# Longitudinal Assessment of the Impact of Leadership on Organizational Performance

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## Abstract

The study sought to evaluate, seven years later on (2005 – 2012), the personal values profile, the predominant leadership styles, the leadership effectiveness, the relationship between personal values balance and leadership effectiveness, and the relationship between personal values balance and organizational performance of a group of Brazilian executives. In order to evaluate the personal values profile a closed instrument of the rank order type has been developed and applied. To identify the predominant leadership styles, as well as the leadership effectiveness of the involved executives, it has been used an instrument available in the market. To verify the relationship between personal values balance and leadership effectiveness, it has been used the linear regression method computing the linear correlation coefficient between the before mentioned variables, involving 400 executives. The study has shown that the executives have an unbalance in their personal values profile, with predominance of economic and theoretical values. Additionally the study has uncovered lack of flexibility regarding the leadership styles, presenting styles of selling and sharing ideas as dominants. The study also showed that the leadership effectiveness of the involved executives was at a moderate level. The research also pointed out a high positive relationship between executives` personal values balance and leadership effectiveness. Additionally to that, the study suggested a positive relation between executives' personal values balance scores and organizational performance. Finally, the research found that executives' values had not shifted, neither their leadership profile.

Key words: personal values, leadership style, leadership effectiveness, personal values balance, organizational performance.

## INTRODUCTION

### Values

Many personal aspects will interact to determine the actions of a person in a leadership role. Perceptions, attitudes, motivations, personality, skills, knowledge, experience, confidence, and commitment are a few of the variables which are important for understanding the behavior of people. They are no less important for understanding the behavior of people at work, whether they are leaders or not. However, this study will highlight what may well be the crucial and underlying determinant of leaders' behavior - values.

According to Spranger (1928), an early and influential writer, values are defined as the constellation of likes, dislikes, viewpoints, shoulds, inner inclinations, rational and irrational judgments, prejudices, and association patterns that determine a person's view of the world. The importance of a value system is that once internalized it becomes, consciously or subconsciously, a standard or criterion for guiding one's action. Thus the study of leader's value is extremely important to the study of leadership.

A number of studies have been done to uncover the values leaders and managers actually have. The most influential theory is based upon the thinking of Spranger (1928) who defined several types of value orientation as shown in Table 1, and has been developed by Guth and Tagiuri (1965). They studied the expressed values of 653 American executives, using a closed instrument, of rank order type, detecting that the executives in the sample in terms of group averages presented a predominance of economic, political and practical values. Additional support to these findings is available in the studies of England (1967) involving a survey of 1,072 American managers. A follow-up study of England's results some seven years later found that managers' values had not shifted (LUCK, 1974). The idea that managers as a group tend to emphasize the importance of economic, or practical, ends is intuitively appealing; after all, the theory and research of the managerial process suggests that persons with such values would be compatible with it. Other important facts hindering any change in the value system orientation are: a) managers are selected by others having similar values, b) the job of managing reinforces the pragmatic orientation, and c) values are in the axiomatic core of the individuals, therefore they tend to be stable over time.

**Table 1**
**Five Types of Value Orientation**

1. The *economic man* is primarily oriented toward what is useful. He is interested in the practical aspects of the business world; in the manufacture, marketing, distribution and consumption of goods; in the use of economic resources; and in the accumulation of tangible wealth (protestant ethics). He is thoroughly "practical" and fits well the      stereotype of the businessman.

2. The *theoretical man* is primarily interested in the discovery of truth, in the systematic ordering of his knowledge. In pursuing this goal he typically takes a "cognitive" approach, looking for identities and differences, with relative disregard for the beauty or utility of objects, seeking only to observe and to reason. His interests are empirical, critical, and rational.

3. The **political man** is oriented toward power, not necessarily in politics, but in whatever area he works. Most leaders have a high power orientation. Competition play a large role during all his life. For some men, this value is uppermost, driving them to seek personal power, influence, and recognition in a continuous basis.

4. The *aesthetic man* finds his main interest in the artistic aspects of life, although he need not be a creative artist. He values form and harmony. He views experience in terms of grace, symmetry, or harmony. Lives the here and now with enthusiasm.

5. The *social man* is primarily oriented toward the well-being of the people. His essential value if love of people – the altruistic or philanthropic aspect of love. The social man values people as ends, and tends to be kind, sympathetic, and unselfish.

Source: Adapted from Guth and Tagiuri (1965).

**The Importance of Values**
Values will affect not only the perceptions of appropriate ends, but also the perceptions of the appropriate means to those ends. From the concept and development of organization strategies, structures and processes, to the use of particular leadership styles and the evaluation of subordinate performance, value systems will be persuasive. Fiedler (1967) came up with a leadership theory based upon the argument that managers cannot be expected to adopt a particular leadership style if it is contrary to their value orientations.

An influential theory of leadership (COVEY, 1990) is based upon four dimensions: personal, interpersonal, managerial, and organizational. Not by accident the personal dimension is considered the core dimension. Incidentally it encompasses the value profile of the individual.

Tannenbaun and Schmidt suggested that there are at least four internal forces that influence a manager's leadership style: value system, confidence in employees, personal inclinations, and feelings of security in an uncertain situation. Again value system plays an important role. In short, people decide according to the value system they spouse, in other words values and attitudes are important because they may shape behavior, and behavior will influence people.

**Values and the Leaders of Tomorrow**
Employees will be the essential resources of twenty-first century organizations. These employees can be categorized into several generations, each with special motivation needs. Kuzins (1999) suggests that managers and leaders need to understand people, whatever their age. They need to find out their skills, strengths, and whatever motivates them. In short they have to recognize that everyone is different and deal with each employee as an individual.

On the other hand there are some important considerations that the leader of tomorrow will be confronted with: a) the phenomenon of unemployment, as a consequence of the extraordinary fast development of mechanization and automation, and the economic apparatus centered in the idea of currency stability, which instead of absorbing all the units of human energy creates a growing number of idle hands, and, even worse, brains; b) the phenomenon of research – who can say whither our combined knowledge of the atom, of hormones, of the cell and the laws of heredity will take us?; and c) the need for true union, that is to say full associations of human beings organically ordered, which will lead us to differentiation in terms of society; it should not be confounded with agglomeration which tends to stifle and neutralize the elements which compose it.

Therefore, responsible influence, leadership centered in collective objectives, coherence and fecundity, are the four criteria to be pursued in developing the leaders of tomorrow. Summarizing we need to put into practice the ideas presented by Nanus (1995) in his book Visionary Leadership, that is to say, an organization's senior leaders need to set directions and create a customer focus, clear and visible values, and high expectations, which should balance the needs of all stakeholders; ensuring the creation of strategies, systems, and methods for achieving excellence, innovation, and building knowledge and capabilities, including the development of leadership.

Finally, the democratization of the concept of leadership, and at the same time, as an activity, primarily focused on people and their needs, as proposed by Safty (2003), is a must.

**Leadership**
The objective of this topic is not to review all the literature on leadership. On the contrary, it will be explained why a particular leadership model, namely Situational Leadership, has been chosen. Situational Leadership was developed by Paul Hersey and Kenneth H. Blanchard (1969) at the Center for Leadership Studies. Apart of trait and attitudinal approaches to leadership, Hersey-Blanchard tridimensional leader effectiveness model was selected as more appropriate due the fact it was designed to measure three aspects of leader behavior which were suitable to answer the research questions of the study. These three aspects of leader

behavior are: a) style, b) style range or flexibility, and c) style adaptability or leadership effectiveness.

A person's leadership style involves some combination of task behavior and relationship behavior. The two types of behavior, which are central to the idea of leadership style, are defined as follows: a) task behavior – the extent to which leaders are likely to organize and define the roles of the members of their group, and b) relationship behavior – the extent to which leaders are likely to maintain personal relationships between themselves and members of their group.

The effectiveness of the leaders, on the other hand, depends on how appropriate their leadership style is to the situation in which they operate. This appropriateness comes from the matching of leader style and follower task relevant maturity, or task readiness. Readiness in Situational Leadership is defined as the extent to which a follower demonstrates the ability (knowledge, experience, and skill) and willingness (confidence, commitment, and motivation) to accomplish a specific task (HERSEY, Blanchard and JOHNSON, 2001).

**Research Questions**
The study sought to answer the following research questions:

1. What is the executives' personal values profile of Manaus Industrial Cluster?
2. What is the predominant leadership style of the executives involved in the research?
3. What is the leadership effectiveness of these executives?
4. Is there a relation between the executives' personal values balance and their leadership effectiveness?
5. Is there a relation between executive's personal values and organizational effectiveness?

# AMAZON INDUSTRIAL CLUSTER
The study has been conducted in Manaus Industrial Cluster . This important industrial complex located in Brazil is the home of more than 400 companies with high indexes of technological innovation, productivity and competitiveness. With an annual average income higher than US$10 billion and exportation up to US$850 million in 2004. Manaus industrial pole employs more than 50,000 people only in the city of Manaus, directly and indirectly, and more 20 thousand in other Brazilian states (SUFRAMA, 2003).

The Brazilian Government recognizes the importance of the industrial pole for the national economy, and in the public policies definitions for industrial development, establishing guide lines to insert it in the globalized economic process, strengthen its technological bases, ensuring an increase in competitiveness of the industries, assuring feasibility to the pole as an outstanding export market in the country, moreover stimulating the development inland of the Western Amazon basin. In this industrial cluster, the electric electronic sectors are predominant and it is responsible for 55% of the total income. The main products manufactured are: consumer electronics (audio and video), white goods (microwave ovens and air conditioners), mobile phones, computers and its hardwares, motorbikes, professional equipments (photocopiers, telephone sets and facsimiles), watches, optical products (lenses and glasses frame), chemicals, toys, metal and plastic parts.

The companies in the industrial pole have a modern management orientation, they invest in productivity and competitiveness in continuous basis. Many of the manufactured products are of high technology, and high unit value, absorbing the changes in the product technology rapidly. Most of the companies got certifications following the relevant standards as: ISO 9000 (quality system), ISO 14000 (environment protection) and OHSA 18000 (health / safety).

## METHODOLOGY
### Sampling
It has been randomly selected 400 executives involving 48 organizations, encompassing medium and large size ones. Most of them were manufacturing companies in the fields of consumer electronics, two-wheel vehicles, and cell phones. The majority of the executives were Brazilians (366) and some foreigners (34), being 142 females and 258 males with ages varying from 28 up to 48. The total estimated population of executives was 4,000.

### Data Gathering
Each respondent received two closed type instruments. In order to uncover the personal values a questionnaire, which measured the relative importance of each value, was developed and applied covering the five value orientations as depicted in Table 1.

The 10 item validities for each of the five values ranged from. 0.30 to 0.81, and the reliabilities results for each of the five values ranged from 0.80 to 0.89. All the coefficients were significant beyond 0.01 level.

To measure the three aspects of leader behavior the LEAD (Leader Effectiveness and Adaptability Description) instrument, developed at the Center for Leadership Studies (Hersey and Blanchard, 1965), has been used. The three aspects are: a) style, b) style range, or flexibility, and c) style adaptability, or leader effectiveness. The LEAD self has been used, and it yields four ipsactive style scores and one normative adaptability (effectiveness) score. This kind of instrument needs to be statistically validated in terms of items and reliability only once. According to the Center for Leadership Studies (Hersey and Blanchard, 1965), the 12 item validities for adaptability score ranged from 0.11 to 0.52, and 10 of the 12 coefficients (83%) were 0.25 or higher. Eleven coefficients were significant beyond the. 01 level and one was significant at the 0.05 level.

The reliability of the LEAD self was moderately strong. In two administrations across a six-week interval, 75% of the managers maintained their dominant style and 71% maintained their alternative style. The contingency coefficients were both 0.71 and each was significant at the level 0.01. The correlation for the adaptability scores was 0.69 at the 0.01 level. In order to compute the personal values balance a criterion has been used as follows: taking the average of the scoring (12) as basis, an interval has been arbitrarily selected, from 11 to 13, including the extremes, to define the zone of balance; therefore for each respondent one may calculate the balance level computing in percentage the number of value scores falling within the balance interval.

To check if a relation existed between the executives' personal values balance and leadership effectiveness, the linear correlation coefficient has been computed taking into consideration the pair of values, involving the before mentioned variables, per respondent.

To analyze a possible relation between executives' personal values and organization effectiveness (results), a stratum of the organizations involved in the research were previously selected, taking as basis their performance announced on their fiscal year balance sheets in the previous three years. The performance indicators considered were: a) net profit, b) inventory turns, c) fixed assets turns, d) depreciation/material costs, e) expenses/net sales, and f) fixed assets/net sales. Six organizations were than segregated and their executive's average personal values profile was identified (50 executives).

**FINDINGS AND ANALYSES**

In order to answer the first research question the average scores of the respondents were computed taking into consideration each one of the five value orientations considered in the measuring instrument, as shown in Table 2.

**Table 2**
**Value Orientations of a Sample (400) of Brazilian Executives**

| Value | Score |
|---|---|
| Theoretical | 13.26 |
| Economic | 13.04 |
| Social | 11.90 |
| Aesthetic | 11.52 |
| Political | 10.28 |

Source: Research Data.

Table 2 depicts that this sample of Brazilian executives obviously values more highly theoretical and economic ends than social, aesthetic and political. It should be kept in mind that the scores in Table 2 reflect the relative importance of each value; that is, one can increase one value only at the expense of another. On the other hand, the results are in terms of group averages; individual executives may have responded differently from the group. In any way Table 2 shows a lack of balance in terms of executives' personal values profile, and, as a consequence, in their decision process they will value more highly the predominant ones. Comparing with former studies of the same nature (LUCK, 1974) one can notice one major shift involving the social and political values. LUCK (1974) has uncovered political value ranked in second place, and social in the last position. This can be explained by the fact that in the last decades this kind of value orientation (political) is seen by Brazilians as somewhat "dirty" due to the bad example shown by the majority of Brazilian politicians, and on top of that 72% of the sample belongs to Generation X (ZEMKE et al., 2000), ages from 23 to 34. This group has a demonstrated concern for survival, both economic and psychological, and have a casual approach to authority. **This result was basically the same presented seven years ago (Lay, 2003).**

To answer the two research questions regarding leadership the data were summarized in two groups: leadership style range or flexibility, and leadership style adaptability or leadership effectiveness.

Table 3 shows the profile of the Brazilian executives sample regarding leadership styles.

**Table 3**
**Profile of Leadership Styles of a Sample (400) of Brazilian Executives**

| Style | Frequency Distribution (%) |
|-------|----------------------------|
| S1 – Telling | 16.21 |
| S2 – Selling | 48.29 |
| S3 – Participating | 28.60 |
| S4 – Delegating | 6.90 |

Source: Research Data.

As depicted in Table 3 this sample of executives is perceived as using predominantly styles S2 and S3. So they tend to do well working with people of average levels of readiness.

However, they face difficulties to handle discipline problems and work with groups at low level of task maturity or readiness, and they also find it difficult to delegate with competent people to maximize their development. This finding matches with the researches conducted by Hersey et al. (2003) all over the world. **Again this result was identical to the previous one seven years ago (Lay, 2003).**

The results of leadership style adaptability, or leadership effectiveness are shown in Table 4. They have been grouped in quartiles covering a response interval from zero to 36.

**Table 4**
**Summary of Leadership Effectiveness of a Sample (400) of Brazilian Executives**

| Score Interval (scale end points 0 and 36) | | Level of Effectiveness | Frequency | |
|---|---|---|---|---|
| | | | Absolute | Relative (%) |
| 27 — 36 | | High | 23 | 5.75 |
| 18 — 26 | | Moderate | 377 | 94.25 |
| 9 — 17 | | Low | 0 | 0 |
| 0 — 8 | | Very low | 0 | 0 |

$X^2 = 708 > X^2_{crit.} = 11.3$; df = 3; p ≤ 0.01
Source: Research Data.

As depicted in Table 4 the null hypothesis was rejected since the computed one-way chi-square of 708 was larger than the tabled (critical) value of 11.3 with three degrees of freedom at the 0.01 level.

As shown in Table 4 this sample of executives has predominantly a moderate level of leadership effectiveness. This range reflects a moderate degree of adaptability. Scores in this range usually indicate a pronounced primary leadership style with less flexibility into the secondary styles. This result was expected in any way because, according to previous researches (HERSEY, et al., 2003), people in work settings usually fall into moderate readiness level. **This result replied the previous one of seven years ago (Lay, 2003).**

In order to verify if there was a relation between executives personal values' balance and leadership effectiveness the personal values balance score was computed for each one of the respondents. After doing this, a linear correlation coefficient has been computed taking into account the set of paired data, involving all the respondents, being personal values balance score one variable, and leadership effectiveness score the other; therefore the computation involved 400 pairs. The result was a linear correlation coefficient of 0.89, which suggests, according to Schmidt (1975), a high degree of positive relation between the two considered variables.

Finally, to verify if there was a relation between executives' personal values and organizational effectiveness six organizations have been selected according to the criteria mentioned in the methodology. After doing this the involved executives (50) personal values scores were segregated from the sample (400) and the results were computed in terms of group averages per value orientation. Table 5 reflects the relative importance of each for this group of executives.

**Table 5**
**Value Orientations of a Stratum (50) of the Sample (400) of Brazilian Executives**

| Value | Score |
|-------|-------|
| Economic | 12.94 |
| Theoretical | 12.76 |
| Political | 12.37 |
| Social | 11.44 |
| Aesthetic | 10.49 |

Source: Research Data.

Analyzing the results shown in Table 5, it is obvious that these executives value more highly economic, theoretical, and political ends than social and aesthetic ones. **This result was equal to the previous one of seven years ago (Bruno, 2000)**. This result is consistent with the findings of others (LUCK, 1974), however it differs from the findings in Table 1, involving the total sample. In fact, if one compute the average balance score of each group, the result shows the total sample (400) average score of 40%, while the stratum (50) average score is 80%, varying the individuals scores from 60% up to 100%, and the leadership effectiveness from 27 up to 36, encompassing only executives of the organizations with high performance indicators scores. This suggests a positive relation between executives' personal values balance scores and organization effectiveness, and furthermore this finding is confirming previous research results (SIKULA, 1971).

## CONCLUSIONS AND RECOMMENDATIONS
### Conclusions
The following conclusions were reached based on the research:

1. This follow-up study seven years later found that executives' values and leadership profile had not shifted. Previous studies (LUCK, 1974) suggested that the stability of the value orientation and leadership profile could be accounted for by the fact that executives are selected by others having similar values and leadership profile, the job

of managing reinforces the pragmatic orientation, and that values and leadership profile are inherently stable over time.

2. The study has shown, after seven years the same results, that is to say that the executives working in this specific Brazilian cluster have an unbalance in their personal values profile; and, even worse, is the fact that the political orientation, which has partially to do with the process of influencing people, that means leadership, received the lowest average score (10.28). This finding can be partially explained, as said before, due to the fact that the great majority of the executives of the sample (72%) belongs to the Generation X (ZEMKE et al., 2000), the survival generation with a casual approach to authority, and, on the other hand, the political value is associated with politics, which is somewhat "dirty" for the majority of the Brazilian citizens. In any way this is the moment to face this problem. If we really want to have leaders with traits such as: responsible influence, people centered, showing coherence between attitudes and actions, and fecundity, that is to say, leading the process of assuring progress, than we need to work hard in order to develop knowledge for better understand and influence leaders' personal values.

3. The results of leadership style flexibility and leadership effectiveness lead us to the conclusion that this group of executives needs to receive training in terms of leadership skills, once they need to have more flexibility of styles and to be able to use the appropriate style depending on the situation. Previous studies (HERSEY, BLANCHARD and JOHNSON, 2001) suggest that by having this new profile this group of executives will be able to lead their organizations towards better results. Again these results were equal to the previous research involving executives of the same region.

4. Once the study uncovered again, the high positive relation between executives' personal values balance and leadership effectiveness, as well as, executives' personal values balance and organization effectiveness, would be highly recommended in leadership development efforts to take into consideration a critical analysis on personal values balance, once all the value orientations used in the study are important, so all them needed to be valued. As a consequence, society will have leaders with a more comprehensive view of the world, assuring, therefore, more appropriate decisions.


**Recommendations**
**General**
A certain number of initiatives should be taken to improve the development of leaders aiming at the establishment of a new society:

a) to address issues such as leadership in society's educational efforts as from the early childhood in order to prepare the new generations for the responsible practice of a leadership primarily focused on people and their professional and personal needs;

b) the hour of choice is now ; in order to assure that 2/3 of mankind, with poor quality of living, will receive a fast and effective attention from the leaders of today and tomorrow, we need to speed up the process of the democratization of the concept of leadership, that is to say, we need to make leadership accessible to people from all disciplines, all ages and everywhere; and

c) let all of us stimulate and support such organizations as the United Nations (UNESCO) and all the educational system worldwide in continuing to multiply and flourish in terms of projects and decisions towards the human society development, assuring convergence of the business world, the political institutions, and the civil society; however, we must realize that this will only be possible if all the parts involved are agreed on the basic values and purposes underlying their projects and decisions (actions) – true union (heart to heart) will be a must.

**Specific**

The samples used in the study were rather small, therefore any extrapolation from the results of the research must be done with caution.

In future studies of the same nature a 360 degree appraisal , as far as leadership style , style flexibility and leadership effectiveness are concerned , would be highly recommended.

Additional researches of the same nature involving bigger sample sizes and conducted in other cultures are highly recommended.

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