Critical thinking questions

1. Why is it important for top executives to value and support shared leadership?
2. Transformational leadership is the most popular perspective of leadership. However, it is far from perfect. Discuss the limitations of transformational leadership.
3. This chapter distinguished charismatic leadership from transformational leadership. Yet charisma is identified by most employees and managers as a characteristic of effective leaders. Why is charisma commonly related to leadership? In your opinion, are the best leaders charismatic? Why or why not?
4. Your employees are skilled and experienced customer service representatives who perform non-routine tasks, such as solving unique customer problems or meeting special needs with the company’s equipment. Utilise path-goal theory to identify the most appropriate leadership style(s) you should use in this situation. Be sure to fully explain your answer and discuss why other styles are inappropriate.
5. You are about to start your first job. Drawing on LMX, suggest the steps you could take to ensure that your relationship with your manager will be “high quality.”
6. Identify a current political leader (e.g. president, governor, mayor) and his or her recent accomplishments. Now, using the implicit leadership perspective, think of ways that these accomplishments of the leader may be overstated. In other words, explain why they may be due to factors other than the leader.
7. Find two newspaper ads for management or executive positions. What leadership competencies are mentioned in these ads? If you were on the selection panel, what methods would you use to identify these competencies in job applicants?
8. A highly successful leader, known for her participative style and commitment to servant leadership, is being transferred to a senior management position in Hong Kong. What advice would you give her to ensure she continues to be successful in leading and motivating her employees?
9. You hear two people debating the merits of women as leaders. One person claims that women make better leaders than do men because women are more sensitive to their employees’ needs and involve them in organisational decisions. The other person counters that though these leadership styles may be increasingly important, most women have trouble gaining acceptance as leaders when they face tough situations in which a more autocratic style is required. Discuss the accuracy of the comments made in this discussion.

CASE STUDY

Leading in turbulent times: a case of transformational or reckless leadership?

By Austin Chia, University of Melbourne

Navison & Co was established in Melbourne in 1999 by John Navison, and within 18 short months the firm had grown to become one of Australia’s leading and most influential management consulting firms. With offices in all of the major Australian states and employing over 230 professional staff, the company generates over $120 million in annual revenue.

The firm has a multidisciplinary focus and offers consulting capabilities to deliver insights and solutions on a wide range of CEO agenda issues. Navison is frequently featured in the business press for its work and expert insight on various operational and strategic issues facing public and private sector industries.

Many would attribute the firm’s success to its founder and managing partner, John Navison, who is often praised for his open and consultative leadership style.

John frequently deflects such praise, and attributes the rapid success to other factors such as the fact that the people working for the firm are true professionals who operate with the highest integrity. There is certainly mutual admiration and respect between management and employees, which helps to explain why Navison has one of the lowest turnover rates in the professional services sector. John always emphasises the importance of having fun; he displays a good sense of humour at work and fosters a climate that encourages his employees to follow his lead. He believes this positive environment is a key ingredient in strengthening the bonds between employees and that this, in turn, leads to building strong positive relationships with clients.

In line with John’s consultative approach, when the firm moved to new offices earlier this year John
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introduced a ‘No Door’ policy. This was interpreted literally in its implementation as none of the partner offices has doors. John believes closed doors are symbolic of hierarchical barriers. By establishing a flat organisational structure, and removing potential communication barriers, the leadership team is able to engage and empower employees while building a shared understanding of the firm’s goals.

One of the partners gives the following description of John’s leadership style: ‘John is the epitome of leading by example, and each day he continues to inspire me on what it means to be an effective leader. He is the managing partner, but, regardless of whether you’re a partner or a junior analyst, he listens to and values your ideas.’

Although other competing firms offer slightly higher salaries than Navison, the employees aren’t bothered by the comparative pay differences. Michelle Wright, head of People and Culture, says that many of the high-paying firms are known for their ‘survival of the fittest’ culture and high burn-out rates.

She adds, ‘At Navison we want to find talented professionals who are attracted to our core values rather than prestige and salary. So while our consultants have slightly lower take home salaries, we do invest heavily in creating a positive workplace culture. We want employees to be passionate about what they do and enjoy coming to work. Salary alone won’t achieve that.’

When speaking with the staff, many of whom have previously worked in high burn-out environments, it is evident that they feel a strong sense of connectedness to Navison as they exhibit organisational citizenship behaviours that aren’t ordinarily found in other consulting firms.

Instead of mimicking these churn-and-burn cultures, the firm wanted to differentiate itself from them by creating a culture resembling the kinship found in a large family. Navison sought to present employees with working conditions that would encourage them to enjoy genuine long-term careers at the firm. It did this by offering better work-life balance, by investing more money on staff professional development and focusing on each employee’s personal wellbeing, by providing maternity/paternity leave entitlements above statutory requirements and generous childcare benefits and by organising subsidised gym memberships.

Perhaps the greatest test of the robustness and resilience of the Navison culture was during the global financial crisis (GFC) in 2007. This was a challenging period for all leaders at the helm of major management consulting firms, which faced the threat of total collapse. Staff costs typically account for around 65% of the operating budget, thus economic uncertainty often prompts swift action to reduce costs via far-reaching redundancy programs.

At a leadership meeting held in response to the crisis, John opened the meeting with the following statement: ‘We are facing challenging times but let me assure you that it is not all doom and gloom and we need to think clearly and to work smart. First, we need to highlight to our clients that downsides also have an upside too. Bold decisions and savvy investments can strategically position their businesses to get a head start when the economy recovers. Secondly, communication has always been important in our firm and it becomes even more important during tough times. We must engage our staff and keep them involved.’

In the face of this crisis, John affirmed his commitment to exploring all other avenues to reduce costs and said that any downsizing would be the last option. He believed that although downsizing may alleviate some pressure in the short term, once the economy recovered, the firm would be in a world of pain and would struggle to bounce back, with a significant amount of time and money having to be wasted on recruiting and retaining.

The leadership team proposed a three-pronged response to the crisis. The first line of defence was to reduce non-essential direct and overhead expenses (e.g. travel, corporate staff events, etc.) and to defer planned big-ticket investments. The second approach involved running town hall meetings across all state offices, to which staff were invited to brainstorm and volunteer cost-cutting ideas. Through these, some staff offered to take unpaid holidays and to reduce their own hours, as well as suggesting further cuts to discretionary overhead costs. These two measures proved effective in alleviating the financial pressures of the recession for six months. However, the GFC had prolonged effects and the sluggish economy forced Navison & Co to institute a firm-wide pay reduction as a last resort.

John took a 20% pay cut while the other partners had their salaries reduced by 15% and there was a 7.5% reduction for the remaining salaried employees. This final measure was obviously controversial, but, with a united front, John and the other partners provided full transparency of the firm’s books and financial position to employees to highlight that the firm was being squeezed and that the stability and solvency of the firm was in question.

Although taking a pay cut was always going to be a hard pill to swallow, by involving employees in the decision-making process there was a broad understanding that the personal sacrifice in pay was saving the livelihood of fellow colleagues. This was a testament to the family-like culture John had fostered in the firm. Within three months of instituting the pay
reductions, the economy started to pick up and the firm landed a number of large consulting projects. Employee salaries were restored. In the aftermath of the financial crisis, when the dust had settled, Navison reported that it had weathered the challenges and uncertainty of the financial crisis without laying off a single employee.

In recounting the events of the GFC, Lisa Chao, an associate consultant at Navison, described how she felt that her role was never in jeopardy and was reassured by the leadership team’s commitment to ensuring no layoffs at all costs. The no-layoff policy resulted in a more motivated workforce with more loyalty than they had had pre-GFC. When you visit the offices, it is immediately clear that Navison has a highly productive workforce committed to growing the firm.

Some industry commentators have labelled John’s approach as amateurish and reckless, highlighting that the no-layoff policy put the firm at unnecessary risk of failing. They stress that the fact that the firm had come out the other end of the financial crisis without job losses is pure luck because decisions were being made without knowing what the economic environment was going to be in the future. A managing partner from a competitor firm commented, ‘In the face of such volatility and uncertain business conditions, the overarching goal of leaders is to ensure the survival of the organisation by hunkering down and cutting all unnecessary costs, which includes making hard decisions about headcount reductions. It is the opportune time to get rid of dead wood and these bold decisions will better position the firm post-recession with a workforce made up of only the best.’

Discussion questions
1 How has John Navison demonstrated the practice of transformational leadership? Provide examples to support your answer.
2 Using the path-goal leadership theory, which leadership style best describes John’s approach in response to the global financial crisis?
3 Do you agree with the view that John’s approach put the firm at unnecessary risk? What would you have done differently?

TEAM EXERCISE
Leadership diagnostic analysis

Purpose
To help students learn about the different path-goal leadership styles and when to apply each style.

Instructions
Step 1: Students individually write down two incidents in which someone has been an effective manager or leader over them. The leader and situation might be from work, a sports team, a student work group or any other setting where leadership might emerge. For example, students might describe how their supervisor in a summer job pushed them to reach higher performance goals than they would have done otherwise. Each incident should state the actual behaviours that the leader used, not just general statements (e.g. ‘My boss sat down with me and we agreed on specific targets and deadlines, then he said several times over the next few weeks that I was capable of reaching those goals.’)

Each incident requires only two or three sentences.

Step 2: After everyone has written their two incidents, the instructor will form small groups (typically between four or five students). Each team will answer the following questions for each incident presented in that team:

1. Which path-goal theory leadership style(s) — directive, supportive, participative or achievement-oriented — did the leader apply in this incident?
2. Ask the person who wrote the incident about the conditions that made this leadership style (or these styles, if more than one was used) appropriate in this situation. The team should list these contingency factors clearly and, where possible, connect them to the contingencies described in path-goal theory. (Note: The team might identify path-goal leadership contingencies that are not described in the book. These, too, should be noted and discussed.)

Step 3: After the teams have diagnosed the incidents, each team will describe to the entire class the most interesting incidents, as well as its diagnosis of that incident. Other teams will critique the diagnosis. Any leadership contingencies not mentioned in the textbook should also be presented and discussed.

SELF-ASSESSMENT
Do leaders make a difference?

Purpose
This assessment is designed to help you assess your beliefs about the influence of leaders.

Instructions
Read each of the following statements and circle the response that best indicates your personal belief about that statement. Then, use the scoring key in Appendix B (online) to calculate the results for each leadership dimension. After completing this assessment, be prepared to discuss in class the relevance and level of implicit leadership theory.