

Leadership qualities in volatile business environments

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25 August 2009

INTRODUCTION

Turbulent economic environments such as the current Global Financial Crisis (GFC) present organisations with both challenges and opportunities. Researchers such as Sull (1999) and McGrath & MacMillan (2009) have investigated reasons why some companies succeed, while others fail when faced with changing market environments. Sull (1999) observed that there was a common misconception that companies failed because they did not recognise the approaching challenges and did not plan an appropriate response (*inertia*). Contrary to this perception, Sull (1999) found that many failed because of *active inertia*. In active inertia, the leaders of the organisation recognise that action is required, but responded using the successful formulas of the past which were not applicable in the new environment.

Bernthal and Wellins (2006) present the results of a global benchmarking study of 4,500 leaders from 900 organisations of the leadership qualities that business leaders considered were critical, and their rankings of how they performed. The findings were interesting in that many of the qualities that the leaders considered as critical were Human Resources (HR) issues rather than the traditional leadership virtues, such as results (profitability) and motivation to lead. Researchers such as Wood and Vilkinas (2007), Sparks and Gentry (2008), and Caligiuri & Tarique (2009) reported similar findings where HR characteristics were considered to be more critical indicators of leadership potential than technical or cognitive (knowledge) skills. A disturbing finding from Bernthal & Wellins (2006) study was that three (3) out of ten (10) leaders did not demonstrate the key qualities necessary for effective leadership. So in times such as the current GFC, the question is which leadership qualities are

required in order for organisations to meet the challenges of the present. Authors such as Tubbs & Schulz (2005, 2006) and Bernthal & Wellins (2006) have presented models or taxonomies that attempt to classify the various leadership qualities. This essay will examine in further detail the qualities of **Values** (ethics) and the **Emotional Intelligence (EI or EQ)** competency that fits within the **Communications, The Leader's Voice** metacompetency as shown in Figure 1.

Tubbs & Schulz (2005, 2006) taxonomy describes leadership characteristics in terms of the **Core Personality** which is fixed early in life and unlikely to change, **Values** (ethics) which are defined early in life with the core personality, but have the capacity change with life experiences, and **Competencies** (skills), which can be learned and developed. The taxonomy classified 50 competencies into seven (7) metacompetencies as shown in Figure 1.



Figure 1: Leadership taxonomy from Tubbs & Schulz (2006, p33).

“Business leaders have an increased role to play in the macro issues confronting nations. Despite what some government officials might believe, the destinies of business and government are inextricably intertwined. If one fails, so can the other fail; and if one prospers so can the other prosper. As a result, nations need corporate executives to have a larger vision of how their work helps or hinders their economic prosperity.” (Bradley & Howells, 1994, p40).

The above quote was used in the introduction to Bradley & Howells (1994) paper to highlight the symbiotic relationship that exists between business, government and society. In order for all parties to prosper, trust must pervade the relationship, and trust in turn is a function of the integrity and ethical behaviour of the partners in the relationship. Wood and Vilkinas (2007) reported that business leaders and staff consistently rated integrity as one of the key requirements of successful leadership, and Palanski & Yammarino (2009) found in organisations a strong linkage between the integrity of leaders and the integrity of the organisation and its members. Human Resources (HR) commentators such as Ram Charan (Charan, 2009) and Danah Zohar (Sardo, 2009) also stress the importance of integrity and ethics in leaders.

Bradley & Howells (1994) interviewed five (5) senior executives from globally successful firms (GE, Motorola, Deutsche Bank, Chrysler, and Skandinaviska Enskilda Banken) to ascertain what they and their firms considered were key leadership characteristics. A commonality of the executives views was the need for corporate leaders to view their role in terms of **Corporate Statesmanship**, where their responsibilities are not restricted to just their organisation, but included ensuring the prosperity of their business partners, and the nations and communities they work

in. An interpretation of this viewpoint is the prosperity of one is dependent upon the prosperity of, and businesses must act ethically and organise business arrangements so that they are a win-win arrangement for all partners.

This view has been embraced by business to the point that it is standard to include statements about respect, integrity and ethics in their mission statements posted the company web sites (e.g. BHP Billiton, Stockland, Macquarie Bank). So, if researchers, commentators and business leaders all stress the importance of ethics, and businesses considered integrity and ethics so important to explicitly include them in their mission statements, why was there such a apparent failure of ethics in business that ultimately resulted in the GFC?

Hannah & Zatzick (2008) investigated the portrayals of ethics in business media before and after the US business scandals at the beginning of the 21st century (e.g. Enron in 2001 and WorldCom in 2002). While there was a dramatic increase after the scandals in the number of articles written about ethics in business and the need for businesses to place greater importance ethical behavior in future, Hannah & Zatzick (2008) observed that the scandals had no impact in the manner that the business media reported ethics, integrity or morals when portraying successful business leaders. The authors suggest that reasons for the lack of emphasis on ethics was a consequence of the world view of entrepreneurial business, where success or failure is measured almost exclusively in terms of profits, and anything else, including ethics, is only valued if it contributes to increased profits.

The conclusion that can be drawn from Hannah & Zatzick (2008) study is that while the business press continues to measure success purely in terms of profits at the exclusion of all else, then it should be no surprise that business leaders in turn will place little emphasis upon ethics. Unfortunately, the lessons from Enron and WorldCom do not appear to have been heeded, and the underlying causes of greed, poor ethics and questionable business practices continued unabated. The unfortunate conclusion that can be drawn is that once crisis passes and fades from memory, the business world will return to “business as usual” until the next crisis occurs.

Australia has also seen examples of unethical corporate behaviour, such as the recent NSW Supreme Court decision in relation to former directors of James Hardie (Knight, 2009). Unethical behaviour is not only unacceptable in the business and general community, it breaches the directors duty of care and can result in legal penalties. Business leaders must address unethical behaviour as a matter of priority, for as highlighted by Bradley & Howells (1994) previously, the fortunes of businesses, governments and society are now so intertwined that without trust and ethical behaviour between all, the system becomes dysfunctional to the detriment of all. Trust will only return, and be maintained when all businesses conduct themselves with the level of integrity and ethics that they espouse in their mission statement.

COMMUNICATION – THE LEADERS VOICE

The leaders voice is actually the voice of the organisation, the summation of the organisations individual members hopes, aspirations, fears, etc., distilled into a single voice that speaks on behalf of the entire organisation. Leaders need to lead their organisation, either from the front or from within, and unless the leader speaks in a manner that represents the organisation, the leaders voice will be lost amongst the cacophony of competing voices and opinions.

In order for the leader to be the voice of the organisation, there must be active (two way) communication between the leaders and the organisations members. In Tubbs & Schulz (2005, 2006) taxonomy, the communication metacompetency encompasses a broad range of specific communication related competencies, including verbal, non-verbal (body language), listening, negotiation skills, and emotional intelligence. Of these competencies, many researchers and commentators place special emphasis upon emotional intelligence. Emotional intelligence is the “ability to perceive, and express emotion, assimilate emotion in thought, understand and reason with emotion, and regulate emotion in oneself and others” (Murray, Poole & Jones, 2006, p162).

Goleman (2004) states that rather than being just a nice to have, emotional intelligence is a must have for successful business leaders. This view is also supported by commentators such as Manfred Kets de Vries Coutu (2004), Ram Charan (2009) and Danah Zohar (Sardo, 2009). Researchers such as Wood and

Vilkinas (2007), Sparks and Gentry (2008) have similarly found that emotional intelligence skills featured as a key characteristic of successful leaders.

While not disregarding the importance of other leadership characteristics such as cognitive or technical skills for leaders, Goleman (2004) views these skills as the *threshold (entry level) capabilities* required of executive leaders, whereas emotional intelligence was a hallmark of successful leaders. Research by Goleman (2004) indicates that for leaders, emotional intelligence was twice as important as the technical or cognitive skills, and the relative importance of emotional intelligence increases with seniority of the leadership position. Manfred Kets de Vries (Coutu 2004) states that leaders with high emotional intelligence were better team players and are more effective at motivating themselves and those surrounding them.

Leader with a high emotional intelligence will have a greater understanding of what motivates them, and through interaction with members of the organisation, an understanding of the people they lead. In time of crisis and uncertainty, such as the current GFC which has seen corporations that were considered bastions of the business world fail (e.g. Merrill Lynch, Lehman Brothers), fear and uncertainty pervades. A leader with high emotional intelligence will recognise the fear within the organisation, acknowledge it, and provide a vision and strategy for the future. A leader with poor emotional intelligence will not address the fear within the organisation, and will let their own fears infect the organisation. Leaders with emotional intelligence will have the social skills necessary to move the organisation and its members as a cohesive entity in the direction that the leader wishes them to take, whereas a leader with poor emotional intelligence will be unable to.

CONCLUSION

Leaders need to be a complete package of values and competencies, and as observed by Sarros (1992), good leaders evolve to suit the circumstance they find themselves in. The previous discussion reviews two leadership qualities (ethics and communication) that in the current economic climate, assume even greater importance.

Business leaders need to recognise that they are in partnership with other businesses, governments and communities, and that the prosperity of one is dependent upon the prosperity of others. Leaders must resist the temptation to make decisions that have short term benefits for the business (e.g. increase profit for quarter), but may have a detrimental long term impact upon the stakeholders upon which they depend. As evident in current GFC, unless it is actively suppressed, unethical behaviour has a tendency to spread throughout the system. The challenge for the future is to eliminate the cultures which permit unethical behavior to occur, and to take responsibility to challenge it whenever it is encountered.

Crises such as the current GFC result in uncertainty for all stakeholders of an organisation regarding the organisations future, and during such time facts and logic become of secondary importance to emotion. The leaders voice is the voice of the organisation, and needs to speak for, and to all the organisations stakeholders, to speak to the challenges and fears of the current situation, provide a vision of the future and the path to achieve the vision. Leaders with a high emotional intelligence will be better able to speak as the voice of the organisation, for they are will not only

understand the facts, but be able to understand the emotions within the organisation and address those emotions.

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