# Leadership and performance literature review

An overview of the topic of leadership styles summarizes that the existing studies on how performance is affected by leadership style is separated into important phases. Early studies on leadership (frequently categorized as ' trait' studies on leadership) concentrated on identifying the personality traits which characterized successful leaders (Argyris, 1955; Mahoney et al., 1960). According to them successful leaders are ' naturally born' and those they have certain native characteristics which distinguish them from non-leaders (see Stodgill, 1948). However, there was significant difficulty in validating these characteristics led to widespread criticism of this trait approach, signaling the emergence of ' style' and ' behavioral' approaches to leadership (Stodgill, 1948). Style and behavioral theorists shifted the emphasis away from the characteristics of the leader to the behavior and style the leader adopted (Hemphill and Coons, 1957; Likert, 1961). The primry conclusion of these studies is that adoption of democratic or participative styles by leaders are more successful (see, for example, Bowsers and Seashore, 1966). In this sense, these early studies are focused on identifying the ' one best way of leading'.

Similarly to trait theories, the major weakness of style and behavioral theories is the ignorance of how important role situational factors play in determining the effectiveness of individual leaders (Mullins, 1999). It is this limitation that gives rise to the ' situational' and ' contingency' theories of leadership (for example, Fiedler, 1967; House, 1971; Vroom and Yetton, 1974) which shift the emphasis away from ' the one best way to lead' to context-sensitive leadership. Although each study emphasizes the importance of different factors, the general tenet of the situational and

contingency perspectives is that leadership effectiveness is dependent on the leader's diagnosis and understanding of situational factors, followed by the adoption of the appropriate style to deal with each circumstance.

However, recent studies on leadership have contrasted ' transactional' leadership with ' transformational'. Transactional leaders are said to be ' instrumental' and frequently focus on exchange relationship with their subordinates (Bass and Avolio, 1993). In contrast, transformational leaders are argued to be visionary and enthusiastic, with an inherent ability to motivate subordinates (Bycio et al., 1995; Howell and Avolio, 1993).

Although the brief summary above indicates that research into leadership has gone through periods of skepticism, recent interest has focused on the importance of the leadership role to the success of organizations. Fiedler (1996), one of the most respected researchers on leadership, has provided a recent treatise on the importance of leadership by arguing that the effectiveness of a leader is a major determinant of the success or failure of a group, organization or even an entire country. Indeed, it has been argued that one way in which organizations have sought to cope with the increasing volatility and turbulence of the external environment is by training and developing leaders and equipping them with the skills to cope (Darcy and Kleiner, 1991; Hennessey, 1998; Saari et al., 1988). These claims are based on the assumption of a direct link between leadership and organizational performance. This assumption requires critical review.

Widely celebrated cases of a direct leadership-performance link may be found in numerous anecdotal accounts of improvements of company

performance attributed to changes in leadership (see, for example, Nicholls, 1988; Quick, 1992; Simms, 1997). However, empirical studies into the links between leadership and performance have been lacking. One notable exception is the detailed study of the impact of leadership on performance in the somewhat surprising context of Icelandic fishing ships. Thorlindsson (1987) suggests that variations in the performance of different fishing ships, under identical conditions, can be accounted for by the leadership skills of captains. Over a three-year period, Thorlindsson (1987) revealed that the leadership qualities of the ship captains accounted for 35 to 49 per cent of variation in the catch of different crews.

Other studies which examine the links between leadership and performance coincide with the re-emergence of the ' one best way to lead' debate. Of particular relevance is the resurgence of interest into charismatic leadership, which is frequently referred to as transformational leadership (Bass and Avolio, 1993). A number of researchers theorize that transformational leadership is linked to organizational performance (see, for example, Bycio et al., 1995; Howell and Avolio, 1993). Conceptually, it is argued that the visionary and inspirational skills of transformational leaders motivate followers to deliver superior performance (Nicholls, 1988; Quick, 1992).

In summary, much of the above evidence presented as supporting the claim of a leadership-performance link is anecdotal and frequently over-concentrates on the ' transformational' role of leaders in corporate successes (for example, Quick, 1992; Simms, 1997; Taffinder, 1995). It would appear that few studies have responded to the observation of Porter and Mckibbin (1988) that much of the research reported as supporting this claim is either

inconclusive or empirically suspect. The limited or inconclusive character of research findings in this area suggests the need to investigate further the nature of the relationship between leadership and performance.

## LEADERSHIP TYPOLOGIES

Several different categories of leadership paradigms have been suggested by various researchers. For example, Bass (1985) stated that there are four dimensions of transformational leadership, three dimensions of transactional leadership, and a non-leadership dimension of laissez-faire leadership (Bass, 1985). Avery (2004) suggested categorizing leadership into four leadership paradigms, while Goleman (1995) prefers six leadership paradigms[1].

Despite Bass's (1985) model being acclaimed as making a major contribution to leadership, his theory has been criticized for various reasons (Yukl, 1999). One criticism is that his model overemphasizes the importance of one or two leadership paradigms (e. g. transactional and visionary), omitting the classical and organic paradigms Bass asserts that visionary (transformational) leaders are nearly always more effective than transactional leaders, but others (e. g. Judge and Piccolo, 2004; Wallace, 1997) dispute this. While this in itself does not invalidate the concept of visionary leadership, Bass attributes more to visionary (transformational) leadership than perhaps he should. As Avery (2004) suggested, both transactional and visionary leadership are valid forms of leadership, but visionary leadership may be applicable more broadly, including in situations where there are insufficient resources for the manager to rely on supplying external rewards (Judge and Piccolo, 2004), or where the situation is complex and ambiguous, and relies strongly on follower knowledge and commitment.

Avery suggests that there are other situations in which transactional leadership is the appropriate form of leadership, such as when followers are unwilling or unable to commit to the leader's vision. In contrast with Bass's (1985) model, Avery's (2004) paradigms provide a broad basis allowing for different forms of leadership that have evolved at different times and in different places. The paradigms are useful for showing that there is no single best way of thinking about leadership, rather that different kinds of leadership reflect social and historical roots. Avery's paradigms allow leadership to depend on the context, respond to organizational needs and preferences, and involve many interdependent factors that can be manipulated (Bryman, 1992; Shamir and Howell, 1999; Yukl, 1999).

## LEADERSHIP PARADIGMS AND MEASURES

Avery (2004) proposes 13 indices to differentiate between her four paradigms: classical, transactional, visionary, and organic. The nine indices included in this review are decision making, range of staff's power, power distance between leader and the staff, key player of the organization, source of staff's commitment, staff's responsibility, situation of management and leadership in the organization, situation of diversity in the organization and situation of control in the organization[2]. These nine criteria are considered more relevant for differentiating the four leadership paradigms than the other four criteria. Each paradigm is discussed in turn, including the distinguishing characteristics using the above nine criteria.

Classical leadership is probably the oldest paradigm with its origins in antiquity, and is still used in contemporary organizations (Avery, 2004). This paradigm reflected the prevailing view in the business literature until the

1970s when the human relations movement led to more of a focus on followers and their environment. According to Avery (2004), classical leadership refers to dominance by a pre-eminent person or an ' elite' group of people. This leadership can either be coercive or benevolent or a mixture of both. This happens because the elite individual or group commands or maneuvers other members to act towards a goal, which may or may not be explicitly stated. The other members of the society or organization typically adhere to the directives of the elite leader, do not openly question their directives, and execute orders largely out of fear of the consequences of not doing so, or out of respect for the leader, or both (Avery, 2004). Classical leadership has some limitations. The first occurs where the leader cannot command and control every action, particularly as situations become more complex and beyond the capacity of one person; or when additional commitment from followers is needed to get a job done, such as in reacting to changing circumstances; or when ideas about leadership change and followers no longer accept domination, or follower commitment starts to wane for other reasons. Another limitation is that this paradigm often relies on the idea of a ' great person', implying that only a select few are good enough to exercise initiative, and this belief can encourage followers to deskill themselves and idealize the leaders. Followers then seek and hold little power, leave the leader accountable for organizational outcomes, and make relatively little contribution to the organization (Avery, 2004). According to the nine distinguishing indicators, under the classical leadership paradigm leaders normally use an autocratic style for making decisions, involving followers in the decision making process never or very little; they do not empower followers. Followers have almost no power in the

organization and as classical leaders tend to be highly directive, followers can be unskilled. The source of followers' commitment comes from their fear of or respect for the leaders; the technical system becomes more regulating; the operations in the organization become more routine and predictable; and the organization is highly controlled by the leaders (Avery, 2004).

A transaction or exchange process is the basis of the commonly employed transactional leadership paradigm (Evans and Dermer, 1974; House and Mitchell, 1974). The transactional leader recognizes subordinates' needs and desires, and then clarifies how those needs and desires will be met in exchange for subordinates' work. By clarifying what is required of subordinates and the consequences of their behaviors, transactional leaders are able to build confidence in subordinates to exert the necessary effort to achieve expected levels of performance. According to Judge and Piccolo (2004), three dimensions of transactional leadership are contingent reward, management by exception-active, and management by exception-passive. Contingent reward is the degree to which the leader sets up constructive transactions or exchanges with followers. The leader clarifies expectations and establishes the rewards for meeting these expectations. In general, management by exception is the degree to which the leader takes corrective action on the basis of results of leader-follower transactions (Judge and Piccolo, 2004). As noted by Howell and Avolio (1993), the difference between management by exception-active and management by exception-passive lies in the timing of the leader's intervention. Active leaders monitor follower behavior, anticipate problems, and take corrective actions before the behavior creates serious difficulties. Passive leaders wait until the behavior

has created problems before taking action (Howell and Avolio, 1993; Judge and Piccolo, 2004). According to Avery (2004, p. 34), under the transactional leadership paradigm, leaders adopt a consultative style for making decisions. They engage in different degrees of consultation with individual followers, but the leaders remain the final decision-makers. Leaders do not very often empower followers, and followers have very low power in the organization apart from being able to withdraw from or contribute more of their labor. Compared with classical leadership, under transactional leadership the source of followers' commitment comes from the rewards, agreements, and expectations negotiated with the leader rather than from their fear of, or respect for, the classical leader. The technical system becomes more regulating, the operations in the organization become more routine and predictable, and the organization is mostly highly controlled by the leaders. Avery (2004) argues that under transactional leadership, the followers' knowledge base can be somewhat higher than under classical leadership. Compared with classical leaders, transactional leaders require staff somewhat more skilled on specific tasks.

In the last three decades, visionary (transformational, charismatic) leadership has received increasing attention (Bass, 1985, 1998; Burns, 1978; Conger and Kanungo, 1987; House, 1977). It added a new dimension to organizational studies, namely the visionary aspect of leadership and the emotional involvement of employees within an organization. The basic notion is that a visionary leader can create an impression that he or she has high competence and a vision to achieve success. Subordinates are expected to respond with enthusiasm and commitment to the leadership objectives, and

may be recruited because they share the vision. Bass (1985, 1998) developed a theory of visionary or transformational leadership whereby the leader inspires and activates subordinates to perform beyond normal expectations. According to Avery (2004), visionary leadership has limitations, even with the current literature's overwhelmingly positive view of it. Nadler and Tuschman (1990) pointed out that the unrealistic expectations followers often place on visionary leaders can create disappointment if things do not work out. Followers can become dependent on visionary leaders, believing that the leader has everything under control. Also, innovation can be inhibited if people become reluctant to disagree with a visionary leader. Avery (2004, p. 39) distinguishes the visionary leadership paradigm from the other three paradigms as follows. First, leaders employ a collaborative style for making decisions. They share problems with their followers and seek consensus before the leaders make the final decision. Visionary leaders empower their followers, giving followers a much higher level of power in the organization than classical and transactional leadership. This is essential because the leader needs the followers' input and commitment to realize his or her goals. Followers of visionary leadership need sufficient power to work autonomously towards a shared vision. The source of followers' commitment comes from the influence of the leaders' charisma and/or the shared vision, the technical system becomes still more complex, operations become more uncertain and unpredictable, and the organization is jointly controlled by the leaders and their followers. Regarding the followers' knowledge base, visionary leadership requires skilled and knowledgeable workers who are attracted to, and share the leader's vision, and can contribute to realizing the vision.

The fourth paradigm, organic leadership, is relatively new to organizational studies. Recently introduced by Drath (2001) and expanded by Avery (2004), organic leadership is likely to blur the formal distinction between leaders and followers. This paradigm relies on reciprocal actions, where team members work together in whatever roles of authority and power they may have, not based on position power (Hirschhorn, 1997; Raelin, 2003; Rothschild and Whitt, 1986). Employees become interacting partners in determining what makes sense, how to adapt to change, and what is a useful direction. Rather than relying on one leader, organic organizations are likely to have many leaders. Multiple leaders are valuable because as people cope with heterogeneous and dynamic environments, the knowledge and issues become too complicated for only a few leaders to understand (Avery, 2004). Organic leadership allows for people with different degrees of expertise on current issues to emerge and be accepted by the group as leaders. In addition, under organic leadership, there may be no formal leaders and the interaction of all organizational members can act as a form of leadership, held together by a shared vision, values, and a supporting culture. Under this paradigm where an organization has no formal leadership structure, an integrator role may emerge to actively link together the many parts of the organization (Avery, 2004). The emphasis is on emerging leadership rather than on people being appointed to leadership positions. However, Kanter (1989) argued that the downside of organic leadership that advocates autonomy, freedom, discretion and authorization may result in loss of control and greatly increased uncertainty. It is important to recognize that organic leadership is about generating a form of self-control and self-organization, where people have a clear sense of purpose and autonomy within a

particular context (Meindl, 1998). This idealized organic leadership paradigm requires differentiating from classical, transactional, and visionary leadership concepts by not relying on formal leaders. Furthermore, the enterprise has to trust in the capacity of its members to solve problems and make decisions in the interests of the organization. This idea clearly relies upon self-leading organizational members (Avery, 2004). According to Avery's (2004, p. 39) distinguishing characteristics, under organic leadership an organization adopts a mutual agreement style for making decisions. Decisions need not be unanimous but can be based on consensus. The members have a high degree of power as a result of this shared leadership. Accountability and responsibility are shared as well. The source of followers' commitment is based on the values and visions shared by all the members in the organization; a strong, shared culture; a technical system that is highly complex; operations in the organic organization become more self-organizing and unpredictable; formal control is provided by peer pressure and group dynamics, and a shared culture, vision, and values. Members are self-managing. Organic leadership seems particularly appropriate for professional and knowledge workers in dynamic, chaotic situations. This leadership paradigm relies on attracting and retaining highly trained and knowledgeable staff with self-controlling capabilities