

# “Developing a leadership company - from leadership behavior to leadership responsibilities”

AUTHORS	Sandra Rothenberger
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Sandra Rothenberger (Austria)

## Developing a leadership company – from leadership behavior to leadership responsibilities

### Abstract

The past 50 years have seen a multitude of ways to define and understand leadership behavior emerge. Of the many different views of leadership behavior within an organization, only some are relevant for the idea of the leadership company concept, which argues that leadership combines special traits and characteristics individuals own and that empower them to affect others to achieve tasks. Alternatively, leadership is classified in terms of the power of relationship between leaders and followers, which enables leaders to effect change in others. Another approach conceptualizes leadership as an instrument that supports group members in their efforts to accomplish their goals through vision setting, role modelling, and individualized attention. A leadership company renovates itself by developing leaders at every responsibility level, with the explicit goal of teaching and learning throughout their business processes, organizational structures, and day-to-day operations. The management team must prompt enthusiasm and create a social environment of respect and commitment that encourages and expects employees to contribute ideas. This study investigates the crucial leadership responsibilities and behavior of successful leaders in a leadership company.

**Keywords:** management, leadership, responsibility, empowerment, mentoring, values.

**JEL Classification:** M12.

### 1. The leadership company

Rapid organizational and environmental growth demands efficient and sustainable models of organizations and new leadership responsibilities at all levels supporting a strong corporate culture. Therefore the idea of a leadership company focuses not only on the individual development of the leader himself but also on the leaders' responsibility for the development of corporate culture as a whole. Tichy and Cardwell (2002) envision this responsibility in the creation of a so called "virtuous teaching cycle", in which a leader supports all employees of the organization to teach and to learn. Teachers and learners at all levels provide the formula for maintaining organizational teaching and learning as well as continuous improving. Teaching must be an interactive, two-way or even multi-way communication. Everyone in the organization teaches and learns from each other, and those interactions create the "virtuous teaching cycle". The teaching cycle keeps people dynamic and helps them to develop their learning skills (Tichy and Cardwell, 2002).

Hinterhuber (2004b) describes the idea of a leadership company as an organization whose core competence is the constant development of the leadership skills of leaders and employees at all levels of responsibility and authority. A leadership company develops and encourages leaders and employees and makes them learn and teach. The idea of the leadership company emphasizes therefore that a company has to be a teaching and simultaneously a learning organization which provides an environment to produce and share knowledge and sustain intellectual capital (Hinterhuber, 2004b).

Teaching and learning organizations change constantly, following the changes in the organizational environment. Tichy (2002) mentions therefore some important issues which have to be shared among successful organizations. Leaders at all levels of responsibility must bear in their mind that teaching and learning are valuable core activities in a corporate culture, because:

- ◆ companies that encourage information sharing help everyone in the organization work faster and smarter;
- ◆ teaching is the most effective way of leading;
- ◆ teaching increases the number of leaders, and a company with more and better leaders will be more successful;
- ◆ a leader adds value to the organization by teaching the human assets to be more productive and better leaders (Tichy, 2002).

Great leaders not only teach, they also learn. Successful leaders use communicative devices to assist others, assisting themselves in the process. They take every chance to learn and see every situation as a possibility to learn. This pursuit extends to the leader's followers, or employees. In a leadership company, every employee with leading responsibilities has the obligation to be a teacher of leadership (Hinterhuber, 2004a).

Changes at all levels in teaching organizations are used as learning opportunities. Nobody in the organization should limit horizons to the boundaries of the company. Employees are encouraged to listen to customers, observe competitors and communicate with suppliers.

In a teaching organization information has to flow rapidly and exactly. This information must be

available for everyone on every level. As the organization grows, it must become more systematic in its thinking that everyone in the company must cultivate teaching and learning. This is critical in developing the right resources.

Hinterhuber (2004a) stresses the advancement of leadership competences on every responsibility level, in line with several training and development processes. On the basis of these processes, the employees recognize the surplus of leadership compared to management (Hinterhuber, 2004a).

Leaders of leadership companies understand the importance of teaching and learning. They provide the needed energy to establish this notion in the consciousness of their followers. Every responsibility level is geared around this idea. Once a company realizes the creation of a reciprocal learning and teaching environment it may generate competitive advantages that lead to sustainable success.

Woolner (1995) suggests five different types of organizations: (1) the forming organization, (2) the developing organization, (3) the mature organization, (4) the adapting organization, and (5) the learning organization (Woolner, 1995). In general, the leadership company strengthens the commitment of lifelong learning and sharing knowledge and experience. It leaves behind the old mindset of achieving goals through hierarchy and focuses more on a vertically and horizontally integrated system of teaching and learning to facilitate a positive workplace environment.

## **2. Leadership skills for a leadership company**

Being a good leader means knowing how to motivate other people to achieve common goals. Leaders in a leadership company must be able to develop the talents of others. Tichy (2002) calls this a "Teachable Point of View" (Tichy, 2002). A leader who has a teachable point of view is not only aware of own ideas and values; the leader is also capable of communicating those values and ideas to others (Tichy, 2002). A Teachable Point of View is made up of ideas, values and ways of how to motivate people. It can be qualified as the attitude of the leader on what they know is needed to lead people successfully. In the following Tichy and Cohen (1997) suggest important key issues for leadership skills in a leadership company:

### **Ideas**

All business begins with an idea about a product or service. Those ideas guide the business to create and provide value for customers. Successful leaders know how to develop and articulate ideas to employees so that, together, they can achieve their collective goals. When the whole organization

understands the ideas, everyone takes part in the success of the company and gets involved in the cycle of teaching and learning.

### **Values**

Through values, an organization can achieve a sustainable relationship with employees, customers, investors, and the community. A successful organization implements a system of value creation that is flexible to change, and that grows with the company and changing marketplace.

Before leaders can expect their frontline employees to do whatever it takes to make the customers happy, those frontline people must believe in the organization. The leader of a successful organization becomes a strong role model and lives according to the values of the organization. The leader backs up these values with customers and gives followers a feeling of security. Followers then face the possibility of integrating their own values with those of the organization. In this context, values cannot be just a set of platitudes. Rather, a successful leader supports a specific set of ideas about how to win in the marketplace. At the same time, he or she is always developing a teachable point of view that enables him or her to pass those values on to others (Kouzes and Posner, 1987).

### **Edge**

A leader who cannot make tough decisions will find it difficult promoting his or her ideas and values for the organization. When the followers recognize indecisiveness in their leader, they lose sight of the organization's values. From a teachable point of view, edge enables leaders to explain the thought processes behind their decisions. A good explanation allows others to understand the decision and remain energized. Embracing a teachable point of view is a process of self-development. Leaders can resolve the conflicts of leadership only if they set up an ethical set of standards for themselves, on which they base all their actions (Kouzes and Posner, 1987). A leadership company succeeds because it employs a cadre of teaching leaders who have a teachable point of view pertaining to business and leadership. These leaders act as mentors, coaches, and role models for the whole organization, and inspire like-minded thought processes in their followers.

### **Values in action**

Most companies have an overall vision and a mission statement that stresses client service, teamwork, and the goal of being the best place to work. However, many also misunderstand that their values and standards are defined not by their aspirations but by what they are prepared to enforce. A rule disobeyed cannot be considered a value or a principle. Organizational

values have become trendy in recent years, and many organizations use their written values to convince stakeholders those values are clear, non-negotiable, and embraced by the whole firm (Tichy and Cohen, 1997).

What do values really mean? Having values does not end with articulating desired beliefs. Values are successfully integrated into the firm only when effective leadership does not tolerate any divergence from them. However, the difficulty lies in finding a method to implement these sets of rules for all employees. Maister (2000) mentions two means to enforce rules. First, management must have a method for noting deviation from excellence. But being aware of problems is not sufficient. Companies must obtain this information through formal measures, such as client or junior professional feedback systems. Second, management time must be devoted to teaching and counselling employees to help them understand the values of the company (Maister, 2000).

### **Empowerment**

Empowerment means inspiring and encouraging people to give their best and assume responsibility on behalf of the organization. Empowerment also signifies employee development and support for personal and professional growth. It requires time, knowledge, and commitment between leaders to employees. But leaders also must take a position from which they can come to the aid of their employees and compensate for errors (Hinterhuber, 2004a).

Successful leaders realize that they cannot become powerful by retaining all their power. Instead, they push power down the line. As a result, individual employees become more productive, increasing the productivity of the organization, and make the leaders more powerful. Such leaders expect superb performance but also give their employees a feeling of trust and openness.

Furthermore, they recognize the need to control aggressive energy in their organizations. By encouraging employees to push aggressive energy outward, they avoid any lack of teamwork or morale problems. They instead direct this energy toward the competition. For example, Jack Walsh has said that he does not want his people to conflict with the person on the next table but rather with people employed by competitors like Westinghouse or Dupont (Kets de Vries, 1996).

Bolman and Deal (2003) argue that modern organizations should empower individuals, as well as invest in their training and development. For them, empowerment includes making information obtainable but also encouraging autonomy and participation, reforming work habits, enhancing teamwork,

advertising egalitarianism, and providing meaningful work (Bolman and Deal, 2003).

### **Mentoring**

In a leadership company, mentoring allows developing leaders to learn from their work experiences. Mentoring and coaching by leaders or more experienced colleagues represent often discussed but generally misunderstood techniques. Mentoring refers to a relationship between a person with experience, who teaches, helps, and develops the skills of a person with less experience. With the support of experienced leaders, employees can work more effectively and increase the organization's value. Through mentoring, leaders can round out and fill in the gaps in an employee's experience base. For example, leaders can offer information that coursework likely does not cover, especially in the fields of values and ethics. Mentoring also gives the leader the opportunity to act as a role model in demonstrating the organization's values (Vicere and Fulmer, 1996).

Successful leaders should be effective as both coaches and mentors, assisting employees to extend and accomplish their own and the organization's goals. Therefore, employees must receive challenging goals. Maister (2000) argues that leaders can be effective mentors only if they consider two opposing demands. First, employees will accept guidance and critiques only if the leader is supportive and nurturing. Second, the leader must insist on and push employees to go that extra mile in achieving their next achievement. One effort cannot be effective without the other. Leaders who nag all the time cannot expect employees to follow; leaders who are always helping and nurturing without pushing will not receive the necessary respect (Maister, 2000).

### **Openness**

Through openness, an organization can create a working atmosphere that involves trust, honesty, and self-confidence. Senge (1990) differentiates between two different types of openness as a means to achieve a non-political climate. Speaking openly about important issues and the capacity to question existing thoughts involve both participative and reflective openness. Senge claims that participative openness is "almost a religion" in some companies, which embrace the following structure: "I state my view. You state your view. We all appear to be contributing to collaborative learning. Yet if the focus is on the means of participation rather than on the results of the participation, little real learning may take place and the quality of decisions may be worse than what traditional, 'authority-based' processes would have produced: participative openness may lead to more 'buy-in' on certain decisions, but by itself it will rarely lead to better-quality decisions

because it does not influence the thinking behind people's positions." (Senge, 1990, p. 277).

For Agyris (1982) and Senge (1990), the solution is to strive for reflective openness, which causes people to challenge their own thinking and that of others. Smith and McLaughlin (2003) emphasize that it is necessary to find a balance between participative openness and reflective openness.

### **Humor**

The role of humor in business remarkably gets disregarded by most organizations and management academics. In a leadership company, humor "create[s] an atmosphere for people to give of their best, for people to feel good about themselves, and for people to feel comfortable and warm. Laughing together is among the most agreeable and binding of human activities" (Barsoux, 1993, p. 92).

Hinterhuber (2004a) agrees that humour can lead to enthusiasm. An employee more easily accepts a leader with a smile on his or her face than one who is consistently unfriendly. Cheerfulness and happiness lead to a better social environment, and a better environment leads to increased teamwork and more effective functioning (Hinterhuber, 2004a).

The leadership company lives through its values, norms, and goals. To ensure this approach, top leaders in the organization must set an example through their personal interactions with employees, customers, and anyone else who is important to the company. This interaction not only provides a positive example but also gives the leader a chance to learn from his or her subordinates.

Leaders of a leadership company connect the appropriate solutions for their own organization with solutions that are interesting and useful for their partners (Hinterhuber, 2004b) by engaging in a network of leaders who work together in an environment of respect, enthusiasm, and integrity. The leadership company is oriented toward developing leadership abilities at every level and evaluating people according to these abilities and how they handle them. Leaders support this development through their behavior. Empowerment, mentoring, and a sense of humor also are important skills of a leader in such an organization. People who have options for discovering new opportunities on behalf of their customers and partners then strengthen the performance of the leadership company. In this sense, "The leadership company is not a set of instructions, rules, processes or technologies, but a set of people, who are locked through common values and work on common projects and who are in constant evolution process" (Hinterhuber 2004b, p. 170).

### **3. Study**

To obtain more insights into the idea of leadership companies, an empirical study was conducted to analyze the 'status quo' of leadership companies in organizations. Therefore, a questionnaire was developed based on items used by Tichy and Cohen (1997), Maister (2000) and Tichy (2002), which focus on leadership company definitions and factors classifying a leadership company. Those items were related to work quality, client relationships, employee satisfaction, empowerment, coaching, high standards, fair compensation, openness, commitment, enthusiasm, respect, development, and training each rely on 6-point scales (1 = "I totally agree" to 6 = "I totally disagree"). The questionnaire was pre-tested and sent to 154 companies in Germany, Switzerland, and Austria and achieved a response rate of 26,6%.

### **4. Results**

To provide a short overview of the results, this study first presents the average responses of all responding managers. Specific answers are then analyzed, reflected on, and depicted in diagrams, followed by a discussion of the results and a comparison with existing theory. Finally, the results are provided in a graph.

Table 1 lists the average responses of the managers who were questioned about the leadership standards in their companies.

Table 1. Average responses

Factor	Average response (6-point scale)
Working quality	2,03
Empowerment	2,24
Employee satisfaction	2,43
High standards	2,53
Fair compensation	3,05
Openness	3,38
Commitment, enthusiasm and respect	3,59
Coaching	3,69
Development and training	3,99

The managers' rate working quality as the factor best represented in their organization. They also rate high the degree of empowerment, employee satisfaction, and high standards. However, fair compensation and openness receive only modest overall marks. Commitment, enthusiasm and respect, development and training, and coaching are the lowest rated factors. It is immediately notable that those factors associated with clients are ranked highest, whereas those related to managing people are ranked lower and appear less important among these companies.

## 5. Analysis of frequencies

As mentioned previously, a leadership company tries to satisfy its organisational environment better than other companies, because it leads and treats its employees different. In a leadership company, factors such as openness, empowerment, enthusiasm, respect, employee satisfaction, and development get encouraged. The following figures list the frequencies of the most important factors which define a leadership company.

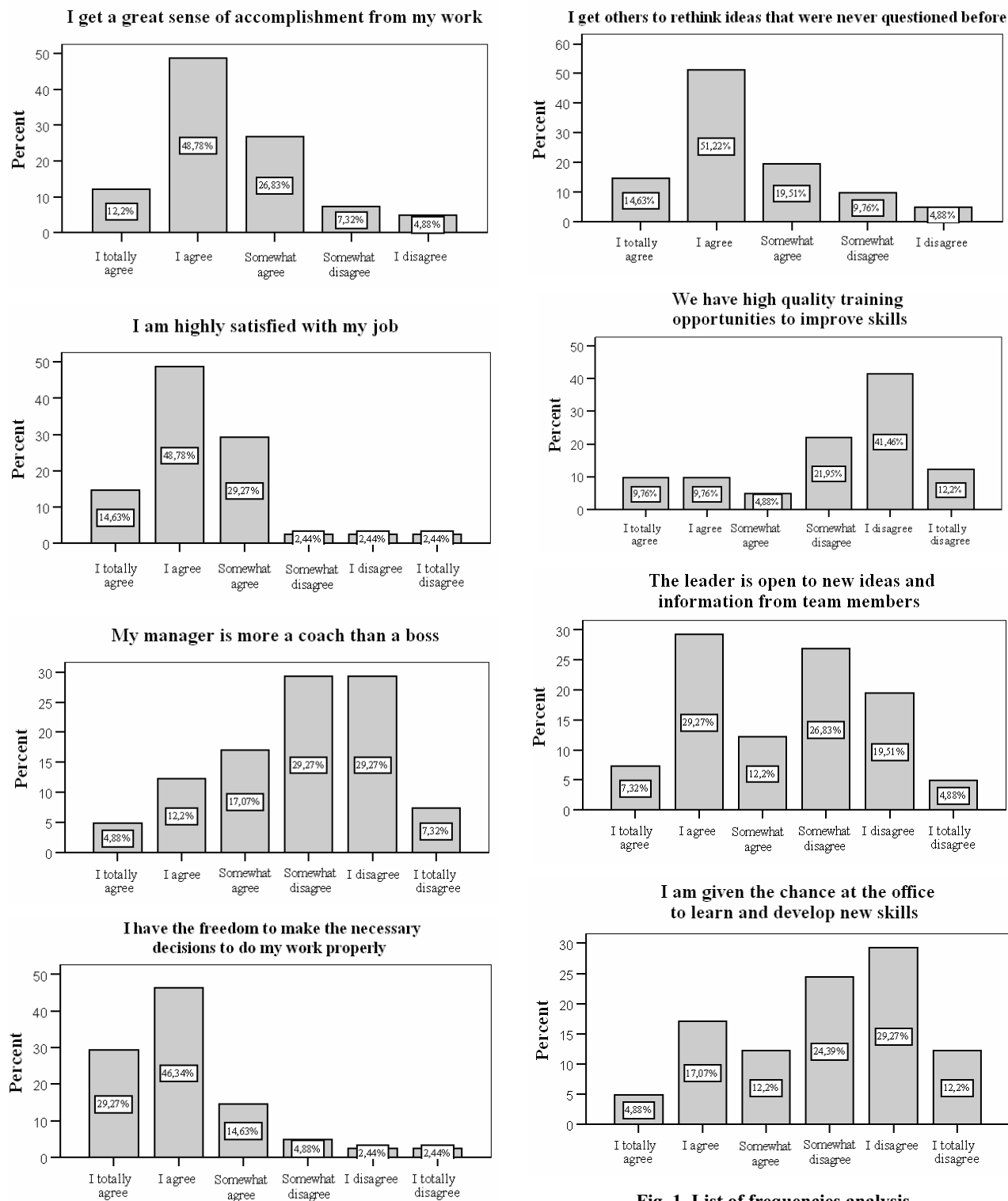


Fig. 1. List of frequencies analysis

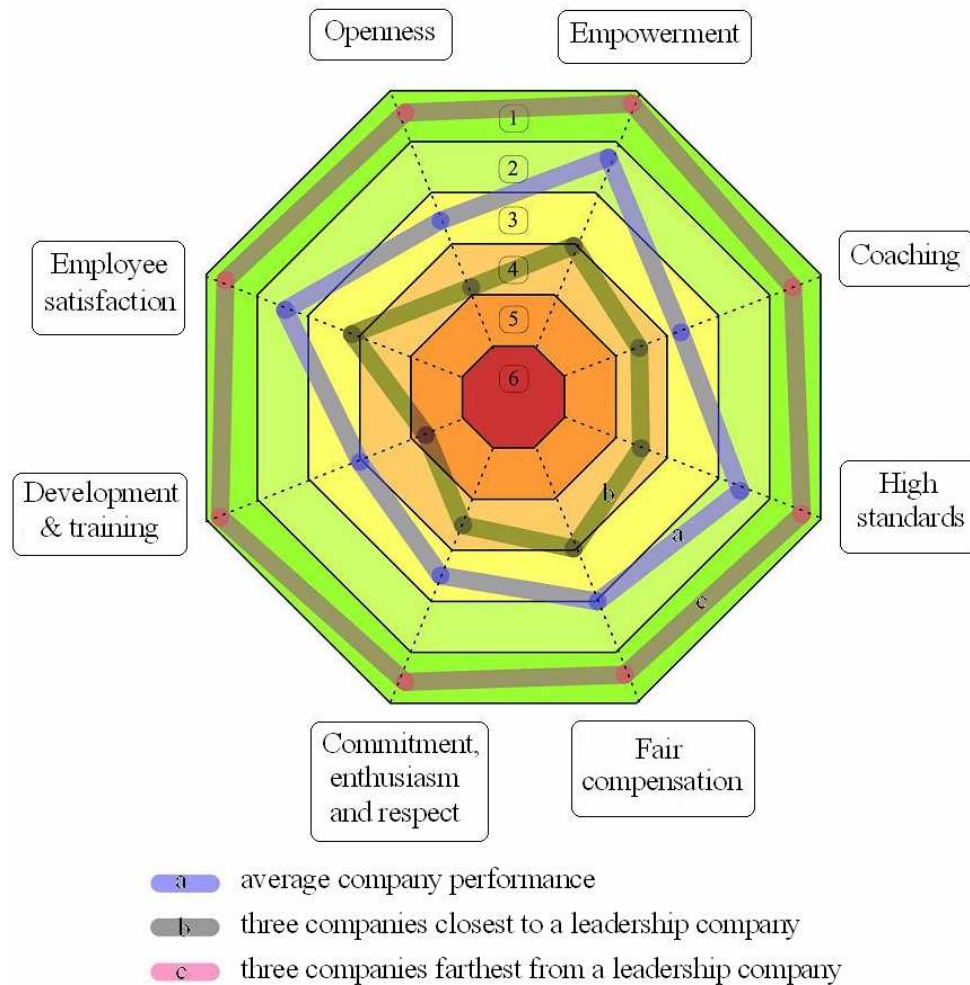


Fig. 2. Average results, based on questionnaire

The relevant answers can be analyzed to determine the extent to which the surveyed companies may be already classified as a “leadership company” or not based on their answers. The following graph visualizes the results of the analysis of the frequencies of leadership company factors. The illustration summarizes the differences between companies that are close to the idea of being a leadership company based on the previous definition and those that are not.

This figure depicts average company performance and thus distinguishes three companies closest to a leadership company and the three companies farthest from it. The six octagons represent the different agreement levels, such that octagons 1, 2, and 3 represent agreement, whereas octagons 4-6 represent disagreement.

The companies farthest from being a leadership company show their disagreement with the leadership company items. Obviously openness, personal development, and coaching do not exist in these companies.

Furthermore, the most important factors for the average company are empowerment, high standards, and employee satisfaction, whereas coaching, openness, and development and training could be improved, according to the questioned managers. However, the three companies closest to be a leadership company do an excellent job for their employees and the entire organization. Client satisfaction is their primary goal – not through autocracy but through a dynamic company environment in which everyone gets the chance to contribute their new ideas. The organization is based on the concept that people learn and teach every day. Openness, coaching, respect, enthusiasm, and development are taken seriously, along with empowerment and high standards.

According to the analysis of demographics, the respondents can be clustered into low-level and high-level managers. Cluster analysis and the frequencies serve to identify these profiles. As a data reduction technique, cluster analysis forms groups of people or objects and thus reduces the original number of elements to fewer groups (Handl, 2002).

Table 2. Classification of managers that answered the questionnaire, based on cluster analysis

	Low-level managers	High-level managers
Age	26-37 years	38-55 years
In the company since	4-6 years	7-10
Number of staff	51-1000	11-500
Company size	Large	Medium

## 6. Interpretation of the results

Most of the surveyed companies do not support the idea of the leadership company standards, but many have started to implement similar ideas. Out of the 41 companies, 11 companies are very close to support the idea of the leadership company standards. The leaders and employees communicate on a regular basis through interaction, teaching, openness, and a strong desire to be a community with high values. Employees feel good about themselves, their superiors, and their companies because they support such activities; and therefore, they are energized and motivated to work harder for the company. Leaders act as role models, using much of their time not to direct people but to coach and show them possibilities for improving their personal skills. Everybody gets the opportunity to share new ideas and thoughts. These 11 companies thus provide a dynamic environment in which teaching and learning, at all responsibility levels, do not confront any barriers.

Nine companies show tendencies toward eventually becoming a leadership company but still have great room for improvement. These respondents indicate that they satisfy their clients well but suffer a deficit in terms of developing and teaching their employees. Empowerment and employee satisfaction already represent higher values in these companies, but trust, respect, and openness are low. Without trust and respect, leaders cannot expect that their employees will give their best for the company.

Also, their coaching and development could be better organized. For example, two companies reach high levels of empowerment, standards, enthusiasm, commitment, respect, and openness, but they lack good coaching, development, and training. It is through teaching and learning that people grow. What really makes a difference in a leadership company is the face-to-face coaching and development possibilities that are available to everyone. As mentioned previously, sharing knowledge is remarkably important. Leadership companies must ensure knowledge transformations through virtuous teaching cycles in which everyone is involved, gains knowledge, becomes energized to get things done, and achieves alignment in terms of what needs to be done and how to do it.

The remaining companies are not heading toward becoming leadership companies. Their managers disagree that a good and successful organization uses coaching, development, training, and openness. In these companies, interactions between leaders and employees take a low priority. Leaders are not open to new ideas, do not invest time in teaching, and do not indicate a willingness to change. Openness, respect, enthusiasm, and development have little or no role within the company. However, 90% of them state that they do an excellent job satisfying their clients.

## Conclusions and implications

This article attempts to define what a leadership company is and which factors could influence the environment of a leadership company. Although no strict definition of a leadership company exists, this study offers some general guidelines, derived from existing literature, to create a theoretical definition. The study attempts to provide some advice about how to establish an environment that encourages, rewards, and supports people at every level of responsibility to improve their leadership abilities.

In addition, this study works to determine if companies in German-speaking countries tend to develop into leadership-centric companies. First, it provides a questionnaire addressed to managers in different management positions. Second, it statistically evaluates the results and finds that half of the companies feature an organization and culture that do not conform to the principles of a leadership company. Thus, developing an environment of teaching and learning, as well as the possibility of improving the abilities of leaders at every responsibility level, are not core priorities in these companies. The other half of the companies show tendencies that suggest they could become leadership companies or are making respectable strides toward that end. Further research efforts should analyze and compare the financial performance of companies that are close to, are working towards, or altogether reject the idea of becoming a leadership company.

Modern developments such as the globalization of markets, greater emphasis on knowledge and time as critical elements of an organization's ability to compete, and increasing diversity in the workforce mean that the need for an organization that can constantly reinvent itself has never been greater. Developing a leadership company may be a long, demanding process that requires significant amounts of time and energy. But once these essential concepts are implemented, a company grows that much stronger – maintaining strong leadership qualities at all levels of management and ensuring a successful future.



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