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Sustainable components of leadership effectiveness in organizational performance

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Abstract

Purpose – The objective is to describe a selection of sustainability components of leadership effectiveness in organizational performance.

Design/methodology/approach – The paper is based on a conceptual discussion.

Findings – The paper contributes to descriptive models that address sustainability components of leadership effectiveness in organizational performance. The study highlights some common views that exist in the management literature and in prosperous management practice related to the direct impact of the relationship in organizational performance between leadership and effectiveness. In fact, it also highlights the critical or sceptical views of leadership effectiveness in organizational performance raised in the literature.

Research limitations/implications – The paper contends that the actual leadership effectiveness in organizational performance varies over time and across contexts. At times, the achievement in organizational performance is the outcome of prosperous and conscious leadership, while at other times may be the outcome of poor and deficient leadership. The topic at hand is positioned and limited to the interface that may describe and explain the connection between these two views. Furthermore, it is limited to corporate decision making and business behaviour in relation to leadership effectiveness and organizational performance.

Practical implications – The leadership of an organization need not only to be successful today, but they also need to be successful tomorrow to stay in control and to flourish. Quality control and quality assurance are no longer enough for most organizations. They need to build an awareness of the sustainability components into processes of their management and business practices (i.e. internal and external ones) in order to be judged as successful in corporate decision-making and business behaviour in organizational performance in the long term.

Originality/value – The principal contributions of the study are a model of timely leadership
effectiveness, a model of contextual leadership effectiveness, and a typology of leadership effectiveness in corporate decision-making and business behaviour. These contributions provide theoretical and managerial ideas and insights into the sustainability components of leadership effectiveness in organizational performance.

Introduction

Leadership effectiveness and organizational performance in business are usually evaluated by using parameters such as balance sheets, bottom lines, market shares, revenues and shareholder values. Organizational performance is often explained by the suggestion that there is a relationship with the effectiveness of the leadership's decision making and business behaviour. The dilemma is to maintain the sustainability of leadership effectiveness in organizational performance over time and across contexts.

The authors highlight some common views that exist in the management literature and in prosperous management practice related to the direct impact of the relationship in organizational performance between leadership and effectiveness (e.g. Fayol, 1923/1937; Blake and Mouton, 1964; Fiedler, 1967; Mott, 1972; Bennis and Nanus, 1985; Alchian, 1986; Hogan et al., 1994; Yukl, 1998). In fact, they also highlight the critical or sceptical views of leadership effectiveness in organizational performance raised in the literature (e.g. Grusky, 1963; Gamson and Scotch, 1964; Lieberson and O’Connor, 1972; Etizen and Yetman, 1972; Allen et al., 1979; House and Baetz, 1979; Brown, 1982; Thomas, 1993; Fizel and D'Itri, 1999; Jaffee, 2001; Andersen, 2000, 2002).

The authors contend that both views are valid, because the actual leadership effectiveness in organizational performance varies over time and across contexts. At times, the achievement in organizational performance is the outcome of prosperous and conscious leadership, while at other times it may be the outcome of poor and deficient leadership. The topic at hand is positioned and limited to the interface that may describe and explain the connection between these two views. Furthermore, it is limited to corporate decision-making and business behaviour in relation to leadership effectiveness and organizational performance. In other words, the topic at hand relates to the body of literature that contends (e.g. Fayol, 1923/1937; Blake and Mouton, 1964; Fiedler, 1967; Mott, 1972; Bennis and Nanus, 1985; Alchian, 1986; Hogan et al., 1994; Yukl, 1998) and doubts (e.g. Grusky, 1963; Gamson and Scotch, 1964; Lieberson and O’Connor, 1972; Etizen and Yetman, 1972; Allen et al., 1979; House and Baetz, 1979; Brown, 1982; Thomas, 1993; Fizel and D'Itri, 1999; Jaffee, 2001; Andersen, 2000, 2002) that there is a relationship in organizational performance between leadership and effectiveness in corporate decision-making and business behaviour.

The positioning is based upon the assumption that the outcome of leadership effectiveness in organizational performance is derived from either skilfulness or serendipity[1] in corporate decision-making and business behaviour. It is also based upon the assumption that leadership effectiveness in organizational performance is influenced by timely and contextual considerations in corporate decision-making and business behaviour.
In fact, leadership effectiveness itself may be seen to be influenced by its sustainability of management and business practices. It may be connected to issues of sustainable development (e.g. Quazi, 2001), and sustainable competitive advantages (e.g. Maximov and Gottschlich, 1993), achieved through the outcome of leadership. In a broad sense, sustainable development is considered by many to be a crucial direction for the world to move towards (Wong, 2003). Strategy execution may be seen as one of the critical sources of sustainable competitive advantage (Bigler, 2001). Therefore, leadership effectiveness in organizational performance is often regarded as being the outcome of skilfulness rather than serendipity in management and business practices. The authors contribute to models and typologies that address the overall and underlying criteria of achieving a sustainable outcome of leadership effectiveness in organizational performance. In consequence, the objective is to describe a selection of sustainability components of leadership effectiveness in organizational performance.

Frame of reference

There are many different views of leadership in literature. Bass (1990) provides a classification of leadership into 12 categories:

1. the focus of group processes;
2. a matter of personality;
3. a matter of inducing compliance;
4. the exercise of influence;
5. limited to discretionary influence;
6. an act or behavior;
7. a form of persuasion;
8. a power relationship;
9. an instrument of goal performance;
10. an emerging effect of interaction;
11. the initiation of structure; and
12. a combination of elements.

All of these issues may become of interest in the discussion of the sustainability of leadership effectiveness in organizational performance depending upon timely, contextual and serendipitous versus skilful components at hand in the marketplace and in the society.

Managers and management researchers tend to view leadership as a major contributor or a direct cause of organizational performance in the marketplace and society. Andersen (2002, p. 3) states that:

A widely held view amongst managers and management researchers alike is that management has a major impact on organizational effectiveness. The leadership literature in general is implicitly based upon the assumption that leadership is the cause of effectiveness in organizations. Many theories are founded on the contention of the crucial role of management.
Actually, there appear to be not only discrepancies but also confusion in the literature when it comes to the supposed relationship or association between leadership effectiveness and organizational performance. There are ambiguities over time and across contexts. There are also doubts about the involvement of leadership skillfulness and serendipity.

Leadership effectiveness in organizational performance has been addressed in the literature for a long time. In the 1930s, pioneers raised the relationship between leadership effectiveness and organizational performance. For example, Fayol (1923/1937, p. 102) stated that:

“The manner in which the subordinates do their work has incontestably a great effect upon the ultimate result, but the operation of management has much greater effect.”

This view is based on the belief that a top-down approach to leadership effectiveness is superior to the bottom-up approach. It proffers the worth of strategic management issues, but neglects the knowledge and awareness inherent among staff at tactical and operational levels of management and business practices. It also proffers a mechanical view of staff performance and ignores the worth of the ideas generated by subordinates that may contribute to organizational performance.

In the literature, there is a great deal of ambiguity concerning the relationship between leadership effectiveness and organizational performance. For example, Grusky (1963) concludes that the change frequency of leadership tends to have a minor impact on organizational performance. Gamson (1964), Eitzen and Yetman (1972) and Allen et al. (1979) also conclude that the change in leadership has little or no impact on organizational performance. Others have pinpointed that there is weak evidence that changes in leadership directly influence organizational performance (e.g. Brown, 1982; Fizel and D'Itri, 1999). Lieberson and O'Connor (1972) and House and Baetz (1979) conclude that the association between leadership and organizational performance is weak, non-existent and even contradictory.

Fiedler (1967) argues that leadership influences organizational performance. Leadership effectiveness is often seen as crucial to explain and predict organizational performance. Mott (1972) argues that leadership is important to group or team performance. Bennis and Nanus (1985) write that the success of organizational performance is inextricably linked to leadership. Yukl (1998) also argues that leadership impacts positively upon organizational performance. Research and practice in the field rest to some extent on the assumption that leadership and its decisions and behavior influence the outcome of organizational performance (Alchian, 1986). Hogan et al. (1994) also argue that leadership matters. Thomas (1993) writes that the belief in leadership may be one of the most deeply rooted in human assumptions, but at the same time argues that it has been difficult to confirm the relationship between leadership and organizational performance, and that empirical support is doubtful. Andersen (2002) also concludes that there is no association between leadership and leadership performance. Jaffee (2001) provides a normative conclusion and states that the theories about the effects of leadership on organizational performance are simply false.
Reflection

In the literature, there appears to be either a suggested relationship or no relationship between leadership and organizational performance. The disparity between the findings may be explained by the differences in the approach undertaken to conduct the research (e.g. quantitative, qualitative or triangulation). The current authors do not believe that the lack of empirical evidence for statistically significant support is enough to dismiss the relationship between leadership effectiveness and organizational performance.

The current authors contend that the reality is more dynamic and complex than some of the previous literature would suggest. The sustainability of leadership effectiveness and its impact on organizational performance may be seen as one side of the reality, while the other side refers to the notion that the leadership has at best limited impact, or no impact at all. The truth is probably somewhere between these two views. Therefore, the authors address the interface between them. The reality is seldom that simple that it permits idealistic and normative conclusions of the relationship between leadership effectiveness and organizational performance.

So far, the literature and research conducted has to a large extent neglected the serendipity of leadership effectiveness in corporate decision-making and business behaviour. Serendipity may be seen as the crucial component that may describe and explain the impact of leadership, or the lack of impact, on organizational performance. Serendipity also relates to timely and contextual components of leadership effectiveness and organizational performance.

The sustainability of leadership effectiveness

Nixon (2001) argues that sustainability is high on many agendas – in the environment, at work and in our lives; a fair distribution of prosperity, health and opportunity in the world; and the need for corporate and individual citizenship and one-world thinking. West (1995) writes that it is of critical importance to question the core paradigms with which organizations and society currently identify and states:

On this assumption, organizations will have to experience paradigm shifts that encourage them to view themselves as part of an interconnected, social and ecological network and take these aspects into account in the strategic management process.

Sustainable development may be achieved by integrating environmental issues into strategic planning (Quazi, 2001). The development and maintenance of sustainability of leadership effectiveness may be seen as surrounded by an overall structure (see Figure 1) where economic factors are the driving force, surrounded by social factors, all of which are surrounded by environmental factors that determine the long-term limits for organizational performance.

The sustainability of leadership effectiveness may also be seen as a part of an underlying structure (see Figure 2) where the organization is at the heart, surrounded by the marketplace and the society, all of which also influence organizational performance.
In the overall and underlying structures, the sustainability components of leadership effectiveness are interconnected. In particular, the sustainability of leadership effectiveness in organizational performance may be seen as consisting of three components:

1. timely;
2. contextual; and
3. serendipitous versus skilful leadership effectiveness.

In this next section, these components are described and discussed from a managerial point of view.

**Timely leadership effectiveness**

The first sustainable component of leadership effectiveness in organizational performance consists of timely leadership effectiveness. West (1995) concludes that we can no longer make assumptions about the future or manipulate infinity; a sustainable reality will essentially be dependent on how responsibly we interpret and implement progress in the strategic management process. Barratt and Korac-Kakabadse (2002) argue that many leaders do not seem to address issues beyond short-term profitability, and therefore the time component is crucial in the evaluation of leadership effectiveness. Timely leadership effectiveness may be divided into three different leadership orientations. These leadership orientations depend on whether the organizational performance is derived from today's, yesterday's or tomorrow's corporate decision-making and business behaviour.

A graphic illustration of timely leadership effectiveness in organizational performance is shown in Figure 3:

- Contemporary leadership orientation refers to a derivation and focus on the organizational performance of today’s corporate decision-making and business behaviour. This means that the leadership effectiveness and its evaluation are strongly present-oriented. In other words, it takes a current view of management and business practices.
- Historic leadership orientation refers to a derivation and focus on the organizational performance of yesterday's corporate decision making and business behaviour. This means that the leadership effectiveness and its evaluation are strongly past-oriented. In other words, it is anchored in the past. It takes an historic view of the ways of conducting management and business practices.
- Futuristic leadership orientation refers to a derivation and focus on the organizational performance of tomorrow's corporate decision-making and business behaviour. This means that the leadership effectiveness and its evaluation are strongly future-oriented. In other words, it takes a futuristic perspective of the ways of conducting management and business practices.

Timely leadership effectiveness occurs when all three orientations are synchronised (see arrow in Figure 3). In other words, when the interface between the three orientations is successfully synchronised in corporate decision-making and business behaviour, then one of the necessary sustainability components of leadership effectiveness is accomplished.
**Contextual effectiveness**

The second sustainable component of leadership effectiveness in organizational performance consists of contextual leadership effectiveness. Contextual leadership effectiveness may be divided into three different leadership orientations. These leadership orientations depend on whether the organizational performance is derived from egocentric, ethnocentric or multi-centric management and/or business practices.

A graphic illustration of contextual leadership effectiveness in organizational performance is shown in Figure 4:

- **Intrinsic leadership orientation** refers to a derivation and focus on the organizational performance in a particular context of corporate decision-making and business behaviour. This means that the leadership effectiveness and its evaluation are strongly egocentric. In other words, it takes a narrow internal view of management and business practices.

- **Extrinsic leadership orientation** refers to a derivation and focus on the organizational performance in some other contexts of corporate decision making and business behaviour. This means that the leadership effectiveness and its evaluation are ethnocentric. In other words, it takes a broadened view of management and business practices that are focussed upon external factors.

- **Holistic leadership orientation** refers to a derivation and focus on the organizational performance in all contexts of corporate decision making and business behaviour. This means that the leadership effectiveness and its evaluation are strongly multicentric. In other words, it takes a wide view of management and business practices.

Contextual leadership effectiveness occurs when all three orientations are synchronised (see arrow in Figure 4). In other words, when the interface between the three orientations is successfully synchronised in corporate decision-making and business behaviour, then another of the necessary sustainability components of leadership effectiveness is accomplished.

**Vision effectiveness**

In Figures 3 and 4, two different components of leadership effectiveness have been highlighted. The sustainability of leadership effectiveness in organizational performance is dependent upon the derivation of these orientations (see Figure 5).

Three levels of synchronised orientations may be distinguished in corporate decision-making and business behaviour:

1. **Point vision** refers to a non-synchronised orientation of organizational performance. It means that the sustainability of leadership effectiveness is heavily restricted. It represents non-synchronisation of corporate decision making and business behaviour.
2. Tunnel vision refers to a semi-synchronised orientation of organizational performance. It means that the sustainability of leadership effectiveness is narrow. It represents a partial synchronisation of corporate decision-making and business behaviour.

3. Broad vision refers to a synchronised orientation of organizational performance. It means that the sustainability of leadership effectiveness is all embracing. It represents the complete synchronisation of corporate decision-making and business behaviour.

**Serendipitous versus skilful effectiveness**

There are different generic types of leadership effectiveness that may be identified in organizational performance. Four types may be distinguished in corporate decision-making and business behaviour based upon the components of skilfulness versus serendipity.

The *New Shorter Oxford English Dictionary* (1993) defines serendipity as “the making of happy and unexpected discoveries by accident or when looking for something else”. Random House’s (1997) *Webster’s Unabridged Dictionary* defines it as: “an aptitude for making desirable discoveries by accident”. Hodges (1965) explains the meaning of the term “serendipity” as: “making discoveries, by accidents and sagacity, of things which they were not in quest of”. Merton (1957, p. 103) applies the term in social theory and social structure and states:

Under certain conditions, a research finding gives rise to social theory [...] Fruitful empirical research not only tests theoretically derived hypotheses; it also generates new hypotheses. This might be termed the “serendipity” component of research, i.e., the discovery, by chance or sagacity, of valid results which were not sought for.

There have also been arranged symposiums on serendipity (e.g. Woodward, 1970).

Each sustainability component of leadership effectiveness is divided into two subcategories, namely high or low degrees of skilfulness/serendipity in terms of contextual and timely precisions in organizational performance (see Figure 6). The four subcategories reveal different types of leadership effectiveness in corporate decision-making and business behaviour as follows:

1. Opportunistic leadership effectiveness in organizational performance refers to corporate decision making and business behaviour that are based upon a high degree of serendipity, while the skilfulness is low, in planning, implementation and evaluation. The outcome is based upon short-term contextual and timely precisions. For example, investment decisions, financial payback, and shareholder valuation are short-term based and are not addressed in conjunction.

2. Entrepreneurial leadership effectiveness in organizational performance refers to corporate decision making and business behaviour that are based upon high degrees of skilfulness and serendipity in planning, implementation and evaluation. The outcome is based upon realistic contextual and timely precisions. For example, investment decisions, financial payback and shareholder valuation are not seen in
conjunction or are not synchronised. It could lead to the practice that long-term investment decisions are abolished in favour of decisions to boost short-term financial payback and shareholder value in order to enhance perceived leadership effectiveness.

3. Bereft leadership effectiveness in organizational performance refers to corporate decision-making and business behaviour that are based upon low degrees of both skilfulness and of serendipity in planning, implementation and evaluation. The outcome is based upon diffuse and unreliable contextual and timely precisions. For example, investment decisions, financial payback and shareholder valuation are neglected or even ignored.

4. Genuine leadership effectiveness in organizational performance refers to the idea that in corporate decision-making and business behaviour decisions are based upon a high degree of skilfulness, while serendipity is low in planning, implementation and evaluation. The outcome is based upon long-term contextual and timely precisions. For example, investment decisions, financial payback and shareholder valuation are based upon long-term, well synchronised and thought-out decisions.

The typology may be applicable to classify corporate leadership effectiveness in corporate decision-making and business behaviour. It may also be used for teaching and training purposes. In particular, it may be used as an eye-opener to the leadership itself, the employees, the shareholders and other stakeholders (e.g. analysts) in the marketplace. Furthermore, it may be used to position an organization’s specific leadership effectiveness in organizational performances at different levels (or overall) and to compare it with the leadership effectiveness in organizational performances of others (e.g. competitors, suppliers and customers). Finally, it may describe the sustainability of leadership effectiveness in organizational performance over time and across contexts.

**Concluding thoughts and suggestion for further research**

The leadership of an organization need not only to be successful today, but they also need to be successful tomorrow to stay in control and to flourish. Quality control and quality assurance are no longer enough for most organizations. They need to build an awareness of the sustainability components into processes of their management and business practices (i.e. internal and external ones) in order to be judged as successful in corporate decision-making and business behaviour in organizational performance in the long term.

The effectiveness of the corporate decision making and the business behaviour of most leaders is usually evaluated by using parameters such as balance sheets, bottom lines, market shares, revenues and shareholder values. The dilemma is that the time-span normally used to evaluate these parameters is often short (e.g. quarterly or yearly reports). In addition, the inherent sustainability of leadership effectiveness in organizational performance per se is rarely examined. Do the short-term expectations of leadership effectiveness (in corporate decision making and business behaviour) in the marketplace rule over the long-term ones? What is the sustainability of leadership effectiveness in organizational performance, and what is not? The authors have looked to address and raise the issue of evaluating the genuine versus the opportunistic leadership effectiveness in corporate decision-making and business behaviour. The key issues raised are:
How can the sustainability of leadership effectiveness in corporate decision making and business behaviour be described in relation to organizational performance?

What are the sustainability components of leadership effectiveness in organizational performance?

A number of contributions have been stressed in order to conceptualise the two key issues raised about the sustainability of leadership effectiveness in organizational performance. The principal contributions are:

- a model of timely leadership effectiveness;
- a model of contextual leadership effectiveness; and
- a typology of leadership effectiveness in corporate decision making and business behaviour.

These contributions provide theoretical and managerial ideas and insights into the sustainability of leadership effectiveness in organizational performance.

The authors contend that the sustainability of leadership effectiveness in organizational performance may be derived from timely, contextual, and serendipitous versus skilful components. Therefore, an important area of further research is to examine the sustainability of leadership effectiveness across contexts and over time, as well as the serendipitous versus the skilful effects over time in corporate decision-making and business behaviour. Such research may reveal short-term effectiveness in organizational performance and its long-term sustainability.

It is not unreasonable to conclude that top executives tend to benefit from the sustainability of their own contribution to organizational performance while it is long-term. Furthermore, it is not unreasonable to conclude that top executives could tend to explain the lack of sustainability in organizational performance based upon the performance of others than themselves or on other non-controllable factors (e.g. weak development and growth in the marketplace/economy).

Actually, they have to blame others as they are often extremely well compensated and are expected to perform and deliver sustainability of leadership effectiveness regardless of the world around them. The key question that is often asked is: are they are really worth the salaries and the benefits? A question that is asked less frequently is: can they justify that the results of the organization are attributable to them alone and the direction that they have provided to the organization? How does one define the term “worth”? Worth to whom and for what? Of course, these questions are raised and answered, but the answers are normally based upon the assumption that contextual, timely and skilful effectiveness of leadership in organizational performance are sustainable and are a direct result of the leader's decision making and business behaviour.

Consequently, shareholders and stakeholders may benefit from a thorough examination of these issues in organizational performance. It would not be surprising to find that the sustainability of leadership effectiveness in management and business practices, to a minor or major extent, is derived from pure luck and coincidence in contextual and timely
precisions: right place, right time. This notion means that leadership effectiveness in corporate decision-making and business behaviour as related to organizational performance may in actuality be based more upon serendipitous effectiveness rather than those that pertain to skill.

*Figure 1* Overall positioning and structure of the sustainability of leadership effectiveness
Figure 2 Underlying positioning and structure of the sustainability of leadership effectiveness

Figure 3 Timely leadership effectiveness in organizational performance
Figure 4: Contextual leadership effectiveness in organizational performance

Figure 5: Levels of synchronised orientations in organizational performance

Figure 6: A typology of leadership effectiveness in organizational performance

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