Key findings

Australian Business Leadership Survey

Based on the AIM–Monash University Leadership Report 2001
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About this series

The Management Research Series consists of periodic publications that present the key findings of the Australian Institute of Management’s research activities into management practice in Australia.
Under the microscope
Australian leadership, organisational culture and job outcomes
About this summary

This publication provides a selective summary of, and commentary upon, the principal findings of the Australian Business Leadership Survey (ABLS), a joint venture between the Australian Institute of Management and the Department of Management, Monash University. The full report, AIM-Monash University Leadership Report 2001 was authored by the project's Research Director, Professor James Sarros, Monash University and co-researchers Dr Judy Gray, Monash University and Dr Iain Densten, University of NSW (ADFA). The report may be obtained from the Australian Institute of Management's national website – www.aim.com.au - or upon application to any of the Institute's State offices.

The present summary is based on the report by Sarros, Gray and Densten, although it does not cover all the findings and comments contained in that report. Where an opinion or interpretation is quoted verbatim or closely follows the wording of the AIM-Monash University Leadership Report, this is appropriately attributed to the authors in the references set out on page 19.

Specific references to other research or literature are also attributed in the endnotes.

The Australian Institute of Management would like to thank Professor Sarros for his advice and assistance in the preparation of this publication.
Introduction

How do Australia’s corporate leaders lead their organisations? What are their leadership styles? What are the outcomes of the leadership approaches they use? What are the cultures of the organisations they lead? And how do Australians feel about the organisations in which they work?

To find out the answers to these questions, the Australian Institute of Management joined with the Department of Management, Monash University in 2000 to undertake the Australian Business Leadership Survey.

A random sample of 5,000 members was selected from the Institute’s 21,000-plus membership. From this sample, more than 1,900 executives participated in the Survey providing data on:

- demographic details
- leadership styles
- perceptions of organisational culture
- perceptions of job outcomes.

The Survey form also included an open response section in which respondents were invited to comment on other leadership issues.

The Survey gave executives from a variety of industry groups and sectors and levels of seniority the opportunity to speak about their leadership vision and style, and about what they expect their organisation to achieve as a result of their leadership approach.

So what has the Australian Business Leadership Survey achieved?

The Survey involved self-assessment. What the Survey’s findings reveal are executives’ perceptions of how they lead, what kinds of cultures exist in their organisations and what kinds of job outcomes are experienced by them and by those around them.

The results of this study provide us with a timely and informative view of leadership in the Australian business community, as seen through the eyes of the leaders themselves. The study identifies which styles of leadership are most associated with specific organisational cultures and which job outcomes are associated with those cultures.

Before proceeding to the key findings of the Survey, it is important to understand the ways in which the Survey examined aspects of leadership, organisational culture, and job outcomes.
Looking at leadership

The Survey was concerned not with specific leadership methods or tactics but with the kinds of leadership that Australian executives practice.

Leadership approaches may be categorised into two predominant leadership styles - transactional leadership and transformational leadership - with each of these styles incorporating a number of different types or ‘dimensions’ of leadership.

Transactional leadership

Transactional leadership is based on “a transaction that occurs between leaders and followers”1, for example, agreements, communications or exchanges between managers and their staff.

The three dimensions of transactional leadership are:

- **contingent reward** - providing reward in recognition of effort and/or achievement of goals, or conversely, discipline for non-achievement
- **active management by exception** - concentrating on occurrences which deviate from expected norms, such as irregularities, mistakes, exceptions and failures to meet standards.
- **passive management by exception** - taking action only when things go wrong.

Transformational leadership

The other style of leadership is transformational leadership. This approach to leadership is based on “motivating others to do more than they originally intended and often more than they thought possible”2.

The various approaches to doing this - for example guiding, influencing and inspiring people to excel and to contribute towards the achievement of organisational goals - can be grouped into five dimensions3:

- **idealised attributes** - leading by means of charisma; behaviour that encourages a follower to trust in the leader
- **idealised behaviours** - leading by acting as an influential role model and encouraging followers to share a common vision and goals
- **inspirational motivation** - leading through a visionary approach; raising workers’ expectations and beliefs about the mission and goals through appeals to their emotions
- **intellectual stimulation** - leading by appealing to workers’ sense of inquiry; challenging them by questioning assumptions and encouraging creative problem solving
- **individualised consideration** - leading by focusing on the individual and providing coaching and mentoring.
This part of the Survey also measured:

- the non-leadership factor of **laissez-faire leadership** - doing nothing, letting things take care of themselves, failing to provide leadership.

And the leadership outcomes of:

- **extra effort** - the extra effort that is exerted by followers as a result of leadership
- **effectiveness** - the extent to which leaders see themselves as being effective in achieving outcomes, goals and objectives
- **satisfaction** - the leader’s sense of self-satisfaction resulting from their leadership behaviour and activity.

**The research instrument**

To obtain information on executives’ leadership approaches, the Survey asked participants to complete the Multifactor Leadership Questionnaire (MLQ) Form 5X4. This Form comprised 45 statements, each describing one aspect of the respondent’s leadership behaviour, for example: “I keep track of all mistakes.”

The respondent was required to indicate how much they use each one of these 45 behaviours by rating each on a scale from 0 (Not at all) to 4 (Frequently, if not always).
Looking at organisational culture

What exactly do we mean by the phrase organisational culture?

In the context of this Survey, the most relevant definition is “the deep structure of organisations, which is rooted in the values, beliefs and assumptions held by organisational members.”

But how do you explore organisational culture? How do you break it down into its different manifestations, identify them and measure the extent of their prominence or influence?

This study set out to find out what sorts of cultures exist in Australian organisations and what ways those culture types interact with different aspects of leadership and different job outcomes (discussed in more detail on page 15). To do this, the Survey used & adapted the ‘Organisational Culture Profile’ (OCP) which identifies the following seven organisational culture types:

- competitiveness
- emphasis on rewards
- innovation
- performance orientation
- social responsibility
- stability
- supportiveness.

The research instrument

To find out the extent to which these culture types exist in Australian organisations, the OCP required respondents to rate from 1 (Not at all) to 5 (Very much) the extent their own organisation is recognised for 42 different characteristics of organisational culture, ranging from Adaptability to Praise for Good Performance.
**Looking at job outcomes**

A job outcome is the emotion experienced by an individual in response to the work they do and the environment in which they work.

The outcomes of job satisfaction and stress are the positive and negative by-products of the individual’s own efforts and achievements in relation to expectations and objectives.

Attitudes of commitment and loyalty are more the result of the individual’s response to the organisation as a whole. These important outcomes may be difficult for individuals to maintain when their organisation is undergoing turbulent change.

Attitudes of trust and respect by others are the result of the individual’s response to those in leadership roles within the organisation. These outcomes are reflective of workers’ faith in their leaders’ ability and fairness.

Research consistently supports the notion that good leadership is associated with satisfied workers and leaders.7 This Survey set out to ascertain the extent of satisfaction experienced by Australian executives and their staff, as well as to examine how different leadership approaches and organisational cultures impact leaders’ and workers’ feelings about their jobs and their companies.

**The research instrument**

The Survey asked respondents to answer six questions, rating on a scale from 1 (Poor) to 5 (High) their own job outcomes (their own feelings of job satisfaction and job stress) and what they perceived to be the job outcomes of others in their organisation (others’ feelings of commitment, trust, loyalty and respect).

**Correlations**

The Survey looks at leadership styles, laissez-faire leadership, extra effort, leadership outcomes, characteristics of organisational culture and the job outcomes of leaders and workers. To examine how all these factors interrelate, the study has correlated data derived from the Survey.

A correlation is a measurement of the extent to which there is a correspondence between two factors which can be compared. For example, correlation can provide a measurement of the relationship between a leadership style (eg. taking no action until mistakes are evident) and a job outcome (eg. stress) or between laissez-faire leadership (letting things take care of themselves) and an organisational culture (supportiveness).

This Survey’s correlations throw important light on the interrelationships of leadership styles, organisational cultures and the job outcomes of leaders and their workforces.
New insights into leadership in Australia

The Survey reveals illuminating and important information about the ways that Australian executives lead. It identifies and measures the extent of the leadership approaches they use and shows whether these approaches vary according to location, size of company or the characteristics of the executives who participated.

The Survey’s findings (Figure 1) show that Australian executives use all aspects of transformational leadership - particularly individualised consideration and inspirational motivation, plus the contingent reward style of transactional leadership fairly often. Active and passive management by exception are much less frequently used.

In other words, Australian executives perceive themselves as less likely to focus on mistakes or on deviations from norms and are much more likely to give attention to individuals through coaching and mentoring, to inspire their staff through championing a vision and goals, and to recognise good performance with reward and recognition. Australian leaders are likely to be proactive, appreciative, visionary and positive.

This positive approach manifests itself in the Survey findings on leadership. Australian executives generally rate their leadership styles more highly than their counterparts overseas. Figure 2 shows that leadership outcomes as perceived by leaders are fairly consistent across all three outcome measures.
Figure 2  Mean scores of extra effort, effectiveness and satisfaction

Leadership - by State and organisational size
The Survey found that leadership characteristics do not vary according to the State in which the business is located or the size of the organisation.

Leadership - by gender
Leadership does vary according to gender, though. Female respondents recorded significantly higher scores than male respondents on all leadership factors apart from active management by exception and passive management by exception. This confirms research findings that women are more likely to use transformational leadership behaviour than are men\(^8\). The Survey also found that women are likely to be more satisfied with their leadership approaches than men are, and women are more likely than men to consider the way they lead to be effective.

Leadership - by age, tenure and seniority
Age and tenure are significant factors, too. Older, more experienced, more senior, and better paid executives are more likely to use higher levels of transformational leadership and to achieve higher levels of effectiveness, effort, and satisfaction. Overall, the lowest levels of leadership were recorded by executives 39 or younger, and the lowest levels of effectiveness, effort, and satisfaction were recorded by executives under 30.

Top level executives are greater users of every leadership approach apart from individualised consideration, active management by exception and laissez-faire, possibly because the first two of these leadership styles may be used more by executives at lower levels within the organisation. However, longevity is relevant here. The longer an executive’s tenure in their role, the more likely they are to focus on mistakes and exceptions and take appropriate corrective action.
New insights into organisational culture in Australia

The Survey reveals Australian business leaders’ perceptions of organisational culture. The findings constitute a cultural profile of Australian organisations at the start of the new millennium.

Figure 3  Mean scores of culture factors

The Survey’s results, as set out in Figure 3, show that performance orientation (having high expectations for performance, enthusiasm for the job, being results oriented and well organised) is the most prominent culture type in Australian organisations today, closely followed by social responsibility (being reflective, having a good reputation), supportiveness (being team oriented, sharing information), and emphasis on rewards (fairness, offering opportunities for professional growth).

It is interesting that at a time when more than ever before Australian companies need to be globally competitive and to capitalise on innovation, these two aspects of culture are ranked lower than others.

Organisational culture - by size of company

Higher levels of all cultural dimensions were recorded among smaller sized companies. Companies of 500 or fewer employees were considered by their leaders to be more internally supportive, to have more of a social conscience, to be more competitive, more rewarding, more stable, more performance-oriented and more innovative than their larger counterparts.
Organisational culture - by State
Executives in Victoria recorded significantly higher levels of supportiveness, social responsibility & emphasis on rewards than their New South Wales counterparts.

Organisational culture - by gender
Men recorded significantly higher scores on all culture factors except social responsibility & competitiveness.

Organisational culture - by age, tenure, seniority and remuneration
The findings show that as age, seniority, tenure and level of remuneration increase, favourable assessments of organisational culture also increase. Executives aged 50 and over reported their organisational cultures as significantly higher in all facets than their younger counterparts, the lowest scores being recorded by executives 39 years and younger.

Younger executives in Australia see themselves as both being less effective leaders and less likely to grow and sustain competitive and caring organisational cultures compared with their older and arguably more experienced colleagues.
New insights into job outcomes in Australia

This part of the Survey provides an insight into the responses of Australian leaders and workers to the work they do and the environments in which they work. The Survey found that their own personal job satisfaction was the strongest of the six job outcomes which executives were asked to rate. Respect for their leadership by others in the organisation came a very close second.

Figure 4 Mean scores of job outcomes

The rankings for job outcomes (Figure 4) show that Australian executives are moderately to considerably satisfied with their jobs and perceive that their leadership is accorded considerable respect by others in the company, and that their efforts have succeeded in securing ‘mindshare’ - commitment by staff to the company and the objectives and values it represents.

Job outcomes - by size of company
As was the case with organisational culture, smaller sized organisations reported higher levels in all job outcomes. These findings suggest that organisations with fewer employees tend to be recognised to a greater extent for their moderate to considerable levels of job satisfaction, commitment, trust, loyalty, and respect, and their competitive, performance-oriented cultures.

Job outcomes - by gender
The more senior and older the executive, the more likely he or she was to report higher levels of all job outcomes apart from stress. Although male and female respondents both ranked trust by others in the company as the lowest level job outcome, male executives did report higher levels of trust than female executives.
Job outcomes - by age, tenure, seniority and remuneration

Generally, the more senior the executive or the greater their experience as an executive, or the longer their tenure in their present position, or the higher the salary, then the greater the levels of all job outcomes.

Stress was the one exception to this. Although it may be commensurate with age (as executives 40 to 59 reported the highest levels of job stress), it is not necessarily commensurate with seniority or tenure. The highest levels of stress were reported by executives at the two ends of the ‘executive term’ range: those with the fewest years in the job, and also those with 11-20 years experience at the top and/or 3-8 years in their current position.
Interactions between leadership, organisational culture and job outcomes

Leadership, organisational culture and job outcomes do not exist in a vacuum or in isolation from each other. They interact dynamically. Although research has not yet finally determined whether leadership creates culture or culture creates leadership, it is likely that the way a leader provides leadership for an organisation will affect the behaviour, values and style of the organisation (its culture) and these factors in turn will affect the attitudes towards the organisation (the job outcomes) of those who work at every level within it.

The Survey's correlations explain the relationships in Australian organisations between leadership and leadership outcomes, organisational culture and job outcomes.

Leadership outcomes

All aspects of transformational leadership as well as contingent reward are strongly correlated with extra effort, effectiveness, and satisfaction. Active and passive management by exception and laissez-faire either were not correlated or correlated negatively with leadership outcomes.

In other words, focusing mainly on things that are unexpected or things that go wrong, or just letting things take care of themselves, are approaches which are unlikely to involve a lot of effort or to be effective or satisfying. The opposite, though, is true of positive, affirming, motivational approaches and of recognition of performance through reward or discipline.

The highest correlations between leadership factors and leadership outcomes were:
1. inspirational motivation with extra effort
2. inspirational motivation with effectiveness
3. idealised attributes with extra effort.

Leadership and organisational culture

Research shows that strong organisational cultures are associated with strong and competent leadership. This section of the study is concerned with the interrelationship of styles and aspects of leadership with different types of organisational culture. Strong correlations would suggest a close association of two factors, and possibly (but not definitely) a cause-and-effect relationship between the two. Weak correlations would indicate that executives perceive little or no association between the two factors.

This study's findings show that transformational leadership, in all its forms, is strongly linked to all organisational culture types.

The strongest correlations were between transformational leadership approaches - charisma, influence, challenge, guidance, and most of all, vision - and performance orientation, emphasis on rewards, and supportiveness. This finding suggests that positive, affirming, motivational approaches
to leadership help create, influence or enhance cultures which encourage workers and provide incentives for them to excel.

Of all the leadership approaches, inspirational motivation (creating and extolling a vision for the future) was the one most linked to organisational culture. At the other end of the scale, intellectual stimulation (challenging workers, appealing to their sense of inquiry, encouraging creative problem solving) was least associated with organisational culture, as were active and passive management by exception, and laissez-faire. These findings show that Australian executives identify dynamic, proactive, change-focused leadership approaches with responsive, closely aligned organisational cultures.

**Leadership and job outcomes**

In focus here are the possible associations between the ways that executives lead their organisations and their own and their followers’ responses to their efforts.

The Survey provides further evidence that transformational leaders are effective in linking organisational goals to the needs and beliefs of workers. It found that all aspects of transformational leadership (vision, charisma, influence, challenge, guidance) as well as extra effort, effectiveness and satisfaction are strongly and positively correlated with the executives’ own job satisfaction and with their colleagues’ and subordinates’ commitment to the company, trust in the company, loyalty to the company, and respect for leadership.

Similar to the correlations for leadership and culture, inspirational motivation is the leadership approach that is most related to job outcomes. In other words, Australian executives consider that ‘walking and talking’ the organisational vision is the leadership approach likely to have the greatest impact not only on the leader’s own sense of satisfaction but also on their peers’ and followers’ sense of self-esteem and their belief in the organisation and in the value of their contributions to it.

Respect for the executive’s leadership style is the job outcome which most strongly correlates with all transformational leadership approaches and contingent reward, as well as with the executive’s own feelings of job satisfaction and their perceptions of effort and effectiveness.

These findings show that positive, proactive leadership approaches ‘pay off’ in terms of organisational members’ attitudes about their work and the organisation of which they are a part.

**Culture**

Correlations between culture factors tell us how leaders perceive the associations of different aspects of culture within their own organisations. Particularly illuminating are strong correlations (indicating a close relationship between two different aspects of culture) or weak correlations (indicating a remote or antithetical relationship). Close relationships between culture factors may be based on compatibility, common goals or motivations, or cause-and-effect.
The Survey found that the strongest correlations among culture factors are, in order:
1. supportiveness and emphasis on rewards
2. competitiveness and performance orientation
3. competitiveness and innovation
4. social responsibility and emphasis on rewards
5. social responsibility and supportiveness

These findings show that competitiveness is strongly aligned with a focus on achieving goals and objectives and with creativity in products, services and business methods. They also suggest that a nurturing and recognitive organisation is more likely to extend its caring approach beyond the company itself and into the realm of social responsibility.

The weakest correlations are:
1. competitiveness and stability
2. innovation and stability
3. performance orientation and stability

Evidently, organisations characterised by being competitive, innovative and performance oriented tend not to be strongly associated with being stable

*Organisational culture and job outcomes*

By examining the association of culture factors with job outcomes, we can see how different types or aspects of culture affect not only the satisfaction or stress experienced by executives, but also the loyalty, commitment, trust or respect felt by others in the organisation.

The Survey found that all organisational culture factors have a strong and positive relationship with job outcomes, apart from job stress. Supportiveness, emphasis on rewards and social responsibility were the factors most closely associated with job outcomes.

The highest correlations occur for all culture factors and trust, suggesting that the stronger and more positive an organisation’s culture, the more likely it is to build workers’ trust in the organisation.

A separate conclusion to be drawn from the findings of this part of the study is that organisational cultures experience ongoing tension in balancing stable and secure employment conditions with the need to constantly challenge, compete and innovate.
Conclusions

One of the key leadership studies of the 1990s - the Karpin Report (1995)\textsuperscript{14} - identified that the emerging forms of organisations (more dynamic, unpredictable, global, and competitive) required new forms of leadership. Karpin noted that Australian managers needed to improve their interpersonal, strategic, and entrepreneurial skills as part of the new leadership approach. While not directly addressing how Australian corporations and their leaders have embraced those recommendations, this new study updates and contributes to our understanding of leadership and organisational culture in Australian enterprises in the early 21\textsuperscript{st} Century.

What has emerged from this study is a unique and fascinating picture of Australian business leaders on the cusp of some major changes in the way they lead and work generally. The Survey reveals not only who, in demographic terms, our business leaders are but how they lead, what kinds of cultures exist in their organisations, and what kinds of job outcomes they and their staff are experiencing as the result.

The demographic information collected by the Survey reveals that the majority (65\%) of executives have formal educational qualifications. A total of 22\% of respondents possessed an associate/diploma qualification, 32\% an undergraduate degree and 34\% a Masters or doctorate degree. These findings confirm the growth in education of our business leaders since the Karpin Report in 1995, which is a plus for the long-term global competitiveness of Australian enterprises.

Since leadership, and transformational leadership in particular, play an important role in building and sustaining strong corporate cultures, it is highly encouraging that the Survey’s findings show that today’s executives appear to be more aware of and willing to use transformational leadership behaviours to achieve results. In fact, the more transformational leadership used, the greater the leadership outcomes, the more performance oriented, socially responsible and supportive the organisational culture, and the more trusting, loyal and committed the workers are in those organisations.
**Key recommendations**

It is imperative that in order to continually build upon and improve the state of Australian leadership, companies should begin programs of identifying leadership potential at an early career stage and should implement training and development regimes to nurture and promote leadership within the company.

It is also important that companies take on board the linkages between corporate culture and job outcomes by rewarding performance and thereby building trusting and committed employees who in turn feed into supportive, responsible cultures.

One worrying aspect of this study, though, is that competitiveness and innovation were the lowest ranked cultures. It appears that leaders of Australian enterprises still have some way to go in making their companies more competitive on a global stage. Adopting the transformational leadership behaviours identified in this study may help executives to achieve these outcomes on a sustainable basis.

**In closing**

The study’s interviews with respondents indicate that there is a passionate commitment to leadership among Australian executives. It has been gratifying to see executives from a variety of industry groups and sectors and various levels of seniority speak about their leadership vision and approach and articulate what they expect their organisation to achieve as a result of their leadership approach.
References


3 The definitions of transformational leadership dimensions that follow, while not quoted verbatim, are derived from Sarros J., Gray J. and Densten I., AIM-Monash University Leadership Report 2001.
4 The MLQ5X is Copyright (c) 1995 Bernard Bass and Bruce J. Avolio.
6 The Organisational Culture Profile has been developed by O’Reilly, Chatman and Caldwell (1991) as a means of assessing culture on the basis of the aggregated value orientation of individuals in organisations. Permission to use an amended and revised version of the OCP was received from the American Psychological Association and from Professor Charles O’Reilly.
9 Sarros J., Gray J. and Densten I., AIM-Monash University Leadership Report 2001 (page 15)
13 This section draws from the Conclusions section of the AIM-Monash University Leadership Report 2001 but does not contain all the comments and recommendations from that report. Nevertheless, the recommendations that appear on these two pages are those of Sarros, Gray and Densten.
14 Karpin, D., (1995), Enterprising Nation: reviewing Australia’s managers to meet the challenges of the Asia Pacific century, Canberra, AGPS.
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