

Chapter 2

Occupation or Calling: What Makes for Good Leadership?

Management is the most creative of all arts, for its medium is human talent itself.

Robert S. McNamara

John F. Kennedy, Mahatma Gandhi and Sir Winston Churchill were exemplary leaders of nations. With regard to leading workers, Heidrick and Struggles ask, “What is good leadership?” This is a complex and highly philosophical question, which has been met with innumerable, often opposing answers from management schools and theory. Typically, leaders are evaluated concerning their practices, leading to more confusion than clarification.

A practical increase in value is offered by the question of what good leadership depends on. There is a mountain of management literature that can be referred to on this topic. Searching the literature for what is paramount to good leadership, four critical factors emerge: the craft of leadership, the leader, the relationship between leader and led and the leadership situation.

Included in the following sections are the most well-known and important aspects of the four factors. While comprehensive coverage of management theories is not included, the following discussion of these four factors is sufficient to guide those on the journey of perfecting their leadership skills.

The selection of concepts here serves as a basis and delineation of relationship-oriented leadership. I feel it would be counterproductive and narrow-minded to ignore the work performed and valuable existent findings in the broad field of leadership.

To give away the ending: all four answers to the question of which factors good leadership depends on are examined one by one. Yet these answers alone are not sufficient for practice. Otherwise there would hardly be such a wealth of management training, seminars and manuals. Thus we will ask ourselves: “What does good leadership depend on?” and examine the old and new approaches to leadership.

2.1 The Craft of Leadership

Good leadership depends on the leader having learned and mastered their craft.

This section involves a brief review of the traditional and outdated leadership methods at the workplace. In the beginning, the mechanistic age defined operations and culture within industries and organizations. The goal was to operate as smoothly and efficiently as possible, with workers' roles being strictly like those of machines. At about this time, beginning in the 1880s and lasting through the early 1900s, Frederick W. Taylor developed the theory of scientific management (see Taylor 1913), which was briefly influential in methods of operations within industries (see Taylor 1913). Work activities were analyzed and divided into individual tasks, which were easily learned and executed, in order to promote efficiency. As Taylor stated, "One works smarter instead of harder."

Other pioneers of management theories and practice include Thomas Watson of IBM, Robert E. Wood of Sears, and George Elton Mayo of the Harvard Business School.

In addition, Henri Fayol was instrumental in the development of administrative practices and defined five essential duties of managers: planning, organizing, instructing, coordinating and controlling operations (see Fayol 1916). Likewise, Max Weber was pioneering in regards to examining bureaucratic aspects of office duties and hierarchy (see Weber 1972). In modern management models the responsibilities are typically classified more precisely into six components: analysis of the initial situation, formulation of goals, definition of measures, allocation of funds, execution (implementation), and evaluation of results. Managers' duties tend to be divided into the categories of supervision, planning, decision-making and task delegation (see Thommen and Achleitner 2001, p. 834; Rühli 1996).

2.1.1 *The Old School of Modern Management*

The most important and visionary management theoretician was the late Peter F. Drucker. Most of today's discussions and practices concerning management and leadership incorporate his work. In the following I would like to present why I believe that Drucker provided a pool of valuable knowledge, especially for today's managers. To this end I will draw on several works by him that first appeared in the 1940s and have since been reprinted time and again – a sign of their timeliness and their considerable value (see summary of Drucker 2004 – the individual books can be found in the references).

Three examples suffice: in the 1940s Drucker wrote on the legitimacy of management – today everyone talks about "Corporate Governance." In the 1950s he wrote on leading with goals; "Management by Objectives" has long since been recognized as an important instrument. And he coined the term "knowledge workers"

in the 1960s; now everyone speaks of intangible assets, knowledge work and the knowledge society. Drucker did not always have such near-prophetic accuracy (Drucker 2004, p. 9); he simply thought in larger contexts, which was his unique strength.

Drucker once described himself as a “social ecologist,” as he analyzed management and leadership disciplines. He included not only the company and its stakeholders, but also the social context and historical aspects in his analysis.

Drucker blurred the boundaries between two cultures, the arts on the one hand and the natural sciences on the other, providing management as both an art and a science. He stressed both the technical as well as the humanistic side of management, as management was in his eyes both a profession and a calling. And Drucker also predicted that management would increasingly develop in the direction of the “human sciences.” Today I would put it as follows: leadership is relationship management.

2.1.1.1 What Is Management?

Drucker stated that in the history of mankind, few functions have become as widely and quickly accepted as that of management. In less than 150 years, styles of management have completely changed the social and economic structures of industrialized countries. In more recent years, management has had less to do with the supervision of largely unskilled staff and more with that of “a community of extremely knowledgeable workers” (Drucker 2004, p. 20). The development of management has transformed knowledge from a social decoration and luxury into economical capital.

The fundamental function of management remains unchanged: enabling people to reach a common achievement through common values, goals and structures, and through further training to allow them to respond to changes. I feel that, for three reasons, this one of the best definitions of leadership:

First of all, managers must base their decisions on values. Secondly, leaders will always be developers of personnel. And thirdly, they must constantly direct processes of change.

In other publications, Drucker stressed that the major task of managers is to produce results that, because they are unspectacular, fade into oblivion. “The justification for the existence of the management lies in the organization’s results” (Drucker 2004, p. 120). These results are outside of the company, in the business world with the customers and competitors. The only purpose of an enterprise is to find a customer who wants to purchase its goods or services. In the long run, the customer defines the activities of the enterprise, and at the same time its leadership. Therefore the profitability of an enterprise is only one factor, not the entire purpose, and focusing too much on profitability limits the activities of the enterprise. This is an important clarification in the age of shortsighted shareholder pursuits of strictly monetary gain.

Drucker claimed that “everything that concerns the achievements and results of an institution is the subject of management and lies within the responsibility of management. (...) It is thus one of the special tasks of management to administer the organization’s resources with the resulting external relationships in mind. (...) The results as manifested in external relationships must be a central focus of management teams” (Drucker 1999a, p. 63).

Yet neither productivity nor financial performance alone can measure the achievements of an enterprise. A balanced scorecard is achieved by combining market positioning, the ability to innovate, productivity, quality, and workforce development. As Drucker succinctly stated, “the result of the activity of an enterprise is a satisfied customer.”

Drucker further differentiated between eight key areas essential to obtaining quality results: marketing, innovation, human resources, financial resources, material resources (e.g. production plants), productivity, social responsibility, and a winning attitude. In addition Drucker believed that goals are not an unalterable fate, but point us in the right direction. They are not orders, but are more like a religious confession. They do not dictate how the future will unfold, but serve to guide the usage of an enterprise’s means, and free the energy of the enterprise to design its own future (Drucker 2004, p. 51). If the management lacks the ability to assimilate lessons learned through the achievement of or failure to achieve goals, and if it does not value the employees, the company will not survive.

In order to obtain good results, all activities of a company must focus on its goals. Thus, we are concerned with the topic of management “by objectives,” an innovative philosophy put forth by Drucker. This point is best illustrated by the story of three stonemasons (Drucker 2004), who were asked what they do. The first mason answered, “I earn my living expenses.” The second explained, “My masonry work is the best in the country.” And the third answered with brightly shining eyes, “I am building a cathedral.”

What exactly are the crucial goals for managers? Each manager needs clearly defined objectives that coincide with those of the enterprise. This is true whether managers are leading production processes, or marketing, or heading the executive finance committee. However, this is often considered banal and is as such neglected, decades after Drucker first recommended the practice of aligning managers’ goals with those of the enterprise.

Frequently the practice of “management by campaigns,” makes it impossible to achieve objectives in a steady and balanced manner. Additionally, as pointed out by Drucker, “All parties involved seem to know and accept that 3 weeks after the campaign, all will return to the status quo” (Drucker 2004, p. 145). Nevertheless, new managers continue to utilize this approach. For Drucker, “management by campaigns is nothing but a safe haven for confusion and an admission of incompetence,” i.e., it reveals that the management is incapable of planning.

In summary, the principle of “management by objectives” offers room for individual strengths, needs, and responsibility while directing efforts in a collective and common direction.

2.1.1.2 Leading Knowledge Workers

According to Drucker, human beings should be the central focus of management. The task of the management consists in bringing people together and facilitating the process of collective achievement. Only by doing so can results be obtained. Today we call this process “empowerment.” Drucker further explained that an organization consists of individuals whose abilities and interests widely differ. Thus in all interactions, the management must not overlook effective communication or individual responsibility. In addition, all employees must be supported and encouraged in their personal development efforts. Specifically, Drucker stated, “each enterprise is both a learning and a training mechanism.” This concept of a learning-oriented enterprise predates the popular work of Peter Senge.

Is there only one right way to lead people? Drucker made it clear: no, there isn’t. Nevertheless – and he criticizes this several times – managers continue to search for “the” ultimate style of leadership. Drucker also cited Maslow, who theorized and demonstrated that different people must be led differently. Further, an individual employee must be led differently at different times. Thus Drucker revealed the absurdity of “X and Y” theory (in particular the either-or variant formulated by Douglas McGregor).

Drucker recognized a workforce trend that I have already briefly touched on in Chap. 1. In the last few decades, manual laborers have been replaced by employees whose capital is their knowledge. They are partners instead of subordinates and must be led as if they were voluntary coworkers. Drucker recognized that volunteers derive more satisfaction from their work than paid employees. Volunteers look for challenges, exciting tasks and opportunities to grow.

Intelligence, imagination and knowledge are important resources, but knowledge workers, who do not use physical strength or provide manual labor, must above all be effective. The knowledge worker, as Drucker described, produces ideas, information and knowledge. But the most important knowledge is worthless if not utilized. Based on this, the idea of effective leadership, which would later be taken up by Fredmund Malik, was born.

It is also important to consider that today’s “superiors” have as a rule never worked in the positions of their personnel. As a result, each staff member knows more about his or her job details and duties than anyone else in the enterprise. Therefore, Drucker stressed that each knowledge worker is in also a manager, provided his or her contributions affect the efficiency and the results of the organization. And, given their superior knowledge of their duties, the knowledge workers are best suited to make the correct decisions. Drawing an analogy between the military and the modern economy, Drucker stated, “In guerilla warfare everyone is a manager.” This alludes to the principle of direct responsibility put forth by Reinhard K. Sprenger. Drucker proposed that knowledge workers and managers are exposed to a similar reality, which is determined by several characteristics. For example, both groups have almost no control over their individual time. Other

workers frequently seek their assistance, or take up their time in other ways. Potentially, this can strongly impact their effectiveness.

There is only one point on which I disagree with Drucker, who held that whether knowledge workers – and leaders – maintain good interpersonal relations or not does not depend on whether they have empathy for people, but only on whether they concentrate on contributing to the entrepreneurial success. I think this is misleading. Empathy is crucial, and concerns more than a warm hug or small talk; rather, it permeates situations and guides leaders in sensing how to lead the individual person – as Drucker also confirmed.

In modern knowledge organizations, Drucker described effective interpersonal relations as having four fundamental requirements. First of all, effective communication is essential. Here Drucker noted that effective communication is nearly impossible when based on a hierarchical relationship. “The more the superior is anxious to communicate to his or her subordinates, the more probable it becomes that subordinates misunderstand the information. They will not hear what was said, but only what they expected to hear” (Drucker 2004, p. 253). Knowledge workers must communicate with one another as equals in order to be able to share information and in order to accurately gauge the intended message.

Secondly, teamwork must be possible. According to Drucker, cooperation is not simply a matter of formal structure and scope of responsibility, but requires both horizontal communication and solid self-organization. Thirdly, individual self-development of managers and knowledge workers is necessary. And again, all must ask themselves: what is the most important contribution I can make to the performance of this organization? How do I need to develop myself further? Which standards do I set for myself? Therefore, fourthly, managers should promote the learning and development of others, including subordinates, colleagues, and superiors.

Drucker observed that we still know very little about self-development, a situation I hope to remedy with this handbook. Drucker focused less on the personality of the manager, or of the knowledge worker, but rather on topics such as time management, communication, innovation, education and effectiveness (see Drucker 2004, pp. 156–256).

2.1.1.3 Making Personnel Decisions

Managers spend the majority of their time and energy on leading employees and with general personnel-related decisions – and that’s the way it should be. Even so, many of these personnel decisions will be incorrect. After the decisions are made and thoroughly examined, only approximately one third of them prove to be correct in the long run. What basic rules should upper-level management use in order to make good personnel decisions? The aforementioned Drucker (2004, p. 158) created the following, brilliant list:

If an employee does not master his/her tasks, then it is the manager's failure. The manager should maintain communication with employees to ensure success.

The manager is obligated to ensure that those in responsible positions at his or her company succeed.

The manager's most important decisions are personnel decisions. The effectiveness and efficiency of the company depend on selecting the right staff.

New or less experienced employees should not be left unsupervised when working on important tasks; lack of proper supervision is an unnecessary risk. If the management deems the less experienced employee suitable for the task, supervision and communication are essential and should not be ignored.

Drucker states, "Personnel decisions and issues always draw a great deal of attention and focus. If managed correctly, this attention and focus can be used as an effective evaluation tool." A successful, confident management role model who possesses leadership, communication and management skills will be an example for other employees to emulate in order to achieve success in the company. It is important that this role model is aware of his/her impact on other employees and that he/she is diligent in correctly following company policies. Occasionally, breakdowns in communication and leadership will occur. It is imperative that the leader re-evaluates the situation, using the breakdown as a learning tool. If the outcome or desired outcome of the situation needs adjusting, the management will implement change. In order to bridge the gap between levels of management and employees, the leader must uphold a position of leadership and maintain communications to bring all employees together to solve the problem. This type of leadership style empowers each employee and he/she feels important and valued in the company.

2.1.1.4 The Internal Drive

In the "management by objectives" approach put forward by Drucker, "the self-check system is possibly the most important tool of goal-directed management." The self-check tool of leaders and employees leads to increased motivation, productivity and effectiveness because it creates the desire to perform best instead of just being able to handle things. The leader has to not only know the goals but also be able to evaluate his or her own work by considering these goals.

Drucker cites the example of General Electric, where travelling auditors regularly perform overall examinations for all branches of the corporation. The reports are documented and sent not to the headquarters but to the local managers – both so that the information can be used for self-check, and to demonstrate that the top management trusts the staff. The widespread reporting practice in some German companies proves that there is also another approach – and unfortunately, one often used without much success.

According to Drucker the trouble starts when managers begin to dictate their own behavior towards employees using a textbook. "In fact, anyone who is familiar with modern corporate life has observed situations in which a manager, in trying to

avoid causing trouble with a change in behavior, turned a perfectly good relationship into a nightmare of embarrassment and misunderstanding” (Drucker 2004, p. 143). By striving desperately to always behave properly the manager is ultimately discredited; “natural” and “casual” employee relations become impossible. In my view, however, this does not represent a contradiction to the need to also conduct behavior-related training. This training must not consist of schematic recipes, but should help managers to develop their own leadership styles and to trust themselves and their employees. In Chap. 3 we will see how this can be implemented with the systemic approach.

As a “teacher for companies,” Drucker felt that charity organizations in the U.S., such as the Boy Scouts, the Red Cross and major churches, take a leading position in the application of modern management practices, especially when it comes to the issues of strategy, leading teams effectively, and the motivation and productivity of knowledge workers.

For example, let’s examine the issue of motivation: because the volunteers are not paid, they have to derive the satisfaction from their work, and this reward must be great enough to compensate for the lack of payment. What do employees require? A clear mission and comprehensive training. And they want recognition, responsibility, prospects and accountability. In other words: they need their performance to be measured against clearly defined and meaningful targets. Drucker believed that such voluntary organizations can provide valuable insights into how to utilize and motivate knowledge workers (Drucker 2004, p. 51).

Drucker came to the following conclusion: employees should not be “managed”; instead, the task must be to lead them. And the goal here is to use the specific strengths and skills of each employee productively. But this is only possible if the leader begins with himself or herself.

2.1.1.5 Leading Yourself

Drucker emphasized the “art” of “managing yourself”: in today’s knowledge economy it is all about whether someone knows his or her specific strengths, values and preferred ways of working (see Drucker 1999a, pp. 9–19). Here he approaches my specific concern, the first-person perspective of the manager (Drucker 2004, p. 257) and also deals with the management of our own strengths. A note on understanding: when he talks about “management” Drucker usually means what I call “leadership.”

Drucker supported the thesis that a growing number of employees will have to manage themselves in the future. He initially views this issue more structurally and economically, in the sense that the knowledge workers need to be entrepreneurs and marketers of their own achievements. At this point however, Drucker’s perspective falls short. Self-management is not just a question of self-promotion, but also of self-knowledge. Also, what I particularly feel to be missing here is the involvement of the manager, who is also a knowledge worker who needs to lead himself or herself. Their leadership quality and style depends on their own strengths and weaknesses.

In order to develop and maintain their own resources, here are some of Drucker's recommendations: first, a leader and/or knowledge worker needs to find out what his or her strengths are. "Most people believe they know what they are good at; usually they are wrong. People also tend to know what they are not good at – but in this respect the majority is also wrong." For Drucker, there is only one way to find out what your strengths are, an approach he referred to as "feedback analysis." This is how it works: whenever you make a key decision you write down what results you expect. After 12 months at the latest, review these expectations with regards to the actual results. In this way, within 2–3 years you can find out what your strengths truly are. Drucker claimed to have used this method himself for over 20 years.

This feedback analysis – which should not be confused with the classic oral feedback – allows us to make several conclusions, such as: concentrate on your strengths. Develop your strengths. Make sure to notice where your intellectual arrogance leads you to be ignorant. Try to get rid of your bad habits. Improve your manners. Waste as little effort as possible on trying to improve in areas where your expertise is limited.

To manage yourself you have to know your own values. Personal values must be compatible with the values of the organization; otherwise frustration is sure to arise. According to Drucker, there is rarely a conflict between the strengths and practices of a manager. But sometimes there is conflict between a person's values and their strengths. Finally, it is still important that people discover where they belong. In a large organization? In a small company? At the university? In business? This is another point that Drucker associates with the management of our own strengths.

Drucker felt that we were all on the way to becoming an "entrepreneurial society." Everyone – not just the executives – must increasingly take personal responsibility for his or her life-long learning, development and career. In this future society, the free market will have more of an effect on the exchange of information than on traditional commerce. The future growth sectors will be two areas of knowledge: health and education. "The most important thing, however, is that the next society will have a completely different social composition. It will be a knowledge society, where knowledge is represented in the work of the largest and most expensive group of employees. In fact, this transformation has already taken place in all industrialized countries" (Drucker 2004, p. 398).

2.1.1.6 The Principle of Responsibility

Drucker criticized much of the literature on management. He found it lacking and believed it did not ask difficult questions such as, "What is the responsibility of the management, who (specifically) is responsible, what is management based on and how is it evaluated?" Political issues also cause situations in management and must be evaluated and not disregarded. Drucker posed the question to the upper-level management and leadership team regarding stakeholder value vs. shareholder value. A stakeholder is an employee who may or may not have an interest or share in the enterprise. A shareholder is someone who actually owns stocks, shares

or bonds in the enterprise. “A healthy enterprise, a healthy university or a healthy hospital cannot exist in society if the latter is ill. A healthy society is therefore in the interest of the management, even if the management is not to blame for the illness in the society,” Drucker claimed.

According to Drucker, management has to deal with expected and unexpected issues and crises with equal fortitude, leadership and responsibility. He also asks the question of how the general public and/or specialized clients view the company. “The question is not whether we manage and lead our company effectively, but rather do our clients view our company as effective, efficient and customer service-oriented?” With stiff global competition, Drucker points out that an organization must maintain economic efficiency, attractive working conditions and great customer service and satisfaction (Drucker 2004, p. 33).

Drucker called for simple, everyday honesty from the management. “Leadership issues may be subject to problems occurring in the organization, the employee’s values, education and personal life.” Therefore, not a new set of ethics is needed, but harsher penalties. And he also demands that leaders take the principle of *primum non nocere* – “first, do no harm” – to heart.

The three dimensions of management defined by Drucker are:

An organization – this refers to public and non-profit organizations such as hospitals, universities and businesses that meet a specific need and in the end produce economic performance.

An organization must stand for productive work and effective employees. Step one is to organize the work or service provided by the company. Step two is more difficult and involves matching the work or service to the employees.

A company has a social effect and social responsibility, which must be controlled by the upper-level management. In order to succeed and survive, a company must meet the society’s needs for services. “A business does not exist for shareholders alone, but exists to offer market goods and services to the paying customer” (Drucker 2004, p. 33).

According to Drucker, the distinction between “management” and “entrepreneurship” is an artificial construct; both are needed at the same time.

2.1.1.7 Honest Work

If someone had asked the late Peter Drucker what the quality of leadership depends on, he would have answered hard work. Effective management will try to minimize the number of decisions to be made and focus solely on the most important ones. Drucker explained that though compromises must invariably be found, this should happen as rarely and as late in the decision-making process as possible, for fear of weakening the original goal. He also states the problem with many company mission statements: “they do not contain a roadmap for actual implementation” (Drucker 2004, p. 292).

Effective leaders are aware that it is not useful to start with the facts but with opinions in the shape of hypotheses. A good decision-making process always includes disagreement. Leaders should remain skeptical when an agreement is reached too quickly, claimed Drucker, because disagreement protects the manager from becoming a “prisoner of the organization” (Drucker 2004, p. 299). Furthermore, disagreement creates an opportunity for alternatives, and it stimulates the imagination. Therefore, according to Drucker, the effective decision-maker welcomes disagreement. On the other hand, there are some situations that will resolve themselves. Likewise, managers should not intervene if a development is indeed troublesome, but will likely have no consequences for the company. The effective decision-maker also works fast. He or she takes only a short time to reflect and then acts quickly, “whether they like it or not” (Drucker 2004, p. 304).

Drucker states the following aspects as success factors for effective leadership:

Good time management

Focused on the final outcome

Based on employees’ strengths, instead of placing weaknesses in the center of the group

Making simple, well-founded decisions

The ability to analyze, define and make changes if needed

Setting goals which maintain the company’s focus and standards

Being able to adjust and re-evaluate outcomes due to human error

The management as a role model of efficiency, effectiveness and productivity

The management must accept responsibility, positive or negative, for their employees

Accepting, not fearing, employees’ strengths

Having the ability to open the minds and imaginations of employees; empowering employees

According to Drucker, in addition you have to earn people’s trust: “Without trust there are no associates” (Drucker 2004, p. 316). Subordinates do not have to like their superior in order to trust him or her, nor is it necessary that they share his or her opinion. Trust stems from the belief that the boss means what he or she says, and is all about integrity.

Whether a manager has dedicated or two-faced, effective or mediocre employees, depends on the standards he or she stands for. The worst are those managers whose organizations collapse after they have left. Similarly harmful, managers who feel inadequate will always try to be to get rid of the most competent and therefore “dangerous” people in their surroundings.

Drucker demonstrated that management is more than just a collection of techniques, tricks, and analytical tools. Ultimately, it depends on a few essential principles. These factors amount to a combination of “hard” factors related to processes, structures, and quantified results and “soft” factors that involve building and maintaining relationships.

Drucker believed that a leader should not only to master certain skills, such as creating a balance sheet, running a meeting or preparing a budget, but also that he or she should uphold moral values and contribute certain personal traits and skills we

now summarize under the term “emotional intelligence”: empathy, responsibility, courage, honesty, modesty, and sociability.

As such, Drucker’s comprehensive, holistic and forward-thinking leadership approach goes beyond the dimension of pure craftsmanship. He pursues a systemic, action-oriented approach with the basic message that leadership can be learned. At the same time, his approach also belongs to those that place the personality of the leader with his or her character traits, decisions and relationship to their employees in the center of good leadership. Thus, we will revisit Drucker’s insights at various points in this book.

2.1.2 Management as Mass Profession

A recent and important representative of the “handicraft” who draws on Drucker’s teachings is Fredmund Malik, a professor of Business Management and since 1984 head of the Malik Management Zentrum St. Gallen. Malik is an important thinker and teacher in terms of leadership, as his practical approach focuses on a reduction to essentials and has a clear structure. It features the basic conditions and requirements of leadership activities without glorifying leadership as something nearly mystical. He also expressed the decisive test of leadership: effectiveness, thus providing a significant contribution to modern management practice. Therefore, I want to examine his approach to effective leadership in detail. Despite some differences, Malik and I agree on the basic premise that above all “leadership must be effective” and share an admiration for Peter F. Drucker. According to Malik, management is the “creative and moving body of a society and its institutions” (Malik 2001, p. 8). The productivity, innovation and prosperity of a society depend on good leadership. Essentially there is no longer any social sphere that does not require leadership. Five percent of the employed population today have management responsibilities within organizations; in areas such as computer science, finance and consulting this figure jumps to 20–25% and is rising. Management is thus the most important type of work in the modern mass society, according to Malik.

Because of this central importance the manager is frequently – and wrongly – hyped as a universal genius who has to fulfill a utopian list of requirements. He or she seems to be some cross between an ancient general, a Nobel laureate and an entertainer. This ideal manager of course does not exist. There are effective managers and real “performers,” but they cannot be mass-produced in order to develop a consistent personality profile to emulate. They are all different: hardly surprising considering the fact that, as Malik reminds us, they are only human after all.

All effective leaders share the ability to master their profession. This means that they have certain principles that guide their actions. They perform their tasks by using certain tools with great professionalism and effectiveness, and they take responsibility. For Malik, as an element of professional leadership responsibility

means being prepared to answer for our own actions and not abusing our personal power. Unlike the other three elements responsibility cannot be learned, nor is it a hereditary trait. Responsibility is a choice. Malik summarizes this point concisely: anyone who does not choose responsibility is not a manager, but a careerist.

2.1.2.1 The Principles

Principles are paramount and should be used along with leadership tools and the ability to ensure task development and fulfillment. Principles are “the core of managerial effectiveness” and “a must-have in every organizational culture” (Malik 2001, p. 65). In order to uphold business principles, a certain measure of self-discipline is necessary. Almost every employee can learn the principles of the business. An effective employee needs to have an insight into the meaning of his/her own occupation, its risks and pitfalls. He or she must also understand that one can learn how to learn. As an organization grows and expands, the leadership and managerial roles will also grow and expand. These roles will evolve, diverge, and change along with the growth of the company.

Malik defines the six principles of effective leadership as follows:

First Principle: Focus on Results

The thinking and acting of competent managers is oriented on results. Management is part of a business that demands its personnel to have intelligence, drive and skills for positive customer relationships. If these skills are in the right place, the organization’s structure is well oriented and, if the results are evaluated, then the organization should prosper.

Malik stresses the simple importance of effectively working with employees. Today, complex management models and leadership theories are often blown out of proportion to the point of losing effectiveness. Malik states that above all leadership should be effective. Managers may tend to forget the basic rules of leadership when bombarded with new theories and techniques. Most will describe their job as 80% managerial duties and job stress, the remaining 20% consisting of setting and achieving goals. Those who are focused on the negative side (80%) forget to acknowledge and celebrate the 20%.

Frequently, results-driven theories are falsely regarded as a style of leadership. Yet results can be achieved with a variety of different styles of leadership. Malik states that managers should derive pleasure and fulfillment from their job, and that this fulfillment should not be solely attributed to external incentives. “One must be glad and believe work is a privilege – if work is interesting on the whole and for the majority of the time, a certain level of satisfaction will arise. It is unrealistic to expect more from a work environment than general satisfaction on a certain level” (Malik 2001, p. 81). If leadership training, good management and a healthy work environment can efficiently co-exist, the satisfaction and drive of the employees should follow.

Therefore one of the most important management tasks consists of training employees to function and think as individuals but also as a team or unit. Performance of duties and job awareness are indispensable for upper-level management, according to Malik. When working with quality staff, leadership instruction should be used only when necessary. Good managers, he feels, help their subordinates to celebrate their own accomplishments and effectiveness; they do not help them to enjoy their work, as this is of no consequence.

It is at this point that I have to disagree with Malik. Having fun at work is neither unimportant nor unrealistic. If work is not fun and enjoyable to some extent, then the employees are in the wrong place and will not mature and flourish into becoming productive, effective personnel. If an employee does not feel a connection, has no drive and no direct responsibility, then he/she will become bored and frustrated. Unhappy and unproductive members of staff are a waste of resources. A company often loses its best, long-term employees due to the lack of job morale, fulfillment, importance and empowerment. Naturally, work cannot always be fun. Not every facet of the job is exciting and it can often become routine; nonetheless, enjoying your work cannot be a privilege. "The self-care factors of each employee will differ and may be directly linked to the variance of job enjoyment and satisfaction" (see Herzberg 1959). Upper-level management must bring lifetime commitment and a great deal of energy to the job. In order for the employee to maintain balance in his/her life, the job must bring satisfaction in addition to the happiness gained from their life outside of the office.

Therefore I do not share Malik's belief, namely that there is no evidence that employees who enjoy what they do tend to produce better results. Observing the workplace on a daily basis proves just the opposite. Someone who is passionate about what he or she does will deliver maximum performance. Capitalizing on these colleagues' enthusiasm at work will result in higher productivity. A 2004 study surveyed some 350 upper-level managers from different industries, who were asked what hindered them from producing maximum output at work.

54% stated insufficient communication.

42% claimed it was due to confusion as to areas of responsibility.

31% cited distrust between employees and management.

The factors that drive managers to achieve at the workplace (see Akademie-Studie 2004) are:

83%: enjoy what they do

72%: being their own boss

50%: appreciation from their superiors

As managers are only human, these results also tend to ring true for employees. The upper-level management has the unique responsibility to guide and lead employees to achieve their maximum potential. This may often be an uncomfortable task involving pushing the employees out of their comfort zone in order to achieve higher goals. Yet leading, instructing, encouraging and driving employees to reach their full potential and have fun doing it is a valuable and noble gift.

Research calls the condition of a worker completely merging with his or her own activities “flow”: one forgets time and space, because one becomes completely absorbed in a task. In this condition one can easily work for extended periods of time and experience deep internal fulfillment and satisfaction. Flow occurs when the task is ideally suited to a person’s abilities – it is neither too easy for them nor far too challenging. Good leadership can help employees to experience flow, making happiness and entrepreneurial success go hand in hand. Happy employees are more productive, more committed, and identify themselves more strongly with the enterprise. “Flow on the job is achieved when employees feel that they are working not merely for a salary but for something greater than themselves. Managers should strive to do more than squeeze the most out of every employee. Leaders must have the vision to place employees’ emotional needs above market share and profitability” (Csikszentmihalyi 2004, p. 37).

In order to experience flow with the work being done, certain conditions must be met. Employees need clear goals that are attainable and that they can accept. They need feedback on their activities and must be able to concentrate on their tasks. In addition, they must follow their own schedule. As you see, many of these factors contradict Malik’s fun-hostile work ethics. Later we will return to the necessary “fun factor” of work.

Second Principle: Contribution to the Organization

Leaders do not separate their tasks at work from their job position. They ask themselves what they can contribute with their knowledge, abilities and experience to make the job and tasks become one. Rank, status and privileges are important to upper-level management, but their contribution to the overall productivity of the company should be the most important thing. Malik regards this principle as a precondition for business efficiency and holistic thinking (in the sense of thinking of the whole), flat hierarchies and long-term motivation.

Frequently specialists see only their task, their reality but not the reality of the entire organization. “In this sense, a false sense of specialization is one of if not *the* most the substantial cause for the frequently lamented communication problems” (Malik 2001, p. 92). Specialists are particularly important resources in today’s society, yet they must be integrated into the organization as a whole, put themselves in the positions of others and always be ready to share their contributions with the organization. The manager may be viewed as a conductor, while the employees are his or her orchestra. The soloists or specialists work together in order to reach harmony and unity in the orchestra or company. This task is referred to as “corporate restructuring,” and means that the customer, the product, the company, the profit, the employees and the management all do their part to make business run smoothly.

Leaders are constantly asking themselves for their contribution to the organization as a whole. They must also answer their coworkers’ question: “What is your contribution to the company?” In today’s complex organizations, managers and their employees must work together to accomplish tasks and maintain productivity and efficiency. For Malik, contributing to the organization is the strongest driving power. “To make a larger, stronger organization, each individual must be motivated

to contribute. This contribution and motivation must be independent from incentives or motivating behaviors” (Malik 2001, p. 95).

Third Principle: Concentration on Quality, not Quantity

The principle of managing one’s organization or company effectively is of essential importance. Many companies divide their work forces drastically in order to become more productive but often lose leadership, cohesion and ultimately efficiency. In the end it is quality, not quantity, that is most important in ensuring a company’s longevity and success. Effective leadership is only possible by focusing on a small number of carefully selected goals or opportunities. It is imperative that companies are networked and interactive in our highly technological world. Concentration on the keys to a successful business requires self-discipline and setting priorities. It also requires a clear, concise organizational structure.

From my own experience, I would also like to stress that “management by objectives” does not lead to success if there are too many goals and too many leaders, as the key to this management method is to have only a few, well-defined goals; further, the employees involved are knowledgeable and committed until the final product evolves. These goals are even reflected in the smallest tasks and at the lowest levels. Managers should be able to summarize their goals for the coming year on a half-page of paper.

Physical or manual labor requires little intellectual work. Yet reaching mental achievements or pursuing thought processes takes large, uninterrupted segments of time. At today’s workplaces, management is constantly being interrupted and thought processes are rechanneled or put on hold. Time is one of our most precious resources and it is often insufficiently used or wasted by upper-level management. Malik poses the question, “What surgeon allows himself or herself to be interrupted by a telephone call during open heart surgery?” Many managers have difficulties suitably managing themselves and their own time. Their hours spent at work are long but often lack in productivity – a serious problem, as leadership always begins with leading ourselves.

Fourth Principle: Putting Strengths to Good Use

It is completely logical that one uses knowledge already present more efficiently than starting with zero and accruing new knowledge. Nevertheless, most managers do not follow this simple principle. Managers seek to minimize their employees’ weaknesses rather than focusing on their strengths. “The principle of putting strengths to best use has enormous consequences for everything to do with people – for the selection and training of employees, filling vacancies, for performance reviews and for potential analysis” (Malik 2001, p. 114). Consistent evaluation of the employees’ strengths may seem redundant to management, yet this evaluation will provide a slimmer, simpler and more efficient team of employees. Malik suggests that neglecting this evaluation and not focusing on employee strengths may have disastrous effects for organizations.

The acknowledgement and utilization of employees’ strengths is based on the assumption that managers actually recognize them. People tend to see negatives or weaknesses more readily than they see positives or strengths in others or themselves.

Top-notch employees will recognize strengths and weaknesses and utilize both to enhance the organization. Effective management uses employees in a way that best fits their strengths; this is a win-win situation. If the management does not take interest in employees and how they work best, nothing will develop. Many employees will give their best without substantial motivation in order to satisfy the management. Malik states that individuals are intrinsically motivated to a certain extent to perform to high levels of expectation. Nonetheless, positive feedback must play a role in this scenario in order to maintain high levels of performance.

Occasionally organizations or employees seek to change workers' personalities. "The task of management is to take employees just as they are in order to find out their strengths within the organization. They can then become active, achieve success and obtain positive results. No other approach can be justified, morally or economically" (Malik 2001, p. 123). As a leader, I must offer a corporate vision that will both move the business forward and promote employees' development; these two aspects are mutually beneficial.

Fifth Principle: Trust

"In the final analysis, leadership comes down to trust, which may be influenced by leadership style, motivational structure and corporate culture" (Malik 2001, p. 137). Malik explains that some upper-level managers who do everything wrong according to the textbook nonetheless create good working climates and are financially successful. If a manager succeeds in creating and maintaining trust in their immediate environment, then their authority will be robust and reliable. When mistakes are made, employees often doubt their managers. Yet if trust has been established, the harm done will be minimal.

How does one reach employees to gain their trust and confidence? Malik lists simple but effective rules for developing trust. First of all, looking from the outside or from the top down, employees' errors are their manager's errors. Internally, errors must be dealt with by means of constructive criticism and if need be punishments. This information must also be passed along the chain of command to ensure the error has been corrected. Secondly, the manager's errors are the manager's errors, with no exceptions. All managers must be mature enough to admit their mistakes. Thirdly, successes of employees belong to the employees. Unfortunately, superiors often adorn themselves with others' successes. This behavior will drastically diminish the positive feedback for the employee and be detrimental to the entire organization. Fourthly, the manager's successes are the team's successes, at least with good managers.

Trust must be cultivated in order for it to be taken seriously by employees. In addition, managers must also genuinely believe in the trust system. They (the management) have to fulfill obligations and not just play out roles. Malik addresses a point of good leadership that is important to me: the authenticity of the personality. Trust is the both the beginning and the ending of the study and will be discussed in detail later on. Another criterion for trust rests in integrity and its close relationship with authenticity. For employees, this means: reliability, consistency and a lack of procrastination. At the same time it is important to ensure that the basis of

trust is not shaken by negative employees, warns Malik. Effective employees and managers must quickly rid themselves of negative employees. These employees can poison the working environment, something that cannot be balanced out, regardless of how good their performance is. When Malik speaks of trust, he means not “blind” but “justified” trust, meaning trusting everyone in such a way as they would wish to be trusted. If trust is abused, then the negative consequences will be inevitable and far-reaching.

Sixth Principle: A Positive Attitude

Malik does not see management as a system of settling problems or issues. More important than solving problems, good leaders should recognize the signs of trouble and assist before real problems can develop. “The principle of thinking positively has the function of directing the attention of the management toward taking chances” (Malik 2001, p. 154). This view corresponds to my concept of good leaders having a plan of action ready for any eventuality. A positive attitude, together with a plan of action, can lead to new successes.

Positive thinking and preparedness allow us to act on possibilities, not just impossibilities. Effective employees learn to think constructively. They see difficulties as challenges and meet them head-on. They always ask themselves, “What opportunities does this problem present?” and overcome their frustration using their own strengths. Employees motivate themselves to continue to be successful in the organization; they do not wait for someone else to motivate them or pull them out of the trenches. The principle of positive thinking leads employees to give their best in any situation. The adverse situation is no excuse for reaching one’s own limitations and not being able to carry out the plan. Positive thinking is not an innate talent; anyone can learn it. Mental training is effective, since it can affect emotions, attitudes and our interpretation or evaluation of events and circumstances. There are many different methods of mental training, and everyone must find the system that works best for his or her organization.

According to Malik these six principles form a set of behavioral rules to establish effective, professional management. They can be easily learned by all employees and up to a certain degree can serve to fill in any gaps in the leadership structure. Leadership and management theories can be evaluated, implemented and modified as needed to suit the organization’s structure.

2.1.2.2 The Tasks

Malik divides the central tasks of the upper-level management into specific tasks for employees and for the management. While tasks of the management are similar in most societies, they also require specialized knowledge, as well as various teaching methods for different cultures, industries and enterprises. Modern knowledge-based and information-based organizations are more sensitive to classical industry and management errors, making it all the more important that managers control their

personal visions and act on the company's visions. Effective managers fulfill the same tasks as others, but in a different way, as Malik has examined in detail:

First Task: Providing Goals

"The first task of effective management is to provide goals" (Malik 2001, p. 174). According to Malik, it is less crucial whether the goals are assigned or agreed upon. Leading with goals is one of the most essential duties of management and was described by Drucker as early as 1955. Yet the "leading by objectives" approach often fails, the reasons being that no two managers will follow exactly the same principles, and that defining goals and duties and redefining them to meet all employees' needs is highly work-intensive.

Other stumbling blocks managers may encounter consist in having to put all of their time and effort into their work and neither looking ahead nor being creative. Beyond that, as Malik laments, employees are often insufficiently informed of the organization's principles. In organizations there are many different kinds of goals. Malik suggests understanding management objectives as leading with individual wisdom. It is important to first concentrate on the six management principles, then the goals. The goals should be clear, concise and relate directly to the company. Effective managers set clear priorities and ensure that no roadblocks arise to derail their attainment. Drucker makes the point as follows: "Effective executives DO examine goals and prepare an emergency plan for all projects" (Drucker 1955). The definition of the goal and the decisions regarding it once went hand in hand; this is no longer true. The annual review of goals and objectives is the best time to re-evaluate and streamline goals and objectives that may be outdated. It is effective in ridding the company of unfinished, labor-intensive tasks and aspects of the leadership or a management system that may impede employees efficiently completing a task.

Each goal should be quantifiable and must be examined in regular intervals. The absolute minimum qualification of the goal is the time restraint or timeline. Also, the anticipated end product should be defined as clearly as possible: for example, not only "to increase sales" but to do so by 20% within 12 months. Approached in this manner, success becomes something the employees and the organization can grasp. Malik reminds us that a difficult situation may be short term, but the goals must be able to turn around projects from negative to positive, fuse together disparate aspects and assist in times of leadership crisis. In addition, short-term goals must be broken down into smaller sub-goals in order to make them concise and attainable. These sub-goals will also be easier to handle, thus thwarting possible chaos. Apart from a date and specific guidelines for the goal to be achieved, the employee/s must also be given credit for the accomplishment of the task. Malik reminds us that the most effective goals are personal goals.

Second Task: Organizing

Effective employees do not wait for someone else to organize or implement a plan; they do it themselves. "The structuring of the organization and almost all institutions in society becomes one of the most important topics of all time; it is a contagious issue with no solutions in the near future" (Malik 2001, p. 191).

The changes taking place in the economy and society force us to consider the structures of organizations in shorter time frames than we once did. A large number of managers pursue a strategy of constant reorganizing and restructuring; therefore things are in constant motion. This frantic, constant reorganization produces lethargy and fear among the employees, who are moved back and forth like pieces in a chess game. People can adapt to changes, but also need periods of stability and peace. Otherwise the productivity and the company will suffer.

Malik has also examined this problem, which will be dealt with in more detail in Chap. 3. "Organizational changes are comparable to invasive surgery without proper anesthesia. Good surgeons know that one does not cut without need or without anesthesia" (Malik 2001, p. 192). As with effective surgeons, effective managers also possess these skills. They reorganize only if change is truly needed, not just for the sake of change. If it is necessary, effective managers will notify the employees of the change and the new guidelines. Organizations are not lifeless, abstract things. They are like individuals, which Malik feels is best illustrated in three basic questions: How do we organize ourselves so that customer service and satisfaction is the most important topic? How do we organize ourselves so that our employees are sufficiently paid and receive proper feedback? How do we organize ourselves so that the management is paid and receives feedback? The organization must successfully answer these questions in order to thrive. Badly managed organizations have clear symptoms, such as breeding poor management, having too many meetings, and overwhelming their personnel with too many tasks, coupled with unclear directions or plans. Malik also lists another symptom, though I do not agree with him on this point: widely "spread-out" working. Here I feel he misses the mark, as interlaced and interdisciplinary thinking and working have become a necessity in the modern world. The reasons for this are described in Chap. 1.

Third Task: Decision-Making

Decisions are a substantial aspect of leadership. Whoever is capable of making decisions is a manager, regardless of their title and position; whoever is not capable of doing so, is not a manager, which is why it is a sad truth that there are many impostors who hold executive positions in Germany.

Most managers ignore information too readily before making a decision. They believe they have the ability to recognize what the problem is and the type of action needed. Yet major decisions with far-reaching consequences must be viewed from a variety of sources free from vague assumptions. If the problem is misunderstood, a correct decision cannot be made. A dangerous illusion is that the best managers make many fast decisions. The opposite is true. Good managers will make few decisions, and these will be based on due reflection, not intuition, states Malik. They are aware that decision-making may bring about unwanted consequences, namely, more work and expense than if the problem and decision had thoroughly been thought through beforehand.

It is of course also possible to decide on an issue too slowly and thus immobilize the organization. There is no absolute certainty; as it is impossible to consider all information and outcomes, a certain element of risk will always remain. Above all,

Malik recommends due deliberation with regard to two kinds of decisions: personnel decisions and decisions affecting remuneration systems.

What is even more important than the decision is its implementation. Effective management stresses the use of proper decision-making tools such as follow-up and follow-through. "In the beginning of the decision-making process it must be considered which people will be confronted with the decision's implementation. One has to let those employees know, so that they are prepared for potential scrutiny and can handle all issues of the process efficiently" (Malik 2001, p. 209). Resolutions are made reality by means of timely execution and responsible employees.

1. Disagreements regarding a task or decision must always be discussed openly. Effective managers should also be suspect when a consensus is too quickly reached, as this often means certain aspects have either been ignored or misunderstood. Malik offers the following seven steps to aid in decision-making:
2. The precise identification of the problem
3. The specification of the requirements the decision must fulfill
4. Working out all alternatives
5. The analysis of the risks and consequences for each alternative and the definition of the framework conditions
6. The solution
7. Implementation of the decision, including the use of feedback, follow-up and follow-through
8. A multiple-party or multiple-employee decision style is characteristic of most companies. From an ideological point of view or for the purposes of motivation, the decision-making process must use all possible knowledge within the company, as Malik points out. As such, the persons playing key roles in the implementation of the decision should be able to participate in the process. In this way, a holistic and multi-layered understanding of the problem and its possible solutions is ensured. Yet the decision itself must ultimately still be made by the manager who will bear responsibility for it.

Fourth Task: Supervising

The most unpopular and most disputed task is, according to Malik, that of supervision. Many management personnel shy away from supervision, and it also seems to have gone out of style. Nonetheless, the management bears responsibility and therefore must examine whether decisions are implemented effectively. All situations have to be taken into account to decide if the strategy is acceptable or needs to be changed. The manager can be compared to the captain of a ship. The captain is accountable for all crew members (employees), the course charted and for the ship's arriving at its destination in a timely manner. While it is true that supervision can be harmful to motivation, it certainly doesn't have to. Though in the eyes of many employees, supervision is a nuisance perpetrated by their superiors, ideally it should be an indication of the latter's interest and sense of responsibility. A detailed report or evaluation cannot replace a personal inspection. Furthermore, supervising does not mean doing away with personal independence; it

means examining whether independence is used correctly and ideally whether there is enough of it. To avoid friction, it is best to perform supervision in the form of an institutionalized self-check, though doing so still does not completely do away with the need for supervision on the part of the manager.

Too much supervision can create a climate of distrust and resistance, thus causing an enormous waste of time and money. Malik suggests minimizing supervision and situations involving monitoring to a bare minimum. When it is possible, one should work with statistically valid samples and concentrate on meaningful parameters for quality assurance. In addition, systemic supervision must ensure that problems are recognized as early as possible. Supervision must always be related to the individual employee. Developing a style of using supervision to assist each employee is similar to developing a unique communication style for each of them. Each employee, from veteran to rookie, must be approached differently. I would like to add that good supervision and good leadership can be effectively used to administer the self-check method and also to lead by asking questions. Note, too, that effective questions should not be limited to the management; all employees should also have the right to ask questions.

Fifth Task: Developing the Potential of Your Staff

People are the most important aspect of the organization. Therefore, managers have the important task of cultivating and developing the potential of their employees. “Even the best human resource management team cannot replace the educational and development work performed by managers in an organization” (Malik 2001, pp. 247–263). Like many others I have my problems with the term “educational work” here, because it is the task of parents and teachers to educate young people, not that of managers. Employees are not children and should not be treated as if they were. Employees have experience in their specialization and may very well have more detailed knowledge than their superiors. Further, everything concerning employees has to happen on an individual level, not the level of the group. The organization is ideally a learning environment for employees in the sense that it gives them opportunities to learn and grow. Even if at school, all children are essentially forced to learn in the same way, as adults each will find his or her preferred style, which may be: learning by listening, learning by doing, by observing or by reading. Some learn more from mistakes and some more from successes. Many upper-level management development programs forget the important point that everyone learns in a different way. Malik states four substantial elements that must be considered by the management with regard to the development of their employees: the task, existing strengths, the superiors and the placement. To me this point is also important because of human nature. Individuals have the ability to develop further, and they also need suggestions, chances, challenges and alternatives. They must leave their comfort zone in order to learn and discover new talents.

In a society of constant change and ever-shorter innovative cycles, people are no longer staying on the job, understanding and practicing the same activity time and again. Operational sequences and authority structures change, companies and

markets change and individuals are more mobile and flexible than they were 20 years ago. Employees must receive effective leadership to assist them with the possible fear of beginning a new job or career. People have to learn throughout their lives and be flexible. “The development of individuals must be uncoupled, if it is to be effective, from moving up the corporate ladder. The opportunity to make an achievement and assume responsibility must be the center of attention” (Malik 2001, p. 251). This achievement must also be a challenge, because individuals can then achieve more than their potential. The goal of challenging employees to go beyond their comfort zone and expand their potential should be practiced across the board, from entry-level to management-level positions.

Malik very accurately states that, in order to develop employees’ potential, we must ask something of them and not offer them something. Employees wish to be challenged and rewarded appropriately rather than being stressed; they demand structure with little reward. Although the development of employees and a company are different, they do have something in common, as both must be task-oriented, involve forming a concrete task plan, and focus on qualifications. For Malik, management without the fulfillment of these five tasks cannot function or obtain satisfying results in the long run. They form the core of the manager’s occupation. Additional tasks can be added if they represent progress and do not water down the job. Many other activities can be summarized under these five tasks but may decrease the value of communication and motivation.

Malik does not rank enthusiasm and inspiration of employees among the central tasks of management. However my own experience shows that these two factors are of great importance if leadership is to succeed. In Chap. 3, I will justify this in detail and provide support from additional authors. A style of management that excludes interpersonal relations and feelings, as well as the personal leadership style, is flawed. Likewise, Malik does not include motivating, informing and communicating as essential tasks. Also improvement and change are shared with management and leadership, but are used for special tasks only. However the execution of these management tasks when under pressure to innovate requires special efforts and special skills – like an alpine first ascent.

According to Malik, we have too little concrete information concerning motivation to classify it as a management task. “The whole motivation topic is like a bottomless pit. On the surface, everything seems to make good sense. But once you really start with this topic, you lose all frame of reference” (Malik 2001, p. 271). Today we know a lot about motivation, partly due to the research of Reinhard K. Sprenger and Frederick Herzberg, but if one is unwilling to leave the safe and narrow confines of the rational and jump into the “bottomless pit” of the psychological, many valuable insights are lost.

In this regard Malik does his readers no favors by withholding valuable knowledge and practical insights, only because he personally feels they are redundant. And he attempts to steer clear of the larger part of the “iceberg” (see Sect. 3.1.1), namely those aspects of leadership that lie below the surface: he assumes that motivation will tend to itself if the manager masters the fundamentals, tasks and

leadership tasks					
conferences	supplying goals	organizing	decision-making	controlling, measuring, evaluating	human resources development
communication					
basic principles of effective leadership					
communication					
reports and written communication	job design and assignment control	individual work methods	budgets and budgeting	assessing performance	systematic removal of garbage
leadership tools					

Fig. 2.1 The leader’s tools (*Source:* Malik 2001)

tools Malik himself has recommended. He even suggests doing away with the term “motivation” entirely. Sprenger would also agree with Malik on this point, although for other reasons.

For Malik, management is a teaching occupation, like many others: “As one can see, management must only be learned once, provided it is correctly and professionally done. Once it has been learned, one can apply it step-by-step to more difficult problems and complex situations. That is not to say, however, that one has ever learned all there is to know when it comes to management” (Malik 2001, p. 274) (Fig. 2.1).

2.1.2.3 The Tools

In order to perform their duties, effective managers must possess a certain set of tools. Mastering certain tools, along with the tasks involved, defines an occupation. Mastering tools takes practice and dedication; however, Malik adds, it also requires a certain degree of talent. So perhaps it’s not just a question of technique?

Malik describes seven tools consistently used by all upper-level managers in every organization: the meeting, the report, job design and assignment control, the personal working methods, the budget, the performance review, and the systematic disposal of useless things. Superficially the tools appear quite simple, but they are necessary for the work of both service and knowledge organizations. By properly using these tools, managers can master a much larger volume of complex work.

First Tool: The Meeting

Most managers spend 60% of their time in meetings. Most admit that the majority of the time spent in meetings is not productive, and that the meetings are run

inefficiently. Improving the effectiveness of meetings begins with recognizing their redundancy. In recent years, increasing amounts of work are performed by teams rather than individuals, resulting in a significant increase in the number of meetings required. Yet in many cases, meetings are unnecessary. According to Malik, smoothly working teams are characterized by a reduced need to meet.

Many upper-level managers call for meetings like a reflex every time a new situation arises, a decision has to be made, or simply as part of the work routine. This “meeting mania” is an ingenious means of wasting time. The actual work tends to be accomplished before or after, but rarely during meetings. Typically, the time needed to prepare for quality meetings is also underestimated, which results in unstructured meetings with little information exchange and insufficient information to make the right decisions.

The most important component of a quality meeting is the agenda. No meeting should be held without an agenda. Furthermore, the agenda should be coordinated with the key participants, though the manager should make the final decision as to what content is addressed. A good agenda includes a limited number of important topics.

Managers must moderate the meeting in order to keep discussions on track. Additionally, they must do so in a way that all positions are presented in order to transfer information and guarantee that alternatives are available at the point when decisions are made. Furthermore, they have the responsibility of ensuring the systematic examination of material presented by attendees. Meetings have only one purpose – producing results. Malik warns that meetings are not for the purpose of socializing, even though employees’ relationships have a large influence on the quality of meetings. Some organizations minimize time spent in meetings by having the participants stand rather than sit, an idea I support.

The only meeting that does not require an agenda is the annual employee interview. In this kind of meeting, it is important that no topics are given, and that the leader provides only broadly formulated questions to be openly discussed. Otherwise, they should primarily closely listen to the employees’ feelings and attitudes, while encouraging them to participate. This type of meeting serves to foster the development of working relationships within the organization. Good managers value this type of meeting and put it on their agenda. Personally it never would have occurred to me to consider a discussion with a coworker as a form of meeting, though I do agree with Malik concerning the open nature of discussions. Although no agenda is required, preparation for the meeting is still essential. This will be covered more thoroughly in Chap. 4.

Second Tool: The Report

According to Fredmund Malik, the written word is an effective tool, a fact that telecommunications and electronic means of communication will not change. “All forms of working made possible by modern modes of communication rise and fall with the rules and discipline for professional reports” (Malik 2001, p. 302).

Writing forces us to think more thoroughly, to outline and summarize. Whether reports, minutes, memoranda, business letters or offers, all must be oriented on the

addressee rather than meeting the needs of the author. The central question is: What is the purpose of this report, in terms of its impact on the recipient? First, he or she must understand the content, and secondly steps of action must be clearly outlined. In order for reports to do the most good, managers must write the content in the briefest, most succinct manner possible, maintain formality, and write with the addressee in mind. For example, lawyers rather prefer text only, engineers prefer diagrams, financial experts prefer tables, etc. Whether reports are written in traditional paper form or formulated in emails, attention to proper grammar, word choice, punctuation and logical structure is required. Although this sounds banal, everyday written communication is often unbelievably deficient concerning these matters. The very purpose of reports and documents is to facilitate communication; thus they must be completely comprehensible. Therefore, upper-level managers must be conscientious and avoid widespread bad habits such as: referencing without citing, over-using charts with arbitrary symbols, vague interpretations that cause confusion rather than provide clarity, and presenting in landscape format.

Third Tool: Job Design and Assignment Control

Reaching goals effectively calls for the correct organization of the tasks and assignments for each coworker. Therefore Malik defines job design and assignment control, i.e., the controlling the placement and utilization of people, as the third essential tool. But in many organizations, job design is completely underdeveloped if existent at all. "Incorrect or not thoroughly formulated job design is one of the main sources of de-motivation, discontent, poor productivity and poor use of resources" (Malik 2001, p. 306).

Malik believes that the most common error within organizations is to have insufficient expectations of job roles; most workers have limited tasks and responsibilities that do not allow them to fulfill their potential. Jobs must allow people the room to function according to their capacity. "One should stretch oneself daily in some way, and thereby slowly increase the daily quota of performance. This alone leads to the development of people who use their internal strengths and hidden abilities and moves them to actively think about effective working" (Malik 2001, p. 307). I want to emphasize this: people do not have to feel a sense of mediocrity with regard to their work or bore themselves to death. Any worker who constantly watches the clock or spends time surfing the Internet while on the job has an unchallenging job.

Today's businesses commonly utilize flat hierarchies. The result is that employees and managers are no longer monitored by their superiors but instead in terms of the fulfillment of their duties – yet another important reason why the job must be appropriately inclusive in terms of the range of duties. Sometime job scopes can be too large and be excessively demanding, with requirements that are impossible to fulfill for any person, such as blending sales and marketing into one job. Malik calls such assignments "killer jobs."

The lack of appropriate assignment delegation or "employment control" in German enterprises is for Malik one of the main causes for the lack of turnover, weakness and lack of effectiveness. Here again Drucker (and later Warren Bennis)

astutely made the following distinction: efficiency involves doing things right; effectiveness is doing the right things (see Drucker 1955). For Malik, the “assignment” means the employee’s key task. As such, the term is more specific and situation-bound than a pure job description, and goes beyond pure job design. The assignment is the task with the highest priority at the given time.

For some employees the nature of their assignment is clear, and they work accordingly. Managers must ensure others are aware of what their key tasks are. They must focus on developing the assignment and providing a written description, particularly in complex cases and during times of rapid organizational change. The best employees must be entrusted with the highest priority activities, which is the objective of effective assignment control.

A good example of involves the budgeting and goal-setting that take place near the end of a business period. Six to 8 weeks before the end of the period the manager must personally see to it that employees are completing their respective high-priority tasks; he or she should also reduce the amount of routine tasks and less important assignments for their best employees during this period. These activities are delegated to the second or third best employee. According to Malik, in this way, a sense of “shared commitment” is established, with each person helping the other to accomplish important tasks. Effective managers train their employees to independently recognize priorities and respond accordingly.

Fourth Tool: Personal Working Methods

“Personal working methods are extraordinarily important for managers; nothing else affects their performance so directly and comprehensively. The results and success of managers depend above all else on these methods” (Malik 2001, p. 325). Talent, experience and expertise are useless if good methods are lacking, according to Malik. Appropriate work methods also safeguard against burnout, as they make a healthy work-life balance possible. The development of individual working methods is hardly a waste of time; on the contrary, a great deal of time can be saved as a result, the operational concept being: “Don’t work harder, work smarter.”

The concrete makeup of working methods depends on many different factors. These include the manager’s personality, the basic working conditions, the nature of the industry, the kind of activity carried out by the organization, the corporate culture, their position within the organization, the existing infrastructure, travel requirements, their age, and their supervisor’s expectations. Therefore, it is critical that working methods be reviewed at regular intervals. It is important to frequently ask oneself: Do my working methods still fit my tasks, priorities and the conditions of the enterprise?

From his own life experience as well as his professional studies, Malik has seen the benefits of correct methods. With such methods, a person can accomplish more and larger tasks without compromising their health, neglecting partnerships, becoming a slave to their work and missing out on other aspects of life. Initial questions like the following are important: How do I want to use 5,800 h per year of time being awake? How much of my time do I want to dedicate to my occupation,

my family, my health, and my hobbies? How much time should I have for my personal recreation? What do I want to stop doing? Without making clear decisions, life just goes by, and fulfillment will not be achieved.

It is worthwhile to break down long-term goals into stages and to schedule important basic functions far in advance. Just as in the case of meeting agendas, one's time should never be scheduled in a way that there is no room for inevitable unexpected developments. In the daily agenda, it is better to plan an equal time share for the expected daily task and unexpected interruptions. Since the flow of material to the "in" box of a desk never ceases, and the computer of a manager provides ever-more requirements, an effective manager needs a system for processing the continuous inputs, states Malik. The basis of such a system relies on the art of delegating, and the ability to differentiate between what initially seems urgent and what is truly important.

The effective upper-level manager masters both classical and modern communication technologies. This means he or she is able to anticipate which medium is most appropriate, whether telephone, fax, letter or email. He or she prepares for telephone calls and keeps them short, works with text templates and dictating machines when the communication concerns text production. In addition, their personal working methods may require the employment of a secretary, a resubmission system, realistic "to do" lists, reliable checklists, as well as clear routines that ensure professionalism, productivity and smoothly running operations.

Fredmund Malik also includes the systematic maintenance of relationships in the category of working methods. I believe it has a higher value, as I will show in the course of this book. Maintaining relationships is not only a means but also a goal of organizing labor. More still: to a great extent, leadership consists in creating and maintaining relationships.

Fifth Tool: The Budget and Budgeting

The budget is one of managers' more sophisticated tools. Yet, according to Malik unfortunately no all university graduates with a degree in Economics are prepared to create a budget, let alone newcomers from other fields. Due to this inability and an aversion to numbers, many managers pass on this important tool to someone else. However, managers who do not have a solid grasp of budgets are unreliable, uninformed and can be easily manipulated.

The late Peter F. Drucker was one of the few who regarded the budget as a management tool rather than an accounting instrument. Due to the fact that the manager is responsible for work units such as profit centers, divisions or subsidiaries, they should establish the budget as one of their own tools.

The budget helps experienced managers to organize and plan their work; at the same time, it helps inexperienced managers to become acquainted with their new duties. As Malik states, "It is the best instrument for the productive utilization of key resources, in particular human resources; for this reason, the budget is the only tool that allows resources to be productive" (Malik 2001, p. 348). Malik emphasizes that budgets are the basis for effective and good communication because the budget clarifies what must be communicated in order to meet objectives. Yet I feel this is

an extremely narrow understanding of communication, as if employees only dealt with budgetary questions and budget-related tasks. There are of course plenty of other topics discussed between people cooperating on a job than the budget! Further, it gives the impression that those who are not conversant with budgeting should be left out of communications, as they can't participate anyway!

But returning to Malik, the basis for an effective budget is the answer to the question: "What results do we want to obtain in our primary fields?" A budget is not a computer forecast, he warns, but an effort to bring to fruition long-term projects, objectives, strategies, innovations and changes.

Sixth Tool: The Performance Review

Many managers see the performance review critically and use it only halfheartedly, considering it largely useless. This is due to the dreadful bureaucracy involved in typical evaluation systems. According to Malik these systems tend to fail to meet the needs of the management for quality performance review methods. He dislikes most performance review measures, as they were developed by psychologists, whose main focus is on disorders and deficits. Therefore, the standard criteria are not aligned with the needs of the workplace, where Malik believes that the strength and continuity of relationships should be emphasized.

A meaningful performance review must be individualized and consider the character traits of the person reviewed, as well as tasks that person is responsible for. A "one size fits all" system is inappropriate and lacks fairness for the individual. Thus most reviews list and rate criteria describing activities that are inappropriate: sometimes the employee cannot demonstrate his or her competence, or does not use their abilities in their job. Further, two individuals performing the same job will never perform in exactly the same way. Here is an example from sales: one employee reaches her sales goals thanks to her considerable expertise, but another employee reaches his sales figures goals because he is particularly friendly and can better judge the customers' needs. Hence the problem of the highly popular pseudo-quantification of non-quantifiable values arises, which Malik criticizes as providing only an illusion of objectivity and accuracy.

Instead of just using any given scheme, managers should trust their own judgment in selecting the system used, basing it on the following questions: "What is needed in this unique, concrete position, in this concrete enterprise and in this concrete situation? What are the specific strengths of the employee, and how can the tasks be constructed to optimally bring out that employee's strengths?" In this way a realistic picture of performance develops. The ability to judge needed here is something that can be improved and trained; being able to assess people is no "voodoo," but results from good observation.

A problem that goes hand in hand with the use of standard criteria is the definition of standard profiles based on average performance. We just select the proper pigeonhole and insert the employee – a very convenient practice and one with no apparent consequences for the parties involved. Thus the upper-level management is spared the embarrassment of having to justify a bad evaluation or having to reward a particularly good evaluation with a promotion or wage increase.

But these meaningless, cookie-cutter evaluations are detrimental for everyone involved: the employee, who does not receive sufficient feedback to develop further; the management, which does not gain feedback to improve its own work; and the company itself, which cannot thrive with predominantly unmotivated, mediocre employees. Genuine performers want to know where they stand in regards to their performance. Malik believes that, for them, accurate and appropriate evaluations provide them both incentives to perform and indications of their personal success.

Good managers do not evaluate their employees only once a year. They constantly note the achievements of the people with whom they work. They notice how employees behave and consider such matters as how the employee reacts in everyday situations in which honesty, integrity, and backbone are required, and how male and female coworkers relate to each other. Using these puzzle pieces, they develop an overall view of the employee that is much more accurate.

Seventh Tool: Systematic Disposal

The last tool Malik mentions is often not put into practice, but inarguably important: organizations need – just like organisms do – systems and processes to free themselves from things that are old and superfluous. Such system makes the difference between trim, efficient, fast enterprises and fat, inefficient, slow ones. Organizations have, like people, habits that accumulate and carry along much unnecessary weight.

The idea of the “systematic disposal of garbage” goes back to Peter F. Drucker. The point of departure is the consideration: What would we not we start with, if we weren’t already in the middle of it? And, what do we have to separate ourselves from and let go of? What do we need to stop doing? Effective managers ask themselves these questions regarding products, markets, customers and technologies at least every three years (unless they are engaged in change processes, in which case this should take place more frequently). All other aspects of business such as administrative practices, computer systems, lists, reports and meetings should be reviewed once a year. Malik reported that the consistent application of this way of thinking transformed General Electric from a tragically slow-to-act and bureaucratic business into one of the best led, most vital and profitable ones in the world. The critical decision was for the organization to withdraw itself from all endeavors in which it was not first or second in the world market.

To summarize Malik’s review of the “systematic disposal of garbage”: it has at least three consequences. First of all, it is the key component of business process redesign and essential to effectively reducing management to an appropriate level. Secondly, this disposal is necessary for effective change management and for promoting effective innovation. Thirdly, it is necessary in order to address and identify the core of an institution, to define its fundamental business and aims, and to develop its mission (Malik 2001, p. 377).

This disposal is also the fastest and easiest way to increase the personal effectiveness of a manager and his or her employees, allowing managers to better focus on the crucial work, save time and use resources more efficiently. After some initial

hesitation, good employees will acknowledge the wastefulness in their departments, and are best suited to determining how operational sequences and structures can be simplified.

These seven tools and their professional implementation bridge the gap between efficiency and effectiveness. For Malik, “the descriptive principles and tasks determine what ‘the right things’ are, whereas these tools are the prerequisite for doing them right.”

2.1.2.4 Profession Without Training

According to Malik, managers do not necessarily have to be natural born leaders, but leadership can be learned like every other career aspect. Upper-level managers must receive in-depth training on the first three elements, i.e., on the principles, tasks and tools. The knowledge necessary for good leadership can be acquired with normal intelligence and sufficient practice.

At the same time, Malik emphasizes that management is an occupation without standardized training. Novice managers mostly have a purely academic career and know only the theory of running a company. The remainder of their experience is gained on the job, following the principle of trial and error. However, each error can have bitter consequences, most often at the expense of the organization. According to Malik, someone who has a competent boss as mentor and role model at the beginning of their career is lucky. The new generation of managers has already been collecting relevant leadership experience since childhood. For example, many participated in sports clubs, were involved with youth organizations or were class president. All these methods of learning are lengthy and involve little systematic learning, but are nevertheless useful. In other occupations, it would be inconceivable to rely on this kind of learning.

According to Malik, the heart of effective leadership is not the manager’s personality. As such, he believes that “not the selection of managers, but rather their training should be the primary focus. Managers are not chosen, but need to be made, educated and formed” (Malik 2001, p. 45). Malik regards the idea of the natural born manager as an illusion. “One uses character traits to gauge potential for achievement. Yet there is no proof of any such connection; indeed, history has clearly disproved it,” says Malik in apodictically, though he does not go on to offer further support of his statement (Malik 2001, p. 33).

Malik only goes so far as to concede that not everyone can lead well, and that there are certain traits that make leadership easier for some. In order to manage best, and to accomplish the most difficult managerial tasks, one needs more than job related skills. Talent, skill, luck and experience are also needed, as Malik admits. I consider this marginalization of personality to be ill advised, which leads me to my main criticism of Malik: he neglects the subtle but important impact of the personalities of leaders and employees, which includes their character traits, feelings and relationships.

In brief: if the chemistry is not right and emotional intelligence is lacking, all of the tools and principles described above will not yield positive results. Although one may perform well professionally in the short term, there will not be long-term success. Such leaders will most likely be able to keep their businesses afloat, but they will likely to be swept along by the vortex of innovation and change without ever arriving at a new destination. To successfully manage change, leaders must be able to feel and take away their employees' fears, to inspire them with energy and confidence – abilities that Malik considers unnecessary or unimportant.

Indeed, in his eyes inspiration and enthusiasm are only for charlatans: "I see two ways of thinking that illustrate misdirected and harmful views of management particularly well. In its most general form, the first can be called the 'pursuit of happiness,' and the second is the concept of the 'great leader'" (Malik 2001, p. 27).

In this context he also criticizes the "psychologizing" of management" and states that the practical effectiveness of the instruments taken from the field of therapy is doubtful. For him, it boils down to the dominance of focus on the pathological, to the deleterious concentration on conflicts, relationship problems and neuroses. However, the work of Manfred Kets de Vries clearly shows that Malik's criticism is not warranted, and that the psychological aspect of leadership is of central importance in practice, something that has also been impressively confirmed by the successes of the systemic leadership training offered by the Academy.

My second fundamental point of criticism is that Malik primarily refers to the American military as examples of good management. I consider the analogy dubious at best. Employees are not soldiers drilled for obedience. Armies are, unlike modern organizations, strictly hierarchical. In times of war soldiers can be drafted into service if they do not join the army voluntarily. In the business world, the best talents join organizations of their own free will. These are two main reasons why Malik's military model hardly suits today's younger management.

2.1.3 A Question of Style

Now let us look into the style of leadership, because style is frequently provided as the answer to the question of what constitutes good leadership. What is the correct style of leadership? This question is as old as the profession itself, and there have been innumerable attempts at categorization attempts, the majority of which will not be dealt with here. There is no single correct style of leadership; instead, just as a golfer bases their choice of club on the particular situation, good leaders select individual aspects from various leadership styles to best suit their needs.

In the past, the choice of leadership style chiefly depended on the personal values and authority of the management and on the level of leadership. Today, additional factors are relevant for choice of leadership style: economic factors, time limits, the complexity of tasks, corporate culture and the value orientation of the parties involved.

2.1.3.1 The Choice of Style

In the 1970s Victor H. Vroom and Philip W. Yetton, researchers at the University of Michigan, developed a leadership model (see Vroom/Yetton 1973), identifying five possible styles for upper-level management which differ from each other in the degree of the employees' involvement. The styles range from a completely authoritarian style to the complete transfer of decision-making power to the employees. Between these two extremes, there is a model in which leaders receive all necessary information from their employees in order to make decisions based on the information provided; a model involving the discussion of problems with individual employees and taking their suggestions into account before making decisions; and finally a model incorporating open group discussions, with employees helping to make decisions.

Apart from these five styles of leadership, Vroom and Yetton differentiate between seven organizational, technical and task-oriented aspects of situations that determine the style of decision-making; however, these aspects are of little use in practice and therefore will not be discussed here. Vroom and Yetton's approach is normative. This means that it prescribes how managers should proceed in order to meet certain company goals. Objectives of the manager or employee are disregarded, as are questions of decisions' coordination, enforcement and monitoring – this is problematic, as just because a manager knows which leadership style would be correct in theory, there is no guarantee that he or she can effectively implement it (see Neuberger 2002, p. 501 ff).

I also find other aspects of this approach disturbing, as it reduces managers to machines, programming them to automatically select leadership style Z in situation XY; as such, the only contribution of managers is their assessment of the situation. But this is (thankfully) not how the leading of individuals by individuals works. Each manager has a unique and individual style of leadership that cannot be neatly defined and is never identical to that of another upper-level manager, even in the same situation.

2.1.3.2 Classic Leadership Styles

The classical leadership styles involve the authoritarian style, in which the manager has control over everything while the subordinates cannot give any input, the patriarchal and advisory styles, and the cooperative style, where the leader serves as the coordinator and moderator for decisions made as a group (Fig. 2.2).

However, this description of leadership styles as a linear continuum is not sufficient to illustrate the variety of alternatives observable in daily practice. Apart from the level of control over decision-making, other characteristics of leadership styles can be identified. These include the level of participation of upper-level managers in work group processes; the degree to which managers bindingly assign tasks; the level of control used by managers; the frequency with which they make decisions

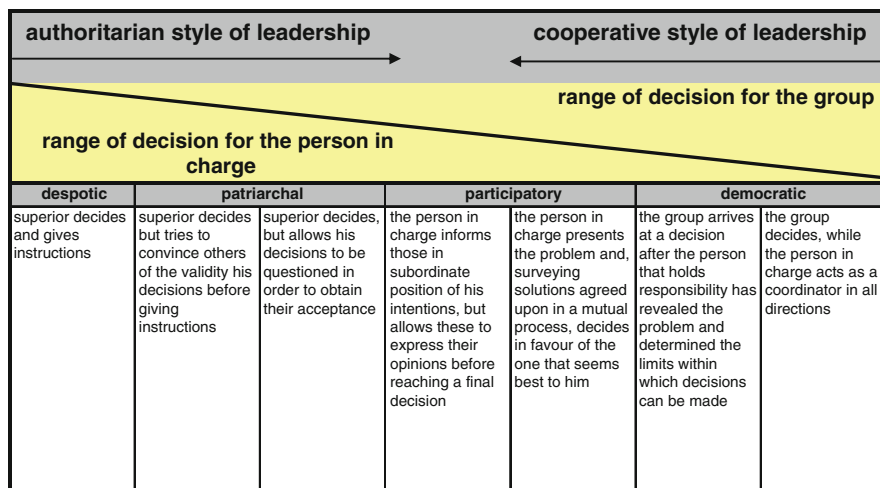


Fig. 2.2 Leadership styles (Source: Thommen and Achleitner 2001)

independently; and lastly, the extent to which the manager succeeds in motivating those he or she leads (see Heinen 1998, p. 227).

2.1.3.3 Styles of Leadership with EQ

Still another factor can be used to differentiate between leadership styles: the emotional intelligence of the managers. Daniel Goleman has made exciting findings on this topic that I would like to review here, as I believe they are state-of-the-art with regard to the topic of leadership styles. After interviewing more than 400 upper-level managers, Goleman identified 6 main styles of leadership. He also demonstrated that successful managers do not lead with a particular style, but are able to be flexible in utilizing different styles that call on them to activate various aspects of their emotional intelligence (see Goleman 2000, pp. 27–38).

The first of the six styles, the *authoritarian* style, is in most cases ineffective, as it harms the working climate and effectively “paralyzes” the employees. They do not feel any sense of responsibility, as they only carry out instructions and do not work on their own initiative. Therefore, their commitment steadily declines. There are however situations in which quick decisions and consistent “follow-through” are needed; one scenario would be the threat of a hostile takeover. In such cases, the authoritarian style of leadership might be a good option.

Secondly, there is the *authoritative* style of leadership. “Authoritative leaders are visionaries; they motivate the people by clearly showing them how their work contributes to the realization of the company’s broader vision. Those who work for such leaders know that their work counts, and why” (Goleman 2000, p. 30). The manager provides the frameworks and goals, but does not limit the freedom

or direct responsibility of the employees. Note that this style of leadership is not recommended for leading in cooperation with a team that consists of experienced workers. The leader may seem to be too dominant, which could decrease the quality of the relationships between colleagues.

In the third style of leadership, the *affiliative* style, the focus is clearly placed on those you work with and their feelings. Here the major task of the manager is to foster harmony and strong emotional connections. The employees are greatly appreciated and receive positive feedback. The drawback of this style is that underachievement remains largely uncorrected, and there is no quick process for performance improvement or leadership assistance available for managers. Yet they should implement the affiliative style if they need to produce harmony, improve communication, or strengthen their team's fighting spirit.

The fourth style of leadership is the *democratic* style, which has a number of advantages. Utilizing this style, upper-level managers spend considerable time with their employees building trust, respect and commitment. The dangers of this style are that endless discussions can go in circles without resulting in firm agreements, and postponing decisions can result in conflicts. The democratic style is ineffective if managers and employees are not qualified or sufficiently informed to make the right decisions. This style obtains the best results when new ideas and guidelines are needed from other employees, e.g. with regard to implementing the corporate vision.

The fifth kind of leadership style, *achievement-oriented* leadership, should be used rather sparingly. When highly demanding bosses implement this style, employees can easily be crushed by over-planning and unrealistic goals. At the same time, flexibility and responsibility are reduced to merely carrying out assigned tasks. This style of leadership is appropriate only for highly motivated, competent employees who do not need guidance or coordination (Fig. 2.3).

The sixth type, the *coaching* style, is rarely used, as it can be extremely time-consuming and take a great deal of energy. According to Goleman, "It aims primarily at the personal development of the individual and only indirectly at the completion of concrete work tasks. Coaching nevertheless improves results, because it allows a sequential dialog and improves the working climate" (Goleman 2000, p. 35). Coaching is particularly successful when employees are aware of their weaknesses and want to improve their performance. Later on in this book, I will place greater emphasis on the possibilities presented by the coaching style of leadership.

Goleman's studies indicate that a manager's success increases with the number of styles of leadership he or she is able to utilize effectively. A manager's effectiveness depends on the particular situation and which leadership style he or she chooses. Highly competent upper-level managers correctly align their behavior to the situation not by behaving mechanically, but by reacting flexibly. Within minutes they recognize what style of leadership will have the most influence on others in the given situation, and adapt their style accordingly to obtain optimal results. Unsuccessful managers in contrast give the impression of pursuing a "just do what I do" approach.

	authoritarian	authoritative	affiliative	democratic	achievement-oriented	coaching
modus operandi of the leadership style	expects orders to be carried out immediately	stimulates people to realize a vision	creating a sense of harmony and emotional ties	reaching consensus through participatory measures	high standards of achievement	prepares colleagues for the future: "Give it a try!"
brief characterization of the style	"Do what I tell you!"	"Come along with me!"	"It's the people that count."	"What do you think of this?"	"Do things the way I do them – right away!"	encouragement of others, empathy, self-critical attitude
underlying skills related to emotional intelligence	zest for action, drive, self-control	self-confidence, empathy, catalyst for change	empathy, ability to create positive relationships and to communicate well	cooperation, being in charge of teams, communicative skills	diligence, success-orientation, energy	to support a colleague, advance his performance or develop long-term strengths
in what situations does this style work best	during a crisis in order to effect a turnaround or with problematic co-workers	in cases where change necessitates a new vision or when a clear direction is needed	reestablishing rapport within a team and motivating people under stress	to obtain commitment and consensus and procure contributions from valuable colleagues	whenever a highly motivated, efficient team has to come up with quick results	
general effect on the atmosphere	negative	clearest, positive	positive	positive	negative	positive

Fig. 2.3 Overview of the six leadership styles (*Source*: Goleman 2000)

2.1.3.4 “Management By” – Type Approaches

The numerous “management by ...” models also provide valuable insights into how managers lead, though they do so from a different perspective: they do not concentrate on the type or style of managers, but on what techniques and methods are used. As there are already countless management concepts and the number is still growing, I will only present the four most important variants. The others are extensions of or variations on these four concepts:

Firstly, in *management by delegation* decision-making tasks, responsibilities and authority are delegated as much as possible throughout the hierarchy. The responsibility of the manager is limited to providing supervision. This management principle developed naturally from the progressive division of labor in modern society. In Germany this has been propagated since 1962, when Reinhard Höhn developed the Harzburger Model. Höhn, a professor of State and Administrative Law at the Universities of Heidelberg and Berlin, as well as founder of the *Akademie für Führungskräfte der Wirtschaft* (“Academy for Corporate Managers”) in Bad Harzburg (1956), defined the German understanding of leadership in management in Germany with this model, primarily in the 1960s, but also throughout the 1970s and until the mid 1980s. This model provides companies with effective methods for organizing and monitoring bureaucratic processes by means of establishing operational sequences in day-to-day business. The Harzburger Model provides accurate knowledge for managers on how to lead by delegating

responsibility to employees and to their corresponding positions. The model also includes guidelines on how to lead, monitoring progress, agreeing on objectives, employee discussions, etc. Yet like all models, this was an idealized depiction of human behavior. Unable to cope with the complex reality of that behavior, this model is currently considered less relevant (see Höhn 1980).

The second management concept worth mentioning is *management by exception*. Following this approach, the management intervenes only when there are extenuating circumstances. As such, employees work on their own and are independently responsible, until and unless certain limits are exceeded or unpredictable events require the intervention of the management.

The third major concept, *management by objectives*, refers to the following: the managers and the employees work together to agree upon goals for all levels within the hierarchy. However, no rules are specified for the achievement of objectives. The person responsible for the respective task decides on the rules and on the resources to use. This concept, which is based on the division of labor and the delegation of responsibility, was developed by Drucker and is still valid today, enjoying considerable success.

Lastly, *management by systems* refers to a leadership method aiming for the integration of all subsystems within the company, using computer-assisted information, planning and control systems to optimize leadership and production processes.

Aside from these classics, there are numerous other “management by” schools of thought, such as: management by results, management by motivation, and management by participation.

These principles are often the butt of jokes, resulting in fanciful and fictional leadership styles. Some examples include “management by helicopter,” in which managers swoop in, whirl up considerable dust, and then fly away again. Or there is “management by mushrooms”: the employees are kept in the dark, every now and then someone comes to cover them with a load of fertilizer, and as soon as one raises their head, it’s promptly cut off.

Managing Quietly

Against the rushing river of leadership trends, and against the scientific dissection of the leadership phenomenon, the university professor and best-selling author Henry Mintzberg has provided his noteworthy thesis that “management swims quietly.” The central tenet of his work is the belief that people are of primary importance, not shareholder value, and his approach is intended to present an alternative to what he has accurately described as “management by barking around.”

Mintzberg is of the opinion that managers benefit more from tried and proven traits like common sense and social responsibility than from the wealth of new talents being touted. “Managing quietly” describes a calm, persistent and unspectacular style, that constantly keeps the company on (or steers it back to) the right

course, allowing it to remain strong and stable even in times of crisis. According to this approach managers have a protective function, preventing problems rather than solving them.

Mintzberg sees the urgent need for managers to liberate themselves “from all the fuss about management techniques and great men, and turn to a deeper understanding. We need more thoughtful managers, who are involved more extensively in processes and procedures” (Mintzberg 1999). The requirements of good leadership and the fundamental needs and interests of employees and customers, he feels, are timeless.

I consider this approach both groundbreaking and effective. In companies and leadership seminars alike, there is too much hot air, too much showbiz and too much hectic energy. Yet knowledge, quiet reflection and selfless service for the good of a common cause are what we need. To me leading also means serving, being humble, and being able to step back in situations where your employees know best. Executives should learn to listen to their own instincts in order to sense the moods of others, to empathize and see the bigger picture, instead of only awaiting their grand entrance.

The Five Managerial Mindsets

Based on this desire for much less “ado about nothing” and more well-considered behavior, and based on his own practical experience working with managers, Henry Mintzberg developed the concept of the five managerial mindsets (see Gosling and Mintzberg 2004, pp. 46–59).

The point of departure for this approach is the following premise: managers’ daily work is often complex and confusing. In order to find their way and overcome the mounting demands placed on them, they must master five different ways of approaching problems – or mindsets – and be able to combine them to create the “big picture.” It is not Mintzberg’s goal to preach the “one, true” way of dealing with problems; instead he recommends that they orient their thinking on five core points: analysis, action, reflection, cooperation and being worldly.

Taken together, these aspects provide a framework opening new perspectives and allowing managers to better interpret the world (within the company and beyond) around them. Each mindset has its own focus or goal. The reflective mindset deals with managing your own ego; the analytic mindset examines the management of organizations. The collaborative mindset is based on the management of relationships, the worldly mindset on the management of contexts, and the action mindset on managing changes.

1. The reflective mindset

Today’s decision-makers attend seminars in droves. These seminars tend to have the ambiance of an adventure vacation or survival camp. Mintzberg argues that managers do not need this type of atmosphere in order to develop. Likewise a boot camp is not needed, because boot camps only teach people to March and

obey, not to stop and think. And that is precisely what managers need to do today: stop, take a breath and reflect.

Events can only become experiences if they are processed and reflected upon, explains Mintzberg. If the true meaning is not grasped, the managers become thoughtless and shortsighted. Enterprises need employees and managers with a wider range of vision. The Latin verb *reflectere* literally means “to turn back.” Our attention must first focus inward, and only later outward. Managers must look inward and back, in order to gain the perspective needed to focus forward. Vision does not come from nowhere, but is the product of the collected and reflected experiences of the past.

2. The analytic mindset

No organization can exist without analysis, because the organizational structure is analytic by nature. Analyzing allows us to break down complex phenomena into their individual parts. The goal of the analytic mindset is to identify the important aspects of structures while filtering out the unimportant ones. The purpose is not to simplify complex decisions but to maintain the complexity without losing the ability to act.

In our enterprises too much is analyzed using the wrong methods, according to Mintzberg. For example, a marketing manager may become so consumed with defining the potential market group that she misses a sales opportunity. Managers must break out of this narrow interpretation and look beyond the figures, questioning and digging beyond conventional analysis.

3. The worldly mindset

The trend of globalization suggests a certain standardization of business at the international level. On closer examination it is hardly monotonous, and in fact consists of many different individual worlds. Mintzberg recommends that managers be globally aware and acquire both theoretical and practical knowledge of societies worldwide. Global activities are not a prerequisite for a worldly mindset, and a global project or a job with one global player does not automatically establish such a mindset. Managers must leave their offices and spend time where products are manufactured, customers are served and employees are recruited. They have to get to know the environments, customs and cultures of other people in order to better understand their own world. By adopting a worldly mindset, Mintzberg encourages managers to constantly investigate different cultures in order to return to their home country and integrate the knowledge gained. In this manner, the other world can become a mirror of the manager’s own world. This mindset also serves to place the reflecting mindset, which revolves around the manager and his or her own world, in the correct context.

4. The collaborative mindset

Mintzberg feels that Western managers often have a limited perspective. Too often, they regard employees as independent actors, or as assets that can be shifted and redistributed as needed. However, the goal must be to manage relationships between people – in teams and projects, within and across departments, and in external alliances – rather than managing individuals.

Therefore, the collaborative mindset calls for breaking with the heroic style of management and implementing a more approachable one. Managers practicing this style spend more time listening than talking; they interact with their employees and do not remain isolated in their respective roles. The collaborative manager is an insider, who gets involved and manages holistically. The manager gets involved, but does not make himself or herself the center of attention.

Implementing the collaborative mindset means transferring the responsibility and the initiative to employees, and means that employees regain the power over themselves and their work. As Mintzberg envisions the function of managers, they contribute structures to create the conditions and attitudes needed to complete tasks, but do not do everything themselves. In Japan this style of leadership is referred to as “leadership in the background”; Mintzberg calls it “managing quietly.”

5. The action mindset

Mintzberg compares an enterprise with a carriage pulled by wild horses. These horses represent the emotions, ambitions and motives of people at the company. Keeping the course requires a lot of skills, such as changing directions. An action-oriented mindset means that the manager does not race the horses through a zigzag course with the help of a whip; instead they develop a feeling for the terrain and the distance ahead. The manager must know how to get the team through the terrain while maintaining the proper course.

Leading requires action. However, without significant consideration of the actions to be taken, acting can be dangerous. The insistence on action at the expense of reflection should be avoided in Mintzberg’s view. Furthermore, striving for constant change is not effective in the long run. As Mintzberg states, the action mindset requires modesty, because in the long run a company is evaluated by the number of products it sells, and not by the number of changes it went through.

Mintzberg refers to the environment of constant change as anarchy. Changes cannot be successfully implemented without continuity and structure. The action-oriented mindset carefully considers what really has to be changed, and makes sure that everything else remains the same. The objective is not change for change’s sake but to be ready, curious, watchful and eager to gain new experiences. In Chap. 3 this topic will be revisited in more detail. For the time being let me say that in my opinion, leading means managing changes on the one hand, and providing orientation and a sense of security on the other.

These five mindsets are not clearly definable categories; their boundaries are flexible. As Mintzberg describes it, the manager is a weaver who weaves together threads from the different mindsets. When a company’s managers cooperate with each another in an analytic and worldly way, blending their reflected actions together, the basis for a successful organization has been provided. “Successful enterprises produce convincing results from the interwoven mindsets of their managers” (Gosling and Mintzberg 2004, p. 59).

2.1.3.5 No Style?

According to recent data, the majority of German managers (64%) utilize a cooperative style of leadership. Only 9% lead with an authoritarian style, i.e., without integrating employees in the decision-making process. However, the surveys also revealed that only 38% of employees have a role that includes interaction with managers, very clearly showing the limits of cooperation in practice (see Frankfurt Allgemeine Zeitung, August 18, 2003).

To briefly review this section, let us return to Peter F. Drucker, who emphasized the meaning of relationships within the leadership role and the necessity of promoting relationships as a priority. The expertise of having leadership skills alone is not sufficient if the manager lacks the ability to take the human nature of himself/herself and the employees into account. “Nevertheless, if a leader lacks character and integrity, experience and success will not save them. Lack of character spoils people, the most precious production factor in any enterprise. It spoils the spirit of the company, along with its performance” (Drucker 1956, p. 198).

Malik in turn believes the influence of the leader should not be taken lightly. Quality leadership is not simply a matter of skill. There is a growing camp of theoreticians and practitioners who have come to recognize that the leader’s personality, their character traits, way of thinking and feeling, and decisions are crucial to effective leadership.

2.2 The Leader

Good leadership depends largely on the personality of the leader.

The majority of theories and approaches defining good leadership are – some of them more, some less – based on the personality of the leader. According to these concepts, their character traits and properties, charisma, thinking and behavior, goals and decisions are crucial to the nature and success of leadership. These facets constitute one subset of personal-based leadership approaches – the other sub-group focuses on the personality of the employee and its influence on the leadership process, which we will come back to later.

2.2.1 *Character Traits*

Either you are a leader or not – this is the position of the trait-oriented approaches in a nutshell. Leadership cannot be acquired or learned, except for some techniques or some basic business management knowledge. Here, the proponents of the character-based approaches contradict very clearly those who see leadership as something that can be taught to anybody, believing instead that anyone who has certain

personality traits such as commitment, responsibility, intelligence, discernment, adaptability and interpersonal skills, decisiveness, joy in taking action, and charisma can become a leader.

Interest in character's role in leadership is as old as history itself; history has always centered on prominent leaders, decision makers and rulers. Yet the difficulty with applying leadership concepts to the realm of business is twofold. Firstly, one and the same basic character trait can often go by different names according to different people. Secondly, the evaluation of the characteristics of others is invariably subjective. Therefore, reducing quality leadership to key characteristics is often shortsighted and ultimately simplistic.

Time Magazine and CNN recently conducted an analysis of the world's most influential business leaders. Out of the top 25 managers, 11 are Americans and 4 are women. Only 2 of the top 25 managers are from Germany: Wolfgang Bernhard (Volkswagen, formerly DaimlerChrysler) and Gunter Thielen (Bertelsmann). Both were included in the section "Profit Maximizers"; further sections included "Innovators" and "Heavy Hitters." All of the managers in the study have set worldwide standards of leadership. The most influential manager was reported to be Jeffrey Immelt, Chairman of the Board of General Electric (see www.t-online-business.de, December 14, 2004). The diversity of these leaders vividly illustrates the fact that the possible character traits for top managers can be both arbitrary and endless.

2.2.2 *Charismatic Leadership*

One trait that consistently appears throughout history concerning the personality of leaders is charisma. At the beginning of the twentieth century, Max Weber's sociological work intensively focused on the phenomenon of charismatic leadership. Weber differentiated between three types of leadership – rational, traditional, and charismatic – which are also relevant to our search for the foundation of good leadership.

The term "charisma" originates from Greek and means "gift of grace." According to Weber charisma is a sort of magic, superhuman and rare quality that, when possessed by a leader, can radiate through an entire organization. Those who study charismatic personalities have recognized that the employees of such leaders become extremely loyal and find it difficult to part from their leaders. As Weber describes, charismatic leaders must consider the long-term wellbeing of those they lead, while at the same time creating a new order and orientation within the arena they work in. In and of itself, charisma is not actually focused on economic benefit (see Weber 1972, p. 140 ff.).

Anyone who has ever met a charismatic person has felt this energy, but it tends to defy description. Nevertheless we will seek to more clearly define charisma:

charismatic managers convincingly lead people in such a way that their employees derive both a sense that their work is worthwhile and an increased quality of life from that work. These leaders are role models others emulate. Charismatic managers inspire their employees to pursue more ambitious motives and goals. They trust those they lead and show them their appreciation. In this way, they foster feelings of self-worth and self-confidence among their employees, strengthening their motivation in turn.

So far this sounds ideal. But charismatic leadership also has a shady side. When charisma turns negative, such leaders are dubbed fanatics. They promote blind obedience, dependence, and are egocentric. Such leaders exhibit arrogance, arbitrariness, abuse power, overestimate their own abilities, and are narcissistic. In modern democratic society and modern economies this can be fatal, because dependence entwined with power results in too much control and limited functioning; the power of fanatics is not sustainable in the long term. Nevertheless, in times of crisis the call for powerful leaders arises, as people seek leaders who seem to be able to solve any problem. Manfred Kets de Vries also agrees that charisma is an important characteristic of a good manager, but needs a second component. "Managers play two roles, the charismatic and the architectural. With charisma, they produce the vision of a better future, inspire and empower their employees. As architects, they concern themselves with the structure of the organization, control mechanisms and systems of recognition" (Kets de Vries, 2002, p. 223). Charisma alone is not sufficient; the authority to concretely implement change is also necessary.

Peter F. Drucker did not believe that charisma and good leadership necessarily go hand in hand. If a manager has a charismatic personality and is a good leader at the same time, this is ideal. But one does not automatically come with the other. In his writings, Drucker recalled the three most notorious charismatic leaders of the past century – Stalin, Hitler and Mao, none of whom was characterized by an exemplary style of leadership. In the past century, the world has also seen extraordinarily effective leaders – Dwight D. Eisenhower, George Mars and Harry Truman – who possessed as much charisma "as a mackerel," as Drucker dryly noted. Konrad Adenauer, Abraham Lincoln and Winston Churchill were not particularly charismatic either. However, John F. Kennedy possessed charisma exceeding that of nearly every other US President. According to Drucker, charisma can actually be detrimental at times, because it may result in the "illusion of infallibility," and decrease flexibility, whereas both will decrease capacity for change (see Drucker 1967).

I would go not so far as Drucker, as I know several successful managers who are charismatic. We can safely assume that charisma is quite important, but neither necessary nor sufficient for a manager's success. However, charisma can facilitate leadership in certain contexts and situations if it is paired with a genuine interest in others and not focused on self-promotion. When properly utilized, charisma can ignite the flame of enthusiasm, maintain a focus on the positive, and increase productivity.

2.2.3 Skills

Manfred Kets de Vries has formulated a relatively new interactive guide of personal characteristics essential for managers. His perspective postulates that the individual style of leadership consists of an “internal script” of the central needs and perceptions of the individual, and of their skills. Successful managers possess skills in three main categories. The first includes personal skills such as the orientation on success, self-assurance, energy and efficiency. The second category consists of social skills such as influence, political awareness and empathy. The third category is home to cognitive skills such as conceptual thinking, analytical abilities and the ability to see the big picture.

For Kets de Vries the following characteristics are also indispensable for leaders:

Directness: A manager must his/her own head and know how to meet his/her goals.

Such leaders are dominant, energetic and highly meritocratic. They have the ability to move others to take risks or try something new.

Receptivity: A good leader is always open to new ideas and experiences.

Ability to get along: Effective leaders are pleasant people, nice and cooperative in their personal relations, flexible and amiable. They are good team players and can see the good side of every situation.

Reliability: A good leader is someone you can rely on. They have a conscience and delivers what they promise.

Analytical intelligence: Most good managers possess above-average analytical intelligence and can think strategically.

Emotional intelligence: Successful managers can control their own emotions and correctly interpret those of others. They can realistically evaluate their own strengths and weaknesses and are emotionally stable. They establish and maintain relationships easily (see de Vries 2004, p. 189 ff).

In addition to the work of Kets de Vries, I would like to add some timeless virtues from my own point of view: attention to detail, persistence and perseverance, consistency, respect, discipline, modesty and a sense of responsibility. These characteristics are not subject to trends in leadership styles. They are as valid today as they were a hundred years ago, although they may require slightly updated definitions as times and work environments change.

Helmut Maucher, former CEO of Nestlé, once claimed that managers must pay attention to strengthening characteristics such as sense of responsibility, reliability and long-term thinking. It seems that in Germany there has been a pervasive lack of trust in the political and economic elite. This perception was supported by the results of a survey conducted by the Emnid Institute on behalf of the World Economic Forum, which indicated that 70% of the Germans polled believed the management of their company was dishonest – the most negative image of managers in Western Europe. The population’s distrust of managers in Germany is as bad as in developing countries such as Albania or Costa Rica. In France only 22% shared this

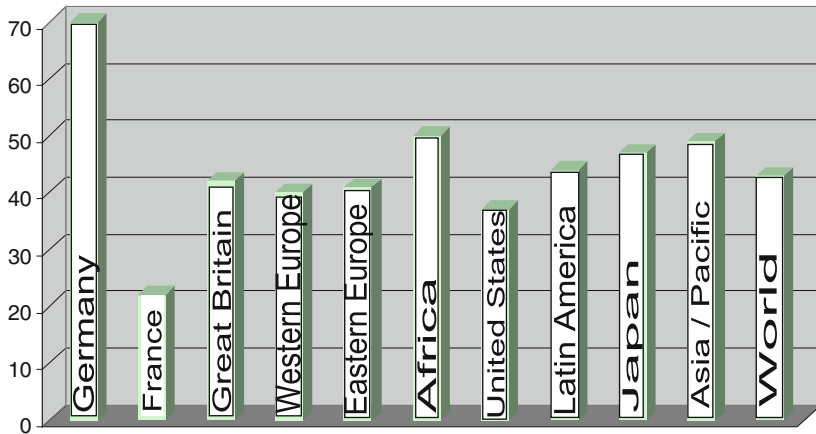


Fig. 2.4 Distrust towards executives by country/region (*Source: The Emnid Survey in: Die Welt, November 19, 2004*)

sentiment, in Great Britain 42%, and in the USA 37% (see Die Welt, November 19, 2004) (Fig. 2.4).

2.2.4 Conduct

The starting point here is the acceptance that the conduct of managers determines their style of leadership, their relationships with colleagues and subordinates, and their effect on others. In turn, their conduct is also shaped by their corporate culture. In the enterprise, certain positions and roles are assigned to managers. Therefore success depends on to what extent expectations are met, which factors work against managers, and to what extent the assigned role is compatible with their self-perceptions. Leadership positions are if you will a blank space in the social system, which is to be filled and occupied by a person.

2.2.4.1 Role Plays

The role of the leader brings with it a certain list of procedural instructions and creates a certain role, which should not be confused with the personality of the individual who assumes it. “Roles are on the one hand cognitive interpretation patterns, which involve ‘reading’ or understanding a situation. On the other hand they are normative demands” (Neuberger 2002, p. 314). Roles schematize and simplify social relations, as they convey what is expected of others. However, they also convey conflicts between people, and between the personality and the role.

George Graen has provided a valuable contribution to role theory by examining the dovetailing of role taking and role making in work groups. Graen does not regard roles as rigid corsets, which the managers are obligated to fit into. Instead, he sees the role of the leader as a system of flexible agreements negotiated between superiors and subordinates (see Graen 1976, pp. 1201–1246).

The role theory clarifies how much the requirements of managers and their positions can differ and provides insights concerning the connections between the individual and the group. It is therefore useful for leadership practices, particularly with regard to personnel evaluations, leadership analysis, training courses and the creation of strategic models.

Currently, managers are expected to perform the role of coaches for their employees, and are also frequently expected to be active in their personnel's development. However, each of these roles entails an entire set of requirements, a detailed analysis of which would be beyond the scope of this work.

2.2.4.2 Types and Typologies

Managers cannot be distinguished only by their roles, but also by their leadership behavior. Michael Maccoby differentiates between four managerial archetypes: the *specialist*, the *jungle warrior*, the *company man (or woman)* and the *playmaker* (see Maccoby 1977).

The *specialist* is rational, economical, quiet, modest and sincere. For the *jungle warrior*, the job is a struggle where the winners destroy the losers, according to the motto “kill or be killed.” He or she is proud to be feared and thinks like a social Darwinist. The *company man or woman* is solely defined by being part of the larger, protective community. Such managers submit to the company and lionize those in power. At the same time they care very much about the feelings of the people around them. The *playmaker* is constantly energized, driven by an effort to keep things going. He or she is interested only in the implementation and thinks in operating results only, is in constant competition with everyone and everything, and eventually ends up burning out.

Another typology was created by the Augsburg professor of Psychology Oswald Neuberger, based on his questionnaire describing the conduct of supervisors. He identified six pairs of extreme leadership types: friendly colleague versus adjutant, go-it-alone versus do-it-together, he/she who drives versus he/she who lets go, keeper of order/controller versus monitor/coordinator, boss versus partner, and protector versus intermediary (Neuberger 2002, pp. 83–409). I feel the names speak for themselves and do not need to be explained further. In principle, it should be noted that the type perspective is an extended form of the character traits perspective, as behind a certain type of leader there is always – explicitly or not – a certain set of traits.

2.2.4.3 Person and Duties

The psychologists Robert S. Blake and Jane S. Mouton differentiated between two fundamental kinds of leadership behavior in the 1960s. Person-oriented leadership behavior stresses individuals living and working together at the company; duties-oriented behavior in contrast is only concerned with efficient production (see Blake and Mouton 1980).

Blake and Mouton's "Managerial Grid" portrays the two behavioral dimensions graphically on a nine-level scale. The four extremes mark the corner points of the grid:

A manager who worries only about the production, with no concern for his or her employees.

A manager whose employees spend a good deal of time talking and celebrating, but get little work accomplished.

An inhuman slave driver focused strictly on performance while discouraging and/or preventing social contact.

A popular boss, who creates a warm interpersonal climate, inspires others and gets motivated, maximum performance from his or her employees (Fig. 2.5).

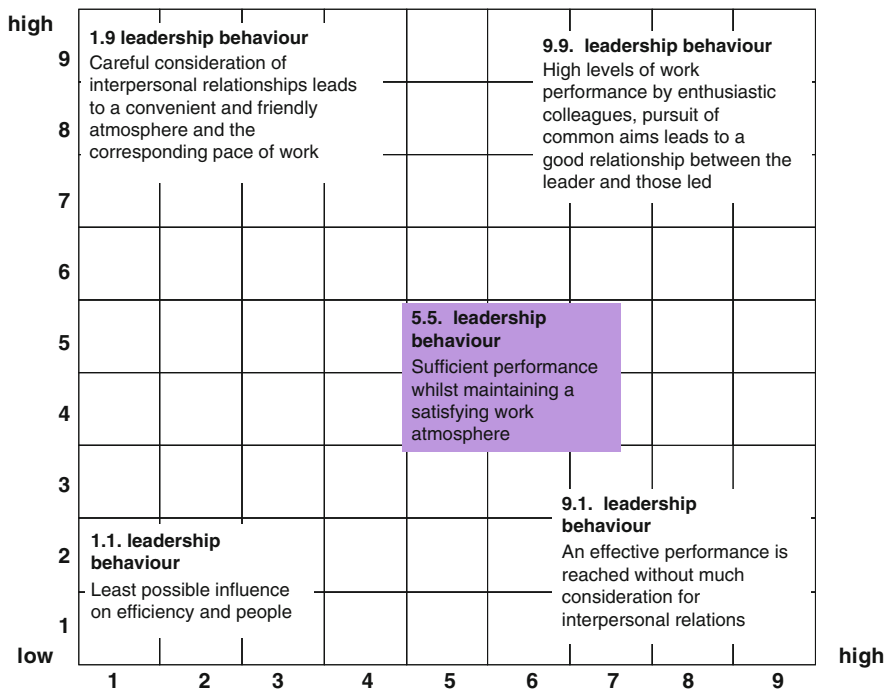


Fig. 2.5 Leadership conduct according to the Managerial Grid (Blake and Mouton) (Source: Staehle 1989)

In addition Jim Kouzes, a lecturer, researcher and chairman of the Tom Peter Company in the US, states that success particularly depends on the activities of managers. He outlines five specific types of conduct that managers can display in order to facilitate performance among employees:

Managers should constantly analyze outcomes for continuous process improvement. Managers should put forth a cohesive, participative and inspiring vision of the future. Managers should empower others by promoting cooperation and emphasizing the individual strengths of others.

Managers should live out the vision and values of the organization and serve as role models for others.

Managers should strengthen employees feeling of self-worth by recognizing their contributions and by celebrating those who are passionately committed to the wellbeing of the enterprise.

Each generation of managers must redefine these five types of conduct based on its own economic, social and cultural context. Nevertheless, these types stay valid over time (see Kouzes 2002).

Exploring the work of Blake and Mouton, and even more the work of Kouzes and Mintzberg (see Sect. 2.2.1), the following becomes obvious: it is critically important that managers behave in a socially aware manner and connect well with others. As such, the concept of “emotional intelligence” deserves careful consideration.

2.2.5 Emotional Intelligence

In our modern, democratic and individualized society, in which successful managers are characterized by a broad range of personality traits and styles of leadership, all seem to agree that managers’ greatest duty is the management of relationships. Successful managers have a high degree of emotional intelligence, or “EQ”. Daniel Goleman established the concept of EQ in the mid 1990s. Managers with high EQ engage in self-reflection, are motivated, have empathy and have solid social skills (see Goleman 1999b, pp. 27–36, see also Goleman 1996, 1999a).

Self-reflection is the ability to recognize and understand one’s own feelings and drives while also recognizing their impact on others. People with substantial self-reflection express themselves with self-assurance, have a realistic self-image and generally have a sense of humor about themselves. By self-reflection, Goleman refers to the ability to manage one’s impulses appropriately and to refrain from acting without considering the consequences. In other words, self-reflection means “thinking before acting.” Characteristics of a person with a high level of introspection are integrity, trustworthiness and openness to diversity and change. Motivation means devotion to work for reasons beyond money and status. Motivation implies an inclination to pursue goals with energy and perseverance, with a strong will to succeed, a healthy portion of optimism, and commitment. Empathy refers to the

ability to understand the feelings of others by experiencing those feelings oneself, without necessarily having had the same experience. When a person is empathetic, they treat others in a kind and considerate manner. Finally, social skills are the “culmination of emotional intelligence,” (Goleman, p. 36) and are the result of engaging in the other four components. Conversely, only social skills allow managers to effectively use their emotional intelligence.

Goleman’s concept of EQ explains why highly intelligent managers with outstanding training fail, while others who possess average intelligence and solid but by no means outstanding technical skills are able to climb the corporate ladder. Emotional intelligence is indispensable for successful leadership because only individuals who understand the feelings of others in the way that they understand their own can accurately steer employees in the right direction. According to Goleman, managers with high EQ exceed the annual sales targets of lower EQ managers by over 20%.

Goleman’s work was monumental for the growth of high-quality leadership, but has been underutilized for the most part. In my opinion, EQ is the most important contribution to leadership approaches and practice in the past 10 years. Furthermore, EQ can be trained and acquired, but it is a difficult and lengthy process. Typical seminars and training programs focus on specialized knowledge, logical thinking and leadership techniques; they do not tend to facilitate the development of EQ. However, new methods of developing EQ, social skills, and relationships skills are evolving (see Chaps. 3 and 4).

2.2.5.1 Achieving Emotional Intelligence

Manfred Kets de Vries has also intensively explored the topic of emotional intelligence and contends that emotional intelligence is just as important in the business world as logical mathematical intelligence. “A high EQ frequently triumphs over high IQ” (de Vries 2002, p. 37). He refers to the origin of the term “emotion” as deriving from the Latin word *movere* (“moving down”), and feelings do move people in the workplace as well as in other areas of life: to paraphrase, numerous organizations understand that a gram of feelings is worth more than a ton of facts.

Unlike our IQ, which remains relatively stable from age 20 until old age, the EQ develops over our lifespan as we gain experience. People can therefore increase their EQ by the following steps. The first step on the way to emotional intelligence, and thus to effective leadership, is introspection. “A person who knows himself or herself is not impulsive and does not constantly blame others,” Manfred Kets de Vries states (see de Vries 2002, p. 39). In his seminars, Kets de Vries encounters time and time again managers who have lost touch with their own feelings, as in: “I don’t know how I feel. My wife tells me.” Such managers’ behavior and level of adjustment have blurred the border between genuine feelings and feelings expected by others. When this happens, the authenticity of a manager can diminish and be replaced by a caricature of the perfect manager. These managers become blind to their own feelings and do not notice what is obvious to others.

The second step in the development of emotional intelligence is learning to control one's feelings. Managers must explore, recognize and take responsibility for the entire spectrum of their true feelings. When we gain access to our internal processes, we can use them to motivate ourselves. For people leading others, it is crucial that they control their emotions and behavior. "Managers who are not in control of their emotions may, for example, allow the annoyance to accumulate to the point of rage, which can produce a whole cascade of effects penetrating the lowest levels of their organization," (de Vries 2002, p. 40). An effective manager is able to transform feelings such as annoyance, frustration and fear into constructive activity rather than giving in to spontaneous reactions.

The third step involves learning to recognize the feelings of those around us, and learning to deal with such feelings in an emotionally intelligent way. Managers must learn to accurately perceive the emotions of others, and feel these emotions as the others feel them – in other words, they must have empathy. For Kets de Vries, emotional intelligence consists of three central abilities that good managers continuously develop: active listening, effective nonverbal communication, and empathy.

Active listening does not consist only of hearing the words spoken, but on grasping the whole meaning of what is being communicated. Managers must be "all ears," without the exaggerated nodding that accompanies pseudo-listening. They must not simply sit and wait for their own turn to talk, or be preoccupied with other duties they must attend to. While listening actively, the listener concentrates solely on the discussion. From time to time, the listener briefly takes stock of what he or she has heard, and the meaning derived from the communication, in order to avoid any misunderstandings. The process of active listening also incorporates inquiries and feedback regarding the feelings of the speaker. Another important component of emotional intelligence, according to Kets de Vries, is attention to nonverbal behavior that occurs simultaneously to verbal expression during conversations. Examples of nonverbal behavior include: mimicking, gesturing, eye contact, volume and speed of speech, etc. All such behaviors occur and are interpreted on an almost unconscious level.

The spectrum of emotions that human beings are capable of is extremely broad, and each emotional condition has both positive and negative aspects. For example, annoyance is a negatively classified feeling because it robs us of our energy and alienates us from the source of the annoyance. Yet, annoyance can have a positive impact in that it boosts our sense of self-worth when we feel we are in the right. At the same time, "positive" emotions like joy and love, while pleasant, can also lead to arrogance and (unrealistically) high expectations that inevitably lead to disappointment.

Kets de Vries further claims that those with pronounced emotional intelligence will have more intense human relationships; the ability to motivate themselves and others; a more active, innovative and creative approaches to problem-solving; more efficient styles of leadership; will be better at handling stress; and will have fewer difficulties adapting to changes, as they are at peace with themselves. The higher on the career ladder the leader is, the more important emotional intelligence becomes, and the less important technical abilities are, as Kets de Vries claims (Goleman has

made similar observations). This claim directly contradicts the work of Fredmund Malik. Kets de Vries recognizes that one ascends due to technical abilities, but as soon as one advances to a certain level, emotional intelligence becomes the critical factor for continued success: EQ makes the difference between successful and stagnant careers.

Possessing a high EQ does not necessarily mean that a person is always nice to others or that they allow their feelings to dictate all of their decisions and activities. Rather, having a high EQ means that one can accurately assess oneself and others, accepts differences in people and appropriately utilizes the feelings of his or her fellow men. It may be easier and more comfortable to increase regular IQ by systematically pulling information from one's fund of knowledge and activating more effective cognitive thought processes than to work on emotional sensitivity and acknowledge the emotional experiences of others. But the effort pays off. As stated in the literature, "The dividends are considerable: a high EQ allows us to make better decisions, to have more appropriate expectations of others, and to have fewer disappointing experiences" (de Vries 2002, p. 47).

2.2.6 Decisions

Apart from personal characteristics, conduct, and emotional intelligence, the function of managers is ultimately to make decisions. Apart from delegating and supervising, above all leading means making decisions. In daily practice, a multiplicity of diverse decisions must be made such as: innovative decisions and routine ones, decisions with certain and uncertain outcomes, collective and individual, rational and irrational, conscious and unconscious, strategic and operational decisions.

Therefore, characteristics such as determination, courage, deliberation, a sense of responsibility and decisiveness are essential requirements for managers in order to generate and execute their ideas. And therefore a possible answer to the earlier question of what good leadership depends on is the ability to make the right decisions.

Decisions must be made with regard to goals, values, leadership style, working methods and retaining or dismissing employees. The speed and the certainty with which managers make decisions, and how closely the decisions meet company goals, the results for the company and the ramifications for the working climate all say much about the quality and effectiveness of the leader.

Genuine leadership decisions cannot be delegated because they are decisive in terms of the company's present and future. The big picture must remain in focus, with the consequences for the company as a whole in mind. Major leadership decisions include setting corporate goals, identifying measures necessary to achieve them, and allocating the appropriate resources.

Before managers can make decisions, various courses of action must be identified as well as the influence of the environmental conditions on the

alternatives. Questions must be asked and answered: What is the impact on the customer? What is the effect on the competition? How will these decisions affect the market development? Based on the answers to such questions, managers determine the possible consequences of the courses of action and compare them to the established goals. In practice, decisions are not always made based on logical conclusions; social and emotional influences often play an important or even a decisive role. In particular, group dynamics can influence decisions. Group dynamics are comprised of the informal power structure and the relationships between coworkers on the same or on different levels of the organizational hierarchy. In addition, time pressure and incomplete information often interfere with the ability to make quality decisions.

2.2.6.1 Decisions Are Decisive

A study released by the personnel consultancy Heidrick & Struggles revealed that of 500 managers surveyed, 57% indicated that enjoying making decisions is the most important characteristic of managers. 49% rated strong communication skills as the second most important trait, while 34% ranked results orientation as the third most important characteristic of managers. The readiness and ability to make decisions and accountability were also identified as being important.

To reiterate, leaders still have one primary responsibility: to decide. After all important viewpoints and opinions have been heard, after the critical factors are all weighed, it is the managers' task to make the final decision. Leaders must be accountable for the decisions, responsible for their own actions, and accept any unintended negative consequences. Leaders must be willing to take calculated risks when necessary. Lastly, leaders must abide by their own good conscience, moral principles and personal integrity. Unfortunately, the media report incidents where managers fail with regard to the last aspect on an almost daily basis.

The management appraisals of the personnel consultancy Egon Zehnder International have systematically examined the technical and leadership skills of top German managers for many years. These top managers are praised for their specialized knowledge, which is competitive on the international market. Yet they are also criticized for their unwillingness to take risks. German managers rarely dare to engage in new tasks and challenges. What they are lacking is an appreciation of the big picture, along with strategic thinking. They also often lack a sense of adventure – and the readiness to assume personal responsibility is of precious little help when the general direction of the corporation as a whole is wrong (see *Wirtschaftswoche*, August 21, 2003).

Above all, German managers are specialists. However, specialists are often doubtful and do not hold on to bold visions. They tend to perceive errors or defeats as personal failures, and therefore do not take risks. Furthermore, they are imprisoned in hierarchies that stifle the progress of new generations of managers. Unfortunately, not much has changed in this regard in the past few decades.

Peter F. Drucker believed that good leaders make only a few, but important decisions in a systematic process. “Above all the confusion around the difference between effectiveness and efficiency leads to the fact that things are done right, instead of doing the right things” (Drucker 2000, p. 117). Only 20% of all decisions and processes account for 80% of entrepreneurial success. Successful managers concentrate on these few decisions.

However, successful managers are also characterized by the courage to openly admit the uncertainty of their decisions. They talk with colleagues openly about the fact that their decisions are not always crystal clear, and they discuss the process of decision-making. In doing so, they not only win the trust of their coworkers and employees, but also benefit from new sources of knowledge, ideas and strategies, providing them with more alternatives for the next round of decision-making.

Leadership decisions are influenced by conscious and unconscious, rational and irrational, objective and subjective factors. Consequently, selecting the best option is determined not only by the situational factors and their “fellow players,” but also by managers’ own experiences, goals and preferences. The decision-making process depends on several variables that in turn provide possible answers to our question about the nature of good leadership. In the following section, we will further explore the unconscious, irrational and subjective forces that continue to affect managers and their work.

2.2.7 *The Dark Side*

Hardly any author has so intensively focused on the connection between the individual and leadership as Manfred Kets de Vries. His work deals with observations of the individual in the role of leading as well as those being led, and offers concrete recommendations for managers. His studies have contributed considerably to the paradigm shift of current academic pursuits and everyday practice. Figure 2.6 illustrates the relationships Kets de Vries has observed.

To fully grasp the meaning of leadership, we must leave the plane of the directly observable and shift our attention to internal and social processes. In addition to the relationship between leaders and those they lead, it is important to explore the unconscious psychodynamic process and structures influencing the behavior of individuals. Without this complex analysis of organizations, it is difficult to understand the processes within them. And furthermore, “leadership tends to grasp only a three-dimensional view of life in an organization while not recognizing a further layer of unconscious anxieties, hopes and motives” (de Vries 2002, p. 17).

We can compare the organization with an iceberg (see also Sect. 3.1.1). Most management theorists analyze only the tip of the iceberg, and concern themselves with obvious, rational phenomena such as missions, visions, goals, strategies, tasks, roles, structures, processes, and systems of control and compensation. Naturally, these factors are important, but they represent only a small part of the organization. Like the largest part of the iceberg, the largest part of an organization is invisible

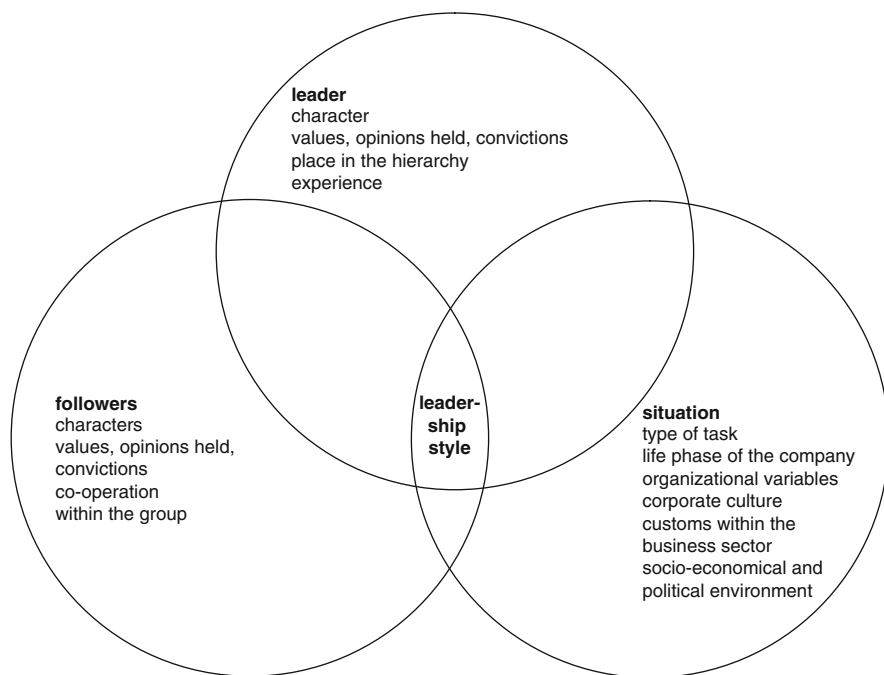


Fig. 2.6 The conflict fields of leadership (*Source: de Vries 2002*)

and therefore below the surface. Kets de Vries is interested in exactly these processes. What are the underlying dynamics? What irrational variables feed the organizational culture? What subconscious values influence and drive organizational structures? What relationship patterns influence the direction of decisions and thereby the direction of the iceberg's motion?

de Vries' work is based on the clinical psychology paradigm. He uses concepts from the fields of psychoanalysis, psychotherapy, developmental psychology, systematic family therapy and cognitive psychology to explain the conduct of people in organizations and cites three reasons why this paradigm is useful (see de Vries 2002, pp. 21–50).

1. *Reality is not unconditionally identical to what we see.* Therefore, only those managers who can see new connections, remain open for different schemes of perception, and move past conventional ways of thinking will obtain extraordinary results. New points of view often lead to unexpected opportunities and surprising solutions.
2. *Every type of human behavior, no matter how irrational, has a reason.* According to Kets de Vries these reasons often originate in the subconscious. So many reactions are initially incomprehensible or unobservable at first sight that a more exact analysis is needed to reveal the basic mechanisms ("transfer mechanisms"). For example, a boss avoids direct confrontation with a colleague

because in his childhood he was always punished severely by his father for openly disagreeing.

We can compare these unconscious motives to “blind spots” in our personalities. We deny their existence because they cannot be easily controlled. In extreme forms, this “blindness” can become a personality disorder, like in the narcissistic personality type, which exhibits strong self-confidence; in the dependent type that overly relies on others; or in the type suffering from bipolar disorders, which exhibits strong mood swings. One finds these types of people on every level of every business. Insight is the first step towards improvement, but unfortunately the psyche has a wide array of defense mechanisms to protect itself. Some examples of defense mechanisms are: projection of one’s own feelings onto other persons, denial of reality, venting aggression on a “harmless” replacement person rather than the problematic person, or conversion disorders (i.e. the transformation of mental conflicts into physical symptoms).

3. *We are all the product of our past.* This means that in addition to genetics, early environmental influences and individual experiences strongly shape people, who they are and how they function in the world. “In every man and in every woman there is a child stuck just under the surface,” claims Kets de Vries. Being greatly influenced by experiences in our early childhood, we tend to repeat patterns of behavior in similar situations for much of the rest of our lives. The clinical paradigm helps us to begin paying more attention to our behavior, to be more aware of the connections between our past and present, and to decipher the reasons behind irrational behavior. Our emotional intelligence, which, as previously mentioned, is an essential characteristic of good managers, is also vital in such efforts.

Managing emotions is a decisive part of necessary leadership skills. Our moods, whether good or bad, extreme or moderate, grant us insights into our personalities. Such insights do not simply come naturally. We must fight for them by recognizing the internal dialogue and conflicting forces within ourselves. “It is the task of every person to understand these forces, but for people in positions of leadership, the responsibility has a special urgency,” warns Kets de Vries. “The irony is that too little feeling produces consequences just as undesirable as too much. It is just as uncomfortable to live with a dumb fish as it is with a raging tiger” (de Vries 2002, p. 47).

2.2.7.1 The Central Relationship Conflict

To a great extent our behavior is based on relationship patterns, which our most deeply held convictions manifest themselves in. This behavior develops in our earliest childhood and is influenced by the messages we receive from others and from our environment. The concept of the central relationship conflict may be divided into three components: what we wish to derive from a relationship; our expectation of how others will react to our requests; and our conscious behavior and emotional responses to their reactions. Our unique relationship conflict makes us into the people we are.

“The central relationship conflict (CRC) permeates our private life and is the basis of repeated relationship conflicts. It also naturally influences everything we experience on the job. The CRC of leadership also determines the business culture and the decision-making within the organization” (de Vries 2002, p. 51). The recognition of one’s own CRCs and those of others is complicated, because the past distorts the present. We transfer previous experiences with people to current relationships, influencing our behavior in the present. Our expectations become self-fulfilling prophecies. Kets de Vries notes, “Character is a form of memory. The internal drama of a person and the configuration of the essential personality features manifest themselves in it” (de Vries 2002, p. 26). Many managers neglect their inner experiences. They avoid examining their inner processes, do not pay attention to themselves and their feelings and in doing so, erect a “manic wall of protection.” However, in this way they become prisoners of their own psyche and go through life without knowing what they are a slave to.

“Mental health requires that the individual has choices. Our internal drama rarely changes, and we cannot change certain preexisting internal processes, but we can decide how to respond to our central desires. We are the architects of our fate, the authors of our own script – or at least we can be” (de Vries 2002, p. 58).

2.2.7.2 In the Transference Trap

According to Kets de Vries the chief explanation for the failure of well-trained and highly motivated professionals is “transference.” It decisively affects each human relationship and how we live together. The term “transference” is used because “none of our relationships is a new one; each is influenced by earlier relations. And the relations with the strongest long-term effects (...) are those of our first months of life. Therefore we treat persons in the present just as we did persons from the past. For example, we behave as children do with their parents and forget that in the meantime we’ve grown up” (de Vries 2002, p. 83).

Examples of transference at the workplace include situations like a boss asking his secretary for a small correction in a document, causing her to break into tears, or a young manager reacting strongly to the criticism of an experienced older colleague. The contact with authority, criticism and power in the family determines our later relationships to authoritarian, critical or powerful people, especially as we climb the career ladder. And especially managers tend to evoke transference processes in themselves and in others.

In Kets de Vries’ diagnosis many managers suffer from transference, as they are practically addicted to receiving affirmations of their own worth. The parents were the first to provide this affirmation, and now colleagues have taken the place of parents. Leaders may speak of “constructive criticism,” but the hierarchy can result in colleagues saying only what they believe the boss wants to hear. Praise and recognition can be mere hypocrisy and an effort to accommodate the speaker, as a result of which managers can soon find themselves surrounded by yes-men and lickspittles. Such double-layered communications lead to a fear of conflicts

and lazy compromises, hinder initiative and innovation, weaken mutual trust and paralyze the decision-making process. Only a business culture that promotes open feedback on all levels can help to prevent such a climate. In the Roman Empire, when a victorious general marched through the triumphal arch there was a slave behind him on the chariot whispering in his ear: “Remember, Caesar, that you too are only human.” Today good feedback systems fulfill the same purpose.

The 360° feedback system is one of the most effective means of eliciting quality feedback and necessary candor, and of encouraging dialogue. In this system, the participants provide feedback for coworkers at all levels – above, below, and on the same level of the participants. In addition, this approach serves as an early-warning system and sharpens the sensitivity to blind spots. In order to be effective, it must be guaranteed that no one gets punished, directly or indirectly, for his or her honesty. The managers must have the courage and the strength to hear unpleasant truths about themselves, and their employees must be encouraged to provide open feedback.

2.2.7.3 Necessary Narcissism

The concept of “narcissism” tends to mean being in love with oneself and being very egocentric. In developmental psychology, the “narcissistic phase” refers to the first three years of life, when the foundations of the personality are laid. In these early years, we are especially formed by our experiences, all we observe and feel, and our relationship to others and our environment.

The infant perceives pleasure through its body and bodily functions. The unavoidable frustrations of growing up can interfere with having this need met. For this reason, a child often creates an exaggerated and idealized picture of its parents. The remnants of this idealization are preserved for many years, and in later relationships. Narcissism is therefore an important drive for the individual. In moderation, it is necessary in order to develop a healthy sense of self-worth and independent identity. Narcissism and leadership are closely interwoven, as narcissism is a prerequisite for dominance, self-confidence and creativity.

On the other hand, too much or too little narcissism destroys a person’s internal balance. Therefore, it is useful to distinguish between “constructive” and “reactive” narcissism. Constructive narcissism develops from sufficient care and support from parents and is the basis for stable self-confidence. Reactive narcissism is the consequence of lacking attention from the parents. People who lacked attention in early childhood become driven by the need to undo this insult and prove their worthiness to others (“Monte Cristo complex”). This is a detrimental but considerable part of what motivates some managers.

Those who have made it to the top often experience feelings of melancholy, sadness and emptiness. Whether CEO or marketing director, they all ask themselves whether it was worth all of the struggle, all the sacrifice, and all of the life energy they invested. Others fear the envy of competitors if they are successful. Not everyone can bear the “thin air at the top” and the solitude at the summit of power.

2.2.7.4 The Fish Rots from the Head Down

The strategy, structure and culture of an organization depend on the man or woman at the top, and not only on their conscious decisions and actions. A manager's unconscious and neurotic behavior can affect the entire organization. According to Kets de Vries, "in strongly centralized businesses – in which the decisions lay in the hands of one person or in the hands of a small but homogeneous group, the space between people and the organization is so narrow that every twitch quickly spreads downward. In organizations with decentralized structures, several different managers influence strategies and culture, as there is only a loose connection between leadership style and organization pathology" (de Vries 2002, p. 128).

Pathological organization styles often reflect the weakness of an individual and his or her neurotic behavior. Kets de Vries has distinguished between five types of organizations and personalities: the dramatic, the suspicious, the detached, the depressive and the compulsive.

1. Dramatic personalities and organizations

Some managers behave like dramatists, wanting to impress others and receive maximum attention. These managers exaggerate their own achievements and capacities, and tend to be overly reactive. The costs of such strong narcissism are the loss of concentration and discipline. Superficially these managers can appear sincere, but they lack true empathy and attention for others. They exploit employees for their own purposes and bind them into relations of dependency. Conversely, dependent people feel magically drawn to dramatic bosses. They lionize their boss, ignore his or her faults, do not criticize – even if they should – and bask in his or her glory.

Dramatic organizations are characterized by impulsiveness, hyperactivity, audacity, lack of restraint, diversification and centralization. At the same time they are often structured too simply, have no feedback structure and communicate in only one direction, from the top down. Instead of responding to the demands of the external market, the dramatic organization creates its own demand, which rarely leads to success.

2. Suspicious personalities and organizations

Suspicious (in the sense of distrustful) personalities and organizations exhibit are marked by their paranoia, anxiety and extreme caution, a climate of suspicion, secrecy, envy and hostility. Suspicious managers are easily provoked and tend to make a mountain out of a molehill. They are narrow and callous, overly rational and hyper-vigilant.

Organizations led by such managers are dominated by a hostile atmosphere. Most of the organization's energy is invested in uncovering enemies, and in preparing for anticipated attacks by those it believes to be enemies. Instead of open communication, backstabbing and espionage, including the trading of "secret" information and rumors, flourish. The personnel are supervised as closely as possible, and any subordinate who freely expresses his or her opinion is threatened with draconian punishment; the organization becomes a police

state. The efficiency of suspicious organizations is hampered by their unmotivated employees, lack of information exchange and paralyzed decision-makers (de Vries 2002, pp. 85–131).

3. Detached personalities and organizations

The detached personality type can be seen in extremely distant managers who are selective in the company they keep and tend to be cool and disinterested. Managers of this type avoid social ties, isolate themselves, and have no need for exchange with others. If managers become so distant as to no longer recognize their own responsibilities, the management is delegated to the level just beneath them, absolving them from authority and responsibility. The managers in the second row become the real power players, using the vacuum at the top to lobby for their own interests.

In turn, power struggles and political discord arise, and the implementation of business values and aims falls by the wayside. Strategic decisions become gambits, resulting in breaches and gaps throughout the entire organization. This prevents effective coordination and communication. The individual players concentrate only on themselves, and not on their business, colleagues, customers or the market.

4. Depressive personalities and organizations

Every person experiences phases of dejection. Yet some regularly sink into hopelessness and sorrow, which characterizes the depressive personality. Depressive managers feel worthless, guilty, impotent and out-of-place, and therefore shy away from responsibility. They seek others to make decisions for them and then idealize these saviors. The feeling of powerlessness often produces feelings of anger and aggression directed at one's self.

Depressive managers are characterized by their incompetence and lack of drive and imagination. They are passive, unsure of their actions and even fear success, as it could spark envy in others. According to Kets de Vries the business culture that evolves under this type of manager, is that of the “self-insecure individual”: the organization is characterized by negativity and lethargy. In the eyes of the depressive manager, the business is only a machine that needs minimal attention. Depressive enterprises are very conservative, resistant to change, and often become isolated, losing their orientation. They become locked in their routines and unable to implement change processes. Decisions are put off for so long that the necessary information is no longer useful, and the entire system stagnates.

5. Compulsive personalities and organizations

“Obsessive-compulsive personalities often fight their way to the top. Although they are real over-achievers in certain fields, the presence of such individuals can tend to have brutal consequences” (de Vries 2002, p. 138). Compulsive managers do not want to be on the same level as other persons or dependent on events; as such, they want to control everything and everyone. They view relationships only in terms of dominance and subordination – they are domineering towards subordinates and practically grovel in the presence of superiors.

The work of the compulsive manager is characterized by perfectionism, rigid opinions and over-the-top industriousness. Workaholics are always busy but rarely effective, as these managers lack vision, imagination and decisiveness. In compulsive personality organizations, an intense mistrust exists between the leaders and lower positions. The organization relies on formal directions, bureaucracy and direct supervision instead of trust and enthusiasm. Managers lead with complex rules systems instead of by personal example. Business policies are oriented towards the compulsive person at the top rather than towards objective requirements, and independent thinkers are quickly smothered. The heavily internal focus prevents decision-makers from considering the larger picture and thus stymies processes of renewal.

Dysfunctional leaders like these can steer businesses onto a vicious circle, starting with sinking employee morale, a high turnover rate, a high illness rate and low job satisfaction. All of this results in bad performance throughout the organization, sinking profits, increasing costs and decreasing share prices. The organization then responds by laying off employees, freezing salaries, reducing investments in training, and hiring temps, further eroding employee morale and bringing a new turn in the vicious circle. Manfred Kets de Vries convincingly shows how neurotic behavior on the part of the manager impacts their relationships with those they lead and thereby causes the business to fail. In the next chapter, we will examine precisely these interactions.

2.3 The Relationship Between Leader and Led

Good leadership stands and falls with the people led.

As already stated, leadership is not only business management, but primarily consists in leading people. Leadership aims at achieving harmony between the potentially conflicting goals of the organization and the employees. Even the best manager will fail if their authority is not acknowledged by their employees. Manager and employees must have good “chemistry,” and managers must also fit well with their own superiors and with customers.

For this reason numerous books covering the subject of leadership focus on those being led and their influence on the success of leadership. In the past few years, a major change has taken place that leadership practice is only slowly beginning to take into account.

2.3.1 From Subordinate to Associate

Leadership always depends on the people involved, i.e., it depends on certain basic assumptions about human nature. The way I deal with someone, how I evaluate their behavior and react to it, depends crucially on how I perceive them.

2.3.1.1 X or Y?

In the 1950s, management consultant Douglas McGregor defined two scientific theories regarding the position of managers and employees that clarify different positions of leadership: the X theory and the Y theory. They would later become the basis of countless leadership models (McGregor 1960).

According to the X theory, the average person has an innate aversion to work and tries to avoid it. Therefore most people usually have to be forced, directed and threatened with punishment in order to be motivated. The average person prefers to be taken by the hand and takes as little responsibility as possible, for they have little ambition and a considerable need for security. If a superior perceives their employees in this manner, he or she leads with an authoritarian, controlling leadership style.

In the Y theory McGregor outlined a more positive vision of man. According to the Y theory, the physical and intellectual effort of working is just as natural for a person as resting or playing. Given suitable conditions, a person will strive to take on responsibility, independently finding solutions to organizational problems based on his or her own initiative and creativity. Supervision and punishment are not the best ways to motivate a person. According to theory Y, people apply themselves voluntarily, and have the self-discipline and self-control needed to meet goals. A manager with this view of people gives them latitude, encourages commitment and individual responsibility, and includes employees in the decision-making process. Leaders with this view choose a participative and cooperative leadership style.

I feel it is fairly obvious that the X theory confuses cause and effect, forming a vicious circle. People only become stupid and irresponsible when they are granted no latitude to work autonomously. Such working climates are based on mistrust and create the breeding ground for this type of employee. Reversed, the Y theory sees people from a positive perspective, resulting in a desirable type of employee.

Is there a single correct method for leading people? According to Peter F. Drucker, there is not. Nevertheless there is the desire for one correct theory for leadership. However, Drucker was also a proponent of theory X and theory Y and further stated that, just as different employees must be led in different ways, the same employees must be led differently in different situations (Drucker 2004, p. 102).

2.3.1.2 The Human Resource

The capital-oriented management philosophy has had its day – according to strategy guru Sumantra Ghoshal (along with his colleague, Christopher Bartlett of the Harvard Business School), and I agree. Financial capital is no longer the resource of highest value to an organization, but it is rather the employees with their know-how and orientation on performance that are essential. We need to be aware that it is employees who provide the largest increase in value, we have to appreciate them

as assets and recognize them as voluntary investors who give their knowledge, ideas, talents, and efforts to a business, and we have to stop viewing employees as subordinate cost factors (Bartlett and Ghoshal 2000, cf. also Ghoshal 2003, pp. 220–222).

Ghoshal wrote about the “bottleneck of human capital,” which includes not only technical knowledge but the concept of emotional and social capital, reasons for competition in the future. For the paradigm shift from subordinate culture to a culture of associates places new strains on management and its training. Managers must be able to forge and maintain long-term relationships based on trust and reciprocity. This capacity represents an enormously important resource for the further development of businesses. The second skill that will become even more important in the future is energy. There are plenty of visions and lofty ideas, but the ability to translate these ideas into action is rare in everyday working life.

The human capital of a business takes into account on the one hand the knowledge of its employees, and on the other the social and emotional capacities of its managers. It is necessary to find the best management-employee match in order to generate knowledge and channel it into productivity and increasing business revenues. Companies must orient themselves on people, must mediate visions and values, and cultivate individual potential. Under these conditions extraordinary achievements are possible (Bartlett and Ghoshal 2000).

With the new paradigm of leadership, there are also changes in the “psychological contract,” i.e., the unspoken, implicit obligations on the part of employees and employers alike concerning various issues. In the past, the employee’s loyalty to a certain job was based on a paternalistic model. The new model moves back and forth between mutual dependence and individualism. In the information age, “employability” (being considered a lucrative employer) is more important than loyalty for businesses. The companies provide their employees with opportunities and development rather than security, and with partnership rather than dependence (de Vries 2002, p. 64). In this regard, Peter F. Drucker also contributed the idea of the “volunteer organization” (see Sect. 2.2.1).

On the other hand, there are of course also expectations placed on employees. As associates, employees must possess social, design and implementation skills. They must voluntarily and responsibly commit themselves and be ready for lifelong learning. Volkswagen designated this type of worker with the term “4-M employee,” which indicates that one distinguishes oneself through multiple qualifications, mobility, cooperation and humanism (Wunderer 2002, pp. 40–45).

So much for the ideal image. In reality, however, we cannot increase the demands on employees to unreachable heights, but must define realistic goals in mission statements, as Reinhard K. Sprenger does. “‘I will make at least one thing my own’ in the sense of mastering one task or duty is also an appeal to the personal responsibility of the employees (here keeping in mind that almost every executive is also someone else’s employee). While careers are losing their security and the future of businesses is becoming increasingly unpredictable, people can at least take responsibility for their own professional life. This applies to their choice of company, to their choice of position, and to how they choose to use the leeway within

their position. This does not mean waiting for things to get better, fairer or more permissive on their own, or waiting for others to do something for you (see above); leeway is not there so that we can sit and wonder how things are done elsewhere, in situations that don't apply to us; it is there for us to conquer" (Sprenger 1999, p. 251).

The reverse applies to the expectations of the employees from the management. "The secret of efficiency is having an understanding of the people one works with and on whom one depends, so that one can profit from his or her strengths, ways of working and codes of values. Work relationships depend in equal measure on the person and on the work itself" (Drucker 1999, p. 16).

Though once only the management benefitted from power struggles with its employees, this is no longer the case. Today the employees are in power even if they may not seem it at first glance. The employees possess power as they in a way "select" a manager by deciding for or against them and being cooperative or emotionally or literally refusing to work for them. Employees make this selection with their level of commitment to a manager. There are employees without managers, but no managers without employees (Sprenger 2002a, p. 160).

2.3.2 Motivation

The different ideas of human nature put forward in the X and Y theories and the work of Bartlett and Ghoshal illustrate the importance of motivation in the leadership process. Good leadership depends to a high degree on the readiness of staff members to commit to giving maximum performance and to reaching the business goals in cooperation with the management. Yet how can this readiness be established? What drives people? What are the goals and needs of the employees? Are people more easily prompted to action by extrinsic or intrinsic motivation? The social sciences, business sciences and psychology have been attempting to answer these questions for decades. Abraham H. Maslow's hierarchy of needs forms the starting point in our exploration of the findings of motivation research.

2.3.2.1 The Hierarchy of Needs

In 1943, Maslow developed a theory of motivation that included a model outlining individual goals and five categories of individual needs arranged in a hierarchical pyramid. The underlying concept is that the basic needs must be met first before the next level of the hierarchy can be met. These needs are categorized as physiological needs (hunger, thirst, sex drive, etc.); safety; love/belonging; esteem; and self-actualization. Note that nourishment is a primary need, while social contact and even esteem are considered secondary needs (Maslow 1943). In short: a hungry man has no conscience.

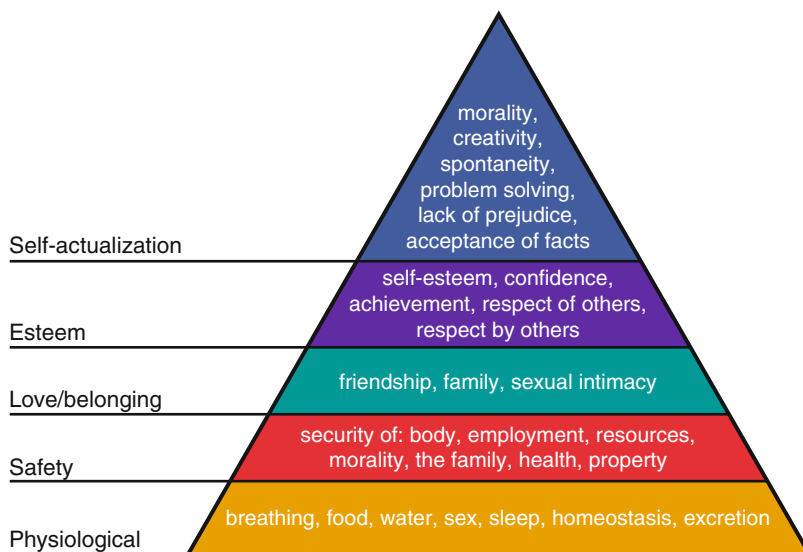


Fig. 2.7 The hierarchy of needs according to Maslow (*Source: Maslow 1943*)

According to Maslow, motivation functions along a simple equation: needs plus incentive equals the desired behavior. This conservative model is simple and clear, but it reduces the person to a bundle of needs. The model has been disputed for years, and criticized as at least being in need of supplementation. Nevertheless it is still used around the globe today as an important basis of employee motivation, which is why it is presented here (Fig. 2.7).

2.3.2.2 The Two-Factor Theory

In the 1950s and 1960s, Frederick Herzberg investigated the sources of employee motivation. Based on the insights gleaned, he developed the two-factor theory, which distinguishes between the factors that make people satisfied with their activities and those that produce alienation and lack of productivity.

If employees are asked why they are dissatisfied, in most cases they claim that it is because of their incompetent or unfair boss, insufficient salary or bad working environment. Yet these very same factors, even if they are absolutely ideal, cannot motivate employees to work harder, which is why Herzberg dubbed them “hygiene factors.” They must be acceptable; however this is not enough because they are extrinsic and are only indirectly connected with the activity itself. In contrast, “motivators” are all factors that satisfy employees’ deeper needs to perform meaningful work, to realize their potential, to grow and to be appreciated for what they do. These factors are intrinsic and are related to the content and formulation of work.

As such, it is not the infamous “kick in the tail” in the sense of pressure, harassment and threats that motivates employees, nor is it necessarily the positive aspects of raises, shorter working hours, a company car or retirement benefits. Leaders cannot motivate employees by either cracking the whip or promising incentives, as Herzberg recognized very early in his studies. Motivation comes from business activities that mean something to the employees, activities that are varied and multifaceted (Herzberg 2003, pp. 30–62, 1959). The concept of “job enrichment” belongs to the classics on psychology of work and organizational psychology, but even now, 50 years later, Herzberg’s insights have not been widely implemented by employers.

One of the dangers that stem from exclusively extrinsic motivation of employees is that employee morale suffers. Peter F. Drucker made the following comparison: “And so just as an orchestra can sabotage the most capable and self-assured conductor, the employees of a knowledge-based organization can most certainly sabotage a capable but arrogant leader” (Drucker 1999, p. 37). Motivation is often used as the magic word. Motivation gurus are notorious for saying things like “anything is possible!”, “think positively!” or total nonsense like “Tschaka – you can do it!” The result can be a sense of increased depression when the guru is gone and employees realize that all they received was a verbal placebo – and strangely enough, that the company that just encouraged them to think positively and move forward still has the same old managers, policies, and ways of doing things.

The father of modern management research, Peter F. Drucker, encouraged intrinsic motivation through the sensible assigning of employees, good information exchange, and extensive empowerment of employees, allowing them to be part of decision-making processes. He did not believe that leaders need to drive people, but felt they should instead release their employees’ internal drive through favorable conditions. “Only someone who has achieved something can have a sense of achievement. Only someone whose work has valuable can have a sense of their own value. The only true basis for real pride, a real sense of value and achievement is the active and responsible co-determination of ones work and organization” (Drucker 1956, p. 370).

2.3.2.3 Understanding Those You Lead

With Drucker’s words in mind, the *path-goal theory* calls for managers to put themselves in the shoes of those being managed. Management must know the immediate and long-term goals of the employees in order to reconcile them with leadership and business goals. The employees’ goals therefore determine the method of leadership. Additionally, managers have to have empathy. The path-goal theory illustrates the factors influencing readiness to perform, factors that can be used as the basis for suggestions on how to promote results-oriented leadership, or “management by objectives.”

In *attribution theory*, which enjoyed its heyday in the social psychology of the 1970s and 1980s, the focus is also on monitoring and grasping the behavior of others. In this context, “attribution” refers to the motivations people assign to specific types of conduct. For example, on the job people tend to congratulate themselves on their achievements but blame uncontrollable external factors for mistakes and failures. In the long run, attribution theories do little to answer our initial question of what constitutes good leadership.

In contrast, *social learning theories* can help us. Such theories are based on the assumption that management, leadership behavior and the leadership situation are mutually influential. This means that managers learn not only from their own actions, but from those of their employees, and employees learn from the behavior of management. This process is designated as “learning by example,” and is an important prerequisite for development and change. If everyone had to primarily learn through trial and error, learning would be an embarrassing and lengthy process. For example a child learns by observing its mother that the stove is hot without having to put its hand on it. The situation is similar in business, where we learn by observing others – every mistake is only made once, at least in theory. Social learning theories provide a basis for the delegating leadership style, emphasizes the need for self-management (as everyone serves as an example – and possibly as a role model – for others), and offers valuable approaches to working in teams.

2.3.2.4 Beneath the Surface

All these approaches and findings are always jeopardized by irrationality, because human behavior is not only determined by logical, conscious factors and decisions: “A person with management responsibilities should be sensitized to the fact that his or her employees are not only rational and proactive, but that irrational processes are a part of them that they themselves often cannot justify and leave them almost speechless” (von Rosenstiel/Regnet/Domsch 2003, p. 23), warns Munich-based organizational psychologist Lutz von Rosenstiel.

Irrational and subconscious factors that shape the behavior on both sides can have consequences within organizations, such as conflicts when various defense mechanisms (displacement, compensation, transference, identification), are triggered and lead to projection, feelings of resignation, aggression, self-incrimination or fixation. If the management understands these mechanisms, it can more accurately perceive its own role and the behavior of employees and respond more appropriately (Rosenstiel/Regnet/Domsch 2003, pp. 27–40).

My “artificial” division between approaches focusing on managers and those mainly dealing with employees should not serve to diminish the interrelation and interplay between the two. A relationship always has two sides, which influence each other through their actions, perceptions and communications. The exchange processes between leaders and employees have been studied in interaction theories, role theory, and group-dynamic approaches, two important names in this regard

being Peter R. Hofstatter and Klaus Macharzina. The limit of these theories lies in the enormous complexity of interactions. Therefore, they are of limited value in practice, and also far too complicated – despite the fact that models and theories are intended to explain and simplify reality. The relationship-oriented, systemic leadership approach put forward in this book represents a practical alternative to these schematic, lumbering and limited theories, which have little practical value for daily management work.

2.3.2.5 What Employees Want

The employees' *expectations* of the leadership play an important role in the work of managers, and depend on the degree of maturity and value orientation of the employees. An international study of more than 60 countries found that nearly 70% of participants put "building trust" at the top of the list, followed by the ability to appreciate and cultivate employee potential (46%). 42% listed "communicating a vision," while 38% cited "developing networked thinking" (Personnel Economy 10/2002, p. 43).

Employees want authentic and trustworthy managers, not someone just living up to a role. In the mid 1960s, Peter F. Drucker wrote, "A superior is indebted to an organization to use the power output of employees as productively as possible. Yet he is even more indebted to the employees placed under his authority, whom he must assist in attaining the highest level of performance possible" (Drucker 1995, p. 154).

In the age of employees as associates, leaders would be well served to accept the advice of Dieter Frey, professor of Economic Psychology at the Ludwig-Maximilian University of Munich. Frey has put forth the following principles: leadership must convey meaning and vision, must be based on autonomy, participation, transparency and fairness, must allow constructive feedback and personal growth, and must offer stable social integration. According to Frey modern leadership is always situational leadership (Frey 2003, p. 20).

A study conducted by the Academy in 2004 lends statistical support to this view. With regard to what characteristics managers should have in order to motivate employees, 92% of the participants endorsed truthfulness and authenticity, 86% cited the ability to competently deal with conflicts, 84% called for the ability to inspire enthusiasm, and 61% put their focus on empathy (Academy Study 2004).

2.3.2.6 Career Instead of Wages?

Business consultant Towers Perrin (Frankfurter Zeitung, January 19, 2004) examined the reasons why employees join companies, remain there, or choose to leave. Simply stated, employees primarily join based on the reputation of the business and stay because of the salary. Employees leave due to lack of upward mobility

and career opportunity, and/or due to poor relationships with the managers. More specifically:

Reasons why employees join:

- Reputation of the company
- Competitive salary
- Challenging work
- Promotion
- Corporate culture

Reasons why employees stay:

- Challenging work
- Competitive salary
- High level of independence
- Opportunities for promotion
- Corporate culture

Reasons why employees leave:

- Lack of opportunities for promotion
- Relationship with managers
- Poor work-life balance
- Work-related accidents
- Non-competitive salary

In order to retain qualified employees, other measures are necessary as well. The management must align individual goals and organizational goals on a certain level. At the same time, the management should invest in developing the employees' skills and abilities and should delegate demanding assignments. In this way, both parties profit and motivation remains high.

2.3.2.7 Motivation – A Myth?

While both Maslow's hierarchy of needs and Herzberg's theory of motivators and hygiene factors assume that the meaning and purpose of leadership is to influence people and offer them an incentive to display a specific type of behavior, Reinhard K. Sprenger, a best-selling management author and PhD of Philosophy, considers this form of motivation to be a dead end.

To him, it is obvious that "motivation" means nothing more than the following five factors: rewards, praise, bribes, threats and punishment. Leading with mechanical stimulus systems, Sprenger claims, creates the opposite of motivation, "demotivation." I consider this conclusion to be correct and of central importance. For this reason I would like to cover the central thesis and observations in the following section, and provide commentary on each.

2.3.2.8 The “Wonder Weapon” Motivation

Sprenger asserts that “motivating” has become quite synonymous with leadership, and is a top demand placed on managers. In general, it is understood that “producing, increasing, and receiving the behavior (motivation) results from incentives by management” (Sprenger 1999, p. 22). Therefore, motivating means moving employees to action, and managers are called upon to get the best out of their employees.

Most managers understand the task of motivating based on the old perception that employees do not voluntarily give their best, are inherently idle and unwilling to perform, that they save their energy for their leisure time and keep good ideas to themselves. Therefore, they must be motivated by pushing and pulling. To me, this very much smacks of the X theory. For Sprenger, “motivating” is essentially a form of external control, a more or less secret form of manipulation designed to influence behavior systematically. He differentiates between motivating and (true) “motivation,” which involves the internal drive of the individual, controllable by the individual (Sprenger 1999, p. 24).

Optimal motivation is intended to combat the specter of inner resignation that haunts our companies, e.g. in the form of early retirement, which can even spread to the top management. Staggering figures on employees who have fully or partially internally “quit” have prompted companies to search frantically for increasingly sophisticated incentive systems.

Thus, in 2004 the market research firm Gallup examined the “internal commitment” of employees in Germany. The figures had not improved over those of the previous year: 87% claimed they felt no real commitment to their work. Sixty-nine percent of the employees simply followed company policy (and gave nothing more), and 18 claimed to have given up caring once and for all. The overall economic damage resulting from this low level of commitment in Germany amounts to roughly 245 billion Euros due to high absence rates and low productivity. Gallup accurately sees the cause of this problem less in the employees and more in the bad leadership in German companies, where, the firm also noted, praise and recognition were in short supply (see Frankfurter Allgemeine Zeitung, November 14, 2004. Read more at www.gallup.de).

The only response most companies have to these figures is the individualization of the reward mechanism – a contradiction in terms. But no one comes up with the idea to seek the causes for the leisure orientation of so many employees precisely in company’s efforts to motivate them, even though, according to Sprenger, this is where they are to be found. We now know with sufficient certainty that motivation itself has not diminished, and that only the opportunities companies provide to implement values have failed to keep pace with employees’ changed understanding of values in the modern working world. Money and status do not necessarily attract the new generation; work that is fun is just as important as a high income for employees in today’s world, and tasks that are meaningful are more important than career status. These days, individuals expect the opportunity to invest their entire

potential in their job, and find this rewarding. Yet businesses either fail to react, or react too slowly to the changing expectations of goal-oriented employees, as a result of which the latter's free energy, interests and creativity are channeled into leisure time rather than being used on the job.

2.3.2.9 Motivating Demotivates

Sprenger has claimed that: "motivation is the abundant seduction to inner resignation" (Sprenger 1999, p. 32). Motivation (the inner drive and not the outer effect) does not consist merely of ethical, psychosocial or economic factors, but depends on a multitude of circumstances and influences. It is therefore simply utopian to believe that universal stimulus systems will work for everyone.

External efforts to motivate them can hinder employees' inner drive, as they signal mistrust and a lack of respect. Bonus systems or provision systems may imply that employees are not capable of delivering full performance without pressure. The suspicion from the top remains, as managers highly appreciate their own readiness to perform while de-valuing that of their employees. In many organizations, a culture of suspicion reigns. In such a climate, responsibility and information represent status, and the development of ideas and initiatives is hampered.

Employees lose motivation when the motivating system is based solely on provoking a response to an attraction. It presumes that the incentive just has to be big enough. All the management has to do is to determine which section of Maslow's hierarchy of needs the individual occupies in order to select a suitable "carrot" (i.e. money, advanced training, leisure time, etc.). Unfortunately this negative view of human beings has the character of a "self-fulfilling prophecy." "When managers consider their employees to be stupid, lacking in drive, and dependent, that is exactly how the employees conduct themselves – or at least that is all the eyes of the managers see" (Sprenger 1999, p. 44).

The motivator's repertoire includes compulsion, baiting, seduction and vision. With compulsion, threats and punishment become acceptable motivation methods. According to Sprenger, the consequences of compulsion are a lack of effort and a desire to escape if given the chance. Baiting includes indirect rewards and punishments in the form of variable salary shares and bonuses. The consequence of utilizing baiting in motivation processes is that employees focus on the rewards and perform only to the level necessary to gain them, and bonuses must eventually be increased in order to keep the employees' interest. Employees receiving fewer rewards than others tend to disengage themselves due to feelings of resentment and being treated unfairly.

The strategy of seduction combines bribes, rewards and praise. Here – unlike the first two strategies – the attitude of the employee is crucial, and identification with the company is crucial. "Often the cover-all term of 'corporate identity' is understood as if the employees, like teenagers, should tattoo the company's logo on their

biceps,” Sprenger says cynically. In his opinion efforts to stimulate identity resemble a pubescent fan culture.

The strategy of vision ultimately also depends on the attitude of the employee and his or her identification with the company: “Continuously threatened by inner resignation and external distractions, the people swallow higher corporate values against their will and are willing to reject not only critics, but even those who do not want to share them.” (Sprenger 1999, p. 59). Sprenger goes even further, claiming that the quest for a common vision shows a “paramilitary basic pattern” and a “totalitarian tendency.”

With all due respect to Sprenger’s flowery language and its polarizing approach, the question remains: what’s wrong with identification? Why are all those who identify with their job and their company automatically immature teenagers? After all, there is such a thing as voluntary commitment. And where does this suspicion of values and visions come from? Despite all individuality there have to be common values creating a sense of community within the company; otherwise the result is nothing more than a loose bunch of egoists without any clear direction or orientation.

At this point, Sprenger does exactly what he demonizes companies and managers for. He lumps them all together and assumes all have the same predictable, unreasonable reactions: if you offer an employee more money, he or she will always want more and therefore work less. Employees are weak adolescents who can easily be brainwashed. And the manager is the old enemy, driven by cold and inhuman capitalism and with only one goal in mind, namely to manipulate and exploit their employees and in a cowardly, lazy manner to delegate leadership responsibilities to incentive systems. Regardless of how leaders behave, whether they act in an authoritarian or democratic style, and what they do – for Sprenger they are all under general suspicion; his faith in the goodness of human beings does not seem to include executives.

2.3.2.10 Challenging Instead of Seducing

A new kind of leadership that is not based on seduction and demotivating pushing or pulling begins with a change in attitude and a shift away from the negative view of human beings. Research has shown again and again that people are motivated. Basically everyone has creative energy that yearns to be developed and high potential for action. People are curious by nature, like to discover new things and like to have fun doing what they do. In Sprenger’s eyes, the presumed motivation gap that needs to be artificially bridged does not exist.

Sprenger reminds us about something very important that has almost become lost in the entire debate about motivation, and which I want to stress here as well because it is an essential component of leadership: every manager has the right to make clear demands on the staff, to make arrangements and monitor their compliance. He or she has the right to demand performance on the basis of defined objectives, and the duty to openly confront and criticize employees when they fail

to uphold agreements. A manager has to find out why the service is not provided – and analyze his or her own contribution to that failure.

“In light of the big picture it seems to me that a clear relationship of demands between manager and employee is significantly more beneficial and consistent than any punish/reward system” (Sprenger 2003, p. 187). In this scenario performance is always relative and a matter of expectations that the leader has to define in advance together with the employee. Viable agreements are achieved only through communication and negotiation processes. If employees approve the agreements which meet their performance needs, efforts to motivate them may become unnecessary. Thus Sprenger re-establishes the concept of “management by objectives.” He feels that management is justified only if it is confined to a predetermined function and clear agreements. Anything beyond these minimum leadership standards violates human dignity and is therefore inadmissible. Sprenger rejects mechanistic and motivation-oriented goal agreements.

The only factors that can truly motivate employees to long-term performance and commitment are freedom, trust and esteem, which plant the seeds for real commitment. “Only if we begin to see the meaning of our work again, will we feel truly motivated” (Sprenger 2003a, p. 111). What companies need are success-oriented and not failure-avoiding employees. To achieve this it is not enough to make the business goals more attractive to them with a 14th monthly salary or a larger company car; motivation calls for a deeper understanding and genuine empathy.

The question is: what drives people to commit themselves enthusiastically to their company? And this question quickly leads us to the demotivating factors, which are actually more meaningful and important than motivators, such as: unequal treatment of employees by the management, lack of fairness, lack of tolerance, caprice and incompetence on the part of the management.

2.3.2.11 Avoiding Demoralization

Motivation cannot be boosted from the outside without long-term consequences and costs for all parties. If an employee fails to provide the agreed-upon service, it is caused by something that discouraged him or her. There is only one thing a manager can do now: take the incident seriously and find the reason for the lack of motivation and, if possible, correct it. Sprenger has defined demotivation as blocked, sluggish energy. Accordingly, leading is controlling the energy flow within the company, which primarily means detecting where that energy is blocked. Although this metaphor may sound a bit like feng shui, Sprenger’s use of it is fundamentally correct.

But how can this be achieved? There are several ways to meet this objective: by observing and asking what is going on within the company or the department; by identifying patterns and structures; by sensing moods, conflicts and problems rather than covering them up, and by having personal conversations with the staff. Discouragement can be caused by relations or by work structures. The number one

in the former category is the employee's relationship with their immediate supervisor, according to Sprenger: "The relationship with the immediate supervisor is the Achilles heel of satisfaction at work" (Sprenger 2003, p. 204). But managers, he claims, only rarely seriously look for flaws in their own behavior. Nor do most focus on their employees, but instead on their own image as a brilliant leader who has everything under control.

Here, again, Sprenger tends to make all managers into villains, a view I can't subscribe to. However, what Sprenger says about relationships and about self-reflection is interesting: "Managers are often completely blind to the consequences of their behavior – they do not listen, they do not ask for any feedback, they are not interested in their 'blind spots'; they are quite reserved and try to maintain distance, and they are in love with their own self-image of being big and tough." This is a flaw I myself have found countless times in my practice as a consultant and trainer. It is the point of departure for the relational, systemic management approach I will explain in Chap. 3.

Therefore for Sprenger leading primarily means avoiding demoralization. The following behaviors of the executive are considered to be particularly discouraging to employees:

The supervisor can do and always knows more than his or her employees.

Decisions are made top-down.

The boss badmouths staff behind their backs.

His or her criticism is loud, arrogant and personal rather than objective.

The boss shows a dynamic of dominant behavior, constantly interrupts the staff, only allowing them to utter keywords before he or she takes over the talking.

The employees are overlooked, ignored, and quickly "handled."

They receive insufficient, partial and delayed information, dealing only with the bare essentials of their work.

The boss is horribly pedantic.

The boss does not trust his or her employees and lets them feel it through verbal and nonverbal messages.

The employees have neither individual freedom nor choice.

According to Sprenger the question that every manager must face when they notice that their employees are unmotivated or have even resigned internally is not "What should I do?" but "What should I not do?" This is hard for many executives, who see themselves as "doers" that are paid for their actions. But: "Sooner or later we cannot avoid the insight that our current hyperactivity, the constant intervening and manipulating, is just a bizarre variant of our paralyzed acceptance of many employees' inner resignation. I do not propose doing *more*, but *less*" (Sprenger 2003, p. 218).

The manager should stop doing those things that hamper the motivation of their employees and prevent the growth of natural relationships in their business life. In other words: in the long run, each leader has the staff that he or she deserves.

Yet another aspect plays a major role for Sprenger when it comes to good leadership: self-respect and human dignity should be at the center of attention.

Leadership must take people seriously and respect them – but at the same time, managers should not lose respect for themselves and their work; otherwise they will fall prey to the cynicism of disappointment and disillusionment, and will distance themselves from others in order to avoid injury. But this is exactly how a good leader should be: vulnerable and human. Every manager must then decide for himself or herself whether they choose “the straight approach of making demands, negotiating and arriving at agreements, or continue to play games of psychological seduction. You must choose between the spirit of fostering self-esteem and the specter of motivating from without,” as Sprenger concludes (Sprenger 2003, p. 259).

Sprenger’s book closes with these thoughts on the “I” of the executive. Here he touches on a very important issue, which I feel to be the core of successful leadership, as I will show in Chap. 3 of this book. Whether a manager has the courage and the strength to refrain from motivating and thus from demotivating and relies on the employees’ will to perform and intrinsic motivation, depends essentially on the “self-awareness” of the manager and their role.

2.3.3 Trust

One of the most important prerequisites for successful relationship management and an expression of high emotional intelligence is the ability to trust and to gain the trust of others, claims Reinhard K. Sprenger. If the manager does not trust their employees and vice versa, leadership will not succeed – even if the right tools and techniques are used. Lack of trust paralyzes collaboration and the productivity, creativity and flexibility of employees and the entire organization, something Sprenger shows quite impressively in his book “Trust: The Best Way to Manage.” His approach should serve as an example for all those dealing with this subject and who have made the demand for more trust a leading topic in the past few years.

2.3.3.1 Trust – A Scarce Commodity

But how do German companies really approach the issue of trust? Sprenger’s bottom line is devastating: “We talk about trust when it is lacking. (...) The more we talk about trust, the worse the situation is” (Sprenger 2002b, p. 16). While all managers claim to trust in their subordinates, the former themselves want to receive more trust from their superiors – and the same is true a level higher up in the hierarchy. Mistrust dominates the relation of managers to their employees and vice versa. The employees suspect that “up there” nobody adheres to the agreements anyway, that everyone has only their own interests in mind and that managers are generally untrustworthy. At the same time, the superiors suspect their employees are generally reluctant to do their jobs and need to be stimulated into working at all. Quite a few executives are obsessed with the idea that their employees want to

betray them. According to Sprenger, there is also a form of “horizontal” distrust that makes competitors out of colleagues and the daily work a constant battle.

The reason for this distorted image is a widespread shortcoming of German bosses: their penchant for perfection. If one assumes that others do not work or do not work well enough, it is the worst possible basis for trust. Indeed, many executives would prefer to do everything themselves, but this is impossible. Therefore, they must delegate – but it is best to always keep an eye on the staff, because trusting in their ability and determination is not enough. Although tasks are delegated, responsibility is not. In these economically difficult times trust and letting go requires considerable effort and courage. Instead of taking this leap, often everything is declared an “executive priority” or is “escalated” into a managerial decision so that nothing can go wrong.

Many companies are dominated by an early industrial labor organization in a modern guise, which focuses on the duty to show presence, on systems of control, and on meeting rituals. Some companies practically have their own “distrust departments” that are just busy figuring out if others are doing what they are supposed to be doing. Overwhelming their victims with forms and regulations to the point of neurotic stress and fatigue, they succeed only in keeping them from doing what they are really supposed to be doing. Many people have had enough of their employer’s bureaucracy and excessive control and are tired of the perpetual distrust. Internally, they “resign” and no longer identify themselves with their work, let alone with their company. Only a person who is responsible and has the freedom to act independently will fully commit to a task, show initiative and do more than just working by the book.

There is supervision at every step: in production, the employees are supervised by punch-in clocks and with video cameras. On the upper floors, it is a bit more subtle: the distrust manifests itself in the rampant “meeting mania,” in piles of reports, notes and memos (since it is better to have everything in writing), in completely over-the-top monitoring activities, waves of reports (with constant updates on the intranet), the ever-increasing flood of emails (because the boss wants to receive a copy of each of his employees’ emails), and in the hypertrophy of measurement (if it can’t be measured, it can’t be managed).

Sprenger’s analysis paints a devastating picture of German corporate culture: “Many companies are mere ‘suspicion organizations.’ Distrusting managers put out manuals of biblical thickness, defining even the smallest roles in the company. They do not believe that people want to do a good job. A deep insecurity transforms ostensibly rational executives into police forces, police managers who monitor ‘control margins.’ They have no faith in the self-imposed quality standards of their employees and are extremely cautious when it comes to employees finding their own ways of achieving the goal” (Sprenger 2002b, p. 22). Distrust is the rule, confidence the exception.

Many companies have locked themselves into an invisible high-security wing, where bureaucratic, rigid governance and an excess of policy guidelines preclude any entrepreneurship or innovation. The bars of this prison are false, outdated assumptions about business and human behavior.

2.3.3.2 Why Trust?

The old means of control, power and money, are no longer sufficient to coordinate the actions of knowledge workers in modern organizations and rapidly changing markets, continues Sprenger. Because everything depends on the cooperation of employees it cannot be controlled by the old measure of inspection. Here trust has to be added as a new means of control. “Trust is the key factor in successful management” (Sprenger 2002b, p. 25).

In today’s world, trust has become the key basis of organizations. Globalization and information technology have produced serious changes in the economic system and the labor market: strategic alliances, outsourcing, agency agreements, new public management, internationalization, franchising, telecommuting, mobile working, network organizations and virtual enterprises have sparked a change from closed systems clearly isolated from their environment to open and flowing systems, systems that call for physical and mental mobility. “Blind” trust across thousands of miles, and extended towards people whom we’ve never met in our life makes this system work. “Trust allows coordinated action between partners who do not know each other. It is a substitute for knowledge of others and their motives” (Sprenger 2002b, p. 28).

The need for trust is steadily growing, while the traditional sources of trust fall by the wayside, as it can now develop on the basis of less and less familiarity. In the modern business world trust is no longer based on reputation, experience, and familiarity. This is the reason why trust is indispensable as an organizing principle. In today’s markets, organizations have to be highly flexible and willing to change. In the process of transformation from rigid hierarchies towards flexible, customer-focused approaches, trust is essential. Empowerment, business process optimization, flat hierarchies, teamwork and learning organizations only work on a foundation of trust, according to Sprenger.

In most cases the employees know that change is necessary if their company wants to survive. However, they support the change process only if they trust that the changes take place not only to their disadvantage. The management has to convince them that it also has their interests in mind. But among employees there is encrusted black and white thinking that prevents them from having the necessary trust: socialist slogans of “the exploited down here” against “the capitalists at the top” do not help. The picture of executives that Sprenger presents in his books even exacerbates this, in my opinion.

Trust also facilitates the necessary reorganization of enterprises, since changes lead to uncertainty, fear and resistance in most people, according to Sprenger. But every organization needs to transform itself and adapt to the changing environmental conditions in order to survive. Only in a climate of trust and security can old routines and structures be dismantled in a short time frame. Only in such a climate can managers initiate a process of change that is supported by the employees on all levels from the start.

A leader who understands how to establish trusting relationships – not only internally but also externally – is of great advantage for an enterprise, as trust creates

customer loyalty. “Confidence is the beginning of everything,” as a bank advertisement claims, and customer loyalty is invaluable. Customer satisfaction increases when a company responds quickly to its customers’ demands. This is only possible if there is a relationship of trust within the company itself and employees can decide spontaneously and independently without having to consult with three managers on whether the customer gets a discount. The customer might already have turned to the competition before the manager has ever taken the time to read the request of the employee responsible for customer service. So trust can also give us a decisive lead.

Only in an environment of trust can information and knowledge flow freely. People who distrust their colleagues, superiors or subordinates, hide know-how in their desk drawer or in their own minds and do not share it with the organization. But innovation requires an unobstructed horizontal and vertical knowledge transfer, as well as taking risks and being able to accept mistakes. Ideas have to be openly expressed, have to be tried, to be accepted or rejected in an atmosphere of trust. “If you want creativity, you have to reduce the pressure of justification. Uncertainties must be accepted. Let go. Give up control” (Sprenger 2002b, p. 42). Therefore, in Sprenger’s view there is no entrepreneurship without trust.

Distrust increases costs immensely and destroys values. The costs arising due to distrust are immeasurable in the truest sense of the word, such as the loss of missed opportunities, unmotivated staff, etc. Half of the total costs of most companies is caused by distrust, estimates Sprenger. An infallible indicator of this unfortunate development is if administrative costs increase faster than revenues.

Many of these expenses never arise if organizations do without all of those resources that they invest only as a safeguard against the dreaded “worst-case scenario”:

The cost of the losses due to constant arrangements, negotiations and new agreements.

The cost of explicit contractual safeguards and monitoring activities.

The cost of the development, implementation and monitoring of monetary incentive strategies, with all of their disastrous side-effects.

2.3.3.3 Trust Motivates

Psychological and sociological studies show that human beings flourish under conditions of trust. One of these conditions is that the people – i.e., the employees – have degrees of latitude without supervision. These spaces generate interest and responsibility to support the commitment to the cause and to the company as well as the so-called “intrinsic motivation.” And these spaces create individuality and originality. Without trust, Sprenger feels, there is no durable and resilient motivation. A business climate that is characterized by trust is a real competitive advantage in times of difficult employment situations for high-potential staff. Incidentally, I can confirm that from my own experiences.

There is no other choice for the executives than to trust these highly skilled and specialized knowledge workers, because they can no longer monitor them.

They lack the necessary technical and detailed knowledge, and often also the direct access, if the employees work in virtual teams several hundred or thousand kilometers away.

Again and again Sprenger has observed that managers, even though they violate classical textbook knowledge or make management mistakes, get good results and lead their company successfully, the reason being that their employees are willing to follow them because they trust them. This means that these managers are considered to be credible, predictable, straightforward and honest. Employees listen to the manager and believe him or her. “The substantive message is preceded by the trust message. As a filter, it decides whether the substantive message is heard at all, and even more so whether it is also believed” (Sprenger 2002b, p. 50).

If trust has been established, people are willing to follow a person and to believe in them, even if they do not always share their views. They forgive mistakes and accept inconvenient measures. Trust creates a robust position for the manager, because it requires the voluntary consent of the employees. If it is lacking, the entire relationship between boss and employees will be missing something: each well-intentioned act and positive intention will be suspected of being mere manipulation and therefore become ineffective, strategies and policies fail.

2.3.3.4 What Is Trust?

According to Sprenger, people depend on one another at an existential level. Thus, trust is a fundamental human experience beginning with the trust between children and parents. Our working lives involve another kind of trust: as a social convention of the society and as a choice. This kind of trust does not grow slowly on the basis of many positive experiences. It is given consciously and in awareness of the risk connected to doing so, and it must compensate for the impossibility of monitoring everything and counterbalance our lack of knowledge about the other person or the project. Sprenger defines trust as follows: “I am willing to refrain from monitoring someone else because I expect that the other person is competent, upright and has good intentions” (Sprenger 2002b, p. 66). Therefore trust enables us to act under the conditions involving cooperation and uncertainty.

Trust – just like knowledge – is a resource that is not reduced by frequent use but increases. The more trust is used, the more of it is created. This can be seen in companies with well-honed official procedures, the constant exchange of benefits, with expectations of the leaders that they make decisions, of the employees that they implement decisions, and of colleagues that they be cooperative. According to Sprenger, trust is an effective and indispensable means tool for organizations.

Sprenger feels that trust in itself is neither good nor bad; it is not a moral factor believing in the good in the individual. It arises from rational consideration and serves the reasonable principle of maximizing benefit: “We do not need to climb up on the high chair of morality. Trust as selfishness is a more effective and powerful strategy. (...) The smart egoist will always cooperate.” Investing in trust pays off for the entire organization: companies that succeed in creating a culture of trust

maximize their cooperation profits and reduce the costs of transactions. “Especially modern forms of organizations such as virtual companies and networks depend on the boosting of their own resources by cooperation across distances and time in order to be successful. Thus trust as principle of organization continues to gain importance” (Sprenger 2002b, p. 182).

2.3.3.5 Creating Trust

Creating a climate of trust is not only a question of controlled and conscious behavior. It is based more on the subconscious sending and receiving of signals that express “I trust you.” These signals arise naturally from an emotional connection and affection and cannot be forced. Therefore, trust is never a question of mission statements or guidelines according to Sprenger. It cannot be created by propaganda. Advertising for trust usually results in the opposite – distrust. The request “Trust me!” is a manipulative communication technique and leaves behind feelings of guilt and shame when it fails.

Traits such as reliability, directness, fairness, loyalty, sincerity, honesty and credibility can only maintain trust, but cannot make it arise. Managers who constantly have to manage paradoxes cannot always be straightforward. The demand for “authenticity” is often used as an excuse for disrespectful behavior among the rougher executives.

There is only one way to establish a real culture of trust: as Sprenger rather abstractly puts it, it comes down to the actual behavior of the person setting values in cases of conflict. Or more simply put: “Actions speak louder than words.” This active, direct approach creates a strong momentum that draws others in. Executives should place trust in their employees, because it is only in their actions that you can determine whether someone is truly ready for a trusting relationship.

2.3.3.6 The Implicit Contract

The first step towards greater trust is to conclude a “contract” between the giver and the receiver of trust. The trusting manager expects that employees use their discretion in the interest of cooperation and not in ways that will harm the leader. According to Sprenger leadership is therefore described as the “management of exchange relationships.” Mutual expectations are exchanged: the organization offers learning opportunities, prestige and a good climate. In return, the employee offers his or her commitment, flexibility, willingness to learn and resilience.

Trust is therefore an implicit (because it is not written down) contract. The implicit contract between managers and employees is framed by explicit contracts. The explicit part of the employment is for example “money for working power,” while an implicit aspect is “security for loyalty.”

The manager starts the trust mechanism by actively making himself or herself vulnerable, for example by extending the contract, by letting go of explicit

safeguards, doing away with progress reports and abolishing regulations: “Vulnerability is the means to begin a trusting relationship. It is the amount you wager that you have to fear when giving trust. The bigger the potential loss, the greater your faith” (Sprenger 2002b, p. 100). This risk is accepted by those in your environment and accurately perceived and interpreted as a signal of trust.

The trust that the leader gives commits the partner, e.g. the employees. Trust creates a kind of claim. Niklas Luhmann has stated: “As with gifts, trust can be captivating.” Trust is addictive and disarming until the person who receives it can give something back. Trust is a deposit on a relationship’s account, an amount the other has to compensate for in order to get rid of the obligation, as Sprenger describes this psychological mechanism. I find this comparison extremely good. However, employees often try to escape the pressure of the commitment by favoring schematic exchange ratios such as “vacation against overtime.”

Since 1954 McDonald’s and Coca-Cola renew their cooperation every year with only a handshake and without long contract negotiations. The agreement that the Star Alliance cooperation is founded on consists of just four pages, regulating only the bare necessities. The partners make themselves vulnerable, and thus commit to each other to get repaid equally with trust.

In daily leadership there are many opportunities to actively make ourselves vulnerable, trusting that we will not to be taken advantage of by others:

Delegating a task to an employee without checking on them constantly
 Refraining from declaring everything an executive matter in difficult situations
 Not reserving the key market and customers for yourself, but letting others work on them
 Sharing information that could be used against you
 Holding an “election” and giving the employees the opportunity to choose another boss

In times when the growth of a company greatly depends on finding and keeping the right people and the competition for the best minds is heated, the employer is not automatically the donor of trust and employees are not necessarily the beneficiaries. Rather, the two sides of the relationship alternate. Nevertheless, it is upon the leader to take the first step and not to wait for others to do it. Being vulnerable is too difficult for many managers because they fear nothing as much as the supposed weakness and vulnerability. The way the leader approaches the organization determines how the employees will react. This first step, this pre-investment without any guarantee of a return requires courage, self-esteem and empathy. But trust is a safe investment and pays off.

Trust is always based on responsibility. According to Drucker: “Trust does not mean that everyone likes each other. It only means that it is possible to trust each other, and this requires an understanding of each other. Therefore it is essential to take the complete responsibility for the relationship. This is an absolute must” (Drucker 1999, p. 260).

In order to move towards a culture of trust, mainly “trust in trust” is needed, i.e., the trust in the willingness of others to trust. Each stakeholder, no matter where they

work in the corporate hierarchy, is at the same time a giver and receiver of trust. The willingness to trust also depends on the institutional framework, according to Sprenger. Managers should therefore ask: “Is trust a social norm in our company? What are the trust issues in our company/our department? What are the biggest obstacles to trust? Which of our rules are hindering trust? Are there too many rules?”

Another prerequisite for mutual trust is “self-trust” (self-confidence), as Sprenger describes it. In order to be successful, the leader must dare to go out on the open sea and lose sight of the safe shore for a moment. They must have inner serenity and the strength to endure the tension between expectation and the possible betrayal of trust. Timid managers try to control their environment; managers who consider themselves “enablers,” however, know that people are cannot be controlled but can be influenced. Self-confidence is not a “Look out, here I come!” attitude, but instead calls for respect for other people and the calm and sovereign certainty to deal even with the unexpected, to survive even a breach of trust.

The courage needed to trust stems from this self-confidence, because trusting means daring. Leaders need courage to make themselves vulnerable, and they need courage to attend to conflicts in a timely manner rather than delaying dealing with them.

2.3.3.7 Trust’s Greatest Enemy

To Sprenger the principle of competition, which is especially prevalent among men, is the greatest enemy of trust. Competition and struggles over rank prevent cooperation. Hierarchies and pecking orders can turn all the members of an organization into opponents in the struggle for higher positions, but competition is a zero-sum game: one person’s gain is the other’s loss. Each employee becomes his or her own profit center. So far this is understandable and logical. Yet Sprenger has also claimed that in flat hierarchies competition is even tougher, because the prospects are lower. In a flat hierarchy there are usually other symbols of success that are less concerned with status, power, etc., such as the recognition of a job well done.

In any case, the question remains: What can a manager do in order to promote cooperation and trust? It may be an awareness of common problems. What welds people together is the understanding of common problems and working together to solve them. This can be achieved only through cooperation. Here the problems that people are working on together have to be important and self-explanatory. “They must therefore succeed in making the company into a problem-solving community with the focus on shaping a common future” (Sprenger 2002b, p. 152).

2.3.3.8 When Trust Is Breached

Trust is fragile. You have to invest considerable time, effort and openness in order to create a trusting relationship with employees, superiors, customers and partners,

but in an instant it can be destroyed by a deliberate or inconsiderate word or action. But here Sprenger calls for caution and for accurate differentiation: did the other party truly break the implicit contract of trust, or did they just fail to meet our (too high) expectations? Trust will also be broken if the other fails to comply with agreements without having made the attempt to renegotiate them.

Once it is too late and an employee has abused the trust of the leader, the latter must reflect on his or her own share of responsibility and on what the consequences could be. Sprenger emphasizes that, above all, managers shouldn't allow themselves to become frustrated, insecure, suspicious, and vindictive, starting a spiral of distrust.

When the supervisor for any reason starts monitoring all employees more closely, they feel the withdrawal of trust (for the most of them this is totally inexplicable) and no longer feel bound by the implicit contract. They reduce their commitment, motivation declines and the balance of trust is lost. This only confirms the suspicions of their superior, who responds by further tightening the controls. Not infrequently this spiral leads to a complete collapse of the relationship.

Distrust in relation to an individual might be legitimate and indeed protect you from harm; however, the reflexive generalization of mistrust is both unintelligent and counterproductive. In general, you should both trust and distrust only on an individual basis. Otherwise distrust will become a self-fulfilling prophecy. And: "With trust you can win or lose. With distrust you always lose" (Sprenger 2002b, p. 173).

But why do isolated breaches of trust lead so quickly to the rejection of the entire concept of trust? The reason, says Sprenger, lies in our skewed perceptions: the enormous gains made by well-placed trust in many successful collaborations are recorded without comment and taken for granted. Yet the loss created by the abuse of trust is felt immediately and intensely. After a theft nobody counts the things not stolen, but only the stolen ones. Therefore, it is extremely dangerous to introduce policies to prevent 5% of the people from doing something that the remaining 95% would never dream of doing. You won't succeed in catching the 5%, but you will succeed in hindering and demotivating all of your staff.

In the event of a breach of trust the leader must not simply look away because of some misguided tolerance or vain magnanimity. Anyone who does not act sends the message: it is perfectly fine to abuse my trust and has no consequences. Doing so destroys trust, as it must be clear: trust has its price. In keeping with the "ethics of the second chance," Reinhard Sprenger offers concrete advice on how to respond when the implicit contract of trust is broken. The rules are:

Cooperate! First always offer cooperation.

If cooperation is accepted, work to establish lasting trust. Otherwise punish immediately and without mercy!

After a certain time, make another offer of trust. But do not make a third.

Open confrontation creates trust and makes our behavior predictable. It is precisely how conflicts are handled that is the "glue" that keeps a company together, as Sprenger correctly observes (Fig. 2.8).

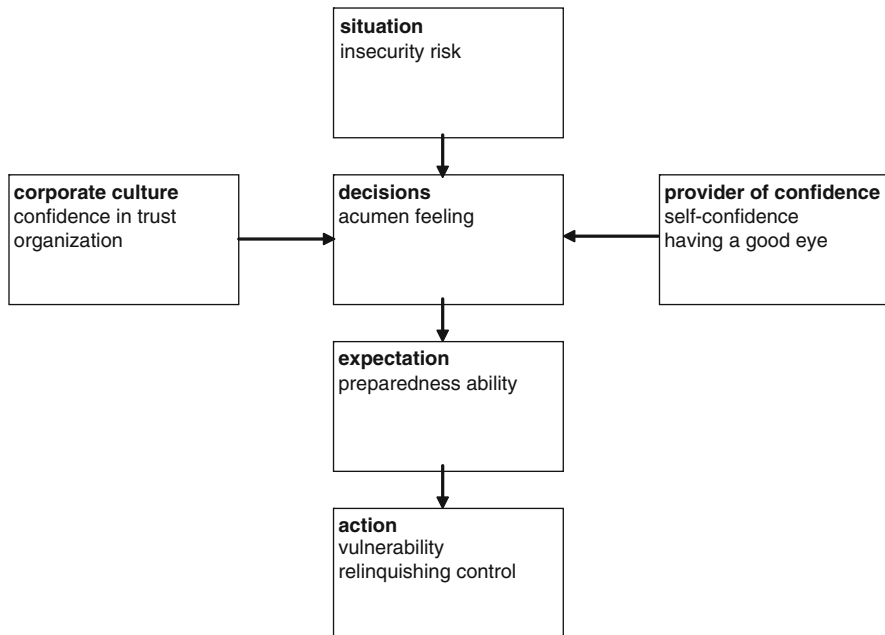


Fig. 2.8 How trust is created (*Source: Sprenger 2002b*)

2.3.3.9 Unlimited Trust?

The trust between managers and employees, between colleagues or between the company and the customer is a form of trust extended in advance, for a limited time, to one or more specific individuals and in relation to a particular task or action but not for life and not for all areas of life. Trust in Sprenger's sense is neither unlimited nor blind. "Trust is always better when it is limited" (Sprenger 2002b, p. 67).

Just as there is no freedom without boundaries, trust is also subject to conditions. These conditions are not automatically an expression of distrust, for Sprenger sees no contradiction between trust and distrust; it is more a continuum of more and less trust. Also trust and supervision are not opposites. Trust is not conceivable without supervision, which is essential to ensure that trust works. The greater the trust, the more supervision has an informative and supporting character, he says.

The emphasis on trust must not go so far that all barriers disappear and all control mechanisms, inquiries, and checks become taboo. It must not come to managers blindly handing over their decision-making power and losing their sense of responsibility – trusting blindly that everything is going well and the others know what they are doing.

Nor should it allow defensive leaders to rest on their trust or hide behind it in order to neither have to supervise nor act. Trust does not mean passivity and retreat.

“A modern trust involves choosing a mix between trust and distrust, between control and the surrender of control” (Sprenger 2002b, p. 77). Here Sprenger largely reverses his initial crusade against control – and with a somewhat succinct statement he gets to his point, namely that in reality trust is all a question of the right balance.

2.3.4 *Personal Responsibility*

In addition to overly controlling superiors who keep their employees on a short leash in order to motivate them, achieving just the opposite, there are managers who let go of responsibility and want to empower their employees. They ask the following questions: What can I do to make people take responsibility? How do I best use the potential of my staff? And how do I manage a company where the employees love to come to work in the morning? Reinhard K. Sprenger has also dealt with this issue and sought answers to these questions. I would like to include the core of his responses in this book, as they show how very good leadership depends on the relationship between the leader and the led.

“We are not a country rich in resources. Our main commodity is the willingness to join” (Sprenger 2002a, p. 11). We try to utilize machines to the fullest, but we do not use the same approach with people’s capabilities. In addition to high labor costs and structural problems, it is the systematic under-challenging of employees that puts the German economy at risk, laments Sprenger.

Through decades of disenfranchisement, many people have lost the sense of responsibility for themselves, their motivation and their performance. If something is expected of them that does not match the exact wording of their job description, they respond as Pontius Pilate did, washing their hands of it. Who has not heard the words “I am not responsible” when they asked at the ticket counter why the Inter City Express train was delayed an hour? Or in a clothes store complaining about the poor quality of a piece of garment that after the first washing looked like it came from a second-hand shop? But this mentality is not limited to commerce or public service.

Games are won in the head. The harder the competition and the faster economic change, the more important employee attitudes and leadership behavior count. “There is no more important economic role than shaping the reestablishment of personal responsibility in a company” (Sprenger 2002a, p. 12).

2.3.4.1 *Organized Irresponsibility*

There are companies where the staff whines all day long. They are veritable victims’ clubs. And nobody can do anything about it, no matter what. It is always the others who are to blame. Hardly anyone accepts full responsibility for their actions and performance. Each person sits in their limited workspace, in their

“area” and performs only a clearly defined and demarcated set of activities, according to Sprenger. The reasons for this are easy to identify: division of labor, organizational fragmentation, hierarchical structures, large organizations and internationalization.

There is also a general confusion about what responsibility actually is. And this uncertainty is manifested in the behavior of all parties, ranging from accusation to compassion, indignation and guilty consciences. Responsibilities are confused, everybody has an opinion on everything and even the top management gets involved in the minor details. In the age of job rotation, no one feels responsible for the long-term consequences of decisions.

The standard case: the employees try to do everything right for their boss (and not the customers) or at least to behave in a way that does not get them in trouble. Fearing for their careers, they repeat what they hear and do not say what matters. And the bosses do not trust their employees and monitor them because after all it is their job to do so. Problems are systematically shifted from one level to the next, to “up there.” Personal responsibility is lost in the wake of countless orders, directives and service regulations, and the internal entrepreneurship needed degenerates into a fight against regulations and policies.

But why is organized irresponsibility such an epidemic, as Sprenger has diagnosed? Because responsibility has two meanings: one is the responsibility of accountability, which is experienced as a burden and sounds like indictment if something goes wrong. The other is the positive interpretation of responsibility, which is accepted actively and provides employees opportunities to develop and to prove themselves. Unfortunately, in most companies the secondary responsibility of accountability overshadows the primary responsibility based on duties. As such, responsibility is something that nobody wants to have (see Sprenger 2002a, pp. 18–35).

2.3.4.2 Everyone Has a Choice

Nevertheless, everyone working at a company still has responsibility at different levels in different areas and in different functions. In practice the acceptance of a task is an irrevocable commitment to act and to be held accountable in case of negligence. This allows us to make the following definition of personal responsibility: “The everyday practical importance of personal responsibility simply means the willingness to exercise jurisdiction, even without an *a priori* clearly defined task responsibility” (Sprenger 2002a, p. 37). For Sprenger, personal responsibility means:

1. Autonomous and voluntary action, or *choosing*
2. Committed action based on personal initiative, or *wanting*, and
3. Creative action, or *responding*

Anyone who is aware that their work, their boss, the company they work for and their attitude towards their work is their own decision, no longer regards himself or

herself as a victim or their work as a service. But there is a problem if people do not want to choose because they do not want to bear the consequences. They do not want to trade one option for another, because they want to have everything but pay for nothing. That is dissatisfactory and the employee does not feel free. And, as we all know, suffering is easier than acting. According to Sprenger, “True personal responsibility arises from a conscious choice. (...) Commitment means being aware of your freedom of choice and being aware that you are the one who has selected everything” (Sprenger 2002a, p. 63).

At this point, someone might argue that this is not only true for creative, challenging and varying activities. Also in jobs that seem to be boring and unimportant to most, there are always people who see the opportunities for action and development, for themselves to grow and enjoy their work – because they have chosen their work and internally say “yes” to it every day. That does not mean remaining at the status quo. The opposite is true: whoever chooses can also choose again, can decide otherwise, can change because they feel responsible for what bothers them, or what is not going well.

Anyone who deliberately chooses it has a different attitude towards their job, identifies with it and performs it with all their heart and full devotion. Even if the external circumstances cannot be changed, the attitude towards them can be, according to Sprenger. Each person decides for himself or herself whether or not to be angry and frustrated, whether they consider their colleagues annoying competitors or partners, whether a complaint is a mere annoyance or helpful feedback. Every situation is open to a variety of interpretations and defines the space for self-sufficiency of thoughts and actions.

There is no better motivation than passion, because work that we do not enjoy can make us sick. In this Sprenger – just as I do – contradicts Fredmund Malik, for whom the demand for fun at work is psychologizing nonsense. Sprenger asks: “Do you love what you do?” (Sprenger 2002a, p. 70). It is also crucial to realize that you do not work for the boss, not for the company and not for the family, but only for yourself. And Sprenger feels this is perfectly acceptable. He takes up the cudgels for ego and individualism, which must not be confused with social coldness. In fact, the moment you think you are doing something only for someone else, you deny your own responsibility.

2.3.4.3 The Responsibility of the Leader

The fewer leaders there are and the bigger the departments led the more it is necessary that the employees act responsibly. But unfortunately, many managers believe that it is their duty to tell their people what to do and not to do. What these managers call “duty” or “responsibilities” is for Sprenger nothing but a holdover from an outdated convention of superiority. This misconception of leadership results in docile and obedient employees who are never responsible, regardless of the subject.

Commitment cannot be created by structures, instructions or guidelines. It can only be made possible through leadership. And this requires a healthy, vibrant, open and trusting relationship with the employees because according to Sprenger “leadership is a relationship.” Well put, but what does that really mean? How do you do it? Sprenger only offers one practical hint: “Maintain a warm social-emotional climate” (Sprenger 2002b, p. 164). Nothing could be easier, many might now be sardonically thinking to themselves. And: “Only someone who can smile should become a manager.” Well, that sounds reasonable, but this surely can’t be the only trait in the field of emotional intelligence that a good leader must have in order to manage relationships, can it? Of course not! In Chaps. 3 and 4, I will cover this topic in more detail.

For Sprenger a relationship, personal responsibility, creativity and motivation are only possible if the pyramid of the traditional corporate hierarchy is turned upside down and the leadership is behind or below the staff and supports it, rather than vice versa. This is an amusing idea, I think. According to Sprenger it is not only emotionally unintelligent but also economically misguided to keep employees on a short leash and to take all responsibility from them. Managers that make vassals of their employees prevent the company from benefiting from the latter’s full potential and block the entrepreneurial thinking and action that companies desperately need today. They are wasting precious human capital.

Sprenger’s call to the leaders is: “What we need is a framework of awareness that focuses on personal initiative. Does the employee develop his or her own ideas? Do they pick up on suggestions? Do they finish the tasks they start? Do they work independently? Do they wait in vain for tasks to be delegated to them or do they constantly look for tasks and goals themselves? Do they think about changes concerning their tasks? To what extent do they voluntarily gather necessary information? Do they remain on-task even in unusually stressful situations? (...) With staff who are always waiting for the bell signal like doormen, we will never master the competition of the future. So the key questions are: do you encourage initiative and courage? Or do you give instead communicate that just going by the book is rewarded?” (Sprenger 2002a, p. 83). If the latter is the case, the manager has done something wrong.

According to Sprenger, managers must not force their employees to adapt to universal standards, because the latter know best what high performance means in their specific job. Yet I find this recommendation problematic. And here Sprenger also contradicts himself. Concerning trust, he said that it is the task of leaders to agree upon goals, to monitor their achievement and to punish if they are not met (see Sect. 2.3.3.9). How can employees who are young, are new to the company or who do not know the international competitors and the market set their own performance standards? How can performance be appropriately rewarded this way? One of Sprenger’s fundamental assumptions is that everyone has their own individual view of things, including their own performance. Therefore I think it is absolutely necessary that, in dialogue with their staff, leaders set mandatory guidelines and standards, which are of course in keeping with the performance capabilities and goals of the employees.

2.3.4.4 Enabling Personal Responsibility

It may occur that employees reject the freedom of choice and responsibility and avoid decision-making situations because they are not ready to pay the price of the possibility of failure. Rather they run to their boss and let them make the decision. Then it is upon the leader to refuse to make the decision and return it to the employees because otherwise he or she would be doing their job. The leader can and should support the employee in choosing by considering options and consequences together and by giving them courage to risk something, by taking away their fear of making mistakes and making it clear that they are capable of solving the problem. But he or she does not give advice (or only in exceptional cases), directions or protect the employee – this is personal responsibility.

Even if malevolent employees, colleagues or the manager's superiors accuse him or her of not providing forceful leadership in this situation: letting go is not faltering but a reliance on the personal responsibility of the employee. They alone are responsible for the job they took over. They must decide how it is done and what they need in order to do so. They must make decisions and bear the consequences. The manager must learn to resist the temptation to always play the heroic savior for his or her subordinates. To use Sprenger's metaphor, the manager can show them where the tongs and the gloves hang, but it is up to the employee to pull the coals out of the fire.

A manager must ask their employees to abandon their dependence. It is not the responsibility of the leader to know more than the staff or to have the answer to every problem. The superior's core duty is to invite employees to (re-) activate their independent abilities. Errors may and will happen. Without errors there can be no growth, and some of the greatest inventions have been "errors" or waste products. Executives must create a mistake-friendly climate and must not punish defeats but sympathetically consider them learning opportunities. The fear of making mistakes hampers problem-solving skills. Not the mistake is the problem, but the hiding of mistakes – which is also and especially true for leaders.

Motivation and commitment stem from the harmony between people who are doing something together, who are moving together towards a goal, and who see each other as cooperation partners. This relationship is destroyed by criticism. Criticism is destructive and harmful because it suggests that one knows the truth while the other is wrong. Criticism condemns and degrades others because it requires change from them, and because the way the person is, is considered wrong. Therefore, the person criticized will totally reject the criticism and by all means (at least inwardly) rebuild their own self-esteem by degrading the person who criticized them, shoving away their own responsibility in the process. With criticism, leaders only reinforce the behavior criticized.

Feedback on the other hand leaves the other person the choice of accepting what they hear. It provides them with information they previously did not have; it opens a different perspective that makes no claims to being perfectly correct. It thus reduces the "blind spot" in the self-image of the recipient and is an opportunity to learn.

If an employee's performance is permanently lacking, it may be due to one of the following reasons, in which case the leader should be held responsible (see Sprenger 2002a, pp. 180–208):

The manager has failed to establish a culture of feedback, so that problems are not openly discussed together, but instead are ignored until they can hardly be resolved.

The expectations and standards have not been discussed and agreed upon, as a result of which everyone only thinks they know what the other one wants, can and should do.

The employee is not sufficiently educated or trained for the job.

The employee is a notorious “slacker.” The manager was mistaken to hire them, did not intervene early enough, or lacks the courage to lay them off.

Making personal responsibility the basis of the relationship between leader and led is an option that can be pursued at any time. The leader need only decide to do it – they must choose personal responsibility, concludes Sprenger.

By discussing the subjects of trust and responsibility we have now come close to the content of the fourth and last category of leadership approaches, which answer the question of what good leadership depends on by applying the question to the concrete leadership situation.

2.4 The Leadership Situation

Good leadership is always determined by the specific situation.

The *situationists*, as Kets de Vries calls them, do not consider leadership to be the product of certain traits of the leader, specific needs of the subordinates, or the right methods and tools, but of the relationships and patterns of activity of a group. This means that the leadership will change with the current situation. The person with the best solution to a problem or for the task at hand takes the leading position. Or, from a different perspective: a successful manager may adapt to the current situation and select the appropriate leadership style from their repertoire.

In combination with the persons involved, the situation is decisive in determining leadership behavior and the success or failure of the leader. This can also mean that a manager with optimal conditions and personality still might fail in a very specific culture or in a particular market. In brief: “Nobody is always and under all circumstances a good leader” (Sprenger 2004b).

2.4.1 The Parties

“The situation and the individual must fit” in order for leadership to work, writes Sprenger, a good introduction to this chapter. And further: “A good manager is a

correctly deployed manager” (Sprenger 2004b). If they want to succeed, the leader must be accepted by their employees; otherwise it does not matter how many university degrees, certificates and references they have. Leadership must always happen in specific situations and relationships and must prove itself in a concrete company and a specific market.

2.4.1.1 Contingency Theory

According to Fred E. Fiedler’s *contingency theory*, the distinction between task-oriented and person-oriented leadership according to the grid model by Blake and Mouton does not present a clear statement on the effectiveness of leadership. The interaction between leadership behavior and the leadership situation needs to be given much more weight. The current situation is characterized by three variables: the leader-led relationship, the task structure, and the positional power of the leader (cf. Fiedler 1967).

The leader-led relationship is dominated by the personality of the leader, their relationship to the group and by the trust and acceptance of the group, according to Fiedler. The structure of the task depends on the clarity of objectives, the number of possible solutions, the precision and verifiability of the solution. The positional power of the leader is characterized by the extent of exercised power that the organization allows. So the better the relationship of leader and led, the better structured the task and the stronger the formal power of the leader, the more effective the leadership situation is, i.e., the more likely it is that the manager is in a position to influence the behavior of the group.

The contingency model has greatly influenced the research of the past 20 years, especially in the field of executive development and training. However, I feel that its three variables do not suffice to meet the multitude of different leadership situations. Thus, for example, Fiedler neglects the relationships between the employees. In addition, in practice the variables are very closely linked and cannot be considered separately. Fiedler’s contribution chiefly consists in the simple observation that there is no correct style of leadership. Rather, depending on the situation different styles of leadership will succeed, a view that has gained credence in recent leadership debates.

Looking slightly more into the detail of the leadership situation, leadership also depends on the task situation, i.e. the nature of the task, the required speed for problem-solving and the degree of certainty security of the task situation. For example, production is a certain situation: all the conditions are known; the risks are calculable and controllable. On the other hand, greater uncertainty prevails in sales, where the variables of customer behavior and demand are only partially predictable. Managers face the greatest uncertainty in the field of research and development, where neither the costs nor the benefits are truly predictable and risks lurk around every corner.

Paul Hersey, Kenneth H. Blanchard and Dewey E. Johnson (see Hersey et al. 1996) have noted a further influence of the leadership situation: the maturity of the

employees. An employee’s degree of maturity is characterized by their work-related maturity, that is, by their experience, expertise, knowledge of job requirements, etc. On the other hand, the employee is also shaped by their psychological maturity, e.g. their sense of responsibility, motivation, assertiveness, commitment, etc. Depending on the maturity of the employee, the leader chooses a more or less participative style of leadership.

2.4.1.2 Will or Skill?

A leader has to deal with different types of people. If a set of employees is segmented by the criteria will (their readiness to perform or will to perform) and skill (their capabilities and abilities), four types can be distinguished: the stars (high aims, high skill), the workhorses (high will, low skill), the unmotivated specialists – similar to the fairytale with the frogs that you must kiss to turn them into princes (low will, high skill), and the problem cases (low will, low skill) (Fig. 2.9).

This matrix provides basic criteria to get an idea of your own staff or team. However, such classifications should not be exaggerated or used as absolutes, as they are somewhat generalizing and at times a bit cynical. The matrix can be a “crutch” for the leader to start assessing employees: “Every employee is an individual and wants to be seen as such.”

Managers have to deal with the four types of employees in different ways: the stars need to be motivated and retained. You should give them freedom and prospects and offer them many challenging tasks to delegate. The workhorses can grow based on a clear evaluation of their potential. Here delegation should be done

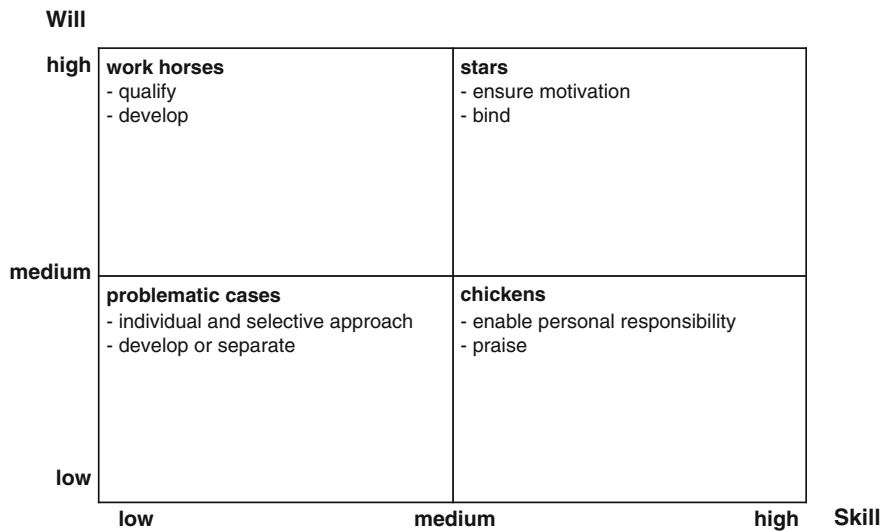


Fig. 2.9 Will-skill matrix (Source: The author, on the basis of various management approaches)

cautiously, following the principle “a little more every day.” Through feedback and coaching they can evolve constantly. The frogs should be considered by the leader in more detail: what are the causes for the lack of will? Do I correctly assess them? Are there differences between their self-image and external image? At the end of a conflict, talk cannot be avoided. It has to result in a clear agreement on the need for change. The problem cases should not be ignored by a leader – which is unfortunately what happens time and again. Either the employee can still develop or a parting of ways is inevitable. The leader should engage in focused change discussions with these inefficient employees.

A further distinction can be illustrated by the experience and seniority of employees: am I dealing with an old pro or with a beginner? The old pro needs e. g. to be treated with respect, while the young employee wants someone to look up to and learn from. Moreover, we know that in a group of analysts, implementers, team players and other types there are complementary expectations, interests and roles. Thus the analyst prefers facts and figures and a factual, concise discussion of leadership. The implementer does not want to just talk but act, and feels most talking about results. And the team player mainly wants to cooperate in harmony with others. Here, the executive must make people the heart of the talks.

Our journey has now led us to the point at which we need to examine some representatives of leadership teaching, to define the factors of good leadership that are outside of the leadership process but affect it – the organization and the environment. Leadership is thus a response to conditions inside and outside the company.

2.4.2 The Organizational Structure

Organizational structures provide the framework in which leadership takes place. They are therefore a crucial variable in the leadership process. The dilemma is that the manager must remain within the formal and legitimated framework of the company's structures: their duties, powers and responsibilities are defined and limited. However, they must also change existing structures (and the dominant culture) in order to enable and encourage change processes. The first principle for any organization is “structure follows strategy”; the company's structure is both a means of achieving and product of its strategy.

The organizational structure consists of division of labor, including the distribution of duties, the communication structure and the power structure, including the formal management hierarchy. The communication and the power structure are determined by the structure of the division of labor, but also have an effect on it. The distribution of duties relies on hierarchical relationships and subordination, and influences the ability of individuals to lead or be led.

The division of labor also leads to the development of certain role expectations of managers and subordinates concerning their own function and the function of other members of the organization. The more complex and more specialized an

organization is, the greater the potential for tensions and conflicts. Here good leadership is called for.

The communication structure is reflected in both planned and unplanned information relations. The information of each individual and their ability to get information and to share it depends on their position within the communication structure. Due to the great importance of information for the leadership, this structure has a particularly strong influence on the management processes in a company.

The formal power structure clearly defines the subordination relationships between the individual and other members of the organization and therefore determines who has legitimate claims to manage. Yet there is also informal power that is beyond the visible hierarchy in every company. We all know the multipliers and influences of power. Whether it is the personal assistant or veteran project manager – they are all listened to by the truly influential people. Even though they have no formal power, they wield considerable influence and usually have high social intelligence even without leadership positions.

In short this means: the type of leadership also depends on the shape and complexity of the present or desired organizational structure. This structure can be used with the help of five dimensions, which are: specialization, standardization, formalization, centralization, and configuration (see Heinen 1998, p. 171 ff.). In addition, a distinction is often made between the operational and organizational structure, i.e., between the organizational chart of reporting lines on the one hand and the numerous processes of the company on the other.

The observable developmental trends from employee to co-entrepreneurs, and from steered authoritarian and hierarchically organized companies towards participatory firms in a rapidly and radically changing environment have forced a softening of rigid structures. There is no perfect organization, but instead many organizational forms are ideal for their specific purposes (see Drucker 2000).

There are already several prototypes of new organizational forms that take into account this paradigm shift in the economy and employment: the project organization, which is staffed by steering committees, project managers and multi-departmental working groups and is shaped by the principles of project management; the “network” organization, in which autonomous possessors of know-how are connected only by common objectives, a high degree of trust and modern communication technologies; and the “virtual” company, the components of which are loosely connected together, coming closer if required. There is also the concept of the “primordial soup,” in which spontaneous new combinations and structures are established, or the “amoeba organization,” which is constantly dividing. Virgin, Goldman Sachs and Southwest Airlines are American examples of these new forms of structuring. Their survival principle is “be quick or be dead,” and they are characterized by flat hierarchies and organic structures, making them extremely flexible and action-oriented (see de Vries 2002, p. 51).

Christopher A. Bartlett and Sumantra Ghoshal do not consider the present or future central task of leadership to be forcing people into the corset of organizational structures, but creating a flexible organization that promotes the staff's

resources, puts them to the best possible use, and values the person as a whole: “We must no longer consider a company a hierarchical pyramid with the value-creating process divided into leadership and organization, but as a house with a horizontal value creation processes and a roof, which gives strategic direction and objectives with a flat hierarchy and a central nervous system, information system and communication system” (Bartlett and Ghoshal 2000, p. 112).

For example, Hans-Jörg Bullinger, President of the Fraunhofer Society, sees a cause for the continuing decline of the German economy in companies being the way they are: “I believe that many companies are still depending on organizational leadership structures from the industrial age. At that time, work was divided in small steps and then put together. For the creative service society of today, but also in the innovative product area, we have to work with much freer working methods in order to develop innovative technologies. For example in the development department of BMW there are no defined working hours; only the result counts” (Forum, 02/2004, p. 13).

In his book “Management Challenges for the Twenty-First Century” Peter F. Drucker claimed: “Forms of organization must be equipment in the tool box of the leader” (Drucker 1999, p. 28). Various forms of organization must be analyzed for their strengths and weaknesses in dealing with a given situation. “It is not about finding a unique form of organization, but about finding, developing and verifying a form of organization that is designed to fit the task to be achieved” (Drucker 1999, p. 32).

The objectives of an organization – whether a company or public administration – decides the strategy and the strategy decides the structure (see Drucker 2004, p. 97). It is also Drucker’s opinion that the ideal form of organization does not exist. Organization is merely a “tool, which enables people to cooperate in a productive way” (Drucker 2004, p. 98). The task of leadership is not to find the proper organizational structure, but to find the “appropriate organization for the given task” and to constantly optimize it. Sometimes it takes a strictly functional organization with a clear specialization, sometimes decentralization is useful and sometimes teamwork is required.

Drucker also cited more universal organizational principles: first, the organization itself has to be transparent. People have to know and understand the structures in which they work. In addition, the authority has to take responsibility. The captain must be authorized to decide on behalf of all. Drucker also considered it important that all members of an organization have only one supervisor. No one should experience conflicts of loyalty and no one should serve more than one “master.” Drucker was quite skeptical about modern cross-departmental teams that have to report to multiple managers; he would most likely have felt similarly about matrix organizations.

According to Drucker the role of companies is dominated by four aspects: firstly, a company creates resources, which means it transforms costs into energy. Secondly, it represents a link in an economic chain, which has to be considered to be a unit. Thirdly, it is a social institution designed to produce wealth. And fourthly, it

both forms a physical environment and is at the same time a product of that environment.

2.4.2.1 Flexible, But Not Chaotic

The opposite of rigid structures is not creative chaos. This point is very important to me. My work as a manager and as a management trainer have showed me time and again the importance and benefits of structures and generally recognized rules, especially in situations of change. They enable a manager to delegate tasks and responsibilities, to give the employees more freedom and to maintain at the same time the company's effectiveness and productivity.

Drucker too saw the need for this: in a dangerous situation the survival of everyone involved depends on "a clear chain of command." There must be a "boss" making the final decisions. If a ship is in danger of sinking the captain does not call a meeting but gives a command. Of course, we as modern managers tend to respond negatively to the term "command," but Drucker showed that there may be situations in which participation and empowerment of employees is (and has to be) subject to clear limits (see Drucker 2004, p. 98 ff.). But Drucker also maintained that a flat hierarchy, where the number of decision-making levels is limited to a minimum, is a good structural principle.

Structures and rules ensure that quality standards and good practices are used regularly, without their having to be reinvented them each time and by each individual. Structures are not inherently contrary to change and innovation. The opposite is the case: they can ensure that information is conveyed more quickly, that processes are set in motion sooner, and that ideas are better implemented.

But structures – and this is the minimum requirement – have to be reflected upon and above all they have to be "lived out": federalized structures and principles have to replace hierarchies. A structure of related departments has to be transformed to an alliance of independent power bases, with decentralized communication and coordination institutions and their own governing bodies. The culture and structure have to support creativity and innovation. Companies need flexible structures that promote cooperation, that connect people and help them to see and act beyond the boundaries of their tasks. There has to be an emotional climate that embraces creativity, innovation and change (see Kanter 1998, pp. 74–119). People are no longer perceived as "organizational people," as small cogs in the huge gear works, but instead flexible organizations that utilize the knowledge and resources of the staff must be created (cf. Bartlett and Ghoshal 2000, p. 19). The organization needs to be (re-) created around the people. Admittedly, this is easier said than done – but I mention this point because it still has not been sufficiently embraced by managers in my own experience.

In addition, organizations must be designed in order to not only best achieve their designated objectives best, but such that bad, incompetent managers can do only minimal damage and are quickly discovered and replaced (see Malik 2001, p. 45). Each organization must have mechanisms and structures that monitor the people in power and constantly check their performance. Management floors cannot

be ivory towers, because managers need feedback in order to continually improve themselves. Power must not be isolated and must always remain in the service of the organization – not in the service of the leader.

2.4.3 The Corporate Culture

Leadership does not take place in a vacuum. Rather it should always depend on the values, the attitudes and the mindsets of the organization's members. These are formed by individual socialization and experiences, the culture of our environment and by the spirit or culture of the organization itself. Management is always anchored deeply in the culture. If a leader requests something from their employees that they are not used to as part of their culture, that leader will fail. Similarly, economic changes in a society will only be successful if the corresponding change in culture has taken place beforehand (see Drucker 2002).

A leader has to be sensitive to the cultural reality of the organization and the society. They have to be aware of the perhaps implicit rules of the system, which values are lived out, and what social context the system is implemented in. This is especially important for working abroad. The leader has to acknowledge the culture at hand and its opportunities, even and especially if he or she wants to change it.

Two approaches of leadership theory deal with the cultural factor: corporate management and the theory of open systems. Corporate management investigates structures and processes of leadership in different cultures of the world and examines the differences and similarities. The theory of open systems deals with the question of how influences develop in organizations that determine the perceptions and actions of the organizations' members.

Also research results of neighboring disciplines show the effects of the cultural environment, organizational environment and possible subcultures within the organization on leadership behavior and the success of leadership. Different cultures determine different roles for the individual in a social system. They rely on different elements of motivation. They lead to different structures of power and control. And they produce different control systems shaping behavior. Conversely, the style of leadership influences the culture of the organization. Therefore a strong interaction exists between the philosophy of leadership and the culture of the organization, where each can be both cause and effect (see Heinen 1998, p. 174).

As mentioned in Sect. 1.1.5, the environment plays an important part in the certainty or uncertainty of completing a task, and is an important factor shaping the leadership situation. "Just as people uphold certain values, organizations also have values of their own. The values of the individual must harmonize with those of the organization – otherwise they cannot work efficiently" (Drucker 1999a, p. 14).

Thus, corporate culture and leadership culture are closely connected and mutually dependent. The good leader is part of the corporate culture but also shapes it with his or her values, conduct, communication and the rules he or she establishes.

At the same time, the personality of the leader should personify the corporate culture and live it out every day. All of their actions should follow the basic rules of the organization and provide benchmarks for everyone else – but without becoming rigid laws.

A good culture of leadership can be established through good networks of relationship, the development of existing potentials of leadership, by offering values, goals and challenges, but also through decentralization. Successful corporations such as 3M, Hewlett Packard and General Electric have succeeded in establishing unmistakable, respected, productive and innovative cultures of leadership as part of their organizational cultures. “The solid foundation of corporate culture in alignment with true leadership is the highest the art of leadership can achieve” (Kotter 1999b, p. 66). If the power is in one set of hands, there is a strong connection between the leader’s personality, the style of leadership and the corporate culture – all three of them shaped by the social environment.

Let us now move from the micro-level to the macro-level. Not only the corporate culture plays a part, but also the culture of the society and the nation. It shapes the personalities of (future) leaders and the expectations of the subordinates. For example, a leader in the US is a successful man or woman of action who is admired by others. Yet such a cult of personality is frowned upon in the Netherlands. There the manager is seen as more of a martyr sacrificing himself or herself for the company. French leaders lead differently than for example German leaders; the former are more network-oriented and person-oriented. “Factors such as power, status and hierarchy play different roles, also control and authority are considered differently by leaders of different cultures” (de Vries 2004, p. 65).

Especially upon the backdrop of globalization, the organizational culture receives a connecting, border-crossing function. Or, as Rosabeth Moss Kanter has put it: “Common procedures and a common language help people of a different background or from different countries to work together efficiently” (Kanter 1998, p. 25). At the same time the management has to integrate its concepts and methods into the context of the given national culture (see Drucker 2000).

I would like to only briefly mention the theories of substitution. They shift the focus away from the direct, interactive influence of the leader towards the indirect and structural effects of guidelines, structures, systems and strategies on the leadership process. The practical benefit of these theories is rather limited (Heinen 1998, p. 171 ff.).

A good overview of the most important organizational influences (including corporate culture) can be obtained by using the 7-S model developed in the early 1980s. (see Peters/Waterman 1982). This model identifies seven factors of success for an enterprise: firstly the strategy, secondly the structure of the organization, thirdly the systems of management, fourthly the style of leadership, fifthly the staff, sixthly the technical and social skills and finally the shared values.

This model makes it clear that all factors of success need to be considered simultaneously. No single factor must be stressed, because they all interact. The 7-S model can be an effective tool for understanding a given organization. It is important to consider that each organization has to find its own way, both with

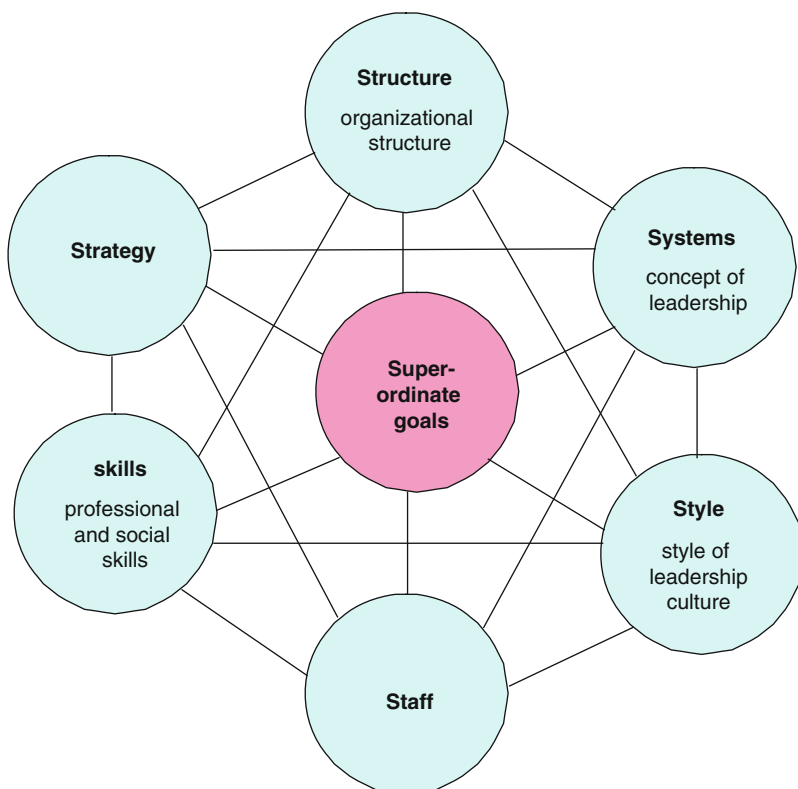


Fig. 2.10 The 7-S model (Source: Peters and Robert 1982)

regard to the interaction of the forces at work in it and especially with regard to leadership (Fig. 2.10).

2.5 Conclusion: The Power of Soft Factors

The different approaches presented above all have their value, as most of them provide practical benefits for leadership. However, they are mostly limited to a single aspect and neglect other important factors. Leadership is neither only a question of the leader's personality nor of his or her skills; likewise, it does not solely consist in the leadership situation or focus on the subordinates. Leadership takes place in the intersection of all these factors. The truth is – as always – in between.

In the next step, the four factors – though their number can be increased or decreased arbitrarily – can be combined into two categories: “hard” and “soft” factors. The “hard” factors are tangible and can be measured. These are structures,

market and environment conditions, leadership situations and processes. The “soft” factors are relationships, emotions, motivations and expectations, none of which can be easily calculated or determined.

The attention paid by most companies to the “hard” and “soft” factors of good leadership by no means reflects their real meaning. Comparing the influences to an iceberg, the visible hard factors make up the 15% above the surface. The remaining 85% of soft factors are hidden below it. (More about the iceberg model in Chap. 3.) Money, time and energy are mostly invested in order to adjust the visible and measurable factors of success. Such diffuse dimensions as emotions, ethics, motivations and relationships are not easily calculated. However, today’s leaders have skillfully manage precisely this kind of capital. They have to recognize the resource potentials of their employees, cultivate and foster them if they want to thrive in the face of competition and want to do more than just “a good job.”



<http://www.springer.com/978-3-642-20246-9>

Leadership - What Really Matters
A Handbook on Systemic Leadership
Pinnow, D.F.
2011, XX, 248 p., Hardcover
ISBN: 978-3-642-20246-9