6E

THE **LEADERSHIP** EXPERIENCE

RICHARD L. **DAFT**

The Leadership Experience

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SIXTH EDITION

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WCN: 02-200-203

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Library of Congress Control Number: 2013947153

ISBN-13: 978-1-4354-6285-4

ISBN-10: 1-4354-6285-8

Cengage Learning
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Printed in Canada
1 2 3 4 5 6 7 17 16 15 14 13

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To the spiritual leaders who shaped my growth and development as a leader and as a human being.

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Richard L. Daft, Ph.D., is the Brownlee O. Currey, Jr., Professor of Management in the Owen Graduate School of Management at Vanderbilt University. Professor Daft specializes in the study of leadership and organization theory. Dr. Daft is a Fellow of the Academy of Management and has served on the editorial boards of *Academy of Management Journal*, *Administrative Science Quarterly*, and *Journal of Management Education*. He also served as the associate dean at the Owen School, was the associate editor-in-chief of *Organization Science*, and served for three years as associate editor of *Administrative Science Quarterly*.

Professor Daft has authored or coauthored 13 books. His latest books include *The Executive and the Elephant: A Leader's Guide to Building Inner Excellence* and *Building Management Skills: An Action First Approach* (with Dorothy Marcic). He is also the author of *Organization Theory and Design, Management, and Fusion Leadership: Unlocking the Subtle Forces That Change People and Organizations* (with Robert Lengel). He has also authored dozens of scholarly articles, papers, and chapters. His work has been published in *Administrative Science Quarterly*, *Academy of Management Journal*, *Academy of Management Review*, *Strategic Management Journal*, *Journal of Management*, *Accounting Organizations and Society*, *Management Science*, *MIS Quarterly*, *California Management Review*, *Leadership Excellence*, *Leader to Leader*, and *Organizational Behavior Teaching Review*.

Dr. Daft also is an active teacher and consultant. He has taught leadership, leading change, management, organizational theory, and organizational behavior. He has also produced for-profit theatrical productions and helped manage a start-up enterprise. He has been involved in management development and consulting for many companies and government organizations, including the National Academy of Science, Oak Ridge National Laboratory, American Banking Association, AutoZone, Aegis Technology, Bell Canada, Nortel, Bridgestone, TVA, Pratt & Whitney, Allstate Insurance, State Farm Insurance, the United States Air Force, the U.S. Army, Central Parking System, USAA, Bristol-Myers Squibb, Eli Lilly, and the Vanderbilt University Medical Center.

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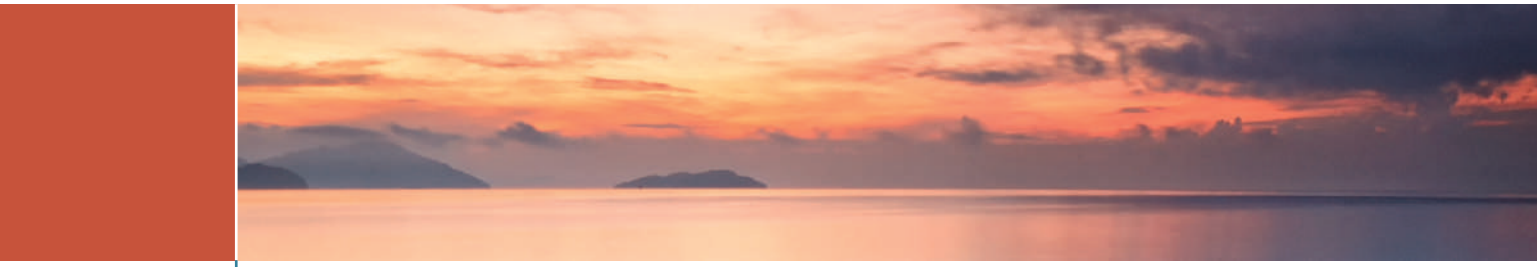

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PREFACE

Many leaders have recently had their assumptions challenged about how organizations succeed. Leaders are struggling to make sense of the shifting environment and learn how to lead effectively and successfully in the midst of turmoil. The crisis in the housing, mortgage, and finance industries and resulting recession; the failures of several large, long-standing organizations and the government bailout of others; volatile oil prices; ethical scandals; political turmoil; and other events have dramatically shifted the organizational and economic landscape. This edition of *The Leadership Experience* addresses themes and issues that are directly relevant to the current turbulent environment. My vision for the sixth edition is to give students an exciting, applied, and comprehensive view of what leadership is like in today's world. *The Leadership Experience* integrates recent ideas and applications with established scholarly research in a way that makes the topic of leadership come alive. Organizations are undergoing major changes, and this textbook addresses the qualities and skills leaders need in this rapidly evolving world.

Recent chaotic events, combined with factors such as a growing need for creativity and innovation in organizations, the rise of social media, the growth of e-business and mobile commerce, the use of virtual teams and telecommuting, globalization, the emerging problem of cybercrime, and other ongoing transformations place new demands on leaders that go far beyond the topics traditionally taught in courses on management or organizational behavior. My experiences teaching leadership to students and managers, and working with leaders to change their organizations, have affirmed for me the value of traditional leadership concepts while highlighting the importance of including new ideas and applications.

The Leadership Experience thoroughly covers the history of leadership studies and the traditional theories but goes beyond that to incorporate valuable ideas such as leadership vision, shaping culture and values, leadership courage, and the importance of moral leadership. The book expands the treatment of leadership to capture the excitement of the subject in a way that motivates students and challenges them to develop their leadership potential.

NEW TO THE SIXTH EDITION

A primary focus for revising *The Leadership Experience*, sixth edition, has been to relate leadership concepts and theories to events in today's turbulent environment. Each chapter has been thoroughly revised and updated to bring in current issues and events that leaders are facing.

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Topics that have been added or expanded in the sixth edition include:

- *the importance of self-awareness for leadership*
- *developing a global mindset*
- *elements of personal mastery*
- *the influence of emotions on performance*
- *emotional contagion*
- *leadership courage as a skill*
- *managing up and down the hierarchy*
- *follower sources of power*
- *leadership coaching*
- *positive and negative motives that influence people to act*
- *building a thriving workforce*
- *the making progress principle*
- *psychological and job design elements of empowerment*
- *the leader as a sensegiver*
- *candid communication*
- *using storytelling to influence*
- *redundant communication*
- *using social media for leadership*
- *essential team competencies*
- *team task and socioemotional roles*
- *balancing conflict and cooperation*
- *employee affinity groups*
- *minority sponsorship*
- *diversity of thought*
- *Machiavellian-style leadership*
- *cocreating a vision*
- *steps for implementing strategy*
- *building a high-performance culture through attention to both values and results*
- *facilitating creativity by enabling immersion and allowing pauses*
- *the transition required for people to change behavior*
- *helping people change with a positive emotional attractor.*

The book also includes several new cases for analysis that are related to new topics and current issues.

The Leadership Experience continues to offer students great opportunities for self-assessment and leadership development. An important aspect of learning to be a leader involves looking inward for greater self-understanding, and the sixth edition provides numerous opportunities for this reflection. Each chapter includes multiple questionnaires or exercises that enable students to learn about their own leadership beliefs, values, competencies, and skills. These exercises, several of which are new to this edition, help students gauge their current standing and connect the chapter concepts and examples to ideas for expanding their own leadership abilities. A few of the self-assessment topics involve engagement, networking, ethical maturity, personality traits, leading diverse people, developing a personal vision, spiritual leadership, candor, leadership courage, optimism, and leading with love versus leading with fear. Self-assessments related to basic leadership abilities such as listening skills, emotional intelligence, motivating others, and using power and influence are also included. Additional self-assessments are available within CengageNOW.

ORGANIZATION

The organization of the book is based on first understanding basic ways in which leaders differ from managers, and the ways leaders set direction, seek alignment between organizations and followers, build relationships, and create change. Thus, the organization of this book is in five parts:

1. Introduction to Leadership
2. Research Perspectives on Leadership
3. The Personal Side of Leadership

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4. The Leader as a Relationship Builder
5. The Leader as Social Architect

The book integrates materials from both micro and macro approaches to leadership, from both academia and the real world, and from traditional ideas and recent thinking.

DISTINGUISHING FEATURES

This book has a number of special features that are designed to make the material accessible and valuable to students.

In the Lead *The Leadership Experience* is loaded with new examples of leaders in both traditional and contemporary organizations. Each chapter opens with a real-life example that relates to the chapter content, and several additional examples are highlighted within each chapter. These spotlight examples are drawn from a wide variety of organizations including education, the military, government agencies, businesses, and nonprofit organizations.

Consider This! Each chapter contains a Consider This! box that is personal, compelling, and inspiring. This box may be a saying from a famous leader, or wisdom from the ages. These Consider This! boxes provide novel and interesting material to expand the reader's thinking about the leadership experience. Several of these are new to this edition.

Leader's Bookshelf In this edition, 13 of the 15 chapters have new Leader's Bookshelf reviews. A unique feature of *The Leadership Experience* is that each chapter includes a review of a recent book relevant to the chapter's content. The Leader's Bookshelf connects students to issues and topics being read and discussed in the worlds of academia, business, military, education, and nonprofit organizations.

New Leader Action Memo This feature helps students apply the chapter concepts in their own lives and leadership activities, as well as directs students to self-assessments related to various chapter topics.

Leader's Self-Insight These boxes provide self-assessments for learners and an opportunity to experience leadership issues in a personal way. These exercises take the form of questionnaires, scenarios, and activities.

Follow the Leader This brand-new feature referenced within the text and housed within CengageNOW provides an opportunity for students to review a curated list of Twitter feeds from today's business leaders. Students can then add those leaders' feeds to their own personal Twitter accounts as desired, providing a constant, current window into the leadership world.

Student Development Each chapter ends with discussion questions and then two activities for student development. The first, **Leadership at Work**, is a practical, skill-building activity that engages the student in applying chapter concepts to real-life leadership. These exercises are designed so students can complete them on their own outside of class or in class as part of a group activity. Instructor tips are given for maximizing in-class learning with the Leadership at Work exercises. **Leadership**

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Development—Cases for Analysis, the second end-of-chapter activity, provides two short, problem-oriented cases for analysis. Fourteen of the 15 chapters have a new case in this edition, and additional cases are available online. These cases test the student's ability to apply concepts when dealing with real-life leadership issues. The cases challenge the student's cognitive understanding of leadership ideas while the Leadership at Work exercises and the feedback questionnaires assess the student's progress as a leader.

CengageNOW *The Leadership Experience*, sixth edition, now includes a robust set of online resources within the CengageNOW platform designed to facilitate student progress through the stages of learning, allowing them to **ENGAGE** with the course content, **CONNECT** to the concepts through knowledge and comprehension activities, **PERFORM** as leaders through the application of those concepts, and **LEAD** through participation in real-world experiential exercises.

The CengageNOW diagram on page xvii provides a quick glance at the multitude of brand-new digital resources available for each chapter. Among the features are the in-text "Leader's Self-Insight" exercises provided in an interactive format and enhanced with even more online-exclusive assessments, a selection of brand-new homework activities written within the **Engage/Connect/Perform/Lead** levels of learning, the "Leadership at Work" exercises now provided in an online format for convenient completion, and a brand-new selection of curated Twitter feeds that allow students to "Follow the Leaders" who write regularly about their experiences in today's evolving environment. All this and much more is available within CengageNOW. Look for the "See It Online" icons within the text that identify where textual information is enhanced with interactive CengageNOW content.

ANCILLARIES

This edition offers a wide range of instructor ancillaries to fully enable instructors to bring the leadership experience into the classroom. These ancillaries include:

Instructor's Manual

A comprehensive Instructor's Manual is available to assist in lecture preparation. Included in the Instructor's Manual are the chapter outlines, suggested answers to end-of-chapter materials, suggestions for further study, and a quick-glance overview for each chapter of the available CengageNOW resources to assist instructors in their planning.

Test Bank

Cengage Learning Testing Powered by Cognero is a flexible, online system that allows you to author, edit, and manage test bank content from multiple Cengage Learning solutions; create multiple test versions in an instant; and deliver tests from your LMS, your classroom, or wherever you want. The test bank for *The Leadership Experience*, sixth edition, includes approximately 60 questions per chapter to assist in writing examinations. Types of questions include true/false, multiple choice, completion, short-answer, and essay, with all questions tagged to relevant national competencies. To ensure consistency across our entire package, the content of the test bank has been fully reviewed and updated by the same authors who have crafted our new digital resources.

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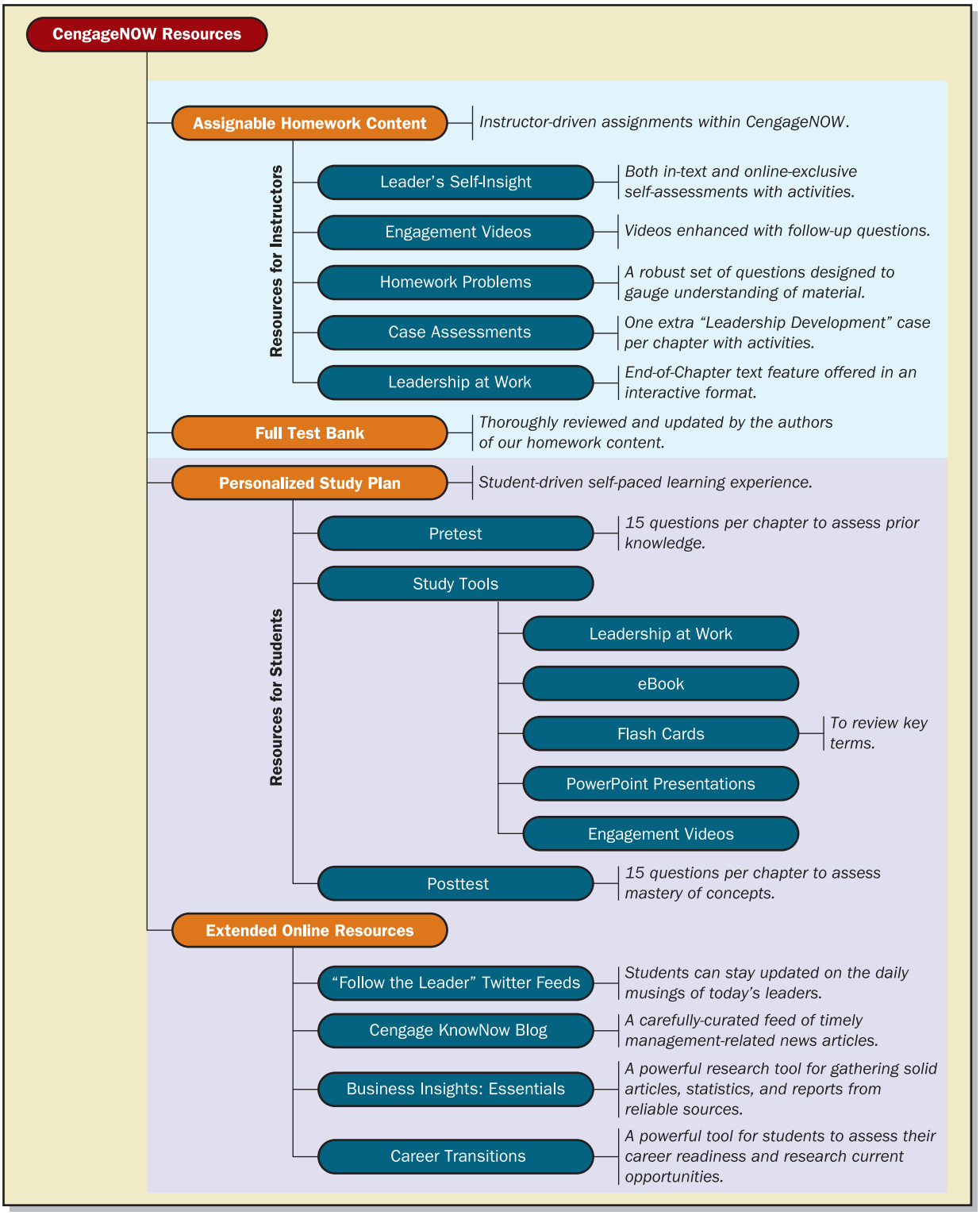

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PowerPoint Lecture Presentations

An asset to any instructor, the lectures provide outlines for every chapter, illustrations from the text, and additional examples providing instructors with a number of learning opportunities for students.

Videos

Videos compiled specifically to accompany *The Leadership Experience*, sixth edition, allow students to engage with the textual material by applying theories and concepts to real-world situations.

ACKNOWLEDGMENTS

Textbook writing is a team enterprise. This book has integrated ideas and support from many people whom I want to acknowledge. I want to extend special thanks to my editorial associate, Pat Lane. I could not have undertaken this revision without Pat's help. She skillfully drafted materials for the chapters, found original sources, and did an outstanding job with last-minute changes, the copyedited manuscript, art, and galley proofs. Pat's talent and personal enthusiasm for this text added greatly to its excellence. I also want to thank DeeGee Lester, who used her creative writing talent to draft numerous outstanding cases that appear in the text or online for several chapters.

Here at Vanderbilt I want to thank my assistant, Barbara Haselton, for the tremendous volume and quality of work she accomplished on my behalf that gave me time to write. Jim Bradford, the dean at Owen, and Ray Friedman, associate dean, have maintained a positive scholarly atmosphere and supported me with the time and resources to complete the revision of this book. I also appreciate the intellectual stimulation and support from friends and colleagues at the Owen School—Bruce Barry, Rich Oliver, David Owens, Ty Park, Ranga Ramanujam, Bart Victor, and Tim Vogus.

I want to acknowledge the reviewers who provided feedback. Their ideas helped me improve the book in many areas:

Thomas H. Arcy
University of Houston—Central Campus

Janey Ayres
Purdue University

Kristin Backhaus
SUNY New Paltz

Bill Bommer
Georgia State University

William Russell Brown
Navarro College

Jared Caughron
University of Oklahoma

Meredith Rentz Cook
North Central Texas College

Glenn K. Cunningham
Duquesne University

Jeffrey Fisher
Embry Riddle Aeronautical University

Ron Franzen
Saint Luke's Hospital

Adrian Guardia
Texas A&M University—San Antonio

Delia J. Haak
John Brown University

Nell Hartley
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Mount Olive College

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North Central Texas College

Gregory Manora
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Frostburg State University

Mary L. Tucker
Ohio University

Joseph W. Weiss
Bentley University

Donald D. White
University of Arkansas

Xavier Whitaker
Baylor University

Jean Wilson
The College of William and Mary

George A. Wynn
University of Tampa

The developers at Cengage Learning also deserve special mention. Senior Product Manager Scott Person supported the concept for this book and obtained the resources necessary for its completion. Associate Content Developer Josh Wells provided terrific support for the book's writing, reviews, and production. Senior Media Developer Sally Nieman worked steadfastly in ensuring the successful creation of the digital resources. Product Assistant Tammy Grega was instrumental in supporting the development processes for the learning package.

I also thank Bob Lengel at the University of Texas at San Antonio. Bob's enthusiasm for leadership many years ago stimulated me to begin reading, teaching, and training in the area of leadership development. His enthusiasm also led to our collaboration on the book *Fusion Leadership: Unlocking the Subtle Forces That Change People and Organizations*. I thank Bob for keeping the leadership dream alive, which in time enabled me to pursue my dream of writing this leadership textbook.

Finally, I want to acknowledge my loving daughters Danielle, Amy, Roxanne, Solange, and Elizabeth. Although everyone is now pursuing their own lives and careers, I appreciate the good feelings and connections with my children and grandchildren. On occasion, we have been able to travel, ski, watch a play, or just be together—all of which reconnect me to the things that really count.

Richard L. Daft
Nashville, Tennessee

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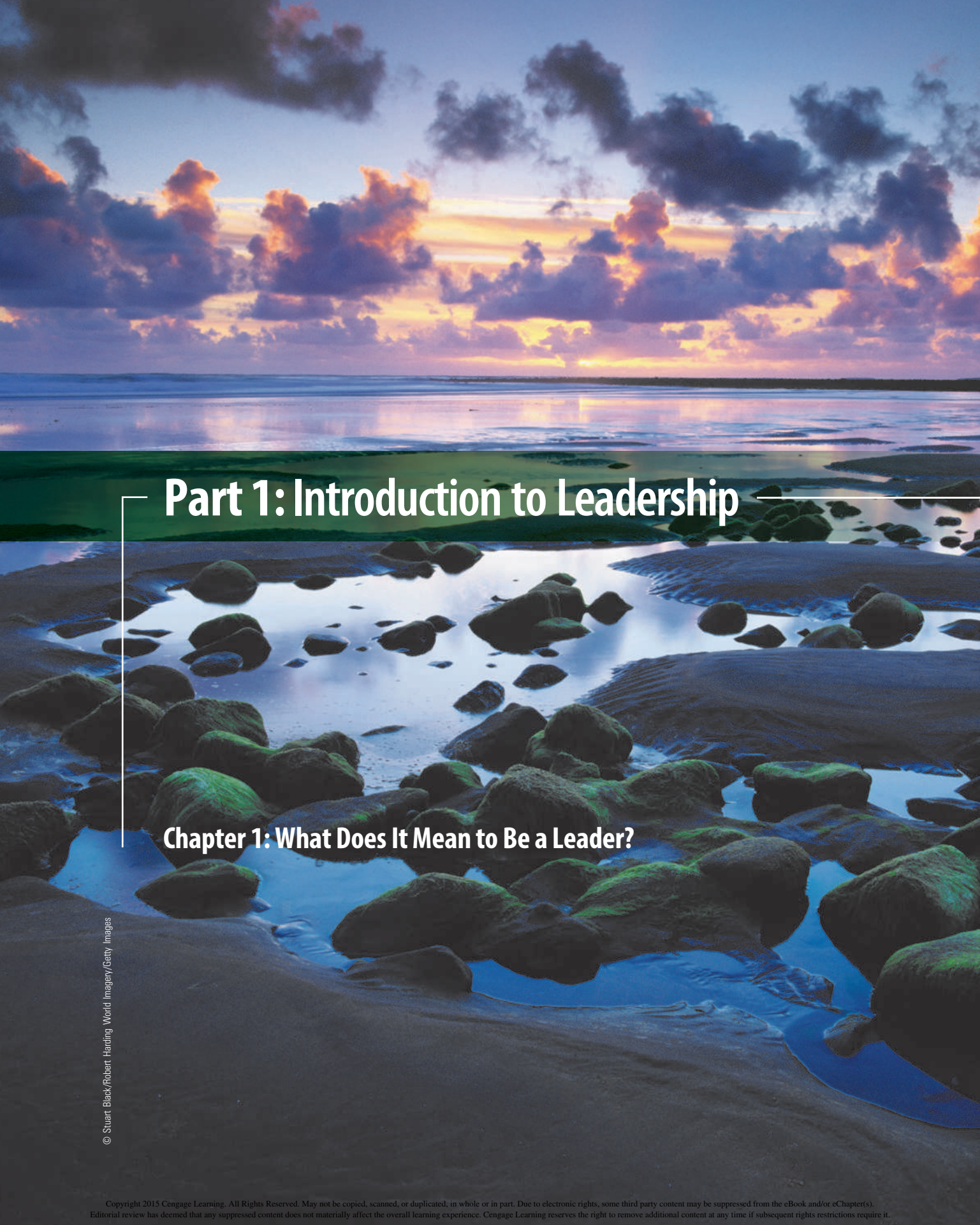

Part 1: Introduction to Leadership

Chapter 1: What Does It Mean to Be a Leader?

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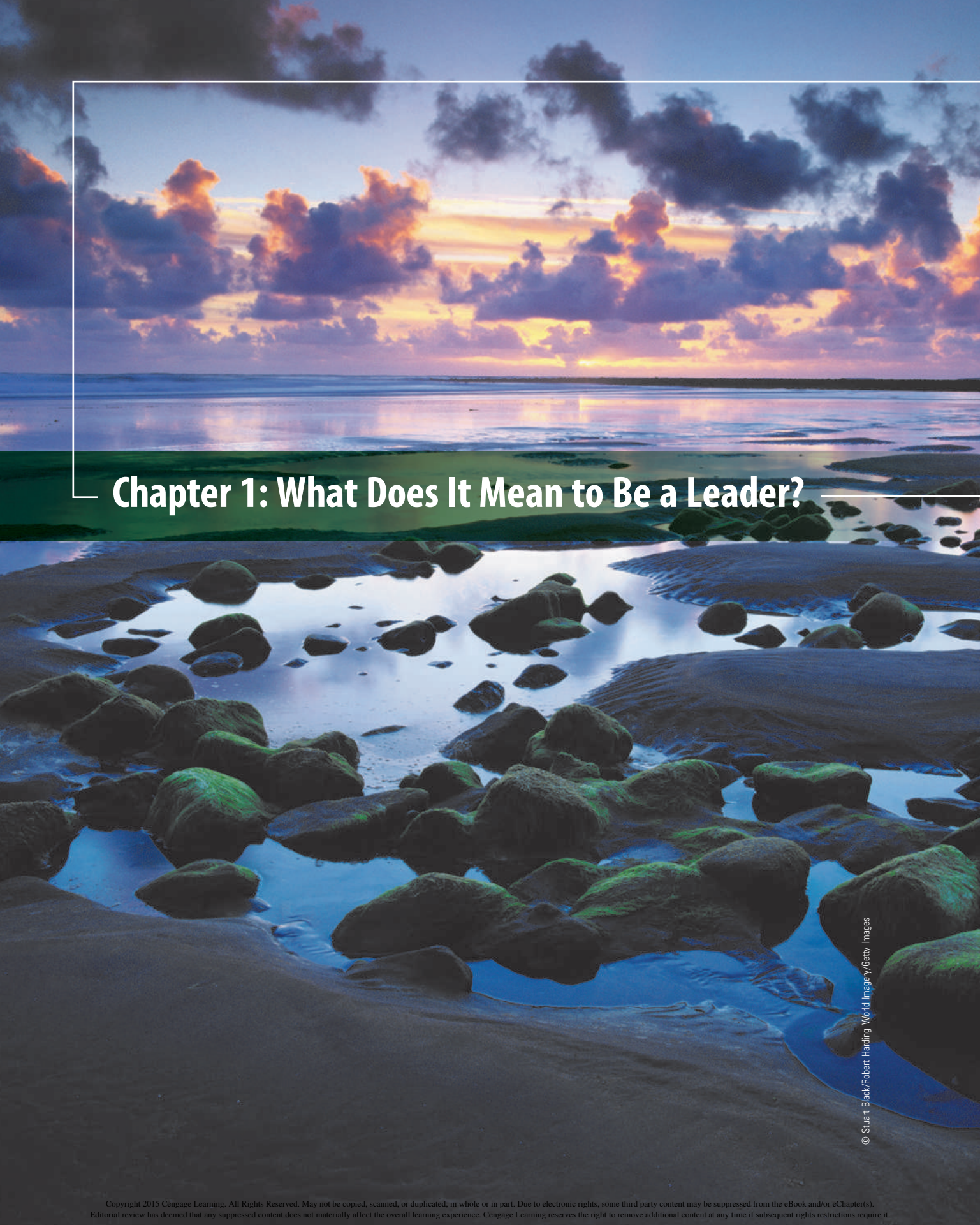
Chapter 1: What Does It Mean to Be a Leader?



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YOUR **LEADERSHIP** CHALLENGE

After studying this chapter, you should be able to:

- Understand the full meaning of leadership and see the leadership potential in yourself and others.
- Recognize and facilitate the six fundamental transformations in today's organizations and leaders.
- Identify the primary reasons for leadership derailment and the new paradigm skills that can help you avoid it.
- Recognize the traditional functions of management and the fundamental differences between leadership and management.
- Appreciate the crucial importance of providing direction, alignment, relationships, personal qualities, and outcomes.
- Explain how leadership has evolved and how historical approaches apply to the practice of leadership today.

CHAPTER **OUTLINE**

4 **The Need for Leadership**

7 **The New Reality for Leaders**

13 **How Leadership Differs from Management**

17 **Evolving Theories of Leadership**

20 **Leadership Can Be Learned**

23 **Mastering the Art and Science of Leadership**

25 **Organization of This Book**

In the Lead

9 **Vineet Nayar, HCL Technologies**

22 **Google**

Leader's Self-Insight

12 **Your Learning Style: Using Multiple Intelligences**

16 **Your Leadership Potential**

22 **Are You on a Fast Track to Nowhere?**

Leader's Bookshelf

11 **Great by Choice: Uncertainty, Chaos, and Luck—Why Some Thrive Despite Them All**

Leadership at Work

27 **Leadership Right–Wrong**

Leadership Development: Cases for Analysis

28 **Sales Engineering Division**

29 **The Marshall Plan**

As a young politician, Abraham Lincoln once provoked an opponent to tears by using his expert communication skills to mimic and ridicule his rival. Soon afterward, the man who would later become the 16th president of the United States felt disappointed and ashamed of his own behavior and sought out his opponent to offer an apology. Lincoln took this as a valuable lesson about channeling his emotions, practicing empathy, and using his abilities to promote good. From then on, Lincoln applied his superb leadership and communication skills to serve the higher interests of the American people rather than his own goals and ego.

Interest in Abraham Lincoln's leadership swelled with the release of Steven Spielberg's 2012 historical film *Lincoln*, which was a huge critical and commercial success, grossing more than $250 million at the box office and garnering 12 Academy Award nominations. "Lincoln's presidency is a big, well-lit classroom for business leaders seeking to build successful, enduring organizations," said Howard Schultz, CEO of Starbucks. In this era of disconnected and morally bankrupt leaders, it is no wonder the skills, strengths, and character of Lincoln have struck a chord. His ability to control his emotions and stay committed to a vision even under intense hardship, his commitment to go into the field and establish connections with soldiers and the general public, and his willingness to listen to different points of view

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and to share credit for successes and take blame for failures all tap into a deep longing within people for genuine leadership.[1]

The public trust in leaders may be at an all-time low. Referring to the dire economic situation that followed the ethical and financial problems in the mortgage and finance industries, David Rothkopf wrote in the *Washington Post*, "This is not just a global economic crisis. It is a global leadership crisis."[2]

THE NEED FOR LEADERSHIP

Many of us think of leadership in a way similar to what U.S. Supreme Court Justice Potter Stewart said about obscenity in reviewing a 1964 pornography case: we may not be able to define it but "we know it when we see it."[3] People can clearly see leadership in Abraham Lincoln, but many are having a hard time seeing it in current political, business, military, and even religious leaders. General David Petraeus, one of the most decorated military leaders of his generation, stepped down as director of the Central Intelligence Agency after the FBI inadvertently discovered he had an extramarital affair with his biographer and began investigating for potential leaks of classified information. The British Broadcasting Corporation (BBC) was tarnished by allegations that managers covered up years of sexual abuse by a well-known reporter.[4] Senator Chuck Grassley recently probed the financial records of six well-known televangelists, including Creflo Dollar and Kenneth Copeland, after reports that tax-exempt donations were financing lavish lifestyles for the religious leaders, including mansions, Rolls Royce cars, and private jets.[5] Nearly every month brings a new report of a business leader somewhere lying to, misleading, or cheating employees, customers, or the government. No wonder survey after survey shows that confidence in leaders is sinking and suspicion and distrust are rising.[6]

Yet there are good leaders working in every organization, large and small. In fact, quality leadership is all around us every day, in all facets of our lives—our families, schools, communities, social clubs, and volunteer organizations, as well as in the world of business, sports, religion, government, and the military. Without good leadership, our institutions and society would fall apart.

Before we can examine what makes an effective leader, we need to know what leadership means. Scholars and other writers have offered hundreds of definitions of the term *leadership*, prompting James McGregor Burns to conclude that leadership "is one of the most observed and least understood phenomena on earth."[7] Defining leadership has been a complex and elusive problem largely because the nature of leadership itself is complex. Some have even suggested that leadership is nothing more than a romantic myth, perhaps based on the false hope that someone will come along and solve our problems by sheer force of will.[8]

There is some evidence that people do pin their hopes on leaders in ways that are not always realistic. Think about how some struggling companies recruit well-known, charismatic CEOs and invest tremendous hopes in them, only to find that their problems actually get worse.[9] For example, Yahoo hired former Autodesk CEO Carol Bartz in 2009 with high hopes that the star leader could turn the struggling company around, only to ask her to leave a couple of years later as Yahoo's fortunes continued to slide. In mid-2012, Yahoo hired former Google executive Marissa Mayer as the fifth CEO in five years.

Particularly when times are tough, people often look to a grand, charismatic type of leader to alleviate fear and uncertainty. Think of how Barack Obama sailed

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to the U.S. presidency in 2008 based largely on his charisma and the ability to make people feel hopeful in a time of uncertainty. In recent years, the romantic or heroic view of leadership has been challenged.[10] Much progress has been made in understanding the essential nature of leadership as a real and powerful influence in organizations and societies.

Leadership Defined

Leadership studies are an evolving discipline, and the concept of leadership will continue to develop. For the purpose of this book, we will focus on a single definition that delineates the essential elements of the leadership process: **Leadership** is an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes.[11]

Exhibit 1.1 summarizes the key elements in this definition. Leadership involves influence; it occurs among people; those people intentionally desire significant changes; and the changes reflect purposes shared by leaders and followers. *Influence* means that the relationship among people is not passive; however, also inherent in this definition is the concept that influence is multidirectional and noncoercive. The basic cultural values in North America make it easiest to think of leadership as something a leader does to a follower.[12] However, leadership is reciprocal. In most organizations, superiors influence subordinates, but subordinates also influence superiors. The people involved in the relationship want substantive *changes*—leadership involves creating change, not maintaining the status quo. In addition, the changes sought are not dictated by leaders but reflect *purposes* that leaders and followers share. Moreover, change is toward an outcome that both the leader and the followers want, a desired future or shared purpose that motivates them toward this more preferable outcome. An important aspect of leadership is influencing others to come together around a common vision. Thus, leadership involves the influence of people to bring about change toward a desirable future.

Leadership
an influence relationship among leaders and followers who intend real changes and outcomes that reflect their shared purposes

Also, leadership is a *people* activity and is distinct from administrative paperwork or planning activities. Leadership occurs *among* people; it is not something

EXHIBIT 1.1 What Leadership Involves

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done *to* people. Since leadership involves people, there must be *followers*. An individual performer who achieves excellence as a scientist, musician, athlete, or woodcarver may be a leader in her field of expertise but is not a leader as defined in this book unless followers are involved. Followers are an important part of the leadership process, and all leaders are sometimes followers as well. Good leaders know how to follow, and they set an example for others. The issue of *intention* or will means that people—leader and followers—are actively involved in the pursuit of change. Each person takes personal responsibility to achieve the desired future.

One stereotype is that leaders are somehow different, that they are above others; however, in reality, the qualities needed for effective leadership are the same as those needed to be an effective follower.[13] Effective followers think for themselves and carry out assignments with energy and enthusiasm. They are committed to something outside their own self-interest, and they have the courage to stand up for what they believe. Good followers are not "yes people" who blindly follow a leader. Effective leaders and effective followers may sometimes be the same people, playing different roles at different times. At its best, leadership is shared among leaders and followers, with everyone fully engaged and accepting higher levels of responsibility.

Everyday Leadership

Using this definition of leadership makes clear that leadership can come from anyone. When we stop equating leadership with greatness and public visibility, it becomes easier to see our own opportunities for leadership and recognize the leadership of people we interact with every day. Leaders come in all shapes and sizes, and many true leaders are working behind the scenes. Leadership that has big outcomes often starts small.

- Clinical psychologist Barbara Van Dahlen was working primarily with children in the Washington, D.C., area when she became concerned about the effects of the wars in Iraq and Afghanistan on the mental health of U.S. soldiers, veterans, and their families. Van Dahlen founded Give an Hour in 2005 to provide free services that give help and hope to returning service members. The organization now has a national network of more than 6,100 mental health professionals who volunteer their time. Give an Hour also works with other organizations, such as Bare the Burden, a nonprofit organization that creates an online community for veterans to heal by connecting with others.[14]
- During his five years working as a car salesman, Robert Chambers was disgusted by how some dealers and finance institutions preyed on low-income customers. After he retired from a varied career, the 62-year-old electrical engineer decided to do something about it. He founded More Than Wheels, which helps low-income people buy new, base-model cars at low prices and on good loan terms. With branches in New Hampshire, Vermont, and Maine, More Than Wheels has negotiated price and extended warranty deals with a dozen or so auto dealers and worked with banks to provide low interest rates. More Than Wheels guarantees the loan and then works with clients to help them manage their finances, improve their credit score, and improve their future.[15]
- Wendy Kopp was a senior at Princeton University when she first came up with the idea of a sort of "Peace Corps for teachers," a national organization that would recruit recent college graduates to commit to teach for two years at some of America's toughest public schools. One of her Princeton professors admits he called her "deranged" when she proposed the idea to him. Yet Teach for

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America, the organization Kopp started, became one of the most respected educational initiatives in the United States. As the organization has grown larger, it has come under attack, but most observers agree it has changed education for the better and it continues to harness the idealism of young college graduates as a force for good.[16]

There are opportunities for leadership all around us that involve influence and change toward a desired goal or outcome. The leaders of tomorrow's organizations will come from anywhere and everywhere, just as they always have. Do you have the capacity and commitment required for taking a leadership role in your school, community, or workplace? You can start now, wherever you are, to practice leadership in your own life. Leadership is an everyday way of acting and thinking that has little to do with a title or formal position in an organization. As we will discuss in the following section, business leaders need to understand this tenet more than ever in the world of the twenty-first century.

NEW LEADER
ACTION MEMO

As a leader, you can recognize opportunities for leadership and act to influence others and bring about changes for a better future.

THE NEW REALITY FOR LEADERS

Social media. Globalization. Mobile commerce. Geopolitical wars. Renewable technologies and smart machines. Outsourcing. Climate change and resource scarcity. Telecommuting and virtual teams. Cybercrime. Redistribution of economic power. Massive changes in the world mean today's leaders are facing challenges they couldn't even imagine just a few years ago.[17] In a survey by the Center for Creative Leadership, 84 percent of leaders surveyed say the definition of effective leadership changed significantly within the first few years of the twenty-first century.[18] And that was even *before* social and mobile technologies began reshaping everyday life and work. Social connectedness and mobility are becoming central aspects of every leader's job.

Some historians and other scholars believe our world is undergoing a transformation more profound and far-reaching than any experienced since the dawn of the modern age and the Industrial Revolution more than 500 years ago. Today's leaders operate in a world where little is certain, the pace is relentless, and everything is more complex. This transformation requires a transition from a traditional to a new leadership paradigm, as outlined in Exhibit 1.2.[19] A **paradigm** is a shared mindset that represents a fundamental way of thinking about, perceiving, and understanding the world.

Although many leaders are still operating from an old-paradigm mindset, as outlined in the first column of Exhibit 1.2, they are increasingly ineffective. Successful leaders will respond to the new reality outlined in the second column of the exhibit.

Go to CengageNOW to complete the questionnaire "Intolerance of Ambiguity" and see how comfortable you would be dealing with the uncertainty facing today's leaders.

From Stabilizer to Change Manager

In the past, many leaders assumed that if they could just keep things running on a steady, even keel, the organization would be successful. Yet today's world is in constant motion, and nothing seems certain anymore. If leaders still had an illusion of stability at the dawn of the twenty-first century, it is surely shattered by now. Consider the following recent events:

- A powerful earthquake in Japan in 2011 triggered massive tsunami waves that damaged the nuclear reactors at the Fukushima Daiichi power plant and led to the shutdown of numerous companies, creating supply chain disruptions for manufacturers around the world. In the wake of the disaster, managers at

Paradigm
a shared mindset that represents a fundamental way of thinking about, perceiving, and understanding the world

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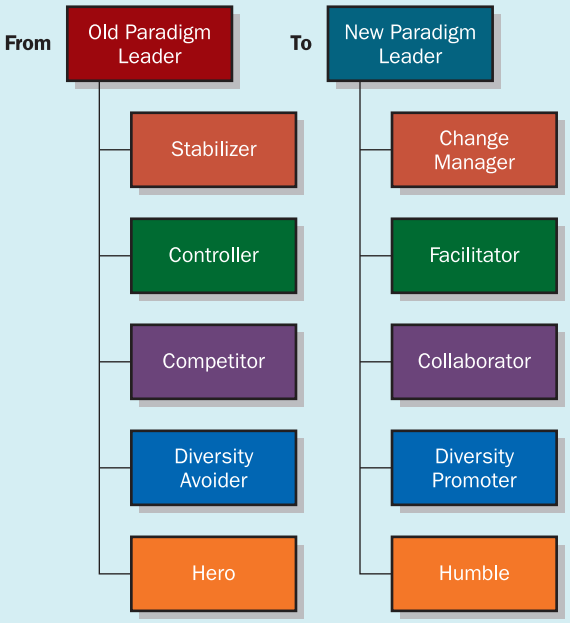
EXHIBIT 1.2 The New Reality for Leaders



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Tokyo Electric Power Company (Tepco) were criticized for failing to act quickly enough to cool the reactors at Fukushima. Trying to protect their investment, they hesitated to use seawater, which they knew could damage the reactors, leading to the second-largest nuclear disaster in history.[20]

- The Arab Spring, a revolutionary wave of protests in the Arab world that began in late 2010, has created a tumultuous environment for businesses operating in the region as well as heightened uncertainty and instability for companies around the world.[21] Instability remains elevated throughout the Arab world, causing problems for both local and foreign organizations.
- In the European Union (EU), Spain, Ireland, and particularly Greece have all had trouble paying their debts, leading to a possible breakup of the euro system (the single currency adopted by EU countries). Leaders of multinational firms doing business in EU countries had to brace for the worst and take steps to protect themselves, as well as consider what they would do in the event that a return to national currencies required a rethinking of everything from how to expand operations to how to pick suppliers or pay employees.[22]
- Meanwhile, the United States has faced its own debt crisis, and the fallout from the meltdown in the mortgage and housing industries has continued. Although the economy has improved, it remains a largely "jobless recovery," with people struggling to find work and pay their bills. Companies are struggling too, and passage of the Patient Protection and Affordable Care Act (passed in 2010 and upheld by the Supreme Court as constitutional in 2012), which requires that companies provide health insurance for employees or pay penalties, has increased the complexity.[23]

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Most leaders, whether in business, politics, the military, education, social services, the arts, or the world of sports, recognize that trying to maintain stability in a world of such unexpected and far-reaching change is a losing battle. "You have to be able to react very quickly," said Ellen Kullman, CEO of DuPont, referring to the impact of events such as the Japanese tsunami and the EU financial crisis. "And the world is so connected that the feedback loops are more intense."[24]

Today's best leaders accept the inevitability of change and crisis and tap into them as potential sources of energy and self-renewal. Adaptability is the watchword of the day. The Leader's Bookshelf on page 11 argues that organizational success results from leaders who can remain calm, focused, and disciplined in the face of uncertainty and inevitable change.

From Controller to Facilitator

Leaders in powerful positions once believed strict control was needed for the organization to function efficiently and effectively. Rigid organizational hierarchies, structured jobs and work processes, and detailed, inviolate procedures let everyone know that those at the top had power and those at the bottom had none.

Today, the old assumptions about the distribution of power are no longer valid. An emphasis on control and rigidity serves to squelch motivation, innovation, and morale rather than produce desired results. Effective leaders share power rather than hoard it and find ways to increase an organization's brainpower by getting everyone in the organization involved and committed. Rather than being a controller, the leader is a facilitator who helps people do and be their best by removing obstacles to performance, getting people what they need, providing learning opportunities, and offering support and feedback.

One reason for this is that the financial basis of today's economy is becoming *information* rather than the tangible assets of land, buildings, and machines. This means human capital is becoming more important than financial capital, which increases the power of employees. "Ideas are now more important than materials," as Israeli president Shimon Peres puts it.[25] When all the organization needed was workers to run machines eight hours a day, traditional command-and-control systems generally worked quite well, but success today depends on the intellectual capacity of all employees. One of the leader's most challenging jobs is to enable people to embrace and use their power effectively.[26] When he took over as CEO of India's HCL Technologies in 2005, Vineet Nayar (currently vice chairman and joint managing director) took a huge risk that proved to be a highly effective route to true employee empowerment.

IN THE LEAD

Vineet Nayar, HCL Technologies

HCL Technologies is a leading global IT services and software development company and India's fourth largest IT services exporter. When Vineet Nayar became CEO in 2005, HCL was losing ground—and some of its best employees—to competitors. Nayar recalls that HCL "was in a tough spot and we had to do something fast or we were in danger of being out of the race altogether."

What Nayar did was revolutionary: He organized the company on the principle of "employees first, customers second" (EFCS). He had to start by building trust. He decided to

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