A Re-Interpretation of Leadership Aligns Human Capital Management and Business Objectives

William R. McNay

Group M Associates, mcnay_wr@mercer.edu

Follow this and additional works at: http://digitalcommons.kennesaw.edu/jee

Part of the Business Commons, and the Education Commons

Recommended Citation

Available at: http://digitalcommons.kennesaw.edu/jee/vol11/iss1/5

This Article is brought to you for free and open access by DigitalCommons@Kennesaw State University. It has been accepted for inclusion in Journal of Executive Education by an authorized administrator of DigitalCommons@Kennesaw State University. For more information, please contact digitalcommons@kennesaw.edu.
A Re-Interpretation of Leadership Aligns Human Capital and Business Objectives

William R. McNay*
CEO, Group M Associates

Abstract

Most business decisions during the past 100 years have been influenced by the shareholder theory, which mandates that the interests of shareholders are the key determinate in constructing operational plans and activities. However, this theory and its related practices are being challenged by the stakeholder theory, the “human capital” movement, and human-oriented leadership concepts which emphasize the importance of employee satisfaction and engagement in the attainment of organizational goals and objectives. This paper offers a re-interpretation of leadership that will lead to a major shift in the way educators and executives view the key role of employees in sustaining growth and competitiveness.

Introduction

The view held by most business owners in the twentieth century was that success was directly tied to the level of productivity obtained from the workforce. Lower-levels of managers were held responsible for achieving this productivity through the efficient and effective utilization of available resources by means of rigid internal controls. Attention, rewards, and new educational programs were showered on these managers until the

*Dr. McNay completed his undergraduate studies at Cornell University and received his Master's and Doctorate degrees from the University of Pennsylvania.
1970s when rapidly changing external events and internal conditions overwhelmed their ability to handle the severe competitive problems associated with the new global environment. The emphasis on manager-education in the 20th century has been redirected to a new focus on executive education in the 21st.

The measure of business success today is accepted as the degree to which top executives have successfully attained organizational objectives; more precisely, to the degree they have been able to achieve the economic objectives of the organization’s investors/shareholders. Consequently, during the past three decades the attention of scholars and practitioners has focused on improving the skills and knowledge of top executives as the key to obtaining greater profits for shareholders, regardless of the impact this effort has on the needs and expectations of other stakeholders, principally the employees. However, it is generally recognized that no company can be successful ignoring the interests of its employee; yet, in many business organizations today, the interests of employees are receiving little attention beyond insuring that their skills and capabilities are available as needed (Pfeffer, 1998; Yukl, 2006).

Many employees have responded by doing only what they are told to do and little else; they are not using their skills and capabilities to help make their organizations more successful. Various ways have been offered to overcome this problem of non-engaged members of the workforce. McKinsey and Company, for example, has suggested that companies can avoid the problem by hiring only the top 10 percent of qualified people who have already demonstrated their willingness to devote their skills and talents in the pursuit of organizational goals and objectives. But this approach has not proven to be an effective means of obtaining the superior performance needed. O’Reilly & Pfeffer (2000) have countered that executives must manage their organizations in such a way that their leadership makes it possible for regular folks to become engaged, using their skills and talents to perform as though they were in the top 10 percent.

The purpose of this paper is to examine current leadership theories and practices, and offer a re-interpretation of leadership that can provide new insights into the responsibilities and educational needs of executive-leaders in the 21st century. The major thesis presented here is that leadership does not exist in the actions and performance of leaders, as has been assumed during the past century, but in the minds and hearts of employees and other participants in the enterprise.

The term “leader” is used here to designate the individual (executive, manager, expert, or other concerned person) who, in a changing, uncertain
environment requiring new direction, accepts responsibility for the
effective use of resources in the pursuit of a common purpose. Leaders
emerge when organizations face new problems and complexities in
which standard rules and procedures no longer apply. The term “engaged”
is applied to persons who are satisfied that their own needs, desires, and
aspirations are being given full consideration in organizational decisions
and, therefore, are willing to work cooperatively in the pursuit of mutual
goals and objectives.

The Perennial Problem

Most business executives are facing tough battles on two fronts — striving
to be successful in highly competitive markets and striving to induce
employees to willingly participate in their firm's activities. The external
problem is that global competitors are taking a larger share of markets
and profits, and the internal problem is that employees are declining to
use their minds and talents to help make their firms successful. Lack of
employee involvement/engagement is not a new problem; it has been
a major issue going back to the beginning of the Industrial Revolution
in the 19th century, when formerly-independent craftsmen were, by
circumstances, forced to work in the early factories under the supervision
of business owners who used coercion, rewards, and other forms of
persuasion to keep them productive (Alford, 1928; Wren, 1994).

During these times, and to the present day, executives have based
major decisions on the shareholder theory (Useem, 1998). Executives
who attain budgeted profits are said by business owners to have
demonstrated leadership, while those who do not are seen as ineffective
leaders. Employees, a major group of stakeholders, are often treated as
assets to be used when needed and discarded when costs exceed budget;
and, as a result, have responded by contributing their skills and talents
only as necessary to hold onto their jobs (Roethlisberger, 1941; Pfeffer,
1998). However, the situation has become more critical since the 1980s,
when new demands to make next-quarter budgeted profits have forced
top executives to take major cost reduction actions, such as downsizing
and outsourcing; while, at the same time, these same top executives are
receiving enormous salaries and bonuses (Krames, 2008).

As might be expected, companies are experiencing great difficulty
in obtaining employee loyalty and participation. An illustration of the
impact of the problem is found in a Gallup Journal poll (Robinson,
which shows that in many companies only 29% of employees are engaged (fully using their skills and talents in their jobs); 53% are not engaged (doing only enough to hold on to their jobs); and 18% are taking a negative approach to their work, even to the extent of mild sabotage at times. Even more revealing is the mindset of executives who in a recent study admitted they would eliminate large numbers of employees for immediate profits even though it would hurt overall performance in the long term (Bolman & Deal, 2003).

Early Concepts of Leadership
(A focus on managers)

The term leadership has had a long and illustrious life. During the past many centuries, it has been attached to those of high birth, great wealth, and powerful positions — the “great man” theory of leadership. In the early 20th century, Mary Parker Follett described leadership as the work of masterful, demanding men with compelling personalities, who can impose their will on others, making them do what has to be done (Metcalf & Urwick, 1941). However, this demanding form of leadership did not continue to be a major factor after the first few decades of the century. Various studies, such as the Hawthorne experiments, were conducted to determine why existing practices based on the principles of Scientific Management were not providing anticipated outcomes (Tead, 1935). One of the outcomes was that first-line managers/foremen were taught new motivational techniques as a way of keeping workers more productive and somewhat satisfied (Kotter, 1982).

Leadership was seen as just one aspect of a managers’ work, along with their other functional responsibilities — planning, organizing, and controlling all work activities. Scholars, practitioners, and other observers viewing the work of managers concluded that the better managers were leaders, and that leadership was the outcome of their commanding ways and motivational skills (Rost, 1993). Leadership was given new meaning after WWII, when it was taught as a tool for managers to use in choosing their own leadership style — a greater concern for people or a greater concern for higher levels of production (Wren, 1994). In these decades, leadership was seen as the ability of managers to influence workers to willingly participate in the work to be done through such managerial power and skills: position, rewards, coercion, expertise, and persuasion. This style of managing was later called “transactional leadership” by James
McGregor Burns in 1978, who looking back at the leading efforts of managers in the past fifty years described it as an exchange relationship between manager and employee. But, Rost (1993), a highly-regarded leadership historian, observed, most participants and observers in this period referred to leadership as nothing more than just “good managing”.

The growth and profitability of the previous decades, under highly successful managers who knew their businesses and their employees’ capabilities, changed significantly in the 1970s when foreign competition, new social movements, and government regulations brought major changes, some of which threatened the well-being and survival of many American companies. Managers no longer had the luxury of leading well-understood, usually-compliant, skillful people in an ongoing relationship; consequently, many of the techniques taught and used in prior years to soothe relations and boost productivity were no longer fully effective (Wren, 1979; Keys & Fulmer, 1998). Drucker (1980) observed that the steady-state, profitable environment experienced during most of the 20th century was changing and coming to an end in the 1970s. The resulting turmoil, together with new shareholder demands for greater profits, exceeded the ability of managers to provide direction and control, and they lost much of the esteem they had earned previously (McNay, 2008). The confidence that industry leaders had in the ability of managers to provide leadership dropped from 70 percent in the 1960s to less than 30 percent in the 1980s (Yankelovich & Furth (2005).

A New Focus on Executive-leadership in the 1980s

When it appeared that managers were ineffective in resolving the new problems and issues related to the modern business world, corporate leaders looked for new solutions. Acceptance of the idea that leadership was the direct responsibility of top executives took root when James MacGregor Burns (1978), a highly respected political and management writer, offered a new concept, “transforming leadership”. The concept envisioned executive-leaders energizing people via an exciting vision of the future, which would arouse both leaders and followers to higher levels of motivation and morality. This concept, later called “transformational leadership” by most writers, was readily accepted by many in the business community, shifting the focus of attention from managers to top executives as the component in the organization most capable of achieving desired objectives (Bass, 1985). Kotter (1996) claimed that
the assignment of responsibility for leadership to top executives was logical because of their recognized power base and their key role in the organization, and that a business short of this kind of leadership has little chance for survival.

Bennis & Nanus (1985) were among the first scholars to accept Burns’ transformational concept. In their seminal book *Leaders*, they further described leadership as the work of an effective executive using positional powers to create visions, setting direction, goal-setting, developing strategic plans, and reshaping organizational processes to better adapt to environmental changes. The view they offered no longer confined leadership to just motivating employees to work willingly toward the leader’s goals; leadership was now seen to incorporate most of the responsibilities and work of effective leaders; and the role of top executives became paramount. Since the publication of their book, most scholars and writers have used “effective leader” and “leadership” as synonymous terms. Rost (1993) noted that most participants in the field of business since the 1980s have described this view of transformational leadership as just “do-what-the-leader-wishes”.

The measure of leadership today, as mentioned earlier, has been the degree to which executive-leaders are seen to have successfully attained organizational objectives; more precisely, to the degree they have been effective in achieving the economic objectives of the firm (Bass, 1990). The transformational leadership concept has been somewhat successful in providing executives with a framework in which specific goals and objectives can be achieved; but, as practiced today, it is not fully obtaining the skills and creativity of employees in the pursuit of company objectives (Mintzberg, 2004; O’Reilly & Pfeffer, 2000). Bennis & Nanus (1985) and other scholars expected that visions created by executives would inspire employees to participate in the work to be done, but this has not happened. In most cases, the executives’ grand visions include a desirable future for shareholders, but not for employees and other stakeholders (Bass, 1998). No matter how inspiring the vision may be for others, if employees do not see their own interests included, they will not cooperate in the drive for organizational objectives (Conger & Kanungo, 1998).
A Re-Interpretation of Leadership
Leadership in the Minds of Believers

The major problem facing educators and practitioners at the beginning of the 21st century is that there is still no universally-accepted leadership theory that can provide the insight and understanding needed to obtain the full cooperation and loyalty of members of the organization (Covey, 2004). The quest for answers to the employee-engagement problem that began at the arrival of the Industrial Revolution is ongoing today. Scholars and practitioners have found that employees can be induced to perform assigned tasks willingly through various motivational techniques, bargaining, and personal persuasion, but it is recognized that these approaches do not gain the talents, creativity, and passion of employees over the long term (Tead, 1935; Nanus, 1992; O'Reilly & Pfeffer, 2000).

The General Electric Company conducted an intensive study in mid-twentieth century to determine why the firm's manager-leaders were not obtaining the loyalty and support of employees. The results were clear; managers were not fulfilling the number-one desire of employees — a sense of belonging (Cordiner, 1956). Further studies revealed that a sense of belonging assures employees that their own needs and wants will be given full consideration, and that they will receive respectful treatment, fair pay, good benefits, and some degree of job security (Zimet & Greenwood, 1979). The results of similar studies during the past decades confirm that when people have a sense of belonging and feel that they are trusted, they will more readily accept their leaders' decisions and do what has to be done (Spears, 1998). Drucker (1954) argues that such elements as pride, trust, and belonging are the building blocks of a spirit that will spur people to do their best and not just enough to get by.

Barnard (1938) contends that the willingness of people to accept the leaders' authority and cooperate in the pursuit of organizational objectives is the essence of leadership in a business organization. Pfeffer (1998) and other scholars during the past three decades have found that when people see acceptance of and inclusion of their own interests, they see leadership; and conversely, if they see no progress in this direction, they see no leadership. It has been observed that the same decisions or actions by the leader may bring satisfaction to one person or group of persons, but disappointment to others (Bolman & Deal, 2003). A typical business example would be the case involving the short tenure of a Marketing manager who was terminated after only 18 months in
the position. The company president did not see leadership because the sales budget was not being met; however, members of the sales force saw leadership in the new team spirit that created new initiatives and new programs during his tenure. Thus, if some participants are satisfied with the leader’s performance, from their point of view, they feel connected and see leadership; yet, the same performance by the leader can bring disappointment for others, who see no leadership.

Bolman & Deal (2003) have suggested that leadership is not a tangible thing, but something that exists only in relationships and in the imagination and perception of human beings. Kouzes & Posner (1993) have further concluded that leadership does not even exist until followers and other observers see it in the leader, and whether a particular follower or observer sees leadership or not depends to a large extent on that person’s state of mind and depth of belief. Bennis’s baseball anecdote, although used for a different purpose in his book (Leaders, 1985), may help illustrate this understanding of leadership in which leadership does not exist until an observer accepts the decisions of the leader. His story takes place in the last inning of a playoff game for the World Series: The first pitch comes over the plate. The umpire hesitates a split second. The batter angrily turns around and says, “Well, what was it?” The umpire replies, “It ain’t nothing til’ I calls it.” Correspondingly, leadership does not exist until the follower or observer says it does.

**The Process of Leadership**

Employees want to work for a leader who is not only effective in achieving the objectives of the organization but is effective in attaining their objectives as well (Kellerman, 2003; Tead, 1935). The employees’ evaluation of their leader is based initially on the policies, practices, and culture of the firm; these set the general pattern for how they are to be viewed and treated by members of management. Further evaluations determine the degree of satisfaction and bonding they perceive when their own needs, wants, and other interests are recognized and accepted (Greenleaf, 1996). When satisfied, employees gain a feeling of acceptance and a sense of pride because they know that they are trusted and valued members of the corporate family. Barnard (1938) claims that acceptance by employees inspires cooperation by creating “faith” — faith in the integrity of the leader, and faith in the ultimate satisfaction of personal motives. Drucker (1954) argues that this spirit of belonging is the essence
of leadership, the “esprit de corps” of the organization that can draw forth a person’s reserve of dedication and effort.

Meindl and other scholars, guided by the “implicit leadership” concept, describe another way that followers evaluate leaders. They argue that leadership is basically a social construction in the minds of observers, and that there is no leadership to begin with (Shyns & Meindl, 2005). They maintain that individuals judge the leader by means of mental models, created by each freely selecting the attributes, behaviors, and performance they believe to be desirable in a leader. After formulation of the model, leaders are judged as having leadership to the extent their behaviors and actions fit those of the model. When followers see a match, emotions of acceptance are generated and only then do they see leadership. The degree of match with the model determines the degree of leadership seen by followers and other observers.

Hoopes (2003) has further claimed that the perception of leadership is a changing phenomenon; leaders are judged not only for their current actions, but for past decisions and anticipated future decisions. Winston Churchill was the paragon of leadership in the eyes of the British people during WWII, but the same characteristics, attributes, values, and strengths that earned him an exalted status during the war were soundly rejected by voters after the war. Other ways of judging leaders can be found in new leadership concepts; for example, Wikipedia reports that the Said School of Business, Oxford University, has described a concept of leadership, neo-emergent leadership, which claims that leadership is often just a term of respect, emulation, or vanity that has been applied to well-known historical or public figures, often bestowed based not on actual performance, but on publicity or hearsay.

Bennis and Nanus (1985) extoll the deepest kind of leadership where leaders do not have to give orders; people don’t need to be told what to do, they more or less sort out for themselves what needs to be done. Covey (2004) argues that this situation can occur when leader and followers rise above present circumstances and tap into a deeper source of human motivation — a common purpose. Barnard (1938) claims that there is nothing as effective as common purpose for inducing people in the enterprise to work in harmony; and Burns (1978) notes that whatever separate interests people might have, they will become united in the pursuit of a common purpose. George Washington’s ragtag army at Valley Forge would not have stayed with him had they not perceived this quality of leadership, believing that he was the person most capable of attaining their common purpose — independence from the tyranny of England.
Drucker (1954) claims that when employees perceive leadership in the leader, they willingly give the leader authority to make decisions for them, but at the same time they expect the leader to use this authority to make outcomes fair for all involved. Barnard (1938) goes further in stating that leaders have no authority until the employees give it to them. In his view, the decision as to whether an order from a leader has authority lies with the person to whom it is addressed; it does not reside in those who issue the order. When the order is accepted by those to whom it is addressed, its authority is confirmed and accepted as a basis for action. So, when employees believe that the leader is credible, trustworthy, and striving to attain mutual purposes, they see leadership and, thereafter, give the leader authority to make key decisions, which they will implement to the best of their ability.

**Aligning Leadership and Human Capital**

In the relatively stable 20th century, senior managers and executives made all the important business decisions because the complexity of operations was low, and they had only one major stakeholder to satisfy — the shareholders. In the 21st century, the situation is different in many ways; business has become so complex in large organizations that a few people at the top cannot do it alone (O’Toole, 1995). Hesselbein, Goldsmith, & Beckhard (1996) argue that for an organization to survive in the global economy, employees as a group must be willing to use their knowledge, talents, and imaginations to share in the development of new products and services, solve difficult problems, and make technically-wise operating decisions. Drucker (2001) stated that any organization that has only a few executives, managers, and knowledge workers making decisions for the entire company is a recipe for failure. Krames (2008) argues that in the modern business world, organizations need the knowledge and skills of workers more than the workers need the organization.

Handy (1996) writes that in spite of all the changes wrought by technology, the global environment, and a changing workforce, the culture in most American business organizations today is not much different from that of the mid-1900s. Employees are still passive participants accepting rewards and orders given to them by higher levels of management, and viewed as resources that need to be tended carefully and patiently but still not treated as full members of the corporate family (Hesselbein, et al, 1996). This was acceptable in the 20th century when
financial capital was the scarce resource needed by entrepreneurs and executives to purchase physical, material, and human resources; but, today, in the complex business environment of the 21st century, shareholder capital has shifted from scarcity to abundance and is no longer the key resource needed for business success; it must now yield a measure of its importance to the human capital of employees.

The term human capital was used originally to designate the experience, skills and talents of employees as a means of production; basically, an investment such as buildings, land, and equipment; and the responsibility of managers has been to get the most productivity out of this investment (Becker, 1975). Lawler reports that today human capital is beginning to be seen as a factor approaching shareholder capital in importance for achieving successful outcomes (Bennis, Spreitzer & Cummings, 2001). A shift in focus from shareholder capital to employees' human capital will bring changes in the work and practices of executives, managers, and employees. For example, a change of focus from human resources management (HRM) to human capital management (HCM) will mean that employees, not managers, will decide to a larger degree how and when their resources are to be used.

Today, management literature is replete with articles stressing the need for companies to tap into the vast, under-utilized resource of knowledge and experience within their workforce. The Hawthorne Studies in the 1930s revealed that increases in productivity that could be achieved by motivating workers to unlock the store of energy available within them (Wren, 1994). Modern studies have also shown the enormous returns that can be achieved when employees are motivated by feelings of belonging and mutual purposes (O'Reilly & Pfeffer, 2000). However, there appears to be little interest in companies investing in human capital as a source of competitive advantage because it is not likely to be of great interest to the financial sector in the present economic environment (Kochan, 2012).

However, employees are beginning to recognize the value of their contributions and are demanding greater consideration in return (Freeman, 1984). They want their own efforts and skills — their human capital — recognized and rewarded; otherwise, they will do only what is necessary to carry out the requests of the leader. Kouzes and Posner (2010) have emphasized that the leader's use of coercion, rewards, personal persuasion, and visions that focus primarily on the interests of shareholders are no longer effective. In the past, leadership has been seen as a demonstration of the power and skill of the leader. In the future,
leadership will be recognized as the favorable evaluation of the “goodness” of the leader’s performance leading to commitment to organizational goals and objectives.

Executive Education

The view that leadership is the responsibility of top executives began in the 1970s when it was noted that functional managers were not resolving the many complex problems created by the new global environment (McNay, 2008). The work of top executives up to that time was thought to be intangible, entrepreneurial, and un-measureable, which gave little incentive for educators to develop executive-oriented educational programs. When the responsibility for leadership was re-assigned from managers to executives in the 1980s, Kotter (1982) and other management researchers found that most executives were not prepared to cope with the many changes coming at them from all directions. As a consequence, a multitude of executive-education programs have been developed during the past three decades aimed at providing executives with an identifiable set of skills and practices designed to produce desired levels of profit (McNay, 2008).

Rost (1991) observed that the focus on top executives would require a new understanding of leadership and a major change in their worldview. These changes would mean not just a reshaping of values, teaching new motivational techniques, or a reframing of organizational controls, but developing a new set of rules, a paradigm shift, in which past knowledge would be taught and used in different ways. Other scholars have found that even the process of teaching executives is different from teaching managers in that its effectiveness depends as much on factors of where and by whom it is taught than by what is taught (Garvin, 2007). Initially, much of the educational efforts aimed at executives after the 1980s were still slanted toward the education needed under the prior transactional theory — a focus on motivating, negotiating, bargaining, and greater profitability (Chia & Holt, 2008).

More recently, executive leadership programs are becoming oriented toward Burns’ original transforming concept, with a greater emphasis on visions and empowerment. Kets de Vrie & Korotov (2007) have identified the major parameters found in these programs — visions, empowerment, inspiration, charisma, and emotional intelligence. However, most programs still do not include or are giving only minimum attention to
the needs, wants, and expectations of followers (Bass, 1998). And, as Mintzberg (2004) has observed, little is being done to incorporate these elements into executive education and company cultures, policies, and practices. Nevertheless, most executives do have an understanding of the basic needs and wants of employees, and Business Schools are capable of incorporating people-oriented issues into existing leadership programs that will provide a deeper appreciation of the depth and variability of human nature (Goleman, Boyatzis, & McKee, 2002).

Today, it is generally assumed by most educators and practitioners that leaders can be taught prescribed rules and techniques for applying leadership to their organizations; however, because leadership is a phenomenon in the minds and hearts of followers, and thus seen differently by different observers, one can surmise that it will be difficult to teach. Drucker (1954) argues that because leadership is a spirit within each person, an “esprit de corps”, it cannot be taught or learned. He states that educators can improve the competence of leaders to lead, but employees have control over how much they work and how well they work. Drucker states that it is the workers’ attitudes and faith in the leader that determines whether they will work cooperatively or just do enough to get by. Nevertheless, executives must understand their responsibilities for building receptive internal environments and working conditions in which a spirit of leadership can be developed and made effective; and educators must include in existing leadership programs the need to create the perception of leadership in the minds of employees. (Collins, 2001; Senge, Smith, Kruschwitz, Laur, & Schley, 2008).

The key to implementing the re-interpretation concept lies in the allocation of larger amounts of resources to employee interests; however, this break with the past will not be readily accepted by other participants in the business enterprise. And, it will be a thorny path for an executive or group of executives to allocate sufficient resources to create the conditions and stimuli needed without the approval and support of the board of directors and members of the financial community. Any movement in the direction toward allowing employees to make even minor operating decisions would mean that management would have to give up a measure of control over the organization’s operations; which, over the years, they have been highly reluctant to do so (Nobel, 1984). A new challenge for business schools will be to educate all decision makers, including members of the board of directors, of the need for a change of focus from solely on shareholders to a greater concern for employees. This will be difficult for many Board members,
because they like others in the enterprise; have been conditioned by prior training and experience to view employees as assets or just things to be controlled (Pfeffer & Fong, 2002).

A review of management literature reveals that there has been a concern for the interests of workers since the early 1900s (Tead, 1935). Today, there is an increasing trend toward acceptance of the stakeholder theory of leadership in which the needs of employees are seen to warrant greater attention and higher priorities (Kellerman, 2008; McNay, 2010). These views were represented in a 2007 meeting at historical Faneuil Hall where 200 scholars from all fields of business, politics, and other social groups met to discuss the need for major changes in traditional business practices relating to the way employees are viewed and treated (Senge et al, 2008). In a similar vein, in an interview with the Atlanta Business Chronicle, Neville Isdell, former CEO of Coca Cola, said that business executives must change the way they connect with people and re-align their values with the values of employees in order to serve the interests of both (Truby, 2009). The expected continuation of this trend and the acceptance of the re-interpretation concept by those at the highest level of authority in the business enterprise, including members of boards of directors, will bring recognition of the need for leadership education for all those who have a key role in the management and allocation of company resources. Developing and teaching these programs will be an important role and mission for business educators.

**Summary and Conclusions**

The performance of many American firms during the past three decades shows that the acceptance and practice of current leadership theories have not provided the direction or substance needed to attain successful outcomes for most companies. Most educators, executives, and boards of directors have erroneously accepted the idea that executives have the knowledge, skills, and freedom needed to provide the leadership required to overcome the company’s external and internal problems. And, although many top executives are receiving enormous salaries and bonuses to provide that coveted leadership, they are limited by the shareholder theory, and are not free to build an environment in which employees are treated as valued members of the corporate family. As a result, the typical outcome has been that executives are able to provide greater profits for shareholders, but not to create a culture in which all people feel loyalty
and a sense of belonging. Consequently, working environments have
been created in which human capital is notably absent in the pursuit of
organizational objectives.

This writer argues that what is needed most are not more leadership
theories or new leadership techniques, but a reinterpretation of existing
leadership theories that can provide educators and executives with a better
understanding of the role that executives must play in their leadership
role. The re-interpretation concept offered here states that leadership is
not an attribute or characteristic of the leader, but a phenomenon in the
minds of employees that will energize them to take the actions needed
to attain organizational goals and objectives. It is further observed that
the loyalty and dedication of employees will become fully available only
when top executives create an environment in which people can truly feel
they belong to the corporate family, and are treated accordingly.

Recognizing employee needs and wants is an important step in
showing them that they belong and are “one of us”. When that takes
place, leaders will not need to use material incentives and persuasion to
induce them to do what needs to be done; they will do it because they
want to do it, as responsible and valued members of the corporate family.
Thus, a major part of the solution to the non-engagement problem lies
not in teaching executives how to become better leaders, because most
are already effective in providing direction and overall guidance; but in
educating all participants in the enterprise, including members of the
boards of directors, that more attention and resources must be allocated
to satisfy employee interests and expectations.

Acceptance and implementation of the re-interpretation concept will
not be a panacea that resolves basic strategic and operational problems, but
it can be a move toward making Burns’ transformational theory and other
people-oriented concepts the effective guides they promise to be. When
fully implemented, the majority of people in the organization will be
working cooperatively toward achieving organizational goals and objectives,
which is basically what most motivational and participative management
programs have been trying to accomplish since the Hawthorne Studies.
However, present indications are that required changes are not likely
to take place in the near future; there are too many powerful interests
committed to the shareholder theory. A first step in the desired direction
is for all participants in the enterprise to discard the attitude currently
ingrained in the minds of many that employees are expendable assets that
can be treated like any machine, material, or financial asset.
References

Garvin, D. A. (2007). Teaching executives and teaching MBAs. AOMLE, 6(3).


