

Does e-Business Require Different Leadership Characteristics?

An Empirical Investigation

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Universal theories of leadership argue that all effective leaders share an identifiable set of common attributes. This suggests that the characteristics that have defined leadership in traditional bricks and mortar organisations are equally applicable to e-business. In contrast, contingency theories argue that a leader must match their environmental and organisational settings, suggesting that the different situational context of e-business will dictate a distinctive set of leadership characteristics. This paper empirically explores these opposing arguments. Data on the traits, behaviours and skills possessed by leaders of both e-businesses and traditional bricks and mortar companies were collected using a combination of questionnaire surveys and semi-structured interviews. Analysis of the data provides a degree of support for both arguments. The majority of characteristics possessed by leaders of traditional bricks and mortar organisations are found to be equally valued in the digital economy. There are, however, a certain number of characteristics that are emphasised within e-businesses. These include a propensity for risk taking, entrepreneurialism, networking ability, as well as the requisite technical skills.

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Introduction

Research into the characteristics of effective leaders has generated two contrasting theories. Universal

theories of leadership contend that there is 'one best way' of exercising leadership and that leaders share an identifiable set of common attributes. It is argued that leaders are discernibly different from other individuals and that the generic set of leadership traits and behaviours which sets them apart is universally applicable to all organisations and business environments (e.g. Lord *et al.*, 1986; Kirkpatrick and Locke, 1991). Contingency theories contest this view arguing that there is no one best way. Rather, effective leadership requires an executive to use a style and behaviours that match the context. The most appropriate leadership characteristics will be dependent upon the unique requirements of each organisation's personnel, life stage and environmental setting (e.g. Tannenbaum and Schmidt, 1973; Goleman, 2000).

The debate regarding these contrasting leadership theories has taken on a strong practical relevance with the emergence of e-commerce and the new business models and organisational forms it has heralded. At the peak of the Internet bubble, many commentators argued that the complex and rapidly changing demands of the e-world necessitated significantly different leadership characteristics from those of traditional bricks and mortar companies (e.g. Hagel and Armstrong, 1997). Rising levels of e-commerce activity and several high profile IPOs gave rise to a popular view that successful e-leaders needed to be innovative, risk-taking, if not maverick, individuals. Others claimed that e-world leaders were further distinguished by an obsession with creating new wealth and by being more charismatic, passionate and imaginative than those that lead traditional business (Hamel, 1999). The premise underlying these observations is consistent with contingency

theory in that e-business leaders are seen to require a set of characteristics that are tailored to their distinctive environment.

More recently, there has been a dramatic devaluation of internet stock prices and a shake-out of dot.com companies. In some quarters this has been partially attributed to the failure of 'e-world' leadership and concerns have been raised regarding the lack of 'traditional' management experience within many e-businesses (see for example, *Financial Times*, 30th March, 2001). As a result, there have been calls for greater representation of 'traditional, grey hair' experience within e-business leadership teams. The assumption here is in line with universal theories of leadership; the characteristics that define leadership in traditional bricks and mortar organisations are equally applicable to the e-world environment.

This paper sets out to empirically explore these opposing arguments. Data on the traits, behaviours and skills possessed by leaders of both e-businesses and traditional bricks and mortar businesses were collected using a combination of questionnaire surveys and semi-structured interviews. Analysis of the data allows us to explore the similarities and differences in leadership characteristics in these two different environmental contexts at the same point in time. Does e-business require a different leadership profile compared to traditional bricks and mortar organisations? In addition to addressing this practical question, the paper also provides an empirical contribution to the debate concerning universal versus contingency theories of leadership.

Leadership Theory

A Definition of Leadership Characteristics

Many definitions of leadership have been put forward, although most share the common assumption that leadership involves the process of influencing others towards the achievement of defined organisational goals. There is less agreement, however, regarding the characteristics that define a leader. Indeed, leadership has been variously defined in terms of an individual's traits, behaviours or skills.

The trait approach argues that leaders are characterised by an identifiable set of personality and cognitive traits. This maintains that leaders are discernibly different from other executives and that a generic set of leadership traits is universally applicable to any business environment. Although there is some discussion in the literature as to the precise set of traits that defines a leader, there is a degree of consensus

that all leaders display drive, motivation, honesty and integrity, self-confidence, courage and cognitive ability. (For reviews see Stogdill, 1974; Lord *et al.*, 1986).

Behaviourists also maintain that a universally applicable set of leadership characteristics can be defined. However instead of focusing on personal traits, they concentrate on the behaviours which leaders display. Research in this field indicates that leaders are distinguished by 'participative' behaviours, which include the delegation of authority and the avoidance of close supervision, setting expectations of high standards of performance, demonstrating interest and concern in their subordinates and facilitating participation in decision making (Yukl, 1994). Participative behaviours should, ideally, be complemented by other, more 'task orientated', behaviours. These include characteristics such as efficient resource allocation, the collection and dissemination of data for corporate planning and performance evaluation, and the ability to network in order to lobby for both resources and stakeholder support.

In addition to particular behavioural characteristics, an individual needs appropriate skills to be an effective leader. A widely accepted taxonomy for classifying leadership skills suggests that leaders require technical, interpersonal and conceptual skills to succeed (Yukl, 1994). Technical skills are necessary for managers to solve problems, evaluate performance and direct subordinates. Cross-functional experience and international exposure have also been shown to be early discriminators for chief executives, providing skills in general management and cross-cultural understanding respectively. Interpersonal skills, in particular communication skills, are important to build relationships with employees and other stakeholders, to articulate organisational goals and to persuade others to commit to them. Finally, conceptual skills such as analytical ability and industry understanding are argued to be essential for effective planning, problem solving and strategy formation.

Universal and Contingency Theories of Leadership

Theories which purport to explain the nature of leadership can be divided further into two broad categories. 'Universal' theories of leadership argue that the characteristics required of leaders will remain the same regardless of the stage of development of the organisation, the environment in which it exists, or the people who work in it. Effective leaders possess a generic set of personality traits and behaviours, which remain appropriate for all organisations and

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