



Leadership & Performance

Does leadership really make a difference? The benefits of leadership in a nutshell

CQ Dossier | Evidence-based Leadership

The Author:

Dr. Annette Towler

Annette Towler was born in England and now lives in the United States. She has a PhD in Industrial and Organizational Psychology and has taught at several institutions. Annette has published in several journals, including Journal of Applied Psychology, Personnel Psychology, Human Resource Development Quarterly, and Organizational Research Methods. She worked in the public and private sector for many years, primarily as a management trainer.



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Executive summary

This CQ Dossier describes modern theories of leadership through a focus on emergent theories that link human resource management and strategy across multiple-levels. The dossier describes the latest innovations in research to show that leadership is a process through which organizations can gain a competitive advantage.

Introduction

This CQ Dossier focuses on the benefits of leadership and provides a review of research and theory on how leadership can add value to individual and organizational effectiveness. Over the past fifty years, there has been a plethora of theories describing what constitutes effective leadership (Dinh et al., 2014). Many researchers believe that effective leadership is integral to organizational effectiveness although there has been criticism on the importance placed on leadership. One of the main issues is in deciding how to measure leader effectiveness, particularly given the large number of theories that seek to quantify the concept. There are have been numerous attempts to create an objective measure of the ways in which leadership impacts organizations (Dinh et al., 2014). Early research focused on the consequences of a leader's actions through measuring subordinate attitudes regarding their manager or supervisor. Leadership effectiveness occurs when the leader has an impact on the team's ability to contribute to the success of the organization (Yukl, 2006). This dossier describes the benefits of leadership and focuses on those key aspects of leadership that are integral to organizational success.

Leadership and organization effectiveness

Most researchers agree that it is the actions of leaders and their personal influence that brings about change in organizational performance. In an early definition of organizational effectiveness, Katz and Kahn (1978) state that "efficiency of organization is how it converts its resource inputs into outputs." More modern conceptions of organizational effectiveness recognize that organizations need to survive in a competitive environment and that leadership is a collective phenomenon whereby

leaders influence followers to go beyond expectations for the success of the firm. The level of motivation in a team or organization is directly related to the performance of management (Harter et al., 2002). However, it is also important that management have an effective strategy for gaining a competitive advantage in the marketplace. One way to do this is through ensuring that management practices are fully aligned with the strategy of the firm.

Flexible Leadership Theory. Gary Yukl has argued that although leadership theories like [transformational leadership](#) are sound, they do not fully acknowledge the link between strategic leadership and organizational success. To provide a richer understanding of leader effectiveness, Yukl developed the flexible leadership theory based on research from human resource management and strategy. The theory is useful because it aligns leadership research with the strategic performance of the firm. The theory provides an explanation of how senior executives directly impact the financial performance of the firm (Yukl, 2006). The key for organizations is to determine those specific predictors of financial performance. The flexible leadership theory identifies efficiency, adaptation, and human capital as being the strongest predictors. The flexible leadership theory explains how top executives and other leaders can influence the firm through being cooperative, flexible and adaptive. Yukl's theory spans several leadership theories and provides understanding of the link between leadership, strategy and organizational effectiveness.

Leadership as a process for organizational effectiveness

A research review of the leadership research suggests that it is important to understanding the process by which antecedent factors affect organizational effectiveness through leaders and followers (Dinh et al., 2014). The authors state that attention to processes is important because it helps development a comprehensive protocol for understanding the importance of leadership for organizational effectiveness. The research shows that leadership is a complex phenomenon that is present at many levels within the organization – individual, team, organization. In addition, leadership effects typically incorporate complex pathways showing why and how leadership is effective. Consequently, it is important to understand the process of

leadership and why it is important for organizational success. The authors point to previous research on leadership and state that it is too often focused on one level of analysis or adopts a static approach. Leadership involves multiple levels and can produce effects from the top and bottom in shaping organizational climate (Yammarino & Dansereau, 2011). For example, leaders can be ethical in guiding moral behavior of teams in top-down approach or through appealing directly to follower values to those of the organization (Brown & Trevino, 2009). The influence of subordinates in shaping a moral climate within an organization is also important and this reflects acknowledgement of a top-down approach in understanding the effects of leadership on organizational effectiveness.

Dinh and colleagues provide a more modern approach to understanding effective leadership through focusing on how leaders change processes in employees, teams, and organizations (Dinh et al., 2014). This modern approach utilizes a classification scheme to structure the way that the inputs of leaders and subordinates can be combined to influence organizational outputs or effectiveness. Their review of the literature demonstrated that emerging theories of leadership like the flexible theory suggested by Yukl provide a more modern understanding of how leadership benefits organizational effectiveness.

The complexity theory of leadership

Emergent theories of leadership that capture the process of how leaders, subordinates and teams influence organizational effectiveness provide a more complex and complete view than previous simplistic models (Dinh et al., 2014). The complexity theory of leadership focuses on emergent processes within complex systems and suggests that leadership need to operate at all levels in a process-oriented, contextual, and interactive fashion (Marion & Uhl-Bien, 2002). This theory shows that the leader's role is to enable rather than control the future of the organization. To create organizational success, leadership must be "multi-level, processual, contextual, and interactive." (Uhl-Bien & Marion, 2009, p631). Utilizing this approach, event-level activities produce innovation and learning within complex adaptive systems and formal structures. It is the role of the leader to perform management tasks, such as

administration, enabling and proactive functions, to facilitate the emergence of organizational processes so that goals can be attained. leadership effects can never be certain because they are always affected by changes and constraints in the social environment (Uhl-Bien & Marion, 2009). This view of leadership as an enabler of organizational effectiveness is more complete in showing how situational factors can enable and impeded the impact of the leader.

Closing

In conclusion, this CQ Dossier describes the ways in which leadership can benefit organizational effectiveness through describing emergent leadership theory that show the importance of leadership in a dynamic environment. Previous micro-theories of leadership such as transformational and charismatic leadership have been useful yet have tended to be static and just focused on the effect of the leader on follower motivation and performance. The best theories link leader effects to organizational effectiveness through showing the process through which leadership is effective.

Key take-aways

- It is the actions of leaders and their personal influence that brings about change in organizational performance
- The level of motivation in a team or organization is directly related to the performance of management
- Leadership involves multiple levels and can produce effects from the top and bottom in shaping organizational climate
- Senior executives directly impact the financial performance of the firm
- To create organizational success, leadership must be "multi-level, processual, contextual, and interactive

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