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Towards the Theory of CEO Leadership: A Conceptual Model based on Charismatic, Transformational and Transactional Leadership

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Abstract

Leadership is one of the most widely explored subjects in the field of management. A variety of papers on leadership, however, still have insufficient aspects to reveal the theoretical logic about the CEO leadership itself. Such research, especially focused on organizational performance, tend to concentrate on the CEO's behavior rather than leadership because CEO's behavioral trait as an explanatory variable is useful to connect with firms' performance. Our purpose is to show how the characteristic of CEO leadership can be built at the organizational level. For a detail, the larger the firms' size, the greater the degree of CEO's charismatic leadership. The larger the degree of a firm's diversification, the greater the degree of the CEO's transformational leadership. And the less the degree of a firm's diversification, the greater the degree of the CEO's transactional leadership. This theoretical paper on CEO leadership suggests that the characteristics of CEO should be adaptable to the changing institutions and organizational environments.

Keywords: CEO Leadership, Charismatic Leadership, Transformational Leadership, Transactional Leadership

Ⅰ. Introduction

Leadership is one of the most widely explored subjects in the field of management(Bass, 1981). Also, a lot of executive leadership studies(Waldman & Yammarino, 1999; Tosi, Misangyi, Fanelli, Waldman & Yammarino, 2004; Zhu, Chew & Spangler, 2005; Tsui, Zhang, Wang, Xin & Wu, 2006) have a specific purport focused on managerial and commercial leadership in large organizations and attempt to overcome the gap between the academic fields and practical places.

A variety of these papers, however, still have insufficient aspects to reveal the theoretical logic about the CEO leadership itself. This is because the role of CEO leadership is related to the firm's performance(Hannan & Freeman, 1984), and the main issue has been the linkage between crisis and charismatic leadership(Weber, 1947; Burns, 1978; House, 1977; Trice & Beyer, 1986) in a series of the studies. Such research, especially focused on organizational performance, tend to concentrate on the CEO's behavior(Klein, Dansereau & Hall, 1994) rather than leadership because CEO's behavioral trait as an explanatory variable is useful to connect with firms' performance. Much of their reasoning is based on the notion that there is no one specific leadership style and the fit between leadership and performance is the best approach to CEO leadership.

On the other hand, studies that examine leadership at the organizational level seem incomplete for other reasons. Leadership theorists generally have confined the effect of leadership to the individual, dyadic, or small group level of analysis(Yukl, 1994; Waldman & Yammarino, 1999). However, all members in the company do not have the same opportunities to interact with the top leader, CEO(Hogue & Lord, 2007). Let's imagine the cases of large conglomerates such as Korean 'Chaebul' or Japanese 'Keiretsu'. Can a top leader communicate with individual employees or sub-group TMTs? The answer is

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'absolutely impossible'. He or she can only reach few members in his or her organization and the communication with these few members has no relation with the leadership as a CEO. Accordingly, the unit of follower in analysis for CEO leadership should be the organization rather than individual members.

Our purpose here is to show how the characteristic of CEO leadership can be built at the organizational level. Firstly, we will describe a general model portraying the feature of CEO leadership to the organization as a member. Secondly, we will show the separated model of CEO leadership with different organizational characteristics.

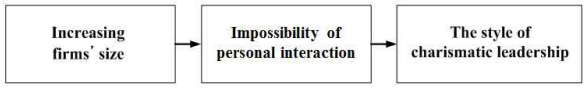
Ⅱ. Theoretical Framework

2.1 CEO Leadership as a Charismatic Leader

There are two perspectives to CEO leadership. One is the organizational aspect(Shamir, 1995). The organizational aspect of CEO leadership views the CEO as a leader leading the whole organization as a top related to the size of the organization. The style of CEO leadership in a sizable organization is charismatic leadership. Firstly, the vague definition of member is related with the size matter. Who is the member? Individual workers or the whole organization (organizational system)?

In the organizational aspect, the member is the whole organization or system. The organizational system approach emphasizes the role of the leader in coordinating and maintaining the system(Katz & Kahn, 1978). Also, the CEO should have responsibility for managing coordination between sub-organizations and linkage in partnering arrangements with other companies(Hall, 1991). Accordingly, the major unit of analysis is the relationship between the CEO and organization in the social exchange approach to leadership.

Basically, a CEO may have four roles in achieving organizational performance, which are the vision setter, motivator, analyzer and task master(Hart & Quinn, 1993). Our first argument is on the role of vision setter and motivator. CEO as the vision setter or motivator may not be essential in making social or interpersonal interactions with individual workers because his or her member refers to the whole organization including the individuals. As for the individual workers, they cannot readily evaluate the leader's circumstances and specific day-to-day behaviors(Waldman & Yammarino, 1999). Instead, they must rely on the CEO's symbolic behavior such as symbolic actions and rhetorical skills(Shamir, 1995). Early research focused on the charismatic individual's ability to emotionally arouse and inspire others(Mio, Riggio, Levin & Reese, 2005). Much of these charismatic aspects are captured in the notion of emotional expressiveness such as facial expression, body movement and tone of voice(Friedman, Riggio & Casella, 1988). In this regard, CEO leadership should be demonstrated using the symbolic action for leadership effectiveness(see the <Figure 1>).



<Figure 1> Process of CEO's Charismatic Leadership

Proposition 1. The larger the firms' size, the greater the degree of CEO's charismatic leadership.

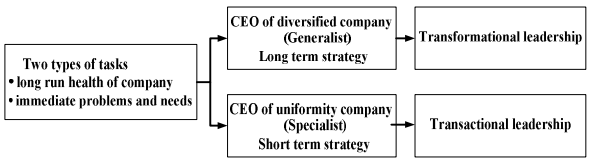
2.2 Transformational and Transactional Leadership of CEO Leadership

As mentioned earlier, prior research related to CEO leadership indicated that one of the roles of the CEO is achieving organizational performance(Hart & Quinn, 1993). Although the CEO's charisma potentially represents a key component of CEO leadership(Bass, 1990), the CEO's or the organizational leader's charismatic leadership should be separated from the issue of performance. Thus, another perspective of CEO leadership is related to the aspect of the firms' performance or the CEO's strategic purpose. Chandler(1962) provided a classic definition of entrepreneurship distinguishing between long term planning as executives and short term planning as managers. This practical and strategic stance can be associated with two concepts of CEO leadership.

Firstly, CEO as executive should focus on the long term health of the company. Generally, CEOs also have the role of an analyzer and a task master(Hart & Quinn, 1993). How do CEOs lead company members when dealing with abnormal issues beyond his or her area? In this situation, the CEO should be a generalist and focus on the large picture such as analyzing the environmental uncertainty, investment condition and entry decision into other nations. The fundamental demands and work requirements of a CEO, in this perspective, only change the strategic decision. In fact, many CEOs spend 80% of their time talking with people to propose the managerial work as a multi-task process and not in terms of a task(Sproull, 1984). This is because it is impossible for the CEO alone to do something at the same time from a different area. Accordingly, CEO's leadership style becomes transformational. Transformational leaders motivate followers to achieve performance beyond expectations by transforming members' attitudes, beliefs, and values as opposed to simply gaining agreement(Bass, 1985; Yukl, 1994). However, the

transformational leadership of the CEO in diversified conglomerates is a compulsory transformational leadership due to the environment because the CEO cannot carry out a variety of tasks simultaneously.

Secondly, the CEO as a manager should focus on the immediate problems and needs. Gupta, MacMillan & Surie(2004) indicated that CEO leadership or entrepreneurship is a type of leadership that creates vision used to assemble and mobilize assignments of participants who become committed to the vision of exploiting a strategic goal. Exploitation is associated with a short term perspective compared to exploration (March, 1991). In this perspective, CEO can be the professional exploiting unique skills or technologies, and the organization may be standardized. Standardization of work processes and tasks is used to coordinate the functioning of individuals(Mintzberg, 1979). Mintzberg noted that in this structural form, a CEO's concern is on resolving the conflict induced by strict departmental differentiation, task fragmentation, and poor correspondence between social and technical systems. A CEO is also encumbered with practical decisions in the field, and he or she suffers from achieving goals(Mintzberg, 1979). CEO leadership, in this situation, revealed to be transactional leadership. Transactional leadership involves an exchange relationship between the leader and followers such that followers receive wages or prestige for complying with a leader's wishes(Rafferty & Griffin, 2004). Thus, a CEO in uniform firms becomes a specialist in his or her field, and the leadership style is transactional.



<Figure 2> The Logic of Separating CEO Leadership

Proposition 2. The larger the degree of a firm's diversification, the greater the degree of the CEO's transformational leadership.

Proposition 3. The less the degree of a firm's diversification, the greater the degree of the CEO's transactional leadership.

Ⅲ. Discussion

In this article, we tried to show that CEO leadership is institutionally associated with charismatic leadership, and that charismatic leadership is not a subordinate position of transformational leadership.

Firstly, the CEO leadership can become isomorphic due to institutional pressure. By institutional pressure, we do not mean a specific institution such as rules, but the company itself. Institutional theorists assert that a leader should consider the adaptive change and evolution of organizational forms and practices(Selznick, 1957). Thus, leadership adapting to changing institutions is the natural tendency. As mentioned earlier, organizations or firms have grown rapidly into sizable and global companies. It is impossible for the leader to do effective exchanges with each member. Accordingly, leadership should be symbolic to show the leader's intention. Symbolic behavior is one of the representations of charismatic leadership. Institution is a process(Selznick, 1957). It is something that happens to all companies over time. For effective organizational leadership, the CEO should find the best way to adapt to his or her environment. In this logic, many CEOs become isomorphic about leadership.

Secondly, Bass(1985) provided an expanded theory of transformational leadership. According to the theory of transformational leadership, charisma is one of the factors of transformational leadership. There is, however, a causal problem in this argument. The word charisma was first used to describe a special gift that certain individuals possess that gives them the capacity to do extraordinary things(House, 1977). In this regard, charisma is an individual trait. On the other hand, the concept of transformational and transactional leadership comes from the way of achieving goal of organizations. Accordingly, it is true that charismatic leader can use the various methods of leadership style such as combining including transformational and transactional leadership rather than transformational leader should have charismatic characteristic to strongly indicate the vision of organization. Also, the trait of a leader including charismatic characteristic is the antecedent of instrumental leadership such as transformational and transactional leadership.

Leadership is a kind of work done to meet the needs of a social situation(Selznick, 1957). It is not crucial for a leader to have any characteristic. Especially, organizational leaders like CEOs should equally reflect the general characteristics of all individual members. As a result, CEO leadership can be institutionally forced into a specific leadership style, and the institution can make the CEO into a charismatic leader due to impossible interaction between the leader and the members.

Furthermore, there is a limitation on this research paper of CEO leadership considering it as conceptual paper. In order to overcome this limitation, it is essential to step in further research empirically with more in-depth interview, case studies and data analysis.

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CEO 리더십 이론에 관한 개념적 모델의 탐색적 연구: 카리스마적, 변혁적, 거래적 리더십을 중심으로

박정민*
송윤아**
류기현***
이재은****

국문요약

리더십은 경영학을 비롯한 많은 학문분야에서 광범위하게 논의되고 있는 주제 중 하나로 여러 학자들에 의해 다양한 형태의 리더십 연구가 진행되어져 왔다. 특히, CEO를 대상으로 하는 리더십 연구에서 많은 선행연구들은 CEO의 리더십 그 자체보다는 기업의 성과에 밀접한 영향을 미칠 수 있는 CEO의 행동 특성에 보다 큰 관심을 두었기 때문에 CEO 리더십 그 자체의 이론적 특징을 명확하게 설명하는 데에는 한계가 존재한다. 이러한 선행연구의 한계를 극복하고자, 본 연구에서는 CEO의 리더십 특성이 어떻게 조직수준에서 구축될 수 있는지를 규명하고 있다. 보다 구체적으로 본 연구는 기업의 규모가 커질수록 CEO의 카리스마 리더십의 정도가 커지며, 다각화된 기업의 CEO에게는 변혁적 리더십이 필요하지만, 다각화수준이 높지 않은 기업의 CEO에게는 거래적 리더십이 필요하다는 것을 논리적으로 제시하고 있다. 이 논문은 CEO 리더십의 특성이 기업의 환경적 특성에 따라 달라져야 함을 이론적으로 제시함으로서, CEO 리더십에 대한 이해의 폭을 넓히고, 실제 기업의 CEO들에게 유용한 실무적 시사점을 제시할 수 있을 것으로 기대된다.

핵심주제어: CEO 리더십, 카리스마 리더십, 변혁적 리더십, 거래적 리더십

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