Continuous development of leadership in a complex and multicultural environment.
CASE: Global equipment manufacturer

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Master's thesis of
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Management Summary

A first target of the thesis was to find out what theoretical frameworks and approaches should be studied when initiating continuous leadership development practices for a small to medium sized enterprise operating in a complex and international environment. A second target was to analyze the current state of a leadership in the case company and define what should be the first steps to further develop the organizations' leadership capabilities. A third target was to design and implement actions that would ignite the leadership development and then put in place required processes to foster the sustained development of organizations' leadership capabilities.

In the second chapter, a cyclic nature of continuous improvement and philosophy of the Lean leadership are introduced. The third chapter provides an overview on different aspects of defining the leadership. The fourth chapter gives an overview of different aspects to keep in mind when developing the effectivity of a leadership. The key aspects include "The three skill" -approach, Emotional intelligence competencies, understanding the surrounding world through the systems thinking and the cultural challenges highlighted by the global operation environment of today's businesses.

State analysis was conducted by a 360-feedback survey, which was conducted together with a partner company. Analysis of the results show that knowledge management and soft skills were the weaknesses of the organization while the clarity of basic mission and decision-making capability were considered as strengths.

As development actions, a kick-off event with a 360-feedback group review was kept. The event also included a dinner, some evening program and the development workshop for determining the list of action points for the whole organization. To ensure the continuity and progress of the development a second leadership development event and some follow-up meetings were organized later. Also, an annual calendar for the leadership development and a SharePoint page were introduced to set a pace for further actions.

Key words: Continuous improvement, Lean, Leadership, Development, Emotional intelligence, Systems thinking, Learning organization, Cultural dimensions, 360-feedback.

Tiivistelmä

Ensimmäinen opinnäytetyön tavoite oli tutkia mitä teoreettisia viitekehyksiä ja näkökulmia on syytä hahmottaa, kun ollaan hyödyntämässä jatkuvaa parantamista johtajuuden kehittämisessä pienissä ja keskisuurissa yrityksissä, jotka toimivat kompleksissa ja kansainvälisessä ympäristössä. Toinen tavoite oli muodostaa tilannekuva yrityksen johtajuuden tämänhetkisestä tilasta. Tilannekuvan perusteella voitiin yhdessä asettaa tavoitteet ensimmäisille kehitystoimille. Kolmas tavoite oli suunnitella ja toteuttaa sellaiset toimenpiteet, joilla käynnistetään johtajuuden kehittäminen jatkuvan parantamisen periaatteita hyödyntäen.

Toisessa luvussa esitellään jatkuvan parantamisen ja Lean-johtamisfilosofian tärkeimpiä näkökulmia, kuten lineaarisen ajattelutavan korvaaminen syklisellä. Kolmannessa luvussa perehdytään johtajuuden määrittelyn haasteisiin, sekä yrityksiin yhdistää erilaisia näkökulmia. Neljäs luku käsittelee johtajuuden kehittämistä. Luvussa tarjotaan laajempi kuva siitä, millaisia näkökulmia on pidettävä mielessä, kun johtajuutta kehitetään. Keskeisimpinä aiheina ympäristön tapahtumien ymmärtäminen, ihmissuhde taidot ja kansainvälisen toimintaympäristön tuomat kulttuuriset haasteet.

Tilanneanalyysi suoritettiin yhteistyökumppanin kanssa hyödyntäen 360-palaute kyselyä. Analyysin perusteella voitiin todeta, että osaamisen johtaminen ja ihmisten johtaminen olivat organisaation heikkouksia, kun taas organisaation perustehtävän ymmärtäminen ja päätöksentekokyky koettiin vahvuuksiksi.

Ensimmäisinä kehitystoimina järjestettiin aloitustapahtuma, joka sisälsi 360-palautteen ryhmäpurun, yhteisen illallisen illanvietteineen, sekä työpajan seuraavien toimenpiteiden määrittämiseksi. Jatkuvuuden varmistamiseksi seurantapalavereita ja toinen johtamisen kehittämistapahtuma järjestettiin myöhemmin. Yritykselle luotiin myös johtajuuden kehittämisen vuosi kello ja Sharepoint-sivusto.

Avainsanat: Jatkuva parantaminen, Lean, Johtajuus, Kehitys, Tunneäly, Järjestelmäajattelu, Oppiva organisaatio, Kulttuuriset ulottuvuudet, 360-palaute.

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Abbreviations

HBR, Harvard Business Review
CLT, Charismatic Leadership Tactic
LMX, Leader-Member-Exchange
KPI, Key Performance Indicator
HRD, Human Resource Development
HRM, Human Resource Management
HR, Human Resource
CEO, Chief Executive Officer
CFO, Chief Financial Officer
COO, Chief Operating Officer
CHRM, Chief Human Resource Manager
CI, Continuous Improvement
SME, Small and Medium-sized Enterprise
OCN, Organizational Cognitive Neurosciences
CLT, Complex Leadership Theory
NUMMI, New United Motor Manufacturing, Inc.
GM, General Motors

1 Introduction

This thesis is about initiating continuous development practices of the leadership competences and capabilities of the leaders on all the levels of an organization. The case example in the thesis is a global equipment manufacturer classified as a medium-sized enterprise according to the Eurostat classification[1].

Leadership development is usually considered as part of the human resources management (HRM) or human resource development (HRD) function of the organization. Large corporations have long had succession programs and other leadership development practices as an integral part of the corporate strategies. These companies have developed their leaders internally for decades by dedicated training organizations or even corporate universities like General Electric's Crotonville leadership institute founded in 1956.[2] Small and medium-sized enterprises (SMEs) very rarely have even a single person let alone a whole organization dedicated for function of human resource development, thus a whole subject can be easily overlooked. While it does not make sense for a SMEs to try to mimic these likely very inefficient practices of large corporations, there is clearly a potential for increasing the organizational performance by defining and actively using formal leadership development practices at SMEs.

While SMEs can have some advantages over larger enterprises by benefiting more from the informal leadership development practices due to close relationships between managers of the different organization levels, the formal practices should not be forgotten. It is very common that there are very few or no formal leadership development practices in use in SMEs. One common reason for the low utilization of leadership development practices is the organization not being aware of the existing skill gaps[3]. At the same time, a 2016 report from the Deloitte[4] states that 89% of the companies think that leadership challenge is urgent and increasing in importance.

Some of this discrepancy might be caused by the deeply rooted views of considering the leadership as a trait that people are born with rather than a skill to be developed. Another reason for low utilization is found to be missing connection between business strategy and leadership development practices. This can be caused by a simplistic strategy formulation typical of

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[1] Eurostat (2016).

[2] GE (2018).

[3] Garavan, Thomas; Watson, Sandra; Carbery, Ronan & O'Brien, Fergal (2016) pp. 871.

[4] Wakefield, Nicky; Abbatiello, Anthony; Agarwal, Dimple; Pastakia, Karen & van Berkel, Ardie. (2016).

SMEs that can lead to very little formal matching of strategy to HRM-practices. Paradoxically, the third reason for the low utilization of leadership development practices is the lack of human resource (HR) expertise. A HR specialist has a pivotal role in justifying the benefits of leadership development to the highest decision-making body of SME.[5]

1.1 Targets and scope of the thesis

The targets of the thesis were formulated together with different chief executive officers of Logset. The project was started with Tapio Ingervo and continued with Jussi Malmi. The research questions of this thesis are formulated as follows:

1. What are the paradigms to be kept in mind when creating continuous leadership development practices?
2. What is the initial state of leadership at the case company and what should be the first target of improvement at the case company?
3. What kind of processes should the case company have to ensure continuous improvement in the area of leadership?

First and foremost, the target of this thesis is to provide the target company with a timely, fitting and practical framework for leadership development practices that would, when applied lead to concrete, measurable increase of organizational performance. Secondly, when successful, this thesis work will define a measurable set of variables that can be continuously monitored to evaluate the effectiveness of leadership development activities, thus allowing continuous improvement of leadership development practices at the company. Another challenge comes from multiple nationalities among the company's leaders, employees and stake holders.

While acknowledging the crucial role of the management side on organizational performance, this thesis work has strong focus explicitly on the aspect of leading people. Similarly, strategic and visionary leadership aspects, usually more associated with top level executives are left with very little attention in favor of focusing more sharply on the human aspect of organizational leadership. As result of this framing, this thesis work will be equally useful for developing leaders at all the levels of the organization.

Simultaneously to the academic part of the thesis work, an actual leadership development program was introduced at the Logset. To make sure that the thesis work would benefit this leadership development program, a certain level of synchronization of the thesis goals and the company goals was required.

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[5] Garavan, Thomas; Watson, Sandra; Carbery, Ronan & O'Brien, Fergal (2016). pp. 874.
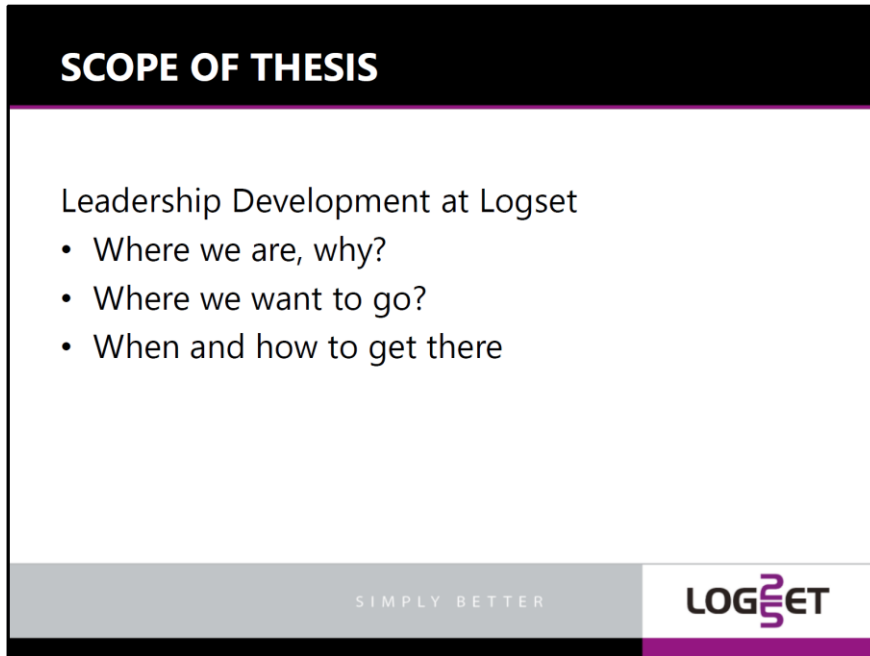
Figure 1: Scope of the thesis as presented to Logset's board of directors.

Before the initiation of the thesis work, a mandate from the company's board of directors for the scope and goals of thesis was acquired by presenting the program at the annual strategy meeting as a part of the "Team Logset" – a strategic focal point for 2018. **Figure 1** is an excerpt from that presentation. The leadership development program was accepted and is now part of Team Logset – one of the six key focal points in the company's strategy.
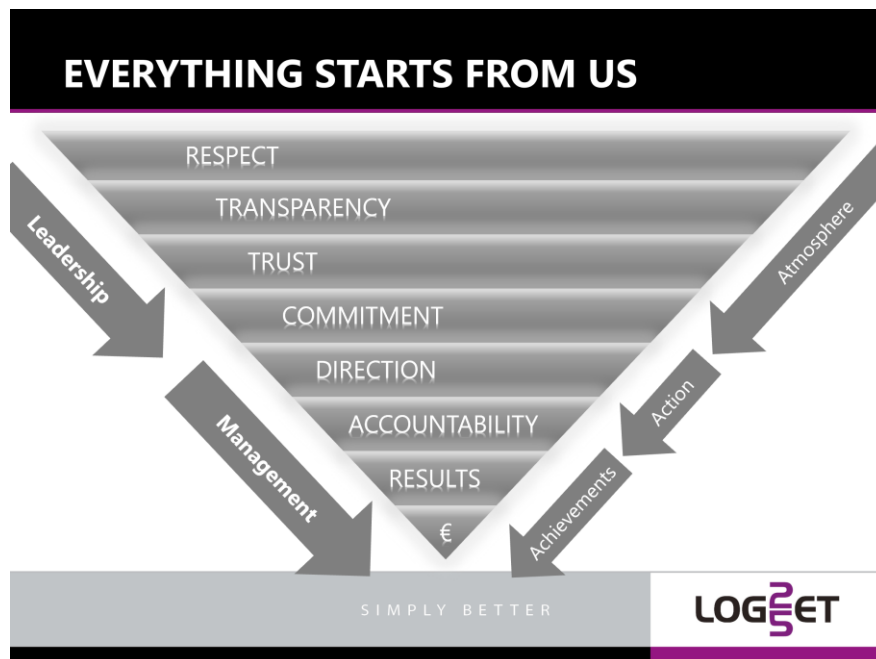
Figure 2: Another excerpt from the presentation that introduced the development project to the board of directors. (Adopted from [6])

The role of the leadership for the results and earnings is a very important thing to point out to warrant the investments in time and money involved in the leadership development project. **Figure 2** shows one attempt to visualize these relations.

1.2 Structure of the report

In Chapter 2, we provide an overview of continuous improvement principles made famous by Toyota and the Lean-movement. Chapter 3 offers an overview to the multidiscipline nature of the leadership and discuss the definition and different paradigms of the leadership studies. Chapter 4 explores a question related to leadership development such as are leadership capabilities something you born with or are they a set of skills that can be developed? Chapter 5 introduces the case company and the case study that was conducted. Chapter 6 summarizes the results of the study. Chapter 7 introduces recommended actions based on results found in the survey. Chapter 8 provides the summary of the thesis, discussion on restrictions of the study and a short outlook to the future.

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[6] Lencioni, Patrick (2002) pp. 188.

2 Continuous improvement

2.1 Emerging of continuous improvement principles

One of the first uses of continuous improvement principles took place in the US and dates all the way back to the end of the 19th century. After the Second World War, the US industry was booming up and companies in the US mostly forgot the principles of the continuous improvement. During the US military occupation in the Japan in the late 1940's, the practices of continuous improvement were imported to the Japanese industry.[7]

Kaizen – as Japanese call the continuous improvement – is considered as one of the key pillars of Japanese industrial success in late twentieth century.[8] In the 1980's, the Kaizen principles started to drift back to the US[9]. One of the most famous adaptations of the Kaizen principles in the US was done by Toyota in 1984 at NUMMI (New United Motors Manufacturing Incorporated). NUMMI was a 50-–50 joint venture with Toyota and GM.[10] Imai Masaaki has been commonly credited for the introduction of Kaizen in a modern industrial setting.[11] [12]

The authors of "Toyota way to lean leadership", Liker & Convis, divide Kaizen into two distinct types: maintenance kaizen and improvement kaizen. Maintenance kaizen is urgent and immediate reacting to varying circumstances or unexpected incidents. Maintenance kaizen aims to meet the standards. Improvement kaizen on the other hand, aims to create new, higher standards for operational excellence. Improvement kaizen is in the real goal, but without relentless maintenance kaizen effects of successful improvement kaizen will dilute over the time.[13]

2.2 Lean leadership

A widely popular approach to managing an industrial manufacturing company is the Lean manufacturing. Lean, however, is a lot more than a set of practical management tools for reducing inventory and getting a clean factory. Lean leadership is a leadership approach that is characterized by taking followers strongly in the consideration. Lean is considered to originate

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[7] Singh, Jagdeep & Singh, Harwinder. (2015) pp. 77.

[8] Bhuiyan, Nadia & Baghel, Amit (2005) pp. 762.

[9] Maurer, Robert (2006) pp. 23.

[10] Liker, Jeffery, K. & Convis, Gary L. (2012) pp. 45.

[11] Manuel, F.; Ramis-Pujol, Juan & Kerbache, Laoucine (2011) pp. 288–289.

[12] Lynch, Mark (2014) pp. 38.

[13] Liker, Jeffery, K. & Convis, Gary L. (2012) pp. 122–124.

from Toyota Production System and has been a major buzz-word in industrial management over the last few decades. The popularity of the term has had many side effects, one of the most serious being reducing lean to a set of quick fixes. These quick fixes, like measuring process, reducing batch sizes and eliminating waste have been successful in boosting the performance in the short term, but over the time effects have seen degrading. A common answer to this is to push leaders to demand more, to set more aggressive targets and to use incentives and punishments to make people deliver. While this and other common managerial interventions commonly improve things, the effects tend to degrade quickly, and no long-term change is achieved.

According to Liker & Convis, a general conclusion among successful lean practitioners is that, to create sustaining excellence, a commitment from leaders to lean principles and culture of continuous improvement is critical. The traditional, vertical, or top down mindset, where people are expected to comply with supervisors and simply do their job and get their own and the department's numbers look good is simply not compatible with lean practices. For sustainable excellence, that successful lean adoption promises a novel, horizontal, value flow-oriented mindset is required. This mindset orients the whole organization towards creating customer value and cross -functional performance instead of sub-optimizing functional departments.[14]

In the Lean leadership approach, the organizational learning is seen as a key to continuous improvement. Torkkola divides organizational learning into education and training. People learn the best by solving problems; in the lean approach, a problem is not just a defect or mistake but also a difference between the present and the desired state of matters sometimes referred as "gap". [15]

In many cases, the best reaction to an issue is not an overall system overhaul but a series of small and easy-to-implement changes that move the organization closer to the desired state. This is the one of the main characteristics of the Lean principles and it enables the organization to start moving in the right direction very quickly.

In their latest book, Poppendieck & Poppendieck introduce a framework for lean leadership in **Figure 3**. Although the authors write about leadership; reliable delivery, technical excellence and relentless improvement seem to fall more to the management side and thus are not further discussed in this work. Other three; systems thinking, great people and aligned leaders are clearly more on the reign of leadership and are further discussed in the thesis.

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[14] Liker, Jeffery, K. & Convis, Gary L. (2012) pp. 3–6.
[15] Torkkola, Sari (2015) pp. 32.
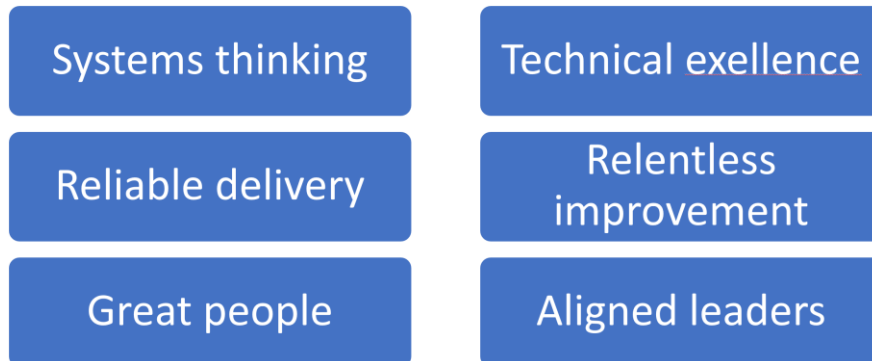
Figure 3: Framework for leading the lean organization (Adopted from [16]).

Although the focus of the book is on the leading lean software develop-ment, most of the examples described in the pages of the book come from more traditional organizations like Toyota, South West airlines, 3M, W. L. Gore and US Army.

One example of leader's capability on **Systems thinking** was Taiichi Ohno's insight on factory productivity; where Adam Smith's division of labor suggested that factory work should be divided so that workers could spe-cialize in one task to increase productivity Ohno understood the value of multi skilled workers, capable of absorbing variety and improving their ways of working. Another great insight by Ohno was to ditch the idea of the work studies conducted by efficiency experts introduced by Fredrick Winslow Taylor's scientific management and instead train production workers to measure their own work and develop the processes by themselves.[17] Sys-tems thinking is further discussed on Chapter 4.3.1.

Great people incorporates' the most fundamental corner stone of the Toyota way; Respect[18]. Mutual respect means that respect flows vertically from top leadership to factory floor workers and back, horizontally between team members, across teams and departments as well as externally to cus-tomers, suppliers and other stakeholders.[19] Respect also shows in another Toyota core value; Go and see. This means that leaders' value highly the people who know the actual work and regardless of job title are committed to help those who create the actual customer value.

[16] Poppendieck, Mary & Poppendieck, Tom (2010) pp. xix.

[17] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 5–11.

[18] Liker, Jeffery, K. & Convis, Gary L. (2012) pp. 38.

[19] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 203–204.

"Great leadership is most important at the front-line levels of any organization because this is where a business most directly touches its employees and customers." [20]

For a lean organization to grow great people and front-line leaders, it must be based on reciprocity instead of remuneration. An employee at a remuneration to company works for the company purely because he gets paid to do so. This is not compatible with lean principles. At a reciprocity company, employees feel that the company has helped them to develop and reach their full potential, their efforts have been compensated, and they are committed to return the favor.[21]

Aligned leaders emphasize the need of leadership on all levels of organization to provide purpose foster learning and make other people better. Leaders across the company are setting the tone and pace of the organization. The leader's role in a lean organization is to foster the atmosphere, coordinate efforts and solve problems. Alignment means that if the lean approach is to be successfully applied at a company, like any change, also the lean transformation requires that key people agree on two critical things: Where we want to go and how to get there? The second question is often even more difficult, it requires people to share a common understanding about cause and effect. This is especially difficult in the lean framework because it is counterintuitive and contradicts partly with the common wisdom of traditional organizations. Causal relations behind lean thinking are not evident in short term empirical observations, they require systems thinking approach to be understood. [22]

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[20] Parker, James F. (2008) pp. 91.

[21] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 200–202.

[22] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 219–224.

The current economic conditons requre steep cost cutting. What is the best approach to reducing cost?	
Drive the cost out of each department.	Eliminate costs between departmetns.
Total cost is the sum of individual departmetn costs.	Driving down costs in each department will usually drive *up* overall costs.
Cutting costs across the board is the easiest, fastest way to drive down total cost.	The best opportrunity for cost reduction is found *between* departments.
Department heads shoud be responsible for costs they can control.	Department heads should be responsible for costs they can *influence*
Does everyone on your leadership team agree *on the likely outcomes of each choice?*	

Figure 4: Traditional vs Lean thinking, Example questions from aligned leaders' questionnaire.[23]

In Figure 4, there are a few examples from the question set introduced by Poppendieck & Poppendieck, that can be used for benchmarking your team's agreement on the lean principles.[24]

Liker & Convis[25] describe a lean leadership development in four stages: self-development, coach and develop others, support daily kaizen and create vision and align goals. While daily kaizen is not easily translated it could be summarized as reactive and proactive, continuous development towards perfection. These are the corner stones of leadership development in Toyota.

2.3 Systemization of continuous improvement

To enable systematic continuous improvement a process model for improvement must be defined. Leaders' role is to coach and communicate this model and make sure people know how to apply this process model in practice.[26]

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[23] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 238.

[24] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 236–240.

[25] Liker, Jeffery, K. & Convis, Gary L. (2012) pp. 31.

[26] Torkkola, Sari (2015) pp. 114.
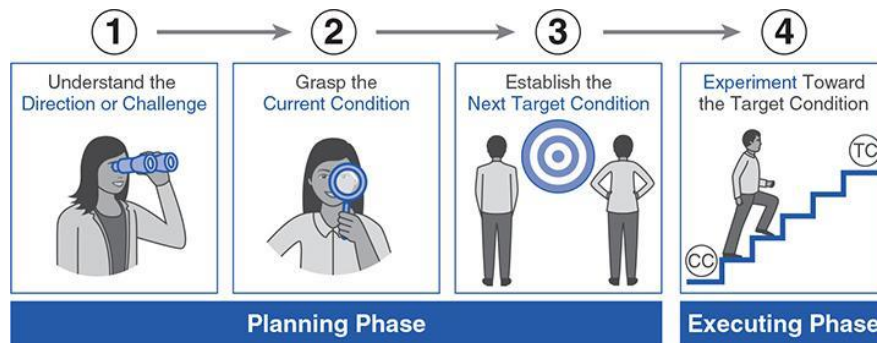
Figure 5: Improvement process model[27]

Figure 6: Scientific thinking[28]

Rother's improvement process model (**Figure 5**) also used by Torkkola is a four-step model that aims to direct people towards the scientific thinking[29] and learning (**Figure 6**).

The **first** step of the improvement process model is to understand the challenge and form a goal for the whole process. A leaders' role is to make sure everyone involved understands the challenge and goal in the same way. The **second step** is about understanding the current condition in depth before any changes are made. It is also critical to set measures and evaluation criterion which will be used to determine if the implemented changes move the organization towards the goal or not. Step one and two are typically done only once per problem where the steps tree and four are repeated in iterative cycle until the initial challenge has been solved. The **third step** is about agreeing a next target condition that would move organization a step closer to its goal. The **fourth step** is a purely an implementation phase where different things should be experimented to see what will move organization towards the next target condition.[30]

Experimental implementation can be done as described by the PDCA -cycle (Plan–Do–Check–Act) (**Figure 7**)

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[27] Rother, Mike (2017) pp. 37.

[28] Rother, Mike (2017) pp. 29.

[29] Rother, Mike (2017) pp. 31.

[30] Torkkola, Sari (2015) pp. 115–119.
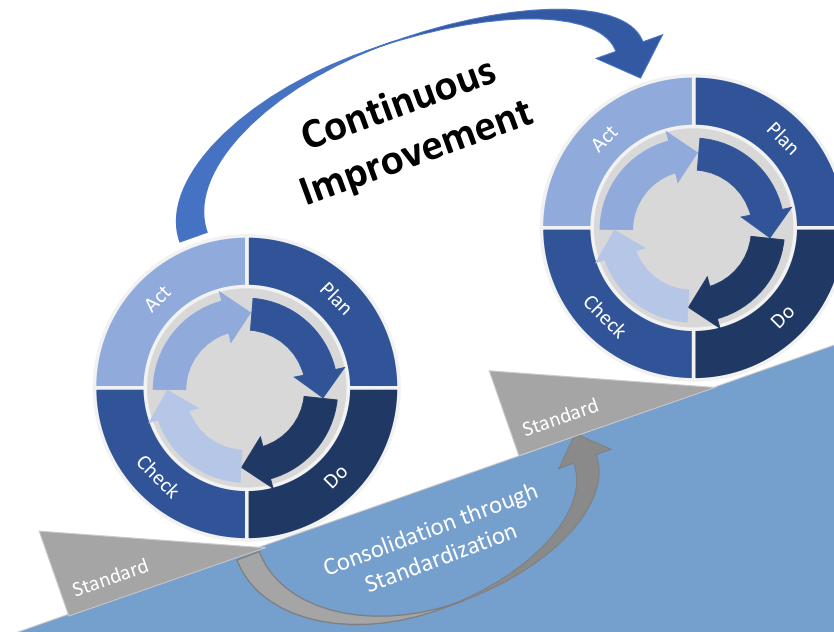
Figure 7: Plan–Do–Check–Act (PDCA) -cycle and continuous improvement.[31]

Plan – Transform idea from thought to hypothesis and find out criteria for evaluating the results. **Do** – Implement a practical test to for assessing the validity of the hypothesis. Keep the test as small as possible. **Check** – Was the test successful? Does it confirm the hypothesis? Is the result reliable? Did the test reveal some new information? **Act** – Decide whether the change to the way of working should be made in a larger scale, hypothesis should be altered and re-tested or the whole idea discarded. PDCA -cycles should be as fast as possible, which means that experiments done should be as small as possible.[32]

> *"If you think of the standard as the best you can do, it's all over. The standard is only a baseline for doing further kaizen."*
> *– Taichi Ohno* [33]

Responsibility of implementing actual changes and improvements should be always be given to the people doing actual work. This ensures that the accountability and acceptance of the new ways of working comes as a built in with the solutions. This is where top-down introduced process

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[31] Pemberton, Robert (2017) pp. 59.

[32] Torkkola, Sari (2015) pp. 41–43.

[33] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 163.

improvements and changes that work perfectly in the paper or in the lead-ers' mind usually take a crash-course with the reality. This is to be consid-ered as a critically important note since one of the most common misunder-standings in Kaizen implementations have been the understanding who should be responsible for Kaizen in the organization. It is not uncommon to see senior executives act as change agents or Lean consultants writing down process models for the factory workers or managers to follow. This top-down-driven approach can seem to work for a while, but when the con-sultant leaves, things start to degrade only to return to the original state and yet another lean implementation is in turmoil.[34] For sustained excellence Kaizen must be carried by people at all levels of the organization.[35]

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[34] Liker, Jeffery, K. & Convis, Gary L. (2012) pp. 124.

[35] Liker, Jeffery, K. & Convis, Gary L. (2012) pp. 125.

3 Leadership

3.1 Definition of leadership

Due to the words leadership and management being very similar words in Finnish language (Johtajuus and Johtaminen) it is especially important to emphasize the difference between leadership and management. As there is no single, commonly accepted definition available for purposes of this thesis I have selected the one from Andrew J. Dubrin, who states that leadership deals with interpersonal aspects whereas management deals with the administrative and more technical aspects of the managers' job.[36]

> *"The difference between leaders and managers is that managers must deal with the "technical" aspects of running an organization. Leaders must deal with the "people" aspects. Both kinds of skills are necessary for organizational success."* [37]

Definition of leadership is not trivial, and it has been over great debate during last century resulting over 850 definitions of leadership, many of which contradict with each other[38]. As Bennis[39], Stogdill,[40] and various other scholars have concluded, there is great number of different definitions for leadership none of them clearly defining the concept of leadership. This said as Northouse[41] points out, there are still few aspects that are central to leadership. First, Leadership is a process rather than a fixed trait or characteristic of a leader. This implies leadership as being interactive and driven towards results, a product of a process. Secondly leadership is seen as an act of influencing. Without influence, there is no leadership. Thirdly Northouse argues that leadership needs a group to emerge and explicitly rules out that leading yourself is not considered a part of leadership in context of his book. Fourthly, leadership is about attention to common goals, Leaders direct a group of people towards achieving common goals. Through these four notions Northouse forms the following definition for his purposes:

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[36] Dubrin, Andrew, J. (2016) pp. 5.

[37] Dubrin, Andrew, J. (1997)).

[38] Bennis, Warren, G. & Nanus, Burt (2007) pp. 17.

[39] Bennis, Warren (1959, p) pp. 259

[40] Bass, Benrard & Bass, Ruth (2009) pp. 84.

[41] Northouse, Peter, G. (2016) pp. 6.

"Leadership is a process whereby an individual influences a group of individuals to achieve a common goal."

While Northouse implies that leadership requires a group of individuals another viewpoint is given by Kellerman starting her article by stating that to have a leader there needs to be at least one follower. For purpose of this thesis I have selected the following definition from Silva's 2016 research paper "What is Leadership?" [42]:

"Leadership is the process of interactive influence that occurs when, in a given context, some people accept someone as their leader to achieve common goals"

In line with Northouse, Silva describes, leadership as a process and emphasizes leadership being a series of actions rather than fixed, personal qualities. Framing leadership as a process also makes it subject to development actions like to any other processes.

By describing leadership as **interactive influence** means that instead of viewing leadership as top-down activity where leaders influence followers it is viewed as dyadic interaction between the leader and a follower. This dyadic view is also prominent in Leader-Member-Exchange (LMX) and authentic leadership theories [43].

The point that Silva's definition adds to Northouse's is a notion of leadership being tied to a context. Hernandez asserts that, even though the **context** of leadership is constantly changing in organizations due to external and internal factor's this aspect has often been neglected in Leadership research. Kellerman[44] states that as much as leadership has changed from the times of kings and queens and from the principles of command & control towards empowerment, teams and flattened organizations it is not the people alone who have changed, but the context where leadership happens as well.

By stating that a leader is someone who has been **accepted to act as a leader by people,** the dyadic nature of leadership is further emphasized. Silva even goes forward to point out that leadership process ends if followers simply stop following their leader. This also implies that the leader can be anyone, regardless of the formal position at the organization. Additionally, Northouse[45] identifies leadership that is based on the organizational position as assigned leadership and leadership that is based on spontaneous support and acceptance of other people as emergent leadership.

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[42] Silva, Alberto (2016) pp. 3.

[43] Eberly, Marion; Johnson, Michael; Hernandez, Morela & Avolio, Bruce. (2013) pp. 1171.

[44] Kellerman, Barbara (2014) pp. 2–10.

[45] Northouse, Peter, G. (2016) pp. 9.

The purpose of the whole leadership process is the achievement of the selected, **common goals**. If followers see leader acting contradictory to common goals, it might have severe effects on leaders' ability to influence followers.

3.2 Different leadership theories

Scientifically, leadership is a very wide and multidimensional topic, mostly considered being part of organizational sciences, a sub-branch of social sciences. Additional to organizational sciences context, the same phenomenon's have very important, previously often overlooked part in the evolution of humans and other social animals[46]. This biological aspect of leadership is studied in natural sciences, neurobiology in particular.

For that reason, many key theories and methods of psychology are integrated part of organization and leadership research. Recently also the methodology and theories of neurosciences had more significant affects to leadership research. This more recently emerged paradigm of leadership research falls under the approach called "organizational cognitive neurosciences" or "OCN".[47] During last ten years social sciences and neurosciences have entered in the same realm of studying behavioral phenomena. These blurring borders of different scientific disciplines are now clearly affecting the field of leadership research.

Leadership in the context of social sciences has a very long history with leadership concepts being described by Egyptian civilizations over four thousand years ago (2300 B.C.E.). Many ancient philosophers like Chinese Confucius and Lao Tzu and Greek Aristoteles have written about the proper conduct of leaders and have had significant influence on leadership practices throughout the history.[48]

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[46] King, Andrew J.; Johnson, Dominic D.P. & Van Vugt, Mark (2019).

[47] Senior, Carl; Lee, Nick & Butler, Michael (2011).

[48] Bass, Benrard & Bass, Ruth (2009) pp. 53–55.

	1900s	1910s	1920s	1930s	1940s	1950s	1960s	1970s	1980s	1990s	2000s	2010s	2020s
Biological/evolutionary													
Information-processing													
New leadership													
Relational													
Skeptics													
Contextual													
Contingency													
Behavioral													
Trait													

Very Active Moderately Active Generally Inactive
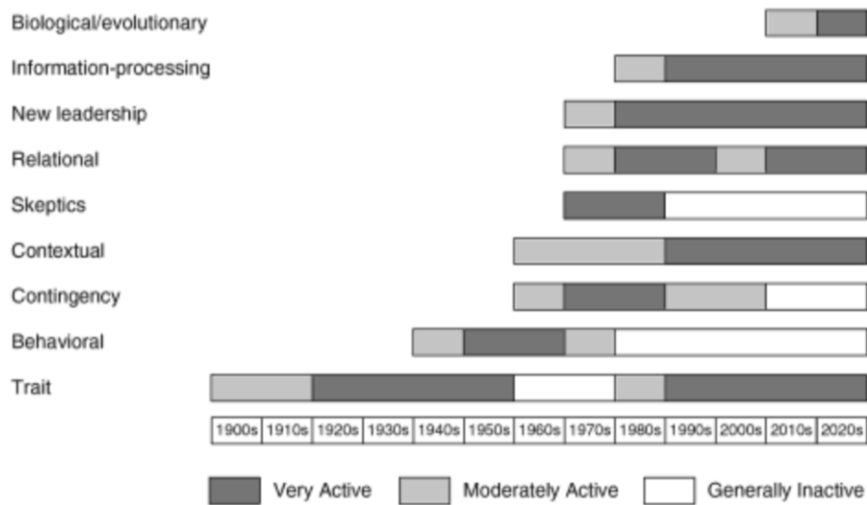
Figure 8: Different eras of the leadership research schools.[49]

Like many legends and stories about great leaders in the history books, the first wave of systematic leadership research in the early twentieth century focused on describing the qualities and traits of the great leaders in an attempt to find common denominators. A timeline of the different leadership research approaches is visually shown in **Figure 8**. Originally, the main idea of these trait theories, were that men with certain key characteristics are more suitable for leadership positions than others. Thus, by finding and evaluating these key-traits it was thought to be possible to find right people to hire and promote. In these approaches' leadership was very explicitly men's responsibility and great women like Joan of Arc and Catherine the Great were ignored. It was also thought that survival of the fittest and clear class division of people led in the formation of biologically different class of people that were better in leadership qualities as well.[50]

The trait approach, also referred as one of "great man" -theories is seen very intuitive and it easily fits to our everyday perceptions of people around us as well as stories in the media about great political, spiritual and business leaders. One of the big issues of the trait approach is that even though 100 years of research over the topic, researches have not been able to form a proper list of leadership traits. This leads many authors to select their own set of traits subjectively or based on weak research findings. Trait approach has also failed to clearly differentiate the traits that different context calls for.[51]

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[49] Antonakis, John & Day, David V. (2017) pp. 8.

[50] Bass, Benrard & Bass, Ruth (2009) pp. 186–189.

[51] Northouse, Peter, G. (2016) pp. 29–32.

Regardless of criticism around the trait approaches' validity and usability on developmental actions, it retains a firm foothold on being useful tool for assessing individual's aptitudes for certain position or a role.[52] One popular taxonomy for trait assessment is "The Big Five" personality factor, which has been found to correlate with leader's performance ratings[53]. Traits are mainly used as predictive evaluator of the leader's performance rather than as guidance for development actions. The latest studies on neuroplasticity and possibilities of altering traits through deliberate practice as suggested by Goleman and Davidson in their latest book "Altered traits" might change this. Their study found that depending on the length of practice even sustained, physiological changes to the human brains are possible resulting improved working memory, selective attention, impulse control, stress handling, empathy and attunement among other effects.[54]

After Stogdill's 1948 review of 128 leadership studies, the focus of scientific studies shifted from traits and characteristics that leader possesses to situation and context where leadership happens.[55] The Contextual leadership is still a highly active approach (see **Figure 8**).The Core idea in this approach is that large contribution of leadership effectiveness comes from the context where leadership happens, meaning that certain practices or leaders' behaviors that were very effective in one situation can proof to be very inefficient in an another one. The argument is that by taking a leader centric approach we easily fall prey to the assumption that a once successful leader, would be also successful in the future in a different setting. Context based approach credits situation where leadership happens as the equally important factor of leadership effectiveness as leader's individual actions.[56]

In the mid twentieth century, Charismatic leadership emerged as extension to trait theory and is closely associated with transformational leadership. Based on some sources charismatic leadership could be even viewed as leader centric approach to the same phenomenon that transformational leadership is describing from the process point of view.[57] The classification of transformational / transactional leadership was originally used to classify political leaders by Burns. Later, this classification has been used to study various types of leaders from sports to business as well.[58] A transformational leader is seen as highly engaged and attuned with followers, forming a real connection and sensing their motives and needs. Transformative

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[52] Northouse, Peter, G. (2016) pp. 29–32.

[53] Day, David V.; Fleenor John W.; Atwater, Leanne E.; Sturm, Rachel E. & McKee, Rob A. (2014).

[54] Goleman, Daniel & Davidson Richard, J. (2017) pp. 313.

[55] Northouse, Peter, G. (2016) pp. 19.

[56] Mayo, Tony (2007).

[57] Dubrin, Andrew, J. (2016) pp. 89–95.

[58] Bass handbook of leadership p, Bernard & Bass, Ruth (2008) pp. 143–144.

leaders are seen as appealing to intrinsic motivators of the followers and enabling high performance and commitment to common cause instead of one's own self-interest. Transactional leadership on the other hand is seen to appeal individuals' extrinsic motivators through the direct transaction of things such as money or promotion in exchange to followers' work effort.[59] Differences of transformational and transactional leadership are illustrated in **Figure 9.**
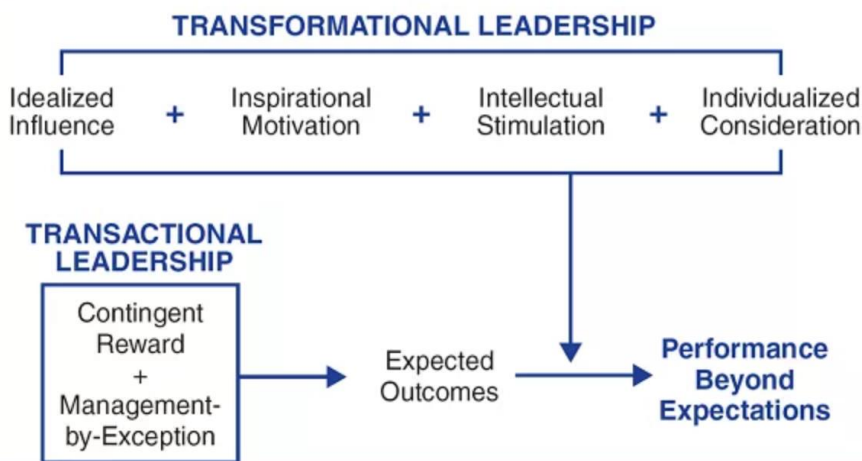
Figure 9: Transformational and Transactional Leadership[60]

By **idealized influence**, a leader can provide the meaning and clear direction for his people. This can happen when people trust the leader to do the right thing and identify the leader on the personal level. The result is that the leader is highly respected, and followers are committed to the common mission. Through **inspirational motivation**, leaders appeal to intrinsic or emotional motivators by communicating high expectations and showing the appreciation of individual's contribution to the company's success. By this type of behavior, the leader can enhance team spirit and encourage people to achieve more than they would just by their own self-centric motivators. **Intellectual stimulation** means that leaders value and nurture the intellectual capacity of their people. This is demonstrated by encouraging people to challenge their own, the leader's and organization's beliefs and finding solutions by their own thinking and analytic problem solving. **Individualized consideration** is essentially coaching. The leader listens and

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[59] Northouse, Peter, G. (2016) pp. 170–172.
[60] Northouse, Peter, G. (2016) pp. 170.

is attuned to the needs and aspirations of the individual. The aim is to help followers to grow to their full potential and more. The personal growth of each individual is nurtured by different behaviors, one might need rigid structure and clear directives, while others spark from affiliation or rise to the occasion when faced with great challenges.[61]

Effects of transformational leadership have been confirmed in many studies and meta studies over the last decades. The same effects have been found to apply from low level managers to high-level executives, in the private and public sector, in different industries and in different situations such as mergers. Leaders who exhibited transformational leadership behavior instead of only transactional were for example found to increase the effectivity of the leadership, work outcomes, employee performance, company profit, job satisfaction and employee engagement.[62]

Transactional leadership is described as style where positive reinforcement is used in form of **contingent rewards** to align organizational goals with the person's self-interest. Contingent rewards appeal to individuals' extrinsic motivators. Negative reinforcement is used in the form of **management by exception**. The management by exception can be active or passive. In active form, the leader is paying detailed attention to the task in hand, making sure that work is carried out in desired manner and provides immediate guidance to prevent deviations or mistakes. In passive form management by exception gives more degrees of freedom for employee in details of task and only intervenes if deviations from desired performance occur.[63]

Charismatic leadership is a totally own leadership theory, even though it is sometimes seen as synonym for idealized influence, one of the four factors of transformative leadership.[64] A common subordination of charismatic leadership under transformative leadership has been also criticized by some scholars. Effort to differentiate Charismatic and Transformative leadership was made by Antonakis et al- 2016 research paper "Charisma: An Ill-Defined and Ill-Measured Gift". To solve apparent issues with the definition of "charisma" in leadership context and differentiate it from the word's original roots in religious context, researchers provided the following definition: "Charisma is a values-based, symbolic, and emotion-laden leader signaling.". Thus, a charismatic leader is someone who signals with charismatic methods.[65]

Methods used by charismatic leader are described as charismatic leadership tactics (CLT). Antonakis et. al. listed 12 most effective and universal

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[61] Northouse, Peter, G. (2016) pp. 170–172

[62] Northouse, Peter, G. (2016) pp. 171.

[63] Dartey-Baah, Kwasi (2015).

[64] Northouse, Peter, G. (2016) pp. 172.

[65] Antonakis, John; Bastardoz, Nicolas; Jacquart, Philippe & Shamir, Boas (2016).

CLT's in their 2012 HBR-article about learning charisma. Nine of these are considered as verbal, meaning that they focus on ways leader can enhance the likelihood of his message being received and taken in. These nine include: storytelling, analogues, similes, metaphors etc. Remaining three are more related to the appearances of the leader while communicating: animated voice, facial expressions and gestures.[66] In contrast to the early conceptualization of charismatic leadership which treated charisma as the gift or quality of a person, this more modern paradigm views it as a set of learnable skills and behaviors.[67]

Transformational, charismatic and visionary leadership approaches titled as "New Leadership" in **Figure 8** have been the most dominant paradigms in leadership research. Recently research activity in this school of leadership has significantly declined when even newer approaches such as authentic leadership has gathered more attention.[68]

One of the latest categories of leadership approaches was named as ideological models by Mumford and Yitzhak. In their 2014 study, they specifically mention authentic, servant, character-based, ethical, spiritual, and aesthetic leadership approaches to be considered as ideological models. A common denominator for these models seems to be that they tie morally correct behavior with leadership. Although some research findings suggest that these kinds of leader behaviors correlate with firm performance the authors suggest that these approaches are way too narrow-framed to be used as a general basis for understanding the leadership. One of the main issues of these models is that they tend to concentrate on a single stakeholder group such as followers instead of considering other groups such as other leaders, investors and customers.[69]

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[66] Antonakis, John; Fenley, Marika and& Liechti, Sue (2012).

[67] Antonakis, John; Bastardoz, Nicolas; Jacquart, Philippe & Shamir, Boas (2016).

[68] Antonakis, John & Day, David V. (2017) pp. 11

[69] Mumford, Michael & Fried, Yitzhak (2014).

Figure 10: Leaders' five key stakeholders (Adopted from [70]).

An illustration of Leaders' stake holders can be seen in **Figure 10**. Employees need leaders to set up working environment where they can reach mastery at their work and fulfill their personal needs. Customers need to trust on leader's capability to deliver and create value for them. Communities expect leaders to be responsible and provide wealth and well-being to the community by large. Investors expect leaders to steer the company and its people to growth and profitability. Regulators demand leaders to work with high ethics and moral guidance while complying with legislation, and professional standards.[71]

3.3 Integrative approaches

One of the biggest challenges in leadership today seems to be integrating the multitude of overlapping and similar theories to a unified framework. One prominent taxonomy attempting the integration of leadership approaches was originally introduced by Yukl, Gordon and Taber in 2002. This taxonomy divided leadership behavior into three main categories: task-, relation-, and change-orientation[72]. In response to challenges set by the globalization and increased complexity of business environment in 2012 article Yukl expands this taxonomy to include a fourth category; external[73].

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[70] Smallwood, Norm; Sweetman, Kate & Ulrich Dave (2007).
[71] Smallwood, Norm; Sweetman, Kate & Ulrich Dave (2007).
[72] Yukl, Gary; Gordon, Angela & Taber, Tom. (2002).
[73] Yukl, Gary (2012).

Table 1: Hierarchical taxonomy of leadership[74]

Task-oriented	Clarifying
	Planning
	Monitoring operations
	Problem solving
Relations-oriented	Supporting
	Developing
	Recognizing
	Empowering
Change-oriented	Advocating change
	Envisioning change
	Encouraging innovation
	Facilitating collective learning
External	Networking
	External monitoring
	Representing

To test the validity of Yukl's taxonomy on describing effective leadership behavior in organizational context, a meta-analysis consisting of 286 sources was done by Borgman et. al. Assessment of leadership effectiveness was divided into three sub categories, where additionally to job performance, two affective criteria were included; job satisfaction and commitment.[75]

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[74] Yukl, Gary (2012).

[75] Borgmann, Lars; Rowold, Jens & Bormann, Kai Christian (2016) pp. 1341–1347.

Figure 11: Correlation of different leadership orientations to different leadership outcomes[76].

In **Figure 11**, it can be seen first, that most influential leadership behavior in terms of overall effectiveness was found to be relations-oriented behavior. Secondly, it is notable that while task-oriented behavior shows clear correlation with performance, it has negative effects on job satisfaction. Thirdly, while change-oriented behavior has very little or no effect on performance it could be a good way to positively affect job satisfaction, where that is needed.[77]

Another study on these three leadership behaviors was made by Anzengruber et. al. in their 2017 article that analyzed how the requirement of each orientation differs by organization level of leader. Leaders' performance was assessed by a five-level goal achievement evaluation conducted by the company's human resources department. Their key finding was that the importance of task-oriented and change-oriented behavior changed dramatically according to the organization level, while relations-oriented behaviors were observed to be important at all the levels of the organization with rising importance together with the organization level.[78]

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[76] Borgmann, Lars; Rowold, Jens & Bormann, Kai Christian (2016) pp. 1349.

[77] Borgmann, Lars; Rowold, Jens & Bormann, Kai Christian (2016) pp. 1351–1352.

[78] Anzengruber, Johanna; Goetz, Martin A.; Nold, Herbert & Woelfle, Marco (2017) pp. 143.
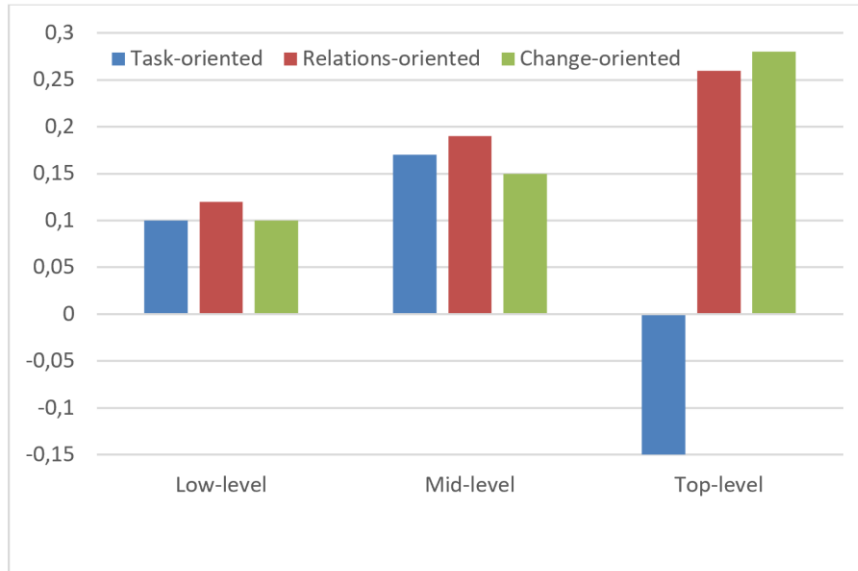
Figure 12: Correlation of different leadership orientations to effectiveness of leader on different organization levels[79].

In both studies, the importance of relations-oriented capabilities topped in two categories out of three (**Figure 12**) whiles being very important in third category. These findings from two studies introduced above implicate the following points:

1. Focus on relations-orientation offers biggest performance effects.
2. Performance effects get higher when leader advances to higher levels of organization.
3. Relations-orientation positively correlates also with Job satisfaction and Commitment.

Job satisfaction makes assessment on how an individual feels about their job. Commitment on the other hand means that employees are engaged with their work and are loyal to the company. Commitment shows as overall positive attitude towards organization and individuals own work[80]. High job satisfaction is shown to boost the stock return of the company by ~3% annually compared with their peers according to the 28-year longitudinal study

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[79] Anzengruber, Johanna; Goetz, Martin A.; Nold, Herbert & Woelfle, Marco (2017) pp. 143.

[80] Steptoe-Warren, Gail (2013). Occupational psychology: An applied approach. Harlow: Pearson. pp. 179.

of the best places to work in America by Alex Edmans. Study also suggested that high job satisfaction leads to better stock returns, not the other way around.[81]

A growing amount of scientific research shows that incentive- and sanction-driven culture that is pushing and pressuring employees to achieve more, quicker and with better quality is not only hurting the productivity and bottom line of the companies, but also introducing additional hidden costs caused by high turnover and low engagement among other factors. Additionally, to well-known effects on sick-days and absence rates, the effects of negative work climate and low employee satisfaction are for example 50% increase in voluntary turn over, 60% increase in defects and errors and 18% lower productivity. Positive work climate is shown to improve interpersonal relationships, customer service, buffer against stress, and attract 100% more job applicants to new positions.[82]

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[81] Edmans, Alex (2016).
[82] Seppälä, Emma & Cameron, Kim (2015).

4 Leadership development

4.1 Nature or nurture

Are leaders born or made? This has been a topic of research and debate over the whole history of the leadership research. Researchers who promote the idea of born leaders usually base their argumentation on genetics for example by statistically studying correlations between identical and fraternal twins or certain genes to leadership occupancy. Another argument for leaders being born is stemming from the animal kingdom. It is shown that the bolder and active individuals are usually the ones that take leadership in the herd, while more cautious and shy individuals tend to take a role of follower. Thus, some researchers conclude that leaders naturally emerge due to certain characteristics.[83]
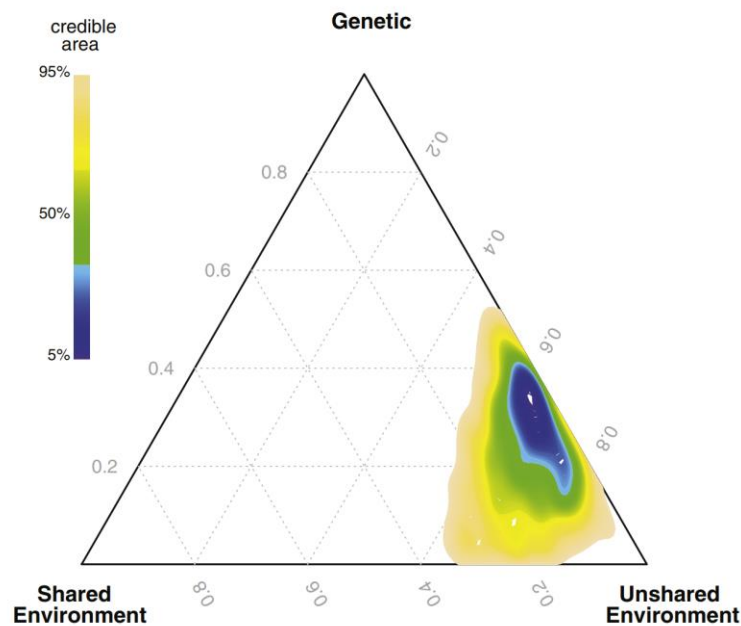
Figure 13: Nature vs nurture.[84]

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[83] Boerma, Marjan, Coyle, Elizabeth A, Dietrich, Michael A & Dintzner, Matthew R et al. (2017).

[84] De Neve, Jan-Emmanuel; Mikhaylov, Slava; Dawes, Christopher.; Christakis, Nicholas & Fowler, James (2013).

In an attempt to differentiate genetically inherited properties – traits from environmental influence – competencies or skills the twin studies have been a popular method. In these studies, identical twins have been compared with non-identical twins. As seen in **Figure 13**, from one of those twin-studies it was found that around 30% of leadership occupancy can be accounted to genetics and rest 70% to environmental factors. This still leaves a question mark whether leadership role occupancy is correlated with leadership performance. In other words: are the best possible candidates selected for leadership positions.[85]

Extraversion is a good example, which demonstrates the difference between role occupancy and performance. Research shows very clearly that extroverts are more likely to rise on leadership positions[86]. Extroverts are also more likely to receive promotions, perceived to be more effective by others and more likely to be recruited.[87] While extroverted leaders clearly have some strengths that are beneficial for leading people and enhance the performance of these leaders it was shown by Grant et. al. in their 2011 study that group performance was affected negatively by leader's extraversion if group members were proactive.[88]
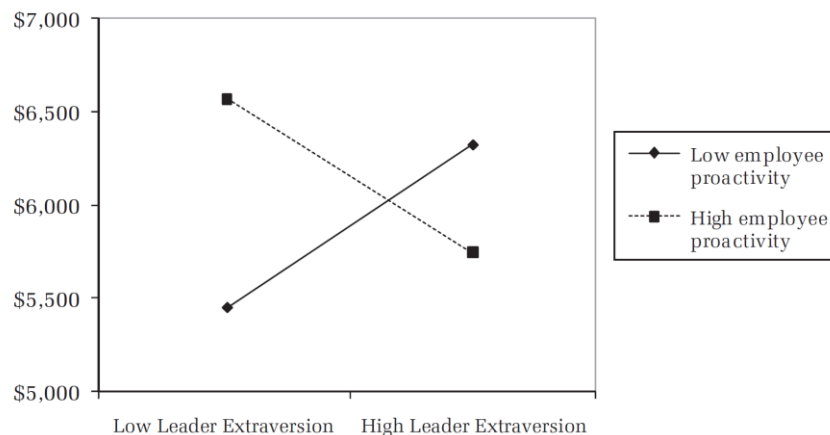
Figure 14: Effect of the leader's extraversion on store profits.[89]

The results of empirical study of pizza delivery stores are shown in **Figure 14**. The target of the study was to measure how leaders' extraversion or

[85] De Neve, Jan-Emmanuel et al.; Mikhaylov, Slava; Dawes, Christopher; Christakis, Nicholas & Fowler, James (2013).

[86] Ones, Deniz S. & Dilchert, Stephan (2009).

[87] Grant, Adam; Gino, Francesca & Hofmann, David (2010).

[88] Grant, Adam; Gino, Francesca & Hofmann, David (2011).

[89] Grant, Adam; Gino, Francesca & Hofmann, David (2011).

introversion affected the group performance. The study was also replicated in laboratory experiment where 56 groups of college students were monitored for their performance. Findings of these studies show similar results. These studies are especially interesting, because companies today are more and more focused on finding proactive and self-organizing employees, while still holding the ideals of extroverted leaders.[90]

4.2 Leadership competencies & skills

In the literature, leadership competencies have been defined in almost as many ways as the leadership itself. Although it is difficult to find a clear framework for leadership competencies certain patterns and similarities can be seen when analyzing the publications of different scholars.

One of the modern classics of leadership scholars, Warren Bennis, wrote that looking back on his experiences on leadership, the effective leadership is based on a few important aspects or competencies. To be effective Bennis wrote, you need to have the clarity of a direction, of a desired outcome. From this stem's first competencies; management of attention and meaning via communicating your vision, setting right goals and providing the clear direction. Next, a leader needs the full trust of his or her followers. The trust comes from reliability and consistency; people need to know where you stand. If a leader is to be effective with others, one needs to have a high level of self-awareness and -management. One must know his own strengths, skill and limitations, and how to leverage and improve them by continuous learning. Finally, by empowering people and setting example leaders can create momentum and pull towards common goals instead of trying to push people towards the corporate goals by rewards and punishments.[91]

Gilies'[92] study on the most important leadership competencies came up with a top ten list by surveying 195 global business leaders. Gilies divided those into five different themes which re-formed to the following list of the most important leaders' competency themes:
- Creates safety by showing strong and ethics clear expectations
- Empowers others and lets people self-organize
- Communicates openly to increase sense connection
- Open to new ideas
- Nurtures growth

The Zenger & Folkman survey of over 300 000 leaders, peers and followers who were asked to select top four skills from the list of 16 as seen in **Figure**

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[90] Grant, Adam; Gino, Francesca & Hofmann, David (2011).

[91] Bennis, Warren (2010).

[92] Gilies, Sonny (2016).

15. Even though the relative importance of each skill shifted a little on different organization levels, six out of seven competencies stayed the same regardless of organization level. "Displays strategic perspective" was the one skill that rose up to the top seven for leaders at the highest levels of organization.[93]

Skill	Value
Inspires and motivates others	38%
Displays high integrity and honesty	37
Solves problems and analyzes issues	37
Drives for results	36
Communicates powerfully and prolifically	35
Collaborates and promotes teamwork	33
Builds relationships	30
Displays technical or professional expertise	27
Displays a strategic perspective	24
Develops others	21
Takes initiative	19
Innovates	16
Champions change	16
Connects the group to the outside world	12
Establishes stretch goals	10
Practices self-development	9

Figure 15: What leadership skills are needed most

In contrast to these more empirical approaches shown above, there are different theoretical taxonomies attempting to create broad categories for skills that leaders need. One of the taxonomies that have survived through the test of time is the "Three-skill approach" of leadership, first introduced in 1955 by Robert Katz in his Harvard Business Review article, which Northouse[94] and Yukl[95] used as source for the following illustrations:

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[93] Zenger, Jack & Folkman, Joseph (2015).

[94] Northouse, Peter, G. (2016) pp. 46.

[95] Yukl, Gary (2016) pp. 155–158.

SKILLS NEEDED
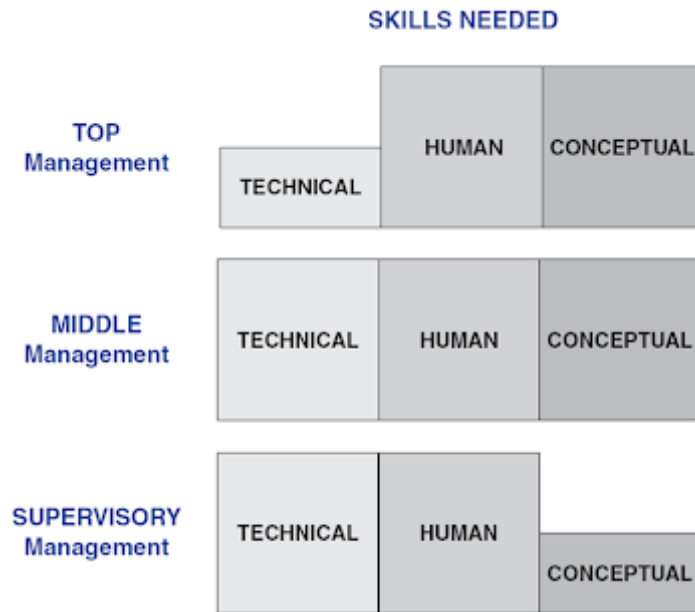
Figure 16: Skills required by different organization levels as presented by Northouse.[96]
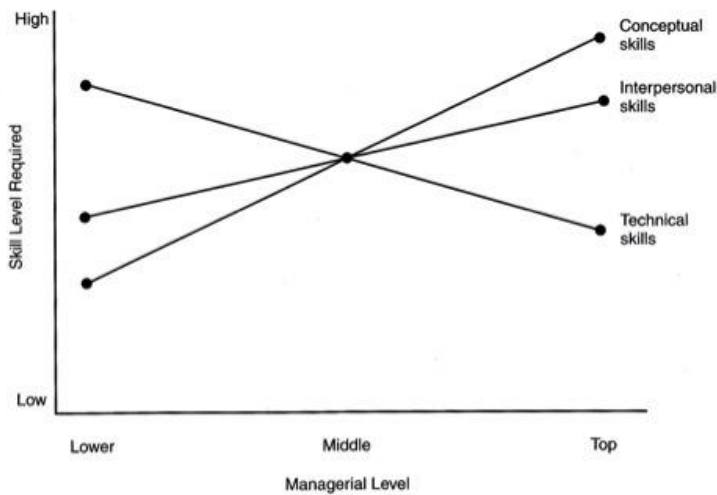
Figure 17: Skills required by different organization level as presented by Yukl.[97]

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[96] Northouse, Peter, G. (2016) pp. 46.

[97] Yukl, Gary (2016) pp. 161.

Based on taxonomies shown in **Figure 16**, **Figure 17** and empirical findings it can be concluded that interpersonal/human skills are important on all levels of organization, while balance between technical and conceptual skills change according to organization level.

4.3 Diluting explanatory power of mechanistic world-view

As leadership happens in organizations, its nature also changes by the nature of organizations. Business organizations have changed greatly from the start of industrialization and classical organizational theories such as Smith's famous Division of Labor, Fayol's General principles of management and Taylor's scientific management[98].

Kellerman opens her "The end of leadership" -book with a strong statement about long lasted and clear power shift from leaders to followers, evident from the times of kings and emperors. This same power devolution of leaders is apparent also in business settings where power from dictator-like owner-managers has shifted to many different stake-holders like employees and shareholders. This power shift among other modern world megatrends means that a new, novel mindset is required to understand how organizations work.[99]

VUCA-framework is one of the early attempts to provide tools for understanding a new, more complex state of the world. VUCA is an acronym from Volatile, Uncertain, Complex and Ambiguous of first introduced by American army in the aftermath of cold war. In business setting it have been a buzzword since 1990's. VUCA is easily miss-used as a word describing the current state of the world. This is plain wrong, since VUCA is actually used to describe challenges of four different kind (**Figure 18**).[100]

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[98] Shafritz, Jay M.; Ott, Steven J & Jang, Yong Suk (2016) pp. ix–x, 43, 53–54 & 66–68.

[99] Kellerman, Barbara (2012) pp. 3.

[100] Gorsline, Karen (2016).
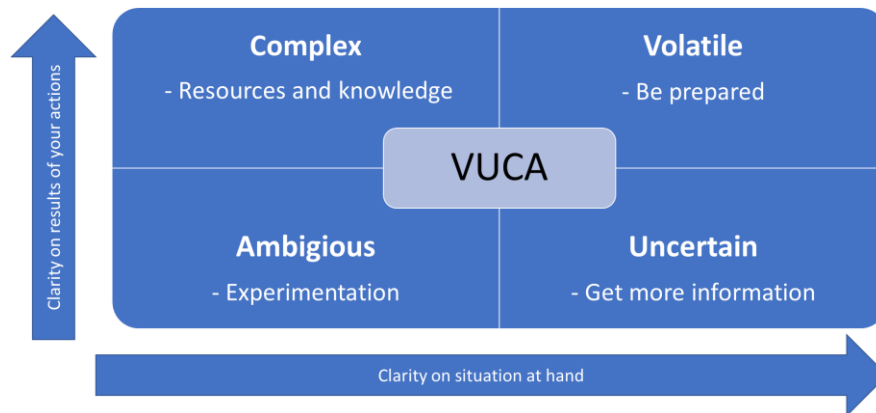
Figure 18: VUCA model with approaches to tackle rising issues (Adopted from [101])

Volatile means that the situation can change very rapidly, and exact details of the change magnitude and duration can't be known in advance. However, this kind of changes can be analyzed, and companies can take actions to prepare for them in advance, knowing fairly well the results of their actions.

In an **Uncertain** situation, you have much less clarity on how your actions will affect the situation. Basic information about the nature of the event is available and you can improve your stakes by collecting data. A clear, rigid action plan is not efficient, since the results of your actions are not clear in advance.

In the VUCA-model, a **Complex** challenge is defined as challenge where the situation itself is not clear and you do not know exactly what is happening. Situation has too many interconnected parts and changing variables to asses it fully. Some bits of information are available, and some predictions of future development can be made. Adding resources and knowledge to the organization can help to tackle challenges of this kind.

An Ambiguous situation is where the results of your actions are totally unclear, and no known causalities exist. Situation itself is unclear and effects on your organization are mystery. Answer to these kinds of situations is experimentation. Experiments must be well designed, so that they allow organization to learn from the results.

According to Bennet et. al. VUCA model's, complex issues are something that can be tackled with analyzing and applying knowledge while ambiguous issues require experimentation and learning.[102]

4.3.1 Systems thinking

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[101] Bennet, Nathan, Lemoine, G. James (2014).
[102] Bennet, Nathan, Lemoine, G. James (2014).

More recent approach to help people to make a sense of the surrounding world is systems theory and systems thinking. In contrast to the VUCA-framework, Complex by Snowden and Boone is a system where the results of your actions cannot be forecasted or predicted due to the dynamic, non-linear and continuously evolving nature of the system[103]. This unpredictable view of a complex system is also supported by Nason[104] in his book: "It is Not Complicated: The Art and Science of Complexity for Business" as well as by Strauss[105] in his article *"The difference between 'complex' and 'complicated' — and why it matters in school reform".*

One practical application of systems theory is the Cynefin framework. The framework was created originally by David Snowden to provide practical tools for applying complex systems theory in the organizational context.[106] 2007 HBR article "A leader's framework for decision making" by Snow-den and Boone was selected as best Practitioner-oriented paper on organizational behavior by the Organizational Behavior Division of the Academy of Management.[107]

> *"Cynefin, pronounced ku-nev-in, is a Welsh word that signifies the multiple factors in our environment and our experience that influence us in ways we can never understand."* [108]

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[103] Snowden, David F. & Boone, Mary E. (2007).

[104] Nason, Rick (2017).

[105] Strauss, Valerie (2014).

[106] Bangor University (2015).

[107] Organizational Behavior Division of the Academy of Management (2019).

[108] Snowden, David F. & Boone, Mary E. (2007).

The cause and effect relationship does not repeat and is unpredictable

Cause and effect are separated in time and space and can be researched

Emergent practice

Good practice

Complex

Complicated

DISORDER

Unpredictable world

Predictable world

Chaotic

Simple

No cause-effect relationship can be perceived

The cause-effect relationship is repeatable and predictable

Novel practice

Best practice

Figure 19: Five domains of the Cynefin framework [109]

The idea behind Cynefin-framework is that proper response to any given issue depends on a nature of the situation. Cynefin-framework classifies situations in five classes as seen in **Figure 19**.

In **Simple** context, issues are easily handled with appropriate processes, established practices and straight forward management and monitoring. Everybody has all the required information to make decisions and there is usually very little variance in what is thought to be appropriate action. Obviously, all this sounds simple and easy, nevertheless there a few risks imposed in this seemingly trivial context. Especially leaders who are highly focused on the big picture and never bother themselves with the details risk oversimplifying issues. Oversimplification leads incorrectly classifying an issue as simple and then apply outdated or just plainly wrong practices as a response. Another potential pitfall for a leader is to start thinking too rigidly,

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[109] Berger, Jennifer. G. & Johnston, Keith. (2015) pp. 43.

not being open enough for the new ways of thinking. Especially highly successful companies, where success has led to complacency are in risk of failing to notice a domain shift from simple to chaotic.

Complicated context is the domain of experts. There is a clear causal relationship between actions and results, but not everyone can see these relations. There is usually not a single solution, but many right answers and approaches. Analytical thinking and planning are effective. Good known practices are applicable given that there is enough expertise to understand the workings of a system in hand. There is still a risk of thinking too rigidly, but it is usually experts, not leaders who are prone to be too fixed on their current thinking. The Leaders' role in a complicated context is to facilitate fruitful discussions and make sure that novel ideas of non-experts are not overlooked and dismissed too hastily by the well-established experts.

Complex context is a domain where known practices are not applicable. This is the domain of experimentation and emerging practices. There is no way of knowing what happens before it is tried and experimented. Failure is integral part of surviving in a complex domain. A leaders' role is to foster an environment of experimentation and learning and allow solutions to emerge rather than forcing them out strict structures and control. The most dangerous pitfall for a leader is the temptation to respond to complexity by imposing more control and bureaucracy to prevent failures and introduce more detailed plans and schedules. Leader's challenge is to accept and even encourage failure to allow deeper understanding and learning while providing the right direction without knowing exactly where we are heading and when we will get there.

Chaotic context demands quick and direct responses. There is nothing to understand nor learn here and no patterns to manage. This domain is pure survival, this is where top-down leadership is the best response, there is no benefit from analyzing situation or making plans together. Leaders' first job here is to shift the situation out from the chaotic domain towards complex, where patterns start to emerge, and learning can happen. While chaotic is not a desirable state in a long term, there is big opportunity for innovation in these situations because people are more open for change and direct top-down management. Big changes and innovations often stem from chaotic situations which were restricted by the scarcity of time or resources. Leaders who have been successful in crisis are in risk of fixating their behaviors and world view to ones that were suitable for a chaotic domain and fail to shift their leadership approach in accordance with the changing context.

Fifth context is **Disorder**, which lurks between the four main domains. If leaders fail to recognize the dominant nature of the issue, there is high risk that issue is being addressed from many contradicting perspectives and potentially people are pushed and pulled in different directions by different leaders and efforts are nullified. Response is to find a common ground by

breaking down the situation to different parts that can be assigned to four main domains summarized in **Figure 20**.[110]

	NATURE	RESPONSE	PREPARE
CHAOS	**Unknowable unknowns** Temporary state - no time No evidence of any constraint High turbulence no patterns Old certainties no longer apply	**Act-Sense-Respond** Speed of authoritative response vital Follow and enforce heuristics Focus on constraints not solution Use the opportunity to innovate	**Establish heuristics & Parables** Human sensor networks Crews as crisis management teams Simulation games for key managers Multi-perspective dissent feedback
COMPLEX	**Unknown unknowns** Messily coherent, patterns discernible Partial changing constraints Flux within stabilities Evidence supports contradiction	**Probe-Sense-Respond** Monitor safe-to fail experiments All contradiction within heuristics Flex constraints to manage emergence Agility key to amplification/dampening	**Create time and space for reflection** Human sensor networks operational SNS & the like to create networks Scenario planning (inc. micro) Build and monitor 'requisite diversity'
COMPLICATED	**Known unknowns** Ordered, predictable, forecastable Constraints evident and enforceable Stable within constraints Evidence susceptible of analysis	**Sense-Analyse-Respond** Determine experts or process to resolve Manage & enforce process Monitor effectiveness of constraints Focus on exploitation not exploration	**Right people & process, right time** Process engineering with feedback Diversity of experts in network Sound Analytical practice Stand aside but stay in touch
SIMPLE	**Known knowns** Familiar, certain, well worn pathways Constraints self-evident to all Stable within universal constraints Self evident solutions	**Sense-Categorise-Respond** Ensure sound process in place Monitor for noncompliance & deviance Test for complacency Protect some pet mavericks	**Watch for outliers** Usable process Right support people for key staff Automate, but no automata Anonymous appeal/whistle blowers

Figure 20: Nature, responses and preparation on different Cynefin domains.[111]

In the past few decades, common managerial and leadership training has been highly focused on tools for leading in simple and complicated domains while the surrounding world and context has been more and more moving to the complex domain. Leaders have been largely left with their own devices when faced with complex or chaotic situations. In the absence of learnable tools needed to navigate in these more ambiguous environments leaders have been coping with their personal intellect, intuition and charisma. This seems to have gotten us this far, but to survive in more complex and diverse conditions this is no longer sufficient. Traditionally, leaders have been able to work efficiently in one domain and maybe shift occasionally to another one. The leaders of modern world need capabilities to thrive in all these contexts.[112]

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[110] Snowden, David F. & Boone, Mary E. (2007).

[111] Snowden, David (2012).

[112] Snowden, David F. & Boone, Mary E. (2007).

The Cynefin framework[113] also includes one form of following illustration (**Figure 21**), which describes how strength of relationships between members of organization change on different domains. Continuous lines represent strong and dashed weak connections. Filled dots symbolize high decision power and the blank dots, low decision power.

Complex

Collaborate and coach for learning

Complicated

Co-operate and facilitate

Disorder

Chaotic

Control and give directives

Simple

Coordinate and set standards
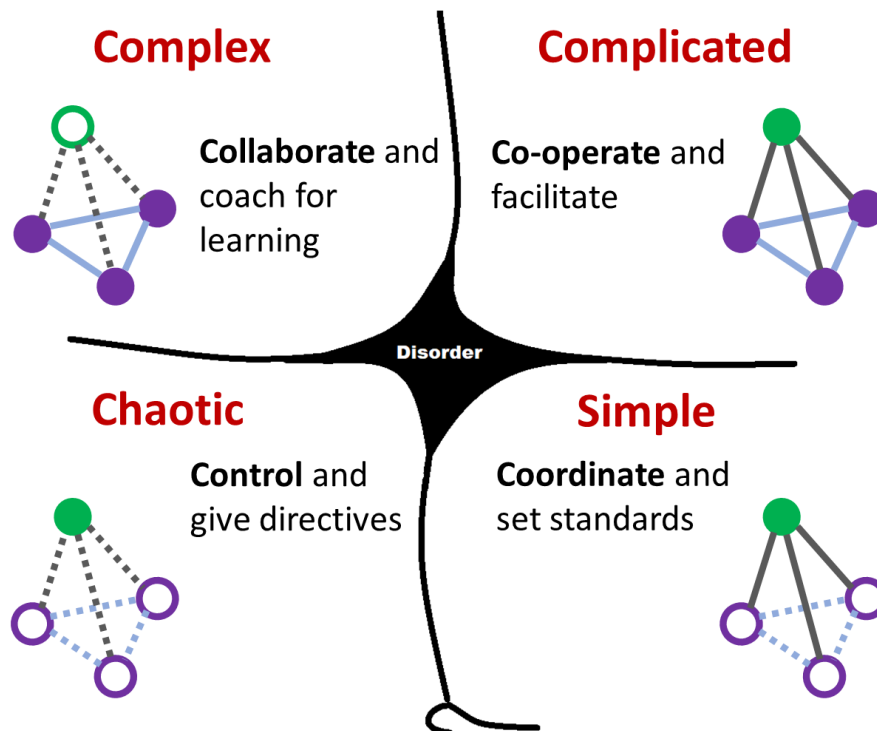
Figure 21: Connection strength, distribution of decision power and preferred leadership behavior on each domain. (Adopted from [114], [115] & [116])

The **Simple** domain requires the leader to coordinate individual's efforts and set appropriate performance standards and practices to achieve organizational goals. There is very little interaction between followers required and leader is the one who has the best information on the situation and thus is calling the shots. The principle is that if everyone takes care of their own work, all the work gets done. Communication is dyadic, and the aim is to

[113] Kurtz, Cynthia F. & Snowden, David J. (2003).

[114] Snowden, David (2010a).

[115] Kurtz, Cynthia (2010).

[116] Childs, Sue & McLeod, Julie (2013).

provide clarity on the expectations and increase the understanding about the purpose of the work.

When context is changed to **Complicated**, it is no longer possible for the leader to understand all the details of the work carried out by the team and so the information and a decision power is shifted to the team. The leader needs to co-operate and facilitate discussions between the different experts and contributors in search for good solutions and practices. Open communication between the team members and the leader is important to form a shared understanding about the bigger picture and ensure the right direction.

The **Complex** domain requires team to take the ownership and responsibility of the issue. The key is interactive communication; which the leader must foster. Other building blocks for effectively solving complex problems are the organizational learning, healthy conflict and diversity of ideas. Leader's control should be loose and allow the free discussion and input of the whole group. By setting boundaries, leaders can allow the free experimentation and evolution within these boundaries. Since there is no direct causality between actions and outcomes, highly structured plans and schedules are futile.

4.3.2 Recognizing the true nature of a problem

Leaders' capability to recognize what is the true nature of a problem becomes the key competency which then makes it possible for leader to shift the leadership approach in accordance of the situation in hand. Challenge is the Leaders tendency to interpret situations as based on their own preference of action and expertise. If leader has worked for a long time in bureaucratic, highly structured organizations all the problems start to look as the failure of a process or failed structure than can be assessed by introducing better policies or enforcing better improved processes. Experts and engineers tend to think that right solution for every problem is best found by allocating enough resources, gathering data and analyzing situation. A natural response from leaders with high experience in the complex domain is to gather experts from different fields and form expert panels and expect them to take ownership on finding solution. Seasoned crisis leaders tend to take full control of the situation and expect the full compliancy of everyone else.[117] This tendency is one of the cognitive biases of human mind generally referred as expertise trap, also called "Maslow's law"[118] named by Abraham Maslow, who famously said "I suppose it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail [119]".

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[117] Snowden, David (2010b).

[118] Phelps, Corey (2018).

[119] Maslow, Abraham (1966) pp. x.

Traditional leadership training has been mostly concentrated on ordered context in simple and complicated domains.[120] New, emerging leadership theories like Complex Leadership Theory (CLT) are examples of an attempt to take more challenging, dynamic and complex operating environment on account when trying to understand leadership. The key point with CLT is the recognition of two-fold functionality of organizations.[121]
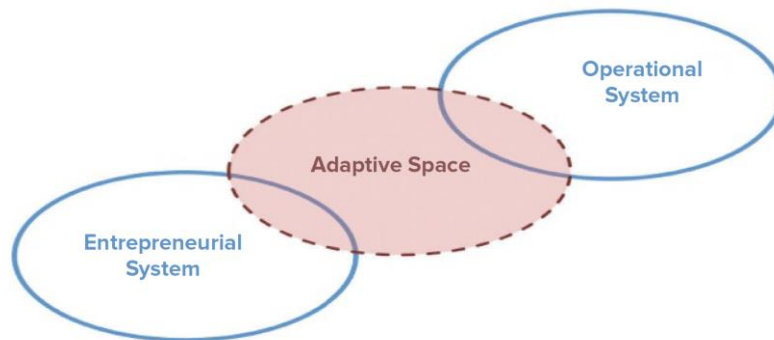
Figure 22: Two primary systems of organization.[122]

The operational system is responsible for standardized, structured works in formal processes. The entrepreneurial system is responsible for organizational learning, emerging practices, innovation and works in an informal way. CLT theory suggests that high performance organizations are capable of utilize this high-tension zone called adaptive space (**Figure 22**) rather than trying to suppress it by over emphasizing either one of the primary systems. This can be achieved by organizational brokers, high performance members of organizations who tend to be positioned as bridges between different organizational clusters as seen in **Figure 23**. These bridges create bridges that break silo structures of the organization.[123]

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[120] Snowden, David F. & Boone, Mary E. (2007).

[121] Arena, Michael J & Uhl-Bien, Mary (2016).

[122] Arena, Michael J & Uhl-Bien, Mary (2016).

[123] Arena, Michael J & Uhl-Bien, Mary (2016).
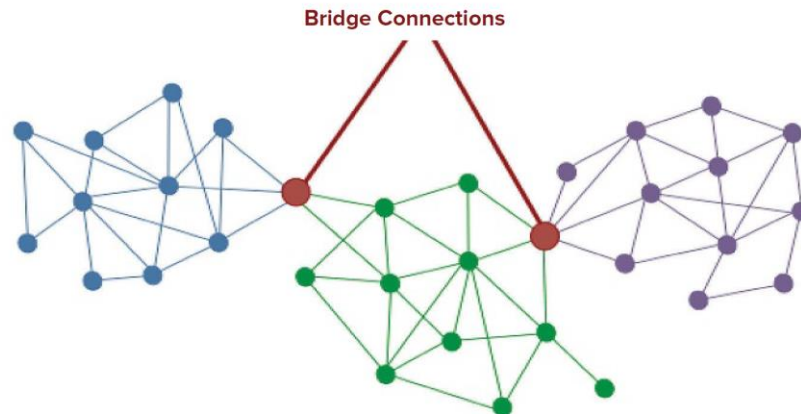
Figure 23: Brokers between organization clusters[124]

According to CLT, there are the three main elements that leader should leverage to make it possible for highly functional adaptive space to emerge. Main elements are; utilizing adaptive pressures, using adaptive practices and keeping things rolling by embodying adaptive principles. Adaptive pressures are external and internal pressures that can be used for pushing organization out from the status-quo. The best leaders know how to apply just right amount of pressure to shake the organization and its members out from the comfort zone, where learning can begin. Too much pressure is destructive, people start to feel unsafe, get afraid of failing and won't try anything new. Adaptive practices mean liberating structures that enable informal cross-organizational discussions about critical issues. Structured, cross-departmental brainstorming and co-creation events ranging from a few hours to a few days are one example of more formal practices. Adaptive principles mean that all the projects should start small, with little experiments with few people. Leverage your existing relationships and keep project teams small to enhance proximity. For ideas to grow to robust and meaningful for the whole organization they need to be tested by conflicting views and ideas, therefore leader's responsibility is to embrace healthy conflict.[125]

4.4 Soft skills for hard results

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[124] Arena, Michael J & Uhl-Bien, Mary (2016).

[125] Arena, Michael J & Uhl-Bien, Mary (2016).

In his article on Leadership excellence, executive coach Michael Beck takes on lifting competences of emotional intelligence as the cornerstones of effective leadership[126]. Goleman and Boyatzis defined emotional intelligence (EI) in four different domains with 12 learnable competencies shown in **Figure 24**.[127]

SELF-AWARENESS	SELF-MANAGEMENT	SOCIAL AWARENESS	RELATIONSHIP MANAGEMENT
Emotional self-awareness	Emotional self-control	Empathy	Influence
	Adaptability		Coach and mentor
	Achievement orientation	Organizational awareness	Conflict management
			Teamwork
	Positive outlook		Inspirational leadership

Figure 24: Four domains and 12 competencies of emotional intelligence [128]

Emotional intelligence is commonly associated with the softer side of human interactions such as empathy, self-control and positive outlook. It is easy to think that Emotionally intelligent leaders are nice, likeable, they care for other people, never lose their temper, are easy to lead and everything just is positive with them. With this kind of framing it is easy to doubt how these emotionally intelligent leaders' cope with difficult interactions. Do they have the courage to demand results or give corrective feedback?

To prevent this kind of narrow-framing and look at the whole picture as intended by Goleman and Boyatzis all 12 competencies of emotional intelligence need to be taken in to the consideration. For example, to efficiently deliver corrective feedback on a difficult behavior of your employee, you need to be willing to engage in conflict, then manage it while keeping your own emotions out of the way and simultaneously influencing receivers' thoughts, actions and emotions to drive required change.[129]

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[126] Beck, Michael (2011).

[127] Goleman, Daniel & Boyatzis Richard E. (2017).

[128] Goleman, Daniel & Boyatzis Richard E. (2017).

[129] Goleman, Daniel & Boyatzis Richard E. (2017).

As an answer to the skepticism on a role of EI-competencies on leadership effectiveness Boyatzis, Good and Massa conducted a study comparing the effects of personality, generalized intelligence and EI of leader with organizations financial performance. In the research sales leaders of financial consultant company were studied. Findings indicated no correlation between cognitive intelligence or "big-five" personality traits and financial performance while a significant correlation of observed EI of sales leader significant correlation with the financial performance of the organization. Most important EI-competencies predicting the performance of a leader were adaptability and influence while positive outlook and achievement orientation were also significant.[130]

The Framework of six leadership styles shown in **Table 2**, introduced by Goleman has truly stood the test of time and research conducted almost 20 years ago is still commonly referenced in articles. Original article from 2000, "Leadership that gets results" was one of the three Goleman's articles selected on the HBR classics collection of 16 influential and timeless articles on leadership and managing people released on October 2017[131].

Table 2: Leadership styles.[132]

Style	Description	EI competencies
Visionary	Leader gives employees a direction and inspires them to move but lets them to find their own way.	Empathy and Inspirational leadership
Affiliative	Leader focuses on fostering collaboration and emotional needs of employees	Empathy, Conflict management.
Demographic	Leader creates new opportunities with employees by collaborating and tapping in to brainpower of the whole organization	Teamwork, Conflict management, Influence
Coaching	Personal guidance and one-one sessions to help people reach their full potential	Coach and mentor, Emotional self-control and Empathy
Pacesetting	Leader holds and exemplifies high standards. Expects faster and better performance, points out poor performances.	Achievement orientation, Empathy
Commanding	Leaders expect full compliance and exert tight control over employees.	Influence, Achievement orientation,

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[130] Boyatzis, Richard E.; Good, Darren & Massa, Raymond (2012).

[131] Harvard Business Review (2019).

[132] Goleman, Daniel (2000).

According to Goleman, each leadership style has different impact on the drivers of organizational climate. Effects of different styles on climate drivers can be seen in **Table 3.** This is very important because at the same time a clear correlation between climate performance such as the financial result was found.[133]

Table 3: Leadership style effect on different organizational climate drivers. (Adopted from [134])

Driver / style	Visionary	Affiliative	Democratic	Coaching	Pacesetting	Commanding
Flexibility	+++	++	++	+	-	- -
Responsibility	++	+	++	/	/	- - -
Standards	+++	+++	++	+++	- -	/
Rewards	+++	+++	+++	+++	- -	-
Clarity	+++	+++	+++	+++	- -	-
Commitment	+++	+++	++	++	- -	-

Leaders who mainly use the leadership styles that have positive effect on climate drivers were seen to have clearly better financial results and performance than those who used the styles with negative effect on climate drivers. According to analysis, almost one third of the results could be accounted for organizations climate, rest being accounted for economic situation and other drivers.[135]

Over the years with many articles and books on the subject, Goleman, Boyatzis and McKee with some other collaborators have taken further the practical application of the foundation of emotional intelligence and leadership styles[136]. The most effective leaders can smoothly shift their leadership style according to the situation and mostly apply visionary (revised from authoritative), affiliative, demographic and coaching styles in combination to enhance organizational performance while applying commanding (revised from coercive) and pacesetting style very cautiously, only when the situation demands it.[137]

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[133] Goleman, Daniel (2000).

[134] Goleman, Daniel (2000).

[135] Goleman, Daniel (2000).

[136] Goleman, Daniel; Boyatzis, Richard & McKee Annie (2013), pp. xix–xi.

[137] Goleman, Daniel; Boyatzis, Richard & McKee Annie (2013), pp. 51–55 & 87.

To go even further than employee satisfaction Garton and Mankins studied the productive output of employees who were unsatisfied, satisfied, engaged, or inspired. **Figure 25** shows pre-requisites for employee to be satisfied, engaged or inspired with his work with respective productivity with satisfied employee representing 100% productivity.

Figure 25: Employee needs to achieve certain level of commitment and respective level of productivity. (Adopted from [138])

In pure numbers, this means that according to over 300 senior executives interviewed in above mentioned study one, highly inspired worker is producing more than double the output of simply satisfied worker.[139]

It seems that people skills are not only required on all organization levels but are also strongly correlated with organizational performance and other leadership outcomes such as financial results, employee well-being and customer satisfaction. Considering that focus of this thesis is to form an effective development framework for leaders of all levels of the organization it seems a good choice to focus developmental actions on these skills.

4.5 Cultural challenges

For leadership to be effective, leaders must understand how their people like to work, what kind of recognition is effective and how much control is

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[138] Garton, Eric & Mankins, Michael C. (2015).

[139] Garton, Eric & Mankins, Michael C. (2015).

expected[140]. Differences between personalities and individuals can exceed the cultural differences but still a culture-based frame work offers a good starting point for understanding how to lead each individual in the most effective way[141].

There are many different taxonomies for cultural dimensions. One of the most influential of these taxonomies is the model introduced by Global Leadership & Organizational Behavior Effectiveness (GLOBE) in 2004. According to organization their original 2004-study is the largest of its kind consisting over 200 researchers and more than 17 000 mid-level managers in 62 countries[142]. GLOBE -model describes nine different cultural dimensions:[143]

1. Uncertainty Avoidance
2. Assertiveness
3. Gender Differentiation/Egalitarianism
4. Performance Orientation
5. Humane Orientation
6. In-Group Collectivism
7. Institutional Collectivism
8. Power Distance
9. Future Orientation

Dubrin also referred to GLOBE's taxonomy, but modified it by adding two extra dimensions in aim of assessing the preference of work – leisure balance and an importance of time:[144]

10. Time orientation
11. Work orientation

Without doubt the scales introduced above are good and they have stood the test of time, however since cultural differences are in the best-case approximations and generations, 11 dimensions start to be quite heavy taxonomy and can already start hindering the practicability of the model.

Another very commonly used taxonomy is the one of Geert Hofstede's which has its origins back in the 1970's. Hofstede's model was originally introduced in his 1980 publication "Culture's Consequences: International Differences in Work-Related Values". The original model had four dimensions: **Power distance**, **Individualism**, **Masculinity** and **Uncertainty**

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[140] Nawaz, Sabina (2017).

[141] Dubrin, Andrew J. (2016) pp. 453.

[142] Global Leadership & Organizational Behavior Effectiveness (2019a).

[143] Global Leadership & Organizational Behavior Effectiveness (2019b).

[144] Dubrin, Andrew J. (2016) pp. 453–455.

avoidance. Power distance describes the relationship with the authority. Individualism measures the orientation towards individual versus group. Masculinity measures the importance of the gender in a culture. Uncertainty avoidance measures how people feel about uncertainty or ambiguous situations. In 1991, with the co-operation of Chinese researchers Hofstede realized that his dimensions were western-oriented. This led to the addition of a fifth dimension called **Long term orientation** to the model. Long term orientation measures how much weight the society puts on long-term versus short-term thinking. The latest addition to the model, **Indulgence** comes from the co-operation of Hofstede & Minkov in 2010. Low scores in this measure mean that society restrains and regulates people's life with strict social norms and how important is free-time and fun versus work and responsibilities.[145]
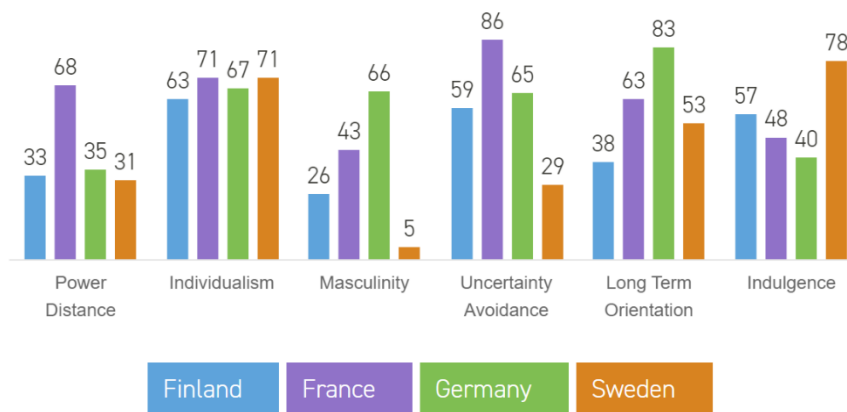
Figure 26: Comparison of Finland, France, Germany and Sweden.[146]

An example of comparison between different European countries with Hofstede's six cultural dimensions is seen in **Figure 26**. The low masculinity of Sweden is very evident in the everyday business life of Swedes with their' strive for consensus via long negotiations.[147] This "diskutering" has also been noted in neighboring countries, like in Finland, where it is sometimes joked about and seen as inability to make decisions. Finland also has quite low masculinity score so contrast probably strikes even harder for people from truly masculine cultures.

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[145] Minkov, Michael & Hofstede, Geert (2011).
[146] Hofstede Insights (2019a).
[147] Hofstede Insights (2019b).

Another important difference for leaders to acknowledge is the power distance. Cultures with low power distance expect a low hierarchy, managers are to be easily approached and decision power is decentralized. In high power distance cultures, companies tend to have more hierarchical organizations, high-level executives are out of reach of the normal worker and decision power is highly centralized.[148]

An Important note on Hofstede's cultural dimensions is that they are not a measure of how people act, but rather they paint a picture of societies expectations on how an individual people should act. Adults who have grown in these societies understand these expectations instinctively and children learn these social rules and accepted behavior as they grow. This effect of cultural norms molds our mindset, even if we do not agree with the society's norms and rules, they affect our thinking.[149]

Just as Hofstede's original cultural dimension model was western-oriented there is a same tendency for other behavioral theories and frameworks to be influenced by the culture where this theory has its origins. Many motivational theories have their roots deep down in American research and the whole Lean-movement comes from Japanese settings.[150] For motivating and inspiring, understanding employees' cultural background is a good starting point for evaluating which rewards would motivate this employee in the most effective way. This said, individual preferences are very important and should not be neglected. For example, Americans usually appreciate extrinsic motivators whereas German workers like to find motivation from the exciting work and Asian cultures emphasize group harmony-related rewards.[151]

Lean-movement is both, a proof that actions of right kind, the issues from the difference in cultural aspects can be solved and an example of challenges it can create. Transferring Toyota-way from Japanese setting to western countries is likely one of the best examples of successfully moving leadership doctrines between very different cultures. Toyota's main strategy for succeeding was to carefully select right kind of people to the leadership positions of its offshore operations, train them mainly in Japan and provide a supportive mentoring from seasoned Toyota executive to reinforce the values of Toyota-way.[152]

The Failed attempts of adopting Lean practices in western companies are another side of the coin. In words principles like "Optimize the Whole" can sound like an excellent idea and it is easy to accept as a target. However, when people used to deliver short term results are faced to decision

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[148] Hofstede Insights (2019c).

[149] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 190.

[150] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 191–192.

[151] Dubrin, Andrew J. (2016) pp. 466.

[152] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 195.

that is a trade-off between the quarterly result and a reputation of the company people very easily fall to the cultural default instead of newly introduced Lean principles.[153]

4.6 Learning organization practices

Continuous improvement leans heavily on the roots of scientific thinking stemming from the early 17th century. The Idea is to form a hypothesis based on experiences and current knowledge and then test this hypothesis via experimentation. Repeating this leads to a cyclic learning, which is very characteristic of Lean-philosophy and continuous improvement.[154]

The System of profound knowledge is a system of four interacting parts formulated by Dr Edward Deming, one of the gurus who have been given the credit for the industrial miracle of Toyota. For sustained continuous improvement a leader must know these all four parts; **System Thinking**, **Understanding variation**, **Creating of new knowledge**, and **Psychology**.

Systems thinking enables leaders to move from the mechanistic worldview of resource optimization to the **systemic world-view** where optimizing the flow and interplay of different parts of the system are the keys to the organizational performance. **Understanding variation** means that leader can correctly analyze data, differentiate actual changes from randomized fluctuations and see the differences between causality and correlation.[155] Without understanding phenomenon called regression to mean for example, leaders just like everyone else can easily make a plain wrong conclusion from the data. One of the most vivid examples on this comes from the seasoned Israeli Air Force flight instructor who had empirically concluded that giving praises and compliments for a fine execution of some move usually led to the cadet do worse on a next attempt. On the other hand, yelling and screaming to the cadet after bad execution usually improved the performance on the next attempt. Conclusion; giving praises make people perform worse and yelling makes them perform better. What the instructions saw was actually the phenomenon called regression to mean. It means that due to the random element of each repetition is it highly likely that good execution followed by worse execution and bad execution is followed by better execution regardless of yelling or praising.[156] **Creating new knowledge** means using PDCA-cycle to learn and move forward while encouraging experimenting and welcoming mistakes as a means of learning and moving forward. **Understanding Psychology** means to understanding human behavior and motivation. One of the classical scholars who have influenced this field is Douglas McGregor who introduced Theory X and

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[153] Poppendieck, Mary & Poppendieck, Tom (2010) pp. 194.

[154] Torkkola, Sari (2015) pp. 39–43.

[155] Torkkola, Sari (2015) pp. 226.

[156] Kahneman, Daniel (2011) pp. 175–176.

Theory Y back in 1960's. Theory X mind-set means that managers think that people do not want to work, they need to be directed, controlled and forced to work by introducing sanctions or fostering extrinsic motivation by if-then rewards. Managers with Theory Y mindset on the other hand think that people like to work, want to take responsibility and are self-directive as long as they are treated fairly and appreciated.[157] One of the most influential psychology scholars in modern business setting is Daniel Kahneman. In 2002, he was awarded the Nobel prize in economic sciences for his work on decision making and judgement.[158] Kahneman's award-winning book "Thinking fast and slow" summarizes a lot of his research from decades of work with different collaborators. The main theme in the book is to explore the different cognitive biases and tendencies which hider our ability to think statistically and logically about our decisions and judgments.[159]

For leaders, one important is cognitive bias to acknowledge is called planning fallacy. There is a good example in every company for project failures that can be largely contributed to planning fallacy. Planning fallacy means that project plans or forecasts are unrealistically close to best-case scenarios in completion time, resource need or budget. Additionally, to unrealistic optimism, an external pressure from the top management, company owners or stock markets will shrink the estimated project costs and completion times. Kahneman's own example comes from writing a book in a team of researchers. They knew that 40% of similar type of book projects fail, the ones that get completed take seven to ten years and their team was below average on expertise and performance. Their plan seemed solid and they stick with their own estimate of about two years ignoring the statistics of similar projects. The book project was initially finished eight years later. Lesson for Leaders making plans is to seek statistics about similar projects and from a baseline prediction to start the planning instead of converting plans to predictions.[160]

General principles can be generalized across the industries and organizations. On top of principles' leaders must have a toolbox of different, practical tools and methods and this is where education and class-training are valuable. In daily work practical tools and methods need to be selected and adopted to work in different organizations, cultures and situations. By draining information from outside of the organization problems with existing solutions are more easily solved and people will have lot more raw material for inventing new and novel ways to work.[161]

Recent Harvard Business Review -article points out three main challenges of Leadership training. First is the mismatching motivation between

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[157] Gürbüz, Sait; Sahin, Faruk & Köksal, Onur (2014).
[158] The Nobel Prize (2019).
[159] Kahneman, Daniel (2011) pp. 12–14.
[160] Kahneman, Daniel (2011) pp. 245–252.
[161] Torkkola, Sari (2015) pp. 227–229.

leaders participating in the training and company paying for it. Company might have noticed an improvement need in certain area based on the criticism from employees or results of recent management review. These topics can seem demotivating and uninteresting for the managers who would like to have training that advances their career aspirations and personal goals. Motivation for participants could be higher when they can influence the topics of the training. Second is the mismatch between themes offered by the companies doing the trainings and the themes that company would benefit from. Teaching people to communicate and collaborate effectively is rather difficult and it is much easier for a consultant to sell a "standard package" of the most popular leadership training package. Third and perhaps the most important challenge is the challenge of transferring the acquired knowledge, skills or ideas to the daily work. Research has proven that closer the learning situation resembles the work-life situation the easier it is to transfer this newly learned idea into the daily work. This is called near-transfer. This means that context for the learning matters.[162]

Coaching and mentoring happens usually in the real-life setting, and thus does not need similar transfer from learned theory to applied practice. Coaching is very often neglected because leaders think that they don't have time for coaching. Leaders who successfully coach their people don't think coaching as distraction from actual work, but rather integrated and essential part of their work on achieving business goals. These leaders see coaching as way to attract top talent and grow more people already in your team. Teams can be built around extremely talented people, but organizations can't rely solely on top-talents. Organization that helps everybody to grow and reach their full potential will always beat solo-talents.[163]

While mentoring and coaching are somewhat similar activities, where both are one-on-one relationships, require confidentiality and good skills in listening, questioning and feedback. Key-differences can be seen in **Figure 27.**

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[162] Moldoveanu, Mihnea & Narayandas, Nas (2019).

[163] Weintraub, Joseph R. & Hunt, James M. (2015).

Coaching	Mentoring
Relationship generally has a set duration	Ongoing relationship can last for a long time
Generally more structured in nature; meetings are scheduled on a regular basis	More informal; meetings can take place as and when the mentee needs some advice, guidance and support
Short term (sometimes time-bound) and focused on specific development areas/issues	More long term and takes a broader view of the person
Coaching is generally not performed on the basis that the coach needs to have direct experience of their individual's formal occupational role, unless the coaching is specific and skills-focused	Mentor is usually more experienced and qualified than the mentee, and can pass on knowledge, experience and open doors to otherwise out-of-reach opportunities
Coach can be internal or external to the organization	Mentor is usually (but not always) internal to the organization
Coaching can be performed by the line manager	Mentoring is not performed by the line manager
Focus is generally on specific development areas/issues at work	Focus is on career and personal development
The agenda is focused on achieving specific, immediate goals	Agenda is set by the mentee, with the mentor providing support and guidance to prepare them for future roles

Figure 27: Key-differences between mentoring and coaching.[164]

Mentoring is usually more personal, and the aim is more on the personal growth of mentee. Coaching is more related to work that is currently at hand and focuses on improving in-work performance in present context.

To summarize; Leadership development, when done right is perceived to be beneficial for the companies based on both, superior and subordinate feedback. The leadership is a complex and wide topic, it includes learnable

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[164] Parsloe, Eric & Leedham, Melville (2016).

skills, shifting mindsets, changing behavior, knowing one's own biases and understanding how other people work on a psychological level. Effective leadership training program should be continuous, long-term process instead of a collection of individual workshops or one-time trainings[165]. This enables leaders to integrate what they are learning to their in-job behavior and practices. A training program should consist of mixed methods such as one-on one coaching, peer-based team coaching, mentoring, formal class trainings and off-sites.

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[165] Abrell, Carolin; Rowold, Jens; Weibler, Jürgen & Moenninghoff, Martina (2011) pp. 220–222.

5 Case study: Starting continuous development of the leadership in Logset

5.1 Case introduction - Logset

Logset is a Finnish forest machine manufacturer with the global dealer network reaching over 20 countries in Europe, South- and North America, Asia and Australia. Logset has been established to Koivulahti, near Vaasa in 1992, at the same place where the factory is still today. [166] Logset's annual turnover in 2018 was 40,1M€[167] with employee count almost 90. Views for 2019 are positive because record-high order book and improved profitability.[168] In early 2019 Logset has also established a subsidiary in Ottawa, Canada with the aim to improve sales and technical support in North and South America.[169]

Logset has leaders from different cultural backgrounds and language skills. Language skills bring more practical problems for trainings, questionnaires etc. while different cultural backgrounds need to be taken in to the consideration when determining correct development actions. Also, three different geographical locations for Logset offices bring challenges. Official language in the company is English, but mother tongue's among Logset leaders now vary between Finnish, Swedish, French and German, Finnish being the dominant language. Logset also works in very close co-operation with our international partners on the daily basis and over 80% of machines are exported.

With the growing number of employees and leaders Logset has noticed a need for systematic leadership development practices to foster the growth of unified and improving leadership culture. With systematic leadership development Logset expects to positively affect employee satisfactory score, customer satisfaction, supplier co-operation and stakeholder relations.

5.2 Research methods

The research approach in this work was a combination qualitative analysis of 360-feedback results and action research to initiate continuous leadership development practices in a case company. In the **Table 4** methods used for acquiring information for different phases of the thesis work are listed. Like explained in Chapter 1.1 Logset's top executives and board of

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[166] Logset (2018).

[167] Logset (2019a).

[168] Logset (2019a).

[169] Logset (2019b).

directors were included in the process of defining the scope and specific targets of the thesis.

Table 4: Methods used for collecting data on different phases of the project.

	Definition of targets and scope	State analysis	Decided actions
Strategy work & strategy meeting	x		
360-feedback		x	
Workshops & further training			x
Personal development plan			x

Specifics of company's strategy work process and people involved are not included in the thesis report. This information is considered as core business information and very specific to the case company, thus not so relevant to the thesis. The state analysis and deciding following actions were the main focus of the thesis. The 360-feedback survey was used for determining the current state of company's leadership while workshops, further leadership training events and addition of the personal development plan to the performance discussion form provided the input for the decisions of interventions. Specific actions and workshop memos are not included in the thesis report, since they are again considered as core business information and very specific to the case company, again not relevant to the thesis.

Modern 360-review is a multi-rater or multisource feedback method that has emerged between 1980's and 2000's combining the aspects of employee satisfaction surveys, peer evaluations, team appraisal and other appraisal and development mechanisms. Already in 1959 Esso Research group conducted a survey with similar idea, named "rate your supervisor".[170]

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[170] Slater, Rory & Coyle, Adrian (2014) pp. 244.

Figure 28: 360-review (Adopted from [171]**).**

As seen in **Figure 28**, the idea of 360-feedback is to give the leader multi-source feedback coming from superior, peers, team members and other people a supplier or customer, for example. Self-assessment is also an important part of the process.

While the validity and usability of 360-feedback have been under active debate and there seem to be no simple answer it seems to have firm foothold in leadership development practices[172]. According to Maylet 90% of Fortune 500 companies use some form of multi-rater feedback for leadership development or performance evaluation[173]. Original purpose and the idea of 360-feedback were to provide the leader with the required feedback for directing and evaluating personal development. Some scholars point out that important benefit of 360-review process is that it leads to self-reflection, thinking and reasoning that enhances leader's self-awareness.[174]

360-feedback is also quite commonly used for performance appraisal purposes. Regardless of the popularity it is controversial whether the same feedback could be used for performance appraisal. Proponents of using 360-feedback for performance evaluation generally think that they can get better evaluation from multi-source feedback compared with the traditional top-down performance evaluation. Also cost savings plays a role when using one survey to cover both purposes. Opponents see that when feed-back has administrative consequences negative feedback will lead to a defen-

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[171] Yukl, Gary (2013) pp. 373.

[172] Zenger, Jack & Folkman, Joseph (2012).

[173] Maylett, Tracy (2009) pp. 54.

[174] Slater, Rory & Coyle, Adrian (2014) pp. 245–246.

sive state instead of openly accepting and reflecting on feedback, this hindering the developmental effect of the process. Raters willingness to provide candid feedback is also questionable if their feedback affects the pay or career possibilities of leader being rated. The missing correlation of scores in developmental surveys and the traditional performance evaluations also encourages executives to consider carefully before combining these two surveys.[175]

360-feedback has certain advantages, but it can also affect negatively to the organization. On a positive side, it has seen to foster the growth of open feedback and discussion culture, improve relationships and increase the level of understanding of the competency gaps and performance drivers. On negative side giving or receiving feedback can be felt stressful, doubt of confidentiality can be troublesome, lack of follow-up and visible actions can condemn the whole process as waste of time. Several steps to ensure the positive effect of the 360-feedback survey should be taken. Unquestioned confidentiality, sufficient and visible follow-up and open communication about the process the whole organization can be considered to be critical.[176]

In this case 360-feedback survey for all the managers was selected as method for identifying the current state of leadership capabilities and bottlenecks that should be addressed. The 360-feedback survey was selected because it was a well-known method for determining leader's development areas and we had some seasoned leaders who had experience of using it earlier in their career. To foster knowledge transfer between less experienced and more seasoned leaders, all Logset's leaders from every organization level were included in the 360-feedback survey. To determine the goals and aims of the developmental actions a company's strategy document was used. In this case 360-feedback survey was chosen as it was considered as de facto-way to start the leadership development program. The 360-feedback survey was conducted together with a partner company to ensure the anonymity of the responders. Using professional analysis company for a 360-feedback survey was seen to increase the quality of results as well. It was decided to have a feedback workshop with the facilitator from partner company to improve the effectivity of feedback. This was highly recommended by partner company and supported by research. Facilitator can help participants to understand what feedback means, how it relevant to their work and how to make use of feedback for improving their leadership.[177] The Group level report was shared among the leaders. Additionally, each leader got their own, personal report which they could share if they wanted to. While it was acknowledged that finer, and finer granularity of reports and analysis would provide different insights of each department's development needs it was decided that the whole organization

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[175] Maylet, Tracy (2009) pp. 54.

[176] Mukherjee, Jayant (2012) pp. 213–217.

[177] Yukl. Gary (2013) pp. 374.

would receive one group level report. This was considered as appropriate first step as forming a big picture view of state of leadership at Logset and provide plenty of insights for determining the next steps.

6 Survey analysis

6.1 Survey structure

In 360-feedback survey participants were first asked to give a general grade on the scale 4-10 for evaluated leader about their work as leader. The survey itself consisted of 48 questions in themes listed below. Each survey item was evaluated on 1-6 scale, where 1 is the worst grade and 6 is the best. Participants were asked to give rating for urgency of developing each item by selecting one of the four options: Reduce, Ok, improve in future or Improve now.

1. Operating environment
    1.1. Mission & Vision
    1.2. Strategy
    1.3. Market environment
2. Organization
    2.1. Leadership culture
    2.2. Values and atmosphere
    2.3. Goal setting
3. Role
    3.1. Leading people
        3.1.1. Emotional intelligence
        3.1.2. Supporting well-being
        3.1.3. Motivation and feedback
        3.1.4. Interaction
    3.2. Managing things
        3.2.1. Goal-orientation
        3.2.2. Decision making
        3.2.3. Co-ordination of assignments
        3.2.4. Customer orientation
    3.3. Change management
    3.4. Knowledge management
4. Self-management
    4.1. Self-knowledge
    4.2. Efficacy

The group level report provided by partner company was used as material for the analysis conducted. The 360-feedback survey was conducted in the spring of 2018 and some of the development actions have already been implemented at the end of 2018. In the survey, 17 leaders were reviewed by their superiors, peers and employees. Total of 144 answers were given.

Total number of reviews done to others was 127 and 17 self-reviews. In total 63 persons were invited as raters for one or more leaders.

Participation rates were:
- Self 100%
- Superior 100%
- Peer 89%
- Sub-ordinates 90%
- Total 92%

Each leader got their own, personal report with detailed, but anonymized data. These personal reports are confidential material owned by each leader, so they are not the subject of analysis in this thesis. Additionally, to personal reports a combined organizational report was generated which is further analyzed here. It was decided that all leaders are handled as one group to emphasize the point that all Logset leaders are on the same boat.

6.2 Key-findings

The highest average score from self (5,4), superior (5,0), subordinates (5,1) and peers (4,6) were given to item 1.1 Mission & Vision. The lowest average scores from superior (4,1), subordinate (4,3) and peer (4,0) were given to item 3.4 Knowledge management. On average the knowledge management was also perceived as the most urgent development point. The lowest self -assessment (4,4) scores were given to 1.3 Market environment.

Clearest strengths	Others (n=127)	
1. He has a clear picture of the company's mission (Why the company exists)	Basic mission	5.0
1. He knows how to leverage his personal strengths	Self-knowledge	4.9
4. He is sturdy and trusts his own discernment and professional competence	Self-knowledge	4.9
3. He knows what are the biggest challenges for the company in the future	Mission & Vision	4.9
3. He remains behind the decisions he made	Decision making	4.8

Clearest weaknesses	Others (n=127)	
2. He makes sure that the knowledge and information is shared in the whole organization	Interaction	4.0
3. He communicates the strategy and its meaning actively	Interaction	4.1
1. He inspires and energizes	Motivating	4.2
1. He uses enough time for sharing his own knowledge	Knowledge-management	4.2
1. He is good at recognizing moods and emotional states of others	Emotional leadership	4.2

Unknown strengths (Opportrunities)	Others - Own
1. He uses enough time for sharing his own knowledge	0.1
1. He is efficent in his decision making	0.0

Blind spots (Threaths)	Own - Others
3. His own activities foster the growth of open conversational culture	1.2
3. He knows how to recieve negative feedback from others	1.0
2. He has courage to admit his own mistakes and weaknesses	1.0
3. His operations are based on respect and appreciation of his co-workers	1.0
1. He is good at recognizing others moods and emotional states	0.9

Figure 29: SWOT of Leadership at Logset.

In **Figure 29** is a SWOT analysis of Leadership at Logset. **Strengths** include five survey items with the highest scores. From strengths part it can

be seen that leaders are aware of their own skills and aptitudes. Organizations basic mission is also well known and possibly due to this clarity, leaders are capable of making decisions.

Weaknesses include five survey items with the lowest scores. Themes that rise from this data are emotional skills such as inspiriting others, knowledge sharing and communication. In general, it can be concluded that so-called soft skills are the weak-spot of the organization. It could be overlooked with the commenting something like; "well this is quite masculine culture" or "we are not psychologists here" but it must be noted that these scores are not measurements on an absolute scale, rather they are relative to what are the participants' expectations from the leader.

The **opportunities** section includes two items that had the highest relative score given by others compared with the leader's self-assessment. Efficient decision making is listed as Opportunity, which also reinforces the assumption that one of the strong-points of the organization is making decisions. Another point in the Opportunity-section is a question if leader uses enough time sharing his own knowledge. This item is also present in the Weaknesses section, so the conclusion from this is that Leaders them self, know that they are not good in this area.

The **threats** section lists five items with the lowest relative score given by others compared with leader's self-assessment. Soft skills are also a prominent theme in here. Low scores in Endorsing open conversation, ability to accept negative feedback, willingness to admit their own mistakes and demonstrating appreciation and respect towards co-workers are all signs of hierarchical, top-down way of thinking in the organization. Low scores in these items are very poorly compatible with the philosophies of continuous improvement and lean principles.

Another notable characteristic of the data is that peers gave the overall lowest scores to the leaders. In 44 out of 48 items, the peer rating was the lowest while remaining four was given by superior. Since subordinates and superiors are more satisfied with leaders work than peers, it indicates that co-operation vertically in the organization or inside departments works better than horizontal co-operation between teams and departments.
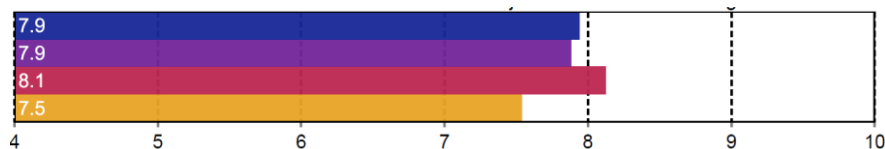

Figure 30: Average grade of leaders' operations as superior.

This same pattern can be also seen in the average grading of the leader's general capability in **Figure 30**. Orange is an average peer grade, red is subordinate's, purple superiors and blue leaders' own grade.

6.3 Reliability and validity of results

The research on the validity of 360-feedback surveys is inconclusive and although some studies show that surveys have positive effect on leadership effectivity, it can't be concluded that 360-feedback survey would always improve leadership effectivity. Reasons may vary, from neglecting the negative results, distorting it meaning or lack of knowledge on how to act based on feedback. There are a lot of different actions that organization can take to improve the effectivity of the feedback and these include formal training, in-work coaching, follow-up and linking the developmental activities to performance review. Additional feedback-cycles and open discussions with the raters are seen also beneficial.[178]

Survey questions were not designed for this survey but used by partner company for years in similar projects. The detailed analysis of each questionnaire item is not in the scope of this thesis. Topics of survey questions were reviewed and considered to be good and timely.

It can be confidently said that 360-feedback measures what team members, peers and superior perceives to be the state of leadership. In this way, the study can be considered valid. Another view point is that how valid conclusions made from the data are. In this case data reflected well the known issues of organization as discussed in earlier occasions. Additionally, during workshops common acceptance of the results were also high. This shows that analysis is also valid. Since the nature of study, assessing behaviors and perceived actions are very vague and difficult to put under exact evaluation some question marks remain for the validity of results.

Assessing the reliability of results in qualitative study is controversial, and irrelevant. Instead the quality of qualitative study comes from its ability to generate understanding[179]. Good reliability and representativity for the results were achieved by choosing all leaders as participants. Raters for each leader were selected by CEO to prevent leaders from selecting the most favorable raters. The high number of ratings also contribute to the quality of the study. This resulted from a high portion of personnel selected as rater for one or more leaders (63 of the 87) and a high participation rate (92%) resulting in 127 ratings of 17 leader. Average of 7,5 ratings per leader plus self-assessments, totaling 134 ratings that were registered.

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[178] Yukl, Gary (2013) pp. 374.
[179] Golafshani, Nahid (2003).

7 Development Actions

7.1 Identifying bottlenecks

There seems to be clear consensus on all participant groups that biggest bottleneck lays in the organizations **capability to share knowledge** and information. This fits well within the point that participants along the chain of command were more positive on leaders' capabilities than the participants working in other departments or teams. This makes sense because transferring knowledge between departments is more difficult. People from other teams and departments sit in different offices or even different locations which requires much more work and structure than transferring knowledge inside department from top-down or down-top manner.

This did not come as surprise and improving **cross departmental cooperation** has already been part of the Team Logset -initiative, one of the six key strategic projects since late 2017. Actions followed by this leadership study includes interdepartmental workshops on co-operation, the initiation of quality system implementation, monthly briefings and IT-system improvements.

Low scores on emotional awareness and ability to motivate were perhaps newer findings, or at least it has not been actively discussed in the company before. Improving soft-skills of the leaders in the organization is a good topic for future development activities. On the other hand, it might be that this aspect also improves if better communication and knowledge transfer is achieved. For now, the recommendation is to **concentrate on efforts to improve knowledge transfer and communication skills**.

For motivating people company has already introduced a bonus program for all employees. This can have positive effect on the perceived motivational capabilities of leaders. Also, bi-annual performance review discussion has been introduced. These both actions fall in the category of extrinsic motivators and are typical first steps. Extrinsic motivators alone are not enough **to foster deep commitment and accountability, intrinsic motivation is the key.** To foster intrinsic motivation people must feel appreciated and respected.

7.2 Finding the points of leverage

The strengths shown in the SWOT-analysis should be considered as leverage points. Clarity on company's mission, common understanding about the biggest challenges and capability to make and stick with decisions should be considered as key leverage points on leadership development. Seems that "paralysis by analysis" or lack of action is not an issue for the organization. This is a very good starting point for the organizational development.

Clarity creates an environment in which people can perform at their best, and thereby enable higher levels of organizational performance. – Karen Martin[180]

Further improving these points should be also easier than tackling the biggest and deepest weaknesses head-on. It is highly likely that positive experiences and effective change are most easily, and resource effectively found among these strong points.

Newly introduced process descriptions should also be used as leveraging forces for improving everyday leadership in the company. A clear process owner for leadership development processes should be appointed. Process owner should make sure that process descriptions for the annual calendar and other actions are up to date, processes are followed and redesigned when needed.

7.3 Feedback loops

7.3.1 Biennial 360-feedback survey to check the direction

As a long-term tool for redirecting the development efforts and evaluation of company-wide development efforts a 360-feedback survey conducted once in every two years is practical. If conducted every year, a 360-survey can lose its edge, especially if participants do not see enough changes. This can lead participants not putting enough effort on answering the survey. Also, the cost of the 360-survey in the lost work time and direct cost of administering the survey is reduced with biennial implementation.

To get deeper insights from the data in the future, a department specific reports and some customized questions is recommended. To assess the work of leadership team a separate report to them is also recommended. 360-survey extension to other groups such as the board of directors, dealer network and closest cooperation partners should be also considered in future.

Slow and steady wins the race here. Regardless of further ideas listed above, for now the company should keep clear focus on the practical implementation of changes planned from the insights of current data.

Ideas without action are worthless. – Harvey Mackay[181]

There will be time when new ideas and insights are needed, but for now it is time for executing the ideas and decisions so that they lead to sustained change for the better.

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[180] Martin, Karen (2018) pp. 27.
[181] MacKay, Harvey (2013).

7.3.2 Quarterly follow-up meetings to set the pace

Biennial 360-survey is not enough to keep things rolling in the right direction, the time span is too long. As anticipated and based on the experiences so far with the leadership development program, the follow-up of decided actions is critically important. Many good actions were decided in the workshops that followed the 360-feedback survey, they were assigned and scheduled but when follow-up is missing or happens by change these actions tend to get postponed or totally forgotten. Quarterly, fixed follow-up meetings are recommended to make sure the decisions are converted to concrete actions in timely manner.

Some of these follow up meetings could be integrated into different training events when applicable, but to ensure quarterly frequency some additional follow-up meeting should be kept. Meetings don't need to be long, a one-hour meeting should be enough. The agenda should include the impact evaluation of the completed actions, the progress review of actions in progress and a short review of next steps in the leadership development flow.

7.3.3 Leadership metrics to quantify the progress

Without metrics, continuous improvement can only be achieved by lucky coincidences. Setting right metrics is not easy and it is one of the biggest challenges in achieving constantly improving results. Logset has already put in place key performance indicators (KPI) for each department. Some of these KPIs can be considered as metrics for leadership efficacy. Instead of inventing a separate set of KPIs it is recommended to develop the existing list of Logset KPIs so that it incorporates metrics assessing the success of leadership.

KPIs related to leadership at the moment include the employee satisfaction survey results, Lost time injuries frequency, % of pieces on time, Mechanics invoicing rate, sick leaves % and over time %. Additionally, to these already in place following metrics should be added to KPI-list:
- 360-feedback's average leadership score
- Training hours / employee
- Retention rate

Following should be considered as well:
- Job rotation rate
- Exhibition & event participation count
- New customer / old customer ratio
- Dealers training participation count
- % of personnel cost from turnover
- Weekly team meetings held
- Monthly briefings held

A lot of other metrics could be extracted from the 360-feedback survey, but due to the role of 360 survey as a development tool, rather than performance evaluation system the **average leadership score** should be enough. Also, the reports will be analyzed in more detail after each survey.

As knowledge transfer was observed to be a key issue in the organization some measures for measuring improvement on this area should be put in place. Ideally new metrics should come from the data already available, but in this case no clear data related to knowledge sharing and transfer was found. This leads to the need for new data collecting and one option is to find a way to log hours spent on different forms of training for each employee and then by calculating training hours per employee from that, a metric for the whole organization would emerge. Although data for **training hours per employee** is not simple to collect, it should be seriously considered. Alternatively, some other metric that would measure activities improving knowledge sharing and communication internally should be put in place.

In some occasions, the poor communication and failed knowledge transfer have been reported being one main reason for seeking new challenges by people who have left the company. This would indicate that at there could be a causal link between issues in these areas and the **retention rate** in the case company. This is obviously little vague and subjective conclusion and should not be considered as fact, but rather hypothesis that could be proven right or wrong by measuring retention rate for a few years. To keep KPI-list from expanding and becoming too labor intensive to keep up to date, number of additional KPI's should be kept as low as possible. Recommended number of new KPI's is 2-3. Rest of the list is provided just as ideas for further development.

A job rotation rate would indicate how well people find new positions and challenges inside the company. To foster the deep understanding about the industry, markets and customers, **participation in exhibitions and events** is critical and thus should be measured. New customers in Forest machine sales are usually acquired by sales efforts while new orders from existing customers require a success in product quality, performance and service. Therefore, **the ratio between old and new customers** could serve as indicator for which area is stronger. Training dealers' personnel in sales, technical support and mechanics is critically important for a company like Logset whose entire business is based on the independent dealer network. Today some dealers are very active on participating trainings and this should be encouraged by putting right kind of metric in place. **Dealers training participation count** could be one company wide KPI although this could be considered also as a key component of the dealer specific scorecard. **A percentage of the personnel cost from turnover** is an important financial metric but would also serve as good reminder for leaders responsible for recruiting new personnel, especially in turbulent market conditions where annual budget discussions can be way too slow indicators. **Weekly team meetings** are again little hard metric to measure, but perhaps with right kind of automation this information could be extracted from meeting

room calendars. **Monthly briefings** for all employees are kept every month, but history shows that in turbulent times when these briefings would be the most important they are easily forgotten or skipped. Due to the importance of these events for company-wide information flow, a metric should be put in place to measure how often these meetings are kept.

7.4 Structured practices for the leadership development

7.4.1 A kick-off event

To initiate the continuous leadership practice at Logset a first-year path was designed together with CEO Jussi Malmi and CFO Kari Mikkilä. The 360-review has a very central part in this path.

Continous Leadership development initiated - January

Performance discussion - March

360-review & Leadership development workshop - April

Leadership development plan added to Performance discussion form - August

Leading People training with Varma – August/Septemper

Figure 31: 2018 kick-off for continuous leadership development practices.

As seen in **Figure 31**, in January the program was officially initiated and presented to the whole company as part of company's strategy for 2018. First steps and the targets of the development process were communicated. A practice of performance discussions was started in March.
First a pre-survey briefing was kept for all the participants, explaining the philosophy, confidentiality and target of the 360-feedback process. The 360-feedback survey itself was conducted in April, followed by a two-day kick of event for all leaders.

Hi Logset leaders,

You have been invited to join in Logset Leadership development program, which we have launched as part of our strategic key target, Team Logset.

We are organizing off-site event to start up the development program and you are one of the leaders invited to join. Goal of this event is to initiate continuous leadership development practices at Logset.

Event will be held at Powerpark area and we will spend one night there, at cottages. Event starts with lunch on Thursday and ends with lunch on Friday. We have one workshop on Thursday afternoon, where we will go through our 360-review results together with Daniel Särs, Human resources -professional from MPS-consulting. In the Friday evening we have sauna and some other activity. On Friday morning we will have workshops and a special quest.

More detailed agenda and schedule:
Detailed Schedule of the event:
Thursday 26.4.2018
      11:00 Lunch - Roadhouse
      12:00 - 16:00 360-feedback group-review (14:00 Coffee)
      17:30 - 18:30 Go-kart racing
      18:30 - 20:00 Sauna & Free time at the cottages
      20:30 - 22:00 Dinner – Roadhouse

Friday 27.4.2018
      07:30 Breakfast
      08:30 - 11:30 Workshop (Klo 09:30 Coffee)
      11:30 Lunch - Roadhousessa

Best Regards, Jouni

Figure 32: Invitation letter for 360-feedback review & leadership workshop event.

The invitation with the schedule for the Kick-off event is shown in **Figure 32**. The kick-off event consisted of workshops, group analysis of 360-feedback results and coaching on how to interpret personal feedback results.

Figure 33: The 360-feedback group review facilitated by a partner company.

Figure 33 is taken from the group review that was facilitated by a partner company. First the participants were given a short summary of philosophy of the 360-feedback process, then the group report was over viewed and discussed upon. Finally, the personal feedback reports were given along with tips and advice on interpreting the results. An opportunity for a one-on-one review of the survey results with the consultant was also offered.

Figure 34: A little evening program before the dinner and sauna.

After the official part of the day one it was time for some evening activity in form of Go-kart racing (**Figure 34**), dinner and sauna to facilitate open discussion on and off-the-topic.

The second day started with a few clips about teamwork and organizational health by Patrick Lencioni[182]. After some discussion over the clips, the workshop to define the practical action points was kept.
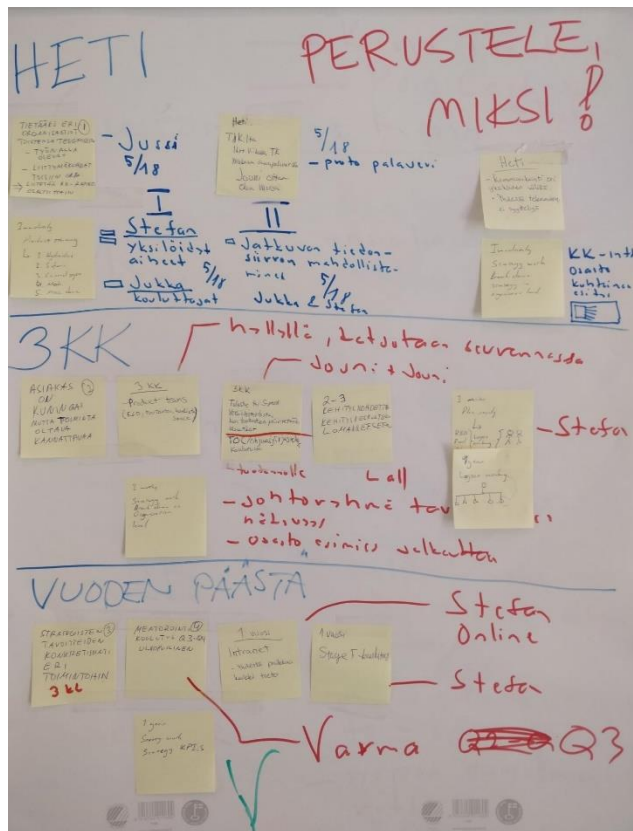
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[182] Table Group (2018).

Figure 35: A white board writings from the second day's workshop.

The action points were divided into the three categories, based on urgency and amount of work required to complete the action point (**Figure 35**). The first category was improvements that could be done immediately, the second category was for actions that should be completed in three months' time and the last category was for larger scale improvements that should be completed within a one-year time span.

LOGSET

PART 2

Personal Development Plan
This part is about your personal development.

Development areas, aspirations, actions & training

1. Weekly occurring team meeting as reoccurring event in the calendar for all team members
2. One-on-one meetings with team members in calendar every other week
3. More disciplined updating and following the project calendar

Figure 36: An example of the personal development plan.

Later, in the august all leaders added a personal development targets for their leadership in their performance discussion form. This performance discussion form is reviewed biannually between leader and his or her superior. An example of the personal leadership development plan is seen in **Figure 36**.

Logset Leaders,

We will arrange a training for all Logset's leaders together with Varma on the topic of Leading co-operation and you are all invited to participate. Training will take place 12.11.2018 At Koivulahti (Calendar invite to follow). Training will include pre-assigment that will be sent before the training.

Some of the action points from the last event are done and some still open, please check yours from the link:
https://logsetoyfi.sharepoint.com/sites/LeadershipDevelopment or powerpoint attached.
We still have some time to take care of these before the training, this way we will show that we are capable of making progress.

Day's rough schedule:
      08:00 Re-cap of last event & agreed actions
           What's done – Effects?
           Progress of the remaining action points
           What next?
      08:30 Leading Co-operation coaching session with Jonna Jantunen
      09:45 Coffee break
      10:00 Workshop on improving co-operation by right kind of leadership
      11:00 Re-cap of the days topic & workshop
      11:30 Lunch

Figure 37: Leading Co-operation training - a second leadership development event organized in November.

Closer to the end of the year a half-day training event with a recap of progress after last event was held with. The invitation letter and a schedule can be seen in **Figure 37**.

To conclude, a good amount of actions has already been taken as a result, a by-product or perhaps unrelated to these development efforts. These actions taken after the initiation of continuous leadership development practices include but are not limited to new process descriptions, the 360-feedback survey, training events, workshops, the creation of personal development plans, many organization changes and decisions on further improvements on communication, knowledge sharing and cooperation.

7.4.2 Annual calendar and the SharePoint page

To keep things rolling and moving an annual calendar for the leadership development was designed. Since leadership development is not and should not be the most important thing in running the company the amount of effort required to sustain constant pace in development actions should be kept relatively low. Continuity is the key here.

1% BETTER EVERY DAY

1% worse every day for one year. $0.99^{365} = 00.03$

1% better every day for one year. $1.01^{365} = 37.78$

RESULTS

1% IMPROVEMENT

1% DECLINE

TIME

Figure 38: Why a small change makes a big difference.[183]

Small frequent changes create big effects over time as long as development is frequent and continuously in the right direction. Effect of daily improvement of 1% over one year seen in **Figure 38**.

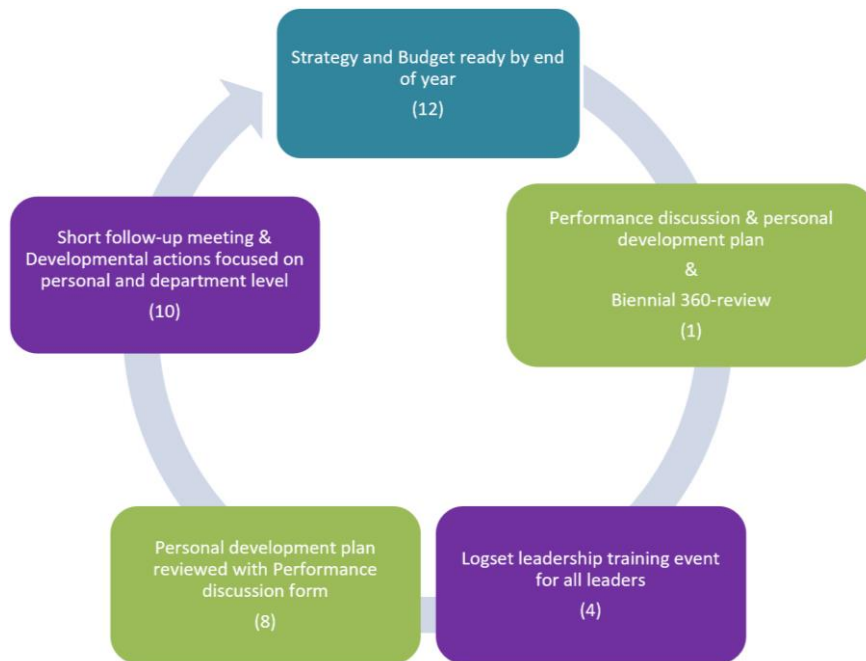
[183] Clear, James (2018), pp. 16.

Figure 39: Logset leadership development annual calendar.

Figure 39 is the annual calendar designed for Logset. The timing of other annual activities such as strategy work, budget preparation, exhibitions and performance discussions were considered when deciding the proper timings for each step. The Idea here is that when each year's budget and strategy is ready, the goals and targets are transferred to each leader's performance discussion form as individual targets and based on these also a personal development plan should be formulated for upcoming year.

A 360-feedback survey conducted every other year is also timed in the beginning of the year to set the direction for the rest of the year. To set the pace and foster a group cohesion of Logset leaders a bigger leadership training event, preferably and off-site is to be organized in the springtime. Decisions for bigger action points and further action calendar for the rest of the year should be formulated as a result of this event.

The first half of the year is time to focus on development efforts considering all leaders of Logset. After the summer holidays, a performance review works as mid-year evaluation of personal development goals. This will work as follow-up and further decisions on personal development such as required training or other development efforts can be decided.

The latter half of the year is the time for more concentrated development activities, such as department specific trainings and individual coaching. A short, one to two-hour follow-up meeting to monitor the advancement of the action points decided earlier should be also kept.
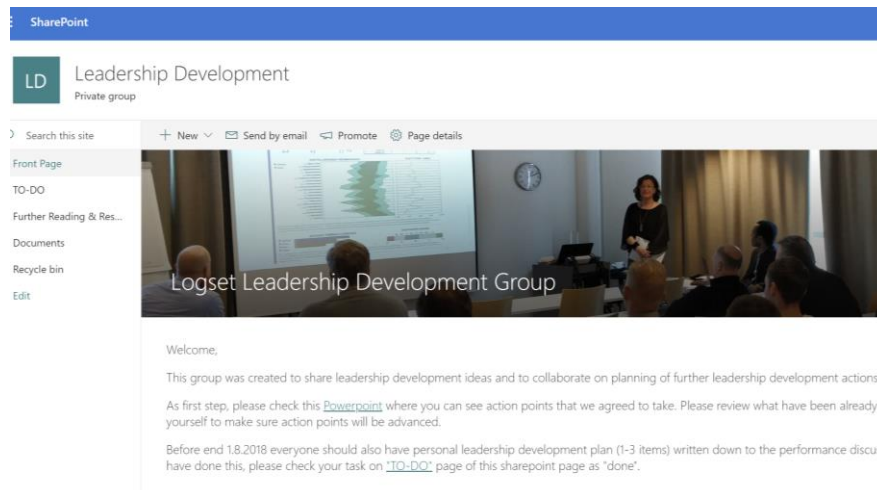

Figure 40: The first post to the Logset leadership development group.

To improve the information flow and create a platform for further discussion, an experimental SharePoint -page (**Figure 40**) for Leadership Development was created. A section for links and tips for further reading on leadership was added among with news, event calendar, document storage and TO-DO list sections.

8 Summary

It is remarkable how difficult it is to define the leadership, let alone measure it. Everyone in the business agrees that the leadership is critically important and bad kind of leadership or total lack of it impairs the organizational performance. However, when asked "what is leadership?" there is no uniformity in responses. Scholars, just like leaders seem to be similarly dispersed in their views, thus leadership research have stemmed large amount of different schools and approaches. Part of this dispersion can be accounted to the changed world which has called for new approaches and viewpoints. Some dispersion is caused by cultural aspects, seeing leadership in different light, when viewing it through different cultural lenses. Another driver for the dispersion is the merging of the findings from the social sciences and organizational sciences between the biology and neurosciences. One of the prominent trends seems to be the higher respect of followers and better appreciation of their knowledge. In general, it looks like mind-sets are slowly but steadily shifting from born solo-leaders towards leaders with frequent interaction with the followers, while growing and training their leadership capabilities.

Today leader's status is not inherited by bloodline but achieved by the merits and support of followers. Leader's behaviors are not thought as the results of ones fixed traits, but rather something to hone and adapt based on external feedback and situation. These shifts in mind-set's have ignited the whole new industry of leadership development with all its' side effects. From early days, the leadership development has also evolved from training merely technical and conceptual skills at in-class-trainings towards other methods such as coaching, mentoring, in-job-training and meta-skills such as scientific thinking and systems thinking. The focus on soft skills and a human side of the leadership has also led to better understanding about cultural differences and challenges that is evident in multicultural working environment. This is very important especially for Finnish companies because the size of the home market is rarely enough to allow healthy growth for the business. Although this is quite common in modern, global market environment everywhere, it is very different for businesses operating in smaller countries. Just like customers for most of the companies are found all over the globe, almost every industrial company needs an international supplier and partner network. Employees from multiple cultures with a wide range of languages improve the company's capability to operate in this international network of customers, partners, suppliers and political entities. Cultural diversity is a must for a company and this urges the leaders to adapt to new challenges risen from different cultures colliding and melting into one.

Continuous improvement (CI) philosophy seems to be understood quite similarly among scholars and different sources seem to share the same

foundation. However, in the business setting, CI seem to be widely misused and misunderstood. Lean-movement has popularized the idea so successfully that almost every development effort is now-days called as "lean" or "CI". The cyclic nature, value-chain orientation and making people doing the actual work responsible for the change is commonly forgotten. This happens naturally since these are not compatible with hierarchical top-down mind-set. This lack of clarity on what CI or Lean means are the first things that should be addressed, discussed and clarified to the whole company, before starting to implement any Lean or CI practices. A good way to initiate a discussion over the topic would be to shoot down the most common misunderstandings such as Taylorist ideology where instructions are written by the experts and process descriptions by top level executives. This is exactly opposite to what Lean philosophy stands for. To make things worse these new instructions and procedures are then handed over to mid-level managers who are expected to introduce these new ways of working to the people doing the actual work. The workers are then expected to follow these instructions and processes in orderly manner under the controlling eye of the manager. Leaders with the lean mindset recognize that people actually doing the work are the best ones to develop the practices and write instructions for them self to follow. Additionally, to better instructions that are easier to follow, accountability and motivation are also boosted. As Daniel Pink states in his bestseller book about motivation "Drive", the autonomy and mastery and purpose are the true drivers of motivation.

> *"Carrots and sticks are so last century. Drive says for 21st century work, we need to upgrade to autonomy, mastery and purpose." - Daniel H. Pink* [184]

In the thesis study, a 360-feedback survey for all the leaders of the Logset Oy was the first step to initiate the new practices and form right structures to facilitate continuous leadership development. While busy times, scarce resources and changed CEO's during the project brought significant challenges for schedule, scope and content of the thesis work and actions taken in the company all the targets of the thesis were met. Leadership paradigms relevant to the case company were over viewed. The analysis of the current state of leadership in the case company was conducted and based on these findings first actions were planned and implemented. Practices, such as the annual calendar, structured follow-up meetings and a biennial 360-feedback survey were introduced to make sure that leadership development at organizational level stays continuous also after the thesis work. The emphasis on the thesis was clearly more on the organizational level and while personal development plans were added to biannual performance review forms, this is alone is definitely not enough to have the sustained development of the leadership capabilities on a personal level. In the future, the

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[184] Pink, Daniel H. (2009) pp. 203.

company should zoom in to analyze different departments in more detail and find ways to encourage each leaders' personal development. The fact is that the leaders of the case company come from the very different backgrounds, their level of experience and education varies greatly and the teams they are leading are very different, with each having their own challenges. Study and actions on the level of whole company will not properly address these individual challenges. At first, this kind of broader view was the right choice. As Collins & Hansen point out, good leaders first zoom out to get the big picture and then zoom in to focus on the execution and details[185].

In retrospect the thesis study could have focused even more on meta-skills such as systems thinking and scientific thinking because the complexity and unpredictability increases every year. The understanding the weak signals and underlying trends is more and more critical for leaders on all levels, not just the top executives. The most timely and accurate information about the operating environment comes from the people working closest at organizations external interfaces. Apart from the most important interface, the frontline of the customer service the importance of other stakeholder interfaces such as suppliers, partners and governments should not be neglected.

The one of the biggest challenges for the case company on the road towards the better leadership is not the capability of leaders, but the organizations lacking structures for the leadership development. Partially affected by the recent organizational changes and partially by the traditions of the company, the responsibility for leadership development does not seem clearly assigned now, in-stead it seems to be a shared responsibility of a few. This applies to the knowledge management in more general as well. To solve this a company with this size could have a room for a Chief Operating Officer (COO), Chief Human Resource Manager (CHRM) or similar position to take responsibility of human resources, knowledge management and performance management. Some new recruitments have already been done to improve this situation and with the new CEO starting in the later this year the future looks really promising.

Another big challenge is the faint culture of continuous improvement. The continuous improvement and lean principles in some form have been used by many executives earlier in their career and these are seen as the right tools for developing the organizational processes and performance by many. Some tools and practices of continuous improvement and lean philosophy have been also applied across the company. It looks like the movement is in the right direction at this matter as well. That said, there is still a long way to go before we can say that there is a true culture of continuous improvement and lean thinking in the company.

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[185] Collins, Jim & Hansen, Morten T. (2011) pp. 158.

The main thing for the company to keep harvesting the benefits of this study is to follow and further improve the annual calendar set for the leadership development while redirecting the actions based on data collected from surveys and feedback loops. To keep up the pace and continuously improve the effectivity of the leadership in the company, the leaders should continue to leverage the strengths of effective decision making and people's clarity on the company's basic mission.

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