

## Leadership for Extraordinary Performance

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While success in the marketplace depends on managers' ability to provide leadership, extraordinary performance depends on their ability to provide extraordinary leadership. How do leaders generate such performance? Is the behavior consistent among leaders around the world, or are there differences that vary with countries or corporate cultures?

We asked executives in major subsidiaries in two divisions of a global company to give an example of exceptional organizational performance. They were then asked to describe the key leadership behaviors that they saw as accounting for these extraordinary performances. We discovered that the main dimensions of leadership for extraordinary performance *are consistent* across different regions of the world, with only marginal variations. But to our surprise, differences in the leadership behaviors used to explain extraordinary performance in the two global subsidiaries were more numerous and clear than those differences associated with the regions.

### Leadership patterns

We categorized the key leadership behaviors mentioned by the company's executives using three leadership styles known to have different effects on performance: transformational (or motivating), transactional (or result oriented) and laissez-faire (or avoiding) leadership.

### **Transformational Leadership**

Previous research has indicated that transformational leaders exhibit the following five behaviors:

1. **Visioning:** The leader communicates a vision of the future to be shared by the organization members. The leader expresses optimism about the future, with strong expressions of personal confidence and enthusiasm. Transformational leaders lead by example and behave in ways consistent with their vision.
2. **Inspiring:** The leaders generate excitement at work and heighten expectations through symbols and images. In communicating their vision, they use highly motivational language. They give pep talks with high energy, optimism and passion.
3. **Stimulating:** The leaders create interest in new ideas and stimulate employees to think about problems in new ways. Transformational leaders encourage re-thinking of ideas and questioning of old methods. They welcome "wild ideas" and encourage divergent thinking. Intelligence and clear reasoning are encouraged to select new creative ideas and to solve problems.

**4. Coaching:** The leaders coach, advise and provide hands-on help for others to improve their performance. Leaders listen attentively and express encouragement, support and confidence in others' abilities to achieve the high expectations inherent in their vision. They give positive feedback for strong performance and provide opportunities for development by giving challenging and interesting tasks.

**5. Team-Building:** The leaders build effective teams by selecting team members with complementary skills. They increase trust and self-confidence in the team by sharing information, giving positive feedback, using individual members' skills and removing obstacles to team performance.

Research has shown that transformational leaders who behave in these ways:

- Are seen as more effective and more satisfying to work for,
- Are promoted more frequently,
- Develop followers to higher levels of individual and group performance,
- Develop more innovative products,
- Register more patents for work produced by their people,
- Reduce burnout and stress on the job,
- Receive higher levels of volunteer effort from their people,
- Lead units that perform more effectively under stress,
- Generate greater risk taking, creativity and tolerance for different perspectives.

### **Transactional Leadership**

Transactional leaders use rewards and punishment. These leaders recognize and reward employees with regard to meeting previously agreed-on standards. In classic management-by-objectives procedures they set performance expectations and recognize people for their performance. This behavior results in performance consistent with what was expected. If the leader emphasizes shortfalls in performance, the result is more often below expectations, especially if the leader waits until errors or mistakes have been made.

### **Laissez-faire Leadership**

Some leaders' behavior indicates that they believe that the best leadership is no leadership. Although these leaders may think they are encouraging their employees, they are abdicating rather than delegating. To their followers, laissez-faire leaders seem uninvolved and indecisive. They are often unavailable when needed or when crises occur. As might be expected, these behaviors produce performance well below that expected. Although we didn't expect this kind of behavior to explain exceptional organizational performance, given the different types of subsidiaries and the wide variation in country cultures, we thought it prudent to include this category in the coding of the descriptions.

## **OVERALL RESULTS**

Using these categories of behavior to analyze the responses in our study, we found overwhelming support for the power of transformational leadership behaviors in explaining exceptional performance. Without knowing the distinctions for transformational, transactional or laissez-faire behaviors, 89% of the executives included the use of visioning as a key element in exceptional performance. This striking finding strongly reinforces the broad attention given to this skill in business news and management literature

during recent years. Intellectual stimulation, team-building and coaching were also cited frequently. Inspiring behaviors were mentioned by 68%. Taken together, transformational behaviors dominated the descriptions of outstanding performance.

By contrast, of the two transactional categories, only recognizing/rewarding was cited by more than half the participants (62%). Neither correcting nor avoiding behavior patterns were associated with descriptions of high performance – only 15% and 3% of the executives mentioned these types of behavior. In fact, some executives mentioned these behaviors as barriers to creating and sustaining the exceptional performance they were explaining.

## CULTURAL DIFFERENCES

To analyze different patterns of leadership associated with cultural backgrounds, six cultural regions were identified:

1. The U.S.A.;
2. Northern Europe, including Norway, The Netherlands, Hungary and Sweden;
3. Southern Europe, including France, Italy, Spain and Belgium;
4. Latin America, including Argentina, Chile, Brazil, Puerto Rico, Panama, and Cuba;
5. The Far East, including Hong Kong, Malaysia, Japan and Singapore;
6. Commonwealth countries, including Great Britain, Canada, and Australia.

Given the wide variation in ideal leadership across these regions, our main finding was a surprise: transformational behaviors are nearly uniformly associated with exceptional performance, with no significant differences in how often the visioning, coaching and stimulating behaviors were mentioned. Not surprising, the lack of avoidance behaviors in the descriptions was also consistent across the cultural groupings.

But there were a few exceptions:

- U.S. executives reported more correcting behaviors associated with exceptional performance than the Far East and Latin American groups – not too surprising given the importance of relationships in Oriental and Latin cultures.
- U.S. executives included team-building more frequently in their explanations of exceptional performance than did the Asian countries – a contrast to the stereotype of rugged individualism associated with the United States.
- The U.S. executives also included more stimulating behaviors in their examples of exceptional performance than did the Southern Europeans – perhaps reflecting the more emotional motivating style of the Latin executives in that group.
- The Far East's frequency of including recognition was significantly lower than that of the Southern Europeans – supporting the explanation suggested in the previously cited difference between the latter group and the U.S. managers.

## CORPORATE CULTURE AND LEADERSHIP DIFFERENCES

It is standard practice for global companies to organize different businesses in their portfolio into separate, though equally global, subsidiaries. This differentiation is frequently also matched by differences in

corporate culture and leadership style. The company in our study is no exception. In our previous interactions with the executives they had often cited differences in the degree of formality, hierarchy, empowerment, managerial experimentation and change methods between its two divisions.

*Division A:* With a higher percentage of employees in contact with customers, this division is associated with more participative management methods. More sales focused, it is regarded as having a more flexible, "freewheeling" approach to management, relative to its sister division.

*Division B:* More capital intensive, the company's second division is viewed as more traditional, with exhaustive processes for decision-making. This more conservative approach to managing is attributed by those with experience of both divisions to the high capital investments needed in this part of the business.

But even with these anecdotal descriptions, the results of the analysis were dramatic. Executives from Division A more frequently associated ***all five behaviors of transformational leadership, as well as recognizing behaviors***, with exceptional performance, than those from Division B.

## IMPLICATIONS FOR BUSINESS

Since this study indicates that transformational leadership behaviors are related to exceptional performance, managers would be well advised to apply these behaviors. Yet leaders may be unaware of their management style and how strongly it affects performance.

So, how can transformational leadership behavior be used effectively to create exceptional performance within your organization?

- **Visioning and Inspiring:** The fact that many organizations have corporate visions may lead you to assume that the visioning behavior has already occurred. However, it is unlikely that a corporate vision is enough to create exceptional performance. If managers want to generate exceptional performance, they need a vision specific to each task and to their own department. The executives in our study attributed their organizational success to the fact that management set clear, long-term business goals and competitive strategies directly related to each project. One executive stated that a "clearly articulated vision of the future state" enabled the success. "Clear, senior management commitment to the task to be performed and agreement on the broad means as to how it will be achieved" was very important. Many executives recognized the importance of other behaviors, including leading by example, "leading by doing" rather than simply by "telling." One executive made this point most directly: "A very visible leader, who walked the talk. The leader led by example and was a great teacher."

- **Stimulating:** For behaviors to be reinforced, systems supporting them should be part of the organizational design. A system that supports idea generation is critical to exceptional performance. Make innovation part of the culture of your department, and encourage experimentation. One executive expected his employees to be involved with prudent risk taking and to make mistakes, since he believed that is how learning and innovation occurred. Another executive stressed that the key to their turnaround was "no witch hunts and blame-seeking when problems occurred . . . instead, problems were analyzed constructively to develop innovative solutions for the future."

Many executives stressed that making information available, allowing independence of thought and action, empowering task forces, holding weekly conferences, having brainstorming sessions and using idea generation groups were key behaviors to creating success. One executive stated that the exceptional performance occurred when "a total quality mode of working was adopted by all the employees using rigid quality systems, such as ISO 9002 or financial controls, with an innovation mindset built in as a way of life, which continuously improved through these systems." Another commented on how "extremely innovative people became role models for tackling 'what could be done' rather than focusing on why things had to change."

- **Coaching:** Leaders did not approach situations in a top-down manner. Instead, their people were empowered and coached to work more effectively on their task. One department's managers improved their coaching techniques by using "performance counseling discussion that was focused on improvement opportunities rather than dwelling on shortcomings." An executive stated: "My role as a manager consisted of regular stewardships, keeping a constant direction, helping as necessary, encouraging when needed and motivating." Another believed that the "keys to success were outstanding focus on the job at hand and a high concern for the individual people involved." It is important for managers to understand their role as coach and to reflect on whether they are providing this behavior.

- **Teamwork:** Teamwork has become an essential element of success within corporate cultures. Most executives emphasized teamwork as a key element in the work environment that enabled the organization to accomplish far more than individuals might otherwise have done. Effective teamwork ranked among the top three traits identified by executives as necessary for high performance. These accomplishments were achieved through co-operation, a collective pooling of energies, resources and knowledge, and internal leadership that provides educational tools and stimulates group decisions while providing feedback and support. Managers went out of their way to "protect the work teams for the organization so they could do the work. Team members were selected on the basis of their skills, knowledge and proven capability." It was clear that "attention to initial team-building to generate the right environment from the beginning with individuals coming from varied backgrounds" was important to success. It was also made clear that many of the responsibilities, which might otherwise have been delegated to the manager, were shared among group members. Some executives acknowledged that teamwork was not always a natural method of getting things done. It is important that management understands that teamwork does not come naturally. For teamwork to be effective, careful training and development are required; that is, team-building leads to teamwork.

Many situations described by the executives were already in crisis before the exceptional performance began. Leaders must learn to anticipate a crisis rather than react to it. Creating visions and measurement systems before the crisis develops will help. Being patient for results to become apparent is important too - the impact of change takes time. In addition, taking smaller steps when managing change was seen as enhancing its effectiveness.

#### FOCUS AND COMMITMENT

One executive's remark provides an excellent summary: "Key learning from this experience was that a clearly focused, committed organization with strong visible leadership can accomplish what might

otherwise be seen to be impossible!" We therefore encourage leaders to understand their own pattern of behaviors and to emphasize the transformational components of their style to generate exceptional performance. In this era of complex global organizations and high mobility, our findings also come with a caution. When applying these results, leaders need to be sensitive to differences and to adapt them to the context they are in, whether in terms of regional or corporate cultures. But the main implication is clear: transformational leadership consistently helps executives to work more effectively with people, to reach their objectives and to create exceptional performance.

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