Organisational Leadership in Challenging Times: Australian Perspectives and New Benchmarks

Keynote Presentation:
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Full Presentation Notes

The **Australian Business Leaders Survey** (ABLS: © 2001 SARROS, GRAY AND DENSTEN) sets a new benchmark for the establishment of an Australian leadership profile … and its relationship to organisational culture and job outcomes.

The ABLS is a joint research project of the Australian Institute of Management & the Department of Management, Monash University. Project Leader is Assoc. Prof. James C. Sarros. Co-researchers are Dr Judy Gray, Monash University, and Dr Ian Densten, University of NSW (ADFA).

Focus of this presentation is on leadership, but some attention will also be given to organisational culture & job outcomes.

What do you think?

What is your shorthand definition of *leadership*?

....

....

The Leadership Benchmark

The Multifactor Leadership Questionnaire (MLQ5x: BASS AND AVOLIO, 1997) was used to benchmark leadership in the ABLS. Why? Answers include -

■ An extensive R&D period of over 16 years: over 400 independent studies and dissertations – many published in international refereed journals. In the research community, the MLQ is widely accepted as the benchmark for leadership assessment. (ELLIOTT, 2000).

■ The transactional (management) - transformational (leadership) paradigm, as measured by the MLQ, is reliably, validly and powerfully demonstrated to be related to performance outcomes across cultures, organisational types and at different organisational levels (BASS, 1997).

■ This leadership scale is outcomes driven and defined. Instead of starting with what people think leadership is, it starts by looking at the outcome effects of various behaviours - about what styles make a difference.

The MLQ leader behaviours across a full range of leadership (© Bass & Avolio, 1994):

Laissez-faire . . . . "doesn't matter"

Management by exception – passive . . . . "if I happen to see that you didn't…"

Management by exception – active . . . . . "I am watching to see that you don't…"

Transactional leadership . . . . "If you do as we agreed…"

Transformational leadership . . . ."I care about –

II   Idealised Influence

IB   Idealised Behaviour

IM   Inspirational Motivation

IS   Intellectual Stimulation

IC   Invidualised Consideration."

Comparison of AIM Sample with Australian MLQ Norms - Means, Standard Deviations and Reliabilities

| | AIM data | | | | MLQ Norms [a] | | | | MLQ Norms [a] | | | |
| | (Leader self ratings) | | | | (Leader self ratings) | | | | (*Aggregate Ratings) | | | |
	N	Mean	SD	Alpha	N	Mean	SD	Alpha	N	Mean	SD	Alpha
Idealised Attributes	1905	3.00	.52	.67	679	2.85	.54	.64	6343	2.92	.79	.77
Idealised Behaviours	1906	3.13	.56	.68	680	3.08	.61	.70	6337	2.83	.79	.75
Inspirational Motivation	1906	3.27	.54	.78	680	3.09	.60	.77	6336	2.93	.80	.85
Intellectual Stimulation	1907	3.19	.48	.74	680	3.08	.52	.68	6338	2.80	.76	.81
Individualised Consideration	1906	3.32	.47	.75	680	3.23	.49	.62	6315	2.78	.83	.78
Contingent Reward	1907	3.21	.51	.75	680	2.90	.56	.53	6309	2.83	.80	.74
MBE Active	1905	1.78	.79	.73	680	1.61	.81	.76	6244	1.71	.98	.79
MBE Passive	1895	1.08	.61	.72	680	1.07	.63	.62	6283	1.07	.82	.71
Laissez-faire	1905	0.56	.52	.77	680	.70	.55	.62	6319	.71	.73	.74

Original response categories for MLQ factors:
0 = Not at all; 1 = Once in a while; 2 = Sometimes; 3 = Fairly often; 4 = Frequently, if not always.

a MLQ norm data copyright MLQ Pty Ltd, Melbourne, 2001. Australian norms database contained 7642 cases (October, 2000), of which 680 were self-ratings. (Information remains property of MLQ Pty Ltd, PO Box 199, Hawthorn, Vic, Australia)

* Subordinate, peer and supervisor ratings combined

If leadership is essentially about 'the way we influence those with whom we associate and the outcomes that result', then such influencing behaviours are *trainable* … we can learn to do these optimally with others over time. The five I's of transformational leadership build charisma for followers and associates (Bass and Avolio, 1997) and are closely linked with emotional intelligence (Palmer, Wallis, Burgess & Stough, 2000).

Outcomes of leadership in the MLQ scale

■ Extra effort

■ Effectiveness

■ Satisfaction

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Organisational Culture Measurement

The modified OCP (O'Reilly, Chatman and Caldwell, 1991 as revised by Cable and Judge, 1997) and further modified in this research project assesses seven key cultural values: supportiveness, social responsibility, competitiveness, emphasis on rewards, stability, performance outcomes, innovation.

For example, performance outcomes is -

- Having high expectations for performance
- Enthusiasm for the job
- Being results oriented
- Being highly organized.

Job Outcomes Measurement

Satisfaction, stress, commitment, trust, loyalty, respect.

What is Leadership?

■ Transactional Leadership

Bass and Avolio (1994) define *transactional leadership* as a transaction that occurs between leaders and followers. Followers are rewarded or disciplined on the basis of their work performance.

The leader-manager gains compliance from associates and followers by clarifying expectations through contracts.

This may involve promises and exchanges of rewards
(CR - positive feedback) or disciplinary threats
(MBEA & MBEP - negative feedback) for the desired effort and performance levels.

The effect of *transactional influence* is that associates and followers are challenged to perform at expectations through a combination of positive rewards and fear of sanctions. An active engagement is not fostered.

■ Transformational Leadership

Transformational leaders "motivate others to do more than they originally intended and often more than they thought possible." (Bass and Avolio, 1994)

The leader-manager is generally proactive to convince associates and followers to strive for higher personal and organisational potentials, as well as higher levels of performance.

The effect of the *transformational leadership* influence is to change the perspective of the followers and associates about their situation, the challenges facing them and even their own understanding and assessment of their identity and potential.

Transformational leaders articulate missions and visions that increase followers' sense of self-esteem and their beliefs about the value of their contributions to the job.

They raise the consciousness of followers by appealing to their higher ideals and values, such as liberty, justice, equality, peace, and humanitarianism (Bass, 1985).

■ Non Leadership

This is the absence of an active leadership or influencing with followers and associates.

The effect of laissez-faire behaviour in formal work-group leaders is
heightened conflict, low morale, and de-motivation for performance
and underperformance.

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Some ABLS Findings - Leadership <small>(© 2001, Sarros, Gray and Densten)</small>

■ No difference in leadership style within Australia by state or organisational size: mobility possible without changing style.

■ Female respondents recorded significantly higher scores on all leadership factors apart from Management-by-exception: Active (MBE-A) and Management-by-exception-Passive (MBE-P).

■ Older and more senior the executives are associated with stronger leadership profiles: the lowest leadership levels and outcomes were recorded by younger executives.

■ With 8 + years in the position, leader-managers reported significantly more MBE-A and MBE-P compared with those in the position <3 years.

■ Transformational factors were highly correlated with all OCP cultural dimensions.

■ The more transformational leadership is used, the more *performance oriented, socially responsible and supportive* the organisational culture.

■ Inspirational Motivation (creating a vision for the future) was most related to organisational culture.

■ Leader-managers who use Inspirational Motivation and Individual Consideration behaviours are more likely to: create organisational cultures characterised by *supportiveness* and *social responsibility* (23% and 17% of variance respectively).

■ Leader-managers who promise rewards and encourage workers to achieve individual as well as corporate objectives are most associated with transactional, *rewards-based cultures*.

■ Strongest correlations were between *transformational leadership, performance orientation and supportiveness*.

■ Inspirational Motivation and Contingent Reward both account for 24% of the variance of organisational culture.

■ *Transformational Leaders* change the organisation's culture.

■ Strong organisational cultures are associated with strong and competent leadership.

Comparing the AIM-Monash ABLS Survey with the Australian MLQ norms:

■ Higher leader self-ratings compared with ratings of others.

■ The multi-rater Australian MLQ norms have very strong reliabilities across all nine leader styles.

Leadership Development:

■ The MLQ assesses leadership at the individual level - where most leadership assessment is done.

■ Assessment as practiced in the 'leadership industry' seldom moves into development programs and strategies.

■ Such development is best done over time through a combination of internal and external strategies.

■ The strongest interventions in leadership development occur simultaneously at multiple levels with individual development: team-based and organisational leadership culture-based.

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Organisational Culture (© 2001, Sarros, Gray and Densten):

■ Leader-managers of smaller companies reported significantly higher levels on all culture profiles compared with larger organisations

■ *Performance orientation* is the most prominent orientation, followed by social responsibility and emphasis on rewards. Victoria reports this culture more than NSW.

■ Leader-managers over 50 years of age report significantly higher organisational culture scores than younger respondents

Job Outcomes (© 2001, Sarros, Gray and Densten):

■ Smaller-sized companies (<500) reported significantly higher levels on all *job outcomes* (apart from *stress*).

■ Leader-managers 50 years of age and older reported significantly higher levels of *satisfaction, trust, loyalty and respect*.

■ *Trust* by others is the lowest ranked job outcome, but males report higher levels of trust than females.

Job Outcomes and Organisational Culture (© 2001, Sarros, Gray and Densten):

■ All OCP factors are highly and positively correlated with *job outcomes*, apart from *job stress.*

■ *Emphasis on rewards* is most strongly associated with *trust* (.66)

■ *Supportiveness* is strongly associated with *trust* (.61), *commitment* (.55), *loyalty* (.55).

Some Lessons for HR:

■ *Transformational Leadership* is associated with the strongest organisational cultures and outcomes

■ An optimal balance between *transformational* and *transactional leadership* needs to be achieved: it is not a case of management OR leadership … but of both … for every person regardless of their roles in the organisation.

■ We need to transform the organisation in order to successfully perform. Leadership development plays a crucial part in this strategic plan.

■ This means identifying leadership potential at an early stage and implementing training and cultivation strategies to promote optimal transformational leadership profiles to shape organisational culture and outcomes.

■ Rating feedback by others … orchestrated by workshops and / or coaching for development at individual, team and organisational levels … provides a very strong ROI.

The ABLS provides us with a profile of Australian leaders, organisational culture and job outcomes that indeed suggests that - we have come a long way but we have not arrived yet!

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