MANAGING
CHANGE,
CREATIVITY
& INNOVATION

10

THE LEADER: PROMOTING NEW IDEAS AT WORK

> What chance gathers she easily scatters. A great person attracts great people and knows how to hold them together. (Johann Wolfgang von Goethe, 1749–1832)

LEARNING OUTCOMES

After reading this chapter you will be able to:

1. Define the characteristics of leadership.

2. Clarify the differences between a manager and a leader.

3. Understand the trait, behavioural, contingency and contemporary theories of leadership.

4. Explain the leadership approach that is conducive to change, creativity and innovation.

5. Identify the challenges that contemporary leaders face in creating and sustaining these processes in organizations.

INTRODUCTION

Although the value of good leadership skills has been recognized since the times of Aristotle and Plato, today's complex business environment continues to spotlight the need for effective leadership in organizations. Trends like shorter product life cycles, the increase in mergers and acquisitions, the issue of global relocation, the rise in outsourcing activities, the constant drive for innovation and the unprecedented pace of change (to name but a few) are challenging leaders perhaps more than ever before. Interestingly,

70 per cent of executives across a range of industries said that innovation is among their top three priorities for driving growth (McKinsey Global Survey, Barsh et al., 2007). Many commentators, hence, stress the importance of leadership in mobilizing creativity and change in organizations. Their vision, their actions and the way that they direct and support 'followers' in their creative endeavours, can suppress or mobilize creative thinking and stifle or activate change processes. Competent contemporary leaders, therefore, often enjoy heroic status; leaders like Marissa Mayer (Yahoo Inc), Tim Cook (Apple Inc.), Richard Branson (Virgin Group) and Mark Zuckerberg (Facebook) are often treated like celebrities. In examining the key role of business leaders, this chapter is devoted to understanding leadership and its part in encouraging creativity and innovation at work. We start by identifying key ingredients in exploring the concept of leadership. The question of how leaders differ from managers is addressed and the importance of 'followers' is assessed. We then present an historical overview of some of the most influential leadership theories. Theories that focus on personality traits, behaviours, situational variables, as well as the more contemporary approaches on transformational and transactional leadership, are all examined. Our main focus is on the relationship between leadership and creativity and change and, as such, we identify its role and discuss leadership styles that are conducive to mobilizing creativity and change within organizations. We conclude by discussing some of the challenges facing creative leaders who seek to mobilize employees' self-determination and personal initiative and encourage employees to consider, develop and ultimately contribute to more creative outcomes. But first, we ask the question 'what is leadership?'

DEFINING LEADERSHIP

The topic of leadership has fascinated many researchers in the last century and even though the past 40 years have witnessed a plethora of articles, books and video presentations on the subject of leadership, there remains no generally accepted, unambiguous definition. The ongoing disagreement over definitions of leadership is encapsulated by Stogdill (1974: 259), who concluded that 'there are almost as many definitions of leadership as there are persons who have attempted to define the concept'. This situation is further complicated if one considers that the area of leadership has been researched by several disciplines, including management, psychology, sociology and political science. Definitions of leadership have therefore varied, and four illustrative examples are provided below:

1. 'The ability of an individual to *influence*, motivate and enable others to contribute toward the effectiveness and success of organizations of which they are members' (House et al., 1997).
2. 'The ability to *influence* a group toward the achievement of goals' (Robbins et al., 1994).
3. 'The art or process of *influencing* people so that they will strive willingly and enthusiastically toward the achievement of group goals' (Weihrich and Koontz, 1993).
4. 'The social *influence* process in which the leader seeks the voluntary participation of subordinates in an effort to reach organizational goals' (Schriesheim et al., 1978).

In each of these definitions we have italicized the common notion of influencing, although as we shall see, the extent to which leadership involves more direct autocratic or open participative styles remains an area of debate.

HOW ARE MANAGERS DIFFERENT FROM LEADERS?

Clarifying the difference between managers and leaders is important, since although several authors and practitioners still use the two concepts interchangeably, they have very different characteristics. First, managers are usually chosen and appointed to their positions, while leaders are more likely to emerge from the work group (Robbins and Coulter, 2002). Second, the central distinction between a manager and a leader is that managers influence and direct others due to their recognized power, which is inherent in their position, while leaders go beyond that, by inspiring employees to work towards a shared goal. Third, although leaders anticipate change whilst setting direction for organizations, managers focus more on generating results than on forecasting and dealing with change (Kotter, 1990). Accordingly, managers are interested in how things are organized and implemented, while leaders are more concerned with what inspires and motivates people, and this requires extensive communication with subordinates (Bennis, 1989; Kotter, 1990; Zaleznik, 1977). Heller and Van Til (1982) point out that effective leaders need a 'followership'. In other words, it is the willingness of people to follow that turns an individual into a leader. However, there is a great difference in the way leaders and managers see their roles. For instance, managers tend to bring people together to implement their plans as effectively as possible, whilst leaders strive to align their subordinates to their vision (Kotter, 1990).

INGREDIENTS OF LEADERSHIP

So what are the key ingredients of leadership? Weihrich and Koontz (1993) argue that leadership consists of four main elements:

- *Power:* leaders have power over their followers.
- *Understanding of people:* leaders understand what motivates people. They are aware of their followers' needs, ambitions and requirements.
- *Ability to inspire:* leaders are able to envision the future of their respective industries and inspire the rest of the organization to follow their vision and achieve common goals.
- *A specific style:* not all leaders share the same style. Some are more directive, others are more participative in their decision-making. Some place an emphasis on performance, others focus on motivating followers and creating cult-like environments.

A longstanding question is: what constitutes an effective leader? In order to shed light on this question, the following section offers an historical overview of traditional and contemporary leadership theories. We consider what makes an effective leader and discuss the different styles of leadership that are deemed appropriate to a range of different contexts and situations.

HISTORICAL OVERVIEW OF KEY LEADERSHIP THEORIES

Leadership has always been an issue of interest since the early days of human civilization. The first writings on leadership date back to the ancient Greeks and Romans

who believed that leaders were born and not made. They tried to identify the physical and mental abilities, as well as the personality traits, of various leaders of their times. These early theories often assumed that leaders would be men (the 'great man' theory) and forwarded the notion that certain individuals are endowed with certain personality traits. This focus on traits led to the initiation of studies that identified characteristics that may be used to differentiate leaders from non-leaders. At this time, it was political, religious and military leaders that drew most attention. The two world wars in the twentieth century stimulated further interest in leadership. Over the intervening years, leadership theorists have tried: to identify personality traits associated with effective leadership (traits theories); to examine how leaders interact with their group (behavioural theories); to explain how different situations affect the relationship between leaders and their followers (contingency theories); and, more recently, to discuss the characteristics of transformational, charismatic and visionary leaders (contemporary approaches). The following sections briefly present these main schools of thought.

Trait approaches to leadership

Several studies were conducted up to the 1940s with the aim of discovering leaders' proposed extraordinary abilities. These early studies, however, proved unsuccessful and they were criticized for failing to find any traits that predicted leadership achievement or that distinguished a leader from a non-leader (Stogdill, 1974). Nevertheless, the search for leadership traits has continued and some scholars have found a consistent pattern. Kirkpatrick and Locke (1991), for instance, argue that the six common traits associated with effective leadership are:

- *Drive*. Leaders exhibit a relatively high degree of achievement. They are ambitious, they are tirelessly persistent in their actions and display initiative.
- *The desire to lead*. Leaders are willing to influence and lead others and are prepared to take responsibility for their actions.
- *Honesty and integrity*. Effective leaders tend to build trusting relationships with their followers by being truthful and by showing great consistency between their 'words' and their 'actions'.
- *Self-confidence*. Competent leaders have a belief in themselves and this allows them to convince their followers about the suitability and validity of their goals, decisions or actions. Leaders riddled with self-doubt are less likely to gain other people's trust since they may find it hard to take the necessary action.
- *Intelligence*. Effective leaders are intelligent enough to collect, synthesize and interpret large amounts of data. The leader's role demands a sufficient level of intelligence to devise appropriate strategies, solve problems and make correct decisions.
- *Job-relevant knowledge*. Competent leaders also tend to be very knowledgeable about their industry, organization and relevant technical issues. It is the depth of knowledge that they have that allows them to put together well-informed decisions and to recognize their implications.

In general, studies of leadership traits have not been very successful in shedding light into the 'mystery' of effective leadership. The trait theories have been criticized for not providing guidance on how much of any trait a person should have in order to become an effective leader (Weihrich and Koontz, 1993). Furthermore, authors and researchers

in the area agree that these traits alone are not sufficient for predicting effective leadership since they ignore the interaction between leaders and their followers as well as other important situational factors (Robbins and Coulter, 2002).

Behavioural theories

In response to the limitations associated with trait theories, the next phase of research aimed to provide more robust answers on the characteristics of an effective leader. The focus of study switched to a concern with the behaviour of leaders rather than their personality traits. These theories assume that a leader's behaviour is likely to directly affect the effectiveness of the work group (Kreitner et al., 2002). Consequently, whilst trait theorists argue that only individuals with the 'right' traits should take over formal leadership, behavioural theorists argue that individuals can be trained to become effective leaders. This led authors and researchers in the area to begin identifying patterns of behaviour (labelled as 'leadership styles') that enabled effective leadership.

The University of Iowa studies

Kurt Lewin with his associates at the University of Iowa identified three styles of leadership (Lewin and Lippitt, 1938; Lewin et al., 1939). They labelled the first one as the *autocratic style* of leadership, where the leader tends to consolidate authority, commands, takes decisions and expects compliance. The second style of leadership was classified as *democratic*. Here the leader tends to involve individuals in decision-making and goal-setting, consults with subordinates and encourages participation. In the last one, the *laissez-faire style*, the leader usually provides the group with a high degree of independence in setting their own goals and how they go about implementing them.

The initial results of Lewin's studies showed that the democratic style of leadership was the most effective, although later studies in democratic and autocratic styles of leadership generated mixed outcomes. For instance, sometimes the democratic style of leadership generated superior performance compared to the autocratic style; whereas sometimes it produced inferior or the same level of performance among subordinates (Robbins and Coulter, 2002). More consistent results were discovered when subordinates' satisfaction levels were examined; for example, researchers found that democratic leadership is usually associated with greater levels of subordinate satisfaction. Consequently, the central contribution of these early studies was the acknowledgement of the dual role of effective leaders. On the one hand, leaders need to be focused on the work and the means of achieving output performance; on the other, they need to concentrate on the people aspects of work group dynamics.

The Ohio State studies

The Ohio State studies aimed to identify independent dimensions of leader behaviour. In the late 1940s, researchers at the Ohio State University began with more than 1,000 behavioural dimensions and managed to narrow them down to just two, which

they claim account for most of the leadership behaviour described by group members. They called these two dimensions 'initiating structure' and 'consideration'.

1. *Initiating structure* refers to the extent to which a leader is likely to structure and define their role and the roles of the group members in the accomplishment of set goals. In other words, it consists of behaviour that tries to sort out work, work-related interactions and goals. A leader who is focusing on initiating structure tends to allocate group members to particular tasks and stresses the significance of meeting agreed deadlines.
2. *Consideration* is described as the degree to which a leader develops working relationships that are characterized by mutual trust and the extent to which the leader values followers' views and feelings. Leaders characterized as high in consideration tend to show concern for the well-being, comfort and job satisfaction of their subordinates, and they tend to be friendly and approachable, often willing to assist group members with their personal problems.

Research shows that leaders who have high levels of initiating structure and consideration (*a high–high leader*) achieve high group task performance and satisfaction more frequently than the ones rated low on either one or both dimensions. Leader behaviour characterized as 'high' on initiating structure tended to generate higher levels of grievances, absenteeism and turnover and lower levels of job satisfaction for employees carrying out regular tasks. Thus, although the Ohio State studies showed that the 'high–high' style of leadership typically generates positive outcomes, there were several exceptions to this which suggested that the context or situation may need to be considered as a factor influencing leadership.

The University of Michigan studies

At about the same time as the Ohio State studies, researchers at the University of Michigan were also aiming to identify behavioural differences between effective and ineffective leaders. Their studies identified two dimensions to leadership that reflected whether leaders were more *employee-oriented* or *production-oriented* (Kahn and Katz, 1960). They show how employee-oriented leaders tend to emphasize interpersonal relationships through focusing on the needs of their subordinates, and by acknowledging individual differences between work group members. In contrast, leaders who are production-oriented tend to stress the task aspects of the job, viewing the group as a means to achieving objectives. The Michigan studies illustrate that in cases where leaders were employee-oriented, high levels of production and job satisfaction were evident. On the contrary, production-oriented leaders were associated with low group production and low levels of job satisfaction.

The managerial grid

These studies led to the development of a two-dimensional grid for assessing leadership styles. The behavioural scientists Robert Blake and Jane Mouton developed the leadership grid. The proposed grid is a matrix formed by the intersection of two dimensions of leader behaviour; the horizontal axis is 'concern for production', and the vertical axis is 'concern for people'.

Although the grid has 81 potential positions into which a leader's behavioural style may fall, Blake and Mouton placed an emphasis on five:

1. *Impoverished Management* (position 1,1), which suggests that leaders exhibit little consideration for task completion and little concern for cultivating relationships with subordinates.
2. *Country Club Management* (position 1,9), which indicates attention to the needs of individual employees leading to the development of a friendly and relaxed working atmosphere. However, at the same time there is little or no consideration for the actual job outcome.
3. *Middle-of-the-Road Management* (position 5,5), which puts the same emphasis on both production and on realizing reasonable levels of job satisfaction and morale.
4. *Task Management* (position 9,1), which indicates a high degree of task structuring to develop an efficient operation, while showing little concern for the needs of people.
5. *Team Management* (position 9,9), which indicates a high dedication both to the actual job outcome and the relationships between the leader and their subordinates. These interpersonal relationships are mainly based on mutual trust and respect. In other words, they have the ability to align the individuals' needs to the production goals.

This leadership grid can be used to identify and classify leadership styles (see Blake and Mouton, 1964: 136), although the notion that *Team Management* (position 9,9) is more effective in all situations is not supported by the empirical evidence. Both the trait and behavioural streams of research highlight the difficulties of identifying a simple list of key characteristics (traits or behaviours). Thus, this lack of reliable results in identifying consistent relationships between traits and patterns of leadership behaviour with group performance has encouraged researchers to consider leadership as a more complex phenomenon. What early theorists were neglecting was the range of different situational factors that may potentially influence the success or failure of group performance.

Contingency theories

The quest for identifying the role of situational factors in the study of leadership has led to a stream of studies that are commonly known as 'contingency theories'. The following sections briefly present the most widely recognized contingency theories, namely, the Fiedler, Hersey–Blanchard, leader participation and path–goal models.

The Fiedler model

Fred Fiedler and his associates at the University of Illinois developed the first thorough contingency model for leadership. The Fiedler contingency model proposes that the performance of a leader depends on two interrelated factors: the degree to which the situation gives the leader control and influence – that is, the likelihood that (the leader) can successfully accomplish the job; and the leader's basic motivation – that is, whether (the leader's) self-esteem depends primarily on accomplishing the task or on having close supportive relations with others. (Fiedler, 1967: 29)

In other words, this model assumes that the performance of a leader depends upon the various situational factors and the interactions between leaders and group

members, rather than on any personality traits they may possess. It also assumes that different leadership styles may be appropriate in different types of situations. Fiedler proposes two main styles of leadership, namely: task-oriented and relationship-oriented. Leaders who are task-oriented tend to gain satisfaction from seeing tasks being performed. In contrast, achieving good interpersonal relationships mainly motivates leaders who are relationship-oriented. To measure the leader's style, Fiedler developed the *least preferred co-worker* (LPC) questionnaire. This questionnaire contains 16 sets of contrasting adjectives (e.g. pleasant–unpleasant, efficient–inefficient, and so forth). The questionnaire asks respondents to think of all the colleagues they have ever worked with and to describe the individual they least liked to work with by rating them on a scale from I to VIII for each of the 16 sets of contrasting adjectives. The central logic behind this questionnaire is that the respondents who mainly derive satisfaction from good relationships with their co-workers will describe the least preferred colleague in relatively positive terms (a high LPC score) and therefore their style would be labelled as *relationship-oriented*. In contrast, respondents who mainly derive their satisfaction from the output will describe the least preferred colleague in comparatively adverse terms (low LPC score) and therefore, their style would be labelled as *task-oriented*.

After identifying an individual's basic leadership style through the use of the LPC, Fiedler then identifies three contingency dimensions of the leadership situation for determining leadership effectiveness. They comprise:

- *Leader–member relations*. This dimension is regarded as the most important one from a leader's point of view. In a situation where there are good leader–member relations, the leader tends to depend on the group, therefore making sure that they will try to achieve the goals set by the leader.
- *Task structure*. This refers to the degree to which tasks can be formalized and broken down into a series of clearly identifiable procedures. For instance, if tasks are clear and structured, the output can be more easily managed and therefore subordinates can be held more responsible for their performance.
- *Position power*. This refers to the level of influence a leader has on getting group members to comply with his/her vision.

Each leadership situation was evaluated against these three contingency dimensions. More specifically, a leader needs to find out whether they are in a situation where leader–member relations are good or poor; whether task structure is high or low; and whether their position power is strong or weak. By mixing these three dimensions, there are potentially eight different situations that a leader may come across (see Figure 10.1 on the next page).

Based on Fiedler's study with 1,200 groups in which he compared relationship-oriented against task-oriented leadership styles in each of these eight different situations, he concluded that task-oriented leaders tend to perform better in contexts that are either very favourable to them or very unfavourable. However, relationship-oriented leaders tend to perform better in moderately favourable situations (in the middle of the scale in the figure). Although Fiedler has collected considerable evidence to support his proposed model, several limitations have been identified (Peters et al., 1985). For example, researchers have pointed out the methodological problems in verifying his proposed theories. These include weak measures and questionable analyses, as well as conceptual deficiencies such as the narrow focus on a single leader trait and the absence of explanatory processes (Vecchio, 1983; Yukl, 1989). Despite its limitations, the Fiedler model shows considerable support for the claim that effective leadership style must reflect situational factors (Robbins and Coulter, 2002).
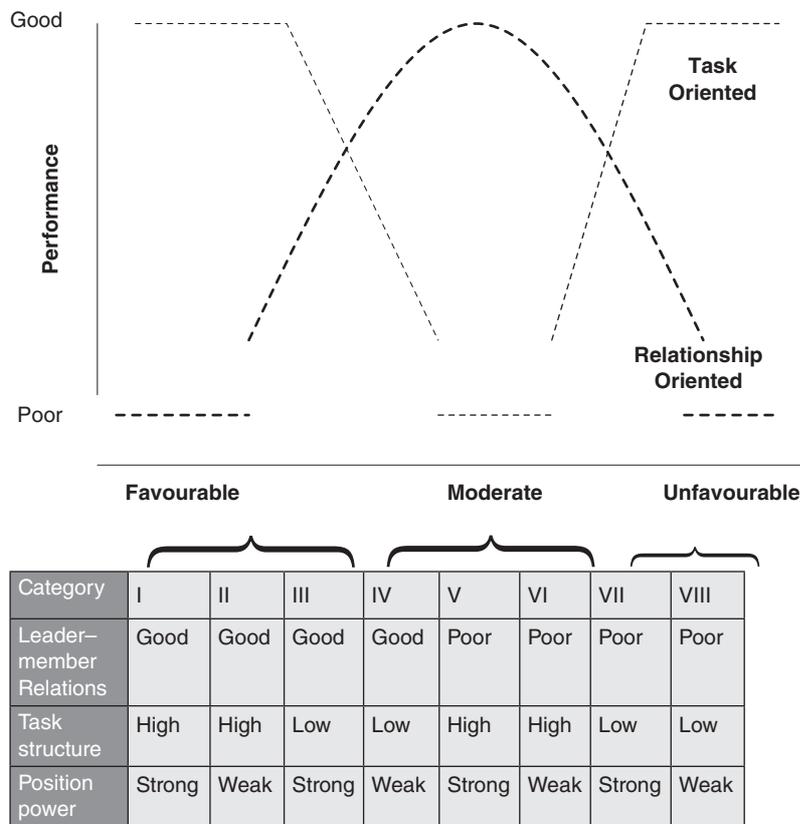
FIGURE 10.1 Findings of the Fiedler Model

(*Source:* Robbins, S. and Coulter, M. 2002. *Management*. Englewood Cliffs, NJ: Prentice Hall, p.465 © Pearson)

Hersey–Blanchard's situational theory

Hersey and Blanchard's situational theory is one of the most widely acknowledged contingency theories. The theory suggests that effective leadership relies on the level of the followers' readiness. Why should we focus on 'followers' and what do we mean by the term 'readiness'? Regardless of a leader's actions, it is the followers who will either accept or reject the leader and, hence, ultimately determine how effective they are (Robbins and Coulter, 2002; Robbins et al., 1994). Followers therefore play a pivotal role in leadership. Moreover, their willingness to take responsibility for directing their own behaviour and accomplish specific tasks related to their job is often labelled as followers' 'maturity' or 'readiness'. There are two types of maturity: job maturity and psychological maturity (Robbins et al., 1994). Job maturity refers to individuals who have a level of knowledge and experience that allows them to perform their jobs without seeking directions from others. On the other hand, psychological maturity refers to individuals who are self-motivated and hence rarely need external encouragement to perform tasks related to their jobs. In this way, Hersey and Blanchard extend Fiedler's *task* and *relationship* leadership styles by considering each of these dimensions as high or low and then combining them to form four distinct leadership behaviours (Robbins and Coulter, 2002). They are:

- *Telling* (high task–low relationship): this behaviour usually reflects directive/autocratic leadership. Leaders who adopt *telling* behaviours define roles in their group and dictate what people should be doing, how they should do it, when it should be completed and where it should take place.
- *Selling* (high task–high relationship): this behaviour reflects leaders who are both directive (in terms of setting tasks and deadlines) but also supportive to their followers.
- *Participating* (low task–high relationship): as opposed to the *telling* behaviour, leaders that adopt *participating* behaviours share the decision-making and task setting with their followers. In this scenario, they often assume the role of a facilitator/communicator.
- *Delegating* (low task–low relationship): this behaviour refers to leaders who are neither directive nor supportive.

Hersey and Blanchard then go on to identify the following four stages of follower readiness:

- *R1:* this is the lowest readiness level; followers are neither able nor willing to take responsibility and actively pursue a task. They are neither competent in their jobs nor confident in their abilities.
- *R2:* followers are unable to complete required tasks, but are willing to take them on. These individuals are self-motivated but often lack the necessary skills and knowledge to complete tasks.
- *R3:* followers are able to complete tasks but they are not willing to follow the leader's requirements.
- *R4:* followers are both able and willing to complete the tasks that the leader assigns.

The leadership behaviours and levels of follower readiness outlined above are integrated into Hersey–Blanchard's Situational Leadership® model.* The model recommends appropriate leadership styles by cross-referencing the level of follower readiness with one of the leadership behaviours (see Figure 10.2 on the next page). The model demonstrates that for followers with low readiness, leaders need to adopt a telling, directive leadership style. When followers' readiness reaches level R2, leaders are then advised to move to a selling style. This should involve a high-task orientation that compensates for the followers' lack of ability to complete the tasks, combined with a high relationship behaviour, which encourages followers to 'buy into' the required tasks. At level R3 followers' readiness increases and, hence, a high relationship–low task leadership style is required. In such cases, leaders are therefore advised to adopt a participating style; this requires supportive and non-directive behaviour. Lastly, when followers' readiness is of a high level (R4), leaders are advised to adopt a delegating style. Here, leaders take a back seat, as followers are both able and intrinsically motivated to complete job-related tasks. Although Hersey–Blanchard's situational theory has received little empirical support (Graeff, 1983; Hambleton and Gumpert, 1982; Vecchio, 1987), it is widely used as a training tool in both corporate and military settings.

Leader participation model

Victor Vroom and Phillip Yetton developed the Leader Participation Model (LPM) in the early 1970s. The model is based on the notion that a leader's behaviour should be related to their participation in decision-making. Vroom and Yetton argued that leaders' behaviour

*Situational Leadership® is a registered trademark of the Center for Leadership Studies.
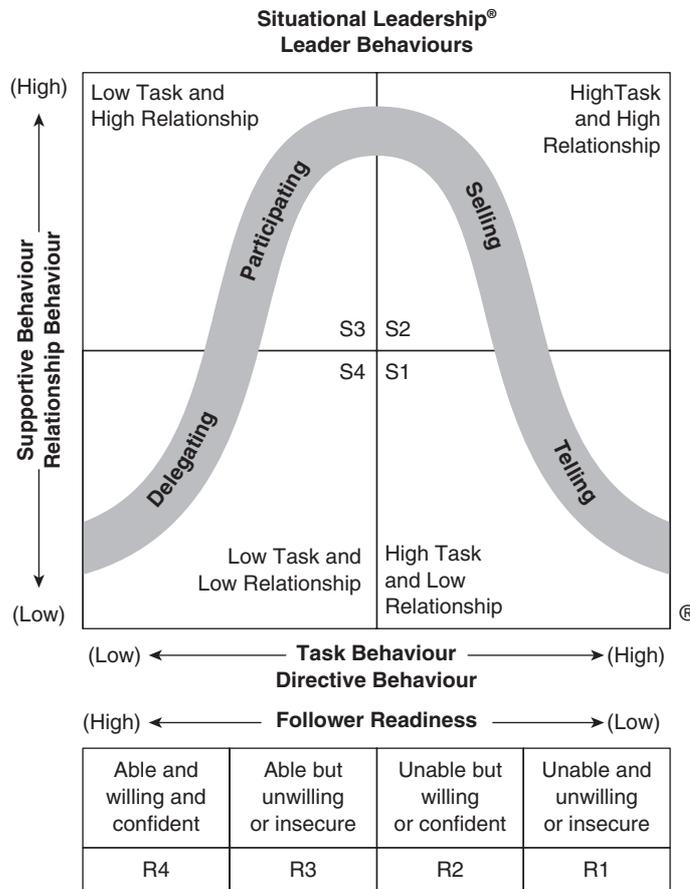
Situational Leadership®
Leader Behaviours

(High) Low Task and High Relationship	HighTask and High Relationship
Participating — S3	Selling — S2
Delegating — S4	Telling — S1
(Low) Low Task and Low Relationship	High Task and Low Relationship ®

Supportive Behaviour
Relationship Behaviour

(Low) ◄——— **Task Behaviour** ———► (High)
Directive Behaviour

(High) ◄——— **Follower Readiness** ———► (Low)

Able and willing and confident	Able but unwilling or insecure	Unable but willing or confident	Unable and unwilling or insecure
R4	R3	R2	R1

FIGURE 10.2 Hersey and Blanchard's Situational Leadership ® Model

Source: Hersey, 1984. The Center for Leadership Studies © 2006. Reprinted with permission of the Center for Leadership Studies, Inc. Escondido, CA 92025. www.situational.com. All rights reserved

must reflect the structure of the tasks, since tasks may sometimes require routine activities and other times may demand non-routine activities. LPM was originally designed as a complex decision tree, which allowed leaders to identify the different leadership styles that they should adopt in different situations determined by seven variables. Subsequently, Vroom and Yetton revised their original model and now include 12 contingency variables in their decision tree (Vroom and Jago, 1988). Leaders are expected to evaluate the situation that they are experiencing based on these 12 variables:

- *Quality requirement:* how important is the technical quality of this decision?
- *Commitment requirement:* how important is subordinate commitment to the decision?
- *Leader information:* do you have sufficient information to make a high-quality decision?
- *Problem structure:* is the problem well-structured?

- *Commitment probability:* if you were to make the decision by yourself, is it reasonably certain that your subordinates would be committed to the decision?
- *Goal congruence:* do subordinates share the organizational goals to be attained in solving this problem?
- *Subordinate conflict:* is conflict among subordinates over preferred solutions likely?
- *Subordinate information:* do subordinates have sufficient information to make a high-quality decision?
- *Time constraint:* does a critically severe time constraint limit your ability to involve subordinates?
- *Geographical dispersion:* are the costs involved in bringing together geographically dispersed subordinates prohibitive?
- *Motivation time:* how important is it to you to minimize the time it takes to make the decision?
- *Motivation development:* how important is it to you to maximize the opportunities for subordinate development?

Based on the situation at hand, the leadership participation model suggests that any of the following five behaviours may occur in a given situation:

- *Autocratic I:* leaders need to solve the problems themselves; rather than involving subordinates, the leaders should reach a decision based on their knowledge of the situation.
- *Autocratic II:* in certain situations it is appropriate to ask subordinates to provide information that may aid problem-solving. However, subordinates do not provide solutions, only information. It is up to the leader to analyse this information and identify a solution for the task.
- *Consultative I:* in some cases, it makes more sense to discuss the problem at hand with each of your subordinates, individually. Once leaders have listened to different views they can then offer a solution, which may or may not reflect subordinates' suggestions.
- *Consultative II:* under some circumstances it may be more appropriate to gather subordinates together as a group, in order to generate a pool of ideas and potential solutions. Again, the leader will then reach a solution, which may or may not reflect subordinates' suggestions.
- *Group II:* in this case a more inclusive approach to decision-making may be required based on the leader's diagnosis of the problem at hand. It may therefore be more appropriate to gather subordinates in a group and jointly decide on the most appropriate solution.

LPM is a valuable framework for determining the role of subordinates' participation in decision-making and hence for identifying the different styles that leaders may need to adopt based on the situations that they encounter.

Path–goal theory

The path–goal theory, developed by Robert House, proposes that the main job of the leader is to assist his/her subordinates to achieve their goals (set and agreed by both the leader and the subordinates) by providing the necessary support. The term 'path–goal' is used since the theory suggests that effective leaders tend to clarify the path to help their subordinates to achieve their goals, while at the same time they try to remove obstacles and prevent

pitfalls. This theory builds on various leadership writings, such as the Ohio State studies on initiating structure and consideration and motivational theories (House, 1971). Essentially, the theory suggests that there are two factors that contribute to effective leadership that need to be taken into account. The first relates to *subordinates' characteristics*, such as their wants, self-belief and abilities. The second refers to the *working environment*, consisting of elements, such as the task itself, the reward system and the relationship with colleagues (Weihrich and Koontz, 1993). Figure 10.3 summarizes the path–goal theory.
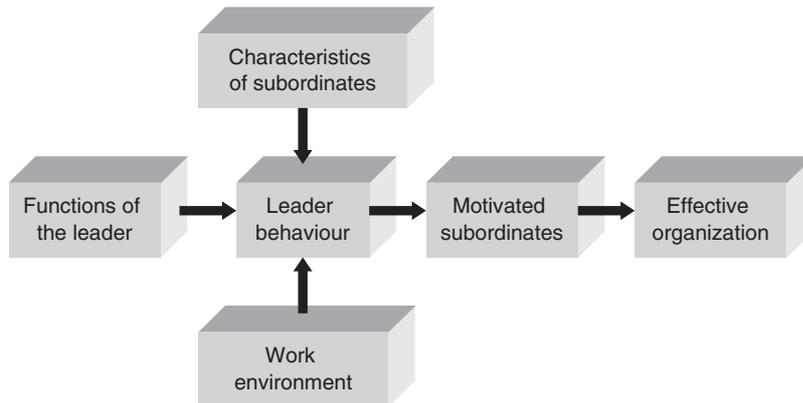

FIGURE 10.3 Path-Goal approach to leadership effectiveness

(*Source:* Weihrich, H. and Koontz, H. 1993. *Management: A Global Perspective*, 10th edn. London: McGraw-Hill, p.508 © McGraw-Hill)

House (1971) identifies four leadership behaviours:

- *Directive leadership:* give subordinates specific direction and make explicit what is expected of them, whilst at the same time the leader focuses on work procedures to be done so that goals are achieved.
- *Supportive leadership:* consider the needs of subordinates and their well-being and create a friendly working environment. This leadership behaviour is particularly effective on the followers' performance when they are demotivated and dissatisfied.
- *Participative leadership:* allow followers to voice their opinions and take them into consideration before reaching a decision (this behaviour typically increases subordinates' motivation).
- *Achievement-oriented leadership:* focus on setting challenging goals and expect subordinates to achieve the set goals as best as they can.

The difference between the 'goal–path' theory and Fiedler's theory is that it suggests that there is no one best way to lead, but that the same leader can exhibit any or all of these behaviours depending on the situation. In the case of an ambiguous or uncertain situation, which may be fairly frustrating for subordinates, a more task-oriented style may be appropriate. In the case of a routine situation with clearly identified tasks, such as those found on a production line, imposing additional structure may be perceived by subordinates as an attempt to exert greater control and may lead them to feelings of dissatisfaction.

The significance of path–goal theory is encapsulated in its two propositions. First, the theory proposes that a leader's behaviour is viewed as acceptable by subordinates

to the degree that they view it as an instant basis of satisfaction or as a way to future satisfaction. Second, a leader's behaviour is motivational to the degree that it (a) makes subordinates' needs dependent on effective performance and (b) offers the coaching, direction, assistance and rewards that are essential for effective performance.

CONTEMPORARY APPROACHES TO LEADERSHIP

Over the past two decades, we have witnessed the emergence of new perspectives on leadership theory. For instance, scholars are increasingly talking about the difference between transformational and transactional leaders; some researchers are revisiting the early trait theories; and a growing number of studies now focus on the characteristics of charismatic and visionary leaders. Two key contemporary approaches to leadership – transformational–transactional leadership and charismatic–visionary leadership – are briefly examined here.

Transformational and transactional leadership

There is a stream of research in the leadership area that focuses on differentiating transformational from transactional leaders (Bass, 1985a; Bass and Avolio, 1990; Burns, 1978). Most of the traditional leadership theories and models that we have reviewed in this chapter (for instance, the Ohio State studies, Fiedler's model, the path–goal theory and the LPM) focus on transactional leaders. Transactional leaders guide and motivate their subordinates towards the completion of goals by clarifying role descriptions and setting task requirements (Robbins et al., 1994). Transactional leadership has two key characteristics (Kreitner et al., 2002). First, these leaders tend to use rewards to motivate employees. Second, they tend to take corrective action only when followers fail to complete the required task or under-perform. On the other hand, transformational leaders pay attention to the concerns and developmental needs of their subordinates, encourage followers to examine old problems in new ways and, perhaps most importantly, are able to inspire organizational members to go out of their way in order to achieve common goals. Interestingly, transformational leaders are usually portrayed as heroes within and outside of their organizational settings; they seem to have a great effect on their subordinates, often contributing to cult-like organizational cultures.

Although at first glance transactional and transformational leadership appear as opposing approaches, in reality, transformational leadership is built on top of the transactional approach (Bass, 1985b; Seltzer and Bass, 1990). While empirical research increasingly supports the notion that transformational leadership is superior to the transactional approach, especially in organizational and military settings (see Bass and Avolio, 1990; Parry, 1992), the debate on leadership goes on unabated.

Charismatic and visionary leadership

Contemporary leaders like Mark Zuckerberg, the Chief Executive of Facebook, and Richard Branson, the British entrepreneur behind the Virgin Group, are often described as charismatic business leaders. Charisma originates from ancient Greeks, who coined the word as 'gift of grace'. They considered 'charisma' as a divine gift. Zuckerberg has been repeatedly pictured in the business press as a genius, who, armed with quintessential zeal and enthusiasm, keeps his troops fascinated and productive and continuously propels Facebook

forward. Another renowned example is Richard Branson. The 63-year-old billionaire (at time of publication) has never been seen wearing a tie and always keeps his hair long. These details embody the unconventionality that characterizes the Virgin Group's identity. Branson is also often referred to as the 'dream boss', the leader who inspires his subordinates with great vision and charisma. Virgin Group tends to enter long-established industries by challenging existing rules and aiming to do things differently. Virgin Money's 'Our quest to make banking better starts here' mission statement is reflected in several ground-breaking, for the industry, initiatives. For instance, savers will get the same interest rate through all distribution channels: online, phone, post or branches (most banks keep the best deals for online customers who are cheaper to deal with). Such charismatic leaders have the ability to exert great influence on their followers; they inspire people to behave in certain ways. They are generally enthusiastic, self-confident and passionate about their business.

Taking into consideration the growth of hero-leaders in today's competitive business environment and the increasing recognition that charismatic leadership is positively correlated with high follower performance and satisfaction, leadership researchers increasingly seek to identify the main characteristics of these charismatic leaders. Several studies that have been conducted suggest that these charismatic leaders have five key characteristics (see Robbins and Coulter, 2002): they have a vision; they are able to communicate that vision; they are willing to take risks in order to realize their vision; they are sensitive to the opportunities and threats posed by the external environment in achieving their vision and are alert to their followers' needs and requirements; and they behave in ways that are 'extraordinary' compared to non-charismatic leaders. Although a number of studies still claim that charismatic leaders are 'born', research supports the view that leaders can be trained to exhibit charisma in their actions (Caudron, 1998). A number of leadership researchers are therefore moving beyond this notion of charisma and focusing on the concept of what they term 'visionary leadership'. Visionary leaders 'create and articulate a realistic, credible, and attractive vision of the future that improves the present situation' (Robbins and Coulter, 2002: 473). In this sense, we are talking about vision that transforms the way we do business and often changes people's lives. Consider the vision that created the first personal computer, the first online bookstore, the first PC web-retailer that removed the middleman; the list is long. Steve Jobs of Apple, Jeff Bezos of Amazon.com and Michael Dell of Dell Computers are all prominent examples of leaders with clear and compelling visions; visions that inspired enthusiasm and mobilized energy across their organizations.

So what are the characteristics of a visionary leader? Research has highlighted three key qualities:

- *Ability to explain vision to subordinates*. Being visionary *per se* is not enough; visionary leaders need to be able to clearly communicate their vision, clarify its requirements and explain what they expect from their followers in order to fulfil this vision.
- *'Walk the talk'*. Visionary leaders need not only talk about their vision but also proselytize by behaving in ways that continually promote and reinforce their vision.
- *Ability to extend or apply the vision to different contexts*. Visionary leaders need to be able to make their vision relevant to different parts of their organization, different stakeholders, employees in different countries, and so forth.

All of these theories of leadership have contributed to our understanding of what makes an effective leader. But how does this relate to our concern with processes of change, creativity and innovation? In exploring this question, the next section examines the importance of leadership as a vehicle for mobilizing these processes in organizational settings.

LEADING CHANGE, CREATIVITY AND INNOVATION

Leadership is an organizational factor that significantly influences change, creativity and innovation (Amabile, 1998; Jung, 2001; Palmer et al., 2006). This is true if one considers the role of leaders in managing change (Kotter, 1996a) and the way that leaders may shape creative processes and support innovative work practices (Jung et al., 2004). Leaders influence culture, structure and resources that are all likely to affect the generation and implementation of ideas within an organization (Tushman and O'Reilly, 1997), and they are often responsible for developing systems that nurture and reward the creative efforts of employees (Amabile, 1996). Leadership remains one of the most widely researched and debated concepts and the role of leadership in change management is hotly contested. Most commentators agree that leadership is necessary for change, but what style of leadership is required, how this may vary in different contexts and how different types of leaders may be appropriate at different stages in the life cycle of organizations, are all contentious issues. As we have shown, from questions of whether leaders are born or made (traits of leadership) through to the leadership grid (Blake and McCanse, 1991), Fiedler's (1967) contingency model, Hersey and Blanchard's (1982) theory of situational leadership and House's (1971) path–goal theory, there is a considerable body of literature in this area. One of the main debates centres on whether participative soft approaches to leadership are always or generally the most appropriate or whether there are circumstances when more directive, hard approaches to leadership are required, whether senior managers can switch between these different styles during major change programmes, and whether the leadership of change is better understood as comprising a network of different roles in a coalition of forces driving and steering change (see Chapters 4–7).

Leadership is also one of the factors that authors agree can considerably enhance or inhibit creativity within the working environment (Mumford et al., 2002; Oldham and Cummings, 1996). For example, the behaviour of a leader may nurture or stifle employees' creative potential (Zhou and George, 2003). On this count, Cummings and Oldham (1997) argue that a 'supportive' supervisory management style is more likely to contribute to creativity than a 'controlling' one since it enhances individual motivation. A controlling style is more likely to hinder individual motivation simply because it does not allow the creative processes to flow (Deci and Ryan, 1985; Deci et al., 1989). Thacker's (1997) empirical study found that group members should see the leader as trying to be supportive of creativity; otherwise the creative processes may be stifled. Leaders, it would seem, can either provide an 'open forum' in which members feel free to roam with new ideas and suggestions, or, conversely, they can provide a tightly constructed set of rules and guidelines in which members have little latitude to express fresh thoughts. Leaders can also influence employees' creativity indirectly by creating a working environment conducive to the generation and implementation of novel and useful ideas (Amabile et al., 1996). This can be achieved by concentrating on enhancing the factors that nurture employees' creativity (e.g. supervisory encouragement, stimulating work, autonomy) while at the same time aiming to minimize, or even eliminate, those factors that inhibit creativity within the workplace.

Several authors identify a range of elements that leaders need to possess in order to develop the conditions under which creativity, change and innovation can flourish (Amabile, 1998; Amabile et al., 1996; Mumford et al., 2002). Eight of these are discussed in more detail below.

Expertise and technical skills: the level of technical and creative problem-solving skills among leaders appears to be a significant predictor of creative performance (Andrews and Farris, 1967; Barnowe, 1975). First, leaders need to act as idea advocates

by sensing and moving ideas around the organization so that they can attract resources and gain acceptance (Cook, 1998). Second, they need to evaluate other people's ideas and provide evaluative feedback. Evaluation must be handled as skilfully as possible since its aim is, first, to identify the merit of different ideas and, second, to provide avenues for further development. Leaders' expertise may also become vital under conditions of uncertainty or where problems are ill-defined. A leader's role is therefore critical in creative environments as they need to be competent facilitators assisting their employees in the achievement of organizational objectives (Amabile and Gryskiewicz, 1989; Mumford, 2000a, 2000b).

Creating and articulating a vision: good leaders are characterized by their ability to inspire others to 'buy-in' to their vision. This starts by clearly articulating their vision in a way that is understood by employees at all levels. For instance, leaders in Lunar Design (a leading Silicon Valley-based NPD consultancy) actively articulate their vision to their employees. Lunar's leaders not only communicate their vision effectively through formal communication channels, but also 'walk the talk' in encouraging employees to think and act beyond current wisdom (Andriopoulos and Gotsi, 2002). By so doing, they create a forum where company employees can openly voice their viewpoints and concerns. This creates a sense of empowerment since employees believe that they are part of something 'bigger', which in turn creates a sense of 'ownership' throughout the organization.

Setting the direction: leaders concerned with environmental scanning who prefer to voice their opinions on what projects should be further exploited, tend to have a positive effect on creative performance (Cardinal and Hatfield, 2000; Cohen and Levinthal, 1990). During the initial stage of idea generation, leaders need to help teams to correctly define the task at hand and then initiate the generation of alternative ideas/concepts. Once different ideas are generated and the organization agrees on the most appropriate ones, leaders then have to identify the requirements for these new ideas to develop and the resources needed for their implementation. Their role is therefore to manage resources and coordinate different teams or groups of people to translate these ideas into products/services. This calls for not only an in-depth knowledge of the area at hand but also a clear understanding of their organization as well as the industry in which they operate (Sharma, 1999).

Powers of persuasion: the persuasive skills of a leader are often vital to mobilizing creative efforts, especially when one considers that creative people are not easily persuaded and tend to act autonomously during much of their working lives (Mumford et al., 2002). Dudeck and Hall (1991), in a study that explored the factors that contributed to the creative success of professional architects in leadership positions, found that persuasive skills were critical. These architects actively generated more new business for their companies, while at the same time persuading clients about the value of their proposals. Some scholars argue that this form of direct persuasion needs to be accompanied by indirect persuasion, where leaders demonstrate social insightfulness, flexibility, wisdom and social assessment skills (Zaccaro et al., 1991).

Communication and information exchange: another effective social skill relates to the encouragement of communication among individuals. In previous chapters we have stressed the importance of the exchange of information as a means of increasing the likelihood of innovation. Communication is vital to the creative process since the cross-fertilization of different ideas/concepts is more likely to lead to more and better ideas. Individuals tend to make more connections when they are exposed to a diverse range of sources and this will eventually lead them to be more creative. For instance, Smart Design, a New York-based design consultancy, promotes the acquisition of both internal and external information. Its employees are not only encouraged

to communicate informally through social interaction and during the more formalized staff meetings, they are also regularly expected to gather information from outside the company. For example, its designers are encouraged to visit and observe how their clients' or their competitors' products are currently used by people in order to identify new opportunities for innovation. At other times, groups of designers may organize trips to exhibitions or several retail stores so that they can gather information related to the latest material and design trends in different industries.

Intellectual stimulation: creative employees are motivated by interesting and complicated problems that require considerable intellectual skills. Leaders must see the need for positive challenges in order to appeal to their employees' need for self-actualization and fulfilment (Mikdashi, 1999). Following the same line of argument, Oldham and Cummings (1996) propose that when the task at hand is complicated and intellectually demanding, creative individuals tend to focus all their energy and time on their jobs. In contrast, tasks that seem more simple or mundane tend not to motivate employees, or allow them to take risks and come up with creative solutions (Shalley and Gibson, 2004). Accordingly, leaders need to pursue projects that encourage intellectual engagement, a sense of personal achievement and a feeling of control over their professional lives.

Involvement: another social aspect that is generally held to be of importance to creativity, change and innovation is the extent to which leaders encourage the involvement of employees. Creative people, as we have already explained, tend to be highly motivated when the task at hand is aligned to their passions and/or interests. A good tactic for effective leaders is to allow employees to choose the projects that they wish to work on, or to strive to provide them with projects that they find attractive and challenging (Pelz, 1967). Another common strategy that leaders may follow is to encourage participation in the framing of the problem at hand and how best to approach it (Mumford et al., 2002), as employees tend to show higher levels of satisfaction when they are allowed to participate in such activities (Mossholder and Dewhurst, 1980).

Autonomy: autonomy has been suggested as the final variable of effective leadership. Taking into account the character of the creative individual, research has long suggested that creative employees need 'room to manoeuvre'. The Oscar-winning director Brad Bird (behind *The Incredibles* and *Ratatouille*) is known to encourage team members from different departments at Pixar to put forth their creativity in a harmonious way (like an orchestra). Brad is an idealistic, passionate man who realized early in his career that he had to do whatever he could to make his team of animators feel involved and engaged in the creative process. He encourages people to express their ideas, initiates brainstorming sessions to address key problems identified over the different stages of a movie and regularly steps back to let them work on the task. Autonomy allows creative individuals flexibility to experiment with new ideas/concepts. However, creative leaders need to balance the amount of autonomy that they grant their employees with accountability, and this is often tricky, as it must not be perceived by employees as an attempt to control the work process (Mikdashi, 1999). Research in this area has generated some very interesting insights. For instance, regimes that lack control or are very strict tend to hamper innovation, whilst those that can balance autonomy and accountability promote higher levels of motivation and productivity (Pelz and Andrews, 1976). An explanation of this might be that too much control is often perceived by creative employees as a loss of autonomy, whereas too loose controls may allow employees to focus on pursuing their own passions and ignore the directions set by the organization. In other words, it is important to gauge an appropriate level of autonomy for employees in the pursuit of an efficient level of

creative performance (Shalley and Gibson, 2004). The next section briefly examines how leaders operating in uncertain technological environments manage the co-existence of entrepreneurial, risky ventures with more established operations.

LEADING AN AMBIDEXTROUS ORGANIZATION: EXPLOITATIVE AND EXPLORATIVE INNOVATION

Innovation marks a vital but challenging management responsibility. To prosper, even survive, firms must excel at both exploitative and exploratory innovation (Gibson and Birkinshaw, 2004; He and Wong, 2004; Tushman and O'Reilly, 1996). Yet, tensions emanate from the differences in these forms of innovation (March, 1991). As Atuahene-Gima (2005) explains, exploitation hones and extends current knowledge, seeking greater efficiency and improvements to enable incremental innovation. On the contrary, exploration entails the development of new knowledge, experimenting to foster the variation and novelty needed for more radical innovation. Organizations that have both are capable of catering to current markets, while at the same time they create the future. Their leaders address current product/technological and market demands, while simultaneously developing new ones (Nemarich and Vera, 2009).

Interestingly, Rosing et al. (2011) note that companies that grapple with these contradictory demands have to adopt an ambidextrous leadership style that fosters both explorative and exploitative behaviours in followers. This can be achieved by increasing or reducing variance in followers' behaviour and by flexibly switching between these behaviours. Their argument is based on the premise that innovation is a complex and unpredictable activity, where the generation and implementation of ideas are not organized sequentially (Anderson et al., 2004). Therefore, the leader must initiate explorative or exploitative behaviour in their followers. On the one hand, fostering exploration may require the adoption of an 'opening' leader behaviour, which focuses on 'breaking up of routines and thinking in new directions' (Rosing et al. 2011: 967). This includes a set of leader behaviours, such as encouraging followers to do things differently, developing the space for independent thinking, as well as supporting attempts to challenge the status quo. On the other hand, fostering exploitation may require the adoption of a 'closing' leader behaviour, which mainly focuses on 'streamlining and narrowing down' (Rosing et al., 2011: 967). This includes a set of leader behaviours, such as sticking to plans, setting specific deadlines and monitoring and controlling goal attainment. Ambidextrous leaders must also be sensitive to understanding which behaviour is situationally appropriate.

In many companies, the CEO sits at the centre, surrounded by business unit heads, each of whom communicates only with her/him (Tushman et al., 2011). Consequently, the CEO, with her/his advisers, will negotiate tensions among these units – for instance, insulating innovation from short-term demands and making trade-offs across the organization. In other words, meetings primarily focus on exchanging information in relation to the business units and the resolution between exploitative and exploratory strategies occurs in the leader's office. Only a few studies so far have looked at the way that team-centric leadership (the CEO with the business unit heads) resolves these contradictory demands (e.g. Smith and Tushman, 2005). Here, the responsibility for resolving these tensions lies with the team instead of the individual (CEO). Decisions are reached collectively by the senior team in terms of how resources are allocated and how trade-offs between the short and long term are made (Tushman et al., 2011). In this approach, the business unit heads are compensated based on the overall performance of the company (rather than based on

their respective P&Ls). So, communication and information exchange becomes a must and their goal to discover together the best way to advance the company's agenda in both the short and the longer term underpins everything that they do. Similarly, Rigby et al. (2009) highlight the importance of pairing analytic left-brain thinkers with imaginative right-brain partners. Well-known and successful duos, such as David Packard and Bill Hewlett (HP's founders), tend to share complementary styles (analytic and creative), which allow them to steer innovation investments toward the most promising areas, while fostering a culture of curiosity and risk-taking.

Before moving on to our next section, read the case below on creativity and leadership style and consider the questions posed from the story of Greg Blatt, the CEO of InterActiveCorp (IAC), an internet company with more than 50 diversified internet businesses (e.g. vimeo, ask.com, thesaurus.com, match.com) that attract over 269.3 million unique visitors across more than 30 countries.

CASE 10.1

A lawyer finds his perfect match by David Gelles

(Source: *Financial Times*, 6 February 2012)

Greg Blatt (CEO of the media company IAC) is talking fast and loud. So loud that, after a while, your ears begin to hurt. It is as if he's at a sports match and is shouting to be heard above the roar of the crowd. But as the chief executive of IAC – the company behind search engine Ask.com, entertainment site CollegeHumor and Match.com, the world's biggest online dating site – enthuses about his business, his big voice ricochets around his glass-walled office with a view of the Statue of Liberty. 'It's been a great year,' he booms.

Mr Blatt is excited because it has indeed been a good first year on the job. Full-year results, released last week, showed annual revenues up 26 per cent to $2.1 billion, with profits up 75 per cent to $174 million. IAC shares have also outperformed the market and peers since he took over the day-to-day running of the business from media mogul Barry Diller in December 2010. Mr Blatt is also shouting because, well, that's the kind of guy he is. 'It's been this incredible combination of execution and innovation,' he says in his amplified voice. ('That wasn't loud for him,' an assistant later explains.) When he wants to

make a point, he stretches out his arms as if he has just scored a goal in a football match. On his desk, next to unopened bottles of bourbon and a flask engraved with 'Match.com', is a picture of him with friends at the 2002 Super Bowl, which his home town New England Patriots won. 'I'm just a guy,' he says. 'I go to the beach in the summer and ski in winter. I don't have any ant farms. I don't collect stamps.'

He is unmarried – and has even cancelled his subscription to Match.com. 'I'm a single guy,' he says. 'I have a bunch of friends in the city. I date ladies from time to time.' Solidly built with a boyish face, the 43-year-old seems barely able to contain himself, rocking back and forth in a high-backed leather chair. Combined with his casual look – Diesel jeans and a blue Oxford shirt with three buttons open – he would seem more at home at a buzzy Silicon Valley start-up than a big New York company. But perhaps he is at the perfect company for him, as IAC is a rather unusual media business. With minimal exposure in television, music or film, and hardly any in print – it recently purchased *Newsweek* magazine – it is essentially a holding company for about sixty websites.

This 'guy' has also had two high-profile, conventional media mentors. Mr Blatt's first in-house legal job was as general counsel for Martha Stewart, helping the lifestyle guru to take her company public in 1999. Before one critical meeting, Ms Stewart took

Mr Blatt out for hors d'oeuvres to talk over the deal. 'We're sitting there and I suddenly realize the olive in my mouth had a pit,' he recalls. 'I didn't know what the proper etiquette was. I considered swallowing it. She said, 'Greg, you know what you do with the pit?' Then she put her fingers in her mouth and put it on the table. She has a good sense of humour.'

In 2003, he took the same role at IAC. He describes it as 'a uniqueish company'. In the 1990s, Mr Diller built it after running Fox and Paramount Pictures, picking up assets as diverse as travel website Expedia, the Home Shopping Network and Ticketmaster. He understood that businesses with online exposure would make good investments, and he was right. Mr Blatt joined 'after all the aggregation, and before the disaggregation'. In the early 2000s, Mr Diller realized that while focusing on online-savvy companies may have been a good investing principle, it was not necessarily a good operating one. Even though both had online components, there are not many synergies between a television network and a ticketing agency. 'Everybody is on the internet,' Mr Blatt says. 'When people talk about "internet companies", I don't know that that means anything any more.'

So Mr Blatt helped Mr Diller spin off the companies that didn't fit, starting with Expedia in 2005, and continuing with Home Shopping Network, Ticketmaster and others in 2008. 'We disaggregated to a group of businesses that have far more commonality among them,' he says. After six years as general counsel, Mr Blatt was tapped to run Match.com, and in December 2010 he took over as IAC chief executive. Mr Blatt describes the company 'as a federal system', with the individual businesses acting as the equivalent of state governments. 'We try to give the businesses as much autonomy as we can and get involved only where we can add value.' To explain his own role as chief executive within that, perhaps unsurprisingly Mr Blatt reverts to a sports analogy. 'It really is a team sport,' he says. 'And I'm a player too. I'm not the coach, I'm not the owner. Maybe I'm the captain.'

Today, what binds Dictionary.com, BlackPeople-Meet.com and IAC's other sites, he says, is that 'none of them have physical presences and they all focus on the lifetime value of customers … I can leave one room talking to one chief executive, and go to another one and speak the same language.' As for the rest of the web, he sees Google as a 'frenemy'.

'They're a competitor in search, they're a supplier in listings, they're a source of customer acquisition for some businesses,' Mr Blatt says. Likewise, he does not see Facebook as a direct competitor. Yet the skyrocketing valuations of internet start-ups, led by that company's pending IPO [initial public offering, made 18 May 2012] have made it harder for IAC to find acquisition targets to fuel its growth. 'It's frothy out there, despite all the economic woes,' he says. This has made it even tougher for IAC to find ways to spend its prodigious cash pile of $870m, a recently issued dividend notwithstanding.

Mr Blatt's management style is clearly informed by those of his mentors. If Ms Stewart taught him to relax before big moments, Mr Diller taught him to seize them. 'Barry's had a long career of these long headline moments,' Mr Blatt says. 'He rises to them.' Just before our interview, walking through the lobby of IAC's luxurious, Frank Gehry-designed building, I encountered Mr Diller himself, now chairman. Dressed in jeans and a hooded sweatshirt, he was examining swatches of new carpeting and panels of exotic hardwood flooring with an interior decorator. He was clearly startled to see a reporter in his inner sanctum. 'Why are you here?' he asked tersely. When a minder explained that it was to interview Mr Blatt, he looked puzzled and I was quickly shuffled away.

What does Mr Diller do apart from picking out new carpeting? 'We each have our roles,' says Mr Blatt, noting that the chairman focuses on capital allocation while he keeps an eye of each of the businesses.

Comfortable as he is with this new role, however, even Mr Blatt admits to being surprised at finding himself as Mr Diller's successor. 'I went to law school because I didn't know what I wanted to do,' he says, throwing his hands up in the air. 'If someone had asked me if I would be working in the internet after law school I would have said: "What's the internet?"'

The CV

- *Born:* 1968, Boston
- *Education:* Bachelor of Arts, Colgate University; Juris Doctor, Columbia Law School
- *Career:* 1995, Associate, Wachtell, Lipton, Rosen and Katz; 1997, Grubman Indursky and Schindler,

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◀ PC, working on media deals; 1999, joins Martha Stewart Living Omnimedia as general counsel – helps to take the company public; 2003, joins IAC as general counsel; 2009, named chief executive of Match.com, IAC's online dating site; 2010, succeeds Barry Diller, IAC founder, as chief executive
● *Interests:* hanging out with friends; the New England Patriots

Questions

1. How would you describe Greg Blatt's leadership style? Discuss.
2. What sort of leadership behaviour do you think is more conducive for innovative companies?
3. What attributes of transformational or transactional leadership does Blatt display at IAC?

CHALLENGES

Today, the complexity of creative tasks that organizations face presents a multiplicity of challenges for leaders of innovative and creative companies. This contextual complexity makes it difficult for leaders to possess all the skills necessary to provide both direction and feedback to their employees. They often have to rely on additional experts and use the problem-solving skills of others in order to achieve their objectives (Baumgartel, 1957). In the companies that we have researched effective leadership of creativity often follows a twofold process (Andriopoulos and Lowe, 2000). First, leaders try to actively combine the personal aspirations of employees with emerging commercial trends and hence stimulate consideration of new projects that need to be explored. It is not unusual for creative companies to initiate their own internal projects (also known as 'blue-sky projects') and then try to identify potential clients who will be interested in funding their ideas/concepts. In other words, effective leaders are aware of the importance of speculative projects and actively support them by providing the required resources. Companies that adopt this strategy often create another source of income by selling their ideas to potential clients. They may also provide key stakeholders with an opportunity to learn about intriguing and interesting ideas that the company is thinking about. Blue-sky projects are therefore not only important for 'keeping the spark alive' within the working environment, but also in providing companies with excellent opportunities to demonstrate to potential clients, or even prospective employees, that the company's leadership encourages intellectual stimulation and cutting-edge work.

Second, effective leaders are often very skilful in evaluating which projects are suitable for the company's portfolio. Leaders assess the potential of projects with the opportunities they afford for the intellectual engagement of employees. An interesting observation that has emerged from our research is that effective creative leaders tend to maintain very detailed databases, which describe the nature and the duration of the projects that their employees have been involved with in the past. By so doing, they can allocate potential projects that not only develop creative people's existing skills, but also motivate them by giving them the opportunity to be involved in something new and interesting.

CONCLUSION

The chapter has examined a range of approaches to leadership and how these relate to processes of change, creativity and innovation. Leadership is critical to managing change, to creating and sustaining environments conducive to creativity and to supporting the translation of new ideas into commercial products and services. To summarize:

A key element of leadership is getting employees to turn their creative ideas into tangible products/services that can better serve the needs of their customers. Accordingly, leaders need to understand the context within which their employees work and manage their human resources in order to support change, creativity and innovation. One of the biggest challenges that leaders face is to create an environment where everyone feels empowered to take action that seeks to achieve a common target. Imposing strict regimes to ensure that people behave in predefined ways in order to complete tasks successfully does not lead to the generation and implementation of novel and useful ideas. Conversely, if leaders allow their employees only to go after interesting problems and encourage them to ignore the company's rules, or to constantly challenge the established norms, opportunities for creative solutions to company problems may also be lost.

Effective leaders have to be able to balance autonomy and control, direction and space, through integrating and aligning a range of organizational variables. Although leadership is a critical influence, it is not the only factor that steers change and enhances creativity and innovation within the workplace. Culture, structure, systems and resources are all factors that can be developed and used in providing an environment that promotes rather than stifles change, creativity and innovation.

Leading change, creativity and innovation involves more than a single leader or style of leadership; it involves a range of people and approaches that need to adapt and change over time to meet the different contextual requirements and changing expectations and needs of all those involved in these complex dynamic processes. This is perhaps one of the reasons why there may never be an all-embracing theory of leadership.

CASE 10.2

Disney's mild-mannered prince crowned king Robert Iger's style is very different from his predecessor by Joshua Chaffin

(Source: *Financial Times*, 30 September 2005)

Just after the stroke of midnight tonight, when Robert Iger is officially anointed as Walt Disney's sixth chief executive, he will confront a slew of challenges bearing down on the Magic Kingdom.

These include a downturn in the core film business, the complications of expanding into foreign markets, particularly China and India, and the urgency pressing upon all traditional media companies to reinvent their businesses for a new digital era. Yet one of the most vexing challenges facing Mr Iger, 54, may be one of the least tangible: to step out from the very long shadow cast by his charismatic – and sometimes combative – predecessor, Michael Eisner.

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'People know Iger, but they know him as a non-CEO,' says Dennis McAlpine, an independent media and entertainment analyst. 'He's going to have to transform himself.'

After all, over the last 21 years it was Mr Eisner who expanded Disney from a few iconic theme parks and a film business with revenues of $1.5bn to a diversified global media giant with revenues of more than $30bn. Even despite the turmoil of recent years, in which Mr Eisner has sparred with Disney partners, alienated board members and mired the company in an embarrassing and public legal battle over compensation, his legacy remains formidable.

Mr Iger, a one-time weatherman and long-time ABC TV executive, was not an overwhelming favourite for the top job. Some investors complained that his tenure as Disney's president for the last five years made him at least partly responsible for its recent problems. Since his promotion was announced in March, Mr Iger, who is sometimes described as a technocrat, has sketched out his vision only in broad terms. It includes harnessing technology, such as high-definition TV, to make Disney's content more appealing; building more franchises, such as The Pirates of the Caribbean, that can be translated into toys and video games and other properties; and expanding into international markets.

He has carefully avoided any grand gestures that might suggest a sharp break with his boss. His comments at a recent Goldman Sachs media conference in New York were a typical example of the deference he has shown Mr Eisner. 'I have worked with Michael for 10 years since Disney bought Capital Cities/ABC in 1995 and I have been his partner as president and COO for five years. It has been an incredibly rich experience for me, a great experience,' he said. Yet, in subtle ways, Mr Iger has begun to separate himself from Disney's long-time king. He recently moved to restructure, and effectively de-fang, the strategic planning group, an internal organ that Mr Eisner used to wield tight control over Disney's different business units.

Mr Iger has also played the role of peacemaker. He managed to forge a compromise with Roy Disney, an aggrieved former director and heir, quelling a shareholder revolt against the company. He wrapped up bitter negotiations with Bob and Harvey Weinstein over their separation from Miramax, Disney's speciality film label. And he has managed to bring Steve Jobs back to the bargaining table after the Pixar chief had insisted that his animation studio would not renew a vital distribution deal with Disney as long as Mr Eisner was around.

'He has put forth a clear message that this will be a kinder, gentler Disney,' Jessica Reif Cohen, a Merrill Lynch analyst, wrote in an approving note to investors. Or, as one media investor put it less diplomatically: 'He doesn't piss people off the way Eisner did.'

Having notched those modest accomplishments, investors are now eager to see what Mr Iger will do when he is running the company on his own. With the ABC and ESPN networks on a roll, the first test for Mr Iger may be righting Disney's animated film division. Once the life-blood of the company, it has been surpassed by rivals such as Pixar and DreamWorks, which have mastered the art of computer animation (CGI). In November, Disney will release *Chicken Little*, its first in-house CGI production and a watershed moment for the company. The early reviews have been good. But whether the film is a hit or a flop, the one certainty is that the responsibility will now fall squarely on Mr Iger's shoulders.

Questions

1. How would you describe Michael Eisner's leadership style?
2. Do you think that Michael Eisner should have retired? Why or why not?
3. What do you think is the new CEO's biggest challenge in sustaining and igniting creativity at Disney at this point? Be as specific as possible.
4. What should the new CEO do to meet this challenge? Devise an action plan.

RESOURCES, READINGS AND REFLECTIONS

CHAPTER REVIEW QUESTIONS

The questions listed below relate to the chapter as a whole and can be used by individuals to further reflect on the material covered, as well as serving as a source for more open group discussion and debate.

1. In your opinion, how are managers different from leaders? Be as specific as you can and support your arguments.

2. Which are the key ingredients of leadership?

3. What are the main differences between the trait and behavioural theories?

4. What is the main contribution of the contingency theories?

5. Which of the discussed theories has the greatest practical application? Please use examples of business leaders to illustrate your points.

6. Identify the key elements that leaders need to possess in order to develop the conditions under which creativity and innovation can flourish.

7. What kind of challenges do leaders in creative/innovative companies have to address in order to be efficient in their roles? Please discuss.

HANDS-ON EXERCISE

Students are required to find an article (magazine, newspaper or internet) where an individual from any part of life (business, politics, sports, arts, etc.) has demonstrated leadership qualities. Each student is expected to bring this article to the class for discussion and also describe the leadership style that the individual of their choice is exhibiting by using one of the theories discussed in this chapter.

GROUP DISCUSSION

Debate the following statement:

The leadership style is undoubtedly more important than the situation.

Divide the class into two groups. One should argue as convincingly as possible that the leader's behaviour is the main factor that affects the effectiveness of the work group. The other should prepare its arguments against this, highlighting that the situation is more important in determining the effectiveness of the work group. Each group should be prepared to defend their ideas against the other group's arguments by using real-life examples.

RECOMMENDED READING

Fuda, P. and Badham, R.J. (2011) 'Fire, snowball, mask, movie. How leaders spark and sustain change', *Harvard Business Review*, 89 (11): 145–8.
Reid, W. and Karambayya, R. (2009) 'Impact of dual executive leadership dynamics in creative organizations', *Human Relations*, 62 (7): 1073–112.

Yukl, G. (2012) *Leadership in Organizations*, 8th edn. Harlow, Essex: Pearson Education.
Wang, P. and Rode, J. (2010) 'Transformational leadership and follower creativity: the moderating effects of identification with leader and organizational climate', *Human Relations, 63* (8): 1105–28.

◀ SOME USEFUL WEBSITES

- The Center for Creative Leadership's website has many articles, book suggestions and other information on networking events and programmes related to leadership: www.ccl.org

- This is the website of the Frances Hesselbein Leadership Institute (whose mission is to strengthen and inspire leadership in the social sector and their partners in business and government), which provides insight and information on leadership: www.hesselbeininstitute.org

- The Institute of Leadership and Management (the UK's largest management body, combining industry-leading qualifications and specialist member services) has many articles and reports about enhancing the standards of leadership and management: www.i-l-m.com/

- For the HBR article by Peter Fuda and Richard Badham (Fire, Snowball, Mask, Movie: How Leaders Spark and Sustain Change), there is an introductory video at: http://hbr.org/2011/11/fire-snowball-mask-movie-how-leaders-spark-and-sustain-change/ar/1

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