

Leadership Values and its Business Impact

Disha Awasthi*

NTPC Ltd., New Delhi – 110003, India; dishaten@rediffmail.com

Abstract

We have been practicing leadership values from the time when human being came into existence. The rise of professional approach in business has later on brought new approaches in leadership which has changed the way of working entirely. The new approach focused on stakeholders, customers, innovations, human approach and brand building. With the changing business scenario and changing generations, leadership style has also changed which has influenced leadership values also. This article focuses on the leadership values and its business impact. A research was conducted through administering 'The Leadership Q-sort Test' amongst senior management people. This test was concerned with the leadership dimension of values - personal integrity, consideration for others, mental health, information, decision making and communication. The tool has assessed an individual's values with respect to the leadership role in it. Based on the analysis, business impact of leadership values was seen and suggestions were made. Individual values are dissimilar and leaders need to understand how to use their own values to drive the creation of goals and strategies, optimize value for shareholders and stakeholders by determining sustainable vision for their organization and translate them into the operative values of employees to create tomorrow's organization. Leaders also need to transform their leadership style to revolutionize the organization's culture by implementing value creation strategies for the organization which will bring everyone on the same platform. By understanding and unleashing the invisible forces of leadership values, the motivational driving force can be implemented in the organization's culture.

Keywords: Culture, Generation, Leadership, Values, Vision

1. Introduction

We have been hearing about Leadership Values being practiced across the world in various spheres since past 6,000 years. We have been practicing leadership values from the time when human being came into existence. From the time of Mahabharat to Mougals to Welch's concept of professional management in Western countries, leadership values have established the system of policies, procedures, goals and strategies in institutions and organizations. The rise of professional approach in business has later on brought new approaches in leadership which has entirely changed the way of working¹. The new approach focused on stakeholders, customers, innovations, human approach and brand building. This has formed the basis of modern business practices⁷. If leadership values have been in practice for so many years then what is the need of studying it again or doing research on this subject?

*Author for correspondence

The main reason is that societal values have changed with time due to change in values of different generations -baby boomers, Gen X, Gen Y and now Gen Z (future leaders). With the changing business scenario and changing generations, leadership style has also changed which has influenced leadership values also⁹. With people from different generations occupying different leadership or other positions, systems and practices are changing which in turn are having a strong business impact. We can easily think of uncountable systems and practices which are now implemented in organizations but were never thought by our predecessors⁴. This article focuses on how the leadership values have business impact.

2. Individual Values of Leaders

Individual values have impact on leaders in following ways:

- It forms the basis of decisions and actions, and

- It forms the basis of formation of organizational culture and core values.

3. Values of Leaders and Business Performance

Hambrick and Mason's³ Upper Echelon Theory and Finkelstein and Hambrick's provide a model (Figure 1) that illustrates that individual values act as a perceptual filter for how leaders see the potential environment and organizational stimuli and reach to strategic choices and behavior which leads to performance³.

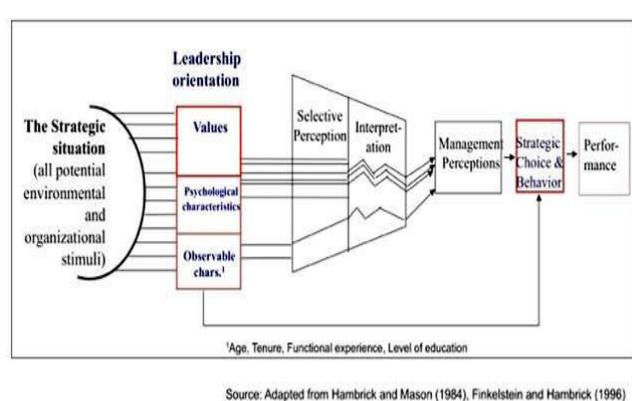


Figure 1. How leaders' values impact performance.

Values of leaders have a direct and noteworthy impact on business performance compared to other parameters like experience and education. While selecting a competent leader for a position, values should not be ignored².

4. Values of Leaders and Competitive Advantage

Roles and responsibilities of leaders include business growth, profits, performance, managing resources, strategy and goals for the business along with managing competent human resource, systems building and culture building. Very little research has been done in leader's values and its impact on business and this is one of the important elements of strategic leadership. Values of leaders motivate and drive them towards creation of Organization's Vision, Mission, Goals, Strategies, Core Values and Organizational Culture⁶. Leaders need to understand this fact that their values in turn build the organization's culture. They need to understand the diverse values of people working in the organization based on their social background and different

generations. The success of the organization depends on the blend of all the elements mentioned above. Many organizations and leadership gurus have already recognized this fact and are using it for creating competitive advantage in this fast changing global era.

5. Impact of Leadership Values on Business

Leadership values guide the thinking and actions as an expression of the way they think business should progress. Consonance between leader's value and organization's core values has a positive effect on organization's environment and employee relations. Leadership Values also helps in setting the direction along with vision and mission of the organization. It helps in formation of organization's identity and culture³.

Values are demonstrated through behaviours and leaders carry out the business, assign responsibilities and communicate through these behaviours. Leaders demonstrate and emphasize on values in all the day to day interactions⁸. Leadership values provide significant support in decision making and organizational strategy. Leaders do strategic planning and also measure their performance against set targets⁵.

Leadership values also helps in influencing the behavior and performance of employees in the organization. William C. Weldon, Chairman and CEO of Johnson and Johnson said: "It is essential that we have a culture of values-based leaders with integrity and passion to set a vision, to inspire their organizations to align around that vision and to nurture greatness in those around them."⁹. These values define the actions and decisions of subordinates and also prepare them for future leadership positions.

6. Research Undertaken

A research was conducted amongst middle and senior level executives of NTPC Ltd. NTPC Ltd., India's largest power producer was set up in 1975. NTPC was ranked 337th in the '2012, Forbes Global 2000' ranking of the World's biggest companies. It has a generating capacity of 41,184 MW and plans to become a 128,000 MW organization by 2032. 'People before PLF (Plant Load Factor)' is the guiding philosophy at NTPC. NTPC has approximately 26,000 employees posted across more than 60 locations within and outside India.

A primary data research was conducted through 'The Leadership Q-sort Test' consisting of a set of questions each representing important leadership values. This test was concerned with the leadership dimension of values. 60 items have been assigned a rating on Q-sort rating scale. 11 was the highest rating and most important to good leadership; while 1 was the lowest. Intervening ratings have values accordingly. Sample size of 155 was taken from age group between 30-55 years. Data was collected from various executives of different plants and projects of NTPC Ltd.

6.1 Description of the Tool

The leadership Q-sort test (LQT) was developed by Cassel and Russel N and is used to assess an individual's values with respect to the leadership role and it. The 60 items which are contained in the test are all have been identified by well qualified leaders as being important to the leadership function. Multiple groups of outstanding leaders have provided ratings on these items which are used as the test norms. By comparing an individual's ratings on the test items with the appropriate test norms a meaningful evaluation is obtained of his leadership values and notions.

6.1.1 Reliability

Pearson r was computed between the total scores when compared on the basis of odd and even items respectively. These r's when corrected by the spearman-brown computed correction formula were 0.843 and 0.835.

6.1.2 Validity

As far as validity is concerned, this test is presumed to have high face validity.

6.1.3 Scoring

A total score is calculated on LQT, in terms of a fisher Z score is 0.400 or above, the individual has values in the area of leadership which are in significant agreement with similar values by demonstrated effective leaders. Conversely, when the individual's total score is below 0.400, the agreement is not consistent with the values of demonstrated effective leaders. This value is the critical point where optimum discerning is accomplished between the effective and ineffective leaders. Total score is an assessment of the leadership values of an individual

in comparison to the test norm group but it does not tell why the subject is in or out of agreement with that norm group. And for this purpose leadership profile analysis is done. Part scores are also computed and have significant deviation from the norm group when they are above or below the 60 or 40 T-score respectively. The implication of a high score is that the individual maintains excessive values in this area, relative to leadership and these values are in agreement with corresponding values of demonstrated leaders or the test norm group. Low scores mean that the individual taking the test considers the particular item of less importance to effective leadership than do the persons in the norm group.

6.1.4 Data Analysis

Mean of the scores given by the employees on each item are calculated which depicts an inclination of NTPC employees towards a pattern. Moreover, profile analysis is done (on the basis of mean scores computed) to get an estimate of the employees leadership values in NTPC. Bar graph is used for comparing the total score with the critical cut-off values of a poor or good leader. Z-test is also used for finding the significance of the six part scores. It is a statistical test where normal distribution is applied and is basically used for dealing with problems relating to large samples when $N > 30$. For calculating z, standard error of mean needs to be computed, formula for which is given below:

$$\text{Mean} = \sum X/N$$

$$\text{Standard deviation} = \sqrt{\sum Fx^2/N}$$

$$\text{SE (Standard error of mean)} = \text{standard deviation}/\sqrt{n}$$

$$Z = M - \mu / \text{SE}$$

7. Resultss

Table 1 shows the mean values of each leadership value and total scores (provides an overall estimate of an individual's leadership values in comparison to the test norm group) of 155 employees.

7.1 Personal Integrity

Personal Integrity is one of the positive traits for an effective and good leader. It represents an honest, reliable and trustworthy person. Leaders prove this by the actions they take and the decisions they make. When the organizational leadership is based on integrity, employees feel secure. Employees in NTPC value this dimension of leadership which is depicted from the high T-score in Table 1.

Highest rating was given to this particular value. This is the most important value compared to other values. This value holds the most important place and provides benefit to the organization as well as employees working there. The implication of a high score is that the employees consider the value of personal integrity to be of high importance and essential for effective leadership.

7.2 Consideration

Consideration is the extent to which a leader exhibits concern for the welfare of the members of the group. This value is oriented towards interpersonal relationship, mutual trust and friendship. It is people-oriented. Lack of consideration behavior from the leader may leave employees feeling unsupported, unrecognized, or confused as they try to navigate conflicts and issues in their roles without any sense of feedback about how they are doing. The mean score was found to be high on this value which clearly depicts that NTPC employees believe in working together and give prime importance to the building of relations of trust and mutual understanding.

7.3 Mental Health

Mental Health is another important value in leadership. But it is difficult to achieve because a person has to be well adjusted in personal life in order to serve as an effective leader. He should possess good sense of humor and adjust readily to progressive change. T-Score value is average on this dimension of leadership which represents that employees have difficulty in believing a leader who is not jealous of their accomplishments, get along with them and accepts constructive criticism willingly.

7.4 Technical Information

Technical Information represents the value in which a leader develops a sense of responsibility in others and motivates them to have confidence in themselves and perform. Low score on this dimension shows that employees in NTPC believe that the organization lacks in this important value. They believe that their leaders have to broaden their outlook and need to learn organizing and managing groups successfully. But still employees feel that their leaders have the ability to instruct their subordinates on various issues and explain them what is expected of them in such situations.

7.5 Decision Making

Decision Making is the value that forms the backbone of leadership. All the organizations have an interest in ensuring that their leaders make good and timely decisions and good decision making is vital for effective leadership. A leader should possess good foresight ability and plans for the future and should be able to identify critical elements essential for the success of the organization. Average T-score represents that employees are not fully satisfied with the decision making process in NTPC. They believe that their leader is good at making timely and correct decisions but are not open minded to suggestions.

7.6 Teaching and Communication

Teaching and Communication are essential components of effective leadership. Effective leaders motivate and inspire people by means of clear communication and by teaching them the pros and cons of every situation. Their values are clear and what they say promote their values. T-score value is average which typically represents that employees in NTPC are not fully satisfied with the communication pattern followed by the leaders of their organization. They appreciate their leaders on the dimension of expressing themselves well but they are not willing in knowing whether employees feel the same or not.

7.7 Z-Test

Z-Test described above is used to find the significant differences in the subject's scores on scores of each leadership value. The objective is to find whether there are significant differences in the scores of the employees on these dimensions of leadership values. For this purpose, one tailed test is used and significance is found at 0.05% level and results are computed for each leadership value. Given below are the findings:

The Table 2 shows the mean scores of each statement of leadership value representing the personal integrity and Z-value was found to be significant at statement number. 2, 3, 17, 29, 41, 44, 50, 56 and 58 at 0.05% level of significance. Hence, significant differences are found on the dimension of personal integrity which is shown by the scores of the subjects given to each statement.

Table 3 represents the mean scores of each statement of leadership value representing consideration for others and Z-value was found to be significant on statements number. 12, 13, 23, 27, 59, 57 and 48 at 0.05% significance level. Hence, it is found that significant differences

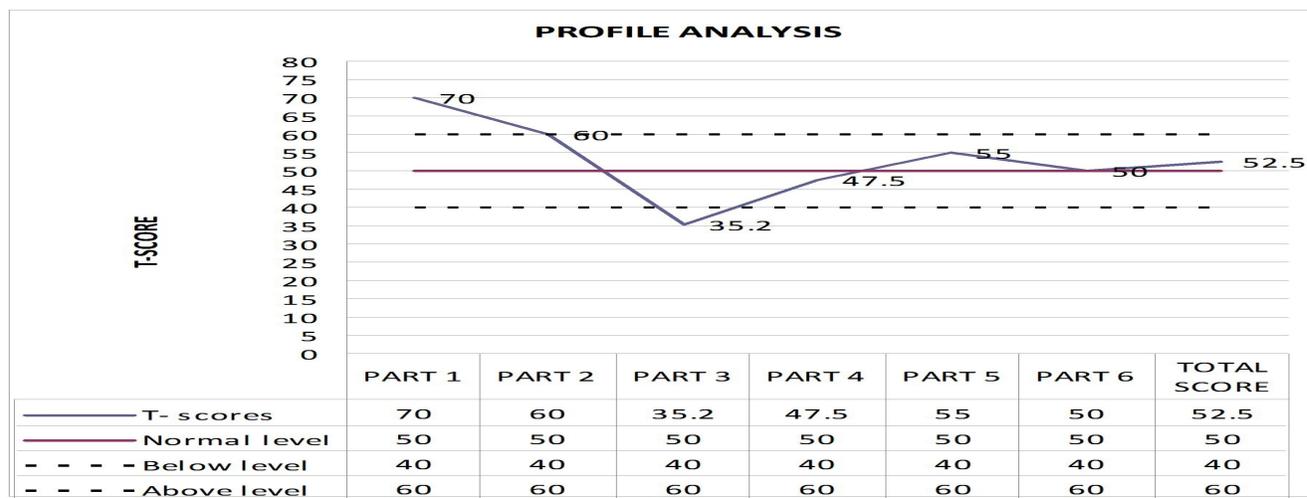


Figure 2. Profile Analysis

Above profile analysis on the basis of mean scores gives an estimate of the leadership values in NTPC.

Table 1. Leadership Values and Scores

Leadership Values	Score
Personal Integrity	70
Consideration for Others	60
Mental Health	35.2
Technical information	47.5
Decision Making	55
Teaching and Communication	50
Total score (leadership values)	0.3780

Table 2. Scores of ‘Personal Integrity’

Statements representing Personal Integrity	Mean Scores	Z-Value
2	5.46	1.97
3	5.74	1.97
8	6.1	1.25
10	5.94	1.25
11	6.38	1.25
17	5.98	1.33
22	5.94	2.02
26	6.3	1.67
29	5.72	2.12
32	7.2	1.22
39	6.8	0.06
41	5.86	2.33
44	5.94	2.33
50	5.58	2.11
52	6.78	0.05
56	6.06	1.93
58	6.16	2.36

Table 3. Scores of ‘Consideration for Others’

Statements representing Consideration for Others	Mean Scores	Z-Value
12	5.58	2.03
13	5.56	2.03
15	6.68	1.67
21	6.16	1.24
23	6.3	2.36
25	5.54	1.29
27	5.82	2.59
30	6.92	0.06
38	5.64	1.67
48	6.10	1.96
57	6.06	1.96
59	5.08	2.36

are found on the leadership value of consideration for others as it is shown by the responses given by subjects to each statement. Table 4 represents the mean scores of each statement of leadership value showing the dimension of mental health and Z-value was found to be significant on statement no 1,5, 29, 34, 46 and 37. Hence, it is found that there are significant differences on the leadership values of mental health as shown by the scores of the employees on each statement depicting this value. Table 5 represents the mean scores of each statement of leadership value depicting the technical information and Z-value was

found to be significant on statement no 16, 55, 60, 54, 53, 36, 42, 45, 47, 49 at 0.05% significance value. From the above table, it is shown that there are significant differences on the leadership dimension of mental health.

Table 6 represents the mean scores of each statement of leadership depicting the dimension of decision making and the Z-value was found to be significant on statement no 6, 18, 28 and 33 at 0.05% significance level. Hence, significant differences are found on this dimension of leadership values.

Table 4. Scores of 'Mental Health'

Statements representing Mental Health	Mean Scores	Z-Value
1	4.94	1.97
5	5.68	2.33
7	5.62	1.23
9	5.76	1.69
24	5.4	2.39
31	6.32	0.02
34	6.52	3.67
35	6.18	0.03
37	5.56	0.07
46	6.7	2.34

Table 5. Scores of 'Technical Information'

Statements representing Technical Information	Mean Scores	Z-Value
16	5.46	2.37
20	6.24	1.23
36	6.5	2.23
42	6.24	2.14
45	6.0	2.07
47	6.18	2.32
49	6.36	2.17
53	6.38	2.13
54	6.08	2.17
55	6.26	1.98
60	5.46	1.98

Table 6. Scores of 'Decision Making'

Statements representing Decision Making	Mean Scores	Z-Value
6	5.58	2.03
18	6.16	1.98
19	6.12	1.36
28	6.4	2.87
33	6.52	2.93

Table 7. Scores of ‘Teaching and Communication’

Statements representing Teaching and Communication	Mean Scores	Z-Value
4	5.6	1.98
14	5.18	0.22
40	6.28	2.16
43	6.04	2.06
51	5.9	2.14

Table 7 represents the mean scores of each statement of leadership value the showing the dimension of teaching and communication and the Z-value was found to be significant on statement no 51, 43, 40 and 4 at 0.05% significance level. The result shown above signifies that there are significant differences on the leadership dimension of teaching and communication. From the above mean scores on each leadership value, it is found that there are significant differences in the scores of employees on each dimension of leadership value when tested at 0.05% significance level using one-tailed test.

Total score represents the effectiveness (ineffectiveness) of leadership in the organization. T-score value is above cut-off line which represents that NTPC Employees believes that the leadership values practiced in their organization makes it effective. But still there is a need to practice values with low scores for the benefit of the organization as well as for the employees.

Given below are bar graphs for comparing the total score with the critical cut-off values of a poor or good leader.

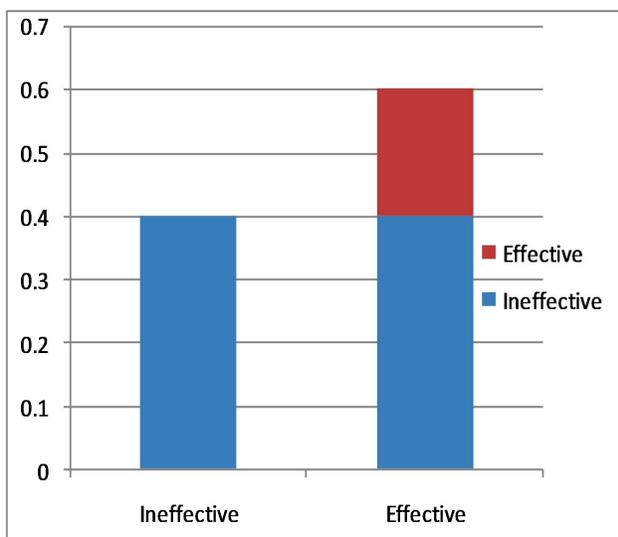


Figure 3. Effective and Ineffective Leadership - cut-off line

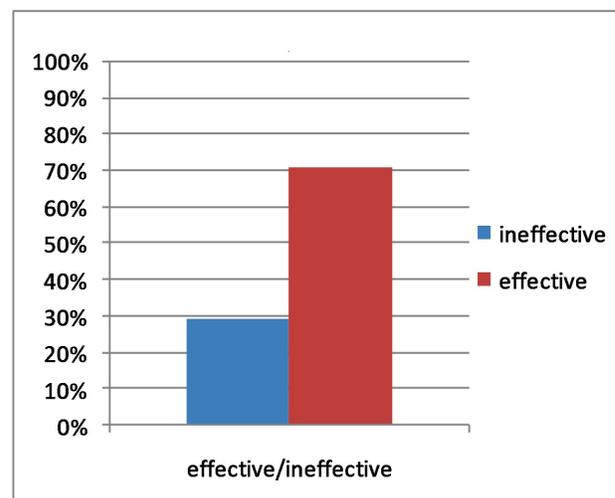


Figure 4. Effective and Ineffective Leadership - Mean Scores
Above graph shows the mean of total scores of employees. 71% employees scored more than 0.4 and are shown in the graph who are inclined towards the effective leadership and are satisfied with the leadership values practiced in NTPC whereas 29% scored less which indicates that they are not fully satisfied with the leadership values practiced in their organization and are shown in the graph that they inclined towards ineffective leadership.

8. Discussion

Employees in NTPC have given highest rating for ‘Personal Integrity’ of leadership positions. Employees occupy leadership positions after working for more than twenty years in NTPC. Generally leaders are developed internally therefore they are well aware about the systems, procedures, culture, business etc. of the organization. They are trusted by employees and are considered reliable and honest. Any decision taken by leaders is in employee’s and organization’s interest and everyone support it. Leaders are high on ‘consideration’ and take care of employee’s professional as well as personal requirements. Many activities are done for

employee development, well-being, recreation and welfare which are evident from the system of celebration, rewards, training and human resource development. Employees work in teams and have good interpersonal relations. Many employees have difficulty in accepting the changes and constructive criticism from seniors. Due to difficult working conditions, 'mental health' requires improvement. There are lot of monitoring mechanisms, very less decision making power at middle management level and complex reporting structures therefore 'technical information' and 'decision making' have got low and average scores. 'Teaching and communication' also has average scores. Leaders need to delegate and motivate employees to work and at the same time needs to be open-minded to suggestions of employees and have two-way communication with them. Values have a positive effect on organizational culture which in turn has a positive effect on existing business however diversification in business in last few years were not very successful which is also evident from average scores on decision making and communication. NTPC leaders should aspire to follow those leadership values that prove beneficial for their organization as well as for the employees working there. As already mentioned, leadership forms the backbone of an organization. NTPC would have to create right leadership where learning is rewarded and contribution is acknowledged. NTPC needs to build an atmosphere of trust and mutual understanding between the employees and leaders. When a person believes in the leader and have faith in him then it helps in the creating an environment where they both benefit each other and can share a common goal and works towards its accomplishment. Mutual trust and respect is also one of the core values of NTPC. Hence, NTPC has to create an environment of trust among employees by telling them what is expected of them and also taking care of their expectations from their leaders to make them work together towards a common goal. People have different personalities, different culture and different backgrounds. NTPC is an organization where workforce diversity is valued. It makes an organization effective by capitalizing on strengths of each employee. NTPC can embrace diversity by creating a team spirit where each member feels a part of the organization. This can also be done by actively seeking information from people from a variety of backgrounds and culture and also by welcoming everyone on the problem solving and decision making process which helps in building

strong relations among leaders and employees in the organization. NTPC should encourage people to form teams and give and receive challenges. Teams can be divided into competing groups that develop different approaches for the same project and then discuss the advantages and disadvantages of the proposals. It gives project variety of perspectives which result in the best strategies. This will help in reducing the competition that exists between the leaders and the subordinates and in promoting values of the organization.

Leadership values in NTPC should guide the strategies, decisions and actions and in turn will result in performance, positive work culture and healthy work relations. This will leads to growth of business by working towards achievement of organizational vision and mission. Leaders should emphasize on values in all the day to day interactions by carrying out their responsibilities and communicating with employees. These leadership values can help NTPC in preparing future leaders who can run the business and contribute in its growth also.

9. Conclusion

Leadership values are strongly practiced in NTPC. At NTPC people continuously expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continuously learning together. Leaders need to transform their values into workable plans and implement them to create business impact. By considering the unseen forces of values, leaders can implement strategies throughout their organizations, using it for competitive advantage. Now days when we have moved from Personnel Administration to Human Resource Development, HR department is considered to be a strategic business partner. It becomes the responsibility of HR department to consider the importance of leadership values and its impact on business and work towards actualizing it.

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Appendices

The Leadership Q-Sort Test

This test is concerned with the leadership dimension of values. You are to rate each one of the 60 items on Q-sort rating scale. The square at the top marked 11 is the highest rating and most important to good leadership; while the one at the bottom marked 1 is the lowest. Intervening ratings have values accordingly. Be sure to insure that each one of the 60 items has been assigned a rating.

Q-Sort Rating Scale

Statements most important to good 11 ____

Or effective leadership 10 ____

9 _____

8 _____

7 _____

6 _____

5 _____

4 _____

3 _____

Statements least important to 2 ____

Good or effective leadership. 1 ____

- 1) Sees things favorable and works for their accomplishment.
- 2) Maintains self-confidence.
- 3) Is reasonable and willing to compromise, but not principles.
- 4) Can express self well.
- 5) Is not jealous of other’s accomplishments.
- 6) Makes sound and timely decisions.
- 7) Remains calm under pressure
- 8) Has sincerity and honesty of purpose.
- 9) Has a good sense of humor.
- 10) Has the necessary courage to follow own ideas.
- 11) Seeks and accepts a personal responsibility.
- 12) Has confidence in others.
- 13) Recognizes individual differences.
- 14) Is able to teach effectively.
- 15) Tries to get others to improve themselves.
- 16) Trains subordinates as a team.
- 17) Accepts and practices principles that insure free men.
- 18) Practical in outlook and plans.

- 19) Open minded to suggestions during decision making.
- 20) Knows own job area very well.
- 21) Asks others to do only what he would do himself.
- 22) Has devotion to duty.
- 23) Is personally concerned with the welfare of all subordinates.
- 24) Desires to be a leader.
- 25) Is patient and tolerant with others.
- 26) Dresses in line with occasion.
- 27) Manages and supervises through guidance and not by ordering.
- 28) Can identify critical elements
- 29) Own behavior is a model for others to follow.
- 30) Asks others for ideas and for suggestions continuously.
- 31) Accepts constructive criticism willingly.
- 32) Seeks self responsibility.
- 33) Has good foresight ability and plans for the future.
- 34) Has a pleasing personality.
- 35) Adjusts readily to progressive change.
- 36) Can see larger picture in relation to own activity.
- 37) Gets along well with others.
- 38) Is fair and impartial in relation with others.
- 39) Is dependable and reliable.
- 40) Keeps subordinates informed in all matters pertaining to them
- 41) Maintains a high level of interest and enthusiasm.
- 42) Develops responsibility in others.
- 43) Communicates with subordinates on their own level of understanding.
- 44) Consistent in choice of standards.
- 45) Have broad outlook and a well rounded knowledge.
- 46) Is well adjusted in personal life.
- 47) Can organize and manage groups successfully
- 48) Provides additional help for needy.
- 49) Tells subordinates what to do, but expects them to figure the “how”.
- 50) Has high personal initiative.
- 51) Makes sure all assignments are completely understood.
- 52) Makes a good and loyal follower.
- 53) Draws the maximum effort from all subordinates and co-workers.
- 54) Has average or better intelligence.
- 55) Instills in others a desire to follow.
- 56) Seeks self improvement.
- 57) Expresses appreciation for jobs done by subordinates.
- 58) Has both the ability and desire to perform work well.
- 59) Is tactful and considerate in all relations with others.
- 60) Causes others to have confidence in themselves.