**Managers do things right**

**Leaders do the right things…**

**Value Based Leadership Theory**

**Moscow 1999**

**“Leaders are dealers in hope”** *Bonaparte Napoleon*

“We will build a winning tradition” *Vince Lombardi to the Green Bay Packers*

Consider the above quotations. These statements of leaders reflect commitment to a value position. In this paper I am going to describe a brand new theory of leadership, developed by Professor House - *the Value Based Leadership Theory*. I will also present a preliminary test of several hypotheses derived from Value Based Theory. The tests of hypotheses are based on data descriptive of 25 relationships between chief executives and their immediate subordinates. As a concrete example, I am going to present the results of the real interviews, which took plase in Russia in 1999 among the CEOs. In the process of testing these hypotheses I replicate the study of charismatic leadership in the U. S. presidency conducted by House, Spangler & Woycke (1991) using a sample of chief executive officers and different measurement methods. What I am trying to prove in this paper is the following: It was considered to think that managers are always the leadres in the organization. This opinion was proved to be wrong. According to the first research which appaered in press in the end of 70-s: manager is the position, and leader is the person who leads others to the desired result. According to the personal trends and characteristics, managers should be leaders, and they are, but not always. The question of leadership is a very interesting topic for me, personally.

I am deeply interested in the question of leadership, and I do think, that this question and the existing theories have a long life to live. Leadership is a real fact, which has already been proved. You can be a born leader, but you also can create the leader in yourself. You can manage to influence, motivate and enable others. You can succeed, because there is nothing impossible for a human being. Especially, if he is intelligent on the one hand and really wishes to achieve something on the other.

# A BRIEF HISTORICAL REVIEW

During the period between the mid-seventies and the present time a number of theories have been introduced into the leadership literature. These new theories and the empirical research findings constitute a paradigm shift in the study of leadership. The theories to which I refer are the *1976 Theory of Charismatic Leadership* (House, 1977), the *Attributional Theory of Charisma* (Conger & Kanungo, 1987), and the *Transformational* *Theory* (Burns, 1978; Bass, 1985), and *Visionary Theories of Leadership* (Bennis & Nanus, 1985; Sashkin, 1988; Kousnes & Posner, 1987).

I believe these theories are all of a common genre. They attempt to explain how leaders are able to lead organizations to attain outstanding accomplishments such as the founding and growing of successful entrepreneurial firms, corporate turnarounds in the face of overwhelming competition, military victories in the face of superior forces, leadership of successful social movements and movements for independence from colonial rule or political tyranny. They also attempt to explain how certain leaders are able to achieve extraordinary levels of follower motivation, admiration, respect, trust, commitment, dedication, loyalty, and performance.

The dependent variables of earlier theories are follower expectations, satisfaction, and normal levels of performance. The dependent variables of the more recent theories include a number of affective consequences such as followers’ emotional attachment to leaders; followers’ emotional and motivational arousal, and thus enhancement of follower valences and values with respect to the missions articulated by leaders; followers’ trust and confidence in leaders; and values that are of major importance to the followers. These more recent theories also address the effect of leaders on several follower conditions not addressed in earlier theories, such as followers' self-worth and self-efficacy perceptions, and identification with the leader’s vision.

Earlier theories describe leader behavior that are theoretically instrumental to follower performance and satisfy follower needs for support, generally referred to as task-and person-oriented leader behaviors (Fleishman & Harris, 1962; Katz & Kahn, 1952; Likert, 1961; Feidler, 1967; House, 1971, House, 1996). In contrast, the more recent theories stress the infusion of values into organizations and work through leader behaviors that are symbolic, inspirational and emotion arousing.

Earlier theories take follower attitudes, values, desires, and preferences as given. The more recent theory claim that leaders can have substantial, if not profound effects on these affective and cognitive states of followers. Accordingly, leaders are claimed to transform both individuals and total organizations by infusing them with moral purpose, thus appealing to ideological values and emotions of organizational members, rather than by offering material incentives and the threat of punishment, or by appealing to pragmatic or instrumental values.

Also, McClelland (1975) introduced a theory intended to explain leader effectiveness as a function of a specific combination of motives referred to as the Leader Motive Profile (LMP). As will be shown below, this theory complements the newer theories referred to above.

Since the early 1980s, more than fifty empirical studies have been conducted to test the validity of the more recent theories of leadership. Empirical evidence is discussed in more detail below. First, however, the valued based leadership theory will be described.

# VALUE BASED LEADERSHIP THEORY

The theory is intended to integrate the newer theories and the empirical evidence alluded to above. Value based leadership is defined as a relationship between an individual (leader) and one or more followers based on shared strongly internalized ideological values espoused by the leader and strong follwower identification with these values. Ideological values are *values concerning what is morally right and wrong.* Such values are expressed in terms of personal moral responsibility, altruism, making significant social contributions to others, concern for honesty, fairness, and meeting obligations to others such as followers, customers, or organizational stakeholders. **Value based leadership is asserted to result in**: **a)** exceptionally strong identification of followers with the leader, the collective vision espoused by the leader, and the collective; **b)** internalized commitment to the vision of the leader and to the collective; **c)** arousal of follower motives that are relevant to the accomplishment of the collective vision; and **d)** follower willingness to make substantial self sacrifices and extend effort above and beyond the call of duty.

The title Value Based Leadership Theory has been chosen to reflect the essence of the genre of leadership described by the theory. The 1976 theory of charismatic leadership is a precursor to the value based leadership theory. The title “charismatic leadership” has been chosen because of its cavalier popular connotation. The term charisma is often taken in the colloquial sense, rather than the somewhat technical sense conceived by Max Weber. The word charisma commonly invokes impressions of a person who is charming, attractive, and sometimes macho, flamboyant, and sexually appealing. In contrast, Value Based Leadership is intended to convey the notion of a leader who arouses follower latent values or causes followers to internalize new values. Such value communication can be enacted in a quiet, non-emotionally expressive manner or in a more emotionally expressive manner. Examples of leaders who have communicated values to followers in an emotionally expressive manner are Winston Churchill, Lee Iacocca, Martin Luther King, and John F. Kennedy. Examples of leaders who have communicated values to followers in a less emotionally expressive manner are Mother Teresa, Mahatma Ghandi, and Nelson Mandela.

A second reason for abandoning the term charisma is that in current usage it implies that the collectivities led by charismatic leaders are highly leader-centered and that the leader is the source of all, or almost all, organizational strategy and inspiration of followers. One popular conception of charismatic leadership is that *it is necessarily highly directive and disempowering of followers* (Lindholm, 1990). In this paper, I hope to demonstrate the huge potential for value based leadership to be empowering and effective.

The Process and Effects of Value Based Leadership

In this section, an overview of what Value Based leadership is and how it works is presented. There is both theory and empirical evidence to suggest that value based leadership has a substantial effect on organizational performance. Waldman and his associates reported two studies of value based leader behavior as an antecedent to organizational profitability (Waldman, Ramirez & House, 1996; Waldman, Atwater & House, 1996). In these studies value based leadership accounted for between fifteen and twenty five percent of firm profitability over the three years following the time at which value based leadership was assessed. The design of these studies controlled for executive tenure, firm size, environmental turbulence, and prior firm profitability.

The theoretical process by which value-based leadership functions is described in the following paragraphs. Evidence for this process is presented in more detail in later sections in which the specific theories contributing to value based leadership theory is discussed.

Value based leaders infuse collectives, organizations, and work with ideological values by articulating an ideological vision, a vision of a better future to which followers are claimed to have a *moral right*. By claiming that followers have this right, the values articulated in the vision are rendered ideological - expressions of what is morally right and good. Ideological values are usually, if not always, end values which are intrinsically satisfying in their own right. In contrast to pragmatic values such as material gain, pay, and status, end values cannot be exchanged for other values. Examples of end values are independence, dignity, equality, the right to education and self-determination, beauty, and a world of peace and order. Ideological values theoretically resonate with the deeply held values and emotions of followers.

Acccording to value based leadership theory the visions articulated by this genre of leaders are consistent with the collective identity of the followers, and are emotionally and motivationally arousing. Emotional and motivational arousal induces follower identification with the collective vision and with the collective, results in enhncement of follower self-efficacy and self-worth, and have powerful motivtional effects on followers and on overall orgnizational performance.

Leaders of industrial and government organizations often articulate visions for their organizations. Such visions need not be grandiose. Visions of outstanding leaders in the normal work world can embrace such ideological values as a challenging and rewarding work environment; professional development opportunities; freedom from highly controlling rules and supervision; a fair return to major constituencies; fairness, craftsmanship and integrity; high quality services or products; or respect for organizational members, clients or customers and for the environment in which the organization functions. Whether conceived solely by the leader, by prior members of the collective, or jointly with followers, the articulation of a collective ideological vision by leaders theoretically results in self-sacrifice and effort, above and beyond the call of duty, by organizational members and exceptional synergy among members of the collective.

Follower respect, trust, and self-sacrifice are stimulated by identification with the values inherent in the leader's vision and the leader's demonstration of courage, determination and self-sacrifice in the interest of the organization and the vision. According to this perspective, value based leaders use follower value identifiction, and the respect and trust they earn to motivate high performance and a sense of mission in quest of the collective vision, and to introduce major organizational change. For some individuals, latent values are brought to consciousness as a result of the vision articulated by value based leaders. Also, some individuals change their values to be consistent with those of the leader.

Visions articulated by value based leaders need not be formulated exclusively by a single leader. The collective vision may have been initially conceived by leaders and members of the collective who preceded the current leader. In this case, the leader is one who perpetuates the vision by continuing to communicate it and institutionalizing it through the establishment and maintenance of institutional means such as strategies, policies, norms, rituals, ceremonies, and symbols. Alternatively, organizational visions can be formulated by leaders in conjunction with organizational members.

The effects of the articulation of and emphasis on ideological values are rather profound. Organizational members become aware of ideological values that they share with the leader and as a collective. Members identify with the collective vision and with the organization--thus a high level of collective cohesion is developed. Collaborative interactions among organizational members is enhanced. Individuals experience a sense of collective efficacy and a heightened sense of self-esteem as a result of their cohesion and the leader's expressions of confidence in their ability to attain the vision. Further, motives relevant to the accomplishment of the vision are aroused and organizational members come to judge their self-worth in terms of their contribution to the collective and the attainment of the vision.

The result is strongly internalized member commitment, and intrinsic motivation to contribute to the organization and to the collective vision. Members are more inclined to support changes in technology, structure and strategies introduced by top management, which may result in an organizational culture characterized by values oriented toward teamwork and meeting customers', clients', constituents' and competitive needs. There ensues a marked reduction in intra-organizational conflict and a high degree of team effort and effectiveness. As noted above, members expend effort above and beyond the call of duty, and sacrifice their self-interest in the interest of the organization. As a result, individual motivation, organizational culture, strategy and structure are likely to become aligned with the collective vision.

A reinforcing process may also occur whereby organizational members increase their respect for and confidence in the leader and each other based on the resulting organizational success. As a result, their initial confidence and motivation is further reinforced. Such effects are consistent with the notion of romanticized leadership (Meindl, Ehrlich & Dukerich, 1985). The resulting increased confidence in the leader in turn gives the leader more influence and thus contributes to the leader's ability to further influence organizational performance.

This is an “ideal type” theoretical scenario. Clearly all the aspects of this scenario will not always come to fruition in response to value based leadership. No such claim is made. Rather, it is argued that organizational members will be motivated on the basis of shared internalized values and identification with the leader and the collective, which are far more motivational than alternative bases of motivation.

It is possible that value based leaders may introduce flawed strategies and that the result may be organizational decline or failure rather than improvement and success. It is also possible that the leader may stand for socially undesirable values such as ethnocentrism, racism, persecution, dishonesty, or unfair or illegal competitive practices (Lindholm 1990). Regardless of the strategy or values expressed by the leader, it is argued that a relationship based on value identification between leader and organizational members will result in increased member commitment and motivation, as well as increased organizational cohesion.

# EMPIRICAL EVIDENCE

There is extensive empirical evidence with respect to the effects of behaviors specified by value based leadership theory. Charismatic, visionary, and transformational theories of leadership are precursors of the leader behaviors specified by value based leadership theory. Tests of these theories have been based on various operationalizations that qualify as measures of value based leadership including interviews (Howell & Higgins, 1990), laboratory experimentation (Howell & Frost, 1989; Kirkpatrick & Locke, 1996), questionnaires (Lowe, Kroeck & Sivasubramaniam, 1995), and quantified archival data (House, Spangler & Woycke, 1991). In all of these tests, the leader behavior measured consists of articulating an organizational vision and behaving in ways that reinforce the values inherent in the vision, thus qualifying as indirect evidence relevant to the effects of value based leadership. Space limitations prevent a detailed review of the evidence. However, Bass and Avolio (1993), House and Shamir (1993), Lowe et al,. (1995), and Yukl (1994), present overviews of these studies. With surprising consistency these empirical studies have demonstrated consistently that value based leader behavior predicts unusual levels of leader effectiveness directed toward enhancing organizational performance.

Support for the effects of value based leadership is illustrated by a recent meta-analysis of the charisma subscale of the Bass and Avolio (1989**) Multifacet Leadership Questionnaire (MLQ)**. The MLQ charisma subscale describes relationships between subordinates and superiors. Superiors who receive high scores on this scale are described by subordinates as having an exciting vision of the future for the organization they lead, and being exceptionally motivational, trustworthy, and deserving of respect.

Support for the theoretical main effects of value based leader behavior has been demonstrated at several levels of analysis including dyads, small informal groups, major departments of complex organizations, overall performance of educational and profit making organizations, and nation states. The evidence is derived from a wide variety of samples including military officers, educational administrators, middle managers, subjects in laboratory experiments and management simulations, US presidents and chief executive officers of Fortune 500 firms (Bass & Avolio, 1993; House & Shamir, 1993; Waldman, Ramirez & House, 1996).

The evidence shows that the effects of value based leader behavior are rather widely generalizable in the United States and that they may well generalize across cultures. For instance, studies based on the charisma scale of the MLQ have demonstrated similar findings in India (Periera, 1987), Singapore (Koh, Terborg & Steers, 1991), The Netherlands (Koene, Pennings & Schreuder, 1991), China, Germany, and Japan (Bass, 1997).

In summary, the studies based on various operationalizations of value based leadership clearly show that this genre of leadership results in a high level of follower motivation and commitment and well-above-average organizational performance, especially under conditions of crises or uncertainty (Pillai & Meindl, 1991; House, Spangler, & Woycke, 1995; Waldman, Ramirez & House, 1996; Waldman, Atwater & House, 1996).

# NEWLY INTEGRATED THEORIES

The value based theory of leadership integrates the precursor theories discussed above with a number of assertions advanced in several psychological theories of motivation and behavior. Following is a brief review of the psychological theories that are integrated into the Value Based Leadership Theory.

McClelland's Theories of Non-conscious Motivation

According to this theory, the motivational aspects of human beings can be understood in terms of four non-conscious motives in various combinations (McClelland, 1985). These motives are the achievement, power, affiliation, and social responsibility motives. McClelland has developed a theory of entrepreneural effectiveness based on the role of achievement motivation, and a more general theory of leader effectiveness consisting of theoretical assertions concerning the optimum combination of the above four motives for effective leadership. This theory is entitled the Leader Motive Profile Theory (LMP). In the following sections we discuss the four motives discussed by McClelland and the LMP theory.

**Achievement Motivation**

Achievement motivation is defined as a non-conscious concern for achieving excellence in accomplishments through one's *individual* efforts (McClelland, Atkinson, Clark, & Lowell, 1958). Achievement motivated individuals set challenging goals for themselves, assume personal responsibility for goal accomplishment, are highly persistent in the pursuit of goals, take calculated risks to achieve goals and actively collect and use information for feedback purposes. Achievement motivation is theoretically predicted to contribute to effective entrepreneurship (McClelland, 1985) and effective leadership of small task oriented groups (House et al., 1991). Litwin and Stringer (1968) demonstrated experimentally that small groups led by managers who enacted achievement oriented and arousing behaviors were more effective than groups with managers who did not.

In management positions at higher levels in organizations, and particularly in organizational settings where technical requirements are few and impact on others is of fundamental importance, managerial effectiveness depends on the extent to which managers delegate effectively and motivate and co-ordinate others. Theoretically, high achievement motivated managers are strongly inclined to be personally involved in performing the work of their organization and are reluctant to delegate authority and responsibility. Therefore, high achievement motivation is expected to predict poor performance of high-level executives in large organizations. House et al. (1991) found that achievement motivation of U.S. presidents was significantly inversely related to archival measures of U.S. presidential effectiveness.

**Affiliative Motivation**

Affiliative motivation is defined as a non-conscious concern for establishing, maintaining, and restoring close personal relationships with others. Individuals with high affiliative motivation tend to be non-assertive, submissive, and dependent on others (McClelland, 1985). Theoretically, highly affiliative motivated managers are reluctant to monitor the behavior of subordinates, to convey negative feedback to subordinates even when required, or to discipline subordinates for ethical transgressions or violations of organizational policies. Highly affiliative motivated managers are also theoretically expected to manage on the basis of personal relationships with subordinates and therefore show favoritism toward some. House et al. (1991) found that the affiliative motive was significantly negatively correlated with U.S. presidential charismatic leadership and archival measures of U.S. presidential effectiveness.

**Power Motivation**

Power motivation is defined as a non-conscious concern for acquiring status and having an impact on others. Individuals with high power motivation tend to enjoy asserting social influence, being persuasive, drawing attention to themselves, and having an impact on their immediate environment including the people with whom they interact. Theoretically, if enacted in a socially constructive manner, high power motivation should result in effective managerial performance in high level positions (McClelland, 1975; 1985). However, unless constrained by a responsibility disposition, power motivated managers will exercise power in an impetuously aggressive manner for self aggrandizing purposes to the detriment of their subordinates and organizations.

High power motivation induces highly competitive behavior. Therefore, when unconstrained by moral inhibition, power motivation is theoretically predictive of leader effectiveness when the role demands of leaders require strong individual competitiveness, aggressiveness, manipulative exploitive behavior, or the exercise of substantial political influence. The power motive was found by House et al. (1991) to significantly predict presidential charismatic behavior and archival measures of presidential effectiveness.

**Responsibility Disposition**

According to McClelland, individuals who have a high concern for the moral exercise of power will use power in an altruistic and collectively-oriented manner. Indicators of high concern for responsibility are expressions of concern about meeting moral standards and obligations to others, concern for others, concern about consequences of one’s own action, and critical self judgment.

Winter and Barenbaum (1985) developed and validated a measure of concern for moral responsibility, which they label the responsibility disposition1. The measure is based on quantitative content analysis of narrative text material. Winter (1991) demonstrated that the responsibility disposition, in combination with high power and low affiliative motivation, was predictive of managerial success over a sixteen-year interval.

The responsibility motive should be predictive of leader integrity and leaders' concern for the consequences of their own actions on others. Leaders with high responsibility disposition are expected to stress the importance of keeping one's word, honesty, fairness, and socially responsible behavior. Thus, we expect the responsibility disposition to be associated with value based leader behavior, supportive leader behavior, fairness, follower trust and respect for the leader and commitment to the leader’s vision, and consequently organizational effectiveness.

**Leader Motive Profile Theory**

McClelland (1975) argued that the following combination of non-conscious motives are generic to, and predictive of, leader effectiveness: high power motivation, moderate achievement motivation, high concern for the moral exercise of power, and power motivation greater than affiliative motivation. This combination of motives is referred to by McClelland (1975) as the Leader Motive Profile (LMP).

According to LMP theory, the power motive is necessary for leaders to be effective because it induces them to engage in social influence behavior, and such behavior is required for effective leadership. Further, when the power motive is higher than the affiliative motive, individuals do not engage in the dysfunctional behaviors usually associated with high affiliation motivation - favoritism, submissiveness, and reluctance to monitor and discipline subordinates. Finally, when high power motivation is coupled with a high concern for moral responsibility, individuals are predicted to engage in the exercise of power in an effective and socially desirable manner. Earlier research, also reviewed by McClelland (1985), suggests that the achievement motive is a better predictor of leader effectiveness and success in entrepreneurial organizations than LMP.

Theoretically the leader motive profile is predictive of managerial effectiveness under conditions where leaders need to exercise social influence in the process of making decisions and motivating others to accept and implement decisions. In formal organizations these conditions are found at higher levels and in non-technical functions. By contrast, in smaller technologically based organizations, group leaders can rely on direct contact with subordinates (rather than delegation through multiple organizational levels), and technological knowledge to make decisions. Thus LMP theory is limited to the boundary conditions of moderate to large non-technologically oriented organizations (McClelland, 1975; Winter, 1978; 1991), and to managers who are separated from the work of the organization by at least one organizational level.

Several studies have demonstrated support for the LMP theory. Winter (1978) found that LMP was predictive of the career success of entry level managers in non-technical positions in the US Navy over an eight-year interval. Both McClelland and Boyatzis (1982), and Winter (1991), in separate analyses of the same data but with different operationalizations of LMP, found similar results at AT&T over a sixteen-year interval. McClelland and Burnham (1976) found high-LMP managers had more supportive and rewarding organizational climates, and higher performing sales groups than low-LMP managers did in a large sales organization. House, et al.(1991) found that the motive components of the LMP predicted US presidential charisma and presidential performance effectiveness.

Since high LMP leaders have greater power than affiliative motivation it is expected that they will be assertive and at least moderately directive. Further, since they have high responsibility motivation it is expected that thay will have highly internalized idological values - values concerning what is morally right and wrong - and that they will thus stress ideological value orientation, integrity, and fairness, as explained above, both verbally and through personal example.

The Path-Goal Theory of Leadership

The essence of path-goal theory is that leader behaviors will be effective when such behaviors complement formal organizational practices and the informal social system by providing direction, clarification, support and motivational incentives to subordinates, which are not otherwise provided (House, 1971; House & Mitchell, 1974; House, 1996). According to the 1996 version of path-goal theory, leaders who give approval and recognition of subordinates, contingent on performance and in a fair manner, will clarify expectancies of subordinates concerning work goals and rewards, and will effectively motivate subordinates. This theory also predicts that leader consideration toward subordinates provides the psychological support subordinates require, especially in times of stress and frustration.

Path-goal theory suggests that either participative or directive leader behavior can provide psychological structure and direction and therefore clarify subordinates' role demands. Theoretically, directive leader behavior will be dysfunctional and participative leader behavior will be functional when subordinates are highly involved in their work, perceive themselves as having a high level of task related knowledge, and/or prefer a high level of autonomy. Meta-analyses of 135 relationships tested in prior studies provide support for these assertions (Wofford & Liska, 1993).

Dissonance Theory and Competing Values

According to cognitive dissonance theory, individuals experience anxiety-inducing cognitive dissonance when their self-evaluative cognitions, feelings and behavior are in conflict with each other (Festinger, 1980). Under such conditions, individuals are strongly motivated to reduce the dissonance by changing one or more of the dissonant components--either their behavior, their cognitions, or their feelings. It follows from dissonance theory that when leaders appeal to ideological values of followers and also administer extrinsic material rewards *strictly contingent on follower performance*, they will induce cognitive dissonance in followers. Offering strong extrinsic incentives for doing what is claimed to be morally correct will theoretically induce dissonance, and is likely to undermine the effects of leaders' appeals to ideological values. From dissonance theory, we would expect that with the exception of social rewards such as approval and recognition, contingent reward behavior on the part of leaders will undermine the effects of value based leader behavior.

Equity Theory

Equity theory asserts that when individuals perceive the ratio of their contributions to their rewards (intrinsic or extrinsic) to be equal to the ratio of contributions to rewards of others, they will believe that they are treated fairly (Adams, 1963). We expect that under conditions of perceived unfairness followers will feel resentment, be demotivated, will not support and may even resist attempts by leaders to influence them.

Situational Strength

Mischel (1973) has argued that the psychological strength of situations influences the degree to which individual dispositions such as motives or personality traits are expressed behaviorally. Strong situations are situations in which there are strong behavioral norms, strong incentives for specific types of behaviors, and clear expectations concerning what behaviors are rewarded. According to this argument, in strong situations, motivational or personality tendencies are constrained and there will be little behavioral expression of individual dispositions. Thus, in organizations that are highly formalized and governed by well-established role expectations, norms, rules, policies and procedures, there is less opportunity for organizational members to behaviorally express their dispositional tendencies.

Theoretically, in strong psychological situations, leader motives have less influence on leader behavior, and leader behavior has less influence on subordinates and on organizational outcomes than in weak psychological situations. Studies by Monson, Healy and Chernick (1982), Lee, Ashford, and Bobko (1990), and Barrick and Mount (1993) have demonstrated support for Mischel's situational strength argument.

# THE VALUE BASED LEADERSHIP THEORY

This theory consists of six axioms and twenty-seven propositions that relate leader behavior, leader motives, and situational variables to leader effectiveness.

The Parsimonious Meta–Proposition of Value Based Leadership

Value based leadership theory is based on the meta–proposition that non-conscious motives and motivation based on strongly internalized values is stronger, more pervasive, and more enduring than motivation based on instrumental calculations of anticipated rewards or motivation based on threat and avoidance of punishment. The axioms and propositions that follow are derived from and can all be explained in terms of this parsimonious meta-proposition.

## The Value Based Leader Behavior Syndrome

Behaviors that characterize value based leadership include a) articulation of a challenging vision of a better future to which followers are claimed to have a moral right; b) unusual leader determination, persistence, and self-sacrifice in the interest of the vision and the values inherent in the vision; c) communication of high performance expectations of followers and confidence in their ability to contribute to the collective; d) display of self-confidence, confidence in followers, and confidence in the attainment of the vision; e) display of integrity; f) expressions of concern for the interests of followers and the collective; g) positive evaluation of followers and the collective; h) instrumental and symbolic behaviors that emphasize and reinforce the values inherent in the collective vision; i) role modelling behaviors that set a personal example of the values inherent in the collective vision; j) frame-alignment behaviors--behaviors intended to align followers' attitudes, schemata, and frames with the values of the collective vision; and,k) behaviors that arouse follower motives relevant to the pursuit of the vision. We refer to these behaviors collectively as the *value based leader behavior syndrome*.

This specification of value based leader behaviors integrates the behaviors specified in prior extensions of the 1976 theory of charismatic leadershipas well as behaviors specified in other theories of charismatic, transformational and visionary leadership. House and Shamir (1993) provide the rationale for inclusion of the above behaviors in the theoretical leader behavior syndrome.

Axioms

Axioms are statements, the validity of which are taken for granted, either because the enjoy substantial empirical evidence or becuse they cannot be tested. Axiomsprovide a foundation for more specific statements, such as propositions. The axioms stated here provide the foundation for the selection of leader behaviors from among all of the leader behaviors specified in the various theories described above.

**Axioms Concerning Human Motivation**

1. Humans tend to be not only pragmatic and goal-oriented, but are also self-expressive. It is assumed that behavior is not only instrumental-calculative, but also expressive of feelings, aesthetic values and self-concepts. We "do" things because of who we "are," because by doing them we establish and affirm an identity for ourselves, at times even when our behavior does not serve our materialistic or pragmatic self-interests.

2. People are motivated to maintain and enhance their generalized self-efficacy and self-worth. Generalized self-efficacy is based on a sense of competence, power, or ability to cope with and control one's environment. Self-worth is based on a sense of virtue and moral worth and is grounded in norms and values concerning conduct.

3. People are also motivated to retain and increase their sense of self-consistency. Self-consistency refers to correspondence among components of the self-concept at a given time, to continuity of the self-concept over time, and to correspondence between the self-concept and behavior. People derive a sense of "meaning" from continuity between the past, the present and the projected future, and from the correspondence between their behavior and self-concept.

4. Self-concepts are composed of values, perceptions of self-worth, efficacy, and consistency, and also identities. Identities, sometimes referred to as role-identities, link the self-concept to society. Social identities locate the self in socially recognizable categories such as nations, organizations and occupations, thus enabling people to derive meaning from being linked to social collectives.

5. Humans can be strongly motivated by faith. When goals cannot be clearly specified or the subjective probabilities of accomplishment and rewards are not high, people may be motivated by faith because being hopeful in the sense of having faith in a better future is an intrinsically satisfying condition.

6. When individual motives are aroused in the interest of the collective effort, and when individual identify with the values inherent in the collective vision, they will evaluate themselves on the basis of the degree to which they contribute to the collective effort. Under conditions of motive arousal and value identiication individuals experience intrinsic satisfaction from their contribution to the collective effort and intrinsic dissatisfaction from failure to contribute to collective efforts**.**

These axioms incorporate the extensions of the 1976 theory of charismatic leadership offered by Shamir, House and Arthur (1993), and House and Shamir (1995) and provide the integrative framework for the Value Based Theory of Leadership.

PROPOSITIONS

The theory is expressed in the form of twenty-seven propositions which assert specific ways in which leader motives and behaviors, in conjunction with situational variables, affect follower motivation and performance and organizational performance. These propositions are based on the leadership and psychological theories reviewed above and reflect the extensions of the 1976 Theory of Charismatic Leadership contributed by House et al. (1991), Shamir et al. (1993), House and Shamir (1993), and Waldman, Ramirez and House (1996).

## Propositions Concerning Leader Behavior and Its Effects

1. The motivational effects of the behaviors of the value based leader behavior

syndrome described above will be heightened follower recognition of shared values between leaders and followers, heightened arousal of follower motives, heightened follower self-confidence, generalized self-efficacy and self-worth, strong follower self-engagement in the pursuit of the collective vision and in contributing to the collective, and strong follower identification with the collective and the collective vision. We refer to these psychological reactions of followers as *the value based motive syndrome* .

2. The behavioral effects of the value based motive syndrome will be heightened commitment to the collective as manifested by follower willingness to exert effort above and beyond normal position or role requirements, follower self-sacrifice in the interest of the vision and the collective, and increased collective social cohesion and organizational collaboration. We refer to these effects as the *value based follower commitment syndrome*. While the value based motive syndrome described in proposition one is not directly observable, the behaviors of the value based follower commitment syndrome are.

## Propositions Concerning Leader Attributes

3. Self-confidence and a strong conviction in the moral correctness of one's beliefs will be predictive of proactive leadership. This proposition is a slight modification of proposition three of the 1976 Theory of Charismatic Leadership. This proposition has been supported by Smith (1982), House et al. (1991), and Howell and Higgins (1991).

4. Strong leader concern for the morally responsible exercise of power will be predictive of constructive, collectively oriented exercise of social influence by leaders and predictive of the value based motive and follower commitment syndromes specified in propositions 1 and 2 above.

5. Power motivation coupled with a strong concern for the morally responsible exercise of power will be predictive of the constructive, collective-oriented exercise of social influence by leaders.

6. Power motivation, unconstrained by a strong concern for the moral exercise of power, will be predictive of impetuously aggressive and self-aggrandizing exercise of social influence.

7. Power motivation, in conjunction with a strong concern for the moral exercise of power, will be predictive of effective leadership when the role demands of leaders require substantial delegation of authority and responsibility and the exercise of social influence.

8. Power motivation, unconstrained by a strong concern for the moral exercise of power, will be predictive of effective leadership when the role demands of leaders require strong individual competitiveness, aggressiveness, manipulative and exploitive behavior, or the exercise of substantial political influence.

9. Affiliative motivation will be predictive of non-assertive leadership, close relationships with a small subgroup of followers, partiality toward this subgroup, and ineffective leadership.

10. The leader motive profile will be predictive of proactive leadership and leader effectiveness when the role demands of leaders require substantial delegation of authority and responsibility and the exercise of social influence.

11. Achievement motivation will be predictive of effective leader performance in entrepreneurial contexts and for small task-oriented groups in which members have direct interaction with the leader.

12. Achievement motivation will be predictive of ineffective leader performance for the leadership of organizations in which the role demands of leaders require substantial delegation of authority and responsibility and the exercise of substantial social influence.

Propositions four through twelve are derived from the motivation theories reviewed earlier.

**Propositions Concerning Specific Leader Behaviors**

13. Leader behaviors intended to enhance followers cognitive abilities will increase follower and overall organizational performance when such behaviors complement formal organizational practices and the informal social system by providing direction, clarification, feedback, encouragement, support, and motivational incentives to subordinates which are not otherwise provided.

14. When leader behaviors intended to enhance followers cognitive abilities are redundant with formal organizational practices and the informal social system they will be viewed as excessively controlling, will cause follower dissatisfaction, and will be resented and resisted.

15. To be accepted by followers, it is necessary for leaders to be perceived by followers as acting in the interest of the collective and the followers, to be perceived as fair and trustworthy in their interactions with followers, and to be perceived as not self-aggrandizing.

16. Leader support behavior will be predictive of low follower stress, trust in by followers, and follower satisfaction with their relationships with leaders.

17. Leader contingent recognition and approval will be predictive of follower role clarity, follower perceptions of leaders as fair, and heightened follower satisfaction and motivation.

18. Directive leader behavior will result in follower role clarification but will be dysfunctional when followers prefer to exercise independent actions and initiative, are highly involved in their work, and/or perceive themselves as having requisite knowledge and skills for effective task performance.

19. Participative leader behavior will result in follower role clarification and will be functional when followers prefer to exercise independent actions and initiative, are highly involved in their work, and/or when followers perceive themselves as having requisite knowledge and skills for effective task performance.

20. Leader fairness behavior will be predictive of follower acceptance of leaders, and the leader's vision and values.

21. Perceived lack of fairness will result in follower resentment and resistance to the leaders vision and directions. These propositions are based on equity theory of motivation.

Propositions 13 through 21 are based on the 1996 version of Path Goal Theory of leadership (House, 1996).

22. Leaders arouse motives of followers by enacting specific motive arousal behaviors relevant to each motive. For example, defining tasks and goals as challenging arouses the achievement motive; invoking the image of a threatening enemy, describing combative or highly competitive situations or describing the exercise of power arouses the power motive; making acceptance of the leader contingent on mutural acceptance of followers, or stressing the importance of collaborative behavior arouses the affiliative motive.

23. Leaders who engage in selective behaviors that arouse motives specifically relevant to the accomplishment of the collective vision will have positive effects on followers' value based motive syndrome described in Proposition 2.

24. The more leaders engage in the value based leader behavior syndrome the more their followers will emulate (a) the values, preferences and expectations of the leader, (b) the emotional responses of the leader to work-related stimuli, and (c) the attitudes of the leader toward work and the organization.

Propositions 22 through 24 are slight revisions of propositions advanced in the 1976 Theory of Charismatic leadership (House, 1977).

25. The use of strong extrinsic material rewards contingent on performance will conflict with appeals to ideological values and will thus undermine the effects of the value based leader behavior syndrome. This proposition is based on dissonance theory (Festinger, 1980) and supported by the findings of Korman (1970), and Dubinsky and Spangler (1995) described above.

## Propositions Concerning Social Context

26. Two necessary conditions for leaders to have the effects specified in proposition two are that leaders have the opportunity to communicate the collective vision to potential followers and that the role of followers be definable in ideological terms that appeal to them. This is a modification of one of the propositions originally advanced by House (1977).

27. The emergence and effectiveness of value based leaders will be facilitated to the extent to which a) performance goals cannot be easily specified and measured, b) extrinsic rewards cannot be made clearly contingent on individual performance, c) there are few situational cues, constraints and reinforcers to guide behavior and provide incentives for specific performance, and d) exceptional effort, behavior and sacrifices are required of both the leaders and followers. This proposition is based on the earlier discussion of strength of situations and dissonance theory and is a modest modification of one of the propositions originally advanced by Shamir et al. (1993).

The hypotheses were tested within the context of a latent structure casual model, using Partial Least Squares Analysis (PLS). This modelling procedure requires that substantive hypotheses be modelled in the form of paths connecting the hypothesized variables. The variables are latent constructs composed of scores on manifest indicators. The The slopes of these relationships are presented in Figure 3. This finding supports the competitive hypothesis 5a which states that LMP will have greater effects in non-entrepreneurial firms than in entrepreneurial firms, andwill be discussed below.

# IMPLICATIONS

In this section we first discuss the implications of the findings with respect to the value based leadership. Next we discuss the implications of the findings for each of the five theories that were integrated in the models tested. We then discuss the more general implications of the study for the discipline of Organizational Behavior.

Value Based Leadership

Thomas (1988), House et al. (1991), and by Waldman, Ramirez and House (1996)

demonstrate longitudinally, and with adequate controls for spurious relationships, that leaders have substantial effects on the performance of the organizations they manage. However, there have been no studies, other than the U.S. presidential study (House et al., 1991), that investigate the leader motives and behavior that lead to such leader effects. Thus there has been a "black box" concerning how leader processes influence overall organizational performance that remains to be explained.

Collectively, the findings of the present study help to understand the phenomena in the "black box." More specifically, the findings show, in some detail, important relationships between chief executives' motives and behavior and subordinates' motivation and commitment to their organization. Having shown how the components function,it is now possible to test linkages between leader behavior, subordinate responses, and organizational effectiveness using longitudinal quasi experimental designs.

Implications for Specific Theories

In this section we discuss the implications of the study findings for each of the theories that are integrated to form the Value Based Theory of Leadership.

**Achievement Motivation Theory**

Achievement motivation has a more positive effect on CEMS and all leader behaviors in entrepreneurial firms than in non-entrepreneurial firms. This finding constitutes yet another confirmation of achievement motivation theory concerning the specific conditions under which achievement motivation is predicted to result in high performance.

**Moral Responsibility Theory**

The bivariate relationships between the moral responsibility disposition and value based leader behavior, leader fairness and CEMS, and the moderating effect of responsibility on the relationships between the power motive, and CEMS, leader charisma, and support/reward behavior all provide support for Moral Responsibility Theory. Moral responsibility motivation is clearly an important disposition that deserves further investigation and attention.

**Leader Motive Profile Theory**

The positive relationships between LMP and executive value based leader behavior, support/recognition behavior, and directiveness provide support for LMP Theory. These two relationships are consistent with the interpretation that because high LMP leaders have low affiliative motivation they enact social influence in an impersonal and more proactive and assertive manner than low LMP leaders.

The findings are consistent with the propositions that LMP affects leader behavior, and leader behavior in turn has a positive effect on CEMS. These findings suggest a re-specification of the boundary conditions for the role of LMP in organizational functioning. Contrary to the initially specified boundary conditions, LMP has negligible effects on leader behavior and CEMS in non- entrepreneurial firms and positive effects in entrepreneurial firms. These findings imply that LMP has its' major impact on organizational outcomes through its' influence on leader behavior under weak psychological conditions.

### Path Goal Theory

As predicted by the Path-Goal Theory of Leadership (House, 1996), leader contingent

recognition and supportive behaviors are predictive of CEMS, and leader directiveness is more strongly negatively related to CEMS in entrepreneurial firms. Thus Path-Goal theory is provided additional support in the present study.

# CONCLUSION

The major conclusions that can be drawn from the above findings and discussion are: 1) the value based theory of leadership successfully integrates five prominent theories of leadership (transformational, charismatic, visionary, LMP, and path-goal theories) and assertions drawn broadly from established psychological theories of motivation and behavior; 2) the components of the value based theory of leadership are rather strongly and quite consistently supported, although their exact combinations remain to be established; 3) the psychological theories integrated within the value based theory are largely supported; 4) the value based theory of leadership, with various kinds of operationalizations**,** has rather broad generalizability; 5) the theory supported by the U.S. presidential study holds for CEOs with respect to effects of leader behaviors on subordinates' cognitions and affective responses; 6) a re-specification of the boundary conditions of LMP should be further investigated; and 7) the motives that are most appropriate for effective leadership are contingent on the orientation of the collective being led.

Beginning with the 1976 theory of charismatic leadership (House, 1977), a new leadership paradigm has emerged. This paradigm consists of several theories of similar genre (House, 1977; Bass, 1985; Conger & Kanungo; 1987; Bennis & Nanus, 1985; 1987; Sashkin, 1988) and concerns the determinants of exceptionally effective or outstanding leadership. According to this paradigm, value based leaders infuse organizations and work with ideological values which are intrinsically and powerfully motivational. *Value oriented motivation is stronger, more pervasive, and more endurable than pragmatic oriented motivation.* The theories of the new paradigm are now integrated and formalized as the Value Based Theory of Leadership. Hopefully, this theory and the supporting research will stimulate further leadership research and further development of leadership and organizational behavior theory.

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