

Former Enron executive Kenneth Lay, centre, leaving court in Houston, Texas in May 2006, after being found guilty of fraud and conspiracy.

# Follow my leader

The Enron scandal forced researchers to rethink their ideas of what makes an effective leader, says Dr Rob Yeung

Over the years, business school and university research has thrown up many competing models of effective leadership. In terms of this kind of rigorous academic research, is the notion of ethics in leadership on the rise or fall?

In the 1980s and 1990s, perhaps the dominant model of leadership was the transformational theory. Studies by researchers such as the late Bernard Bass found that transformational leaders motivate their followers through four behaviours:

- \* creating exciting visions that inspire followers
- \* using their charisma – personality, words and behaviour – to engender admiration and loyalty
- \* intellectually stimulating followers by challenging them and encouraging them to take risks
- \* emotionally caring for followers by paying attention to their individual needs.

Hundreds of studies worldwide subsequently explored the impact of these behaviours, generally finding that transformational leaders were associated with positive outcomes such as happier employees.

However, critics pointed out that executives such as Enron founder Kenneth Lay and CEO Jeffrey Skilling were both highly transformational. Yet their unethical and eventually illegal behaviour led to the downfall of Enron and massive corporate value destruction.

As a result, researchers created a newer theory of 'authentic' leadership, comprising four behaviours:

- \* having an accurate understanding of one's values, emotions, strengths and weaknesses



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- \* taking on board the views of others
- \* sharing one's genuine thoughts and emotions
- \* being guided by a moral and ethical code and a desire to make a difference.

Further studies showed that authentic leader behaviours were also associated with positive work outcomes. In truth, both types of leadership behaviours are related to leaders' effectiveness; but the authentic model recognises that leaders can be quietly effective, without being rousing, charismatic figures. Authentic leadership at its core focuses more heavily on consensual and ethical behaviours.

There are other differences between the two. A 2016 academic paper compared the leadership models of 25,452 individuals. Researchers led by the University of North Carolina at Charlotte's George Banks found that transformational leadership behaviour tended to be associated with higher follower satisfaction and task performance, while authentic leadership was linked to higher group and organisational performance. In other words, transformational leaders make followers happier and get them to perform individual tasks better, while authentic leaders get better collective results.

Since the start of 2016, around 27,100 research papers have been published on transformational leadership, and 29,600 on authentic leadership. But the figures for 2017 tell a different story: 12,600 on transformational leadership, and 17,000 on authentic leadership. This suggests that the focus on ethics in leadership as a topic will continue to grow. <sup>42</sup>