convey an impression of confidence about the company's financial picture. When he interacts with union officials, he needs to take a firm stand on cost control combined with collaboration. Smisek often speaks to leaders at other

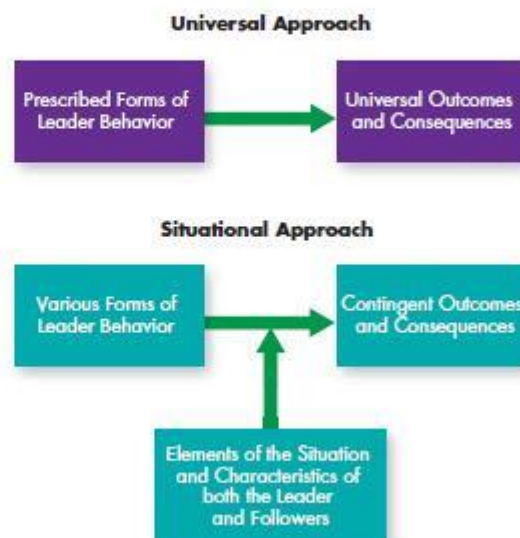


FIGURE 9.2 The Situational Approach to Leadership

airlines and has to balance their mutual interests against United's own competitive situation. And when dealing with customers, he has to be charming and respectful.

Leadership characteristics include the manager's value system, confidence in subordinates, personal inclinations, feelings of security, and actual behaviors. Subordinate characteristics include the subordinates' need for independence, readiness to assume responsibility, tolerance for ambiguity, interest in the problem, understanding of goals, knowledge, experience, and expectations. Situational characteristics that affect decision making include the type of organization, group effectiveness, the problem itself, and time pressures. Three important situational approaches to leadership are (1) the *path-goal theory*, (2) the *decision tree approach*, and (3) the *leader-member exchange model*.

The **path-goal theory** of leadership is a direct extension of the expectancy theory of motivation discussed in Chapter 8.⁷ Recall that the primary components of expectancy theory include the likelihood of attaining various outcomes and the value associated with those outcomes. The path-goal theory of leadership suggests that the primary functions of a leader are to make valued or desired rewards available in the workplace and to clarify for the subordinate the kinds of behavior that will lead to goal accomplishment and valued rewards. The leader should clarify the paths to goal attainment.

Path-goal theory identifies four kinds of behaviors that leaders can use, depending on the situation. *Directive leader behavior* lets subordinates know what is expected of them, gives guidance and direction, and schedules work. *Supportive leader behavior* is being friendly and approachable, showing concern for subordinates' welfare, and treating members as equals. *Participative leader behavior* includes consulting with subordinates, soliciting suggestions, and allowing participation in decision making. *Achievement-oriented leader behavior* sets challenging goals, expects subordinates to perform at high levels, encourages subordinates, and shows confidence in subordinates' abilities.

Another major contemporary approach to leadership is the **decision tree approach**. Like the path-goal theory, this approach attempts to prescribe a leadership style appropriate to a given situation. It also assumes that the same leader may display different leadership styles. But the decision tree approach concerns itself with only a single aspect of leader behavior: subordinate participation in decision making. The decision tree approach assumes that the degree to which subordinates should be encouraged to participate in decision making depends on the characteristics of the situation. In other words, no one decision-making process is best for all situations. After evaluating a variety of problem attributes (characteristics of the problem or decision), the leader determines an appropriate decision style that specifies the amount of subordinate participation.

The **leader-member exchange (LMX) model** stresses the importance of variable relationships between supervisors and each of their subordinates.⁸ Each superior-subordinate pair represents a "vertical dyad." The model differs from previous approaches in that it focuses on the differential relationship leaders often establish with different subordinates. This model suggests that supervisors establish a special relationship with a small number of trusted subordinates, referred to as "the in-group." The in-group usually receives special duties requiring responsibility and autonomy; they may also receive special privileges. Subordinates who are not a part of this group are called "the out-group," and they receive less of the supervisor's time and attention. However, the key element of this theory is the concept of individual vertical dyads and how leaders have different relationships with each of their subordinates.

Path-Goal Theory theory of leadership that is a direct extension of the expectancy theory of motivation

Decision Tree Approach approach to leadership that provides decision rules for deciding how much participation to allow

Leader-Member Exchange (LMX) Model approach to leadership that stresses the importance of variable relationships between supervisors and each of their subordinates

Leadership Through the Eyes of Followers

Another recent perspective that has been adopted by some leadership experts focuses on how leaders are seen through the eyes of their followers. The two primary approaches to leadership through the eyes of followers are *transformational leadership*

OBJECTIVE 9-4 Describe

transformational and charismatic perspectives on leadership.

and *charismatic leadership*. Barack Obama's successful bid for the U.S. presidency was fueled in part by many people's perceptions that he was both a transformational and charismatic leader. Indeed, during both of his campaigns, he frequently talked about the need to transform the way the United States addressed issues such as health care, education, and foreign policy. His personal charisma undoubtedly attracted support from many people as well.

Transformational Leadership

Transformational leadership focuses on the importance of leading for change (as opposed to leading during a period of stability). According to this view, much of what a leader does involves carrying out what might be thought of as basic management "transactions," such as assigning work, evaluating performance, and making decisions. Occasionally, however, the leader has to engage in transformational leadership to initiate and manage major change, such as managing a merger, creating a new work team, or redefining the organization's culture.

Thus, **transformational leadership** is the set of abilities that allows a leader to recognize the need for change, to create a vision to guide that change, and to execute the change effectively. Some experts believe that change is such a vital organizational function that even successful firms need to change regularly to avoid becoming complacent and stagnant. In contrast, **transactional leadership** is essentially the same as management in that it involves routine, regimented activities. Only a leader with tremendous influence can hope to perform both functions successfully. Accordingly, leadership for change is extremely important.

Some leaders are able to adopt either transformational or transactional perspectives, depending on their circumstances. For instance, when Jeff Bezos started Amazon.com, his strategy was to simply sell books through an online "store." When Amazon developed sustainable revenues, he used transactional leadership to slowly grow the business and build cash reserves. Bezos then adopted a transformational style as he led the company to become a major online "retailer" of thousands of different products. He then reverted to a transactional approach to again let the business entrench itself. More recently, Bezos has again been using transformational leadership as Amazon develops new methods for product distribution, explores new product lines and extensions, and tries to position itself as a competitor for Apple and Google.

Charismatic Leadership

Charismatic leadership is a type of influence based on the leader's charisma, a form of interpersonal attraction that inspires support and acceptance. Charismatic leaders are likely to have a lot of confidence in their beliefs and ideals and a strong need to influence people. They also tend to communicate high expectations about follower performance and to express confidence in their followers. Many of the most influential leaders in history have been extremely charismatic, including entrepreneurs Mary Kay Ash, Steve Jobs, and Ted Turner; civil rights leader Martin Luther King, Jr.; and Pope John Paul II. Unfortunately, charisma can also empower leaders in other directions. Adolf Hitler, for instance, had strong charismatic qualities.

Most experts today acknowledge three crucial elements of charismatic leadership:⁹

- 1 Charismatic leaders envision likely future trends and patterns, set high expectations for themselves and for others, and behave in ways that meet or exceed those expectations.
- 2 Charismatic leaders energize others by demonstrating personal excitement, personal confidence, and consistent patterns of success.
- 3 Charismatic leaders enable others by supporting them, empathizing with them, and expressing confidence in them.

Transformational Leadership the set of abilities that allows a leader to recognize the need for change, to create a vision to guide that change, and to execute the change effectively

Transactional Leadership comparable to management, it involves routine, regimented activities

Charismatic Leadership type of influence based on the leader's personal charisma

entrepreneurship and new ventures

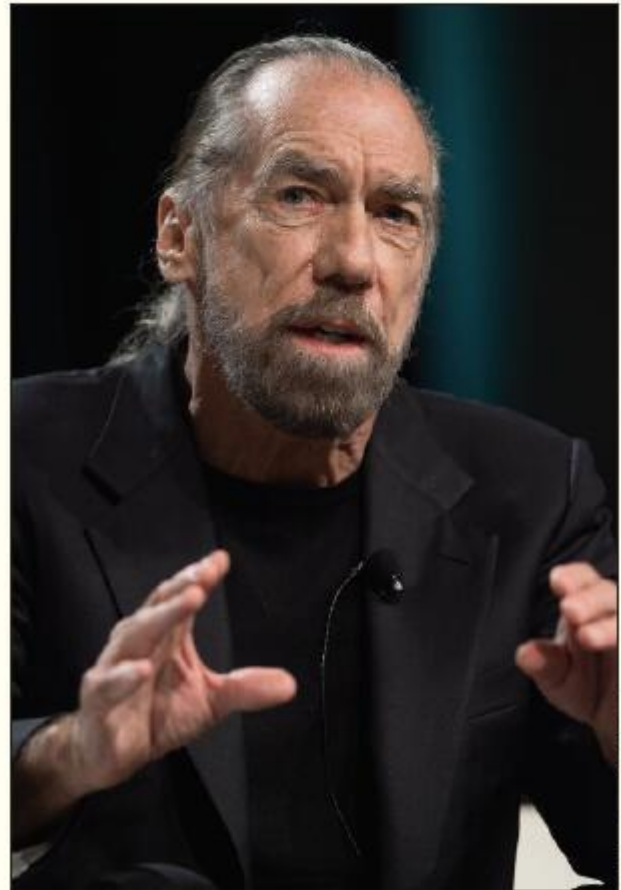
“Success Unshared Is Failure”

John Paul DeJoria is the charismatic leader behind John Paul Mitchell Systems, which produces and distributes Paul Mitchell hair care products, and the Patron Spirits Company. His net worth has been estimated at more than \$4 billion. However, unlike many of those on the Forbes 400 list of wealthiest Americans, DeJoria did not inherit wealth or privilege. He grew up in a working-class neighborhood and had his first job selling Christmas cards door-to-door at age 9. After graduating from high school and serving in the Navy, DeJoria began selling encyclopedias and quickly moved through ten jobs in just a couple of years. Eventually, he moved into sales in the beauty industry and quickly found his niche. However, after nine years of success in the industry, he lost his job when his commissions began to exceed the pay of the owner of the company.

In 1980, DeJoria was homeless, living in an old Rolls Royce in LA. He had just invested all of his savings—amounting to just \$700—in Paul Mitchell, which he cofounded with the company’s namesake. With a bare-bones budget, they sold their products door-to-door in hair salons. While others might have given up, DeJoria believed in their products and was persistent. In a 2013 interview with *Forbes* magazine, he advises, “Be prepared for the rejection. No matter how bad it is, don’t let it overcome you and influence you—keep on going towards what you want to do—no matter what. You need to be as enthusiastic about door number one hundred as door number one.” While the first two years were difficult, they had almost \$1 million in annual sales in their third year of operation. Today, the company’s products are sold in more than 150,000 beauty salons in 87 countries.

DeJoria is a serial entrepreneur, having started more than a dozen businesses, including House of Blues, DeJoria Diamonds, and Gustin Energy Company. Although he started Patron Spirits in 1989 as a hobby with friend Martin Crowley, the business quickly got more serious. They wanted to create a market for high-end tequila and selected a hand-blown bottle and expensive blue agave as the base. Building on DeJoria’s connections, Patron quickly became a well-recognized brand. DeJoria’s good friend Clint Eastwood put Patron in his movie *In the Line of Fire*, and chef Wolfgang Puck began touting it to his friends and business contacts.

In each of his businesses, DeJoria makes high quality and sustainability a priority. In his interview with *Fortune* magazine, he explains, “A lot of people make things to sell. But when the product is old, the consumer tosses it out and buys something else. If you make things with the highest quality, you’ll be in the reorder business, which keeps the sales growing.” Sustainability is a common thread, from his investment in environmentally responsible oil and gas exploration with Gustin Energy Company to sales of conflict-free



Nicholas Kamm/Staff/Getty Images

diamonds through DeJoria Diamonds. This theme is also a big part of the Paul Mitchell product line, “We looked at costs in our warehouse system—everything from what doors we can shut to what lights we can change. We found ways to create a 25 percent savings in our power costs. We plant trees to offset our Tea Tree shampoo line to make up for the carbon that we use. It’s good for the world and good for business.”

While much of DeJoria’s success can be attributed to hard work, his charisma and message inspire others. One of his mottos is “Success unshared is failure.” He is committed to giving back through organizations such as Habitat for Humanity and Food4Africa. He is also the founder of Grow Appalachia, an organization that helps those in rural areas to overcome food insecurity by growing their own food. Not surprisingly, DeJoria signed Warren Buffett and Bill Gates’ Giving Pledge, through which the world’s wealthiest citizens commit to giving most of their wealth to philanthropy.¹⁰

Charismatic leadership ideas are quite popular among managers today and are the subject of numerous books and articles.¹¹ Unfortunately, few studies have specifically attempted to test the meaning and impact of charismatic leadership. Lingering ethical concerns about charismatic leadership also trouble some people. They stem from the fact that some charismatic leaders inspire such blind faith in their followers that they may engage in inappropriate, unethical, or even illegal behaviors just because the leader instructed them to do so. This tendency likely played a role in the unwinding of both Enron and Arthur Andersen because people followed orders from their charismatic bosses to hide information, shred documents, and mislead investigators.

Taking over a leadership role from someone with substantial personal charisma is also a challenge. For instance, the immediate successors to successful and charismatic athletic coaches such as Vince Lombardi (Green Bay Packers) and Phil Jackson (Chicago Bulls) each failed to measure up to their predecessors' legacies and were subsequently fired.

OBJECTIVE 9-5

Identify

and discuss leadership substitutes and neutralizers.

Leadership Substitutes individual, task, and organizational characteristics that tend to outweigh the need for a leader to initiate or direct employee performance

Special Issues in Leadership

Another interesting perspective on leadership focuses on *alternatives* to leadership. In some cases, certain factors may actually *substitute* for leadership, making actual leadership unnecessary or irrelevant. In other cases, factors may exist that *neutralize* or negate the influence of a leader even when that individual is attempting to exercise leadership.

Leadership Substitutes

Leadership substitutes are individual, task, and organizational characteristics that tend to outweigh the need for a leader to initiate or direct employee performance. In other words, if certain factors are present, the employee will perform his or her job capably, without the direction of a leader. Table 9.1 identifies several basic leadership substitutes.

Consider, for example, what happens when an ambulance with a critically injured victim screeches to the door of a hospital emergency department. Do the emergency department employees stand around waiting for someone to take control and instruct

table 9.1 Leadership Substitutes and Neutralizers

Individual factors	<ul style="list-style-type: none"> • Individual professionalism • Individual ability, knowledge, and motivation • Individual experience and training • Indifference to rewards
Job factors	<ul style="list-style-type: none"> • Structured/automated • Highly controlled • Intrinsically satisfying • Embedded feedback
Organization factors	<ul style="list-style-type: none"> • Explicit plans and goals • Rigid rules and procedures • Rigid reward system not tied to performance • Physical distance between supervisor and subordinate
Group factors	<ul style="list-style-type: none"> • Group performance norms • High level of group cohesiveness • Group interdependence

them on what to do? The answer is no: They are highly trained, well-prepared professionals who know how to respond and work together as a team without someone playing the role of leader. When a U.S. Airways flight crashed into the Hudson River in 2009, all members of the flight crew knew exactly what to do, without waiting for orders. As a result of their effective and prompt actions, a disaster was averted, and all passengers on the plane were quickly rescued.

Leadership Neutralizers

In other situations, even if a leader is present and attempts to engage in various leadership behaviors, those behaviors may be rendered ineffective—or neutralized—by various factors that can be called **leadership neutralizers**. Suppose, for example, that a relatively new and inexperienced leader is assigned to a work group composed of experienced employees with long-standing performance norms and a high level of group cohesiveness. The norms and cohesiveness of the group may be so strong that there is nothing the new leader can do to change things.

In addition to group factors, elements of the job itself may also limit a leader's ability to "make a difference." Consider, for example, employees working on a moving assembly line. Employees may only be able to work at the pace of the moving line, so performance quantity and quality are constrained by the speed of the line and simplicity of each individual task.

Finally, organizational factors can also neutralize at least some forms of leader behavior. Suppose a new leader is accustomed to using merit pay increases as a way to motivate people. But in his or her new job, pay increases are dictated by union contracts and are based primarily on employee seniority and cost of living. The leader's previous approach to motivating people would be neutralized, and new approaches would have to be identified.

Leadership Neutralizers factors that may render leader behaviors ineffective

The Changing Nature of Leadership

Various alternatives to leadership aside, many settings still call for at least some degree of leadership, although the nature of that leadership continues to evolve. Among the recent changes in leadership that managers should recognize are the increasing role of *leaders as coaches* as well as *gender and cross-cultural patterns* of leader behavior.

Leaders as Coaches

We noted in Chapter 6 that many organizations today are using teams. Many other organizations are attempting to become less hierarchical by eliminating the old-fashioned command-and-control mentality often inherent in bureaucratic organizations and motivating and empowering individuals to work independently. In each case, the role of leaders is also changing. Whereas leaders were once expected to control situations, direct work, supervise people, closely monitor performance, make decisions, and structure activities, many leaders today are being asked to change how they manage people. Perhaps the best description of this new role is for the leader to become a *coach* instead of an *overseer*.¹²

From the standpoint of a business leader, a coaching perspective would call for the leader to help select and train team members and other new employees, to provide some general direction, and to help the team get the information and other resources it needs. Coaches from different teams may play important roles in linking the activities and functions of their respective teams. Some leaders may function as *mentors*, helping less experienced employees learn the ropes and better preparing them to advance within the organization; they may also help resolve conflicts among team members and mediate other disputes that arise. But beyond these activities, the leader keeps a low profile and lets the group get its work done with little or no direct

OBJECTIVE 9-6 Discuss

leaders as coaches and examine gender and cross-cultural issues in leadership.

oversight, just as during a game, an athletic coach trusts his or her players to execute the plays successfully.

Jeff Bezos, founder and CEO of Amazon.com, often plays the role of coach. He likes to focus on long-term, strategic issues and leave the daily management of Amazon.com to senior managers. But their decisions must also be consistent with his vision for the firm. As a result, he works with them on a regular basis to help them develop their decision-making skills and to equip them with the information they need to help lead the firm in the directions he has set.

Gender and Leadership

Another factor that is clearly altering the face of leadership is the growing number of women advancing to higher levels in organizations. Given that most leadership theories and research studies have focused on male leaders, developing a better understanding of how women lead is clearly an important next step. Some early observers, for instance, predicted that (consistent with prevailing stereotypes) female leaders would be relatively warm, supportive, and nurturing as compared to their male counterparts. But research suggests that female leaders are not necessarily more nurturing or supportive than male leaders. Likewise, male leaders are not systematically harsher, more controlling, or more task focused than female leaders.

The one difference that has arisen in some cases is that women may be slightly more democratic in making decisions, whereas men have a tendency to be more autocratic.¹³ However, much more work needs to be done to better understand the

finding a better way

Leading Like a Woman

In a workforce that has been historically dominated by men, much of the research of leadership has focused on men and the ways in which they lead. As more women entered the workforce, research began to evolve and turned to evaluating the differences between men and women as leaders. Unfortunately, many of the conclusions were focused on ways that women could adapt their innate style to be more like men. Ruzwana Bashir, cofounder of the travel site Peek and former Goldman Sachs employee, would beg to differ. As she began her career in the financial services industry, she felt pressure to act more like her male counterparts. At the Forbes Under 30 summit, she explains, "In that environment as a woman, you can feel crowd-forced to conform." While earning her MBA at Harvard's Business School as a Fulbright Scholar, she realized that traditionally feminine attributes can be an advantage. "Those 'female' traits of empathy and compassion—of being collaborate—are true business strengths."

Bashir has made a huge mark at an early age. Born in Pakistan, she was educated in the United Kingdom and studied at Oxford University. At Oxford, she became president of the Oxford Union, a debating society famed for hosting speakers as famous as Senator John McCain and fashion designer Tom Ford. In 2012, she and cofounder Oskar Bruening launched Peek.com. Although there are already several travel websites, Peek occupies a unique space in the market. Peek



David Hartley/REX/Newscom

helps travelers to plan the perfect trip, including itineraries for a "Perfect Day" in your destination.

At Peek.com, the company has maintained a staffing mix of 50 percent men and 50 percent women, with considerable ethnic diversity. Bashir encourages female employees and introduces them to mentors. She also practices what she preaches—allowing herself to show vulnerability rather than presenting the traditionally male decisive and authoritative style. Embracing her femininity as an asset even extends to her appearance, as Bashir explains, "Don't wear that boxy trouser suit because you feel like you have to. Wear whatever you want."¹⁴

dynamics of gender and leadership. In the meantime, high-profile and successful female leaders, such as Indra Nooyi (CEO of PepsiCo), Sherilyn McCoy (CEO of Avon Products), and Angela Merkel (chancellor of Germany), continue to demonstrate the effectiveness with which women can be exceptional leaders.

Cross-Cultural Leadership

Another changing perspective on leadership relates to cross-cultural issues. In this context, *culture* is used as a broad concept to encompass both international differences and diversity-based differences within one culture. For instance, Japan is generally characterized by *collectivism* (group before individual), whereas the United States is based more on *individualism* (individual before group). So when a Japanese firm sends an executive to head up the firm's operation in the United States, that person will likely find it necessary to recognize the importance of individual contributions and rewards and the differences in individual and group roles that exist in Japanese and U.S. businesses.

For instance, Carlos Ghosn runs both Renault (an Italian car company) and Nissan (a Japanese car company). Ghosn knows that cultural differences cause his European managers to expect him to lead in certain ways, whereas his Japanese managers expect him to lead in slightly different ways. More specifically, in Europe, leaders must often be aggressive, and meetings are often characterized by loud verbal exchanges and arguments. In Japan, though, more emphasis is put on consensus building and polite exchanges of dialogue.

Similarly, cross-cultural factors also play a growing role in organizations as their workforces become more diverse. As African Americans, Asian Americans, Hispanics, and members of other ethnic groups achieve leadership positions, it may be necessary to reassess how applicable current theories and models of leadership are when applied to an increasingly diverse pool of leaders.

Emerging Issues in Leadership

Finally, three emerging issues in leadership warrant discussion. These issues are *strategic leadership*, *ethical leadership*, and *virtual leadership*.

OBJECTIVE 9-7

Describe

strategic leadership, ethical leadership, and virtual leadership.

Strategic Leadership

Strategic leadership is a new concept that explicitly relates leadership to the role of top management. **Strategic leadership** is a leader's ability to understand the complexities of both the organization and its environment and to lead change in the organization so as to enhance its competitiveness. Howard Schutz, CEO of Starbucks, is recognized as a strong strategic leader. Not content to continue functioning as "simply" a coffee retailer, Schutz is always on the lookout for new opportunities and how Starbucks can effectively exploit those opportunities.

To be effective as a strategic leader, a manager needs to have a thorough and complete understanding of the organization—its history, its culture, its strengths, and its weaknesses. In addition, the leader needs a firm grasp of the organization's external environment. This understanding needs to include current business and economic conditions and circumstances as well as significant trends and issues on the horizon. The strategic leader also needs to recognize the firm's current strategic advantages and shortcomings.

Strategic Leadership leader's ability to understand the complexities of both the organization and its environment and to lead change in the organization so as to enhance its competitiveness

Ethical Leadership

Most people have long assumed that business leaders are ethical people. But in the wake of corporate scandals at firms such as Enron, Boeing, and AIG, faith in business leaders has been shaken. Perhaps now more than ever, high standards of

Ethical Leadership leader behaviors that reflect high ethical standards

ethical conduct are being held up as a prerequisite for effective leadership. More specifically, business leaders are being called on to maintain high ethical standards for their own conduct, to unfailingly exhibit ethical behavior, and to hold others in their organizations to the same standards—in short, to practice **ethical leadership**.

The behaviors of top leaders are being scrutinized more than ever, and those responsible for hiring new leaders for a business are looking more closely at the backgrounds of those being considered. The emerging pressures for stronger corporate governance models are likely to further increase the commitment to select only those individuals with high ethical standards for leadership positions in business and to hold them more accountable than in the past for both their actions and the consequences of those actions.

managing in turbulent times

Leading in a Virtual World

One of the most important challenges facing managers today is their ability to lead in a virtual world. Toward this end, the Association for Talent Development (ASTD) explored the challenges facing leaders in a workshop for members in India. Virtual work environments can take many forms—from employees telecommuting on a part-time or full-time basis to a geographically dispersed workforce that crosses cultures and time zones.

In a survey conducted for the purposes of this workshop, ASTD conducted a survey to determine the most important leadership skills for a “co-located environment.” The top responses included the ability to do the following:

- Set clear goals and measurements for projects.
- Provide a consistent focus on the big picture.
- Operate in a highly complex environment.
- Promote and stimulate organizational commitment.

Some of the challenges facing virtual leaders include the potential feelings of isolation for remote workers. Lack of face-to-face contact can limit the clarity of communication and also can act as a barrier to organizational commitment. Isolation becomes even more of an issue when employees are spread across multiple time zones, challenging the ability of a work team to collaborate effectively.

In spite of the special challenges associated with virtual leadership, some things remain the same. One interviewee for the ASTD study made this clear, stating, “Leadership is leadership. Being authentic, connecting with others, promoting inclusiveness, networking, and all of the interpersonal skills that build relationships and trust are always important.” Leaders cannot rely upon frequent, casual contact to build a shared vision in a virtual environment. Instead, leaders must be planned, disciplined, deliberate, and intentional about reaching out to employees on a regular basis.

The ASTD concluded that several best practices are associated with virtual leadership. First, and most important,



Syda Productions/Fotolia

effective communication is essential. Virtual leaders must learn to use multiple channels to communicate, including phone, e-mail, instant messaging, and video conferencing, and must appropriately match the media channel to the message. In addition, communication must be part of a two-way process that includes active listening. The second-best practice identified by ASTD was team building. When your team is geographically dispersed, it's essential that leaders plan intentional team-building activities, including structured work-related events as well as more casual social events, if possible. Finally, leaders must establish the ground rules for their organizations. The unwritten rules of corporate culture are harder to communicate in the virtual world, so it's important to be clear about work-hour expectations as well as risk tolerance. The authors of the ASTD 2013 report arrive at a very important conclusion: “While at first glance it may seem that all the same leadership skills are needed, it may be that leaders in a virtual environment need just a little more of everything: more knowledge of technology, more knowledge on how to work with team dynamics, stronger communication skills, and, of course, a little more patience.”¹⁵

Virtual Leadership

Finally, **virtual leadership** is also emerging as an important issue for organizations. In previous times, leaders and their employees worked together in the same physical location and engaged in face-to-face interactions on a regular basis. But in today's world, both leaders and their employees may work in locations that are far from one another. Such arrangements might include people telecommuting from a home office one or two days a week to people actually living and working far from company headquarters.

Increasingly, then, communication between leaders and their subordinates happens largely by telephone and e-mail. One implication may be that leaders in these situations must work harder at creating and maintaining relationships with their employees that go beyond words on a computer screen. Although nonverbal communication, such as smiles and handshakes, may not be possible online, managers can instead make a point of adding a few personal words in an e-mail (whenever appropriate) to convey appreciation, reinforcement, or constructive feedback.

Virtual Leadership leadership in settings where leaders and followers interact electronically rather than in face-to-face settings

Leadership, Management, and Decision Making

We noted previously the differences and similarities between managing and leading. *Decision making* is another important related concept. Indeed, decision making is a fundamental component of both leadership and management—managers and leaders must frequently make decisions.

OBJECTIVE 9-8

Relate

leadership to decision making and discuss both rational and behavioral perspectives on decision making.

The Nature of Decision Making

Decision making can refer to either a specific act or a general process. **Decision making** is the act of choosing one alternative from among a set of alternatives. The decision-making process, however, is much more than this. One step of the process, for example, is that the person making the decision must both recognize that a decision is necessary and identify the set of feasible alternatives before selecting one. Hence, the **decision-making process** includes recognizing and defining the nature of a decision situation, identifying alternatives, choosing the “best” alternative, and putting it into practice.¹⁶

Decision Making choosing one alternative from among several options

Decision-Making Process recognizing and defining the nature of a decision situation, identifying alternatives, choosing the “best” alternative, and putting it into practice

The word *best* implies effectiveness. Effective decision making requires that the decision maker understand the situation driving the decision. Most people would consider an effective decision to be one that optimizes some set of factors, such as profits, sales, employee welfare, and market share. In some situations, though, an effective decision may be one that minimizes losses, expenses, or employee turnover. It may even mean selecting the best method for going out of business, laying off employees, or terminating a strategic alliance.

We should also note that managers make decisions about both problems and opportunities. For example, making decisions about how to cut costs by 10 percent reflects a problem—an undesirable situation that requires a solution. But decisions are also necessary in situations of opportunity. Learning that the firm is earning higher-than-projected profits, for example, requires a subsequent decision. Should the extra funds be used to increase shareholder dividends, reinvest in current operations, or expand into new markets? Of course, it may take a long time before a manager can know if the right decision was made.

Types of Decisions Managers must make many different types of decisions. In general, however, most decisions fall into one of two categories: *programmed* and *nonprogrammed*.¹⁷ A **programmed decision** is one that is relatively structured or recurs with some frequency (or both). Starbucks uses programmed

Programmed Decision decision that is relatively structured or recurs with some frequency (or both)

decisions to purchase new supplies of coffee beans, cups, and napkins, and Starbucks employees are trained in exact procedures for brewing coffee. Likewise, the College Station Ford dealer made a decision that he will sponsor a youth soccer team each year. Thus, when the soccer club president calls, the dealer already knows what he will do. Many decisions regarding basic operating systems and procedures and standard organizational transactions are of this variety and can therefore be programmed.¹⁸

Nonprogrammed Decision *decision that is relatively unstructured and that occurs with low frequency*

Nonprogrammed decisions, on the other hand, are relatively unstructured and occur much less often. Disney's decision to buy the *Stars Wars* properties from George Lucas was a nonprogrammed decision. Managers faced with such decisions must treat each one as unique, investing enormous amounts of time, energy, and resources into exploring the situation from all perspectives. Intuition and experience are major factors in nonprogrammed decisions. Most of the decisions made by top managers involving strategy (including mergers, acquisitions, and takeovers) and organization design are nonprogrammed. Nonprogrammed decisions also include those concerning new facilities, new products, labor contracts, and legal issues.

Decision-Making Conditions Just as there are different kinds of decisions, the conditions in which decisions must be made also are different. Managers sometimes have an almost perfect understanding of conditions surrounding a decision, but at other times they have few clues about those conditions. In general, the circumstances that exist for the decision maker are conditions of certainty, risk, or uncertainty.¹⁹

State of Certainty *when the decision maker knows with reasonable certainty what the alternatives are and what conditions are associated with each alternative*

CERTAINTY When the decision maker knows with reasonable certainty what the alternatives are and what conditions are associated with each alternative, a **state of certainty** exists. Suppose, for example, that managers at Singapore Airlines make a decision to buy five new jumbo jets. Their next decision is from whom to buy them. Because only two companies in the world make jumbo jets, Boeing and Airbus, Singapore Airlines knows its options exactly. Each has proven products and will guarantee prices and delivery dates. The airline thus knows the alternative conditions associated with each. There is little ambiguity and relatively little chance of making a bad decision.

Few organizational decisions, however, are made under conditions of true certainty. The complexity and turbulence of the contemporary business world make such situations rare. Even the airplane purchase decision we just considered has less certainty than it appears. The aircraft companies may not be able to guarantee delivery dates, so they may write cost-increase or inflation clauses into contracts. Thus, the airline may be only partially certain of the conditions surrounding each alternative.

State of Risk *when the availability of each alternative and its potential payoffs and costs are all associated with probability estimates*

RISK A more common decision-making condition is a state of risk. Under a **state of risk**, the availability of each alternative and its potential payoffs and costs are all associated with probability estimates.²⁰ Suppose, for example, that a labor contract negotiator for a company receives a "final" offer from the union right before a strike deadline. The negotiator has two alternatives: to accept or to reject the offer. The risk centers on whether the union representatives are bluffing. If the company negotiator accepts the offer, he or she avoids a strike but commits to a relatively costly labor contract. If he or she rejects the contract, he or she may get a more favorable contract if the union is bluffing, but he or she may provoke a strike if it is not.

On the basis of past experience, relevant information, the advice of others, and his or her own judgment, he or she may conclude that there is about a 75 percent chance that union representatives are bluffing and about a 25 percent chance that they will back up their threats. Thus, he or she can base a calculated decision on the two alternatives (accept or reject the contract demands) and the probable consequences of each. When making decisions under a state of risk, managers must reasonably estimate the probabilities associated with each alternative. For example, if the union negotiators are committed to a strike if their demands are not met, and the company negotiator rejects their demands because he or she guesses they will not

strike, the miscalculation will prove costly. Decision making under conditions of risk is accompanied by moderate ambiguity and chances of a bad decision.

UNCERTAINTY Most of the major decision making in contemporary organizations is done under a **state of uncertainty**. The decision maker does not know all the alternatives, the risks associated with each, or the likely consequences of each alternative. This uncertainty stems from the complexity and dynamism of contemporary organizations and their environments. The emergence of the Internet as a significant force in today's competitive environment has served to increase both revenue potential and uncertainty for most managers.

To make effective decisions in these circumstances, managers must acquire as much relevant information as possible and approach the situation from a logical and rational perspective. Intuition, judgment, and experience always play major roles in the decision-making process under conditions of uncertainty. Even so, uncertainty is the most ambiguous condition for managers and the one most prone to error.²¹ Lorraine Brennan O'Neil is the founder and CEO of 10 Minute Manicure, a quick-service salon located in airports. The company found quick success and experienced rapid growth from its inception. However, the Great Recession required O'Neil to rethink her plans in an attempt to stay afloat through a rocky and unknown future. Knowing that the company no longer had the time to wait and monitor new stores' success, she opted to focus solely on existing stores with profits, shutting down those with losses. Aside from this, she restructured her business plan, seeking nontraditional locations, reducing corporate overhead, cutting products, and developing an online product line as a second source of income.²²

State of Uncertainty when the decision maker does not know all the alternatives, the risks associated with each, or the likely consequences of each alternative

Rational Decision Making

Managers and leaders should strive to be rational in making decisions. Figure 9.3 shows the steps in the rational decision-making process.

Recognizing and Defining the Decision Situation The first step in rational decision making is recognizing that a decision is necessary; some stimulus or spark must initiate the process. The stimulus for a decision may be either positive or negative. Managers who must decide how to invest surplus funds, for example, face a positive decision situation. A negative financial stimulus could involve having to trim budgets because of cost overruns.

Inherent in making such a decision is the need to precisely define the problem. Consider the situation currently being faced in the international air travel industry. Because of the growth of international travel related to business, education, and tourism, global carriers need to increase their capacity. Because most major international airports are already operating at or near capacity, adding a significant number of new flights to existing schedules is not feasible. As a result, the most logical alternative is to increase capacity on existing flights. Thus, Boeing and Airbus, the world's biggest manufacturers of large commercial aircraft, recognized an important opportunity and defined their decision situations as how best to respond to the need for increased global travel capacity.²³

Identifying Alternatives Once the decision situation has been recognized and defined, the second step is to identify alternative courses of effective action. Developing both obvious, standard alternatives and creative, innovative alternatives is useful. In general, the more important the decision, the more attention is directed to developing alternatives. Although managers should seek creative solutions, they must also recognize that various constraints often limit their alternatives. Common constraints include legal restrictions, moral and ethical norms, and constraints imposed by the power and authority of the manager, available technology, economic considerations, and unofficial social norms. After assessing the question of how to increase international airline capacity, Boeing and Airbus identified three different alternatives: They could independently develop new large planes, they could

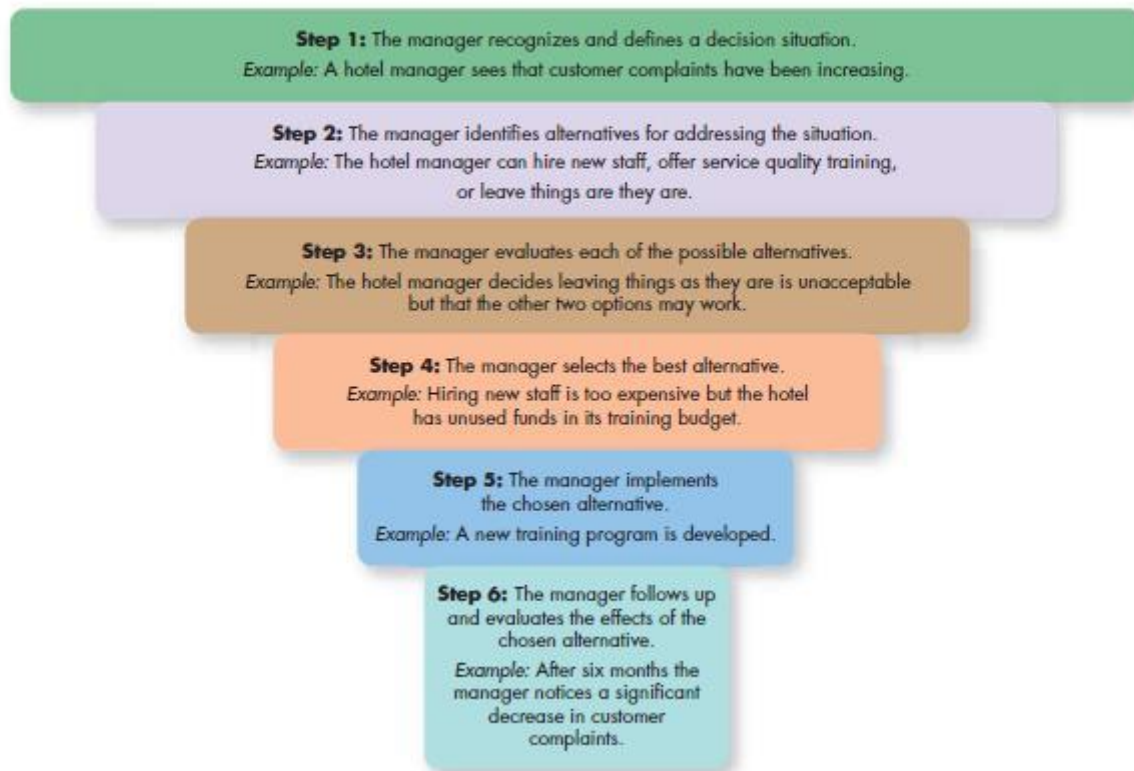


FIGURE 9.3 Steps in the Rational Decision-Making Process

Source: Based on Griffin, *Management 8e*. © 2005 South-Western, a part of Cengage Learning, Inc. Reproduced by permission. www.cengage.com/permissions. Courtesy of Ronald Ebert.

collaborate in a joint venture to create a single new large plane, or they could modify their largest existing planes to increase their capacity.

Evaluating Alternatives The third step in the decision-making process is evaluating each of the alternatives. Some alternatives may not be feasible because of legal or financial barriers. Limited human, material, and information resources may make other alternatives impractical. Managers must thoroughly evaluate all the alternatives to increase the chances that the alternative finally chosen will be successful. For example, Airbus felt it would be at a disadvantage if it tried simply to enlarge its existing planes because the Boeing 747 was at the time already the largest aircraft being made and could readily be expanded to remain the largest. Boeing, meanwhile, was seriously concerned about the risk inherent in building a new and even larger plane, even if it shared the risk with Airbus as a joint venture partner.

Selecting the Best Alternative Choosing the best available alternative is the real crux of decision making. Even though many situations do not lend themselves to objective, mathematical analysis, managers and leaders can often develop subjective estimates and weights for choosing an alternative. Decision makers should also remember that finding multiple acceptable alternatives may be possible; selecting just one alternative and rejecting all the others might not be necessary. For example, Airbus proposed a joint venture with Boeing. Boeing, meanwhile, decided that its best course of action was to modify its existing 747 to increase its capacity. As a result, Airbus decided to proceed on its own to develop and manufacture a new jumbo jet. Boeing then decided that in addition to modifying its 747, it would

develop a new plane to offer as an alternative, albeit one not as large as the 747 or the proposed Airbus plane.

Implementing the Chosen Alternative After an alternative has been selected, managers and leaders must put it into effect. Boeing set its engineers to work expanding the capacity of its 747 by adding 30 feet to the plane's body; the firm also began developing another plane intended for international travel, the 787. Airbus engineers, meanwhile, developed design concepts for a new jumbo jet equipped with escalators and elevators and capable of carrying 655 passengers. Airbus's development costs alone were estimated to exceed \$12 billion.

Managers must also consider people's resistance to change when implementing decisions. The reasons for such resistance include insecurity, inconvenience, and fear of the unknown. Managers should anticipate potential resistance at various stages of the implementation process. However, even when all alternatives have been evaluated as precisely as possible and the consequences of each alternative have been weighed, unanticipated consequences are still likely. Employees may resist or protest change; they may even quit rather than agree to it. Other factors, such as unexpected cost increases, a less-than-perfect fit with existing organizational subsystems, or unpredicted effects on cash flow or operating expenses, could develop after implementation has begun. Both Boeing and Airbus were plagued by production delays that pushed back delivery of their respective aircrafts by years and ended up costing each company billions of dollars. Airbus got its plane to market first (it began flying in late 2007), but profits have been pushed far into the future because the global recession caused many airlines to cancel or delay orders for several years.

Following Up and Evaluating the Results The final step in the decision-making process requires that managers and leaders evaluate the effectiveness of their decision. They should make sure that the chosen alternative has served its original purpose. If an implemented alternative appears not to be working, they can respond in several ways. Another previously identified alternative (the original second or third choice, for instance) could be adopted. Or they might recognize that the situation was not correctly defined to begin with and start the process all over again. Finally, managers and leaders might decide that the original alternative is in fact appropriate but either has not yet had time to work or should be implemented in a different way.

At this point, both Boeing and Airbus are nearing the crucial period when they will learn whether they made good decisions. Airbus's A380 made its first commercial flight in 2007, though delays continue to push back its production schedule. The plane has also been hampered by technical problems. Meanwhile, Boeing's 787 faced numerous delays, and widespread use of the plane continues to be delayed by technical issues.²⁴ The expanded 747 was launched on schedule, however, and was in service in 2011. Most airlines have been willing to wait patiently for the 787s, which are designed to be much more fuel efficient than other international airplanes. Given the dramatic surge in fuel costs in recent years, a fuel-efficient option like the 787 could be an enormous success. Indeed, Airbus has begun developing its own fuel-efficient jet, the A350.²⁵ Qatar Airways took delivery of the first A350 in December 2014.

Behavioral Aspects of Decision Making

If all decision situations were approached as logically as described in the previous section, more decisions would prove successful. Yet decisions are often made with little consideration for logic and rationality. Some experts have estimated that U.S. companies use rational decision-making techniques less than 20 percent of the time. Of course, even when organizations try to be logical, they sometimes fail. For example, when Starbucks opened its first coffee shops in New York, it relied on scientific marketing research, taste tests, and rational deliberation in making a decision to emphasize drip over espresso coffee. However, that decision proved wrong because

it became clear that New Yorkers strongly preferred the same espresso-style coffees that were Starbucks mainstays in the West. Hence, the firm had to reconfigure its stores hastily to meet customer preferences.

On the other hand, sometimes a decision made with little regard for logic can still turn out to be correct.²⁶ Important ingredients in how these forces work are behavioral aspects of decision making. These include *political forces*, *intuition*, *escalation of commitment*, and *risk propensity*.

Political Forces in Decision Making Political forces contribute to the behavioral nature of decision making. One major element of politics, *coalitions*, is especially relevant to decision making. A **coalition** is an informal alliance of individuals or groups formed to achieve a common goal. This common goal is often a preferred decision alternative. For example, coalitions of stockholders frequently band together to force a board of directors to make a certain decision.

The New York Yankees once contacted three major sneaker manufacturers, Nike, Reebok, and Adidas, and informed them that they were looking to make a sponsorship deal. While Nike and Reebok were carefully and rationally assessing the possibilities, managers at Adidas quickly realized that a partnership with the Yankees made a lot of sense for them. They responded quickly to the idea and ended up hammering out a contract while the competitors were still analyzing details.²⁷

When these coalitions enter the political arena and attempt to persuade lawmakers to make decisions favorable to their interests, they are called *lobbyists*. Lobbyists may also donate money to help elect a candidate who is more likely to pursue their agendas. A recurring theme in U.S. politics is the damaging influence these special interest groups have on politicians, who may feel unduly obligated to favor campaign donors when making decisions.

Intuition **Intuition** is an innate belief about something, often without conscious consideration. Managers sometimes decide to do something because it “feels right” or they have a hunch. This feeling is usually not arbitrary, however. Rather, it is based on years of experience and practice in making decisions in similar situations. Such an inner sense may help managers make an occasional decision without going through a full-blown rational sequence of steps. That said, all managers, but most especially inexperienced ones, should be careful not to rely too heavily on intuition. If rationality and logic are continually flouted for “what feels right,” the odds are that disaster will strike one day.

Escalation of Commitment Another important behavioral process that influences decision making is **escalation of commitment** to a chosen course of action. In particular, decision makers sometimes make decisions and then become so committed to the course of action suggested by that decision that they stay with it, even when it appears to have been wrong.²⁸ For example, when people buy stock in a company, they sometimes refuse to sell it even after repeated drops in price. They choose a course of action, buying the stock in anticipation of making a profit, and then stay with it even in the face of increasing losses. Moreover, after the value drops, they may rationalize that they can’t sell at such a low price because they will lose money.

Risk Propensity and Decision Making The behavioral element of **risk propensity** is the extent to which a decision maker is willing to gamble when making a decision. Some managers are cautious about every decision they make. They try to adhere to the rational model and are extremely conservative in what they do. Such managers are more likely to avoid mistakes, and they infrequently make decisions that lead to big losses. Others are extremely aggressive in making decisions and willing to take risks.²⁹ They rely heavily on intuition, reach decisions quickly, and often risk big investments on their decisions. As in gambling, these managers are more likely than their conservative counterparts to achieve big successes with their decisions; they are also more likely to incur greater losses.³⁰ The organization’s culture is a prime ingredient in fostering different levels of risk propensity.

Coalition an informal alliance of individuals or groups formed to achieve a common goal

Intuition an innate belief about something, often without conscious consideration

Escalation of Commitment condition in which a decision maker becomes so committed to a course of action that she or he stays with it even when it appears to have been wrong

Risk Propensity extent to which a decision maker is willing to gamble when making a decision

summary of learning objectives

OBJECTIVE 9-1

Define leadership and distinguish it from management. (pp. 276–278)

Leadership refers to the processes and behaviors used by someone to motivate, inspire, and influence the behaviors of others. Although leadership and management are often related, they are not the same thing. Leadership involves such things as developing a vision, communicating that vision, and directing change. Management, meanwhile, focuses more on outlining procedures, monitoring results, and working toward outcomes.

Power is the ability to affect the behavior of others. In organizational settings, there are usually five kinds of power: (1) legitimate, (2) reward, (3) coercive, (4) referent, and (5) expert power. *Legitimate power* is power granted through the organizational hierarchy; it is the power defined by the organization to be accorded to people occupying a particular position. *Reward power* is the power to give or withhold rewards. *Coercive power* is the power to force compliance by means of psychological, emotional, or physical threat. *Referent power* is based on identification, imitation, loyalty, or charisma. *Expert power* is derived from information or expertise.

OBJECTIVE 9-2

Summarize early approaches to the study of leadership. (pp. 278–280)

The *trait approach to leadership* focused on identifying the traits of successful leaders. The earliest researchers believed that important leadership traits included intelligence, dominance, self-confidence, energy, activity (versus passivity), and knowledge about the job. However, this research did not produce conclusive results. More recent researchers have started to focus on traits such as emotional and mental intelligence, drive, motivation, honesty and integrity, self-confidence, knowledge of the business, and charisma.

The *behavioral approach* to leadership sought to determine what behaviors were employed by effective leaders. Research identified two basic and common leader behaviors: *task-focused* and *employee-focused* leader behaviors. It is thought that leaders should engage in both behaviors to increase performance and motivation.

OBJECTIVE 9-3

Discuss the concept of situational approaches to leadership. (pp. 280–281)

The *situational approach to leadership* proposes that there is no single best approach to leadership. Instead, situational factors influence the approach to leadership that is most effective. This approach was proposed as a continuum of leadership behavior, ranging from having the leader make decisions alone to having employees make decisions with minimal guidance from the leader. Each point on the continuum is influenced by *characteristics of the leader, his or her subordinates, and the situation*.

The path-goal theory of leadership is a direct extension of the expectancy theory of motivation. It suggests that the primary functions of a leader are to make valued or desired rewards available in the workplace and to clarify for the subordinate the kinds of behavior that will lead to goal accomplishment and valued rewards. The leader should clarify the paths to goal attainment. Path-goal theory identifies four kinds of behaviors that leaders can use, depending on the situation: (1) *directive leader behavior*, (2) *supportive leader behavior*, (3) *participative leader behavior*, and (4) *achievement-oriented leader behavior*.

The decision tree approach attempts to prescribe a leadership style appropriate to a given situation. The decision tree approach assumes that the degree to which subordinates should be encouraged to participate in decision making depends on the characteristics of the situation. After evaluating a variety of problem attributes (characteristics of the problem or decision), the leader determines an appropriate decision style that specifies the amount of subordinate participation.

The *leader-member exchange (LMX) model of leadership* stresses the importance of variable relationships between supervisors and each of their subordinates. Each superior-subordinate pair represents a “vertical dyad.” The model differs from previous approaches in that it focuses on the differential relationship leaders often establish with different subordinates.

OBJECTIVE 9-4

Describe transformational and charismatic perspectives on leadership. (pp. 281–284)

Transformational leadership (as distinguished from *transactional leadership*) focuses on the set of abilities that allows a leader to recognize the need for change, to create a vision to guide that change, and to execute the change effectively. *Charismatic leadership* is influence based on the leader's personal charisma. The basic concept of charisma suggests that charismatic leaders are likely to have self-confidence, confidence in their beliefs and ideals, and a need to influence people. They also tend to communicate high expectations about follower performance and to express confidence in their followers.

OBJECTIVE 9-5

Identify and discuss leadership substitutes and neutralizers. (pp. 284–285)

Leadership substitutes are individual, task, and organizational factors that tend to outweigh the need for a leader to initiate or direct employee performance. In other words, if certain factors are present, the employee will perform his or her job without the direction of a leader. Examples of leadership substitutes include individual professionalism, highly structured jobs, explicit plans and goals, and group performance norms. Even if a leader attempts to engage in leadership behaviors, *leadership neutralizers* may render the leader's efforts ineffective. Such neutralizers include group cohesiveness as well as elements of the job itself.

OBJECTIVE 9-6

Discuss leaders as coaches and examine gender and cross-cultural issues in leadership. (pp. 285–287)

Many organizations expect their leaders to play the role of *coach*—to select team members, provide direction, train, and develop—but otherwise allow the group to function autonomously. Some leaders may function as mentors, helping less experienced employees learn the ropes and better preparing them to advance in an organization.

Another factor that is altering the face of leadership is the number of women advancing to higher levels. Although there appear to be few differences between men and women leaders, the growing number of women leaders suggests a need for more study. Some evidence indicates that women are more democratic in decision making and have the potential to be excellent leaders, as shown by a number of high-profile, successful women leaders.

Another changing perspective on leadership relates to cross-cultural issues. In this context, *culture* encompasses international differences and diversity-based differences within one culture. For example, the level of collectivism or individualism can affect a manager's leadership style.

OBJECTIVE 9-7

Describe strategic leadership, ethical leadership, and virtual leadership. (pp. 287–289)

Strategic leadership is the leader's ability to lead change in the organization so as to enhance its competitiveness. To be effective as a strategic leader, a manager needs to have a thorough and complete understanding of the organization's history, culture, strengths, and weaknesses. Business leaders are also being called on to practice *ethical leadership*—that is, to maintain high ethical standards for their own conduct, and to hold others in their organizations to the same standards. As more leaders and employees work in different settings, a better understanding of *virtual leadership* is also becoming more important.

OBJECTIVE 9-8

Relate leadership to decision making and discuss both rational and behavioral perspectives on decision making. (pp. 289–294)

Decision making—choosing one alternative from among several options—is a critical management and leadership skill. Decision making can refer to either a specific act or a general

process. Most decisions fall into one of two categories: programmed and nonprogrammed. A programmed decision is one that is relatively structured or recurs with some frequency (or both). Nonprogrammed decisions are relatively unstructured and occur much less often. There are three different conditions in which decisions must be made. These are conditions of certainty, risk, or uncertainty. When the decision maker knows what the alternatives are and the likely outcomes, a *state of certainty* exists. Under a *state of risk*, the availability of each alternative and its payoffs and costs are not clear. Finally, in a *state of uncertainty*, the decision maker does not know all the alternatives, risks, or consequences.

The *rational perspective* prescribes a logical process for making decisions. It involves six steps: (1) recognizing and defining the decision situation, (2) identifying alternatives, (3) evaluating alternatives, (4) selecting the best alternative, (5) implementing the chosen alternative, and (6) following up and evaluating the results. The *behavioral perspective* acknowledges that things such as *political forces*, *intuition*, *escalation of commitment*, and *risk propensity* are also important aspects of decision making.


key terms

behavioral approach to leadership (p. 279)
 charismatic leadership (p. 282)
 coalition (p. 294)
 coercive power (p. 278)
 decision making (p. 289)
 decision-making process (p. 289)
 decision tree approach (p. 281)
 employee-focused leader behavior (p. 279)
 escalation of commitment (p. 294)
 ethical leadership (p. 288)
 expert power (p. 278)

intuition (p. 294)
 leader-member exchange (LMX) model (p. 281)
 leadership (p. 276)
 leadership neutralizers (p. 285)
 leadership substitutes (p. 284)
 legitimate power (p. 277)
 nonprogrammed decision (p. 290)
 path-goal theory (p. 281)
 power (p. 277)
 programmed decision (p. 289)
 referent power (p. 278)
 reward power (p. 278)


risk propensity (p. 294)
 situational approach to leadership (p. 280)
 state of certainty (p. 290)
 state of risk (p. 290)
 state of uncertainty (p. 291)
 strategic leadership (p. 287)
 task-focused leader behavior (p. 279)
 trait approach to leadership (p. 278)
 transactional leadership (p. 282)
 transformational leadership (p. 282)
 virtual leadership (p. 289)

MyBizLab


To complete the problems with the , go to EOC Discussion Questions in the MyLab.

questions & exercises

QUESTIONS FOR REVIEW

-  9-1. What are the basic differences between management and leadership?
- 9-2. Summarize the basic premises underlying the trait approach to leadership.
- 9-3. What are the basic differences between the trait and behavioral approaches to leadership?
- 9-4. List and describe the five types of power.

QUESTIONS FOR ANALYSIS

-  9-5. Describe the five types of power. Which type or types does your current supervisor exercise?
- 9-6. When is task-focused leader behavior most important? When is it more important for a leader to exhibit employee-focused behavior?

likely to grow in the future? Discuss the likely growth of virtual leadership.



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