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How Leadership Influences Organizational Confidence

By James Bohn, Ph.D.

The development of organizational confidence is clearly influenced by leaders. Leaders have the capability to articulate vision, organize teams, stay the course, and ultimately help the whole organization win. The reverse is also true. This foray into understanding how perceptions of leaders can influence perceptions of organizational confidence is a wake-up call for those who lead. This research is a quantitative assessment of what the leadership literature has suggested for many decades: leaders influence perceptions of organizational confidence.

Leadership has been a topic of discussion for several decades and has roots as far back as the early 1920s, though discussions of leadership reach into the distant past of every culture on every continent. Theorists consider leadership an essential component of industrial and organizational psychology. Katz & Kahn in *The Social Psychology of Organizations* (New York: John Wiley, 1978) state: "In the description of organizations, no word is more often used than leadership, and perhaps no word is used with such varied meanings. Leadership is sometimes used as if it were an attribute of personality, sometimes as if it were a characteristic of certain positions, and sometimes as an attribute of behavior."

Leadership is also considered an essential component of powerful organizational cultures. More recently there have been works on emotional intelligence and leadership. Clearly, leadership has a powerful influence in organizations

How Does Leadership Influence Organizational Confidence?

Though we know leadership has an influence on organizations, few studies have been done to find out the relationships

between leadership and organizational confidence (known in academics as organizational efficacy). In the July 2002 issue of MRA's Institute of Management Journal, we profiled 14 companies, showing how organizational confidence differed among those organizations.

That study helped to define organizational confidence as an ability within an organization to cope effectively with the demands, challenges, stressors, and opportunities it encounters within the business environment. It exists as a collective judgment of an organization's individual members about their (1) sense of collective capacities, (2) sense of mission or purpose, and (3) a sense of resilience in the face of adversity. In its most basic form, organizational efficacy is a sense of "can do." An open question, then, is how leadership influences organizational efficacy. We took several steps to answer that question.

What Do People Believe Most Impacts Organizational Confidence?

We wanted a simple way for people to give us their perspectives on what builds organizational confidence. We asked a random group of educators, independent consultants, instructors, executives, and middle managers to complete the following open-ended statement: **The one thing that gives me confidence an organization can accomplish its goals is . . .**

The following verbatim responses represent a sampling of responses received:

- Its track record of doing just that.
- History.
- Belief in its leadership.
- A strong leader.
- A dedicated and energized staff.
- Effective leadership.
- The quality of the leadership and the realistic nature of the goals.
- The level of commitment shown by its leadership.
- Evidence of good communication throughout the organization and a good track record.
- Collegiality among staff and belief in product (service, etc.).
- If it has strong leaders (depending upon its size there has to be a majority of strong leaders throughout for it to accomplish its goals).



Leadership was the most frequently mentioned influence on organizational confidence. The chart below shows how people responded.

Responses

Open-Ended Responses	General Population N=22	Middle Management N=13	Executives N=9
Leadership	24%	38%	50%
Teamwork	20%	8%	25%
Track Record	16%	8%	12%
Vision	0%	0%	25%
Goals	12%	46%	12%
Commitment, Constancy, Focus	24%	15%	25%

*Note: Percentages may not add up to 100% because some items were mentioned twice.

Thus people across many organizations in many different roles cited leadership as the number one influence on organizational confidence. They also defined precisely what leadership meant in very clear, behavioral terms, including focus, consistency, and communication. From the study, we developed some very specific statements defining leadership and we statistically validated the statements using a six-point scale:

- | | |
|---------------------------|------------------------|
| 1. Very Strongly Disagree | 4. Agree |
| 2. Strongly Disagree | 5. Strongly Agree |
| 3. Disagree | 6. Very Strongly Agree |

The behavioral statements used in this study are listed in the table below. When broken down into these statements, specific relationships with Organizational Confidence can be drawn:

Relationship Between Specific Leadership Questions and Organizational Efficacy

Behavioral Statement ¹	Correlation (Organizational efficacy score)	Summary
1. Leaders know exactly what they want to accomplish.	r = .648 p = < .01	This indicates that leaders who know where they are going can help others feel confident about organizational direction (or lack of it).
2. Leaders maintain focus on their goals.	r = .653 p = < .01	This shows that consistency of goal pursuit does indeed relate to organizational confidence.
3. Leaders have a credible track record.	r = .630 p = < .01	This is consistent with efficacy theory which states that performance accomplishments <i>is the strongest source of efficacy data.</i>
4. Leaders know how to clearly communicate their ideas.	r = .680 p = < .01	This demonstrates the influence of communication capability on organizational efficacy.
5. Leaders get things done.	r = .719 p = < .01	This indicates that employees perceive that leadership capability for getting things done is linked to overall organization confidence.

¹Leadership statements were developed and are copywritten by James G. Bohn, Ph.D.



Components of Organizational Efficacy and Leadership

As mentioned earlier, organizational confidence is made up of three components:

1. Collective Capacity

(Can we work together?) The data showed a strong relationship between Leadership and Collective Capacity (r=.717, p<.01). This would suggest that leaders influence the capability of teams and organizations to work together. The data confirms what would seem to be common sense: leadership influences collaboration between members of an organization.

2. Sense of Mission

(Do we know where we're going?) Leadership was strongly related to a Sense of Mission (r=.695, p<.01). Again, this makes sense, since leaders are shaping, guiding, or misguiding, but most certainly influencing how their teams sense the mission.

3. Sense of Resilience

(Can we stay the course when the going gets tough?) Most interesting was a smaller correlation for sense of Resilience and Leadership (r=.446, p<.01). This indicates that while leaders are important in the sense of resilience, employees perceive leaders do not control the whole destiny of the organization.

Leaders need to ask themselves hard and sharp questions. Where are we going? Where have we been? How successful have we been in the past? How clearly are we able to articulate precisely where we are going? Is there credible evidence that we can get the job done?

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Leadership Influence Comes From Action and Persistence

The results show conclusively what one would expect: leadership has a direct relationship to a perception of organizational confidence. In other words, leaders influence an overall perception of how the organization will perform. This is significant for leaders to understand, since they may be unaware of how their behaviors impact their employees.

Correlations between leadership and the factors of organizational efficacy showed that leadership is most strongly related to collective capability. This makes sense: leaders orchestrate teams, show direction, apply resources, and give encouragement to stay the course. How teams work together and avoid a "silo mentality" in organizations is in large part a reflection of how leaders show the same collaboration and willingness to work together at the top. Secondly, organizational efficacy is strongly related to a sense of mission or purpose. This makes sense, since a view of the future (or lack of it) is often designed and engineered by leadership. A sense of mission or future is also communicated to staff via the leader, and thus is a key link between what workers hear and how they act to accomplish a goal. Employee disconnectedness with mission is also, in large part, a responsibility of the leadership. Finally, the data shows that a sense of resilience is not as highly correlated with leadership. This makes sense, since there are variables outside the control of even the most powerful leader that can impact the survival of an organization, including competition, and other unforeseen circumstances. Having said that, there is a moderate correlation between the two factors, and this tells us that people do see some direct relationship between company survival and leadership behaviors.

The high correlations between organizational efficacy and individual leadership behaviors are more striking since they show how leader consistency, leader communication, leader track record, and leader focus relate to perception of organizational efficacy. Clearly employee perceptions of their leaders have an influence on their perception of overall organizational performance.

People look with faith to their leaders. It is often the presence of a strong leader that can influence a team quite significantly. It would seem there is some psychological sense of trust in the leader's capabilities that engenders a sense of confidence and efficacy, especially if the track record is strong and solid. The capabilities of someone who is competent—with a strong personal sense of efficacy, with the ability to "stay the course," who has "been there, done that" in the midst of a group of people—has considerable effects on the confidence of others. That confidence can be reflected in an overall sense that an organization will endure and prosper.

For more information on this study, see the article, "The Relationship of Perceived Leadership Behaviors to Organizational Efficacy," *Journal of Leadership & Organizational Studies*, Fall 2002.

Dr. James Bohn is a researcher with over 30 years' experience in multiple aspects of business, ranging from manufacturing to HR to customer service.

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