



# Resources from MLQ Leadership Services

## MLQ and 'Bottom Line' Performance

Perhaps the major advantage of the MLQ is that it validly and reliably measures managerial behaviours that are related to performance. Many instrument marketers make this claim. When asked they can't show impartial objective evidence to back their claims. No other instrument, that I am aware of, has been independently shown to measure *behavioural factors* (the 4 I's) that correlate with both follower and organisational measures of performance. Perhaps the ones of most interest to client organisations are the organisational measures, so lets briefly review some of the MLQ evidence linking higher ratings on the 4 I's to better bottom line performance.

1. Agle (1993) studied 250 US major company CEOs. Follower ratings of transformational leadership behaviour factors correlated with organisational sales increases, market share, earnings and ROI.
2. Carless, Mann and Wearing (1995) showed that scores on transformational leadership factors predicted both individual and group performance in a large study of middle level managers in a large Australian bank.
3. Garcia (1995) found that supervisor rated transformational leadership scores of sales people accounted for 37% of the covariance in their sales performance. The higher their transformational behaviour ratings the better their sales performance.
4. Coleman, Patterson, Fuller, Hester and Stringer (1995) conducted a meta analysis of 27 studies. They found that transformational leadership ratings explained between 45% and 60% of organisational performance across the studies.
5. Barling, Weber and Kelloway (1996) showed that transformational leadership training and coaching of bank branch managers over time improved follower ratings of transformational leadership. Bank branches run by the trainees improved performance significantly in comparison with a control group.
6. Lowe, Kroeck and Sivasubramaniam (1996) conducted a meta analysis of 47 studies in which a relationship between transformational leadership ratings and organisational performance had been assessed. For both public and private organisations transformational leadership ratings were strongly related to organisational performance measures.
7. Geyer and Steyrer (1998) found that units of a German bank where managers were rated by followers as more transformational ran units that had higher bottom line performance.
8. The Australian Business Leaders Survey 2001 (AIM – Monash Univ.: Sarros et al) showed that strong transformational leadership behaviours were associated with strong organisational cultures and job outcomes. Just two of these leadership behaviours (TF: IM & CR on the MLQ scale) accounted for 24% of the total variation of organisational culture. The ABLs research showed that Transformational leadership promotes innovation and creativity as well as responsibility and accountability.

In the studies above I have not included studies by Bass and Avolio themselves since it is common for studies by the test authors themselves to be discounted as not being impartial.

The studies above and many others show that the MLQ is a powerful tool for helping organisations improve bottom line performance. We are on very solid ground indeed when we claim:

- The MLQ measures managerial behaviours that are strongly related to bottom line performance,
- The MLQ applies across cultures, and industries and in the public sector,
- The MLQ can be used as the basis of transformational leadership development on the job which works and has been shown to improve organisational performance,
- The MLQ, when used periodically (4 to 12 month cycle), is an excellent tool to assist learning during coaching by providing an objective measure of developmental improvement.

**by Malcolm R. Davies**