

As part of our Tomorrow's Executive series of articles we bring you: an insight into what defines good leadership

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Ten Statements on Leadership

Glendower:

"I can call spirits from the vasty deep."

Hotspur:

"Why, so can I, or so can any man; But will they come, when you do call for them?"

– from Shakespeare's King Henry IV part 1.

Leadership is one of the most important topics in the human sciences. It has been studied since Plato wrote about its importance, its determinants and its outcomes. Although some authors have lamented that leadership is poorly understood, today there is a growing body of knowledge on the subject.

The following ten statements show how Mercuri Urval defines, conceptualises and understands leadership. We do not pretend to know all the answers to questions about leadership. But we do have clear convictions based on our extensive experience and research...

1. Leadership matters



With good leadership, employee well-being and performance are enhanced, and consequently, organisations thrive and prosper. Research has proven time and again that leadership is a critical determinant of organisational effectiveness, as the following facts indicate:

- A recent study shows that CEO turnover affects a firm's performance (Khurana & Nohria, 2000)
- Performance is approximately 20% higher and satisfaction 50% higher for subordinates who enjoy better quality relationships with their supervisors, according to one study (Uhl-Bien, 2003)
- In a comprehensive study of 732 manufacturing firms in the US, UK, France and Germany "management practices are significantly associated with higher productivity, profitability, Tobin's Q*, sales growth and firm-survival rates" (Bloom & Van Reenen, 2007)

Furthermore studies on management derailment show that 65 – 75% of employees in any given organisation report that the worst aspect of their job is their immediate boss. This causes employee engagement and performance to deteriorate (Hogan & Kaiser, 2005).

In spite of the fact that we live in a knowledge economy, there is nonetheless a mismatch between what science knows and what business does.

Organisations should still look carefully at whether they invest enough, in the right way, in building their current and future leadership capability.

* The ratio between a business's market value and the replacement value of its book equity (assets).

2. Leadership is defined by results



There are many definitions of leadership, and no single definition is right. Therefore one has to choose which definition to use. We believe a results-based definition of leadership is the best. This means that the essence of leadership is building and maintaining a team, and guiding that team towards desired results. Leadership is about achieving desired results (Hogan & Kaiser, 2005; Ulrich et al., 1999). Or as Ridderstråle & Wilcox note: “Deliver exceptional output – or you become an output” (Ridderstråle & Wilcox, 2008).

Dave Ulrich has made a strong case for the need to align desired results with

strategy, and to balance them across the key stakeholders (employees, organisation, customers and owners). To achieve results, leaders must create value in each of these areas. Serving only employees, for example, yields engaged employees, but organisations that fail to serve customers or to meet investor goals will not be successful (Ulrich et al., 1999).

Overall this value creation can be seen in four areas: forming strategy, implementing strategy, managing operations and stakeholder leadership. In each of these areas leadership must deliver results in order to be successful.

3. Leadership effectiveness should focus on group performance



In line with this results-based approach, leadership does not primarily concern individuals, called leaders. Rather leadership is primarily concerned with the performance of the collective for which the leader is responsible.

So an evaluation of leadership effectiveness should focus on the performance of the group or organisation and the leaders contribution to that performance, not simply – as is often the case – on leader emergence or how the individual leader is re-

garded (Drucker, 2000; Kaiser et al, 2008). This distinction is important because the factors associated with leading a successful team or organisation are not necessarily the same as those associated with having a successful career in management. How a team performs and how its leaders are perceived are two different things (Kaiser et al., 2008).

One study claims that measures of team performance and measures of career success are unrelated. Less than 10% of a

sample of general managers had both effective teams and successful careers (Luthans, 1998)¹. In an ideal world career

success and leadership capability would go hand in hand. However, we live in the real world.

4. Leadership is a collective phenomenon



Leadership implies a following. If there are no followers, there are no leaders and vice versa (Locke, 2003). Leaders have to get other people to follow them. Remember Hotspur's question: "Will they come, when you do call for them?"

Leadership is a relationship-based concept. Leaders act with followers rather than on them. Today, work gets done in an environment where an increasing number of employees have to be managed as if

they were volunteers. As Peter Drucker has said; "They are paid to be sure. But knowledge workers have mobility. They can leave... One does not "manage" people. The task is to lead people" (Drucker, 1999).

¹ Successful managers spent their time differently than did effective managers. Career success was associated with socialising, politicking and networking. Effective team leadership was associated with communicating, motivating, conflict solving (Luthans, 1988). Kaiser et al. identify two categories of leadership measures, each with two subcategories. The first category focuses on individual leaders: a) emergence ("standing out in a crowd") and b) perceived effectiveness ("approval"). The second focuses on the effects leaders have on the performance of the team: a) process ("how did the team play?") and b) outcomes ("did the team win or lose?") (Kaiser et al. 2008).

5. Leadership is a behaviour, not a formal role



Leadership occurs when individuals use influence to create change. Anyone may act as a leader (not just those in formal managerial roles) when they demonstrate leadership behaviours. Placing a person in a management position does not turn that person into a leader. There are people in

management positions who do not behave as leaders. And there are people who are not in management positions, who nonetheless demonstrate leadership qualities (Hogan, 2005; Locke, 2003; Uhl-Bien, 2003).

6. Leadership behaviour consists of envisioning, engaging and executing

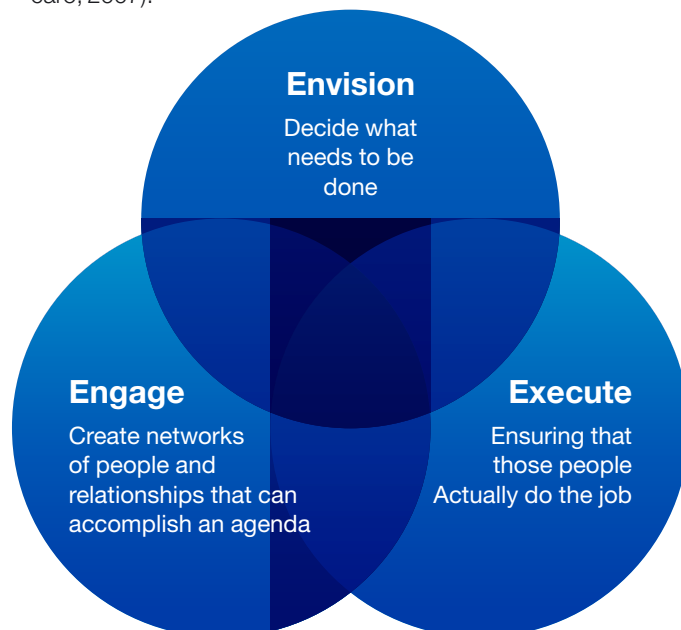


In line with what has been labelled “the New Leadership” (Bryman, 1992), to demonstrate leadership behaviour is to: decide what needs to be done; create networks of people and relationships that can accomplish an agenda; and ensure that those people actually do the job (Kotter, 2001). In short, leadership behaviour means to: envision, engage, execute (Ridderstråle & Wilcox, 2008).

The three dimensions, envision, engage and execute are invariable; the combination of these dimensions forms genuine leadership behaviour, as illustrated on the right.

Leadership means influencing others by setting a direction for collective effort, and aligning people and mobilising commitment, and shaping and develop-

ing the collective activities in accordance with this direction to make things happen (Locke, 2003, Zaccaro, 2007).



Envisioning is itself an intellectual exercise. To envision and engage and execute is to demonstrate leadership.

Work today gets done in an environment where the indirect levers of influence are of great importance – and perhaps of greater importance than the direct exercise of power (giving instructions or making decisions personally). Indirect influence can be defined as shaping the context, so that team members can independently make

good decisions, take appropriate action, and behave in a desired manner. The key to the leader's job is not what he or she does personally, but what he or she gets done with others in the organisation (Porter & Nohria, 2010). Almost a century ago, the leadership pioneer Mary Parker Follett said that leadership is not defined by the exercise of power, but by the capability to increase the sense of power amongst those being led.

7. Leadership is a function of specific leader capabilities



Who we are determines whether we lead, and if we do, how we do it. Some people have the capabilities² to envision, engage and execute, and they will in all probability demonstrate leadership. Other people do not have these capabilities and will not be able to demonstrate leadership (Hogan & Kaiser, 2005; Judge et al., 2002). As Kirkpatrick & Locke put it: “Leaders are not like other people... They do need to have “the right stuff” and this stuff is not equally present in all people” (Kirkpatrick & Locke, 1991).

Furthermore, a large study of leadership in 62 societies showed that the characteristics associated with an effective leader and with effective leadership are to some extent similar across cultures (House, 2004). In this sense a leader is a leader (Hogan, 2007).

² The term ‘capability’ is used frequently in leadership literature (Uhl-Bien, 2003, p. 133, Ulrich et. al., 1999, p. 3; Zaccaro, 2007, p. 13).

8. Leadership capabilities consist of skills, motivation and personality traits



Leadership capabilities – or having “the right stuff” – are certain skills, motives³, cognitive abilities and personality traits⁴, with each contributing to the influence of the other (Antonakis, 2011; Zaccaro et al., 2004).

Leadership represents complex patterns of behaviour as illustrated in statement six above. Therefore leadership is explained by multiple capabilities.

Some of these leadership capabilities – like intelligence and personality – have a strong hereditary and genetic basis (Arvey & Chaturvedi, 2011). They are hardwired into our DNA, and are relatively fixed over time.

- The genetic basis is documented in studies of twins. Identical twins, who share all their genes, resemble each other much more than fraternal twins do, whether or not they are raised in the same family. About half of the observed variation in trait scores appears to be

genetically based (McCrae & Costa, 2008).

- Trait stability is documented in longitudinal studies in which personality is assessed twice, many years apart (McCrae & Costa, 2008).

Other leadership capabilities are less fixed and can be developed through work, educational experiences and training (Avolio & Vogelgesang, 2011). For example, a recent study showed that charisma can be taught (Antonakis, In press).

The common question regarding whether leaders are born or made can be answered: Yes! And, we can add, that it is the interaction between genetics and environments that explain human development (Chaturvedi et al., 2011).

We can see the relationship between capability, behaviour and results in more detail as shown on the following page:

³ According to Chan & Drasgow there are three components of the motivation to lead: a) affective, where individuals enjoy the emotions that are part of the leadership experience, b) social-normative, where individuals take on leadership roles because of a sense of duty or need and c) non-calculative, where individuals do not think about the sacrifice that the leadership role may require and thus do not think to avoid leadership roles for this reason (Chan & Drasgow, 2001). This motivation to lead may be coupled with a need for achievement.

⁴ Personality traits are individual characteristics that a) are measurable, b) vary across individuals, c) exhibit temporal and situational stability and d) predict attitudes, decisions or behaviours and consequently outcomes (Antonakis, 2011). The Five-Factor Model (often called the “Big 5”) is today the most widely-accepted solution to the problem of describing trait structure. Just as anywhere on earth can be specified by the three dimensions of latitude, longitude and altitude, so anyone’s personality can be characterised in terms of the five dimensions of the FFM: conscientiousness (C), extroversion (E), openness (O), agreeableness (A) and emotional stability, neuroticism (N), (McCrae & Costa, 2008).



9. Leader capabilities can be measured, and leader emergence, leadership behaviour and group performance can be predicted



Leadership capabilities can be identified and measured, and can even predict who will emerge as leaders (managerial role occupancy) and who will be effective leaders.

- A comprehensive meta-analysis documents correlations between conscientiousness, extroversion, openness and emotional stability with leadership (Judge et al., 2002).
- A recent study measures the relationship between personality and leadership criteria, with a twelve-year span between trait predictors and leadership criteria, and reports a relationship be-

tween extroversion, leader emergence and transformational leadership (Reichard et al., 2011).

Leadership capabilities can consistently and reliably differentiate leaders from non-leaders, and consequently can serve as a basis for leader assessment, selection, training and development (Zaccaro, 2007). Using valid leader capability models has important economic as well as ethical implications (Antonakis, 2011).

“If you measure personality well, it has enduring effects on almost every aspect of work and life,” says Timothy Judge⁵.

⁵ A recent study documents that the FFM personality variables as a set predict job performance, leadership, work attitudes and motivation. The authors conclude: “Any theory of organisational behaviours that ignores personality variables would be incomplete. Any selection or decision that does not take the key personality characteristics of job application into account would be deficient” (Ones et al., 2007).

What is more, as the work environment becomes less rigid, less routine and more autonomous, personality becomes more important (Stewart & Barrick, 2004).

Overall, the above nine statements can be summarised in the following model:



Read from left to right, the model illustrates leadership value creation: how leadership capabilities are put to purposeful work; how they are transformed into behaviour, and how this creates desired results. Read from right to left, the model shows how desired results

are translated into leader behaviours and required leader capabilities.

It is important to stress that this, like all models, is a simplification. And that leads on to the last statement...

10. Leadership does not take place in a vacuum



In general, behaviour is a function of personality and situation, and this goes for leadership behaviour as well. There are situational attributes that moderate the capability-behaviour-results relationship illustrated above. In some situations capabilities are not transformed into behaviour, and in other situations, behaviour does not create results.

Some organisational structures and social arrangements will facilitate human performance and foster leadership. Other such

structures and arrangements will degrade human performance and hinder leadership.

The kind of organisation, culture and context in which leaders function, the relationship between leader and superiors, subordinates, external constituencies, peers and the kind of product or service provided by the organisation – are all situational attributes that matter.

In Summary:

1. **Leadership matters** – it affects the value and performance of organisations
2. **Leadership is defined by results** – there is no “right” approach, but there are “right results”
3. **Leadership is about groups** – its effect on the performance of a collective
4. **Leadership requires followers** – and followers choose to follow, or not
5. **Leadership is a behaviour** – it is not a formal role
6. **Leadership is envisioning, engaging and executing**
7. **Leadership is a function of a person’s capabilities** – personal qualities and specific competencies
8. **Leaders are both born and made** – some capabilities are inherited (emerging over time) and others are learned through experience
9. **Leadership ability can be measured** – and therefore predicted and developed
10. **Leadership does not happen in a vacuum** – the environment is relevant to performance

This means that leadership selection and development:

- Must be driven by insight into behaviour
- Can focus on general capabilities, building on strengths and mitigating for weaknesses
- Needs to happen in the individual's current context or future situation
- Should be focused on changing behaviour to improve results
- Is about improving the performance of teams as well as leaders

Bios

Henning Meldgaard Nielsen works as a director and consultant in Mercuri Urval. He has a Master degree in Political Science from the University of Aarhus. He has worked for Mercuri Urval for 18 years. Henning's primary field of interest is how to promote a results-based, evidence-based and strengths-based approach to leadership.

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Richard Moore leads Mercuri Urval's Global Client Services team. He has a Bachelor degree in History from Lancaster University. He has worked for Mercuri Urval for

11 years. His team ensures that Mercuri Urval has the right people, solutions and approaches in place for our global clients, wherever and whenever they need them.

About Mercuri Urval

Over 40 years ago, Mercuri Urval was founded to help answer a simple but important question:

How do organisations make sure they have the right people, so they can deliver the best possible business results?

As pioneers in predicting the impact of people's capabilities and personality on business results, we have always placed high importance on the recruitment, selection and development of people. And that is still the core of our business.

Today, Mercuri Urval has grown organically to become a leading consultancy, working

with more than 3,000 clients in over 50 countries every year. As we have grown, our services have expanded to include a range of Board and Executive, Talent Management and Business Transformation solutions, built to meet our clients' needs to strengthen their people's performance.

Over the coming months, further articles in this series will be published, developing in more detail how tomorrow's successful executive will need to lead.

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