Uber founder, Travis Kalanick has a strong entrepreneurial drive, but early on, he struggled to establish himself as a business leader. Before founding his start-up company, Uber, Kalanick launched a file-sharing company and lived with his parents for several years and didn’t take a salary. At Uber, his leadership approach fosters a culture of entrepreneurs and encourages project innovation and ownership in all his employees. For example, in an after-hours meeting in 2015, product manager, Greg Greiner, and department head, Max Crowley, noticed an unmet need for guest vouchers for Uber rides, particularly during holidays. They scrounged the office and found a few stray engineers working late and pulled them into their meeting, which escalated into a long weekend “workation and hackathon.” Nine additional Uber staffers heard about the project, and arrived at the Airbnb house they had rented, and began mapping out the project. Designers helped engineers visualize a front-end interface for the app, engineers tackled making it function, and Crowley and Greiner kept everyone in sync. By the end of the weekend, two of the engineers rode back to the city still coding in the backseat while Crowley navigated traffic. UberEvents successfully rolled out to U.S. customers in 2016, and Uber was valued at $62.5 billion.¹

Travis Kalanick did not become a billionaire by having his own vision; he mobilized a team to achieve greatness. In this chapter, we differentiate leadership from management and we consider the question of whether leaders are born or made. We describe two views of leadership: incremental versus entity theories of leadership. We examine the leadership paradox: the fact that teams usually need leaders, but the very presence of a leader threatens the autonomy of the team. We then describe several leadership styles and examine people’s expectations of leaders. We also discuss how leaders use power and its effects on them and their teams.

Leadership is not the same as management. People don’t want to be managed; they want to be led. Management is a function that must be exercised in any business or team, whereas leadership is a relationship between the leader and the led that can energize a team or organization (see Exhibit 3-1). Leadership is the ability to influence people to achieve the goals of a team. A leader is able to influence people to achieve a goal.

One defining characteristic of leadership is the point of view that the leader of the team adopts. The leader of the team has a point of view that allows him or her to: (1) see what needs to be done; (2) understand the underlying forces that are working in the organization; and (3) initiate action to make things better. Exhibit 3-2 reveals that the leader’s point of view is different from the followers’ point of view, and different still from those who are bureaucrats, administrators, and contrarians.

THE LEADERSHIP PARADOX

Leadership—or one person taking the helm of the group’s efforts—seems antithetical to teamwork. Yet, leaders are often necessary for effective teamwork: to shape goals, coordinate effort, and motivate members. Traditional notions of leadership—that is, top–down, command-and-control approaches—may be ineffective in the team-based organization. Indeed, one investigation found that employees in highly participative work climates provided 14 percent better customer service, committed 26 percent fewer clinical errors, demonstrated 79 percent lower burnout, and were 61 percent less likely to leave the organization than employees in more authoritarian work climates.

Few people understand how to transform themselves into leaders. For example, in one plant, resistance toward participative management programs took the form of

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supervisors keeping their “hands off” as newly formed semiautonomous work teams attempted to solve problems. When questions arose that teams were unable to handle, supervisors replied, “That’s not my job; it’s the team’s problem.” In essence, the supervisors were undermining the teams so they could resume their traditional position of authority.

The question of how one leads others who are supposed to lead themselves is the essence of the team paradox encountered by leaders of self-managing and self-directing teams.\(^5\) Attempts to cope with this leadership challenge often result in negative supervisor reactions, including resistance to change,\(^6\) role conflict,\(^7\) unwillingness to relinquish

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power, fear of appearing incompetent, and fear of job termination. These responses may cause leaders to engage in actions that thwart, rather than facilitate, team effectiveness. The best leaders serve a vital role in coordinating team members, resolving disputes or disagreements, motivating individuals, monitoring performance, and maintaining the goals and focus of the group.

LEADERS AND THE NATURE–NURTURE DEBATE

Are leaders born or self-made? With regard to the nature versus nurture debate, there are two theories about what makes a leader effective. The entity theory of leadership asserts that leaders are born, whereas the incremental theory claims that leadership skills can be learned and leaders can develop. In one investigation of how people behave when put into a leadership situation, those who believed in an incremental theory of leadership were more confident, less anxious, and less depressed than those who held an entity theory of leadership. Even more important, those who held incremental views outperformed those who held entity views on a leadership task.

TRAIT THEORIES OF LEADERSHIP

The entity, or trait theory of leadership is sometimes referred to as the “great man theory of leadership,” and it argues that leadership is largely an inborn characteristic of a person and therefore is largely inflexible, or at least not something that can be easily developed, learned, or acquired. In this sense, a person’s capability for leadership is regarded as fixed. Strict proponents of the entity theory of leadership claim people are either born leaders or born followers: They either have it or don’t. If they do have it, they dictate, command, and control. If they don’t have it, they follow those who do have it. Leadership is largely viewed as unidirectional—from the top down—with leaders imparting truth, wisdom, and directives to those beneath them. Furthermore, trait theories of leadership tend to give leaders too much credit for corporate success and too much blame for failures when in fact, the leadership skills of the CEO are much less predictive of which companies actually succeed.

INTELLIGENCE AND LEADERSHIP

Many organizations, including the armed forces, have relied on intelligence testing to select leaders. The Armed Services Vocational Aptitude Battery (ASVAB) is administered to all persons who wish to enlist in the U.S. military.

Furthermore, results of large national samples of general mental ability (GMA) indicate that intelligence is linked to career success, such as income and occupational prestige.\textsuperscript{14}

**PERSONALITY AND LEADERSHIP** Psychologists, political scientists, and historians have studied the personalities of leaders in governmental, business, and educational organizations to identify the common threads. However, decades of research have failed to yield an agreed upon list of key traits shared by all leaders.\textsuperscript{15} Simonton gathered information about 100 personal attributes of all U.S. presidents, such as their family backgrounds, educational experiences, occupations, and personalities.\textsuperscript{16} Only three of these variables—height, family size, and number of books published before taking office—correlated with how effective the presidents were in office. The 97 other characteristics, including personality traits, were not related to leadership effectiveness at all. By chance, 5 percent, or 5 out of the 100, would be significant!

Studies of the “big five” personality traits have revealed some correlations with leadership. Agreeableness and conscientiousness are positively related to perceptions of ethical leadership.\textsuperscript{17} People who score high on extraversion, openness to experience, and conscientiousness are nominated more as task- and relationship-oriented leaders; those who score high on agreeableness are more likely to emerge as relationship-oriented leaders.\textsuperscript{18} Leaders who are extraverted have more productive team results when their employees are passive but not when they are proactive.\textsuperscript{19}

Narcissists are more likely to emerge as a leader in a group, but they are no more skilled than nonnarcissistic people.\textsuperscript{20} Similarly, people high in trait dominance emerge as leaders because they behave in ways that make them appear competent, even when they actually lack competence.\textsuperscript{21}

**BIRTH ORDER AND LEADERSHIP** Yet another entity theory is that leadership is based on birth order. Cross-sectional data show some indication that first-born children may be more intelligent, but longitudinal data do not support this.\textsuperscript{22}


GENDER AND LEADERSHIP  Leadership over-emergence occurs when a person’s leadership emergence is higher than their actual effectiveness. Men tend to over-emerge as leaders; and when women engage in agentic leadership behaviors—the level exhibited by men—they are seen as over-emerging. A meta-analysis of hundreds of studies revealed that contrary to stereotypical beliefs about male and female differences, men do not engage in more task-oriented behavior, nor do women behave in a more relational (considerate) fashion; women lead in a more democratic style and men use a more autocratic style.25

A meta-analysis review of 75 studies of mixed-gender groups revealed that women are less likely to become leaders than men in laboratory and naturally occurring groups. Yet, women display more of the desirable transformational leadership behaviors positively related to team performance compared to men. And, the shares of companies whose boards include at least one woman outperformed those of companies with all-male boards by 26 percent, with the explanation being that women might be more appropriately risk averse. When women are exposed to the gender stereotype of women (vulnerable and accommodating), they avoid leadership roles in favor of nonthreatening subordinate roles, and their aspirations for leadership positions decline. People perceive women less favorably when they are in leadership positions, and they evaluate women’s behavior less favorably. For example, women are regarded as less competent than men, and in group interaction, people give men more opportunities to speak than women.31 People respond more favorably to men who self-promote (boast) than to men who are modest; however, the opposite is true for women.32 In fact, female leaders are devalued when they act in a masculine manner,33 and overt displays of competence and confidence by women can result in rejection, especially from men.34 In a simulated job interview and

24Ibid.
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hiring task, both men and women preferred to hire a man over a woman if the two were equally qualified, and men preferred to hire a man even when he was clearly less qualified. When people were asked to evaluate male and female members’ contributions to a joint outcome—unless they were given feedback about people’s actual contributions—they devalued the work of the females and rated them as less competent, less influential, and less likely to have played a leadership role, even when the contributions were identical for men and women. However, when groups are threatened and desire change, they favor female leaders. To the extent female group leaders engage in self-monitoring (reflecting and thinking about their behaviors and how they are viewed by others), they are considered to be more influential and valuable for their groups.

**Incremental Theories of Leadership**

There is overwhelming evidence that environmental and situational factors strongly affect leadership. In fact, a great deal of evidence indicates that leadership has more to do with the environment than one’s own personality. So, why do so many people believe that fixed traits, such as intelligence and personality, can predict leadership? The romanticized conception of leadership is that leaders have the ability to control and influence the fates of their organizations and people. The fundamental attribution error is the tendency to overemphasize the impact of stable personality and dispositional traits, and underemphasize the impact of the situation on people’s behavior. In fact, more temporary, situational characteristics can usually explain a great deal of human behavior.

Incremental theories of leadership focus on how leaders do two things, vis-à-vis teamwork in their organizations. First, it focuses on how leaders directly interact with their teams. The second thing these leaders do is to structure the external environment so that the team can best achieve its goals. In both of these tasks, leadership is bidirectional, with leaders learning from their team just as often as they provide direction for their team. These leaders maintain the relationship between the group and organization to ensure that organizational objectives are being pursued. Leaders also coordinate team members, resolve disputes or disagreements, motivate individuals, monitor performance, and establish the goals and focus of the group.

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SEATING ARRANGEMENTS  When a group sits at a table, the person at the head of the table has a greater probability of emerging as the leader, even when the seating is randomly determined.\(^{42}\) Consider the implications of seating arrangements at a five-member rectangular table.\(^{43}\) Two persons sat on one side of the table and three on the other side. Although no one sat on the end seat, specific predictions were made about who should emerge as the leader if eye contact and control of communication were important causal factors. Whereas those seated on the two-person side of the table could maintain easy eye contact with three of the group members, those on the three-person side could best focus their attention on only two members. Therefore, it was predicted that those on the two-person side would be able to influence others more, and hence, were more likely to become leaders. Indeed, 70 percent of the leaders came from the two-person side. Judgments of leaders’ power are often based on how they look on an organization chart: Holding everything else constant, if there is a long vertical line by a leader’s name, that leader is judged to have more power than leaders with a short vertical line.\(^{44}\)

RANDOM SELECTION OF LEADERS  Organizations spend millions of dollars each year carefully selecting leaders, often using psychological tests to do so. However, an investigation of team performance revealed that teams with randomly selected leaders performed better on all organizational decision-making tasks than did teams whose leaders were systematically selected.\(^{45}\) Moreover, teams with a random leader adhered more strongly to the team’s decision. Systematically selected leaders often undermine group goals because they assert their personal superiority at the expense of developing a sense of shared team identity.

LEADERSHIP STYLES

One trip to the bookstore, or one online search of the academic literature can produce a dizzying array of enticing (yet poorly understood) leadership approaches. Often, these approaches are presented in the form of metaphor: leader as coach, leader as servant, leader as guide, leader as conductor, and so on.\(^{46}\) In a recent literature review of academic journals, we found more than 20 variations of leadership styles spanning a wide range, including: visionary, charismatic, participatory, servant, contingent, transformational, and


transactional. The corporate world and popular business presses have coined even more varieties of leadership—often branding them with a particularly influential individual’s name, such as the “Jack Welch lexicon of leadership”47 or the “Warren Buffet CEO.”48 Consider the following leadership styles as choices leaders can make.

**Task Versus Person Leadership**

Leaders vary in terms of how much they focus on the people (relationships) and the task.49 (See Exhibit 3-3.) Task-oriented leaders focus on accomplishing the objectives of the team; relationship-oriented leaders focus on the people. Person-focused leaders allow members of their team more freedom in their work, permit team members to use their own judgment in solving problems, and grant members authority. Conversely, task-oriented leaders typically act as the spokesperson of their group, push for more work and higher production, and determine what should be done and how it should be accomplished.50 Ideally, leaders who focus on getting the work done and supporting

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their people are team leaders. Leaders who are accountable are more team-oriented, particularly when they identify with their team.\textsuperscript{51}

**TRANSACTIONAL VERSUS TRANSFORMATIONAL LEADERSHIP**

The transactional versus transformational paradigm views leadership as either a matter of contingent reinforcement of followers or the moving of followers beyond their self-interests for the good of the team, organization, or society.\textsuperscript{52} Transformational leadership (TFL) is developmental and usually begins with a transactional approach. At a basic level, leaders and their teams are in an exchange relationship that involves negotiation to establish outcomes and rewards.\textsuperscript{53} A psychological contract is a person’s belief in mutual obligations between that person and another party, such as an employer or leader.\textsuperscript{54}

In contrast, transactional leadership depends on the leader’s power to reinforce subordinates (team members) for their successful completion of the bargain (task). However, this type of leadership sets up a competitive relationship: “If you limit yourself to transactional leadership of a follower with rewards of carrots for compliance, or punishments with a stick for failure to comply with agreed-on work to be done by the follower, the follower will continue to feel like a jackass.”\textsuperscript{55}

**ADVANTAGES**  Transformational leaders motivate their teams to work toward goals that go beyond immediate self-interest, and motivate their teams to do more than they originally expected to do as they strive for higher-order outcomes.\textsuperscript{56} In an investigation of the performance of 118 R&D project teams from five companies, transformational leadership predicted technical quality, schedule performance, and cost performance 1 year later, and profitability and speed-to-market 5 years later.\textsuperscript{57} Teams with transformational leaders have higher teamwork quality and more inter-team collaboration.\textsuperscript{58} TFL is associated with a more positive effect on teams, enhancing resilience, learning goal


orientation, and ultimately, better performance.\textsuperscript{59} TFL also shapes team proactivity, particularly when the task is varied.\textsuperscript{60} Conversely, people who are taught skills by an extrinsically motivated leader are less interested in learning and enjoy what they are doing less than people taught by an intrinsically motivated leader, even when the lessons and the learning are identical.\textsuperscript{61} TFL is associated with positive workgroup climates.\textsuperscript{62} Transformational CEOs are more likely to have goal congruence within their team, which is related to better organizational performance.\textsuperscript{63}

Transformational leaders rely on three behaviors, charisma, intellectual stimulation, and individualized consideration, to produce change.\textsuperscript{64} Leaders who demonstrate vision develop employees who are adaptive and proactive in response to change.\textsuperscript{65} Leaders who self-sacrifice (put aside their own self-interest in the service of the larger organization) generate higher productivity, higher effectiveness, and are seen as more group oriented.\textsuperscript{66} In the early 1960s, when Warren Buffett was recruiting backers for one of his first investment partnerships, he deposited more than 90 percent of his personal savings into the fund. When Hewlett-Packard hit a downturn in 1970, cofounder Bill Hewlett took the same 10 percent pay cut as the rest of his employees. During the early years at Charles Schwab, whenever the customer-service phone lines got really busy, founder Chuck Schwab answered calls along with everyone else at the company who held a broker’s license.\textsuperscript{67} Leaders who engage in organizational citizenship behaviors (OCBs) model effective leadership and promote their teams to also display OCBs.\textsuperscript{68}

Transformational leaders have more satisfied subordinates.\textsuperscript{69} Transformational leaders create teams that are characterized by collective openness to experience,


\textsuperscript{67}Deutschman, A. (2009, September 18). How authentic leaders “walk the walk.” Businessweek. businessweek.com


agreableness, extraversion, and greater conscientiousness. Transformational leadership has a positive impact on team performance because teams trust their leaders.\textsuperscript{70}

**DISADVANTAGES** Group-focused transformational leadership has a positive impact on team innovation, but a negative impact on individual motivation.\textsuperscript{71} In some instances, transformational leadership can have a dark side, such as when a charismatic leader, like Jim Jones, motivates people to do something that is lethal.\textsuperscript{72} (See Exhibit 3-4.) Leaders who exhibit antinormative behaviors are judged more positively and given more credit relative to antinormative team members, ex-leaders, and established leaders.\textsuperscript{73} Moreover, under some conditions, charismatic leaders promote disenchantment among team members. The **hypocrisy attribution dynamic** refers to the tendency for team members to draw sinister conclusions about a leader’s behavior.\textsuperscript{74} This can happen when employees are prompted to engage in sensemaking in strong value-driven organizations.

**AUTOCRATIC VERSUS DEMOCRATIC LEADERSHIP**

Another view of leadership focuses on a continuum of behavior ranging from entirely autocratic to purely democratic.\textsuperscript{75} Also known as **vertical leadership** (emanating from the top down), this type of leadership stems from an appointed or formal leader of a team, whereas **shared leadership** is a group process in which leadership is distributed among, and stems from, team members. Autocratic leadership is displayed by leaders who seek sole possession of authority, power, and control, whereas democratic leadership is displayed by leaders who share authority, power, and control with their team. Initially, teams led by a directive leader outperform those led by an empowering leader. However over time, empowering leaders instigate more improvement via increased team learning, coordination, and mental model development.\textsuperscript{76} In one investigation, the effectiveness of 71 change management teams in companies was examined as a function of vertical versus shared leadership.\textsuperscript{77} Shared leadership significantly predicted team


The People’s Temple was a cultlike organization based in San Francisco that primarily attracted poor residents. In 1977, the Reverend Jim Jones, who was the group’s political, social, and spiritual leader, moved the group with him to Jonestown, a jungle settlement in Guyana, South America. On November 18, 1978, Congressman Leo R. Ryan of California traveled to Guyana to investigate the cult. Three members of Ryan’s task force, and a cult defector, were murdered as they tried to leave Jonestown by plane. Convinced that he would be arrested and implicated in the murder, which would inevitably lead to the demise of the People’s Temple, Jones gathered the entire community around him and issued a call for each person’s death, to be achieved in a unified act of self-destruction. In November of 1978, 910 people compliantly drank and died from a vat of poison-laced Kool-Aid.
effectiveness, as assessed by managers, internal customers, and team members. A meta-
analysis of 42 independent samples of shared leadership revealed a positive relationship
with team effectiveness, and even more so when the task was complex.78 (For a summary
of several different leadership styles and their representative behaviors, see Exhibit 3-5.)
A study of 59 consulting teams revealed that shared leadership emanates from shared
purpose, social support, voice, and external coaching. Moreover, shared leadership pre-
ddicts team performance, as rated by clients.79 Overtime, shared leadership is related to
growth in group trust, which enhances performance.80

LEADER MOOD

According to the mood contagion model, leaders transmit their own moods to team members, just as a person with a cold might infect others. Moods manifest themselves through a leader’s facial, vocal, and postural cues, and team members can accurately ascertain leaders’ moods on the basis of nonverbal cues. When leaders are in a positive mood, in comparison to a negative mood, team members experience more positive moods, and groups as a whole are characterized by a more positive affective tone. Moreover, groups with leaders in a positive mood show more coordination and expend less effort than those in a negative mood. For example, the previous chairman and CEO of General Electric, Jack Welch, said:

An upbeat manager with a positive outlook somehow ends up running a team or organization filled with . . . well, upbeat people with positive outlooks. A sourpuss somehow ends up with an unhappy tribe all his own. Unhappy tribes have a tough time winning. Work can be hard. But your job as leader is to fight the gravitational pull of negativism. That doesn’t mean you sugarcoat the challenges. It does mean you display an energizing, can-do attitude about overcoming them.

Passion is usually considered to be desirable. Leadership competence increases obsessive passion; but leaders’ perceptions of their team members’ competence influences harmonious passion. Both harmonious passion and obsessive passion negatively influence the ability to develop challenging goals because they prompt teams to rush into goal setting. Negative emotions also affect leadership. People who show compassion and contempt are more likely to be viewed as leaders because they are seen as more intelligent. Teams with higher epistemic motivation (i.e., a desire to thoroughly understand a situation) perform better when their leaders display anger, but teams with lower epistemic motivation perform better when the leaders express happiness.

Leader–team perceptual distance is the difference between a leader and a team in terms of how they perceive things. The more disconnect between what the leader sees and what the team sees, the worse the team performance. And, this effect is stronger when the team’s perceptions are more positive than that of the leader.

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87 Ibid.
**EXPECTATIONS OF LEADERS**

Leader categorization theory argues that people use their mental image of an ideal leader (ideal leader prototype) as an implicit benchmark to determine their receptivity toward actual leaders and their own leadership potential.88

**Implicit Leadership Theories**

People who are dependent on leaders hold particular expectations of leaders, or implicit leadership theories (ILTs) about whether a leader is worthy of influence (or LWI).89 ILTs are preconceived ideas that specify what teams expect of their leaders.90 Consequently, if a leader is judged to be a LWI, teams are more willing to be influenced by that leader. Thus, the degree of LWI respect accorded by teams, in large part, determines the effectiveness of the leader. Given that ILTs drive LWI, it behooves leaders to understand the ILTs that teams hold. The behaviors that people expect of leaders (the ILTs that drive LWI) are somewhat different for appointed versus elected leaders.91 For appointed leaders, being sympathetic (e.g., humorous, caring, interested, truthful, and open to ideas) and taking charge (e.g., responsible, active, determined, influential, aggressive, and in command) are key. For elected leaders, being well dressed (i.e., clean cut), kind, and authoritative are most important. (For a specific list of the characteristics, see Exhibit 3-6.)

**Prototypicality**

People prefer prototypical leaders and dislike nonprototypical leaders and this is particularly true for those who prefer structured, stable environments.92 Leaders who are regarded to be most like team members are evaluated to be more effective than leaders who are seen as not very similar to their teams.93

**Status & Uncertainty**

The perceived status of the leader affects the team’s preferences regarding leadership style. Low-status leaders are rated as more effective by their teams when they use a directive style, whereas high-status leaders are viewed as more effective when they use

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Exhibit 3-6  Leader Behaviors That Determine Whether People Accord Influence to a Leader

a participative style. Moreover, teams whose leaders are viewed more favorably perform better on complex group tasks.

Environmental conditions, such as change, uncertainty and risk, affect how people perceive leaders. For example, under conditions of uncertainty, people with high and stable self-esteem show a stronger preference for democratic leadership; however, people with low and unstable self-esteem prefer autocratic leadership. Indeed, in uncertain times, groups prefer and support nonprototypical leaders more than prototypical leaders.

Paradoxically, leaders who express creative ideas may be viewed as having less leadership potential. For example, creative idea expression is negatively related to perceptions of leadership potential. Only when people are told to focus on a “charismatic” prototypical leader does creative idea generation not hurt the judgment of leaders.

LEADER–MEMBER EXCHANGE

The Leader–Member Exchange (LMX) model focuses on the relationships that leaders develop with particular subordinates and what leaders and subordinates offer and receive in such relationships. LMX theory operates on the premise that leaders give different team members (subordinates) differential amounts of attention and treatment (LMXD). Empathy can prompt team leaders to engage in preferential treatment of team members. However, preferential treatment is reduced when leaders feel highly accountable because they are concerned about fairness.

ATTRIBUTES THAT INFLUENCE DIFFERENTIAL TREATMENT

Some of the key determinants that lead to close, trusting relationships between leaders and their team members include: the subordinate’s similarity to the leader, their demonstrated competence, and extraversion. Early on in a group, team member extraversion and leader agreeableness predict relationship quality, but as the relationship develops, performance is the key predictor. Leaders who are treated in a close, connected


fashion by their own superiors often develop close relationships with their own subordinates. The closer employers believe their own leader’s profile to be to their view of leadership, the better the quality of their LMX. That is, the more leaders embody the leadership behaviors that their employees and teams expect of them, the better their relationships. Inclusive leaders reduce turnover in groups, especially in diverse groups. Leaders who invest in their members and empower them instill better individual performance and better team performance.

ADVANTAGES OF DIFFERENTIAL TREATMENT

Some evidence indicates that LMX increases team member commitment. For example, a large-scale study of multiple organizations revealed that LMX and organizational commitment increases for those employees who identified their supervisor with the organization. Another field study of 330 employees in 45 hospitals revealed that high-LMX employees were less likely to leave their organization prior to a succession event, but of the few that experienced a succession event, it was the high-LMX employees who were more likely to leave.

LMX differentiation is also associated with improved employee and team performance. For example, ethical leadership is related to greater LMX and improved employee performance. When leaders and followers have proactive personalities, this enhances LMX and leads to increased job satisfaction, commitment, and better job performance.

A field study of 184 bank employees working under 42 branch managers found that leaders who had higher-quality relationships with their bosses and who were more central in their peer networks formed higher-quality relationships with their subordinates. Additionally, LMX also drove subordinates’ job satisfaction and turnover intentions. Specifically, those with higher LMX with their superiors had higher job satisfaction, more positive perceptions of their work environment, and a greater willingness to continue to work for the business. Conversely, leaders with lower-quality LMX relationships with their superiors and who were less central in their peer networks perceived they

lacked influence and had less access to opportunities and limited resources. Moreover, subordinates with lower LMX had lower job satisfaction, more negative perceptions of their workplace, and were more likely to look for other work opportunities.

**Disadvantages of Differential Treatment**

LMX and the differential treatment it accords is not without its disadvantages. At the individual level, LMX positively contributes to customer-rated performance by enhancing role engagement; however, at the team level, LMX negatively affects financial performance by disrupting team coordination. Differential treatment may create an “in-group” among those with whom the leader invests. Inner-circle members (i.e., those who are close to the leader) feel safer in their group and participate more in group discussions; leaders recognize them and give them larger bonuses. A study of 87 intact teams indicated that LMXD hurts group process and reduces perceptions of justice in the organization. Unfortunately, leaders call upon inner-circle members more, even when they do not possess the expert knowledge. Consequently, team members may grow resentful and view the leader and that subordinate as a subteam or coalition, particularly when other team members do not have a close, trusting relationship with the leader. When leaders treat a certain subordinate in a more distant, impersonal fashion, that subordinate may not be as involved in her task and not perform as well. Differentiated leadership (leaders treating individuals in a group differently) diminishes group effectiveness by lowering members’ self-efficacy and group efficacy; group-focused leadership facilitates group identification and collective efficacy, which increases effectiveness.

When the organizational work climate is low, LMX may have particularly detrimental effects. A study of 276 employees revealed that LMX differentiation was related to more negative work attitudes and coworker relations, as well as higher levels of withdrawal behaviors in a low-work climate.

**Power**

Power is the ability of a person to control the outcomes of another person in a relationship. Control over others’ outcomes can be direct or indirect. And control can be unilateral or bilateral.

Leaders are concerned about maintaining their power, particularly when another group member poses a threat to their leadership and the power in the group is unstable.

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For example, leaders seek proximity to team members who pose a threat to their own power as a way to control and regulate the threat posed by that member. When leaders perceive their power to be threatened, they create divisions among subordinates to protect their power and reduce the threat of alliances among subordinates.

A key challenge is that people who are in a position of power, namely leaders, often have an egocentrically biased view of themselves, believing themselves to be more fair, generous, and trustworthy than others evaluate them to be. In a complementary fashion, those who lack power are highly distrustful of those who have power. People regard power-seeking individuals to be unethical and question the motives of those who seek to enhance their control.

### Sources of Power

Power is the capacity to influence; influence is the actual use of power through specific behaviors. There are six key sources of power that people use in organizations and teams: expert, legitimate, incentive, coercive, informational, and referent power.

<table>
<thead>
<tr>
<th>Source of Power</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legitimate power</strong></td>
<td>Based on a person's holding of a formal position; other person complies because of belief in legitimacy of power holder.</td>
</tr>
<tr>
<td><strong>Reward power</strong></td>
<td>Based on a person's access to rewards; other person complies because of desire to receive rewards.</td>
</tr>
<tr>
<td><strong>Coercive power</strong></td>
<td>Based on a person's ability to punish; other person complies because of fear of punishment.</td>
</tr>
<tr>
<td><strong>Expert power</strong></td>
<td>Based on personal expertise in a certain area; other person complies because of belief in power holder’s knowledge.</td>
</tr>
<tr>
<td><strong>Referent power</strong></td>
<td>Based on a person's attractiveness to others; other person complies because of respect and liking for power holder.</td>
</tr>
<tr>
<td><strong>Informational power</strong></td>
<td>Based on power related to the extent and content of an individual's knowledge base.</td>
</tr>
<tr>
<td><strong>Network power</strong></td>
<td>Based on the breadth and depth of connections the person has in their professional and personal network.</td>
</tr>
</tbody>
</table>

Exhibit 3-7 Sources of Power


For example, leaders seek proximity to team members who pose a threat to their own power as a way to control and regulate the threat posed by that member. When leaders perceive their power to be threatened, they create divisions among subordinates to protect their power and reduce the threat of alliances among subordinates.

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Power is the capacity to influence; influence is the actual use of power through specific behaviors. There are six key sources of power that people use in organizations and teams: expert, legitimate, incentive, coercive, informational, and referent power.

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(See Exhibit 3-7, which also includes network power as a key source of influence in organizations.) In one investigation, one member of a group was given power over others based on either higher expertise (expert power) or position (legitimate power). They then used either harsh or soft tactics with their team. Power holders who influence using harsh tactics have greater self-evaluations (feelings of superiority) but do not appreciate their team. Leaders who use expert power are more liked, more influential, and engender more confidence when they express themselves in a manner congruent with their status, such as using powerful speech. Power disparity in groups benefits performance when it is dynamically aligned with the power-holder’s task competence, but it harms group performance when it is not aligned with task competence.

**Power Distance**

Power distance is the degree to which a person is accepting of an unequal distribution of power. With respect to leadership, power distance refers to the extent to which a leader expects his or her subordinates to acknowledge a formal power relationship and therefore, be more obedient and accepting of the leaders’ influence. With respect to teams, power distance reflects the team members’ shared preferences regarding the degree to which their leader’s directives should be respected. To the extent that teams and leaders share congruent perceptions of leader–team power distance, this can benefit the team. Leaders of low-power distance teams may be perceived as unfair if they have a high power–distance orientation. For example, in one investigation, when supervisors engaged in “unjust” behavior toward a team member, that member retaliated and the other team members banded together to collectively fight the perceived injustice. This effect was further magnified when the unjustly treated team member was a strategic core member. Leaders are more inclined to enact fair procedures when team members’ belongingness needs are high, and empathic leaders are more likely to take members’ needs into account.

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Chapter 3 • Leading Teams

**Using Power**

Wageman and Mannix identify three patterns of power use by team members: overuse, abdication, and managing the resource.  

**Overuse:** The team member uses his or her power (i.e., special status) to exert influence over most aspects of group functioning and to dominate the team. For example, when leaders make an explicit command, team members are more likely to make a deviant decision.  

**Abdication:** People who have an interdependent self-construal are more likely to relinquish their power within a group when they believe their own leadership performance is poor, but not if they can blame another person.  

**Managing the resource:** The powerful team member influences other members only in the specific domain of his or her special resources. This is the most effective use of power. For example, in an investigation of 16 team operating rooms learning to use a new technology for cardiac surgery, a key question was whether team leaders could work together under pressure (i.e., real life and death situations) and successfully use the new technology. The most effective leaders communicated a motivating rationale and minimized their status differences. This allowed other team members to speak up.

**Effects of Using Power**

Power enhances role identification, such that when people believe they have power, they identify more with the role they possess. Power also leads to a self-anchoring effect such that powerful people use themselves as a reference point when judging others’ internal states, making them less perceptive. People in positions of power are less motivated to scan their environment or process information. People with more power discount advice from others because they have elevated confidence in their own judgments. Heightened power produces verbal dominance, which reduces team communication and hurts team performance. Moreover, failure to heed advice results in less...

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accurate judgments. People with power are less dependent on others and therefore less motivated to pay attention to the actions of others.

In contrast, people who are powerless (i.e., resource dependent on others) have an incentive to carefully attend to those who are in power. For example, graduate students (who are dependent on professors to obtain their degree) spend an inordinate amount of time recalling and processing behaviors and activities engaged in by faculty members. Similarly, those who have more power show more variability in their behaviors; in short, they engage in a broader array of behaviors.

Power also makes people see the world with “rose-colored glasses,” that is, it makes people focus on more positive, rewarding information and less on negative, threatening information. Powerful people make more optimistic judgments regarding the risks they face in their lives (e.g., health risks) compared to powerless individuals. When powerful people interact with others, they are more likely to focus on how much others like them and less likely to focus on others’ negative feelings toward them. This tendency to focus on rewards might help explain why powerful people sometimes choose risky strategies in the pursuit of their goals. When contemplating a potential high-risk merger, for example, powerful organizational leaders might focus more on the potential payoffs of the merger and less on the inherent dangers. Powerful leaders may also withhold effort on tasks if they perceive the task as unworthy of themselves.

PARTICIPATIVE MANAGEMENT

Some managers believe that power and control should remain in the hands of a few high-level executives. This model of leadership assumes that the leader has all of the answers, knowledge, and ideas in the organization. A different view is a model of leadership that delegates authority downward, toward individuals and groups. In this model, leadership is more equally shared by members, as teams develop over time. Colin Powell advised:

Whether you’re a CEO or the temporary head of a project team, the buck stops here. You can encourage participative management and bottom-up employee involvement, but ultimately, the essence of leadership is the willingness to make the tough, unambiguous choices that will have an impact on the fate of the organization. I’ve

seen too many non-leaders flinch from this responsibility. Even as you create an informal, open, collaborative corporate culture, prepare to be lonely.141

Empowering leadership is positively related to knowledge sharing and team efficacy, which in turn is positively related to better team performance.142 When teams have to learn a new task requiring coordination, leadership style (participative versus authoritative) makes a difference in the development and implementation of effective tactics. Teams led by a “coordinator,” in which all team members share equal responsibility for determining the team strategy and directing its activities, implement better tactics than commander-led teams.143

Exhibit 3-8 depicts a continuum of team empowerment. Level 1 teams have the least power; they are often new teams, perhaps lacking the skills, experience, or training

\[\text{Amount of Empowerment} \]

\[\text{Amount of Responsibility / Authority} \]

Exhibit 3-8 Team Empowerment Continuum


Empowering leadership is positively related to knowledge sharing and team efficacy, which in turn is positively related to better team performance.142 When teams have to learn a new task requiring coordination, leadership style (participative versus authoritative) makes a difference in the development and implementation of effective tactics. Teams led by a “coordinator,” in which all team members share equal responsibility for determining the team strategy and directing its activities, implement better tactics than commander-led teams.143

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\[\text{Amount of Empowerment} \]

\[\text{Amount of Responsibility / Authority} \]

Part 1 • Building the Team

### Context Factor Leading to State of Powerlessness

<table>
<thead>
<tr>
<th>Organizational factors</th>
<th>Condition</th>
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<tr>
<td>• Significant organizational change/transitions</td>
<td>• Start-up ventures</td>
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<td>• Start-up ventures</td>
<td>• Excessive, competitive pressures</td>
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<td>• Excessive, competitive pressures</td>
<td>• Impersonal, bureaucratic climate</td>
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<td>• Impersonal, bureaucratic climate</td>
<td>• Poor communication, and limited network-forming systems</td>
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<td>• Poor communication, and limited network-forming systems</td>
<td>• Highly centralized organizational resources</td>
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<td>Supervisory style</td>
<td>• Authoritarian (high control)</td>
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<td>• Authoritarian (high control)</td>
<td>• Negativism (emphasis on failures)</td>
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<td>Reward systems</td>
<td>• Lack of reason for actions/consequences</td>
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<td>• Noncontingency (arbitrary reward allocations)</td>
<td>• Low incentive value of rewards</td>
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<td>• Low incentive value of rewards</td>
<td>• Lack of competence-based work</td>
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<td>• Lack of competence-based work</td>
<td>• Lack of innovation-based rewards</td>
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<td>Job design</td>
<td>• Lack of role clarity</td>
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<td>• Lack of training and technical support</td>
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<td>• Lack of training and technical support</td>
<td>• Unrealistic goals</td>
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<td>• Lack of appropriate authority/discretion</td>
<td>• Low task variety</td>
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<td>• Limited participation in programs, meetings, and decisions that have a direct impact on job performance</td>
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<td>• Limited participation in programs, meetings, and decisions that have a direct impact on job performance</td>
<td>• Lack of appropriate/necessary resources</td>
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<td>• Lack of appropriate/necessary resources</td>
<td>• Lack of network-forming opportunities</td>
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<td>• Limited contact with senior management</td>
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Exhibit 3-9 Factors That Lead to a Potential State of Powerlessness


To implement more control. Perhaps this is why many successful self-directed organizations intentionally devote 20 percent of the team members’ and leaders’ time to training in the first year.\(^{144}\) Job skill training is necessary to give team members the depth and breadth they need to effectively carry out the broadened range of activities that self-directed teams perform. Conversely, feelings of powerlessness lead to depression and organizational decline. (See Exhibit 3-9 for conditions that lead to powerlessness.)

Once management has considered the potential benefits of a more employee-empowering leadership style, it must determine how to best implement this new structure. The variety of approaches to inviting participation in the workforce can be clustered into four types of approaches: task delegation, parallel suggestion involvement, job involvement, and organizational involvement.\(^{145}\)

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**Task Delegation**

Many managers mistakenly think that every task requires their constant attention from beginning to end. **Delegation** is the handing over of the responsibility and authority required to accomplish a task without relinquishing final accountability. The spirit of task delegation is multifaceted: to invite others to have a share in the performance of work; to have leaders do other, more important things and to mentor. This not only serves the interests of the employees, who presumably want to have a greater hand in the work and operations of the company, but also serves the interests of the leader and the organization in creating more efficient uses of time.

There are right and wrong ways to delegate that depend on things such as team members’ skill levels and the nature of the work. Exhibit 3-10 outlines guidelines for successful delegation. The inability to delegate effectively creates two negative consequences for the organization: overloaded executives and underused subordinates. Both may lead to work-related stress and burnout—not to mention many forms of underperformance. By giving meaningful responsibility to subordinates, managers give them the opportunity to perform their jobs well, demonstrate ability, experience success, be visible within the organization, develop skills, and experience new challenges.

**Parallel Suggestion Involvement**

The idea behind parallel suggestion involvement is to invite employees and team members to make suggestions about organizational procedures and processes. Thus, employees are given opportunities and are actively encouraged to recommend tactics for increasing sales, minimizing production costs, increasing customer satisfaction, and so on. The classic example of parallel suggestion involvement is the suggestion box, which is not even limited to employees—customers can be asked to make recommendations as well. Quality circles also invite workers to share ideas about improving production and products. The parallel suggestion strategy is cost effective; providing a venue to solicit suggestions can be relatively inexpensive, but it can potentially have huge payoffs in terms of improving organizational functioning. Parallel suggestion involvement can significantly reduce turnover and absenteeism because employees who feel that their interests, concerns, and ideas are valued are more motivated. An examination of 23 neonatal intensive care units showed that to the extent to which team leaders were inclusive (i.e., minimized status differences and allowed members to collaborate in process improvement), teams were more engaged in their work and learned from one another to improve their performance. For example, at Quirk, an employee first posts an idea on a flowchart and then recruits 12 other coworkers to support the idea. Other employees can then “like” it by adding a sticker next to it on the flowchart wall. Ideas that are supported are then viewed by the top leadership team; and if they approve it, it gets moved to the “It’s happening board,” and the idea gets put into motion. If the leadership team does not initially support the idea and the originator still believes it has purpose, it goes onto the debate wall and gets voted on by the company’s employees, who can then override the top leadership’s initial decline of the idea.

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Set goals and be specific

Look at the task with the employee and review the task itself, the outcome expected, the timeframe, and when progress will be reviewed. Do not assume that the person you delegate the task to will understand your expectations or needs upfront. Be diligent about providing specific details and asking if your instructions are understood.

Delegate to the right person

Choose the group or individual with the right experience level, skill level, and who are positively motivated. Vary your choices to avoid favoritism.

Identify those affected by the delegation decision

If there are other employees that need to know of the task delegation in order to provide resources, give access, and to eliminate assumptions, communicate this information to all relevant parties soon after the task is delegated.

Give autonomy and support assurance

Reassurance of support, giving employees the freedom to work on the task solution with authority, and ensuring they have access to the resources they need will motivate the employee to get the task done and reduce task frustration.

Delegate lone responsibility

Give the task to one person, group, or team to own. It is disheartening for employees to work on completing a task and then find out mid-stream that another group is also working on a task they thought was solely their responsibility.

Get the employee’s buy in

Discuss how long the employee feels the task should take, how they feel they can tackle the job, and what the completed task will look like.

Ask for questions and additional ideas

Review the task instructions with the employee and test their understanding of their deliverables. See if the employee has any insight or questions about the task.

Provide periodic feedback

Delegate the task and in the same conversation, plan when it is best to review preliminary results/discuss roadblocks. Corrective actions are far more effective before a deadline and reinforce learning. A feedback debrief after the task goal is accomplished is also effective in showing support and gaining learning.

Delegate tasks to build skills, not dump unwanted tasks

As employers and supervisors concern themselves with how they should best manage their time, it is easy for a busy person to begin considering delegation as a means to getting rid of undesirable tasks. However, it is beneficial to employees to discuss the task from the perspective of what is in it for their benefit as well as the task value in terms of its value within the larger organization. Passing the buck doesn’t build morale; instead pass along a challenge and an opportunity to learn something new in regards to skills or how the business functions.

Exhibit 3-10 Key Guidelines for Successful Delegation


When using parallel suggestion involvement, it is important to differentially and accurately weigh staff input. Simply stated, team members differ in their ability to contribute to solving a problem. Distributed expertise refers to the fact that team members differ in the amount of knowledge and information that each brings to a problem.148

Until leaders have an opportunity to gather information they feel is relevant to their determination of each team member’s ability to contribute, they may weigh each person’s input equally. Leaders have difficulty differentially weighting their staff as much as they should and tend to use an equal-weighting strategy. Once leaders have had experience with their team, some may have greater influence on the basis of their competence, ability, and willingness to accept extra role responsibilities. In one investigation, 84 leaders of 4-person decision-making teams made 63 decisions. Both experience and providing leaders with accurate information about particular members led to greater differentiation and better accuracy in differentiation.

**Job Involvement**

Job involvement entails restructuring the tasks performed by employees to make them more rewarding, enriching, and in the case of teams, more autonomous. When people are challenged with interesting tasks, they perform more effectively and creatively. There are a variety of ways in which this may be achieved, such as providing employees with feedback from customers, restructuring tasks so that employees complete a whole and meaningful piece of work, and training employees with new skills and knowledge so that their job scope increases. With job involvement, employees at the lowest levels get new information, power, and skills; and they may be rewarded differently. For example, people may be rewarded for team effort and group-level productivity. Unlike parallel suggestion involvement, job involvement affects the daily work activities of employees. For this reason, job involvement is considerably more costly than parallel suggestion involvement because of the high start-up costs of reconfiguring job descriptions, training, and in many cases, the physical reconfiguration of the workplace. For example, when Alcoa Inc. wanted their employees to be more engaged, they surveyed their workforce and launched a plan in which employees’ personal objectives were realized in new job training, which resulted in a 20-percent increase in employee engagement over 3 years. At REI—a culture based on camping, hiking and other environmental pursuits—employees submit a challenging “dream” adventure and have the chance to win REI equipment to take on their trip.

**Organizational Involvement**

The fact that leaders want to move in a direction of participation and empowerment does not mean that this can be done by merely changing their own behavior and style, independent of other organizational forces. Leadership style and strategy must be integrated into the organizational context.

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Consider two types of organizations: bureaucratic and commitment organizations. **Bureaucratic organizations** are the traditional, hierarchical style of leadership: information, rewards, knowledge, and power are concentrated at the top of the organization. In the classic bureaucratic organization, teams do not exist or at least are not acknowledged. Furthermore, when they do emerge, they are often ignored, suppressed, contained, or neglected.**Commitment organizations** are at the opposite extreme. Teams are encouraged to form, power is not hierarchical, and the organization has a deliberately flat structure.

Organizational involvement, or the commitment approach, restructures the organization so that employees at the lowest level will have a sense of involvement (commitment) not just in how they do their own jobs (as in the job involvement approach) but also in the performance of the entire organization. Organizational involvement strategies invite employees to contribute to higher-order strategy decisions. The **McGregor Method** and **Theory Y** are examples of high-involvement strategies in which employees make decisions about work activities, as well as organizational direction. Organizational involvement is based on the belief that if employees are going to care about the performance of their organization, they need to know about it, be able to influence it, be rewarded for it, and have the knowledge and skills to contribute to it.

A key difference between parallel suggestion involvement and organizational involvement is that organizational involvement allows employees not only to make recommendations about how to improve organizational functioning but also to implement their suggestions. Thus, employees and team members have **implementation power**. For example, at Waitrose Grocery and Home Goods Store, employees use an online system to post and suggest ideas to better manage the business. A simple proposal from one employee discussing how stacking carrots differently could improve efficiency when bringing the vegetable out from the storeroom was tested and rolled out in every store, saving time and money. The disadvantage of the organizational involvement strategy is that it is very difficult to know which employee-suggested strategies are worthwhile to implement.

Another type of organizational involvement involves **top-management teams** (TMTs). TMTs, as opposed to individuals, are more likely to represent the wide range of interests of the people and groups in the organization and provide valuable development experiences for its members. Leadership via TMTs challenges the traditional view of leadership because it moves away from the image of the leader as autonomous, prophetic, and omniscient and toward the idea that leadership is a team process.

It would seem that empowerment and greater employee participation would be the preferred mode in most companies—certainly at least, from the view of the employees.

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However, people are often uncomfortable in the absence of clear structures, guidelines, and constraints. For example, newly matriculated MBA students frequently lobby for instructor-assigned, rather than free-forming, study groups. What is the effect of empowerment and the ambiguity it brings to the individual, the team, and the organization?

When an organization removes existing structures to provide empowerment in a more democratic fashion, it may find the ambiguity associated with the new structure uncomfortable and respond by imposing a more controlling and bureaucratic structure than the one it sought to replace. This highly rational but powerfully oppressive bureaucracy is known as the iron cage. Out of a desire for order, people continually rationalize their bureaucratic relationships, making them less negotiated (i.e., less based on commitment) and more structural.

Chapter Capstone

We’ve examined several leadership styles as well as the expectations that teams hold of leaders. Leadership is a relationship between the leader and the team members. Effective leaders have made deliberate choices about how they want to empower their team and recognize that they must continually seek feedback on their own effectiveness.

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