

## EVOLVING LEADERSHIP STYLES IN THE NEW-AGE ORGANIZATIONS

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### Abstract

*In 1939, psychologist Kurt Lewin and his team studied different leadership styles i.e. authoritarian, democratic and laissez-faire leader. Democratic leadership style was found to be the most effective at inspiring followers to perform well. Later other patterns of leadership styles were described. In 1970, Bernard M. Bass described Transformational Leadership Style, to motivate/inspire followers and to direct positive changes in groups. The Transactional Leadership Style described involves the employer-employee relationship, the transaction focuses on the follower completing required tasks in exchange for monetary compensation. Hershey and Blanchard's model, published in 1969 as situational leadership theory, described four primary leadership styles based on the capability and commitment of employees. The telling style is characterized by telling people what to do. The selling style involves convincing followers to buy into their ideas and messages. The participating style is marked by allowing group members to take a more active role in the decision-making process. The delegating style involves allowing group members to take majority of decisions. But decision-making was observed sometime hierarchical due to family's control over organizations. People at the top of the pyramid of power at work, in the corporate world or politics were making decisions and people at the bottom of the pyramid were simply following them and had a very little say in decision making. In today's world with the advent of new-age business environments, characterized by flatter organizations, faster innovations and explosion of the internet leaders often rely on hundreds, thousands of individuals and large number of organizations over whom they exercise no direct control. Hence, styles such as Co-creator, Collaborator, Communicator, Commander based on the business models and asset class shall be more successful.*

**Keywords** Democratic leadership style, Transformational leadership style, Transactional leadership style, Situational leadership style, Explosion of the internet, New-age organizations.

### Introduction

During the agriculture age, the decision-making was mostly hierarchical. The people at the top of the pyramids of power, be it work, social or political, were supposed to make decisions and the people at the bottom of the pyramids to follow the orders. Thus, the leadership style displayed was basically authoritarian/autocratic. As people moved into the industrial age, they wanted to take part in decision making since it affected their development, progress and growth. Therefore, the leaders resorted to democratic, delegative, transactional and transformational styles of leadership for the success of their organizations. But, in the last couple of decades, the organizations nurtured in the intellectual space, followed up in the internet age. During this time, technological advancement has created a ripple effect that has transformed the markets. Being almost everything available on Internet, businesses have created new, intangible, sources of value, such as relationships and information that are delivered by new models. Attracting, satisfying and retaining these connected and savvy stakeholders requires leaders to learn new ways of leading. Hence, the paper is an attempt to interpret the progression of leadership styles over a period and their applicability in new-age organizations, since

what created value for many leaders' decades ago are less effective with today's empowered stakeholders.

Numerous leadership style referring to a leader's characteristic behaviors when directing, motivating, guiding and managing groups of people/organizations have been described by psychologist/researchers over a period. As we consider some of the people who we think of as great leaders, we can immediately see that there are often vast differences in how each person leads. To understand these different leadership styles, let's take an overview of the prominent ones. The three styles, identified by a group of researchers led by psychologist Kurt Lewin in 1939 are as described below.

#### The Autocratic/ Authoritarian leadership style:

Autocratic leaders, provide clear expectations for what needs to be done, when it should be done, and how it should be done. They make decisions independently with little or no input from the rest of the group. Researchers found that decision-making was less creative under autocratic leadership. Lewin also concluded that it is harder to move from an autocratic style to a democratic style than vice versa. Exploitation of this method is usually viewed as controlling, bossy, and dictatorial.

Autocratic leadership is best applied to situations where there is little time for group decision-making or where the leader is the most knowledgeable member of the group. The autocratic approach can be a good thing when the situation calls for rapid decisions and decisive actions. However, it tends to create dysfunctional and even hostile environments, often pitting followers against the domineering leader.

#### The Democratic/ Participative leadership style:

Democratic leaders not only offer guidance but they also participate in the group and allow input from other group members. However, they retain the final say in the decision-making process. Group members feel engaged in the process and are more motivated and creative. Democratic leaders tend to make followers feel like they are an important part of the team, which helps foster commitment to the goals of the group. This typically is the most effective leadership style.

#### The Delegative /Laissez-Faire leadership style:

Delegative leaders minimize their involvement in decision-making and allow subordinates to decide for solutions to the

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problem at hand. This leadership style, potentially is the most feasible style, when subordinates are fully competent to make their own decisions, and when the leader does not have the adequate understanding of a given problem.

Great leaders will know when to use which style, so that decision-making can be as effective and efficient as possible, and so that the leadership style chosen will reflect the needs and objectives of the given decision-making situation.

### A Few More Leadership Styles and Models

In addition to the three styles identified by Lewin and his colleagues, researchers have described numerous other characteristic patterns of leadership. The following are just a few of the best-known:

#### The Transformational leadership style:

Transformational style was first described during the late 1970s and later expanded upon by researcher Bernard M. Bass. Some of the key characteristics of this style of leadership are the abilities to motivate and inspire followers and to direct positive changes in groups/organizations. Transformational leaders tend to be emotionally intelligent, energetic and passionate. They are not only committed to help organization to achieve its goals, but also to helping group members fulfill their potential.

#### The Transactional leadership style:

Transactional style views the leader-follower relationship as a transaction. By accepting a position as a member of the group, the individual seems to have agreed to obey the leader. In most situations, the transaction focuses on the follower completing required tasks in exchanged for monetary compensation. One of the main advantages of this style is that it creates clearly defined roles. People know what they are required to do and what they will be receiving in exchange for completing these tasks. One of the biggest downsides is that the transactional style tends to stifle creativity and out-of-the-box thinking.

### Hershey and Blanchard's Leadership Style:

Hershey and Blanchard's model is one of the best-known situational leadership theories. First published in 1969, this model describes four primary styles of leadership based on the maturity level i.e. commitment and

willingness level of followers to perform a task:

- a) **The Telling/Directing style** is characterized by telling people what to do. "Telling" behavior simply is a unidirectional flow of information from the leader to the group. It involves giving orders and expecting obedience, but offers little in the way of guidance and assistance. Here maturity level of the group is such that their basic competence or willingness in doing the task is low.
- b) **The Selling/Coaching style** involves leaders convincing followers to buy into their ideas and messages. In the "selling" behavior, the leader attempts to convince the group by providing social and emotional support to the individual being convinced. Though there is a two-way communication but the leader is finally the decision maker. Here maturity level of the group is such that they are willing to do the task but unable to do so.
- c) **The Participating/Supporting style** is marked by allowing group members to take a more active role in the decision-making process. With "participating" behavior, the leader shares decision making with the group, making the system more democratic. It's an approach that offers plenty of help, but very little direction. Here the maturity level of the group is such that they are competent to do the task but they do not think they can.
- d) Finally, **the delegating style** involves taking a hands-off approach to leadership and allowing group members to make most decisions. "Delegating" is reflected by parceling out tasks to group members. The leader still is in charge but there is more of an emphasis on monitoring the ones delegated with the tasks. Here the maturity level of the group is such that they are ready, willing and able to do the task.

In any group or a team, the ability level and willingness to do work can be cultivated by a good leader by raising the level of expectations through technical and behavioral trainings/interactions. Situational leadership is an approach to leadership based on the notion that there is no single best leadership style. Instead, an effective leader adjusts his style to fit variables of a given situation, including employees, work environment and other situational factors.

### How a contingency model and a situational model are similar

The contingency model, developed by Fred Fiedler in the 1960s says, the situation in which the leader finds a team, not strength of personality, determines that leader's effectiveness. The 'Situational Leadership Theory' postulates that, rather than practicing only one style of leadership, productive leaders should modify their leadership modes based on the experience level of their team members. For instance, groups with low maturity and experience levels require leaders who direct the job tasks, while teams with more experience need leaders who delegate authority.

In the contingency model, leaders must evaluate their relationships with the team members, their authority levels and the clarity and structure of their tasks. In the situational model, leaders must measure the maturity and skill levels of their team members and fit their leadership methods to meet the team's needs.

### Leadership Model by Jim Collins

Jim Collins in his book, *Good to Great*, outlines 5 levels of leadership, with five being the highest level. In his research analysis, companies with level 5 leaders have outperformed the market by 6.9 times from 1996-2000. These levels of skills and performance are not necessarily developed in sequence, but a Level 5 leaders embody all five levels of the hierarchy.

- a) Level 5 Executive -- builds enduring greatness through a paradoxical blend of personal humility and professional will
- b) Level 4 Effective Leader -- catalyzes commitment to and vigorous pursuit of a clear and compelling vision, stimulating higher performance standards.
- c) Level 3 Competent Manager -- organizes people and resources toward the effective and efficient pursuit of predetermined objectives.
- d) Level 2 Contributing Team Member -- contributes individual capabilities to the achievement of group objectives and works effectively with others in a group setting.
- e) Level 1 Highly Capable Individual -- Makes productive contributions through talent, knowledge, skills, and good work habits.

### Leadership Styles of New-age Business Environments

In today's world, with the advent of new-age business environments, characterized by flatter organizations, faster innovations and explosion of the internet-- leaders often rely on dozens, hundreds, thousands of

individuals and large number of organizations over whom they exercise no direct control. To get what the leaders want, they look in for different styles of leadership in varied and complex environments.

So, the million-dollar question is, how should a leader lead in new-age organizations which are digitally enabled and work in hyper-connected environment? The employees and freelancers, such as 'Apple's developer community' want ownership, impact and recognition, rather than to follow instruction. Customers want to participate in the marketing and development process rather than be told what they want and why e.g. rise of 'crowdsourcing' businesses. Leaders are finding that open and agile organizations can respond faster and more effectively to these developments than organizations where all insight and direction comes from the top. In short, leadership styles described mostly in previous century, just won't cut it straight anymore. Leaders need a broader range of style options, to match the broader range of assets, the companies are creating today.

Based on their research of financial data's, Barry Libert CEO of Open Matters, Jerry Wind a marketing professor at Wharton and Megan Beck Fenley a digital consultant at Open Matters have found that Network Orchestrators companies that invest in intangible assets, like relationships with customers and suppliers e.g. Facebook, LinkedIn, Airbnb, TripAdvisor etc. have the highest Multipliers (price to revenue ratios) at an average of 8 times. These value premiums result from rapid growth and low scaling cost. Further, they identified that the different leadership styles complement some business models and detract from others because each business model leverages dissimilar types of assets, which perform best under diverse leadership styles.

As of date, most big companies are a composite of different asset classes and business types i.e. Nike manufactures shoes (physical), but also develops some software (intellectual) and is developing a network with Nike+ (network). The leaders mostly use several of the four leadership styles as given under four different business scenarios:

**Business Scenario I:** Business model: Asset builder, Asset class: Physical, Leadership style: The Commander.

**The Commander** sets the goal and tells others how to accomplish it. This works well with machinery, which happily does what it is told, and with direct subordinates who

prefer to simply execute. It is less effective with employees and customers who want choice and participation. The result in today's world is high marginal costs and little participation and buy-in. This style is most suited to the production of manufactured, commoditized goods as it is limited by the Commander's vision and bandwidth.

**Business Scenario II:** Business model: Service provider, Asset class: Human, Leadership style: The Communicator.

**The Communicator** also sets a vision and a plan, but communicates it to inspire and create buy-in. This works better with employees and customers who want to at least understand where "the firm is headed." It enables them to act in line with the leader's vision (it scales effectively), but it does not encourage innovation. This style is suited to services firms where all employees must work to fulfill the mission.

**Business Scenario III:** Business model: Technology creator, Asset class: Intellectual, Leadership style: The Collaborator.

**The Collaborator** works together with customers and employees (be they full time, part time or independent) to achieve the organization's goals. Thus, it is empowering and enabling. This style taps into the innovation of people and drives the creation of new intellectual capital. Great examples are open innovators such as Victors and Spoils, a collaborative ad agency.

**Business Scenario IV:** Business model: Network Orchestrator, Asset class: Network, Leadership style: The Co-Creator.

**The Co-Creator** allows other stakeholders to pursue their individual goals in parallel with the goals of the organization. Thus, he or she drives both rapid scaling (due to the high level of participation) and innovation. This style is at the heart of network companies where value is shared by the company and the network participants, such as Airbnb, Uber and Innocentive.com. Let's analyze how, combination of some of the styles, was used by Steve Jobs. He isn't often remembered for his collaborative, open leadership style, but a thoughtful review of his business choices and words reveals more flexibility:

**The Commander:** Jobs often had a specific vision for design that he would insist on.

**The Communicator:** Jobs inspiring keynote presentations are legendary.

**The Collaborator:** Jobs collaborated with others "to take music and sport to a new level."

**The Co-Creator:** Jobs eventually built a developer network that is unprecedented. Given that network-based businesses are highly valued and profitable companies in today's digital world, what does it take for a leader to co-create? The answer will be in the ability to relinquish control and the willingness to share the value created with the crowd.

When Jack Dorsey and his collaborators developed Twitter in 2006, employees of their startup used it internally. As co-founder Evan Williams described it, "Twitter actually changed from what we thought it was in the beginning." They had no idea the role it would play in sociopolitical movements, pop culture and business until the network actually started using and forming it. Although it may be difficult for founders to allow the network to shape their creation, that is the path to creating the most valuable, and valued, tool.

The same is true for companies like Airbnb, Etsy and Uber that share revenues with their partners. Their business models depend on the enthusiastic engagement of their partners. But these multi-billion-dollar startups are not the only companies that use this new leadership style. So, do established companies like Visa and MasterCard, stock exchanges and those that rely on open-source development, like Red Hat software. These businesses survive and grow because of the participation, co-creation and co-ownership of their members.

Allowing partners to share in the value creation and provide resources greatly reduces your marginal costs of marketing, sales and distribution e.g. the way 'Uber' avoids buying cars and hiring employees with its partner network. Employees and customers who are co-creators/collaborators e.g. those using 'Coca Cola's Freestyle machines' to custom-make their own drinks are more loyal and thus less price sensitive or likely to defect, improving customer lifetime value.

Co-creation/Collaboration leads to an influx of new ideas by opening the organization to the innovative capability of external sources (a great example could be InnoCentive, the global innovation marketplace where creative minds solve some of the world's most important problems that can impact humankind in areas ranging from the environment to medical advancements)

Co-creation/Collaboration builds a flexible and organic system that can more quickly adapt to market changes and new technologies e.g. Apple's developer network can quickly jump on new trends and needs. Co-creative business models are growing at faster rates, are more profitable and more scalable than those that rely on proprietary, in-house solutions and people.

Today, the most valuable assets are intangibles: relationships with employees, customers and investors, knowledge/ideas and people. The newest business model, Network Orchestration, taps into these "assets" at low or near-zero marginal cost of scaling, resulting in rapid growth, higher profit margins and, ultimately, greater investor returns.

In the new-age organizations, we already have latent networks of customers, employees and partners that want to share in value creation, and are already doing so with other firms. They are an enormous asset, but one that cannot be tightly controlled, even by the best executives. Only leaders who can relinquish some control and share the rewards will be able to access the value that these groups have to offer.

## Conclusion

While authoritarian leadership certainly is not the best choice for every situation, it can be effective and beneficial in cases where followers need a great deal of direction and where rules and standards must be followed to the letter. Democratic leadership tends to be centered on the followers and is an effective approach when trying to maintain relationships with others. People who work under such leaders tend to get along well, support one another and consult other members of the group when making decisions. In Delegative style of leadership, subordinates get all the decision-making power to make decisions within their realm of expertise. Thus, subordinates may feel more motivated by the decentralization of power, which may enrich their jobs.

The Transformational leadership style is the most effective leadership style in change management of any organization. Research has revealed that this style of leadership resulted in higher performance and improved group satisfaction than other leadership styles. In Transactional style of leadership, people know what they are required to do and what they will be receiving in exchange for completing these tasks.

Situational leadership is an approach to leadership based on the notion that there is no single best leadership style. Instead, an effective leader adjusts his style to fit variables of a given situation, including employees, work environment and other situational factors based on the commitment & ability of the followers.

Jim Collins '5 levels of leadership' outlines, level 1 to level 5 leadership is an evolving series of capabilities and levels of maturity one may need to successfully lead organizations. Level 1 being highly capable individual to level 5 being building enduring greatness of organizations through a paradoxical combination of personal humility and professional will. Jim Collins' concept of leadership is "The moment you feel the need to tightly manage someone, you've made a hiring mistake. The best people don't need to be managed. They need to be guided, taught and led but not tightly managed."

Leadership styles such as Co-creator and Collaborator based on the business models and asset class shall be more successful in new age organizations. The digital, cultural and asset revolution provides a fantastic opportunity for shared success, but creating network-based/technology creator businesses will require openness, adaptation and the development of new leadership skills.

Every one of us possesses a "portfolio" of leadership styles and each one has its place. A surgeon may be a Commander in the operating room, a Communicator with patients and a Collaborator when performing research.

If you are a leader of a traditional company or industry, you may be thinking that Collaborators and Co-Creators are great for creating new intellectual capital or digital start-ups but not applicable to you. It may not be true. The research suggests that in the digital age there is much to be gained by increasing your leadership skillset to include Co-Creation/Collaboration, even if you aren't a network or intellectual asset company.

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