

PERSONAL VALUES AND EXECUTIVE LEADERSHIP: GLOBAL COMPARISONS AND PRACTICAL IMPLICATIONS

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Abstract

This paper examines the value orientations of executives and their linkages to leadership behaviors. The 181 executives in this study were randomly selected from the top 500 Australian companies. Value orientations of Australian executives compared with their Russian, Japanese, and Chinese counterparts reveal as many similarities as there are differences. In general, transformational leadership styles were most closely related to personal values orientations. The implications of the findings are discussed, and practical suggestions for leadership development and research are proposed.

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PURPOSE

The purpose of this paper is to examine the linkages among leadership behaviors and value orientations of business executives.

LEADERSHIP AS A VALUES-BASED ACTIVITY

Values have been described as the beliefs about how to behave and what goals are important to achieve (Feather, 1994:35; Rokeach, 1967, 1968, 1973). Schwartz (1992:4) says that values “(1) are concepts or beliefs, (2) pertain to desirable end states or behaviors, (3) transcend specific situations, (4) guide selection or evaluation of behavior and events, and (5) are ordered by relative importance.”

There is an implicit understanding that good leadership relies on first articulating personal and professional value orientations (e.g., England and Lee, 1974; Sashkin, 1992; Schein, 1985; Westwood and Posner, 1997). For example, Biggart and Hamilton (1987:437) claim that “leadership is embedded in social and cultural beliefs and values, [and] cannot be fully understood apart from the context in which it exists.” Westwood and Posner (1997:33) claim that “the personal values held by managers have increasingly been shown to have an impact on their behavior and performance and, ultimately, on organisational performance.” Heskett and Schlesinger (1996:114) assert that organizations with strong cultures and clear values increase their chances of success and longevity. Badaracco (1998:116) states that “the most satisfied business leaders are the ones who are able to dig below the busy surface of their daily lives and refocus on their core values and principles.” Ultimately, according to Drucker (1999:69), “to be able to manage yourself, you finally have to ask, What are my values?”

Studies which have examined the nature of values among senior executives or among managers generally tend to focus on international generic comparisons using Hofstede's (1980, 1991) paradigm. Other research focuses on comparisons between Asian and American economies using a variety of values scales (e.g., Ralston, Holt, Terpstra and Yu, 1997; Soutar, Grainger and Hedges, 1999; Westwood and Posner, 1997). These studies are important in their contributions to the literature on values, but none of them tackles directly the relationship between values and leadership style. It is clear that much work remains in fully understanding the role of values in leadership success.

Bass' (1985a,b; 1997; Bass and Avolio, 1990a,b; 1994) model of transformational-transactional leadership based on Burns' (1978) original construct was chosen for the purpose of this study. Bass and Avolio (1994) define transactional leadership as a transaction that occurs between leaders and followers. That is, followers are rewarded or disciplined on the basis of their work performance. Transactional leadership consists of management by exception and contingent reward. Management by exception avoids giving directions as long as old ways appear to work and performance goals are met (Bass and Avolio, 1990b). Contingent reward provides rewards for contracts or necessary expended effort, with its emphasis on facilitating the achievement of work objectives agreed to by followers.

Transformational leadership differs from transactional leadership in that it motivates workers to perform beyond expectations (Bass and Avolio, 1990b). Transformational leaders link organizational goals to the needs and beliefs of workers. Transformational leadership consists of idealized influence (charisma – building trust), inspirational motivation (raising workers' expectations about the organizational vision), individualized consideration (coaching), and intellectual stimulation (challenging convention). Bass (1999:23-24) suggests that “much more still needs to be learned about how [the concepts of transformational and transactional leadership are related to] values and beliefs,” and it is this statement upon which this study is based.

METHOD

The Study Sample

The top 500 companies in Australia based on the listings provided by Kompas Australia and the national business journal Business Review Weekly were surveyed. A total of 181 executives responded to the Leadership and Values Survey, representing a 36% response rate. Most executives were male (91%), over 50 years of age (54%), possessed a formal tertiary qualification (72%), and earned conservatively over \$150,000 annually (15% of respondents did not provide details about salary). The majority of executives had been in their current position for under 10 years, and 52% fewer than five years. Overall, executives were fairly evenly distributed in terms of total management experience, with 46% indicating 15 or fewer years as an executive, and 50% 16 years or more experience. Administration was the main functional area of expertise, and in industries as diverse as the public sector, education, manufacturing, retail, and health services. Most executives were in medium to large sized organizations (500 or more employees).

Leadership and Values Survey

The *Leadership and Values Survey* (LVS) developed for this study consists of four sections: Section A, demographic information; Section B, Multifactor Leadership Questionnaire (MLQ); Section C, Schwartz Value Survey (SVS); Section D, open-ended section. Only data pertinent to the MLQ and SVS are reported in this paper.

The MLQ (Form 5S) measures four factors of transformational leadership, two of transactional leadership, and a non-leadership or laissez faire factor of leadership on a five-point scale where: 0=Not at all; 1=Once in a while; 2=Sometimes; 3=Fairly often; and 4=Frequently, if not always. Bass and Avolio (1989a,b) have established Cronbach reliability coefficients for each factor (first set of parentheses), while reliabilities for these factors based on the responses to this study are shown in the second set of parentheses. In all cases, reliabilities are based on the responses of individuals scoring their own leadership styles: Idealized Influence (.83)(.77); Inspirational Motivation (.60)(.63); Individualized Consideration (.71)(.81); Intellectual Stimulation (.72)(.80); Management by Exception (.62)(.72); Contingent Reward (.82)(.74); Laissez Faire (.60)(.66).

The SVS developed by Schwartz (1992) was used to examine the value orientations of Australian executives. The SVS measures values across 11 dimensions or orientations at the individual level on an eight-point scale where: 0=Not important; 3=Important; 6=Very important; and 7=Of supreme importance. Reliabilities for the SVS were not provided by Schwartz, but on the basis of the results to our survey, the Cronbach reliability coefficients for each value dimension are as follows: power (.79); achievement (.79); hedonism (.78); stimulation (.73); self-direction (.72); universalism (.79); benevolence (.76); tradition (.60); conformity (.45); security (.73); spirituality (.76).

RESULTS

Value Dimensions of Australian Executives

Table 1 shows the results of our survey compared with Ralston et al's (1997) study of 210 managers in Japan, 225 in China, and 197 in Russia.

Table 1 about here

Australian managers register high mean scores on achievement, benevolence, self-direction, and security, and similar to their Japanese counterparts. Japanese managers emphasize the value orientations of self-direction and achievement equally. Nonetheless, both Australian and Japanese managers balance their need for personal success (achievement) with the needs of their workers (benevolence). Universalism rates higher

for Japanese compared with Australian executives on a rank-ordered basis. Chinese managers emphasize the values of benevolence (goodwill), security (harmony with others), achievement (success), conformity (self-restraint) and universalism (common good). The results among Australian, Japanese, and Chinese managers are relatively similar. For Russian managers, the most important value is security, followed by self-direction.

Leadership and Values Correlation Matrix

Table 2 illustrates the correlation matrix between each leadership factor and each value dimension. Factors are arranged based on their mean scores and standard deviations.

Table 2 about here

As shown in Table 2, idealized influence is positively associated with every other leadership factor apart from laissez faire. That is, leaders who have a vision for the organization are more likely to show other leadership attributes that challenge workers to achieve beyond their expected capacities. Idealized influence is also related significantly to every value dimension apart from spirituality and tradition. The strongest association is with self-direction ($r=.39$), followed by achievement and stimulation ($r=.35$, $r=.33$ respectively). Overall, the leadership factor of individualized consideration (coaching of individuals) was most associated with values, specifically self-direction ($r=.50$; promoting independent thought and action) and benevolence ($r=.39$; concern for others). Intellectual stimulation (encouraging workers to think in new ways) is also significantly related to self-direction ($r=.42$).

In general, transformational leadership styles are closely associated with the values of achievement, benevolence, self-direction (intellectual autonomy), and stimulation (intellectual challenge). In comparison, the transactional leadership factor of management by exception, as well as laissez faire, were minimally associated with the 11 value dimensions. On the other hand, contingent reward had strong linkages with every value, particularly self-direction. The relationship between contingent reward and values is expected, considering the strong correlation between contingent reward and all transformational leadership factors (correlations ranging from .34 to .55, significant at the $p<.01$ level and beyond). The findings indicate that leaders who aspire to transformational behavior can use contingent reward behavior as a substitute to achieve similar outcomes. The long-term implications of this reliance on contingent reward leadership however are not known, and further research of the substitution of transformational leadership by contingent reward is warranted.

DISCUSSION

A major finding from this paper reveals that executives whose values are grounded in fundamental human virtues such as benevolence and honesty, but who also retain a need for personal gratification and success, are closely associated with transformational leadership behaviors.

In relation to personal values, Japanese managers share similar value orientations to their Australian colleagues, with some minor differences. For instance, the emphasis by Japanese managers on the collective good through their universalistic and benevolent approach shows that their value system is driven more by an attention to the needs of people rather than the push for money. Of course organizational productivity is important, but not at the expense of the company's workers. The value orientation of security and its emphasis on harmony with others also captures the essential nature of Japanese management as a symbol of respect, guidance, and consultation. An explanation for these findings may lie in Confucian ideology which requires respect and obedience to authority figures. Leaders in Japan respond with paternalistic attitudes toward their workers, expressed by the philosophy of *mendou* ("I think about you; I will take care of you") (Dorfman, Howell, Hibino, Lee, Tate, and Bautista, 1997:237). As a result, Japanese organizations are extremely hierarchical and ordered, but nonetheless are characterized by cultures where managers care for

their workers. Japanese managers generally give workers autonomy to achieve company goals, reflected in the phrase *omakase* ("I trust you, you can do it").

In comparison, Chinese managers do not identify self-direction (independent thought) as a key value dimension, unlike their Australian, Japanese, and Russian counterparts. This important difference may be accounted for by the collective notions of socialism to which China still adheres, even though the country is well on track in its transition to capitalism (e.g., Ralston et al., 1997:186). Individual values change slowly in China. This environment accounts for the predominant value orientations of benevolence and security, which are more readily associated with socialistic, universal attitudes than is the value of achievement. Still, achievement is one of the major values for Chinese managers, and we believe that over time, it will feature more significantly as a key driving value for Chinese enterprises.

Russian values are ordered by the need to maintain social stability. This often hard-nosed approach for stability is becoming compromised as Russia struggles with its ideological transition from socialism to capitalism. It is not surprising therefore to find that Russian managers still identify with security as the motivating value. Security represents the need to keep society stable and ordered; it is a call for peace and harmony. Yet there is a contradiction in the Russian managers' value orientations. For instance, the next most important value orientation is self-direction, which emphasises independence in thought and action.

In terms of leadership, the relationships between leadership style and value orientations show a strong positive correlation among transformational leadership behaviors and values that encourage personal and professional development (i.e., achievement, benevolence, self-direction, stimulation). These are very important findings. They inform us how to best develop leaders who are passionate about creating workplaces that promote individual achievement along with corporate success. They also identify the value base upon which to build these leadership development programs. The findings also reveal that leaders who aspire to transformational leadership can use contingent reward behavior as a substitute to achieve similar outcomes. The long-term implications of this reliance on contingent reward leadership however are not known, and further research of the substitution of transformational leadership by contingent reward is warranted.

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Table 1: Means of Australian, Japanese, Chinese, and Russian Executives on the Subdimensions of the Schwartz Value Survey

Value Orientations	Means			
	Aus	Jap	Ch	Rus
Achievement - personal success	5.45	4.22	4.36	3.97
Benevolence - goodwill for work colleagues	5.26	4.15	4.62	4.03
Self-direction - independent thought/action	5.06	4.22	3.81	4.34
Security - harmony of self with others	5.02	4.10	4.50	4.65
Conformity - self-restraint	4.85	3.73	4.21	3.55
Universalism - common good	4.77	4.18	4.03	3.53
Spirituality - meaning/inner harmony	4.77	na	na	na
Stimulation - variety	4.72	2.77	3.35	2.65
Hedonism - self-gratification	4.32	3.33	2.90	3.06
Power - dominance	3.84	2.14	2.73	2.75
Tradition - commitment to custom	3.65	2.61	2.90	1.93

Scale: 0=Not important; 3=Important; 6=Very important; 7=Of supreme importance.

Table 2: Correlations, Means, and Standard Deviations for Leadership Factors and Value Dimensions of Australian Executives (n=181)

Factors	II	IM	IC	IS	CR	ME	LF	Mean	SD											
Transformational Leadership																				
Idealized Influence (II)								2.89	0.47											
Inspirational Motivation (IM)	.64							3.02	0.45											
Individualized Consideration (IC)	.52	.58						3.07	0.48											
Intellectual Stimulation (IS)	.47	.60	.56					3.00	0.44											
Transactional Leadership																				
Contingent Reward (CR)	.43	.34	.55	.36				2.50	0.53											
Management by Exception (ME)	.15	-.07	.11	.08	.35			1.89	0.58											
Laissez Faire (LF)	.09	-.03	.04	-.04	.17	.39		1.13	0.49											

Factors	II	IM	IC	IS	CR	ME	LF	A	B	SD	SC	C	U	SP	ST	H	P	T	Mean	SD
Value Dimensions																				
Achievement (A)	.35	.29	.34	.30	.26	.02	-.12												5.45	1.26
Benevolence (B)	.24	.20	.39	.08	.25	.03	.03	.53											5.26	1.34
Self-direction (SD)	.39	.35	.50	.42	.35	.02	.06	.58	.55										5.06	1.54
Security (SC)	.16	.13	.20	.15	.22	.14	-.10	.56	.57	.39									5.02	1.25
Conformity (C)	.15	.12	.16	.01	.17	.05	-.02	.38	.49	.19	.45								4.85	1.47
Universalism (U)	.18	.20	.31	.12	.19	-.05	.12	.39	.72	.57	.44	.37							4.77	1.45
Spirituality (SP)	.11	.16	.33	.14	.23	-.08	.04	.27	.59	.51	.35	.32	.65						4.77	1.57
Stimulation (ST)	.33	.19	.28	.24	.28	.05	.09	.44	.34	.50	.31	.21	.36	.25					4.72	1.43
Hedonism (H)	.32	.08	.22	.13	.30	.17	.07	.46	.39	.43	.49	.23	.28	.24	.54				4.32	1.60
Power (P)	.26	.19	.19	.29	.23	.15	-.04	.68	.33	.35	.59	.33	.22	.13	.40	.47			3.84	1.54
Tradition (T)	.07	.04	.12	.01	.17	.18	-.00	.32	.57	.16	.52	.52	.46	.43	.01	.22	.35		3.65	1.80

If .19 ≥ r ≥ .15, p < .05; r ≥ .20, p < .01.