Leadership and Decision Making

chapter # 9

Introduction

- **In this chapter we**
  - look at the nature of leadership.
  - describe early approaches to leadership, as well as the situational perspective accepted today
  - examine leadership through the eyes of followers as well as alternatives to leadership
  - describe the important related concept of decision making

learning objectives

1. **Define** *leadership and distinguish it from management*

2. **Summarize** *early approaches to the study of leadership*

3. **Discuss** *the concept of situational approaches to leadership*

4. **Describe** *transformational and charismatic perspectives on leadership*

learning objectives

5. ***Identify*** *and discuss leadership substitutes and neutralizers*

6. ***Discuss*** *leaders as coaches and examine gender and cross-cultural issues in leadership*

7. ***Describe*** *strategic leadership, ethical leadership, and virtual leadership*

8. ***Relate*** *leadership to decision making and discuss both rational and behavioral perspectives on decision making*

The Nature of Leadership

- **Leadership**
    - the processes and behaviors used by someone, such as a manager, to motivate, inspire, and influence the behaviors of others

Distinctions Between Management and Leadership

FIGURE 9.1 Distinctions between Management and Leadership

Leadership and Power

- **Power**
  - the ability to affect the behavior of others
- **Legitimate Power**
  - power granted through the organizational hierarchy
- **Reward Power**
  - the power to give or withhold rewards
- **Coercive Power**
  - the power to force compliance by means of psychological, emotional, or physical threat

Leadership and Power (cont.)

- **Referent Power**
  - power based on identification, imitation, loyalty, or charisma
- **Expert Power**
  - power derived from information or expertise

Early Approaches to Leadership

- **Trait Approach to Leadership**
  - focused on identifying the essential traits that distinguished leaders
  - intelligence, dominance, self-confidence, energy, activity (versus passivity), and knowledge about the job
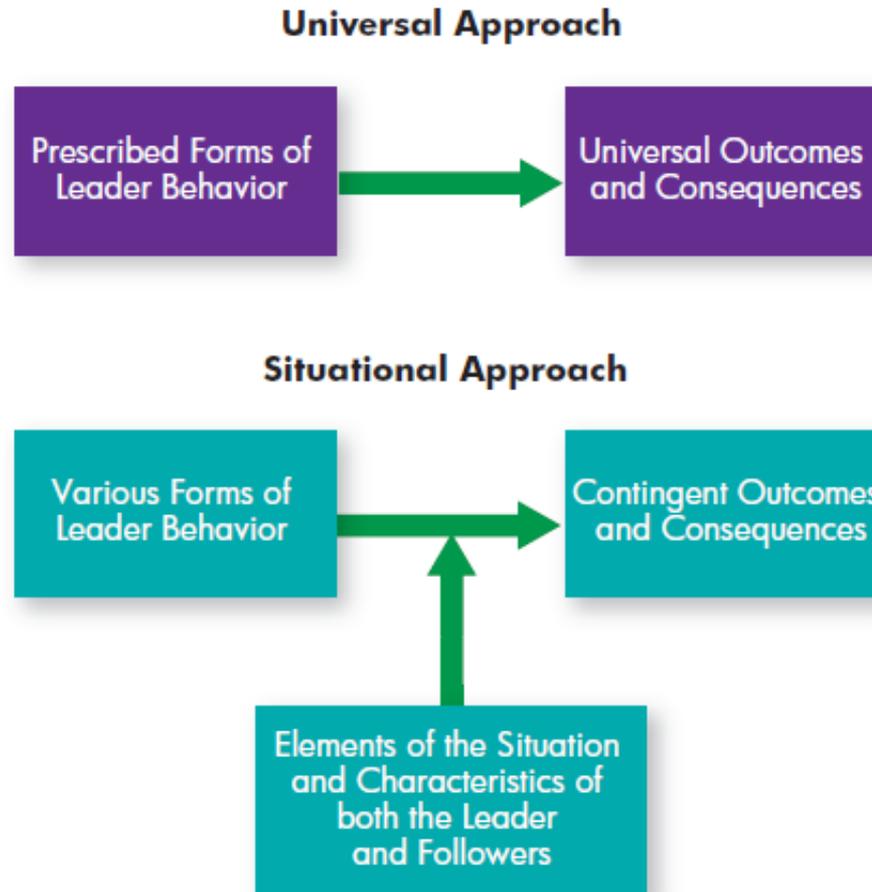
Early Approaches to Leadership (cont.)

- **Behavioral Approach to Leadership**
  - focused on determining what behaviors are employed by leaders

Behavioral Approach to Leadership

- **Task-Focused Leader Behavior**
  – leader behavior focusing on how tasks should be performed in order to meet certain goals and to achieve certain performance standards

- **Employee-Focused Leader Behavior**
  – leader behavior focusing on satisfaction, motivation, and well-being of employees

The Situational Approach to Leadership

Universal Approach

Prescribed Forms of Leader Behavior → Universal Outcomes and Consequences

Situational Approach

Various Forms of Leader Behavior → Contingent Outcomes and Consequences

Elements of the Situation and Characteristics of both the Leader and Followers

FIGURE 9.2 The Situational Approach to Leadership

The Situational Approach to Leadership (cont.)

- **Path–Goal Theory**
  - theory of leadership that is a direct extension of the expectancy theory of motivation

- **Decision Tree Approach**
  - approach to leadership that provides decision rules for deciding how much participation to allow

- **Leader–Member Exchange (lmx) Model**
  - approach to leadership that stresses the importance of variable relationships between supervisors and each of their subordinates

Leadership through the Eyes of the Followers

- **Transformational Leadership**
  - the set of abilities that allows a leader to recognize the need for change, to create a vision to guide that change, and to execute the change effectively
- **Transactional Leadership**
  - comparable to management, it involves routine, regimented activities

Leadership Through the Eyes of Followers (cont.)

- **Charisma**
  - a form of interpersonal attraction that inspires support and acceptance

- **Charismatic Leadership**
  - type of influence based on the leader's personal charisma

Crucial Elements of Charismatic Leadership

1. Charismatic leaders *envision* likely future trends and patterns, set high expectations for themselves and for others, and behave in ways that meet or exceed those expectations.

2. Charismatic leaders *energize* others by demonstrating personal excitement, personal confidence, and consistent patterns of success.

3. Charismatic leaders *enable* others by supporting them, empathizing with them, and expressing confidence in them.

Special Issues in Leadership

- **Leadership Substitutes**
  - individual, task, and organizational characteristics that tend to outweigh the need for a leader to initiate or direct employee performance
- **Leadership Neutralizers**
  - factors that may render leader behaviors ineffective

Leadership Substitutes and Neutralizers

table 9.1 Leadership Substitutes and Neutralizers

Individual factors	• Individual professionalism • Individual ability, knowledge, and motivation • Individual experience and training • Indifference to rewards
Job factors	• Structured/automated • Highly controlled • Intrinsically satisfying • Embedded feedback
Organization factors	• Explicit plans and goals • Rigid rules and procedures • Rigid reward system not tied to performance • Physical distance between supervisor and subordinate
Group factors	• Group performance norms • High level of group cohesiveness • Group interdependence

- **Leaders as Coaches**
  - from directive overseer to mentor
- **Gender and Leadership**
  - understanding the differences and dynamics in the approaches of women and men to leadership

The Changing Nature of Leadership (cont.)

- **Cross-Cultural Leadership**
  - effects of an individual's native culture on his or her approach to leadership when functioning in another culture

Emerging Issues in Leadership

- **Strategic Leadership**
  - leader's ability to understand the complexities of both the organization and its environment and to lead change in the organization so as to enhance its competitiveness

Emerging Issues in Leadership (cont.)

- **Ethical Leadership**
  - leader behaviors that reflect high ethical standards
  - maintain high ethical standards
  - hold others in the organization to the same standards

- **Virtual leadership**
  - leadership in settings where leaders and followers interact electronically rather than in face-to-face settings

Leadership, Management, and Decision Making

- **Decision Making**
  - choosing one alternative from among several options
- **Decision-Making Process**
  - recognizing and defining the nature of a decision situation, identifying alternatives, choosing the "best" alternative, and putting it into practice

Types of Decisions

- **Programmed Decision**
  - decision that is relatively structured or recurs with some frequency (or both)
- **Nonprogrammed Decision**
  - Decision that is relatively unstructured and that occurs with low frequency

Decision-Making Conditions

- **State of Certainty**
  - when the decision maker knows with reasonable certainty what the alternatives are and what conditions are associated with each alternative
- **State of Risk**
  - when the availability of each alternative and its potential payoffs and costs are all associated with probability estimates

Decision-Making Conditions (cont.)

- **State of Uncertainty**
  - when the decision maker does not know all the alternatives, the risks associated with each, or the likely consequences of each alternative

Rational Decision Making

Recognizing and defining the decision situation

Identifying alternatives

Evaluating alternatives

Selecting the best alternative

Implementing the chosen alternative

Following up and evaluating the results

Rational Decision Making (cont.)

Step 1: The manager recognizes and defines a decision situation.
Example: A hotel manager sees that customer complaints have been increasing.

Step 2: The manager identifies alternatives for addressing the situation.
Example: The hotel manager can hire new staff, offer service quality training, or leave things are they are.

Step 3: The manager evaluates each of the possible alternatives.
Example: The hotel manager decides leaving things as they are is unacceptable but that the other two options may work.

Step 4: The manager selects the best alternative.
Example: Hiring new staff is too expensive but that the hotel has unused funds in tis training budget.

Step 5: The manager implements the chosen alternative.
Example: A new training program is developed.

Step 6: The manager follows up and evaluates the effects of the chosen alternative.
Example: After six months the manager notices a significant decrease in customer complaints.

Behavioral Aspects of Decision Making

- **Coalition**
  - an informal alliance of individuals or groups formed to achieve a common goal
- **Intuition**
  - an innate belief about something, often without conscious consideration

Behavioral Aspects of Decision Making (cont.)

- **Escalation of Commitment**
  - condition in which a decision maker becomes so committed to a course of action that she or he stays with it even when it appears to have been wrong

- **Risk Propensity**
  - extent to which a decision maker is willing to gamble when making a decision

Applying What You've Learned

1. **Define** leadership and distinguish it from management

2. **Summarize** early approaches to the study of leadership

3. **Discuss** the concept of situational approaches to leadership

4. **Describe** transformational and charismatic perspectives on leadership

Applying What You've Learned (cont.)

5. **Identify** and discuss leadership substitutes and neutralizers

6. **Discuss** leaders as coaches and examine gender and cross-cultural issues in leadership

7. **Describe** strategic leadership, ethical leadership, and virtual leadership

8. **Relate** leadership to decision making and discuss both rational and behavioral perspectives on decision making