

and the United States found that leader–member exchange was associated especially strongly with followers’ commitment to the organization when the leaders were seen as embodying the values and identity of the organization.⁴⁰ These positive findings for ingroup members shouldn’t be surprising, given our knowledge of self-fulfilling prophecy (see Chapter 6). Leaders invest their resources with those they expect to perform best. And believing ingroup members are the most competent, leaders treat them as such and unwittingly fulfill their prophecy. Conversely, a study in Turkey demonstrated that when leaders differentiated strongly among their followers in terms of their relationships (some followers had very positive leader–member exchange, others very poor), employees responded with more negative work attitudes and higher levels of withdrawal behavior.⁴¹ Leader–follower relationships may be stronger when followers have a more active role in shaping their own job performance. Research on 287 software developers and 164 supervisors showed leader–member relationships have a stronger impact on employee performance and attitudes when employees have higher levels of autonomy and a more internal locus of control.⁴²

Charismatic Leadership and Transformational Leadership

- 5 Compare and contrast *charismatic* and *transformational leadership*.

In this section, we present two contemporary leadership theories—charismatic leadership and transformational leadership—with a common theme: they view leaders as individuals who inspire followers through their words, ideas, and behaviors.

Charismatic Leadership

John F. Kennedy, Martin Luther King Jr., Ronald Reagan, Bill Clinton, Mary Kay Ash (founder of Mary Kay Cosmetics), and Steve Jobs (co-founder of Apple Computer) are frequently cited as charismatic leaders. What do they have in common?

What Is Charismatic Leadership? Max Weber, a sociologist, defined *charisma* (from the Greek for “gift”) more than a century ago as “a certain quality of an individual personality, by virtue of which he or she is set apart from ordinary people and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers or qualities. These are not accessible to the ordinary person and are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader.”⁴³ Weber argued that charismatic leadership was one of several ideal types of authority.

The first researcher to consider charismatic leadership in terms of OB was Robert House. According to House’s **charismatic leadership theory**, followers attribute heroic or extraordinary leadership abilities when they observe certain behaviors.⁴⁴ A number of studies have attempted to identify the characteristics of charismatic leaders: they have a vision, they are willing to take personal

charismatic leadership theory A leadership theory that states that followers make attributions of heroic or extraordinary leadership abilities when they observe certain behaviors.

Exhibit 12-3 Key Characteristics of a Charismatic Leader

1. *Vision and articulation.* Has a vision—expressed as an idealized goal—that proposes a future better than the status quo; and is able to clarify the importance of the vision in terms that are understandable to others.
2. *Personal risk.* Willing to take on high personal risk, incur high costs, and engage in self-sacrifice to achieve the vision.
3. *Sensitivity to follower needs.* Perceptive of others' abilities and responsive to their needs and feelings.
4. *Unconventional behavior.* Engages in behaviors that are perceived as novel and counter to norms.

Source: Based on J. A. Conger and R. N. Kanungo, *Charismatic Leadership in Organizations* (Thousand Oaks, CA: Sage, 1998), p. 94.

risks to achieve that vision, they are sensitive to follower needs, and they exhibit extraordinary behaviors⁴⁵ (see Exhibit 12-3).

Are Charismatic Leaders Born or Made? Are charismatic leaders born with their qualities? Or can people actually learn to be charismatic leaders? Yes, and yes.

Individuals *are* born with traits that make them charismatic. In fact, studies of identical twins have found they score similarly on charismatic leadership measures, even if they were raised in different households and had never met. Personality is also related to charismatic leadership; charismatic leaders are likely to be extraverted, self-confident, and achievement oriented.⁴⁶ Consider Presidents Barack Obama and Ronald Reagan: like them or not, they are often compared because both possess the qualities of charismatic leaders.

Most experts believe individuals can be trained to exhibit charismatic behaviors.⁴⁷ After all, just because we inherit certain tendencies doesn't mean we can't learn to change. One set of authors proposes a three-step process.⁴⁸ First, develop an aura of charisma by maintaining an optimistic view; using passion as a catalyst for generating enthusiasm; and communicating with the whole body, not just with words. Second, draw others in by creating a bond that inspires them to follow. Third, bring out the potential in followers by tapping into their emotions.

The approach seems to work, according to researchers who have asked undergraduate business students to “play” charismatic.⁴⁹ The students were taught to articulate an overarching goal, communicate high performance expectations, exhibit confidence in the ability of followers to meet these expectations, and empathize with the needs of their followers; they learned to project a powerful, confident, and dynamic presence; and they practiced using a captivating and engaging voice. They were also trained to evoke charismatic nonverbal characteristics: they alternated between pacing and sitting on the edges of their desks, leaned toward the subjects, maintained direct eye contact, and had relaxed postures and animated facial expressions. Their followers had higher task performance, task adjustment, and adjustment to the leader and the group than did followers of noncharismatic leaders.

How Charismatic Leaders Influence Followers How do charismatic leaders actually influence followers? Evidence suggests a four-step process.⁵⁰ It begins with articulating an appealing **vision**, a long-term strategy for attaining a goal by linking the present with a better future for the organization. Desirable visions fit the times and circumstances and reflect the uniqueness of the organization. Steve Jobs championed the iPod at Apple, noting, “It’s as Apple as anything

Apple has ever done.” People in the organization must also believe the vision is challenging yet attainable.

Second, a vision is incomplete without an accompanying **vision statement**, a formal articulation of an organization’s vision or mission. Charismatic leaders may use vision statements to imprint on followers an overarching goal and purpose. They build followers’ self-esteem and confidence with high performance expectations and belief that followers can attain them. Next, through words and actions the leader conveys a new set of values and sets an example for followers to imitate. One study of Israeli bank employees showed charismatic leaders were more effective because their employees personally identified with them. Charismatic leaders also set a tone of cooperation and mutual support. A study of 115 government employees found they had a stronger sense of personal belonging at work when they had charismatic leaders, increasing their willingness to engage in helping and compliance-oriented behavior.⁵¹

Finally, the charismatic leader engages in emotion-inducing and often unconventional behavior to demonstrate courage and conviction about the vision. Followers “catch” the emotions their leader is conveying.⁵²

Does Effective Charismatic Leadership Depend on the Situation? Research shows impressive correlations between charismatic leadership and high performance and satisfaction among followers.⁵³ People working for charismatic leaders are motivated to exert extra effort and, because they like and respect their leader, express greater satisfaction. Organizations with charismatic CEOs are also more profitable, and charismatic college professors enjoy higher course evaluations.⁵⁴ However, charisma appears most successful when the follower’s task has an ideological component or the environment includes a high degree of stress and uncertainty.⁵⁵ Even in laboratory studies, when people are psychologically aroused, they are more likely to respond to charismatic leaders.⁵⁶ This may explain why, when charismatic leaders surface, it’s likely to be in politics or religion, or during wartime, or when a business is in its infancy or facing a life-threatening crisis. Franklin D. Roosevelt offered a vision to get the United States out of the Great Depression in the 1930s. In 1997, when Apple Computer was floundering and lacking direction, the board persuaded charismatic co-founder Steve Jobs to return as interim CEO and return the company to its innovative roots.

Another situational factor apparently limiting charisma is level in the organization. Top executives create vision; it’s more difficult to utilize a person’s charismatic leadership qualities in lower-level management jobs or to align his or her vision with the larger goals of the organization.

Finally, people are especially receptive to charismatic leadership when they sense a crisis, when they are under stress, or when they fear for their lives. Charismatic leaders are able to reduce stress for their employees, perhaps because they help make work seem more meaningful and interesting.⁵⁷ And some peoples’ personalities are especially susceptible to charismatic leadership.⁵⁸ Consider self-esteem. An individual who lacks self-esteem and questions his or her self-worth is more likely to absorb a leader’s direction rather than establish his or her own way of leading or thinking.

The Dark Side of Charismatic Leadership Charismatic business leaders like AIG’s Hank Greenberg, GE’s Jack Welch, Tyco’s Dennis Kozlowski, Southwest Airlines’ Herb Kelleher, Disney’s Michael Eisner, and HP’s Carly Fiorina became

vision *A long-term strategy for attaining a goal or goals.*

vision statement *A formal articulation of an organization’s vision or mission.*

celebrities on the order of David Beckham and Madonna. Every company wanted a charismatic CEO, and to attract them boards of directors gave them unprecedented autonomy and resources—the use of private jets and multimillion-dollar penthouses, interest-free loans to buy beach homes and artwork, security staffs, and similar benefits befitting royalty. One study showed charismatic CEOs were able to leverage higher salaries even when their performance was mediocre.⁵⁹

Unfortunately, charismatic leaders who are larger than life don't necessarily act in the best interests of their organizations.⁶⁰ Many have allowed their personal goals to override the goals of the organization. The results at companies such as Enron, Tyco, WorldCom, and HealthSouth were leaders who recklessly used organizational resources for their personal benefit and executives who violated laws and ethical boundaries to inflate stock prices and allow leaders to cash in millions of dollars in stock options. It's little wonder research has shown that individuals who are narcissistic are also higher in some behaviors associated with charismatic leadership.⁶¹

It's not that charismatic leadership isn't effective; overall, it is. But a charismatic leader isn't always the answer. Success depends, to some extent, on the situation and on the leader's vision. Some charismatic leaders—Hitler, for example—are all too successful at convincing their followers to pursue a vision that can be disastrous.



How Charismatic Am I?

In the Self-Assessment Library (available on CD and online), take assessment II.B.2 (How Charismatic Am I?).

Transformational Leadership

A stream of research has focused on differentiating transformational from transactional leaders.⁶² The Ohio State studies, Fiedler's model, and path-goal theory describe **transactional leaders**, who guide their followers toward established goals by clarifying role and task requirements. **Transformational leaders** inspire followers to transcend their self-interests for the good of the organization and can have an extraordinary effect on their followers. Andrea Jung at Avon, Richard Branson of the Virgin Group, and Jim McNerney of Boeing are all transformational leaders. They pay attention to the concerns and needs of individual followers; they change followers' awareness of issues by helping them look at old problems in new ways; and they excite and inspire followers to put out extra effort to achieve group goals. Exhibit 12-4 briefly identifies and defines the characteristics that differentiate these two types of leaders.

Transactional and transformational leadership complement each other; they aren't opposing approaches to getting things done.⁶³ Transformational leadership *builds on* transactional leadership and produces levels of follower effort and performance beyond what transactional leadership alone can do. But the reverse isn't true. So if you are a good transactional leader but do not have transformational qualities, you'll likely only be a mediocre leader. The best leaders are transactional *and* transformational.

Full Range of Leadership Model Exhibit 12-5 shows the full range of leadership model. Laissez-faire is the most passive and therefore least effective of leader behaviors.⁶⁴ Management by exception—active or passive—is slightly better, but it's still considered ineffective. Management-by-exception leaders tend to be available only when there is a problem, which is often too late. Contingent reward leadership can be an effective style of leadership but will not get employees to go above and beyond the call of duty.

Exhibit 12-4 Characteristics of Transactional and Transformational Leaders

Transactional Leader

Contingent Reward: Contracts exchange of rewards for effort, promises rewards for good performance, recognizes accomplishments.

Management by Exception (active): Watches and searches for deviations from rules and standards, takes correct action.

Management by Exception (passive): Intervenes only if standards are not met.

Laissez-Faire: Abdicates responsibilities, avoids making decisions.

Transformational Leader

Idealized Influence: Provides vision and sense of mission, instills pride, gains respect and trust.

Inspirational Motivation: Communicates high expectations, uses symbols to focus efforts, expresses important purposes in simple ways.

Intellectual Stimulation: Promotes intelligence, rationality, and careful problem solving.

Individualized Consideration: Gives personal attention, treats each employee individually, coaches, advises.

Source: Based on A. H. Eagly, M. C. Johannesen-Schmidt, and M. L. Van Engen, "Transformational, Transactional, and Laissez-faire Leadership Styles: A Meta-Analysis Comparing Women and Men," *Psychological Bulletin* 129, no. 4 (2003), pp. 569–591; and T. A. Judge and J. E. Bono, "Five Factor Model of Personality and Transformational Leadership," *Journal of Applied Psychology* 85, no. 5 (2000), pp. 751–765.

Only with the four remaining styles—all aspects of transformational leadership—are leaders able to motivate followers to perform above expectations and transcend their self-interest for the sake of the organization. Individualized consideration, intellectual stimulation, inspirational motivation, and idealized influence all result in extra effort from workers, higher productivity, higher morale and satisfaction, higher organizational effectiveness, lower turnover, lower absenteeism, and greater organizational adaptability. Based on this model, leaders are generally most effective when they regularly use each of the four transformational behaviors.

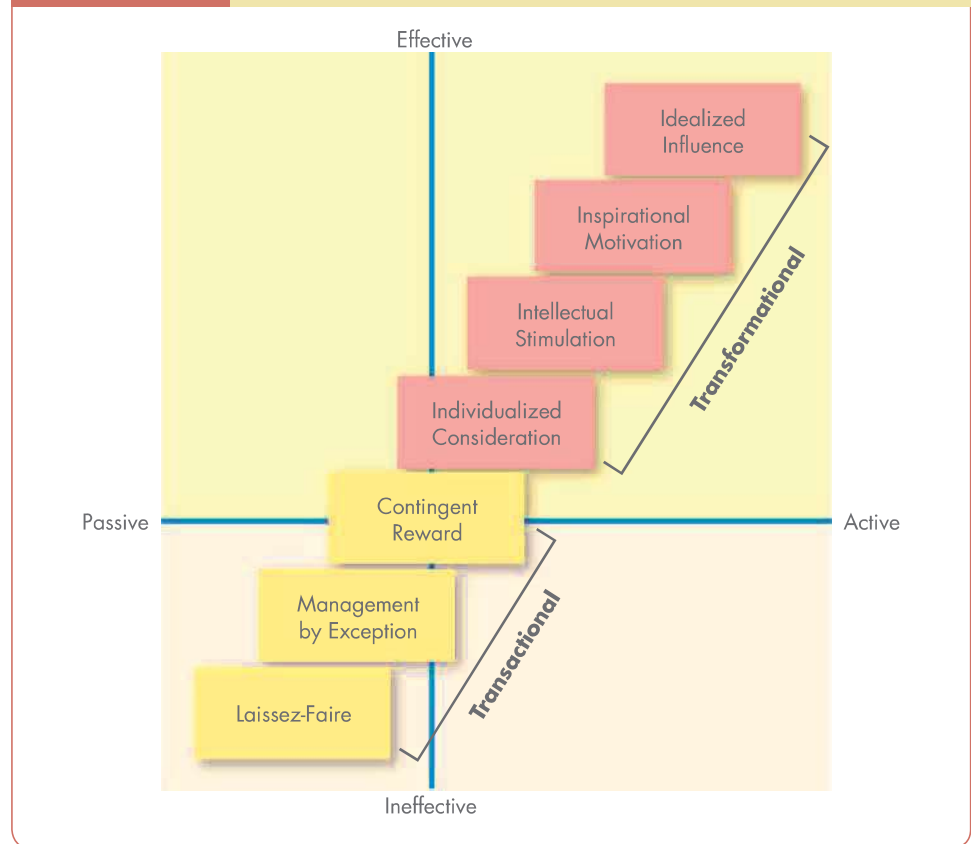
How Transformational Leadership Works Transformational leaders are more effective because they are more creative, but also because they encourage those who follow them to be creative, too.⁶⁵ Companies with transformational leaders have greater decentralization of responsibility, managers have more propensity to take risks, and compensation plans are geared toward long-term results—all of which facilitate corporate entrepreneurship.⁶⁶ One study of information technology workers in China found empowering leadership behavior led to feelings of positive personal control among workers, which increased their creativity at work.⁶⁷

Companies with transformational leaders also show greater agreement among top managers about the organization's goals, which yields superior organizational performance.⁶⁸ The Israeli military has seen similar results, showing

transactional leaders *Leaders who guide or motivate their followers in the direction of established goals by clarifying role and task requirements.*

transformational leaders *Leaders who inspire followers to transcend their own self-interests and who are capable of having a profound and extraordinary effect on followers.*

Exhibit 12-5 Full Range of Leadership Model



that transformational leaders improve performance by building consensus among group members.⁶⁹ Transformational leaders are able to increase follower self-efficacy, giving the group a “can do” spirit.⁷⁰ Followers are more likely to pursue ambitious goals, agree on the strategic goals of the organization, and believe the goals they are pursuing are personally important.⁷¹

Just as vision helps explain how charismatic leadership works, it also explains part of the effect of transformational leadership. One study found vision was even more important than a charismatic (effusive, dynamic, lively) communication style in explaining the success of entrepreneurial firms.⁷² Finally, transformational leadership engenders commitment on the part of followers and instills greater trust in the leader.⁷³

Evaluation of Transformational Leadership Transformational leadership has been impressively supported at diverse job levels and occupations (school principals, teachers, marine commanders, ministers, presidents of MBA associations, military cadets, union shop stewards, sales reps). One study of R&D firms found teams whose project leaders scored high on transformational leadership produced better-quality products as judged 1 year later and higher profits 5 years later.⁷⁴ Another study looking at employee creativity and transformational leadership more directly found employees with transformational leaders had more confidence in their ability to be creative at work and higher levels of creative performance.⁷⁵ A review of 117 studies testing transformational leadership found it was related to higher levels of individual follower performance, team performance, and organizational performance.⁷⁶

Transformational leadership isn't equally effective in all situations. It has a greater impact on the bottom line in smaller, privately held firms than in more complex organizations.⁷⁷ The personal nature of transformational leadership may be most effective when leaders can directly interact with the workforce and make decisions than when they report to an external board of directors or deal with a complex bureaucratic structure. Another study showed transformational leaders were more effective in improving group potency in teams higher in power distance and collectivism.⁷⁸ Other recent research using a sample of employees both in China and the United States found that transformational leadership had a more positive relationship with perceived procedural justice among individuals who were lower in power-distance orientation, which in turn related to a stronger transformational leadership-citizenship behavior relationship among those higher in power distance.⁷⁹ Transformational leaders also obtain higher levels of trust, which reduces stress for followers.⁸⁰ In short, transformational leadership works through a number of different processes.

One study examined how different types of transformational leadership can be effective depending on whether work is evaluated at the team or the individual level.⁸¹ Individual-focused transformational leadership is behavior that empowers individual followers to develop, enhance their abilities, and increase self-efficacy. Team-focused transformational leadership emphasizes group goals, shared values and beliefs, and unified efforts. Evidence from a sample of 203 team members and 60 leaders in a business unit found individual transformational leadership associated with higher individual-level performance, whereas team-focused transformational leadership drew higher group-level performance.

Transformational leadership theory is not perfect. Contingent reward leadership may not characterize transactional leaders only. And contrary to the full range of leadership model, the four I's in transformational leadership are not always superior in effectiveness to transactional leadership (contingent reward leadership sometimes works as well as transformational leadership).

In summary, transformational leadership is more strongly correlated than transactional leadership with lower turnover rates, higher productivity, lower employee stress and burnout, and higher employee satisfaction.⁸² Like charisma, it can be learned. One study of Canadian bank managers found branches managed by those who underwent transformational leadership training performed significantly better than branches whose managers did not receive training. Other studies show similar results.⁸³

The GLOBE study—of 18,000 leaders from 825 organizations in 62 countries—links a number of elements of transformational leadership with effective leadership, regardless of country.⁸⁴ This conclusion is very important because it disputes the contingency view that leadership style needs to adapt to cultural differences.

What elements of transformational leadership appear universal? Vision, foresight, providing encouragement, trustworthiness, dynamism, positiveness, and proactiveness top the list. The GLOBE team concluded that “effective business leaders in any country are expected by their subordinates to provide a powerful and proactive vision to guide the company into the future, strong motivational skills to stimulate all employees to fulfill the vision, and excellent planning skills to assist in implementing the vision.”⁸⁵

A vision is important in any culture, then, but the way it is formed and communicated may need to vary by culture. A GE executive who used his U.S. leadership style in Japan recalls, “Nothing happened. I quickly realized that I had to adapt my approach, to act more as a consultant to my colleagues and to adopt a team-based motivational decision-making process rather than the more vocal style which tends to be common in the West. In Japan the silence of a leader means far more than a thousand words uttered by somebody else.”⁸⁶