Leadership

By Brad Langston, MBA

Understanding Concepts Within Leadership For Effective Auditing

Auditors who seek to bring about equitable and feasible resolutions to organizational issues are challenged to facilitate change without an understanding of various types of leadership and the role they play in effective auditing. Leadership is a dynamic subject. Many have attempted to define leadership by accounting for traits and styles of specific individuals. The internal auditor, armed with an understanding of leadership, has an increased likelihood of facilitating effective resolutions to organizational issues.

A question as to what makes an effective leader appears to be rather simple to answer. Theorists differ in their interpretations of the results of studies concerning the characteristics of a good leader and how that leader influences the group. An internal auditor, when conducting various audits, should understand the dynamics of leadership that are evident at all levels within an organization.

Development of Leadership Theory

Leadership theories are continuously evolving. Fred Luthan in his book,

Organizational Behavior, notes a distinct pattern in the development of leadership theories and how they contribute to organizational settings. Early theories, dating back to ancient Greeks and Romans, looked specifically at personal traits as the indicator for potential leadership. The trait leadership theory holds that one could be considered a leader at the time of birth. Later modifications to this theory incorporated learning and experience as important aspects of leadership potential.

Even with the developments made in trait theories, there is a large amount of criticism directed towards this area of thought. Social psychologist Ralph M. Stogdill states,

> "A person does not become a leader by virtue of possessing some combination of traits, but the pattern of personal characteristics of the leader must bear some relevant relationship to the characteristics, activities, and goals of the followers."

Source: Fielder, Fred E. Leadership. New York: General Learning Press, 1971.

Jon P. Howell, in collaboration with other notable social psychologists, elaborate on Stogdill's thoughts within their article entitled "Substitutes for Leadership: Effective Alternatives to Ineffective Leadership," by noting that effective leaders often distinguish themselves from ineffective leaders by having certain characteristics. These characteristics range from intelligence to dependability. Howell concludes by stating, "trait leadership is unable to systematically improve organizational effectiveness."

As theories on the traits of leaders continued to develop, studies such as the Iowa Leadership, Ohio State Leadership and Early Michigan Leadership, began to emerge. These studies focused on the individual leader within an organizational setting. The Iowa Leadership study placed emphasis on evaluating different types of leaders. The leadership styles evaluated within this study ranged from authoritarian to laissez-faire. The goal was to determine patterns of aggressive behavior. Luthans notes in his book Organizational Behavior that, "the Iowa studies are too often automatically discounted or at least de-emphasized because they were experimentally crude."

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The shortcomings of the Iowa studies gave rise to the Ohio Leadership Study, which began with the premise that a definition of leadership did not exist. The focus of this study was the concept that aspects such as effective or ineffective leadership could not be considered. Two factors repeatedly mentioned were consideration and initiating structure.

Another study that contributed to understanding leadership was the Michigan Leadership studies. This study looked at both high and low producing managers. Through this research, it was determined that higher producing managers had many similar characteristics. These individuals tended to have a more "general" leadership style, with a genuine concern for employees. The opposite was true for lower producing leaders who tended to be closed and production-centered.

The Iowa, Ohio State, and Michigan leadership studies do not address the effect of leadership behavior on a group given certain situations. Attention soon shifted to specific situations that affect leadership. Fred E. Fiedler, a noted social psychologist for the situational-based or contingency theory, explored the relationship between leadership style and how favorable a specific task is perceived by subordinates. This relationship was evaluated in a contingency model for leadership effectiveness.

Modern leadership thoughts entail theories viewing leadership in a different way. Some believe that leadership theories can not be consistently reproduced in different situations, while others look to substitutes, such as leaderless supervision.

Personality Characteristics

An individual who assumes a leadership position plays a vital role in helping guide an organization to meet both short and long-term objectives. Successful leadership within an organization in terms of productivity or efficiency depends on many things. One writer within the field of leadership, Ralph M. Stogdill, noted six personality characteristics that help explain why leaders have a greater standing within a group. Stogdill notes that:

- The leader is determined by others as having a high level of intelligence, alertness, verbal facility, originality, and judgment.
- Group members see the leader as possessing a high level of achievement, such as athletic accomplishments or education.
- The leader has a greater span of responsibility than others within the organization. This area relates to the individual having a sense of aggressiveness or self-confidence that is noted by group members.
- The leader has the social skills necessary to adapt within an organization.
- The leader has a socioeconomic background that helps maintain status within the organization.
- The leader is determined based on the nature of the situation, such as mental level, status, and the needs and interests of the members.

Stogdill's personality characteristics are similar to the cognitive resource theory of Fred Fiedler. This theory focuses attention on the cognitive resources of leaders that help with performance within a group or organization. The Journal of Applied Psychology contains an article entitled "Inaccurate Reporting and Inappropriate Variables: A Reply to Vecchio's Examination of Cognitive Resource Theory." Three areas that this theory predicts are noted.

- More intelligent leaders develop better plans, decisions, and action strategies than less intelligent leaders.
- Intelligence contributes more strongly to group performance if the leader is directive, and group members are motivated and supportive of the leader.
- Interpersonal stress distracts the leader from tasks, and intelligence will contribute more highly if the leader has relatively stress-free relationships with superiors and subordinates.

In analyzing this theory, it appears that the majority of an organization's performance is attributed to a single factor (intelligence). It does not appear that this theory contributes performance to anything outside of the leader's intelligence or experience. The group aspect that helps performance does not seem to be a major consideration within this framework.

Emotional Intelligence

Stogdill and Fiedler allowed for insight into the specific attributes that give an indication of effective versus noneffective leaders. Daniel Goleman contends that leader characteristics, similar to the work of Stogdill and Fiedler, are needed for an entry-level management position. He notes that a better indicator for predicting a leader's effectiveness within a group is his or her emotional intelligence. He states in his article "What Makes a Leader?," featured in Harvard Business Review, that this type of intelligence would include a leader's "self-awareness, self-regulation, motivation, empathy and social skills." Possible outcomes for a leader who possesses emotional intelligence characteristics are noted on the next page.

Within this same article, Goleman states that emotional intelligence is critical for a leader and that "without it, a person can have the best training in the world, an incisive, analytical mind, and an endless supply of smart ideas, but he still won't be a great leader." Goleman determines that the higher an individual goes within an organization, the more he or /she uses the components of emotional intelligence.

Leadership Styles of Leadership

One theory that provides insight into the various styles of leadership is Robert House's Path-Goal leadership theory. It explores the impact of behavior in effecting such aspects as subordinate motivation, performance, and overall satisfaction. He states within his article "A Path-Goal Theory of Leader Effectiveness," featured in Administrative Science Quarterly, that there are four types of leadership styles.

- *Directive Leadership:* Subordinates know exactly what is expected of them, and the leader gives specific

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directions. There is no participation by subordinates.

- *Supportive Leadership.* The leader is friendly, approachable, and shows genuine concern for the subordinates.
- *Participative Leadership.* The leader asks for and uses suggestions from subordinates but still makes the decisions.
- *Achievement-Oriented Leadership.* The leader sets challenging goals for the subordinates and shows confidence that they will attain these goals and perform well.

But who becomes a leader within a group? Fiedler answers this question with two major generalizations.

People tend to become leaders if they are somewhat superior to other members in the group with a particular ability, skill, or control over resources that can assist group members in satisfying needs or achieving group goals.

People tend to become leaders if particular assignments or personality attributes make them more visible than others in the group.

These generalizations are important concepts to consider when evaluating leadership within a group setting. It helps determine a structure of authority within a group.

Leaders need to be aware of evaluating new situations based on previous successes. The danger this poses for management is a high likelihood that new information will not be integrated into new situations. Kerlene Kerfoot notes within her article "Leadership: When Success Leads to Failure," (featured in Nursing Economics), that "the more effective leaders view their positions as opportunities to constantly learn, accept each situation on its own terms, and remain open to new ideas".

Success of previous management had the potential to yield them paralyzed into accepting new ideas or better ways in completing tasks. From an operational standpoint, these types of situations make the role of an internal auditor increasingly more difficult.

Conclusion

When making recommendations to management there will be either acceptance or resistance. Insight into the type of management an auditor will be working with will give an indication of the overall acceptance of recommendations. The type of management auditors will be working with should not affect final recommendations, but it will affect other areas within the audit process. This often occurs within preliminary fieldwork and follow-up reviews.

The type of leadership subordinates work under can sometimes affect the quality of information obtained during preliminary audit fieldwork. A key issue here is the willingness and openness of subordinates to help the audit team in obtaining specific information related to the audit. With more forceful types of management, subordinates often are less helpful in indicating the actual flow of operations. Conversely, in an environment where management is more flexible, subordinates are often are more willing to help the audit team in seeking resolutions to organizational issues.

Leadership concepts will continuously evolve. There is no one theory that can account for all concepts of leadership. Auditors need to be aware of and properly react to different forms of leadership at all levels within the organization. The internal auditor can utilize the concepts of leadership and its role within an organization as one tool for helping to bring about effective resolutions to organizational concerns. By having an understanding of the different types of leadership within an organization, an auditor has the ability to focus on recommendations that will be most appropriate in any given situation. ⋀

***Brad Langston, MBA**, is an Internal Auditor for Harris County Hospital District, in Houston, TX. Mr. Langston conducted extensive research into the areas of management and leadership as related to organizational effectiveness. He can be reached at bradley_langston@hchd.tmc.edu.*