

Leadership and Change Management

Block

3

LEADERSHIP CULMINATION

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BLOCK 3: LEADERSHIP CULMINATION

The third block to the course on Leadership and Change Management deals with the classification of leaders, the concept of narcissistic leaders, and the challenges faced by leaders. The block contains three units. The first unit gives an overview of Level 5 leadership, and the characteristics of Level 5 leaders and their operating style. The second unit deals with narcissistic leaders, their characteristics, and their operating style. The third unit discusses the different challenges faced by leaders.

The unit nine, *Level 5 Leadership*, discusses the classification of leaders. It then discusses the characteristics of Level 5 leaders. The unit finally concludes with a discussion on the operating style of Level 5 leaders.

The unit ten, *Narcissistic Leaders*, discusses the concept of narcissistic leadership. It then discusses the characteristics of narcissistic leaders. It then discusses the operating style of narcissistic leaders. The unit concludes with a discussion on the ways to balance a narcissistic leader.

The unit eleven, *Leadership Challenges*, discusses the challenges faced by a leader in a knowledge-based economy. It then goes on to explaining how a leader should deal with the realities of the e-commerce environment. Finally, the unit discusses the factors that lead to diversity and how leaders foster creativity through diversity.

Unit 9

Level 5 Leadership

Structure

- 9.1 Introduction
- 9.2 Objectives
- 9.3 Classification of Leaders
- 9.4 Characteristics of Level 5 Leaders
- 9.5 Operating Style of Level 5 Leaders
- 9.6 Summary
- 9.7 Glossary
- 9.8 Self-Assessment Exercises
- 9.9 Suggested Readings/Reference Material
- 9.10 Answers to Check Your Progress Questions

"The essence of level 5 leadership begins with a question, what cause do you serve?"

- Jim Collins

9.1 Introduction

Jim Collins also says *"A Level 5 leader has personal humility and indomitable will."* Let us understand the characteristics of Level 5 leaders.

The previous unit gave an overview of leadership succession.

This unit discusses the classification of leaders. It then goes on to explaining the characteristics of Level 5 leaders. The unit finally concludes with a discussion on the operating style of Level 5 leaders.

9.2 Objectives

By the end of this unit, you should be able to:

- Identify the various types of leaders
- Recall the characteristics of Level 5 leaders
- Explain the operating style of Level 5 leaders

9.3 Classification of Leaders

In 1971, Darwin E. Smith (Smith), the in-house lawyer, was appointed the CEO of Kimberly-Clark. At the time, he seemed an ordinary, mild mannered man. Shy, unpretentious and sometimes awkward, he also disliked being in the limelight. However, Smith was the CEO of Kimberly-Clark for the next twenty years and demonstrated an intense professional will.

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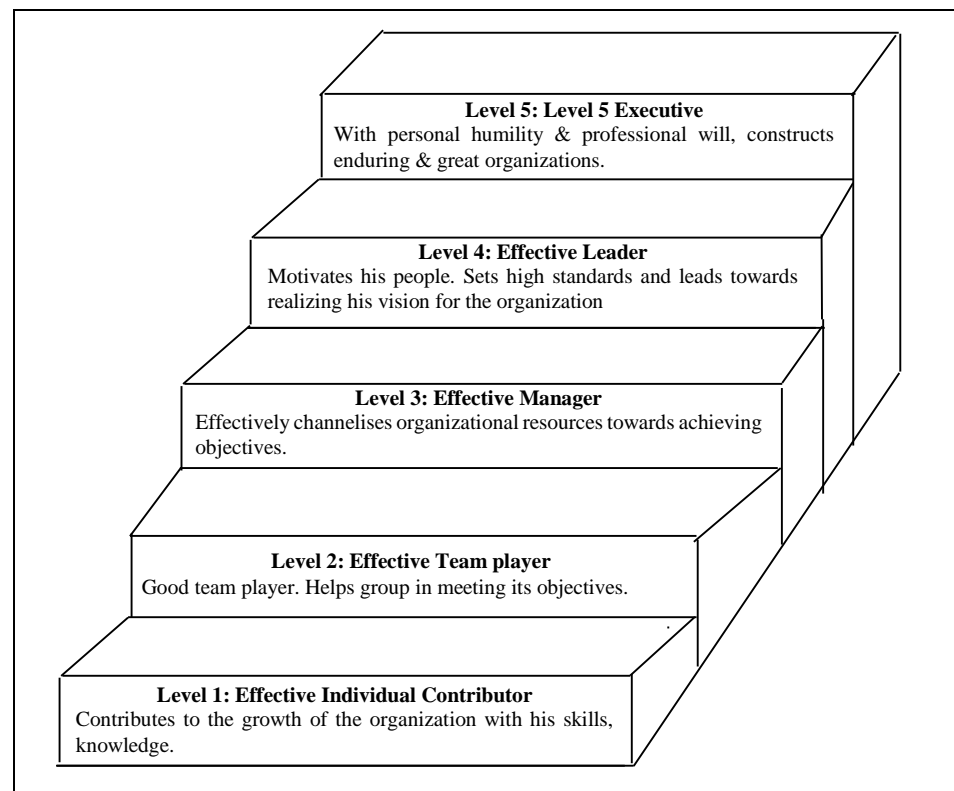
Under his leadership, Kimberly-Clark became one of the leading consumer paper products companies in the world. Smith turned Kimberly-Clark from a merely good, to a truly great company.

Jim Collins classifies leaders into five levels.

- A Level 1 leader is a highly capable individual. He/she plays an important role in the success of his/her organization through his/her own talent, knowledge, skills, and good work habits.
- A Level 2 leader is a contributing team member. He/she is very good at working with his/her team members and ensures that his/her team meets its assigned objectives, and fulfills the core purpose.
- A Level 3 leader is a competent manager. He/she is skilled at organizing people and resources toward the effective and efficient pursuit of organizational objectives.
- A Level 4 leader is an effective leader. He/she sets high performance standards. He/she is remarkable at motivating his people and leading them single-mindedly toward realizing his/her vision for the organization.
- A Level 5 leader transforms the organization into a great institution. He/she epitomizes personal humility and fierce professional will.

The five levels are shown in the Figure 9.1.

Figure 9.1: Five Levels of Leaders



Adapted from "Good to Great" by Jim Collins, Harper Business, 2001, P20.

9.3.1 The Level 5 Leader

According to Jim Collins, there are some significant differences between a Level 4 leader and a Level 5 leader. A Level 5 leader is highly ambitious for the success of his/her company. He/she wants his/her company to succeed irrespective of his/her presence at the helm.

Example

Sam Walton (Walton), a Level 5 leader, had a unique and charismatic personality. When he was suffering from cancer in 1992, everybody wondered what would happen to Walmart once Walton was gone. But Walton wanted to prove that his company was bigger than himself. He wanted to show that the company would be equally successful even when it was not headed by a charismatic leader like him. He chose David Glass, who was not a charismatic personality, to succeed him. The company continued to be great even after its founder was no longer its head.

9.3.2 The Level 4 Leader

In contrast to a Level 5 leader, a Level 4 leader is not very concerned about the greatness of the company once he/she is no longer in charge.

Example

Lee Iacocca (Iacocca), is usually considered a Level 4 leader. A Level 4 leader ensures a high level of performance during his/her tenure, but does not care about the performance of the organization after he/she has left. A Level 4 leader is often more bothered about his/her personal greatness than the company's greatness.

- Iacocca was instrumental in the successful turnaround of Chrysler.
- But later he seemed to be more interested in building up his own image. He wrote an autobiography and toured all over the world promoting his book.
- He was a regular participant in talk shows such as the Today show and Larry King Live.
- He starred in 80 commercials, and even fancied running for the US presidency.

As a result of these digressions, the company's stock which performed at 2.9 times the general market in the first half of his tenure was 51% behind the general market in the second half of his tenure. After getting used to exercising such power, he was totally unwilling to retire and constantly postponed his retirement. When he finally decided to retire, he demanded a private jet and stock options from the board.

Block 3: Leadership Culmination

Check Your Progress - 1

1. A Level 5 leader is:
 - a. Unambitious for the company's success
 - b. Ambitious for the company's success
 - c. Not concerned at all about his/her company
 - d. Not concerned about the greatness of the company
2. A Level 4 leader is:
 - a. Not very concerned about the greatness of the company once he/she is no longer in charge of the company's success
 - b. Concerned about his/her company though he/she is no longer in charge of the company's success
 - c. Transforms the organization into a great organization
 - d. Not ambitious of the company's success

Activity 9.1

Tom Adams (Adams) is the CEO of May Air Airlines. The airline is a premium segment airline, known for its customer service. The staff was given adequate training that helped them served customers better. The success of this training was attributed to Adams who took care of all the aspects that made the airline a successful company. In order to maintain its success, Adams chose David Kleinfeld (Kleinfeld) to take charge of his position after his retirement. The employees however did not want to continue working under the new CEO. Thus many employees also left the organization. However, the airline continued to reap profits under Kleinfeld. What kind of leader is Adams? Explain. Also discuss the other levels of leaders classified by Jim Collins.

Answer:

9.4 Characteristics of Level 5 Leaders

Level 5 leaders are a paradoxical blend of fierce will and personal humility. They are stubborn and ruthless, yet they are humble.

They are highly ambitious for their company, and rarely allow their ego to come in the way of the organization's success. Though they accomplish great things for their organizations, they never take the credit.

Level 5 leaders attribute their remarkable accomplishments to their people, external factors, and sheer luck. They are inspired only by the greatness of their organizations. They expect their organizations to be even better after they leave.

The following quote of a Level 5 leader reflects this attitude.

“I want to look from my porch, see the company as one of the great companies in the world someday, and be able to say, ‘I used to work there’ ”

To ensure this they choose superb successors. What makes them uncomfortable is unrealized potential and complacency. Level 5 leaders regard leaving potential unrealized as a sin. They are highly intolerant of complacency. For them good is never good enough.

9.4.1 Fierce Will

Level 5 leaders demonstrate their fierce will in ensuring superb results for their companies.

- They play the most important role in transforming their companies that were merely good, to great companies.
- Once they have decided about what to do to ensure the best long-term results, they will go through the process with unwavering resolve.

Example

Robert Aders of Kroger sums up this will:

“There was a certain Churchillian character to what we were doing. We had a very strong will to live, the sense that we are Kroger, Kroger was here before and will be here long after we are gone, and, by God, we are going to win this thing. It might take us a hundred years, but we will persist for a hundred years, if that’s what it takes.”

Level 5 leaders inspire standards, and build enduring and great companies against the odds.

Exhibit 9.1 shows an example of Level 5 leader.

Exhibit 9.1: Are Failures a Learning Opportunity?

When ideas prove wrong, Level 5 Leaders take responsibility for their bad decisions, learn from their mistakes and try to explore the hidden opportunities. Oprah Winfrey is an example. She was born to a teenage mother in Mississippi in 1950 in the poorest conditions. She was mistreated by her neighbours, family and friends at an early age of 9. She ran away at the age of 13 from home.

Contd....

Block 3: Leadership Culmination

At the age of 14, she became pregnant and lost her baby. She then shifted to Tennessee and lived with her father. Since then her life changed. She continued her studies, actively participated in debates and speeches and also received state wide beauty pageant award. She then started her first job as news reader at the local radio station, while continuing her studies at Tennessee State University, in high school.

After completing her graduation, Oprah was working for an on-air job in Nashville. Attracted by her performance, WJZ-TV in Baltimore, an ABC associated broadcast hired her as co-anchor with Jerry Turner, a white old male anchor. The media aggressively advertised her to the public for a broader coverage. But the show was not a success as she failed to match with the expectations of the public. She was transferred from anchor to a job of writing and street reporting, where she failed because of her slow skills of writing. But she was very determined and focused. .

Any ordinary person in her place would have quit, chose a different career or given up, but she learnt from her failure that anchoring television news was not her interest and covering human interest stories is her choice.

She then opted to co-host a show called “People are Talking” along with Richard Sher. The show was successful and continued for five years. Following the success, Oprah was selected to host a morning talk show in Chicago. The show made her famous and broke the records of the television. She became wealthiest and one of the most influential persons in America. Her success was attributed to her sense of empathy, which drove her to be a successful talk show host.

Sources: <https://www.linkedin.com/pulse/20141205173028-461078-oprah-winfrey-a-profile-in-failure> 5 December 2014

<https://swaay.com/lessons-we-can-all-learn-from-the-success-of-oprah-winfrey> 23 December 2020

9.4.2 Compelling Humility

Level 5 leaders are characterized by compelling humility. They shun public attention. They are never boastful. They are always happy to discuss at length about their company and the contribution of their people. But they are generally averse to discussing their role in the success of the company.

Level 5 leaders are quiet, and show calm determination when a task is to be accomplished. In case of poor results, they do not blame the external environment.

Example

Jim Collins reports one CEO saying “There are a lot of people in this company who could do my job better than I do.” All the Level 5 leaders Jim Collins came across in his research were responsible for the remarkable successes of their companies but they never admitted that.

Check Your Progress - 2

3. Which of the following is a characteristic of Level 5 leaders?
- Boastfulness
 - Arrogance
 - Compelling humility
 - Goodness

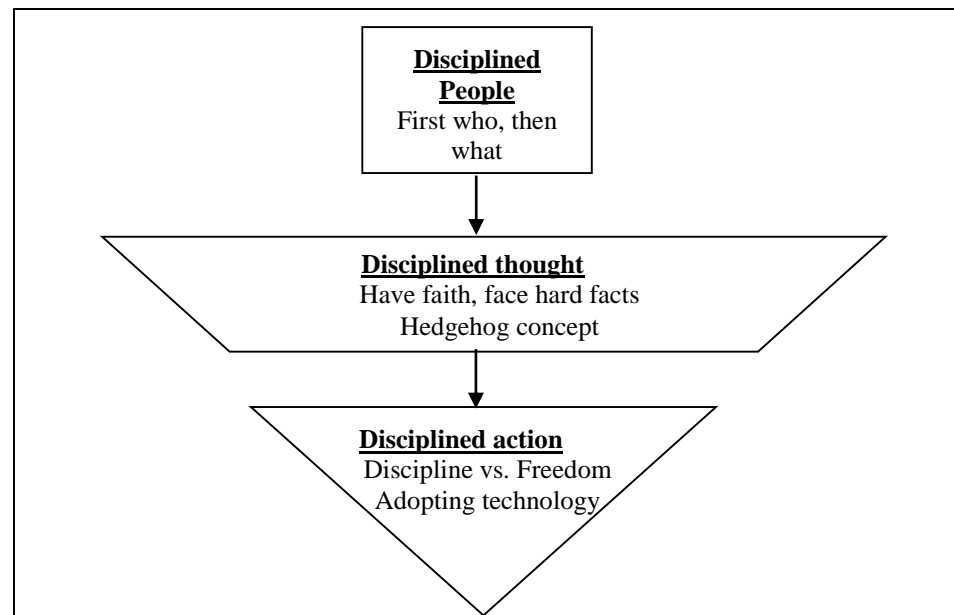
9.5 Operating Style of Level 5 Leaders

Level 5 leaders lead with the help of disciplined people, disciplined thought, and disciplined action. They first identify disciplined people. They don't manage them because they don't need to. Through these disciplined or 'right' people, they manage the system.

Then they attempt disciplined thought. Discipline is necessary to face hard facts. Also, disciplined people bring in the discipline necessary in the organization for executing ideas. Finally, disciplined action is necessary. This ensures the desired and expected results.

Figure 9.2 shows the operating style of a Level 5 leader.

Figure 9.2: Operating Style of a Level 5 Leader



Adapted from various sources.

9.5.1 First Who, then What

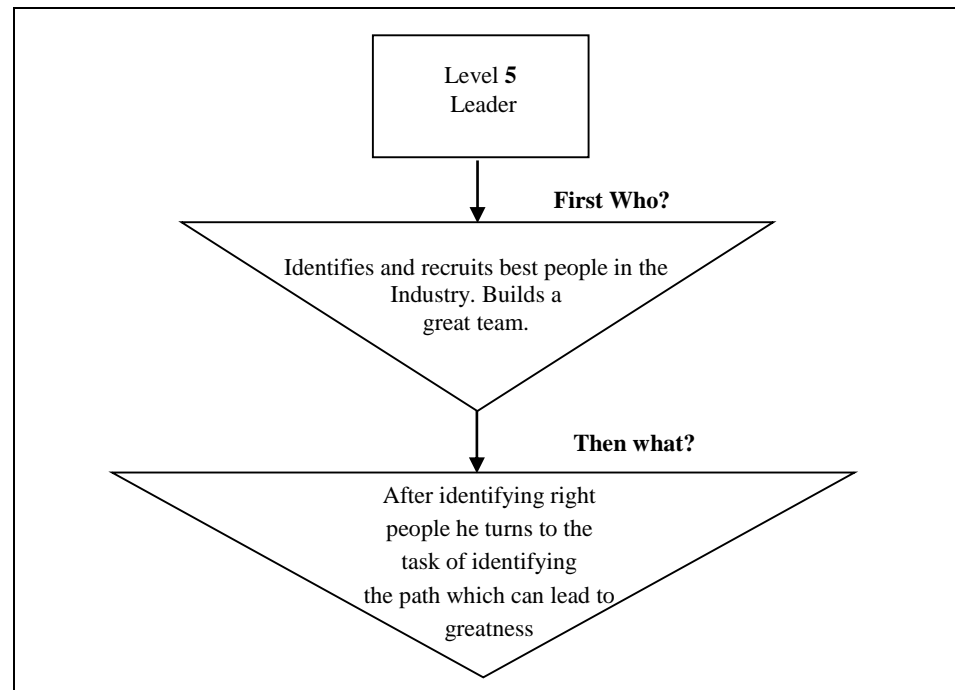
Level 5 leaders first identify the right people. The right people to work with are those who are willing to adapt to change. They are enthusiastic about moving in the new direction set by the leader. The right people are internally driven and motivated.

Block 3: Leadership Culmination

A company cannot move in the right direction without such motivated people and it is important for the leader to identify these people and place them in positions of responsibility. Once this is over, then only they turn to the task of setting new direction and strategy for making their organizations great.

(Refer to Figure 9.3 for priorities of a Level 5 leader). This approach has some obvious advantages:

Figure 9.3: Priorities of a Level 5 Leader



Adapted from "Good to Great" by Jim Collins, Harper Business, 2001, P47.

- Once the right people are on the team, adapting to changes becomes relatively easy.
- If people join the team primarily because they are impressed with direction of the firm or the strategy it is adopting, they will be dissatisfied when the firm changes its direction or strategy according to situational demands.
- These dissatisfied people will rarely be enthusiastic participants when the firm is moving in a new direction with a new strategy.
- The right people will not have motivational problems. A leader need not motivate them or monitor them closely. They have an inner drive to achieve the best results and leave their mark.
- A great company has never been created without the right people in place. The wrong people will not be of much use even when the firm is moving in the right direction. Similarly, great vision or strategy is hardly meaningful without the right people in place.

Check Your Progress - 3

4. What is the advantage of having right people in a team?
- Adapting to changes takes some time.
 - Will not have motivational problems.
 - Great vision and strategy is hardly meaningful to them.
 - Will be of use when the firm is moving in the right direction.
-

Level 5 leaders encourage their people to face hard facts. They believe that once enough effort is put into knowing the reality of the situation, the right decisions will follow. Of course, this may not always be the case. There may be situations where there is enough information on the situation, and yet decision making is difficult.

But one thing is certain – a leader can make the right decisions consistently only when he is in touch with the realities of the situation.

Level 5 leaders use various techniques to understand the real situation.

Question and question: Level 5 leaders use the technique of constant questioning to gain an understanding of any situation. They spend most of their meetings trying to understand the prevailing situation. During informal meetings they interact casually with groups of managers and employees discussing what are happening in the marketplace and in other companies. They ask questions such as:

- ☛ So, what's on your mind?
- ☛ Can you tell me about that?
- ☛ Can you help me understand?
- ☛ What should we be worried about?

By asking such questions they try to understand the current realities which are usually not immediately obvious to higher-ups in management.

Check Your Progress - 4

5. What do level 5 leaders do to gain an understanding of any situation?
- Start off a debate.
 - Appoint a committee.
 - Refer to management books to see if there is a solution.
 - Use the technique of questioning.
-

Block 3: Leadership Culmination

Welcome arguments and debates: Level 5 leaders encourage dialogue and debates before taking any decision. To create the right environment for the dialogue they establish a practice of regular meetings of general managers across various departments.

Example

Ken Iverson (Iverson), the then CEO of Nucor, was very open about generating widespread discussion and debate, even on issues of critical importance to the company such as whether to sell Nucor's nuclear business, focus on steel joists and manufacture own steel, invest in their own mini-mill, and build a second mini-mill. All general managers got an opportunity to share their views, even when they were at loggerheads with one another. Iverson (and other Level 5 leaders) believed that the best decisions would result only after considering all the points of view on the issue at hand.

Learn from mistakes: When things go wrong, Level 5 Leaders say something like this: I will take responsibility for this bad decision. But we should try to extract the maximum learning for the tuition we've paid.

Example

In 1978, Phillip Morris acquired the SevenUp Company (a soft-drink company from the US). But after eight years it was sold at a loss. Though the loss was negligible compared to Phillip Morris' total assets, the management did not brush it aside but discussed it openly and tried to learn from their mistake. No one blamed others for the decision to sell the Seven-Up Company. The company's then CEO, Joe Cullman, took the blame himself, and said he was at fault, mainly for not paying enough attention to those who had opposed the buyout in the first place. He and the company's senior managers spent hundreds of hours learning from this mistake.

Check Your Progress - 5

6. When things go wrong, how does the Level 5 leader react?
- I will not take the responsibility for this bad decision. And we should try to extract the maximum learning for the tuition we've paid.
 - You will take the responsibility for this bad decision. But you should not try to extract the maximum learning for the tuition you've paid.
 - I will take the responsibility for this bad decision. But I can try to extract the maximum learning for the tuition we've paid.
 - I will take the responsibility for this bad decision. But we should try to extract the maximum learning for the tuition we've paid.
-

Use red flags: Level 5 leaders also use red flags or early warning mechanisms.

Example

Bruce Woolpert employed a method called “Short pay” at his organization, Graniterock. “Short pay” allowed customers to pay the invoice based on their satisfaction with the product or service. They did not have to return the product or take permission to use this option. All they had to do was to circle the offending product or service on the invoice, deduct the amount and pay for the balance. “Short pays” acted as an early warning mechanism and made managers take corrective action before more customers were dissatisfied and deserted the company. This kind of red flag is useful because otherwise managers come to know of a problem only when it has already become unmanageable.

Check Your Progress - 6

7. What kind of early warning mechanisms do Level 5 leaders adopt to caution managers?
- Red flags
 - Red card
 - Red signal
 - Red ribbon

9.5.2 Hedgehog Concept

An organization is not always best at its core business, which it may have been engaged in for years, may be even decades. And if an organization is not the best in the world in its core business then it cannot be a great company.

For this reason, Level 5 leaders identify the area where their company can be the best in the world. They also identify the areas where they cannot be the best. They divest from businesses where they cannot be the best, and enter those where they can.

Isaiah Berlin divided the world into two –

- Hedgehogs: They know many things
- Foxes: They know only one big thing

Jim Collins says the hedgehog concept works well in developing a foundation for good to great companies.

Level 5 leaders also identify suitable economic indicators to measure their performance. They are masters at ensuring continuous and healthy cash flows, and profitability. They employ a single denominator: profit per X. X here is the indicator. It can be an employee, a branch, etc.

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Example

Dick Cooley, the then CEO of Wells Fargo, realized in the 1980s that deregulation in the banking industry would change banking into a commodity business. He was convinced that standard banker metrics like profit per loan or deposit were no longer key indicators. Instead he preferred profit per employee. The company's strategy evolved from this. The company was one of the first banks to change its distribution system. It reduced the number of employees to the bare minimum and instead increased the number of ATMs.

9.5.3 Discipline vs. Freedom

Level 5 leaders perpetrate a culture where disciplined people are involved in disciplined thought and disciplined action.

According to Jim Collins,

- An organization with disciplined people does not need hierarchy.
- An organization with disciplined thought does not need bureaucracy.
- An organization with disciplined action does not need excess control.
- When a culture of discipline is combined with a spirit of entrepreneurship, the organization performs extraordinarily.

Check Your Progress - 7

8. According to Jim Collins, what an organization with disciplined people does not need?
- a. Bureaucracy
 - b. Control
 - c. Hierarchy
 - d. Leadership

9.5.4 Adopting Technology

Level 5 leaders never emphasize technology first in their quest for transforming their companies. They believe that in order to use the technology appropriately, they should first understand how relevant the technology is. They apply the technology only once they understand its relevance, and ensure its conformity with the organization's Hedgehog concept.

Example

Under the leadership of Iverson, Nucor pioneered steel manufacturing through mini mills. Nucor made significant investments in slab casting and electric arc furnaces.

Contd....

The company then went on to become the biggest steel manufacturer in the US. This example is seen by outsiders as a classic case of a small company overthrowing the old order through application of new technology.

But when Iverson was asked to rank the top five factors that contributed to the transformation of Nucor from good to great, technology figured nowhere.

Instead, they ranked the consistency of the company, ability to project its philosophies throughout the organization, lack of layers, absence of bureaucracy and performance culture of the organization, far above technology.

Absence of bureaucracy. His executives also felt the same. They rated the right people (both workers and key managers), and the performance culture of the organization, far above technology.

As the example shows, technology is just an accelerator of momentum in an organization. It can never create that momentum. From Collins' study, it seems that Level 5 leaders are indispensable for creating great companies. But how to find them and where to find them? Collins has two suggestions.

- The first is to stop looking for leaders who are larger than life. In a majority of cases, such leaders are good at ensuring only short-term returns, and quite often harm the long-term interests of the organizations.
- The second is to look for a place where extraordinary results are the norm and where no single individual claims the credit. There surely hides a Level 5 leader.

Activity 9.2

General Co. is an Indian hardware and software development company. The company was very successful in its business. The company planned to expand its business. The top management was keen to foray into consumer appliances, plastics, cement, steel, furniture, pharmaceuticals, etc. The CEO of the company, Adrian Verinder (Verinder) noticed that the business lines proposed were not the core business of the company. However, the company launched the businesses. After a year, the management found that its newly launched businesses were not generating any revenues. Thus the board decided to come out with a solution to make their businesses profitable. Verinder found that the company had moved from its core business i.e. hardware and software development and had forayed into several non-core businesses. Thus Verinder closed all its non-core business lines and focused on its core business. Identify and discuss the operating style of Verinder. Also discuss other operating styles of Level 5 leaders.

Answer:

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Check Your Progress - 8

9. Which one of the suggestions of Jim Collins' holds true for a Level 5 leader?
- Look for leaders who are larger than life.
 - Look for leaders who are tech-savvy.
 - Look for a place where extraordinary results are the norm and where no single individual claims the credit.
 - Level 5 leaders resemble foxes.
-

9.5.5 Leaders must learn to turn problems into opportunities

Problem solving is the essence of leadership. The main function of the leader is to minimize the occurrence of problems by proactively anticipating it.

Example

With liberalization of Indian economy, many foreign players entered the Indian two wheelers auto market. Rahul Bajaj at Bajaj Auto saw the threat of foreign competition. He anticipated the problem and entered into joint venture with Kawasaki to thwart competition. Thus a problem was converted into an opportunity.

However, it may not be always possible to prevent problems. In such situations the leader must have the ability to quickly understand and come up with a solution to the problem.

The leader must be resilient in his quest to create and sustain momentum for the organization and people who work with him. Often the workplace is complicated with its complex structure and people's attitudes. Self-promotion, power politics, envy, silos, lack of budget and resources are the realities of today's workplace that affect the productivity.

The most effective leaders approach problems through a lens of opportunity. For an effective leader problem is not a distraction; rather it is as a strategic enabler to not only solve but an opportunity to introduce a new method of doing the routine functions.

Leaders not only solve problems themselves but motivate their team members to do the same. Some of the techniques used by them are given below.

- **Transparent Communication**

Problem solving requires transparent communication where everyone's concerns and points of view are freely expressed and effective leaders are conscious of this. They encourage interaction and encourage others to express freely their views as it helps to have 360-degree view of the problem. Once the people are confident that the leader is open minded they express freely

and frankly their opinions. Once all points of view are gathered the leader can consolidate the several points of view into an organic solution that is viable and sustainable.

- **Break Down Silos**

Transparent communication demands breaking down of silos to enable a boundary-less organization whose culture is conducive for fostering innovation and creativity. Problem solving and efficient cross-functional collaboration is greatly facilitated once the silos are broken. Today's workplace is knowledge driven and it must embrace an entrepreneurial spirit where employees can freely cross-collaborate to address the problem solving knots in a creative manner. In a workplace where silos exist, problem solving is difficult where everyone will believe in individual efforts rather than team excellence that make the organization stronger.

- **Open-minded People**

Breaking down silos and communication barriers require people to be open-minded. After all, problem solving is about people working together to make the organization effective and serve the customers better. Open-minded people see beyond the obvious which many other fail to see. Risk for them is an opportunity to learn the unknown. They encounter the problems with courage and convert a problem into a new opportunity.

Strategic Framework: Effective leaders know how to gather the right people, resources in problem solving situations. They inspire people to and make the problem solving process a collaborative effort. They bind the people closer together. They draw out a well thought out strategy and use the strengths of their people to assure the strategy leads to a sustainable solution.

Problem solving is the greatest enabler for growth and opportunity. Failure is a good teacher that gives precious lessons and successful leader views failure as learning curve and use the learning in future endeavours.

Exhibit 9.2 gives top ten qualities of problem solvers.

Exhibit 9.2: Top Ten Qualities of Problem Solvers

1. **"Can do" attitude!** Effective problem solvers see problems as opportunities and are keen to learn new things they do not know. Hold a deep conviction that with systematic and analytical approach they will discover the right answer.
2. **They Re-defining the problem.** Seasoned consultants know that problems can dynamic and their initial definition of the problem may be incorrect or may undergo change. They do not make hasty conclusions and do not rule out improbable possibilities.

Contd....

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3. **They have a system.** Problem solving is a process and the most widely used model is - Describe, Analyze, Conclude, and Recommend/Solve (DACR/S). Effective problem solvers religiously adhere to the structured model and go step by step.
4. **They consider the problem from multiple perspectives:** Looking from other perspectives is very fundamental approach in problem solving. Effective problem solvers quickly shift from one view point to another quite easily and effortlessly.
5. **They expect the unexpected:** Problem solving is a non-linear process and good problem solvers avoid getting into the “past experience” trap because past experience may not be helpful in their current problem.
6. **They recognize conflict as necessary condition to solution.** Effective problem solvers can use their skills to manage conflict and flush out the "real" facts.
7. **They listen to their intuition.** Hunches, insights, gut feeling and inklings are the basis on which good problem solvers work. They have a good “sixth sense.” More often than not the intuition proves to be correct.
8. **They go beyond just "solving the problem".** Solving the problem is ground zero. Effective problem solvers are not content with just solving the problem but try to go beyond the solution to ensure that the problem does not recur and the problem is fixed permanently. They probe the underlying causes, embedded in the complexities of a current situation and see it as opportunity to learn new knowledge that can help them in an entirely new problem situation.
9. **They fix problems on a permanent basis.** Band-Aid solutions are ad hoc and the chances of recurrence are high. So effective solvers address all aspects of the problem and find a solution that eliminates the root cause.
10. **They carry the people with them:** Good problem solvers are aware that commitment to all stake holders are important for any solution to be effective. So they focus on getting the buy in of the all stake holders that in turn ensures that the solutions are implemented in right earnest.

Source: <https://www.strategicsearches.com/2017/09/24/top-10-characteristics-problem-solvers/>

Check Your Progress - 9

10. Which one of the following is not a technique adapted by leaders to solve the problems and motivate employees?
 - a. Transparent communication
 - b. Strategic framework
 - c. Breakdown silos
 - d. Treat problem as a threat
-

9.6 Summary

- Leaders can be classified into five levels.
- A Level 1 leader is a highly capable individual. He plays an important role in the success of the organization through his own talent, knowledge, skills, and good work habits.
- A Level 2 leader is a contributing team member. He is very good at working with his team members and ensures that his team meets its assigned objectives, and fulfills the core purpose.
- A Level 3 leader is a competent manager. He is skilled at organizing people and resources towards the effective and efficient pursuit of organizational objectives.
- A Level 4 leader is an effective leader. He sets high performance standards. He is remarkable at motivating his people and leading them single-mindedly towards realizing his vision for the organization.
- A Level 5 leader transforms the organization into a great institution. He epitomizes personal humility and fierce professional will.
 - Level 5 leaders are stubborn and ruthless, yet they are humble. They are highly ambitious for their company, yet they rarely allow their ego to come in the way of organization's success. Though they accomplish great things for their organizations they never take the sole credit. They may attribute their remarkable accomplishments to their people, external factors, and sheer luck.
 - Level 5 leaders first identify the right people for their teams. Only once they have identified the right people, do they turn to the task of setting new direction, strategy and vision for their organizations.
- Level 5 leaders encourage their people to face hard facts. They believe that once enough effort is put into learning the reality of the situation, the right decisions will follow.
 - Level 5 leaders never lose faith, even when they face hard facts. They try to emerge stronger and better from testing circumstances.
 - Level 5 leaders do not attempt transition in their company by beginning with a strong emphasis on technology. They believe that in order to use the technology appropriately, they should first understand how relevant the technology is. Only when they have understood its relevance, and ensured its conformity with the organization's Hedgehog concept, do they apply the technology.

9.7 Glossary

Hedgehog concept: Hedgehog knows only one big thing. Jim Collins says the hedgehog concept works well in developing a foundation for good to great companies.

Block 3: Leadership Culmination

Level 1 leader: He is a highly capable individual.

Level 2 leader: He is a contributing team member.

Level 3 leader: He is a competent manager.

Level 4 leader: He is an effective leader.

Level 5 leader: He transforms the organization into a great institution. He epitomizes personal humility and fierce professional will.

9.8 Self-Assessment Exercises

1. Jim Collins classifies leaders into five levels. Explain those levels in detail.
2. Who is a level 5 leader? State the characteristics of level 5 leaders. Analyze how different are they from the other type of leaders.
3. Explain the functioning/operating style of Level 5 leaders.

9.9 Suggested Readings/Reference Material

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7. Panduranga Bhatta C. and Pragyan Path, The Art of Leading in a Borderless World, Bloomsbury Publishing, 2020
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10. Ratan Raina, Change Management and Organizational Development, SAGE Publications, 2019
11. Ruchira Chaudhary, Coaching - The Secret Code to Uncommon Leadership, Penguin Random House India, 2021
12. Sajjad Nawaz Khan, Leadership and Followership in an Organizational Change Context, IGI Global, 2021

9.10 Answers to Check Your Progress Questions

1. (b) A Level 5 leader is ambitious for the company's success.

According to Jim Collins, a Level 5 leader is highly ambitious for the success of his/her company.

2. (b) Not very concerned about the greatness of the company once he/she is no longer in charge of the company's success

A Level 4 leader is not very concerned about the greatness of the company once he/she is no longer in charge ambitious for the company's success.

3. (c) Compelling humility

Level 5 leaders are characterized by compelling humility.

4. (b) Will not have motivational problems

The right people will not have motivational problems. A leader need not motivate them or monitor them closely. They have an inner drive to achieve the best results and leave their mark.

5. (d) Use the technique of questioning

Level 5 leaders use the technique of constant questioning to gain an understanding of any situation. They spend most of their meetings trying to understand the prevailing situation. During informal meetings, they interact casually with groups of managers and employees discussing what is happening in the marketplace and in other companies.

6. (d) I will take responsibility for this bad decision. But we should try to extract the maximum learning for the tuition we've paid

When things go wrong, Level 5 Leaders say something like this: I will take responsibility for this bad decision. But we should try to extract the maximum learning for the tuition we've paid.

7. (a) Red flags

Level 5 leaders also use red flags or early warning mechanisms. This kind of red flag is useful because otherwise managers come to know of a problem only when it has already become unmanageable.

8. (c) Hierarchy

According to Jim Collins, an organization with disciplined people does not need hierarchy, an organization with disciplined thought does not need bureaucracy, and an organization with disciplined action does not need excess control.

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9. (c) Look for a place where extraordinary results are the norm and where no single individual claims the credit

Jim Collins has two suggestions. The first is to stop looking for leaders who are larger than life. In a majority of cases, such leaders are good at ensuring only short-term returns, and quite often harm the long-term interests of organizations. The second is to look for a place where extraordinary results are the norm and where no single individual claims the credit. There surely hides a Level 5 leader.

10. (d) Treat problem as a threat

Treat problem as a threat is not a technique adapted by leaders to solve problems and motivate employees. The rest of the options are the techniques used by leaders.

Unit 10

Narcissistic Leaders

Structure

- 10.1 Introduction
- 10.2 Objectives
- 10.3 Understanding Narcissism
- 10.4 Characteristics of a Narcissistic Leader
- 10.5 Operating Style of a Narcissistic Leader
- 10.6 Balancing a Narcissistic Leader
- 10.7 Summary
- 10.8 Glossary
- 10.9 Self-Assessment Exercises
- 10.10 Suggested Readings/Reference Material
- 10.11 Answers to Check Your Progress Questions

“Hate is the complement of fear and narcissists like being feared. It imbues them with an intoxicating sensation of omnipotence.”

— Sam Vaknin, Malignant Self-Love: Narcissism Revisited

10.1 Introduction

No wonder, narcissistic leaders are fearful.

The previous unit discussed the Level 5 leaders. The present unit will discuss the concept of narcissistic leaders.

This unit discusses the concept of narcissistic leadership. It also discusses the characteristics and operating style of narcissistic leaders.

10.2 Objectives

By the end of this unit, you should be able to:

- Outline the concept of narcissism
- Discuss the characteristics of a narcissistic leader
- Explain the operating style of a narcissistic leader
- Illustrate the ways to balance a narcissistic leader

10.3 Understanding Narcissism

The Apple Lisa was the most fascinating and user-friendly computer in the market when it was introduced in January 1983. It was the result of millions of dollars of investment, and the most creative efforts in the budding PC industry.

Block 3: Leadership Culmination

Lisa had some highly innovative features. It could rearrange paragraphs of text or insert words into a sentence. Using Lisa, it was possible to insert footnotes, tables of contents, indexes, and bibliographies, with simple commands.

Before Lisa, to convert a single-spaced text to double-spaced text, one had to retype the entire manuscript. Unlike earlier computers, Lisa had an icon-driven display, and the ability to do complex tasks. In spite of having so many advantages, Lisa died a premature death, and disappeared from the market in six months.

Why did Lisa have such a quick fall, in spite of its obvious advantages?

Many suggest that the narcissistic style of leadership of Steve Jobs (Jobs) was responsible for the failure of Lisa.

Jobs, the co-founder of Apple Computers (Apple), had earlier played a key role in the success of the Apple-II computer. He had promoted it extensively. But it was Steve Wozniak who had designed the product.

Jobs wanted to prove to the world that he could spearhead the creation of a revolutionary product, and single-handedly bring it to market. Rothmueller was appointed the project leader. But Jobs did not like the model designed by Rothmueller and he took over as the project leader.

However, halfway through the project, Jobs was replaced by Jon Couch as the head of the project. This was a big blow to Jobs' ego. Jobs' narcissism led to the premature death of a promising product, the development of which had cost the organization millions of dollars.

Jobs himself proclaimed that he wanted to win acclaim for producing a great computer, no matter what the cost. He wanted to prove that his own creation, Macintosh, could beat Lisa in the same field.

Narcissism is often associated with egotism, self-centeredness, and exaggerated self-love. Some amount of narcissism is essential for functioning in human society. It is only when the above traits dominate a person's (in this case, a leader's) personality that it becomes negative. Narcissistic elements form the basis of self-esteem and identity. If these elements are either excessive or too little, the individual loses his/her balance and has an unstable personality.

An individual's personality is shaped during his or her childhood. Child psychologists say that the first three years in an individual's life are very critical in shaping his/her personality.

It is during this period that the core patterns of personality are shaped. The foundation laid at this stage of life determines what type of person he or she will become and remain.

Though an individual's later experiences in life have a bearing on his or her personality, these are not as influential as the experiences of the individual's early years.

Parents and caretakers play a key role in the development of narcissism.

The following factors need to be looked into for understanding narcissism:

- Whether they were supportive or indifferent;
- Whether family circumstances led to the child experiencing deprivations;
- Whether there was a solid foundation for the development of the child's self-regard and ability to establish relationships;
- Whether the child is given frustrations in tolerable doses as they are necessary to ensure the normal development of the individual.

A child manages this frustration by trying to regain the original impression of bliss of childhood by creating a grandiose image of himself or herself, and an idealized image of the parents.

If a child gets adequate care, he/she will adapt himself/herself to reality by getting rid of his/her grandiose image. This is where parents and siblings have a role to play.

They can translate the child's grandiose images into realistic ambitions, stable values, a secure sense of self-esteem and identity, and well-defined career interests. Such normal development does not occur in all cases. Things do go wrong.

In situations of prolonged disappointment caused by parental overstimulation, under stimulation, inconsistent and arbitrary behavior, or violence and abuse, children grow up believing that they have nobody to love or show loyalty to, except themselves.

This behavior takes complete hold when they become adults. Though they demonstrate self-sufficiency, at the depth of their being, they feel a sense of deprivation, anger, and emptiness.

While coping with these feelings and insecurities, their narcissistic needs turn into obsessions. They will be obsessed with power, beauty, status, prestige, and superiority. Narcissists maneuver people into strengthening their shaky self-esteem. They even go to the extent of taking revenge for what happened to them when they were children.

Check Your Progress - 1

1. What kind of trait exhibits narcissistic behavior?
 - a. Selflessness
 - b. Soberness
 - c. Self-centeredness
 - d. Humbleness

Block 3: Leadership Culmination

2. What factors contribute to an individual's development as a narcissist?
 - a. Family circumstances led to the child experiencing deprivations.
 - b. Whether there was a solid foundation for the development of the child's self-regard.
 - c. Whether the child is given enough opportunity to develop self-esteem.
 - d. All of the above

10.4 Characteristics of Narcissistic Leaders

The following are the characteristics of narcissistic leaders:

10.4.1 Compelling Vision

Narcissistic leaders are not extraordinary at analysis. They may not be able to break up big questions into manageable problems. They may not be remarkable at number crunching. But they are truly exceptional at envisioning the big picture.

George Bernard Shaw, an Irish playwright once said, "Some people see things as they are and ask why." Narcissistic leaders see things that never were and ask why not.

10.4.2 Charisma

Narcissistic leaders are often good orators. This adds to their charisma. They use language that evokes images and symbols. They firmly believe that inspiring speeches change people.

For example, Bill Atkinson, considered by many to be the most gifted programmer at Apple during its early days, said of Steve Jobs, "He can con you into believing his dream."

Their charisma might mislead us into thinking that they are independent leaders. But it is not so. They depend on their followers for affirmation and adulation. Their speeches generally have the hidden motive of arousing adulation, which can soothe their ego, and affirm their self-confidence.

10.4.3 Closeness Leads to Isolation

Subordinates come close to their charismatic boss easily. But this can also result in leader's isolation.

A narcissistic leader gets increasingly self-assured as the number of his/her followers increases. Then he/she starts taking spontaneous decisions without much thought and consideration. He/she assumes that he/she is invincible. This energy and false confidence inspires still more followers.

The increasing adulation of larger number of followers makes him/her ignore caution and advice. He/she continues with his/her unassailable logic that he/she was sure and right earlier when everybody was in doubt. He/she does not try to persuade people who disagree; he/she starts to ignore them.

As a result he/she gets isolated from people. Finally, this behavior creates situations where avoidable mistakes end up as catastrophes.

10.4.4 Emotionally Isolated

A narcissistic leader is emotionally isolated. As he/she is uncomfortable with his/her own emotions, he/she can hardly cope up with others' negative feelings.

As he/she is very sensitive, he/she sees criticism as a threat to his/her self-image and confidence. Unless there is a really big problem, he/she never takes feedback for fear of criticism. He/she cannot tolerate dissent.

Narcissistic leaders are tough with people. An Apple executive who worked closely with Steve Jobs described him as a “doberman who would chew off the head of anyone who stood in his way.”

For narcissistic leaders, teamwork is nothing more than working with a team of yes-men. As a result of this attitude, independent minded people either leave the organization or are told to leave and this leads to a succession problem.

Check Your Progress - 2

3. For a narcissistic leader, teamwork means working with a:
 - a. Team of men who say no
 - b. Team of yes-men
 - c. Team of flamboyant men
 - d. Team of good men

10.4.5 Lack of Empathy

While narcissistic leaders yearn for empathy from others, they are rarely empathetic toward their followers. This lack of empathy can stifle their ability to communicate. As a result, they may have to rely entirely on their passion and conviction to lead people.

They do not bother about any genuine feedback, let alone 360-degree feedback. They believe that they need not change as long as they are successful.

Narcissistic leaders seem to be emotionally intelligent, but they possess street smartness rather than empathy. They clearly understand who is on their side and who is not. This understanding helps them in using and even exploiting their people. This is the reason why people do not like narcissistic leaders in spite of their charisma and initial successes.

Check Your Progress - 3

4. What happens to a narcissistic leaders' ability when he lacks empathy?
 - a. Scold
 - b. Impress
 - c. Understand
 - d. Communicate
-

Block 3: Leadership Culmination

10.4.6 Bad Mentors

As they lack empathy, narcissistic leaders fail to be mentors or to be mentored themselves. When they are being mentored, they yearn to control their mentors.

Narcissistic leaders lack the intimacy necessary to be mentors. Even when they are involved in such activity willy-nilly, they do more of instructing than coaching.

10.4.7 Relentless and Ruthless

All successful managers are ruthless and have a relentless spirit. But what differentiates them from the narcissist is that they have a conscience. Narcissists do not feel bothered by a conscience. For them, winning is all that matters.

Organizations headed by narcissists have high internal competition. People in these organizations are passionate about winning. But they are only driven by promise of glory or fear of extinction.

These motivating factors definitely energize companies by creating urgency, but this can nevertheless be dangerous as well. People in such organizations see everything as a threat.

Narcissists are so taken by fear, distrust and aggression, that they imagine enemies even when there aren't any. They operate in the "Only the paranoid survive" mode. This type of behavior might be useful in certain industries which are going through tumult. But in general, it harms organizations in the long term.

Example

Many CEOs, such as Oracle's Larry Ellison, Tesla's Elon Musk, Apple's late Steve Jobs have been described as narcissists. Success for such leaders is often attributed to their bold vision, extreme self-confidence, and determination to win at all costs. At the same time, they are very manipulative also. Charles A. O'Reilly III, the Frank E. Buck Professor of Management at Stanford Graduate School of Business says "We see the 10% of narcissists that succeeded and call them visionaries," but in reality he says "We're not looking at the 90% who flamed out and caused irreparable damage. By talking about narcissism as though it might be positive, we're not paying attention to how dangerous these people can be."

Source: <https://www.gsb.stanford.edu/insights/narcissistic-ceos-weaken-collaboration-integrity>

10.4.8 Workaholics

Narcissistic leaders work for long hours. They sacrifice their personal lives by spending all their time and energy on their work.

Even when they are not at their workplace, they spend their time thinking and planning for work. They also expect others to work in the same way.

Narcissists rarely take vacations. Even when they take vacations, they fix them around work activities. When ill and forced to stay home, narcissistic leaders work from their homes.

Exhibit 10.1 illustrates the workaholic nature of Donald Trump.

Exhibit 10.1: Donald Trump – A Workaholic

Donald Trump is an American politician, businessman, media personality, and served as the 45th president of the United States from 2017 to 2021. He is a real estate magnet, casino owner, a popular TV show host and organizer of national beauty pageants. All his accomplishments are accredited to his workaholic nature. In one of the posts in New York Times, Trump said the people who are workaholic would not like to miss any opportunity and will always be alert and aware of the things happening around. .

Vacations are actually supposed to relieve people from stress but for workaholics, not knowing what is happening around is more stressful. He specified that people who are workaholic are the ones he likes to be working for him.

Donald Trump is a person who loves work and believes work is fun. He says that deals are his art form. While some people love painting and some like poetry, he is the one who loves to make deals and possibly big deals that push forward his business.

Source: <https://www.lifehack.org/articles/work/4-famous-workaholics-and-the-secrets-of-their-success.html>, accessed on 25-Aug-2021

10.4.9 Loyalty toward the Organization

Narcissistic leaders are loyal to their organizations and their values. They try hard to keep themselves abreast of the latest developments in their organizations and their performance.

Narcissistic leaders also maintain contacts with outsiders to keep themselves up to date of the latest developments in their fields. They are eager to take on more responsibilities, so that more people are accountable to them. Narcissistic leaders love to maintain their reputation for getting things done.

Example

Narcissists are independent, self-centered and excel in innovation. They are driven to gain power and glory. Harvard anthropologist and psychoanalyst Michael Maccoby, called such individuals “productive narcissists” when he wrote “Narcissistic Leaders: The Incredible Pros, the Inevitable Cons” for the Harvard Business Review (January–February 2004). Bill Gates, Andy Grove, Steve Jobs and Jack Welch are all examples for productive narcissists and the present CEOs like to emulate their characteristics.

Source: <https://www.workingresources.com/professionaleffectivenessarticles/narcissistic-leaders-in-times-of-uncertainty.html>

Block 3: Leadership Culmination

10.4.10 Power Hungry

The need for gaining power over others is a dominant characteristic of narcissistic leaders. They always look for various management techniques to expand their span of control over others. This behavior is a result of a sense of powerlessness over the self.

Narcissistic leaders use different ways to gain power such as manipulating others, controlling communication and information, and controlling decision making.

Example

Billionaire George Soros called the then United States President Donald Trump at an evening dinner held at World Economic Forum in Davos by saying Trump is a "conman and a narcissist, who wants the world to revolve around him", he told guests at his dinner, "his narcissism turned into a malignant disease," according to CNBC.

Source: <https://www.telettrader.com/soros-trump-is-conman-narcissist/news/details/51060177?ts=1638957133048> 2020

Activity 10.1

ITS Ltd. is a leading IT company in India. The company's CEO, Steve Wilson (Wilson) worked for long hours and expected the employees to work even after office hours. Though the employees were not compensated for extra work, they continued to work. The employees could hardly go on leaves. If they were offered leaves, they were asked to work from home. What kind of leader is Wilson? Identify and discuss the characteristic of Wilson. Also discuss other characteristics of such leaders.

Answer:

Check Your Progress - 4

5. In what way are successful managers different from narcissists?
- They have confidence
 - They have a conscience
 - They have more ideas
 - They have passion

6. Which one of the following is **not** a technique adopted by narcissistic leaders to gain power?
- a. Manipulating others
 - b. Controlling communication and information
 - c. Encouraging people
 - d. Controlling decision making
-

10.5 Operating Style of Narcissistic Leaders

A narcissistic leader is concerned all the time with creating a saleable image for himself/herself. To some extent, his/her behavior is consistent with that image. But for the most part, he/she creates the image by controlling communication and information related to him/her and his/her department.

A narcissistic leader might not be willing to take others' feedback, but he/she is certainly bothered about what others think of him/her. To project a good image, he/she invents stories that seem realistic.

When events go out of control, he/she projects himself/herself as the master of damage control by issuing statements in the press regularly till the damage is controlled. A narcissistic leader thus wants to be seen as one who is always in control, successful and heroic.

10.5.1 Manipulative

One of the operating styles of narcissistic leaders is manipulation. It is a common characteristic of such leaders, and one that is most hated in them. A narcissistic leader may even treat others as objects or modules. He/she uses subtlety, finesse, and charm to get his/her work done.

For example, when he/she asks for a subordinate's opinion, he/she does not ask that with an intention to understand or learn from the subordinate. Rather, he/she does that to identify ways to convince the person.

Check Your Progress - 5

7. What is implied about narcissistic leaders from the given statement, "when he/she asks for a subordinate's opinion, he/she does not ask that with an intention to understand or learn from the subordinate"?
- a. He/she is an authoritarian.
 - b. He/she is manipulative.
 - c. He/she is very knowledgeable.
 - d. He/she is stubborn.
-

Block 3: Leadership Culmination

10.5.2 Controls Communication

A narcissistic leader reviews all the written communications going out of his/her department. He/she edits staff memos. This he/she does to ensure that his/her ideas and intent are not misunderstood. Complete and regular updates are an overriding concern for him/her.

He/she spares no effort to understand what is happening in his/her department and staff meetings often turn out to be interrogation sessions. A narcissistic leader always wants to be kept informed about the minutest of details regarding a project, in order to show that he/she is in complete control of the project.

A narcissistic leader going to a meeting will tell his/her staff what he/she thinks about the particular issues which are to be discussed in the meeting. This he/she does with the expectation that they will work with him/her and support his/her ideas. During meetings he/she uses different tactics:

- ***Narcissistic filibuster.*** A narcissistic leader keeps on talking endlessly till the opposition gets exhausted and loses interest in the issue.
- ***Beating around the bush.*** A narcissistic leader talks about the issue in a roundabout way often using abstract and complex terms. He/she adopts this tactic to make the opposition believe that they lack both the critical information and intelligence needed to understand the issue at hand.
- ***Analogies and metaphors.*** A narcissistic leader uses analogies and metaphors to convince other members in the meeting that what he/she is talking is plain common sense and truth.

Check Your Progress - 6

8. Narcissistic filibuster is a tactic used by the narcissistic leader where he/she:
 - a. Talks endlessly till the opposition gets exhausted and loses interest in the issue
 - b. Talks about the issue in a roundabout way often using abstract and complex terms
 - c. Uses analogies and metaphors to convince other members
 - d. Controls communication

10.5.3 Controls Decision Making

Narcissistic leaders control all decision making in their department. At times, narcissistic leaders make decisions which are meant to be made by people far below their level. They do this because they rarely trust others' judgment. As they do not trust others, they cannot think of empowering their employees.

To trust, one needs to believe that the person who is delegated responsibility can make decisions on his/her own, and that the decisions may be different from those the leader might have taken under similar circumstances, but still be valid.

Narcissistic leaders do not want others to make independent decisions. Hence, situations involving delegation and trust rarely arise.

Check Your Progress - 7

9. Whom does a narcissistic leader trust?
- a. People who have expertise in their respective fields
 - b. People who believe that they know best
 - c. People who invariably reflect their ideas
 - d. People who are unlike them

Narcissists trust people who are their mirror images, people who invariably reflect their ideas and make decisions similar to theirs.

Narcissistic leaders believe that they alone know best. The employees they value are like extensions of themselves, who follow the leaders' own agendas. As it is not easy to always get such people, narcissistic leaders experience frustration.

They try hard to recruit a few people who can act as their clones and direct the rest as they would. Whenever they spot a misalignment in an employee's way of doing things and their own way, they engage in immediate, on-the-spot correction. This is the type of control a narcissistic leader looks for.

10.5.4 Builds Empire

A narcissistic leader tries to build a personal empire using the power he/she has acquired.

A narcissistic leader tries to acquire more money, power, and people to buttress his/her shaky self-esteem. A narcissistic leader sees the workplace as the appropriate environment to gain self-assurance. This is the reason why he/she takes his/her job seriously.

He/she works hard and tries to achieve results to gain more power and influence. This way he/she tries to become indispensable in the organization. As he/she gains more power, he/she expands his/her span of control. And more control means enough freedom to construct his/her image.

More power also allows him/her to hire and develop his/her clones of himself/herself - like-minded people who will implement his/her ideas, allowing him/her to build his/her empire.

Check Your Progress - 8

10. What does a narcissistic leader gain when he sees workplace as the appropriate environment?
- a. Self-assurance
 - b. Money
 - c. Position
 - d. Satisfaction
-

Block 3: Leadership Culmination

10.5.5 Craves Visibility

A narcissistic leader believes that visibility is essential for maintaining his/her grand image. He/she uses all the available means to make himself/herself more visible.

For him/her, achievement is valuable primarily because it bestows recognition, and praise. He/she believes that visibility is necessary for recognition and behaves accordingly.

Check Your Progress - 9

11. What is essential to maintain a narcissists' grand image?
- Indivisibility
 - Sustainability
 - Influence
 - Visibility

10.5.6 Blames Others for Failures

A narcissistic leader does not accept and learn from his/her failures. When there is no way to escape the consequences, he/she blames the circumstances. When he/she cannot do that he/she does not hesitate to blame even his/her own subordinates for the company's failures.

Check Your Progress - 10

12. What does a narcissistic leader do to escape the consequences?
- Learn from the failures
 - Blames the circumstances
 - Blames himself/herself
 - Learns to face the situations

Activity 10.2

XYZ Ltd. is a component manufacturing company in Gurgaon, India. The company had around 10,000 workers. The workers often complained to their plant manager, Vijay Mehta (Mehta), of the faulty machinery. Despite several requests, the manager did not talk to the top management and the workers had to continue working on the old machinery. The top management noticed that the production of the components had become very slow and this delayed the delivery of the components to various suppliers. On inquiring the plant manager, the top management found that the workers were very slow in their work. The plant manager did not tell the truth that the machinery was old and

hence the production was slow. Identify and discuss the operating style of Mehta. Also discuss other operating styles of narcissistic leaders.

Answer:

10.6 Balancing a Narcissistic Leader

Narcissistic leaders can avoid getting trapped in their own personality. Michael Maccoby suggests two ways for them to do so:

- **Take the help of an 'associate':** The associate here is a completely reliable person for the narcissistic leader. He/she is the anchor who keeps the narcissistic leader grounded to reality. With his/her unbiased insights and realistic understanding, such a mentor understands what the narcissist is and what he/she is trying to do. He/she is sensitive and mature enough to manage his/her relationship with the narcissistic leader.

Example

Two CEOs who have/had associates to act as anchors are Bill Gates of Microsoft and Larry Ellison of Oracle. Bill Gates has Steve Ballmer (CEO) as his anchor and Larry Ellison had Ray Lane (President and COO).

- **Use psychoanalysis.** Narcissistic leaders can become self-reflective by taking the help of psychoanalysts. They can explore their personalities by reflecting on their dreams. This can make them understand what they are, what their drives are, what their biases are, etc. When they reflect in this manner, they can detach themselves, and identify their irrational needs. This detachedness can indeed breed humility in them. With this humility, narcissistic leaders can be more open, likeable, and good-humored.

Check Your Progress - 11

13. Michael Maccoby suggests two ways that can help narcissistic leaders avoid getting trapped in their own personality –One is taking the help of an associate. What is the other one?
 - a. Use socio analysis
 - b. Use economic analysis
 - c. Use psychoanalysis
 - d. Use socio-cultural analysis

Block 3: Leadership Culmination

10.7 Summary

- Narcissism is often associated with egotism, self-centeredness, and exaggerated self-love. But these are only instances of extreme narcissism. Some amount of narcissism is essential for functioning in human society.
- The characteristics of a narcissistic leader include compelling vision, charisma, closeness leads to isolation, emotionally isolated, lack of empathy, bad mentors, relentless and ruthless, workaholics, loyalty towards the organization, and power hungry.
- One of the operating styles of narcissistic leaders is manipulation. It is a common characteristic of such leaders, and one that is most hated in them.
- A narcissistic leader reviews all the written communications going out of his department. He edits staff memos. This he does to ensure that his ideas and intent are not misunderstood.
- Narcissistic leaders control all decision making in their department. At times narcissistic leaders make decisions which are meant to be made by people far below their level.
- A narcissistic leader tries to build a personal empire using the power he has acquired.
- A narcissistic leader believes that visibility is essential for maintaining his grand image.
- A narcissistic leader does not accept and learn from his failures.
- Narcissistic leaders can avoid getting trapped in their own personality. Michael Maccoby suggests two ways for them to do so: Take the help of an 'associate' and use psychoanalysis.

10.8 Glossary

Narcissism: Narcissism is often associated with egotism, self-centeredness and exaggerated self-love.

10.9 Self-Assessment Exercises

1. Explain the concept of narcissism.
2. Explain the characteristics of narcissistic leaders.
3. Describe the operating style of a narcissistic leader.
4. Describe the ways in which a narcissistic leader can be balanced.

10.10 Suggested Readings/Reference Material

1. Alfranch Nahavandi, The Art and Science of Leadership, Pearson, 7e, 2018
2. Arora H.N and Rajan Sinha, Alchemy of Change - Managing Transition through Value-based Leadership, SAGE Publications, 2020
3. Daphne Halkias, Joseph C. Santora, Nicholas Harkiolakis (Editors), Leadership and Change Management: A Cross-Cultural Perspective Hardcover, Routledge, 2017

4. Gary A Yukl; William L Gardner, Leadership in organizations. 9th ed. Boston Pearson Education, Inc 2020
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7. Panduranga Bhatta C. and Pragyan Path, The Art of Leading in a Borderless World, Bloomsbury Publishing, 2020
8. Peter G. Northouse Leadership: International student edition, Theory and Practice, 9th Edition SAGE Publications Inc, 2021
9. Rajashi Ghosh, Indian Women in Leadership, Springer Nature, 2018
10. Ratan Raina, Change Management and Organizational Development, SAGE Publications, 2019
11. Ruchira Chaudhary, Coaching - The Secret Code to Uncommon Leadership, Penguin Random House India, 2021
12. Sajjad Nawaz Khan, Leadership and Followership in an Organizational Change Context, IGI Global, 2021

10.11 Answers to Check Your Progress Questions

1. (c) Self-centeredness

Narcissism is often associated with egotism, self-centeredness, and exaggerated self-love.

2. (d) All of the above

Parents and caretakers play a key role in the development of narcissism. Factors like whether they were supportive or indifferent; whether family circumstances led to the child experiencing deprivations; whether there was a solid foundation for the development of the child's self-regard and ability to establish relationships; whether the child given enough opportunity to develop self-esteem, all these affect the development of narcissism.

3. (b) Team of yes-men

For narcissistic leaders teamwork is nothing more than working with a team of yes-men.

4. (d) Communicate

While narcissistic leaders yearn for empathy from others, they are rarely empathetic toward their followers. This lack of empathy can stifle their ability to communicate. As a result they may have to rely entirely on their passion and conviction to lead people.

5. (b) They have a conscience

All successful managers are ruthless and have a relentless spirit. But what differentiates them from the narcissist is that they have a conscience. Narcissists do not feel bothered by a conscience.

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6. (c) Encouraging people

Narcissistic leaders use different ways to gain power such as manipulating others, controlling communication and information, and controlling decision making. Hence option c is incorrect.

7. (b) He/she is manipulative

The statement, “when he/she asks for a subordinate’s opinion, he/she does not ask that with an intention to understand or learn from the subordinate” implies that a narcissistic leader is manipulative. It is a common characteristic of such leaders, and one that is most hated in them.

8. (a) Talks endlessly till the opposition gets exhausted and loses interest in the issue

Narcissistic filibuster is a tactic used by the narcissistic leader where he/she talks endlessly till the opposition gets exhausted and loses interest in the issue.

9. (c) People who invariably reflect their ideas

Narcissists trust people who are their mirror images, people who invariably reflect their ideas and make decisions similar to theirs. Narcissistic leaders believe that they alone know best.

10. (a) Self-assurance

A narcissistic leader sees workplace as the appropriate environment to gain self-assurance.

11. (d) Visibility

A narcissistic leader believes that visibility is essential for maintaining his/her grand image. He/she uses all the available means to make himself/herself more visible.

12. (b) Blames the circumstances

A narcissistic leader does not accept and learn from his/her failures. When there is no way to escape the consequences, he/she blames the circumstances. When he/she cannot do that he/she does not hesitate to blame even his/her own subordinates for the company’s failures.

13. (c) Use psychoanalysis

Michael Maccoby suggests two ways that can help narcissistic leaders avoid getting trapped in their own personality – take the help of an associate or use psychoanalysis.

Unit 11

Leadership Challenges

Structure

- 11.1 Introduction
- 11.2 Objectives
- 11.3 Challenges of Knowledge Work
- 11.4 Realities of the e-Commerce Environment
- 11.5 Managing Diversity
- 11.6 Summary
- 11.7 Glossary
- 11.8 Self-Assessment Exercises
- 11.9 Suggested Readings/Reference Material
- 11.10 Answers to Check Your Progress Questions

“If you’re competitor-focused, you have to wait until there is a competitor doing something. Being customer-focused allows you to be more pioneering.”

- Jeff Bezos, CEO of Amazon

11.1 Introduction

The technique of e-commerce is to be customer-centric always.

The previous unit discussed the characteristics and operating style of narcissistic leadership. The present unit will discuss the challenges faced by the leaders.

This unit discusses the challenges faced by a leader in a knowledge-based economy. It then goes on to explaining how a leader should deal with the realities of the e-commerce environment. Finally, the unit discusses the factors that lead to diversity and how leaders foster creativity through diversity.

11.2 Objectives

By the end of this unit, you should be able to:

- Identify the challenges faced by leaders in a knowledge-based economy
- Discuss how leaders deal with the realities of the e-commerce environment
- Analyze the factors that lead to diversity and understand how leaders foster creativity through diversity.

11.3 Challenges of Knowledge Work

A leader’s job in the future will be somewhat like running an opera. He/she will have some stars as in an opera, who will not take orders. He/she will have some support staff and line people, who correspond to the supporting cast. He will also

Block 3: Leadership Culmination

have back office people, just like those who work behind the scenes for an orchestra. And he/she will have customers, similar to the audience.

A leader is expected to lead or serve all these groups of people, who are entirely different - different in their behaviors and their expectations. The key attribute of leadership in the future will be to ensure the desired results by converging the interests of these various groups.

The leader should concentrate on the essential aspects of his/her role, and his/her importance as a leader will flow from that. He/she should be able to distinguish situations that need partnering from those that need clear orders. Financial objectives need to be integrated seamlessly with the need to build and maintain the business.

In addition, leaders will face new challenges that are characteristic of knowledge work, the e-commerce environment, and diversity in the workforce and in the market. In facing these challenges lies the future of the organization.

The emergence of knowledge-based work, the knowledge worker as capital, and the transformation of the industrial economy into a knowledge-based economy, have influenced the way businesses are run very significantly. According to Peter Drucker, what we refer to as the information revolution is, in fact, a knowledge revolution.

Software involves the reorganization of traditional work, through the application of knowledge, specifically of systematic, logical analysis. The electronics in computers and other equipment make it possible to record traditional work processes in this way.

But apart from the hardware, it is the cognitive science as applied by knowledge professionals that actually make diverse computer applications possible. This suggests that organizations which want to maintain leadership in the economy and in emerging technologies need to give enough consideration to the social position of the knowledge professionals they employ, and their values.

Traditionally, capital was treated as the key resource, the financier as the boss, and knowledge workers as employees who would be content with bonuses and stock options. Drucker says that this attitude will work only as long as the stock-markets are booming.

Knowledge workers are not likely to be content with fringe benefits such as stock options and bonuses. Financial incentives won't prevent people from leaving organizations. For example, even companies that have implemented compensation systems that offered benefits and stock options have been found to have a very high turnover.

Running an organization with "increasing shareholder value" as the goal without concern for people could become counterproductive because the performance of these knowledge-based organizations will depend to a large extent on how they can attract, hold, and motivate knowledge workers.

Since, beyond a point, these people are not satisfied with money, they should be offered recognition and power within the organization. This is possible only when subordinates are treated as fellow executives, and employees as partners.

Exhibit 11.1 illustrates the working of knowledge communities at Tata Steel.

Exhibit 11.1: Knowledge Communities at Tata Steel

Tata Steel is the manufacturing company in India to have a knowledge management system in place. It was T. Mukherjee, Chairman of the Committee on Technology of the International Iron and Steel Institute (IISI) launched the knowledge management program in the company when he was the Deputy Managing Director of Tata Steel. Later he was instrumental in creating 24 knowledge management communities in the company. Every employee irrespective of his department is allowed to participate in the community of his/her choice. The most important goal of creating these communities is to nurture a culture of experimentation.

These communities are evaluated on the basis of their effectiveness. They are encouraged to manage information in their area of interest on a knowledge management website. Employees are also encouraged to conduct seminars, engage in problem solving, and identify and implement best practices in their area of interest.

Adapted from "Have a Zest for Ideas?" Lochan Panka and Ambastha Rakesh, Tisco News.

According to Drucker, the knowledge worker is a participant in an economy where information and its manipulation are the commodity and the activity. Contrast this with the industrial age worker who was primarily required to produce a tangible object.

Examples of knowledge workers include - but are not limited to - marketing analysts, engineers, product developers, resource planners, researchers, and legal counselors.

Leading an organization in a knowledge-based environment needs a thorough overhaul of management philosophy. A different mindset is essential to lead an organization of knowledge workers. New measurements of performance, new values, new goals, and new policies have to be designed.

A leader cannot expect all these things to happen overnight. Creating and bringing in all these needs long-term commitment.

Mentoring is an important role that business leaders will have to play more often in the future. In the knowledge economy, they have to spend a lot of time with promising knowledge professionals.

Block 3: Leadership Culmination

Leaders have to understand the knowledge professionals. They have to make themselves more approachable and transparent. Leaders have to listen to these professionals. They have to challenge them, and encourage them as well.

Leaders in the future must move away from just managing work to participating in it. Earlier there was a clear demarcation between what a worker did and what his/her superior did. In a knowledge economy, this is no longer the case. In a knowledge economy, a knowledge professional may have to play the role of a leader. When the professional is clear about what is to be done, the leader-in-charge (managerial leader) must be ready to play the role of a follower.

Example

Toyota is a multinational automotive manufacturer with headquarters in Aichi, Japan. The company has more than 366,283 employees on the payroll in the 2021 fiscal year across the world. Toyota is known for Knowledge Management. Toyota distinguishes between explicit and tacit knowledge. Explicit knowledge is data, instructions, and procedures that can be captured in words and numbers. Tacit knowledge is gained by experience, resides in the minds of experts, and is harder to transmit to others. To make their products reliable, Toyota started using the JI (in the Japanese language JI refers to worker) document to standardize production, improve safety, and ensure quality. Every employee uses JI documents to complete their part in the production line. In fact, Toyota has hundreds of JI documents in use to make a single car. Toyota promotes knowledge transfer rigorously while launching new factories. This is done by making new entries to work along with experienced people.

Source: <https://document360.com/blog/5-real-life-examples-of-knowledge-management-success-you-can-learn-from> Dec 15, 2021

Leaders of the future will need to be skilled at creating and nurturing knowledge communities in the organization, instead of organizational hierarchies. By definition, these communities are groups of people informally bound together by shared expertise and a passion for joint enterprise to complement knowledge creation.

Though knowledge is created continuously in organizations, only a few organizations take advantage of their store of knowledge. By institutionalizing knowledge communities, organizations can benefit more widely from the knowledge of the professionals they employ.

Knowledge communities enable knowledge workers to share their knowledge through social interaction. Some consultancies like Ernst & Young, and McKinsey, and other organizations like Wipro, Infosys, and TCS have active knowledge communities.

Check Your Progress - 1

1. On what does the performance of the knowledge-based organizations depend?
 - a. Recruiting more employees
 - b. Creativity
 - c. Increasing work productivity
 - d. Attract, hold, and motivate knowledge workers
2. In what kind of an economy does a knowledge worker participate?
 - a. Where information and its manipulation are the commodities
 - b. Where information and its manipulation are the commodity and the activity
 - c. Where information is the manipulation of the activity
 - d. Where information have no relevance
3. Which of the following is an important role that business leaders will have to lay more often in the future in a knowledge economy?
 - a. Mentoring
 - b. Teaching
 - c. On-the-job training
 - d. Listening
4. What are the groups of people informally bound together by shared expertise and a passion for joint enterprise to complement knowledge creation called as?
 - a. Social networking communities
 - b. Informal groups
 - c. Knowledge committees
 - d. Knowledge communities

11.4 Realities of the e-Commerce Environment

In the future, the delivery of goods, services, and spare parts will be done by organizations that function in a completely different manner from the organizations of the last century.

E-commerce needs a different outlook on manufacturing and commerce. Different yardsticks will be used to measure the performance of e-commerce organizations.

Block 3: Leadership Culmination

In traditional businesses, delivery is regarded as a “support” function. This function is treated as a part of routine work, which is taken for granted unless something goes drastically wrong.

But with e-commerce, organizations can create competitive advantage through this function. They can transform delivery into their “core competence”. The speed and quality of delivery can become competitive factors for the organization.

Example

Mukesh Ambani-led Reliance Group Jio now plans to venture into e-commerce. The consumers will be enabled with digital coupons to buy the groceries and other consumer products from neighborhood kirana shops. With the help of already existing Reliance Fresh, it is easy for Reliance to start the new venture from the beginning of January 2022. The pilot run of the scheme is happening in Mumbai, Chennai and Ahmedabad.

Source: <https://www.thenewsminute.com/article/reliance-jio-plans-grand-e-commerce-entry-using-kirana-shops-71667> November 15, 2017

E-commerce does not simply cover the distance. It eliminates the distance. With e-commerce, neither the vendor nor the customer knows where the purchase order comes from. Any organization that can organize delivery can operate in any market without maintaining a physical presence there.

Example

CarsDirect.com, an online seller of new passenger automobiles, is one of the fastest growing businesses in the US. Founded in January 1999, the company had become one of the largest car dealers in the country by July 1999. Although based in Los Angeles, it operated in forty states in the US and sold 1,000 cars a month. Although the company's selling skills lagged far behind bigger and older e-commerce automobile dealers such as Autobytel.com or CarPoint.com (a Microsoft subsidiary), CarsDirect.com succeeded because it created a unique delivery system. It entered into an agreement with 1,100 traditional car dealers all over the US to deliver CarsDirect's sales to the local purchaser by a specified delivery date. Under the agreement, the car dealers would also offer quality service to customers.

Leadership in the age of e-commerce is more about connecting people than connecting technology. Dave Tolmie, the then CEO of yesmail.com, says, the success of a new economy company is based on the collective capabilities of its people.

Every company needs to be more collegial and less structured so that the collective talents have a way to manifest themselves.

In this environment, a leader has to seek new ways to communicate his/her vision, create a culture, and think about what a company is and how it must be in the future. This search for new ways may force organizations to abandon their age-old hierarchical organizational structures and governing systems.

In the age of e-commerce, a leader has to think and act like an entrepreneur. That is a prerequisite for success.

Example

Meg Whitman, the then CEO of eBay, talks about her experience at eBay, “In the beginning, I was certainly not an entrepreneur who came up with the idea, but I think I was fairly entrepreneurial in trying to figure out how to bring that idea to life and build a backbone for the company that could take it to the next level.”

Employees who handle e-commerce operations are generally young. So a leader must ensure that work culture reflects fun, trust, and openness. The leader must also ensure that the employees remain focused on the company’s key objectives and priorities. The companies in the future will be judged on parameters such as number of new ideas generated, ability to attract and retain talent, methods employed to satisfy employees, etc.

Activity 11.1

Euphoria Furnitures Ltd. is a Sweden-based furniture company. The company is known for its innovative designs. To make purchase easy for customers worldwide, the company has started an online site, where the customers can easily access furniture designs and place an order online. The online selling model was not received well by the employees. If you were the CEO of this company, how would you perform your role as a leader in creating an environment that would communicate the employees the benefits of using e-commerce?

Answer:

Analysts remarked that though Whitman did not invent eBay, she transformed it from a start-up to a powerhouse. They attributed this transformation to Whitman’s focus on eBay’s core competencies. According to an analyst, “People tend to get very, very enamored of other areas the company could participate in. She has made sure the company continues to maintain its focus on core competencies.”

Michael Useem, Director, Wharton Center for Leadership and Change Management, praised Whitman’s leadership abilities, saying, “Meg Whitman is the top of the heap. Here is a pioneer who has built a company into a fully developed form. When the history of this particular era is written, she will be in that history.”

Block 3: Leadership Culmination

Check Your Progress - 2

5. In the age of e-commerce with what does leadership connect?
 - a. Technology
 - b. Ecology
 - c. People
 - d. Companies
 6. What is the prerequisite for the success in the age of e-commerce?
 - a. Think and act like an employee
 - b. Think and act like a boss
 - c. Think and act like a CEO
 - d. Think and act like an entrepreneur
-

11.5 Managing Diversity

Diversity refers to differences among people with respect to goals, values, stakes, assumptions, and perceptions.

When an organization has high level of diversity and interdependence, taking unilateral action is hardly possible.

While taking decisions, whether significant or insignificant, people belonging to diverse backgrounds tend to block or retard initiatives. This is possible because these people yield power through formal authority, control over financial or human resources, and have unique expertise or knowledge.

In organizations, people with diverse backgrounds are linked by interdependency. These people may have different goals, values, stakes, and outlook. These diverse people naturally tend to reach different conclusions about events in the organization.

As there is more diversity, and more interdependence, there are more differences in opinion. Conflicting opinions can lead to conflicts in action. Thus diversity can create conflict in the organization. Addressing this conflict is a challenge for leaders.

11.5.1 Factors that Lead to Increased Diversity

John P. Kotter identifies some factors that have led to increased diversity in organizations:

- As a result of internationalization of business, many organizations are operating in more countries today compared to in the first half of twentieth century.

- Diversification has become a growth engine. On average, firms of today are larger in size compared to those in 1960. The increased size is mostly due to the creation of new products, services, and entry into new market areas.
- Increasing influence of government, consumer groups, and business press on the organization. These institutions along with customers, suppliers, competitors, and unions are influencing the behavior of business firms.
- Workforces of organizations are getting more heterogeneous. Women and minorities are becoming key constituents in the workplace.
- Technological innovations such as microprocessor technologies and genetic technologies are creating new industries, and reshaping traditional industries. These new industries value different skills from those in traditional industries. These skills need employees from varied backgrounds. For example, at PARC, teams included people from pure sciences, sociology, anthropology, psychology, cognitive and behavioral sciences, and philosophy. This allowed the organization to develop socio-technical innovations, which were harmonious with human cognitive processes.
- A better educated workforce in the organization. This has changed the social milieu of workplace.
- An aging workforce.

Exhibit 11.2 shows how diversity is managed at McDonald's.

Exhibit 11.2: Managing Diversity

McDonald's, an American fast food company, launched a program called "BETTER TOGETHER", aimed at fostering gender diversity. The program included initiatives like 'Women in tech' which was aimed at offering training for enhancing skills in Artificial Intelligence, Data science and Cybersecurity etc. With a focus on diversity, the management planned to assess and appraise their talented employees and help them develop their careers. The management is dedicated to assist and empower the talent equally right from the crew to c-suite. Leaders at the top also encourage, promote and wish their suppliers or other stakeholders to encourage diversity.

McDonald's has targeted and completed training of their employees across globe on the bias of awareness. By 2023, Deloitte aimed to improve women representation in management and attain gender equality by offering career opportunities. It has also signed UN Women's Empowerment Principles to exhibit the dedication of the organization towards diversity commitment. While launching the "BETTER TOGETHER" program, the CEO Steve Easterbrook and other senior leaders at McDonald's changed their profile picture in LinkedIn by posing the signature McDonald's arches upside down referring to the commitment of the leaders to transform the gender status quo.

Source: <https://www.hrtechnologist.com/articles/leadership-succession/inclusive-leadership-example-salesforce-google-facebook/>, accessed on Jan 30, 2020.

Block 3: Leadership Culmination

11.5.2 Fostering Creativity through Diversity

Diversity and interdependence can stimulate excellent decisions, creative solutions, and innovative products and services. People experienced in the decision-making process appreciate the ways in which diversity and interdependence can stimulate original ideas.

A single decision maker or a group of decision makers thinking on the same lines will not have breadth of information that is useful in addressing any problem when there are more people and different perspectives, more information is available for decision-making.

Organizations that are leaders in their industries or that start new industries are characterized by diversity, interdependence, and conflict. These organizations have to be adept at managing these characteristics.

Leaders at well-managed organizations foster conflict deliberately. They do this by creating interweaving organizational structures that necessitate complex interdependent relationships.

Leaders encourage and force interaction among diverse elements in the organization. While doing this, they are quite conscious of the short-term problems and challenges that result from their actions.

Yet they encourage such actions as they know that if the conflicts that arise can be managed productively, they help stimulate new ways of thinking, which can make their organizations more competitive, responsive and adaptive in the long term.

Example

Organizations like IBM and GE understand the benefits of fostering and managing conflict. They do not recruit homogeneous people and keep them in autonomous jobs in a structured hierarchy. Instead they accept the inevitability of social complexity and conflict, and try to manage them. They recruit people from varied backgrounds.

In ailing firms studied by Kotter, the top management had tried to eliminate diversity and interdependence in the jobs to make them more manageable. They recruited managers who were like alter egos of themselves.

These organizations had semi-autonomous departments or divisions where there was no need for interdependency. In these departments or divisions, communication travelled from up to down, and vice versa. There was very little lateral interdependency. But lateral interdependency is crucial for any innovation.

In their eagerness to eliminate conflict, the top managers had undermined the performance of the organization in the long run. Their mediocre products and services drove existing customers to competitors.

Also international competition with better products and better prices lured away the loyal customers of these firms. In both cases, the result was less income and revenues to these firms.

This, in turn, reduced the discretionary resources available for experimentation or R&D. Scarcity of resources forced various departments to be interdependent. This resulted in a scramble for resources.

But since these firms did not have capable leadership to manage these conflicts productively, the conflicts degenerated into bureaucratic infighting, parochial politics, and destructive power struggles.

The wasted organizational energies in these power struggles further reduced organizational efficiency, increased costs, and stifled innovation. Further hurried efforts of the managements to reduce costs by firing employees and bring the situation under control led to alienation of the workforce. With this, the situation got further complicated and difficult to manage. This shows that conflict alone cannot lead to innovation. What is important is skillful leadership to manage the conflict.

Activity 11.2

ABC Ltd. is a US-based consumer appliances company. The company is planning to expand its operations in Japan. After setting up its operations in Japan, the company recruited some Japanese employees. The company also had some of its US staff members at the Japanese plant. Of late, the owner and CEO of the company, Michael Gates (Gates), found that conflicts were taking place between the American and Japanese employees. What do you think is the reason for the conflicts? What can Gates do make an amicable working environment?

Answer:

Check Your Progress - 3

7. What refers to differences among people with respect to goals, values, stakes, assumptions, and perceptions?
 - a. Mentoring
 - b. Diversity
 - c. Training
 - d. Narcissism

Block 3: Leadership Culmination

8. Which of the following factors leads to increased diversity in the organizations?
- Workforces of organizations are getting more homogeneous
 - Diversification has become a growth engine
 - Boom of traditional industries
 - Nationalization of business
-

11.6 Summary

- The emergence of knowledge work, the knowledge worker as capital, and the transformation of the industrial economy into a knowledge-based economy have influenced the way businesses operate very significantly.
- This suggests that organizations which want to maintain leadership in the economy and in emerging technologies need to consider carefully the social position of knowledge professionals and their values, as related to the organization.
- In an e-commerce environment, a leader has to seek new ways to communicate his/her vision, create a culture, and think about what the company is and how it should be in the future.
- This search for new ways may force organizations to abandon their age-old hierarchical organizational structures and governing systems.
- In organizations, people with diverse backgrounds are linked by interdependency.
- These people may have different goals, values, stakes, and outlooks.
- Diverse people will naturally reach different conclusions about events in the organization.
- As there is more diversity, and more interdependence, there are more differences in opinion. Conflicting opinions can lead to conflicts in action.
- Thus diversity can create conflict in the organization. Addressing this conflict is a challenge to leaders.

11.7 Glossary

Diversity: Differences among people with respect to goals, values, stakes, assumptions, and perceptions is referred to as diversity.

Knowledge communities: Knowledge communities are groups of people informally bound together by shared expertise and a passion for joint enterprise to complement knowledge creation.

11.8 Self-Assessment Exercises

1. Highlight the need and importance of knowledge-based work for an economy.
2. Describe how leaders deal with the realities of the e-commerce environment.
3. Explain the factors that lead to diversity and explain how leaders foster creativity through diversity.

11.9 Suggested Readings/Reference Material

1. Alfranch Nahavandi, *The Art and Science of Leadership*, Pearson, 7e, 2018
2. Arora H.N and Rajan Sinha, *Alchemy of Change - Managing Transition through Value-based Leadership*, SAGE Publications, 2020
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12. Sajjad Nawaz Khan, *Leadership and Followership in an Organizational Change Context*, IGI Global, 2021

11.10 Answers to Check Your Progress Questions

1. (d) Attract, hold, and motivate knowledge workers

Running an organization with “increasing shareholder value” as the goal, without concern for people, could become counterproductive, because the performance of these knowledge-based organizations will depend to a large extent on how they can attract, hold, and motivate knowledge workers.

Block 3: Leadership Culmination

2. (b) Where information and its manipulation are the commodity and the activity

According to Peter Drucker, the knowledge worker is a participant in an economy where information and its manipulation are the commodity and the activity.

3. (a) Mentoring

Mentoring is an important role that businesses leaders will have to play more often in the future. In the knowledge economy they have to spend a lot of time with promising knowledge professionals. They have to understand them. They have to make themselves more approachable and transparent.

4. (d) Knowledge communities

Leaders of the future will need to be skilled at creating and nurturing knowledge communities in the organization, instead of organizational hierarchies. By definition, these communities are groups of people informally bound together by shared expertise and a passion for joint enterprise to complement knowledge creation.

5. (c) People

Leadership in the age of e-commerce is more about connecting people than connecting technology.

6. (d) Think and act like an entrepreneur

In the age of e-commerce, a leader has to think and acts like an entrepreneur. That is a prerequisite for success.

7. (b) Diversity

Diversity refers to differences among people with respect to goals, values, stakes, assumptions, and perceptions.

8. (b) Diversification has become a growth engine

Diversification has become a growth engine is one of the factors that leads to increased diversity in the organizations.

Leadership and Change Management

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