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Corporate Executives as Beleaguered Rulers: The Leader's Motive Matters

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Abstract

Recent corporate scandals have heightened public awareness of the enormous power that corporate executives wield in modern society. Because they wield such enormous power, May (2001) believes that it is imperative that we “examine directly the moral underpinnings of the market place and the moral status of corporate leaders within it” (p.131). In this paper the works of Burns (1978), Bass (1998), Greenleaf (1977), and Kanungo and Mendonca (1996) are used to develop a framework for examining and critiquing the motives of corporate executives. This framework draws a sharp distinction between the egoistic motives of power wielding pseudo-transformational leaders and the altruistic motives of true transformational leaders. Servant leadership is presented as a leadership model built on the altruistic motive pattern that provides a viable alternative to contemporary leadership practices.

Introduction

The recent rash of corporate scandals has awakened our collective consciousness to the fact that self-interest unchecked by moral reasoning and obligation results in a destructive greed. This greed not only destroys the lives of the executives that are driven by it to ethical compromise, but ultimately impacts thousands of innocent individuals as the outcomes trickle down corporate hierarchies, spilling over into communities, and crashing through families. Recent headlines have sharpened the outcry for a new standard of corporate integrity and public accountability.

The tragedies of Enron, WorldCom, Tyco, and Arthur Anderson raised awareness that perhaps the most powerful group in modern society is corporate executives. This realization led William May (2001) to include corporate executives among his “beleaguered rulers,” the various professionals that wield enormous power in contemporary society. In eight chapters May examines the power wielded by modern professionals including medical doctors, lawyers, engineers, politicians, media professionals, ministers, and professors. Given this list, it may seem odd that corporate executives would be included, yet corporate leaders are “unacknowledged public rulers” who are largely responsible for creating and providing professional services. Because they wield such enormous power, May believes that it is imperative that we “examine directly the moral underpinnings of the market place and the moral status of corporate leaders within it” (May 2001, p. 131).

According to May, “professionals wield an enormous power” (p.1). This assertion is best understood by viewing power from the perspective of the management and social influence literature. According to this view, power is a relational construct referring to the amount of perceived power or control that an actor or organizational sub-unit has over others (Conger & Kanungo, 1988; Pfeffer, 1981). This perspective builds on social exchange theory (Blau, 1964; Emerson, 1962; Thibaut & Kelley, 1959) which views power as a function of the dependency target individuals have on actors (Pfeffer, 1981). Thus, the greater the level of dependency a follower has on a leader is, the greater the power that leader would have over the follower. In organizational settings this power-dependency dynamic is heightened by a leader's ability to control resources or performance variables that are important to the organization. Because corporate executives control many production and distribution decisions, as well as decisions concerning employment and wage levels, it is easy to extend this view of power beyond the boundaries of the organization and see the impact these “unacknowledged rulers” can exert in society.

If power is to be viewed as a function of dependency, a key question then becomes how will those who have power handle the dependencies of others? Those who lead to have a deep

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moral obligation to handle those dependencies delicately. The importance of this obligation is stressed in the work of James MacGregor Burns (1978) who identified the need to discuss power and leadership as relationships which must be analyzed in a context of human motives and physical constraints. For Burns, power is a process "in which power holders, possessing certain motives and goals, have the capacity to secure changes in the behavior of a respondent." For Burns, the power relationship consisted of three elements: the motives and resources of power holders, the motives and resources of power recipients, and the relationship between all three.

Building on this definition of power, Burns drew a sharp distinction between leaders and power wielders. Power wielders use the resources of their power bases that are relevant to the attainment of their own purposes. In contrast, Burns defines leadership as a process that takes place in the context of a relationship between leaders and followers. Through this process leaders induce followers to achieve goals that represent the values, motivations, wants, needs, aspirations and expectations, of both leaders and followers. Thus, leadership is viewed as a mutually beneficial relationship. As such, leadership, unlike naked power wielding, is thus inseparable from followers' needs and goals. According to Burns, "power wielders may treat people as things, but leaders may not. All leaders are actual or potential power holders, but not all power holders are leaders."

For Burns, leadership can take two fundamentally different forms: transactional and transformational. Transactional leadership takes the initiative in making contact with others for the purpose of an exchange of valued things. This type of leadership is based on a contractual ethic that emphasizes contingent rewards. While a leadership act may take place, it is not one that builds leader and follower together in a mutual and continuing pursuit of a higher purpose. In contrast to transactional leadership, Burns presents transforming leadership. According to Burns transformational leadership occurs when leaders and followers interact with each other in such a way that they raise one another to higher levels of motivation and morality. It becomes moral in that it raises the level of human conduct and ethical aspiration of both leader and led, and thus has a transforming effect on both. Thus, transformational leadership is rooted in a covenant relationship, rather than a contractual one. Thus, transforming leadership creates a relationship between the leader and the follower that is characterized by reciprocity of influence and mutual vulnerability.

Burns' concept of transforming leadership has been operationalized as transformational leadership in the work of Bass and his associates (e.g. Bass, 1985; Avolio, 1999). Transformational leadership is distinguished from transactional leadership behavior in several ways. Transactional leadership emphasizes the transactions or exchanges that take place between leaders and their followers. These exchanges are based on the leader's identification of performance requirements and clarification of the conditions and rewards that are available for meeting those requirements. Transformational leaders do more with their followers than simply develop conditional exchanges and agreements. Although transformational leaders may exhibit transactional behaviors (Wofford, Goodwin, & Whittington, 1998), their leadership style also includes one or more of the following behaviors: ascribed charisma, inspirational motivation, intellectual stimulation, and individualized consideration (Bass & Avolio, 1994; Avolio, 1999). These behaviors transform followers and motivate them to do more than initially expected. This transformation occurs by raising the followers' awareness of the significance of designated outcomes, getting followers to transcend their self-interests for the good of the organization, or augmenting followers' needs on Maslow's (1954) hierarchy of needs (Bass, 1985).

Idealized vision refers to the role-modeling behavior of transformational leaders. These leaders are admired, respected, and trusted. Consequently, their followers identify with and attempt to emulate them (Bass & Avolio, 1994). To earn this credibility, transformational leaders consider the needs of others over their own share risk with their followers and demonstrate high standards of moral conduct. These leaders engender faith in others by empowering followers and creating a joint sense of mission (Avolio, 1999). Inspirational motivation occurs through envisioning and articulating an attractive future that provides meaning and challenge for followers (Bass, 1985). Clear expectations are communicated with a demonstrated commitment to goals and the shared vision. Intellectual stimulation is created by the transformational leader's questioning of assumptions, reframing of problems, and approaching existing situations from a fresh perspective

(Bass, 1985). This behavior encourages innovation and creativity. Participation and creative risk-taking are encouraged without the fear of public criticism or penalty for departure from the leader's ideas (Heifetz, 1994). Individualized consideration refers to the transformational leader's mentoring role. Through this role, the leader pays special attention to each individual's need for achievement and personal growth (Bass, 1985). Delegation is used as a developmental tool to advance followers to successively higher levels of potential. Learning opportunities are created within the context of a supportive environment to further facilitate the development of followers.

Bass did not view transformational leadership as replacing transactional leadership. Rather, he viewed transformational leadership as augmenting transactional leadership (Bass, 1998). Taken together, these two sets of leadership behavior formed "full range of leadership" (Avolio, 1999) that is used by effective leaders. While not drawing a sharp line between transactional and transformational leadership, Bass (1998) did however draw a distinction between "true" transformational and "pseudo-transformational" leaders. According to him, while overt behaviors might appear the same, true transformational leaders differ from pseudo-transformational leaders in terms of values, power motive, social distance, and concern for follower development. True transformational leaders operate from a goal of being "morally uplifting" to followers. True transformational leaders also differ from pseudo-transformational ones by channeling their need for power into "socially constructive ways in the service of others."

Pseudo-transformational leaders often seek to enhance their personal status by establishing personal distance between themselves and their followers. This distance is maintained by the manipulation of agendas, maximizing outcomes at the expense of others, and squelching conflicting views. By doing so, pseudo-transformational leaders deliver a bogus empowerment (Ciulla, 1998) that promises followers the freedom and resources to act on their judgements, but fails to deliver. True transformational leaders seek to persuade others based on the merit of their ideas, and operate with a degree of openness that encourages the development of their followers. In fact, it is probably on this dimension of individualized consideration that the pseudo-transformational leader fails (Bass, 1998).

What's Your Motive ?

It is clear that the distinction between power wielders and leaders (Burns, 1978) and true and pseudo-transformational leaders (Bass, 1998) hinges on the question of motive. Thus an important question is "why do leaders want to lead?" In response to this question Kanungo and Mendonca (1996) have identified two contrasting leadership motive patterns that provide an answer to this question: Altruistic and Egotistic. The altruistic motive pattern is rooted in the intent to benefit others. Conversely, the egotistic pattern is based on the intent to benefit oneself. Kanungo and Mendonca (1996) further differentiate between the two motive patterns by looking at the operative needs and influence strategies of the leaders who operate from each of the motive patterns. The operative needs dimension refers to the leader's combination of needs for affiliation, power and achievement (McClelland & Burnham, 1995; Boyzatis, 1973; 1982). Influence strategy refers to the power bases (French & Raven, 1959) and influence tactics used by the leader.

According to Kanungo and Mendonca (1996) leaders who operate from the egotistic motive pattern are driven by avoidance affiliation, personal power, and personal achievement. Individuals whose relationships are characterized by avoidance affiliation use relationships in order to protect themselves. Thus, the need for affiliation is based on the individual's sense of insecurity and manifests itself in "non-interfering" and "easy-to-get-along" behaviors, even when the job situation demands otherwise. These leaders are reluctant to give negative feedback to subordinates. They yield to employee requests because they do not want to incur the employee's displeasure, and they do so without regard to the effect of their behavior on the need for equity, due process, and order in the workplace. Consequently, followers are left in a position of weakness without a sense of what might happen next. Followers do not know where they stand in their relation to their manager, or even what they ought to be doing (McClelland & Burnham, 1995).

In contrast to the avoidance affiliation of the egotistic leader, altruistic leaders have an affiliative interest in their followers. These leaders are motivated primarily by a genuine interest in others and emphasize relationships in a manner that is consistent with the demands of the job. These leaders relate to followers as individuals with ideas and resources. Thus, followers are viewed as partners in the problem-solving and related activities necessary for attaining organizational objectives. Consequently, supportive feelings permit the interpersonal relationships between altruistic leaders and their followers.

Egotistic leaders have a high need for personal power. They are preoccupied with their own interests and concerns. This self-interest is often pursued even at the cost of the organization's welfare and effectiveness. These leaders demand and expect followers' loyalty and efforts to be directed toward the achievement of the leader's personal goals. Because of this, these leaders tend to draw on the resources inherent in the power base of their position. The personal power need of egotistic leaders seems to be rooted in a deep-seated sense of insecurity, which manifests itself in dictatorial forms of behavior. This behavior in turn leads to defensive relations with their followers. Insensitive to the needs of their followers, they expect unquestioning obedience to and compliance with their authority and decisions (Howell & Avolio, 1992).

Altruistic leaders are characterized by an institutional need for power. In contrast to the individualized need for power, these leaders have a dominant preoccupation with the concerns, goals, and interests of the organization and its members. They yield their self-interest to that of the organization. They draw primarily on the resources of their personal power base—that is, expertise or attraction as perceived by the followers. While relying primarily on personal power bases, these leaders also may rely on rewards and sanctions as means of control and influence. However, they do so impartially and equitably. In contrast to the personal power need of egotistic leaders, the institutional power need is derived from identification with and commitment to the organization's objectives and interests. Thus, power is a tool of serving the needs of the organization and its members. It is manifested in behaviors and feelings that serve to help and support the followers in accomplishing their tasks. Leaders who operate from an institutional power need establish open communication with their followers and create a climate in which followers are encouraged to provide suggestions and criticisms of the leader's decisions and actions (Howell & Avolio, 1992).

Typically, individuals high on the achievement motive derive satisfaction from achieving their goals. They tend to pursue achievement almost as an end in itself. While assuming a high degree of personal responsibility, they also tend to be self-oriented by viewing organizational resources and support primarily in terms of their own objectives. These individuals may be motivated by either personal achievement or social achievement. Egotistic leaders are driven by personal achievement motives and are more likely to engage in behaviors that benefit themselves rather than others. In fact, because they focus on personal improvement and doing things better by themselves, they want to do things themselves (McClelland & Burnham, 1995), and have difficulty relinquishing control to others through delegation. In contrast, altruistic leaders are driven by a social achievement motive. These leaders show a concern for others and initiate efforts that focus on individual and collective capability. They are concerned with creating a better quality of life and seek to engage in meaningful organizational and social action in order to influence the common good (Mehta, 1994; Kanungo & Mendonca, 1996).

Egotistic leaders also differ from altruistic ones with regard to the influence strategies they employ. According to Kanungo and Mendonca (1996), egotistic leaders seek to control the behavior of followers by using the legitimate rights of their position to coerce followers into compliance or by manipulating rewards. In contrast, altruistic leaders seek to empower followers and operate from a personal power base of expertise and attraction.

The distinctions between egoistic and altruistic motive patterns support the distinction made by Burns (1978) and Bass (1998) discussed above. Power wielders and pseudo-transformational leaders can be seen as operating from the egoistic motive pattern which is primarily concerned with self-aggrandizement. Conversely, Burns' leaders and Bass' true transformational leaders operate from the altruistic motive pattern.

Servant Leadership: A Viable Paradigm for a New Millenium

Given the emphasis on motive in the works of Burns (1978) and May (2001), a potentially useful model for corporate executives is the Servant leadership model advanced by Robert Greenleaf and his followers (Greenleaf, 1977; Spears, 1998). For Greenleaf, the servant leader is servant first; an attitude that flows from a deep-rooted, natural inclination to serve. The conscious choice to lead comes after the desire to serve. Thus, Greenleaf distinguishes between those who would be "leader-first" and those who are "servant-first." In fact, for Greenleaf these two are extreme types that form the anchors of a leadership continuum. The defining difference between the two is the concern taken by the servant-first to make sure that others' highest priority needs are being served. Thus, Greenleaf's distinction parallel to the one made by Burns between power wielders and leaders. This distinction is captured in Greenleaf's (1977, p. 13-14) famous "test" for those who would be identified as servant leaders:

"The best test, and most difficult to administer, is this: Do those served grow as persons? Do they, while being served, become healthier, wiser, freer, more autonomous, more likely themselves to become servants? And what is the effect on the least privileged in society; will they benefit, or, at least, not be further deprived."

May (2001, p.157) affirms this test in his discussion of the leader as teacher. According to him, "leadership that teaches does not simply bend people against their will, or dazzle them out of their faculties, or manipulate them behind their backs, or indoctrinate them without illuminating. Rather, it widens the horizons against which colleagues see a given world of practice and therefore opens up a freedom to perform in new ways."

Greenleaf's legacy has been perpetuated by the work of Larry C. Spears and others at The Greenleaf Center for Servant-Leadership. Spears (1998, p. 3) summarizes servant-leadership as a leadership that "emphasizes increased service to others, a holistic approach to work, promoting a sense of community, and the sharing of power in decision making. At its core, servant-leadership is a long-term, transformational approach to life and work – in essence, a way of being – that has the potential for creating positive change throughout our society." According to Spears, servant-leadership is manifested through ten characteristics: listening, empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment to the growth of people, and building community.

Servant-leaders demonstrate a deep commitment to listening intently to others. Through listening the servant-leader identifies and clarifies the will of his or her followers. This commitment to listening helps the servant-leader to understand and empathize with others. While perhaps rejecting behavior or performance, the servant-leader accepts people for their inherent goodness and unique design. The acceptance that flows from empathy and a commitment to listening provides the potential for the servant-leader to "help make whole" those with broken spirits and emotional hurts.

Awareness refers to the discernment that servant-leaders possess that enables them to evaluate the ethical dimensions of a situation from an integrated, holistic, and value-based position. This principle-centered (Covey, 1990) awareness allows servant-leaders to operate from an inner serenity that does not require reliance on positional authority to influence others. Thus, servant leaders use persuasion rather than coercion to make decisions and exert influence. Servant-leaders also demonstrate an ability to conceptualize and to use foresight.

Conceptualization and foresight are closely related. Conceptualization refers to the servant-leader's capacity to look beyond the day-to-day details in an effort to encompass a broader perspective. Foresight refers to the ability to foresee the likely outcome of a situation using lessons from the past and the realities of the present.

The final three characteristics are rooted in the servant-leader's other-centered orientation. Stewardship refers to the fact that the servant-leader is holding his or her organization in trust for someone else and serving the institution for a greater good that transcends any agenda centered on the personal advancement of the leader. This other-centered orientation also manifests itself in the servant-leader's commitment to the development of others. Because they view others as having

intrinsic, as opposed to instrumental value, servant-leaders use the power of their positions to nurture the personal, professional and spiritual growth of their followers. Finally, servant-leaders seek to build a sense of community among the members of the organizations they serve.

While not explicitly calling for servant leadership, May (2001) advocates a similar model for corporate executives by discussing a set of personal virtues that he believes are required in the marketplace: This list includes industry, honesty, integrity, fairness, social virtues within "the co-operative," and "public spiritedness." Given the current level of perceived corporate corruption, public spiritedness is perhaps the most important of these personal virtues. This need for this virtue particularly acute because the business community wields a power that vastly exceeds that of any other group. Corporate executives make decisions that create momentous public impacts on a wide variety of stakeholders both directly and indirectly.

The concept of servant leadership has been found to be both morally appealing and inspirational (Graham, 1990) for some time. Recently, there has been a growing evidence of its effectiveness in for-profit organizations. Ruschman (2002) discusses three organizations from the top ten of fortune's best Companies to Work For list that practice servant leadership: TDIndustries, Southwest Airlines, and Synovus Financial Corporation. Each of these organizations leads their industry and provides returns to their stockholders that outperform the market. This evidence suggests that servant leadership may be a viable model that meets the demands of the financial community, while maintaining an altruistic motive pattern that runs counter to the greed-based actions manifest in recent corporate scandals.

Throughout this paper an emphasis has been placed on the motive of corporate executives. Yet these executives operate in an arena where they must serve multiple constituencies. They are required to deal with demands from serving multiple stakeholders which are not equal – executives themselves are dependent on their boards, stockholders. They must constantly deal with what I call the "Tyranny of the Quarterly" – the pressure to have good numbers at the quarterly review. It is interesting that those who so vocally, and publicly, decry the motives of corporate executives, demand high returns on their own personal investments in the corporations led by those "greedy" executives. This double standard results in an interesting set of role conflicts. Given this, it is not enough to "transform" the morals of only the executives. The morals of those making the claims on those executives for short-term financial performance must also be transformed as well. Even if an individual leader has the transforming and teaching perspective of the servant leader, and even if he or she seeks to operate from the perspective of a covenant relationship, until other stakeholders, especially stockholders, transform their expectations, it will be difficult to make this a reality.

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