LEADERSHIP
AND THE
SELECTION AND TRAINING OF CORPORATE MANAGERS

by

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ABSTRACT

A theory of leadership is presented that holds that it is the
provision of certain kinds of resources required by a group to achieve
group goals. The nature of these resources is discussed including
various group-side skills, group-relevant knowledge, and personality
factors. From this theory, a profile of the effective leader is developed.
The leader is found to be the group member for whom the provision of
these resources is least costly.

The model was tested against the experience of twenty-four firms
with headquarters or major operations in or around Boston. Criteria
used for selecting employees for positions requiring leadership skills
were surveyed as was the training made available to them. Each element
of the leader profile was mentioned by at least two firms in the survey.

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CHAPTER I

INTRODUCTION

There has hardly been a time in Man's history when he has not been interested in how things happen. The ancient Greeks are usually credited with being the first to systematically consider this question. In particular, Aristotle is recognized as the first true scientist for his attempts to classify natural phenomena as a prelude to finding explanations for them. Aristotle, as philosopher, was also interested in how society functions, and, in this capacity, he was among the first to address the issue of leadership.

Man has made considerable progress with the natural sciences in the last twenty-three centuries, but until quite recently, advances in the understanding of how leaders function were rather few. The first serious efforts in this area had to await the development of sociology, psychology and political science. Each of these disciplines brought a perspective and methodology to bare on the leadership problem. By narrowing the scope of their investigations, scholars in these fields were able to learn a great deal about many questions relevant to the study of leadership. Leadership, however, is a whole and cannot be fully understood by even the most careful analysis of its many components. The trees obscure the forest.

In the following pages, I offer a model of the leadership process and how it works. I attempt to assemble the pieces that have been studied by scholars in several fields and to fill in some obvious gaps.
Most approaches to the issue have been inductive, inferring the nature of leadership by observing leaders in action. My theory is deductive, proceeding from a fairly simple statement of what the leader must do if he is to be a leader and identifying the elements that are necessary to that end. From this model, I have extracted a profile of the attributes of the effective leader.

Testing a theory of this nature is rather difficult since the only real evidence available is the behavior of actual leaders. Leadership and leaders are inseparable. Actual leaders, however, have individual characteristics that interact with those of their followers in ways that depend on a number of other circumstances peculiar to a given situation. Each set of peculiarities must be filtered out to determine what is essential to the generalized leadership process and what is an artifact of the specifics. If something remains after the filtering, then that is the essence of leadership. If nothing remained, then we must conclude that the process is dominated by the specifics and no generalizations are possible.

I tested my theory by collecting information about the selection processes used by corporations and the training they offer to individuals identified for positions in which they would have to employ leadership ability. The choice of corporate leaders was suggested by three lines of reasoning. First, there are numerous corporations, each of which would have its own potentially independent approach to dealing with these issues. Second, selection and training in the corporate context should provide as close to a rational leader recruitment process as one is likely to find. The issues corporations have identified as important to successful and effective managerial leadership will be embodied in
some combination of selection criteria and training programs (see Chapter IV for greater detail on this point). Finally, several firms have been taking a much closer look at these and related issues lately, partly in response to the need to answer the Japanese challenge.

One reason for the difficulty encountered in the study of leadership has been a lack of precision in the use of terminology. The word "leadership" is used to mean so many different kinds of activity that confusion is inevitable. MIT runs a "Leadership Campaign" to increase endowment in which it is left to the imagination whether the donor or the recipient is to be considered the leader. Artists are described as "leaders" of movements that developed after they died. In these and similar cases, the word is used because of its affective value rather than for what it means. There are, however, two distinct usages of the term that have some significance for this study. The first is used to refer to the ability to resolve conflicts on a largely ad hoc basis. The leader is whoever figures out a resolution of the conflict that allows the group to continue with its business. I refer to this activity as "micro-leadership" since it excludes a great many aspects of the other more inclusive concept that is the subject of this study. To distinguish this latter concept, I sometimes refer to it as "macroleadership". Similar problems arise in the use of terms like power, influence and coercion.

A BRIEF OVERVIEW OF THE MODEL

I begin with the simple statement/definition that leadership is the ability to get the members of a group to perform a task. I attach two
conditions to this statement. First, that this ability must be demonstrated in at least two successive opportunities. This condition largely removes the possibility of chance and provides a clear distinction from microleadership. It requires some attention to the concept of the group, the maintenance of member loyalty, and goal selection, each of which is essential to macroleadership. Finally, it introduces the time dimension which is crucial to any theory that deals with change. The second condition I attach is that the leader is trying to be effective in accomplishing the stated goal. As we shall see shortly, groups must deal with numerous goals simultaneously and it is possible, even probable, that a group will be making progress on one or more of these goals regardless of leadership ability. The fact that something is getting done provides little evidence of ability, unless that something is the stated goal of the group. This issue is of special importance in dealing with leadership in the corporate context since the goal being pursued is often the personal objective of the manager rather than the stated goal(s) of the group.

The basic theory of leadership follows from its definition. This definition can be seen to have two parts, each of which provides a success criterion for leadership. These criteria are:

1. How effectively is the group accomplishing the task?
2. How effective is the group as a group?

It should be noted that these two criteria can be in conflict. Optimal efficiency in accomplishing a task is likely to be obtained by ignoring all group development and maintenance issues while group issues are likely to be addressed by paying less attention to the task. Task and group issues can be thought of as distinct group goals.
This dilemma is heightened by the presence of at least two additional goals. The group consists of at least two people, one a "leader" and the other(s) a follower(s). To the extent that each of these individuals has a well-integrated personality, his objectives will add one additional goal to the pot for each member of the group. Thus, at a minimum, there will be four goals to be dealt with at any given time. In practice, the group is likely to have several task goals; there will be three or four group-as-group goals, and a few personal goals for each member of the group. In total, there may be dozens to hundreds of objectives the group and/or parts of it may be seeking.

The essential tasks of leadership are then:

(1) To identify which of these goals are compatible and which are mutually exclusive.

(2) To select the set of compatible goals that is most conducive to achieving the principal goal for which the group exists.

(3) For the leader to reprogram himself so that he can redirect and motivate group members to work toward the accomplishment of the set of goals selected in (2).

Two points emerge from these tasks. The first is that the leader must understand how the restraints placed on the group by the environment interact with group resources. This interaction will make some goals easy to achieve, others difficult, and some simply impossible. Pursuit of impossible goals does no one any good, but must be done at the expense of progress toward possible ones. Since the achievable goals
will provide satisfaction to someone, before identifying the compatible and mutually exclusive goal sets, the leader must weed out the goals that are impossible.

The second point is that mutually exclusive goals define the membership of the group. One cannot expect individuals to assist in achieving a set of goals that does not include anything they consider their own or that is made up of goals to which they object. To the extent that member retention is important (as it should be since it is part of group maintenance), the leader must identify a set of goals in which everyone finds something he wants. For this purpose, it is important to remember that individuals have multiple goals of their own, some of which can be useful to the leader, and that increasing the number and variety of individual goals can help identify appropriate goal sets for the group.

AN OVERVIEW OF THIS STUDY

Having now provided the reader with food for thought, let me preview the remainder of this study.

In the second chapter, I review a number of books and articles on leadership and related issues. I begin with a discussion of James MacGregor Burns' monumental *Leadership* as an example of how studying trees obscures the forest. Next, I present a more disciplined study of the motivating factors of various leadership styles from a forthcoming book by Dr. David Rothberg. I shall then review a number of leadership theories that have been introduced over the last few decades. Next, my literature review focuses on the corporate context with a discussion of corporate culture as seen by McGregor and Ouchi. In connection with my discussion of Ouchi, I shall comment on the spreading interest in
Japanese-style management and why this interest won't produce the hoped-for results.

Chapter III will take up the model once again and develop it fully. I shall proceed from the points already made about the essence of leadership and introduce a formula that describes how any task is achieved. From these two, I derive a profile of the effective leader as a person who brings certain kinds of resources into a group.

Chapter IV presents the results of my field study with two dozen corporations operating in and around Boston. The results provide some support for the model and profile but cannot be considered to confirm it. Each element of the leader profile was mentioned at least twice, and nothing was said that contradicts the predictions, but the sample is much too limited to form any solid conclusions. In addition to the results for the model, I did find some interesting variations between the business sectors included in the model and these are presented as well.
CHAPTER II
APPROACHES TO THE STUDY OF LEADERSHIP

As mentioned in the opening paragraphs of this study, the subject of leadership has been a matter of concern to mankind for centuries. It has been addressed in hundreds of books and thousands of articles, most of which focus on a single aspect of leadership. Many of these reduce leadership to the single element that is their central premise. In addition, there are thousands of biographies of "leaders", dictators, generals, business tycoons, politicians, and occasional madmen, some of whom relied on coercion to get people to do what they wanted. The sheer volume of the literature guarantees that extraneous issues will be introduced and that understanding will become less rather than more likely.

MAGNA OPERA

It is impossible to review all the available literature on leadership and leaders, and even if it were possible, for reasons just mentioned, that would not be desirable. Instead, I have selected a relatively small sample of books and articles that relate most directly to the subjects addressed in this study. I include, however, one work, James MacGregor Burns' Leadership¹, as an example of what happens when one tries to construct a leadership theory by bibliographic induction.

Burns' Leadership is an imposing tome that seeks to bring together most of the available studies of leadership and related issues and develop a theory of leadership form these works. His text, of some 450 pages, is supported by a forty-page bibliography that spans an impressive number of

fields and includes information on a large number of issues. Yet, despite all of this, Burns is not able to arrive at a single explanation of what leadership is or how it works. Instead, he ends up with several theories, some of which contradict one another.

Burns identifies two kinds of leadership which he considers distinct. The first, "transactional leadership," is the kind that he believes one observes in small groups. It consists of an interactive process between leader and followers on goal selection, choice of methods, and division of the spoils. Burns, as befits a historian, is more interested in the grand changes in human society and thus considers transactional leadership of rather limited importance. Instead, he looks to "transformational leadership," in which major changes in societies are established through the actions of leaders. He sees the essence of this kind of leadership as a kind of moral uplifting activity in which the leader serves as catalyst for the formation of a higher set of values. All of this sounds very impressive until he introduces his examples of transformational leaders. The choice of Gandhi raises few questions, but he includes Woodrow Wilson who is best known for the failure of his leadership, Lenin whose leadership served as a medium for increasing his personal power, and finally, Hitler whose status as a "moral uplifter" is hard to swallow.

Burns spends about a hundred pages discussing various studies on how children form values and develop the ability and desire to act as leaders. He discusses the psychological aspects of the personalities that can become leaders. Next comes a review of the sociological literature about the role of the family, schooling, and the wider society in which
the child matures. Sociology crosses with psychology to spur those who have developed a high need for self-esteem due to a sense of impotence to seek out positions in which they can exert power over others. Finally, with the ambition firmly established, leaders come forward when the opportunity presents itself.

In the next section of his work, Burns discusses the operation of transformational leadership in a wide variety of contexts. He examines the role of intellectuals, reformists, revolutionaries, heroes, and ideologues in producing change in society. In these chapters, Burns is discussing the role of political elites rather than of leaders, who will, of course, be members of the elite. The confusion created here is responsible in part for his distinction between transformational and transactional leadership since within the elite the process is largely transactional while the relationship between the elite and the masses is largely coercive in that the masses are rarely in a position to object to the goals of the elite. There is a potential clash between elites, but Burns doesn't discuss this in any depth.

The next one hundred and fifty pages present Burns' analysis of the operation of transactional leadership in five contexts. In each of these, he discusses how the "leaders" function and why one cannot expect more than transactional leadership, if that, in these cases. It is interesting to note that the principal contrast between these situations, political opinion groups and voting blocs, small groups, political parties, the legislature, and political executives, and the transformational cases is that here group membership is inclusive and goals are formulated with this
in mind, while transformational leaders work through exclusive elites and the goals found there are those of the members of the elite. This distinction stands in stark contrast to Burns' insistence that leaders do not coerce. Transformational leaders must coerce some substantial fraction of the group on which their elite seeks to effect its change. If coercion weren't necessary, the change could be brought about through transactional means.

From his five contexts, Burns develops a model of transactional leadership that touches on several elements of the leadership model I present in Chapter III. He includes the concept of power bases, the group skills, and the use of rewards, and even identifies the issue of selecting among priorities as the key to effective leadership. His concern for the superiority of transformational leadership prevents him from recognizing that these are among the elements of a comprehensive theory of leadership.

In his concluding section, Burns returns to the distinction between his two types of leadership. He sees transactional leadership as being primarily concerned with modal ends, such as fairness, focused on process, and reliant on distribution of rewards. By contrast, transformational leaders lack the resources to provide rewards until they have succeeded and are thus uncorrupted by distributional issues. Such leaders are concerned with end-values like liberty and justice, and are prone to rationalization of means. True leaders break through the inertia of the masses to change moral values for the better. And who epitomizes this type of leader? Why, educators, of course!

By seeking to include everything, from biography and sociology to
history and psychology, Burns succeeds in impressing us with the scope of his reading but fails to create the level of understanding of the leadership process that is his stated goal. Much of his book talks around the rather obvious principle that the choice of means depends on the goal(s) being pursued. As a result, he creates a distinction of principle where a difference of tactics is all that is required. This confusion is typical of many studies in the field and readers are advised to be careful of such problems.

David Rothberg\(^2\) offers an analysis of the motivational forces at work in each of four kinds of leaders. These categories are defined by the combinations of high or low self-esteem with internal or external fate control. His thesis is that these combinations define certain types of personalities, each of which produces a world view peculiar to it. Each world view includes an implicit theory of cause and effect and the nature of man. In turn, the world view leads to a particular style of leadership. Thus, one can predict leadership style by reference to an individual's sense of self, the strength of his needs for power, achievement, and affiliation, his world view, and possibly other factors.

Rothberg's four leader typologies are identified as rational man (high self-esteem, internal fate-control), existential man (high self-esteem and external fate control), administrative man (low self-esteem, internal fate control), and entrepreneurial man (low self-esteem, external fate control). From a sample of approximately three hundred participants in a Harvard Business School program for mid-career

executives from business and the military, he identified groups of twenty to forty individuals who fell into each of these four categories. By administering a series of tests to these individuals, he developed profiles of the world views, motivations, and other personality characteristics common in each of the four types. In this manner, he identifies the personality factors that lead individuals to adopt a given leadership pattern. He then compares his findings with those of several previous studies on leader personality, many of which do not agree with some of his key findings.

Rothberg does not address the question of effectiveness since he draws his sample from a group that has been preselected on the basis of success. Since members of his sample have succeeded in similar positions despite different patterns of personality and needs and using different styles, the essential features of leadership must be something they have in common. Thus, a tentative conclusion is that a predilection to any given leadership style is neither an advantage nor a liability for leader effectiveness.

LEADERSHIP STYLES

A somewhat different approach to leadership style is taken by Tannenbaum and Schmidt in a long-ago article in the Harvard Business Review. They suggest that there are different patterns of leadership style that one may utilize subject to a number of situational factors. These styles fall along a continuum between telling, in which the leader decides what will be done and how, and joining, in which group members share with the leader the responsibility for identifying goals and

selecting methods. There are a number of environmental factors which
tell the leader which style is most appropriate including pressures
on the group, pressures on the leader, and pressures from the task.

A related theory is presented by Vroom and Yetton[^4] in their book
Leadership and Decision-Making. The basic thesis here is that properly
made decisions are essentially self-fulfilling, so the key act of
leadership is to identify the best ways to make decisions and see to it
that they are made using those procedures. Vroom and Yetton provide
an intricate flow-chart that identifies the "best" decision-making
procedures given requirements for the quality of the outcome, the need
for follower acceptance, and the distribution of relevant informational
inputs. If leadership were reducible to using a flow-chart, then it
would have to be fairly simple and it is hard to believe that no one
would have landed on this approach until 1973. The missing element here
is how sequential decisions are linked to one another and intervening
actions. Leadership is needed in these circumstances, but it cannot be
provided using the Vroom and Yetton scheme.

How, then, does one attempt to get at leadership? Ivancevich,
Szilagyi and Wallace[^5] provide an overview of the approaches that have been
taken over the years. The earliest approach was to see the person of the
leader and leadership as essentially the same thing. From this perspec-
tive, scholars sought to identify the traits that are essential to
leadership by making lists of the traits of leaders they studied. In

[^4]: Vroom, Victor H., and Yetton, P. W., Leadership and Decision-Making,

[^5]: Ivancevich, John M., Szilagyi, Andrew D., Jr., and Wallace, Marc J., Jr.,
Organizational Behavior and Performance, Goodyear Publishing Co., Santa
Monica, California, 1977.
this manner, there were compiled lengthy lists that included six types of traits. The types of traits that were studied include physical aspects, social background, intellectual ability, personality, task-relevant abilities, and social skills. The kinds of issues found in each of these trait groupings are presented in Figure 1.

<table>
<thead>
<tr>
<th>Trait Grouping</th>
<th>Representative Traits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical attributes</td>
<td>Age, appearance, height, weight</td>
</tr>
<tr>
<td>Social background</td>
<td>Education, social status, mobility</td>
</tr>
<tr>
<td>Intellectual ability</td>
<td>Intelligence, technical ability, judgement, knowledge, decisiveness, fluency of speech</td>
</tr>
<tr>
<td>Personality</td>
<td>Aggressiveness, alertness, dominance, enthusiasm, extroversion, independence, creativity, personal integrity, self-confidence</td>
</tr>
<tr>
<td>Task-related traits</td>
<td>Achievement drive, urge for responsibility, initiative, persistence, enterprise, task orientation</td>
</tr>
<tr>
<td>Social skills</td>
<td>Administrative ability, attractiveness, tact, cooperativeness, popularity, prestige, sociability, interpersonal skills, diplomacy</td>
</tr>
</tbody>
</table>

(Taken from Ivancevich, Szilagyi and Wallace, page 275.)

Yet, despite the obvious desirability of many of the traits for leader effectiveness, scholars found that simply possessing these traits did not make one a leader. Accordingly, the trait theories were soon replaced by behavioral theories that focused on what the leader does. Here, numerous theories were offered that began to focus on leadership style and the synthesis between task orientation and group orientation. Several of these theories will be addressed specifically below.
Finally, the study of leadership gave way to situational theories in which four interrelated elements influenced the interaction between leader and followers. These elements include leader characteristics, coming out of the trait theory tradition, subordinate characteristics, group factors, and organizational factors. Each of these acts upon both the leader and his followers as can be seen in Figure 2.

FIGURE 2: THE SITUATIONAL LEADERSHIP MODEL

(Adapted from Ivancevich, Szilagyi, and Wallace, page 283.)

TRAIT THEORIES

Three studies of leader traits deserve mention at this point. Cattell and Stice\(^6\) identified four types of leaders: technical leaders, opinion leaders identified as salient leaders, sociometric leaders, and elected leaders. Eight personality factors were identified as being present in all four categories. These are emotional maturity, or ego strength, social adventurousness, shrewdness, a lack of freedom from anxiety, deliberate will control, and the presence of nervous tension.

There were some differences between the kinds of leaders. Technical leaders had higher intelligence while elected leaders were higher in surgency. In sum, though, the leader types were found to have the personal characteristics conducive to inspiring confidence in the activities for which they were leaders.

A survey of findings on the role of personality in leader effectiveness was made by Mann in 1959. He identified six personality traits as having significant, positive correlation with leadership effectiveness, each supported by at least a dozen studies. These traits are intelligence, which proved to be the most important trait, personal adjustment, extraversion, dominance, interpersonal sensitivity, and receptivity to new ideas. These findings are comparable to the Cattell and Stice study, although not identical.

More recently, McClelland and Burnham reported on a study of the characteristics that make for an effective chief executive officer. They found that effective managers have a greater need for power than for affiliation, but that this must be tempered by strong self-discipline so that their power drive will be directed toward institutional achievement rather than personal aggrandizement. The effective CEO will place greater emphasis on the process than on the achievement of particular ends. He will be marked by loyalty to his organization and a ready willingness to sacrifice on its behalf. Top notch CEOs have a sense of justice and

appear to be more mature in that they are less self-centered, less personally acquisitive and more inclined to have a long-range perspective and to seek advice. Although they don't say so explicitly, it seems to follow that the effective CEO is also more aware of his own mortality and thus can be more objective about what will make his organization survive him. McClelland and Burnham do state that, despite their ages, effective CEO's seem older and wiser and to exhibit greater integrity. They note in passing that, "Many U.S. businessmen fear this kind of maturity."\(^9\) The reason for this fear will be discussed below in the review of Ouchi's Theory Z.

The various trait theories have never succeeded in providing adequate means for identifying individuals who will be effective as leaders and distinguishing them from others who will not. None of the traits identified is bimodal and it is well known that some individuals who have leadership traits nevertheless fail as leaders. When faced with similar dilemmas, natural scientists realize that these situations are evidence of necessary, but not sufficient, conditions to demonstrate leadership effectiveness. The concepts of necessary and sufficient conditions are not used frequently in the social sciences with the consequence that research results showing necessary conditions get rejected because they are not sufficient. Leadership traits alone are not sufficient to establish leadership, but they are necessary. The failure to identify a sufficient condition despite centuries of research by literally hundreds of scholars certainly suggests that none exists. Nevertheless, the search continues. With the rejection of trait theories, researchers began to look at other \(^9\)Ibid, page 41.
explanations of the leadership phenomenon.

BEHAVIORAL THEORIES

One intermediate step between the trait theories and the behavioral theories is to view leadership as a characteristic of the group rather than of the leader. Secord and Backman suggest that leadership arises from a group need to coordinate its activities to achieve a group goal and that the form of this leadership will depend upon the situation, the task, interpersonal evaluations and perceptions as well as the interactions between these. Next, they note that this leadership can come from any group member or from several members simultaneously or sequentially, there being nothing inherent to the concept that requires that leadership be focused. Furthermore, groups must have two functions performed: goal achievement and group maintenance, and these will give rise to two distinct categories of leadership which may well be performed by different people.

The behavioral theories experienced a gradual development from the 1930s into the 1960s. Three versions deserve mention. The first, presented by Gibb is a general interaction theory. This approach views groups as instruments for the attainment of individual goals. In pursuit of these goals, role specialization develops to make better use of group resources. Leadership is one such role arising out of a belief among group members that following the direction of one or more individuals will be conducive to attainment of group and individual goals. Structures develop out of relatively stable patterns of interaction between group members.


the position of leader being one such structure. Each member of the group acquires a role based on the needs of the group and that member's individual skills and abilities. Thus, the leader is selected based on the interaction of members' abilities and the demands of the group in its given situation. As roles develop, group members attach emotional value to their relationships with one another. The emotions that develop, love and fear, define three modes of leadership. The tyrant bases his leadership on inducing fear in his followers, charismatics rely on love, while patriarchs employ both emotions. By this theory, the absence of either fear or love implies no leadership, yet there are clearly cases in which individuals lead without being feared or loved. As we shall see, there are other power bases available to leaders.

Hollander addresses himself to the paradox that a leader must simultaneously exemplify the norms of the group and be the force behind innovation in it. He posits the existence of a leadership asset which he calls the "idiosyncrasy credit" that is acquired through high performance at group tasks and various personality traits that give the individual status within the group. The greater the credits, the further away from group norms the leader can go without incurring group sanctions. Each member of the group can acquire these credits, with the leader being the member having the most credits. Deviation from group norms is seen as a debit against the member's credits. To maintain leadership status, the leader must preserve the appearance of task competence, loyalty to the group, and the appearance of loyalty to follower expectations. Hollander notes that the requirements of maintaining these appearances can act as a

constraint on the ability to innovate, which will result in leader rotation. As will be seen in Chapter III of this study, what Hollander has identified is the role of power bases in leader function together with some details on how the magnitude of those bases changes with time.

Fred Fiedler's contingency theory of leadership begins the transition from behavioral to situational theories: Fiedler begins from the observation that certain types or styles of leadership are found to be effective in given types of situations while other styles are not successful. He then identifies three factors that determine the favorableness of the situation to the leader. These factors are the state of relations between the leader and his followers, the task structure, and the leader's position power. The first factor reflects the degree to which the leader is accepted by his followers. Task structure refers to the degree to which there exists a unique "correct" solution, the degree to which this correctness can be demonstrated, restriction on the means by which the solution can be achieved, and the clarity to group members of the requirements of the task. Position power is related to the ability of the leader to dispense rewards and punishments to group members. Fiedler found that individuals have differing levels of leadership effectiveness based on the match between the favorableness of the situation and the leader's score on a test of their views toward their least preferred coworkers (LPC). Individuals who score high on the LPC test view people in a favorable light and are likely to be more concerned with group issues and member satisfaction. These people were found to be most effective in

leadership situations of intermediate favorableness. Low scorers on the LPC are more task-oriented and were found to be most effective in situations which were either favorable or unfavorable to the leader, but not those of intermediate favorableness.

There is good reason to expect the results that Fiedler obtained given the theory I present. In favorable situations, individual goals are aligned with group task goals which are compatible with group maintenance goals. These goals have been correctly identified and accepted by leader and followers, so all that remains is to get on with it. In intermediately favorable situations, goals are less well-aligned and the leader must pay more attention to identifying compatible goal sets. In unfavorable situations, there are numerous conflicting goals and the opportunity to identify compatible goal sets is limited. Accordingly, the leader must rely on more coercive methods to obtain compliance with his directions. A leader who is concerned about relations with group members will be hesitant about employing these means.

Fiedler's theory posits the ability of the leader to change the favorableness of the leadership situation in which he finds himself to match his leadership style. While this may be possible, it seems more likely that a leader can change his style to match his situation. This is the approach taken by Hersey and Blanchard in a leadership theory that has become very popular in the corporate world. According to Hersey and Blanchard, leadership effectiveness depends on matching leadership style to the level of

group maturity. For immature groups, the leader should be task-oriented and display low relational behavior. As the group begins to demonstrate maturity in accomplishing its task, the leader increases the degree of his personal interaction with group members and begins to bring group members into the decision-making process. As maturity increases still further, the leader reduces his task-related behavior and increases the involvement of group members in decision-making. At the highest stages of maturity, the group is able to function effectively without leader intervention so the leader can withdraw from involvement in group operation, leaving it to function on its own.

Unfortunately, this theory has no explanation of maturity that isn't finally circular. The level of maturity is largely defined by the kind of leadership that produces optimal results, but this leadership style depends on the level of group maturity. Without an independent means of identifying group maturity, it becomes rather difficult to apply this theory without knowing in advance what the outcome should be. Furthermore, like the other theories discussed so far, the Hersey and Blanchard theory doesn't address what the leader does or the kind of person who can learn the kinds of style they advocate.

The behavioral theories are thus also found to provide conditions necessary to leadership effectiveness, but they, too, do not identify a sufficient condition. The situational theories, as described above in the Ivancevich, Szilagyi and Wallace section, no longer try to identify a sufficient condition, recognizing that there are at least four sets of necessary conditions which must be dealt with.
CORPORATE CULTURE AND THE JAPANESE CHALLENGE

For many years, discussion of leadership style in the corporation revolved around the dichotomy between "Theory X" and "Theory Y" first identified by Douglas McGregor.\textsuperscript{15} Theory X is a view of the motivations of workers that McGregor found to be common among most corporate executives which holds that workers are by nature lazy and uncooperative and must be either bribed or coerced into doing their jobs. By this theory, workers see their jobs as burdens they must bear in exchange for satisfactions enjoyed on their time off. Following from this theory, managers have only two tools with which to motivate workers, rewards and punishment, generally in the form of raises or bonuses versus being fired or demoted. By resorting to these tactics, management guarantees that workers will be resentful and suspicious and, therefore, behave in precisely the way Theory X predicts.

By contrast, Theory Y holds that people are by nature cooperative and interested in doing a good job. Managers can appeal to needs at higher levels on Maslow's hierarchy than the physiological and safety needs allowed by Theory X. By treating workers with respect, like people if not as peers, rather than as objects, managers can obtain greater effort from their employees. As an example of this approach, McGregor cites the Scanlon Plan that was used by a number of firms. Under this plan, committees of workers representing all functional specialties meet to review ideas for increased productivity. A substantial part of any benefits that result is then distributed to the workers. The Scanlon Plan can be seen to be a

predecessor of the quality circles used in Japan to great effect.

McGregor also provides a rather superficial discussion of leadership and the role it plays in the corporation. Most of his positions appear to be presented as conjecture although he does align himself with the situational theories. In any event, he claims the potential for learning to be a leader is so widely spread that one need not worry too much about finding leaders.

One unfortunate result of the Theory X or Theory Y approach to worker motivation is that it excludes a possibility that is probably closer to reality than either of the two theories. It may be that there are some workers who are naturally inclined to be lazy and uncooperative and who must either be bribed or coerced to do their jobs, while others are interested in doing a good job for its own sake. Workers may develop different attitudes toward work for any of a number of reasons, and there is no reason to expect these attitudes to change quickly just because management operates by one theory or the other. Since the workforce is likely to include Theory X-image workers as well as Theory Y-image workers, it may be necessary to respond to individual workers differently to keep from sending the wrong signals to some part of the work group. These differences will require a more active approach to utilizing the firm's human resources than is implied by adoption of some uniform theory of worker motivation.

In the last couple of years, interest has grown in Japanese management techniques since many firms have identified management skill as one of the Japanese' great advantages over American firms. Ouchi's Theory Z\textsuperscript{16} presents

\textsuperscript{16} Ouchi, William G., Theory Z, Addison-Wesley, Reading, Massachusetts, 1981.
an overview of Japanese managerial techniques and then identifies those elements in it that American firms could adopt. Ouchi claims that there are three fundamentals to the Japanese system: trust that fairness will prevail over time and that sacrifice will be rewarded, subtlety allowing all the peculiarities of a situation to be factored into necessary decisions, and intimacy, openness to each other, interpersonal honesty, and a sense of responsibility.

Ouchi describes the Japanese socio-economic system in some detail, yet fails to acknowledge some key features that are essential to its operation. He describes the pecking-order nature of industrial jobs as it relates to national examination procedures, but ignores the implications of routing the most capable members of society into certain sectors while excluding the least capable. He mentions the system of lifetime employment which makes it impossible to change jobs rather than unnecessary, but offers no comments on the consequences for private choice. He acknowledges that women do not enjoy similar lifetime employment with large scale layoffs occurring whenever the economy turns down. He points with pride to the high savings rate, but only mentions in passing that without any social security system and with compulsory retirement at age fifty-five in a country with a life expectancy of over eighty, Japanese workers have thirty-five years to acquire the wherewithal to survive another twenty-five. He mentions the decoupling of titles and salary from responsibilities as though patience itself were an objective and that Japanese managers are rotated from function so that they become specialists in their firm rather than specialists in a function.
Ouchi points out that Japanese firms developed as complete social systems because of the need to draw workers from traditional rural families. As a result, the firm becomes part of the life of the Japanese worker and he cannot get away from it. Japanese workers must be more honest and forthcoming toward their firms, and the firm reciprocates.

By contrast, American firms are a smaller part of their employees' lives. The firms don't consider their workers as assets and are less inclined to put any effort into training them. American workers become functional specialists which leads them to hold narrow conceptions of their roles in the firm. Specialists from different functions have difficulty communicating since they have different frames of reference and greater resources are consumed in coordination.

Ouchi advocates a pair of measures to combat some of the Japanese' advantages. First, he suggests that firms adopt a corporate philosophy. This statement of objectives provides all decision makers with a common set of assumptions and thereby facilitates cooperation between all employees. It requires that top managers sit down and decide what their firm is trying to accomplish, which will result in the elimination of incompatible objectives and provide a standard that will permit employees to decide whether the firm is appropriate for them. Such a philosophy will identify the long-range objectives of the firm, provide protection for individuals who take actions that are of value only in the long run, and prescribe the firm's relationship to its principal constituencies: employees, shareholders, consumers, and community.

17 See article by Lester Thurow in the June 22, 1981, edition of TIME.
His second recommendation is adoption of the quality circle so that the firm can indicate its trust in employees by authorizing them to make local changes where they believe such will lead to greater productivity. Employees will require training in diverse technical disciplines as well as in interpersonal skills and decision-making in order to take full advantage of the quality circle concept. When workers feel wanted by their employers, they will stay longer and, thus, the cost of training will be kept down.

*Theory Z* is currently on the best-seller list and we must thus expect a rush of firms into the development of Theory Z cultures. Unfortunately, there is reason to believe that Theory Z will produce no long-run benefits for U. S. industry since its premises are out of context in the United States.

A crucial precondition for the operation of the Japanese managerial system is a societal consensus on the allocation of national resources. In Japan, where the only real resource is the skill of its population, such a consensus has been achieved. Some attribute this to cultural homogeneity, but it is also possible to recognize that this consensus is the result of some very real problems arising from the relationship of Japan's population (which, incidentally, includes two ethnic minorities) to its resource base and available technology. The Japanese recognize that they must import natural resources simply to feed the population, never mind industry, and to do this, they must export.

Logically, there are two other ways to resolve the problem Japan faces,

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and Japan has tried them both. The first is to close one's door to outside influence and contacts and maintain strict control over population. Japan tried this for about two centuries, but then found that the outside world could no longer be kept out or the population limited. Within a few short years, Japan had become imperialist, the second possible solution to its predicament. As imperialist, Japan simply conquered territories that provided natural resources it needed, but this soon ran afoul of other imperialist powers and inspired great resentment in the conquered territories. The inhabitants of Japan's colonial empire exhibited greater bitterness about their plight than did those of the other empires precisely because the Japanese never regarded their empire as anything more than a source of resources for the Japanese. Contrast this with the French mission civilatrice, the British White Man's burden, or even America's mission to "uplift and Christianize." World War II made the imperialist option unviable, and that left the Japanese with only the mercantilist option.

Since Japan must succeed by producing goods better and/or cheaper than its competitors, there is no real alternative to directing the most capable workers into export industries and excluding the less capable workers. As a result, Japan's export industries are highly productive, but its non-export sectors lag way behind in productivity. This is hardly surprising. There seems to be little question that any country that could channel its "best" workers into some industry will have an advantage in that industry. There should be equally little question that America cannot channel anyone into anything.\textsuperscript{19} Even if there were no affirmative action and equal employment opportunity rules to require the inclusion

of all kinds of workers, American society has only one tool – money – to
direct the allocation of its national resources, and that is a very
imprecise tool.

A second resource allocation issue is raised by the role of speciali-
sation in American industry. Americans acquire technical specialization
that can be applied in a number of different settings while Japanese ac-
quire capability in a number of specialties that can be applied only in
their own firm. Technical specialization in Japan is reserved for aca-
demics whose services are available to any firm that needs them. By
contrast, American firms bring many specialists in house where they will
be available for those occasions in which they are needed. If these
occasions are frequent, little is lost. However, in most cases, these
occasions are rare and society wastes a resource. The problem doesn't
end there, however. Specialists have difficulty communicating across
specialty boundaries with the result that more time is consumed making de-
cisions than would be required for individuals with greater diversity and
less specialization. The greater the degree of specialization, the worse
the situation becomes – but even that isn't all. Americans are encouraged
to become as highly specialized as they can since that makes their skills
scarcer, and therefore, more valuable. As the specialists become increas-
ingly narrow, the price for their services increases, the number of
specialists required to solve a given problem goes up, and the length of
time required to reach agreement increases. Each of these contributes to
unnecessary costs and resource wastage.

Unfortunately, as long as individuals must bear the cost of acquir-
ing their human capital, it is only reasonable to expect them to maximize
their ability to derive a return on that investment. American firms take only a minor role in training their workers while Japanese firms consider this a principal responsibility. American workers thus develop skills that will draw higher salaries while Japanese workers acquire skills that will lead to productivity. To shift from the present emphasis in America to one more conducive to productivity would require a restructuring of both the educational and economic systems. Fewer students would go to college than at present and even fewer to graduate school since these institutions would become oriented to the training only of the few specialists required as well as the next generation of academics, rather than to the wholesale production of technocrats for industry. Rewards for specialists would have to be reduced significantly while rewards for generalists would have to be increased. Since most managers in America got their present positions through specialization, such a change would undercut the basis of legitimacy of current managerial elites and usher in a new elite having the maturity discussed by McClelland and Burnham. This new elite would greatly reduce the value of the human capital of the present elite which explains the fears McClelland and Burnham ascribe to them. Thus, even if it should become irrefutably obvious that a change of elites would lead to greater productivity, there is no reason to expect the change any time soon.

A third major issue that Ouchi mentions only in passing is the capital structure of Japanese firms. The export sector consists of large clusters of firms, each of which includes a bank. This bank provides most of the capital for industrial expansion by the firms in the group. In turn, the

\[20 \text{Op. cit.}\]
bank acquires its capital from the savings of the employees of the firms in the cluster. It matters little whether the bank terms its interest in the firms in the cluster bonds or stock, the profits from the cluster go for the most part to the bank which can then either plow them back into further investment in the cluster's firms or distribute them to the depositors, the employees of those same firms. The net result is that Japanese workers benefit from the profits of their employers, generally through having greater assets available to them in retirement. By contrast, the profits of American firms go to a largely faceless mass of stockholders, most of whom have heeded the lessons of the financial specialists, and therefore, hold well-diversified portfolios so that they have no special interest in the performance of any firm, if, in fact, they are even aware of what they own. There is no reason for workers to care what happens to their employer's stock if the stockholders themselves have only a passing interest. This aspect of the American system is potentially easier to alter since it "only" requires the conversion of stock to fixed yield bonds so that greater profitability will lead to greater welfare for employees.

The focus on Japan does serve to highlight a key issue that will have a prominent role in the leadership theory I present in the next chapter; namely, the need to husband and allocate resources for the attainment of objectives. Japan has been able to perform these two vital tasks on a national basis while America has not. As I shall show shortly, the ability to identify a clear objective has great value for any group faced with a resource allocation problem and that this objective serves to simplify the tasks of leadership.

One last comment about Japan should be made here. Export surpluses
are a psychological as well as an economic necessity to the Japanese and all Japanese share the knowledge of the importance of the export trade. As a result, tariff and other barriers add little protection for Japanese manufacturers in their home market since consumers are conditioned to resist imported goods that compete with goods Japan produces. Pressuring Japan to open its markets to goods that compete with non-export sector products threatens the consensus that allows Japan to concentrate its most productive workers in the export sector. American agriculture could drive Japanese agriculture completely out of business, but this would force Japan to find work for these displaced low-productivity workers in other sectors. Ultimately, if other non-export sectors were exposed to foreign competition, low-productivity workers would force their way into the export sector and the Japanese would then have little choice but to return to imperialism, with dire consequences for everyone.
CHAPTER III
GOALS, RESOURCES, AND LEADERSHIP

In the first chapter, I laid out the basic structure of the leadership process. Starting from the premise that leadership is the ability to get the members of a group to perform a task, I identified two distinct criteria, both of which require attention for leadership to be effective:

. Is the group accomplishing the task?
. Is the group developing as a group?

These two criteria, it was noted, can be and often are in conflict.
Furthermore, there are at least two additional goals with which the leader must deal: his own and that of at least one follower. Accordingly, the leader of any group must perform three tasks:

1) Recognize compatible goal sets and distinguish these from impossible and incompatible sets.

2) Select from among the compatible goal sets the set which promises the greatest progress along the two criteria for effective leadership.

3) Reprogram himself so that he can reorient and motivate the members of his group to work toward the newly-selected goal set.

In this chapter, I shall take up the model again and expand on the role of goals, the place of resources, and how objectives are achieved. From these, I construct a model of the leadership process and a profile
of the effective leader.

GOALS

Let me begin the discussion of goals by proposing without proof that the principal and overriding goal of any group that expects to survive must be to increase its resource base. Greater resources permit greater freedom of action, enabling the group to seek more ambitious interim group goals or to distribute resources to group members. Increasing resources is a continuing goal which is at the same time both a modal and an end-value. Accordingly, resource sufficiency can never be attained unless limitations on freedom of choice are accepted. Since final success can never be reached, interim goals are selected to determine the group's progress. (It should be noted that this discussion of group goals applies equally to individual goals.) The goals selected in any group, therefore, represent guidelines that indicate the direction in which the group is moving. These guidelines provide information to group members as individuals and to the group as a group. For individuals, the choice of interim goals indicates whether the group is headed in a direction that will result in an increased resource base for the individual. For the group, the interim goals provide standards against which decisions can be made and evaluated.

In selecting interim goals for a group, the three roles that goals play must be kept in mind for they will determine the appropriateness of the goals chosen. A goal that does not increase the resource base is at best zero-sum. Resources may increase for some part of the group, but
they must come from somewhere else where the resource base will be depleted. Second, goals that clearly favor some subset of group members at the expense of another set, even if the total resource base is increased, will cause the latter group to resist. Third, goals that cannot provide standards against which progress can be measured cannot be used as a basis for planning or decision-making.

GOAL ATTAINMENT

My second proposition is that a group can increase its resource base by combining its current resources in special ways. For example, seeds, soil, fertilizer, water, carbon dioxide, sunlight, and time can be combined to create plants which will provide more seeds than the original ones. The strategy here is to utilize non-storable resources like sunshine and time, which would otherwise "go to waste" to create more of a storable one. I contend that any goal is attained in exactly this manner, combining various resources in the right proportions to achieve a desired outcome. Symbolically, this proposition can be expressed as:

\[ \sum R_j - W = \sum B_k \]  

(1)

where \( R_j \) is the quantity of resource \( j \) applied to the objective, \( W \) is a measure of wastage, and \( B_k \) is the quantity of benefit \( k \) produced in this manner.\(^1\)

Next, one must consider where these resources come from. Some come

\(^1\)Argument is adapted from that presented in Mancur Olson's *The Logic of Collective Action*, Harvard University Press, Cambridge, Massachusetts, 1965.
directly from nature, like sunlight, and for most purposes, can be assumed to be "free." Other resources must be acquired from group members who will have different endowments of various kinds of resources. To obtain these resources from them, the group will have to distribute at least some share of the benefits. Thus we have:

\[ \sum \sum R_{ij} - W = \sum \sum B_{ik} \]  

(2)

where we sum for group members \( i = 1 \ldots \) and include nature and the group as a whole as "group members."

Recognizing now that groups may be pursuing multiple goals, I suggest above that there are likely to be a minimum of four at all times, and that total resources acquired must be sufficient to cover the requirements of each separate goal, minus any synergistic benefits*, and that benefits from different goals can be distributed to members disproportionately, we have a general formulation for the relationship between resources required and benefits distributable:

\[ \sum \sum R_{ij} - \sum W_{i} = \sum \sum \sum B_{ikl} \]  

(3)

where \( l \) is used to sum by objectives.

The next step in constructing the model is to recognize that individuals may value their resources and benefits differently. However, it should follow that any activity for which the value attached to benefits received exceeds the value of the resources the member must give up will

* Synergistic benefits can be considered "negative" wastage, and would be incorporated in equation (3) by one or more negative values for \( W_{i} \).
have the willing participation of that member. Generalizing to a group undertaking multiple objectives, the formula for motivation is found to be:

$$\sum \sum B_{ikl} \cdot U_{ik} - \sum \sum R_{ij} \cdot V_{ij} > 0$$  \hspace{1cm} (4)

where $U_{ik}$ is the value individual $i$ attaches to a "unit" of benefit $k$ and $V_{ij}$ is the value he places on a "unit" of resource $j$. It should be recognized that the $U_{ik}$ and $V_{ij}$ change with time, circumstances, and even the values of $B_{ikl}$ and $R_{ij}$ respectively.

Equation (4) presents a minimum condition for willing participation of group members in group activities. In practice, each member will seek to maximize the value of the expression

$$\sum \sum B_{ikl} \cdot U_{ik} - \sum \sum R_{ij} \cdot V_{ij}$$  \hspace{1cm} (5)

for himself. Where decisions are made by majority rule, the choice made will in general result in higher values for expression (5) for members of the majority at the expense of lower values for group members in the minority. As long as equation (4) is satisfied for all group members, no problem results.

A few comments about these formulae are appropriate. First, $W_1$ does not appear in equation (4) so it is unambiguously the case that the smaller the value of all $W_1$, the better for the group. Negative values of $W_1$, synergisms, are to be sought out. Second, each of these formulae is a function of time. The resources required for any goal must be available at the time they are needed, or else the goal cannot be achieved. As
a corollary, any plan that calls for the use of a greater amount of any $R_j$ than can be acquired from group members within the available time must fail, and any resources expended are wasted. Third, without the ability to coerce or seize resources, unless equation (4) is satisfied for member $i$, the group cannot assume it has access to member $i$'s resources. It is possible to change the $U_{ik}$ and $V_{ij}$ through various propaganda techniques, but this becomes an additional goal which requires the expenditure of resources from other group members. This effort can be justified sometimes, but not always. Fourth, there are some $B_k$ and $R_j$ that are public goods, but this does not necessarily mean that the corresponding $U_{ik}$ and $V_{ij}$ will be zero. Pride/esteem is an example of a $B_k$ that is a public good where $U_{ik}$ is decidedly positive. The very act of distributing private benefits is likely to alter the $U_{ik}$ in unpredictable ways since it is subject to all the jealousies of any distributional issue.

RESOURCES

Let us now take a look at the kinds of resources that go into goal attainment. I categorize resources in three ways which will serve as a point of departure for a discussion of the leadership model and leader profile.

The first distinction between resources is that some are exogenous and some endogenous. Exogenous resources are a function of the environment over which no member of the group has any control. They include the synergies mentioned above, unexpected opportunities, and natural endowments of various kinds. None of these can be planned for or counted on, but when they are present, they should be utilized to the fullest. Environmental
constraints are the negative side of the exogenous resources. These require the expenditure of resources not so much to attain goals but to get the right to try to attain them. Constraints exist for every group, and it is at their peril that group members ignore them.

Endogenous resources are those that belong to group members. These resources may have been brought into the group at the time of recruitment or they may have been acquired as part of the benefits distributed by the group in exchange for resources the member brought into the group. Groups and their leaders can, in fact must, plan to develop their endogenous resources. This is the resource base whose growth is the principal goal of every group.

A second distinction among resources is between resources that are applied on the task side and those that go into the group side of organizational operation. Here, we return to the double criterion of leadership as having a task objective and a group objective. The group objective can be considered similar to other organizational objectives, recognizing that the resources appropriate for attainment of this goal will be somewhat different from those useful for achieving the task-side goals.

Both the task-oriented and group-oriented resources can be divided into four basic categories. First, there are material resources, some of which may be exogenous. Included here would be natural resources, machinery, buildings, and supplies of various kinds. One usually finds money included here, but I would caution against the idea that money is a resource at all, except, perhaps, for financial institutions. For most groups, money is only a means to measure some of the $U_{ik}$ and $V_{ij}$. If money were a resource, inflation and prosperity would be the same thing. The second category of
resources is skills. Anything anyone knows how to do is a skill; there are literally thousands, if not millions of them, including everything from walking to designing a computer. The more skills one has, the more he can do, and the same applies to groups. Third is information, which differs from skills in that skills are embodied in group members and information is not. Within the category of information, one finds everything from the latest findings of the various sciences to tomorrow's weather forecast. It provides the means of understanding many of the exogenous resources the group encounters and for coping with constraints. The fourth category is people, which I left for last because unlike other resources, people have the ability to respond to the way in which they are being utilized. People own the other categories of resources and attach values to them. They are in a position to make group goals easier to achieve or harder, depending on how they are treated. It is precisely because people have minds of their own that group-side resources are required. Figure 3 presents a categorization of representative resources in each of the four categories on both the task and group sides of the organization's operation.

One last resource needs to be identified: time. Readers will note that the example of resource combination used above explicitly indicated that one of the resources utilized was time. Any change requires the "consumption" of the resource time and it is precisely for this reason that some goals are unattainable. Given enough time, essentially anything can be achieved, but when one is dealing with people, who have finite time horizons, he must recognize that he is limited to
seeking goals that can be achieved within the time those people are willing to allow. In some cases, if the task isn't completed by the deadline, it won't matter any more whether it is ever done.

FIGURE 3 - RESOURCE CATEGORIZATION

<table>
<thead>
<tr>
<th>Resource Category</th>
<th>Task-Side</th>
<th>Group-Side</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material</td>
<td>Raw materials, fuels, buildings, machinery, vehicles, furniture, inventories, (money)</td>
<td>Salary, benefits, awards, status symbols, promotions, titles, bonuses</td>
</tr>
<tr>
<td>Skill</td>
<td>Engineering, art, marketing, politics, operations management, logistics, machine operation</td>
<td>Leadership/organizational skills</td>
</tr>
<tr>
<td>Information</td>
<td>Natural science findings, market data, financial data</td>
<td>Social science findings. Knowledge of the $U_{ik}$ and $V_{ij}$</td>
</tr>
<tr>
<td>Human</td>
<td>Group members</td>
<td>Leader(s)</td>
</tr>
</tbody>
</table>

THE ESSENCE OF LEADERSHIP

With the above comments as background, it is now possible to identify the essence of leadership:

The essence of leadership is making provision for the group to have adequate supplies of all categories of resources necessary to the accomplishment of its goal(s).
The leader undertakes to perform this function subject to the constraint that equation (4) holds for all group members including himself.

Several consequences flow from the last two statements. First the leader uses the prospect of benefits to extract resources from group members. To do so effectively requires that he have a good understanding of the $U_{ik}$ and $V_{ij}$ for each group member, and that resources be sought from those who value them least while benefits are distributed to those who value them most. Second, some resources are best acquired by taking some from each group member, while other resources are best acquired from single individuals. In particular, group-side resources are often most efficiently acquired from the leader himself. Third, the leader must be able to identify goal sets that permit him to distribute sufficient benefits to acquire the resources for their attainment. It is obviously of great value if the leader can drive $W_1$ to zero or even negative. Fourth, the exact role of the leader will depend on the relative abundance in the group of each category of resource in Figure 3 as well as on the exogenous circumstances. Fifth, the leader must balance the need for current benefit distribution against the need to build up the resource base to permit benefit distribution in the future. In particular, the leader must pay attention to the need to develop greater task-side skills through training, material resources through investment, information through data acquisition, and personnel through recruitment. In addition, development of the leader's group-side resource base is in order.
Before narrowing the focus to the group-side resources, I would like to point out that there is a specialized discipline concerned with the study and development of each of the task-side resources and that these resources are usually acquired from multiple sources. Finance is concerned with acquiring material resources and deciding whether various combinations of these resources make economic sense. The debate within the finance community over whether dividend policy makes any difference is concerned with the value of $U_{ik}$ and more specifically the monetized component of $U_{ik}$. Education deals with skill development. The comments made in Chapter II concerning the consequences of having individuals finance their own training is reducible to the fact that in America, $V_{ij}$ for task skills is positive and large, while in Japan it is closer to zero. Thus, Americans require greater benefits to contribute their skills to group goals. The various sciences are concerned with increasing the stock of information. Since information is largely a public good, the corresponding $V_{ij}$, as seen by the group are usually small. The "owners" of the information have usually expended other kinds of resources to obtain it and they value their information at least as highly as the resources they consumed. Accordingly, considerable effort goes into protecting and restricting information. The personnel function is charged with recruiting and/or selecting the members of the group. To the extent that selection is possible, the choice is made on the basis of resources the member brings into the group, material, skills, and information, as well as himself. It would make sense to select on the basis not just of $R_j$, but on $U_{ik}$ and $V_{ij}$ as well, but that seems to be beyond the current state-of-the-art.
On the group-side, the only resources that are regularly acquired from multiple sources are the material ones. Usually, these resources are monetized so that their source is the entire range of group members who contribute resources that can be monetized. Non-monetary material resources such as prestige, titles, or status symbols can exist only because group members recognize them, so they, too, are acquired from group members.

The other three categories of group-side resources are more commonly derived from the leader or leaders, and perhaps a few other group members. The exact distribution of sources will depend on the availability of these resources among group members.

LEADERSHIP SKILLS

Leadership skills, like other skills, are not exhausted by being used. In fact, use reduces the leader's $V_{ij}$ for this resource in a manner describable using the learning curve concept. These skills come in three groups: task-relevant, group development, and individual development, and have as their primary objective the minimization of $W_1$. Before briefly discussing these skills, I present a list of them in Figure 4.
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| Task-relevant               | Environmental perception  |
|  | Resource recognition      |
|  | Goal identification       |
|  | Planning                  |
|  | Scheduling                |
|  | Delegation                |
|  | Decision-making           |
|  | Controlling               |
|  | Administrative            |
|  | Performance monitoring and evaluation |
|  | Problem-solving           |

| Group Development          | Communication            |
|  | Member integration        |
|  | Develop organizational structure |
|  | Conflict-resolution      |

| Individual Development    | Communication            |
|  | Counseling               |
|  | Skill development        |
|  | Interpersonal skills     |

ENVIRONMENTAL PERCEPTION - The first requirement for a group seeking to achieve any goal is to identify the obstacles that must be overcome and any exogenous resources that might help out. Any group member can do this, but since the environment may change continuously, there are reasons of efficiency for this function to be located in the leader.

RESOURCE RECOGNITION - Once the obstacles have been identified, the group should take stock of the resources it has available to deal with those obstacles and achieve its goals. Group resources are likely to remain more stable than the environment, so most group members will be more or less aware of the group's resource base. Attached to each resource is the identity of the member or members from whom the resource is available and the corresponding $v_{ij}$.
GOAL IDENTIFICATION - Given the perception of the environment, the resource base and the $U_{ik}$ and $V_{ij}$, the next step is to identify the set of goals for the group that will result in the largest increase in the group's resource base. This goal will be optimal for the group and some of its members while less than optimal for others. It is not necessary that the optimal goal set be optimal for a majority of group members, although this will frequently be the case.

PLANNING - Now that group goals have been identified, strategies and tactics must be devised to achieve them at the lowest resource cost. There are many sophisticated planning techniques available today and planning is becoming a functional specialty in its own right. These techniques are best applied to long-term plans on a large scale, but there will be cases in which the leader must devise an ad hoc plan to bridge a gap in the grand design.

SCHEDULING - Once the plan has been developed, it is necessary to make specific decisions on who will do what, when, where, and how. Scheduling is the nitty-gritty of planning.

DELEGATION - Most plans call for different things to be happening simultaneously in potentially widely-scattered localities. Since the leader cannot be in two places at once, he must assign authority and responsibility to a group member to act in his place. This group member will usually need to be able to utilize the leadership skills, so the selection of this individual must be considered carefully.
DECISION-MAKING - This is the skill that Vroom and Yetton\textsuperscript{2} identified as leadership. It is the ability to select ends and/or means that maximize the probability of achieving the group objective. Leaders must make frequent decisions, particularly if the environment changes or they determine that the group is not progressing as planned, and usually entails going back to square one.

CONTROLLING - Having gone to the trouble of making the plans and acquiring the necessary resources, the leader then has an interest in seeing to it that the resources are used in the intended manner to produce the benefits he must distribute to group members.

ADMINISTRATIVE - These skills enable the leader to identify the information he needs to understand the environment, take stock of his resources, and assess group progress toward goals. Administrative skills are necessary to the collection and utilization of information resources in any form.

PERFORMANCE MONITORING AND EVALUATION - As the group progresses toward each interim goal, the leader must keep track of what is actually being done and how this compared to his plan. If progress is according to plan, fine; but if not, corrective action is indicated. The correction may take the form of changing the plan, counseling a group member, changing the reward structure, or any of a number of other responses.

PROBLEM-SOLVING - From time to time, something will go wrong with the execution of a plan for any of a variety of reasons. Since our leader has been

\textsuperscript{2}Op. Cit.
monitoring performance, he will recognize the existence of a problem and that a solution must be found. The solution may take a number of forms as suggested in the previous paragraph.

COMMUNICATION - In working with groups or individuals, one cannot expect them to do what one wants unless he has clearly told them what is desired. Communications take a number of forms: written, verbal, visual, even subliminal, and here, too, a special discipline has developed to study the issue.

MEMBER INTEGRATION - The principal objective of integrating members into the group is to alter their $U_{ik}$ and $V_{ij}$ in a direction that lowers the $V_{ij}$ for resources the group needs from the member and raises the $U_{ik}$ for benefits the group can provide. This skill has also become the focus of considerable attention.

DEVELOP ORGANIZATIONAL STRUCTURE - Structures provide short-cuts in performing various tasks needed for group operation and are thus directly instrumental in reducing the $W_1$. One must be careful, however, to structure the organization so that beneficial outcomes outweigh any negative ones. Structures have implications for the choices made in seeking the $R_j$ and in distributing the $B_k$ which can have serious implications for the organization's resource base.

CONFlict-RESOLUTION - It is inevitable with a changing environment and changing $U_{ik}$ and $V_{ij}$ that commitments of individual resources that looked good at some time in the past will be less attractive at a later date.
This is the concept of the obsolescing bargain. In these cases, there will appear to be a straightforward resource transfer from one or more group members to one or more other members leading to conflict over group goals. It will sometimes be necessary to change the goals to reestablish the appearance of equity, although more commonly a side-payment of some kind will be sufficient.

COUNSELING – Leaders usually find out that their perception of a member's $U_{ik}$ or $V_{ij}$ is incorrect when the member becomes disruptive or otherwise uncooperative. It is then necessary to gain a better understanding of these parameters and work out some means by which the member will be willing to contribute his resources to the attainment of group goals. Counseling is a combination of problem-solving, member integration, and conflict resolution, done on an individual basis.

SKILL DEVELOPMENT – Task-related skills are one of the resource categories required for goal achievement. Group members may bring such skills into the group with them, but if they don't have the skills the group requires, it becomes the leader's responsibility to train them. The training function is frequently delegated to group members having special skills in this area. Obviously, if one is to train someone in a skill, he will need to have mastered that skill in advance.

INTERPERSONAL SKILLS – Needless antagonism between group members, especially if it involves the leader, increases the $W_1$ for the group and is thus to be avoided. The leader must be aware of the need in this area, have sufficient group-side information, and be sensitive to individual peculiarities.
MOTIVATION - The leader must keep equation (4) in mind whenever he is making any plans, and accept the reality that people don't respond to his commands just because he is giving them. The leader must also accept the fact that group members don't have an open-ended obligation to obey him.

A number of these skills are somewhat similar to others although their contexts set them apart. For example, conflict-resolution and problem-solving involve much the same steps except that group-side issues lead to conflict while task-side issues are termed problems. Motivating is necessary at the beginning of a task while counseling takes place during a task. Planning is sometimes considered to include environmental perception, resource recognition, goal identification, decision-making, scheduling, delegation, and perhaps others. I present an extended list of the functional skills required to facilitate recognition of the complexity of the process.

INTEGRATION - There is one additional skill without which these functional skills can get lost, the ability to integrate the diverse components of group operation. The leader deals simultaneously with the group and task-side problems and resources of his organization and must be able to make sense of them. It is this skill that gives the resources listed in Figure 3 their value and that permits the skills just enumerated to be effective.

INFORMATION

Leadership information comes in two catagories. The first consists of the findings of various social sciences about group operation, individual motivation and psychology, training techniques, and other knowledge relevant to doing a more efficient job at each of the leadership skills. The leader
must have ready access to this information, which suggests that he either know it himself or that he have an expert available for consultation. Much of this information is relatively specialized, so there is no reason to expect group members to have much to offer unless they have studied these issues. The existence of this resource accounts for Wildavsky's assertion that the topic of "leadership has disappeared into society."

The second kind of information is the only leadership resource that must be distributed among group members, namely the values of each member's $U_{1k}$ and $V_{ij}$. These data play such a central role in the leadership process that the distribution of knowledge of their values is sufficient to justify the great emphasis placed on collective decision-making by Tannenbaum and Schmidt\(^4\) or Vroom and Yetton.\(^5\) Involvement of group members in decision-making has other advantages, such as the potential for a larger pool of ideas from which to select the group's plan, but knowledge of the $U_{1k}$ and $V_{ij}$ is the key one. It is probably unnecessary to know the exact value of these parameters, especially when the alternative outcomes are sufficiently distinct to permit the leader to estimate quickly the values of expression 5 for all group members. This is the condition meant by a crisis. However, as the possible outcomes begin to overlap and their differences become more subtle, greater knowledge of the $U_{1k}$ and $V_{ij}$ becomes important. At the opposite extreme from crisis, when all possible outcomes have the same benefits for the group, the group seeks to maximize the value of expression 5 for each of its members, which requires some

\(^3\) Quoted in Rothberg - Op. Cit. p. 181.


precision in the values of these data.

THE LEADER PROFILE

The person of the leader is the group's group-side human resource. Human resources have two components: what they know how to do (their skills) and what they are (body, mind, personality, etc.). I have already discussed leadership skills, and as one might imagine, they will be part of the leader profile. These skills are learnable, as by definition, are all skills, so there is no need to select leaders based on whether they already have these skills.

The other half of the leader profile, body, mind, personality, etc., is reminiscent of the trait theory approach to the study of leadership. When discussing these theories in Chapter II, I noted that these findings appeared to be necessary but not sufficient conditions for leadership. Now that I have presented the skills and information components of the leadership role, I believe one can understand why the traits were never found to be sufficient.

The personal characteristics that make an individual a potential leader fall into four categories. Three of these categories come directly out the model, characteristics that result in an individual's assigning a low value to the $V_{ij}$ for providing resources to the group, those that result in the individual's assigning higher values to $U_{ik}$ for public goods, and those that facilitate the reduction of $W_1$. In addition, there is a group of characteristics essential to recognition of how the leadership process works and to the ability to operate it effectively. Figure 5 presents a listing of representative characteristics in these categories.
### Figure 5 - Leader Personality Characteristics

<table>
<thead>
<tr>
<th>Action</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce $V_{ij}$ for provision of resources</td>
<td>Creativity, intelligence, self-confidence, endurance, enthusiasm, wealth, talent at relevant skills, physical strength.</td>
</tr>
<tr>
<td></td>
<td>High need for power, achievement, and/or affiliation.</td>
</tr>
<tr>
<td>Increase $U_{ik}$ for public goods</td>
<td>Unselfishness</td>
</tr>
<tr>
<td></td>
<td>Insecurity and other issues addressed by Rothberg.</td>
</tr>
<tr>
<td>Reduce $W_i$</td>
<td>Flexibility, judgement, initiative, responsibility, self-control, empathy, integrity, high standards.</td>
</tr>
<tr>
<td>Model acceptance</td>
<td>Task achievement concern.</td>
</tr>
<tr>
<td></td>
<td>Group development concern.</td>
</tr>
<tr>
<td></td>
<td>Intelligence.</td>
</tr>
</tbody>
</table>

Taking a look at Figure 5, one sees that there are two kinds of personality characteristics that influence the $V_{ij}$ and $U_{ik}$. The first is a matter of abundance. Characteristics that reduce the cost of acquiring leadership skills or the difficulty of exercising them will reduce the $V_{ij}$ associated with providing these resources, although not to zero. For similar reasons, wealth may be a leader characteristic because the relative cost of providing material resources is lower for the wealthy. A similar argument applies on the benefits side. Individuals with ample endowments of private resources are less likely to value increments to those bases as highly as those who have less. Accordingly, they will have a greater proclivity for public goods.
The second kind of personality characteristic that enters at this point concerns patterns of motivation, the subject of many leadership studies including the one by Rothberg which I reviewed in Chapter II. These characteristics, which may be very different from one another, tend to operate on the $U_{ik}$ and $V_{ij}$ directly and generally in the direction that favors leadership. It will be noted that I group together characteristics that most leadership studies use to make distinctions. For example, the need for power is usually contrasted with the need for achievement, and both of these are contrasted with the need for affiliation. I put them together as substitutes for one another because any of these, or any combination of them, will have the effect of reducing the perceived cost of providing leadership skills, if doing so is expected to result in satisfaction of that need. In extreme cases, the value of $V_{ij}$ will be negative; provision of a resource will be equated with receipt of a benefit. Findings, such as those of McClelland and Burnham, of the superiority of power needs to affiliation needs for executives reflect nothing more than a structure that makes it easier to realize power than affiliation.

These two kinds of characteristics operate independently of one another. Optimally, the leader will have both an abundance of these personality characteristics and a motivational profile that creates a desire to contribute leadership to the group. In the absence of these psychological factors, the decision to provide leadership is mainly an economic calculation. In cases where the psychological factors dominate, there is an intervening question of whether the individual has the resources the group requires. If he does not, and lacks the resources to acquire them, then leadership is not possible. Obviously, if the endowment is low and

\[ \text{6 Op. Cit.} \]
the drive is not there, the individual won't even consider the role of leader.

The characteristics listed for reduction in $W_1$ are fairly obvious assets for minimizing the waste of other resources. Because of the role of waste in the model, it follows that these and similar characteristics will be less important the greater the endowment of other, primarily task-side, resources. It is no coincidence that the Japanese are considered high in these characteristics.

The final set of personality characteristics is probably the most important since they permit the leader to operate according to the model. Concern for task achievement and concern for group development must be at the same high level for the individual to correctly identify the goal set permitting the greatest accomplishment along the two criteria for effective leadership. It is important to recognize that these are not the same as high need for achievement and high need for affiliation respectively. The characteristics in this set reside in the conscious and not in the subconscious. They are the prerequisite for understanding the dual nature of the leader's responsibilities. Included here also is intelligence, since the leader will have need of some while attempting to reconcile the demands of the task and group sides of his organization.

Before moving on to the concluding section of this chapter, it should be noted that the kind of benefits the leader can distribute, the $B_k$, are a function of the leader's personality as well. These benefits, or more inclusively benefit structures, constitute the leader's power bases as discussed by Weber\(^7\), (love and fear), Thamhain and Wilemon\(^8\).


(authority, expertise, work challenge, referent, future work assignment, fund allocation, promotion, salary, and penalty), French and Raven\(^9\), (reward, coercion, legitimate, referent, and expert), and Kotter\(^10\), (sense of obligation, expertise, identification, and perceived dependence).

Each of the power bases requires certain kinds of personal attributes, but since it is not necessary to utilize them all, none of these can be considered necessary. The power bases constitute a hierarchy of sorts with lower levels having to be utilized before higher ones can be brought into play. The lowest base is position power, which depends on the backing of an institution of some sort that is believed to be capable of distributing rewards or meting out punishment. If the institution's backing or its ability to carry out promises or threats is in doubt, position power can become largely worthless.

The next step is rewards and punishments. While, strictly speaking, these two are not equivalent, as used here, they refer to material payoffs of various kinds and appeal to the lower level needs of Maslow's hierarchy. At a higher level is referent power which appeals to the follower's need to be liked. To utilize this power, the leader must be someone the follower would want to have liking him, which obviously will depend on the characteristics of the follower. Higher still is expert power which appeals to the need for self-esteem, the belief in one's self-worth. To utilize this power, the leader needs a high degree of proficiency in an area the follower would like to master.

Sitting on top of the hierarchy of power bases is moral power, which appeals to the need for self-actualization. Moral power resides in


the task and not in the leader and can be considered an exogenous re-
source. Curiously, it is the only power base that Burns\textsuperscript{11} considers
worthy of a leader.

\textbf{CAN LEADERSHIP BE LEARNED?}

This question inspired the tremendous interest in the subject of
leadership that was noted in Chapter I. Throughout history, the consen-
sus answer has always held a closer relationship to the prevailing form
of social organization than to any other factor. During periods of
aristocracy, the answer was "no"; with the arrival of democracy, it
became "yes".

Based on the model I present, the answer seems to be "yes",
leadership can be learned, provided the individual brings certain person-
al resources with him into a leadership situation. Only certain indivi-
duals will choose to pursue leadership roles. They will self-select on
the basis of the personality characteristics presented in the first two
categories of Figure 5. Category 3 characteristics will interact with the
group's resource base to either encourage or discourage further attention
to a leadership role. A further weeding out will occur. There is little
question that the leadership skills can be learned, the group-side infor-
mation acquired, and an understanding of the power bases developed. It
is not so clear that one can develop the proper orientation to both the
group and task sides, although it is clearly not impossible.

The answer must be that no-one can be identified as a prospect for
certain success as a leader, since skills must be learned, while others
\textsuperscript{11}Op. Cit.
certainly cannot succeed. In between, there is great need for selection and training, the subject to which I now turn my attention.
CHAPTER IV

SELECTION AND TRAINING OF CORPORATE MANAGERS

As stated in Chapter I, I tested my model against actual practice by conducting interviews with corporations having headquarters or major operations in and around the Boston area. The information collected supports the model but does not prove it by any means. Each component of the leadership profile was mentioned at least twice, and nothing was suggested that cannot be decomposed into elements arising from the model. In addition, a number of other interesting issues arose frequently enough to permit some conclusions about them. These will be presented below.

THE SURVEY

I identified four dozen companies having headquarters or major operations within Interstate 495 and wrote to the training director or head of personnel to inquire whether he or she would be willing to participate in the study. Follow-up phone calls reduced the potential sample size to about thirty, and of these, I succeeded in interviewing twenty-six people at twenty-four firms. Confidentiality was offered to all participants.

The firms fall into five industrial categories, each having four or six firms. These categories are:

- utilities and services, including retail
- traditional industries - food, clothing, construction, and consumer goods
- heavy industries - natural resources, machinery, and industrial equipment
. high-tech firms — engineering, computers and electronics, scientific instruments
. financial — banking, insurance, investments

Since the participants are largely self-selected, the sample can be considered sufficiently diverse to offer some confidence that it approximates a random sample, at least of firms in the Boston area.

Respondents fall into three categories: young females, young males, and middle age to older males. In general, middle age to older males held a title equivalent to director of personnel, while younger respondents were all in training functions. With one exception, there appeared to be no relationships between age and sex on the one hand and my findings on selection criteria and training practices on the other. The exception is that the middle-age to older males reported stronger institutional support than did the younger respondents, but this may reflect their higher status within the firm.

I surveyed both selection and training procedures since the principal determinant of how firms will provide for leadership is cost. If it is cheaper to locate, recruit, and integrate individuals with the desired resources than it would be to develop those resources in a current employee, then the issue will be addressed in a selection criterion. If development is cheaper, then the firm will provide training. It should be understood that the leadership skills listed in Figure 4 are easier to develop through training than are the personality characteristics presented in Figure 5, so one expects to find selection more common for personality characteristics and training more common for skills. This analysis of selection vs. training was endorsed by four respondents. The largest firms offer training
programs, but don't stress them, preferring to rely on selection to recruit leaders. The smaller firms don't have enough personnel to make it likely that they will find what they need, so training is taken more seriously.

A typical interview would last approximately an hour and would begin with my describing my model for about fifteen minutes. Next, respondents were asked to select a career path within their firm that would contain one or more transitions from positions where less leadership ability was required to ones where more ability would be necessary. We then discussed the criteria used to select candidates for promotion and the training they would receive. We would cover the same issues at higher level transitions and possibly in one or more additional career paths. Toward the end of the interview, I asked a number of additional questions to determine the level of support upper management gives to the training procedures and to selection for leadership resources. Interviews ranged in duration from half an hour to two and one-half hours.

The methodology employed to gather data requires that a number of cautions be raised. First, all data is self-reported by the respondent. In some cases, the respondent mentioned that the criteria he was discussing were his own opinion or under consideration for implementation. It is impossible to tell without much closer observation how much is actual practice. Second, respondents who had written lists of selection criteria or training programs mentioned a significantly higher number of the components of the leader profile than those working from memory. This result may reflect greater thought having been put into the issue or it may simply be an example of the superiority of written records over memory. Again, it would require a significant intrusion to determine which is the case. Finally, it is extremely difficult to focus a discussion of this sort.
without prompting some responses from the interviewee, particularly where he was working from memory.

FINDINGS RELEVANT TO THE MODEL

Figures 6 and 7 present the number of firms in each sector of the sample for which a respondent mentioned the various elements of the leader profile. Figure 6 contains the data for personality factors while the leadership skills are presented in Figure 7.

Perhaps the most interesting finding is that every element of the profile was mentioned at least twice. As stated previously, this doesn't prove anything, but it is suggestive.

Only three elements were mentioned by more than half of the sample. These are, unsurprisingly, technical skill, which was mentioned by every respondent, communications (17), and planning (16). Other elements mentioned frequently were resource recognition (10), scheduling (11) and problem-solving (10), all of which are sometimes considered part of planning, interpersonal skills (10), and concern for task achievement (10). These results are consistent with the task-side bias one expects in a group whose success is measured in short-run monetary terms.

The next thing of interest is that if one removes technical skill from the personality factor list, every sector shows a lower frequency of interest in the personality factors than in the skills. This result may arise from a bias among respondents, most of whom were involved with training, for trainable elements in the profile. Alternately, it may reflect the same task-side bias mentioned in the previous paragraph.

There are few noteworthy differences between the sectors. The
FIGURE 6
LEADER PROFILE ELEMENTS MENTIONED BY INTERVIEWEES: PERSONALITY FACTORS

<table>
<thead>
<tr>
<th>Element</th>
<th>Utilities and Service</th>
<th>Traditional Industry</th>
<th>Heavy Industry</th>
<th>High-Tech</th>
<th>Financial</th>
<th>Total For Sample</th>
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<tbody>
<tr>
<td>Sample Size</td>
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<td>(4)</td>
<td>(4)</td>
<td>(6)</td>
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<td>Task Achievement concern</td>
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<td>2</td>
<td>1</td>
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</tbody>
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### FIGURE 7: LEADER PROFILE ELEMENTS MENTIONED BY INTERVIEWEES: SKILLS

<table>
<thead>
<tr>
<th>Skill</th>
<th>Utilities and Service</th>
<th>Traditional Industry</th>
<th>Heavy Industry</th>
<th>High-Tech</th>
<th>Financial</th>
<th>Total For Sample</th>
</tr>
</thead>
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high-tech firms came out with the lowest frequencies for both skills and personality factors. A number of explanations for this can be offered. First, they are so busy keeping up with their changing technologies (task-side skills and information) that group-side issues have simply been left behind. Second, these firms have a relative abundance of task-side resources of all kinds, with the result that the requirement for group-side resources is reduced. Third, their technology may dominate their operation so completely that no other driving force is necessary or possible. Finally, these firms tended to be earlier in the process of addressing the leadership question than were firms in other sectors. It is possible that these firms are too new to have had sufficient experience to reach any conclusions.

Another sector for which the results are somewhat unusual is finance. Financial institutions identified leadership skills with a higher frequency than any other sector identified any components of the leader profile, yet were close to the bottom in identifying the personality factors. Three of these firms had written lists available, which introduces the caution mentioned above, but it removes the problem of prompting. The use of lists also fails to explain the difference between the frequency for skills and the frequency for personality characteristics, since the lists contain some of each.

One surprising result is that the utilities and service sector had the highest overall frequency for identification of elements of the leader profile. The list problem appears here, but it seems that the central place occupied in this sector by the need to get people to work together is the basis for this result. These firms are more dependent on leadership
resources for their everyday operation than are firms in other sectors, which is reflected by the high score for personality factors and a high score for the leadership skills.

The results in the other two sectors are distorted by the presence of one firm whose mode of operation is very different than that of the other three firms in the sector. In both cases, the result is to raise frequencies above what they would otherwise be, but for very different reasons.

There were two selection criteria mentioned with some regularity that were not explicitly part of the model. Eleven firms look for "experience" or "evidence of past effectiveness" in prospective leaders, even when these candidates currently hold jobs that have little leadership responsibility. When pressed, the reasoning behind these criteria fell into two categories. The first consisted of firms that identified relatively few of the elements of the leader profile. In these cases, "experience" is a catch-all, including whatever it is that worked before in the belief that "it" will work again under different conditions. Use of "experience" as a selection criterion is a substitute for identifying the components of leadership. Since good prospects are likely to be missed simply because of a lack of previous opportunity, this approach is inefficient. The second use of "experience" turned out to be indistinguishable from tenure and was found in firms in which managerial selection is heavily laced with politics. These firms identified skills acquired with time separately and distinguished these from the concept of "experience." In these cases "experience" is an extraneous consideration that serves the private goal of protecting incumbents.

A second selection criterion that was mentioned with some frequency
was geographic mobility. Firms with operations across the country or around the world wanted to know whether candidates would relocate if necessary. Strictly speaking, this criterion has nothing to do with leadership per se, but a lot to do with whether a candidate will be willing to provide leadership where required. It is a consideration comparable to the requirement that all necessary resources be available where and when they are needed.

Several firms identified time management as an important managerial skill. As noted in Chapter III, time is a resource, albeit of a rather unique nature, and must be utilized effectively just like any other resource. Time management is thus merely a mixture of the leadership skills identified focused on the resource time.

A final issue relevant to the model is raised by the role of unions in the construction industry. While the contractor pays the union members, it is the union that decides who will be on the job site, how various tasks will be achieved, and what skills workers will have. Union officials provide many of the group-side resources on the site. Construction union labor can be considered a commodity for the construction industry, very much like a steel company would consider coal or iron ore. The union will take responsibility for training its members, because the skill on which the union is based is of limited use, except on union jobs. Elements of the leader profile in construction are thus more likely to be found in the unions than in the contractors. Unfortunately, I did not have an opportunity to interview union officials.

In many ways, construction has taken the labor-management relationship to its logical conclusion. Labor is considered an outside commodity
whose obligations to management are rigorously outlined in the union contract and whose loyalty to the firm is nil. Instead, the union member's group loyalties go to his union which reciprocates by performing organizational activities to foster the interests of members. In industries having permanent labor forces, especially when they are unionized, the conflicting loyalties and overlapping of responsibility for performing various functions creates constant tension, and the need to expend resources to deal with these tensions only exacerbates the problem. Here is one place where the Japanese system, in which union, firm, and owners are rolled into one another offers concrete advantages.

OTHER FINDINGS

I now turn to a number of other findings of my survey.

PARALLEL CAREER LADDERS — At least one firm in each sector is either already using a parallel career ladder or planning to implement one in the near future. The parallel ladder concept is a response to the reality that task-side skills and group-side resources are distinct and there is no necessary correlation between possession of one set of skills and possession of the other. In terms of the symbols used in Chapter III, some people have a lower $V_{ij}$ for task-side resources than for group-side resources and it is in the best interest of the group to acquire its resources from members for whom the corresponding $V_{ij}$ are lowest.

ASSESSMENT CENTERS — At least one firm in each sector is using the concept of the assessment center developed by Douglas Brae as described in Byham. Others are considering it and a number have already rejected it.

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Those who rejected it did so either because it was too sophisticated for the corporate culture or out of concern for what would happen to individuals whose potential was assessed as low, or who did not get to go to assessment. Those who were using the technique were generally pleased with the results; successful leader selection was generally up 10-15%, but the system was far from trouble-free. All but one user mentioned the system in conjunction with EEO problems, leading to the suspicion that the technique may be regarded as a defense against legal challenge to personnel practices. The cost of administering the system was considered rather high and thus the number of people who could be assessed was limited. This problem introduces a new step into the manager recruitment process, getting on the list for assessment. A few firms reported increased political gaming for slots on the list and one respondent pointed out that managers are more careful in selecting people for assessment than they were in selecting them for promotion, since assessment can be viewed as a measure of their judgement. Against this background, the 10-15% improvement in successful promotions may be meaningless. One firm has responded to these problems by providing a prescreening program that introduces the concept and the procedures utilized by assessment. The self-selection for assessment that results has the same meaning for the benefits attributed to the center as the other forms of prescreening. Three respondents suggested that the primary value of the assessment process lay in the opportunity it offers to train managers, who serve as the assessors, to observe the behavior of group members. Most assessors reported significant benefits for their own managerial activities, wholly
apart from any improvements in selection of personnel.

USE OF PSYCHOLOGISTS - Several firms reported requiring candidates for promotion into leadership positions to undergo evaluation by a psychologist. Others reported considering this approach, but rejected it as unfairly intrusive on the individual. None was willing to discuss what information they sought to obtain in this manner.

JOB POSTING AND SKILLS INVENTORIES - Firms that promote from within would generally utilize one of these two approaches to identifying future managers. Larger firms were more inclined to use job posting while the smaller ones tended to rely on the skills inventory. Job posting, which is a largely passive approach to selection, is likely to be effective when the pool of potentially acceptable applicants is fairly large so the odds of attracting the attention of at least one of them are high. For rarer skills, the passive approach doesn't work so well. In smaller firms, the pool is rather small so management must be more active in seeking to find employees with the desired skills or recognize the need to train them. The skill inventory provides the information on who has what skills or a background suggesting that training will be reasonably cheap. A few firms that promoted from within utilized ad hoc skills inventories, while several others had more formal systems, sometimes computerized. The most informal system consisted of managers nominating subordinates they thought might be able to do the job. In these firms, it was important for subordinates who wished to be promoted to draw attention to themselves. In the formal systems, succession planning and manpower development were incorporated into annual business plans and five-year strategic plans.
HUMAN CAPITAL PROTECTION – A number of respondents reported a tendency by managers to select subordinates on the basis of incompetence. In these firms, little attention was paid to employee development; the principal objective appeared to be to develop an aura of indispensability for the manager. With time, it is rather easy to create a hierarchy that is dependent of the top man's direction to be able to function, but for the firm such an arrangement is highly dysfunctional. Even if one excludes the possibility of the top man's sudden disappearance, the negative consequences are considerable. Resources must be expended to permit the top man to make all the decisions; this is usually unnecessary. The resource base of the firm is deliberately kept low, thereby violating the prime objective of any organization. With inefficiency as the objective, it is hard to see how the firm can avoid reduction in its resource base.

This issue would be only a curiosity if it were not just one of a number of similar phenomena observed in American society. By making themselves indispensable, the managers discussed in the previous paragraph are seeking to preserve the value of their human capital at an artificially high level. Other practices that have the same objective include union shop restrictions and overspecialization among technical people. In each case, the result is artificially high benefits for some at the expense of the group.

In a similar vein, Eric A. von Hippel\(^2\) reported that in some industries, nearly all significant innovations came from the customers, yet research and development personnel are unwilling to take advantage of these innovations, even when the customer is willing to give away his invention. R & D people have skills, acquired at great cost, for doing

research and development. Accepting an invention from a customer may be
good thing for the firm as a whole but any firm that can get its new
products that way has no need for R & D and really cannot justify paying
its R & D people the salaries it gives them. The R & D people realize
this, so they ignore customer inventions and waste corporate resources
reinventing the wheel. Furthermore, as the rate of technological change
increases, one can expect this phenomenon to become more pronounced since
the cost to acquire the skills to do research is going up at about the
same rate that their expected useful lifetime is going down. If the firm
bore the cost of training and retraining, as it does in Japan, there would
be less concern for preservation of human capital and less resistance to
change.

TRAINING AS A REWARD - Comparatively few firms viewed training in areas
other than task-side skills as part of a program of employee or organiza-
tional development. Training was often viewed as a reward for past per-
formance, a way to increase employee confidence or as a corporate obliga-
tion to its employees or even society in general. Several programs in-
cluded courses that must be considered remedial. Communications train-
ing programs, for example, were generally focused on spelling, syntax,
and grammar rather than on getting a message across effectively. Some
training programs included offerings that I would consider more recreative-
al than developmental - languages, home repair, wine-tasting, etc. Firms
that conducted these kinds of programs were generally dependent on univer-
sities or the AMA for providing training in group-side skills. Only one
firm has an integrated program for developing leadership ability, but it
is only in the experimental stage.
SUPPORT FOR GROUP-SIDE SKILLS TRAINING - In general, I would judge the level of support for group-side skills training as rather low, although in some firms it is adequate. Training staffs and budgets are small, and in most cases, are such recent additions to the organization that they have had no time to prove themselves. In a couple of firms, the training group has been required to compete for business with training opportunities outside the firm, thus eliminating the need for management to take a stand on training one way or the other. It is unlikely that support for training in these areas will ever be very high with the current structure of American business.
CHAPTER V

CONCLUSIONS

The conclusions I draw from this study fall into two broad categories. The first set of conclusions deals with the nature of leadership while the second concerns the nature of the firm.

As has been mentioned a number of times, the findings of my field survey support, but do not prove the validity of the model presented in Chapter III. Even if it were possible to conduct a study many times larger in scope than mine, one could not prove such a complex model. It would be useful to interview numerous individuals in each of a large number of organizational settings: business, social, military, etc., to gather more information of the kind presented in Figures 6 and 7, but even that would prove nothing. The reason for this is that the model posits the existence of no single sufficient condition for effective leadership. Instead, it points to numerous necessary conditions, although in some cases only one of a number of alternative features must be present. These features render the filtering process for distilling essential elements from incidental particulars very difficult if not impossible.

Consequently, with regard to the nature of leadership, I can only reiterate what I wrote in Chapter III. Leadership is the provision of resources a group needs to accomplish a task. In particular, we identify as leadership the provision of those generally group-side skill resources that are most efficiently provided by a single individual who will be the leader. The leader will be identified both by what he does and by the resources he has at his disposal. These resources may include material
ones, but definitely will include skills, information, and the person of the leader.

The second set of conclusions stems from the belief that a new paradigm is needed for economic organization in America. At present, the firm is generally viewed as a financial entity, yet as mentioned previously, money is only questionably a resource. It is not possible to create something out of nothing. The new paradigm would recognize the nature of the firm as a collection of various kinds of resources. The firm functions much as other groups, mixing resources from the current base in proportions that will increase its resource base. We may choose to reserve the term firm for a group whose primary output is a material resource, but under the new paradigm, groups will concentrate on production of material resources only because the division of labor makes this sensible.

Adoption of such a system faces two significant obstacles. The first is the right of stockholders to determine the direction of the firm. Since their interest is largely restricted to finances, they will bias firm objectives toward activities that generate money, whether this is an efficient use of real resources or not. The second obstacle is the managerial equivalent of the problem von Hippel found among the R & D people. Managers are trained to manage, not to lead. For most managers, managing means making decisions and issuing orders. Success is satisfying one's boss, who is probably also interested in making decisions and giving orders. To become leaders, the then current crop of managers would, at the very least, have to develop some new skills. Some would lack the

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1 See The Structure of Scientific Revolutions, by Thomas S. Kuhn, The University of Chicago Press, Chicago, 1970. This slender volume is "must" reading for anyone interested in qualitative rather than incremental change.
personal resources necessary to become leaders. Thus, both power centers in the firm share a common interest in the current structure, regardless of the consequences this structure has for the economy. As Kuhn points out, qualitative changes must await the accumulation of sufficient problems of a serious enough nature that the elite is open to change. The Japanese challenge and even the energy crisis have failed to bring about this awakening, so one can only wonder what will.

Mankind has rarely felt the need for leadership as acutely as it does in these last decades before the millenium. Everywhere one turns there is a new problem or crisis that demands attention. Energy, the economy, foreign policy, wars, famine, rioting, and unemployment crowd each other in the daily news. The solution to each of these problems will require leadership, which somehow also seems to be in short supply today. Perhaps, if we can understand leadership better, it will be possible to relieve that shortage and then go on to attack the other problems as well.

FINIS
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