Leadership & Decision-making

Overview (definitions, sources, key information)
Workplace Climate
5 Types of Emotional Intelligence
6 Styles of Leadership
Problem-Analysis & Decision-Making
Decision-Making & Leadership
Examples & Discussion
What do effective leaders do?
What SHOULD leaders do?
Difference between management and leadership?
Management is doing things right; leadership is doing the right things.
Overview

Primary Sources

• David McClelland, #15 on American Psychological Association’s list of top 100 most eminent psychologists of 20th Century. Focused on human achievement and motivation research.

• Hay/McBer Study - Randomized sample of 3,871 executives from database of more than 20,000 execs worldwide

• Daniel Goleman, Psychologist and best-selling author who pioneered the argument that non-cognitive skills can matter as much as IQ for workplace success and for leadership effectiveness.

• Psychologists George Litwin and Richard Stringer, who identified six factors that influence organizational working environment, which they call “Climate”
Overview
Key Information

- There are 6 distinct leadership styles, and leaders who have mastered 4 or more show best results (Goleman).
- Emotional intelligence competences form the foundation of the 6 leadership styles, and leaders with strengths in a critical mass of six or more emotional intelligence competencies are far more effective than peers who lacked such strengths (McClelland).
- Workplace Climate refers to the six factors that influence an organization’s working environment (Litwin and Stringer), and Climate is substantially influenced or defined by the style of leadership and emotional intelligence competences of the leader.
- Good problem analysis & decision-making depends on all of the above.
Climate defined by psychologists George Litwin and Richard Stringer, and refined by McClelland, refers to six key factors that influence an organization’s working environment:

• Flexibility - how free employees feel to innovate unencumbered by red tape
• Sense of responsibility to the organization
• Levels of standards that people set
• Sense of accuracy about performance feedback and aptness of rewards
• Clarity people have about mission and values
• Level of commitment to a common purpose
5 Types of Emotional Intelligence

• Self-awareness
• Self-regulation
• Motivation
• Social awareness
• Social skill
5 Types of Emotional Intelligence

Self-awareness

• Self-awareness - ability to read and understand your emotions as well as recognize their impact on work performance, relationships, etc.

• Accurate self-assessment - realistic evaluation of your strengths and limitations.

• Self-confidence - strong and positive sense of self-worth.
5 Types of Emotional Intelligence

Self-regulation

• Self-control - ability to keep disruptive emotions and impulses under control
• Trustworthiness - consistent display of honesty & integrity
• Conscientiousness - ability to manage yourself & your responsibilities
• Achievement-Orientation - drive to meet internal standard of excellence
• Initiative - readiness to seize opportunities
5 Types of Emotional Intelligence

Motivation

- Passion - work for reasons beyond money or status
- Goals - propensity to pursue goals with energy & persistence
- Drive - Strong drive to achieve
- Optimism - Positivity even in the face of failure
- Commitment - organizational buy-in and commitment
5 Types of Emotional Intelligence

Social awareness

• Empathy - skill at sensing other people’s emotions, understanding their perspective, taking active interest in their concerns
• Organizational awareness - ability to read the currents of organizational life, build decision networks, navigate politics
• Service orientation - ability to recognize and meet customers’ needs
5 Types of Emotional Intelligence

Social skill

• Visionary leadership - take charge and inspire with compelling vision
• Influence - ability to wield range of persuasive tactics
• Coaching - propensity to bolster abilities of others
• Communication - skilled listener & sending clear, convincing, well-tuned messages
• Change catalyst - proficiency in initiating new ideas & leading people in new direction
• Conflict manager - can de-escalate disagreements & orchestrate resolutions
• Building bonds - proficiency at cultivating, maintaining web of relationships
• Teamwork & collaboration - competence at promoting cooperation
5 Types of Emotional Intelligence

Why do we care?

• Emotional intelligence plays increasingly important role at the highest levels of a company, where differences in technical skills are of negligible importance.

• Goleman compared high performing executives with average ones, concluded nearly 90% of the difference in their profiles was attributable to emotional intelligence factors rather than cognitive abilities.

• Goleman’s findings quantifiably verified McClelland’s findings a decade earlier.
6 Styles of Leadership

• Coercive
• Authoritative
• Affiliative
• Democratic
• Pacesetting
• Coaching
6 Types of Leadership

Coercive

- Modus operandi: Demand immediate compliance.
- “Do what I tell you.”
- Emotional intelligence competencies: drive to achieve, initiative, self-control
- Works best: in crises, to kick start turnaround, handling problem employees
- Impact on climate: negative
Company in crisis. Sales falling fast. New President brought in to make tough decisions. Cuts jobs, closes divisions, shrinks the budget. Saves the company.

• Succeeded, but to what end?
• Fear, anger, low morale
• Climate damaged, flexibility destroyed, innovation stifled, sense of ownership of work suppressed.
• Damaged rewards system - no satisfaction for job well done. Erodes pride.
• Undermines leader’s prime tool - ability to motivate by showing employees how their job fits into grand, shared mission.
• People alienated from own job - “How does any of this matter?”

6 Types of Leadership

Coercive

Example
6 Types of Leadership

Authoritative

• Modus operandi: Mobilize people toward a vision
• “Come with me”
• Emotional intelligence competencies: self-confidence, empathy, change catalyst
• Works best: when changes require a new vision, or when clear direction is needed
• Impact on climate: most strongly positive of all styles
Pizza store has low sales. Weekly meetings evaluate how many pizzas were sold and why. Nothing seems to generate new sales. Young employee interjects: “Customers don’t want pizza, they want high-quality, convenient-to-get pizza!” It worked, a clearly articulated vision that everyone in the company can understand - and innovate within. Soon, kiosks in airports and drive through lanes, etc.

• Authoritatives are visionary
• Can motivate by making clear how employee work fits into company vision
• Feedback well-received by employees because singular criterion is whether performance furthers the vision
• Flexibility - states the end but gives latitude for people to devise own means. Innovation & calculated risks.
6 Types of Leadership

Affiliative

- Modus operandi: Create emotional bonds and harmony.
- “People come first”
- Emotional intelligence competencies: empathy, building relationships, communication
- Works best: heal rifts in a team, motivate people during stressful circumstances
- Impact on climate: positive
6 Types of Leadership

Affiliative

Example

Rather than talk about game strategy and tactics, baseball coach goes out of his way instead to praise his players each day on a personal level, to manage their psyches and foster sense of personal connection off the field.

• Exclusive focus on praise can let poor performance go uncorrected
• Employees may perceive that mediocrity is tolerated
• Hard to offer constructive advice, forces burden to learn to improve onto employee
• When people need clear directives to navigate complex challenges, affiliative style provides no rudder
6 Types of Leadership

Democratic

- Modus operandi: Forges consensus through participation
- “What do you think?”
- Emotional intelligence competencies: collaboration, team leadership, communication
- Works best: to build buy-in or consensus, or to get input from valuable employees
- Impact on climate: positive
Sister Mary and Father John both must close schools in their cities due to funding deficiencies. Sister Mary arranges meetings with teachers, staff, parents, clergy and community to discuss the financial crisis. They all agree that, sadly, the school must close. Father John, however, simply closes his school by fiat, which caused lawsuits, anger, confusion, picketing, poor PR, etc. Same situation, same end, but Sister Mary exhibited Democratic style.

• Gets ideas and buy-in, builds trust & commitment
• When workers have say in decisions, also responsibility
• By listening, leader learns how to keep morale high
• Engenders realistic expectation among employees
• DRAWBACKS: endless meetings, elusive consensus, puts off decisions, death by committees, conflicts brew
• NEVER use during times of crisis
6 Types of Leadership

Pacesetter

- Modus operandi: Sets high standards for performance
- “Do as I do. Now.”
- Emotional intelligence competencies: conscientiousness, drive to achieve, initiative
- Works best: to get quick results from highly motivated and competent team
- Impact on climate: generally negative
6 Types of Leadership

Pacesetter

Example

Scientist Jones becomes head of R&D for his company. Not trusting his subordinates to be as capable as he, Jones becomes a micromanager, obsessed with details and taking over for others when their performance slackens. Instead of trusting them to improve with guidance and development, Jones works nights and weekends.

- Employees overwhelmed by demands & expectations
- Pacesetter knows what s/he wants but fails to state expectations clearly to others, expects others to know and may think ‘if I have to tell you, you’re the wrong person for the job.’
- Flexibility, innovation, risk-reward is stifled
- Pacesetter often jumps in to take over when feels people are lagging. People become afraid to make mistakes.
6 Types of Leadership

Coaching

• Modus operandi: develops people for the future
• “Try this.”
• Emotional intelligence competencies: developing others, empathy, self-awareness
• Works best: to help employee improve performance or develop long-term strengths
• Impact on climate: Positive
• NOTE: Study showed this is least utilized style, but suggests it should be employed far more. Execs report they don’t have enough time, but underlying data suggests they lack the interest & strategic vision to see value
EVP Jones decides to close division of company due to sustained falling sales. Worker Fred is upset, decides he knows better and goes over EVP directly to CEO to plead his case. EVP Jones learns of this, but instead of blowing up at Fred, he sits him down, talks over the reasons for the closing, and praises Fred’s potential and energy. Jones understood Fred is talented, good and promising, but lacked context and experience.

- helps identify employee unique strengths & weaknesses
- helps establish long-term growth goals & career plans
- Coaching leaders excel at delegating challenging assignments, ok with short term failure for long-term learning
- Flexibility, innovation, risk-reward increase
- Constant dialogue - clarity of expectations
6 Types of Leadership

Findings

• Goleman and McClelland research both found that leaders with strengths in a critical mass of the 6 leadership styles were far more effective than peers who lacked such strengths, and successful implementation of leadership styles depends on emotional intelligence competencies.

• McClelland: Analysis of division heads of a global food/beverage company found: Among leaders with critical mass of competences, 87% placed in the top third for annual salary bonuses based on their business performance. And, divisions on average outperformed yearly revenue targets by 15% to 20%.

• McClelland: Same study, executives who lacked emotional intelligence were rarely outstanding in their annual reviews, and their divisions underperformed by an average of almost 20%.
6 Types of Leadership

Findings

- All six leadership styles have a measurable effect on each aspect of workplace climate.
- Direct correlation between climate and financial results such as return on sales, revenue growth, efficiency and profitability.
- Climate accounts for nearly a third of financial results, alongside economic conditions and competitive dynamics. (Hal/McBer Study)
6 Types of Leadership

Findings

• Leaders must move in and out of each style
• Leaders ideally will improve as a leader by expanding personal repertoires. To accomplish, must understand which emotional intelligence competencies underlie the leadership style/s you’re presently lacking.
• Can also build a team with members who employ styles you lack
EXAMPLE: You’re meeting with a talented but underperforming employee. Within a few minutes, you need to decide which leadership style is appropriate:

• need to inspire through reminder of why employee matters to vision of company? (Authoritative)
• need to reenergize employee by asking about dreams and aspirations? (Affiliative)
• need training for improvement? (Coaching)
• need ultimatum: improve or leave? (Coercive)
• need to listen to employee and find opportunity for renewed buy-in? (Democratic)
Problem-Analysis & Decision-Making Difference?

• Completely separate concepts
• Problem analysis - what’s going on?
• Decision-making - what do we do about it?
Problem-Analysis & Decision-Making

• What is the problem? Is there consensus about the problem? Are we all solving for the same problem?
• Why does the problem exist?
• Who or what is causing the problem?
• Who or what is affected by the problem? Who are all the stakeholders involved and how are they impacted?
• When did the problem first occur? When did the problem become significant?
• How much/how often/to what extent is the problem occurring?
• Are there any constraints that will impact how we plan to solve this problem?
• What information and other tools do we have to contribute to a solution?
Problem-Analysis & Decision-Making Techniques

• Group decision-making techniques. Tries to avoid winners and losers. Seeks to modify objectionable features to fashion an outcome that everyone likes. Example: Majority, plurality votes, etc.
• Pros and cons - listing advantages and disadvantages; contrast costs and benefits of alternatives. Known as Rational decision-making.
• Simple prioritization: choosing the alternative with the highest probability-weighted utility for each alternative
• Satisficing: examining alternatives until an acceptable one is found. Not interested in evaluating all alternatives and choosing the best one.
Problem-Analysis & Decision-Making Techniques

• Elimination by aspects: choosing between alternatives using mathematical psychology. Decision-maker chooses an aspect; any alternatives without that aspect are eliminated. Repeat process with as many aspects as needed until there remains only one.

• Preference tree: Compare alternatives by presenting aspects in a decided and sequential order.

• Opportunity cost: calculate the value of what you’d forego by choosing one thing over another.

• Bureaucratic: setup criteria for automated decisions

• Political: negotiate choices among interest groups

• Participative decision-making: decision-maker opens up the process to a group for collaborative effort.
Who is a Good Decision-Maker?

• Sense of responsibility - I must make this decision
• Sense of accountability - I accept ownership of the outcome from my decision.
• Self-confidence - I trust myself to manage the decision-making process thoroughly, and know the outcome will be based on healthy due diligence
• Unafraid - I am not afraid of failure or a negative outcome; I am not paralyzed by fear.
• Task-oriented, vision-focused - I must complete this task in order to further the overall vision of our company.
• Analytical - I will learn from the outcomes, positive and negative, of my decision, and apply those lessons in the future.
Who is a Poor Decision-Maker?

• Buck passer - I want someone else to make this decision
• Snap decision guy - immediate decisions under false impression that he is being decisive
• It wasn’t me! - No ownership of decisions or outcomes
• Insecure - I do not trust myself to manage the decision-making process thoroughly.
• Fear - I am afraid of failure or a negative outcome; I am paralyzed by fear.
• Unfocused - unable or unwilling to define a process of due diligence
• Stubborn - Does not learn from the outcomes, positive and negative, of decisions, and does not apply those lessons in the future.
• Closed-minded - unable to evaluate or consider information that is different from his own
Things That Kill Good Decision-Making

- Closed-mindedness
- Short circuited evaluations
- No clarity on the task or vision
- Poorly-defined process for problem analysis and decision-making
- Biases
Cognitive & personal biases

Bias arises from various processes that are sometimes difficult to distinguish, including:
- information processing shortcuts
- mental noise
- the mind’s limited information processing capacity
- emotional and moral motivations
- social influence

Cognitive bias - tendencies to think in certain ways that can lead to systematic deviations from a standard of rationality or good judgment.

More simply: you don’t have an open mind.
Cognitive & personal biases

Bias within the decision-making process leads to sub-optimal outcomes.

- Clouded judgment
- Closed mind
- Subjective feeling prevents objective analysis
Cognitive & personal biases

- Selective search for evidence/Confirmation bias: people tend to be willing to gather facts that support certain conclusions but ignore others.
- Premature termination of search for evidence: People tend to accept the first alternative that looks like it might work.
- Cognitive inertia: Unwillingness to change existing thought patterns in the face of new circumstances.
- Selective perception: Actively screening out information we do not think is important. Discounting of arguments with which one disagrees.
- Wishful thinking: Tendency to want to see things in a certain light.
Cognitive & personal biases

- Choice-supportive bias: distorting one’s memories of chosen and rejected options to make the chosen options seem more attractive.
- Recency: People tend to place more attention on more recent information and either ignore or forget more distant information.
- Repetition bias: A willingness to believe what one has been told most often and by the greatest number of sources.
- Anchoring and adjustment: Decisions unduly influenced by initial information that shapes our view of subsequent information.
Cognitive & personal biases

• Group think: peer pressure to conform to opinions held by a group.
• Source credibility bias: Tendency to reject a person’s statement on the basis of a bias against the person, organization or group to which the person belongs.
• Incremental decision-making and escalating commitment: Small decisions within a process tend to perpetuate a series of decisions.
• Attribution asymmetry: People tend to attribute their own success to internal factors but explain failures in terms of external factors.
• Role fulfillment: Tendency to conform to others decision-making expectations
We’ve reached the essence of leadership. To be successful:
• You identify problems
• You objectively analyze available information
• You craft a solution
• You oversee implementation of your solution, where successful implementation will rely on your leadership style, emotional intelligence, and the climate you create for the people working for you.
Anyone want to share examples they’ve experienced of both good and bad leadership?