

Personality, Leadership, and Organizational Effectiveness

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ASSESSMENT SYSTEMS

Two Views of Leadership

Two views dominate the study of leadership:

1. Leadership is a function of circumstances (Enron)—this is the majority view.
2. Leadership is a function of personality (GE)—this is the minority view.

We believe that leadership is related to personality.

What is Personality? Part 1

- We assume that the fundamental problems in life concern “getting along” and “getting ahead”—developing relationships and developing a career.
- These themes are biologically mandated and exist in a state of tension.
- These problems are resolved during social interaction—usually at work.
- Some people are better at this than others, and they tend to move into leadership positions.

What is Personality? Part 2

Personality must be defined from two perspectives, the actor's and the observer's:

- The actor's view concerns a person's hopes, dreams, and values (Identity).
- The observer's view concerns how others see that person (Reputation).
- Leaders have distinctive identities and reputations.

Personality and Leadership

The leadership literature is overwhelming. It can be separated into two traditions:

- The Troubadour Tradition: Opinions of self-appointed gurus and former CEO's.
- The Academic Tradition: Empirical research from Academia.

Evaluating the Two Traditions

- The Troubadour Tradition is entertaining but unscientific.
- The Academic Tradition is scientific but often trivial.
- The existing leadership literature does not contain a lot of useful information.

How to Define and Evaluate Leadership

- Leadership should be defined in terms of the ability to build and maintain a high-performing team.
- Leadership should be evaluated in terms of the performance of the team relative to the other teams with which it competes.
- This is rarely done.

Implications of the Distinction

- Fate of Careers vs. Fate of Organizations

Successful careers predicted by

Networking

Politicking

Effective leadership predicted by:

Motivating

Recruiting/Staffing

Disciplining

Career advancement is not the same as leadership

Key Points

- Leadership research typically focuses on how much individuals are liked, not on their effectiveness as leaders
- Leadership research should focus on group or team performance—leader effectiveness
- Leadership is real and impacts the bottom line
- Personality determines leadership style

What Do We Actually Know About Leadership?

- Competency Models
- Implicit Leadership Themes
- Good to Great Themes
- Personality Predicts Leadership
- The Corporate Elite is No Race of Heroes
- Leadership and Business Unit Performance

Competency Models

Every well run organization has a competency model. Every competency model contains the same four themes:

- *Intrapersonal Skills:* Integrity, emotional stability, self-control
- *Interpersonal Skills:* Ability to build and maintain relationships, compassion, empathy, humility
- *Business Skills:* Analyzing data, allocating resources, forecasting budgets and outcomes
- *Leadership Skills:* Vision, empowering staff, being a good role model

Implicit Leadership Themes

People want to see four things in their leaders:

- *Integrity:* Keep your word, don't play favorites
- *Decisiveness:* Make good decisions quickly
- *Competence:* Be good at the business
- *Vision:* Explain why it matters

Good to Great Themes

Characteristics of CEO's of Fortune 1000 companies with 15 years of sustained performance:

- Amazingly persistent
- Humble

Personality and Leadership I



Normal personality (reputation) is defined in terms of the following five themes:

1. Adjustment: Poise and self-confidence
2. Ambition: Leaderlike and decisive
3. Agreeableness: Charming and likeable
4. Prudence: Citizenship and rule following
5. Openness: Curiosity and imagination

Personality and Leadership II



- Judge et al. (2002) show that, across organizational level and industry sector, 4 of the 5 dimensions of personality predict rated leadership effectiveness with a multiple R of .55.
- Adjustment is the strongest predictor.
- Agreeableness is the weakest predictor.
- Personality predicts leadership performance better than IQ.

The Corporate Elite is No Race of Heroes

- Bad managers alienate employees and create negative business outcomes.
- What is the base rate of bad managers in business today?
- Depending on specifics, we estimate 50% to 75%.
- Bad managers interview well and are hired based on technical skill and business knowledge, not on talent for leadership.

Leadership and Business Unit Performance

An important meta-analysis (Harter, Schmidt, & Hayes, 2002) shows five things:

1. The personalities of managers directly influence employee satisfaction.
2. When employee satisfaction is high, positive business outcomes result.
3. When employee satisfaction is low, negative business outcomes result.
4. The link between leadership and unit performance is mediated by staff morale.
5. People don't quit organizations, they quit their boss.

Good Management and Corporate Profitability

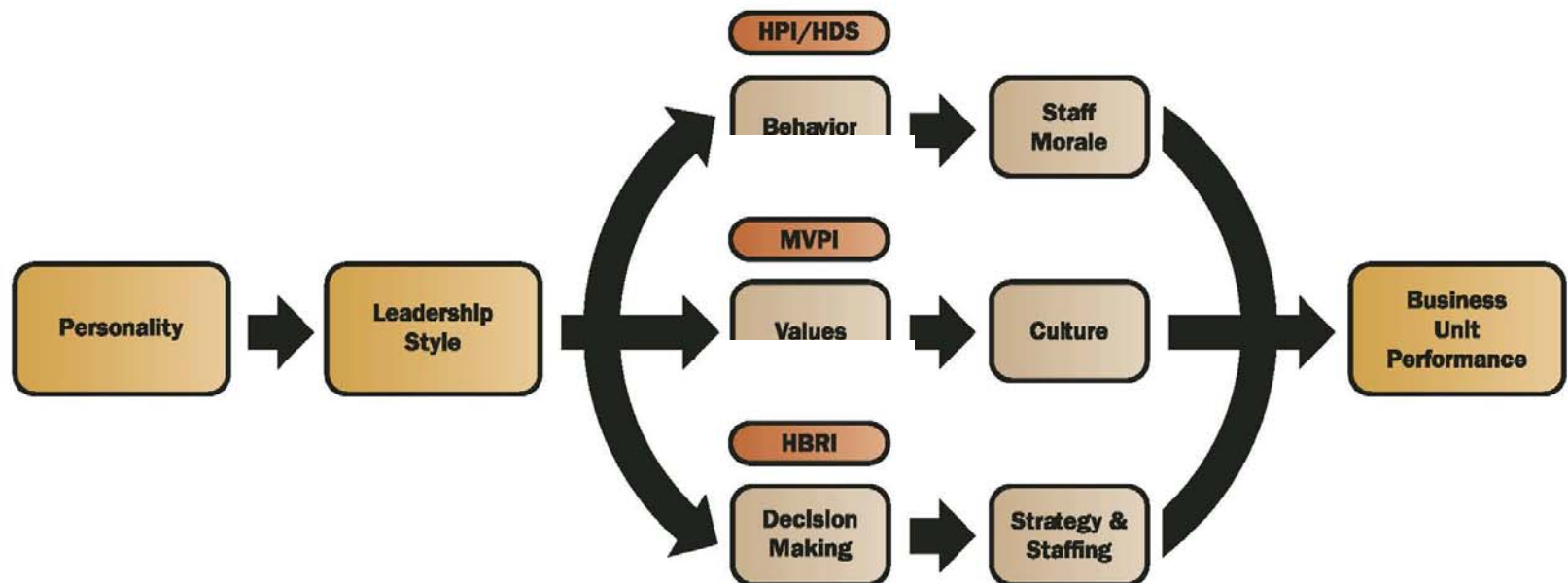
- Bloom and Van Reenen (2007) studied the management practices at 732 medium-sized companies in the U.S., France, Germany, and the U.K.
- To the degree that companies used good management practices, they made more money.
- Senior management determined the use of good management practices.
- The best managed companies were multi-nationals; the worst were government owned, or family businesses managed by the second generation.
- They later replicated these findings in Asia.

Leadership Matters

- Personality predicts leadership, good or bad.
- Leadership predicts team or firm performance, good or bad.
- What are the mechanisms involved?
- The next slide presents our model.

The Mechanisms of Leadership

HOGAN LEADERSHIP VALUE CHAIN



Linking Personality and Organizational Performance

- Psychologists focus on leader behavior—the upper path.
- Business schools focus on decision making about strategy, staffing, and structure—the lower path.
- Few people pay attention to values—the middle path.
- But values drive culture—and some cultures are more productive than others.
- All three paths are a function of personality.

What is Personality? Part 3

- We think about personality in terms of the “Bright Side,” the “Dark Side,” and the “Inside.”
- The Bright Side describes people when they are at their best.
- The Dark Side describes people when they are stressed or careless.
- The Inside concerns people’s core values.

Dimensions of the Bright Side: Strengths

- Dimensions of normal personality
- Predict positive leader performance
- Defined in terms of five themes:
 - *Adjustment*: Poise and self-confidence
 - *Ambition*: Decisive and proactive
 - *Agreeableness*: Charming and likeable
 - *Prudence*: Citizenship and rule following
 - *Openness*: Curiosity and imagination

Dimensions of the Dark Side: Developmental Challenges



- Personality characteristics that undermine leadership performance
- Research reveals 11 characteristics
 - Examples
 - *Excitable*: Emotional, volatile – yells at people
 - *Arrogant*: Entitled, vain – never makes mistakes
 - *Dutiful*: Loyal to a fault - excessive respect for authority

Dimensions of the Inside: Values

- Each person's key motives and values
- Values determine the environment leaders create
 - Examples
 - *Power*: Results oriented environment
 - *Affiliation*: Lots of meetings and teams
 - *Commerce*: Focus on profitability and the bottom line

Using Personality

- The three sides of personality can be assessed, and the three assessments can be used together:
 - *The Bright Side* – A leader's strengths
 - *The Dark Side* – A leader's personal challenges
 - *The Inside* – A leader's motives and values
- We use these measures to study and improve leadership in organizations
- Consider some examples:

U.S. Technology Company

- 80,000 employees world wide
- Need to identify future leadership talent
- 426 leaders in 23 countries completed the assessments (Bright Side, Dark Side, Inside)
- Two hour feedback sessions
- Feedback described as “career changing”, “personally insightful”
- Feedback rated 96 out of 100 points for quality

Fortune 500 Pharmaceutical Company

- Wanted to improve selection of top level executives
- 117 top executives completed Bright Side and Dark Side assessments
- Gathered performance data
- High performers received high scores on Bright Side dimensions of Adjustment, Ambition, and Openness (smart, energetic, and confident)
- High Performers received low scores for Dark Side dimensions of Excitable, Cautious, and Dutiful (calm and independent)

Fortune 500 Communications Company

- Wanted to improve selection of top level executives
- 122 top level managers completed the Bright Side and Dark Side assessments
- Gathered performance data
- High performers received high scores on Bright Side dimensions of Ambition, Agreeableness, and Prudence (energetic, good citizens)
- High performers received low scores on Dark Side dimensions of Skeptical, Leisurely, Mischievous, and Imaginative (more good citizenship)

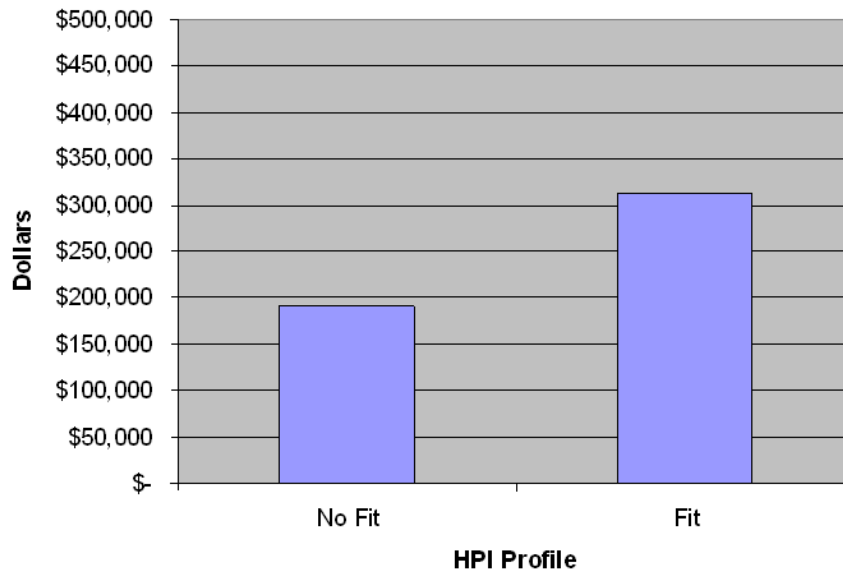
World Leading Food and Beverage Company

- 150,000 employees world wide
- Wanted to identify middle managers with leadership talent
- 275 managers completed all 3 assessments.
- Gathered performance data
- Assessments correlated $R = .63$ with rated performance

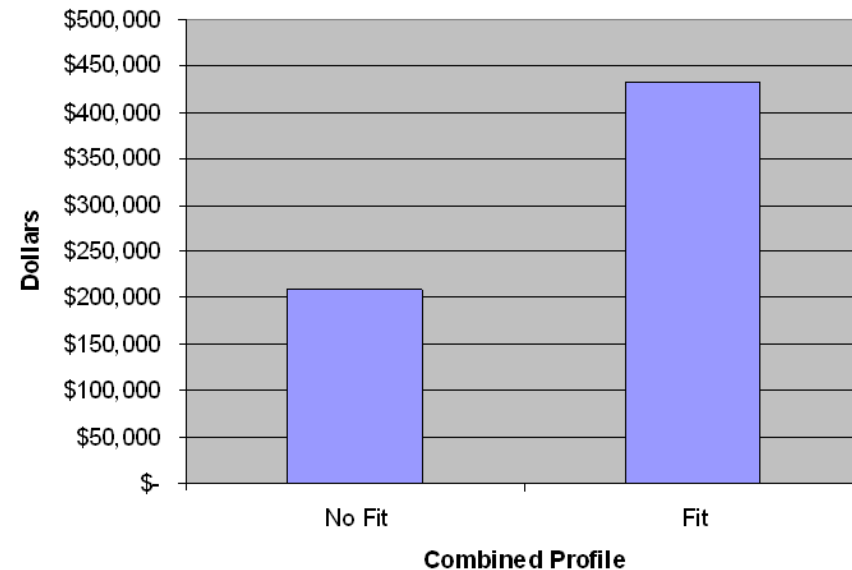
Fortune 500 Financial Services Company

- Developed personality and values profiles to predict performance
- Collected performance data
- Fit with profiles increased annual contribution from \$120,000 to \$220,000 per employee

Personality Only



Personality & Values



Components of Organizational Effectiveness

- Talented team members—found through good selection procedures
- Good management—found with good selection procedures
- Motivated team members—developed through good management
- An effective business model
- Monitoring systems to keep track of the first four.

Last Thoughts

- Leadership matters—the persons in charge of an organization can make or break them.
- Good leadership is a function of personality.
- Bad leadership is a function of personality.
- Every organization has problems with selection procedures, with poor managers, with ineffective strategies, and with poorly designed monitoring systems.
- The best organizations are the ones that make the fewest mistakes.
- Remember Thucydides