Leadership

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Leadership

By Joseph S. Nye, Jr.

<u>Leadership and Authority</u>.

A leader is someone who helps a group create and achieve shared goals. The leader need not be a single individual, and leadership in a group can change as issues and contexts change. Some leaders act with the formal authority of a position such as president, or chief executive officer or chair, while others act without formal authority. For example, when Rosa Parks refused to give up her seat on a segregated bus and launched a bus boycott in Montgomery, Alabama in 1955, she was a leader without formal authority. Some groups pride themselves on being leaderless, but they make the mistake of equating leadership with formal authority. Leadership occurs every day and at every level in American democracy. Civic leaders often act without authority; political leaders have the authority of elected or appointed office. Political leaders who succeed in furthering the group's goals are often described as "statesmen and stateswomen" but this accolade is often granted only in retrospect.

<u>Leadership and Power</u>

Leadership requires power, but many leaders think of power narrowly in terms of command and control. Studies show that the soft power of attraction is increasingly important in a information age. According to a former CEO of IBM, under today's conditions "hierarchical, command-and-control approaches simply do not work anymore. They impede information flows inside companies, hampering the fluid and collaborative nature of work today."

Soft power rests on the ability to shape the preferences of others to want what you want. Smart executives know that leadership is not just a matter of issuing commands, but also involves leading by example and attracting others to do what you want. It is difficult to run a large organization by commands alone unless you can get others to buy in to your values. President (and former general) Dwight Eisenhower argued that leadership is the "ability to get people to work together not only because you tell them to, but because they instinctively want to do it for you….You don't lead by hitting people

over the head: that's assault, not leadership." As Harvard Business School's Rosabeth Moss Kanter comments, "managers can't control everything. They must instead work through influence, persuasion and an awful lot of training. And corporate culture – the common organizational values that people learn – is often what guides people, not the rules or the instructions of any one manager."

<u>Technological Change and leadership</u>

The information revolution is affecting the structure of organizations and leadership. Hierarchies are becoming flatter. White collar knowledge workers respond to different incentives than do blue collar industrial workers. Polls show people today are less deferential to authority in organizations.

In the 1930s, the Nobel Prize winning economist Ronald Coase argued that the rise of the modern hierarchical corporation was due to transactions costs: anonymous partners were hard to identify, contracts were difficult to manage and it was more reliable to produce supplies yourself than to count on external networks of suppliers. Today cheap and reliable information technology makes networks of outsourcing more attractive. The classic economic theory of the firm as a hierarchical organization that internalizes functions in order to reduce transactions costs is being supplemented by the notion of firms as networks of outsourcing such as Toyota or Nike. According to a <u>Financial Times</u> analysis, more companies now consist essentially of intangible assets such as patents plus the values embedded in their brands. In a flatter world, the advantages of innovation do not last as long and there are fewer things sheltering companies from competition. The proportion of intangible assets to shareholder value at Fortune 500 companies has steadily risen from about 50 per cent in 1980 to 70 per cent today.

In some cases, one can orchestrate a complex network simply with carefully specified contracts, but the friction of normal life usually creates ambiguities that cannot be fully met in advance. In describing the success of the Toyota and the Linux networks, the Boston Consulting Group concluded that "monetary carrots and accountability sticks motivate people to perform narrow, specified tasks. Admiration and applause are far more effective stimulants of above and beyond behavior." Traditional business leadership styles become less effective. Some new styles even seem bizarre. Visitors to the

headquarters of a Web 2.0 company in Silicon Valley could be forgiven if they think they have entered a nursery school playroom rather than a corporate office.

Distributed leadership

A study of a major "bricks and clicks" company (one that combines offline and online operations) found that distributed leadership was essential. It concluded that in dynamic, complex, and ambiguous contexts like the dotcom environment, the traditional view of a leaders being decisively in control is difficult to reconcile. Effective leadership depends on the use of multiple 'leaders' for capable decision-making and action-taking. Management studies report an increase in the use of more participative processes over the past quarter century. In terms of gender stereotypes, women intuitively understand the soft power of attraction while men gravitate to the hard power of command.

Such stereotypes, however, do not capture the full complexity of the change that is occurring. Effective leaders need a greater ability to work with networks, to collaborate, and to nurture. Women's non-hierarchical style and relational skills fit this leadership role, but men need to learn these skills as well as to value them in their women colleagues. Men need to act more like women, and visa versa, depending on the context. Smart leaders in the information age, whether male or female have to learn how to understand soft power and combine it with hard power for effective performance.

 Leadership Studies

Serious scientific leadership studies have gone through several phases. The *trait-centered* approach dominated the scene up to the late 1940s, but scholars found it impossible to identify traits that predicted leadership under all conditions. When it became clear that studies of traits were indeterminate, scholars turned to a *style* approach that used questionnaires to determine how leaders behave in terms of their consideration for their followers. This held sway until the late 1960s when it was found to be plagued with measurement problems and inconsistent results in predicting effectiveness. A *contingency* approach was popular from the late 1960s to the early 1980s. It distinguished people-oriented from task-oriented leaders and tried to relate their performance to their degree of situational control, but this too was also plagued by measurement problems and inconsistent results. A "new leadership approach" that focuses on *charismatic and transformational* leadership has been the dominant paradigm since the early 1980s. It has

generated a number of useful studies, but it is also plagued with definitional and empirical problems. Other useful approaches have focused on dispersed leadership, teams, and the relation of leadership to culture, but for the past three decades, writers about leadership have placed a great deal of emphasis on transformational leaders, defined at those with a vision and goal of great change and an inspirational appeal to higher values. In contrast, transactional leaders are managers who concentrate on keeping the trains on the track and on time. Of course, this is a spectrum of approaches, and few leaders fall fully at one or the other end of the spectrum.

Good and Bad Leadership.

"Good" has two dimensions: effective and ethical. A good thief steals a lot of money, but we still condemn his or her ethics. Democratic electorates want their leaders to be effective fiduciaries in advancing national interests, but American moralism means that followers also judge leaders in moral terms. We do not look back and pronounce leaders good simply because they have been successful, or simply because they acted with high moral purpose. We want both. In practice, we judge "good" in terms of leader's intentions, means, and consequences.

Transformational leaders provide an inspiring vision of goals which can help overcome self-interest and narrow factionalism in organizations and nations. They summon new and broader energies among followers. Yet they are not automatically good leaders. Adolph Hitler certainly transformed Germany – for the worse!

Two centuries ago, the newly independent American colonists had a transformational leader in George Washington. Nonetheless, they invented a very different type of institutional leadership when James Madison and other transactional leaders negotiated the role of the president in the Constitution. Madison's famous solution to the problem of conflict and faction was not for a leader to convert everyone to a common cause, but to overcome divisions by creating an institutional framework in which ambition countered ambition and faction countered faction. Separation of powers, checks and balances, and a decentralized federal system placed the emphasis on laws more than individuals. Even when a group cannot agree on its ultimate ends, its members may be able to agree on means that create diversity and pluralism without destroying the

group. In such circumstances, transactional leadership may be better than efforts at transformational leadership.

One of the key tasks for leaders is the creation, maintenance or change of institutions. Madisonian government was not designed for efficiency. Law is often called "the wise restraints that make men free," but sometimes laws must be changed or broken as the civil rights movement of the 1960s demonstrated. On an everyday level, whistle-blowers can play a disruptive but useful role in large bureaucracies, and a smart leader will find ways to protect them or channel their information into institutions like ombudspersons. An inspirational leader who ignores institutions or breaks them must carefully consider the long term ethical consequences as well as the immediate gains for the group.

Good leaders sometimes challenge institutions, but they also design and maintain systems and institutions. Well-designed institutions include means for self correction as well as ways of constraining the failures of leaders. As the top legal officer of GE put it, a leader needs to create an institutional framework where "the company's norms and values are so widely shared and its reputation for integrity is so strong that most leaders and employees want to win the right way." Poorly designed or led institutions can also lead people astray, as the case of the Abu Ghraib prison in Iraq. The American guards were reservists without special training. The moral flaws were not simply in the prison guards, but also in the higher level leaders who failed to monitor adequately a flawed institutional framework.

 Good leadership is not merely inspiring people with a transformational vision, important though that can be, but also involves a capacity for creating and maintaining the systems and institutions that allow both effective and moral implementation. When I studied the presidents who were responsible for the creation of the American era during the 20th century, I discovered that some of the best, like Franklin Roosevelt, were transformational in style and inspirational in objectives, but some like Dwight Eisenhower and George H. W. Bush were primarily transactional.

Contextual Intelligence and Learning Good Leadership

Both Eisenhower and Bush had experience prior to becoming president that provided them with good contextual intelligence – the ability to adapt their skills and choices to the changing needs of their followers and changing situations.

Leadership is a relationship between leaders and followers that varies in different contexts. Without specification of context, many propositions about leadership turn out to be very limited. Contexts range from street gangs to social movements to corporate and national presidencies. This indeterminacy and contingency has led many observers to say that leadership is an art rather than a science.

Learning leadership occurs in a variety of ways. Learning from experience is the most common. It produces the tacit knowledge that is crucial in a crisis. But experience and intuition can be supplemented by analytics. As Mark Twain once observed, a cat that sits on a hot stove will not sit on a hot stove again, but it won't sit on a cold one either. Learning to analyze situations and contexts is an important leadership skill. The U.S. Army categorizes leadership learning under three words: "be, know, do." "Be" refers to the shaping of character and values, and emotional intelligence. It comes partly from training and partly from experience. "Know" refers to analysis and skills, which can be trained. "Do" refers to action and requires both training and fieldwork. Most important, however, is experience and the emphasis on learning from mistakes and a continuous process that results from what the military calls "after-action reviews."

In practice, few people occupy top positions in groups or organizations. Most people "lead from the middle," attracting and persuading both upward and downward. A successful middle level leader persuades and attracts his boss and his peers as well as his subordinates. Effective leadership from the middle often requires leading those above, below and besides you.

Leadership is broadly distributed throughout healthy democracies, and all citizens need to learn more about what makes good and bad leaders. Potential leaders, in turn, can learn more about the sources and limits of the soft power skills of emotional IQ, vision, and communication as well as hard power political and organizational skills. They must also better understand the nature of the contextual intelligence they will need to educate their hunches and sustain strategies of smart power. Most important, in today's age of

globalization, information revolution, and broadened participation, citizens in democracies must learn more about the nature and limits of the new leadership.

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